

The 44th Singapore Economic Roundtable

By Cassandra Ho Jing Jing

The Society & Governance Department of the Institute of Policy Studies (IPS) held the 44th Singapore Economic Roundtable (SER) on 15 May 2026. Around 70 participants, including economists, academics, policymakers, and business leaders from the public and private sectors attended the meeting.

The 44th SER was divided into two segments. The first segment examined Singapore's macro-economic outlook and its implications for policy amid geopolitical tensions and economic disruptions resulting from global and regional conflicts. It featured Mr Claudio Piron, Managing Director for Global Research and Head of Asia FX and Rates Strategy at the Bank of America. The session was moderated by Mr Manu Bhaskaran, Adjunct Senior Research Fellow at IPS.

The second segment was a special session on digital trade. It featured Mr Tommaso Giardini, Associate Director for Digital Policy Alert at the St Gallen Endowment for Prosperity through Trade; Ms Zenice Tay, Senior Assistant Director for International Trade and ASEAN at the Ministry of Trade and Industry's ASEAN Division; Mr Hadri Sopri, Head for Trade Policy (APAC) at Amazon Web Services; and Mr Karl Duffill, Director for Strategy & Operations (Go-to Market) at Google Southeast Asia. Mr Gareth Tan, ASEAN Regional Lead for Government Affairs at GlobalFoundries, moderated the discussion.

Both discussion sessions were conducted under Chatham House Rule.

The full proceedings of the 44th SER will be published by IPS at a later date. A summary of the key issues discussed is presented below.

SESSION ONE: MACRO-ECONOMIC OUTLOOK FOR SINGAPORE

Continued Volatility in the Global Economic Environment

The global economy is likely to see a prolonged period of geopolitical and economic fragmentation shaped by intensifying rivalry between major powers, particularly the United States (US) and China.

The conflict in Middle East is expected to ease in the near term as President Trump seeks to improve his domestic political standing ahead of the 2026 US midterm elections. Despite its appearance of resilience, Iran's economy is suffering and the country needs to step up its oil exports. To do so, Iran will have to seek a pause to the conflict. Israel could act as a potential spoiler so, while it is likely that the conflict will calm, there could still be occasional disruptions.

Overall, this will mean that the Strait of Hormuz may partially reopen and oil prices are likely to fall as a result. However, risk premiums will remain high, and oil prices will likely still be around 15 to 20 per cent higher than pre-war levels for the rest of 2026.

Despite the generally better outlook on disruptions caused by the Iran war, tensions arising from trade and geopolitical competition are likely to continue. Pre-war tensions are likely to reassert itself, with President Trump likely to look for a win in other areas such as trade. Given that the US Supreme Court has ruled the tariffs as unconstitutional, President Trump may seek alternative means to fill the US\$136.4 billion trade gap. At the same time, the Chinese export surge acts as a second trade shock, in addition to President Trump's trade war. A backlash against China in Europe and in the Global South is likely to intensify, leading to protectionism as countries attempt to protect their domestic producers against highly competitive Chinese products. Additionally, as US and China's fundamental interests collide in the Western Pacific, geopolitical tensions are likely to persist.

Stresses are also building up in different parts of the financial system, with concerns in particular evident in global bond markets. The war with Iran has worsened the US fiscal position, and the Pentagon has requested an additional US\$200 billion for its defence budget this year. Furthermore, with the tariffs ruled as unconstitutional, over US\$160 billion in tariff revenue will need to be returned.

While Singapore's strong currency and increased capital inflows are positive signs, they may also contribute to challenges in terms of cost competitiveness. As a small and open economy, globalisation is both Singapore's greatest strength and its long-term challenge.

Increased Trust in Singapore

Singapore is increasingly perceived as a "safe haven" economy, with the Singapore dollar retaining its strength even through troubled times, much like the Swiss franc. In previous global financial crises, the options market would price a strengthening of the Swiss franc, and price a collapse of the Singapore dollar. However, investors are increasingly expecting the Singapore dollar to strengthen during global stress. Additionally, the spot exchange rate is correlating more and more with the Singapore dollar. This "Swissification" of the Singapore dollar suggests a changing view of the Singapore dollar as a stable alternative for investments and capital.

Global Macro Imbalances

Macro imbalances persist globally. The US current account deficit is over US\$1 trillion, while China's current account surplus is approaching US\$1 trillion. Additionally, the US international investment position — how much the US owes other territories against how much other countries owe the US — is now over 90 per cent of US's GDP. Traditionally, foreigners would buy low-yielding US bonds, and in return, the US invests in higher returns overseas. Being able to do so allowed the US to pay for its own borrowing. However, this system is dependent on continued foreign confidence in the US, which acts as a point of potential instability.

Changes and Reconfigurations in the Global Economy

The disruptions caused by the conflict in the Middle East have led to several ongoing and projected changes and reconfigurations to the global economic structure. Supply chain reconfigurations are likely to benefit India and Southeast Asia provided these states adopt appropriate policy responses. Singapore, for instance, is well-positioned to benefit from reconfigurations due to its institutional credibility, fiscal strength, strong policy framework, and reputation as a trusted hub for finance, trade, and investment. Furthermore, as aforementioned, Singapore is increasingly perceived as a “safe haven” economy.

Disruption caused by the Iran war and the closure of the Strait of Hormuz has highlighted the importance of the Straits of Malacca. Its surrounding states — Indonesia, Malaysia and Singapore — will need to build resilience against disruptions. Deterrence against big power interference in the management of the Straits of Malacca will also be key for surrounding states. New transportation routes may also emerge as governments seek to bypass existing transportation choke points, with Thailand’s proposed Kra Land Bridge exemplifying these recent efforts.

Technological innovation is also likely to accelerate. Artificial intelligence (AI) can act as an enabling technology that drives developments in renewable energy, material sciences, biomedical sciences, pharmaceuticals and so on. China is also likely to emerge as a leader in this process.

Discussion Session

Energy Security

A point of discussion was the energy insecurity issues exemplified by the rise in oil prices due to the Iran war. Participants raised questions about the implications of rising energy costs for AI development and other technologically intensive industries, which require substantial energy and resource input.

The speakers noted that the recent disruptions and rise in oil prices may accelerate longer-term efforts in diversifying energy sources and strengthening energy resilience. Even if oil prices fall as the conflict in the Middle East eases up, it remains uncertain if states will return to purchasing heavily from the region due to the geopolitical risks involved. Policymakers are likely to turn towards alternative energy sources such as solar power and nuclear power. China, for instance, has been making significant progress in nuclear fission technology, and will likely look towards exporting highly efficient nuclear reactors and bring down the levelised cost of electricity (i.e., the measure of the average net present cost of electricity generation for a generator over its lifetime).

Navigating Global Imbalances

The participants discussed the global trade imbalance and its long-term implications. Currently, China has a trade surplus, with a US\$1.2 trillion surplus in 2025.¹ Meanwhile, the US trade deficit continues to rack up, with bilateral tariffs instead diverting trade deficits to

¹ Chan, H. -H. (2026, January 14). China’s trade surplus surges 20% to a record \$1.2 trillion, even with Trump’s tariffs. *AP News*. <https://apnews.com/article/china-economy-trade-surplus-record-59f6fcc80ee3afc204a024f57766d319>

other parts of the world. At the same time, despite pushback against the Chinese export surge in Europe and in the Global South, China's tendency towards bilateral trade strategies may make collective pushbacks difficult.

The current imbalances in the global economy can be illustrated in three parts: Chinese underconsumption and overproduction, US overconsumption, and European underinvestment. Unusually, capital is now flowing "uphill": rather than richer countries investing in poorer countries, China and other countries with lower per capita GDP are increasingly investing into the US. The regular mechanisms that should correct these imbalances no longer seem to be working. Under normal conditions, countries that enjoy great export success should see an appreciation in their currencies, alongside a rise in domestic wages and costs. However, China's currency has not adjusted enough, and China is also witnessing overcapacity and deflation. Chinese policymakers appear to believe that the export surge reflect true competitive advantages and remain reluctant to make significant adjustments.

In the longer term, this may fuel growing resentment against China and a surge in protectionist sentiments. Speakers noted that the situation is particularly difficult as the world currently lacks a stable mechanism for resolving these global imbalances.

MSMEs and Navigating Economic Disconnects

Micro, small and medium enterprises (MSMEs) face significant challenge as Singapore strengthens as a trusted global financial hub and "safe haven" economy. MSMEs compete primarily on cost and efficiency while operating on relatively thinner margins, and with the Singapore dollar becoming stronger and "Swissified", exports are likely to become more expensive, reducing the cost competitiveness of MSMEs. Discussions revolved around current policy support mechanisms and if these mechanisms are sufficient to help MSMEs adapt and remain competitive under increasingly demanding conditions.

Speakers stated that the strength of Singapore's currency provides credibility for the state, which is important to secure investments coming into the country. At the same time, MSMEs will need to become more productive, and the state needs to assist MSMEs in doing so through subsidies and a dedicated MSME support ecosystem — for instance, dedicated MSME banking or apprenticeship schemes.

Industrial Policies in the Global Economy

Discussions touched on the renewed importance of industrial policy and innovation ecosystems in an increasingly fragmented and technology-driven global economy.

Participants questioned whether countries could remain competitive without actively supporting strategic sectors such as AI, semiconductors, advanced manufacturing and energy infrastructure. Speakers emphasised that competitiveness increasingly depends not only on market forces, but also on ecosystem-building, venture capital access, technological upgrading and state support for resilience and innovation. Today's political economy may make it difficult for countries to avoid industrial policy entirely, especially with the success that China has reaped from their own industrial policy. Europe seems to be going towards some form of industrial policy with the Industrial Acceleration Act. Therefore, industrial policy is likely

to retain, although it remains unclear how industrial policy will be implemented and operationalised.

ASEAN Regional Coordination and Global Impact

The participants asked about the extent to which ASEAN can respond collectively to ongoing geopolitical and economic shifts, especially as Southeast Asia becomes increasingly important in the global supply chain diversification and stands to benefit greatly from changing trade and investment flows. Singapore is unique in its position as an intermediary between India and China, and it can benefit from playing a stronger role to facilitate trade in the region. Speakers noted, however, that ASEAN currently lacks strong collective leadership and may be limited in its ability to coordinate regional responses beyond broad policy statements.

SESSION TWO: SPECIAL SESSION — DIGITAL TRADE

Regulatory Fragmentation as a Challenge to ASEAN's Digital Economy

A key challenge to ASEAN's digital economy is regulatory fragmentation. With each country having different policy concerns, focuses and contexts, countries naturally will develop diverse digital trade regulations. Unlike traditional regulations, digital regulations have cross-border spillovers as digital services inherently operate across jurisdictions. Regulatory fragmentation occurs when diverse regulations become uncoordinated and incompatible, thereby hindering cross-border digital trade and market integration.

Fragmentation risks breaking the global digital economy into disconnected regulatory blocs rather than a seamless international marketplace, and this issue is salient in the ASEAN context, as ASEAN economies differ greatly in terms of regulatory maturity, digital infrastructure, expertise and policy priorities. ASEAN member states also tend to approach digital governance from different starting points, with some already participating in advanced digital economy agreements, while others are still focused on developing foundational domestic digital regulatory frameworks.

Regulatory fragmentation and inconsistent rules and standards increase uncertainty for firms, especially for MSMEs. Businesses are forced to navigate multiple different compliance systems, data regimes and processes, forming a sort of “invisible red tape” that discourages and deters firms from tapping into regional markets and engaging in digital trade, thus slowing digital trade and weakening competitiveness. MSMEs in particular struggle to keep up with the increased compliance costs.

The speakers noted that regulatory fragmentation is not an issue that is easily solved overnight. Digital economy agreements within ASEAN such as the ASEAN Digital Economy Framework Agreement (DEFA) tend to be long-term efforts requiring years of consensus-building among member states.

Unifying the ASEAN Digital Market Through DEFA

The ASEAN Digital Economy Framework Agreement (DEFA) is a landmark initiative aimed at navigating diverse regulations, facilitating seamless digital trade and cross-border data flows, and harmonising standards to reduce regulatory fragmentation. According to a scoping study

by the Boston Consulting Group commissioned by ASEAN member states, full and successful implementation of the DEFA across ASEAN can double the value of ASEAN's digital economy. Speakers noted that businesses increasingly view ASEAN as a potential unified digital market with 684.1 million potential consumers. Originally projected organic growth of the ASEAN digital economy is expected to reach US\$1 trillion in 2030, but this growth is expected to leap to US\$2 trillion by 2030 with the help of DEFA.²

DEFA seeks to establish common rules and standards in key enablers of the digital economy, such as digital trade, cross-border e-commerce and e-payments; and address developments such as AI governance, data protection and source code cybersecurity. Moreover, DEFA seeks to explore further cooperation in emerging areas.

Nevertheless, speakers noted that the signing of the DEFA is merely a starting point, as implementation will likely to be both tedious and crucial to its success. Since ASEAN member states differ in levels of digital readiness, member states will need to take some time after DEFA is signed to ratify the agreement. Furthermore, intensive in-market capacity building and joint capacity building will be vital for the success of DEFA in its implementation. Extensive industry engagements will also be key to communicate the benefits of DEFA and help to seamlessly incorporate its commitments into each state's domestic framework.

AI and Digital Trade

AI is an emerging area for digital trade and the digital economy. Speakers highlighted its potential as a transformative economic opportunity but also noted that AI will pose a significant policy challenge in domestic and regional policy.

The transformative opportunities that AI provides are clear: AI tools can support activities such as customer service, business planning, logistics management, content creation, and data analysis. For MSMEs, AI has the potential to significantly lower barriers by alleviating the operational costs of such activities, thus granting them access to capabilities previously available only to large corporations. By levelling the playing field, AI tools help MSMEs benefit from a large global digital market and empower MSMEs to compete at a global scale without being limited by size and resources.

At the same time, concerns around regulatory fragmentation are intensified by AI. AI-related governance is currently fragmented across jurisdictions: existing trade commitments are insufficiently coordinated to address these challenges as they tend to be focused on cooperation, information sharing and dialogue on governance principles rather than binding obligations. Different states also have different national approaches to AI regulation, data governance, cybersecurity, and source code protection frameworks.

Speakers emphasised that AI adoption cannot succeed purely through infrastructure and rules, and stressed the importance of skilling, digital literacy and capacity-building. Without

² ASEAN Secretariat. (2023). *Study on the ASEAN Digital Economy Framework Agreement*. Boston Consulting Group. https://asean.org/wp-content/uploads/2023/10/ASEAN-Digital-Economy-Framework-Agreement-Public-Summary_Final-published-version-1.pdf

broader adoption and understanding, there is a risk that AI may disproportionately benefit large firms and technologically sophisticated actors while leaving MSMEs behind.

Discussion Session

Impact of DEFA and Compliance

Referring to prior discussions on the potential global impact of ASEAN, participants asked if DEFA could make waves in digital trade and in the digital economy, especially considering ASEAN's diverse nature. Some also asked about Singapore's role in DEFA, especially considering Singapore's ASEAN chairmanship in 2027.

Speakers highlighted that Singapore aims for DEFA to enter into force in 2027 but noted that to do so would be a challenge given the differing levels of digital readiness among ASEAN member states.

Another challenge is the difficulty states may face in calling other states out for noncompliance or unalignment. Currently, there are no set solutions for enforcement of agreement clauses and state-to-state dispute resolution. An AI tool to assist governments with monitoring and aligning their domestic laws with commitments is currently being explored for the World Trade Organisation's (WTO) E-Commerce Agreement (ECA). This allows for gap assessments to be automated, allowing for effective and efficient assessment for all 66 WTO members across 17 ECA commitments. A DEFA extension can be built into the tool, allowing ASEAN member states to better monitor and align with DEFA.

US-China Competition and the "AI Trilemma"

Geopolitical competition — particularly between US and China — has a growing influence on the future direction of digital trade. Speakers described the situation between the US and China as interlocked. While China possesses rare earth resources, the US currently holds the most advanced chips on the market. At the same time, the US and China are increasingly competing over technology-centred strategic points such as AI-related developments. This is likely to have downstream effects on supply chains and digital economy developments in Southeast Asia.

Using these geopolitical tensions as a launchpad, participants asked about the emergence of competing AI stacks from China and the US — in particular, about an "AI trilemma" forming around security, affordability and sustainability. The Chinese AI stack is more affordable and may be more attractive for Southeast Asia, especially for countries that do not have potential resources. At the same time, security concerns may drive countries towards the US AI stack.

The speakers noted that for ASEAN, the consideration should be less about which solution to choose, but more about defining regulatory standards and conditions that these solutions can operate under. Consequently, suppliers will have to meet the standards or exit the market.

MSMEs Inclusion in ASEAN's Digital Transformation

Participants questioned if ASEAN digital transformation will benefit MSMEs or instead further the divide between MSMEs and large corporations in light of DEFA and increasing AI adoption. While MSMEs constitute the vast majority of businesses in ASEAN, many remain digitally

underprepared. Many businesses are not yet digitised, much less adopting and using AI. Traditional MSMEs also risk falling behind as business owners and workers cannot afford the time to train and upskill away from their day-to-day operations. Meanwhile, large firms and tech-savvy entrepreneurs are in a far better position to digitise, capitalise on AI tools and tap into digital trade markets. If digital regulations are not implemented properly, they can unintentionally increase administrative burdens and compliance costs for MSMEs.

The speakers reiterated that the DEFA is merely as a starting point, acting as an enabling framework rather than a complete solution. DEFA is intended to create conditions for safer and more seamless digital trade and to function as a “living framework” that evolves in response to new developments. Substantial follow-up efforts in skilling, outreach, implementation support, extensive industry engagement and capacity-building are required to translate the opportunities that DEFA provides into meaningful benefits for MSMEs.

Importance of Public-Private Partnerships

Extensive government collaboration with industries, tech providers and educational institutions is crucial to successful implementation and operationalisation of agreements like DEFA. At the same time, governments should not bear sole responsibility for operationalising digital trade agreements, as they may not have the relevant tech expertise or implementation capacity to operationalise highly technical digital rules independently. Digital trade agreements require an operational approach that actively involves private sector expertise in building interoperable systems, developing implementation tools, and supporting adoption across industries. Industry actors may also have practical knowledge about how systems function in real situations that are valuable to operationalising agreements.

Speakers also noted that AI tools and digital systems can only be as useful as the people using them, and adequate training and skilling can be provided through public-private partnerships and collaborations to help ensure successful digital transformation.

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