Scenario two: fragmentation and neutrality

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

Assumptions

The second scenario assumes that the rivalry between the United States and China, examined in Chapter V of this part, hardens into a division of the world economy. Tariffs rise and stay high. On 2 April 2025 the President of the United States announced a baseline tariff of 10 per cent on imports from all countries not subject to higher rates, which took effect on 5 April 2025.[1] Singapore fell under the baseline rate.[2] In the scenario, export controls on semiconductors and artificial intelligence spread to further technologies, financial sanctions multiply and secondary sanctions reach intermediaries in third countries. Capital flows follow political alignment, while payment systems, data rules and technical standards diverge.

Two variants

Because fragmentation can affect Singapore in two opposite ways, the scenario has two variants. In the first, the beneficiary variant, Singapore becomes the preferred neutral ground between the blocs. Companies from China, the United States, Europe and India that need a regional base with a predictable legal system choose

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Singapore because it belongs to neither bloc. Wealthy families seek a jurisdiction that both sides respect. The private wealth migration estimates of Henley & Partners for 2025, which projected a net inflow of 1,600 millionaires to Singapore and of 800 to Hong Kong, illustrate the kind of movement this variant would amplify.[3] Such estimates are based on private methods and should be read as indications of direction.

In the second, the squeezed variant, the blocs ask Singapore to choose. The United States uses its control of dollar clearing and its secondary sanctions to restrict dealings with Chinese counterparties, while China uses its control of investment flows and market access to discourage alignment with Washington. Singapore banks, which clear dollars through correspondent accounts in New York and serve Chinese clients in Singapore, find themselves between two legal orders. Chinese families who moved assets to Singapore become subject to scrutiny in both directions. Trading houses lose the freedom to deal with all counterparties, as Chapter IV of Part H showed in the case of sanctions against Russia.

Neutrality without a doctrine of neutrality

Singapore is not neutral in the Swiss sense. It has no doctrine of permanent neutrality anchored in international law and maintains close defence relations with the United States, while trading heavily with China. Its foreign policy, described in Chapter IV of Part F, rests on strategic balance: the cultivation of good relations with all major powers, the defence of international law and the multilateral order, and a refusal to be drawn into blocs. In a fragmented world, this posture is an asset as long as both blocs see it as credible. It becomes a liability if one of them interprets it as a channel for evading its measures.

Credibility depends on concrete conduct. Singapore applies the sanctions of the United Nations Security Council and, since 2022, a set of targeted export controls and financial measures against Russia that Chapter IV of Part H examined.[4] It does not follow every unilateral sanctions regime of the United States or the European Union. In the fragmentation scenario, the boundary between what Singapore applies and what it leaves to the risk management of its banks becomes the decisive

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question. The banks themselves, which depend on access to the dollar, will in practice apply American secondary sanctions more widely than the law of Singapore requires.

Conditions

The beneficiary variant depends on three conditions. The first is a reputation for impartial courts and arbitration, which allows parties from opposed blocs to trust the same forum. Chapters II and III of Part F described the Singapore International Arbitration Centre, the Singapore International Commercial Court and the Singapore Convention on Mediation, which give the centre that function. The second is a credible record of sanctions compliance, which reassures both Washington and Brussels that Singapore will not become a hub for evasion. The third is the stability of the Singapore dollar and of the financial system, which Part D traced to the reserves accumulated since the 1970s.

The squeezed variant would test the depth of the centre's relationships. Singapore would retain its role in Southeast Asia, India and the Middle East, which belong to neither bloc, while losing part of its role as a bridge between China and the West. The scenario thus illustrates why the diversity of the client base, noted in the first scenario, is also a defence against geopolitical risk.

Signposts

Indicators of fragmentation include American secondary sanctions directed at banks in third countries, Chinese restrictions on the outward transfer of private wealth, divergent standards for payments and digital currencies in the two blocs, and the relocation of regional headquarters to Singapore from Hong Kong or from China itself. Indicators of the squeezed variant include requests by either power for Singapore to restrict the activities of named companies and a rising number of de-risking decisions by correspondent banks.

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Notes

1. Wikipedia, "Liberation Day tariffs" (accessed November 2026): announced on 2 April 2025; a baseline 10 per cent tariff on "all countries not subject to other sanctions", in effect from 12:01 a.m. EDT on 5 April 2025. ↩
2. Wikipedia, "Singapore–United States relations" (accessed November 2026): the 10 per cent universal tariff announced in April 2025 "effectively imposed a 10% tariff on Singapore as well". ↩
3. Henley & Partners, press release "Henley Private Wealth Migration Report 2025" (henleyglobal.com, accessed November 2026): projected net inflows for 2025 of +9,800 for the UAE, +7,500 for the USA, +3,000 for Switzerland, +1,600 for Singapore and +800 for Hong Kong; net outflows of –16,500 for the UK, –7,800 for China and –3,500 for India. ↩
4. Ministry of Foreign Affairs, press statement "Sanctions and Restrictions against Russia in Response to Its Invasion of Ukraine", 5 March 2022 (mfa.gov.sg, accessed November 2026): ban on the transfer to Russia of all items on the Military Goods List and of certain categories of the Dual-Use Goods List under the Strategic Goods (Control) Order 2021; prohibition on dealings with VTB, Vnesheconombank, Promsvyazbank and Bank Rossiya and freezing of their assets; prohibition on new securities purchases, loans and fund-raising for the Russian government and the Central Bank of Russia; see Part H, Chapter IV. ↩

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