

# **Cabinet D — Economy**

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## **Introduction To Council**

Dear representative,

Welcome to Cabinet D: Economy! The presidents warmly welcome you as we engage in three days of rigorous study and discussion. We would like to stipulate the purpose of the council, our mandate, our principles, and our goals.

The various ministries and statutory boards of the cabinet assemble to discuss pertinent issues that substantially affect Singaporeans. Members play a vital role in enacting inclusive and targeted policies. Furthermore, the cabinet aims to introduce representatives to the reality of policy making by reflecting real-world governance where trade-offs are inevitable.

An effective government must first understand its role and, by extension, its mandates. The cabinet of education aims to oversee management and development of the nation's education system, from primary schools to tertiary educational institutions. Besides sometimes competing interests, ministries and statutory boards have respective powers which cannot be overruled. While legislative power lies with the cabinet, its members control aspects of our society.

The mandate of this cabinet is rooted in the constitution, guaranteeing the right to education and forbidding discrimination. While the cabinet aims to ensure compulsory education, tackle inequality, and nurture academic excellence and good character development in its students, it faces challenges due to the constraint of manpower and resources, global uncertainties and rising expectations, as well as ensuring quality and accessibility of education in Singapore.

The objective of the Cabinet remains addressing pressing concerns while managing trade-offs. As representatives, the onus of representing competing priorities and engaging in diplomacy falls upon you. Alas, the president is excited to see substantive debate during the conference, but also wishes to see you grow as representatives and as people. So speak, write, and argue to garner as much as knowledge as possible from Singapore Model Cabinet 2026!

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# **Topic 1: Should there be more regulation of digital currencies?**

## **Introduction**

Digital currencies largely refer to digital representations of value that act as a medium of monetary exchange or storage of value that is facilitated through shared digital record keeping systems. Forms of digital currency include privately issued cryptocurrencies such as Bitcoin and Ether, stablecoins tied to state issued currency accepted by law, tokenised deposits issued by established financial institutions, and central bank digital currencies (CBDCs) issued or backed by monetary authorities (BIS, 2023a). While the governance structure, stability and intended use of different forms of digital currency vary, they collectively reflect a fundamental shift on how money, payment, and assets operate in an increasingly digitalised global economy.

In the aftermath of the 2008 global financial crisis, public trust was eroded in traditional financial institutions, prompting a pivot to decentralised alternatives like digital currency (Shin, 2022). The first cryptocurrency, Bitcoin, was introduced in 2009 (Marr, 2021) to establish a peer to peer electronic cash system without regulation by central bodies. Over time, cryptocurrencies evolved from mode of payment to investments assets driven by price speculation, attracting retail and official organisational participation. Comparatively, stablecoins were developed in response to challenges such as unstable prices and the difficulty of supporting a large number of users in order to preserve digital efficiency while attempting to maintain stable prices through asset backing. More recently, central banks have been exploring research and pilot programmes on CBDC, reflecting the need for sovereign issued digital money in order to protect the state's authority over monetary policy and modernise payment systems (BIS, 2023b).

In today's global financial system, digital currencies occupy an increasingly prominent and contested role. Cryptocurrencies have been subject to rapid increases in value followed by sharp collapses, suggesting that its value is often driven by speculative sentiments rather than being governed by economic fundamentals (IMF, 2023a). Lately, stablecoins have been more commonly used for cross border payments and financial applications not managed by governments. However, unexpected episodes like the collapse of stablecoins run by algorithms revealed cracks related to management by governing authorities, such as whether there are sufficient reserves and the risk of chain reaction problems in the economy or financial systems. At the same time, more than 100 economic regions worldwide (Eurofinance, 2025) are actively exploring or piloting CBDCs seeing them as tools to enhance payment efficiency, financial inclusion, and resilience against the growing influence of privately issued digital money

Singapore's approach towards digital currencies is shaped by the necessity of maintaining its reputation as a global financial hub and being an open trade dependent economy. The Monetary Authority of Singapore (MAS) has developed solution frameworks that are technology-neutral and risk-based, recognising the unique risks associated with each form of digital currency. Singapore's framework for digital currency regulation, the Payment Service Act, focuses more on monitoring digital payment token (DPT) service providers for illicit financial practices such as money laundering or terrorism sponsorship rather than guaranteeing price stability or investment outcomes (IMF, 2023b). This regulatory principle is also reflected in Singapore's general financial strategy of encouraging innovation while maintaining financial integrity and stability.

On top of baseline regulation, Singapore has been embarking on modern innovations through controlled environments for testing new financial technologies (also known as sandboxes) and public-private collaborations. Significant regulatory projects include Project Ubin and Project Guardian. Launched by MAS with the support of industry stakeholders, Project Ubin explored the use of shared digital record keeping for securing high value money transfers between banks and institutions, demonstrating potential efficiency gains from central bank issued money in digital form (MAS, 2022a). Building on this foundation, Project Guardian examines the practicality of converting real world assets to unique, non sensitive digital representations (called tokens) and decentralised finance online applications. With Project Guardian, Singapore aims to position Singapore as a testbed for responsible digital asset innovation rather than for unregulated experimentation (MAS, 2020). Such initiatives display Singapore's commitment to developing digital currencies rather than just putting in place protective measures.

Recently due to global developments, greater attention has been paid to digital currency regulation. In Europe, the European Union (EU) has created a unified framework in governing digital currencies, stablecoins and service providers across member states so as to reduce regulatory inconsistencies and enhance consumer protection (European Commission, 2023). While in the United States (US), regulators have gone with a more enforcement driven approach, contributing to the international debate over investor autonomy and government intervention (SEC, 2023). Contrastingly, China has banned most private cryptocurrency activities while accelerating the rollout of its digital yuan at the same time, highlighting how digital currency regulation relates to issues of state authority and the larger geopolitical strategy (PBoC, 2022).

At the international level, major institutions have increasingly emphasised the need for coordinated global governance. An international organisation, the Financial Stability Board has issued recommendations for the regulation and supervision of digital currency activities in each country, warning that inconsistent national rules may result in uneven regulations and cross-border risk (FSB, 2023a). Similarly, the G20 forum has prioritised digital asset regulation as part of their broader agenda to improve cross border payments and ensure global financial stability (G20, 2023). Such major developments in regulation suggest that the issue of digital

currency is no longer limited to each region but are matters for the international economic community.

In the face of local risks and evolving international norms, Singapore has steadily refined its regulatory policies for digital currencies. MAS has introduced enhanced risk disclosures and restrictions on public advertising of digital tokens (MAS, 2023). Furthermore, MAS has strengthened requirements on ownership, governance, and technology risk management for service providers. These measures signal a transition from early stage testing towards standardising policy, making Singapore's policies more in tandem with emerging global norms while giving space for innovation. To date, Singapore is highly participative in international standard-setting efforts led by BIS, IMF and FSB, willingness to work with other countries on regulations (International Cooperation, n.d.).

Ultimately, the question of whether there should be more regulation of digital currencies cannot be confined to a purely domestic lens. On one hand, over-regulation risks losing innovation opportunities to other countries. While on the other hand, insufficient management exposes the economy to instability, high risk speculative behaviour and disruptions to economic systems.

Representatives must consider how regulation of digital currencies can be further strengthened, whether through global cooperation, unified standards, or supernational oversight authorities. The central challenge for Singapore is striking a fragile balance between retaining its position as a trusted global financial hub and its aspiration to be a leader in digital finance innovation, while navigating a global regulatory system that is becoming more complex and linked.

## Timeline of the Development of Digital Currency

Date	Event
2014	The earliest form of digital currency regulation in Singapore emerged in 2014, when the MAS took a proactive stance by focusing on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) risks. Recognizing that technological advances offered more inclusive financial services but also more complex financial crime risks, MAS encouraged institutions to make AML/CFT an organizational priority. This involved implementing proper oversight from boards and senior management, fostering strong risk awareness, and conducting thematic inspections to detect material lapses in control processes.
2017	To provide further clarity for the burgeoning industry, MAS established that digital tokens constituting financial capital would be regulated under the Securities and Futures Act (SFA). This applies to tokens that represent assets like shares in a company or debt instruments. By bringing these tokens under the SFA, MAS ensures that any entity providing capital markets and financial advisory services related to digital assets follows the same rigorous standards of conduct and disclosure as traditional financial institutions.
2020	A major milestone was reached in January 2019 when the Payment Services Act (PS Act) was passed to govern various payment activities, including domestic and cross-border money transfers. The PS Act officially came into force to establish a dedicated licensing regime for digital payment token (DPT) service providers, making Singapore one of the first regulators globally to impose formal risk management principles on digital asset players. Under this regime, MAS has issued 33 "Digital Payment Token Service" (DTSP) licenses as of 2025, effectively raising the compliance threshold and allowing licensed giants to gain higher trust and cooperation opportunities from traditional financial institutions.
2022	MAS approved major stablecoins for use in payments, specifically granting licenses to issuers like Circle and Paxos. Circle Internet Singapore operates as a licensed Major Payment Institution, managing a local reserve structure for USDC and collaborating with local banks such as DBS and UOB for fund custody. Similarly, Paxos Digital Singapore was approved to issue USDG (Global Dollar), which is the first locally compliant stablecoin issued under the MAS stablecoin regulatory framework. These approvals mandate that stablecoin assets are supported by 1:1 reserves and subject to regular third-party audits to ensure transparency and consumer protection.
2023	The PS Act serves as a single, unified licensing and regulatory framework for a wide array of activities, including e-money issuance, merchant acquiring, and DPT services. This consolidated approach provides regulatory certainty for fintech firms like FOMO Pay and XREX while ensuring compliance with international standards such as the FATF "Travel Rule". By streamlining these various payment and token services under one act, Singapore has anchored its position as a compliance bastion in Asia, attracting global crypto giants to utilize the city-state as a hub for regional expansion.

## **Background Information of Digital Currencies**

Digital currencies are forms of money that are only available in the virtual world. These currencies can be used to procure goods and services, while digital systems are used to record activities. There are different kinds of digital currencies. There are those created and run by private individuals or groups (not governments) and examples include cryptocurrencies such as Bitcoin and Ethereum. There are also stablecoins, digital currencies that aim to keep their value stable, and connected to real-world assets, such as government money. Also, some banks make a digital version of customer deposits (Verdian, 2025) and central banks may issue their own money which is a central bank digital currency (CBDC). Various digital currencies are created for different purposes. Thus, they all have different risk profiles and are indicative of how money and financial systems are changing in a digital world.

Digital currencies gained traction after the global financial crisis of 2008. Many individuals lost faith in conventional banks and financial institutions during this crisis (Crujisen. Haan. Roerink., 2020). Bitcoin was the first cryptocurrency introduced in 2009 (Lee, 2025). It served as an alternative to traditional banking as the design of bitcoin allowed people to send money directly to one another online, without banks or a government's involvement. However as time went on, people started using cryptocurrencies less and less as a payment method for goods and services and started merely holding them for investment (Forbes,2022). This attracted not only retail investors but also corporate investors and financial institutions.

Digital currencies, including cryptocurrencies, have gained prominence in the global financial system, but also controversy. In particular, cryptocurrencies often get a bad reputation mainly because prices soar and tumble significantly. Experts argue that these trends are indicative of how prices are set by speculative money or demand and not a real economy. In other words, cryptocurrencies have wide price fluctuations in a short time frame due its dependence on market sentiments. This feature makes them risky and unsuitable for everyday payment use (Kyaw, 2025).

Stablecoins were created to address this problem. Stablecoins have a consistent value that is usually the result of backing with real assets such as a government-issued currency or security. This facilitates the use of these payment methods across borders. If stablecoins are poorly managed, or if they do not have enough assets backing their value, then those can fail too. These failures have raised serious doubts about the safety and reliability of the stablecoin ecosystem and whether they pose wider risks to the financial system.

More recently, central banks globally have started to experiment with CBDCs which refers to the digital version of an official currency of the country issued by the central bank (Atlantic Council, 2025). Currently, more than 100 countries and regions are trialing CBDCs. Unlike cryptocurrency, these CBDCs are government backed money or legal money. Central banks are

studying CBDCs to enhance their payment systems, foster faster and cheaper transactions, improve access to financial services and retain monetary policy control in the world of private digital currencies.

The use of stablecoins in international payments and digital financial services is growing, but so are the risks – especially after several high-profile failures. At the same time, governments are concerned that private digital currencies could weaken their control over national financial systems, which is why many are developing their own CBDCs (J. Normandin, 2025).

In recent years, regulating digital currency has captured the attention of the world. The EU seeks to set up a common set of rules for virtual currencies and service providers in the EU with a view to consumer protection and lowering regulatory discrepancies (Regulating Crypto-Assets in Europe: Practical Guide to MiCA, 2024). These measures will help to protect the interests of consumers dealing with crypto assets. In comparison, the US adopted a stricter enforcement based approach where regulators take action against companies who breach existing norms.

Global organisations like the International Monetary Fund and the Financial Stability Board have highlighted the need for international cooperation to regulate digital currencies (International Monetary Fund, 2021). The G20 is encouraging the regulation of digital currency to enhance the international payment system and protect the world economy. These developments highlight that digital currencies are now no longer national issues but a global issue.

Consequently, as a result of domestic threats and global developments, Singapore has become stricter on her digital code laws. MAS has rolled out clearer risk warnings for consumers and limited public advertising of the digital tokens. The rules regarding the firm's ownership, management and technology risk control have also tightened (Kong & Goh, 2025).

To answer the question of how much digital currencies should be regulated, we will need to consider the wider implications as with the ease of transmission across borders, weak or inconsistent rules can lower consumer protection and raise financial risks. Excessive regulation may drive innovation overseas, while insufficient regulation may contribute to disorder and harmful bets. Considering how strengthening digital currency regulation can occur through international cooperation, common standards, and coordinated oversight, Singapore now faces the question of how to balance its status as a trusted global financial centre with its ambition to lead digital finance innovation in a complex global regulatory environment.

# Key Issues (KIs) Surrounding Digital Currencies

## **KI 1: High Volatility and Speculation**

One of the most serious challenges of digital currency technologies relates to its sharp price volatility and speculative behaviour of its users. Volatility is a measure of how quickly and unpredictably the prices of assets change. Unlike the Singapore dollar and the US dollar, digital currencies are not normally supported by a central bank, interest rate policy or official government guarantees. However, they depend mostly on the sentiment, expectations and behaviours of the investors which are changeable (rather known as speculative behaviour) (IMF, 2023). Thus, retail investors and everyday users consider these cryptocurrencies to be quite unsafe.

Volatility in prices causes instability in the economy and society. Price volatility can create problems for anyone but the risks are disproportionately high especially for young individuals, or inexperienced investors who do not recognise the risks associated with digital assets. When a financial loss occurs suddenly, it can lead to depletion of household savings, increase in debt, and the erosion of trust in the financial system. Cryptocurrencies are often too unstable to be used as a secure medium of exchange. As consumers and businessmen, this translates to increased caution when making purchases or investments. As a result, many digital currencies function more as a speculative asset than as money.

Digital currencies are very volatile because of structural reasons. Many digital asset markets are relatively small compared to traditional markets. Large trades by a small number of investors known as “whales” have a serious impact on prices. The information in the digital currency market is sometimes unevenly distributed or unclear. There is little visibility on most projects, including the audited financials and governance. As a result, retail investors may end up relying on online forums, influencers, or social media trends which increase the possibility of herd behaviour (OECD, 2023) that may be detrimental to their investments.

Moreover, digital currency markets operate 24 hours a day across borders, without the safety mechanisms present in traditional markets. Panic selling and irrational buying are not slowed down by trading halts, price limits, or emergency pauses in trading. As a result, fear or hype can spread globally almost instantaneously, causing rapid price changes. Global reactions can occur within minutes due to news that includes exchange breakdowns, regulatory news, or geopolitical events (Deriv, 2024).

Speculative behaviour is one of the most important causes of volatility. When individuals buy a good not for its utility but to benefit from a price change, it is called speculation. When it is about digital currencies, numerous investors buy tokens in the hopes that the prices will increase shortly, rather than using these for payments or financials. This boom and bust economic cycle happens due to excessive hype and optimism followed by a crash. The IMF has cautioned that these cycles could bring substantial financial damage and widen wealth inequality as the bulk of losses tends to fall on late-arriving retail investors (IMF, 2023).

Psychological factors also drive speculation. When one is afraid of missing out, one feels pressured to buy because it looks like they are missing out on something. Celebrities, online communities, and influencers can also amplify these unrealistic expectations and the fact that there is no single party accountable for decentralised digital currencies makes it difficult to hold anyone accountable for misleading claims (Bertoletti & Treiblmaier, 2025). These dynamics raise the chances of bubbles and sudden disintegration.

Comparatively, stablecoins are often marketed as a volatility solution since they tend to hold a consistent value pegged to the US dollar. Nevertheless, recent incidents have demonstrated the risks associated with stablecoins. Failures of algorithmic stablecoins revealed design, governance, and problems with the assets backing tokens. When trust in these systems broke down, users rushed to withdraw their funds, leading to swift losses and market chaos. According to the Financial Stability Board (FSB), popular but instructionally unregulated stablecoins could pose risk to financial stability, especially essential payment instruments (FSB, 2023).

Speculative behaviour is dangerous in more ways than one. As the linkages between hedge funds and payment systems grow with that of traditional financial institutions, volatility in digital assets could spread to the financial system. The BIS warned that increasing connections between crypto markets and conventional finance could lead to a rise in systemic risk in times of economic stress (BIS, 2023).

Countries respond differently to these threats. As part of its crypto regulatory strategy, the EU created the Markets in Crypto-Assets (MiCA) regulation which sets clear legal requirements to enhance transparency, mitigate market abuse, and limit risks associated with stablecoins (European Commission, 2023). The US has stepped up enforcement actions against fraud, market manipulation and unregistered offerings (SEC, 2023). These different approaches show that there is a global difference on the regulation of speculative digital assets.

Locally, the MAS has taken a cautious but balanced stance. Although MAS said that it would support innovation in digital assets, it also warned that digital currencies were unsuitable for retail speculation. MAS has limited public advertisement of digital payment tokens and mandated robust risk disclosures to safeguard consumer interests (MAS, 2022). This approach reflects the Singaporean principle to reduce harm and not impose a complete ban.

Requiring stricter rules generally carries higher risks. Excessive regulation on cryptocurrencies could push activities into non-compliance. Hence, instead of tightening the regulatory net, the rules are loosened instead. Regulatory excess in crypto could push activity into non-compliance, not tightening the regulatory net but ironically loosening it. It has also been observed that inflexible rules can conflict with the many cryptocurrencies decentralised architecture, which aims to avoid centralisation. Thus, there is the opinion that excessive regulation by Singapore would potentially hamper innovation and technological development while diminishing its status as a financial hub and fintech hub.

This causes a central policy conflict. Digital currencies are inherently designed to operate in a border-less and decentralised manner, while regulations to regulate them are often national and centralised. Policymakers must grapple with designing regulation to govern actions not easily made specifically by one party. The negative impacts of over-regulating and under-regulating can not only lead to ineffectiveness but also yield damages to the integrity of said currency as regulation impacts market confidence and market volatility.

The issues of volatility and speculation raises some fundamental questions for representatives. Should governments prioritise consumer protection over market freedom? How should speculative digital assets be treated relative to traditional high-risk assets? Is being volatile a result of digital assets evolving or a sign of some bigger structural issue? As digital currencies are used across the globe, representatives should also consider if international cooperation is needed to manage such speculative risks?

In the process of developing position papers and resolutions, representatives should focus on (1) the causes and effects of volatility, and (2) the strengths and weaknesses of existing regulations, with a view to balancing innovation and financial stability. The question is not whether to regulate, but how much.

## **KI 2: Lack of Investor Protection and Security**

The swift expansion of cryptocurrency markets has introduced both risk and innovation to global financial institutions. The absence of strong investor protection in the cryptocurrency industry has become a major problem in Singapore, which bills itself as a global center for fintech and digital assets. Although digital assets offer decentralization, efficiency, and financial inclusion, many ordinary investors are at risk of suffering significant losses due to the lack of protections comparable to those in traditional finance (Frost, 2023). Systemic flaws that erode customer confidence and create obstacles in long-term adoption have also been brought to light by high-profile failures, platform malfeasance, and regulatory deficiencies (Comsure 2025).

The failure of Three Arrows Capital in Singapore in 2022 was one of the biggest causes for alarm. Despite being a cryptocurrency hedge fund instead of a retail exchange, 3AC was widely

known in the local cryptocurrency community and well-established locally. Many Singaporean investors were thus either directly or indirectly impacted by its abrupt collapse, which was caused by inadequate risk management (Wilkinson, 2025). This sent shockwaves through international markets. This event brought to light unsettling issues of transparency, oversight, and the degree to which local authorities could monitor and get involved in intricate, international cryptocurrency operations.

In addition to hedge funds, losses have also been caused by retail-focused platforms. When using unregulated or foreign-based exchanges, a number of Singaporean customers have experienced stalled withdrawals, abrupt shutdowns, or missing money (Goh, 2025). Investors frequently have few options in these situations. Conflicts with crypto platforms often result in impasses unlike disagreements with licensed banks or brokerages, which can be escalated through clear regulatory and legal channels. This trend of unsolved losses thus undermines public confidence in the larger digital asset ecosystem (Townsend, 2024).

A notable difference between standard financial safeguards and cryptocurrency regulation is the difficulty of recovering investor losses. Singapore's traditional banking system has a well-established system to protect customers. Measures include stringent licensing regulations, capital sufficiency guidelines, customer asset segregation, and deposit insurance programs that shield investors in the event of bank failures (MAS, 2025). Collectively, these steps lower systemic risk and guarantee that any losses incurred will be less consequential in the unlikely event that an institution collapses.

Customers who deal with digital assets, on the other hand, frequently operate outside of these safety nets. Although the MAS has implemented licensing regimes under the Payment Services Act, investor protection is not the main emphasis of these rules. Instead, they are primarily concerned with issues such as counterterrorism financing and anti-money laundering. It is crucial to note that cryptocurrency holdings do not have a deposit insurance counterpart (Gupta, 2025). Users may hence lose their entire investment with little possibility of recovery if an exchange engages in misconduct, becomes insolvent, or is hacked. Due to this regulatory imbalance, retail investors are therefore disproportionately at risk (Tookitaki, 2025).

Investor protection is made more difficult by the decentralized and borderless character of cryptocurrencies. Because digital wallets can be anonymous or pseudonymous, it might be challenging to track down stolen money or identify the perpetrators (Chan, 2025). Numerous cryptocurrency sites that cater to Singaporeans are also incorporated abroad, frequently in countries with less stringent regulations or unclear legal frameworks. When disagreements emerge, investors may thus have to confront the difficult possibility of pursuing claims internationally, which is an expensive, time-consuming, and frequently unfeasible procedure for individual retail participants (AFP, 2025).

Furthermore, cyberattacks and hacks continue to pose a hazard. Even well-known exchanges have experienced security lapses that have cost them millions of dollars (ChainSec, 2023). Such incidences are reduced in traditional finance through insurance, regulatory action, or compensation plans. However, losses in the cryptocurrency industry are sometimes irreversible as it becomes extremely impossible to recover assets once they have been remitted (Blockchain Support Center, 2025). A substantial confidence gap between current and prospective investors is the result of these vulnerabilities. While early adopters may tolerate considerable risks in exchange for big rewards, mainstream consumers usually anticipate a minimum level of safety (Newbury, 2023).

The idea that cryptocurrency markets are dangerous or biased against ordinary users is unavoidably strengthened by repeated reports of platform malfunctions, frozen funds, and irreversible losses (Kokorin, 2023). Therefore, the risk involved might deter more people from joining and perhaps jeopardize the goal of encouraging ethical innovation in digital banking.

Furthermore, less experienced investors are disproportionately impacted by this lack of protection. The technical hazards of counterparty exposure, smart contract vulnerabilities, and self-custody may not be completely understood by retail users. In the absence of explicit disclosures and enforceable norms, these individuals are more prone to base their decisions on insufficient knowledge (Sava, 2025). The ensuing losses may then have detrimental personal effects on them, such as long-term skepticism of emerging technologies as well as sustained financial hardship.

Instead of giving up on innovation or imposing blanket bans on cryptocurrency activity to address the absence of investor protection, one should advocate for a regulatory strategy that strikes a balance between consumer safety and technology advancement. Harm would be greatly reduced with more stringent regulations on asset segregation, minimum capital requirements for exchanges, and open risk disclosures (Anton, 2025). In addition, if governments impose stricter regulations on where companies can be incorporated, they would still be able to hold these firms accountable even for actions overseas (Huang, 2024).

Investor education is equally crucial. Ensuring that customers are aware of the hazards associated with digital assets is a shared obligation by both industry players and regulators. Regardless of the level of regulation, the protection gap will continue in the absence of such measures. At the end of the day, trust is necessary for sustainable adoption, and such trust cannot be developed in a setting where losses are frequent, opaque, and irrevocable.

Overall, one of the most urgent issues facing Singapore's cryptocurrency ecosystem is the absence of investor security and protection (Pereire, 2025a). These problems will continue to erode consumer trust and limit the secure, long-term expansion of digital assets if they are not

resolved. To ensure that Singapore's position as a fintech leader is both reputable and resilient, it is crucial to strengthen these protections while maintaining innovation.

## **Scope of Debate (SOD)**

### **SOD 1: Assessing Singapore's Stance on the Use of Digital Currency**

As the global importance of digital currencies continues to increase, Singapore faces a policy challenge. How do we become the global leader for digital innovations while also ensuring financial safety and consumer protection? In order to assess Singapore's position on the use of digital currency, we must move beyond a narrow regulatory discussion to include the more profound social, economic and geopolitical consequences that may ensue. As Singapore tries to balance innovation and regulation with its approach, this balance is being increasingly tested due to rapid global developments in digital assets (MAS, 2023a).

The above debate raises the question on whether digital currencies should be viewed as essential tools for daily use or as a type of financial asset requiring additional regulation and control. Present attempts in Singapore seem to do both. However, these functions of digital assets are not all benefits. While digital currencies bring efficiency and new economic possibilities, they also cause market volatility, governance challenges, and risks to public trust. Representatives must therefore assess the appropriateness of Singapore's current policy stance as digital currencies are increasingly entrenched into domestic and international financial systems (BIS, 2023a).

#### **1. Discussing the role that digital currency should play in society**

Representatives need to question the roles that digital currencies should have in our daily life. Advocates of digital currencies believed that they would make cross-border or multi-currency transactions much more efficient (Joseph, 2023). Singapore, being a trade dependent economy, could potentially strengthen its status as a global financial hub with these lower transaction costs and quicker settlements. Singapore's competitiveness on the global stage can be enhanced through the use of digital currencies which could support the improvement of new financial services and fintech innovation (BIS, 2023b).

Nonetheless, detractors note that most of today's digital currencies would not make desirable substitutes for everyday money. The significance of cryptocurrencies reduces to zero because it can neither be used as a medium of exchange nor store value due to its fluctuating nature (IMF, 2023). Therefore, people tend to keep digital currencies for the long term rather than spending them daily. Should Singapore society use digital currencies or should they be confined to institutions/experiments? That is the question being raised here. While allowing more people to

use digital assets may suggest a willingness to innovate, it can also bring about unwarranted financial risks to households and small businesses in the immediate future.

## **2. Balancing institutional regulation and personal responsibility**

Another closely linked issue is the question of excessive consumer protection versus individual responsibility. Digital money is often advertised as something that empowers people by creating less dependence on intermediaries, such as banks. Despite retaining this independence, users themselves must now take on the security and risk management of their currencies. In Singapore, the focus on consumer protection and trust in institutions has been an established part of today's financial regulation. This represents a significant cultural and policy change.

MAS has taken a cautious stance by restricting the public promotion of digital payment tokens and issuing repeated warnings on the risks associated with them (MAS, 2022). This shows that retail investors' and merchants' overconfidence regarding the potential returns may be a concern. Representatives must discuss if these measures are enough. Should Singapore implement protective measures like mandatory education to inform individuals of their own responsibility, and mandate stricter access controls, or should individuals be allowed greater freedom to engage with digital currencies at their own risk?

## **3. Accessibility and inclusivity of digital currencies**

Accessibility and financial inclusion are aspects that should be considered. Supporters believe cryptocurrencies can enhance financial inclusion by providing inexpensive financial services, particularly in the realms of cross-border payments and remittances (Anh, 2025). This is particularly the case for Singapore in a regional context, as it is a hub for immigrants looking for a better life and international trade. Digital currencies have the potential to lower remittance costs and speed up transaction times (BIS, 2023c).

However, the use of digital currency may exacerbate income inequality due to the unequal distribution of technology or financial literacy. Elderly populations and lower-income groups may be unsure how to use digital currencies or safely deploy digital assets, potentially losing their savings to scams. Representatives should therefore weigh whether the greater use of digital currencies would promote inclusion or create new forms of exclusion and digital division.

## **4. Extent of using Central Bank Digital Currencies (CBDCs) in Singapore**

The stance of Singapore is to differentiate private digital currencies from government-backed digital money or central bank digital currencies (CBDCs). Singapore is showing a keen interest in the exploration of digital sovereign money with its participation in Project Ubin and Project Orchid while maintaining monetary stability (MAS, 2024). These projects will not diminish state control but leverage the benefits of digitalisation.

The big question is whether Singapore should adopt the use of CBDC or use a private digital currency as our money? Supporters make the argument that CBDCs easily marry technology with trust and regulation. However, critics question data privacy or lack thereof, and reduced financial autonomy. Representatives should consider whether state-led digital money aligns better with Singapore's societal values as compared to the use of decentralised alternatives.

## **5. Digital currency and financial stability**

With the increasing interconnectedness between digital currencies and regular financial institutions, possible risks in the digital asset markets may escalate the already volatile local and global economy. The failure of big crypto companies has shown that confidence is easily lost and that the effects are global. Risks of this type are especially serious for Singapore, whose economy is highly exposed to global capital flows.

Representatives must therefore debate the extent to which Singapore should allow digital currencies into the financial system. Should limits be placed to mitigate risks? Will that be too restrictive? Will this make Singapore less attractive as a financial centre? Where should the balance be?

## **6. Balancing between innovation and regulation**

The balance between promoting innovation and implementing regulation is especially relevant to Singapore's policy principles. Singapore is famous for actively pursuing large-scale policy changes and becoming a hub for innovation. The emergence of regulatory sandboxes and initiatives such as Project Guardian showed that Singapore is prepared to experiment with digital assets and test different solutions under controlled conditions (MAS, 2025). Crucially, these developments showed that the country sees digital currencies not just as threats, but as tools for longer-term growth.

However, by nature, innovation entails uncertainties. Representatives must discuss how much risk Singapore should take on to be a technology leader. Is it better to have short-term instability for possible long-term gains, or is immediate stability worth adopting a more cautious approach to innovation? This trade-off is especially relevant for Singapore, a small, open economy that is highly dependent on external parties.

## **7. Governance and accountability over the decentralised nature of digital currency**

Governance and accountability are also issues to be debated. A number of digital currencies use decentralised networks. Although this lowers the dependency on intermediaries, it makes it harder to identify fraud and illicit financial flows. According to the IMF and FSB, insufficient oversight of crypto assets could threaten financial integrity (IMF, 2023) (FSB, 2023).

Singapore is against money laundering and terrorism financing. It is hence of utmost importance for representatives to consider whether decentralised digital currencies would work effectively to safeguard Singapore. Can regulation coexist with decentralisation, or does meaningful oversight require some degree of central control?

Digital currencies are borderless by nature, limiting the impact of solely domestic regulation. As an international financial center, Singapore needs to assess how its rules align with global standards and yet remain flexible enough to cater to local priorities and regulatory issues. There is a danger that if we align ourselves too closely to global frameworks, we may lose the autonomy to act locally. On the other hand, if we act independently, it may expose Singapore to risks of regulatory arbitrage and cross-border risks (OECD, 2023).

## **8. The role of public trust in determining regulation**

Ultimately, the question relates to trust and legitimacy in the public sphere. Money is more than just an institutional tool. It is a social norm based on faith. The confidence of the public in the government and other regulators is high in Singapore's financial system. Using digital currency – especially private currency – more widely could undermine this trust. Users might be unhappy if they lose out or if there is a system-wide failure.

As such, representatives must consider whether Singapore's cautious approach is necessary to uphold trust, or whether more innovative engagement with digital currencies will be needed to maintain a high global status amid a turbulent economy. In the end, how Singapore assesses the use of a digital currency in society must reconcile responsibility with innovation, openness with protection and national interest with global reality. The decision of this argument will decide Singapore's financial future.

## **SOD 2: Strengthening Singapore's Regulatory Framework on Digital Currencies**

In the last few years, financial services based on digital currencies and blockchain technology have quickly leapt from the periphery to the core of the Singapore economy. Initially viewed as a niche technology, the crypto economy has since exploded into a trillion-dollar ecosystem, including everything from cryptocurrencies and stablecoins to decentralized finance (DeFi) and non-fungible tokens (NFTs) as well as tokenized real-world assets (Mondor intelligence, 2025). Technological transformation, however, inevitably poses challenges to local regulators and enforcement bodies. While many public expenditures are fixed or unavoidable, they still demand effective organization and oversight. This goes to show that strengthening Singapore's regulatory framework on digital currencies is not just a technical challenge. There are also important policy issues involved, such as financial stability, investor protection, innovation, and national credibility.

In view of the above, we invite representatives to debate on how Singapore should regulate digital currencies in a way that protects the public and the financial system, while ensuring that Singapore remains an attractive and competitive centre for responsible innovation. The challenge is how we can effectively deal with competing priorities. Too much regulation risks sending innovation offshore, while too little might cause consumers and the economy to be exposed to systemic danger (Chainalysis, 2025). Representatives will have to consider where Singapore should draw this line in a fast-moving environment with rapid cross-border activity and widening divergence between jurisdictions, while keeping our creativity and fiscal health in check.

## **1. Balancing innovation and financial stability**

An important debate is about ensuring that innovation and financial stability does not come with a high cost. Digital currencies and blockchain technologies provide greater efficiency, lower transaction costs, and new financial products that could boost competitiveness (Harmse, 2025). At the same time, the volatility of crypto markets, prevalence of speculative activity and connectedness of digital asset platforms raise questions about spillover into the traditional financial system (Aerts, 2025).

As the line between traditional and digital finance blurs, representatives must assess whether these risks are adequately covered by existing regulations. As banks, asset managers and payments companies engage more closely with digital currencies, crypto ecosystem failures may fall less often on deaf ears (Mortier, 2025). As a result, we should take a look at how regulation can mitigate systemic risks without thwarting experimentation. Additionally, one should consider if Singapore's current frameworks are sufficiently forward-looking enough to deal with these new forms of financial intermediation.

Furthermore, as not all digital asset activities carry the same risk level, rules that are overly broad could limit low-risk innovation along with high-risk speculation (TRM, 2025a). Representatives should thus reflect on whether a differentiated regulatory approach on scale, function and interconnectedness is necessary to safeguard financial stability while allowing space for innovation to grow in a contained manner, safeguarding investors and market soundness.

## **2. Investor protection and market integrity**

A further dimension of the scope of debate concerns the protection of investors and market integrity. Retail participants have recently become more involved in digital asset markets. Often, this involvement is spurred on by the promise of eye-watering returns, empowerment through finance, or cutting-edge technology (TRM, 2025b). However, as with the case of recommendations and predictions, such markets are often devoid of protections such as deposit

insurance, disclosure standards, or dispute resolution mechanisms (TRM, 2025a), measures that investors often take for granted in the world of traditional finance.

Representatives ought to reflect on how Singapore's regulatory framework can do more to safeguard investors without being overly paternalistic. The platform operators could be asked about licensing standards, conduct requirements, and transparency obligations in order to ensure greater accountability. Representatives must also assess whether current rules are sufficient to prevent wrongdoings such as the manipulation of the market, false representation, and misuse of customer assets. Representatives should also consider how regulation can remain effective even when offshore companies are involved.

Investment behaviour and expectations also influence digital currency regulation. Representatives are to consider whether regulation alone is sufficient, or whether complementary measures such as enhanced disclosures, public warnings, and risk communication can help reduce information asymmetries. The intention is to ensure that protection mechanisms empower the investor rather than give false confidence that leads to reckless risk-taking behaviour.

### **3. Cross-border nature of digital currencies**

Digital currencies are designed to easily cross borders, creating regulatory problems for a jurisdiction-based regulatory system. There are platforms who have a presence in Singapore but are incorporated abroad; transactions can occur on decentralised networks with no intermediary in the middle; and assets can instantly cross jurisdictions (Pereire, 2025). This undoubtedly raises questions on how far domestic regulation can really go, and how Singapore can shield its consumers from risks that originate beyond Singapore.

In the context of this debate, representatives must consider how Singapore can regulate effectively in a borderless space, including international cooperation, regulatory alignment, and information-sharing with foreign authorities. In addition to this, representatives must realize that regulatory standards vary considerably across countries and that unilateral measures may not be effective. Singapore must be able to retain its regulatory credibility and effectiveness without overestimating its ability to affect global digital market behaviour.

Another issue to discuss is regulatory competitiveness. By adopting stricter standards that afford more protection to consumers, Singapore's firms may be placed at a competitive disadvantage since their competitors elsewhere are operating under looser standards (AFP, 2025a). Representatives thus also need to consider how coordination, mutual recognition, or minimum standards can reduce regulatory arbitrage while still allowing Singapore to play its role as a credible and well-regulated financial centre.

#### **4. Technological complexity and regulatory capacity**

Efforts to regulate the digital currency sector must also take into account its technological complexity. Regulators must understand not only financial risk, but also technological vulnerabilities such as coding errors, cybersecurity threats, and governance failures in decentralised systems. This is especially since blockchain systems, smart contracts and decentralised protocols exhibit materially different characteristics as compared to conventional financial infrastructure (Coinmetro, 2025).

Representatives may want to assess whether regulatory bodies have the capacity, tools and flexibility to keep up with innovation, and look at how regulation can be technology-neutral but also responsive to new risks. Overly strict rules may become outdated, while loose principles may not give rise to comprehensive clarifications or effective deterrence (TRM, 2025c). Therefore, the issue is whether Singapore can build up our regulatory capacity in a way that is future-ready, informed and credible. Capacity-building is not only an institutional issue but one of human capital too.

Representatives should also consider how regulators could successfully attract and retain specialised talents who are capable of understanding complex digital systems, as well as how collaboration with industries and academia could enhance insight. Without sufficient technical competence, even well-designed regulations may struggle to achieve their intended outcomes.

#### **5. Economic competitiveness and regulatory reputation**

The regulatory approach of Singapore towards digital currencies has effects on its international reputation and economic competitiveness. A strong, well-defined framework often sends a powerful message; one of trustworthiness and seriousness. On the other hand, being perceived as a weak overseer may invite more speculative or unscrupulous people, hurting our confidence and boosting our chance of getting hit by high-profile failures (Radmillac, 2025).

Representatives should discuss how regulatory choices shape Singapore's global standing in the world of fintech, including our differentiation from jurisdictions that are either extremely permissive or totally banned. The debate should examine whether Singapore's value proposition lies in being the fastest innovator, the safest jurisdiction, or a carefully calibrated middle ground, with all their respective trade-offs.

The reputation of the regulators also impacts the economy outside the crypto sector. Failures associated with lax oversight may spill over into perceptions of Singapore's financial governance as a whole (Chinyi, 2025). To the degree that representatives impose constraints on our innovative continuum, they must be attentive to its effect on our longer-term economic competitiveness.

## **6. Social and ethical considerations**

Aside from monetary or technical issues, regulating digital currencies poses wider social and ethical problems. Losses suffered in the crypto markets can have significant human consequences, especially among the financially underprivileged (Northwood, 2025).

Fewer rules might impede the chances for some to access legal and fair monetary systems. On the flip side, excessive restriction can stifle legitimate experimentation (CYS Global Remit, 2025). Representatives must (a) consider how such regulation reflects societal values like fairness, responsibility, and trust, (b) examine how duties ought to be split between individuals and organizations, and (c) whether unequal access to information may impose ethical obligations for regulators. The scope of debate should not just be simply limited to rules, but instead also encompass questions about public confidence in the entire financial system, and how failures in the digital asset space might affect trust beyond crypto markets.

These ethical considerations are, all in all, closely tied to public legitimacy. Regulatory decisions that seem to favour industry interests over consumer welfare may provoke public backlash, while overly restrictive policies may be viewed as resistant to societal progress (LinkFocus, 2025). Representatives should consider how transparency and clear public communication can help align regulatory outcomes with our societal expectations, maintaining common trust in our policymaking processes.

## **7. Long-term trajectory of digital finance**

Finally, this debate must be conducted with long term perspectives in mind. Digital currencies are likely to continue evolving, potentially becoming more ingrained into everyday economic activity through tokenisation or central bank digital currencies (Kraken Learn, 2025). It goes without saying that the decisions made today will shape how flexible and resilient Singapore's regulatory framework on digital currencies will be in the future.

The scope of debate therefore includes not only immediate regulatory gaps, but also how Singapore can future-proof its approach. Representatives should consider whether regulation should focus primarily on current risks, or rather plan future proof policies by anticipating the new forms of digital finance that may emerge. The challenge is to craft a framework that is robust enough to protect the public today, yet adaptable enough to remain relevant in the near and far future.

## **8. Focus for cabinet deliberations**

In cabinet sessions, representatives are encouraged to examine (a) how innovation and financial stability can be balanced through the use of regulatory policies and methods, (b) evaluate the adequacy of investor protection in digital currency markets, (c) consider the difficulties faced in the implementation and usage of cross border and decentralized systems, and (d) weight economic competitiveness against social and ethical considerations.

Strengthening Singapore's regulatory framework on digital currencies is ultimately about preserving trust in markets, institutions and up and coming innovations. How Singapore navigates this challenge will influence not only the trajectory of its digital finance sector, but also its broader standing as a resilient and credible financial hub in an increasingly digital and volatile world.

## **Key Stakeholders**

### **1. Retail Cryptocurrency Investors**

The retail crypto investors are an important yet untapped segment of Singapore's cryptocurrency ecosystem. Studies indicate that in Singapore about 15–20% of people have bought or sold cryptocurrencies/cryptographic tokens at least once (Chiang, 2025). While it is expected that these figures are likely to grow in the future, the retail investor usually finds no strong voice in the policy.

The retail investors are especially vulnerable to the risk of sharp price movements, false and misleading information, and fraud (Hill, 2025). The FTX incident in 2022 saw global customers losing large sums of money, including many Singaporean investors (Johnson, 2022). Decisions made by the government on issues such as advertising rules, access to digital products, and licensing of service providers directly impact whether retail investors can safely participate in the digital economy. However, policy discussions at higher levels appear to be more interested in protecting the financial system rather than consumers. This means issues like financial education, clear risk warnings and dispute resolution may be neglected.

### **2. Small and Medium-Sized Fintech firms**

Small and medium-sized fintech firms play a crucial role in driving innovation within Singapore's digital finance ecosystem. Blockchain systems, digital payment tools, and decentralised financial applications all work towards ensuring Singapore stays competitive in the global financial services landscape. However, small firms often have limited funding and resources to comply with regulations compared to large companies.

Singapore's Payment Services Act requires financial technology (fintech) companies to obtain licenses as well as meet cybersecurity, anti-money laundering and counter-terrorism financing

requirements (MAS, 2019). Though these rules are helpful for financial safety, the compliance cost, and complexity of these rules make them cumbersome for smaller firms. Small fintech companies also rarely participate in these high-level policy discussions, which are often dominated by the regulators and large financial institutions.

### **3. Large Banks and financial institutions**

In Singapore's digital currency space, major banks and big financial institutions are important players. Big banks are supportive of switching to digital asset classes as it may help them streamline processes, save operational costs, and protect customers. Thus, there are already many banks who are already testing out tokenisation and digital payments systems in a bid to keep up with the pace of innovation.

Banks often advocate for clear, strong regulation to boost confidence in the financial system. However some are also cautious about overly rapid innovation that may threaten their previous business models (Normandin, 2025). As regulators and policymakers often consult with banks, their interests are often well represented.

## **Past Measures to Regulate Digital Currency**

### **1. Payment Services Act (PSA) – Licensing and Regulatory Control**

The Payment Services Act states that companies dealing in digital tokens must be licensed. This is to prevent money laundering. A key downside is that these strict and complex regulations are costly for small startups to comply with. As a result, only the largest and richest companies can typically afford to get a license. This could hinder the rapid growth of innovative new ideas (MAS, 2019).

### **2. Trials for a Digital Singapore Dollar**

Through projects like Project Ubin (MAS, 2020) and Project Orchid (MAS, 2023), the government has tested the use of a digital version of our own currency. They even created a "purpose-bound" digital dollar that only lets people spend money on certain things like education or specific shops. However, the main limitation is that these are still in the experimental stage and not something the public can use for everyday shopping. Most people and stores are still used to using normal cash or regular banking apps, so it will take a long time before this becomes a standard part of life.

### **3. The Financial Regulatory Sandbox**

Singapore has a special "Regulatory Sandbox" where companies can test out new types of digital money in a safe, controlled environment without having an approved license (MAS, 2024). This

allows the government to experiment with these new technologies while keeping the rest of the financial system safe. The limitation here is that these are relatively small in scope and only last for a short amount of time. This means a company might find that their idea works for a few people in the sandbox, but they still do not know if it will actually work for the whole country when they implement it on a larger scale.

#### **4. Safeguards for stablecoins**

Recently, the government has finalized a set of rules specifically for stablecoins, which are digital tokens meant to always have the same value as normal money. The government requires issuers to prove that they have 100 percent of the cash in a bank to back up every token they sell. A significant limitation is that these rules only apply to tokens that are officially made and licensed in Singapore. Since many of the most popular stablecoins in the world are made in other countries, our rules do not affect them, which means people might still use "unprotected" tokens from overseas and lose their money.

### **Questions A Resolution Must Answer (QARMAs)**

1. Should Singapore advocate for the use of digital currencies in its society?
2. How should Singapore strengthen its regulatory framework on digital currencies?

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## **Topic 2: How should Singapore manage the impacts of increasing protectionism on its economy?**

### **Introduction**

Our global economic system has been formed by an increasing dedication to free trade and global collaboration since the end of World War Two. The World Trade Organization (WTO) and the General Agreement on Tariffs and Trade (GATT) were established with the intentions of lowering tariffs, averting economic wars, and promoting international trade (Brown, 2009). However, as nations increasingly see trade as a strategic tool to achieve political influence or safeguard their national security, this status quo has started to break down in recent years (Lukas F, 2020). As a result, the basic presumptions of open, predictable, rules-based trade that support globalization are being challenged by a resurgence of protectionism.

The harsh tariffs of the past are no longer the same as protectionism now. Rather, it takes the form of export restrictions, industrial subsidies, investment screening, penalties, and "friend-shoring" practices that unjustly favor partners with similar political views (Thompson, 2024). These actions are frequently justified as defensive reactions to supply-chain weaknesses or domestic political pressures from the general public (Agrawal, 2025). The impact? Global marketplaces are becoming more fragmented, and trust between trading partners is declining (Agrawal, 2025). Smaller economies are now more vulnerable to upheavals they did not cause and find it increasingly difficult to manage as major countries vie for control over critical industries.

Singapore's economic success has been built within the context of this globalised system. Lacking natural resources and possessing a large domestic market, Singapore adopted an outward-oriented development strategy centred on openness, connectivity, and integration into global value chains (Van, 1995). Over time, this model transformed the country into a manufacturing, logistics, and financial hub, attracting multinational corporations (MNCs) and facilitating trade flows far beyond its small geographic size (Menon, 2015). Singapore's prosperity, however, is inseparable from the assumption that goods, capital, and services can move relatively freely across borders. However, rising protectionism directly undermines this principle. This challenge is intensified by our political position within this rapidly polarising geopolitical environment.

Global trade patterns have also changed as a result of the growing rivalry between the United Nations (US) and China. Both countries have imposed tariffs and other restrictions that affect third parties like Singapore (Klatte, 2025). As the world splits into rival blocs, we run the risk of becoming caught between them and losing our access to profitable markets, global prestige, and financial independence if we do not properly manage this equilibrium.

In addition to rivalry between superpowers, protectionist inclinations (see section “Background Information” (p. 6) for a detailed explanation of protectionism) are also becoming more prevalent nearer to home. In an effort to support domestic industries and safeguard local jobs, regional partners are actively pushing for protectionist policies (Liu, 2025). This makes it more difficult for us to rely on regional openness as a safeguard against global protectionism, compelling policymakers to reevaluate Singapore's place in Southeast Asia's changing and more antagonistic economic environment.

These worries are made worse by the susceptibility of international supply chains. Events like the COVID-19 pandemic showed how swiftly trade flows can halt and borders can close. Many nations have responded by attempting to secure and shorten supply chains. Larger economies may become more resilient as a result of these measures, but centers like Singapore, whose primary role is to serve as a trustworthy middleman, are disproportionately harmed (International Trade Administration, 2025). Therefore, the question is no longer if disruptions will happen, but rather how often they will happen and whether Singapore is ready to withstand these shocks and disturbances without compromising our stability or economic progress.

Singapore is also under structural pressure at home. Our capacity to rely on internal demand as a backup is limited by decreasing worker growth and productivity limits brought on by an aging population (Lamb, 2025). While the use of foreign labour is an option, our economy will also become more vulnerable to changes in domestic public opinion and external policy when we rely on foreign labour, especially in critical industries (Kok, 2025). Labour mobility thus becomes another contentious area, requiring Singapore to strike a balance between social cohesiveness, political sustainability, and economic necessity.

When combined, these elements pose the question of how Singapore can maintain its success as an open economy in an increasingly closed world. Economic stagnation and a reduction in international prestige are hazards, associated with a failure to adapt. On the other hand, Singapore could maintain its indispensability in regional and global networks with a well-calibrated response. As a result, representatives have to make tough choices between neutrality and alignment, openness and security, and short-term stability and long-term resilience. The decisions made in this cabinet will have an impact on Singapore's ability to navigate a world that is becoming more and more divided.

## Timeline of the Rise of Protectionism Globally

Year	Event
1945–1970s Post-War Trade Liberalisation and Singapore’s Export-Oriented Model	After World War II, global economic recovery was driven by trade liberalisation under the General Agreement on Tariffs and Trade (GATT), established in 1947 to prevent a return to protectionism that had worsened the Great Depression (EDB, 2023). When Singapore became independent in 1965, it adopted an export-oriented growth strategy due to its lack of natural resources and small domestic market. This embedded Singapore deeply within the global trading system and made its economy highly sensitive to protectionist shifts abroad (IMF, 2009).
1995 Establishment of the World Trade Organization (WTO)	The creation of the WTO strengthened rules-based global trade through clearer commitments and a formal dispute settlement mechanism. Singapore benefited from increased predictability and access to global markets. However, this also increased Singapore’s reliance on the effectiveness of multilateral trade institutions (IMF, 2023).
2008–2009 Global Financial Crisis	The Global Financial Crisis led to a sharp contraction in global trade, with exports falling significantly worldwide. Governments introduced stimulus measures and protective policies to shield domestic industries. Although Singapore recovered relatively quickly, the crisis demonstrated how external demand shocks could rapidly affect growth and employment (Ruiz-Braunschwig, 2011)
2016–2019 Rise of Trade Nationalism and the US–China Trade War	Growing domestic backlash against globalisation led to a resurgence of protectionist policies, reflected in Brexit and the United States’ “America First” agenda. The US–China trade war introduced tariffs and disrupted global supply chains. While Singapore was not directly targeted, reduced global trade growth and supply-chain uncertainty affected its export-driven economy (Weller, 2025)
2020–2021 COVID-19 Pandemic and Supply Chain Disruptions	The COVID-19 pandemic severely disrupted global supply chains as countries prioritised domestic needs for medical supplies and food. Singapore experienced trade slowdowns, labour shortages, and logistical challenges, highlighting the risks of over-reliance on global flows during crises (SMU, 2025)

2022–Present Strategic Competition and Economic Fragmentation	Rising geopolitical rivalry, particularly between the United States and China, has accelerated economic fragmentation through export controls, industrial subsidies, and sanctions. Protectionism is increasingly driven by security concerns rather than economic efficiency. Singapore now faces the challenge of maintaining openness and neutrality while navigating a more divided global economic landscape (Flores, 2025)
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# Historical background of how protectionism impacts Singapore

Protectionism refers to policies that restrict international economic activity, in order to protect domestic industries. Such policies can be in the form of tariffs, quotas, subsidies, export controls, restrictions on foreign labour, or limitations on foreign investment. Crucial industries in Singapore are subjected to these policies, resulting in certain acts of protectionism impacting Singapore more. For example, tariffs on intermediate and high-value exports like semiconductor resources (e.g. chips, wafers, precision components) affect us disproportionately, especially since electronics account for around 40% of our manufacturing output (Liu, 2025). Pharmaceuticals and chemicals are similar high-value products. Thus, when demand is reduced for these goods, multi-country supply chains where Singapore is a critical node of are disrupted.

Therefore, while major economies often evoke protectionist measures to protect employment, key industries or national security, such measures more often result in reduced trade efficiency and disruption in global supply chains. Therefore, indirect protectionist actions taken by other countries can have significant economic ramifications on a small and open economy like Singapore.

As reported by the International Monetary Fund, uncertainty surrounding trade policies, restrictive measures fueled by geopolitical conflict and economic nationalism (IMF, 2023) have been on the rise since the late 2010s. Major economies such as the US, China, and the European Union have introduced tariffs, industrial subsidies, and export controls, particularly in strategic sectors such as semiconductors, clean energy, and advanced manufacturing. These developments have weakened confidence in the multilateral trading system and created uncertainty for countries that depend on predictable trade rules.

Singapore is among the most trade-dependent economies in the world. In 2022, Singapore's total trade in goods and services exceeded 300% of its GDP, highlighting the country's deep integration into the global economy (World Bank, 2023). Goods exports alone were significantly larger than the size of the domestic economy, reflecting Singapore's role as both a manufacturing base and a re-export hub. While this openness allows Singapore to benefit from global growth, it also means that any slowdown in global trade or increase in trade barriers can quickly affect domestic economic performance.

As a country without natural resources and has a small domestic market, an essential aspect of Singapore's economy is its foreign direct investments, which Singapore heavily depends upon. Known for its stable rules, highly skilled workers and easy access to the global markets, many regional headquarters and manufacturing facilities for major multinational corporations

(UNCTAD, 2023) have set up their offices in Singapore. The country's development strategy focuses on exporting goods and services, attracting multinational corporations. Moreover, Singapore presents itself as a trusted hub for finance, trade and logistics which has ensured its economic prosperity. However, with protectionism growing more prominent in the last decades, the stricter investment checks and national security reviews could deter cross-border investments and decrease the appeal of Singapore as a major investment hub. Thus, while this economic strategy has delivered long term prosperity, it also makes Singapore particularly vulnerable to increasing global protectionism (MOM, 2023).

The rise of protectionism can be attributed to a confluence of factors. Firstly, governments in developed economies like Singapore are increasingly placed in difficult positions due to domestic political pressure to protect internal industries and labour, at the expense of long term economic efficiency (WTO, 2026). Major powers also growingly leverage trade policies as strategic tools to compete with one another. More specifically, limitations imposed on technology exports, restrictions on foreign firms, and efforts to reduce dependence on rival countries have become more common (Harvard Business School, 2025), challenging our nation's principle of strong and neutral economic relations with major powers. Global crises have further accelerated protectionist tendencies. During the COVID-19 pandemic, Singapore imposed export restrictions on essential goods. Although many of these were temporary, they reinforced the perception that we perhaps should prioritise self-sufficiency, at the cost of potentially breeding long-term protectionist sentiments.

The structural characteristics of Singapore's economy like the nation's small domestic market and small population size magnify the negative impact of global trends. For one, the nation's small domestic market makes it practically unsustainable to depend on local demand during external shocks. With a population of just over six million, domestic consumption simply cannot make up for significant declines in exports or foreign investment (Singstat, 2023). As a result, global economic disruptions caused by protectionist policies are quickly felt by Singapore's economy, making us more vulnerable.

Moreover, Singapore is highly involved in global supply chains, particularly in electronics, pharmaceuticals, and logistics (DHL, 2024). For example, the electronics sector contributes to a large share of local manufacturing output and exports. Therefore, disruptions like trade wars, export controls, or supply chain break-ups can significantly impact domestic production, employment, and investment (MTI, 2023). Furthermore, as these disruptions come from beyond Singapore, local policymakers have limited ability to ameliorate their impacts.

Dependence on foreign labour presents another structural vulnerability. During the COVID-19 pandemic, restrictions on worker inflows led to labour shortages and delays in construction and infrastructure projects, highlighting how external policies can affect domestic economic activity

(Selcuk, 2025). In times of international standstill, the limitation on labour mobility has detrimental impacts on Singapore's economic development.

The issue of increasing protectionism is especially important for Singapore today due to growing global economic division. The International Monetary Fund has warned that deeper trade divisions could significantly reduce global GDP over the long term, with small, open economies among the most affected (Reuters, 2023). At the same time, firms are rerouting supply chains to mitigate geopolitical risks, which may bypass traditional trade hubs like Singapore if access becomes uncertain.

Lastly, geopolitical pressures also make policy choices more complex. As major powers impose economic alliance on their partners, Singapore is placed in a tight spot to strike a balance on its principle on neutrality and the need to preserve market access and economic stability. This balancing act is central to Singapore's economic strategy and shapes how Singapore responds to rising protectionism.

Overall, Singapore's exposure to increasing protectionism reflects both the strengths and vulnerabilities of its economy. On one hand, the economic hub's openness has delivered decades of growth and resilience, leading to much abundance and prosperity. On the other hand, it has made Singapore highly dependent on stable international cooperation, as it is now especially vulnerable to the modern developments of global protectionism. Thus understanding the scale of Singapore's trade exposure, what drives protectionism, and the country's structural vulnerabilities is necessary for debating how Singapore should manage the economic impacts of an increasingly fractured global trading system.

## **Key Issues (KIs)**

### **KI 1: Dependency on Global Trade and Export-Oriented Industries**

Singapore is a key player in global commerce, having a trade-to-GDP ratio exceeding 300% (Oxford, Analytica, 2025). As our domestic economy is roughly a third of the size of its international trade, the ability to trade openly with other nations worldwide is important and necessary (NTU Singapore, 2023), and our nation's prosperity is dependent on it. This includes manufacturing sectors such as electronics, chemicals, and biomedical sciences, as well as services in finance and transport engineering (Corbin, 2025). This, however, leaves Singapore vulnerable to fluctuations in global demand and downturns in relations between major powers such as the US and China (Szechenyi, 2016).

The rise of global protectionism, marked by the "weaponization of economic tools" and the enforcement of significant trade barriers, presents a threat to this model (UNCTAD, 2025). While Singapore has historically benefited from a stable balance of power across the globe, we are now transitioning into a more uncertain era due to the reinstatement of U.S. reciprocal tariffs and a rise in companies moving production of goods closer to home (Oh, 2023). These measures threaten to reduce trade volumes, as countries are less willing to trade with one another. They also raise costs of production, since prices of imported goods increase. Additionally, they will slow down economic growth as investment declines. Furthermore, as rich countries give large subsidies to boost their own industries like semiconductors, Singapore faces stronger competition for foreign investment that are needed to support its growth.

In a world that is becoming less open, Singapore is moving towards higher-value niches and diversification. The government is making major investments in connectivity infrastructure like Changi Airport Terminal 5 and Tuas Port to reinforce its position as a world-class transfer hub. Singapore's own focus is also on "ingenuity and innovation" in the field of semiconductor-related AI and specialized pharmaceuticals, (EDB, 2021) areas where it can compete without matching the huge subsidies provided by larger countries. Lastly, Singapore will also have to deepen integration into the regional economy using tools like RCEP and the Digital Economy Framework Agreement (DEFA) to cushion against global trade stoppages.

## **KI 2: Vulnerability of Global Supply Chain**

As a global export and logistics hub, Singapore is extremely reliant on efficient and effective supply of material for it to produce goods. Despite its lack of raw materials and relatively small local market, Singapore decided to focus primarily on importing the required materials and exporting finished products for profit. Over time, this strategy enabled Singapore to integrate deeply into global production networks, particularly in manufacturing, energy trading, pharmaceuticals, and logistics (MAS, 2023). Over time, a high degree of integration has been created. As a global trade and logistics hub, Singapore relies heavily on trade with other countries to ensure efficient and effective economic success. In spite of being resource poor and having a smaller local market, Singapore has become a giant in export through the process of importing raw materials from other countries and exporting refined products (EIA, 2021).

Generally, large countries have a diversified internal system of production. Comparatively, Singapore imports much of its intermediate and raw food. Similarly, export sectors rely on external demand and cross-border production linkages. Supply chain disruptions take place due to many reasons, such as tariffs, export controls, sanctions, and even geopolitical tensions. Therefore, they can have a huge effect on the domestic economy. When large economies employ protectionism, even when Singapore is not the target, we often still see knock-on effects through the trade networks on which Singapore relies.

Singapore's supply chains are particularly vulnerable during periods of global crisis. The COVID-19 pandemic, geopolitical conflicts, and disruption of energy markets have shown that supply shock can quickly turn into domestic economic stress. Businesses are affected by delays in shipping, critical input shortages, and commodity price volatility that collectively push up costs and reduce output. Due to Singapore's limited domestic production capacity, firms often have little ability to offset the disruption of imports with domestic production (Monetary Authority of Singapore, 2023).

This exposure is heightened further by Singapore's role as a transshipment and commodity trading hub. Much of the economic activity in Singapore is generated as a result of facilitating trade rather than producing goods for domestic consumption (Shrestha, 2023). Singapore's role as a transshipment and commodity trading hub further compounds this exposure. A significant portion of Singapore's economic activity depends on facilitating trade rather than producing goods for domestic consumption. Global supply chain vulnerability is increasingly shaped by geopolitics. The intensifying competition between major powers, particularly the US and China, has transformed supply chains into instruments of strategic leverage. Export controls on advanced technologies, restrictions on investment, and sanctions regimes have introduced political risk into global trade networks. Singapore, which maintains deep economic ties with both major powers, faces growing constraints in navigating this environment. Supply chain decisions are no longer governed solely by efficiency or cost considerations but are increasingly influenced by geopolitical alignment (Financial Times, 2023).

When countries apply protectionist measures, there will be a decline in global trade volume, and demand for port services, warehousing, shipping finance and trade-related services will fall (Peebles, 2004). As such, employment, investment, and fiscal revenues also get affected. Unlike larger economies, which are able to offset such external shocks through an expansion of domestic demand, Singapore remains susceptible to the fallout of global supply chains.

Food insecurity as well as energy security are acute forms of vulnerability. Geopolitics are increasingly shaping the vulnerability of Singapore's global supply chains. The growing rivalry between great powers like the US and China is turning supply chains into weapon-like devices. Governments have added political risk in international trade by introducing export controls on advanced technology, investment restrictions, and sanction regimes. Singapore, which has tightly woven economic ties with both powers, finds its ability to navigate this environment increasingly constrained (Reuters, 2024). Supply chain considerations are being driven more by geopolitical congruence rather than efficiency or cost considerations, which was the previous situation.

A strategic dilemma is created for Singapore. If you line up too closely to one block, you could alienate others. If you try to remain neutral, you limit your access to the emerging new supply chain networks which are being shaped by geo-strategic considerations. With protectionism rapidly causing supply chain bifurcation, Singapore's traditional role as an open, neutral hub may

be challenged. The weakening of multilateral trade norms adds to the disadvantage of small states dependent on rules rather than power.

If unmanaged, increasing protectionism threatens Singapore's long-term economic resilience. Slowed trade flows could limit growth and heightened uncertainty may reduce foreign investment in supply-chain sectors. In due course, Singapore may experience higher costs, loss of competitiveness and greater exposure to shocks. Singapore, due to its narrow domestic market, lacks the structural ability to make up for prolonged disruptions through domestic demand or large-scale import substitution.

Simultaneously, Singapore cannot react to these vulnerabilities through a retreating response of protectionism without undermining the bedrock of its economic model. To resolve this crisis, the strategic management of the supply chain is required. This consists of diversifying trade partners, enhancing regional and multilateral trade frameworks, investing in digital and supply chain resilience, and enhancing strategic reserves of essential goods. Ultimately, Singapore's ability to adjust will hinge on striking a balance between its openness and protectionism amid a more fragmented global economy (International Peace Institute, 2024).

Growing concerns about the vulnerability of global supply chains raise important questions on how Singapore should position itself in a protectionist world. It is not whether Singapore should continue to be open. The issue is how to preserve the benefits of openness while reducing vulnerability to external shocks outside our control.

### **KI 3: Limited Domestic Market and Labour Dependence**

#### **1. Structural vulnerabilities of a small, open economy**

Two fundamental realities have traditionally characterized Singapore's economy: a tiny domestic market and a heavy reliance on foreign labour. However, these same characteristics that formerly supported Singapore's prosperity now put it at greater risk in a time of growing global protectionism.

Singapore's economy cannot sustainably grow through domestic spending, in contrast to larger economies. Due to our limited population, significant economic shocks from external markets cannot be absorbed by local demand alone (S. Elbashishy, 2024b). Because of this, Singapore's manufacturing, trade-related services, and logistics sectors rely significantly on demand from around the world. Singapore thus suffers disproportionate spillover effects when protectionist policies impose tariffs or restrict global consumption, making our economy more vulnerable to downturns (Pan, 2023).

Singapore's reliance on foreign labour in a number of industries exacerbates this susceptibility. Migrant workers are crucial to the construction, shipbuilding, manufacturing, healthcare, and service sectors because they provide the labour that our local workforce is unable to supply. Singapore has been able to maintain its competitiveness and cost-effectiveness thanks to overseas labour, but this has also resulted in a structural reliance on external labour supply chains that are more vulnerable to protectionist influences (Chia, 2024).

## **2. Protectionism, labour mobility, and policy constraints**

Labour mobility has become a politically contentious topic in a world where nations are prioritizing domestic jobs and enforcing immigration regulations. The movement of migrant workers into Singapore may be hampered by protectionist labour laws in the countries of origin, such as prohibitions on working abroad. Regulations imposed on countries supplying Singapore with labour Destination-country regulations may further limit Singapore's flexibility in adjusting our number of foreign workers. Unexpected labour shortages in critical industries might thus cause delays for important infrastructure projects, increase our operating expenses, and reduce our ability to compete economically on a global stage (Market Research Singapore, 2025).

Labour dependency carries social and political hazards, in addition to economic ones. If certain groups of our community believe that there is unfair competition for jobs, housing, or public services, a significant reliance on foreign workers may eventually lead to domestic discontent. This was seen recently, for example, when local public discourse highlighted that certain workplaces, such as Changi Business Park, became heavily concentrated with employees from specific countries in 2021, leading to perceptions of unfair hiring practices that disadvantaged local Professionals, Managers, Executives, and Technicians (PMETs) (Ministry of Manpower, 2025). Such views may become more intense during uncertain economic times, putting pressure on decision-makers to tighten foreign labour laws even when increased immigration is necessary. This presents a policy conundrum: while cutting back on foreign labour could be in line with social concerns in the near run, doing so too quickly runs the danger of harming our fiscal productivity and growth, particularly in industries that are difficult to automate or localize.

Labour dependency and protectionism can interact in less obvious but no less important ways. Singapore may see less investment and fewer job possibilities if global trade barriers force MNCs to reorganize supply chains away from highly open hubs (Debets, 2025). This would disproportionately harm industries that depend on both foreign labour and capital. Under such circumstances, Singapore's small domestic market would once more limit its capacity to absorb displaced workers or promote recovery through internal demand, thus exacerbating our innate economic vulnerability.

Our financial resilience and sustainability are fundamentally called into question by these difficulties. Singapore cannot quickly grow its local market, immediately abort our dependence on foreign labour, or turn to protectionism without jeopardizing the fundamental foundations of our open economic model. The problem is how we can ensure that our labour laws continue to be socially sustainable while also boosting our resilience and productivity to lessen our economy's vulnerability to external fluctuations.

If left unaddressed, the combination of a limited domestic market and high foreign labour dependence could magnify the impact of future protectionist shocks. Economic downturns may become sharper, recovery slower, and policy trade-offs more acute. Conversely, a measured approach that balances openness with resilience could allow Singapore to continue leveraging its strengths while mitigating its vulnerabilities. Representatives must therefore consider how labour policy, economic structure, and external engagement intersect in a protectionist world, and how Singapore can adapt without abandoning the openness that has been central to its success.

## **Scope of Debate (SOD)**

### **SOD 1: Securing Singapore's Economic Model In View of Rising Global Protectionism**

Representatives must investigate how Singapore can protect its open economic model as the threat of major world powers moving toward protectionism and the weaponization of economic tools arises. The weaponisation of economic tools refers to the use of trade, finance, or investment policies as deliberate instruments to pressure, punish, or influence other countries for strategic or political purposes rather than purely economic goals.

The discussion should begin by addressing how to maintain market access when global goods trade is expected to slow down significantly in the future. One key view is that Singapore must collaborate with other middle and small powers to uphold the international rules-based order. This entails the use of the UN and the WTO to ensure that big countries respect the rule of law and not act arbitrarily. Representatives might also question if upgrading existing regional trade pacts such as the ASEAN Digital Economy Framework Agreement can assist businesses to bypass new physical taxes and promote more virtual trade.

The cabinet must also consider how Singapore can respond to the ongoing tussle for power between the US and China without being forced to take sides. The US is the largest source of foreign investment for Singapore (International Trade Administration, 2025). However, China is Singapore's largest trading partner. Representatives must assess the idea of the "China Plus

Many" strategy (Straits Times, 2026): the supposition that companies will engage with the mammoth scale of the Chinese market in Southeast Asia. As the US continues its high-tech crackdown and “small yard, high fence” policies, which refers to controlling a small group of “strategic” technologies (Fulcrum, 2024), Singapore has to navigate a delicate situation: how to remain a close strategic partner to Washington and keep its economic doors open to Beijing. Such a balancing act requires much care in order to protect Singapore’s autonomy and national interests.

Another important area of contention is how Singapore can remain attractive to investors when it cannot afford to offer the huge subsidies larger economies do. Experts argue that instead of being a “living lab” or global testbed for smarter technology (Tay, 2025), Singapore should change to focus on being an energy hub. By being the smartest and most innovative hub, the country might still attract companies like Micron and UMC, even without giving out as much free money like the U.S. or the E.U (Straits Times, 2026). Representatives must also discuss if huge infrastructure investments in the new Tuas Port are enough to stop companies from moving their factories back to their home countries, a trend known as near-shoring.

Finally, representatives must consider the impact of these global changes on the people living in Singapore. Rising protectionism and supply chain disruptions often lead to higher costs for daily needs like food and fuel. The government is using the findings of the Forward Singapore exercise which concluded in October 2023 to refresh its social compact, which includes helping vocational and professional workers learn new skills for the future (Forward SG, 2023). Representatives should discuss how to support those hit by economic headwinds while ensuring that Singapore remains a trusted and reliable brand for global business. Maintaining this internal stability is essential because any social division could weaken the country’s ability to compete in a fragmented world.

## **SOD 2: Strengthening Singapore's Supply Chain Resilience Amidst Trade and Geopolitical Disruptions**

This Cabinet examines how Singapore, a small trade dependent country can stabilise its supply chain networks. Global trade has become more fragmented in recent years due to political tensions, conflict between major powers, and domestic-first policies. Uncertainty in global supply chains has increased because of these changes. Representatives are expected to consider the vulnerabilities that arise from Singapore's heavy reliance on global supply networks and the scope for response despite being constrained by economic, political and strategic limits.

The impact of increasing protectionist measures on the stability and predictability of global supply chains will also be discussed in the debate. Major economies have employed measures such as tariffs, export controls, sanctions, and government support for domestic sectors. When trade restrictions are imposed, border crossings are interrupted and production processes that require components from across countries do not work (Financial Times, 2023).. Given Singapore's reliance on these global production networks, such disruptions have serious consequences. Representatives should consider how changes in goods production may shrink the amount of goods passing through Singapore and may undermine its reputation as a long-standing neutral and trusted global trading hub.

Another important aspect of the discussion revolves around the risk of disruption to essential supplies, which includes food, energy and other key industrial materials. Due to Singapore's reliance on these goods being imported, supply disruption could have a strong impact on the country (Shrestha, 2023). Singapore can be rapidly impacted by external shocks like wars, global crises, and supply-export restrictions. Representatives are invited to consider how these disruptions are driving up prices, raising the cost for business, slowing growth and negatively impacting the lives of everyday Singaporeans.

This debate also centers around geopolitics. Representatives should evaluate the implications of increased global competition among major powers, notably the US and China. Singapore and other small nations often encounter problems in navigating the complexities of geopolitical relationships between conflicting countries (Reuters, 2024). Representatives must be mindful of the impact that the political fragmentation of supply chains will have on smaller countries such as Singapore. Global trade laws, along with international collaboration, becoming weaker may also have detrimental impacts to smaller economies.

There are also the trade-offs to make the supply chain more resilient (Financial Times, 2023). Representatives face the challenge of balancing efficiency with reliability. Should lower costs and faster production take precedence over security and stability, or vice versa?

To conclude, countries must have an openness to international trade while shielding its domestic economy. Enhancing supply chain resilience could increase costs or regulations for Singapore, and this might diminish its appeal as a global business and investment hub. This argument discusses a possible way forward for Singapore to benefit from the global trading system given rising risks in a more fractured world. Representatives should not make technical proposals, opting instead to consider broad policy directions, key priorities, and real-life constraints.

## **SOD 3: Managing Singapore's Reliance on Foreign Labour**

How Singapore can guarantee a steady and predictable labour supply in face of growing foreign labour limitations is a major topic of discussion. Protectionism is no longer limited to the trade of goods and services. Job quotas and immigration restrictions have a growing impact on labour markets (Elbashbishy, 2024b). Even brief labour shortages can have a domino effect on several of our industries, especially given our highly integrated economy.

Representatives should think about how resilient current labour laws are to external protectionist shocks. This entails assessing if current backup plans are sufficient and to what extent does Singapore's labour force composition expose particular industries to abrupt constraints.

### **1. Diplomatic dimensions of labour mobility**

Managing reliance on foreign labour is an exercise in diplomacy. Relationships with nations that provide labour are just as important to labour mobility as domestic policy. The movement of workers into Singapore is shaped by mutual trust, bilateral interaction, and regulatory alignment. Countries may increasingly use their labour supply for leverage as labour becomes a strategic resource on a global scale (Pan, 2023). This raises the question of how Singapore can improve diplomatic relations while maintaining access to labour and honoring partner governments' internal objectives and sovereignty.

Without formalizing strict or politically delicate agreements, representatives should investigate the role of diplomacy in maintaining labour mobility. While under-engagement increases the risk of volatility and shaky alliances, over-institutionalization of labour relations may result in domestic backlash or long-term reliance on external players (Rodan, 2025). Therefore, in light of growing international competition, the discussion should focus on how Singapore may present itself as an equitable and desirable place for workers.

### **2. Balancing foreign labour with local workforce development**

The balance between local workforce development and imported labour is another crucial aspect of this debate. Although foreign labour is essential, long-term reliance without corresponding productivity increases surely raises questions about the policy's viability (Lee Kuan Yew School of Public Policy, 2016). Representatives should therefore take into account how initiatives that invest in technology, rethink jobs, and upskill local people intersect with foreign labour laws are equally important.

The goal is to lessen our fiscal vulnerability by guaranteeing that Singapore's economic growth is not exclusively dependent on the continuous inflow of migrant workers, rather than to

completely replace foreign labour. Given the demographic realities, this balancing act is especially difficult. Due to low birth rates and an aging population limiting the expansion of our local workforce, economic pressures will increase. Policies that try to restrict foreign labour too forcefully may strain our vital services and increase short-term costs, but inadequate investment in domestic production could also create an unhealthy dependence that eventually proves ineffectual in the long run (Zalizan, 2024). Representatives must therefore consider how Singapore can seek long-term structural improvements to our foreign labour policy without creating short-term economic problems.

Furthermore, there are significant social and political implications to controlling immigrant labour. During periods of economic uncertainty or rising living expenditures, concerns about housing, social cohesion, and job rivalry may become more urgent, and these considerations will impact the political sustainability of our foreign labour policy. Representatives should thus consider how economic necessity interacts with the need for social cohesion. Ensuring equitable working conditions, preventing exploitation, and maintaining open channels of communication for foreign workers are all necessary to uphold public trust (Yang, 2023). However, the authorities must also be prepared to deal with the possible backlash if labour rules are perceived as putting economic efficiency ahead of social stability. Given the complexities involved, it is indeed challenging to develop policies that are economically sound, socially acceptable, and politically feasible.

Lastly, this discussion necessitates that representatives address long-term concerns that go beyond short-term protectionist shocks. As populations age and skills grow more specialized, there will undoubtedly be increasing competition for labour globally (Alexander, 2025). Certain forms of labour may reduce in demand while others may increase due to technological advancements (Zhao, 2025). Representatives must therefore consider the strategic trade-offs between flexibility and security, openness and control, and short-term efficacy and long-term resilience. Instead of totally eliminating Singapore's reliance on foreign labour, the objective is to manage it responsibly in a more constrained global economy. How we can maintain the advantages of openness while adjusting to a future where labour mobility is no longer taken for granted is the crucial question.

It is hence recommended that representatives take into account the following:

- (a) how protectionism affects labour flows and workforce stability;
- (b) how diplomacy preserves access to foreign labour;
- (c) how to balance local productivity, upskilling, and foreign labour; and
- (d) the demographic, social, and political constraints on labour policy.

# Key Stakeholders

## 1, The Singapore Government

In Singapore, the Ministry of Trade and Industry (MTI) is the architect of the nation's economic blueprints which include negotiations for free trade agreements and international economic relations. As the lead agency responsible for attracting foreign investment and promoting Singapore to global companies to establish their regional hubs here, the statutory boards under MTI such as the Economic Development Board (EDB) support their efforts. The MAS has a similar but different role. It acts like a central bank, ensuring the safety and stability of the financial sector.

## 2. MNCs and Export-Oriented Industries

Multinational Corporations (MNCs) are the backbone of Singapore's strategy to grow through foreign direct investment, with thousands of American and Chinese firms using the city as their regional base. Major tech giants like Micron and UMC are especially important because they invest billions of dollars into advanced factories that provide high-value jobs. On the other hand, local Small and Medium Enterprises (SMEs) are the primary source of employment for many citizens but SMEs often struggle more with the rising costs caused by protectionism. These local businesses often require help from Enterprise Singapore, another statutory board, in searching for customers in new markets and building up their own technical capabilities.

## 3. Workers and Labour Organizations

The National Trades Union Congress (NTUC), the key group representing the workers in Singapore, has a very close partnership with the government. They also look after the interests of workers. This group is heavily involved in national initiatives such as the Progressive Work Model and Job Security Councils that aim to ensure that no worker is left behind in the face of economic transformations (Centre for Domestic Employment, 2016). For individual workers, it is about ensuring whether their skills will still be relevant and whether they will be able to afford the rising cost of living.

## 4. International Trade Partners and Regional Bodies

As an ASEAN member, Singapore counts on regional cohesion to guarantee that Southeast Asia will remain a strong and independent economic zone. As global partners, the US and China are the most important actors since their trade war directly influences the flow of money into the region. Singapore collaborates with like-minded countries like Australia and New Zealand, through agreements such as the CPTPP, to keep global trade flowing freely. Whether the global "rules of the game" are preserved for all by international organizations like the World Trade Organization will ultimately decide the stability of the whole system.

# Past solutions to combat global protectionism

In mitigating the rise of global protectionism, Singapore has developed diverse and increasingly comprehensive strategies in recent years. To summarise, Singapore is especially vulnerable to external shocks such as tariffs, restrictions on exports and geopolitical trade tensions. This is due to the structural limitations of Singapore like its small size, high dependence on trade and its role as a regional hub. As such, Singapore has adopted a multifaceted solution framework incorporating the following: (a) combining trade agreements, (b) regional integration, (c) supply chain diversification, (d) workforce development, (e) economic restructuring, (f) active diplomacy, (g) export diversification, (h) technology adoption, and (i) scenario planning.

## 1. Free Trade Agreements

A key strategy employed is Singapore's investment into Free Trade Agreements (FTA). To date, Singapore maintains more than 20 bilateral and multilateral FTAs covering markets that constitute the majority of the nation's trade. Agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP), and bilateral FTAs with the U.S, Australia, and the European Union, are designed to reduce tariffs, standardise norms, and ensure legal certainty for Singaporean exporters (ASEAN Secretariat, 2024). These agreements not only facilitate market access for the economic hub, but they also enable investment flows and allow Singapore to be a pivotal part of valuable regional supply chains. For instance, under RCEP, over 90% of traded goods between member states are subjected to preferential tariffs, allowing Singaporean firms to remain competitive even amid more aggressive protectionist policies by the powerhouse economies (ASEAN Single Window, 2024). Quite evidently, the legal stability and formal structures are strengths provided by FTAs that enable businesses to make investment and production decisions more confidently. Nonetheless, FTAs are also limited in that they cannot fully insulate Singapore from external shocks outside their coverage. Furthermore, having to negotiate, implement and enforce compliance is very resource intensive. Moreover, firms often face non-tax trade barriers, differing regulations, and administrative hurdles, which reduce the effectiveness of these agreements (ASEAN Single Window, 2024).

## 2. Regional Integration and Coordination with ASEAN

To circumvent global trade barriers, Singapore has made use of regional integration and coordination with ASEAN, establishing mechanisms to safeguard the nation's trading interests. ASEAN's initiatives, including the ASEAN Trade in Goods Agreement (ATIGA) and the ASEAN Single Window for customs facilitation, aim to lower trade barriers among member states and create an integrated regional market (ASEAN Briefing, 2025; ASEAN Single Window, 2024). For Singapore, ASEAN integration serves both economic and strategic

purposes. Economically, it allows Singaporean companies to access a collective market of over 650 million people while mitigating dependence on single, more protectionist markets. Strategically, it strengthens regional ties that can help negotiate multilateral frameworks and respond collectively to external pressures. Despite these advantages, ASEAN integration faces constraints due to varying levels of development, differing regulatory capacities, and political priorities among member states (Supply Chain Diversification amidst Rising US-China Trade Tension: Implications for Key ASEAN Countries, 2024). These disparities can slow the adoption of harmonised policies, creating gaps that reduce the effectiveness of integration in insulating Singapore from external protectionist shocks.

### **3. Supply Chain Resilience**

Another crucial pillar of Singapore's response to protectionism is the nation's supply chain resilience. Consequential global events, such as the Covid-19 pandemic, have glaringly exposed the vulnerabilities of highly globalised supply chains, which Singapore is heavily reliant on. This has prompted the nation to pivot to diversification strategies such as multisourcing, stockpiling essential goods, and relocating productions to manufacturing hubs within the region (EDM MTI, 2024). Domestically, statutory boards like Enterprise Singapore and the Economic Development Board have started initiatives to encourage firms to identify dangers, consider alternative suppliers, and invest in digital supply chain tools (EnterpriseSG, 2025). With these measures implemented, hopefully, even when major markets impose tariff or non-tariff barriers, companies can more securely sustain operations. Today, key sectors like electronics and semiconductor manufacturers in Singapore have already branched out production centres to neighbouring countries like Malaysia, Vietnam, and South Korea to reduce reliance on single sources, strengthening supply chain resilience (EDB, 2024). In reinforcing supply chain resilience, business continuity is enhanced while operational risks are more easily mitigated. Nonetheless, it is also acknowledged that supply chain diversification entails higher operational costs, complex coordination, and potential reductions in efficiency. Hence this approach cannot fully shield firms from macroeconomic shocks originating in major export markets (ASEAN Single Window, 2024).

### **4. Economic diversification and restructuring**

Economic diversification and restructuring have also played a central role in Singapore's strategy. Presently, policymakers acknowledge the economic vulnerability that Singapore is exposed to due to its high reliance on traditional sectors like electronics, petrochemicals, and logistics. Due to protectionist policies on these key sectors, such economic vulnerability is compounded. In response, Singapore had advocated for growth in knowledge intensive sectors, green technology and digital economy sectors. Singapore's Transformation Maps focuses on upgrading sectors such as precision engineering, aerospace, and fintech by fostering innovation, technology adoption, and skills development (MTI, 2025a; 2024). Through diversification,

Singapore can reduce its focus on exports that are not as sensitive to tariffs while creating more high value, specialised industries that are more immune to protectionism. However the main limitation is the resource intensity required and long time horizon. Building capacity in new sectors demands substantial investment in human capital, Research and Development, infrastructure, and business ecosystem development, and the returns often materialise only after several years (MOM, 2025).

## **5. Workforce and Labour Policies**

To complement economic diversification, Singapore has also developed workforce and labour policies such as the reskilling and upskilling initiatives to enhance workforce adaptability. The SkillsFuture framework provides Singaporeans with the ability to embark on lifelong learning through post education learning credits, training subsidies and industry-aligned courses to update their existing skills (MOM, 2025). Initiatives like SkillsFuture improves labour mobility across industries, strengthening individual tenacity and adaptability to pivot when needed (SkillsFuture, 2025). This softens the social ramifications of economic volatility caused by protectionist measures. Nonetheless, such policies take a long time to bear fruit and may not address short term disruptions from sudden protectionist measures.

## **6. Diplomacy**

Diplomats and trade negotiators participate in multilateral discussions to resolve disputes and ensure open trade channels. Singapore often reiterates the importance of a rules-based trade policy at international platforms like WTO, G20 and APEC, often advocating for digital trade agreements and mechanisms for dispute resolution. Singapore positions itself strategically as a neutral and reliable trading partner and often adopt this position in bilateral economic conversations with major powers (SG101, 2023). While effective in maintaining channels of communication and shaping norms, the influence of a small economy like Singapore is unfortunately constrained when larger powers pursue unilateral protectionist measures or strategic trade competition (ASEAN Single Window, 2024).

## **7. Export diversification beyond traditional markets**

Export diversification has also been a strategic priority. Instead of depending heavily on major economies like the US, China and the European Union (MAS, 2024), Singapore has been courting up and coming markets in Southeast Asia, South Asia and Africa as strategic trading partners (Asia, 2026). Not only does this strategy allow Singapore to access new markets, it also creates opportunities for unique products and services to be developed, as well as branding Singapore as a regional logistic and financial service provider. However, there are significant economic risks associated with export diversification. Some challenges include non-tariff barriers, regulatory differences, cultural and language challenges, and logistical costs, which can limit short-term effectiveness (OECD, 2023).

Singapore has also emphasised technological innovation and digitalisation as mechanisms to reduce vulnerability. These can take the form of digital platforms used to facilitate trade, establishing e-payment systems, and automating logistical processes. With such technological tools at the companies' disposal, they can cut costs and improve efficiency, allowing Singaporean firms to still have a competitive edge even in a more protectionist environment. Nonetheless, while technology adoption undoubtedly strengthens firms' capability to overcome protectionist obstacles, smaller firms face difficulties in implementation due to costs, expertise, and organisational readiness (SBF & Blackbox, 2025).

## **8. Continuous monitoring and scenario planning**

Continuous monitoring and scenario planning are increasingly important in Singapore's strategy. Through rigorous analysis on tariff and trade developments, relevant stakeholders like government agencies, think tanks and industry experts assist in crafting proactive measures (World Bank, 2023). By considering possible scenarios, Singapore can study the potential outcomes in order to develop contingency plans and preemptive measures. Despite the preparedness scenario planning can bring, it must be recognised that there is no way that Singapore can account perfectly for all the unpredictable geopolitical events or rapid policy shifts that may occur in the major markets (WTO, 2022).

In conclusion, Singapore's approach to mitigating the effects of rising protectionism is multifaceted, combining (a) trade agreements, (b) regional integration, (c) supply chain diversification, (d) workforce development, (e) economic restructuring, (f) active diplomacy, (g) export diversification, (h) technology adoption and (i) scenario planning. Each measure carries benefits and limitations, proving that there is no one size fits all solution that can completely shield Singapore from the impacts of protectionism. By understanding these strategies, representatives are better prepared to debate on Singapore's overall stance and approach to the uncertain economic climate brought about by protectionism today.

## **Questions A Resolution Must Answer (QARMAs)**

1. How can Singapore strengthen and diversify its diplomatic partnerships to reduce reliance on any single major power amidst rising global protectionism?
2. How can Singapore use regional and plurilateral trade agreements (eg. RCEP, CPTPP) to preserve market access and maintain stable trade flows despite growing protectionist barriers worldwide?
3. How can Singapore deepen economic diplomacy with key partners to secure open and resilient supply-chain arrangements while avoiding being involved in the political conflicts of major powers?

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