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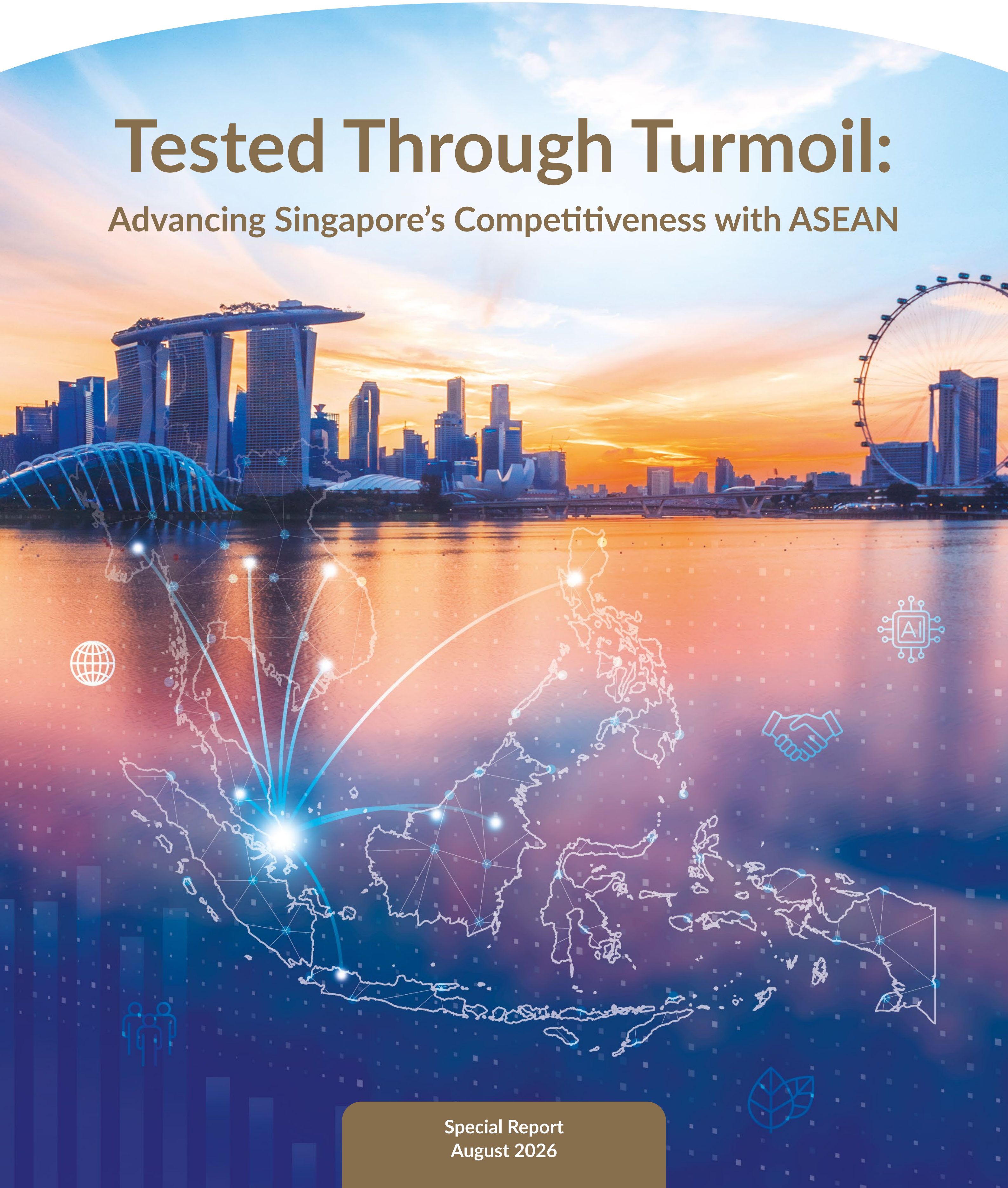
Tested Through Turmoil:

Advancing Singapore's Competitiveness with ASEAN



Special Report
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Introduction

Global turmoil raises many questions for Singapore's economic policies and international relations. This arises not only from developments in the USA, Sino-American competition, and ongoing conflicts in Europe and the Middle East. Issues arise also from shifts in technology and changes in the strategies of global businesses that have based themselves in Singapore as a regional and global hub.

How should Singapore position itself amidst these dynamic and ongoing changes? What has the country been doing at the national level that it must continue to improve and sharpen? How has Singapore been engaging with the region for deeper cooperation and integration?

This report by the Singapore Institute of International Affairs (SIIA) seeks to present forward looking perspectives on Singapore's competitiveness and future strategies. The report suggests how Singapore's competitiveness interacts with international connections, and how this can be strengthened by deeper integration with key economies in the Association of Southeast Asian Nations (ASEAN) and Asia. It reflects the authors' analysis, informed by SIIA's research and engagement as a leading think tank, and enriched by insights from a series of roundtables and discussions with representatives of multinational corporations (MNCs).

This report consists of an **Executive Summary**, a context-setting section on **Singapore's Resilience** and notable areas in the Economic Strategic Review's (ESR) strategic imperatives and thrusts as well as challenges identified by roundtable participants, a series of recommendations for **Singapore's National Competitiveness** followed by recommendations for **Singapore's Competitiveness in the Regional Context**, and a **Conclusion**.

The report was directed by Mr. Simon Tay, Chairman, SIIA and Mr. Satya Ramamurthy, Associate Council Member, SIIA and Chair, Public Sector, Sumitomo Mitsui Banking Corporation (SMBC), Asia Pacific. It was written with the support of Mr. Aaron Choo, Senior Assistant Director (Special Projects and Sustainability), Ms. Chua Yi Jie, Senior Executive, Policy and Stakeholder Engagement, and the policy programmes interns Ms. Ella Lim, Ms. Sienna Lovelock-Burtt, and Ms. Wint Zaw. All views expressed in the report are those of the report directors and authors, unless otherwise credited.

The SIIA organised a series of roundtables in association with the government-led ESR, ahead of the ESR's final report released on 24 June 2026. Insights from the discussions were shared with the ESR's Committee 1 on global competitiveness. The roundtables focused on gathering views from business leaders and professionals working for MNCs to better understand how international businesses view Singapore in the context of their global strategies.

The SIIA would like to thank Equinix Singapore and Evonik for their generous support in making this report possible, and the roundtable participants for their contributions. The roundtable participants, collectively comprising the Competitiveness Commission (CompCom), were: ANZ Singapore, Boeing Singapore, The Coca-Cola Company, Equinix Singapore, Evonik, ExxonMobil Asia Pacific Pte. Ltd., FedEx Express (Singapore), Hitachi Asia, Bank Julius Baer & Co., Kim & Chang, LinkedIn, Maybank, Mitsubishi Corporation, Moody's Ratings, MUFG Bank, Ltd., Samsung Electronics, SMBC, Standard Chartered, Swift, Tata Group. The SIIA would also like to thank representatives from the Singapore Economic Development Board (EDB), Enterprise Singapore (EnterpriseSG), and the Ministry of Trade and Industry (MTI) who joined the roundtables as observers and discussants.

Executive Summary

Singapore is weathering the current global turmoil and has come through recent crises, including the COVID-19 pandemic of 2020-2023, relatively well. This has been due to a number of factors such as strong institutions, good crisis management, and the ability to deploy fiscal reserves. A key dimension of Singapore's resilience has also come from its international connections, in finance, shipping, aviation, and supply chain links. Singapore's competitiveness depends not only on strengthening its domestic capabilities, but also on deepening its international connections.

However, global uncertainty and competition mean that Singapore's future cannot be taken for granted. The following are key challenges for Singapore going forward:

Workforce and training: Artificial intelligence (AI) will likely impact long-term hiring for entry-level roles and due to higher costs, certain jobs will increasingly be located outside of Singapore. Singapore should address mismatches between workforce capabilities and evolving labour market requirements.

Entrepreneurship and risk taking: While it is a hub for MNCs, Singapore has few successful startups and should consider how to promote entrepreneurship as well as increase access to growth-stage and pre-IPO financing.

Energy, carbon, and other costs: Rising costs are affecting MNC decisions on where to locate jobs and make investments, and this is a potential issue for Singapore as carbon and other costs are rising in-tandem relative to the region.

Public-private engagement: Some businesses the SIIA spoke with for this report noted challenges in engagement between global C-suite executives and political office holders, and the lack of single points of contact with the government on cross-cutting or whole-of-government issues.

On 24 June 2026, the government-led Economic Strategy Review (ESR) issued its final report on "Securing Growth and Good Jobs in a Changing World". This suggests a number of strategies for Singapore, including on making Singapore a global leader in AI solutions, and an AI-empowered economy, as well as fostering a more dynamic enterprise ecosystem so that more Singapore-based companies can start, scale and succeed globally.

In this report, and based on perspectives from dialogues with MNC representatives, we suggest the following recommendations as regards **Singapore's National Competitiveness**.

1. **Strengthen engagement with MNCs on transformation and AI adoption:** Public-private engagement especially with global MNCs can help understand how AI is reshaping the workforce and what needs to be done to align the business ecosystem with the needs of firms.

2. **Develop further regulations for governance of AI and data:** Singapore can lead in developing regulatory and governance frameworks for AI including on transparency, legal liability, and ethical concerns, as well as related issues of data sovereignty.

3. **Create industry roadmaps and job redesign for AI adoption and AI literacy:** Mapping is needed to identify which tasks can be shifted to AI agents, what new jobs can be created, and how each sector will be transformed in an AI-enabled world.

4. **Build apprenticeship programmes and new models of work-based learning:** Paths are needed to help young people and fresh graduates entering the workforce, especially with AI expected to replace many entry-level jobs in the long term.

5. **Explore regulatory frameworks for fractional employment and new workforce trends:** Frameworks are needed so that career development, work passes, tax, and Central Provident Fund (CPF) systems adapt to new types of workers and jobs.

6. **Consider measures to help businesses with increases in carbon tax:** Further measures can be considered to assist businesses in dealing with the planned increase in carbon tax to the target of S$50 to S$80/tCO_2e by 2030.

7. **Enable ongoing exchange between policymakers and senior executives of MNCs:** In order to drive the above recommendations, structured opportunities for engagement should be facilitated, especially for MNCs making investments that contribute to national priorities.

Additionally, this report considers the regional dimension in Singapore's competitiveness which has been implicit in Singapore's position as a regional and global hub. While recognising the realities of competition between Singapore and ASEAN neighbours, especially as costs for business rise in Singapore, this report evaluates ways in which Singapore will benefit from working even more closely with our key regional partners. A more dynamic region can be advantageous for Singapore, and a Singapore that is globally competitive and even leading in some sectors can bring win-win benefits to regional partners.

Strategies to strengthen **Singapore's Competitiveness in the Regional Context** were considered, including:

8. **Understand national policies to encourage connectivity:** Singapore-based investors should deepen understanding of the policies and politics of our neighbours, to support reform, build regional supply chains, and increase their global competitiveness in tandem with Singapore.

9. **Advance climate and sustainability goals:** Singapore should work with regional partners to accelerate decarbonisation, climate adaptation and climate resilience, circular economy, and other green and transition areas via cooperation in sustainability standards, carbon markets, and sustainable financing.

10. **Strengthen Singapore as a reference market and living lab:** Singapore should continue to pilot solutions and align regulations to enable products, services and business models tested in Singapore to be deployed internationally.

11. **Continue to build a regional ecosystem of world-class industrial parks and infrastructure:** Singapore-based companies can build on Singapore's existing industrial parks and infrastructure investments in the region, moving industrial parks towards higher tech, higher skilled, and green economy industries.

12. **Deepen Singapore's links to Johor, Batam-Bintan-Karimun (BBK), and Sumatra:** Support for the Johor-Singapore Special Economic Zone (JS-SEZ) should continue, alongside deepening of cooperation with Indonesia's BBK region and Indonesia's provinces in Sumatra, south of Singapore.

1. Singapore's Resilience

Strong institutions, economic diversification, and openness to trade and investment have helped Singapore adapt to changing circumstances and strengthen its position as a trusted hub.

Singapore is not immune to global and regional shocks, and Singapore's economy has contracted during past global downturns. However, Singapore has been able to manage these effects and recover quickly.

Table 1: Lessons from Past Global and Regional Shocks

Global and Regional Shocks	Impact on Global Hubs	How Singapore Fared
1997-1998: Asian Financial Crisis, Haze	Asian centres suffered severe recessions, currency collapse, and political instability	Singapore entered recession but avoided banking collapse due to strong reserves and regulation of financial services sector
2001: Dot-Com Bubble, 9/11	Silicon Valley slowdown from dot-com bubble, global aviation and tourism affected after 9/11 terror attacks	Following dot-com bubble, Singapore diversified into biomedical, strengthened existing industries in logistics, finance
2003: SARS	Beijing, Guangzhou, Hong Kong hardest hit by cases, Toronto worst affected outside of Asia	Singapore was early hotspot of cases before outbreak brought under control via strict quarantines and contact tracing; active opening up of tourism sector post SARS
2008-2009: Global Financial Crisis	London and New York financial sectors contracted sharply, Dubai property bubble burst	Singapore saw recession but stabilised quickly using reserves and fiscal stimulus; Singapore had influx of global financial services talent from other hubs and made significant investments in building up next generation broadband infrastructure
2011: Arab Spring	Cairo and several Middle East centres became less attractive for MNCs	Singapore and other Asian hubs benefited as stable locations
2014-2016: Oil Price Collapse	Gulf hubs including Qatar, Abu Dhabi delayed projects and moved to diversify	Singapore benefited from lower prices while remaining diversified beyond oil and gas
2020-2023: COVID-19	China hubs had longer travel restrictions and quarantines, some acceleration of "China+1" diversification	Singapore safely reopened earlier than many Asian hub cities, avoiding full lockdowns and maintaining business continuity; Singapore strengthened food security through diversification of supply sources
2022: Russia-Ukraine War	Frankfurt and other European cities faced energy insecurity, weakening manufacturing, trade, investment	Singapore experienced inflation but maintained investor confidence
2026: Strait of Hormuz Closure	Gulf hubs face increased risk premiums; all energy importers face higher costs	Singapore has faced higher energy costs but has weathered disruption relatively well due to energy reserves and trade links; Singapore has continued to strengthen institutions, including aggregation of energy procurement

Source: Based on media reports (1997-2026)

For example, Singapore's response to COVID-19 demonstrated the importance of good crisis management and Singapore's ability to look ahead towards long-term recovery. In 2020, the Emerging Stronger Taskforce (EST) brought together government, business, academia, and civil society leaders to identify the changes accelerated by the pandemic and develop recommendations for Singapore's future economy.[1] The SIIA contributed as a knowledge partner to the Taskforce and published our own independent *New Horizons* special report in 2021 which offered further suggestions on strengthening Singapore's international linkages in the post-pandemic environment.[2]

In 2025, lessons about Singapore's engagement with the region and world were distilled in a book by SIIA Chairman Simon Tay, "Island in the World: Singapore's Geopolitical DNA" emphasising the country's resilience, resourcefulness, and responses to challenges.

However, increasing global uncertainty, volatility, and competition means that Singapore's ability to withstand shocks cannot be taken for granted. Singapore must explore new directions for resilience.

Economic Strategy Review's Imperatives and Thrusts

The ESR was launched in August 2025 under the wider Singapore Economic Resilience Taskforce, with the aim of developing a forward-looking economic blueprint in a world that is facing profound shifts. The ESR comprised five committees chaired by political office holders or senior civil servants, with members from the private sector, unions and the community, looking at ways to strengthen Singapore's global competitiveness, leverage technology and innovation, nurture entrepreneurship, enhance human capital, and manage the impact of restructuring.

On 24 June 2026, the ESR issued its final report on "Securing Growth and Good Jobs in a Changing World".[3] The report suggests "imperatives" and "thrusts" for Singapore. Key points from the ESR's final report are summarised below. Two of the ESR's broad thrusts are especially significant as they represent new directions for Singapore, different from past strategies:

Make Singapore a global leader in AI solutions, and an AI-empowered economy

Based on the ESR's early findings, Singapore launched the inter-ministerial National AI Council (NAIC) in February 2026, chaired by Prime Minister Lawrence Wong, to drive Singapore's national AI missions across four areas: advanced manufacturing, finance, healthcare, and logistics.[4] Government support for AI is being prioritised in places where it can complement rather than replace workers, opening up new jobs.

Foster a more dynamic enterprise ecosystem

The ESR highlighted the need to support the next generation of high-potential enterprises, both home-grown and global. This will require new partnership tools to support startups and growth-stage companies, unlike Singapore's earlier policy focus on attracting mature MNCs to Singapore.

Key Challenges Going Forward

The SIIA convened the Competitiveness Commission (CompCom) to gather perspectives on Singapore's economic future from representatives of MNCs with a presence in Singapore. The roundtable discussions acknowledged many of the points noted by the ESR and highlighted additional concerns from the private sector that could affect Singapore's competitiveness. These perspectives are summarised below.

Workforce and training

The ESR noted the need to create a broader range of good jobs, including building deeper Singaporean capabilities in growth sectors, advancing an AI strategy that complements workers, and raising the quality of jobs in resilient sectors. The ESR recommended monitoring the impact of AI on workers to adjust policies where needed, calling for a stronger system for career transitions to support workers in at-risk roles. The ESR also recommended deepening SkillsFuture support for workers and increasing the number of programmes that integrate classroom learning with on-the-job training.

The CompCom participants agreed that Singapore must addresses mismatches between current workforce capabilities and future market requirements, calling for a wider rethink of Singapore's education and skills upgrading system. AI is expected to automate routine rule-based roles. Singapore's education system is strong in structured learning, but greater emphasis may be needed on interdisciplinary thinking, creativity, and the ability to navigate complex unstructured problems. Workers will also require new competencies such as AI workflow design, prompt engineering and output validation.

Most current layoffs and slowdowns in recruitment have more to do with broader economic conditions rather than the immediate impact of AI. However, in the medium to long term there is indeed a danger that AI could affect hiring, particularly for entry-level to mid-level roles. The ESR's report mentioned the need to develop apprenticeship pathways in Singapore. Such schemes are crucial to ensure that young workers continue to have good career prospects. Singapore can take cues from economies like Switzerland that have successfully implemented large-scale apprenticeship models.

For experienced workers, new models of work are also emerging, including fractional arrangements where individuals take on multiple roles across organisations. Singapore's regulatory and tax frameworks may need to adapt to properly govern such models.

Entrepreneurship and risk taking

The ESR recommended measures to make entrepreneurship a viable pathway, and for the promotion of different forms of private financing to help startups secure growth-stage capital.

Although Singapore has evolved into a leading regional headquarters for MNCs, it has been comparatively less successful in becoming a home base for startups that are able to scale into the global economy. It is positive that the ESR has acknowledged the need to improve the availability of growth-stage and pre-IPO financing in Singapore, but there are wider limiting factors on innovation and entrepreneurship in Singapore that could be addressed.

Singapore's relatively risk-averse culture remains a constraint. Singapore-based investors often favour lower-risk investment opportunities and established business models. Similar issues are present in the workforce, where people tend to prefer stable employment in the public sector or in large companies rather than founding or joining startups. These characteristics have contributed to Singapore's reputation for reliability, but if Singapore wishes to be globally competitive in innovation, the business community in Singapore may need to adopt a greater tolerance for failure and a greater willingness to take risks.

Energy, carbon, and other costs

Beyond efforts to attract new investments, the ESR's final report noted the need to ensure that firms already based in Singapore continue to upgrade, remaining globally competitive even as costs rise.

Rising costs are already affecting business decisions on where to locate jobs and make investments. These concerns are particularly pronounced among energy-intensive industries, including data centres, manufacturing, and refinery operations. Electricity pricing in Singapore is already relatively high due to the lack of cheaply available baseload power generation from domestic fuel sources.[5] In addition to the electricity price issue, Singapore's planned increase in carbon tax, set to reach S$50 to S$80/tCO_2e by 2030, could have further cost implications for industries with hard-to-abate emissions. The current rise in global energy prices caused by the Strait of Hormuz's closure in 2026 is further increasing these pressures.

The relatively high cost of labour in Singapore is another potential issue. MNCs may still be willing to locate mid to high-level roles in Singapore but may prefer locating entry-level roles in cities with lower cost of labour, particularly with digitalisation allowing teams to work across borders.

Singapore's regulatory standards are a key source of trust and credibility, but these standards also impose some compliance costs for businesses. MNCs operating across jurisdictions may experience some friction when new regulations are tailored more for Singapore companies and SMEs, particularly in emerging areas like the digital economy and cybersecurity where international standards are not yet fully aligned.

Public-private engagement

Singapore is increasingly taking a cross-cutting or whole-of-government approach to certain issues, such as sustainability and climate adaptation. This philosophy supports collaboration between agencies and dismantles bureaucratic silos, but it also means that businesses may be confused on which agency to liaise with. Clear national focal points or contact points are still needed.

Other avenues of public-private engagement must remain open in an increasingly complex and contested global economic environment, for instance ensuring lines of communication between political office holders and the global C-suite leadership of MNCs that are making strategic investments in Singapore.

2. Recommendations: Singapore's National Competitiveness

Based on feedback and insights from the roundtable discussions the SIIA convened with MNC representatives, we suggest the following pathways to improve **Singapore's National Competitiveness**, with an emphasis on strengthening Singapore's attractiveness as a base for global businesses and ability to connect businesses with regional opportunities.

1. Strengthen engagement with MNCs on transformation and AI adoption

Singapore can strengthen public-private engagement with MNCs to understand their ongoing business model transformation and evolving business priorities, especially on AI adoption. It will be useful for Singapore's policymakers to understand where major global companies are hoping to use AI, which business functions they are redesigning, what jobs they are relocating in and out of Singapore, and what constraints they face. By understanding the directions being taken by MNCs and their needs, Singapore can ensure that regulations and talent pipelines remain aligned with the needs of global firms.

Singapore already has a track record of working closely with industry through initiatives such as the AI Trailblazers, which brought together government agencies, technology companies, and businesses to prototype AI use cases. Similar public-private platforms can be expanded to provide policymakers with regular insight on how AI is reshaping business and workforce requirements across sectors.

2. Develop further regulations for governance of AI and data

Singapore can lead in developing regulatory and governance frameworks for AI, similar to the EU AI Act taking effect in European jurisdictions in August 2026. Regulations could include guidance on deployment testing, transparency and auditing, legal liability issues, ethical concerns, and human-in-the-loop oversight requirements. Guidelines are also needed to cover emerging issues of data sovereignty, cross-border data flows, and data usage rights.

Singapore has already established a basis for such work through initiatives such as the Model AI Governance Framework for Agentic AI (MGF) and AI Verify, which focus on the governance of agentic AI systems. For example, the AI Verify Testing Framework provides organisations with a testing and governance toolkit to assess AI systems against internationally recognised principles. Singapore can continue to build on these initiatives and refine its governance frameworks as AI technologies evolve.

Table 2: Examples of AI Initiatives in Singapore

Name of Initiative	Details
National AI Strategy 2.0 (NAIS 2.0)	• Launched in December 2023 and updated in May 2026, Singapore's national AI strategy is a vision of "AI for the Public Good, for Singapore, and the World" • The update sets out 10 refreshed priorities building on progress made since 2023
National AI Council (NAIC)	• Set up in February 2026 and chaired by Prime Minister Lawrence Wong • Provides strategic direction and drives Singapore's AI agenda
Model AI Governance Framework for Agentic AI	• Governance framework by IMDA to give organisations a structured overview of the risks of agentic AI and emerging best practices in managing these risks
AI Verify Testing Framework	• AI governance testing framework and software toolkit developed by the AI Verify Foundation to help organisations assess the responsible implementation of their AI systems against internationally recognised principles

Sources: Smart Nation Singapore (2026)[6], Infocomm Media Development Authority (IMDA) (2026)[7], AI Verify Foundation (2025)[8]

3. Create industry roadmaps and job redesign for AI adoption and AI literacy

Government support and public-private partnerships can focus on avenues for upskilling or augmentation of existing jobs rather than the displacement of workers. Mapping is needed to help industries identify which tasks can be shifted to AI agents and where humans should remain in the loop. Grants could also support businesses in redesigning or restructuring job roles for the AI era, potentially based on pilots and a job redesign playbook co-created with industry, in line with a clear vision of how each sector will be transformed in an AI-enabled or AI-led world.

Singapore can explore programmes via SkillsFuture and other platforms for AI fluency as a new job skill category for workers, including prompt design, workflow orchestration, and output validation. Programmes could include a new recognised Singapore certification framework for AI skills training.

4. Build apprenticeship programmes and new models of work-based learning

Singapore needs to rethink its education system to respond to a more uncertain AI-augmented labour market. With tertiary education graduates potentially facing difficulties finding full-time entry-level employment after leaving school, it may be more valuable for young people to build a portfolio of work experience while still in the education system rather than face unemployment or underemployment. Singapore can consider developing structured apprenticeship pathways with multi-year durations longer than current internship programmes and paid stipends for apprentices.

Apprenticeships would be a joint investment made by the employer, employee, industry, and education system where individuals are embedded within firms and receive sustained, structured training under the guidance of experienced mentors or senior practitioners. Unlike short-term internships, these apprenticeships would involve a deeper commitment from employers to develop talent over time, with clear progression pathways and skills acquisition outcomes. To make this model viable, tertiary education curriculums will need to accommodate longer periods of work-based learning, and the government must be involved in setting standards, co-funding programmes, or leading by example in offering apprenticeships in the public sector.

Singapore can study successful examples of such schemes that have been undertaken in other economies.

Table 3: Examples of Apprenticeship and Work-Study Schemes

United Kingdom	Switzerland	Singapore
Apprenticeships • Can begin from age 16+, ranging from Foundation to Degree-level, durations vary from 12 months to 7 years • Systems vary between England, Northern Ireland, Scotland, and Wales • As of 2025 there are over 760,000 apprentices in the UK, with over 350,000 new starts each year and close to 200,000 completing apprenticeships each year	**Vocational Education and Training (VET) System** • Dual track system starting from age 15 to 16 combines classes with on-the-job training, programmes last 2 to 4 years depending on profession • Apprentices are paid and receive a diploma or certificate, and can optionally pursue a baccalaureate that counts towards university admission • In Switzerland about two-thirds of people take up apprenticeships, as of 2025 there are over 215,000 apprentices in the system	**Work-Study Programmes (WSPs)** • WSPs under SkillsFuture are targeted towards recent graduates and mid-career individuals, combining classes with on-the-job training • Companies offer competitive salaries to WSP participants and certifications are recognised industry-wide • Participants often have structured career advancement opportunities with companies they are placed with • Current WSPs have around 2,000 participants a year

Sources: Gov.uk (n.d.)[9], UK Department for Education (2026)[10], Switzerland Federal Department of Foreign Affairs (2026)[11], Switzerland Federal Statistics Office (2025)[12], SkillsFuture (2026)[13]

5. Explore regulatory frameworks for fractional employment and new workforce trends

For established professionals, it is increasingly common for workers to adopt a more fluid portfolio where they hold part-time roles across different companies rather than single full-time jobs. Singapore should explore creating clear regulatory frameworks for fractional employment, including developing frameworks or guidelines for how employment status, benefits, career development, work passes, tax, and CPF should be managed for such workers. Public-private partnerships can also be explored to create employment marketplace systems to match fractional workers with potential employers, with embedded credential and trust mechanisms.

6. Consider measures to help businesses with increases in carbon tax

Singapore's carbon tax is an important part of the country's decarbonisation strategy. However, implementation should remain pragmatic and responsive to changing global conditions. The Strait of Hormuz disruption has increased energy costs, while international momentum on climate policy has softened as governments prioritise energy security and cost-of-living concerns. Singapore should remain agile in calibrating its carbon tax implementation, to ensure that Singapore businesses remain competitive in comparison to counterparts in jurisdictions with low or no carbon prices.

Singapore can consider further measures to assist businesses in dealing with increases in carbon tax as Singapore approaches the S$50 to S$80/tCO_2e target by 2030. Currently, companies are allowed to use high-quality international carbon credits (ICC) to offset up to 5 per cent of taxable emissions, and Singapore also has a transition framework for Emissions-Intensive Trade-Exposed (EITE) industries.[14]

Singapore can draw on its own development experience in being pragmatic about adjusting policies to evolving economic realities. During difficult economic situations in the past few decades, "rental rebates" were offered when the competitiveness of key industries was affected due to higher land costs. A similar approach may be adopted for carbon tax. Any such measures would need to be applied fairly and limited to companies who have shown intention and have demonstrated commitment to emissions reduction. Such policies should also continue to be treated as a transition measure rather than a long-term solution.

Table 4: Carbon Tax Status in Asia and Policy Adjustments in Response to Global Conditions

Jurisdiction	Amount	Status
Indonesia	Minimum of Rp 30.00/kgCO_2e (US$2.10/t$CO_2$e)	Carbon tax for coal-fired power plants was originally set to take effect in 2022 but was initially delayed due to the need to finalise supporting regulations, and subsequently postponed indefinitely due to the post-pandemic economic situation, global inflation, and geopolitical uncertainty. Indonesia has prioritised expanding its carbon market and emissions trading system (ETS) ahead of its carbon tax.
Japan	JP¥289/tCO_2e (US$2.00/t$CO_2$e)	Carbon tax took effect from 2012, applying to fossil fuel importers and domestic fossil fuel extractors. Japan is currently introducing a new Green Transformation (GX) package including a mandatory ETS from April 2026 and a carbon levy for fossil fuel importers and extractors from 2028. Japan has retained its timetable despite concerns over energy costs arising from the Strait of Hormuz closure.
Malaysia	TBC, expected RM10 to RM15/tCO_2e (US$2.44 to US$3.67/tCO_2e)	Carbon tax was initially targeted for implementation in 2026, for energy, iron and steel, as well as cement production facilities directly emitting more than 50,000 tCO_2e annually. Implementation has been delayed while the government reviews the policy in light of geopolitical uncertainty, higher energy prices, and concerns about imposing additional costs on businesses and consumers.
Singapore	S$45/t$CO_2$e (US$34.86/tCO_2e)	Carbon tax took effect in 2019, set to reach S$50 to S$80/tCO_2e by 2030. Tax applies to direct emitters of 25,000 tCO_2e annually, with firms allowed to offset 5% of emissions with international carbon credits. The government has said the 2030 tax may be set at the lower end if global climate momentum continues to soften. Singapore has granted transitional allowances to emissions-intensive, trade-exposed (EITE) companies. Due to a limited supply of carbon credits, firms have also been allowed to roll over unutilised offset quotas from 2025 to 2026.
Thailand	THB200/tCO_2e (US$5.95/t$CO_2$e)	Carbon tax introduced in 2025 applies to oil and petroleum products using existing excise tax structure; it replaces the old fuel tax meaning it is revenue-neutral with no extra costs for consumers. In 2025, Thailand's cabinet approved a draft Climate Change Act that will introduce wider carbon pricing and an ETS. The act is expected to be passed in early 2027 with no indication of any delay.

Sources: Based on media reports (2025-2026)

Note: Table only includes Asian jurisdictions with carbon taxes, not those that have other forms of carbon pricing, e.g. fees, ETS

7. Enable ongoing exchange between policymakers and senior executives of MNCs

To drive the above recommendations, Singapore should ensure that lines of communication remain open between the government and strategic private sector partners. Currently, EDB assigns account managers to engage with MNCs and major investors, and it is important to ensure that these relationship managers have the authority to coordinate across ministries and agencies, particularly when MNCs are engaging with policymakers on issues that are considered whole-of-government matters.

The government and private sector can consider creating further structured opportunities for engagement between global C-suite executives and political office holders, particularly for MNCs making significant investments that contribute to national priorities.

3. Recommendations: Singapore's Competitiveness in the Regional Context

8. Understand national policies to encourage connectivity

As major investors in many economies across the region, Singapore-based companies and institutions should seek to deepen their understanding of national economic policies and the underlying politics of our neighbours. This will allow for better alignment of policies and capabilities.

While all countries in ASEAN and the region are sovereign with their own national interests, business and financial reforms currently underway in the region are beneficial to both domestic and international investors. These changes should be encouraged as "win-win" directions for both Singapore and its neighbours, building collective regional competitiveness in relation to the wider global economy.

Table 5: Competitiveness Strategies in ASEAN and Regional Collaboration Opportunities

Country	Strategies	Challenges and Constraints	Regional Collaboration Opportunities
Singapore	Reinforcing trusted hub position, talent development, build international linkages	Land, energy, and manpower constraints, contributing to high costs	Singapore can strengthen its role as a financial and innovation hub for partnerships across ASEAN, supporting digital transformation, sustainable finance, and workforce development
Malaysia	Shifting from middle-tier manufacturing to high value-added activities, financial reforms, green transition	High subsidies and rising public debt, manpower constraints, infrastructure gaps	Malaysia's strengths complement Singapore's especially with development of the JS-SEZ; Malaysia can play a role in cooperation on digital transformation, decarbonisation technology, and sustainable finance
Indonesia	State control of strategic commodity exports, downstreaming, food and energy security	Commodity export dependence (though strong domestic consumption), availability of skilled labour, infrastructure gaps	Indonesia presents opportunities for collaboration in downstream industrialisation, sustainable land use, and critical minerals; Singapore should continue building closer links with Batam-Bintan-Karimun (BBK), Riau, and Sumatra
Thailand	Advanced manufacturing, infrastructure modernisation, digital and financial reforms	Export dependence, energy constraints, infrastructure gap (strong around Bangkok and the east but weaker elsewhere)	Thailand offers opportunities for deeper regional collaboration in advanced manufacturing, decarbonisation technologies, and circular economy
Vietnam	Encouraging domestic private sector investment, administrative and financial reforms, digital and physical infrastructure development	FDI and export dependence, energy constraints, availability of skilled labour, financial sector gaps	Vietnam is creating opportunities for regional cooperation in infrastructure, clean energy, and manufacturing

Sources: Singapore Economic Development Board (2025)[15], Malaysia Ministry of Investment, Trade, and Industry (2023)[16], Indonesia Cabinet Secretariat (2025)[17], Thailand National Economic and Social Development Council (2023)[18], Vietnam Government News (2025)[19]

There are common areas where ASEAN member states are pursuing similar strategies, for instance in digitalisation and moving up the value chain. Cost-effective regional models of working can be developed, where headquarters and R&D roles may be located in Singapore, with manufacturing and increasingly other high-value functions located in nearby ASEAN economies.

Singapore and ASEAN should continue strengthening regional trade by reducing barriers to the movement of goods and services. This includes administrative measures such as greater alignment of regulations, continued adoption of interoperable customs systems and digital trade documentation, and other efforts to reduce bureaucracy. Deeper cooperation on logistics to connect ports to supply chains is needed to reinforce ASEAN's attractiveness as an integrated manufacturing, trading and investment destination.

9. Advance climate and sustainability goals

The past few years have seen a polycrisis of simultaneous economic, geopolitical, and environmental shocks all coming together. This report has focused on economic considerations, but there is a danger that short-term economic and geopolitical pressures will divert attention from the need to build long-term resilience, even as environmental risks continue to intensify.

2026 has already seen the return of El Niño, and there is a possibility of this developing into a strong El Niño event in 2026-2027, coinciding with the "positive" phase of the Indian Ocean Dipole (IOD). Both weather phenomena lead to drier conditions or lower rainfall in ASEAN and Asia, increasing the danger of forest fires. The SIIA's Haze Outlook 2026 report rated a "red" or high risk of a severe transboundary haze affecting Brunei, Indonesia, Malaysia, and Singapore this year.[20] Weather conditions like El Niño and IOD are natural phenomena and not the same as global warming, but both phenomena are linked to spikes in temperatures going over the long-term average. Taken together with ongoing climate change, El Niño could contribute to 2027 being the hottest year on record.

The El Niño situation for 2026-2027 highlights the fact that preparedness against extreme weather events and the effects of higher global temperatures must continue even as the world deals with economic and geopolitical disruptions. It is equally important for Singapore, ASEAN, and Asia to push forward on decarbonisation and climate adaptation for long-term resilience.

This is especially urgent as short-term measures taken in response to immediate shocks in 2026 could worsen the climate crisis. Oil and gas shortages caused by the Strait of Hormuz closure have caused some import-dependent Asian countries to shift to greater use of coal, setting back efforts to phase out or phase down the use of coal as part of emission reduction targets.

Much has been said about the Strait of Hormuz closure serving as an impetus for economies to shift away from fossil fuels in general, but this is not universally positive for the environment. Some ASEAN economies have stepped up biodiesel mandates, blending in more bio content into fuel at the pump. Biofuels are not inherently negative. But unless this increased consumption can be met with circularity, using recycled cooking oil or agricultural waste and residuals, the demand for feedstock could lead to greater pressure on the plantation sector to expand, potentially increasing the risk of deforestation and transboundary haze in the years ahead.

The deployment of AI, expansion of data centres, and infrastructure development being undertaken by ASEAN and Asian economies will further increase resource and energy consumption. Singapore's energy supply is still mainly from non-renewable sources, and Singapore will need to continue exploring new technologies such as nuclear power in the form of small modular reactors (SMRs) and carbon capture, utilisation, and storage (CCUS) in addition to green energy imports to support future growth while still achieving climate goals. This will need close coordination and collaboration with Singapore's closest neighbours, Malaysia and Indonesia.

Singapore should therefore deepen partnerships with its neighbours in areas such as green energy, supply chains for green technology, regional sustainability standards, carbon markets, and sustainable finance.

10. Strengthen Singapore as a reference market and living lab

In the context of the need to develop green and transition solutions for the future, Singapore should continue to strengthen its role as a testbed for innovation and a living lab that can bridge pilot projects into regional and global deployment. Singapore remains well placed to pilot solutions for ASEAN and Asia in areas such as urban development and sustainability, where similarities in climate and infrastructure needs make Singapore's solutions relevant to neighbouring cities. Singapore's cost structure and market conditions also resemble those of developed economies, allowing it to serve as a platform for solutions intended for global markets. Both directions should be encouraged.

Singapore should sustain and deepen its existing investments in R&D, including long-term commitments under the Research, Innovation and Enterprise (RIE) strategy and the RIE2030 plan. Initiatives such as Hyundai's Singapore Innovation Centre illustrate how advanced facilities can create skilled jobs in Singapore. Singapore's advantage as a reference market is not only in technology but also in its regulatory environment. Singapore can explore linkages between regulatory sandboxes here and other jurisdictions, an approach already being explored in the fintech and land transport sectors.

11. Continue to build a regional ecosystem of world-class industrial parks and infrastructure

Singapore and Singapore-based companies have long invested in industrial parks and infrastructure in the region. For example, Sembcorp's Vietnam Singapore Industrial Parks (VSIP) programme has become one of Singapore's most successful regional partnerships. Following the latest bilateral approvals in May 2026, Sembcorp's VSIP network covers 26 industrial parks across Vietnam's northern, central and southern economic corridors.[21] Such partnerships demonstrate how Singapore can enhance its competitiveness by investing in and partnering with neighbouring economies rather than competing with them.

Initially, such partnerships were built on Singapore contributing capital, planning, and investor networks while partners like Vietnam contributed lower-cost land, labour, and access to resources. Moving forward, there is potential for these partnerships to take a step forward with joint industrial parks serving as a base for green technologies, precision engineering, AI datacentres, and other high-value industries, supporting the development ambitions of Singapore's neighbours.

Over and above industrial parks, there is a significant opportunity for ASEAN member states to collaborate on building infrastructure for cross-border energy connectivity as well as the AI-enabled digital economy.

Regional cooperation on energy should be strengthened to meet the rising demand for energy driven by industrial growth and digitalisation. Greater investment in the ASEAN Power Grid (APG) and cross-border electricity projects will improve energy security, resilience and affordability for the entire grouping.

Similarly, ASEAN member states and partners can accelerate the growth of digital industries to create the jobs of tomorrow. This includes building infrastructure such as subsea cables and datacentres, as well as connectivity to reach underserved communities. Singapore is well-placed to serve as a hub for "win-win" digital infrastructure collaboration. For example, in July 2026, the Nongsa-Changi subsea cable system was completed, supporting the growth of Indonesia's BBK free trade zone. Partnerships with regional multilateral development banks will also be crucial; in May 2026, the Asian Development Bank (ADB) announced an Asia-Pacific Digital Highway to mobilise US$20 bn by 2035 to finance digital corridors, digital policy and regulatory support, and skills programmes in Asia and the Pacific.

12. Deepen Singapore's links to Johor, Batam-Bintan-Karimun (BBK), and Sumatra

Singapore should ensure that the prospects of the Johor-Singapore Special Economic Zone (JS-SEZ) are clearly understood by MNCs and that appropriate support is given to firms interested in investing in the JS-SEZ. There should be a careful balance between preserving functions in Singapore while enabling activities to expand across the border, particularly in new high-value sectors. If managed well, such arrangements can strengthen Singapore's broader value proposition to firms operating across the region.

Earlier initiatives such as the Singapore-Johor-Riau (SIJORI) Growth Triangle and Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT) faced frictions and achieved only limited success. To ensure better outcomes for the JS-SEZ, it is important for both policymakers and businesses to understand the challenges or pain points encountered in past cross-border integration initiatives.

Drawing from this experience, Singapore can explore how cooperation with Indonesia, particularly the Batam-Bintan-Karimun (BBK) region in the Riau Islands province, may be further deepened. The Riau Islands offer proximity and connectivity to Singapore. For instance, datacentre operations in Batam are already complementing Singapore's capabilities as a digital hub. There is also potential for partnerships with mainland Riau and the rest of Sumatra which offers a larger scale and resource base.

Sumatra has extensive oil palm and pulpwood plantations. There is increasing interest in using waste and residuals from the plantation sector to produce sustainable fuels, such as biomethanol for the marine shipping industry. Singapore could assist in biofuel development, not only as a market but as a refiner, bunkering hub, financier, and certification centre. Sumatra's peatland forest landscapes also have vast potential for the development of nature-based solutions in the form of ecosystem projects, conserving and restoring areas while generating carbon credits that can offset hard-to-abate emissions.

Table 6: History of Singapore-Johor-BBK Integration Efforts

Year	Initiative	Details	Challenges and Issues
1989-90	**Singapore-Johor-Riau Islands (SIJORI) Growth Triangle**	SIJORI was intended to combine the engines of Singapore capital, technology and logistics with Johor and Riau Islands land and labour	SIJORI was an early integration effort and did not make much progress in integrating customs, immigration clearance, and cross-border transport links
1994	**Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT)**	SIJORI was expanded as the Indonesia-Malaysia-Singapore Growth Triangle	IMS faced similar integration challenges as SIJORI and momentum was further affected by the 1997-1998 Asian Financial Crisis
2006	**Iskandar Malaysia (formerly South Johor Economic Region and Iskandar Development Region**	Investment corridor in Johor state targeting nine core promoted sectors: electrical & electronics (E&E), petrochemical & oleochemical, food & agro-processing, logistics, tourism, creative industries, healthcare, education, and financial and business services	While the corridor was originally envisioned to attract high-value industries, in practice incentives and investment were directed towards luxury and mixed-used property developments; this included involvement of Chinese developers who were in turn affected by China's capital controls, leaving projects delayed or unoccupied
2024-25	**Johor-Singapore Special Economic Zone (JS-SEZ)**	First discussed at the 16th Malaysia-Singapore Joint Ministerial Committee for Iskandar Malaysia (JMCIM) with a formal agreement signed in January 2025, aims to ease flow of goods and people between Singapore and Malaysia and strengthen the business ecosystem in business services, digital economy, education, energy, financial services, food security, green economy, health, logistics, manufacturing, and tourism	JS-SEZ is an ongoing initiative; the SIIA and FedEx released a special report in 2025 identifying constraints that the JS-SEZ can help resolve including lack of harmonised licensing, tax, customs, and regulatory regimes, infrastructure and transportation bottlenecks, border congestion and customs clearance inefficiencies, and the need for talent development

Source: SIIA and FedEx (2025)[22]

Conclusion

The world is in a period of heightened turmoil, marked by geopolitical tensions affecting trade and energy flows, technological disruption raising concerns about the future of employment, and climate change bringing environmental risks.

In the face of these challenges, Singapore must strengthen the foundations that have underpinned its success, including efficiency, strong institutions, trusted governance, openness, and sustained investment in its people.

Singapore must remain agile in responding to rapid technological and economic change, including engagement with businesses on AI adoption, the development of regulations for the governance of AI, and efforts to ensure that workforce transformation keeps pace with new developments. Pragmatic responses are also needed to help businesses deal with increasing costs, especially in the context of the Strait of Hormuz situation causing volatility in energy markets.

At the same time, national competitiveness and regional competitiveness should not be seen as separate objectives, but as mutually reinforcing ones. Policymakers and the private sector can work together to strengthen ASEAN and Asia's position in the global economy.

Singapore's future lies not only in attracting investment to Singapore itself, but in mobilising capital and partnerships in ASEAN and Asia, as part of a broader regional strategy for businesses and investors.

Businesses can locate their headquarters, R&D, and elements of advanced manufacturing in Singapore while expanding broader-based manufacturing and operations in neighbouring countries, achieving the long-term ASEAN Economic Community (AEC) goal of making the region a single market and production base. As ASEAN member states continue moving up the value chain, opportunities will also emerge for higher-value activities to be located in the region, including in the JS-SEZ, Batam-Bintan-Karimun region, Sumatra, and in industrial parks with linkages to Singapore.

In this next phase of integration, Singapore's connections to the region should go beyond simply utilising lower-cost land and labour in neighbouring countries. Rather, the focus should be on advancing Singapore's growth alongside the development priorities in other regional economies. This includes pursuing green and transition areas and opportunities in the digital economy.

This vision requires continued investment in people.

There is scope for Singapore-based stakeholders to contribute in capacity building, technical assistance, and workforce development in the region. Supporting the growth of skills upgrading and stronger institutions across ASEAN and Asia will further reinforce the region's competitiveness.

From the Asian Financial Crisis, SARS, Global Financial Crisis, and COVID-19 pandemic, Singapore has consistently emerged stronger by both enhancing its capabilities as well as strengthening its international connections. The government-led ESR has recognised that this process must continue. We hope that the recommendations in this report will contribute to the ongoing discussion on how Singapore can continue building its resilience and competitiveness, together with ASEAN and Asia, in an increasingly uncertain world.

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