

POD Research Institute

Hong Kong Economy Health Check

First Report on Health Check-up of Hong Kong Economy and
How Do We Compare with Five Asian Economies After First
Year of United States' New Tariff Measures

Advance version

October 28, 2025

*The Trump administration, however, claims it's Chinese officials who "want to do business very much" because "**their economy is collapsing**".---BBC, The US and China are finally talking. Why now?, 11 May 2025.*

*"**President Trump's tariffs will cost businesses more than \$1.2 trillion this year, with most of that cost being passed on to consumers, according to a new study from S&P Global**". ---AXIOS, Study: Tariffs to cost companies \$1.2T this year, mostly hitting consumers, Oct 16, 2025.*

Executive Summary

United States' Differential Tariff Treatment (2017–2025)

The United States applied progressively differentiated tariff regimes across five Asian economies — **Chinese Mainland, Hong Kong, Japan, South Korea, and Singapore** — reflecting distinct strategic intentions.

- **Chinese Mainland and Hong Kong** were directly targeted (“victim economies”), facing tariff surges from baseline levels of ~3 % (2017) to over **50 % by 2025**, effectively erasing Hong Kong’s prior “special treatment.”
- **Japan, South Korea, and Singapore** (“fringe economies”) remained within low or moderate bands, ranging from **2–5 % pre-2025 to 10–15 % post-2025**, reflecting reciprocal tariff frameworks rather than punitive measures.

This stratification underscores Washington’s evolving policy: from selective, China-focused protectionism toward a **region-wide reciprocity model** that differentiates between strategic adversaries and allies based on geopolitical alignment.

New Tariffs under the Second Trump Administration (2025–present)

The second Trump administration (from April 2025) introduced a new layer of reciprocal tariffs that fundamentally reshaped the East Asian trade landscape.

- China and Hong Kong: 10 % baseline reciprocal tariffs, with an additional 20 % IEEPA surcharge on selected sectors — resulting in effective combined rates up to ≈ 30-35 %.
- Japan and South Korea: Locked-in 15 % reciprocal tariffs through bilateral executive actions (August 2025).
- Singapore: Implemented a 10 % universal baseline tariff, marking its first significant exposure since the 2004 U.S.–Singapore FTA.
These measures represent a systemic escalation from targeted sanctions to comprehensive reciprocity-based trade policy, serving as a pivotal

determinant of each economy’s resilience and adaptive capacity in the current research framework.

Purpose and Methodology of the Study

- The research examines how Hong Kong performed under U.S. tariff stress—whether it merely withstood pressure or displayed real resilience.
- Using the Δ -Framework, it compares five Asian economies—China, Hong Kong, Singapore, Japan, and South Korea—across eight economic pillars, measuring changes in trade, finance, and institutional confidence after April 2025.

Comparative Significance and Objective

- The study distinguishes between “victim economies” (Chinese Mainland, Hong Kong) and “fringe economies” (Singapore, Japan, South Korea).
- Comparison enables cross-learning on how structural setups and policy integrity—such as monetary buffers, diversification strategies, and governance discipline—help economies mitigate U.S. tariff impacts.

Research Objectives

- To explain why and how Hong Kong—though targeted—remained among Asia’s most stable and adaptable economies, and
- To extract policy lessons from regional peers for building durable economic and institutional safeguards against future trade shocks.

Research Findings

1. Economic Resilience Index Ranking

(Measuring the capacity of five Asian economies to withstand the U.S. tariff measures imposed globally since April 2025)

Table 1

Rank	Economy	Overall Rating (Raw Score)
1	Singapore	5 (4.75)
2	Hong Kong	4 (4.13)
3	Chinese Mainland	4 (3.63)
4	Japan	3 (2.75)
5	South Korea	3 (2.63)

Scoring Scale:

5 = Excellent Resilience · 4 = Strong Resilience · 3 = Moderate Resilience · 2 = Need attention · 1 = Weak Resilience

2. Structure of the Index

The index is composed of eight equally weighted indicators. The overall score represents the average of the eight component scores, measuring each economy's capacity to withstand tariff shocks.

The eight indicators are:

1. Trade and export performance
2. Foreign-exchange reserves and buffer capacity
3. Public-debt levels
4. Banking-system stability
5. Private-sector leverage (household and corporate debt)
6. Economic growth and price stability
7. Institutional and financial integrity
8. Independence from U.S. tariff impacts

Compared with the 2023–24 baseline, Hong Kong's Economic Resilience Index is approximately **80%**, equivalent to a score of **4/5** ("**Strong Resilience**")—indicating that Hong Kong has preserved about four-fifths of its macro-Economic resilience amid tariff shocks.

3. Hong Kong's Response and Adjustment Mechanisms under the Tariff War

- **Trade Resilience:** Hong Kong's trade pivoted progressively toward Asia and RCEP member states, sustaining export activities and total trade growth.
- **Logistics and Valuation Flexibility:** The trade deficit in the first five months of the tariff war mainly reflected **re-export and CIF valuation effects** (fewer re-exports widened the deficit) rather than real economic weakness.¹
- **Reputation and Credibility:** Ample reserves, a robust Linked Exchange Rate System, and credible financial supervision have preserved international confidence in Hong Kong.
- **Financial Stability:** Strict regulation and abundant liquidity have prevented financial stress from spilling into the banking sector. As of end-July 2025,

¹ See Appendix 4 of this report.

Hong Kong's foreign exchange reserves equaled **more than five times the value of currency in circulation**.

6. Lessons from Singapore

- **Export and Market Diversification:** Singapore relies on a wide mix of exports—electronics, pharmaceuticals, and petrochemicals—and maintains strong ties with CPTPP and RCEP partners, reducing single-market dependency.
- **Policy Clarity:** Consistent and predictable policymaking minimizes uncertainty-related costs, supporting investment confidence.
- **Reserves Combined with Productivity:** The government strategically deploys its large reserves to invest in efficient infrastructure and port technologies.

7. Lessons from South Korea

- **Strengths:** A freely floating exchange rate and advanced manufacturing base (semiconductors, automobiles, batteries) enable swift export redirection.
- **Limitations:** Higher U.S. tariffs have squeezed corporate profit margins, slowing economic growth and increasing household financial stress. High household debt has heightened sensitivity to global interest rate cycles.

8. Lessons from Japan

- **Institutional Strengths:** Conservative but well-capitalized banks and extensive free trade agreements (RCEP + CPTPP) support economic stability. Even with modest growth, Japan maintains its baseline resilience.
- **Monetary Autonomy:** A fully floating exchange rate allows Japan to absorb external shocks via currency adjustments instead of domestic income contraction.

9. Policy Recommendations

- a. **Deepen Non-U.S. Market Development:** Expand access to ASEAN, Middle East, and Belt and Road markets; enhance traceable and certified re-export services (e.g., origin tracing, digital documentation, Authorized Economic Operator programs).²
- b. **Enhance Financial Autonomy:** Broaden non-USD settlement systems; strengthen currency swap arrangements (e.g., allowing the HKMA to temporarily borrow foreign currency via swap lines and on-lend to local institutions); and expand RMB liquidity and usage.

² See Appendix 5 of this report.

- c. **Mitigate SME Risk:** Provide targeted credit guarantees and working capital support to cushion imported interest rate shocks.
- d. **Upgrade Digital Trade Systems:** Modernize smart port functions, adopt API-based customs clearance, and implement fully electronic trade documentation to minimize tariff-related compliance frictions with the U.S.

10. If the U.S. Further Escalates Tariffs

- **Deepen Production Networks:** Accelerate integration between the Greater Bay Area and ASEAN to rebalance origin-related risks.
- **Boost Domestic Demand and Technological Upgrading:** Strengthen service exports, tourism recovery, and high-tech manufacturing to offset weakening external demand.
- **Ensure Policy Consistency:** Frequent or opaque regulatory changes can erode investment confidence faster than tariffs themselves.
- **Automatic Stabilizers:** If U.S. tariffs rise further, Hong Kong's re-exports, logistics, shipping, and trade-related services may contract. The government should establish automatic stabilizers—countercyclical credit lines and industrial guarantees—to prevent private leverage from amplifying external shocks.

11. Conclusion

As a highly open and directly targeted small economy, Hong Kong demonstrated **remarkable resilience** in the first year of the tariff war—anchored by speed, credibility, and diversified flexibility—retaining its “Strong Resilience” standing. Mainland China also showed **external resilience**, recording slight positive trade growth despite domestic challenges.

The next stage should focus on **consolidating gains**:

- reducing single-market dependency,
- diversifying trade settlement currencies and financing options, and
- accelerating institutionalized digital trade.

If the tariff war escalates further, **Hong Kong and China** are expected to absorb external shocks with minimal cost—balancing **risk diversification** and **policy autonomy**—and continue to demonstrate their position among the most resilient economies in Asia.

Section 1 — Introduction: Understanding How Hong Kong and Its Neighbours Responded to the 2025 U.S. Tariff Shock

1.1 Purpose of the Report

In April 2025, the United States introduced a new round of tariffs on imports from almost every country. These measures were wide-ranging but hit some economies harder than others. This report looks at how Hong Kong and four other major Asian economies — Chinese Mainland, Singapore, Japan, and South Korea — coped with this external shock.

Instead of judging them by absolute size or wealth, we focus on resilience — how well each economy managed to absorb the tariff pressure, maintain trade flows, and keep financial stability compared with its own recent past. In simple terms, we ask: *Given the difficulties each economy faced, how well did it hold up?*

This report is based on economic and financial data available up to August 2025, covering developments primarily from the previous calendar year (2024) through the first four months after April of 2025. While every effort has been made to ensure analytical accuracy and methodological consistency, the findings should be read as a snapshot in time rather than a definitive forecast. Given the evolving nature of global trade dynamics and the possibility of further tariff escalations or geopolitical shifts, unforeseen economic turbulence may arise in the remainder of 2025. The authors therefore advise readers to interpret the conclusions and rankings within this temporal context, acknowledging that resilience assessments may change as new data emerge.

1.2 Evolution of US Tariff Measure in Brief and How We Measure Resilience — The Δ -Framework

Table 2a. Formation Process of Composite US Tariffs Imposed (Summary Table)

Economy	First Trump (2017-2021)	Biden (2021-2025)	Second Trump (2025-, as of Oct)	Second Trump Additions
Chinese Mainland	3% → 19-24%	21-24%	51-57% (from 21-24%)	+27 to +36
Hong Kong	3% → 3-10%	10-15%	30-51% (from 10-15%)	+15 to +41

Japan	2% → 2-4%	2-3.5%	14-17% (from 2-3.5%)	+10.5 to +15
South Korea	2% → 2-5%	2-4.8%	13-15% (from 2-4.8%)	+8.2 to +13
Singapore	0.2% → 0.2-0.4%	0.3-0.4%	~10% (from 0.3-0.4%)	+9.6 to +9.7

Sources: Appendix 6.

Remarks: The table shows approximate trade-weighted average effective rates for "most goods" (excluding specifics like exclusions/quotas). Rates are ranges based on sources; actuals vary by HTS code. Overall, the second Trump era marks the sharpest escalation, with aggregates tripling for China/Hong Kong and rising 5-10x for others, amid ongoing negotiations and retaliations (e.g., China's 10-15% on US ag). These policies have reduced US imports from these economies (e.g., -22% from China in H1 2025) but raised consumer prices by ~1-3%.

Table 2a outlines the evolution of U.S. tariffs on imports from China, Hong Kong, Japan, South Korea, and Singapore across administrations, revealing differential treatment driven by geopolitical factors. China faced sharp escalations during the first Trump term through measures targeting trade practices, stabilization under Biden with some adjustments, and a major surge in the second Trump era via reciprocal policies. Hong Kong, aligned with China post-2020, followed a similar path of rising rates, bundled under origin rules. By contrast, Japan saw minimal shifts offset by agreements, South Korea modest changes via renegotiated FTAs, and Singapore's FTA-protected low rates held steady until a recent increase. This pattern highlights punitive focus on "victim economies" like China and Hong Kong, versus leniency for "fringe economies" as strategic allies.

New tariffs under the second Trump administration, as shown in far right column of Table 2a, mark a broad escalation with sharp increases over Biden-era levels via reciprocal baselines, emergency surcharges, and sector hikes—yet from the Chinese Mainland's viewpoint, this still entails unfair treatment toward China and Hong Kong through higher, more punitive layers, while Singapore, Japan, and South Korea receive better, negotiated leniency. These disparities have compelled victim economies to adopt adaptive strategies like rerouting and buffers for stability, whereas fringe ones leverage FTAs and diplomacy to mitigate impacts, enhancing resilience through diversification, credibility, and agility amid protectionism.

Recognizing the longstanding pattern of differential tariff imposition by successive U.S. administrations on the five selected economies, this study seeks to assess the impact of the most recent tariff measures on their economic resilience. To facilitate this analysis, we delineate two distinct periods—a baseline phase and a post-tariff phase—allowing for a more precise estimation of the incremental effects (Δ) attributable to the tariff policies implemented during the second Trump

administration. Two clear time periods in two dimensions (See Table 2b in conceptual representation) can be seen:

Table 2b. Illustration of Baseline Period and Post-Tariff Period

Period	What It Represents	Example
2023 – 2024 (Baseline Period)	The “normal” recovery path before the April 2025 tariffs — our reference point for comparison.	Hong Kong’s trade rose slightly in 2024 after a weak 2023; China’s exports were still down 8–9 % in 2023.
2024 – 2025 (Post-Tariff Period)	The months after tariffs took effect (from April 2025). We look at how each economy adjusted once pressure began.	Hong Kong’s total trade grew nearly 19 % even under tariffs; China’s trade surplus turned positive again.

Source: Appendix 3 of this report.

This approach stops us from blaming every 2025 change on tariffs alone. It separates what was already happening naturally (like recovery or slowdown) from what happened because of the new trade barriers.

A small improvement or a slower-than-expected decline can actually show *strong resistance* if the economy was under heavy pressure.

1.3 Who Was Targeted and Who Wasn’t — Victim vs Fringe Economies

The U.S. tariff design did not treat all countries equally, as evidenced by the disparate escalation patterns across the featured economies in the composite summary table (Table 2a). Then for classification and research purpose, Chinese Mainland and Hong Kong are treated as victim economy, and Singapore, Japan and South Korea fringe economy.

- Victim Economies:
These are the direct targets of U.S. policy.
 - Chinese Mainland was explicitly named as the main focus.
 - Hong Kong was treated as part of the Chinese trade network, meaning many of its re-exports and logistics operations were also charged the same duties or investigated for “associated origin.”
 - Together, in the second Trump administration, these two economies faced average combined tariffs of roughly 30 %, including the 10 %

reciprocal tariff plus an additional 20 % under IEEPA and fentanyl-related measures.³

- **Fringe Economies:**
Singapore, Japan, and South Korea were not the intended targets. They still felt the effects, but mostly indirectly — through slower demand, price shifts, or disruptions in regional supply chains rather than direct customs penalties.
Their general tariff levels ranged from 10 % to 15 % (that can be calculated from increase of tariff rates from Biden administration to second Trump administration as shown in Table 2a) .

Because Chinese Mainland and Hong Kong faced the tariffs directly, we evaluate them using a higher resistance threshold.

If their trade or finance declined only slightly, that already shows remarkable strength.

For fringe economies, which were only indirectly affected, even a small downturn signals less resilience because their shock was milder.

1.4 Fundamental Differences: China/Hong Kong vs Japan/Singapore/South Korea

The United States’ treatment of its trading partners under the 2025 reciprocal tariff regime reveals a clear divide between China and Hong Kong on one side, and Japan, Singapore, and South Korea on the other. While all five economies face heightened tariff environments compared with pre-2025 norms, the depth, complexity, and underlying rationale of U.S. measures differ substantially.

For China and Hong Kong, tariff levels remain much higher and more punitive. Chinese goods reportedly face combined effective rates of around 34% or higher, when the reciprocal tariffs and additional duties are counted together. By contrast, U.S. tariff rates against its regional allies are considerably lower and more differentiated — about 15% for Japan under the July 2025 bilateral framework, roughly 25% for South Korea, and a baseline of 10% for Singapore. These figures reflect Washington’s willingness to calibrate its approach based on strategic alignment and the outcomes of direct negotiations.

³ On August 11, 2025 the U.S. signed an executive order extending the pause on higher tariffs on Chinese imports, delaying the scheduled increase until November 10, 2025. During the extension period, the current reciprocal tariff rate remains at 10% rather than jumping to previously threatened higher rates. If no agreement is reached by that date, the higher tariffs that were suspended are legally eligible to be reinstated. November 10, 2025 is currently set as the deadline for the next potential escalation in tariffs between the United States and China (i.e., revival of the “tariff war”).

In China’s case, multiple layers of duties compound its trade burden. Beyond the reciprocal tariff regime, Beijing is subject to special measures such as the IEEPA “fentanyl” tariffs, the removal of the de minimis exemption for low-value parcels, and other targeted customs rules. These measures are explicitly tied to broader national-security and law-enforcement narratives, signaling that China’s trade treatment transcends economic disputes and is embedded in geopolitical tension.

In contrast, Japan, Singapore, and South Korea face a more conventional set of reciprocal tariffs negotiated through bilateral channels. Their rates emerge from structured talks designed to avoid escalation, and they are not generally burdened by supplementary legal layers or emergency-law duties.

The tone of negotiation also differs markedly. Washington’s posture toward China remains adversarial, driven by large and persistent trade deficits and a perception of systemic rivalry. Tariff actions against China are sweeping, often implemented unilaterally and revised through executive orders that can suspend, extend, or reinstate higher rates — as seen in the current suspension of China’s 24% surcharge until November 2025. In contrast, Japan, Singapore, and South Korea are treated as strategic partners whose trade arrangements are managed through diplomacy rather than confrontation. Japan’s July 2025 framework deal, for instance, replaced threatened 25% tariffs with a mutually acceptable 15% rate, signaling a measure of policy stability.

Finally, the legal foundations differ. Tariffs on Chinese and Hong Kong goods frequently invoke extra-statutory authorities, notably the International Emergency Economic Powers Act (IEEPA) and national-security justifications. These enable Washington to impose or adjust duties rapidly, without congressional approval, and to couple economic measures with security concerns such as fentanyl control or supply-chain risks. Conversely, tariffs on Japan, Singapore, and South Korea follow standard trade-law procedures under the reciprocal tariff system. They lack the added layers of emergency authority, even though the rhetoric of “national security” still underpins U.S. trade policy broadly.

In simple terms, the U.S. approach to China and Hong Kong is punitive, multifaceted, and volatile, reflecting a blend of economic retaliation and strategic containment. Meanwhile, Japan, Singapore, and South Korea experience elevated but negotiated tariffs, rooted in alliance management and reciprocal fairness rather than coercion. The result is a two-tiered system: one adversarial and unpredictable, the other rule-bound and diplomatically managed.

1.5 Scoring — How the Report Grades Resilience

To compare all five economies fairly, we use a simple five-point scale where 5 = Excellent resistance, 4 = Strong resistance, 3 = Moderate resistance, 2 = Needs Attention, and 1 = Weak resistance.

Each economy is assessed across eight key areas:

1. Trade and export performance
2. Foreign-exchange reserves and buffer capacity
3. Public-debt levels
4. Banking-system stability
5. Private-sector leverage (household and corporate debt)
6. Economic growth and price stability
7. Institutional and financial integrity
8. Independence from U.S. tariff impacts

For victim economies, a score of 4 might already mean they resisted significant direct pressure.

For fringe economies, the same score indicates solid but less-tested stability.

This relative scoring ensures that we compare economies according to the intensity of the challenges they actually faced, not simply by raw numbers.

1.6 Baseline Conditions Before the Tariffs

Before the new tariffs began, many economies were still recovering from earlier downturns:

Table 3. Baseline Conditions of Five Economies

Economy	2023 – 2024 Snapshot
Hong Kong	Exports around HK\$ 338 billion in April 2023 (–13 % year-on-year). Total Apr–Aug trade ≈ HK\$ 1.8 trillion.
China (Mainland)	Exports –8.8 % year-on-year (Aug 2023); gradual rebound in 2024.
Singapore	Exports about SGD 250–300 billion (Apr–Aug 2023) with ~ 2 % growth.
South Korea	Imports fell 13 % in April 2023.
Japan	Visible trade deficit of JPY 150–170 billion in 2023.

Source: The United Nations Comtrade database.

These weak starting points mean that even modest improvements in 2025 represent real resilience, not just normal fluctuation.

1.7 Structure of the Report

The rest of the report is organized as follows:

- Section 2: Hong Kong’s Resilience After New U.S. Tariff Measures (2025) — Δ-Framed.
- Section 3: The 2025 Tariff Shock and Asia’s Trade Re-routing

— Δ -Framework.

- Section 4: The Comparative Health Check (2020–2025) — Δ -Framework.
- Section 5: Overall Ranking.
- Section 6: Conclusion.

Section 2. Hong Kong’s Resilience After New U.S. Tariff Measures (2025) — Δ -Framed

2.1 Baseline Context (2023–2024): Where Hong Kong Started

Before the April 2025 tariff escalation, Hong Kong’s trade performance was recovering from the 2023 slowdown. Exports in April 2023 stood at HK\$338 billion (–13% y-o-y), and total April–August 2023 exports were approximately HK\$1.7–1.8 trillion. The visible balance for April–August 2024 recorded a small surplus (+HK\$18 billion), marking a stabilized pre-tariff baseline after two volatile years of post-pandemic recovery. This baseline is vital: resilience should be measured by how well the city sustained and expanded trade under new external pressures.

2.2 Post-Tariff Shift (April–August 2025): Expansion Under Pressure

Following the U.S. tariff measures effective April 2025 (effective rate 30–71% including base tariffs + fentanyl + Section 301 surcharges), Hong Kong registered strong resistance. Exports rose 14.2% y-o-y to HK\$2.17 trillion, while imports increased 23.9% to HK\$2.33 trillion. Total trade volume expanded by 19% to HK\$4.5 trillion—a clear sign that Hong Kong absorbed and re-channeled regional flows instead of retreating.

The visible balance shifted from a 2024 surplus of +HK\$18 billion to a 2025 deficit of –HK\$161.7 billion. Rather than a weakness, this reflects the city’s role as a re-

export hub: imports rose faster because of CIF valuation effects, front-loading, and trade rerouting from Chinese Mainland and multinationals using Hong Kong for compliance and documentation advantages. The deficit, therefore, is statistical—a by-product of resilient logistics and valuation activity, not economic fragility.

Table 4. Hong Kong Merchandise Trade (April to August, 2023) – Pre-Tariff Baseline

Month (2023)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible Balance (HK\$ bn)
Apr	338.3	364.9	-26.6
May	343.6	377.6	-34.0
Jun	337.4	409.7	-72.3
Jul	338.1	375.1	-37.0
Aug	358.7	375.9	-17.2
Total	1,716.1	1,903.2	-187.1

Sources: Census and Statistics Department (C&SD) monthly press releases (approximated from official statistics; year-on-year changes showed declines, e.g., -16.7% exports in April).

Table 5. Hong Kong Merchandise Trade (April to August, 2024)

Month	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	378.7	374.9	+3.8
May	375.9	354.0	+22.0
Jun	373.5	393.9	-20.4
Jul	390.4	375.1	+15.3
Aug	381.3	383.9	-2.6
Total	1,899.9	1,881.8	+18.0

Sources: Census and Statistics Department (C&SD), Info.gov.hk (Monthly Press Releases, Apr–Aug 2024).

Note: Table 1 represents the pre-tariff baseline for comparison under the Δ -framework (2023–2024 baseline year).

Table 6. Hong Kong Merchandise Trade (April to August, 2025)

Month	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	434.5	450.5	-16.0

May	434.1	461.4	−27.3
Jun	417.8	476.7	−58.9
Jul	446.3	480.4	−34.1
Aug	436.6	462.0	−25.4
Total	2,169.3	2,331.0	−161.7

Sources: Census and Statistics Department (C&SD), Info.gov.hk (Monthly Press Releases, Apr–Aug 2025).

Note: Table 6 represents the post-tariff observation window (2024–2025), used to assess resistance performance relative to baseline values in Table 5.

2.3 Qualitative Resistance Indicators

Table 7. Trade Resistance Indicators of Hong Kong

Indicator	Pre-Tariff (2023–2024)	Post-Tariff (2024–2025)	Score
Export Growth (y-o-y)	+5–8%	+14.2%	5 – Excellent Resistance: Growth accelerated under pressure.
Import Growth (y-o-y)	+3–5%	+23.9%	4 – Strong Resistance: Surge reflects re-routing and valuation adaptation.
Total Trade Growth	+6–8%	+19%	4 – Strong Resistance: Expansion amid tariff exposure.
Visible Balance	+HK\$18 bn	−HK\$161.7 bn	3 – Moderate Resistance: Statistical, valuation- driven deficit.
Policy Credibility (Reserves, Peg)	Stable, ample buffers	Unchanged	4 – Strong Resistance: Confidence preserved.

Sources: Census and Statistics Department (C&SD), Info.gov.hk (Monthly Press Releases, Apr–Aug 2025).

2.4 Mechanisms of Adaptation

1. Trade Rerouting and Regional Diversification

Chinese exporters and multinational firms redirected shipments through Hong Kong to leverage its regulatory flexibility and valuation advantages. This boosted import records and customs throughput—turning tariff

exposure into logistics dynamism. Hong Kong became the central rerouting node in Asia's tariff-adjustment cycle.

2. Financial and Institutional Anchors

The Linked Exchange Rate System (LERS) and foreign-exchange reserves (~US\$421.6 billion) anchored expectations. The HKMA ensured liquidity stability, sustaining the peg despite U.S. rate hikes. Policy credibility converted external volatility into investor confidence—a key qualitative indicator of resilience.

3. Policy Agility and Sectoral Response

The Trade and Industry Department fast-tracked non-U.S. export certification (ASEAN, RCEP, Middle East). Logistics operators adopted end-to-end digital documentation and smart valuation platforms. Private adaptation offset policy rigidity, proving agility remains Hong Kong's comparative advantage.

2.5 Structural Interpretation: From Trade Deficit to Resilience

The 2025 trade deficit masks strength in three dimensions:

- Statistical robustness: CIF inflation in import values stems from valuation adjustments, not real demand weakness.
- Functional resilience: Rising imports represent re-export vitality, affirming Hong Kong's role as a trade mediator.
- Institutional credibility: A stable peg, ample reserves, and supervisory strength kept capital markets calm.

In qualitative terms, Hong Kong earns a Resistance Score of 4 (Strong) — not for avoiding impact, but for absorbing it with composure.

2.6 Comparative Perspective: Targeted Economies

As a primary target alongside Chinese Mainland, Hong Kong's 19% trade expansion outperformed regional peers despite higher tariff exposure. While China's surplus widened by 0.6%, Hong Kong's volume surge shows that adaptation speed and institutional credibility are equally vital. Both cases exhibit robust external resistance amid internal challenges.

2.7 Risks and Forward Signals

- External uncertainty: Second-round tariffs or sectoral bans could narrow rerouting advantages.
- Domestic constraints: The U.S. rate cycle transmits through the peg, limiting credit flexibility.

- Structural opportunity: Greater Bay Area and ASEAN integration can convert resilience into sustained diversification.

2.8 Interpretive Summary

Hong Kong entered 2025 as a direct target of U.S. tariffs but emerged as one of Asia’s most adaptable economies. Between 2023–2024 and 2024–2025, it transformed exposure into resilience: total trade rose 19%, exports climbed 14.2%, and institutional credibility held firm. The apparent deficit signifies functional strength, not weakness. In a tariff-fragmented world, Hong Kong demonstrates that resilience means withstanding impact without losing momentum.

Section 3. The 2025 Tariff Shock and Asia’s Trade Re-routing — Δ -Framework

Following the escalation of U.S. tariff measures in April 2025, the trading regimes of major East Asian economies—Hong Kong, Singapore, South Korea, Chinese Mainland, and Japan—underwent varying degrees of adjustment, with primary targeted victims like China and Hong Kong facing higher tariffs (e.g., 10% base + 20% fentanyl-related + 7.5-25% Section 301, totaling ~30-71%) compared to fringe economies (10-15%). This section analyzes each economy’s adaptive mechanisms and resistance to the tariff shock, emphasizing structural and policy-driven responses. Resistance is qualitatively measured by comparing pre-tariff baselines (2023-2024, using aggregated April-August data from official sources like C&SD, SingStat, GACC, KITA, and Japanese Customs) with post-tariff outcomes (2024-2025). The starting point is crucial: small positive increases in indicators (e.g., trade growth or surplus expansions) amid targeted pressures signal strong resistance, while fringe economies maintaining stability reflect minimal disruption. Tables below provide comparative indicators, with values approximated in HK\$ equivalents for consistency (using average exchange rates: 1 SGD $\approx$ 5.8 HK\$, 1 USD $\approx$ 7.8 HK\$, 1 JPY $\approx$ 0.053 HK\$). For the details of Δ -Framework, please refer to Table 8a, Table 8b, and Table 8c.

Table 8a. Pre-Tariff Baseline Trade Performance (April–August 2023)

Economy	Exports (HK\$ bn equiv.)	Imports (HK\$ bn equiv.)	Visible Balance (HK\$ bn equiv.)	Trade Growth % (yoy est.)
Hong Kong	1,716.1	1,903.2	-187.1	-10% (declines amid global slowdown)
Singapore	1,450 (SGD 250B est.)	1,160 (SGD 200B est.)	+290 (SGD 50B est.)	+2% (stable but modest)
Chinese Mainland	17,940 (USD 2,300B est.)	12,480 (USD 1,600B est.)	+5,460 (USD 700B est.)	-5% (exports down 8.8% in Aug)
South Korea	3,120 (USD 400B est.)	3,510 (USD 450B est.)	-390 (USD -50B est.)	-8% (imports down 13.3% in Apr)
Japan	4,680 (JPY 88,000B est.)	5,200 (JPY 98,000B est.)	-520 (JPY -10,000B est.)	-3% (exports down amid yen weakness)

Sources: Approximated from official statistics (e.g., C&SD for Hong Kong, SingStat for Singapore, GACC for China, KITA for South Korea, Japanese Customs for Japan; annual data prorated for April–August). Negative growth reflects 2023 global uncertainties; Appendix 3.

Table 8b. Pre-Tariff Recovery Trade Performance (April–August 2024)

Economy	Exports (HK\$ bn equiv.)	Imports (HK\$ bn equiv.)	Visible Balance (HK\$ bn equiv.)	Trade Growth % (yoy from 2023 est.)
Hong Kong	1,899.9	1,881.8	+18.0	+5.4% (modest recovery)
Singapore	1,508 (SGD 260B est.)	1,218 (SGD 210B est.)	+290 (SGD 50B est.)	+4% (stable growth)
Chinese Mainland	18,720 (USD 2,400B est.)	13,260 (USD 1,700B est.)	+5,460 (USD 700B est.)	+4% (slight rebound)
South Korea	3,276 (USD 420B est.)	3,354 (USD 430B est.)	-78 (USD -10B est.)	+3.5% (imports stabilizing)
Japan	4,836 (JPY 91,000B est.)	5,408 (JPY 102,000B est.)	-572 (JPY -11,000B est.)	-0.5% (ongoing deficits)

Sources: As above; 2024 showed partial recovery from 2023 lows; Appendix 3.

Table 8c. Post-Tariff Trade Performance (April–August 2025)

Economy	Exports (HK\$ bn equiv.)	Imports (HK\$ bn equiv.)	Visible Balance (HK\$ bn equiv.)	Trade Growth % (yoy from 2024)
Hong Kong	2,169.3	2,331.0	-161.7	+19.0%
Singapore	1,624 (SGD 280B est.)	1,264 (SGD 218B est.)	+360 (SGD 62B est.)	+6.5%
Chinese Mainland	19,812 (USD 2,540B est.)	13,299 (USD 1,705B est.)	+6,513 (USD 835B est.)	+3.6%
South Korea	3,354 (USD 430B est.)	3,276 (USD 420B est.)	+78 (USD +10B est.)	+0.6%
Japan	4,680 (JPY 88,000B est.)	5,148 (JPY 97,000B est.)	-468 (JPY -9,000B est.)	-2.6%

Sources: As above; Appendix 3.

Table 9. Trade Resistance Levels to U.S. Tariff Measures Across Five Economies (2025)

Economy	Exposure Category	Pre-Tariff Trend (2023–24)	Post-Tariff (2024–25) Δ- Performance	Key Adaptation Features	Score (1–5)	Interpretation and Remarks
Hong Kong	Victim (Targeted)	Recovery (+5.4 % trade growth) from weak 2023	Exports +14.1 %, Imports +23.9 %, Total Trade +19 %	Re-export rerouting via RCEP partners; valuation & CIF expansion; stable peg & ample reserves	5 – Excellent Resistance	Turned direct pressure into growth. Deficit is statistical, not structural. Proof of resilience under front-line stress.
Chinese Mainland	Victim (Targeted)	Moderate rebound (+8.6%)	Exports +5.9 %, Imports +0.3 %, Total Trade +3.6 %	Shift to non-U.S. markets; RMB settlement rise; strong reserves	4 – Strong Resistance	Absorbed direct tariff shock externally, though domestic deflation and debt limit full recovery.
Singapore	Fringe (Indirect)	Moderate (+6.6 %)	Exports +9 %, Imports +3.8 %, Total Trade +6.5 %	Diversified engines (electronics, pharma, petrochemicals); FTA depth	5– Excellent Resistance	Low disruption shows structural strength rather than stress-tested resilience.

South Korea	Fringe (Indirect)	Recovery (+6.7 %)	Exports +2.7 %, Imports – 1.8 %, Total Trade +0.55 %	Semiconductor rebound; currency flexibility; high household debt limits response	2 – Need Attention	Maintained external surplus; moderate resistance with debt constraints.
Japan	Fringe (Indirect)	Strong Recovery –18 % in 2024	Exports –0.6 %, Imports – 4.5 %, Total Trade –2.6 %	Import compression narrowed deficit; steady financial institutions	1– weak Resistance	Stability through conservatism rather than growth; minimal adjustment to tariff shock.

Sources: As above; Appendix 3.

Among the five economies under review, Chinese Mainland and Hong Kong stand out as the primary victims of the 2025 U.S. tariff measures, both subjected to the highest effective tariff burden—approximately 30 percent when layered across reciprocal, IEEPA, and sectoral penalties. Despite this heavy pressure, both economies achieved positive trade growth, underscoring their exceptional adaptive capacity. Hong Kong’s case is particularly striking: total trade expanded by 19 percent even as duties increased, reaffirming the city’s pivotal function as Asia’s rerouting and valuation hub. Far from signaling weakness, its visible deficit represents statistical and functional strength—evidence of intensified re-export activity and flexible logistics that allowed trade to thrive under direct fire. Chinese Mainland, too, managed to record moderate trade gains despite ongoing internal headwinds, demonstrating that external discipline and diversified market channels continue to buffer the impact of targeted tariffs.

By contrast, the so-called fringe economies—Singapore, Japan, and South Korea—experienced only secondary spill-over effects, estimated between 10 and 15 percent in effective exposure. Singapore retained uninterrupted trade growth and displayed near-perfect composure, its diversified export structure and deep institutional buffers ensuring minimal disruption. South Korea and Japan also remained broadly stable, though their resistance derived less from active trade adjustment than from accumulated financial cushions and strong domestic policy frameworks. Their stability, while valuable, reflects protection by distance rather than the stress-tested resilience demanded of direct targets.

When the results are interpreted through the Δ -Framework and adjusted for exposure severity, Hong Kong’s performance arguably equals or even surpasses that of Singapore. The difference lies in the context: Hong Kong maintained momentum while absorbing a far tougher external shock. Chinese Mainland’s smaller but positive improvement under comparable pressure equally signifies strong resistance, revealing that endurance under fire carries more weight than calm

stability in mild conditions. In this light, the fringe economies' steadiness remains important but less "tested," whereas Hong Kong and China emerge as the true exemplars of resilience—economies that converted adversity into proof of systemic strength.

Summary Insight:

Hong Kong and Mainland China qualify as "tested resilience" economies—direct victims that adapted successfully. Singapore, South Korea, and Japan represent "stability resilience" economies that preserved their positions under lighter stress. The Δ -Framework confirms that true resistance should be judged by how much stress was overcome, not merely by final growth rates.

Section 4. The Comparative Health Check (2020–2025) — Δ -Framework⁴

This section reframes the five-year trend analysis through a Δ -Framework that measures resilience as directional change rather than static strength. To complement concrete substantiating data, in most of the case some pillars are read against the April–August baselines of 2023 (pre-tariff), 2024 (transition), and 2025 (first tariff year). The focus is on how each economy absorbed, adapted to, and recovered from the April 2025 U.S. tariff shock.

4.1 External Buffers: Rainy-Day Savings

⁴ The IMF's ESA/EBA, FSIs, and SRDSF are gold-standard—but each is built for different questions: EBA infers current-account/REER gaps, not exposure-adjusted resilience to sudden tariff shocks; FSIs track banking soundness, not trade rerouting dynamics; SRDSF gauges medium-term debt risks, not near-term transmission through USD linkages and supply-chain shifts. (Please refer to the information on the link: https://www.imf.org/en/Publications/SPROLLs/External-Sector-Reports?utm_source=chatgpt.com#sort=%40imfdate%20descending) Our Δ -Framework adds policy value by comparing pre- vs post-shock performance across targeted vs fringe economies and integrating tariff-salient channels (trade rerouting, invoicing currency, exchange-rate regime, FTA breadth) that standard IMF toolkits do not jointly capture.

All five economies have strong “rainy-day savings accounts” (See Table 10). China holds the largest stockpile in the world, while Japan (until 2025) and Singapore consistently earn more from exports and overseas investments than they spend on imports. Hong Kong’s reserves more than cover its currency peg, and South Korea also keeps a solid cushion.⁵

Table 10. Foreign-exchange reserves in relations to M2 Money Supply

Table 10. FX Reserves vs M2

Economy	FX Reserves (USD bn)	M2 (Local, bn)	FX rate (Local per USD, 2025 avg)	M2 (USD bn, approx.)	Reserves / M2 (%)	Resistance Score
Chinese Mainland	3,292.2	335,380.00	7.2150	46,483.71	7.1%	5
Hong Kong	421.6	19,980.32	7.8008	2,561.32	16.5%	4
Japan	1,341.3	1,271,131.60	148.2900	8,571.93	15.6%	3
Singapore	366.0	870.81	1.3094	665.04	55.0%	5
South Korea	420.0	4,408,620.00	1,412.6200	3,120.88	13.5%	3

Sources: State Administration of Foreign Exchange; Hong Kong Monetary Authority; Ministry of Finance Japan; Monetary Authority of Singapore; Bank of Korea .

4.2 The Economic Reasonableness of Tariff Resistance among Five Economies with Divergent Foreign-Exchange Reserves

FX reserve-to-M2 ratio compares the stock of a country’s foreign-exchange reserves (in USD) to its broad money supply (M2), which captures the total liquidity circulating in its domestic financial system — including cash, deposits, and near-money instruments.

FX Reserve-to-M2 Ratio= Foreign Exchange Reserves/ Broad Money Supply (M2)×100%

A higher ratio means that a larger portion of the domestic monetary system is backed by liquid foreign assets. A lower ratio implies that reserves cover only a

⁵ Lee, V. (2025, January 13). HK-US dollar peg is securely anchored. China Daily HK. https://www.chinadailyhk.com/hk/article/602231?utm_source=chatgpt.com

small fraction of the money supply, making the economy more dependent on domestic credit conditions or external borrowing.

Thus, this ratio measures how capable an economy is of defending its currency, absorbing capital outflows, and cushioning external shocks — all of which are critical under tariff-induced trade disruptions.

Table 10 however reveals the structural diversity of financial systems across China, Hong Kong, Japan, Singapore, and South Korea, and helps explain why each demonstrates a distinct level of tariff resistance. While tariff shocks from the United States' 2025 measures affect all five, the capacity to absorb such pressure depends not simply on absolute reserve size, but on how reserves relate to domestic liquidity (M2), institutional frameworks, and macro-policy flexibility.

China maintains the world's largest foreign-exchange reserves—about US\$3.29 trillion—but its vast money supply (over CNY 335 trillion) dilutes that buffer to only 7.1 % of M2. Despite this ratio, Beijing's resistance score of 5 is economically reasonable: China's centralised financial system, strong current-account surplus, and state-controlled capital account allow it to mobilise reserves strategically to stabilise the yuan and finance counter-cyclical stimulus without losing confidence. The low reserve-to-M2 ratio therefore does not signal fragility; rather, it reflects an economy whose resilience derives from control mechanisms and policy coordination rather than pure liquidity coverage.

Hong Kong shows a much higher ratio (16.5 %) and a resistance score of 4. As a currency-board economy, the Hong Kong Monetary Authority's foreign-exchange reserves (US\$422 billion) fully back the monetary base and exceed it by a comfortable margin. However, because the linked-exchange-rate system automatically transmits U.S. interest-rate movements, Hong Kong's capacity to respond to tariffs lies more in the flexibility of its trade and re-export system than in discretionary monetary policy. The strong reserve buffer assures financial stability, but the territory's openness and dependence on external trade leave it moderately exposed—justifying a slightly lower resistance score than Singapore's.

Japan, with reserves of US\$1.34 trillion but a massive M2 of JPY 1,271 trillion, posts a modest 15.6 % reserve-to-M2 ratio and a resistance score of 3. The Japanese financial system relies heavily on domestic savings and ultra-low interest rates to maintain liquidity. Consequently, while reserves serve as an insurance buffer against exchange-rate volatility, the yen's safe-haven status and deep domestic bond market reduce Japan's need to deploy reserves aggressively. Its tariff resistance is thus moderate—rooted in structural stability rather than reactive strength.

Singapore, though holding the smallest absolute reserves (US\$366 billion), achieves a remarkable 55 % reserve-to-M2 ratio and a top resistance score of 5. The Monetary Authority of Singapore's exchange-rate-centred regime integrates

reserves management directly with monetary control. By accumulating large official reserves relative to its money supply, Singapore maintains strong external credibility and the ability to offset global shocks quickly through exchange-rate adjustments and fiscal intervention. Its compact, high-productivity economy and diversified export base amplify the effectiveness of reserves, rendering its tariff resistance both structurally and operationally superior.

South Korea exhibits reserves around US\$420 billion against a sizeable M2 of KRW 4,408 trillion, yielding a 13.5 % ratio and a resistance score of 3. Korea's system, dominated by export manufacturing and relatively high private-sector leverage, relies on rapid capital-flow management and swap lines with the U.S. Fed to sustain external stability. While reserves are healthy, the economy's sensitivity to global demand and exchange-rate volatility constrains policy space, explaining its moderate resistance level.

In sum, the economic reasonableness of the tariff-resistance scores reflects each economy's balance between reserve adequacy, financial-system structure, and policy autonomy. China and Singapore earn the highest ratings through contrasting mechanisms—state-directed liquidity control versus lean, high-coverage efficiency—while Hong Kong, Japan, and South Korea represent varying blends of openness, savings dependency, and industrial exposure. These differences confirm that tariff resilience is not a function of reserves alone, but of how those reserves integrate into each economy's broader financial architecture and strategic policy response.

Ultimately, **tariff resistance is a systemic quality, not a statistical one.** Reserves serve as potential defence, but systems provide the actual defence. Whether through the administrative command of China's managed float, the rule-based credibility of Hong Kong's currency board, the institutional wealth of Singapore, or the flexible market adjustment of Japan and South Korea, each economy demonstrates that stability under U.S. tariff pressure arises from *the coherence between its monetary framework and its policy capacity*. The large differences in foreign-exchange reserves, therefore, do not represent uneven vulnerability; they represent different, equally valid models of financial and structural adaptation within Asia's diverse economic landscape.

4.3 Government Finances: Paying the Bills

Singapore and Hong Kong keep their public books very tidy, with Hong Kong's government practically debt-free and Singapore's debt offset by vast sovereign assets. Japan's public debt is a glaring outlier – after peaking at 261% of GDP in 2020, it remains extremely high at around 242% in 2023 (by far the highest among

advanced economies)⁶, though mostly funded domestically at low interest rates. South Korea is borrowing more than before (especially during recent downturns), though its debt level is still moderate. Its government debt-to-GDP ratio is expected to rise significantly, with forecasts projecting it will reach 51.6% in 2026 and 58.0% in 2029, and could even reach 156.0% by 2065.⁷ China looks fine at the national level but faces risks from local governments taking on large debts off the official books.

Table 11. Public Debt-to-GDP ratio

Economy	Condition	Five-year drift	Score
Singapore	Official debt is high on paper, around 173% in 2025, but backed by even larger assets; runs small surpluses.	Stable	5
Hong Kong	Hong Kong has one of the lowest government debt-to-GDP ratios (expected around 10% at the end of 2025) among major economies, especially when compared with advanced and many emerging economies; strong fiscal reserves.	Stable	5
Japan	Debt ~250% of GDP, the highest globally; financed mainly at home with low rates.	Worsened vs 2020	2
South Korea	Debt rising, 48.10% by the end of 2025; extra budgets used during downturns.	Worsened vs 2020	3
Chinese Mainland	National debt moderate; debt-to-GDP ratio 96.3% in 2025, ⁸ but heavy hidden borrowing held by local government financing vehicles (LGFVs) and state-owned enterprises,. increased to 312% of GDP in 2024	Rising concern	3

Sources: International Monetary Fund (IMF). (2025, October); Hong Kong Financial Services and the Treasury Bureau. (2025, February); International Monetary Fund. (2025, April); Ministry of Finance Japan (MOF). (2025); Ministry of Economy and Finance (Korea) (2025, July); Bank for International Settlements (BIS). (2025, June); Monetary Authority of Singapore & Ministry of Finance. (2025).

⁶ Ibid.

⁷ Futubull. (2025, September 3). South Korea's Ministry of Finance: The debt-to-GDP ratio in South Korea will exceed 50% next year. Futubull.
https://news.futunn.com/en/flash/19327325/south-korea-s-ministry-of-finance-the-debt-to-gdp?data_ticket=1759297507734727&level=1

⁸ International Monetary Fund (IMF). (2025, October). World Economic Outlook Database: China Profile – General Government Gross Debt (% of GDP). Retrieved October 28, 2025, from <https://www.imf.org/external/datamapper/profile/CHN>

In fiscal terms, Chinese Mainland and Hong Kong faced the heaviest tariff-induced stress yet maintained firm sovereign credibility. Chinese Mainland's national accounts remain anchored by central control over credit creation, keeping the general government debt ratio below 100 % despite massive local borrowing. Such containment under direct U.S. tariff pressure represents moderate-to-strong resistance within the Δ -Framework. Hong Kong, operating under a currency-board regime with minimal debt (~10 % of GDP), preserved its fiscal surplus position even as tariff measures dampened re-export income. The combination of fiscal prudence and large accumulated reserves justified an Excellent Resistance (5) rating. For both economies, debt stability under severe exposure is evidence of institutional resilience and disciplined policy execution.

Among the fringe economies, public-debt trajectories mirror broader exposure differences. Singapore's gross-debt ratio, though high, is asset-backed by its sovereign funds, translating into Excellent Resistance (5) — fiscal buffers entirely offset any tariff-related drag. Japan's ultra-high debt (~250 % of GDP) continues to edge higher; despite domestic financing and stable yields, its trend denotes Limited Resistance (2), highlighting structural rigidity. South Korea sits between these poles: prudent yet expansionary, with rising obligations and household leverage keeping it at Moderate Resistance (3). Overall, the fringe group demonstrates resilience through fiscal depth rather than external shock absorption, maintaining credit confidence and policy continuity under only secondary tariff exposure (see Table 11).

4.4 The Stability of Banking System Under Stress

Singapore, Hong Kong, and Japan have some of the strongest banks in Asia. Decades of prudential oversight and financial reforms mean Japanese banks are well-capitalized and have weathered recent shocks (IMF stress tests confirm they remain solvent even under severe scenarios).⁹ South Korea's banks are sturdy but are tied to households carrying heavy mortgages, which poses a vulnerability.¹⁰ China's big state banks remain robust in capital, yet property developers' debts and local government financing vehicles create pockets of risk. However, the exposure to real estate sector grinds lower.¹¹

Table 12. Banking Systems: Can They Withstand Shocks?

⁹ International Monetary Fund. (2024). Japan's financial system under stress: Resilience and challenges [Article]. IMF eLibrary.

<https://www.elibrary.imf.org/view/journals/002/2024/109/article-A001-en.xml>

¹⁰ Nguyen, D. T. (2025, June 25). Managing household debt: Korea's strategic use of the DSR framework. ASEAN+3 Macroeconomic Research Office (AMRO). <https://amro-asia.org/managing-household-debt-koreas-strategic-use-of-the-dsr-framework>

¹¹ Wu, J., & Lozano, C. (2024, July 22). China property report: Banks' exposure to real estate sector grinds lower. S&P Global. <https://www.spglobal.com/market-intelligence/en/news-insights/articles/2024/7/china-property-report-banks-exposure-to-real-estate-sector-grinds-lower-81777097>

Economy	Condition	Score
Singapore	Strong banks, well supervised.	5
Hong Kong	Resilient, with the currency peg intact.	5
Japan	Stable, well-capitalized; low rates squeezed margins.	4
South Korea	Stable but exposed to household debt.	3
Chinese Mainland	Capital levels high, but property loans create pressure.	3

Sources: Monetary Authority of Singapore (MAS). (2024, December); Hong Kong Monetary Authority (HKMA). (2025, August); Bank of Japan (BOJ). (2025, October); Bank of Korea (BOK). (2025, June); People's Bank of China (PBoC). (2025, July); International Monetary Fund (IMF). (2024 – 2025).

As directly targeted economies, Chinese Mainland and Hong Kong demonstrated remarkable banking resilience. Despite trade contraction and valuation shocks, systemic liquidity and capital adequacy remained stable, with neither capital flight nor reserve depletion. Chinese Mainland's state-backed banks absorbed property-sector and local-debt stress through policy coordination and liquidity injections, fitting Moderate Resistance (3) under the Δ -Framework (see Table 12). Hong Kong's banks, under a currency-board regime and intense U.S. rate transmission, upheld the HKD peg and maintained high liquidity coverage, achieving Excellent Resistance (5). In both systems, confidence anchors—policy credibility, supervisory strength, and cross-border funding discipline—offset direct tariff exposure, confirming that strong institutional frameworks can neutralize external shocks even when the real economy is under pressure.

For fringe economies, the 2025 tariff shock primarily tested indirect channels—earnings, leverage, and profitability—rather than solvency. Singapore's tightly regulated banks and diversified portfolios maintained full stability, qualifying for Excellent Resistance (5) as global turbulence barely dented performance. Japan's institutions remained solid but faced profit compression and muted lending appetite, warranting Strong Resistance (4). South Korea's banks exhibited Moderate Resistance (3): prudently managed yet constrained by high household leverage and slowing exports. Collectively, the fringe economies illustrate that mature regulatory frameworks and diversified balance sheets cushion trade-related financial shocks, sustaining overall regional banking stability while revealing differentiated depth of resilience.

4.5 Household and Corporate Leverage: A Comparative Debt Snapshot

Korean households are the most heavily indebted in this group, with mortgage burdens still extremely high. Hong Kong families are also stretched by housing loans, though the situation has eased slightly in recent years. Singapore and Japan

are more balanced – Japanese households tend to save more and borrow less (household debt is about 64% of GDP, relatively modest)¹² and many Japanese companies have large cash reserves, so private debt risks are contained.¹³ However, property market dynamics must be watched in all cases. Chinese families borrow much less than those in other economies, but Chinese companies – especially property developers – owe large sums, which keeps overall private leverage a concern. For the comparison of companies' debt to GDP ratio, latest China's Available NFC / Private Non-Financial Corporate Debt-to-GDP Ratio is about 138.1% (Q4 2024).¹⁴ However, data of company debt to GDP ratio for the other four economies are not available for their comparison.

Table 13. Families Debt with Mortgage: How Stretched Are They?

Economy	Household Debt to GDP (2025)	Five-Year Trend and Context	Score
Singapore	~44.2% for Q1 2025	Balanced and prudently managed household borrowing; robust asset accumulation and strong macroprudential control by MAS keep financial stress minimal.¹⁵	5
Japan	≈ 64.4% as of Q1 2025	Moderate and stable leverage; households retain high savings and firms maintain large cash holdings. Mortgage rates stay low, cushioning repayment burdens.¹⁶	3
Hong Kong	≈ 87.8% as of Q1 2025	High but edging lower as property prices soften; robust banking supervision and tight LTV rules limit	2

¹² Koo, R. C. (2024, November 28). Borrowers nowhere to be seen as Japan enters its post-deflation era. East Asia Forum. <https://eastasiaforum.org/2024/11/28/borrowers-nowhere-to-be-seen-as-japan-enters-its-post-deflation-era/>

¹³ Seho Kim, Pablo Lopez Murphy, and Rui Xu. "Drivers of Corporate Cash Holdings in Japan: Japan", Selected Issues Papers 2023, 029 (2023), accessed September 30, 2025, <https://doi.org/10.5089/9798400242243.018>

¹⁴ International Monetary Fund. (2024). Global Debt Monitor 2024 [Data file / report]. <https://www.imf.org/external/datamapper/GDD/2024%20Global%20Debt%20Monitor.pdf>

¹⁵ Lim, A. (2023). *Macroprudential policies to mitigate housing market risks: Case study — Singapore* (CGFS Paper No. 69). Bank for International Settlements. https://www.bis.org/publ/cgfs69_sg.pdf

¹⁶ Gallagher, D. (2024, September 4). How about a 0.3% mortgage? A world of difference in Japan. Real Estate News. <https://www.realestatenews.com/2024/09/04/how-about-a-0-3-mortgage-a-world-of-difference-in-japan>

		systemic risk. Household leverage remains a watch-point.¹⁷	
South Korea	91.7% (Q4 2024) with expectation to be similar in 2025	Among the region's highest ratios; mortgage and consumer credit growth outpaced income gains. Recent policy tightening aims to cool debt build-up.¹⁸	1
Chinese Mainland	≈ 60.1% as of Q1 2025 (households) / ~138 % (NFC debt)	Household borrowing relatively modest, yet heavy corporate and local-government leverage creates indirect financial stress that weighs on household confidence.¹⁹	3

Sources: Monetary Authority of Singapore (MAS). (2024, December); Hong Kong Monetary Authority (HKMA). (2025, August); Bank of Japan (BOJ). (2025, October); Bank of Korea (BOK). (2025, June); People's Bank of China (PBoC). (2025, July); Bank for International Settlements (BIS). (2025, June); International Monetary Fund (IMF). (2024 – 2025).

As directly targeted economies, Chinese Mainland and Hong Kong are judged by how household and private-sector balance sheets absorb tariff-linked rate and income shocks. Hong Kong's household leverage is high ($\approx 88\%$ of GDP), and with a USD peg importing tighter financial conditions, buffers are thinner; this warrants Limited Resistance (2) on the leverage pillar despite strong supervision. Chinese Mainland's households remain moderately leveraged ($\approx 63\%$), but very high corporate/LGFV liabilities elevate transmission risk from weaker cash flows and refinancing conditions; on balance this is Moderate Resistance (3) rather than strong. In short, for victim states the leverage channel remains a binding constraint: resilience is present, yet policy vigilance is essential to prevent financial tightening from spilling over into consumption and employment.

Among fringe economies, Singapore's low household-debt ratio and disciplined macro-prudential toolkit kept vulnerability minimal, justifying Excellent Resistance (5) on this pillar. Japan combines mid-range household debt with high savings and corporate cash, yielding Moderate Resistance (3)—adequate cushions but limited momentum. South Korea faces the sharpest stress: household debt near 90% of GDP magnifies sensitivity to rates and income, placing it at Weak (1) despite sound

¹⁷ Wong, T. C., Ho, K., & Tsang, A. (2015). Effectiveness of loan-to-value ratio policy and its transmission mechanism: Empirical evidence from Hong Kong (SSRN Electronic Journal, 3(2), 93-102). <https://doi.org/10.2139/ssrn.2685559>

¹⁸ Bae, J.-S. (2025, August 19). *Household debt reaches record \$1.4 trillion*. Korea JoongAng Daily. <https://koreajoongangdaily.joins.com/news/2025-08-19/business/economy/Household-debt-reaches-record-14-trillion/2379172>

¹⁹ Xi, W., Li, W., & Shen, Z. (2024). *Local government debt and corporate asset-debt maturity mismatches: Evidence from China*. *China Economic Review*, 88, 102269. <https://doi.org/10.1016/j.chieco.2024.102269>

banking supervision. Collectively, fringe economies show that household balance-sheet quality is the decisive margin for tariff-era resilience when direct exposure is low but global financial conditions tighten (see Table 13).

4.6 Economic Growth with Price Stability

Table 14. Economic Growth with Price Stability

Economy	2024 GDP / CPI	2025 Outlook (GDP / CPI)	Interpretation	Score
Singapore	4.4 % / 2.4 %	1–3 % / 1.5– 2.5 %	Growth slows but remains resilient; inflation returns to ~ 2 %	4
Hong Kong	2.5 % / 1.7 %	2–3 % / ~ 1.8 %	Stable growth; among best price stability in Asia	4
Chinese Mainland	5.0 % / 0.2 %	~ 4.8 % / deflation continues	Growth slows; slight deflation signals fragile demand	3
Japan	–0.2 % / 2.7 %	~ 1.0 % / ~ 2 %	From contraction to mild recovery; inflation near target but momentum weak	2
South Korea	~ 2.2 % / ~ 2.3 %	0.8 % / 1.9 %	Noticeably weaker growth; inflation stable	2

Sources: MTI (Singapore), C&SD and Info.gov.hk (Hong Kong), NBS and IMF (Mainland China), Cabinet Office & BOJ (Japan), BOK & KDI (South Korea), 2024 actuals and 2025 official forecasts.

Across the five economies, growth and inflation dynamics in 2025 diverge along lines of exposure and structural resilience. **Singapore** remains the regional pace-setter. Its GDP growth, projected between 1 % and 3 %, marks a soft landing from 2024’s 4.4 % expansion. Inflation is forecast to normalize toward 2 %, consistent with price stability targets and reflecting effective monetary and fiscal coordination. The economy’s diversified base—electronics, pharmaceuticals, and energy—continues to support employment and incomes, earning a **Strong (4.2)** score for sustained resilience despite external softening.

Hong Kong maintains solid momentum after its 2024 rebound. GDP is expected to grow 2 % to 3 %, with underlying CPI near 1.8 %, placing the city among Asia’s most stable price environments. Exports and services continue to drive expansion while domestic consumption remains cautious. Although growth rests on a narrow base, monetary discipline and policy credibility anchor confidence. Within the Δ-

Framework, Hong Kong earns a **Strong (4.1)** rating—reflecting balance and stability under direct tariff stress.

For **Chinese Mainland**, headline growth remains the highest among the five economies (about 4.8 %), yet deflationary signals persist. The CPI and PPI both hover near zero or negative, highlighting weak domestic demand and lingering property-sector adjustments. While external accounts are strong and industrial output stable, price weakness constrains monetary transmission. These mixed conditions justify a **Moderate (3.0)** score—resilient but imbalanced.

Japan's economy moves from mild contraction in 2024 (–0.2 %) to slight recovery of around 1 % in 2025. Inflation has eased toward 2 %, close to the Bank of Japan's target, but momentum is fragile and heavily dependent on external demand. Domestic spending remains flat, and real wages struggle to keep pace with prices. The rebound is therefore structural rather than cyclical, earning a **Watch List (2)** grade for modest improvement without broad vitality.

South Korea shows the sharpest slowdown. GDP is forecast to expand only 0.8 % in 2025, down from around 2.2 % in 2024, while inflation stays near 1.9 %. High household debt and soft consumption limit policy space even as semiconductor exports recover. The economy's resilience rests on external buffers rather than domestic momentum, placing it at **Watch List (2)** on the Δ -scale.

Overall, the comparative picture shows a clear tiered structure: Singapore and Hong Kong lead with stable growth and anchored inflation under strong institutional credibility; China maintains output but faces price weakness; Japan and South Korea remain steady but lack expansionary impulse. The results confirm that growth quality and price stability—not headline speed—define economic resilience in the post-tariff environment.

4.7 Financial Institutional Integrity in Asia under Post-Tariff Pressures:

When the United States imposed new tariffs in April 2025, the shock went beyond trade balances. For major Asian financial hubs, the impact spilled into questions of financial institutional integrity — how trustworthy, resilient, and transparent their financial systems are under stress. Integrity is not measured by one number, but indicators such as anti-corruption scores, anti-money laundering (AML) compliance, Basel III banking reforms, and regulatory enforcement all reveal how systems cope when global pressures mount.

4.7.1 Singapore: Benchmark Integrity, Limited Tariff Exposure

Singapore continues to shine as the regional benchmark. With very high rankings in Transparency International's Corruption Perceptions Index (2024),²⁰ and a long record of strong the Financial Action Task Force (FATF) compliance,²¹ its institutional credibility remains intact. Because Singapore's trade portfolio is highly diversified, the direct hit from U.S. tariffs is smaller than for Hong Kong or China. The Monetary Authority of Singapore (MAS) has kept a close watch on liquidity and capital adequacy under Basel III standards,²² while publishing enforcement actions against misconduct.²³ In short, Singapore enters the post-tariff era from a position of strength, showing how credibility cushions external shocks.

4.7.2 Hong Kong: High Integrity, but Fragile under Trade Tensions

Hong Kong's financial system remains robust on paper, with a strong FATF record, timely Basel III reforms, and active enforcement by the Securities and Futures Commission.²⁴ But the 2025 U.S. tariffs have directly pressured Hong Kong's re-export trade — a pillar of its economy. This narrows growth, exposes SMEs to stress, and tests confidence in its financial institutions.²⁵ Even though institutional integrity is technically high, geopolitical exposure means investors are watching Hong Kong “closely” to see if its autonomy and financial credibility can withstand prolonged external shocks. An additional advantage enjoyed by Hong Kong is its peg system of Hong Kong dollars strongly with US dollars that IMF has praised strongly.²⁶

4.7.3 Japan: Strong Oversight, Cautious Markets

²⁰ Transparency International. (2024). Corruption Perceptions Index 2024. <https://www.transparency.org/en/cpi/2024>

²¹ Financial Action Task Force. (2024). Follow-Up Report: Korea – 2024. <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Korea-fur-2024.html>

²² Basel Committee on Banking Supervision. (2013). <i>Principles for effective risk data aggregation and risk reporting</i>. Bank for International Settlements. <https://www.bis.org/publ/bcbs238.pdf>

²³ Monetary Authority of Singapore. (2021). Notice 637: Risk-based capital adequacy requirements for banks incorporated in Singapore. <https://www.mas.gov.sg/regulation/notices/notice-637>

²⁴ Financial Action Task Force. (n.d.). Mutual evaluation of Hong Kong, China. <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Mutualevaluationofhongkongchina.html>

²⁵ Asia News Network. (2025, January 10). US tariffs spur China stimulus prospects as Hong Kong gains safe-haven appeal. <https://asianews.network/us-tariffs-spur-china-stimulus-prospects-as-hong-kong-gains-safe-haven-appeal/>

²⁶ International Monetary Fund. (2024). IMF executive board concludes 2024 Article IV consultation with Hong Kong SAR. <https://www.imf.org/en/Countries/HKG>

Japan combines a low corruption profile,²⁷ and conservative financial supervision with full Basel III implementation in March 2024.²⁸ Its banks remain well-capitalized, but the tariff shock has weighed on export sectors, adding caution to financial markets. Unlike other Asian economies, Japan's integrity is less questioned — but the trade slowdown reinforces its long-standing pattern of financial conservatism. The Financial Services Agency (FSA) continues to monitor stability, ensuring no cracks emerge in public trust.²⁹

4.7.4 South Korea: Regulatory Strength but Household Debt Stress

South Korea's financial regulators entered 2025 with good marks from the IMF's Financial Sector Assessment Program (FSAP) and FATF reviews.³⁰ Basel III standards are also well embedded. Yet the U.S. tariffs have amplified strains on its manufacturing exports, weakening corporate earnings and indirectly raising risks in the already stretched household debt sector.³¹ Regulators have responded with stricter enforcement against market abuse, including record fines on short-selling.³² South Korea's framework is strong, but its integrity is tested by structural vulnerabilities that tariffs have worsened.

4.7.5 Chinese Mainland: Heavy Enforcement, Low International Trust

²⁷ Trading Economics. (n.d.). Japan corruption rank. Retrieved October 2025, from <https://tradingeconomics.com/japan/corruption-rank>

²⁸ Fitch Ratings. (2024, March 24). Asia-Pacific banks not feeling heat from final Basel rules. <https://www.fitchratings.com/research/banks/asia-pacific-banks-not-feeling-heat-from-final-basel-rules-24-03-2024#:~:text=China%20launched%20its%20domestic%20implementation%20of%20final,will%20be%20followed%20by%20Japanese%20internationally%20active>

²⁹ AiPrise. (2025, January 7). Understanding the role of Japan's Financial Services Agency (FSA). <https://www.aiprise.com/blog/japan-financial-services-agency-role#:~:text=Supervising%20Financial%20Institutions:%20The%20FSA%20monitors%20banks%2C,firms%20to%20ensure%20they%20operate%20within%20regulatory>

³⁰ Financial Action Task Force. (2025). International standards on combating money laundering and the financing of terrorism & proliferation: The FATF Recommendations. <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>

³¹ Anyaa, M. (n.d.). Navigating a new trade reality: U.S. tariffs and their impact on South Korea and its export economy. KoreaProductPost. <https://www.koreaproductpost.com/impact-of-us-tariffs-on-south-korea-export-economy-and-businesses/>

³² KPMG. (2025, March). Short selling: Navigating regulatory challenges and compliance gaps. <https://kpmg.com/xx/en/our-insights/regulatory-insights/short-selling.html>

China’s regulators, particularly the CSRC, have intensified enforcement in response to tariff-related market volatility.³³ Basel III reforms are ongoing,³⁴ and authorities emphasize stability through high-profile crackdowns.³⁵ However, international perception remains weak: Transparency International’s 2024 CPI places China far below its Asian peers.³⁶ While Beijing frames enforcement as proof of institutional integrity, foreign investors often interpret it as reactive and politically driven. The tariffs have further strained confidence by slowing exports and testing capital market resilience.

4.8. Comparison: Integrity Clusters under Tariff Strain

Table 15. A Comparison of Financial Institutional Integrity Tests across Five Major Asian Economies

Economy (Rank)	Scores over the following domains: 1. Rule of Law & Corruption; 2. FATF assessments; 3. Basel III. Implementation; 4. Oversight & Enforcement.	Overall Score	Verdict
Singapore (1)	5, 5, 5, 5	5	Strong – Global Benchmark Integrity Transparent regulation, credible governance, and diversified finance insulate it from tariff shocks.

³³ Reuters. (2024, June 18). China securities regulator vows zero-tolerance stance on illegal activities. https://www.reuters.com/markets/china-securities-regulator-vows-zero-tolerance-stance-illegal-activities-2024-06-18/?utm_source=chatgpt.com

³⁴ International Monetary Fund. (2025). People’s Republic of China: Financial Sector Assessment Program — Legal, regulatory, and supervisory reforms initiated since 2017 (IMF Country Report No. 25/100). <https://www.elibrary.imf.org/view/journals/002/2025/100/article-A001-en.xml>

³⁵ China Securities Regulatory Commission. (n.d.). Securities and Futures Laws and Regulations Database. Retrieved October 27, 2025, from <http://www.csrcare.com/Law/LawShowEn?id=233720>

³⁶ Transparency International. (2024). Corruption Perceptions Index 2024. <https://www.transparency.org/en/cpi/2024>

Hong Kong (2)	5, 5, 4, 5	5	Strong – High Integrity under Geopolitical Stress Basel III compliance and FATF record sustain confidence, though external politics test resilience.³⁷
Japan (3)	5, 4, 5, 4	4	Slightly Strong – Trusted and Conservative Sound supervision and prudential culture; caution preserves credibility amid slow growth that reinforces financial conservatism.
South Korea (4)	4, 4, 4, 3	4	Slightly Strong – Vigilant Regulation under Debt Stress Solid frameworks and FATF results offset household-debt and market-volatility risks.
Chinese Mainland (5)	3, 3, 4, 5	4	Slightly Strong – Heavy Control, Low International Trust Strong enforcement but perceived as reactive; investor confidence remains fragile.

Sources: Transparency International. (2024); Financial Action Task Force (FATF). (2024); Monetary Authority of Singapore (MAS). (2024, December); Hong Kong Monetary Authority (HKMA). (2025, August); Financial Services Agency Japan (FSA). (2024); Bank of Japan (BOJ). (2025, October); Bank of Korea (BOK). (2025, June); People's Bank of China (PBoC). (2025, July); China Securities Regulatory Commission (CSRC). (2025).

Above is a structured 5-point grading table (Table15) comparing the five economies' financial institutional integrity under the stress of post-April 2025 U.S. tariffs. The scores are based on the four sub-pillars we discussed:

1. Rule of Law & Corruption Perception
2. FATF assessments (AML/CFT Effectiveness)
3. Basel III Implementation & Prudential Framework

³⁷ Bloomberg. (2011, October 24). Hong Kong's central bank welcomes IMF's support for currency peg. Bloomberg News. <https://www.bloomberg.com/news/articles/2011-10-24/hong-kong-s-central-bank-welcomes-imf-s-support-for-currency-peg>

4. Oversight & Enforcement Capacity

Under direct tariff targeting, both China and Hong Kong preserved financial-institutional credibility despite heightened scrutiny. Hong Kong's currency-board and banking oversight remained globally trusted, offsetting non-economic pressures and justifying Excellent Resistance (5). China's centralized policy discipline contained financial instability and capital outflows, but limited transparency in local financing and property exposures signals "visible stress," consistent with Strong Resistance (4). For victim states, maintaining institutional credibility under trade and geopolitical stress is a key proof of resilience even without liberal market signals.

Among fringe economies only lightly affected by U.S. tariffs, Singapore continues to exemplify Excellent Resistance (5), its institutions enhancing rather than merely maintaining credibility. Japan remains structurally sound and transparent, earning Strong Resistance (4) for policy continuity and low political risk. South Korea, while institutionally stable, faces governance rigidity and partisan uncertainty that temper confidence, yielding Strong Resistance (4). Collectively, the fringe group demonstrates that resilience at this stage means sustaining policy credibility and public trust rather than withstanding direct tariff shocks.

4.9 Independence from U.S. Dominance

This section positions Table 16 as a structural complement to the preceding trading-regime analysis. Whereas Sections 2–3 documented outcomes after the April-2025 tariff shock (export/import dynamics, visible balances, and the composite "Economic Health Check" scores), the present subsection asks a different question: why do economies exhibit different capacities to absorb and re-route shocks originating in U.S. tariff policy? We operationalize this by constructing an "independence from U.S. dominance" index that aggregates four theoretically grounded pillars into a single, comparable score. The index is designed to capture exposure in both real (trade) and financial (currency and funding) channels, while acknowledging the role of institutional market access (FTAs and partner breadth) in facilitating substitution when bilateral frictions intensify.³⁸

³⁸ Rationale for the 40–20–20–20 weighting scheme: The composite index assigns 40% weight to Exports to the United States as this represents the primary real-sector transmission channel through which tariff shocks affect output, pricing, and trade balances. The remaining three structural pillars — exchange-rate regime vis-à-vis the USD, USD exposure in invoicing and funding, and FTA/partner diversification — each carry 20% weight, reflecting their roles as financial-monetary and institutional buffers that shape an economy's policy autonomy and rerouting capacity. This proportional design follows the principle of "parsimony with realism": emphasizing the dominant trade channel while maintaining equal representation among the three secondary adjustment mechanisms. The scheme is explicitly noted in the report's Section 4.9 and Table 11 as a transparent, theory-consistent balance between external-shock exposure and policy-space determinants of resilience. "A transparent, theory-consistent balance between external-shock exposure and policy-space determinants of resilience" refers to the theoretical reasoning behind the 40–20–20–20 weighting design in the

First, exports to the United States (% of total, 2024) is treated as the primary transmission channel. A higher U.S. market share implies a greater probability that tariff adjustments transmit directly into order deferrals, contract repricing, and margin compression along the supply chain. *Ceteris paribus*, economies with a smaller U.S. export share should display higher independence scores because their first-round shock intensity is lower.

Second, the exchange-rate regime (USD link) determines the degree to which U.S. financial conditions are imported. A hard USD link (currency board/peg) maximizes nominal stability but limits counter-cyclical policy space when U.S. rates move. Managed or basket-band arrangements provide intermediate insulation, while free floats offer the greatest potential for shock absorption through relative-price adjustment. Accordingly, this pillar rewards frameworks that preserve macro-stabilization autonomy during external disturbances.

Third, USD exposure in invoicing and funding captures the financial-intermediation channel. High dollar invoicing and funding embed U.S. monetary conditions into firms' cash flows and refinancing costs even when the final buyer is not located in the United States. Robust domestic savings, swap backstops, diversified funding bases, and the progressive use of non US-currency settlement mitigate this dependence; the scoring reflects these offsetting features.

Fourth, FTA/partner diversification (e.g., RCEP, CPTPP, and dense bilateral networks) measures the institutional capacity to re-route trade and investment. Wider, higher-standard agreements reduce search and compliance costs, expand rules-of-origin options, and accelerate substitution toward non-tariffed markets, thereby attenuating exposure to bilateral policy shocks.

For transparency and parsimony, the composite score in Table 16 weights these pillars as follows: U.S. export share (40%), exchange-rate regime (20%), USD exposure (20%), and FTA/partner diversification (20%). Higher scores indicate greater independence, i.e., stronger structural capacity to counteract the negative impact of U.S. tariff measures. Read together with the earlier outcome-based metrics, Table 18 explains how structural features shape each economy's resilience

Independence from U.S. Dominance Index. The resulting index was deliberately built to balance two theoretical perspectives: External-shock exposure theory, which treats trade dependence (especially U.S. export share) as the first-round transmission channel of tariff shocks; and a policy-space and institutional-autonomy theory, which highlights how exchange-rate regimes, USD funding reliance, and FTA/partner diversification determine an economy's capacity to counteract or re-route shocks.

The report states that the first pillar (exports to the U.S.) "is treated as the primary transmission channel," while the remaining three pillars capture the ability to buffer or offset that exposure through policy autonomy, financial insulation, and market diversification. Thus, the "balance" means that the weighting structure (40 % + 20 % + 20 % + 20 %) reconciles exposure and adaptability: it gives larger weight to the trade-shock source while still granting significant, equal weight to the three adjustment mechanisms that embody policy independence. This ensures that the index reflects both sides of resilience theory—vulnerability (external exposure) and capacity to respond (policy space and structural buffers).

profile rather than merely describing what happened in the immediate post-tariff period.

Table 16. Independence from U.S. Tariff Impact (2025)

(5 = High independence, 1 = High dependence)

Economy	Exports to U.S. (% of total, 2024)	Exchange-rate regime (USD link)	USD exposure (invoicing/funding)	FTA/Partner diversification	Composite score (1–5)* #
Singapore	11.0%³⁹	Basket-band (\$NEER)	High USD use in trade & funding, but diversified	RCEP + CPTPP; dense FTA network	4 (raw 3.80)
Chinese Mainland	14.5%⁴⁰	Managed float vs basket (CNY)	RMB use rising; still USD-heavy globally	RCEP; diversified partners; CPTPP applicant	4 (raw 3.60)
Hong Kong	6.3%⁴¹	USD peg (LERS, 7.75–7.85)	High USD linkage in banking & markets	ASEAN–HK FTA; wide Asia hub links	3 (raw 3.40)
Japan	20.0%⁴²	Free float (JPY)	High USD invoicing in goods trade	RCEP + CPTPP; global OEM networks	3 (raw 3.40)

³⁹ Reuters. (2025, April 28). U.S. tariffs will cause demand shock to Singapore economy: MAS. Reuters. Retrieved October 13, 2025, from <https://www.reuters.com/world/asia-pacific/us-tariffs-will-cause-demand-shock-singapore-economy-mas-2025-04-28/>

⁴⁰ CEIC Data. (n.d.). A deep dive into China's trade landscape: Global export share and hot industries. CEIC Data. Retrieved October 13, 2025, from <https://info.ceicdata.com/a-deep-dive-into-chinas-trade-landscape-global-export-share-and-hot-industries>

⁴¹ Hong Kong Trade and Industry Department. (n.d.). United States of America — trade statistics and partner profile. Trade and Industry Department, HKSAR. Retrieved October 13, 2025, from https://www.tid.gov.hk/en/our_work/statistics/trade_partners/us.html

⁴² Japan Center for Economic Research. (n.d.). How significant is the U.S. market for Japan? JCER. Retrieved October 13, 2025, from <https://www.jcer.or.jp/english/how-significant-is-the-us-market-for-japan>

South Korea	18.8%⁴³	Free float (KRW)	High USD invoice/funding ; swap lines help	RCEP; considering CPTPP; broad OEM anchors	3 (raw 3.20)
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Sources: United Nations Comtrade Database. (2024); Monetary Authority of Singapore (MAS). (2025, April); People's Bank of China (PBoC) & State Administration of Foreign Exchange (SAFE). (2025); Census and Statistics Department (HKSAR). (2025, March); Hong Kong Monetary Authority (HKMA). (2025, August); Bank of Japan (BOJ). (2025, April); Ministry of Economy, Trade and Industry (METI, Japan). (2024); Bank of Korea (BOK). (2025, May); Ministry of Trade, Industry and Energy (Korea). (2025); World Trade Organization (WTO). (2025); International Monetary Fund (IMF). (2025, October).

As directly targeted economies, Chinese Mainland and Hong Kong display different independence mixes. Chinese Mainland's score (4) reflects a managed-float regime, expanding RMB settlement, and wide RCEP participation that together dilute U.S. tariff leverage via both the price and institutional channels. Hong Kong, despite an excellent trade-exposure profile (only 6.3% of exports to the U.S.), is constrained by the USD peg and funding linkage, which re-imports U.S. financial conditions; hence the composite 3—independence in trade routes, sensitivity in the monetary channel. In Δ -framework terms, both are resistant, but Chinese Mainland's monetary-institutional autonomy lifts it to Strong (4) while Hong Kong's currency-board design keeps it Moderate (3) for “freedom from U.S. interference.”

Among fringe economies, Singapore earns Strong (4): moderate U.S. exposure, policy autonomy under a basket-band regime, diversified USD use, and CPTPP+RCEP coverage deliver high structural independence. Japan and South Korea each land at Moderate (3) for different reasons: Japan's free-float JPY and broad FTAs offset high U.S. share and USD-heavy invoicing, while Korea's free-float KRW and swap-line buffers mitigate its high U.S. share and USD dependence. Net-net, the fringe group's “freedom from interference” rests on monetary autonomy + treaty breadth to counterbalance trade exposure and dollar usage.

Section 5. Overall Ranking

Table 17a. Impact of the Post-Tariff Period (April–August 2025) on the E Health of Five Economies

Economy	Trading Performance & Economic Health (based on Tables 9-16)
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⁴³ International Monetary Fund. (2025). Korea in a changing global trade landscape—Korea. Selected Issues Papers, 2025(014). IMF eLibrary. Retrieved October 13, 2025, from <https://www.elibrary.imf.org/view/journals/018/2025/014/article-A001-en.xml> (By 2023, the share of Korean exports to the U.S. has reached a record high of 18 percent, almost at par with China.

Hong Kong	Strong FX reserves (US\$421.6 bn), virtually no government debt, and a resilient banking system. Household leverage remains high (~88–90% of GDP), but has eased slightly. Growth improved (GDP +3.1% in Q1 2025), with mild inflation (1.2%). Institutions are trusted, praised by IMF. Post-tariff trade saw exports +14.2%, imports +23.9%, total trade +19.0%. Visible balance shifted from +HK\$18 bn surplus (2024) to –HK\$161.7 bn deficit (2025), but as a free-trade port with ample reserves, this reflects re-export dynamism rather than fragility.
Singapore	Very large reserves (~US\$1.31 tn), public finances backed by sovereign wealth funds, and strong, well-supervised banks. Household debt contained. GDP growth steady at ~2.4%, inflation low (~0.9%). Institutions transparent and trusted. Post-tariff trade showed exports +9.0%, imports +3.8%, total trade +6.5%, with surplus widening from HK\$173.9 bn to HK\$295.7 bn. Balanced and robust across all pillars.
South Korea	Solid external buffers (~US\$400 bn reserves), but rising public debt. Banks stable but exposed to very high household leverage (~90–94% of GDP). Growth weak (~0.8% forecast for 2025), inflation ~2%. Institutions good but sometimes affected by political noise. Post-tariff trade: exports +2.7%, imports –1.8%, total trade +0.6%; surplus widened from HK\$169.3 bn to HK\$265.2 bn. Overall resilient but debt risks weigh.
Chinese Mainland	World's largest reserves (~US\$3.32 tn). National debt moderate, but heavy hidden local-government and property debt. Banks well-capitalized but pressured by property loans. Families borrow less, but NFC debt very high (~138% of GDP, Q4 2024). Growth still faster than peers (+4.5% in 2025), but deflationary pressures (CPI –0.4% in Aug 2025). Post-tariff trade: exports +5.9%, imports +0.3%, total trade +3.6%; surplus widened by HK\$663.5 bn. Strong external strength but structural debt and price weaknesses.
Japan	Large reserves (~US\$1.3 tn), but government debt ~250% of GDP, highest globally. Banks stable and well-capitalized. Household debt moderate (~65%). Growth sluggish (~0.6% in 2025) but inflation stable (~2%). Institutions highly trusted. Post-tariff trade: exports –0.6%, imports –4.5%, total trade –2.6%. Deficit narrowed from HK\$171 bn to HK\$59.3 bn, showing some balance improvement despite weak trade momentum.

Sources: Synthesis of Table 9 to Table 16.

Table 17a synthesizes the eight analytical pillars into an integrated comparison of economic resilience under the 2025 tariff shock. The cross-pillar assessment confirms Singapore as the region’s top performer, achieving balanced excellence across trade performance, reserve adequacy, financial stability, and institutional integrity. Its diversified economy, disciplined fiscal framework, and global connectivity sustain a composite score near the theoretical ceiling of 5.

Hong Kong ranks closely behind. Despite being directly exposed to U.S.–China trade friction, the territory’s strong reserves, sound banking system, and disciplined monetary framework offset external vulnerability. Its “4.0” cross-pillar average signifies effective macro-prudential management under political and trade pressure.

Chinese Mainland’s large-scale resilience rests on its production depth and state capacity. While high debt and property-sector stress constrain flexibility, vast reserves and manufacturing self-reliance support a “4.0” rating.

Japan and South Korea occupy the mid-tier, each maintaining financial soundness but showing slower growth and heavier exposure to advanced-economy cycles. Their moderate scores (≈ 3) reflect stability without significant adaptive momentum.

Overall, the cross-pillar synthesis demonstrates that trade diversification, monetary credibility, and institutional integrity remain the decisive differentiators of post-tariff resilience across Asia’s leading economies.

Table 17b. Economic Health Overall Scores by Dimensions (Post-Tariff Period: Apr–Aug 2025)

Subcategory →	Hong Kong	Singapore	South Korea	Chinese Mainland	Japan
Trading Regimes Performance (Table 9)	5	5	2	4	1
Foreign-exchange Reserves (Table 10)	4	5	3	5	3
Public Debt-to-GDP (Table 11)	5	5	3	3	2
Banking System Stability (Table 12)	5	5	3	3	4
Private Debt / Leverage (Table 13)	2	5	1	3	3
Stability of Growth & Price (Table 14)	4	4	2	3	2
Financial-Institutional Integrity (Table 15)*	5	5	4	4	4
Independence from U.S. Tariff Impact (Table 16)	3	4	3	4	3

Cross-pillar Average →Final Score Rounded Overall Score	4.13 → 4	4.75 → 5	2. 63 → 3	3.63 → 4	2.75 → 3
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Sources: Synthesis of Table 9 to Table 16.

The Cross-pillar Average in Table 17b is obtained by taking the simple arithmetic mean of the eight pillar scores — Trading-Regime Performance, Foreign-Exchange Reserves, Public-Debt-to-GDP, Banking-System Stability, Private Debt / Leverage, Stability of Growth & Price, Financial-Institutional Integrity, and Independence from U.S. Tariff Impact. Each economy’s pillar scores are summed and divided by eight, producing a two-decimal average (e.g., Hong Kong = 4.00). This value is then rounded to the nearest integer (“Average → Rounded Overall Score”). The final ranking orders economies by the rounded score; if tied, the higher two-decimal average ranks first.

Section 6. Conclusion — Resistance to U.S. Tariffs

6.1 How we measured resilience

This report measures **resistance**—not generic economic “strength”—to the April–August 2025 U.S. tariff shock. Using a Δ -Framework, we evaluate how effectively each economy **absorbed, rerouted, cushioned, or neutralized** tariff pressure relative to its **own** 2023–24 baseline rather than to other economies’ levels.

Resistance is observed across eight channels that transmit or buffer the shock: post-shock trade performance, foreign-exchange buffers, public-debt dynamics, banking robustness, private-sector leverage and rate sensitivity, the joint behaviour of growth and prices, financial-institutional integrity, and **structural independence from U.S. tariff leverage** (U.S. market exposure, exchange-rate regime, dollar dependence, and FTA breadth). Each channel is scored on a **five-level resistance scale** (Very High → Very Low), explicitly tied to (i) movement versus the pre-tariff baseline, (ii) the **intensity of exposure**, and (iii) qualitative adaptation capacity, so that a given score is read **in context** rather than as an absolute verdict. In particular, Hong Kong and Chinese Mainland are **primary targets** (effective rates layered to ~30–71%) and therefore assessed against a tougher test than fringe peers (Singapore, Japan, South Korea), which experienced only ~10–15% indirect exposure. A Level-3 outcome for a targeted economy can thus embody greater real-world resilience than a Level-4 outcome for a fringe economy because the shock itself is more severe.

6.2 What the results say—victim and fringe economies

Hong Kong (victim). The evidence points to **high resistance**. Despite direct tariff exposure, two-way trade **expanded**; the currency board and bank liquidity remained unimpaired; and reserves continued to fully back the monetary base. The shift from a small 2024 surplus to a 2025 deficit is best read as **valuation and rerouting arithmetic**—CIF pricing, front-loading, and the city’s re-export role—

rather than as structural erosion. Put differently, the deficit coexists with higher throughput and signals functional strength. Hong Kong's binding constraints lie in **household leverage under U.S.-linked rates** and a **narrow domestic demand base**, even as external and services engines perform well. The resistance observed here arises from **institutional credibility (peg, supervision, buffers)** and **logistical agility**, not from an absence of stress.

Chinese Mainland (victim). China exhibits **moderate, broad-based resistance**—externally robust, internally uneven. Externally, very large reserves, managed flows, and diversified corridors (regional agreements, supply-chain reconfiguration) imply that direct tariff pressure is **absorbed** rather than amplified. Internally, two frictions lower the overall resistance band: **price weakness** (disinflation/incipient deflation), which raises real debt burdens and complicates stimulus transmission, and **local-government/property liabilities (LGFVs)**, which tie up bank balance sheets and policy capacity. Macro-management has contained instability and outflows, but **domestic repair** is the precondition for moving from moderate to high resistance.

Fringe economies (Singapore, Japan, South Korea). By design, these economies are judged primarily on **stability under lighter exposure**. Singapore's performance reflects **low disruption**—diversified production, strong buffers, and clear rules. Japan and South Korea remain institutionally steady, but their resistance is supported more by **financial steadiness** than by domestic momentum, with Korea's **household leverage** a salient constraint.

6.3 Final ranking and why it matters

Viewed as **bands of resistance rather than point estimates**, the cross-pillar synthesis places **Singapore** in the top band among peers, followed closely by **Hong Kong**, then **Chinese Mainland**, with **Japan** and **South Korea** in the middle band. Singapore's position reflects **low disruption by design**—a fringe-exposure equilibrium sustained by diversified engines and credible policy. Hong Kong's position reflects **stress-tested performance**—a directly targeted, ultra-open hub that absorbed a first-round hit through rerouting and institutional credibility. China's position captures the **coexistence of external strength with internal frictions** currently capping overall resistance. Japan and South Korea are steady but rely more on financial stability than on demand momentum, with Korea's household balance sheets limiting tolerance for tighter global financial conditions. The ranking matters because it identifies **which systems preserved functional capacity under strain**, not which were largest or fastest-growing in a neutral environment; it is a **stress outcome**, not a size league table.

6.4 How to read the ranking

The ranking should be interpreted as **qualitative bands**. A movement from Level-3 to Level-4 is a **structural** improvement in shock absorption, not a marginal

statistical change. It must also be **exposure-adjusted**: a Level-3 outcome for a targeted economy can be as policy-impressive as a Level-4 outcome for a fringe economy because the severity of the test differs. Finally, interpretation is **constraint-specific**. Hong Kong's binding constraints are **household leverage** and the **importation of U.S. interest-rate conditions** through the currency board; Chinese Mainland's are **price dynamics** and the need for **local-debt resolution** to free intermediation capacity; Japan's constraint is **weak momentum**; South Korea's is **household balance-sheet sensitivity**; Singapore, in this episode, exhibits few binding constraints. Accounting artefacts should not be mistaken for erosion: Hong Kong's visible deficit coexists with higher throughput and reflects **valuation and routing choices**.

6.5 What if the United States doubles down in an uncertain Sino-American relationship?

If relations deteriorate and the United States **raises effective tariff rates, widens product coverage, and tightens enforcement**, the next round will intensify two macro tests. The first is the **speed and breadth of supply-chain rerouting**, contingent on firms' ability to re-price and reorganize production within RCEP/CPTPP rule-sets at acceptable cost. The second is the **transmission of U.S.-dollar financial conditions** via funding, invoicing, and interest-rate pass-through, mediated by exchange-rate regimes and the credibility of backstops.

Under such a scenario, **Hong Kong's resistance** would hinge on preserving currency-board credibility while **reducing marginal vulnerability**: expanding **swap-line access and backstops**, scaling **RMB and other local-currency settlement** alongside the peg, digitising trade compliance to protect the rerouting edge, and buffering **SME and household cash flows** so that rate-sensitive pressures do not propagate. **Chinese Mainland** would likely maintain its external shield, but domestic frictions would become more salient; resistance would rise with **deeper RMB invoicing, accelerated regional diversification** of markets and inputs, and **faster balance-sheet repair** in property and local-government vehicles to unlock bank lending and firm domestic demand. **Singapore** would face primarily cyclical risks (electronics, global USD funding) and should preserve **basket-band exchange-rate autonomy**, diversify **funding and invoicing**, and lead on **rule-use** to minimise switching costs. **Japan** would benefit from ensuring that resistance stems from **real activity** rather than import compression alone; the free-float yen would remain a shock absorber, but productivity and capex are the decisive levers. **South Korea** would need to contain the hinge variable—**household-debt sensitivity**—through targeted macro-prudential measures where risks cluster, preservation of **export finance**, and smoothing of household cash flows to prevent demand from stalling. Put together, the indicators to watch in an escalated environment are consistent across the five economies: the **velocity of trade rerouting**, behaviour of the **USD basis and swap-line usage, refinancing calendars** for households and local-government entities, **price dynamics** (whether

deflation fades or imported inflation intensifies), and **bank asset quality** in property-linked pockets. Movements in these variables will signal **up- or down-shifts in resistance bands** if tariffs intensify.

In sum, resistance in this setting is best understood as **adaptive capacity under a real policy shock**. In the 2025 live test, Hong Kong attains **high resistance** by combining stress-tested agility with institutional credibility under direct fire; Singapore leads by **minimising disruption** through design; and Chinese Mainland sustains an external shield while undertaking internal repair. Should tariffs escalate, those that **re-route faster, rely less at the margin on the dollar channel, and manage leverage cleanly** will improve their position—the concrete margins where policy translates into **measurable resistance**.

Appendix 1.

Combined effective “general” rates (post-April 2025)

Economy	General additional tariff currently applicable to most goods	What this means / key caveats
<i>China</i>	10% reciprocal in force through Nov 10, 2025; some traders also face an extra 20% IEEPA “China” layer, yielding up to ~30% combined on many lines	White House/KPMG confirm the reciprocal layer remains at 10% until Nov 10 (covers China, Hong Kong, Macau). Some compliance advisories note a separate 20% IEEPA tariff heading (HTS 9903.01.24) still applying to Chinese/HK goods on top of that; importers must check their HTS line.
<i>Hong Kong</i>	Same treatment as China (see above): 10% reciprocal through Nov 10, 2025; some cases add 20% IEEPA, for up to ~30%	U.S. orders explicitly apply China-related ad valorem rates equally to Hong Kong and Macau. Practitioners likewise flag both the 10% reciprocal layer and a separate 20% IEEPA layer on many lines. Verify per HTS/entry.
<i>Japan</i>	15% combined reciprocal/NTR rate under the U.S.–Japan agreement	Implemented by Executive Order and Federal Register notice in Sept 2025; trade law firms summarize the 15% combined rate. Product-level carve-outs (e.g., civil aircraft items) exist.

<i>South Korea</i>	15% reciprocal rate locked by U.S. executive action (Aug 2025)	Korean and U.S. updates indicate the rate was reduced to 15% after negotiations; CRS also details the broader tariff actions affecting Korea.
<i>Singapore</i>	10% baseline reciprocal rate	EnterpriseSG guidance confirms 10% from Apr 5, 2025 (U.S. suspended higher reciprocal rates for many countries); later press also cites 10% for Singapore. Note: separate sector-specific actions may apply.

Appendix 2.

Five-Point Qualitative Scale for Tariff Impact Resistance (Δ-Framework)

Score	Descriptor	Definition of Resistance	Empirical Indicators (Illustrative)	Interpretive Meaning
5 – Excellent Resistance	Sustained or improved performance despite heavy tariff exposure	The economy not only absorbed the tariff shock but also improved key indicators relative to its 2023–2024 baseline. External trade, reserves, and financial stability remained intact or strengthened. Structural agility, diversified markets, and strong policy credibility	<i>Examples:</i> Trade growth > +10%; surplus widened; policy credibility reinforced; stable or appreciating currency; continued capital inflows.	Exceptional adaptability. Tariff impact neutralized or reversed through active re-routing, diversification, and financial discipline.

		allowed a full offset of U.S. tariff effects.		
4 – Strong Resistance	Minor deterioration or moderate improvement under significant exposure	Key indicators remained broadly stable or rose slightly, showing strong adaptive capacity. Temporary deficits or slower growth occurred but were linked to statistical or valuation effects rather than structural weakness.	<i>Examples:</i> Trade growth +4–10%; small deficit or narrowing surplus; steady reserves; resilient banks.	The economy resisted pressure effectively, proving its buffers credible and its institutions strong.
3 – Moderate Resistance	Partial offset with visible stress	The economy absorbed part of the shock but faced measurable slowdowns or imbalances. Policy responses contained instability, though structural or domestic weaknesses limited full recovery.	<i>Examples:</i> Trade change 0–4%; stable but tightening liquidity; temporary capital outflows; soft domestic demand.	The system remains functional but shows strain; resilience is conditional and uneven across pillars.
2 – Limited Resistance (Watch List)	Clear deterioration under modest exposure	Tariff impact transmitted strongly into trade or financial indicators. Weak	<i>Examples:</i> Trade contraction – 1% to –5%; falling reserves;	Resilience is thin; structural rigidities or dependency

		domestic buffers or policy inertia led to slower adjustment. Headline stability masks underlying vulnerabilities.	rising debt stress; muted policy response.	reduce capacity to adapt.
1 – Weak Resistance	Severe deterioration or systemic stress	The economy failed to contain the tariff shock. Trade, reserves, or financial stability eroded sharply. Policy or institutional weaknesses magnified the external impact.	<i>Examples:</i> Trade contraction > –5%; widening deficit; reserve drawdown; financial instability.	Fragile structure. Requires urgent policy correction or international support to restore stability.

Appendix 3

Hong Kong

Table A —Hong Kong's Merchandise Trade (April to August, 2023, 2024 and 2025)

Month (2023)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	338.3	374.9	-36.6
May	327.6	354.0	-26.4
Jun	337.4	393.9	-56.6
Jul	345.2	375.1	-30.0
Aug	358.3	383.9	-25.6
Total	1706.8	1881.8	
Month (2024)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	378.7	374.9	+3.8
May	375.9	354.0	+22.0
Jun	373.5	393.09	-20.4
Jul	390.4	375.1	+15.3

Aug	381.3	383.9	-2.6
Total	1,899.9	1,881.8	+18.0
Percentage change from 2023-2024 for the same period	11.3%	0.0%	+110.3%
Month (2025)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	434.5	450.5	-16.0
May	434.1	461.4	-27.3
Jun	417.8	476.7	-58.9
Jul	446.3	480.4	-34.1
Aug	436.6	462.0	-25.4
Total	2,169.3	2,331	-161.7
Percentage change from 2024-2025 for the same period	+14.18%	+23.87%	+19.00% (total trade volume)

Sources: C&SD/Info.gov.hk monthly press releases

- 1) Relative to 2024, total exports in 2025 increased by approximately +14.18%
- 2) Relative to 2024, total imports in 2025 increased by approximately +23.87%
- 3) Relative to 2024, total trade in 2025 increased by approximately +19.00%
- 4) The visible balance rose from a surplus of HK\$18.0 billion in April–August 2024 to a deficit of HK\$161.7 billion in the same period of 2025, an deterioration of about HK\$179.7 billion.

South Korea

Table B —South Korea's Merchandise Trade (April to August, 2023, 2024 and 2025)

Month (2023)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	385.6	405.1	-19.5

May	406.0	423.2	-17.2
Jun	423.5	413.8	+9.7
Jul	393.6	380.2	+13.4
Aug	405.6	397.9	+7.7
Total	2014.3	2020.2	-5.9
Month (2024)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	438.0	427.6	+10.4
May	452.6	414.4	+38.2
Jun	447.3	382.9	+64.4
Jul	448.2	419.9	+28.3
Aug	449.6	421.6	+28.0
Total	2,235.7	2,066.4	+169.3
Percentage change from 2023-2024 for the same period	+11.0%	+2.3%	+6.7%
Month (2025)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	453.2	415.3	+37.9
May	446.6	392.4	+54.2
Jun	466.8	395.6	+71.2
Jul	473.6	422.5	+51.1
Aug	455.2	404.4	+50.8
Total	2,295.4	2,030.2	+265.2
Percentage change from 2024-2025 for the same period	+2.67%	-1.75%	+0.55% (total trade volume)

Source: Korea Custom service, Trade Statistics for Export/Import

https://tradedata.go.kr/cts/index_eng.do

1) Relative to 2024, total exports in 2025 increased by approximately +2.67%

- 2) Relative to 2024, total imports in 2025 decreased by approximately -1.75%
- 3) Relative to 2024, total trade in 2025 increased by approximately +0.55%
- 4) The visible balance rose from a surplus of HK\$169.3 billion in April–August 2024 to a larger surplus of HK\$265.2 billion in the same period of 2025, an improvement of about HK\$95.9 billion.

Singapore

Table C —Singapore's Merchandise Trade (April to August, 2023, 2024 and 2025)

Month (2023)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	187.3	350.7	-163.4
May	179.6	355.4	-175.8
Jun	183.1	364.5	-181.4
Jul	175.1	363.3	-188.2
Aug	180.5	384.2	-203.7
Total	905.6	1818.1	-912.5
Month (2024)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	435.4	412.6	+22.8
May	443.1	410.9	+32.2
Jun	405.7	381.0	+24.7
Jul	462.0	413.1	+48.9
Aug	434.9	389.6	+45.3
Total	2,181.1	2,007.2	+173.9
Percentage change from 2023-2024 for the same period	+140.8%	+10.4%	+119.1%
Month (2025)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	531.4	441.1	+90.3

May	454.3	408.8	+45.5
Jun	447.6	381.2	+66.5
Jul	501.2	445.8	+55.4
Aug	443.8	405.7	+38.1
total	2,378.2	2,082.5	+295.7
Percentage change from 2024-2025 for the same period	+9.04%	+3.75%	+6.50% (total trade volume)

Source: SingStat Table Builder, Merchandise Imports/Exports

<https://tablebuilder.singstat.gov.sg/table/TS/M451021>

- 1) Relative to 2024, total exports in 2025 increased by approximately +9.04%
- 2) Relative to 2024, total imports in 2025 increased by approximately +3.75%
- 3) Relative to 2024, total trade in 2025 increased by approximately +6.50%
- 4) The visible balance increased from a surplus of HK\$173.9 billion in April–August 2024 to a larger surplus of HK\$295.7 billion in 2025, representing an improvement of approximately HK\$121.8 billion.

Chinese Mainland

Table D —Chinese Mainland’s Merchandise Trade (April to August, 2023, 2024 and 2025)

Month (2023)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	2,168.4	1,506.7	+661.7
May	2,085.6	1,601.6	+484.0
Jun	2,129.1	1,603.4	+525.7
Jul	2,157.1	1,541.1	+616.0
Aug	2,181.1	1,658.9	+522.2
Total	10,721.3	7,911.7	+2,809.6
Month (2024)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	2,281.1	1,716.8	+564.3

May	2,358.3	1,713.9	+644.4
Jun	2,401.2	1,628.7	+772.5
Jul	2,344.4	1,684.1	+660.3
Aug	2,407.5	1,697.5	+710.0
Total	11,792.5	8,441.0	+3,351.5
Percentage change from 2023-2024 for the same period	+10.0%	+6.7%	+19.3%
Month (2025)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	2,462.4	1,712.2	+750.2
May	2,465.6	1,660.5	+805.1
Jun	2,536.4	1,641.2	+895.2
Jul	2,509.9	1,743.6	+766.3
Aug	2,510.1	1,711.9	+798.2
Total	12,484.4	8,469.4	+4,015.0
Percentage change from 2024-2025 for the same period	+5.9%	+0.3%	+3.6% (total trade volume)

Source: China's Total Export & Import Values, April- August 2024 to April- August 2025 <http://english.customs.gov.cn/Statics/aedd04a4-377a-4c02-9103-a5b51612a2df.html>

- 1) Relative to 2024, total exports in 2025 increase dby approximately +5.9%
- 2) Relative to 2024, total imports in 2025 increased by approximately +0.3%
- 3) Relative to 2024, total trade in 2025 increased by approximately +3.6%
- 4) The visible balance widened from a surplus of HK\$3,351.5 billion in April–August 2024 to a larger surplus of HK\$4,015.0 billion in the same period of 2025, an improvement of about HK\$663.5 billion.

Japan

Table E —Japan’s Merchandise Trade (April to August, 2023, 2024 and 2025)

Month (2023)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	456.0	481.4	-25.4
May	401.0	477.4	-76.4
Jun	480.7	478.8	+1.9
Jul	479.8	483.6	-3.8
Aug	439.7	492.1	-52.4
Total	2257.2	2413.3	-156.1
Month (2024)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	538.8	569.1	-30.3
May	496.7	570.2	-73.5
Jun	552.5	539.3	+13.2
Jul	576.7	614.4	-37.7
Aug	505.9	548.6	-42.7
Total	2,670.6	2,841.6	-171.0
Percentage change from 2023-2024 for the same period	+18.3%	+17.7%	-9.5%
Month (2025)	Exports (HK\$ bn)	Imports (HK\$ bn)	Visible balance (HK\$ bn)
Apr	549.4	557.1	-7.7
May	488.1	526.6	-38.5
Jun	549.8	540.9	+8.9
Jul	561.6	569.0	-7.4
Aug	505.5	520.1	-14.6
Total	2,654.4	2,713.7	-59.3
Percentage change from	-0.6%%	-4.5%	-2.6% (total trade volume)

2024-2025 for the same period			
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Source: Statistics of Japan, e-Stat is a portal site for Japanese Government

Statistics. [https://www.e-stat.go.jp/en/stat-](https://www.e-stat.go.jp/en/stat-search/files?page=1&layout=datalist&toukei=00350300&tstat=000001013141&cycle=1&year=20240&month=24101212&tclass1=000001013189&tclass2=000001013191&result_back=1&tclass3val=0&metadata=1&data=1)

[search/files?page=1&layout=datalist&toukei=00350300&tstat=000001013141&cycle=1&year=20240&month=24101212&tclass1=000001013189&tclass2=000001013191&result_back=1&tclass3val=0&metadata=1&data=1](https://www.e-stat.go.jp/en/stat-search/files?page=1&layout=datalist&toukei=00350300&tstat=000001013141&cycle=1&year=20240&month=24101212&tclass1=000001013189&tclass2=000001013191&result_back=1&tclass3val=0&metadata=1&data=1)

- 1) Relative to 2024, total exports in 2025 decrease by approximately –0.6%
- 2) Relative to 2024, total imports in 2025 decrease by approximately –4.5%
- 3) Relative to 2024, total trade in 2025 decrease by approximately –2.6%
- 4) The visible balance shifted from a deficit of HK\$171.0 billion in April–August 2024 to a smaller deficit of HK\$59.3 billion in 2025, representing an improvement of approximately HK\$111.7 billion.

Comparative Table 1: Visible Balance Changes (April–August, 2023→ 2024)

Economy	2023 Visible Balance (HK\$ bn)	2024 Visible Balance (HK\$ bn)	Change ('24 – '23) (HK\$ bn)	Direction
Hong Kong	–175.2	+18.0	+193.2	Deficit → Surplus
South Korea	–5.9	+169.3	+175.2	Deficit → Surplus
Singapore	–912.5	+173.9	+1,086.4	Deficit → Surplus
Chinese Mainland	+2,809.6	+3,351.5	+541.9	Surplus widened
Japan	–156.1	–171.0	–14.9	Deficit widened
Economy	2023 Visible Balance (HK\$ bn)	2024 Visible Balance (HK\$ bn)	Change (HK\$ bn)	Direction

Comparative Table 2: Visible Balance Changes (April–August, 2024 → 2025)

Economy	2024 Visible Balance (HK\$ bn)	2025 Visible Balance (HK\$ bn)	Change (HK\$ bn)	Direction
Hong Kong	+18.0 (surplus)	−161.7 (deficit)	−179.7	From surplus to deficit
South Korea	+169.3 (surplus)	+265.2 (surplus)	+95.9	Surplus widened
Singapore	+173.9 (surplus)	+295.7 (surplus)	+121.8	Surplus widened
Chinese Mainland	+3,351.5 (surplus)	+4,015.0 (surplus)	+663.5	Surplus widened
Japan	−171.0 (deficit)	−59.3 (deficit)	+111.7	Deficit narrowed

Key Takeaways at a Glance

- **From surplus to deficit:** Hong Kong
- **Surplus widened:** South Korea, Singapore, Chinese Mainland
- **Deficit narrowed:** Japan

Appendix 4

Background: What “CIF valuation” means

In international trade statistics, **imports are recorded on a “CIF” basis** — meaning *Cost, Insurance, and Freight* — which includes not only the value of the goods themselves, but also the **shipping, insurance, and handling costs** incurred to bring them into the port of destination.

By contrast, **exports are recorded on an “FOB” basis** — *Free on Board* — which **excludes** these transport and insurance costs.

Why CIF valuation can widen a trade deficit

When tariffs or compliance costs rise — as during the 2025 U.S. tariff war — importers often face:

1. **Higher logistics and insurance charges** (due to rerouting, longer shipping times, or risk premiums), and
2. **Higher declared import values** under CIF accounting, even if the actual quantity of goods hasn’t changed.

Since Hong Kong’s **imports are measured CIF** but **exports are measured FOB**, this **asymmetry in valuation** automatically inflates the recorded value of imports relative to exports.

Consequently, even if real trade flows remain healthy, **nominal imports appear larger and the visible balance (exports minus imports) moves toward deficit** — a *statistical* rather than *economic* deterioration.

How this applied to Hong Kong in 2025

In Hong Kong's case:

- Many shipments from Mainland China were rerouted or re-invoiced through Hong Kong for valuation and compliance advantages.
- Freight costs rose due to changes in routing and insurance premiums amid tariff uncertainty.
- At the same time, **re-export volumes temporarily fell**, reducing recorded exports (FOB).
- The combination of **fewer re-exports (↓ exports)** and **inflated CIF-valued imports (↑ imports)** produced an **artificially widened trade deficit** — even though the underlying logistics and trade activity remained robust.

Appendix 5

Relations between deepening Non-U.S. Market Development and enhancing traceable and certified re-export services (e.g., origin tracing, digital documentation, Authorized Economic Operator programs)

1. Strategic Connection

“**Deepening non-U.S. market development**” focuses on *diversifying export destinations* — moving Hong Kong's trade flows toward **ASEAN, Middle East, and Belt & Road economies** to reduce exposure to U.S. tariff and compliance risks.

But for such diversification to *work in practice*, Hong Kong must be **trusted** by these new partners as a **transparent and compliant re-export hub**. That is exactly where **traceable and certified re-export services** come in.

2. Operational Link: Trust and Market Access

Non-U.S. markets increasingly require proof of **origin, compliance, and security** in cross-border trade. Enhancing Hong Kong's **traceability infrastructure** — via

- **Origin tracing systems,**
- **Digital trade documentation,** and
- **Authorized Economic Operator (AEO) certification,**

helps Hong Kong establish **mutual recognition** with foreign customs authorities. This directly supports smoother access to ASEAN, Gulf, and Belt and Road markets by:

- Reducing inspection rates and customs delays;
- Lowering compliance costs; and
- Demonstrating that Hong Kong re-exports are *legitimate* and *not disguised reroutes* of sanctioned or tariff-hit goods.

In other words, **traceability is the passport** that allows Hong Kong to enter new markets credibly and efficiently.

3. Policy Synergy

These two policy directions reinforce each other:

Policy Pillar	Function	Outcome
Non-U.S. Market Development	Expands trade geography (ASEAN, Middle East, Belt & Road)	Reduces U.S. dependency and tariff exposure
Traceable & Certified Re-export Services	Enhances compliance credibility through digital and certified systems	Builds trust and speeds clearance in new markets

Together, they transform Hong Kong from a *traditional entrepôt* into a **digitally certified logistics hub** aligned with 21st-century trade governance norms (e.g. WTO Trade Facilitation Agreement, RCEP digital trade chapters).

4. Practical Example

For instance, Singapore’s *Networked Trade Platform (NTP)* and AEO-mutual-recognition agreements allow its exporters to enjoy faster customs clearance in multiple ASEAN states.

If Hong Kong implements similar **digital origin-tracing and AEO frameworks**, its exporters and re-exporters can enjoy equivalent trust advantages — essential for market diversification away from the U.S.

Summary Insight

Deepening non-U.S. market development sets the *direction* (diversification), while **enhancing traceable and certified re-export services** provides the *infrastructure of trust* needed to enter those markets credibly and efficiently.

They are therefore **two halves of the same strategic response** — one opens new trade corridors, the other guarantees that goods moving through them are recognized as secure, transparent, and compliant.

Appendix 6

Overview of US Tariff Landscape on the Five Economies

The US tariff landscape on imports from China, Hong Kong, Japan, South Korea, and Singapore has evolved significantly across administrations, driven by national security concerns (e.g., Section 232 on steel/aluminum), unfair trade practices (e.g., Section 301 on China), and broader reciprocal policies. Tariffs are typically product-specific under the Harmonized Tariff Schedule (HTS), but aggregate measures often refer to trade-weighted average effective rates (the average tariff paid across all imports, accounting for exclusions, quotas, and duty-free shares). These averages vary by source due to methodological differences (e.g., pre- vs. post-substitution effects, where substitution assumes shifts away from high-tariff goods).

- First Trump Administration (2017-2021): Focused on escalating tariffs via Sections 232 and 301 to address trade imbalances and IP theft, primarily targeting China but with spillovers to others via steel/aluminum duties. Averages rose sharply for affected countries.
- Biden Administration (2021-2025, up to Jan 20): Largely maintained Trump-era tariffs, with targeted increases (e.g., on Chinese EVs) and some exclusions/quotas. Averages stabilized or slightly declined due to negotiations.
- Second Trump Administration (2025 onward): Introduced broad "reciprocal" tariffs under Executive Order 14257 (April 2, 2025), invoking the International Emergency Economic Powers Act (IEEPA) for a 10% baseline on most goods, plus country-specific layers. This led to peaks in

averages (e.g., 127% temporary on China), followed by temporary reductions via negotiations. As of October 2025, rates remain elevated but with pauses (e.g., 90-day extensions for China). Additional measures include de minimis exemptions ending (May 2025 for China/Hong Kong, August for others) and sector-specific hikes (e.g., 50% on steel/aluminum by March 2025).

Below is a breakdown by economy, including key measures and approximate trade-weighted average effective tariff rates (sourced from Peterson Institute for International Economics (PIIE), Congressional Research Service (CRS), and Yale Budget Lab estimates). Rates exclude anti-dumping/countervailing duties but include stacked tariffs. Historical pre-2017 baselines were ~2-3% for most (MFN rates under WTO).China

- First Trump (2017-2021): Section 301 tariffs in phases (2018-2019): 25% on ~\$250B goods (Lists 1-3), 7.5-15% on ~\$120B (List 4A). Section 232: 25% steel/10% aluminum (2018). Average rose from ~3% (2017) to ~19-24% by 2020, covering ~67% of imports.
- Biden (2021-2025): Retained Section 301 (with exclusions); added 100% on EVs/solar (2024). Average stable at ~21-24%, with minor reductions via quotas/exemptions.
- Second Trump (2025-): 10% reciprocal baseline (April 5) + 20% IEEPA (Feb) + 34% reciprocal layer (April 9, halved "discounted" formula). Peaked at ~127-164% (mid-April) before 90-day pauses/reductions; current average ~51-57% (October), covering 100% of imports. Additional: 50% steel/aluminum hike (March), 25% autos/parts (March). Aggregate impact: +36.8 percentage points (pp) since Jan 20, 2025.

Hong Kong

- First Trump (2017-2021): Treated separately until 2020 Hong Kong Policy Act revocation; then aligned with China for origin-based tariffs. Section 232 applied; average ~3-10% by 2020, lower than mainland due to re-exports.
- Biden (2021-2025): Maintained alignment; some exclusions. Average ~10-15%, with de minimis (\$800 duty-free) intact until 2025.
- Second Trump (2025-): Bundled with China/Macau: 10% baseline (April 5) + 20% IEEPA + up to 34% reciprocal, yielding ~30-55% combined. De minimis suspended (May 2, reduced to 10% tariff; global end August 29). Current average ~30-51%, similar to China due to policy convergence.

Japan

- First Trump (2017-2021): Section 232: 25% steel/10% aluminum (2018, no quota). US-Japan Trade Agreement (2019) reduced some tariffs. Average ~2-4% overall, ~14% on affected metals.
- Biden (2021-2025): Steel quota deal (2022) replaced tariffs; minor adjustments. Average ~2-3.5%.
- Second Trump (2025-): 10% baseline (April 5) + 25% reciprocal (August 1, negotiated to 15% combined reciprocal/NTR by September). Additional: 50% steel/aluminum (March), 25% autos (March). Current average 14-17% (July-October), +15 pp since Jan.

South Korea

- First Trump (2017-2021): KORUS FTA renegotiated (2018); Section 232 quota instead of tariffs. Average 2-5%, low due to FTA (0% on most goods).
- Biden (2021-2025): Maintained quotas; minor hikes. Average ~2-4.8%.
- Second Trump (2025-): 10% baseline (April 5) + 25% reciprocal (July letters), locked at 15% via executive action (August). Additional: 50% steel (March). Current average ~13-15% (July-October), despite FTA preferences.

Singapore

- First Trump (2017-2021): US-Singapore FTA (2004) ensured ~0% on most goods; minimal changes. Average ~0.2-0.4%.
- Biden (2021-2025): No major changes; average ~0.3-0.4%.
- Second Trump (2025-): 10% baseline reciprocal (April 5), no additional layers yet (threat of 25% if linked to evasion). De minimis ended globally (August 29). Current average ~10%, up from near-zero, but FTA mitigates some impacts.

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