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民思政策研究所
POD Research Institute

Hong Kong Economy Health-check

Comparison with Five Asian Economies Post U.S. Tariff Measure

Hong Kong Economy Health Check

Initial Report on the Health Check-Up of Hong Kong's Economy: A Comparison with Five Asian Economies After the First Year of the United States' New Tariff Measures

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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 Chinese Mainland 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 implemented increasingly differentiated tariff regimes across five Asian economies: the Chinese Mainland, Hong Kong, Japan, South Korea, and Singapore. This reflects distinct strategic objectives.

The Chinese Mainland and Hong Kong were directly targeted as "victim economies," experiencing tariff increases from baseline levels of approximately 3% in 2017 to over 50% by 2025. This effectively nullifies Hong Kong's previous "special treatment." In contrast, Japan, South Korea, and Singapore—referred to as "fringe economies"—faced low to moderate tariff rates, ranging from 2-5% before 2025 to 10-15% thereafter. These rates reflect reciprocal tariff frameworks rather than punitive measures.

This stratification highlights Washington's evolving policy, shifting from selective, Chinese Mainland-focused protectionism to a regional 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, beginning in April 2025, introduced a new layer of reciprocal tariffs that significantly altered the East Asian trade landscape.

Chinese Mainland and Hong Kong: A baseline reciprocal tariff of 10% was instituted, alongside an additional 20% IEEPA surcharge on selected sectors, leading to effective combined rates of approximately 30-35%.

Japan and South Korea: These countries were subjected to locked-in reciprocal tariffs of 15% through bilateral executive actions in August 2025.

Singapore: A universal baseline tariff of 10% was implemented, marking its first significant tariff exposure since the 2004 U.S.–Singapore Free Trade Agreement (FTA).

These measures represent a systemic escalation from targeted sanctions to a comprehensive reciprocity-based trade policy, which serves as a crucial determinant of each economy's resilience and adaptive capacity within the current research framework.

Purpose and Methodology of the Study

This research examines how Hong Kong has navigated U.S. tariff pressures—assessing whether it simply endured the stress or demonstrated genuine resilience. Utilizing the Δ-Framework, the study compares five Asian economies—Chinese

Mainland, Hong Kong, Singapore, Japan, and South Korea—across eight economic pillars, analysing changes in trade, finance, and institutional confidence following April 2025.

Comparative Significance and Objective

The study differentiates between "victim economies" (the Chinese Mainland and Hong Kong) and "fringe economies" (Singapore, Japan, and South Korea). This comparison facilitates cross-learning regarding how structural configurations and policy integrity—such as monetary buffers, diversification strategies, and governance discipline—enable economies to mitigate the impacts of U.S. tariffs.

Research Objectives

1. To explain why and how Hong Kong, despite being targeted, has remained one of Asia's most stable and adaptable economies.
2. To extract policy lessons from regional peers to develop durable economic and institutional safeguards against future trade shocks.

Research Findings

Economic Resilience Index Ranking

(Assessing 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

Structure of the Index

The index is composed of eight equally weighted indicators. The overall score reflects the average of the eight component scores, assessing 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 to the 2023–24 baseline, Hong Kong's Economic Resilience Index stands at approximately 80%, corresponding to a score of 4 out of 5 ("Strong Resilience"). This indicates that Hong Kong has maintained about four-fifths of its macroeconomic resilience in the face of tariff shocks.

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

- Trade Resilience: Hong Kong has progressively pivoted its trade toward Asia and RCEP member states, sustaining export activities and total trade growth.
- Logistics and Valuation Flexibility: The trade deficit observed in the first five months of the tariff war largely reflected re-export and CIF valuation effects. A decline in re-exports expanded the deficit, indicating not a genuine economic weakness but rather structural adjustments.
- Reputation and Credibility: Ample reserves, a strong Linked Exchange Rate System, and credible financial oversight have preserved international confidence in Hong Kong.
- Financial Stability: Strict regulations and abundant liquidity have prevented financial stress from affecting the banking sector. As of the end of July 2025, Hong Kong's foreign exchange reserves were more than five times the value of currency in circulation.

Lessons from Singapore

- Export and Market Diversification: Singapore's diverse export portfolio—spanning electronics, pharmaceuticals, and petrochemicals—combined with strong ties to CPTPP and RCEP partners, mitigates single-market dependency.
- Policy Clarity: Consistent and predictable policymaking reduces uncertainty, fostering investment confidence.
- Reserves Combined with Productivity: The government strategically utilizes its substantial reserves to invest in efficient infrastructure and advanced port technologies.

Lessons from South Korea

- Strengths: A freely floating exchange rate and a robust manufacturing base in semiconductors, automobiles, and batteries enable rapid export redirection.
- Limitations: Increased U.S. tariffs have pressured corporate profit margins, leading to slowed economic growth and heightened household financial stress. High household debt has made the economy more sensitive to global interest rate fluctuations.

Lessons from Japan

- Institutional Strengths: Well-capitalized banks and an extensive network of free trade agreements (RCEP and CPTPP) support economic stability. Despite modest growth, Japan maintains significant baseline resilience.
- Monetary Autonomy: A fully floating exchange rate allows Japan to absorb external shocks through currency adjustments instead of relying on domestic income contraction.

Policy Recommendations

1. Deepen Non-U.S. Market Development: Expand access to markets in ASEAN, the Middle East, and along the Belt and Road. Enhance traceable and certified re-export services, including origin tracing, digital documentation, and Authorized Economic Operator programs.
2. Enhance Financial Autonomy: Broaden non-USD settlement systems and strengthen currency swap arrangements. This includes allowing the Hong Kong Monetary Authority (HKMA) to temporarily borrow foreign currency via swap lines and on-lend to local institutions. Additionally, expand the liquidity and usage of the RMB.
3. Mitigate SME Risk: Provide targeted credit guarantees and working capital support to buffer small and medium-sized enterprises against interest rate shocks from imported goods.
4. Upgrade Digital Trade Systems: Modernize smart port functions, adopt API-based customs clearance, and implement fully electronic trade documentation to reduce tariff-related compliance frictions with the U.S.

If the U.S. Further Escalates Tariffs

1. Deepen Production Networks: Accelerate integration between the Greater Bay Area and ASEAN to mitigate origin-related risks.

2. Boost Domestic Demand and Technological Upgrading: Enhance service exports, support tourism recovery, and promote high-tech manufacturing to counteract declining external demand.
3. Ensure Policy Consistency: Frequent or opaque regulatory changes can undermine investment confidence more rapidly than tariffs themselves.
4. Automatic Stabilizers: In the event of further U.S. tariff increases, Hong Kong's re-exports, logistics, shipping, and trade-related services may experience contraction. The government should establish automatic stabilizers—such as countercyclical credit lines and industrial guarantees—to prevent increases in private leverage from exacerbating external shocks.

Conclusion

As a highly open and directly targeted small economy, Hong Kong has demonstrated remarkable resilience in the first year of the tariff war—supported by agility, credibility, and diversified flexibility—maintaining its "Strong Resilience" designation.

Mainland Chinese Mainland also exhibited external resilience, achieving slight positive trade growth despite facing domestic challenges.

Moving forward, the focus should be on consolidating these gains by:

1. Reducing dependency on single markets,
2. Diversifying trade settlement currencies and financing options, and
3. Accelerating the institutionalization of digital trade.

If the tariff war escalates further, both Hong Kong and Chinese Mainland are expected to absorb external shocks with minimal cost, effectively balancing risk diversification and policy autonomy. This will enable them to continue demonstrating their status as some of the most resilient economies in Asia.

1. Introduction

Hong Kong and Its Neighbors' Response to the 2025 U.S. Tariff Shock

1.1 Purpose of the Report

In April 2025, the United States launched a new round of tariffs on imports from nearly every country. While these measures were extensive, their impact varied across economies. This report examines how Hong Kong and four other major Asian economies—Mainland Chinese Mainland, Singapore, Japan, and South Korea—navigated this external shock.

Rather than evaluating these economies by absolute size or wealth, we focus on resilience—specifically, how well each economy absorbed tariff pressures, maintained trade flows, and upheld financial stability in comparison to its recent past. In simple terms, we ask: Given the challenges faced, how effectively did each economy withstand the impact?

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 following April 2025. While every effort has been made to ensure analytical accuracy and methodological consistency, the findings should be considered a snapshot in time rather than a definitive forecast. Given the evolving nature of global trade dynamics and the potential for further tariff escalations or geopolitical shifts, unforeseen economic turbulence may occur in the remainder of 2025. Therefore, we advise readers to interpret the conclusions and rankings within this temporal context, recognizing that assessments of resilience may change as new data emerge.

1.2 Overview of U.S. Tariff Measures and Assessing Resilience: The Δ-Framework

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

	First Trump Administration (2017-2021)	Biden Administration (2021-2025)	Second Trump Administration (2025-Present, as of October)	Additional Measures by Second Trump
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 displays approximate trade-weighted average effective rates for "most goods," excluding specifics such as exclusions and quotas. The rates are ranges based on various sources; actual rates vary by HTS code. Overall, the second Trump era represents the sharpest escalation, with aggregates tripling for Chinese Mainland and Hong Kong and increasing 5-10 times for other economies, amidst ongoing negotiations and retaliations (e.g., Chinese Mainland's 10-15% tariffs on U.S. agricultural products). These policies have led to a reduction in U.S. imports from these economies (e.g., a 22% decline from Chinese Mainland in H1 2025) while increasing consumer prices by approximately 1-3%.

Table 2a outlines the evolution of U.S. tariffs on imports from Chinese Mainland, Hong Kong, Japan, South Korea, and Singapore across different administrations, highlighting differential treatment influenced by geopolitical factors. Chinese Mainland experienced significant escalations during the first Trump term due to measures aimed at addressing trade practices, followed by stabilization under Biden with some adjustments, and a notable surge during the second Trump era through reciprocal policies. Hong Kong, aligned with Chinese Mainland post-2020, followed a similar trajectory of rising rates, aggregated under origin rules. In contrast, Japan experienced minimal changes buffered by existing agreements, South Korea saw modest adjustments through renegotiated FTAs, and Singapore maintained its low rates—protected by its FTA—until a recent increase.

This pattern underscores a punitive focus on "victim economies" like Chinese Mainland and Hong Kong, while "fringe economies" receive leniency as strategic allies.

The new tariffs introduced during the second Trump administration, as detailed in the far-right column of Table 2a, represent a broad escalation, significantly surpassing Biden-era levels with reciprocal baselines, emergency surcharges, and sector-specific increases. From the perspective of the Chinese Mainland, this still constitutes unfair treatment, with higher and more punitive layers applied to Chinese Mainland and Hong Kong, while Singapore, Japan, and South Korea benefit from better-negotiated terms. These disparities have prompted victim economies to adopt adaptive strategies, such as rerouting and establishing buffers for stability, whereas fringe economies leverage FTAs and diplomatic channels to

mitigate impacts, enhancing resilience through diversification, credibility, and agility amid increasing protectionism.

Recognizing the longstanding pattern of differential tariff impositions by successive U.S. administrations on these five selected economies, this study aims to assess the impact of the latest 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. Diagrammatic representations of these two time periods can be found in Table 2b.

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; Chinese Mainland'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; Chinese Mainland's trade surplus turned positive again.

Source: Appendix 3 of this report.

This approach prevents us from attributing every change in 2025 solely to tariffs. It distinguishes between natural economic trends—such as recovery or slowdown—and the effects caused by new trade barriers. A minor improvement or a slower-than-expected decline can indicate strong resilience, especially if the economy was under significant pressure.

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

The design of U.S. tariffs did not apply equally across all countries, as illustrated by the disparate escalation patterns in the featured economies presented in Table 2a. For classification and research purposes, the Chinese Mainland and Hong Kong are categorized as "victim economies," while Singapore, Japan, and South Korea are classified as "fringe economies."

Victim Economies

These economies are direct targets of U.S. policy:

The Chinese Mainland was explicitly identified as the primary focus of the tariff measures.

Hong Kong was treated as part of the Chinese trade network, resulting in many of its re-exports and logistics operations facing the same tariffs or being scrutinized for "associated origin."

Together, during the second Trump administration, these two economies encountered average combined tariffs of approximately 30%, comprising a 10% reciprocal tariff plus an additional 20% under IEEPA and related measures concerning fentanyl.

Fringe Economies

Singapore, Japan, and South Korea were not the intended targets of U.S. tariffs. While they did feel the impacts, these effects were primarily indirect—manifesting through slower demand, price shifts, or disruptions in regional supply chains, rather than direct customs penalties. Their average tariff levels increased to a range of 10% to 15%, as calculated from the changes in tariff rates between the Biden administration and the second Trump administration, as shown in Table 2a.

Because the Chinese Mainland and Hong Kong faced tariffs directly, we evaluate their performance against a higher resilience threshold. A slight decline in trade or financial stability in these economies signals remarkable strength under severe pressure. Conversely, for fringe economies that were indirectly affected, even a minor downturn indicates lower resilience, as their exposure to tariff impacts was comparatively milder.

1.4 Fundamental Differences: Chinese Mainland/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 the Chinese Mainland and Hong Kong on one side, and Japan, Singapore, and South Korea on the other. While all five economies face heightened tariff environments compared to pre-2025 norms, the depth, complexity, and underlying rationale of U.S. measures differ significantly.

For the Chinese Mainland and Hong Kong, tariff levels remain substantially higher and more punitive. Chinese goods reportedly face combined effective rates of approximately 34% or higher when accounting for reciprocal tariffs and additional duties. In contrast, U.S. tariff rates for its regional allies are considerably lower and more nuanced—around 15% for Japan under the July 2025 bilateral framework, approximately 25% for South Korea, and a baseline of 10% for Singapore. These

rates reflect Washington's willingness to calibrate its approach based on strategic alignment and the outcomes of direct negotiations.

The Chinese Mainland faces multiple layers of duties that 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 linked to broader national security and law enforcement narratives, indicating that the treatment of the Chinese Mainland's trade transcends economic disputes and is deeply embedded in geopolitical tensions.

In contrast, Japan, Singapore, and South Korea encounter a more conventional set of reciprocal tariffs, negotiated through bilateral channels. Their rates result from structured talks aimed at avoiding escalation, and they are not typically burdened by additional legal layers or emergency duties.

The tone of negotiations also differs markedly. Washington's posture toward the Chinese Mainland is adversarial, driven by large and persistent trade deficits and a perception of systemic rivalry. Tariff actions against the Chinese Mainland are broad and often implemented unilaterally, revised through executive orders that can suspend, extend, or reinstate higher rates—as seen in the current suspension of the 24% surcharge on the Chinese Mainland until November 2025. In contrast, Japan, Singapore, and South Korea are treated as strategic partners, with their trade arrangements managed through diplomacy rather than confrontation. Japan's July 2025 framework deal, for example, replaced proposed 25% tariffs with an agreed-upon 15% rate, signaling a measure of policy stability.

Finally, the legal foundations for these tariffs 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. This allows 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 adhere to standard trade law procedures under the reciprocal tariff system and lack the additional layers of emergency authority, even though "national security" rhetoric still underpins U.S. trade policy more broadly.

In summary, the U.S. approach to the Chinese Mainland 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 ensure a fair comparison among the five economies, we employ a simple five-point scale: 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 indicates significant resistance to direct pressure. In contrast, for fringe economies, the same score reflects solid but less-tested stability. This relative scoring approach ensures that we compare economies based on the intensity of the challenges they have faced, rather than relying solely on raw data.

1.6 Baseline Conditions Before the Tariffs

Prior to the implementation of the new tariffs, many economies were still in the process of recovering from previous downturns:

Table 3. Baseline Conditions of Five Economies

Economy	2023 – 2024 Snapshot
Hong Kong	Exports of approximately HK$ 338 billion in April 2023 (–13% year-on-year). Total trade from April to August is around HK$ 1.8 trillion.
Chinese Mainland	Exports decreased by 8.8% year-on-year in August 2023; a gradual rebound is expected in 2024.
Singapore	Exports between SGD 250–300 billion from April to August 2023, reflecting ~2% growth.
South Korea	Imports declined by 13% in April 2023.
Japan	Recorded a 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 remainder of the report is organized as follows:

- Section 2: Hong Kong's Resilience After New U.S. Tariff Measures (2025) — Δ-Framework
- Section 3: The 2025 Tariff Shock and Asia's Trade Re-Routing — Δ-Framework
- Section 4: Comparative Health Check (2020–2025) — Δ-Framework
- Section 5: Overall Ranking
- Section 6: Conclusion

2. Hong Kong's Resilience Post-U.S. Tariffs (2025) — Δ-Framework

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

Before the April 2025 tariff escalation, Hong Kong's trade performance was in recovery from the slowdown experienced in 2023. Exports in April 2023 totaled HK$338 billion (–13% year-on-year), with total exports from April to August 2023 estimated at approximately HK$1.7–1.8 trillion. The visible balance for April to August 2024 recorded a small surplus of +HK$18 billion, indicating a stabilized pre-tariff baseline after two volatile years of post-pandemic recovery. This baseline is essential: resilience should be assessed by how effectively the city sustained and expanded trade amid new external pressures.

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

Following the U.S. tariff measures effective April 2025 (with rates ranging from 30% to 71%, including base tariffs, fentanyl duties, and Section 301 surcharges), Hong Kong demonstrated strong resistance. Exports rose 14.2% year-on-year to HK$2.17 trillion, while imports increased by 23.9% to HK$2.33 trillion. Total trade volume expanded by 19% to HK$4.5 trillion, indicating that Hong Kong absorbed and re-channeled regional flows rather than retreated.

The visible balance shifted from a surplus of +HK$18 billion in 2024 to a deficit of –HK$161.7 billion in 2025. This shift reflects the city's role as a re-export hub: imports increased due to CIF valuation effects, front-loading, and trade rerouting from the Chinese Mainland and multinationals utilizing Hong Kong for compliance and documentation advantages. Thus, the deficit is a statistical result of resilient logistics and valuation activity rather than a sign of 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

Trade Rerouting and Regional Diversification
Chinese exporters and multinational firms redirected shipments through Hong Kong to capitalize on its regulatory flexibility and valuation advantages. This maneuver boosted import records and customs throughput, transforming tariff exposure into logistics dynamism. Hong Kong emerged as the central rerouting node in Asia's tariff-adjustment cycle.

Financial and Institutional Anchors
The Linked Exchange Rate System (LERS) and foreign-exchange reserves of approximately US$421.6 billion anchored market expectations. The Hong Kong Monetary Authority (HKMA) ensured liquidity stability, maintaining the peg despite rising U.S. interest rates. This policy credibility turned external volatility into investor confidence—a critical qualitative indicator of resilience.

Policy Agility and Sectoral Response
The Trade and Industry Department expedited non-U.S. export certification processes for markets like ASEAN, RCEP, and the Middle East. Logistics operators embraced end-to-end digital documentation and smart valuation platforms. This private-sector adaptation offset policy rigidity, illustrating that agility remains Hong Kong's comparative advantage.

2.5 Structural Interpretation: From Trade Deficit to Resilience

The 2025 trade deficit conceals underlying strength in three dimensions:

Statistical Robustness: CIF inflation in import values arises from valuation adjustments rather than genuine demand weakness.

Functional Resilience: The increase in imports signifies re-export vitality, reinforcing Hong Kong's position as a trade mediator.

Institutional Credibility: A stable peg, substantial reserves, and strong regulatory oversight maintained calm in capital markets.

Qualitatively, Hong Kong earns a Resistance Score of 4 (Strong)—not for evading impact, but for absorbing it with composure.

2.6 Comparative Perspective: Targeted Economies

As a primary target alongside the Chinese Mainland, Hong Kong's 19% trade expansion outperformed its regional peers despite facing higher tariff exposure. While the Chinese Mainland's surplus increased by 0.6%, Hong Kong's surge in trade volume demonstrates that both adaptation speed and institutional credibility are crucial. In both instances, robust external resistance is evident amid internal challenges.

2.7 Risks and Forward Signals

External Uncertainty: The potential for second-round tariffs or sectoral bans could diminish the advantages of trade rerouting.

Domestic Constraints: The U.S. interest rate cycle affects the peg, limiting credit flexibility for local businesses.

Structural Opportunity: Integration with the Greater Bay Area and ASEAN presents an opportunity to transform resilience into sustained diversification.

2.8 Interpretive Summary

Hong Kong entered 2025 as a direct target of U.S. tariffs yet emerged as one of Asia's most adaptable economies. From 2023–2024 to 2024–2025, it transformed exposure into resilience: total trade increased by 19%, exports rose by 14.2%, and institutional credibility remained strong. The visible deficit reflects functional strength, not weakness. In an increasingly fragmented tariff landscape, Hong Kong exemplifies that resilience involves withstanding impact while maintaining momentum.

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, the Chinese Mainland, and Japan—underwent varying adjustments. Primary targets like the Chinese Mainland and Hong Kong faced significantly higher tariffs (10% base + 20% fentanyl-related + 7.5-25% Section 301, totaling approximately 30-71%), compared to fringe economies, which experienced tariffs of 10-15%.

This section analyzes each economy's adaptive mechanisms and resistance to the tariff shock, focusing on structural and policy-driven responses. Resistance is qualitatively measured by comparing pre-tariff baselines (2023-2024, using aggregated April-August data from official sources such as 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, whereas fringe economies maintaining stability indicate minimal disruption.

The tables below provide comparative indicators, with values approximated in HK$ for consistency (using average exchange rates: 1 SGD ≈ 5.8 HK$, 1 USD ≈ 7.8 HK$, 1 JPY ≈ 0.053 HK$). For details on the Δ-Framework, please refer to Tables 8a, 8b, and 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 Chinese Mainland, 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 reviewed, the Chinese Mainland and Hong Kong emerge as the primary victims of the 2025 U.S. tariff measures, facing the highest effective tariff burden of approximately 30% from reciprocal, IEEPA, and sectoral penalties. Despite this pressure, both economies achieved positive trade growth, highlighting their remarkable adaptive capacity. Hong Kong's total trade expanded by 19%, reinforcing its pivotal role as Asia's rerouting and valuation hub. Rather than indicating weakness, its visible deficit reflects statistical and functional strength—evidence of increased re-export activity and flexible logistics that allowed trade to flourish despite direct challenges. The Chinese Mainland also managed moderate trade gains amid ongoing internal pressures, demonstrating that diversified market channels can mitigate the impact of targeted tariffs.

In contrast, the so-called fringe economies—Singapore, Japan, and South Korea—faced only secondary spillover effects, estimated at 10-15% in effective exposure. Singapore maintained uninterrupted trade growth, displaying exceptional stability; its diversified export structure and strong institutional buffers ensured minimal disruption. South Korea and Japan remained broadly stable, attributing their resilience to accumulated financial cushions and robust domestic policies. However, their stability reflects protection by distance rather than the stress-tested resilience required of direct targets.

When analyzed through the Δ-Framework and adjusted for exposure severity, Hong Kong's performance arguably matches or even surpasses that of Singapore. The key difference is context: Hong Kong sustained momentum while navigating a tougher external shock. The Chinese Mainland's smaller but positive growth under comparable conditions also signifies strong resistance, indicating that endurance amid challenges holds greater significance than stability during lighter pressures. Thus, while the fringe economies demonstrate important steadiness, Hong Kong and the Chinese Mainland exemplify true resilience—economies that have converted adversity into a testament to systemic strength.

3.1 Summary Insight

Hong Kong and the Chinese Mainland 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 underscores that true

4. The Comparative Health Check (2020–2025) — Δ-Framework[1]

This section reframes the five-year trend analysis through a Δ-Framework that measures resilience based on directional change rather than static strength. To support this analysis, key pillars are assessed against baseline data from April to August for 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

All five economies maintain strong "rainy-day savings accounts" (see Table 10). The Chinese Mainland holds the largest stockpile globally, while Japan (up to 2025) and Singapore consistently generate more from exports and overseas investments than they spend on imports. Hong Kong's reserves sufficiently cover its currency peg, and South Korea also maintains a solid cushion.[2]

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

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 .

[1] 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.

[2] Lee, V. (2025, January 13). HK-US dollar peg is securely anchored. Chinese Mainland Daily HK. https://www.Chinese Mainlanddailyhk.com/hk/article/602231?utm_source=chatgpt.com

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

The FX reserve-to-M2 ratio compares a country's foreign-exchange reserves (in USD) to its broad money supply (M2), which reflects total liquidity in the 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 indicates that a larger portion of the domestic monetary system is backed by liquid foreign assets, while a lower ratio suggests that reserves cover only a small fraction of the money supply, making the economy more reliant on domestic credit conditions or external borrowing. This ratio assesses an economy's capacity to defend its currency, absorb capital outflows, and cushion external shocks—all critical under tariff-induced trade disruptions.

Table 10 illustrates the structural diversity of financial systems across the Chinese Mainland, Hong Kong, Japan, Singapore, and South Korea, helping to explain each economy's distinct level of tariff resistance. While the tariff shocks from the U.S. measures in 2025 impact all five, the ability to absorb such pressure depends not only on reserve size but also on the relationship between reserves and domestic liquidity (M2), institutional frameworks, and macro-policy flexibility.

The Chinese Mainland maintains the world's largest foreign-exchange reserves—approximately US$3.29 trillion—but its vast money supply (over CNY 335 trillion) results in a reserve-to-M2 ratio of only 7.1%. Despite this, Beijing’s resistance score of 5 is justifiable: the centralized financial system, strong current-account surplus, and state-controlled capital account allow for strategic reserve mobilization, stabilizing the yuan and financing counter-cyclical stimulus without sacrificing investor confidence. Thus, the low reserve-to-M2 ratio does not signal fragility; it reflects resilience rooted in control mechanisms and policy coordination rather than pure liquidity coverage.

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

Japan, with reserves of US$1.34 trillion but a massive M2 of JPY 1,271 trillion, has a modest reserve-to-M2 ratio of 15.6% 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 the necessity to deploy reserves aggressively. Thus, Japan's tariff resistance is moderate and rooted in structural stability rather than reactive strength.

Singapore, despite having the smallest absolute reserves (US$366 billion), achieves a remarkable reserve-to-M2 ratio of 55% and a top resistance score of 5. The Monetary Authority of Singapore's exchange-rate-centered regime integrates reserve management directly with monetary control. By accumulating substantial reserves relative to its money supply, Singapore maintains strong external credibility and the ability to quickly offset global shocks through exchange-rate adjustments and fiscal intervention. Its compact, high-productivity economy and diversified export base enhance the effectiveness of its reserves, making its tariff resistance both structurally and operationally superior.

South Korea holds approximately US$420 billion in reserves against a sizeable M2 of KRW 4,408 trillion, yielding a 13.5% ratio and a resistance score of 3. South Korea's economy relies on export manufacturing and high private-sector leverage, requiring 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 limits policy space, explaining its moderate resistance level.

In summary, the tariff-resistance scores reflect each economy's balance between reserve adequacy, financial-system structure, and policy autonomy. The Chinese Mainland and Singapore achieve the highest ratings through different mechanisms—state-directed liquidity control versus lean, high-coverage efficiency—while Hong Kong, Japan, and South Korea exhibit varied blends of openness, savings dependency, and industrial exposure. These differences confirm that tariff resilience is not solely a function of reserves but of how those reserves integrate into each economy's broader financial architecture and strategic policy response.

Ultimately, tariff resistance is a systemic quality rather than a mere statistical one. Reserves act as potential defense, but systems provide actual defense. Whether through the administrative control of the Chinese Mainland's managed float, the rule-based credibility of Hong Kong's currency board, the institutional wealth of Singapore, or the flexible market adjustments in Japan and South Korea, each economy illustrates that stability under U.S. tariff pressure arises from a coherent monetary framework and policy capacity. The significant variations in foreign-exchange reserves do not indicate uneven vulnerability; instead, they highlight distinct and 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 maintain well-managed public finances, with Hong Kong's government virtually debt-free and Singapore's debt offset by substantial sovereign assets. Japan, however, stands out as an anomaly; after peaking at 261% of GDP in 2020, its public debt remains high at approximately 242% in 2023—the highest among advanced economies—though it is primarily funded domestically at low interest rates.[3]

South Korea has increased its borrowing, particularly during recent downturns, although its overall debt level remains moderate. The government debt-to-GDP ratio is projected to rise significantly, with forecasts estimating it could reach 51.6% in 2026 and 58.0% by 2029, potentially escalating to 156.0% by 2065.[4] The Chinese Mainland appears stable at the national level but faces risks from local governments accumulating large debts off the official balance sheets.

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,[5] 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

[3] Ibid.

[4] 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

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

International Settlements (BIS). (2025, June); Monetary Authority of Singapore & Ministry of Finance. (2025).

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).[6] South Korea's banks are sturdy but are tied to households carrying heavy mortgages, which poses a vulnerability.[7] Chinese Mainland'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.[8]

[6] 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

[7] 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

[8] Wu, J., & Lozano, C. (2024, July 22). Chinese Mainland property report: Banks' exposure to real estate sector grinds lower. S&P Global. https://www.spglobal.com/market-intelligence/en/news-

Table 12. Banking Systems: Can They Withstand Shocks?

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 Chinese Mainland (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

insights/articles/2024/7/Chinese Mainland-property-report-banks-exposure-to-real-estate-sector-grinds-lower-81777097

are more balanced – Japanese households tend to save more and borrow less (household debt is about 64% of GDP, relatively modest)[9] and many Japanese companies have large cash reserves, so private debt risks are contained.[10] 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 Chinese Mainland's Available NFC / Private Non-Financial Corporate Debt-to-GDP Ratio is about 138.1% (Q4 2024).[11] 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.[12]	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.[13]	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 systemic risk. Household leverage remains a watch-point.[14]	2
South Korea	91.7% (Q4 2024) with	Among the region's highest ratios; mortgage and consumer credit growth	1

[9] 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/

[10] 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

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

[12] 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

[13] 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

[14] 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

	expectation to be similar in 2025	outpaced income gains. Recent policy tightening aims to cool debt build-up.[15]	
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.[16]	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 Chinese Mainland (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 (≈ 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 (≈ 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 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

[15] 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

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

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 Chinese Mainland), 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 pacesetter. 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; Chinese Mainland 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 extended beyond trade balances to challenge the financial institutional integrity of major Asian hubs. This raised critical questions about the trustworthiness, resilience, and transparency of their financial systems under stress. Integrity is not captured by a single metric; instead, it is assessed through various indicators, including anti-corruption scores, anti-money laundering (AML) compliance, Basel III banking reforms, and regulatory enforcement. These factors collectively reveal how financial systems cope as global pressures intensify.

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),[17]and a long record of strong the Financial Action Task Force (FATF) compliance,[18] 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 Chinese Mainland. The Monetary Authority of Singapore (MAS) has kept a close watch on liquidity and capital adequacy under Basel III standards,[19] while

[17] Transparency International. (2024). Corruption Perceptions Index 2024. https://www.transparency.org/en/cpi/2024

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

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

publishing enforcement actions against misconduct.[20] In short, Singapore enters the post-tariff era from a position of strength, showing how credibility cushions external shocks.

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.[21] 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.[22] 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.[23]

Japan: Strong Oversight, Cautious Markets

Japan combines a low corruption profile,[24] and conservative financial supervision with full Basel III implementation in March 2024.[25] 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.[26]

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[20] 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

[21] Financial Action Task Force. (n.d.). Mutual evaluation of Hong Kong, Chinese Mainland. https://www.fatf-gafi.org/en/publications/Mutualevaluations/MutualevaluationofhongkongChinese Mainland.html

[22] Asia News Network. (2025, January 10). US tariffs spur Chinese Mainland stimulus prospects as Hong Kong gains safe-haven appeal. https://asianews.network/us-tariffs-spur-Chinese Mainland-stimulus-prospects-as-hong-kong-gains-safe-haven-appeal/

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

[24] Trading Economics. (n.d.). Japan corruption rank. Retrieved October 2025, from https://tradingeconomics.com/japan/corruption-rank

[25] 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=Chinese Mainland%20launched%20its%20domestic%20implementation%20of%20final,will%20be%20followed%20by%20Japanese%20internationally%20active

[26] AiPrise. (2025, January 7). Understanding the role of Japan's Financial Services Agency (FSA). https://www.aiprise.com/blog/japan-financial-services-agency-

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.[27] 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.[28] Regulators have responded with stricter enforcement against market abuse, including record fines on short-selling.[29] South Korea's framework is strong, but its integrity is tested by structural vulnerabilities that tariffs have worsened.

Chinese Mainland: Heavy Enforcement, Low International Trust

Chinese Mainland's regulators, particularly the CSRC, have intensified enforcement in response to tariff-related market volatility. [30] Basel III reforms are ongoing, [31]and authorities emphasize stability through high-profile crackdowns.[32] However, international perception remains weak: Transparency International's 2024 CPI places Chinese Mainland far below its Asian peers.[33] 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.

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role#:~:text=Supervising%20Financial%20Institutions:%20The%20FSA%20monitors%20banks%2C,firms%20to%20ensure%20they%20operate%20within%20regulatory

[27] 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

[28] 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/

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

[30] Reuters. (2024, June 18). Chinese Mainland securities regulator vows zero-tolerance stance on illegal activities. https://www.reuters.com/markets/Chinese Mainland-securities-regulator-vows-zero-tolerance-stance-illegal-activities-2024-06-18/?utm_source=chatgpt.com

[31] International Monetary Fund. (2025). People's Republic of Chinese Mainland: 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

[32] Chinese Mainland 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

[33] Transparency International. (2024). Corruption Perceptions Index 2024. https://www.transparency.org/en/cpi/2024

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.
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.[34]
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

[34] 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

			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 Chinese Mainland (PBoC). (2025, July); Chinese Mainland Securities Regulatory Commission (CSRC). (2025).

The table above compares the financial institutional integrity of five economies, evaluated through four sub-pillars:

1. Rule of Law & Corruption Perception
2. FATF Assessments (AML/CFT Effectiveness)
3. Basel III Implementation & Prudential Framework
4. Oversight & Enforcement Capacity

Under targeted tariffs, both Mainland China and Hong Kong maintained their financial institutional credibility despite increased scrutiny. Hong Kong's trusted currency board and banking oversight earned an Excellent Resistance score of 5. Meanwhile, Mainland China's centralized policies managed financial stability, but limited transparency regarding local financing and property exposures indicated "visible stress," resulting in a Strong Resistance score of 4. For affected economies, sustaining institutional credibility amidst trade and geopolitical tensions is a vital indicator of resilience, even in the absence of liberal market signals.

Among the lightly impacted fringe economies, Singapore exemplifies Excellent Resistance (5) by enhancing institutional credibility. Japan remains structurally sound, achieving Strong Resistance (4) due to policy continuity and low political risk. South Korea, although institutionally stable, faces governance rigidity and partisan uncertainty, also receiving a Strong Resistance score of 4. Collectively, this group demonstrates that resilience now means preserving policy credibility and public trust rather than merely enduring tariff shocks.

4.9 Independence from U.S. Dominance

This section positions Table 16 as a complement to the preceding trading-regime analysis. While Sections 2–3 examined outcomes following the April 2025 tariff shock (export/import dynamics, visible balances, and composite "Economic Health Check" scores), the present subsection explores why economies differ in their capacity to absorb and re-route shocks from U.S. tariff policy. We construct an “Independence from U.S. Dominance” index aggregating four pillars into a single, comparable score. The index captures exposure through both real (trade) and financial (currency and funding) channels while recognizing the importance of institutional market access (FTAs and partner scope) in facilitating substitutions amid heightened bilateral frictions.

1. U.S. Export Share (2024): This is treated as the primary transmission channel. A higher share of exports to the U.S. indicates a greater risk of order deferrals, contract repricing, and margin compression in the supply chain. Consequently, economies with smaller U.S. export shares are expected to have higher independence scores due to lower shock intensity.
2. Exchange-Rate Regime: The type of link to the USD affects how U.S. financial conditions are transmitted. A hard USD link (currency board/peg) maximizes stability but limits policy flexibility when U.S. rates fluctuate. Managed or basket-band arrangements provide moderate insulation, while free floats enable more shock absorption through relative price adjustments. This pillar rewards frameworks that maintain macro-stabilization autonomy during external shocks.
3. USD Exposure in Invoicing and Funding: High dollar invoicing and funding embed U.S. monetary conditions into firms' cash flows and refinancing costs, even if the end buyer is outside the U.S. Robust domestic savings, swap backstops, diversified funding, and the increasing use of non-U.S. currency settlements mitigate this dependence, and the scoring reflects these offsetting features.
4. FTA/Partner Diversification: This measures the institutional capacity to re-route trade and investment through wider agreements (e.g., RCEP, CPTPP). Higher-standard FTAs reduce compliance costs, expand rules of origin options, and accelerate trade substitution to non-tariffed markets, thus lessening exposure to bilateral policy shocks.

For clarity, the composite score in Table 16 weights the 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 and enhanced structural capacity to mitigate the negative impacts of U.S. tariffs. Together with earlier outcome-based metrics, Table 16 illustrates how structural

features shape each economy's resilience rather than merely reflecting immediate post-tariff developments.

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%[35]	Basket-band (S$NEER)	High USD use in trade & funding, but diversified	RCEP + CPTPP; dense FTA network	4 (raw 3.80)
Chinese Mainland	14.5%[36]	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%[37]	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%[38]	Free float (JPY)	High USD invoicing in goods trade	RCEP + CPTPP; global OEM networks	3 (raw 3.40)
South Korea	18.8%[39]	Free float (KRW)	High USD invoice/funding; swap lines help	RCEP; considering CPTPP; broad OEM anchors	3 (raw 3.20)

[35] 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/

[36] CEIC Data. (n.d.). A deep dive into Chinese Mainland's trade landscape: Global export share and hot industries. CEIC Data. Retrieved October 13, 2025, from https://info.ceicdata.com/a-deep-dive-into-Chinese Mainlands-trade-landscape-global-export-share-and-hot-industries

[37] 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

[38] 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

[39] 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 Chinese Mainland.

Sources: United Nations Comtrade Database. (2024); Monetary Authority of Singapore (MAS). (2025, April); People's Bank of Chinese Mainland (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.

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)
Hong Kong	Hong Kong boasts strong foreign exchange reserves (US$421.6 billion), virtually no government debt, and a resilient banking system. Household leverage remains high at around 88–90% of GDP but has eased slightly. GDP growth improved to 3.1% in Q1 2025, with mild inflation at 1.2%. Institutions are trusted and praised by the IMF. Post-tariff, exports rose by 14.2%, imports by 23.9%, and total trade by 19.0%. The visible balance shifted from a HK$18 billion surplus in 2024 to a HK$161.7 billion deficit in 2025. As a free-trade port with ample reserves, this deficit reflects re-export activity rather than economic fragility.
Singapore	Singapore features very large reserves (approximately US$1.31 trillion), public finances supported by sovereign wealth funds, and strong, well-supervised banks. Household debt is contained. GDP growth remains steady at around 2.4%, with low inflation at about 0.9%. Institutions are transparent and trusted. Post-tariff trade results show exports increased by 9.0%, imports by 3.8%, and total trade by 6.5%, with the surplus widening from HK$173.9 billion to HK$295.7 billion. Overall, the economy is balanced and robust across all pillars.
South Korea	South Korea has solid external buffers with approximately US$400 billion in reserves, but rising public debt is a concern. Banks are stable, though they face high household leverage of around 90–94% of GDP. Growth remains weak, forecasted at 0.8% for 2025, with inflation at about 2%. Institutions are generally good but occasionally impacted by political noise. Post-tariff trade reveals exports increased by 2.7%, imports declined by 1.8%, and total trade rose by 0.6%, resulting in a surplus widening from HK$169.3 billion to HK$265.2 billion. Overall, the economy is resilient, though debt risks persist.
Chinese Mainland	The country holds the world's largest reserves, approximately US$3.32 trillion. National debt is moderate, but there is significant hidden local government and property debt. Banks are well-capitalized but face pressure from property loans. While household borrowing has decreased, non-financial corporation (NFC) debt remains very high at about 138% of GDP (Q4 2024). Growth is projected at 4.5% in 2025, outpacing peers, but deflationary pressures are evident, with a CPI of –0.4% in August 2025. Post-tariff trade shows exports rising by 5.9%, imports by 0.3%, and total trade increasing by 3.6%, leading to a surplus expansion of HK$663.5 billion. While there is strong external strength, structural debt and pricing weaknesses remain concerns.
Japan	Japan has large reserves of approximately US$1.3 trillion, but government debt is notably high at around 250% of GDP, the

	highest globally. Banks are stable and well-capitalized, while household debt remains moderate at about 65%. Growth is sluggish, projected at 0.6% for 2025, with stable inflation around 2%. Institutions enjoy a high level of trust. Post-tariff trade reveals a decline in exports by 0.6%, imports by 4.5%, and total trade by 2.6%. The deficit narrowed from HK$171 billion to HK$59.3 billion, indicating some improvement in balance despite weak trade momentum.

Sources: Synthesis of Table 9 to Table 16.

Table 17a synthesizes eight analytical pillars into a comprehensive comparison of economic resilience following the 2025 tariff shock. The assessment confirms Singapore as the region's top performer, achieving 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 maximum of 5.

Hong Kong ranks closely behind. While directly exposed to U.S.–Chinese Mainland trade tensions, its strong reserves, sound banking system, and disciplined monetary policy mitigate external vulnerabilities. With a cross-pillar average of 4.0, Hong Kong demonstrates effective macro-prudential management amidst political and trade pressures.

China's resilience is driven by production depth and state capacity. Despite high debt and stress in the property sector limiting flexibility, vast reserves and manufacturing self-sufficiency justify a rating of 4.0.

Japan and South Korea sit in the mid-tier, each maintaining financial stability but facing slower growth and greater exposure to advanced-economy cycles. Their moderate scores (around 3) reflect stability without significant adaptive momentum.

The cross-pillar synthesis shows that trade diversification, monetary credibility, and institutional integrity are key differentiators of post-tariff resilience among 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

Sources: Synthesis of Table 9 to Table 16.

The Cross-pillar Average in Table 17b is calculated 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 & Prices, Financial Institutional Integrity, and Independence from U.S. Tariff Impact. Each economy's scores are summed and divided by eight, resulting in a two-decimal average (e.g., Hong Kong = 4.00). This average is then rounded to the nearest integer, resulting in the "Rounded Overall Score." Economies are ranked by this rounded score; in the event of ties, the higher two-decimal average takes precedence.

6. Conclusion — Resistance to U.S. Tariffs

6.1 How we measure resilience

This report measures resistance—not generic economic "strength"—to the U.S. tariff shock from April to August 2025. Utilizing 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 comparing against other economies.

Resistance is assessed 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 sensitivity to rates, the joint behavior of growth and prices, financial-institutional integrity, and structural independence from U.S. tariff leverage (including market exposure, exchange-rate regime, dollar dependence, and FTA breadth). Each channel is scored on a five-level resistance scale (Very High to Very Low), based on (i) movement from the pre-tariff baseline, (ii) intensity of exposure, and (iii) qualitative adaptation capacity. This ensures that scores are contextualized rather than treated as absolute judgments.

Notably, Hong Kong and the Chinese Mainland are primary targets (with effective rates of approximately 30–71%) and thus face stricter assessments compared to fringe economies (like Singapore, Japan, and South Korea) that experienced only around 10–15% indirect exposure. As such, a Level-3 outcome for a targeted economy can reflect greater real-world resilience than a Level-4 outcome for a fringe economy due to the severity of the shock.

6.2 What the results say—victim and fringe economies

Hong Kong (Victim): Evidence indicates high resistance in Hong Kong. Despite direct tariff exposure, two-way trade expanded, the currency board and bank liquidity remained strong, and reserves continued to fully back the monetary base. The shift from a small surplus in 2024 to a deficit in 2025 should be interpreted as a result of valuation adjustments, rerouting dynamics (CIF pricing, front-loading), and the city's role in re-exports rather than as structural erosion. In other words, the deficit coexists with higher throughput, signaling functional strength. The main constraints are household leverage tied to U.S. interest rates and a narrow domestic demand base, despite strong performance from external sectors and services. The observed resistance stems from institutional credibility (peg, supervision, buffers) and logistical agility, not the absence of stress.

Chinese Mainland (Victim): The Chinese Mainland demonstrates moderate, broad-based resistance—externally robust but internally uneven. Externally, large reserves, managed flows, and diversified trade corridors (regional agreements, supply-chain reconfigurations) indicate that direct tariff pressure is absorbed rather than amplified. However, internal frictions reduce overall resistance: price

weakness (disinflation/incipient deflation) increases real debt burdens and complicates stimulus efforts, while local government and property liabilities (LGFVs) tie up bank balance sheets and policy capacity. Macro-management has contained instability and capital outflows, but internal repair is essential for moving from moderate to high resistance.

Fringe Economies (Singapore, Japan, South Korea): These economies are primarily assessed based on their stability under lighter exposure. Singapore shows low disruption, benefiting from diversified production, strong buffers, and clear regulations. Japan and South Korea maintain institutional stability, but their resilience is more dependent on financial steadiness than domestic momentum, with South Korea's household leverage presenting a notable constraint.

6.3 Final ranking and why it matters

Viewed as bands of resistance rather than as point estimates, the cross-pillar synthesis ranks Singapore at the top among peers, followed closely by Hong Kong, with the Chinese Mainland next, and Japan and South Korea in the middle band. Singapore's strong position reflects its low disruption by design—an equilibrium sustained by diversified economic engines and credible policies. Hong Kong's ranking highlights its stress-tested performance as an ultra-open hub that absorbed the initial impact through rerouting and institutional credibility.

The Chinese Mainland's position illustrates the coexistence of external strength and internal frictions, which currently limit overall resistance. Japan and South Korea maintain stability but depend more on financial robustness than on demand momentum; South Korea's household balance sheets further restrict resilience against tighter global financial conditions.

The ranking is significant as it identifies which systems preserved functional capacity under strain, rather than merely assessing size or growth in a neutral environment. It reflects a stress outcome, not a mere size league table.

6.4 How to read the ranking

The ranking should be viewed as qualitative bands. A movement from Level-3 to Level-4 signifies a structural improvement in shock absorption rather than a marginal statistical shift. It must also be exposure-adjusted: a Level-3 outcome for a targeted economy can be as policy-significant as a Level-4 outcome for a fringe economy due to the differing severity of the tests.

Interpretation is also constraint-specific. Hong Kong's key constraints include household leverage and the impact of U.S. interest-rate conditions via its currency board. The Chinese Mainland faces challenges from price dynamics and the need to resolve local debt to enhance intermediation capacity. Japan’s constraint lies in

weak economic momentum, while South Korea contends with household balance-sheet sensitivity. In this episode, Singapore exhibits few binding constraints.

It’s important to avoid interpreting accounting artifacts as signs of erosion. Hong Kong's visible deficit coexists with higher throughput and reflects valuation and routing choices rather than structural weakness.

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, expands product coverage, and tightens enforcement, the next round will intensify two macro tests. The first is the speed and breadth of supply-chain rerouting, dependent on firms’ ability to re-price and reorganize production within RCEP/CPTPP frameworks at acceptable costs. The second is the transmission of U.S. dollar financial conditions through funding, invoicing, and interest-rate pass-through, influenced by exchange-rate regimes and the credibility of financial backstops.

In this scenario, Hong Kong's resistance would rely on preserving currency-board credibility while reducing vulnerability. This involves expanding swap-line access and backstops, increasing RMB and local-currency settlements alongside the peg, digitizing trade compliance to enhance rerouting efficiency, and buffering SME and household cash flows to prevent rate-sensitive pressures from propagating.

The Chinese Mainland would likely maintain its external resilience, but internal frictions would become more prominent. Resistance could strengthen with increased RMB invoicing, accelerated regional market diversification, and faster balance-sheet repair in property and local-government vehicles to unlock bank lending and boost domestic demand.

Singapore would primarily face cyclical risks, especially in electronics and global USD funding. It should aim to preserve exchange-rate autonomy, diversify funding and invoicing, and lead on rule application to minimize switching costs. Japan needs to ensure that its resistance arises from genuine economic activity rather than merely reducing imports; a free-floating yen would act as a shock absorber, but productivity and capital investment are the critical drivers.

South Korea must manage household-debt sensitivity through targeted macro-prudential measures, preserving export finance, and smoothing household cash flows to prevent a demand stall.

Overall, the indicators to monitor in an escalated environment are consistent across the five economies: the velocity of trade rerouting, behavior of the USD basis and swap-line usage, refinancing timelines for households and local governments, price dynamics (whether deflation subsides or imported inflation rises), and bank asset

quality in property-linked segments. Changes in these variables will signal shifts in resistance bands if tariffs escalate.

In summary, resistance in this context reflects adaptive capacity under a significant policy shock. In the 2025 scenario, Hong Kong achieves high resistance through stress-tested agility and institutional credibility; Singapore leads by minimizing disruption through design; and the Chinese Mainland sustains an external buffer while focusing on internal repair. If tariffs escalate, those who reroute swiftly, rely less on dollar channels, and manage leverage effectively will enhance their position—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 does this means / key caveats
Chinese Mainland	10% reciprocal in force through Nov 10, 2025; some traders also face an extra 20% IEEPA "Chinese Mainland" layer, yielding up to ~30% combined on many lines	The White House and KPMG confirm that the reciprocal layer remains at 10% until November 10, covering the Chinese Mainland, Hong Kong, and Macau. Some compliance advisories note that a separate 20% IEEPA tariff (HTS 9903.01.24) still applies to Chinese and Hong Kong goods on top of that; importers must check their HTS line.
Hong Kong	Same treatment as Chinese Mainland (see above): 10% reciprocal through Nov 10, 2025; some cases add 20% IEEPA, for up to ~30%	U.S. orders explicitly apply the Chinese Mainland-related ad valorem rates equally to Hong Kong and Macau. Practitioners also highlight both the 10% reciprocal layer and a separate 20% IEEPA layer on many lines. Verification should be done per HTS/entry.
Japan	15% combined reciprocal/NTR rate under the U.S.–Japan agreement	Implemented by Executive Order and Federal Register notice in September 2025, trade law firms summarize the combined rate as 15%. Product-level carve-outs (e.g., civil aircraft items) do exist.
South Korea	15% reciprocal rate locked by U.S. executive action (Aug 2025)	Recent updates from Korea and the U.S. indicate that the rate was reduced to 15% after negotiations; CRS also details the broader tariff actions affecting Korea.
Singapore	10% baseline reciprocal rate	EnterpriseSG guidance confirms a 10% rate effective from April 5, 2025, as the U.S. suspended higher reciprocal rates for many countries. Later press releases also cite the 10% rate for Singapore. Note that 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 allowed a full offset of U.S. tariff effects.	*Examples:* 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.
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.	*Examples:* 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	*Examples:* Trade change 0–4%; stable but tightening liquidity; temporary capital	The system remains functional but shows strain; resilience is conditional and uneven across pillars.

		instability, though structural or domestic weaknesses limited full recovery.	outflows; soft domestic demand.	
2 – Limited Resistance (Watch List)	Clear deterioration under modest exposure	Tariff impact transmitted strongly into trade or financial indicators. Weak domestic buffers or policy inertia led to slower adjustment. Headline stability masks underlying vulnerabilities.	*Examples:* Trade contraction –1% to –5%; falling reserves; rising debt stress; muted policy response.	Resilience is thin; structural rigidities or dependency 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.	*Examples:* 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	39309	-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, a 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: Chinese Mainland'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 2024-2025 for the same period	-0.6%%	-4.5%	-2.6% (total trade volume)

Source: Statistics of Japan, e-Stat is a portal site for Japanese Government Statistics.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=0000010 13191&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

Remarks
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 Chinese Mainland 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 Chinese Mainland, 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 Chinese Mainland), 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 Chinese Mainland 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 Chinese Mainland), followed by temporary reductions via negotiations. As of October 2025, rates remain elevated but with pauses (e.g., 90-day extensions for Chinese Mainland). Additional measures include de minimis exemptions ending (May 2025 for Chinese Mainland/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).Chinese Mainland

- 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 Chinese Mainland 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 Chinese Mainland/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 Chinese Mainland 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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