

Channeling FDI Across ASEAN: Role of Singapore

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Motivation & Objective

- **Protectionism on the rise**
 - Higher tariffs, investment restrictions, and subsidies are reshaping global investment flows
- **Supply chains shifting**
 - Covid-19 or US-China trade war may have redirected investments into ASEAN
 - Increasing intra-ASEAN investment flows with Singapore serving a major investment hub
 - Singapore rose to become the largest foreign investor in Vietnam since 2020, until early this year
- **Policy implications**
 - Governments need to understand not just how much FDI comes in, but *where it truly originates* and *what kind of capital* it represents
 - Unfortunately, official statistics only capture immediate investors (e.g., “Singapore”), which masks the true origins of capital

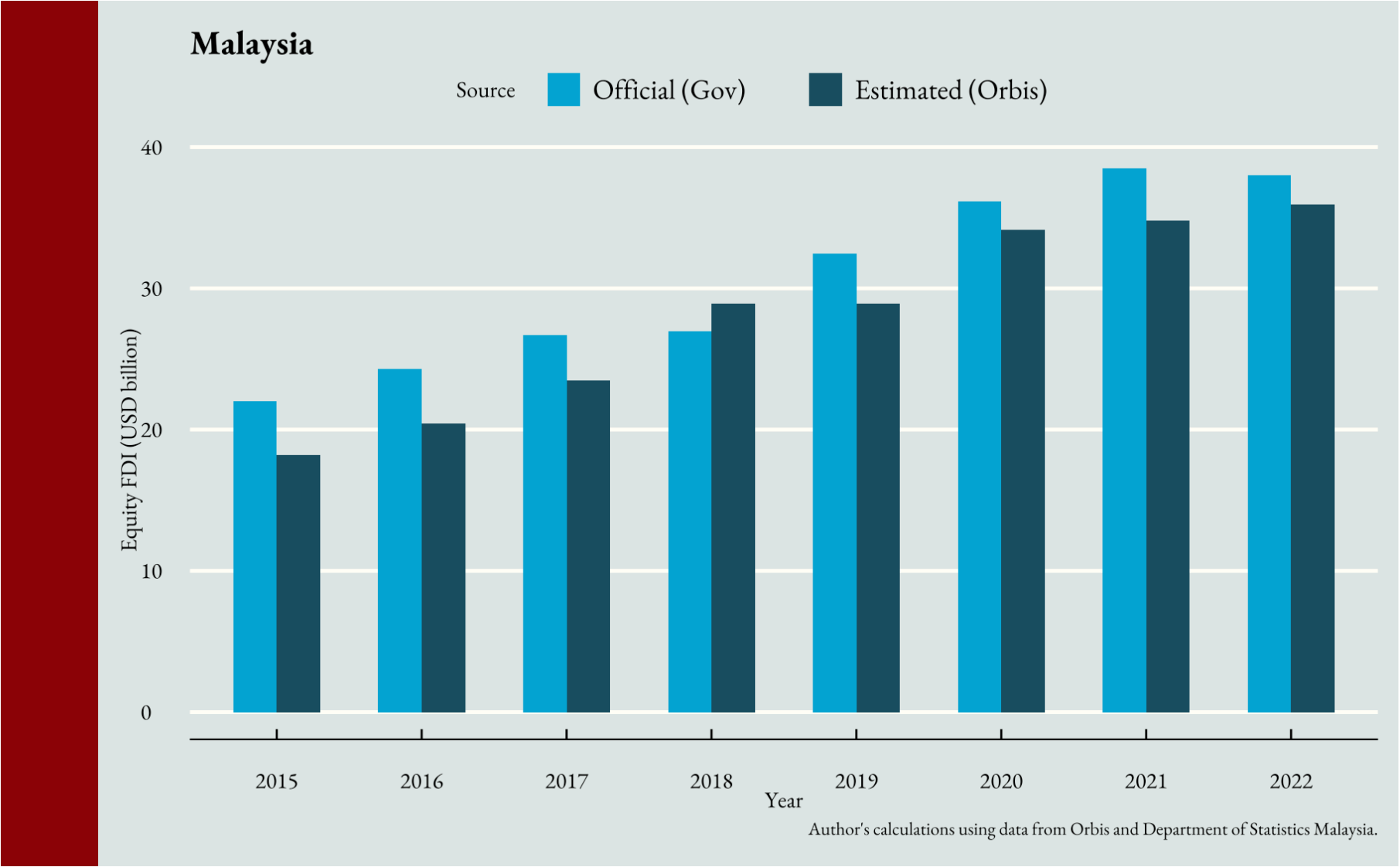
Research objective: Disentangling ‘true’ FDI flows from Singapore and its role in channeling FDI cross-borders in the region

Data & Methodology

- **Data: the Orbis Company Information database**
 - Firm-level data on shareholders, subsidiaries, Global Ultimate Owners
- **Calculating FDI: constructing FDI positions through ownership links**

$$*FDI = Percentage Ownership \times Shareholder funds*$$

Overview: FDI from Singapore to Malaysia



Note that FDI figures in this presentation are equity **stock** figures, not flow.

Data & Methodology

- Data: the Orbis Company Information database
 - Firm-level data on shareholders, subsidiaries, Global Ultimate Owners
- Calculating FDI: constructing FDI positions through ownership link:
- Decomposing FDI position by ownership type:

$$FDI = \text{Percentage Ownership} \times \text{Shareholder funds}$$

$$FDI_{Source, Destination}$$

$$= FDI_{Source, Destination}^{Source} + FDI_{Source, Destination}^{Destination} + \sum_{\text{All other other countries}} FDI_{Source, Destination}^{\text{Other country}}$$

$$Total FDI = \text{“True FDI”} + \text{“Round – tripped FDI”} + \text{“Pass – through FDI”}$$

Different types of FDI

True:

Singapore > ASEAN country

- Global Ultimate Owner from Singapore

Round-tripping:

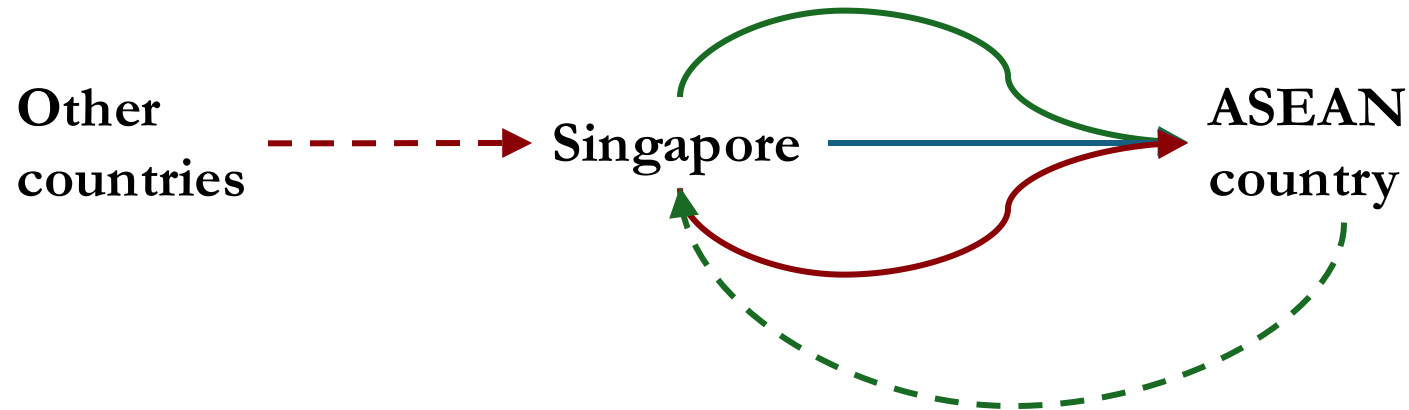
ASEAN country > Singapore > ASEAN country

- Global Ultimate Owner from ASEAN country

Pass-through:

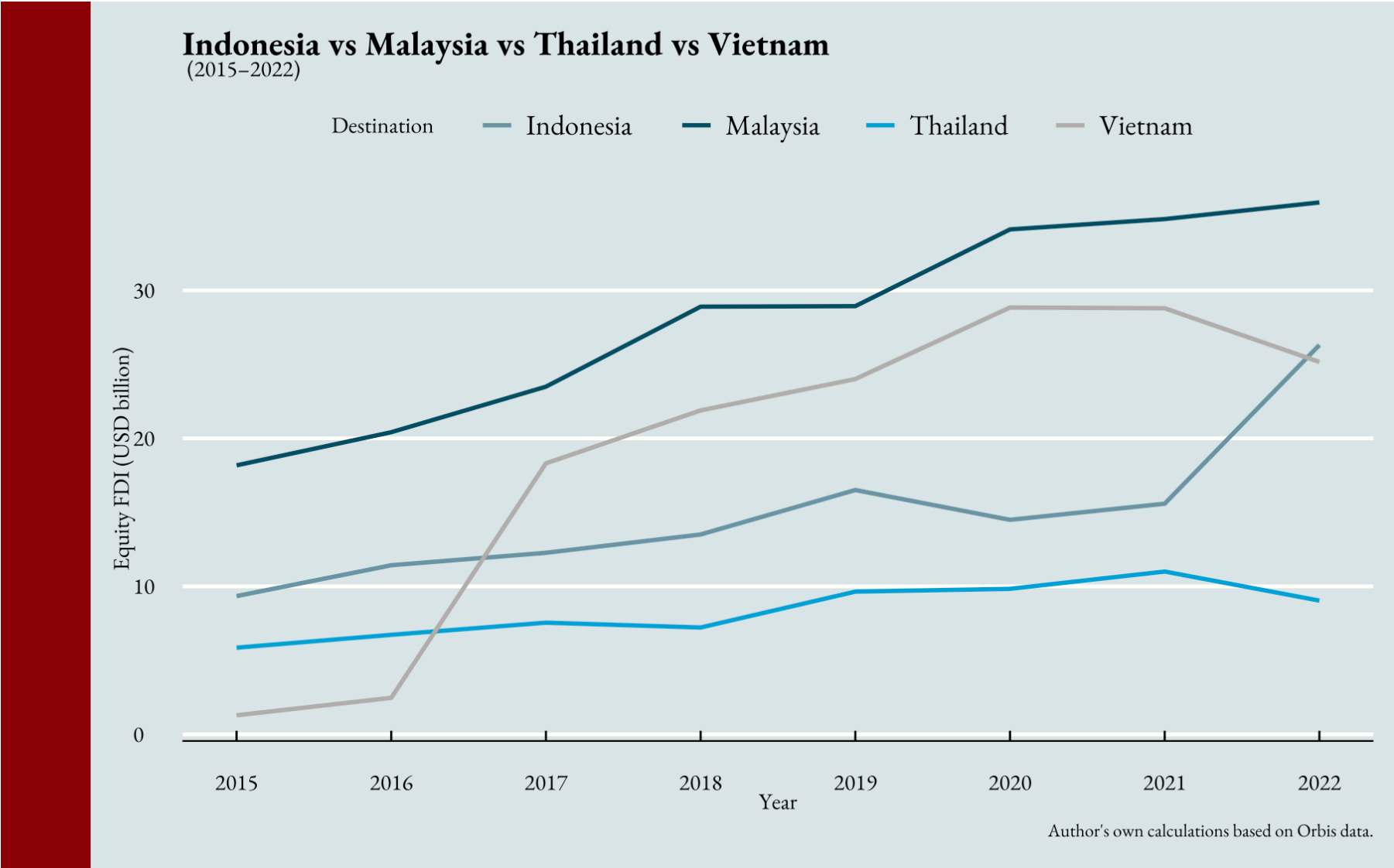
Other > Singapore > ASEAN country

- Global Ultimate Owner from other countries (not ASEAN)



Pass-through ———
Round-tripping ———
True ———

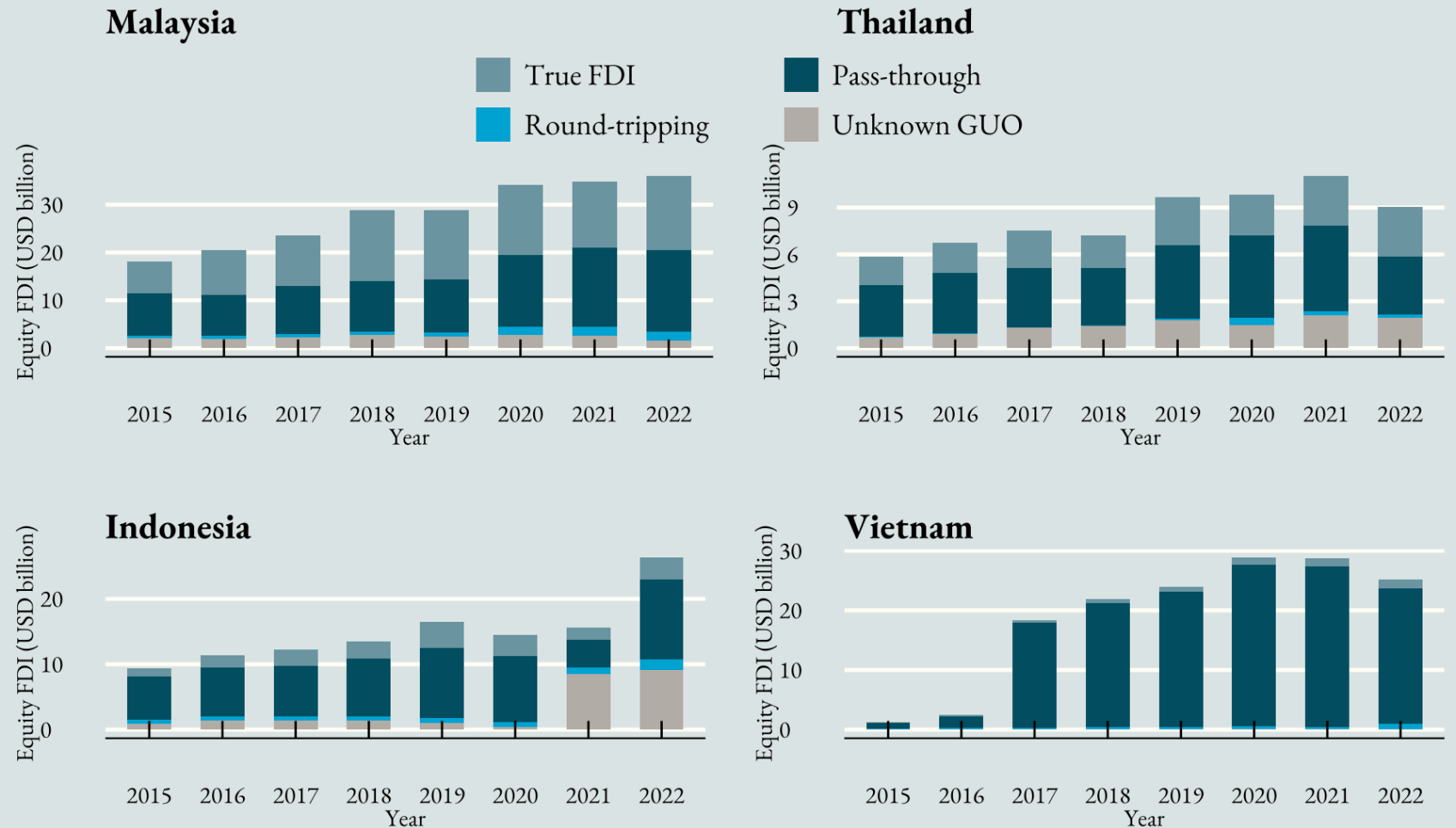
Total FDI from Singapore: 4 ASEAN examples



Note that there are usually discrepancies between the estimated equity FDI and the official statistics, and in some cases the estimated equity FDI could be below the actual values due to varying degrees of data availability

Composition of FDI from Singapore

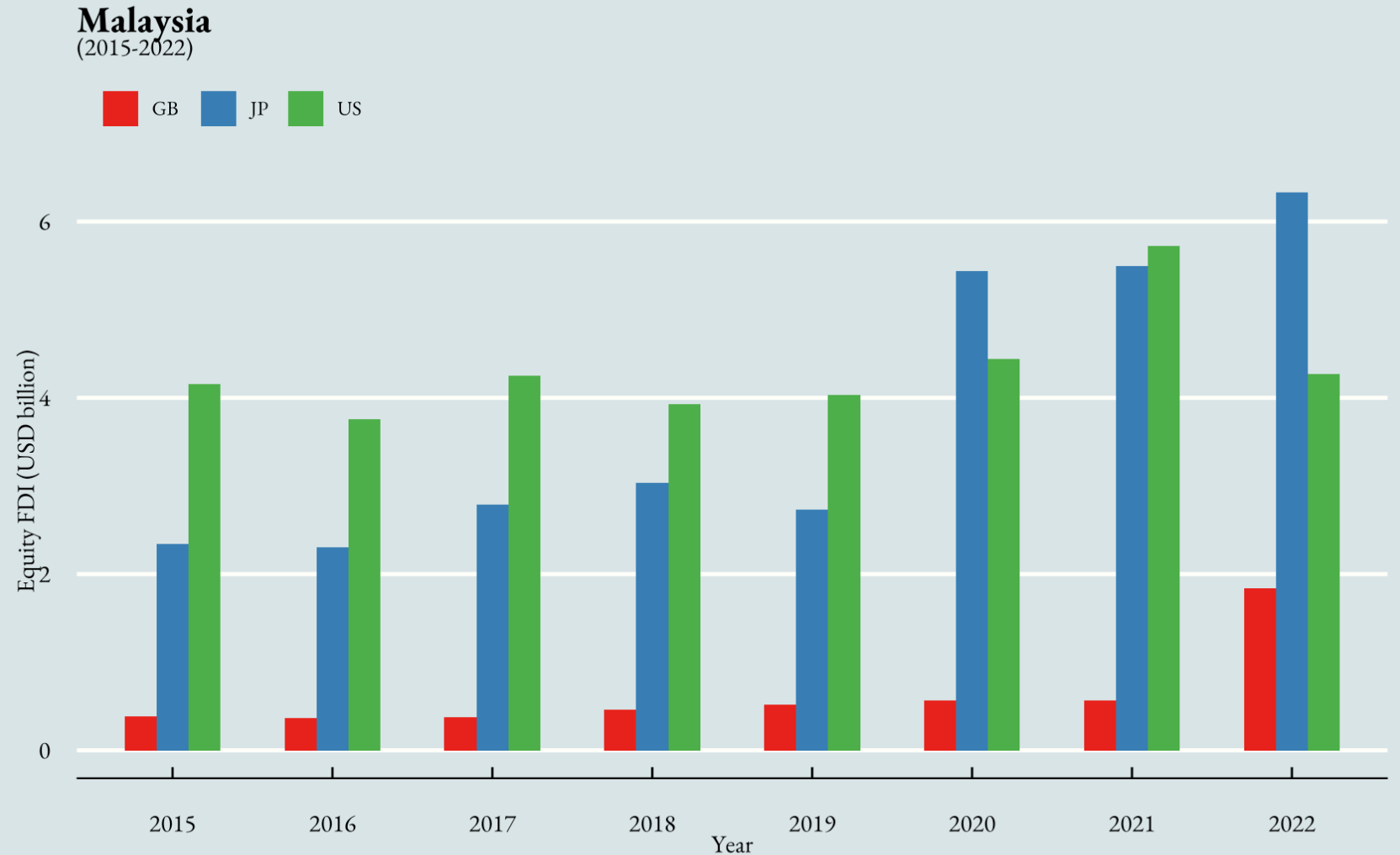
- Malaysia: around half of overall FDI into Malaysia is pass-through. True FDI rose a bit post-2018. 2020 onwards saw an increase in pass-through figures
- Vietnam: most FDI from Singapore is pass-through
- True actual FDI is lower for all



Author's own calculations based on Orbis data.

Top 3 GUO countries among “pass-through” FDI

- Japan and the US dominate pass-through FDI from Singapore, with Japan rising steadily (sharp rise in 2020, possibly due to Covid-19 shocks)
- For the UK, possibly a post-Brexit investment realignment into ASEAN via Singapore
- External shocks may trigger investment channels through Singapore



Author's own calculations based on Orbis data.

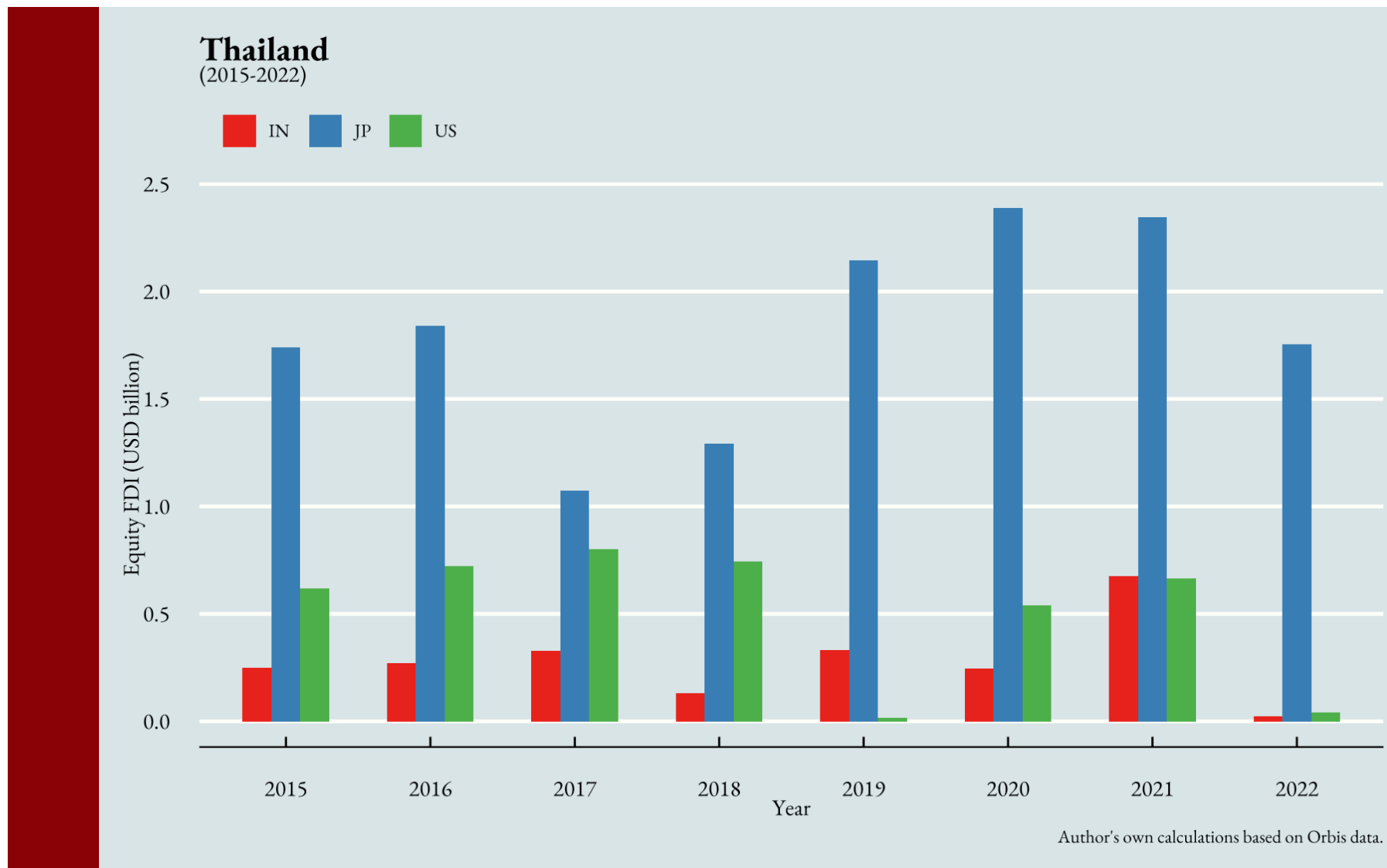
Top 3 GUO countries among “pass-through” FDI

- A huge chunk of Singapore-based pass-through FDI into Vietnam originate from Korean GUOs, notably investments directed by electronic company
- Sharp rise in 2017 could mean major restructuring in how Korean firms route investments via Singapore into Vietnam
- Very small portions come from Japan and Bermuda

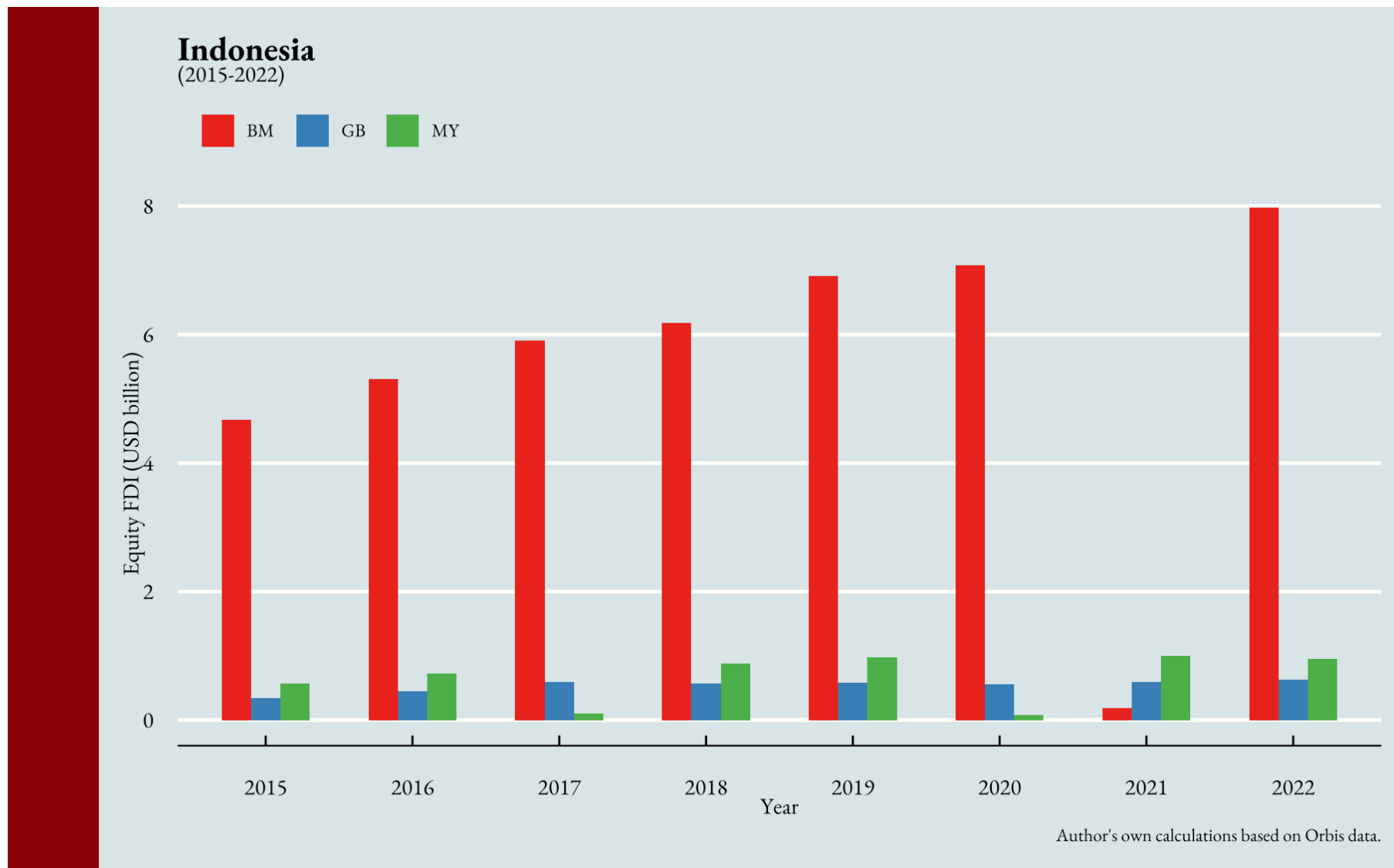


Author's own calculations based on Orbis data.

Top 3 GUO countries among “pass-through” FDI

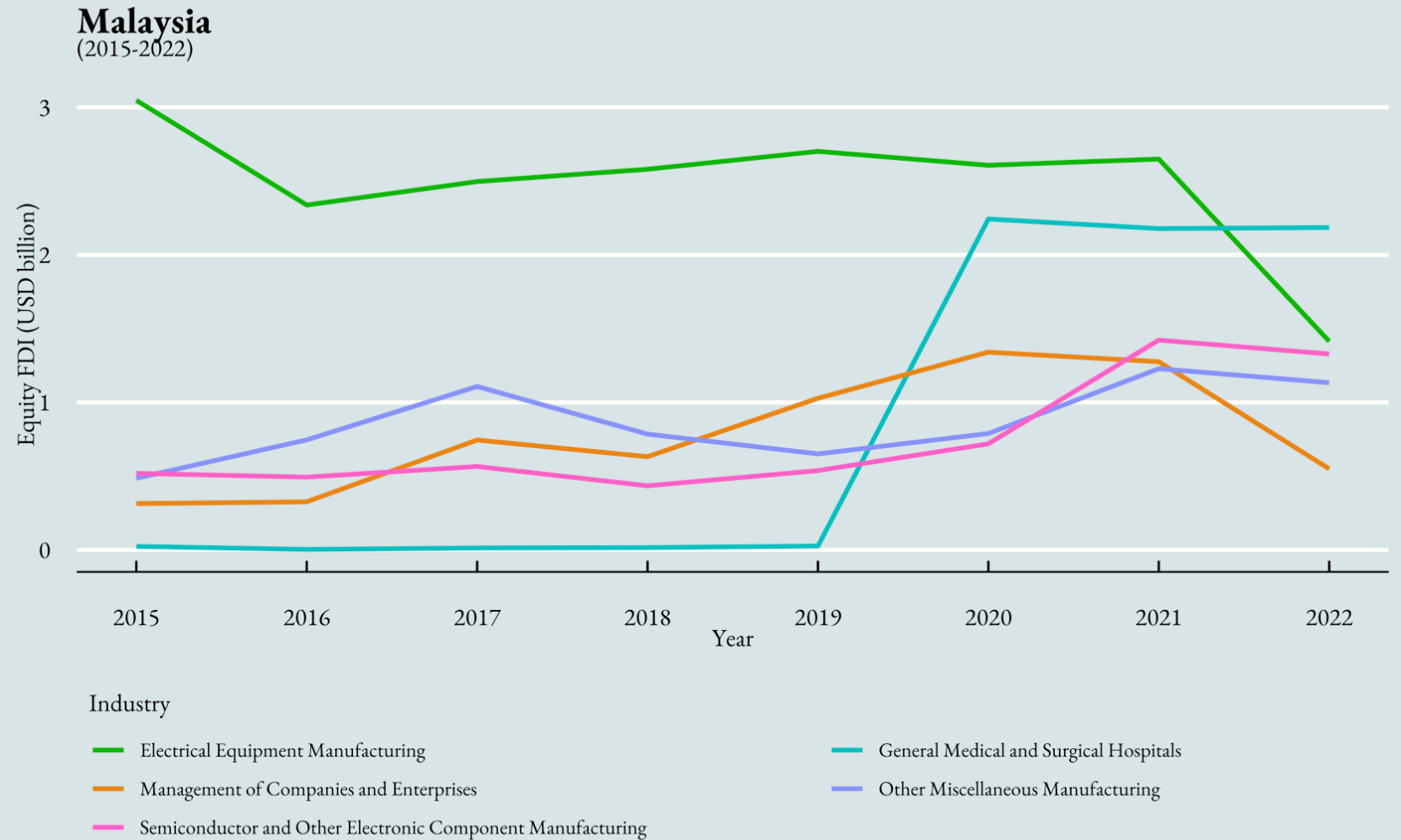


Top 3 GUO countries among “pass-through” FDI



Industry composition among “pass-through” FDI

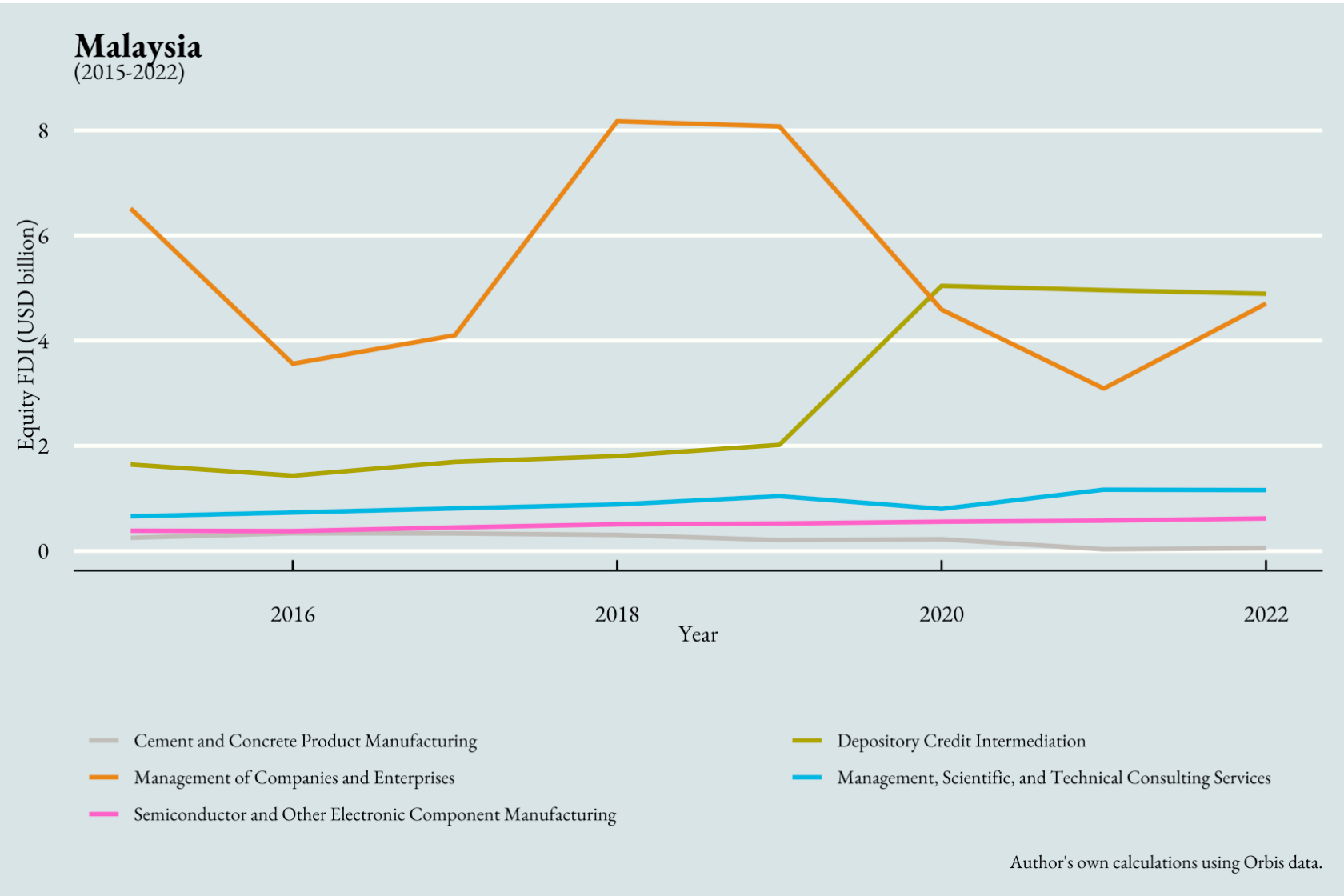
- Covid-19 triggered a sharp rise in hospital-related pass-through FDI in 2020
- Electrical equipment manufacturing industry dominates among pass-through FDI, while semiconductor industry steadily increases
- Management of companies also remain high



Author's own calculations using Orbis data.

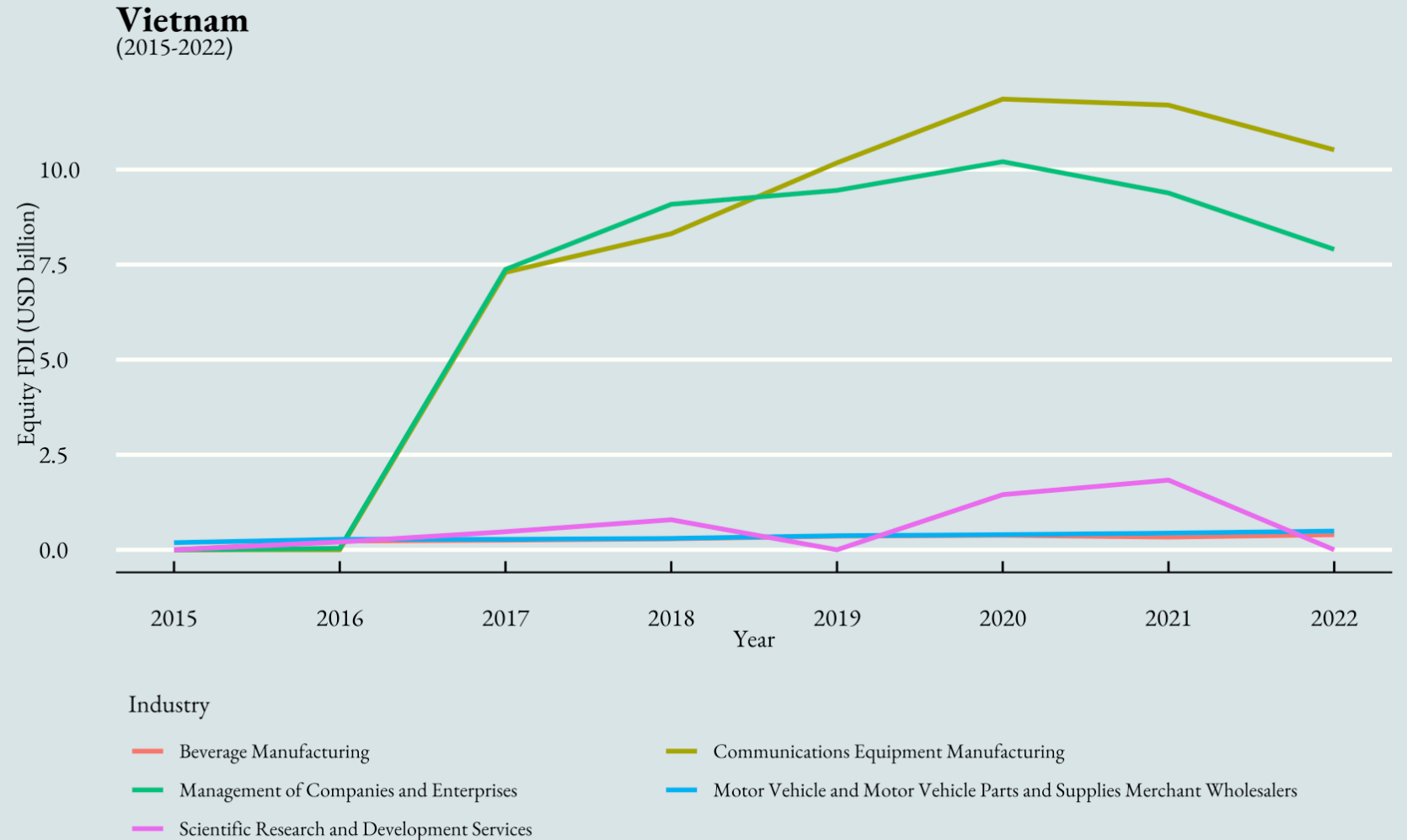
Industry composition among “true” FDI

- True FDI from Singapore is dominated by the management and finance industry
- Huge spike in Management of Companies in 2018, coinciding with US-China trade-wars. Corporate restructuring?
- 2020 surge in banking-related FDI can mean Singaporean banks shoring up Malaysian subsidiaries during Covid-19



Industry composition among “pass-through” FDI

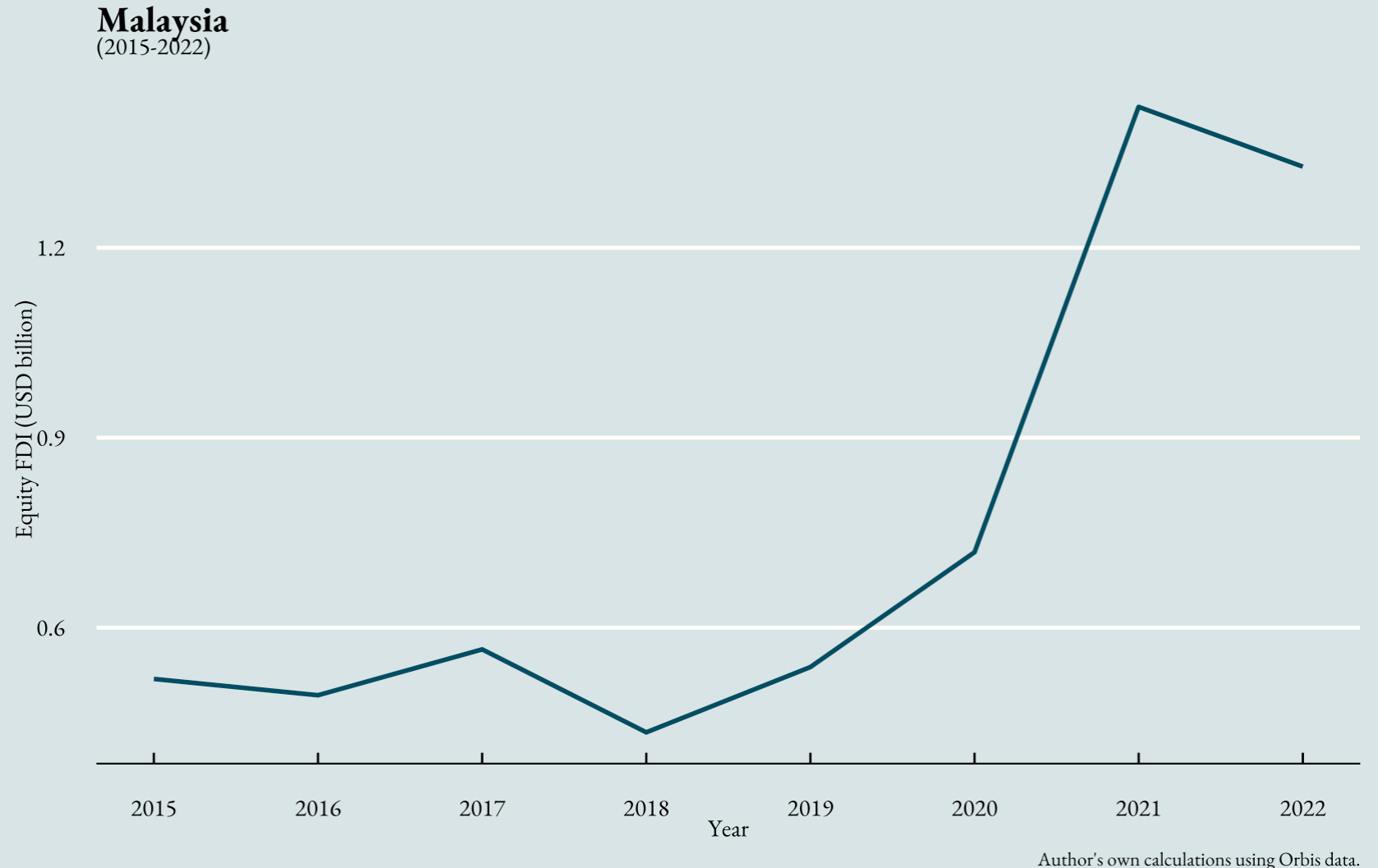
- Pass-through FDI into Vietnam is overwhelmingly concentrated in electronics (communications equipment) post-2017
- Surge reflects Korean-led expansion (and US–China trade war supply chain shifts?)
- Large role for ‘management of companies’ shows corporate restructuring routed via Singapore



Author's own calculations using Orbis data.

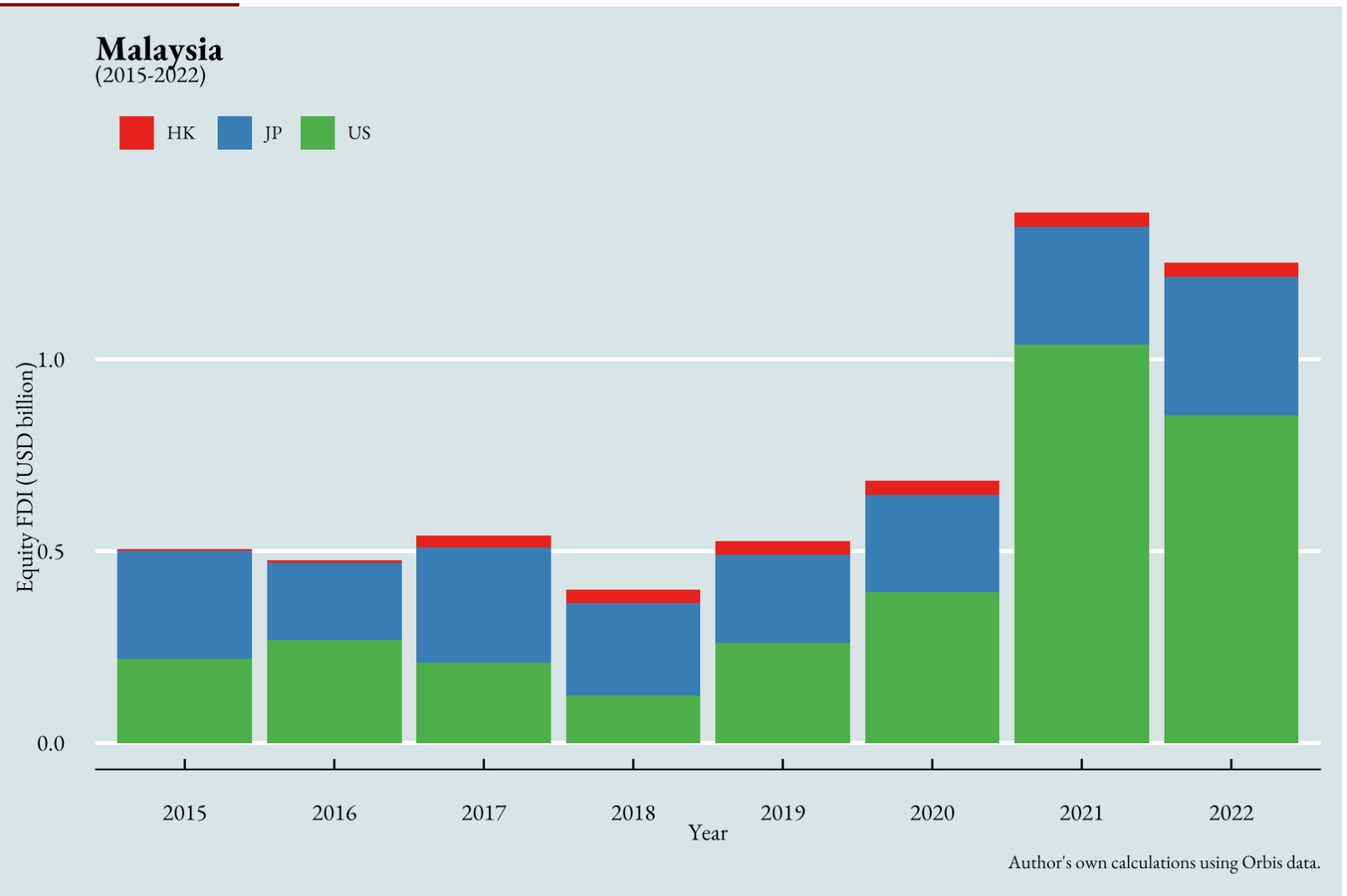
Semiconductor industry among “pass-through” FDI

- Semiconductor pass-through FDI into Malaysia surged post-2018, which coincides with US–China trade war supply chain shifts
- Might reflect relocation of chip/electronics investment via Singapore into Malaysia’s Penang cluster
- But official statistics mask the true origins...



GUO composition (semiconductor industry) among 'pass-through' FDI

- US GUOs drive the 2021 semiconductor FDI surge via Singapore into Malaysia (trade war diversification)
- Increase in US investments into Malaysia among pass-through FDI concentrated in critical/sensitive industries like semiconductors
- Japan steady contributor, where HK is marginal
- Reveals Malaysia's role in US semiconductor supply chains (Penang cluster)



Conclusion

- **Singapore's direct investment in the region surged in recent years**
 - Vietnam showing the fastest growth (5-fold by official statistics, similar trend in our Orbis estimates)
- **Singapore anchors regional investment links**
 - Singapore acts as the region's investment hub, but much of its reported outward FDI actually reflects capital rerouted from other countries
- **Strategic sectors experienced surge in 'pass-through' FDIs**
 - Semiconductors and communication equipment saw a massive increase in pass-through FDI
 - Real drivers behind this capital are Korea, Japan, the US, and various tax havens, not just Singaporean firms

Thank you for tuning in!