Market entry into the region

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Ten different markets

The single market of ASEAN remains, for most practical purposes, a collection of national markets with their own company laws, foreign investment rules, tax systems, labour laws and languages. A company entering the region from Singapore must therefore answer the same questions in each country. It must know whether foreigners may own the business at all, whether a local partner is required, which licences are needed and how profits can be repatriated. The Economic Development Board describes Singapore as the gateway to the region and its "control tower", while recognising that each market has its own incorporation process and tax system.[1]

The answers differ considerably. The more developed economies, such as Malaysia and Thailand, have long admitted foreign manufacturing investment while protecting services, retail, land and professional activities. Indonesia, the Philippines and Vietnam have opened substantial parts of their economies over the past decade, although restrictions remain in sectors considered strategic. Cambodia, Laos and Myanmar admit foreign investors on liberal formal terms, but the rule of law and the protection of property are weaker. A regional strategy must reflect these differences.

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Foreign ownership rules

Thailand illustrates the classic model of restriction. Its Foreign Business Act of 1999 classifies businesses in three lists and requires a licence for companies in which foreigners hold half or more of the shares in restricted sectors.[2] Many foreign investors have responded with structures in which Thai nominees hold the majority of the shares. Such structures carry legal risks, because nominee arrangements designed to evade the Act are themselves unlawful. A Singapore regional headquarters that manages Thai subsidiaries should therefore verify whether existing structures rely on nominees and replace them where a licence, a promotion certificate or a treaty right is available.

Indonesia shows the opposite movement. The Job Creation Law passed by the House of Representatives on 5 October 2020 was intended to simplify investment and labour regulation. One account records that it reduced the list of sectors closed to private investment from about 300 to six.[3] The Constitutional Court declared the law conditionally unconstitutional on 25 November 2021, because of defects in the legislative procedure. The government then replaced it with an emergency regulation of 30 December 2022, which Parliament confirmed in March 2023. The episode shows both the direction of reform and the procedural uncertainty that accompanies it. Investors who structured their entry on the basis of the first law had to follow a legislative process that lasted more than two years.

The Philippines amended its Public Service Act in 2022 to allow full foreign ownership in sectors such as telecommunications, airlines and railways, which the Constitution had been read to reserve for Filipino-controlled companies.[4] Vietnam has admitted foreign investors in most manufacturing sectors since the 1990s, while retaining conditions for many services. In each case, the reforms have improved access without removing the need for careful legal analysis country by country.

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Joint ventures, licences and government partnerships

Where full ownership is not permitted or not advisable, investors enter into joint ventures with local partners. A joint venture gives access to local knowledge, licences and relationships. It also creates risks of conflict, deadlock and loss of control. The regional headquarters typically negotiates and supervises these arrangements. Singapore law and Singapore arbitration are often chosen for the shareholders' agreement, even when the operating company is incorporated in the host country, because both parties accept them as neutral.

Singapore has also developed government-to-government models of market entry. The Suzhou Industrial Park in China, formally launched on 26 February 1994 under a bilateral agreement, was the best-known example. Singapore state-owned companies initially held 65 per cent of the joint company, before reducing the stake to 35 per cent in 1999.[5] In Southeast Asia, the industrial parks developed with Vietnamese partners from 1996 onwards and the industrial estates on the Indonesian islands of Batam and Bintan followed similar models.[6] Such parks give foreign companies infrastructure, administrative support and a degree of political protection that individual investors cannot obtain on their own. Chapter I.IV examines the cross-border zones with Indonesia and Malaysia, including the Johor–Singapore Special Economic Zone.

Banks as regional partners

The Singapore banks have followed their clients into the region and become their partners there. United Overseas Bank, which already held subsidiaries in Malaysia, Thailand and Indonesia, agreed on 14 January 2022 to acquire the consumer banking businesses of Citigroup in Indonesia, Malaysia, Thailand and Vietnam for about S$5 billion. It completed the acquisitions in Malaysia and Thailand in November 2022 and in Vietnam in March 2023.[7] DBS and OCBC have built comparable regional networks. For a company entering the region, these banks offer local accounts, trade finance, cash management and foreign exchange services under one relationship managed from Singapore. Chapter H.I describes the trade finance function in detail.

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Holding structures and exit routes

The choice of the holding structure determines the exit routes available to the investor. A Singapore holding company can be sold without the need to transfer the shares of each operating company, subject to the rules on indirect transfers that several ASEAN states have introduced. It can also be listed, either on the Singapore Exchange or on a foreign market. Grab, which combined a Singapore headquarters with operations in eight countries, listed on Nasdaq in December 2021 through a merger with a special purpose acquisition company. Sea Limited had already listed on the New York Stock Exchange in 2017. Both examples show that the Singapore holding company serves as the vehicle for raising capital and for the exit of early investors, while the business is carried out in the neighbouring countries. Private equity and venture capital funds managed from Singapore, examined in Chapter E.V, follow the same logic when they invest in regional companies.

Notes

1. Singapore Economic Development Board, “A SEA of Opportunities: Understanding Southeast Asia”, op. cit.: the region's markets have “diverse economies, geographies and cultures”; the guide covers each country's “incorporation processes and tax systems”; Singapore as regional hub or “control tower”. ↩
2. Foreign Business Act B.E. 2542 (1999) of Thailand: three lists of restricted businesses; a company with foreign shareholding of 50 per cent or more is a “foreigner” requiring a Foreign Business Licence for listed activities; exemptions under the Board of Investment and treaty regimes such as the Thailand–United States Treaty of Amity. ↩
3. Wikipedia, “Omnibus Law on Job Creation” (accessed November 2026): passed by the DPR on 5 October 2020; the Constitutional Court ruled on 25 November 2021 that the law was “conditionally unconstitutional” and gave two years for correction; Government Regulation in Lieu of Law No. 2/2022 signed on 30 December 2022; passed by the DPR on 21 March 2023 and in

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force on 31 March 2023, repealing the 2020 law; the law cut the list of industries closed to private investment from 300 to six. ↩

4. Republic Act No. 11659 of the Philippines, amending the Public Service Act (Commonwealth Act No. 146), signed on 21 March 2022; it narrowed the definition of "public utility" and opened sectors such as telecommunications, airlines, railways and expressways to full foreign ownership, subject to reciprocity and national security review. ↩
5. Wikipedia, "Suzhou Industrial Park" (accessed November 2026): the park was "formally launched on 26 February 1994" under a bilateral agreement; Singaporean state-owned enterprises initially held a 65 per cent stake, reduced to 35 per cent in 1999. ↩
6. Vietnam Singapore Industrial Park, first park in Binh Duong province established in 1996 as a joint venture between a Singapore consortium led by Sembcorp and the Vietnamese state-owned Becamex IDC; later parks in several provinces. ↩
7. Wikipedia, "United Overseas Bank" (accessed November 2026): agreement of 14 January 2022 to acquire Citigroup's consumer banking franchises in Indonesia, Malaysia, Thailand and Vietnam for about S$5 billion; Thai acquisition completed in November 2022, with a UOB release of 1 November 2022 on completion in Malaysia and Thailand; Vietnam completed in March 2023. ↩

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