ASEAN Connect
By Global Economics & Markets Research

JS-SEZ: Upbeat investment inflows despite US tariff uncertainty

Summary

The Johor-Singapore Special Economic Zone (JS-SEZ) attracted MYR37 bn (US$8.8 bn) in approved investments in 1H 2025 – two-thirds of Johor's total inflows – alongside S$5.5 bn (US$4.2 bn) pledged by Singapore-based firms since the MOU signing in Jan 2024, underscoring strong bilateral economic integration and investors' confidence.

During the second JS-SEZ Joint Investment Forum in Singapore that was attended by high level officials and ministers from both countries, latest key measures announced include fast-track manufacturing license, multiple entry investor pass, strategic co-investment and funding support. Separately, Malaysia introduced the ASEAN Business Entity (ABE) that would facilitate regulatory flexibilities and incentives to support cross-border operations and movement of skilled talent. The official tax incentive framework for Forest City Special Financial Zone has also been gazetted.

Despite ongoing risks from evolving US tariffs, businesses appear increasingly adaptive to the current landscape, with a growing emphasis on diversification strategies. Recent trends in trade, FDI flows, and investment enquiries reflect rising confidence in ASEAN's resilience and potential. JS-SEZ's strategic location, coupled with Malaysia's proactive investment facilitation measures, is expected to enhance its integration into regional and global supply chains.

Robust investment inflows into JS-SEZ

Malaysia's Prime Minister Anwar Ibrahim recently announced that the Johor-Singapore Special Economic Zone (JS-SEZ) has received MYR37 bn (US$ 8.8 bn) worth of approved investment for the first half of 2025. This is equivalent to 66% of the total investment in Johor, which stood at MYR56 bn (US$13.2 bn) during the period (link).

The total investment of MYR56 bn in Johor state during the 1H 2025 came on the back of a record breaking RM30.1 bn (US$7.1 bn) inflows in 1Q25, and handily beat the amount of approved investment of RM48.5 bn (US$11.5 bn) in all of 2024 (link).

Separately, Singapore Deputy Prime Minister Gan Kim Yong noted in his speech on 14 Oct (link) that Singapore-based companies have committed more than S$5.5 bn (US$4.2 bn) of investment in Johor since the Jan 2024 signing of JS-SEZ Memorandum of Understanding (MOU) between Johor and Singapore. This figure is of significance because the change in the stock of Singapore's direct investment abroad (DIA, link) in Malaysia (proxy of FDI inflow from Singapore to Malaysia) amounted to less than S$1.5 bn (US$1.2 bn) between 2022 and 2023.

Granted, these figures are not directly comparable, as the S$5.5 bn figure quoted is "committed", which may realize at different points in time, if at all, while the DIA figures (technical note link) count only actual investment and exclude liabilities.

Nonetheless, the scale of the investment flow from Singapore as well as Malaysia data reflects investors' upbeat assessment and vote of confidence towards the prospects of JS-SEZ, warm bilateral relations, and the notion of ASEAN integration/collaboration, despite uncertainty and unpredictably of the evolving US trade policy.

This positive sentiment on ASEAN is reflected in the overall foreign direct investment (FDI) inflows which rose nearly 10% to a record USD225 bn in 2024, behind only the US and EU, and an unprecedented 4-year streak of attracting more than USD200 bn annually (link). Data available for first half of 2025 suggests that this FDI momentum remains positive despite the disruptions of US trade and tariff policy during the period. Balance of payments (BOP) data show that FDI inflows into the largest 6 members (ASEAN-6) has increased by nearly 9% in the first half of 2025. This means that 2025 looks set to be a positive year as supply chain shifts and diversifications continue. However, for 2026, the pace of FDI inflows could be less robust as US tariff rates take hold and export orders slow.

In essence, these investors are taking a long-term view, looking beyond the next 3 years and focusing instead on 5, 10, or even more years ahead, in line with the multi-year horizon typical of foreign direct investment (FDI). In this context, strong economic fundamentals will be a critical factor in shaping investment decisions. Against a backdrop of global uncertainty, JS-SEZ and ASEAN stand out as beacons of stability and opportunity.

Accelerating cross-border flows: latest JS-SEZ investment facilitation measures

These measures aim to enhance the JS-SEZ's appeal as a regional growth engine, fostering cross-border industrial collaboration and attracting global investors.

1. Fast-Track Investment Incentives

- **Fast-Track Manufacturing Licence (ML):**
  All manufacturing projects in non-sensitive sectors within the JS-SEZ to receive ML approval within 7 working days.
- **No Objection Letter (NOL):**
  The Johor State Government will issue the required NOL within the same 7-day timeframe, enhancing regulatory certainty and speeding up investment approvals.
- **Investor Pass via Xpats Gateway:**
  Eligible foreign investors can now obtain a Multiple Entry Visa (MEV) valid for up to 12 months, streamlining travel and business operations across the border.

2. Strategic Co-Investment and Funding Support

- **Strategic Co-Investment Fund (CoSIF):**
  Under the **New Industrial Master Plan 2030 (NIMP 2030)**, an additional **MYR200 million** was allocated in Budget 2026 to support co-investments in high-impact projects, especially for Malaysian SMEs (details in link).
- **Repackaging of the Malaysia-Singapore Business Development Fund (MSBDF):**
  The fund will be realigned to support sectors prioritized in the JS-SEZ, such as **AI, EVs, and semiconductors**.

Introduction of the ASEAN Business Entity (ABE)

Prime Minister Anwar Ibrahim announced the introduction of the ABE status as part of Malaysia's ASEAN 2025 Chairmanship initiatives. The **ASEAN Business Entity (ABE)** is a proposed initiative introduced by the ASEAN Business Advisory Council (ASEAN-BAC) to enhance regional economic integration by creating a new classification of companies that can operate more seamlessly across ASEAN member states.

The ABE aims to strengthen intra-ASEAN trade and investment by reducing regulatory fragmentation and enabling businesses to scale across borders more easily. It proposes a new category of company that would be officially recognized by ASEAN member states (AMS). These companies would be eligible for regulatory flexibilities and incentives to support cross-border operations.

The ABE status is intended to facilitate the movement of skilled talent across ASEAN, support Malaysian companies with regional ambitions, especially publicly listed companies with a broad ASEAN footprint and mid-sized companies with potential to expand operations regionally. The move complements other talent mobility initiatives such as the Investor Pass (led by MIDA) and the Residence Pass for fast-tracking high-skilled talent.

Developments in Forest City Special Financial Zone (SFZ)

The Forest City Special Financial Zone (SFZ) in Johor, Malaysia, has undergone significant transformation and is now positioned as a key component or Flagship I under the JS-SEZ.

1. **Official tax incentive framework gazetted**
   On 3 Oct 2025, the Malaysian government gazetted 11 subsidiary legislations outlining comprehensive tax incentives for Forest City (specifically Pulau 1). These include income tax exemptions, stamp duty exemptions, and Real Property Gains Tax (RPGT) remissions. Targeted beneficiaries are Single Family Offices (SFOs), financial institutions, digital economy entities and individual property purchasers.

2. **Zero to 5% corporate tax rates**
   Forest City now offers corporate tax rates between 0% and 5%, especially for global business services, fintech firms, and foreign payment system operators. It is also the first location in Malaysia to offer 0% tax for family wealth offices subject to certain criteria.

To be eligible for the tax incentive for first 10 years, requires a minimum AUM of MYR30m, with at least 10% of AUM or MYR10m, whichever is lower, must be invested in **eligible and promoted local investments**; minimum MYR500,000 of operating expenditure spent locally annually, and employment of at least two full-time staff, including one investment professional earning a minimum monthly salary of MYR10,000.

To be eligible for an additional 10 years of incentives, the criteria require a higher AUM of at least MYR50m with 10% of AUM or MYR10m, whichever is higher invested locally; minimum MYR650,000 (30% higher than initial period) of operating expenses spent locally every year; and employment of at least 4 full-time staff.

The **eligible and promoted investments in Malaysia** include:
- **Equity investments in Malaysian companies** across targeted high value sectors including **high-tech manufacturing, green technology, digital economy, financial services, healthcare and biotech.**
- **Investments in Malaysian Private Equity or Venture Capital Funds**
- Funds registered with the **Securities Commission Malaysia (SC) or Labuan FSA.**
- **Real estate or infrastructure projects** within Malaysia, preferably within Forest City or the JS-SEZ and subject to approval and alignment with national development goals.
- **Government-linked investment instruments** such as Malaysian Government Securities (MGS) or Sukuk.
- **Other strategic sectors** including **education, renewable energy, logistics**, and **R&D** initiatives.

3. Investor interest and commercial launches

As of early 2025, 11 companies have expressed interest in setting up operations in Forest City. Two family offices have opened in the Forest City SFZ (as at Apr 2025), and about 30 more have expressed interest in establishing operations there. These two offices have received approval from the Securities Commission and are the first to set up in the new zone.

4. Transport and connectivity enhancements

New bus routes have been launched connecting Forest City to Singapore via the Second Link, and Kuala Lumpur on weekends and holidays. Plans are underway to integrate Forest City with Johor Bahru's public transport and expand cycling infrastructure.

Navigating headwinds with ASEAN's resilience amid global uncertainty

ASEAN continues to face a complex risk landscape going into 2026, shaped by both external and domestic challenges. Despite the US-China truce (link), negotiations are not complete with some critical outstanding issues. These could potentially become triggers for disagreement and re-escalation in tensions later. Geopolitical tensions—particularly US-China trade frictions and potential policy shifts in major economies—pose downside risks to trade and investment flows, especially for export-oriented ASEAN members.

Climate-related disruptions and natural disasters continue to threaten agricultural output and infrastructure resilience, while financial market volatility, driven by uncertain global interest rate paths and concerns over elevated valuations in financial markets could pressure currencies and capital flows.

Across ASEAN members, uneven progress on structural reforms and political transitions may introduce policy uncertainty. However, these risks are counterbalanced by ASEAN's growing role in global supply chain diversification, its youthful demographics, and accelerating digital transformation. With prudent macroeconomic management and deeper regional cooperation, the bloc remains well-positioned to navigate near-term headwinds while capitalizing on long-term growth drivers.

JS-SEZ: Flagship zone areas

Source: IRDA, UOB Global Economics & Markets Research

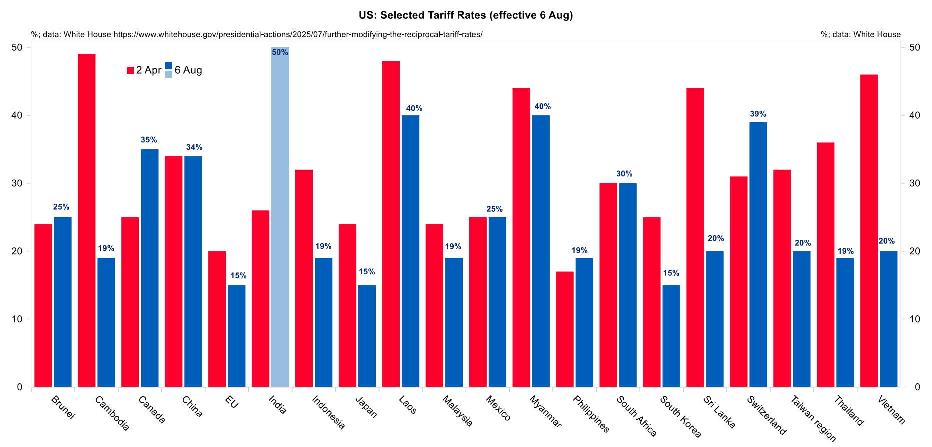
JS-SEZ: Priority sectors by Flagship zones

Source: IRDA, UOB Global Economics & Markets Research

Flagship Zone	Zone A JB City Center	Zone B Iskandar Puteri	Zone C Tanjung Pelepas - Tg Bin	Zone D Pasir Gudang	Zone E Senai - Skudai	Zone F Sedenak	Zone G Desaru	Zone H Pengerang Integrated Petroleum Complex	Zone I Forest City SFZ
Sectors	•Business Services •Digital Economy •Health (Global services hub)	•Manufacturing •Business Services •Digital Economy •Education •Health •Tourism (Global services hub)	•Manufacturing •Energy (Smart logistics)	•Manufacturing •Energy •Logistics (Downstream specialty chemicals)	•Manufacturing •Digital Economy •Education •Logistics •Tourism (Aerospace manufacturing & MRO services)	•Manufacturing •Digital Economy •Education •Energy •Food Security •Health •Logistics •Tourism (AI & Quantum Computing, medical devices, pharmaceuticals)	•Education •Food Security •Health •Tourism (Integrated tourism)	•Manufacturing •Energy •Logistics **Incentive Packages under PIPC-JPDC*	•Financial Services *Note: Special Financial Zone (SFZ)*

US: Selected tariff rates (effective 2025-08-07)

Source: Macrobond, UOB Global Economics & Markets Research



United States: Top import sources, ytd (% share)

Source: Macrobond, UOB Global Economics & Markets Research

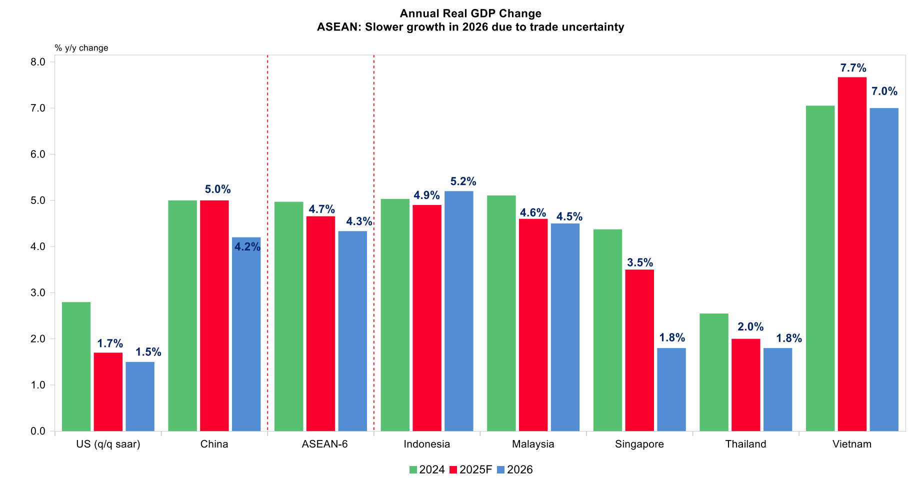
United States: Top Import Sources, YTD (% share)

Latest release: 2025/8	% share of total US imports (0 5 10 15 20)	2025/8 YTD	2024 % share	2023 % share	2022 % share	2021 % share	2019 % share
European Union (EU)		17.1	18.5	18.7	17.1	17.3	20.7
Mexico		13.4	15.5	15.4	14.0	13.5	14.3
ASEAN		10.8	10.8	10.1	10.4	6.9	8.3
Canada		9.9	12.6	13.6	13.5	12.6	12.8
China		8.4	13.4	13.9	16.6	17.8	18.0
Vietnam		4.6	4.2	3.7	3.9	3.6	2.7
Taiwan area		4.4	3.6	2.9	2.8	2.7	2.2
Ireland		4.1	3.2	2.7	2.6	2.6	2.5
Germany		4.0	4.9	5.2	4.5	4.8	5.1
Japan		3.8	4.5	4.8	4.6	4.8	5.8
Switzerland		3.7	1.9	1.7	1.8	2.2	1.8
South Korea		3.3	4.0	3.8	3.6	3.4	3.1
India		2.8	2.7	2.7	2.6	2.6	2.3
Thailand		2.0	1.9	1.8	1.8	1.7	1.3
Italy		2.0	2.3	2.4	2.1	2.2	2.3
France		1.7	1.8	1.9	1.8	1.8	2.3
United Kingdom		1.7	2.1	2.1	2.0	2.0	2.5
Malaysia		1.5	1.6	1.5	1.7	2.0	1.6
Brazil		1.1	1.3	1.3	1.2	1.1	1.2
Other EU		1.1	1.4	1.4	1.3	1.3	1.2

■ Latest ▲ 2019

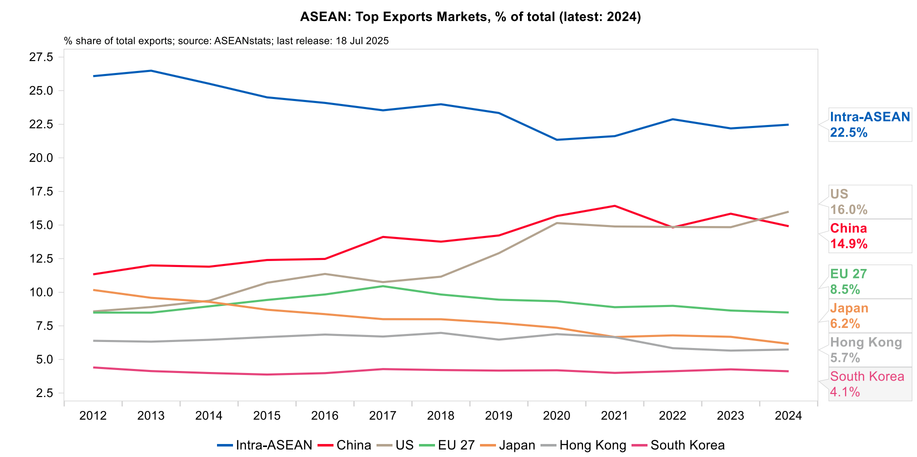
ASEAN: GDP growth forecasts for 2025 and 2026

Source: Macrobond, UOB Global Economics & Markets Research



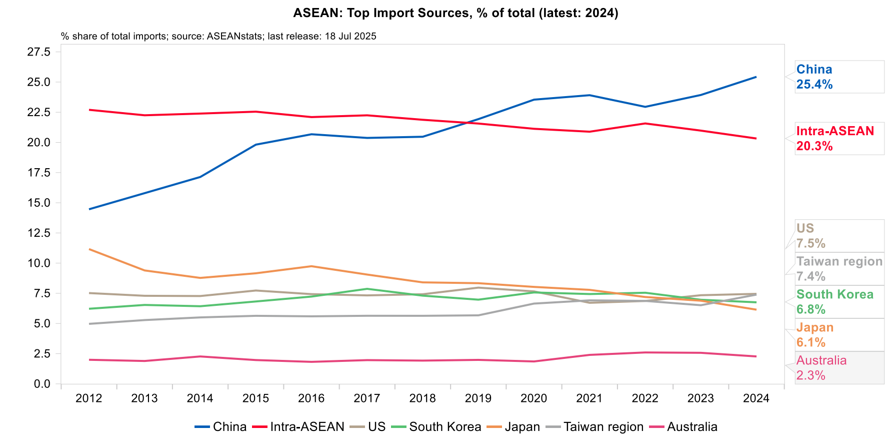
ASEAN: Top exports markets (2024), % of total

Source: Macrobond, UOB Global Economics & Markets Research



ASEAN: Top imports sources (2024), % of total

Source: Macrobond, UOB Global Economics & Markets Research



ASEAN: Foreign Direct Investment (FDI) inflows - UNTCAD

Source: Macrobond, UOB Global Economics & Markets Research

Top Foreign Direct Investment (FDI), Inflows destinations

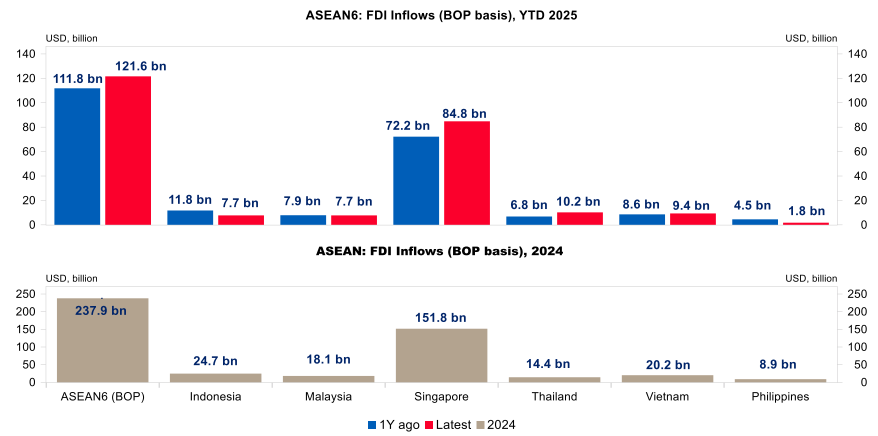
UNCTAD Last: 01 Oct 2025	2024 USD bn	y/y % chg 2024	2023 USD bn	2019 USD bn
World	1,508.8	3.7	1,455.0	1,658.8
United States	278.8	19.6	233.1	229.9
EU	267.8	81.5	147.5	569.8
ASEAN	**225.0**	9.7	205.2	163.0
Singapore	143.4	6.1	135.1	98.1
HK SAR	126.2	2.6	122.9	73.7
China	116.2	-28.8	163.3	141.2
Canada	64.1	37.8	46.5	50.5
Brazil	59.2	-7.6	64.0	65.4
Australia	53.5	74.8	30.6	38.5
UAE	45.6	48.7	30.7	17.9
Mexico	36.9	1.1	36.5	34.6
France	33.7	-20.2	42.3	21.4
Spain	30.5	-34.5	46.7	18.3
India	27.6	-1.9	28.1	50.6

Annual, USD, trillion: 0.0 0.3 0.6 0.9 1.2 1.5

■ 2024 ▲ 2023

ASEAN: Foreign Direct Investment (FDI) inflows - Balance of Payments

Source: Macrobond, UOB Global Economics & Markets Research



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