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# Analysis of the Correlation between International Tourism and International Direct Investment

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## Abstract

**This study employs a literature research method, utilizing data on China's inbound tourist numbers and total direct investment in Singapore from 2014 to 2024 as research samples, aiming to analyze the correlation between international tourism and direct investment between the two nations. The findings reveal a positive correlation between China's international tourism and direct investment in Singapore, with both demonstrating convergent development trends. Despite severe challenges posed by the global pandemic during this period, tourism and direct investment activities between the two countries have exhibited strong resilience and growth potential.**

## Keywords

**Singapore; International Tourism; Direct Investment.**

## 1. Introduction

International tourism and direct investment, as key elements in the process of globalization, are increasingly becoming important engines driving cultural exchange and economic coordinated development between countries. This paper takes the economic and trade cooperation between China and Singapore as an example to explore the interaction between tourism and capital flows. This study uses the period from 2014 to 2024 as the observation window, based on the analysis of existing statistical data, to systematically deconstruct the intrinsic correlation between international tourism and direct investment in China and Singapore.

The bidirectional promotional effects of international tourism and direct investment are due to multiple factors. On the one hand, from an industrial linkage perspective, the synergy between tourism services and manufacturing investment is becoming increasingly significant. Location advantages can strengthen foreign investment entry, and the tourism industry, by expanding consumer markets and improving infrastructure, significantly enhances the attractiveness of host countries to multinational enterprises. On the other hand, international tourism can effectively reduce information asymmetry in cross-border investment. Consumption behavior data and insights into business habits generated by tourist flows can effectively reduce the uncertainty perception of foreign-invested enterprises about the host country's market, thereby improving investment decision-making efficiency. Existing research indicates that the positive correlation between tourism and direct investment exhibits regional heterogeneity, being particularly pronounced in ASEAN countries. As the country with the highest per capita GDP in ASEAN, Singapore, with its highly open market environment and institutional cooperation with China, provides an ideal sample for testing the above conclusions.

In 2025, the impleme mainlandntation of the further upgraded protocol of the China-Singapore Free Trade Agreement marks a new development opportunity for economic and trade cooperation between China and Singapore. Against this backdrop, an in-depth exploration of the correlation between international tourism and direct investment in China and Singapore

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will not only help reveal the interactive mechanisms and intrinsic links between the two, but also provide important theoretical support and practical guidance for future cooperation.

This paper adopts the existing statistical data analysis method in literature research, by analyzing in detail the number of inbound and outbound tourists and direct investment data between China and Singapore from 2014 to 2024, aiming to explore the impact of the development and changes in international tourism on the direct investment of the two countries, and thereby reveal the intrinsic links and potential patterns between the two. Specifically, this paper will first outline the current development status of the total amount of international tourism and investment from China to Singapore, then use statistical methods to conduct an empirical analysis of the correlation between the two, and finally propose corresponding policy recommendations and future cooperation directions based on the analysis results.

## 2. Literature Review

International tourism and international investment, as important components of global economic activities, have attracted widespread attention from the academic community. Foreign research has primarily focused on the interaction between international tourism and international investment, using methods such as time series analysis and gravity models for validation. N. Kulendran and Kenneth Wilson (2000) pioneered the application of time series econometric methods, revealing a positive correlation between the two and highlighting the role of increased international tourist arrivals in driving investment growth in related industries [1]. Subsequently, María Santana-Gallego (2016) further deepened the understanding of the impact of international tourism on international investment flows, finding that the prosperity of international tourism not only enhances the international visibility of destinations but also boosts investors' confidence, thereby promoting increased international investment [2]. K. G. Suresh's (2018) research also confirmed the role of international investment in improving tourism infrastructure and service quality, which in turn attracts more international tourists and drives the robust development of the tourism industry [3]. Mukesh Kumar and Sanjeev Prashar (2019) analyzed U.S. tourism data from January 1999 to February 2018 and concluded that an increase in trade leads to a growth in tourist inflow, and that the increase in tourist income lags behind economic growth. These relationships are significant in the long term [4]. Research by Norazean binti Rasit, F. Singkong, S. Aralas, et al. (2020) indicates that the positive correlation between tourism and foreign direct investment exhibits regional heterogeneity, which is particularly significant among ASEAN countries [5]. Based on data from 46 Asian countries between 1998 and 2018, Sujan Paul, Santus Kumar Deb, et al. (2022) concluded through multiple mathematical models that there is a significant positive correlation between foreign direct investment and the number of international tourist arrivals, while a significant negative correlation exists between foreign direct investment and international tourism consumption [6].

Chinese research has focused more on the correlation between tourism and investment between China and other countries. Liu Zhenzhen et al. (2009) conducted an in-depth study on the correlation between China's inbound and outbound tourism flows and import and export trade flows (which indirectly reflect international investment), discovering a significant positive correlation between the two. Zhang Xiaoying (2018) further validated the mutually reinforcing relationship between international tourism and international investment through a case study of China-U.S. international tourism and trade, proposing that the development of international tourism provides more opportunities and platforms for international investment. Sun Genian and Zhou Lu et al. (2012) proposed a three-stage model of tourism and trade interaction (including international investment), offering a new perspective on understanding

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how international investment drives the improvement of tourism infrastructure and service quality.

Although scholars have conducted preliminary research on the correlation between investment and tourism, there is currently no research on the relationship between international tourism and direct investment between these two countries. According to customs statistics and relevant data, China's total import and export volume with Singapore reached $109 billion (approximately RMB 7.6 trillion) in 2023, showing a significant increase compared to previous years and steadily increasing its share of China's total foreign trade import and export volume. As a key member of the RCEP (Regional Comprehensive Economic Partnership), Singapore plays a crucial role in promoting regional economic integration. As of December 2024, China has maintained its position as Singapore's largest trading partner for 11 consecutive years, and Singapore's role in China's foreign trade landscape has also become increasingly prominent. Given this, this paper selects Singapore as the research subject to conduct an in-depth exploration of the correlation between China and Singapore's international tourism and international trade, aiming to reveal the association and interaction mechanisms between the two.

## 3. Data Collection and Research Methodology

### 3.1. Data Collection

The data used in this paper covers two main categories: first, international tourism. This data can be further divided into two parts: inbound tourism and outbound tourism. Inbound tourism refers to the tourism activities conducted by foreign tourists in a country, while outbound tourism represents the tourism activities carried out by residents of a country to other countries. Second, foreign direct investment. Foreign direct investment is a cross-border investment behavior that involves the cross-border transfer of factors of production such as capital, technology, and management experience. Investors can directly invest in foreign enterprises or projects through methods such as establishing wholly-owned enterprises in the target country, forming joint ventures with local enterprises, or purchasing equity in foreign enterprises. This paper uses the data "China's direct investment flow in Singapore" to analyze the current status and development trends of China's direct investment in Singapore. The data sources include the National Bureau of Statistics of China, the General Administration of Customs of China, the Ministry of Culture, Tourism, and Sports of the People's Republic of China, and the Statistics Department of Singapore, with a time span of 2014-2024.

### 3.2. Research Methodology

This paper primarily employs the existing statistical data analysis method in literature research, collecting official historical data for cross-year longitudinal comparative analysis, aiming to explore China's development trends in the international tourism and direct investment sectors in Singapore and the inherent correlation between the two.

## 4. Current Status of International Tourism from China to Singapore

Since 2022, China's share in the outbound tourism market to Singapore has shown an increase. With the introduction of measures such as mutual visa exemption between China and Singapore, and optimization of payment for inbound travelers, in the first seven months of 2024, the number of inbound tourists from Beijing to Singapore grew by 350.3% year-on-year, recovering to 120.6% of 2019 levels. According to the "2025 Spring Festival Tourism Summary Report" released by Ctrip, inbound tourism orders during the Spring Festival period increased by 203% year-on-year, with Singapore becoming one of the top five inbound tourist source countries. The number of Singaporean citizens travelling to China is expected to achieve sustainable growth.

The number of Chinese tourists visiting Singapore for inbound tourism showed a steady upward trend from 2014 to 2019. During this period, Chinese tourists' interest in travelling to Singapore grew increasingly strong, with inbound tourism numbers rising year by year. As shown in Figure 2, especially from 2017 to 2019, the number of Chinese tourists visiting Singapore remained at a high level for three consecutive years, reaching a significant peak in 2019, which fully demonstrated the strong demand and high recognition of Chinese tourists for the Singaporean tourism market. However, the outbreak of the pandemic in 2020 brought an unprecedented impact to this trend. Due to the global spread of the pandemic and travel restrictions, the number of Chinese tourists visiting Singapore for inbound tourism dropped sharply. Nevertheless, as the global pandemic situation gradually improved and border control policies were eased, the number of Chinese tourists visiting Singapore for inbound tourism began to show signs of recovery in 2022. By 2023 and 2024, the number of inbound tourists even saw a significant rebound, gradually approaching and partially surpassing pre-pandemic peak levels. This trend indicates that Chinese tourists' enthusiasm for travelling to Singapore is rapidly recovering, while also signaling the strong resilience of the Singaporean tourism market

## 5. Current Status of China's Direct Investment in Singapore

The total flow of China's direct investment in Singapore has shown a significant growth trend over the past decade, exhibiting some similarity with the overall trend of China's outward investment. The increasingly close economic ties between the two countries and the gradual improvement of the investment environment also reflect the growing confidence of Chinese enterprises in the Singaporean market. From 2014 to 2018, the total flow of China's direct investment in Singapore generally increased, peaking slightly in 2015. Since the Belt and Road Initiative was proposed in 2013, China has been Singapore's largest trading partner for nine consecutive years. Meanwhile, Singapore has also been China's largest new investment source country for 11 consecutive years since 2013. It is evident that despite the slowdown in global economic growth and the decline in foreign direct investment to a multi-year low, the economic and trade cooperation between China and Singapore has demonstrated a strong development momentum. Bilateral trade volume has continued to rise, while two-way investment has also maintained sustained, stable growth. Therefore, it can be concluded that between 2014 and 2018, there was a convergence in the growth of international tourism between China and Singapore and China's direct investment in Singapore.

Due to the weakening momentum of global overall economic growth, widespread trade friction uncertainties, and the intensification of downward risks, the global outflow of foreign direct investment in 2019 did not recover from three consecutive years of decline. As a result, China's total investment in Singapore in 2019 fell to $4.8 billion. Meanwhile, the number of Chinese tourists visiting Singapore in 2019 still showed a slight growth trend. It can be concluded that due to the impact of the international investment environment, in 2019, although China's enthusiasm for visiting Singapore remained high, there was no convergence in the development of international tourism and direct investment between China and Singapore.

From 2020 to 2022, the number of Chinese tourists visiting Singapore plummeted due to the global pandemic. In 2021, Singapore welcomed the fewest tourists in 40 years. However, China's direct investment in Singapore did not decrease but rather increased, mainly because the Chinese economy continued to grow against the trend despite the pandemic. The flagship project of the Belt and Road cooperation between China and Singapore, the "Land-Sea Trade New Channel," performed outstandingly during the pandemic, becoming an important guarantee for regional supply chain connectivity. At the same time, Singapore has set up tax

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incentives for companies engaged in the financial industry, R&D activities, technological development, innovative production, and those choosing Singapore as their regional headquarters. Multiple tax exemption programs can also help companies reduce their overall effective tax rate, thereby attracting numerous investors to invest in Singapore. Therefore, between 2020 and 2022, there was no significant convergence or correlation in the development of international tourism and direct investment between China and Singapore.

After the COVID-19 pandemic ended in 2023, as the global pandemic was gradually controlled and border controls were relaxed, the demand for tourism from Chinese tourists to Singapore rapidly recovered. China's direct investment flow into Singapore also showed a more significant increase, reaching $13 billion. This trend indicates that as the global pandemic is gradually controlled and the market gradually recovers, economic and trade cooperation and tourism exchanges between China and Singapore are rapidly recovering and demonstrating strong development potential. Entering 2024, China's direct investment flow into Singapore further increased to $15.5 billion. This data not only reflects the continuous investment of Chinese enterprises in the Singapore market but also demonstrates the deepening of economic cooperation between China and Singapore. Additionally, data from the Singapore Tourism Board shows that with the implementation of the visa-free policy between China and Singapore, 30.8 million China's mainland tourists visited Singapore in 2024, a year-on-year increase of 126%, accounting for 18.7% of Singapore's total inbound tourist share. Looking ahead, as the further upgrading of the China-Singapore Free Trade Agreement protocol comes into effect, cooperation between the two countries in emerging fields such as the digital economy and innovative technology will become even closer, injecting new vitality into their economic and trade relations. Meanwhile, China's direct investment in Singapore will continue to grow, further consolidating the important position of both countries in regional economic integration

# 6. Conclusion and Recommendations

## 6.1. Conclusion

This paper collects data on the number of international tourists from China to Singapore and the total amount of direct investment from 2014 to 2024, employing existing statistical data analysis methods to explore the correlation and convergence relationship between international tourism and direct investment. Based on the analysis in the previous sections, the following conclusions are drawn:

Convergence Phase (2014-2018)

During this phase, the number of Chinese tourists visiting Singapore and the total amount of direct investment from China to Singapore both showed a significant growth trend, with highly convergent development trajectories. The increase in tourist numbers boosted the development of related industries and services, thereby attracting more direct investment. Meanwhile, the rise in direct investment also contributed to the improvement of Singapore's tourism infrastructure and services, enhancing Singapore's appeal as a tourist destination.

Short-term Divergence Phase (2019 and during the COVID-19)

In 2019, influenced by changes in the global economic situation, the total amount of direct investment from China to Singapore declined, while the number of international tourists continued to grow, resulting in a temporary divergence in their development trends. During the pandemic, the number of international tourists suffered a severe impact, dropping significantly, whereas the total amount of direct investment showed resilience and growth potential, even increasing. This was mainly due to joint measures taken by China and Singapore in areas such as medical and epidemic prevention material cooperation, establishing "quick channels" for personnel exchanges, as well as Singapore's stable investment environment and favorable tax policies, which attracted more investors.

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Recovery and Growth Phase (Post-Pandemic Period - 2024)

As the global pandemic is gradually brought under control and markets begin to recover, the number of Chinese tourists visiting Singapore and the total amount of direct investment from China to Singapore have both shown strong growth momentum. The recovery of international tourism has driven the restoration and development of related industries and services, further attracting direct investment. Meanwhile, the increase in direct investment has also provided strong support for the recovery of Singapore's tourism industry.

### 6.2. Recommendations

Firstly, China and Singapore should continue to deepen economic and trade cooperation, particularly in the areas of tourism and direct investment. The two governments can further enhance policy communication and coordination, by simplifying visa procedures, optimizing investment policies, and strengthening tourism promotion, to provide more convenient conditions and a more relaxed environment for tourism and investment cooperation, thereby promoting a two-way flow of tourism and investment between the two countries. At the same time, Chinese investors should also actively pay attention to the development potential of the Singapore market, seize investment opportunities, and jointly promote the prosperity of the economies of both countries.

Secondly, China and Singapore should strengthen cultural exchange and cooperation by hosting cultural events, showcasing art exhibitions, and increasing educational exchanges, thereby enhancing mutual understanding and friendship between the peoples of the two countries. Cultural dissemination is an important way to promote tourism and trade development. Deepening cultural exchange will help improve Singapore's visibility and favorability among Chinese tourists, further promoting cooperation between tourism and investment. China should also fully learn from experience and enhance the dissemination of outstanding traditional Chinese culture to foreign countries, using a prosperous tourism market to attract foreign investment.

Finally, in the face of global economic fluctuations and uncertainties, China and Singapore should maintain close communication and cooperation to jointly tackle challenges. The two countries should make full use of regional cooperation mechanisms such as the Regional Comprehensive Economic Partnership Agreement (RCEP) to strengthen economic cooperation and coordination within the region. By jointly participating in regional cooperation projects and promoting trade and investment liberalization and facilitation, the competitiveness and influence of the two countries within the region will be enhanced, creating broader space and opportunities for cooperation between tourism and investment.

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