EUROPEAN BUSINESS ORGANISATION
WORLDWIDE NETWORK

EBOWN
East Asia and Pacific
REGIONAL SENTIMENT REPORT - 2023

TABLE OF CONTENTS

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MESSAGE FROM CHAIR

Dear Members of the Global European Business Community and Stakeholders in Europe,

On behalf of the European Business Organisation Worldwide Network (EBOWN), it is my honour to share with you the **EBOWN East Asia and Pacific Regional Sentiment Report 2023**.

We would like to acknowledge the collaborative efforts of the European Business Organisations (EBOs) who've shared their expertise and data gathered from their advocacy initiatives. Thank you to the following contributors of the report, **European Australian Business Council, European Union Chamber of Commerce in China, European Chamber of Commerce in Hong Kong, European Business Council in Japan, European Chamber of Commerce in Korea, Macau European Chamber of Commerce, European-Mongolian Chamber of Commerce and Industry, New Zealand European Business Council, PNG-Europe Business Council Inc, and European Chamber of Commerce Taiwan.**

This comprehensive report encapsulates a thorough analysis of the economic landscapes, challenges, and opportunities within the East Asia and Pacific region. Our network has meticulously compiled insights from diverse regions, reflecting unique economic structures, regulatory frameworks, and geopolitical dynamics. The report aims to serve as a valuable resource for European businesses seeking to navigate and thrive in the complex markets of **Australia, China, Hong Kong, Japan, South Korea, Macau, Mongolia, New Zealand, Papua New Guinea, and Taiwan** as well as a valuable resource for the Global Gateway investment Initiative.

As a bridge facilitating effective dialogue, partnerships, and collaborations at both global and regional levels between our member organizations and the EU institutions, EBOWN recognizes the significance of fostering sustainable and responsible business practices. **The report shows our commitment to providing actionable intelligence that aligns with global standards and local regulations.**

The key objectives of the report encompass informing business strategies, promoting collaboration between governments, stakeholders, and European businesses, supporting informed decision-making, enhancing Environmental, Social, and Governance (ESG) considerations, and facilitating the internationalisation efforts of European businesses.

We believe that this report will serve as a valuable tool for informed decision-making, policy considerations, and strategic planning. We are open to any further discussions or insights that may arise from the findings presented in this report.

Thank you for your time and consideration. We look forward to your feedback and potential collaboration on initiatives that promote sustainable economic growth and global competitiveness.

Sincerely,

Jason Collins, Chair
European Business Organisation Worldwide Network (EBOWN)

MESSAGE FROM REGIONAL COORDINATOR

As Regional Coordinator of East Asia and Pacific within EBOWN, I am glad to have led the compilation of our first edition's Regional Sentiment Report. A process I enjoyed and would like to replicate annually.

This is the result of a joint effort from European Business Organizations in the East Asia & Pacific region, covering the following countries: Australia, China, Hong Kong, Japan, Korea, Macau, Mongolia, New Zealand, Papua New Guinea and Taiwan.

The report provides an overview of the business sentiment in each country during 2023, as well as the opportunities and challenges of the business environment in the region, with a forward-looking perspective towards 2024.

The issue also aims to offer a holistic view for European companies that are interested in learning about this region. Therefore, each country report addresses topics such as ESG, supply chain, and alignment with EU policies, among others.

We hope that our views are useful for relevant EU and local stakeholders, as well as anyone that might have an interest in the region. I take pride in being the first region within EBOWN to generate such report, and thank the colleagues and team for a good collaboration. We hope that the initiative inspires other clusters to work on similar projects moving forward.

Enjoy the reading!

Sincerely,

Nuria Sau, Regional Coordinator
East Asia and Pacific
European Business Organisation Worldwide Network (EBOWN)

METHODOLOGY

The creation of the EBOWN East Asia and Pacific Regional Sentiment Report involved a collaborative effort among individual European Business Organisations (EBOs) operating in the diverse markets across the East Asia and Pacific Region. These EBOs, representing the interests and activities of European businesses in specific countries, actively contributed data, insights, and analyses from their published position papers pertaining to the economic landscapes, challenges, and opportunities within their respective regions. The comprehensive report drew upon the local expertise of these EBOs, leveraging their deep understanding of the market conditions, regulatory environments, and industry dynamics of their respective country.

Further, the information provided in each report were primarily the collection of input and data provided and shared by the following EBOs:

- European Australian Business Council
- European Union Chamber of Commerce in China
- European Chamber of Commerce in Hong Kong
- European Business Council in Japan
- European Chamber of Commerce in Korea
- Macau European Chamber of Commerce
- European-Mongolian Chamber of Commerce and Industry
- New Zealand European Business Council
- PNG-Europe Business Council Inc.
- European Chamber of Commerce Taiwan

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AUSTRALIA

Source: European Australian Business Council
https://eabc.com.au/

INTRODUCTION

The EABC is a peak business body whose mission is to promote the trade and investment relationship between Australia and Europe as a whole. Our members include major Australian and European companies, covering all the key sectors which make up the bilateral economic relationship, represented at the senior executive and board levels.

We advocate for greater engagement between policymakers, officials, and industry to enhance business and innovation ties and to optimize the two-way flows of trade, investment, technology, and people. In this regard, we have led private sector support for an ambitious EU-Australia Free Trade Agreement (FTA) as an essential modern framework for economic relations and as a platform for co-operation on a range of ongoing trade, investment, industry, and regulatory issues.

EU-AUSTRALIA ECONOMIC RELATIONS

Trade – Investment

Australia holds a significant position as the European Union's 18th-largest partner for goods trade. The EU remains among Australia's largest economic partners – 3rd largest trade partner after China and Japan with annual two-way trade of around $A110 billion; and 3rd largest investment partner after the US and UK, with two-way investment of over $A1.1 trillion.

Business

Historical drivers for business

The EU and its member states are like-minded partners for Australia – these relationships benefit from strong historical, cultural, people-to-people, and business linkages.

Business linkages are extensive with over 2000 EU companies active in Australia and longstanding, including EABC members Siemens with more than 150 years, BNP Paribas more than 140 years, and Ericsson having more than 130 years in Australia.

There is however significant untapped potential. Business opportunities can be found across almost all sectors – including energy (hydrogen, storage, solar, hydro and wind), advanced manufacturing, critical minerals and sustainable mining, space, defence, medical research, Agritech, smart cities, cybersecurity, digital economy, and many others.

EU-Australia Free Trade Agreement

As an independent, private sector-led initiative, the EABC has long championed the launch of FTA negotiations between Australia and the EU, with a strong commitment from both sides. Negotiations have been ongoing since 2018 and have recently stalled at the ministerial level. The EABC sees the critical importance of finalising the FTA, as the current situation leaves EU companies at a disadvantage to companies from Australia's FTA partner countries. With Australia having 18 FTAs in place, covering 75% of its trade, companies under these agreements have preferential access to the market and preferential treatment in areas including investment and government procurement.

AUSTRALIA's ECONOMY

Economic Outlook

Australia's political stability, transparent regulatory system, and sound governance frameworks underpin its economic resilience. 30 years of uninterrupted growth and low government debt (less than 30% GDP) pre-pandemic allowed for strong fiscal and monetary response that has seen the economy bounce back. Despite being home to just 0.3% of the world's population, Australia accounts is the 12th largest economy.

Inflation - Annual inflation fell to 4.3 per cent in November from 4.9 per cent in October, as price pressures for consumer goods moderated alongside softening demand. This is the best monthly outcome in almost two years and half of its peak during this COVID period. Despite this welcome moderation, cost-of-living pressures are still the defining challenge in Australia's economy so the fight against inflation remains the Albanese Government's highest priority and spending targeted towards easing cost-of-living pressures will continue.

Economic Growth - The economy is expected to expand by 1¾ per cent in 2023–24 before regaining momentum in 2024-25 as improving real incomes growth support a recovery in household consumption. In the face of high but moderating inflation, higher interest rates, and uncertainty in the global economy, the economy is slowing in expected ways. Growth is forecast to moderate in the near-term as these pressures weigh on domestic activity.

Employment and Wages - The seasonally adjusted unemployment rate remained at 3.9 per cent in December 2023. Over the past twelve months, seasonally adjusted employment increased by an average of 32,000 people per month, showing reasonably strong underlying growth during 2023. Both the unemployment and underemployment rates remained relatively low and the participation rate and employment-to-population ratio relatively high, suggesting that the labour market remains tight.

Business/ Investment Environment

Australia's innovative economy attracts investment from multinationals, start-ups, and research organisations from around the world. These investors are attracted by its stable and globally connected economy. Its trade and investment relationships with the world's fastest growing economies mean that Australia is a natural gateway for international business, with preferential access to the dynamic Asian and Indo-Pacific markets.

GOVERNMENT PRIORITIES, SECTORAL OPPORTUNITIES & CHALLENGES

Challenges

Supply chains - The COVID-19 pandemic revealed vulnerabilities in Australia's supply chains, particularly in accessing crucial medical equipment and resources. The interdependence of global markets resulted in substantial disruptions when economies and borders closed. While much of this pressure has been alleviated, ongoing delays, shortages of industrial inputs, and high costs of shipping remain issues.

Productivity issues and Economic complexity - Australia grapples with substantial challenges in productivity and economic complexity. In the decade to 2020, the country witnessed its slowest labor productivity growth in 60 years, at 1.1%, half the rate seen in the 1990s. From 1970 to 2020, Australia's productivity ranking in the OECD fell from 6th to 16th, with growth now 22% below that of the United States. Additionally, economic complexity has declined due to a lack of diversification and inadequate R&D investment. Notably, while exports focus on resources and agriculture, the broader economy is service-centric.

Skill Shortages - In 2023, 36% of occupations suffered from a skills shortage, predominantly effecting technicians, trade workers, and professional occupations such as health, engineering, ICT, and science-based roles, which have had the highest shortages, most significantly in regional and remote locations. This provides numerous challenges for business as by the end of 2023, it is expected that 90% of business are expected to be affected by staffing shortages, 36% of business will suffer from a decrease in business growth, and 26% of skilled and unskilled workers would inhibit growth. Almost 50% of all professional occupations were in a shortage due to the labour shortage. Despite this, opportunity resides in the ability to increase skills through migration and overseas labour whilst simultaneously professionalising and developing Australia's work force.

Housing - Australia today suffers from a highly volatile and expensive housing market. This paradoxically provides Australia with numerous current challenges but also future opportunities for government and business alike. The COVID-19 pandemic created a housing structural shortfall of 120,000 homes despite Australia's population in 2022 growing by 600,000 people. High costs in conjunction with insufficient access to structurally stable housing has seen a successive increase of 11% of households relocating since July 2022. The growing rate of people facing homelessness, 122,494 as of 2021, is rapidly increasing each year, and all the problems facing the housing market have been intensified by the pandemic. From April 2021 to 2022, there was a 22% jump in housing prices, resulting in 90% of aspiring first-home buyers being unable to enter the property market. Despite these challenges however, the significant increase in demand for housing sees the opportunity for job creation surrounding the number of houses needing to be built, around 500,000, to return the market back to equilibrium.

Government Priorities and sectoral opportunities

The Australian Government has identified a diverse range of sectors to be prioritised in future policy initiatives, acknowledging existing industry deficiencies that have major opportunities for expansion. Below are a few examples.

The Sustainable Transition - The Australian Government is firmly committed to steering Australia towards net-zero emissions. It has legally established targets, aiming to reduce greenhouse gas emissions by 43% from 2005 levels by 2030 and achieve net-zero emissions by 2050. This commitment is supported by a $24.9 billion government investment over the decade, focusing on climate change and energy transformation priorities. The investment includes initiatives to transition Australia's electricity supply to renewables, foster new clean energy industries, and support the decarbonization of existing industries and the transport network. A whole-of-government approach, featuring new funding streams and infrastructure investments, is driving these targets. Key programs like Rewiring the Nation, Powering Australia, Safeguard Mechanism reforms, and enhanced funding for the Powering the Regions Fund (PRF) play a pivotal role. To accelerate the transition, major policy initiatives include modernizing the electricity grid, increasing electric vehicle accessibility, promoting renewable energy growth, and advancing low-emission technologies. Complementary environmental and water policies cover law reform, biodiversity conservation, waste and recycling, national water reform, and the implementation of the Murray-Darling Basin Plan.

Infrastructure - Australia's population is set to reach 40 million by 2059, which is why the Government is focusing on intelligent transport, advanced communications, future cities, critical water infrastructure, tourism, and warehousing and supply chains.

Manufacturing - The National Reconstruction Fund, a key manufacturing capacity strategy under the Albanese Government, with $15 billion committed towards to help diversify and transform Australia's industry and economy. This includes target investments in renewables and low emissions technologies, medical science, transport, value-add in the agriculture, forestry, and fisheries sectors, value-add in resources and defence capabilities.

Defence- Australian Defence has seen a major upgrade of its defence capabilities, spending up to $53 billion, a significant increase from $49 billion in 2022-23. This funding was announced in the 2023 Defence Strategic Review, establishing a blueprint for defence planning and resourcing to 2032-33 and beyond.

Cybersecurity- With the recent release of the Cyber Security Strategy, the Australian Government has committed $600 million towards making Australia 'the most cyber secure nation by 2030', establishing new standards and other policy interventions that will unlock larger opportunities in the cybersecurity and digital economy space.

Technology sector- Australia's fast-growing tech sector is one of the largest in the southern hemisphere valued at over A$167 billion. Australia was the incubator for Google Maps, wi-fi, the black box flight recorder, and the Cochlear implant. If it were a single sector, technology would now be the third largest contributor to Australian GDP. Approximately 98% of Australian tech firms are small and medium-sized enterprises.

A new migration system - The Australian Government's new Migration Strategy, released late 2023, is set to redesign Australia's migration system. The Strategy focuses on 8 key actions which include targeting temporary skilled migration to address skills needs and promote worker mobility and reshaping permanent skilled migration to drive long-term prosperity. This will notably include new visas and new skills pathways, fast-tracked processing, and reduced complexity, making it more efficient to bring in skilled workers for temporary and permanent migration. This is an important development for EU companies which need to bring in the specialists required to set up operations in Australia.

Low emissions vehicles - While European car makers have previously been disproportionately impacted by Australia's luxury car tax, the governments new electric vehicle strategy is creating opportunities for European car makers to be more competitive. In recent months, the government has released new fuel quality standards and new vehicle efficiency standards and is amending the luxury car tax to reduce the cost of electric vehicles and other low-emissions vehicles.

Fintech – Fintech's are thriving in Australia's $11 trillion financial sector and attracting global investment. Australia's fintech industry ranks sixth in global rankings and second in the Asia-Pacific region, reflecting the vibrant fintech culture.

CONCLUSION

Australia's business environment is shaped by a dynamic ESG landscape, evolving supply chain challenges, strong trade relations with the EU, positive economic indicators, and ambitious decarbonisation mandates. Businesses operating in Australia should remain agile, adaptable to regulatory changes, and explore growth opportunities in key sectors such as renewable energy, infrastructure, and defence.

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CHINA

Source: European Union Chamber of Commerce China
https://www.europeanchamber.com.cn/en/lobby-actions

INTRODUCTION

After abandoning its 'zero-COVID' approach in late 2022, China reopened its borders on January 8, 2023. This was a welcome surprise for European companies, as pandemic control measures had significantly impacted them in 2022. The removal of restrictions raised expectations of a swift economic rebound, prompting international banks to revise growth forecasts for China. The political will in China appeared to align with businesses' expectations for increased economic opening, as highlighted in Premier Li Keqiang's work report at the 14th National People's Congress in March 2023.

While early 2023 economic indicators showed momentum, China's recovery weakened over the year. The anticipated release of pent-up demand did not materialize, leading to an extended contraction in manufacturing activity, producer prices, and industrial profits. Challenges like mounting government debt and the real estate sector's issues persist. China's demographic dividend is fading, and youth unemployment hit record highs in 2023. Targeted policies are needed for domestic consumption to drive the Chinese economy. Rebuilding consumer confidence requires measures to improve the real estate sector, which holds over 70 percent of Chinese household wealth.

To regain economic momentum, China should focus on demand-side policy support, especially considering the impact of supply-side policies on significant trade imbalances with the EU and the US. Failure to address these issues may lead to reactions from overseas governments, as trade imbalances and limited reciprocal market access are key concerns for European politicians in their relationship with China.

THE ROLE OF EUROPEAN BUSINESS IN CHINA'S ECONOMIC DEVELOPMENT

European companies, grappling with pandemic-induced supply chain vulnerabilities, geopolitical tensions, and economic uncertainties, have experienced a gradual erosion of confidence in the predictability, reliability, and efficiency of the Chinese market. Despite escalating pressures to mitigate risks linked to their presence in China, these companies continue to demonstrate a resilient commitment to this significant market.

While Beijing has initiated measures to enhance its technological self-reliance, it's crucial to recognize the historical role of European businesses in advancing China's domestic industry through collaborative and competitive efforts with local companies. The potential for these European entities to contribute further to China's development remains vast, especially if self-reliance initiatives focus on well-defined national security concerns. Survey data from the BCS 2023 highlights that with increased market access, 63% of respondents contemplate expanding their footprint in China, with potential investments ranging from 5 to more than 20 percent of their annual revenue.

The decline in the value of greenfield foreign direct investment (FDI) in 2022, compared to the initial years of the COVID-19 pandemic, raises concerns about the positive impact that FDI can have on employment in China. Policies aimed at attracting and retaining foreign talent are essential, especially as the pandemic triggered an outflow of foreign workers.

China's demographic landscape reflects a low foreign population, and foreign workers from developed economies in key cities are declining, emphasizing the need for targeted policies. While the 2021 census indicates a total foreign population increase from 593,832 in 2010 to 845,697 in 2021, the geographical distribution of international talent, particularly in cities like Beijing and Shanghai, shows a notable drop. The reduced diversity in the working population, given China's increased focus on innovation under the Five-year Plan (14FYP), underscores the importance of addressing this issue for sustained growth.

The extension of benefits for competitive employment opportunities until December 2027 is welcomed by European businesses, portraying China's commitment to foreign companies and nationals already working in the country. However, the acknowledgment that additional policies to attract new talent may be necessary suggests an awareness of ongoing challenges.

One significant challenge undermining China's appeal to international talent is the erosion of soft infrastructure, affecting the vibrant foreign community. Issues such as shortages in international schools and medical clinics' staff and customer base have made relocation less attractive, particularly for senior-level talent likely to relocate with their families.

The reopening of China in 2023 marked a renewed effort to attract foreign investment. Increased engagement between Chinese authorities and foreign business representatives, along with a surge in investment promotion meetings, signalled a positive step. Despite the enthusiasm, the appetite for investment did not align with expectations, indicating persistent challenges and communication gaps in policy implementation.

In sectors where China has continued to open up and enhance regulation, European companies have bolstered their investments. This reinforces the idea that responsive policies can significantly boost investor confidence. However, barriers persist, such as regulatory hurdles in the automotive industry even after the removal of ownership restrictions.

The aviation sector exemplifies unfulfilled promises, with invisible market access barriers hindering foreign computer reservations system (CRS) providers' practical access, despite commitments made to the World Trade Organization in 2001. Such challenges extend across various industries due to generic regulations, acting as deterrents to foreign investment.

The emphasis on foreign-funded research and development (R&D) in China, accompanied by measures to enhance the environment for overseas talent and intellectual property protection, reflects positive signals. However, the effective implementation of these measures remains uncertain, leaving European businesses cautiously optimistic about the future landscape of their operations in China.

Report Reference:

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HONG KONG

Source: European Chamber of Commerce Hong Kong
https://www.eurocham.com.hk/publications

OPPORTUNITIES AND CHALLENGES

ESG Regulatory Developments in Hong Kong

Hong Kong's robust ESG landscape, evolving since the introduction of ESG reporting in 2013, now aligns with global standards. Starting January 1, 2024, listed companies must publish Main Board Listing Rules-compliant ESG reports. European companies must adapt, engaging in consultations to influence standards aligning with their objectives.

Talent Pool Challenges

The ESG-focused regulatory shift poses challenges, especially the shortage of ESG talent. European companies may need to invest in expertise or form local partnerships to meet reporting requirements effectively. Collaborative initiatives could bridge this talent gap, ensuring smoother adaptation.

Impact on Business Strategies

ESG considerations are becoming integral to business strategies. European companies in Hong Kong should prioritize sustainability practices, recognizing those investors and consumers increasingly value ESG-aligned businesses. A proactive approach to ESG not only ensures regulatory compliance but also enhances corporate reputation and competitiveness.

Navigating Hong Kong's Shifting Supply Chain Landscape and GBA Development

Transformative Landscape

Hong Kong, central in the global supply chain paradigm, faced disruptions during the COVID-19 pandemic, prompting a reassessment. Logistics adapts to ESG initiatives, digitalization, and data analysis for resilient supply chains. The sector's alignment with ESG reflects a broader commitment to sustainability.

Optimistic Economic Outlook

The International Monetary Fund projects Hong Kong's 3.5% growth in 2023, driven by mainland openness and supply chain stabilization. However, challenges persist, demanding strategic management for sustained economic recovery. Global collaboration within the Greater Bay Area (GBA) and the Northern Metropolis Development Strategy augurs well for innovation and technology commercialization, enhancing Hong Kong's competitiveness.

Economic Resilience and the Role of Technology

Hong Kong's economic resilience is intertwined with technological advancements. The embrace of digitalization and data analysis in the logistics sector not only ensures business continuity but also contributes to a more sustainable and efficient supply chain. European companies should explore opportunities arising from technology-driven transformations in logistics and supply chain management.

Navigating the Complex Business Landscape in Hong Kong

Regulatory Examination and Economic Challenges

Increased scrutiny, regulatory challenges, and economic shifts demand adaptability from European companies in Hong Kong. As Beijing's influence grows, managing compliance, legal risks, and the evolving political environment is crucial. Companies must proactively navigate uncertainties and collaborate with local authorities for smoother operations.

Economic Challenges

Post-"zero-COVID" strategy, Hong Kong faces economic challenges. European companies must reassess operations considering regulatory scrutiny, compliance, and political uncertainties. Strategic resilience is essential for weathering economic downturns and seizing opportunities amid evolving market dynamics.

Collaboration for Economic Resurgence

Collaboration between European companies and local stakeholders can contribute to Hong Kong's economic resurgence. Joint initiatives, such as public-private partnerships focused on innovation and sustainable development, can create a conducive environment for growth. European companies should actively engage with local communities and authorities to foster mutually beneficial collaborations.

TRENDS IN TERMS OF EUROPEAN COMPANIES IN HONG KONG

European Business Presence

In the wake of stringent COVID-19 protocols and Beijing's increased oversight with the national security law, European businesses in Hong Kong faced challenges, prompting some to contemplate relocation. The number of European companies in Hong Kong decreased from around 2,500 to approximately 1,800.

Despite these challenges, there is optimism in the current business landscape. Hong Kong's business confidence indicator rose from 6 to 8 in Q4 2023, reflecting positive sentiments. Notably, 17% of respondents expected an improved business situation, up from 16% in the previous quarter, while 10% anticipated a worse situation, compared to 9% previously. This optimism is prominent in sectors like retail, transportation, storage & courier services, information & communication, and financing & insurance.

Investment and Trade

The EU's significant FDI stock of US$25.2 billion in 2021 reflects its strong presence. Trade data from 2022 highlights the mutual importance of Hong Kong and the EU in exports and imports. Continued collaboration between the EU and Hong Kong can foster economic growth, with strategic investments and trade partnerships.

European companies should explore opportunities for strategic partnerships with local businesses in Hong Kong. Collaborative ventures, joint investments, and knowledge sharing can enhance the economic synergy between European entities and the local business ecosystem. Such partnerships contribute to the diversification and resilience of both regional and international economies.

Hong Kong's Role in the 14th Five-Year Plan

Hong Kong's designation in the 14th Five-Year Plan offers opportunities. It serves as a financial center, innovation hub, and regional trading center. European companies aligning with this plan can benefit from strategic growth. Hong Kong's efforts to facilitate European businesses through the Hong Kong Trade Development Council's European office in Brussels enhance support structures.

REGIONAL ANALYSIS

Integration with EU Policies

Hong Kong's alignment with EU green finance and sustainability policies enhances credibility and access to global markets. However, challenges include adaptation, sovereignty concerns, and data availability. Collaboration on tailored standards that address regional conditions can foster mutual benefits and position Hong Kong as a global leader in sustainable finance.

Strategic Cooperation for Global Impact

European companies should consider forming alliances with Hong Kong-based organizations that share common goals in green finance and sustainability. By fostering strategic cooperation, European entities can contribute to the development of global standards and practices. Joint initiatives can drive positive environmental and social impact while creating new business opportunities.

Future Outlook

Positioning as a Global Financial Center

Hong Kong aims to remain a global financial center, attracting talent and enterprises. Initiatives like OASES demonstrate efforts to recover from pandemic challenges and entice foreign companies. A balanced approach, considering both challenges and opportunities, is crucial for sustainable recovery and the attraction of new enterprises. Proactive engagement with global partners can further solidify Hong Kong's role in the international business landscape.

Innovation and Talent Attraction

To maintain its status as a global financial center, Hong Kong should emphasize innovation and talent attraction. European companies, particularly those in technology and finance, should explore collaboration opportunities with local talent and institutions. The city's success in fostering a vibrant innovation ecosystem will play a pivotal role in shaping its future as an international business hub.

Holistic Recovery Strategies

Hong Kong's recovery should involve holistic strategies encompassing economic, social, and environmental dimensions. European companies can contribute to this recovery by incorporating sustainable practices, supporting community initiatives, and actively participating in discussions on shaping Hong Kong's future. A collective effort towards holistic recovery will strengthen the city's resilience and attractiveness to international businesses.

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JAPAN

Source: European Business Council Japan
https://ebc-jp.com/digital-white-paper/

INTRODUCTION

The EU-Japan Economic Partnership Agreement entered into force on 1 February 2019.
On 4 April 2023, at the fourth meeting of the Joint Committee under the EU-Japan Economic Partnership Agreement (EPA), the key role of the EPA in fostering bilateral trade flows and making them resilient was acknowledged: *"After quickly catching up to pre-pandemic levels in 2021 (€124 billion), in 2022 bilateral trade flows increased by 13.4% to €140.6 billion. Both sides discussed areas where market access could be improved, such as the import conditions in Japan for certain categories of EU agricultural products."*
https://policy.trade.ec.europa.eu/news/eu-japan-trade-surges-13-after-catching-pre-pandemic-levels-2023-04-04_en

The EBC is committed to helping Europe and Japan reach new levels of mutual trade and economic growth. Through our 22 sectoral committees, we advocate scrapping remaining non-tariff barrier issues.

MAIN ISSUES ADDRESSED BY THE EBC IN 2023

Human resources

The number one issue for European companies is the difficulty in recruiting personnel in Japan for both white and blue-collar workers.
The labor market in Japan continues to remain tight amid an aging demographic and declining birth rate, representing a challenge for economic growth and competitiveness, but also an opportunity for labor market reform and deregulation. For businesses, this situation coupled with low unemployment rates has led to a limited pool of active job seekers in the labor market and a shortage of skilled and unskilled workers, which has been perpetuated by the pandemic.

The EBC applauds the Government's policy aims to promote women's active participation in the workforce, and by calling on companies to increase women in leadership positions. Its steps in improving support for working parents are important initiatives requiring concrete follow-up for a successful outcome. The Government needs, for instance, to continue to find creative ways to offer more public child-care centers and private child-minding services and to support and encourage men to take child-care leave. Towards this end, the EBC Human Resources Committee believes that further efforts to change attitudes and awareness in society about childcare and paternity leave should be actively promoted, and the increase in flexible ways of working and remote work associated with the pandemic is seen as a key opportunity going forward in this regard.

The Government needs to continue to take an increasingly proactive approach to immigration policies and deregulation. Several sectors are currently restrained by the shortage of available labor.

Legal Services

With the increased use of secondments within the legal services field, it is not uncommon for registered "*gaiben*" (Attorneys at foreign law) to temporarily leave Japan and then come back to practice foreign law in Japan. For a domestic lawyer, it is possible to either (1) continue paying their bar membership fees while remaining on the bar tills with their original registration number or (2) stop paying fees whilst temporarily suspending their license only to re-activate it when returning to Japan through a simple application process. This is not possible for a "*gaiben*": he must re-apply from scratch. The EBC sees no reason for this blatant discrimination of foreign lawyers.

Retail and wholesale

Most electrical appliances on the Japanese market need to be labelled with a PSE symbol: either a so-called *maru-PSE* or a *hishigata-PSE*. For this to be possible the products need to undergo the applicable testing and certification, and also be reported to the Japanese authorities as a "Notification of business," or Import Business Report, with information such as type classification, *katashiki*, and manufacture information. While some of these requirements are mirrored in other jurisdictions, Japan stands out in some respects. Every single product needs to be checked beforehand either at the production site or a warehouse, and a report of this inspection needs to be kept for 3 years by importers. Furthermore, tests and approvals from Europe can only be partially used or not used at all as the Japanese standards are still not harmonized with international standards in the latter case.

Simplification of the Denan Act and the accompanied PSE labelling, along with enhancing the utilization of international standards, are vital objectives.

Insurance

Implementing a notification system for simple insurance products is essential to streamline processes Currently, all insurance products require approval in Japan.

Railways

The Japanese railway market is very domestic. Transparent assessment schemes are not used, and it is close to impossible to use overseas approvals.

Telecom

Recognition of overseas approvals for base stations is lacking in Japan, resulting in not only costlier products but also slower introduction of new technologies compared to other markets.

Food and Agriculture

Globally widely used additives in food cannot sometimes be used in Japan. In addition, many food products need to be re-tested for the Japanese market. The EBC believes that the EU and Japan shall work harder to harmonize or mutually recognize approval or test methods related to sanitary issues.

Defense

The EBC wishes for more and closer industrial cooperation in the defense industry. The latest developments between European and Japanese authorities are very promising. However, the same interaction between European and Japanese industries is lacking.

Energy

Some of the legislation related to offshore wind is still hampering European industry and Japan itself. This is related to public procurement rules, insufficient recognition of international standards, and rules for foreign vessels and crew on territorial and EEZ waters.

More issues and context can be found on the European Business Council in Japan webpage: https://ebc-jp.com/digital-white-paper/.

Report Reference:

- https://ebc-jp.com/digital-white-paper/.
- EU-Japan Economic Partnership Agreement Meeting. (2023, April 4). Directorate-General for Trade, Brussels. EU-Japan trade surges 13% after catching up to pre-pandemic levels - European Commission (europa.eu)

KOREA

Source: European Chamber of Commerce Korea
https://ecck.or.kr/publications/white-paper/

OPPORTUNITIES AND CHALLENGES

Politicization of the Business Environment

(Quoted from Invest KOREA Magazine November / October 2023)

Korea has announced a set of basic principles and guidelines laying down digital standards as a proactive measure to take a leading role in the digital age. This "digital rights charter," released by the Ministry of Science, Technology, and Information Communication, consists of six chapters and 28 articles and is similar to a declaration outlining the fundamental direction of digital norms at the national level. With the charter in place, the government will actively participate in discussions on digital norms initiated by international organizations such as the United Nations and the Organisation for Economic Co-operation and Development (OECD), as well as those led by the United States and the European Union, based on the Digital Rights Charter. While addressing the document's five guiding principles—freedom, fairness, safety, innovation, and solidarity—President Yoon urged every government body to form AI and digital policies aligned with these principles.

Korea will deploy at least 10% of a state-backed fund of funds (FoF) to venture capital investment dedicated to small startups every year, the government said on Oct. 5. Run by state-owned Korea Venture Investment Corp. (KVIC), the FoF manages KRW 8.2 trillion (USD 6.1 billion) in assets as of the end of 2022. It was created in 2005 for a 30-year operation to finance VC firms investing in various sectors including tech, culture, healthcare, agriculture, environment, and transportation. According to the roadmap to boost VC investments, the Ministry of SMEs and Startups will ease application rules for Rookie League, the investment program for small startups. The Ministry of SMEs will proactively support the private sector's venture investments, which is the basis of Korea's economic growth.

The Korean government plans to inject over KRW 1.2 trillion (USD 900 million) next year for the development of artificial intelligence (AI) technologies and services, according to First Vice Finance Minister Kim Byung-Hwan. "We will spend more than KRW 1.2 trillion next year developing AI technologies and services to make digital technology a part of everyone's life," Kim said during his opening remarks at the 6th Digital Economy Forum held in Seoul on Sept. 6. The planned investment represents a 20 percent increase compared to this year's budget allocation of KRW 1 trillion. Kim also mentioned the government's goal of revising related regulations, including copyright laws, to remove obstacles to innovation in the private sector.

Other Challenges

K-BPR

European chemical companies have gone through difficulties in continuing their business, especially in the biocides sector. K-BPR regulates the approval deadline of active substances and biocidal products, unlike the fact that EU-BPR only sets the deadline of submitting dossiers. The key concern is that detailed technical guidelines were not prepared timely whilst the approval of biocidal products shall be done within 2 years after active substances that are used in the corresponding biocidal products are approved. In addition, the required dossiers are far too excessive as hazard information shall be submitted subject to all components of fragrances contained less than 0.1% in the biocidal product compared to the EU-BPR. Without approval in 2 years including the preparation of dossiers and review by government agencies, all products shall be withdrawn from the market even though their safety has been reviewed according to the other regulations. European chemical industry highly doubts their business continuity due to the increase in regulatory burden and barriers in Korea.

Short commenting period

Regulatory uncertainty is a significant challenge for European industry to do business in Korea. Most practical and technical standards are regulated by the ministerial level which does not need to pre-inform via TBT notification according to the WTO agreement. Hence, European companies are limited to accessing detailed standards and changes thereof. On top of that, Korean governments mostly provide less than 20 days to collect stakeholders' opinions when amending or establishing rules and regulations at the ministerial level since the Korean Administrative Procedures Act sets 20 days as the minimum to collect comments. This insufficient commenting period hampers the European industry to review content properly and advocate its position, and it would lead to lower business environment predictability in Korea.

TRENDS IN TERMS OF EUROPEAN COMPANIES IN SOUTH KOREA

European Business Presence

(Quoted from Invest KOREA Magazine November / October 2023)

Global fashion and luxury goods brands are opening directly managed stores in Korea, one of their growth markets, ending their decades-long reliance on domestic distributors. More than 30 foreign fashion houses, including Celine, Chloe, Givenchy, and Moncler, have established subsidiaries in Korea over the past three years. Earlier this year, Gucci and Louis Vuitton held their first collection shows in Seoul. Since late last year, Italy's OTP Group, which owns Maison Margiela, Marni, Jil Sander, and Diesel brands, has shifted to directly managing its Korean operations, after ending contracts with its long-term distributor Shinsegae International Inc. in early 2022. This trend is spreading to casual and street brands, targeting young consumers. Calvin Klein has cancelled its 10-year distribution license with Handsome Corp. to take direct control of domestic sales from the autumn of next year. Acne Studios, nicknamed MZ Luxury, is also preparing to make direct inroads into Korea.

Investment and Trade

(Quoted from Invest KOREA Magazine November / October 2023)

Foreign direct investment (FDI) pledges to Korea rose 11.3 percent on-year during the first nine months of this year to reach an all-time high on growing investment in chips, batteries, and other advanced sectors, the industry ministry said on Oct. 4. The country received USD 23.95 billion worth of FDI commitments during the January-September period, compared with USD 21.52 billion a year earlier, according to the data by the Ministry of Trade, Industry and Energy. This year's figure marked the highest amount ever for any nine months of data. The amount of investment that arrived in Korea also went up 20.2 percent on-year to a record high of USD 13.92 billion, the data showed. By industry, FDI pledges in the manufacturing sector grew 15.7 percent on-year to USD 9.02 billion, as foreign investment in the electronics and electric fields surged 27 percent to USD 3.32 billion. In comparison, that of the chemical engineering field soared 61.1 percent to USD 3.01 billion. The service sector also saw a 9.0 percent on-year rise in FDI pledges to come to USD 13.8 billion in the January-September period, led by the financial and accommodation fields, according to the ministry.

REGIONAL ANALYSIS

Integration with EU policies

The First ROK-EU Digital Partnership Council held in Korea

The Ministry of Science and ICT ("MSIT"; Minister Lee Jong-ho) announced that the First ROK-EU Digital Partnership Council was held on Friday, June 30.

Recognizing that Korea and the European Union are partners that share the same values and that cooperation on establishing global digital norms is important, both sides reviewed the implementation progress in six areas of cooperation — 1) Semiconductors, 2) High high-performance computing (HPC) and Quantum Technologies, 3) Cybersecurity and Trust, 4) Beyond 5G/6G, 5) Artificial Intelligence (AI) and 6) Online & Digital Platform Cooperation — which they had agreed to prioritize among the eleven areas of cooperation* at the signing of the ROK-EU Digital Partnership, and discussed future cooperation measures.

Report Reference:

- Invest KOREA. (2023, October). Invest KOREA Magazine. Invest KOREA October 2023View Details | Invest KOREA Magazine | InvestKOREA(ENG)

MACAU

Source: Macau European Chamber of Commerce
https://www.eurocham.org.mo/about-mecc/

OPPORTUNITIES

Amidst these challenges, Macau presents several opportunities for economic growth.

The government actively encourages collaboration among businesses to diversify the economy, particularly focusing on the "1+4" industries, including Integrated Leisure and Tourism, Big Health, Modern Finance, High Technologies, and Conventions and Exhibitions of Culture and Sports. Financial support schemes target SMEs, aiming to fortify their capabilities and competitiveness.

Macau's strategic location can serve as a stepping stone for companies seeking to expand into the Chinese market, supported by the Hengqin Economic Development Bureau's incentive measures.

Future integration with Hengqin becomes a promising prospect as border restrictions for the flow of goods, money, and people ease. Moreover, Macau offers a taxation advantage, with companies taxed up to only 12% on their profit, creating a favorable environment for business operations.

CHALLENGES

Attracting international holdings proves to be an ongoing challenge for Macau, necessitating efforts to diversify its economy beyond the dominant gaming sector. The region faces the obstacle of inflexible structures for certain unskilled jobs within the hospitality industry, potentially limiting its adaptability to evolving market demands. Moreover, the gaming sector is under government pressure to diversify its businesses, compelling integrated resorts to invest more in facilities and infrastructures beyond traditional gambling offerings to meet the changing market needs. Furthermore, the relatively short time spent by tourists in Macau poses a challenge for integrated resorts, impacting their inclination to invest substantially in entertainment options.

ESG TRENDS

In response to the global discourse on climate change, Macau, as a multicultural city hosting iconic international companies, is witnessing a commitment to ESG (Environmental, Social, and Governance) principles. Notably, all six casino operators in the region have been actively reporting their ESG and sustainability commitments over the past few years.

TRENDS IN TERMS OF EUROPEAN COMPANIES IN MACAU

Despite the challenging circumstances brought about by the pandemic, the number of European companies in Macau has exhibited resilience, remaining relatively stable. This consistency indicates that European companies, even under pressure, have sustained a continuous and reliable presence in the region. The ability to weather uncertainties reflects the attractiveness and stability Macau offers to European businesses.

Report Reference:

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- *Information Platform for Returning Macau Residents*. Macau S.A.R. Talent Development Committee https://www.cdqq.gov.mo/en/home-coming/work-employment/tax/

MONGOLIA

Source: European-Mongolian Chamber of Commerce and Industry
https://www.eurochamber.mn/category/position-papers/

INTRODUCTION

Mongolia's economy is projected to grow between 5-7% in 2023, and 6-8% in 2024, and the country has excellent opportunities in various sectors such as mining, agriculture, finance, renewables, and ICT for trade and investment.

The government is implementing Mongolia's Long-Term Development Policy "Vision 2050" which aims to strengthen Mongolia's economy: economic growth will be maintained at an average of 6 percent in the long term, per capita national income will double, and the labor force participation rate will reach 65 percent. The New Recovery Policy prioritizes six areas: border ports, energy infrastructure, industrial development, urban and rural green development, and public-sector productivity. Currently, a new Investment Law is being discussed, with some positive changes in eliminating the minimum investment threshold of 100k USD, establishing of Investment Protection Council, reducing government control, and easing the process of obtaining a stabilisation certificate.

However, businesses voice concerns over inflation, access to finance, shortages of skilled labor, an inefficient judicial system, government inefficiency, corruption, poor infrastructure, and tax burden.

OPPORTUNITIES AND CHALLENGES

Financial sector

Substantial achievements have been made in the financial sector, with major banks issuing IPOs, coal trading through the Commodity Exchange, and an increase in listings on the Mongolian Stock Exchange. For further improvement, the sector needs a refined regulatory framework: banks need more freedom in providing trade loans, more favorable short-term foreign currency swap conditions, and lower risk weights for Letters of Credit, particularly at times of geopolitical turbulence when cooperation with international banks can be limited. Currency fluctuations have hit hard financial institutions that borrow in foreign currency, therefore developing appropriate hedging mechanisms could protect the businesses.

Mining

With vast mineral reserves, land, and millions of livestock, Mongolia offers excellent opportunities for investment in mining and agriculture. The IT sector and renewable energy are also potential areas. The Government's efforts in attracting investment through positive amendments to the Investment Law are plausible and potentially attractive. However, currently, investment opportunities are hindered by an inefficient judicial system, poor enforcement, corruption, and overall government inefficiencies. Court cases take 6.2 years on average- 7 and only 10% of investor complaints are resolved. Introducing interest in judgments could limit abuse of the judicial system, and the creation of courts specialized in addressing commercial legal cases could help improve the efficiency of Mongolian courts. In the mining sector, one of the major drawbacks is that the Mongolian Tax Authority has considerable levels of discretion and flexibility in valuing minerals licenses. This affects future investment in mineral exploration and mining through the creation of significant uncertainty for foreign investors. The Mongolian Tax Authority should have a less active role in the valuation of licenses and impose a tax on the sale price (after reasonable cost deductions) rather than on the project cost. Furthermore, mismatches between national and local government decisions lead to delays in projects: to start operations mining companies need to obtain land utilization permits from local governments in addition to licenses and permits from the national government.

Renewable sector

Businesses in the renewable energy sector that signed agreements with the government in line with the Renewable Energy Law of 2008, with high tariffs set in USD, cannot compete with State Owned Enterprises that supply (dirty) energy at subsidized prices. Currently, the government is not honouring the agreement terms due to the higher tariffs on renewable projects and the lack of electricity storage solutions. A paradigm shift in the energy sector is needed, liberalizing the energy sector and considering pollution and health impacts from coal energy as costs when compared to renewables. The government needs to solve issues facing Renewable Energy businesses, including honoring the terms of pricing agreements, allowing feasible projects to proceed upon open negotiation with license holders on the supply prices, and possibly cancelling unfeasible projects whilst providing reimbursements and eliminating the lack of clarity for businesses that are waiting to sign power-purchase agreements.

Agriculture

The agriculture sector has great potential for both trade and investment, including intensive farming, meat processing, specialty butcheries, meat processing technologies such as wet aging, and exporting meat. With vast land, Mongolia has opportunities for crop production. However high altitudes, extreme fluctuations in temperature, long winters, and low precipitation are limiting factors. Primarily due to overgrazing, the ecosystem is degrading, and climate change is a pressing concern. Therefore, intensive farming could address this issue and increase productivity in agriculture. As a beneficiary of the EU's GSP+ scheme, Mongolia enjoys customs duty-free imports to the EU exports, particularly cashmere and wool, therefore agriculture products have a great potential for increased exports to the EU.

ICT

A newly emerging and vibrant sector is ICT, with start-ups starting to export, attract investments, and invest abroad. To support the sector, the government should create an 8 enabling environment for investment funds, ease the tax burden, provide subsidies/grants to incentivize innovation activities and protect intellectual property. Businesses have expressed concerns over the Labor Law 2021 which requires the work and rest shifts must be equal. Employers need to hire more staff to achieve the same staffing levels as the old rules, with a greater administrative burden, and particularly with chronic shortages of skilled labor, this worsens the situation and creates a serious lack of competitiveness in a country with already low productivity by international standards.

REGIONAL ANALYSIS

EU - Mongolia

Mongolia became the first Asia-Pacific country to join the EU's Forest Partnership program, at COP 27 in 2022. As part of Global Gateway, the European Union's strategy to boost sustainable links for the people and the planet, Mongolia and the European Union aim to enhance the role of Mongolian forests in sustainable and inclusive national development while addressing challenges related to deforestation, desertification, climate change and loss of biodiversity. Key work streams of the Forest Partnership include improved governance, sustainable use and management of forests, sustainable forest management and forest-based value chains, reduction of deforestation and forest degradation, and conservation and restoration of Natural Forests. There are opportunities for European companies to work with Mongolia in this area.

The EU focuses on economic diversification by creating more opportunities in non-mineral sectors. A new trade-focused project "International Trade Development in Mongolia" is underway, which aims to diversify exports, provide better employment opportunities in the non-mining sector, and contribute to a more diversified economy. Through this project, the European Union seeks to increase the trade efficiency of Mongolian Small and Medium Enterprises in the EU and regional markets. The objective is to ensure that Mongolia takes full advantage of the GSP+ regime. To consolidate this, the project aims to enhance the effectiveness of trade policies in Mongolia, with a special focus on innovative products and services with high sustainability, climate resilience, and export potential.

The EU also has been working with the European Bank for Reconstruction and Development to support Mongolian MSMEs' access to finance and expertise. Since the start of the implementation, the Programme has led to around EUR 92 millions of financing to local SMEs.

Another focus area of the EU is improving the investment and business climate through the improvement of judiciary enablers.

Report Reference:

- ADB, Economic Forecasts for Mongolia. https://www.adb.org/where-we-work/mongolia/economy
- World Bank, Mongolia's Economy Continues to Pick Up, But Growth Remains Uneven, https://bit.ly/3UZMkbr
- New Recovery Policy Accelerator Centre, https://www.nrpa.gov.mn/en
- Invest Mongolia. The updated draft of the Investment Law. https://bit.ly/3UYlobY

- European Commission. COP27: EU launches Forest Partnerships with five partner countries. https://bit.ly/3USSqKK
- EBRD. EBRD and EU intensify cooperation through new partnership agreement. https://bit.ly/4bT4lhz

NEW ZEALAND

Source: New Zealand Europe Business Council
https://www.nzebc.org.nz/

INTRODUCTION

In the current global economic context, New Zealand grapples with challenges amplified by Europe's near-nil growth, high inflation both in Europe and NZ, and war-induced resource depletion in the EU. These factors cast a shadow over trade growth prospects as consumers exercise caution in spending, and increased shipping costs, driven by Middle East tensions, reroute trade around Africa, negatively impacting the overall trade environment.

To address high inflation, higher interest rates have been implemented, reducing consumer spending power and acting as a disincentive for investments. These economic hurdles are not unique to New Zealand, mirroring challenges faced by several other countries globally.

OPPORTUNITIES AND CHALLENGES

Government response and economic recovery

The aftermath of COVID-19 lockdowns demanded significant government outlays to support businesses and individuals facing sales downturns. Despite a new government since November of the previous year, the economy is poised for recovery, but a full return to pre-pandemic levels is expected to take several years.

Amidst these challenges, certain sectors in New Zealand show promise, with tourism and agriculture experiencing growth. However, forestry faces a slowdown due to reduced building activity in China. Identifying infrastructure investment as a key growth area, the country seeks opportunities for expansion.

Trade dynamics and agreements

On the trade front, New Zealand has strategically engaged in Free Trade Agreements (FTAs) to boost its economy. The recently signed NZ-EU FTA in July 2023 holds considerable potential. Immediate gains of over $100 million annually are expected, with the possibility of surpassing $1 billion annually upon fuller implementation, anticipated around mid-2024. This agreement is crucial for New Zealand, offering access to the vast European market. In comparison, the NZ-UK FTA is seen as more favorable in agriculture, providing a diverse trade landscape.

Recognizing the significance of active implementation, both the NZ government and NZEBC emphasize a multi-year process over the next five years and beyond. This approach aims to capitalize on the FTAs and navigate growth opportunities in Asian markets, including closer collaborations with Australia. Additionally, the backlog of infrastructure investment presents a potential avenue for European involvement in New Zealand.

Global economic outlook and projects

The global economic outlook further complicates the scenario, with inflationary pressures in Europe and New Zealand prompting higher interest rates and slower growth. The aftermath of the COVID-19 pandemic remains a significant headwind, reflected in forecasted GDP growth for 2023/2024, indicating sluggish growth globally, albeit with Asian growth lifting world averages.

As the NZ-EU FTA, signed in July 2023, awaits ratification by EU member countries and the NZ Parliament, the potential for implementation by early 2024 underscores the need for a collaborative effort. This involves MFAT in New Zealand and the EU Delegation, emphasizing a coordinated approach to support the effective implementation of the trade agreement.

CONCLUSION

New Zealand's economic trajectory is marked by challenges and opportunities. Strategic engagement in FTAs, particularly the NZ-EU FTA, presents a pathway for economic growth. Active and coordinated implementation, coupled with a focus on infrastructure and global partnerships, will be essential in navigating through uncertainties and fostering sustained growth in the coming years.

Report Reference:

- Information provided in the report from NZ were passed on from their different chambers

PAPUA NEW GUINEA

Source: PNG-Europe Business Council Inc
https://www.pngeuropebc.org.pg/resources/#reports-and-downloads

INTRODUCTION

Approximately 25 European companies are operating in Papua New Guinea (PNG), primarily in industries such as oil and gas, mining, brewing, freight forwarding, and general retail. Despite the challenges posed by Covid-19, there has been no obvious reduction in the number of European companies operating in the country.

Currently, business confidence in PNG is low, with few companies, European or otherwise, viewing the country with optimism. However, business conditions in PNG can change rapidly, offering potential for improved economic conditions in the future.

POLITICAL ENVIRONMENT AND BUSINESS NAVIGATION

While there is relatively little political interference in business operations in PNG, corruption remains a significant challenge. European companies, like others, face requests for "facilitating" payments from time to time. Navigating these challenges requires adherence to ethical business practices and careful risk assessment.

ALIGNMENT WITH EU POLICIES

PNG and Europe are at different stages of economic development, resulting in little alignment between their respective policies. PNG's economy focuses on primary industries, while Europe's is more mature with a focus on tertiary industries. Consequently, there is limited alignment between EU policies and those of the PNG government.

ESG LANDSCAPE

The ESG landscape in PNG receives little attention, given its status as a developing economy. There are limited regulations or initiatives in place regarding environmental, social, and governance practices.

NOTABLE CHALLENGES FACED BY EUROPEAN BUSINESSES

Poor economic management, corruption, low levels of literacy and immunization, and rampant nationalism pose significant challenges for European businesses in PNG. Additionally, there is a fundamental economic mismatch between PNG and Europe, making it challenging for European companies to trade successfully in the country. Recent amendments to PNG's Investment Promotion Act 1992 reflect tightening restrictions on foreign investors, further complicating the business environment.

FUTURE PROSPECTS FOR EUROPEAN COMPANIES

As the PNG economy matures, there may be increased demand for sophisticated manufactured goods and financial services in which European companies have a competitive advantage. However, PNG currently prioritizes raw materials and commodities, such as petroleum gas, gold, copper ore, palm oil, and nickel matter exported from China and other Asian countries. European companies should monitor evolving market dynamics and adjust their strategies accordingly.

Report Reference:

- Information provided in the report from PNG were passed on from their different chambers

TAIWAN

Source: European Chamber of Commerce Taiwan
https://www.ecct.com.tw/publications/position-papers/

INTRODUCTION

Taiwan's export-driven economy faces challenges amidst weak demand in major markets, impacting economic performance. Post-pandemic consumer spending and ongoing government expenditures have mitigated some damage but sustained growth hinges on trade recovery. Uncertainties persist due to sluggish demand, cyclical economic factors, shifting supply chains, and geopolitical tensions. Taiwan must navigate these challenges, strategically reviving its economy while staying adaptable to changing conditions. Analogous to optimizing a championship sailing yacht for diverse winds, Taiwan must shed regulatory constraints and streamline laws to maximize speed. Government action across multiple fronts is imperative to set Taiwan on the right course and ensure a resilient economic revival.

CHOOSING A SMOOTHER ENERGY TRANSITION PATHWAY

Taiwan faces headwinds and choppy seas in its journey towards an energy transition. As an export-driven economy, weak demand in major export markets drags down economic performance. Post-pandemic consumer spending and ongoing government expenditure offer some relief, yet sustained growth hinges on a trade recovery. The outlook remains uncertain due to sluggish demand, cyclical economic factors, shifting supply chains, and geopolitical instability.

In these challenging circumstances, Taiwan must chart a course for economic revival, avoiding the worst conditions beyond its control. Similar to optimizing a championship sailing yacht for various wind conditions, Taiwan needs to streamline regulations, remove excess weight, and adjust sails to leverage prevailing winds. Choosing the right course demands careful analysis, planning, and flexibility to adapt to changing circumstances. Government action across various fronts is essential for Taiwan's economic resurgence.

Prioritizing Renewable Energy Capacity Expansion

Taiwan's renewable energy potential is significant, especially in wind and solar. However, obstacles hinder progress. Corporate commitments to net-zero emissions are rising, yet the transition to renewable energy sources is slow. Local content requirements, regulatory complexities, and financing difficulties contribute to a shortfall in renewable energy capacity.

The focus on industrial development over sustainability in Taiwan's renewable energy policy causes delays and higher energy prices. A shift is needed to prioritize a sufficient, affordable supply of renewable energy for industries, businesses, and households. Coordinated policy implementation, streamlining permitting processes, and fostering a distinct unbundled trading market for Energy Attribute Certificates (EACs) are essential steps. Aligning policies with international standards and improving coordination among government agencies are crucial for successful renewable energy development.

Supporting the Transition to Electric Mobility

Taiwan's transition to electric mobility faces challenges, including registration policies for charging facilities and insufficient incentives. Regulatory bottlenecks hinder charging infrastructure development, while complex processes obstruct EV charger installations in private spaces.

To accelerate the transition, regulatory adjustments and financial incentives are vital. Eliminating measures like the luxury tax and low tax thresholds will encourage, not penalize, EV ownership. Balancing local development objectives with a rapid buildout of green energy and e-mobility capacity is crucial. Ensuring sufficient energy storage and EV charging capacity is imperative for Taiwan's journey towards net zero. Coordinated leadership is essential for navigating the complexities and achieving a sustainable and competitive future.

EXPANDING THE TALENT POOL

Taiwan confronts a persistent challenge in the form of a shortage of skilled and semi-skilled workers. This scarcity is a consequence of demographic shifts, stringent labor laws, and a lack of adequate incentives to draw foreign talent into the country's workforce.

Promoting Family-Friendly Policies

Despite the implementation of government subsidies aimed at bolstering the nation's fertility rate, Taiwan's birth rate remains among the lowest globally. The multifaceted economic and social burdens associated with raising children, coupled with a shortage of childcare facilities and inflexible labor regulations, disproportionately affect women. To address this complex issue, it is imperative to introduce measures such as providing flexible remote work options, allowing work-from-home as an alternative to unpaid parental leave, establishing government-funded childcare facilities, and offering subsidies or tax incentives to encourage enterprises to provide childcare facilities in their workplaces.

Appropriate Labor Laws for the Modern Workforce

Taiwan's Labor Standards Law (LSL) presents limitations that hinder the evolving needs of the modern workplace, where employees increasingly seek flexibility in structuring their work and private lives. Reforms must be undertaken to ease stringent requirements related to recording working hours and attendance, aligning the labor laws with the growing trend of flexible work arrangements.

More Flexible Visa and Work Permit Regulations

Current visa rules pose impediments for foreign workers seeking employment in Taiwan. A streamlined process for obtaining working holiday visas, revisiting visa and work permit procedures, and simplifying immigration processes for foreign nationals are essential steps to make Taiwan more accessible to skilled foreigners.

Fair Treatment of Foreign Residents

While notable progress has been made, instances of unequal treatment persist for foreign nationals. Addressing these disparities, such as the inability to apply for disability certification and restrictive dual nationality requirements, is crucial. Further, relaxing residency requirements for permanent residency and streamlining the dual nationality process would significantly enhance Taiwan's appeal to foreign talent.

Addressing the Shortage of Blue-Collar Workers

To counter the shortage of blue-collar workers, the government has commendably announced plans to relax quotas for migrant workers in various sectors. Initiatives facilitating permanent residency for specific migrant workers aim to alleviate shortages. However, the existing labor brokerage system poses challenges, demanding rigorous efforts to eradicate exploitation and abuse, thus upholding Taiwan's commitment to human rights.

These comprehensive measures collectively contribute to not only addressing immediate workforce challenges but also positioning Taiwan as an attractive destination for a diverse pool of talent, fostering sustainable economic growth and social development.

INCREASING INTERNATIONALISATION

Taiwan's commitment to embracing global standards is laudable, showcasing its dedication to integration into the international business landscape. While many sectors align with international best practices, there are discernible areas where Taiwan's administrative requirements lack clarity, leading to a potential divergence from global norms. Addressing these disparities is pivotal for ensuring a seamless transition into the broader international business arena.

Improving Product Safety and Efficacy

Despite commendable strides in enhancing health and safety standards, Taiwan faces noteworthy challenges in various sectors, notably electrical engineering, agro-chemicals, and the beverage alcohol market. The persistence of outdated standards in the electrical engineering sector poses potential risks to users, indicating a need for a swift transition to more contemporary benchmarks. Moreover, the agro-chemical sector grapples with inconsistent registration and review processes, causing delays in introducing safer and more effective products. In the absence of a mandatory traceability mechanism in the beverage alcohol market, the risk of unsafe and counterfeit products persists. Adopting the latest international safety standards and streamlining review procedures can significantly contribute to mitigating these concerns.

Increasing Transparency

Transparency is the bedrock of a healthy business environment, and Taiwan is not an exception. In the retail and food sectors, variations in the announcement of regulations and unclear definitions present challenges for businesses, potentially leading to compliance issues. The implementation of regulatory impact assessments (RIAs) and engaging in stakeholder consultations during the drafting process can play a pivotal role in ensuring transparent and unambiguous legislation.

Adopting International Standards

In sectors like mobility, cosmetics, and logistics, disparities with international standards can hinder efficiency and market access. Aligning regulations with the latest global standards is imperative for enhancing competitiveness and facilitating the seamless integration of Taiwanese products and services into the international market. Harmonization with international benchmarks not only ensures smoother trade but also positions Taiwan as a reliable and consistent player on the global stage.

Eliminating Unnecessary Bureaucracy

Redundant bureaucratic processes can impede the efficiency of various sectors. Superfluous identity verification requirements in the banking sector and cumbersome regulations in medical devices and food advertising hinder operational efficiency. Conducting rigorous regulatory impact assessments (RIAs) and making timely adjustments are essential for creating a streamlined and effective regulatory environment and fostering business growth and innovation.

Expanding Digitalisation

The ongoing efforts through the Ministry of Digital Affairs (MODA) signal Taiwan's commitment to embracing the digital era. However, the financial services industry, retail, and cosmetics sectors still grapple with reliance on manual processes. Accelerating the transition to digital administrative procedures, along with a comprehensive plan for e-labelling implementation, can enhance operational efficiency, reduce costs, and position Taiwan as a tech-savvy and forward-thinking economy.

Improving Bilingualism

While the government's ambition to become a bilingual nation is commendable, gaps persist in English translations and proficiency levels across various governmental facets. Comprehensive English training for officials and the establishment of English proficiency as a key component in promotion criteria are crucial steps toward achieving full bilingualism. Ensuring clarity and consistency in communication enhances Taiwan's global image and fosters stronger international collaborations.

Pursuing International Trade Deals

The ongoing pursuit of international trade agreements, such as an EU-Taiwan Bilateral Investment Agreement, underscores Taiwan's commitment to fostering economic growth and creating jobs. Continued efforts to address non-tariff barriers and enhance Taiwan's regulatory, business, and living environment will bolster its attractiveness for such agreements. This proactive stance not only attracts foreign talent and investment but also positions Taiwan as a dynamic player in the evolving global economic landscape.

In conclusion, Taiwan's journey toward increased internationalization involves a multifaceted approach. By addressing administrative disparities, embracing digitalization, and fostering clear communication through bilingualism, Taiwan can fortify its position as a global economic player. The collaborative efforts of government and stakeholders are pivotal for steering Taiwan toward sustained economic growth and global competitiveness.

CONCLUSION

Taiwan's resilience in the global economy requires strategic policies and constant adaptation. Aligning with international standards, fostering transparency, embracing digitalization, and enhancing bilingualism are pivotal steps. Collaborative efforts between the government and stakeholders, including the European Chamber of Commerce Taiwan, are essential for steering Taiwan toward economic revival and global competitiveness.

Report Reference:

- European Chamber of Commerce Taiwan. (2024). 2024 Position Papers. Setting a Course for Economic Revival. [Position Papers - Position Papers (ecct.com.tw)]

ABOUT EBOWN

"The EBOWN is committed to be the voice of the European business abroad."

The European Business Organisation Worldwide Network (EBOWN) is an association of European chambers and business organisations from over fifty countries worldwide. The network has grown to include member organisations representing over 30,000 European businesses.

EBOWN was established in 2001 and was legally registered in 2011 at Brussels, Belgium. Over the past few years, it has evolved from merely a network into a worldwide organisation that provides advocacy representing 51 markets outside the European Union.

The purpose of our network is to coordinate activities and exchange at both global and regional levels and to facilitate effective dialogue between our network and member organisations with the EU institutions in a truly 'Team Europe' approach.

Our on-ground expertise, networks and profile enable us to be a trusted partner for EU Delegations and other arms of the EU institutions for two-way communication on market conditions and intelligence and for joint efforts to advocate for improved access and opportunities for European business (as a whole) to succeed in third countries.

OUR MISSION AND VISION

EBOWN aims to provide a platform for European Business Organisations at global and regional levels to share best practices.

And to advocate for European Business in third markets.

OUR PRIORITIES

- Support the development of European Business Organisations in third countries
- Encourage advocating for European Business and producing position papers
- Strengthen the links between EU Institutions and EBOs in third markets
- Support the Internalisation of European SMEs in third markets
- To further EU outreach on Economic Diplomacy
- Contribute to the Economic security of the European Union, through increased business dialogue in third markets
- Join forces to achieve better efficacy and impact by sharing our resources and knowledge through Team Europe approach

OUR ROLE IN THIRD MARKETS

- Advocacy
- Business Networking
- Business Matching
- Information and Search
- Social and Community Service
- Business Promotions
- Trade Fairs Promotions
- Business Advisory Services
- Capacity Building
- EU Promotions

OUR NETWORK

- AFRICA REGION
- AMERICAS AND CARIBBEAN REGION
- ASEAN REGION
- EAST ASIA AND PACIFIC REGION
- EUROPE AND EASTERN PARTNERSHIP REGION
- SOUTH ASIA AND MIDDLE EAST REGION

Today, through its EBO members, the network boasts a team of 300 dedicated employees. These professionals are not only well-versed in the business realm but also bring a wealth of expertise. The team includes seasoned researchers, adept event managers, and skilled public relations specialists. Their collective knowledge greatly enhances the network's capabilities.

OUR GLOBAL NETWORK

AFRICA

- Chambre de Commerce Européenne du Bénin (*Link*)
- Eurocham Burkina Faso (*Link*)
- European Chamber of Commerce Cameroon (*Link*)
- European Business Forum Ethiopia (*Link*)
- EuroCham Ghana (*Link*)
- Chambre de Commerce Européenne en Côte d'Ivoire (*Link*)
- Conseil des Investisseurs Européens au Mali (*Link*)
- Organisation of European Business in Nigeria (*Link*)
- European Business Chamber in Rwanda (*Link*)
- Chambre de Commerce Européenne au Sénégal (*Link*)
- European Union Chamber of Commerce and Industry of Southern Africa (*Link*)
- European Chamber of Commerce in Sudan (*Link*)
- European Union Business Group Tanzania (*Link*)
- Chambre de Commerce Européenne au Togo (*Link*)
- Chambre Européenne de Commerce du Niger (*Link*)

AMERICAS & CARIBBEAN

- Eurocamaras Brazil (*Link*)
- Eurocámara Argentina (*Link*)
- European Union Chamber of Commerce in Canada (EUCCAN) (*Link*)
- EuroChile (Fundación Empresarial Comunidad Europea Chile) (*Link*)
- Eurocámara de Comercio de la República Dominicana (*Link*)
- European Business Chamber in Trinidad and Tobago (*Link*)
- Federacion de Camaras Binacionales de Comercio e Industria del Espacio Economico Europeo (FEDEUROPA) (*Link*)

SOUTH ASIA AND MIDDLE EAST

- European Economic Chamber Nepal (*Link*)
- EBG Federation India (*Link*)
- European Chamber of Commerce of Sri Lanka (*Link*)

ASEAN

- European Chamber of Commerce in Cambodia (*Link*)
- European Business Chamber of Commerce in Indonesia (*Link*)
- European Chamber of Commerce and Industry in Laos PDR (*Link*)
- EU-Malaysia Chamber of Commerce & Industry (*Link*)
- EuroCham Myanmar (*Link*)
- European Chamber of Commerce of The Philippines (*Link*)
- Eurocham Singapore (*Link*)
- European Association of Business and Commerce Thailand (*Link*)
- Eurocham Vietnam (*Link*)

EAST ASIA AND PACIFIC

- European Australian Business Council (*Link*)
- European Union Chamber of Commerce in China (*Link*)
- European Chamber of Commerce in Hong Kong (*Link*)
- European Business Council in Japan (*Link*)
- European Chamber of Commerce in Korea (*Link*)
- Macau European Chamber of Commerce (*Link*)
- Mongolian European Chamber of Commerce Industry & Business (*Link*)
- New Zealand European Business Council (*Link*)
- PNG-Europe Business Council Inc (*Link*)
- European Chamber of Commerce Taiwan (*Link*)

EUROPE AND EASTERN PARTNERSHIP

- European Business Association Armenia (*Link*)
- European Business Association of Kazakhstan (*Link*)
- European Chamber Moldova (*Link*)
- European Business Association Macedonia (*Link*)
- Association of European Business in the Russian Federation (*Link*)
- European Economic Chamber of Trade, Commerce and Industry Ukraine (*Link*)
- European Business Association Georgia (*Link*)

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