EUROPEAN BUSINESS ORGANISATION WORLDWIDE NETWORK

EBOWN GLOBAL BUSINESS SENTIMENT REPORT 2026

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FOREWORD

by the EBOWN Chair, **Jason Collins**

As a network of European Chambers and Business Councils, EBOWN plays a vital role as a bridge between the local market realities facing European companies operating abroad, and policy discussions and actions foreseen by the EU institutions in Brussels.

This EBO Worldwide Network Business Sentiment Report aims to provide informed, practical insights into the conditions faced by European businesses in third countries, and the work which can be prioritised and co-ordinated to improve access and conditions for European companies to compete and succeed internationally.

Against a backdrop of rising geopolitical tension, disrupted global trade and rising protectionism, supply chain vulnerabilities, and energy and sustainable transitions, the report provides timely feedback on business sentiment – on both the challenges and the opportunities, before us.

I would like to thank the team led by Deputy Chair Nele Cornelis, Executive Director Helen de Mel and Network Co-ordinator Gigi de Leon for their skill and dedication in compiling this report. I also acknowledge and thank colleagues from all our member chambers, business associations and councils across the world who have contributed their valuable perspectives to the report.

We hope its contents will serve to better inform our collective 'Team Europe' efforts to strengthen the competitiveness of European businesses in global markets.

INTRODUCTION

by the EBOWN Vice Chair,
Nele Cornelis

EBOWN Global Business Sentiment Report 2026:
Insights from European Business Organisations Worldwide

In an increasingly complex and rapidly shifting global environment, this report provides a comprehensive overview of insights gathered across the EBOWN network, drawing on contributions from 52 European Business Organisations (EBOs) operating in their respective countries.

It consolidates perspectives on business and investment environments, EU–bilateral economic relations, market trends, and the evolving opportunities and challenges faced by European companies globally. In doing so, it forms the basis for a broader sentiment analysis, allowing for a consistent comparison of how European businesses assess economic outlooks, regulatory conditions, and geopolitical developments across markets.

The report aims to deepen understanding of the current geopolitical environment and its implications for European businesses worldwide. While global dynamics continue to evolve rapidly, it reflects conditions observed in each country during the period of analysis.

Inputs from EBOs were collected between February and April 2026, ensuring a timely and coherent representation of local perspectives.

The methodology followed a coordinated approach, with all EBOs contributing through a common template supported by guiding questions.

This work was made possible through the strong collaboration across the EBOWN network. I would like to sincerely thank the Board of Directors and the Secretariat, especially Helen de Mel and Gigi De Leon, as well as the regional coordinators Martin Brisson, Johanna Sandberg, Edwige Bibilary, Jean Marco Pou, Narayan Bajaj, Stefan Ernst, and Diana Sarumova, and all EBOs for their valuable contributions.

ABOUT EBOWN

"The EBOWN is committed to being 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 59 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

Our mission is to be a trusted catalyst in creating an environment where European businesses and the community prosper in third markets.

Our vision is to emerge as the foremost business network, representing European businesses in every nation outside the EU and serving as their primary support and advocacy body.

OUR NETWORK PRIORITIES

Support
To support the development of European Business Organisations in markets outside the European Union.

Encourage
To encourage advocating for European Business and producing position papers.

Internationalisation
To support the internationalisation of European Small and medium-sized enterprises (SMEs) in third markets.

Cooperation
To strengthen the links between EU institutions and EBOs in third markets.

Economic Security
To contribute to the economic security of the European Union, through increased business dialogue in third markets.

Economic Diplomacy
To further the EU's outreach on Economic Diplomacy.

Team Europe
To join forces to achieve better efficacy & impact by sharing our resources and knowledge as Europe.

Global Gateway
To align efforts under the Global Gateway initiative, achieving greater efficacy and impact through shared resources and collective knowledge of Europe.

OUR GLOBAL NETWORK

AFRICA

- Chambre de Commerce Européenne du Bénin (*Link*)
- Eurocham Burkina Faso (*Link*)
- European Chamber of Commerce Cameroon (*Link*)
- Chambre de Commerce Européenne en Côte d'Ivoire (*Link*)
- European Chamber in Ethiopia (*Link*)
- EuroCham Ghana (*Link*)
- EuroCham Guinea (*Link*)
- EuroCham Kenya (*Link*)
- European Chamber of Commerce in Liberia (*Link*)
- Eurocham Mali (*Link*)
- Associação dos Empresários Europeus em Moçambique (*Link*)
- Chambre Européenne de Commerce du Niger (*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 Union Business Group Tanzania (*Link*)
- Chambre de Commerce Européenne au Togo (*Link*)

AMERICAS & CARIBBEAN

- Eurocámara Argentina (*Link*)
- Eurocamaras Brazil (*Link*)
- European Union Chamber of Commerce in Canada (EUCCAN) (*Link*)
- EuroChile (Fundación Empresarial Comunidad Europea Chile) (*Link*)
- EuroCamaras Colombia (*Link*)
- Eurocámara de Comercio de la República Dominicana (*Link*)
- European Chamber of Commerce (Guyana) (*Link*)
- European Business Chamber in Trinidad and Tobago (*Link*)
- Federacion de Camaras Binacionales de Comercio e Industria del Espacio Economico Europeo (FEDEUROPA) Venezuela (*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 for 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 Belarusian Business Association (*Link*)
- European Business Association Georgia (*Link*)
- European Business Association of Kazakhstan (*Link*)
- European Chamber Moldova (*Link*)
- Association of European Business in the Russian Federation (*Link*)
- European Economic Chamber of Trade, Commerce and Industry Ukraine (*Link*)
- Europe-Uzbekistan Association for Economic Cooperation (*Link*)

SOUTH ASIA AND MIDDLE EAST

- European Union Chamber of Commerce in Bangladesh (*Link*)
- Federation of European Business in India (*Link*)
- European Economic Chamber Nepal (*Link*)
- European Chamber of Commerce in the Kingdom of Saudi Arabia (ECCKSA) (*Link*)
- European Chamber of Commerce of Sri Lanka (*Link*)

AFRICA

BENIN

FUTURE (ECONOMIC) OUTLOOK

With a growth rate of around 7% supported by the industrialisation of local agricultural products, Benin has begun a major economic shift in recent years. If current trends are maintained over time, the industrial fabric based on the processing of cotton, soybeans, cashew nuts, and pineapples will consolidate the trade balance while creating thousands of jobs.

In the tourism sector, the major investments made through the erection of the International Vodun Museum in Porto-Novo, the creation of the Cultural and Creative District in Cotonou, the construction of the Museum of the Kings and Amazons of Danhomey in Abomey, the rehabilitation of the Door of No Return, the construction of the Ouidah arena, and the resizing of Vodun Days has contributed to positioning Benin into orbit as an important tourist destination in West Africa.

BUSINESS / INVESTMENT ENVIRONMENT

Government priorities

- Agriculture and Agro-industry
- Industry
- Tourism, Culture and the Arts
- Infrastructure and Transport
- Energy and Water
- Digital and Digitalisation
- Crafts and Entrepreneurship

Sector-specific opportunities and challenges

Benin's business and investment landscape presents a diverse range of sector-specific opportunities, each accompanied by structural challenges that investors and businesses must carefully navigate.

- **Agriculture and Agro-industry:** Remains the backbone of Benin's economy and offers significant investment potential in modern processing units, mechanised agricultural services, digital platforms for insurance, credit, and e-commerce, as well as storage, conservation, and transport infrastructure (including export horticulture). However, the sector continues to face low productivity—with maize yields averaging just 1.8 tonnes per hectare—compounded by climate vulnerability, limited access to agricultural credit, insecure land tenure, weak post-harvest capacities, expensive logistics, and an ongoing need for training, innovation, and certification.

- **Industry:** Presents strong opportunities, particularly through the agri-food and textile industrial clusters anchored by the GDIZ; export-oriented sectors such as cotton, soybeans, cashews, and pharmaceuticals; as well as industrial zones open to foreign direct investment, subcontracting, electronic assembly, and renewable energy. The Nigerian market also offers high potential through Special Economic Zones (SEZs), notably at Sèmè-Kraké. Key challenges include a shortage of qualified technicians, logistical difficulties outside the SEZ, high energy costs, limited financing for industrial SMEs, dependence on imported equipment, and intense competition from low-cost Asian products.

- **Tourism, Culture, and the Arts:** An emerging sector with considerable untapped potential, particularly in memorial, cultural, diasporic, and spiritual tourism; infrastructure development; investment in festivals, galleries, and cultural platforms; and the promotion of creative industries including cinema, design, and crafts. Flagship events such as Vodun Days, FInAB, Cirque en Fusion, Nonvitcha, and the Porto-Novo Mask Festival, alongside the 2025–2029 strategic tourism development plan valued at €1.2 million, signal growing momentum. Challenges remain in the form of low international visibility, insufficient marketing, a lack of certified guides and professional training, incomplete infrastructure, and loosely structured artisanal value chains.

- **Infrastructure and Transport:** Offers substantial investment opportunities, including a deep-water port project in Sèmè-Kpodji, the Cotonou-Niamey-Abidjan rail project, expansion of the CIP to increase transit capacity, road surfacing programs, logistics warehouses, regional distribution hubs, urban transport investments (including BRT and multimodal facilities), and river transport to open up local and tourist areas. Persistent challenges include poor road maintenance, urban congestion, limited intermodality, insufficient public transit coverage, governance delays, inadequate funding, and vulnerability to climatic and logistical hazards.

- **Energy and Water:** Presents wide-ranging opportunities across drinking water network extensions in rural and peri-urban areas, modernisation of treatment and wastewater plants, local production of pumps, filters, and hygiene kits, innovative decentralised and off-

- grid solutions, solar mini-grids in rural areas, a modular refinery and modern storage facilities in Sèmè, and participation in the ECOWAS sub-regional energy market. The sector faces significant challenges, however, including urban-rural access inequalities, outdated and insufficient networks, near-absent sanitation infrastructure (with sewer coverage below 10%), increasing water resource pollution, low national electricity production, and a structural energy dependence on Nigeria and Ghana.

- **Digital and Digitalisation:** A rapidly growing sector with opportunities in sovereign cloud infrastructure, data centers, regional hubs, fintech solutions (including scoring, payments, and e-microfinance), AgriTech, e-Health, EdTech, GovTech, B2C platforms, digital logistics solutions, and cybersecurity and compliance services. Challenges include a pronounced digital divide in rural areas, low digital adoption among SMEs, high data costs, a shortage of developers and cybersecurity engineers, and vulnerabilities in data and infrastructure systems.

- **Crafts and Entrepreneurship:** While not yet fully structured as a formal investment sector, this represents a growing area of opportunity as Benin works to formalise and scale its artisanal economy, support entrepreneurial ecosystems, and integrate craft-based industries into broader value chains and export markets.

OTHER REGULATORY AND LEGAL CHALLENGES

European companies operating in Benin continue to face a range of economic, legal, and regulatory obstacles that affect their competitiveness and operational efficiency. The high cost of energy remains a significant burden on business operations, while the complexity of administrative procedures spanning taxation, social security, and immigration adds considerable time and cost to doing business. Many companies also report difficulties in understanding and implementing new regulatory provisions, often due to the rapid pace of legislative change and limited guidance available.

Cash flow management represents a particularly pressing concern, especially for companies engaged in public procurement. Late payments frequently extend well beyond the regulatory 60-day limit. Combined with the late detection of errors on invoices and statements, this places sustained pressure on company liquidity. Access to financing for SMEs remains limited, further constraining growth and investment capacity.

On the fiscal and legal side, companies face challenges in resolving disputes through the tax commission, as well as exposure to cumulative tax audits that create uncertainty and administrative burdens. The taxation of Corporate Social Responsibility (CSR) measures—such as crèches and gyms, despite these generating no revenue for the company—is viewed as a disincentive to social investment. Additionally, companies with a single shareholder face a double taxation burden, being taxed at 30% on their results and again at 5% or 10% even in the absence of dividend distributions.

EU-BENIN ECONOMIC RELATIONS

Investment and trade

Free Trade Agreements and Other Agreements

Benin's economic relations with the European Union are supported by a number of bilateral and multilateral agreements. Notably, Double Taxation Avoidance Agreements with France and Norway are currently under implementation, providing an important framework for reducing fiscal barriers for European investors and businesses operating in Benin. These agreements are expected to contribute positively to the investment climate as their provisions are progressively applied.

European Investment and Trade Statistics

According to Eurostat, Benin's exports of goods and services to Europe amounted to approximately €300 million in 2024, while imports of goods and services from Europe reached approximately €1 billion during the same period. The European Union accounts for more than 25% of Benin's total exports, with the cotton, processed agricultural products, and raw materials sectors representing the primary areas of trade activity. These figures underscore the EU's significance as a key trading partner for Benin and highlight the potential for further deepening bilateral economic ties.

Main Sectors and Industries Concerned

The European business community in Benin is well represented across a broad range of sectors. More than 100 European companies are members of the EuroCham network and are active in industries including transport, construction, training, tourism, hospitality and events, communication, services, banking, and insurance. This sectoral diversity reflects the breadth of European economic engagement in Benin and the growing role of the EuroCham network as a structured platform for European private sector representation in the country.

EUROPEAN BUSINESS PRESENCE

The presence of European companies in Benin has grown steadily and consistently since the pandemic, reflecting renewed confidence in the country's economic trajectory and business environment. EuroCham membership figures illustrate this upward trend clearly: from 50 member companies in 2022, the network grew to 70 in 2023, 94 in 2024, and reached 103 companies in 2025. This sustained growth is a strong indicator of the expanding European business community in Benin and its increasing engagement with the local market.

Factors Influencing Market Entry

Two key factors have been instrumental in driving this growth. First, ongoing improvements to the business climate in Benin have made the country a more attractive destination for foreign investment, with reforms aimed at simplifying procedures and strengthening the regulatory environment. Second, proactive efforts to promote Benin as an investment destination — through institutional outreach, trade missions, and engagement with the European private sector — have raised the country's profile among European businesses exploring market entry opportunities in West Africa.

OPPORTUNITIES AND CHALLENGES

Geopolitical Tensions – Country Exposure

Benin has not experienced any direct effects from current global geopolitical tensions on its economic outlook, trade relations, or business confidence. It is worth noting, however, that rising global oil prices—partly driven by geopolitical instability—are having an indirect impact on production costs at the industrial level, a development that businesses operating in energy-intensive sectors should factor into their planning.

ESG Trends

While Benin does not yet have specific legislation governing Corporate Social Responsibility, European companies and local businesses are increasingly aligning themselves with internationally recognised frameworks. These include ISO 26000, the United Nations Global Compact, the Sustainable Development Goals (SDGs), and the principles of sustainable finance and ESG reporting. This voluntary adoption of international standards reflects a growing awareness of sustainability as both a business imperative and a reputational consideration. The Chamber of Commerce and Industry of Benin, employers' organisations, and sectoral chambers are playing an active role in raising awareness and supporting companies in this transition, signaling that a more structured ESG landscape is gradually taking shape in the country.

Supply Chain Redistribution and Resilience

Benin is actively positioning itself as a regional industrial and logistics hub in response to shifting global supply chain dynamics. The establishment of the Glo-Djigbé Industrial Zone (GDIZ), combined with a dedicated logistics zone within the Port of Cotonou and a number of additional industrial zones currently in planning, reflects the country's strategic ambition to accelerate industrialisation—particularly in the agro-industry and textile sectors. These developments present meaningful opportunities for European companies looking to diversify or strengthen their supply chain presence in West Africa, and they reinforce Benin's growing role as a platform for regional trade and production.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Main Challenges in Maintaining Economic Stability

Benin faces a number of structural challenges in maintaining its economic stability amid global uncertainty. Chief among these are energy dependence, rising logistics costs, climate vulnerability, and a strong reliance on imports and regional trade. These factors expose the economy to external shocks and underscore the need for sustained structural reforms and diversification to build long-term resilience.

Managing Inflation, Interest Rate Volatility, and Supply Chain Disruptions

In response to these pressures, the government has adopted a proactive approach centred on infrastructure investment, support for local industrialisation, and improvements to logistics capacity. These measures are aimed at reducing import dependence, lowering production costs, and strengthening the domestic supply base — thereby mitigating the impact of global price volatility and supply chain disruptions on the broader economy.

Strategies to Diversify Trading Partners

Benin is actively pursuing a strategy of trading partner diversification to reduce dependence on any single market. This includes developing partnerships with Europe, Asia, and ECOWAS member countries, while simultaneously accelerating the local processing of raw materials and the development of dedicated industrial zones such as the Glo-Djigbé Industrial Zone (GDIZ). These efforts reflect a broader ambition to move up the value chain and increase the competitiveness of Beninese exports in international markets.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

The growing instability of global trade — driven by protectionism and the increasing instrumentalisation of trade for political purposes — poses real challenges for European companies operating in Benin. Tariffs, sanctions, and protectionist policies introduced outside the EU make it more difficult for European companies to export finished goods from Benin to European markets, increasing costs and reducing competitiveness. These dynamics create an operating environment that requires greater agility and risk awareness on the part of European businesses active in the country.

Concrete Examples of Third-Party Tariffs and Policies

In practical terms, tariffs, sanctions, and protectionist measures imposed by non-EU actors are complicating the export of finished goods produced in or transiting through Benin toward European markets. While the specific impact varies by sector and company, the cumulative effect is an increase in trade friction that undermines the commercial case for certain export-oriented business models and supply chain configurations involving Benin.

Bilateral Trade Projections (2026–2027)

Despite the broader uncertainties affecting global trade, the outlook for bilateral trade between Benin and the European Union over the next 12 to 24 months remains broadly positive. Europe continues to be regarded as a reliable and valued partner by the Beninese private sector, and trade flows between the two are expected to continue at normal levels. The fundamentals of the relationship — including preferential trade arrangements, shared development objectives, and growing European business presence — provide a stable foundation for continued engagement.

Adaptation to Weakening Global Rules

At this time, no joint measures have been adopted at the EuroCham Benin level in response to weakening global trade rules. Individual member companies are likely managing risks and adapting their supply chains independently, though the specific measures being taken at company level are not currently known. This is an area that EuroCham Benin may wish to explore further with its membership in the period ahead, with a view to developing a more coordinated network response to evolving global trade challenges.

EUROCHAM
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CAMEROON

FUTURE (ECONOMIC) OUTLOOK

Cameroon's economic outlook remains relatively stable, with moderate growth driven primarily by the non-oil sector—particularly services, logistics, agriculture, and infrastructure-related activities.

However, from a business perspective, this growth remains constrained by structural challenges. While macroeconomic indicators suggest resilience, companies continue to operate in an environment marked by limited predictability, especially in terms of fiscal policy, regulatory enforcement, and administrative processes. In practice, companies tend to adopt cautious investment strategies, prioritising short- to medium-term returns over long-term commitments due to these uncertainties.

BUSINESS / INVESTMENT ENVIRONMENT

Cameroon presents real opportunities for European companies, particularly in sectors such as energy, agro-industry, logistics, construction, services, and sustainable value chains. The country's position as a regional hub for Central Africa also remains a strong asset.

While government priorities around industrialisation, import substitution, and infrastructure development are clear, there is often a gap between policy intent and effective implementation on the ground. At the same time, chamber members consistently highlight operational challenges that directly impact business performance. These include administrative delays, complex customs procedures, inconsistent regulatory application, and high transaction costs. From EuroCham's perspective, one of the main concerns consistently raised by members is the lack of predictability in administrative and fiscal processes.

POLITICAL AND ECONOMIC CHALLENGES

Political stability at the national level coexists with underlying uncertainties that influence business confidence. These include regional security concerns, social pressures, and the broader political environment linked to upcoming institutional developments. For European companies, this translates into a need for stronger risk management, reliable local partnerships, and continuous engagement with business organisations such as EuroCham to navigate the environment.

OTHER REGULATORY AND LEGAL CHALLENGES

Members frequently report challenges related to:

- Customs clearance delays and unpredictability
- Tax pressure and limited visibility on fiscal changes
- Administrative burden and procedural complexity
- Contract enforcement delays
- Difficulties in accessing public procurement opportunities

While these factors do not necessarily prevent investment, they significantly affect operational efficiency and cost structures.

INTEGRATION WITH EU POLICIES

Cameroon's relationship with the EU is well established, particularly through trade via the Economic Partnership Agreement (EPA), development cooperation, and increasing engagement under initiatives such as the Global Gateway.

For European companies, alignment with EU policies—especially in areas such as ESG, traceability, and due diligence—is becoming increasingly important. However, in practice, local ecosystems are not always fully equipped to meet these requirements without additional support, particularly affecting SMEs and local partners. There is a strong expectation from the private sector for more structured engagement and practical support in translating EU policies into operational realities on the ground.

EU-CAMEROON ECONOMIC RELATIONS

Investment and trade

Cameroon is part of the EU-Cameroon Economic Partnership Agreement (EPA), which provides a framework for trade liberalisation and preferential access to EU markets.

The EU remains a key trading partner for Cameroon, with strong flows in both exports (notably raw materials such as cocoa, timber, and hydrocarbons) and imports (machinery, pharmaceuticals, and industrial equipment).

From a business perspective, however, the potential of this agreement is not yet fully realised, mainly due to:

- Limited awareness among local operators
- Administrative and logistical constraints
- Challenges in meeting EU standards

Statistics on European Investment and Trade Activities

The EU remains one of Cameroon's key trade partners. In 2024, EU-Cameroon trade in goods reached approximately €4.7 billion, with EU imports from Cameroon at €2.8 billion and EU exports to Cameroon at €1.9 billion.

Key Industries and Sectors Involved

Key sectors include cocoa, coffee, timber, aluminum, hydrocarbons, agro-industry, machinery, pharmaceuticals, transport equipment, chemicals, and professional services. The WTO also indicates that the EU accounts for a major share of Cameroon's exports.

EUROPEAN BUSINESS PRESENCE

European companies maintain a strong presence in Cameroon across sectors such as logistics, energy, banking, insurance, agribusiness, construction, and services. Since the pandemic, a more cautious approach to market entry has been observed. Companies are increasingly selective and require:

- Stronger market intelligence
- Clearer regulatory visibility
- Reliable local partners

There is also growing interest from SMEs, but they often require structured support before entering the market.

From EuroCham's perspective, there is a clear need to bridge this gap through:

- Business intelligence
- Facilitation
- Structured networking platforms

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The direct impact of US tariff measures on Cameroon remains limited. However, indirect effects are visible through global market volatility, increased input costs, and shifts in trade flows, which affect sectors such as commodities, logistics, and industrial supply chains.

Geopolitical Tensions – Country Exposure

Cameroon is indirectly affected by global geopolitical tensions, particularly through:

- Rising energy and transport costs
- Inflationary pressures
- Supply chain disruptions

This context reinforces the need for companies to diversify suppliers and strengthen resilience strategies.

ESG Trends

ESG is becoming a central topic for European companies operating in Cameroon, mainly driven by EU regulations rather than local requirements.

In practice:

- Large companies are progressively adapting
- SMEs and local partners face capacity constraints

Emerging initiatives have been observed in areas such as:

- Waste management and recycling
- Traceability (notably in cocoa)
- Renewable energy

However, there remains a strong need for support in translating EU requirements into operational realities.

Supply Chain Redistribution/Resilience

Cameroon has the potential to position itself as a regional logistics and industrial hub. However, this potential is currently constrained by:

- Port congestion
- Infrastructure limitations
- Customs inefficiencies

Companies are increasingly adapting by:

- Diversifying supply chains
- Reducing dependency on single sources
- Strengthening local partnerships

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Cameroon faces multiple structural challenges in maintaining economic stability, including fiscal pressure, import dependency, and exposure to external shocks.

Government efforts are focused on:

- Infrastructure development
- Industrialisation
- Economic diversification

However, from a private sector perspective, the key expectation remains: improved predictability, transparency, and efficiency in the business environment.

Foreign investment interest remains present, but increasingly conditioned by:

- Regulatory clarity
- Governance
- Ease of doing business

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Global trade instability and rising protectionism are creating additional uncertainty for European companies operating in Cameroon.

In practical terms, companies reported:

- Increased operational costs
- More complex supply chain planning
- Stronger competition from non-EU actors with different financing models

Bilateral Trade Projections (2026–2027)

Over the next 12 to 24 months, EU-Cameroon trade is expected to remain stable but will likely not expand significantly unless meaningful improvements are made to the local business environment.

Adaptation to Weakening Global Rules

EuroCham Cameroon is progressively strengthening its role as a platform for:

- Structured public-private dialogue
- Business intelligence
- Advocacy on business climate issues
- Facilitation of partnerships between European and local actors
- Business intelligence
- Advocacy on business climate issues
- Facilitation of partnerships between European and local actors

The members are increasingly relying on the Chamber not only for networking, but also for:

- Understanding the market
- Navigating complexity
- Identifying concrete business and investment opportunities

Conclusion

In this context, EuroCham Cameroon aims to further position itself as a key interface between European businesses, local stakeholders, and EU institutions, with a growing focus on structured dialogue, market intelligence, and facilitation of investment opportunities.

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GHANA

GHANA'S ECONOMIC OUTLOOK (POST-ELECTION UPDATE 2026)

As of April 2026, Ghana is entering a defining phase in its macroeconomic trajectory. After several years marked by fiscal stress, inflationary pressure, currency depreciation, and debt restructuring negotiations, the economy is now transitioning into a period of cautious stabilisation. This shift is not a return to pre-crisis conditions, but rather the emergence of a new equilibrium shaped by structural adjustment, IMF-supported reform discipline, and a recalibrated growth model anchored in productivity, industrial transformation, and digital modernisation.

The current macroeconomic framework is strongly influenced by Ghana's engagement with the International Monetary Fund under its Post-COVID-19 Programme for Economic Growth. This arrangement continues to act as a fiscal anchor, enforcing discipline while gradually restoring investor confidence. At the same time, the political transition following the post-election cycle has introduced a renewed policy mandate focused on stability, job creation, and long-term competitiveness.

Within this evolving context, Ghana is no longer perceived purely through the lens of crisis recovery. Instead, it is increasingly viewed as a reform-driven frontier economy within West Africa, strategically positioned between structural vulnerability and medium-term transformation potential.

MACROECONOMIC STABILISATION: FROM VOLATILITY TO MANAGED RECOVERY

The most visible shift in 2026 is the gradual stabilisation of core macroeconomic indicators. Inflation, which previously reached elevated and destabilising levels, is now on a sustained downward trajectory. This has been supported by tighter monetary policy, improved coordination between fiscal and monetary authorities, and a relatively more stable exchange rate environment for the Ghanaian cedi.

Exchange rate volatility has significantly reduced compared to the previous three-year period, marking one of the most important confidence signals for both domestic and foreign investors. While the currency is not fully insulated from external shocks, particularly commodity price fluctuations, the amplitude of depreciation pressures has narrowed. This has improved planning certainty for import-dependent sectors and multinational firms operating in Ghana.

Growth projections for the medium term are stabilising in the range of 4% to 5%. This growth profile reflects a transitional economy: not yet in a high-growth expansion cycle, but clearly beyond recessionary conditions. Growth is being driven primarily by a rebound in domestic demand, improved private sector sentiment, and sustained performance in key productive sectors.

Structurally, Ghana's GDP remains anchored in three dominant sectors: Services, contributing approximately 45.9%, Industry at 31.3%, and Agriculture at 22.8%. While services continue to dominate the economy, industrial activity is gradually gaining weight, reflecting early-stage diversification efforts. However, this shift remains incremental rather than transformative, underscoring the need for sustained industrial policy execution.

Despite these positive signals, the recovery remains fragile and uneven. The macroeconomic stabilisation achieved so far is heavily policy-dependent, meaning that any deviation from fiscal discipline or reform implementation could quickly reintroduce volatility. The current equilibrium is therefore best described as "managed stability under conditional reform."

GOVERNMENT POLICY DIRECTION: REFORM, DISCIPLINE, AND STRUCTURAL REBALANCING

The 2026 administration has entered its second year with a clearer policy identity, shaped by the dual imperative of maintaining IMF alignment while responding to domestic demands for jobs and economic inclusion.

Fiscal Consolidation and Revenue Mobilisation

At the heart of government strategy is fiscal consolidation. Public financial management reforms are being prioritised to ensure debt sustainability and reduce fiscal risks. A central pillar of this strategy is domestic revenue mobilisation. The government is actively expanding the tax base through administrative modernisation, digital tax systems, and gradual formalisation of segments of the informal economy.

At the same time, expenditure rationalisation is being pursued. This does not simply imply austerity, but rather a reallocation of public spending toward high-impact areas such as infrastructure, education, health, and targeted social protection. The underlying objective is to improve fiscal efficiency while preserving political and social stability.

Industrialisation and the "Made in Ghana" Agenda
A second major policy direction is industrial transformation. The administration is explicitly shifting away from raw commodity dependence toward value-added production. This is being operationalised through industrial parks, special economic zones, and agro-processing clusters designed to integrate Ghana more effectively into regional and global value chains.

This strategy is closely linked to the opportunities created by the African Continental Free Trade Area (African Continental Free Trade Area), positioning Ghana as a potential manufacturing and logistics hub for West Africa. However, the success of this ambition will depend on infrastructure delivery, energy reliability, and regulatory efficiency.

Digital Transformation and the 24/7 Economy
The third major pillar is digital transformation. The government is advancing a "24/7 economy" concept, aimed at extending economic activity beyond traditional operating hours and improving productivity through technology. This is being enabled through broadband expansion, digital public infrastructure, and e-government systems covering taxation, licensing, and regulatory approvals.

This digital shift is not merely administrative. It represents a structural change in the relationship between the state and the private sector, reducing friction, lowering transaction costs, and improving transparency.

SECTORAL OPPORTUNITIES AND STRUCTURAL CONSTRAINTS

From an investment perspective, Ghana in 2026 presents a diversified opportunity landscape, albeit with persistent structural bottlenecks.

Agribusiness and Agro-Processing
Agriculture remains one of the most strategic sectors, not only for employment but also for industrial upgrading. The agribusiness market, estimated between €11–13.5 billion, is expanding at 6–8% annually. This growth is being driven by rising domestic consumption, urbanisation, and export potential under AfCFTA frameworks.

Significant investment gaps remain in cold-chain logistics, irrigation systems, mechanisation, and climate-smart agriculture. Over the next five years, investment needs are estimated at €1.8–2.7 billion. European firms are particularly well-positioned in technology transfer, processing equipment, and supply chain infrastructure.

Renewable Energy and Energy Transition
Ghana's energy transition agenda is becoming increasingly central to its development strategy. The country has set an ambitious target of achieving a 30–40% renewable energy mix by 2030. This includes solar farms, mini-grid systems for industrial zones, and wind energy development.

Investment requirements in this space are estimated at €0.9–1.8 billion over the next 5–7 years. However, the energy sector remains structurally constrained by legacy inefficiencies, including high utility debt, technical losses, and tariff distortions. These challenges continue to create fiscal pressure and represent a key risk factor for industrial competitiveness.

Infrastructure and Public–Private Partnerships
Infrastructure remains one of the largest investment frontiers, with an estimated market size of €13.6–18.2 billion. The government is increasingly relying on Public–Private Partnerships (PPPs) to close the infrastructure gap.

Priority areas include transport corridors, port modernisation, urban water systems, waste management, and emerging smart city initiatives. However, project bankability, regulatory consistency, and currency risk remain key considerations for investors.

Structural Constraints
Despite these opportunities, Ghana's economic structure continues to face three persistent constraints: energy sector inefficiencies, narrow fiscal space, and commodity dependence. These factors limit the pace of transformation and expose the economy to external shocks. In particular, reliance on gold, cocoa, and oil revenues creates cyclical vulnerability, while high debt servicing costs constrain fiscal flexibility.

POLITICAL ECONOMY AND RISK LANDSCAPE

While the macroeconomic outlook is stabilising, several downside risks remain relevant. Commodity price volatility continues to be a major external risk factor. Ghana's fiscal and export revenues remain highly sensitive to fluctuations in global gold, cocoa, and energy markets. This reinforces the need for diversification.

Debt servicing obligations remain structurally high, absorbing a significant share of public revenue. Although debt restructuring and IMF oversight have improved short-term stability, long-term fiscal sustainability depends on revenue expansion and growth acceleration.

Regionally, Ghana operates within a complex West African geopolitical environment shaped by instability in parts of the Sahel and shifting security dynamics within ECOWAS. These factors may affect trade routes, investor sentiment, and cross-border logistics.

Policy credibility remains another critical variable. Continued alignment between government policy and international financial institutions is essential to maintaining investor confidence. Any perceived deviation from reform commitments could rapidly increase risk premiums.

EU–GHANA ECONOMIC RELATIONS: A DEEPENING STRATEGIC PARTNERSHIP

Economic relations between Ghana and the European Union (EU) are evolving into a structured, investment-oriented partnership.

The Economic Partnership Agreement (EPA) remains the cornerstone of trade relations, enabling duty-free and quota-free access to EU markets for most Ghanaian exports. Annual trade flows exceed €10 billion, making the EU one of Ghana's most important economic partners.

The EU's Global Gateway strategy is increasingly visible in Ghana, focusing on three strategic pillars: green transition, digital economy development, and sustainable value chains. These interventions are designed not only to finance infrastructure but also to reshape Ghana's integration into global ESG-compliant production systems.

A significant recent development is the EU–Ghana Security and Defence Partnership, which reinforces Ghana's position as one of the most stable entry points for European investment in West Africa. This security dimension increasingly complements economic cooperation, particularly in a region facing rising instability.

EVOLUTION OF THE BUSINESS ENVIRONMENT: INSTITUTIONAL MATURATION

One of the most important structural shifts in 2026 is the institutional reconfiguration of investment governance.

The transformation of the Ghana Investment Promotion Centre into the Ghana Investment Promotion Authority (GIPA) represents a significant strengthening of regulatory architecture. As an Authority, GIPA carries enhanced enforcement capacity, improved coordination powers, and a clearer mandate to resolve inter-agency bottlenecks.

This institutional upgrade is particularly important for foreign investors, as it reduces fragmentation in regulatory processes and improves predictability. It also introduces more flexible frameworks for SME participation, lowering entry barriers for European mid-sized firms.

Digital-first compliance systems are also being rolled out, including a Single Window platform for permits, licensing, and business registration. This significantly reduces administrative delays and aligns Ghana with global best practices in investment facilitation.

At the same time, ESG compliance is becoming a defining feature of the investment environment. European firms are increasingly required—both by regulation and market expectations—to align with environmental and social governance standards. This is accelerating the integration of sustainability into Ghana's private sector ecosystem.

Conclusion: Ghana as a Transitional Investment Frontier

Ghana in 2026 stands at a critical intersection between stabilisation and transformation. The country has successfully moved beyond acute macroeconomic distress and is now consolidating a reform-driven growth model anchored in fiscal discipline, industrial policy, and digital modernisation.

However, this stabilisation remains conditional. Structural weaknesses in the energy sector, fiscal constraints, and external commodity dependence continue to shape the risk environment. The durability of the recovery will depend on sustained reform implementation and institutional credibility.

For European investors, Ghana represents a strategic frontier economy with asymmetric opportunities. The combination of a large agribusiness base, emerging industrial capacity, and expanding digital infrastructure creates multiple entry points for investment. When aligned with national priorities—industrialisation, green energy, and digital transformation—European capital and technology can play a catalytic role in shaping Ghana's next growth phase.

Ultimately, Ghana's 2026 outlook is not defined by rapid acceleration, but by structured transition. It is a story of gradual institutional strengthening, managed macroeconomic recovery, and the slow but deliberate construction of a more resilient economic model.

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FUTURE (ECONOMIC) OUTLOOK

The Guinean economy is experiencing exceptional acceleration, with GDP growth projected to exceed 10% on average between 2026 and 2028, driven by the launch of the Simandou iron ore deposit and rising bauxite production. This mining boom, which supports a stable sovereign credit rating outlook (B+), demands structural transformation to reduce poverty and diversify the economy.

Following estimated growth of 5.7%–6.1% in 2024, Guinea's future economic outlook — driven by mining-led growth — shows accelerating expansion, propelled by bauxite and especially the massive Simandou iron ore project, which became operational at end of 2025. Guinea has adopted a massive investment plan of €172 billion over 15 years (through 2040) to transform its economy. Inflation, which hovered around 8.1% in 2024, is expected to fall to approximately 3.5% in 2025, while foreign exchange reserves improve thanks to foreign direct investment (FDI). However, poverty remains a major challenge, affecting a large share of the population despite strong growth (52% below the poverty line according to 2025 data). The challenge lies in making this mining-driven dynamic more inclusive and developing non-mining sectors. The national strategy (Vision 2040) aims to transform the economy to ensure sustainable development and greater long-term prosperity.

BUSINESS & INVESTMENT ENVIRONMENT

The business environment in Guinea in 2026 is characterised by strong growth momentum, driven by the mining sector, with exceptional prospects linked to the Simandou project. Despite past political instability, reforms are underway (revision of the Investment Code in April 2026) to improve the business climate, although challenges persist in infrastructure and on the regulatory front.

Growth is expected to accelerate, with forecasts exceeding 10.5% on average over 2026–2029, supported by the exploitation of bauxite and Simandou iron ore. The mining sector remains dominant (95% of exports), but the government is encouraging diversification into agriculture, energy (a $7.6 billion investment strategy), and infrastructure. Regulatory reforms include a revision of the investment code launched in April 2026 to better channel capital and improve the legal framework.

However, past political instability, difficult access to electricity, administrative and fiscal burdens, and the need to improve human capital remain challenges, although progress is being noted. At the macroeconomic level, inflation is trending toward stabilisation (around 8% in 2024, with a projection of a sharp decline in 2025 according to the IMF). Guinea is thus positioning itself as a high-potential destination, transitioning toward middle-income status, supported by record international financing in 2024.

ECONOMIC OUTLOOK

European companies operating in Guinea in 2026 are evolving in a context of strong economic growth, driven by the mining sector, but continue to face complex structural and political challenges. The ongoing political transition, while progressing toward a return to constitutional order, sustains a climate of uncertainty.

More broadly, Guinea in 2026 is confronted with major structural challenges, marked by a strong dependence on the mining sector and a delicate political transition. Key issues include poverty reduction (affecting approximately 47% to 52% of the population in 2023–2025), inflation control (5.1% in 2024), economic diversification, the management of the Simandou mega-project for real local impact, and the mobilisation of domestic revenues.

Economic challenges remain numerous:

- Mining Dependence and Inclusion: Growth is largely driven by mining exploitation (bauxite/iron), but is not very inclusive, creating few jobs outside the mining sector.
- Local Content (Simandou Project): The challenge is to transform the Simandou project into a driver of local development rather than a mere raw material export operation, ensuring the integration of Guinean businesses.
- Poverty and Inflation: The poverty level remains high, and inflation erodes purchasing power, particularly for young people.
- Public Finances: The budget deficit, although slightly declining, remained high (approximately 4.1% to 4.8% of GDP in 2024–2025), driven by public investment, with rising public debt.
- Revenue Mobilisation: Low tax collection limits public investment.

Likewise, political and structural challenges persist:

- Political Transition: Managing the transition period and returning to constitutional order are crucial issues for the country's stability.
- Weak Governance and Infrastructure: Institutional challenges and a lack of basic infrastructure hinder overall economic development.
- Informal Sector: A large portion of the economy remains informal (42% of GDP), limiting the tax base.

In terms of outlook, success will depend on the government's ability to improve governance, diversify the economy beyond mining, and ensure that mining revenues directly benefit the population through infrastructure and social services.

OTHER REGULATORY AND LEGAL CHALLENGES IN GUINEA

Guinea faces a multitude of regulatory and legal challenges in 2026, exacerbated by the transition period and ongoing structural reforms.

The main areas identified:

1. Governance, Justice, and Rule of Law

- Institutional strengthening: The weakness of institutions and governance structures undermines respect for the rule of law and the protection of human rights.
- Judicial independence: The need to strengthen the judicial system by reducing political interference and ensuring fair and equitable trials, particularly in the context of the fight against corruption.
- Reform of the magistrates' statute: A bill is currently under review to modernise the sector, strengthen the independence of magistrates, and restore citizens' trust.

2. Legal Framework and Corruption

The persistence of corruption and the lack of accountability hinder socio-economic progress and require robust anti-corruption reforms, particularly in public procurement.

Legal gaps remain, especially in digital areas, highlighting the need to adopt specific legislation to regulate cyberspace, protect personal data, and combat illicit content (identity theft, online abuse, etc.) on social media.

In another area, medical law is still developing, with an insufficient body of specific rules that often requires recourse to general law.

3. Land and Natural Resources

Land reforms are hampered by the limited recognition of collective customary rights, inadequate dispute resolution mechanisms, and inequitable access to land for women.

The major legal challenge lies in striking a balance between state sovereignty over its resources and the legal security demanded by international investors, particularly through stabilisation clauses in contracts.

4. Business Law and Regulatory Environment

- Compliance and risks: Companies must navigate a complex regulatory framework (fiscal, social) and anticipate emerging risks, including cybercrime.
- New Constitution: The promulgation of Guinea's new Constitution, adopted by referendum on September 21, 2025, and enacted on September 26, 2025, marks a profound overhaul of Guinea's legal and institutional framework. It establishes a restructuring of the Institutional Architecture:
  - Bicameralism: The constitution establishes a bicameral Parliament, introducing a Senate (upper chamber) alongside the National Assembly (lower chamber), a first in the country's constitutional history.
  - Special Court of Justice: Creation of a Special Court of Justice of the Republic, with jurisdiction to try the Head of State and members of the government in cases of high treason, strengthening the accountability of leaders.
  - Strengthening of the Judiciary: The text redefines the role of the Supreme Court and the Constitutional Court, with organic laws enacted in late 2025 to govern their functioning.

This constitution represents the culmination of the transition initiated after the 2021 coup, sealing the national pact and marking the end of the exceptional period.

Legitimacy: With a voter turnout of 86.42% and 89.38% of votes in favor, it aims to legitimise the new legal framework in the eyes of the population and the international community.

It also includes a reorganisation of Powers:

- Presidential Term: The presidential term is set at seven years, renewable once.
- Control of Political Parties: The new organic laws enacted by the transitional president on November 25, 2025, strictly regulate the activities and functioning of political parties.
- Democratic Guarantees: The fundamental law reaffirms adherence to fundamental freedoms, equality before the law, and the rejection of any form of unconstitutional seizure of power.

Although presented as a necessary overhaul, observers have raised questions about the transparency of the drafting process, the extension of the presidential term to 7 years (compared to the 5 years initially envisaged), and the risk that certain institutions could become shields of impunity.

Regarding Social Rights and Gender: Despite legal advances (Children's Code, anti-discrimination legislation), the effective enforcement of laws for gender equality remains a challenge.

These issues require comprehensive reforms to modernise public administration, strengthen transparency, and improve legal certainty for citizens and investors.

POLITICAL AND ECONOMIC CHALLENGES

European companies operating in Guinea are evolving in a high-potential environment, particularly in the mining and agricultural sectors, but face significant structural challenges. Despite ongoing reforms and projected economic growth exceeding 8%, several economic, legal, and regulatory obstacles will persist through 2026.

Political challenges and legal certainty (transition and stability, legal certainty, and business climate under review, but still marked by bureaucratic burdens), economic and financial challenges (infrastructure and energy, access to financing and liquidity, inflation and purchasing power, dependence on the mining sector), and operational risks (shortage of skilled labor, logistics, and cross-border issues).

Guinea, therefore, faces multiple regulatory and legal challenges that hinder its socio-economic development and the consolidation of the rule of law. These issues affect key sectors such as governance, mining, land tenure, and the digital transition.

Main legal and regulatory challenges identified in 2026:

- Instability and compliance in the mining sector: A major issue lies in striking the balance between state sovereignty over its resources and the legal certainty required by investors, particularly through the enforcement of stabilisation clauses in contracts.
- Governance and anti-corruption: Despite the establishment of the CRIEF (Court for the Repression of Economic and Financial Offences), the fight against corruption must address the challenges of transparency and the right to a fair trial. Political fragmentation also complicates the implementation of structural reforms.
- Land insecurity and local rights: The legal land framework struggles to reconcile large-scale exploitation projects (mining/agriculture) with the customary rights of local populations, which are often poorly recognised, and with women's equitable access to land.
- Digital legal framework and cybercrime: A legislative gap exists regarding the regulation of social media, the protection of personal data, and the prosecution of illicit content (online abuse, identity theft), requiring swift legislative action.
- Reform of the judicial system: Modernising the judicial sector requires an overhaul of the magistrates' statute to guarantee their independence, restore citizens' trust, and ensure legal certainty.
- Human rights and gender equality: Despite legal advances, the effective implementation of protections for women against violence and discrimination remains a persistent challenge.
- Healthcare regulation and medical liability: Health law suffers from a lack of specific rules, requiring the complex application of general law to medical liability.

These challenges, combined with high inflation and unstable energy infrastructure, compel companies to maintain rigorous regulatory compliance management.

GUINEA'S INTEGRATION INTO EUROPEAN UNION POLICIES

Guinea's integration into European Union policies is based on a strategic partnership (Samoa Agreement) focused on governance, sustainable development, and migration, supported by 362 million euros (2021–2027) through the "Global Gateway" strategy.

The Team Europe initiative funds infrastructure, green economy, and stability projects, including road connectivity, while also managing migration challenges.

The main pillars of integration and cooperation are:

- Legal Framework: Relations are now governed by the Samoa Agreement (in force since November 2023), replacing the Cotonou Agreement, encompassing political and economic dialogue as well as the defense of human rights.
- Global Gateway Strategy: The European Union is investing in sustainable connectivity and infrastructure across partner countries — spanning digital networks, energy systems, transport, health, and education — with the aim of fostering resilient supply chains, promoting sustainable development, and deepening strategic partnerships between the EU and its global partners.
- Economic and Green Cooperation: The European Union places emphasis on the green and blue economy, inclusive growth, and support for decent jobs.
- Migration Management: Guinea is a key partner for the European Union in managing migration flows; despite a high number of irregular arrivals, Guinea ranked among the top nationalities in 2024.
- Financing: An envelope of 362 million euros has been allocated for the 2021–2027 period, involving the EU, the European Investment Bank (EIB), and member states (France, Germany, Italy, Belgium, Spain).
- Gender and Development: The cooperation incorporates the EU Gender Action Plan and supports Guinea's National Gender Policy.

EU-GUINEA ECONOMIC RELATIONS

Investment and Trade

Economic relations between the European Union and Guinea are strong, with the EU being a major partner focused on sustainable growth, private sector investment, and trade, with approximately 28% of Guinea's imports originating from the European Union in 2022 (machinery, vehicles, food products).

In terms of investment and cooperation, the European Union supports Guinea's economy through projects such as Guinée Créative (women's empowerment), the revival of the pineapple supply chain, and vocational training.

In April 2026, high-level meetings aimed to strengthen and innovate the axes of cooperation, particularly in the area of public finance management.

Member states (France, Germany, Belgium, the Netherlands) have a strong presence in the infrastructure, energy, and mining sectors.

Guinea, within the framework of ECOWAS, has signed Economic Partnership Agreements (EPAs) with the European Union, allowing duty-free access for many Guinean products to the EU market.

As a Least Developed Country (LDC), Guinea benefits from advantageous trade preferences.

France remains a key partner, with trade rising sharply in 2024 (€235.9 million), dominated by mechanical and electrical equipment.

The key sectors are mining (Bauxite/Alumina), agriculture and agro-industry, infrastructure and energy, as well as technical and vocational training.

TRENDS IN EUROPEAN BUSINESS IN GUINEA AND EUROPEAN COMMERCIAL PRESENCE

In 2026, the European commercial presence in Guinea is characterised by a strengthened strategic engagement, focused on economic diversification, local transformation, and sustainable development, drawing heavily on the Global Gateway initiative. The European Union remains a major trading partner — Guinea's second largest after China — with a clear ambition to move beyond the exclusive exchange of raw materials toward a more structural form of cooperation.

Key trends in 2026

- Priority Investment Sectors (2026): European companies are focusing on large-scale infrastructure projects and the development of local resources:
  - Mining and Energy: France and other EU member states maintain a strong presence in mining (bauxite, gold, iron), with a particular focus on the Simandou project. Significant investments are planned for the reinforcement of electricity transmission networks (714 km of high-voltage lines toward Mali).
  - Infrastructure and Transport: Road construction projects, including the modernisation of the Boké–Guinea-Bissau border axis, and waste management (Zacopé storage center).
  - Agro-industry: A boom in agricultural exports to the EU (mangoes, dried pineapples, fonio, coffee, cocoa), which tripled between 2021 and 2024.
  - Health and Training: Modernisation of hospitals (Yomou) and the creation of vocational training centers (Kipé, Matoto, Koba, Mamou).

Trends in European commercial presence

- SME Support: The European Union is funding the TRANSFORM program (€9.75 million), implemented by the ITC, to strengthen the competitiveness of 100 Guinean SMEs, particularly in the agri-food sector.
- Structuring of the Fruit Supply Chain: Belgian and European partnerships are developing to improve the quality and certification of mangoes and pineapples.
- CSR and Sustainability: The European Chamber of Commerce in Guinea (Eurocham/EBO) has placed emphasis on Corporate Social Responsibility (CSR), inclusive growth, and biodiversity.

Economic Context and Partnership

- Economic Partnership Agreement (EPA): Discussions aim to remove tariffs on nearly all Guinean exports to the European Union, while protecting sensitive local products.
- 2026 Momentum: Guinea, emerging from its 2025 electoral cycle, is experiencing projected growth exceeding 8% in 2026, attracting increasing interest from European investors. France remains a key player, with bilateral trade diversifying despite challenges related to the business climate.

In summary, the trend in 2026 is one of a more mature EU–Guinea partnership, where European companies are no longer merely buyers of raw materials, but active participants in local transformation and infrastructure development, within a framework of sustainable development.

OPPORTUNITIES AND CHALLENGES

Impact on Guinea of Changes in U.S. Customs Duties

The changes to U.S. customs duties in 2025–2026, marked by the imposition of tariffs of 10% to 15% on many imported products, have had a mixed impact on Guinea's economy.

Since January 2022, Guinea has been excluded from the African Growth and Opportunity Act (AGOA) for non-compliance with rule of law criteria. This means that Guinea was not benefiting from duty-free access even before the new 2025 tariffs were introduced.

It should be noted that reintegration into AGOA appears difficult for Guinea. In February 2026, Congress extended AGOA until December 31, 2026, but 17 countries, including Guinea, remain ineligible.

The increase in U.S. tariffs has further complicated the export of raw materials, particularly gold, while having a limited effect on agricultural products exported by the diaspora.

The main impacts identified in 2026 are:

- Surcharges on Guinean exports — tariffs of 10% to 15%: Guinea, like many countries, has been hit by U.S. customs duties (10% in April 2025, sometimes 15% or more depending on sector-specific announcements), making Guinean products less competitive.
- Impact on gold and diamonds: These sectors are the most threatened. Guinean gold, which previously entered duty-free, is now taxed, reducing its competitiveness against domestically produced gold in the United States.
- Limited impact on agriculture: For products such as fonio or dried mango, destined primarily for the diaspora, the impact is considered less severe.
- Low trade volumes: Local analysts estimate that the impact is limited due to the low volume of Guinea's direct exports to the United States.
- Price volatility: U.S. tariff policy is generating global volatility, affecting the prices of raw materials that Guinea exports, although bauxite remains structurally indispensable to the U.S.
- Risk of recession: The new U.S. tariffs, which also apply to manufactured goods, limit opportunities for industrial diversification.

In summary, for Guinea, the situation is characterised less by a "loss" of AGOA benefits (already lost in 2022) than by a direct surcharge on its raw materials (gold) and reduced competitiveness in the face of the new U.S. trade policy, although the impact on GDP is considered moderate given the low intensity of direct trade exchanges.

Geopolitical Tensions: Guinea's Exposure

Following his election to the presidency of the Republic of Guinea on December 28, 2025 (confirmed in early 2026), General Mamadi Doumbouya has engaged the country in a new geopolitical phase marked by a desire for greater sovereignty, but also by exposure to several tensions.

Diplomatic Realignment and Internal Reorganisation

- Mass recall of ambassadors: In March 2026, President Doumbouya recalled 12 of Guinea's ambassadors, particularly from Africa and the West, signaling a reorganisation of diplomacy and a change in diplomatic personnel.
- Return to the African stage: Despite the nature of his election, Guinea began a return to the African Union (AU) in February 2026, seeking to normalise its relations following the transition, although the legitimacy of the vote was contested due to the absence of any real opposition.
- Attractiveness vs. Security: Guinea, holder of significant resources (bauxite, iron), is at the center of competition between the United States and China. In February 2026, the government sought to strengthen its partnerships with American investors at summits on critical minerals, while maintaining ties with China.
- Pressure on investors: Mining sovereignty, with the requirement for local transformation, constitutes an area of tension with multinational companies, requiring a careful balance to avoid triggering disinvestment.
- Electoral context: The late 2025 election, from which the opposition was absent and excluded, created a tense political climate, with reports of armed destabilisation attempts shortly before the vote.
- Relations with ECOWAS: Although working relations are maintained, the retention of power by military coup leaders through elections — as seen in Guinea, Mali, Burkina Faso, and Niger — creates fundamental divergences with ECOWAS democratic norms, exposing the country to a degree of regional mistrust, even though Guinea is actively present at African Union summits.
- Lack of Western recognition: The holding of an election "without genuine opposition" may limit relations with the European Union and the United States, which demand an inclusive constitutional return to order.
- Economic dependence: Managing the transition toward a "sovereign" economy requires financing, exposing Guinea to economic risks should traditional Western partners reduce their aid.

In summary, at the start of 2026, Guinea is asserting itself as a sovereigntist actor, diversifying its alliances, but remain exposed to risks of domestic political volatility and diplomatic tension with Western actors who consider the 2025 electoral process to have been non-inclusive.

ESG Trends

In 2026, the landscape of Environmental, Social, and Governance (ESG) criteria in Guinea is undergoing a major transformation, driven by the intensification of European regulations and the need for companies to comply with local legislation.

European companies, particularly in the mining and energy sectors, are adapting to a more rigorous framework (CSRD, EUDR) by embedding sustainability at the core of their strategy, rather than treating it as a mere reporting exercise.

The ESG Landscape and Adaptation to Regulations:

- European regulatory pressure: The Corporate Sustainability Reporting Directive (CSRD) and the Carbon Border Adjustment Mechanism (CBAM) impose greater transparency across value chains, including for operations in Guinea.
- Local adaptation: European companies in Guinea, often federated through the European Chamber of Commerce (EBO Guinea), are aligning with Corporate Social Responsibility (CSR) standards to manage climate and social risks.
- Data transparency: The integration of ESG standards is correlated with improvements in mining governance, with an increased requirement for traceability.

Emerging Sustainable Development Initiatives (2026):

- Green and blue economy: The European Union is supporting the Sanita 3 "Clean and Sustainable Cities" project in Conakry and Kindia, including a temporary waste storage center in Zagope.
- Local transformation: To diversify the economy (beyond bauxite), the European Union is supporting 100 SMEs in agri-food and fisheries processing.
- Structural investments: The EU–Guinea partnership places emphasis on vocational training (centers in Kipé, Matoto, Koba, Mamou) and renewable energy.
- Entrepreneurship support: The TRANSFORM initiative aims to strengthen the resilience of Guinean SMEs.

With the introduction of the EU Corporate Sustainability Due Diligence Directive (CSDDD) in 2026, companies are required to address environmental and social impacts in a binding manner, generating implementation challenges: despite strong commitments, adaptation remains complex due to pressures on ecosystems (e.g., the Nimba Mountains) and the need to reconcile mining exploitation with sustainable development.

In this regard, EBO Guinea is seeking to play its role by bringing together European and Guinean stakeholders to identify CSR levers and ensure compliance with international standards.

In summary, 2026 marks a turning point at which ESG in Guinea moves beyond discourse to become a compliance obligation and a driver of competitiveness for European companies, integrated into the country's 172-billion-dollar transformation plan with a horizon of 2040.

Redistribution and Resilience of Supply Chains in Guinea

The global trade environment (2024–2026), marked by geopolitical tensions, the pursuit of strategic minerals for the energy transition, and the need to diversify supply sources, is profoundly reshaping supply chains in Guinea. Guinea is transitioning from the role of a simple exporter of raw materials to that of a major actor integrated into global value chains, notably through the bauxite boom and the Simandou iron mega-project.

This context is reshaping the resilience and distribution of supply chains in Guinea in the first half of 2026:

- **Bauxite as a Pillar of Global Resilience:** An undisputed world leader, Guinea has become the world's leading bauxite exporter, consolidating its position. In 2025, exports reached more than 182 million tonnes. Global demand, particularly from China, has driven exports to record levels, with forecasts exceeding 200 million tonnes in 2026. Since 2026, a trend toward strategic reorientation for greater added value is worth highlighting: faced with falling ore prices and rising costs, the Guinean government announced in March 2026 a limitation on bauxite export volumes. This measure aims to control the market, protect smaller producers, and compel local transformation. This policy particularly targets large producers linked to Beijing, such as the Société Minière de Boké (SMB) and Chalco, to align exports with national interests.

- **The Simandou Mega-Project and Logistical Transformation:** The Simandou iron project is at the heart of the strategy. The commissioning of the Port of Morébaya and its associated railway line is reshaping the logistics of the mining sector. Guinea aims to become a logistical hub for West Africa, by building new deep-water ports (Gonzales, Dobali) to rival Tanger-Med or Durban.

Despite these advances, the resilience of Guinea's supply chain remains fragile:

- Import dependence: Guinea is heavily reliant on external sources for petroleum products, capital goods, and foodstuffs (rice).
- Logistical shocks: The explosion at the Conakry fuel depot in December 2023 highlighted the country's vulnerability, requiring emergency measures to secure fuel supply.
- Structural obstacles: Weak infrastructure (outside the mining sector), a shortage of local skills, and persistent political instability limit the impact of the mining boom on the local economy.

Although China remains the primary partner (bauxite), Guinea is seeking to diversify its alliances to strengthen its sovereignty, particularly by involving Western partners in the development of logistics and railway infrastructure linked to Simandou.

In summary: Guinea is reshaping its supply chains, transitioning from the status of a raw supplier to that of a strategic partner. It is leveraging its resources to attract massive investment in infrastructure, seeking to transform a mining dependency into a lever of economic sovereignty, while attempting to better control its exports in the face of market volatility.

GUINEA'S ECONOMIC RESILIENCE IN AN UNSTABLE GLOBAL CONTEXT

In the face of global economic crises, Guinea is deploying an economic resilience strategy focused on mining, agricultural diversification, and infrastructure development, targeting growth estimated at over 8% in 2026. The country is banking on the transformation of its resources, notably through the Simandou mega-project, while seeking to stabilise its macroeconomic framework.

The Simandou iron project, launched in November 2025, is at the heart of the strategy, aiming to transform national resources to boost growth.

To reduce dependence on the mining sector and mitigate shocks, Guinea is investing in agriculture, which employs 80% of the active population, despite its low contribution to GDP (less than 20%).

The government has also implemented structural reforms, including the creation of the Court for the Repression of Economic and Financial Offences (CRIEF) in 2021.

The budget deficit was reduced to 4.1% of GDP in 2025, compared to 4.9% in 2024.

In terms of strategic partnerships and investments, China remains a major partner, particularly in mining infrastructure. The World Bank also announced support of USD 897 million for economic diversification in November 2025.

Economic Indicators and Challenges (2025–2026):Economic Growth

Economic growth remains strong, estimated at 6.9% in 2025 and projected to exceed 8% in 2026, despite ongoing liquidity crisis.

Although inflation is under control (approximately 5.1% in 2024, with a slight rise to 5.8% in March 2026), it continues to affect purchasing power, with a poverty rate of 52%.

Authorities must address the need to translate mining growth into jobs, manage the "Dutch disease" (currency appreciation), and improve debt management, which stands at approximately 47.9% of GDP in 2025 according to the World Bank.

The state budget for 2026, amounting to USD 7.3 billion, reflects a determination to continue these investments despite an uncertain global environment.

Rapid growth is accompanied by major structural and cyclical challenges in maintaining Guinea's economic stability in the face of global uncertainties.

Main challenges identified for 2026:

- Dependence on mining sector volatility: Guinea's economy relies heavily on the export of bauxite and, increasingly, iron. Fluctuations in global commodity prices, Chinese demand, and logistical shocks can rapidly destabilise state revenues, eroding the competitiveness of other sectors such as agriculture.
- Liquidity risks and monetary management: Despite rising foreign exchange reserves, Guinea has been facing fiduciary liquidity crises (banknote shortages) since early 2026, requiring significant currency injections by the Central Bank, which raises inflationary risks.
- Energy and infrastructure insecurity: The persistence of power outages, linked in particular to hydroelectric production problems (Souapiti dam), hinders economic diversification and increases production costs, worsening supply difficulties.
- Low growth, inclusivity, and poverty: Strong growth has not yet translated into a significant reduction in poverty, which affects more than 50% of the population. This creates intense social pressure that can destabilise the political and economic environment.
- Pressure on public finances and inflation: Although the budget deficit is narrowing, it remains high (approximately 4.1% to 4.8% of GDP). Energy subsidies (Electricité de Guinée) weigh heavily on the budget, while inflation erodes household purchasing power.
- External shocks and geopolitical uncertainties: In a context of global tensions (Middle East), rising energy and fertiliser costs threaten food security and the trade balance, making the country vulnerable to imports.

To address these challenges, Guinea is banking on governance reforms, improvements in domestic revenue mobilisation (taxation), and economic diversification to maximise the impact of the Simandou project by 2030.

Regarding inflation, interest rate volatility, and supply chain disruptions, Guinea in 2026 is pursuing an economic resilience strategy in the face of persistent inflation on consumer goods, monetary volatility, and supply chain shocks.

The government and the Central Bank of the Republic of Guinea (BCRG) are adopting an approach combining monetary tightening, exchange rate management, and structural investment.

The main approaches to addressing these challenges are as follows:
Fighting inflation and managing rate volatility:

- Active Monetary Policy: In April 2026, the BCRG adjusted its key interest rates (lowering to 9.50%) to stimulate bank liquidity while maintaining price stability. Inflation, although moderate, showed pressures, particularly on food products in early 2026.
- Inflation Targets: Projections for early 2026 targeted inflation of around 4.5%, below the ECOWAS community norm (<5%).
- Guinean Franc (GNF) Anchoring: Authorities are working to stabilise the exchange rate to mitigate import costs, with forecasts of a stabilised rate of around 8,800–8,900 GNF per US dollar.

Approaches to mitigating supply chain disruptions:

- Supplier Diversification: To address global logistical delays, Guinean companies are being encouraged to broaden their supplier networks, reducing dependence on single corridors.
- Infrastructure (Simandou Project): The 2026 budget (USD 7.3 billion, up 18.3%) incorporates massive investments in infrastructure (roads, port facilities) linked to the Simandou project, aiming to ease logistical bottlenecks.
- Strategic Stockpiling: In response to rising transport costs, maintaining safety stocks of essential goods is being encouraged to absorb price shocks.

Fiscal measures and 2026 outlook combine growth and resilience: Economic growth is solid, driven by the mining sector and public investment, expected to exceed 8% in 2026.

The 2026 budget adopts a "program-based budgeting" approach, aiming for greater transparency and rigorous debt management to limit the impact on inflation.

In March 2026, high-level meetings brought together the BCRG, the Chamber of Commerce, and the private sector to define coordinated responses to the liquidity crisis and inflationary pressures.

To address these issues and challenges, Guinea is implementing several strategies to diversify its trading partners and reduce its dependence, particularly on China, which absorbs a large share of its bauxite exports. This dynamic is intensifying in 2026 with structural reforms and large-scale projects:

- Revision of the Investment Code (April 2026): The government launched a major revision of its code to modernise the business climate, provide security for investors, and attract capital from new geographic areas. This reform aims to direct investment toward local transformation and create a more competitive economy.
- TRANSFORM Program with the European Union: Funded by the European Union and implemented by the International Trade Centre (ITC), this €9.75 million program targets SMEs to strengthen competitiveness and diversify exports, particularly in agri-food and fisheries.
- Strengthening ties with Turkey: A business meeting was held in April 2026 in Conakry to boost the partnership with Turkey in trade and industry.
- Revitalising relations with France: Economic forums are being organised to attract French investment, with rising trade in 2024–2025 (infrastructure, services).
- Technological partnerships: Guinea is equipping itself by training local actors (industry players, SMEs) in the mechanisms of foreign trade to export to diversified markets.
- Simandou: The Simandou iron project is at the heart of the strategy. Although China is the primary partner, the objective is to use this integrated project (mines-infrastructure) to transform Guinea's economic structure by 2040.
- Sovereign Wealth Fund (planned Q2 2026): The objective is to use mining revenues to fund education, agriculture, and industry, thereby reducing dependence on external shocks.
- Common External Tariff (CET): Guinea has applied the ECOWAS CET since 2017 to promote intra-African trade.
- Strengthening competitiveness: Current strategies aim to better leverage free trade agreements on the African continent to reduce the predominance of exports to Asia.

These efforts aim to transition from a mining rent economy to a more diversified and resilient economy, by reducing vulnerability tied to a limited number of raw materials and partners.

Foreign direct investment (FDI) in Guinea is experiencing strong growth momentum, primarily driven by the mining sector, with inflows that are reported to have doubled to approximately USD 1.8 billion in 2024, compared to USD 893 million in 2023.

This increase is largely supported by large-scale projects, particularly in Simandou iron ore:

- **Growth in Flows:** After USD 893 million in 2023, FDI flows saw a significant increase in 2024, according to UNCTAD.
- **FDI Stock:** The total FDI stock stood at USD 6.1 billion in 2023, reflecting an established foreign presence.
- **Key Sectors:** Investments remain heavily concentrated in the extractive sector (bauxite, Simandou iron) and energy/transport, with limited diversification. France maintains a notable presence, with a net FDI stock of EUR 1.1 billion in 2023 and flows of EUR 43 million, primarily in distribution, construction, and banking services.
- **Outlook:** Although the mining potential is attractive, the country is seeking to diversify its investments, particularly toward agriculture, to strengthen its attractiveness relative to its West African neighbors.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–GUINEA BILATERAL TRADE

Global trade uncertainty in 2025–2026, marked by geopolitical tensions, tariff increases, and supply chain disruptions, is exerting significant pressure on bilateral trade relations between the European Union and Guinea. Although global trade experienced growth in 2025, the outlook for 2026 remains fragile.

Trade Slowdown and Volatility (2025–2026)

Following a slowdown observed in August 2025, marked by a monthly contraction in Guinean exports (bauxite, gold, cashews), Guinea's foreign trade is subject to global volatility. The vulnerability of raw materials means that Guinean exports to the EU, heavily concentrated in mineral and agricultural products, are particularly exposed to European demand shocks linked to economic uncertainty. If global trade progressed in 2025, the pace of growth is expected to slow in 2026, limiting opportunities for rapid expansion of EU–Guinea trade. Guinean exporting companies must adapt to new EU environmental regulations (such as the Carbon Border Adjustment Mechanism), which increases compliance costs in the short term. In response to global shocks, European importers are diversifying their suppliers, which can represent an opportunity for Guinea to strengthen its position, but requires significant logistical responsiveness.

Structural Challenges and Opportunities (Global Gateway)

Global uncertainty accentuates issues related to infrastructure and transport costs, hindering the competitiveness of Guinean products. The EU is deploying financial and technical instruments (Global Gateway) aimed at securing supply chains for critical raw materials, which can support investment in Guinea's mining and agricultural sectors.

Macroeconomic Context and Trade Balance

Despite uncertainties, Guinea's trade balance showed signs of resilience with a surplus in 2025, supported by demand for raw materials. The volatility of transport and food prices is impacting Guinea's import costs from the EU, although global inflation has tended to moderate.

For 2026, the challenge for Guinea is to navigate an unpredictable trade environment by strengthening the compliance of its products with European standards and leveraging sustainable EU investments, while managing the price volatility of its raw materials.

Growing global trade instability, marked by protectionism and the geopolitical instrumentalisation of trade, is affecting the competitiveness of European companies in Guinea by increasing operational costs and complicating access to strategic raw materials in the face of heightened competition.

For EU–Guinea bilateral trade, this is leading to a fragmentation of trade flows, forcing the EU to refocus on long-term investments and strategic partnerships to maintain its influence, as well as the impact on the competitiveness of European companies in Guinea:

- Unfair competition and production costs: European companies, often subject to strict sustainability standards, face competition from heavily subsidised actors (particularly Chinese) who charge lower prices and benefit from massive government support.
- Supply chain volatility: Global protectionism, characterised by customs duties and restrictions, increases the cost of inputs, dampening foreign direct investment (FDI) and the competitiveness of European subsidiaries in Guinea.
- Risk of trade blockages: The political instrumentalisation of trade limits export and import options, making European companies vulnerable to unilateral decisions by host or competitor countries.
- Increased competition in key sectors: China and other actors are strengthening their presence in the mining sector (bauxite) and infrastructure, reducing the traditional technological and financial advantage of European companies.

The impact on EU–Guinea bilateral trade (2026 outlook) requires a strategic reorientation of the partnership. In the face of these challenges, the EU is focusing its partnership on structural investments in infrastructure, energy, and local transformation, rather than on simple trade exchanges, with enhanced support for around one hundred Guinean SMEs, particularly in the agri-food sector.

Despite instability, Guinean agricultural exports to the EU tripled between 2021 and 2024, reaching €150 million. The EU is seeking to reinforce this trend by supporting local transformation to create more added value in Guinea.

It is adopting industry protection measures (e.g., Industrial Accelerator Act), which could paradoxically make bilateral trade more selective, targeting specific and sustainable areas of cooperation rather than mass free trade.

Finally, it is intensifying its investments under the TRANSFORM program (nearly €10 million) and in bauxite-to-aluminum transformation projects, seeking to secure its supply of critical minerals in a responsible manner.

Europe in Guinea is shifting from a volume logic to a logic of sustainable strategic partnership, essential for countering competitive protectionism and ensuring a long-term presence in a Guinean market seeking local transformation.

However, although Guinea benefits from preferential agreements, the strict standards imposed by non-EU countries or the complexity of local procedures (sometimes influenced by third-party actors) complicate matters.

A concrete example: a European SME operating in the agri-food sector in Guinea must obtain compliance certifications to export, but local customs procedures are lengthy and inefficient.

Protectionist policies from outside the EU are thus transforming Guinea into "a playing field" where European companies face higher production costs, more complex logistics, and unfair competition from redirected Asian or American products.

European companies operating in Guinea are therefore strongly impacted by protectionist policies and trade tensions emanating from third countries not affiliated with the EU, particularly China and the United States. These measures increase production costs, disrupt supply, and intensify local competition.

In April 2025, the U.S. administration imposed tariffs ranging from 10% to 50% on several African countries, including Guinea. Thus, a European mining or raw material processing company in Guinea that was exporting semi-finished products to the United States through subsidiaries faces a drastic 10% increase in its customs costs. The impact is a reduction in the profitability of European investments and makes Guinean products less competitive on the American market compared to other geographic areas.

On the Chinese side, China is a major trading partner of Guinea (and a net importer of bauxite). The dependence of European construction or energy companies in Guinea on Chinese machinery or components means that if China imposes export restrictions to preserve its own resources, or imposes tariffs on its own exports (in a trade war logic), European projects in Guinea are slowed down. The impact is increased logistics costs and project delays.

Another example illustrates this issue: when the United States or the EU imposes sanctions on certain countries, those countries redirect their exports to other markets, such as Guinea. For example, Asian agri-food or industrial products that can no longer easily enter Europe or the U.S. due to trade barriers are sold at low prices in Guinea. The impact on European companies based in Guinea (e.g., in import-export or agro-industry) is that they lose market share to these cheaper products.

Faced with these difficulties, over the next 12 to 24 months (April 2026 – April 2028), trade between Guinea and the EU is expected to undergo a phase of structural transformation, marked by an intensification of technical cooperation and increased support for the diversification of Guinean exports, while maintaining the EU as a strategic trading partner — though still secondary to China.

The main foreseeable impacts are as follows:

- **Increase and diversification of agricultural exports to the EU:** Following a tripling of Guinean agricultural exports to the EU between 2021 and 2024 (reaching €150 million), the trend is expected to continue around the following key products: coffee, cocoa, mangoes, dried pineapple, fonio, and parboiled rice, which are targeted by EU support programs to meet European sanitary standards.
- **SME support:** The TRANSFORM program, launched by the EU in April 2026, is expected to support around one hundred Guinean SMEs to strengthen local transformation, increasing the added value exported.
- **Mining sector:** Although raw bauxite exports dominate, the Guinean government, supported by the European Investment Bank (EIB), is pushing for local transformation (alumina). Guinea is considering limiting its raw bauxite exports in 2026 to force the construction of refineries, which could slightly reduce the raw volume toward the EU in favor of a higher market value per tonne in the medium term.
- **Simandou 2040:** The development of the Simandou project, with its railway and port infrastructure, is expected to intensify overall trade flows, including European investments in machinery and technology.
- **Impact of environmental regulations:** Compliance with new EU rules (on coffee, cocoa, timber) will be crucial. The EU is funding protection projects, particularly in the Nimba Mountains region, to help producers adapt.
- **Carbon Border Adjustment Mechanism (CBAM):** Energy-intensive products could be subject to EU border adjustments, incentivising greener production in Guinea.
- **Cooperation and structural investments:** The EU is deploying its Global Gateway strategy (€362 million in grants over 2021–2027) to support the green and blue economy.
- **Vocational training:** New training centers in Kipé, Matoto, Koba, and Mamou (2026) aim to address the skilled labor shortage, thereby facilitating the operationalisation of companies working with the EU.

In conclusion, these elements highlight a framework in profound transformation in Guinea, marked by strong opportunities driven by the Simandou mining project, while underscoring persistent structural challenges for European companies:

Economic Outlook and Investment Framework

- Solid Growth: Economic momentum is strong, with GDP growth expected to exceed 8% in 2026, supported by the mining sector (bauxite and the giant Simandou project) and public investment.
- Revision of the Investment Code: In April 2026, Guinea launched the revision of its investment code to better align it with current economic ambitions, which could simplify the legal framework for foreign investors.
- EU–Guinea Partnership: 2026 is identified as a major turning point in cooperation. The EU is funding structural programs (over €9 million for the TRANSFORM program) to stimulate employment, industry, and local transformation, particularly in agri-food and fisheries.

Promising Sectors for European Companies

- Mining and Infrastructure: Investments linked to Simandou and the Simandou 2040 plan offer massive opportunities, not only in extraction but also in related infrastructure (construction, railway, ports).
- Energy and Sanitation: Structural projects are planned to improve energy supply and waste management, with EU support.
- Agro-industry and Green Economy: Supporting the creation of local value and the transformation of agricultural products is a priority for diversifying the economy.

Challenges and Risks for European Investors

- Administrative Procedures: Despite improvements, the complexity of inspection and taxation procedures remains an obstacle.
- Infrastructure and Energy: Guinea faces recurring power outages, which impact industrial production.
- Business Environment: The country ranks low on the Human Development Index (HDI), signaling social and governance challenges to be taken into account.
- Informality: A large part of the economy remains informal, which can complicate compliance for European companies.

Guinea is positioning itself as a land of strategic partnerships for European companies. To succeed, they must align their projects with the country's structural transformation vision (Simandou 2040) and sustainable development, while anticipating risks related to logistics and administrative procedures.

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FUTURE (ECONOMIC) OUTLOOK

Kenya's economic outlook remains broadly positive, with steady medium-term growth of an average of 5% supported by infrastructure development, regional trade, energy expansion, and a resilient services sector. The country continues to position itself as a regional hub for East and Central Africa, anchored by the Port of Mombasa and the Northern Corridor.

Market dynamics are becoming more competitive and structured, with increased participation from non-European investors and a stronger emphasis on local partnerships. Regulatory frameworks are also evolving, with greater enforcement in taxation, compliance, and investment approvals. While macroeconomic pressures such as debt levels and currency volatility persist, Kenya remains a key long-term growth market for European investors.

BUSINESS / INVESTMENT ENVIRONMENT

Government Priorities

Government priorities include infrastructure expansion, digital transformation, affordable housing, energy transition, and growth of the blue economy.

Sectoral Opportunities

- Renewable energy (solar, wind, geothermal)
- Transport, logistics, and port infrastructure
- Digital economy and fintech
- Agri-value chains and food security
- Blue economy (maritime logistics, fisheries, coastal development)

POLITICAL AND ECONOMIC CHALLENGES

Kenya presents a complex landscape of political and economic challenges that European businesses must carefully navigate. Regulatory complexity, infrastructure financing gaps, and increasing competition from non-EU investors are among the most pressing obstacles, making success highly dependent on strong local partnerships and a long-term commitment to the market.

Political dynamics play a significant role in shaping business operations, with fiscal policy shifts, regulatory changes, and evolving public sector priorities all capable of affecting the operating environment. Election cycles, in particular, may temporarily disrupt investor sentiment and create uncertainty around policy continuity, requiring companies to remain agile and well-informed.

Despite these challenges, European companies can position themselves for sustainable success by adopting a proactive and locally grounded approach:

- Strengthening government and institutional engagement
- Investing in compliance and stakeholder management
- Building resilient, locally anchored partnerships
- Adopting long-term investment horizons rather than transactional approaches

OTHER REGULATORY AND LEGAL CHALLENGES

Kenya's regulatory and legal environment presents several challenges that European businesses must proactively account for in their market strategies, spanning evolving tax regimes, local content requirements, administrative delays, sector-specific regulations, and currency fluctuations.

Key challenges include:

- Evolving tax regimes and increased fiscal enforcement
- Local content requirements in strategic sectors
- Administrative delays in licensing and approvals
- Sector-specific regulations (energy, maritime, digital, and financial services)
- Currency fluctuations affecting investment planning

Despite these obstacles, Kenya's regulatory frameworks are gradually becoming more structured and predictable, particularly in priority sectors aligned with the country's national development goals.

INTEGRATION WITH EU POLICIES

Kenya's trade and investment environment is broadly aligned with EU priorities in sustainable development, green transition, digitalisation, and inclusive growth.

Through frameworks such as EU–Kenya cooperation and Global Gateway, there is strong alignment in:

- Infrastructure and connectivity
- Renewable energy transition
- Sustainable agriculture and food systems
- Blue economy development

Benefits for European companies include preferential cooperation frameworks, strong institutional relationships, and alignment on sustainability standards. Challenges include regulatory divergence, implementation delays, and the need to better translate policy alignment into bankable, on-the-ground projects.

EU-KENYA ECONOMIC RELATIONS

Investment and Trade

The European Union is one of Kenya's most important trade and investment partners, representing 21% of Kenyan export activity with strong and long-standing economic ties underpinned by the EU–East African Community Economic Partnership Agreement (EPA). The EPA provides duty-free and quota-free access for Kenyan exports to the EU market, and is in the process of full implementation across regional EAC member states. Kenya is currently the only EAC country applying the agreement bilaterally with the EU following its ratification, strengthening its position as a key regional export hub.

The EU remains one of Kenya's largest export destinations, particularly for horticulture, tea, coffee, and fisheries products. Kenya, in turn, imports high-value machinery, chemicals, pharmaceuticals, and industrial goods from Europe. Trade flows continue to grow, supported by logistics links through the Port of Mombasa and integrated supply chains.

European investment in Kenya is significant and diversified, spanning energy, manufacturing, logistics, financial services, agriculture, and infrastructure. Key European investors include firms active in shipping and logistics, renewable energy, agri-business value chains, and industrial manufacturing. Kenya is also increasingly positioned as a regional base for European companies serving East and Central Africa.

Overall, EU–Kenya economic relations are characterised by strong trade complementarities, growing investment flows, and increasing alignment with sustainability, green transition, and digital economy priorities under EU Global Gateway initiatives.

EUROPEAN BUSINESS PRESENCE

Since the COVID-19 pandemic, the presence of European companies in Kenya has remained stable overall, with a shift in composition rather than a clear contraction or expansion. While some smaller, transactional trading entities have reduced their footprint, this has been offset by the growth of regional headquarters, long-term investors, and sector-focused operations, particularly in energy, logistics, and infrastructure.

In terms of trade and investment flows, the EU remains one of Kenya's largest economic partners, accounting for a significant share of exports (notably horticulture, tea, coffee, and fisheries) and a strong pipeline of foreign direct investment across key sectors such as renewable energy, manufacturing, and transport infrastructure.

Growth vs Contraction Trend

- No major net contraction of European presence overall
- Moderate growth in investment-led and regional hub models
- Decline in standalone commercial trade offices in favour of consolidated regional structures
- Increased entry of firms aligned with infrastructure, sustainability, and digital economy sectors

Key factors influencing market entry

European companies' entry and expansion decisions are shaped by:

- Kenya's role as a regional gateway to East and Central Africa
- Market access under the EU–Kenya Economic Partnership Agreement (EPA)
- Strong demand in infrastructure, energy transition, logistics, and agri-value chains
- Availability of skilled labour and a relatively developed financial services ecosystem
- Increasing importance of local partnerships and long-term investment models

At the same time, firms consider:

- Regulatory complexity and evolving tax frameworks
- Currency volatility and macroeconomic pressures
- Competitive pressure from non-European investors
- Need for deeper localisation and compliance capacity

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Recent and expected U.S. tariff measures, alongside uncertainty around AGOA access, are having a targeted but significant impact on Kenya's export sectors, rather than a broad macroeconomic shock.

The most affected industry is textiles and apparel, which relies heavily on duty-free access to the U.S. market and supports large-scale employment in export processing zones. Increased tariffs and policy uncertainty have reduced competitiveness, created order volatility, and slowed some investment decisions in export-oriented manufacturing.

Agricultural exports such as tea, coffee, and horticulture are less directly affected but face marginal competitiveness pressure. Overall export uncertainty has also contributed to a cautious approach among some foreign investors in U.S.-linked supply chains.

In response, there is a gradual shift toward market diversification, with exporters and investors increasingly focusing on the EU, regional African markets under AfCFTA, and Asia.

Overall, the impact is sector-specific and strategic rather than systemic, with the main effect being increased trade uncertainty and gradual reorientation of export markets.

Geopolitical Tensions – Country Exposure

Kenya's economic outlook is moderately exposed to global geopolitical tensions, particularly through trade routes, fuel prices, capital flows, and external demand conditions rather than direct political alignment risks.

Key impacts include:

- Trade and logistics volatility, driven by disruptions in global shipping routes and increased freight costs, affecting imports and export competitiveness
- Energy price sensitivity, as Kenya remains a net importer of petroleum products, making the economy vulnerable to global conflict-driven price shocks
- Financing conditions, where global risk sentiment influences access to capital and cost of external borrowing
- Export demand shifts, particularly in Europe and the U.S., where geopolitical uncertainty affects consumer demand and supply chain stability

Despite these pressures, Kenya's role as a regional hub in East Africa provides resilience through diversified trade flows and regional integration.

ESG Trends

The ESG landscape in Kenya is evolving rapidly, with strong alignment between government priorities and European corporate standards.

European businesses are increasingly adapting through:

- Adoption of sustainability reporting frameworks and compliance standards aligned with EU ESG requirements
- Increased investment in renewable energy (geothermal, solar, wind), where Kenya is a regional leader
- Expansion of sustainable agriculture and value chain initiatives, particularly in tea, coffee, and horticulture sectors
- Growing focus on community impact, labour standards, and inclusive business models, especially in coastal and rural economies

Emerging sustainability initiatives include:

- Circular economy and waste management projects in urban areas
- Blue economy programmes focused on fisheries sustainability and coastal resilience
- Green finance and climate-linked investment instruments

Overall, ESG is becoming a core business requirement rather than a voluntary commitment for European companies operating in Kenya.

Supply Chain Redistribution/Resilience

Global trade disruptions have significantly influenced supply chain strategies involving Kenya, particularly in logistics, manufacturing, and agriculture.

Key trends include:

- Diversification of supply chains, with companies reducing over-reliance on single-source countries and increasing multi-origin sourcing strategies
- Kenya strengthening its position as a regional logistics and distribution hub for East and Central Africa, supported by the Port of Mombasa and Northern Corridor
- Nearshoring and regionalisation within Africa, especially under AfCFTA, enabling firms to serve African markets from Kenya-based operations
- Increased investment in supply chain resilience, digital tracking, and inventory buffers, particularly in pharmaceuticals, agriculture, and industrial goods

Sector-specific impacts:

- Agri-exports: increased focus on compliance, traceability, and diversification of export destinations
- Manufacturing (EPZs): repositioning toward multi-market export models (EU, Africa, U.S.)
- Logistics and shipping: growing demand for integrated end-to-end supply chain solutions

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Kenya faces several structural challenges in maintaining economic stability amid global uncertainty, including elevated public debt (around 65–70% of GDP), currency depreciation, and exposure to global fuel and food prices, alongside climate-related shocks affecting agriculture.

Inflation has generally remained within or near the target band, though sensitive to external pressures, with the Central Bank of Kenya responding through interest rate adjustments to stabilise prices and the currency, supported by fiscal reforms and programmes with the International Monetary Fund.

To address supply chain risks, Kenya continues to invest in infrastructure such as the Port of Mombasa and regional trade corridors, while expanding renewable energy capacity.

The country is actively diversifying trade beyond traditional partners, although the European Union remains its largest export market (approximately 14–20% of exports), with growing engagement across Asia, the Middle East, and Africa, supported by frameworks like the African Continental Free Trade Area.

Foreign investment remains steady in key sectors such as energy, infrastructure, and agriculture, with increasing participation from Asian and Gulf investors alongside European capital, supported by public-private partnerships and investment incentives.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Growing global trade instability—particularly tariffs, sanctions, and state-backed industrial policies—has increased cost pressures and competition for European companies operating in Kenya. Higher input costs and supply chain disruptions affect sectors such as machinery, chemicals, and energy equipment, reducing price competitiveness. For example, tariffs and trade tensions between major economies have raised global shipping and input costs, indirectly impacting EU exporters to Kenya. At the same time, subsidies and export financing from countries in Asia and the Gulf allow non-European competitors to offer lower-priced goods, particularly in infrastructure and manufacturing projects. While the EU–Kenya trade framework remains stable, these external factors are increasing competitive pressure on European firms and may influence future trade flows.

Bilateral Trade Projections (2026–2027)

Over the next 12–24 months, trade between Kenya and the EU is expected to remain stable or grow moderately, supported by the implementation of the EU–Kenya Economic Partnership Agreement, which provides duty-free, quota-free access for Kenyan exports and greater predictability for EU businesses. Continued economic growth in Kenya (projected around 4.5–5.5%) is likely to support higher trade volumes, particularly in agriculture, manufacturing, and services.

However, growth is expected to be gradual rather than accelerated, as global trade uncertainty, slower EU economic growth, and commodity price volatility continue to weigh on demand and competitiveness.

Adaptation to Weakening Global Rules

As EuroCham Kenya is less than 12 months old, it is still in the early stages of engagement, and it is therefore too early to provide a comprehensive assessment of how the organisation and its members are adapting to the weakening of global trade rules.

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FUTURE (ECONOMIC) OUTLOOK

Liberia's economic outlook remains moderately positive, with growth expected to stabilise in the medium term, supported by expansion in natural resources, agriculture, and infrastructure. Ongoing macroeconomic reforms, backed by international partners, are strengthening fiscal stability and improving investor confidence. The country is gradually transitioning toward an investment-led economy with increasing alignment to international standards, although risks persist, including dependence on commodity exports, external financing, unemployment, and a limited industrial base.

At the same time, evolving market dynamics driven by government prioritisation of agriculture, energy, infrastructure, and services are creating new opportunities for investment. Regulatory reforms focused on transparency, financial governance, and improving the business climate, including planned tax changes, signal progress toward a more predictable environment. However, persistent challenges such as infrastructure deficits, weak regulatory enforcement, and limited access to finance highlight the need for a long-term, strategic approach by European investors.

BUSINESS / INVESTMENT ENVIRONMENT

Liberia offers a developing but increasingly structured business environment, supported by ongoing economic and governance reforms. The government is focused on improving macroeconomic stability, strengthening institutions, and enhancing the ease of doing business.

The national development framework known as the ARREST Agenda (Agriculture, Roads, Rule of Law, Education, Sanitation, and Tourism) provides a clear roadmap for investment and private sector engagement. Reforms in public financial management, transparency, and investment policies are gradually improving investor confidence, while partnerships with international institutions continue to support economic recovery and growth.

Explore Growth Opportunities for European Companies

The Government of Liberia is prioritising:

- Agriculture Transformation: Increasing productivity, promoting agro-processing, and reducing food imports.
- Infrastructure Development (Roads): Expanding and rehabilitating transport networks to improve connectivity and trade.
- Rule of Law & Governance: Strengthening regulatory frameworks, transparency, and investor protection.
- Education & Skills Development: Enhancing workforce capacity through technical and vocational training.
- Sanitation & Environmental Management: Improving waste management systems and urban services.
- Tourism Development: Promoting Liberia's eco-tourism potential and attracting investment in hospitality.

Sectoral Opportunities & Challenges

Opportunities

- Agriculture & Agro-processing: Strong policy support and export potential in key value chains.
- Infrastructure & Construction: High demand for investment in roads, ports, and housing.
- Energy & Environmental Services: Opportunities in renewable energy and sustainable urban solutions.
- Education & Skills Training: Demand for vocational training and institutional partnerships.
- Tourism & Hospitality: Untapped eco-tourism and coastal development potential.

Challenges

- Infrastructure deficits and high operational costs
- Limited skilled workforce and access to finance
- Administrative and regulatory bottlenecks
- Vulnerability to external shocks and commodity price fluctuations

Other Regulatory Aspects

Liberia is making progress in aligning its regulatory environment with international standards. Investment incentives, including tax benefits and guarantees, are available in priority sectors.

Ongoing reforms aim to simplify administrative procedures, improve trade facilitation, and strengthen legal protections for investors. However, implementation gaps remain, requiring careful due diligence and local engagement for successful market entry.

POLITICAL AND ECONOMIC CHALLENGES

Liberia's business environment is shaped by a combination of political dynamics, institutional capacity constraints, and ongoing governance reforms. While the country benefits from relative peace and democratic stability, several political factors continue to influence business operations:

- Institutional weakness and administrative delays: Limited capacity in public institutions often results in slow approvals, inconsistent enforcement of regulations, and bureaucratic inefficiencies that affect investment timelines.
- Corruption and informal practices: Despite anti-corruption efforts, perceptions of corruption in procurement, licensing, and public service delivery remain a concern for investors.
- Policy inconsistency: Changes in government priorities or leadership can lead to shifts in regulatory direction, creating uncertainty for long-term business planning.
- Political interference in economic decisions: In some sectors, state influence and discretionary decision-making can affect market fairness and competition.

These factors collectively contribute to an environment where predictability and transparency remain key challenges for private sector development.

OTHER REGULATORY AND LEGAL CHALLENGES

European companies operating in Liberia face a range of regulatory, legal, and institutional constraints that affect market entry, compliance, and long-term investment stability. These challenges are mainly driven by weak governance systems, inconsistent enforcement of laws, and limited institutional capacity.

Legal and Judicial System
The legal system is often slow, under-resourced, and perceived as inconsistent in enforcing contracts and commercial disputes. Court delays and limited commercial court capacity reduce investor confidence, particularly for companies relying on enforceable contracts and dispute resolution mechanisms. Arbitration or informal settlements are sometimes preferred due to judicial inefficiencies.

Contract Enforcement and Legal Uncertainty
Although laws exist to protect investors, enforcement remains weak. Contract terms may be inconsistently applied, and businesses often report difficulties in ensuring fair adjudication of disputes. This creates uncertainty for long-term investments, especially in infrastructure, extractives, and large-scale concessions.

Corruption and Lack of Transparency
Corruption remains a major barrier across customs, taxation, procurement, and regulatory approvals. Companies often face unofficial payments or informal "facilitation" fees to expedite services or obtain permits. Public procurement processes can also lack transparency, increasing risks of unequal competition and contract favoritism.

Complex and Opaque Administrative Procedures
Administrative processes for business registration, licensing, import/export clearance, and investment approvals can be bureaucratic and unclear. Overlapping responsibilities between agencies and limited digitisation often result in delays and increased compliance costs for foreign investors.

Land Ownership Restrictions and Property Rights Issues
Foreign investors cannot own land outright and are generally restricted to long-term leases. In addition, unclear land titling systems and weak enforcement of property rights create risks for agricultural, mining, and infrastructure projects, where land security is essential.

Regulatory Instability and Policy Inconsistency
Frequent policy adjustments, import restrictions, and sector-specific regulatory changes can affect business planning and investment predictability. Businesses may also face sudden shifts in tax enforcement or sector regulations without adequate transition periods.

Protection of Intellectual Property Rights
Limited enforcement of intellectual property (IP) laws exposes companies to risks of counterfeiting and brand misuse, particularly in consumer goods and pharmaceuticals. This reduces competitiveness for European firms relying on brand protection.

Customs, Taxation, and Trade Barriers
Import/export procedures can be unpredictable, with inconsistent valuation practices, high fees, and delays at ports. These inefficiencies increase operating costs and affect supply chain reliability for European traders and manufacturers.

INTEGRATION WITH EU POLICIES

Liberia's alignment with EU trade and commerce policies is based on frameworks such as the EU–West Africa Economic Partnership Agreement and broader development cooperation. This alignment focuses on improving market access, harmonising regulations, strengthening standards, and promoting sustainable trade practices.

The main benefits include improved access to EU markets, increased investment confidence, stronger institutions and quality standards, and opportunities for economic diversification and job creation, particularly in agriculture and value-added sectors.

However, challenges remain, including high compliance costs with EU standards, limited industrial and processing capacity, weak regulatory enforcement, and dependence on external technical and financial support. These constraints can limit the extent to which Liberia fully benefits from EU trade integration.

Overall, EU policy alignment offers strong long-term growth potential for Liberia, but requires continued reforms, infrastructure development, and private sector strengthening to maximise its impact.

EU-LIBERIA ECONOMIC RELATIONS

Investment and Trade

Liberia's trade and investment relationship with the European Union is mainly structured through regional and preferential frameworks, rather than a standalone free trade agreement.

The country benefits significantly from the Everything But Arms (EBA) initiative, which provides duty-free and quota-free access to the EU market, making it the most effective and fully operational trade arrangement. Liberia is also part of the Economic Partnership Agreement (EPA) with West Africa (ECOWAS), which is signed but not yet fully implemented at a regional level. In addition, the Voluntary Partnership Agreement (VPA–FLEGT) supports legal and sustainable timber exports to the EU.

EU–Liberia trade is estimated at around €1.7 billion (2024), with the EU serving as both a key export market and a major development partner. Total EU support under its cooperation framework (2021–2027) is approximately €289 million, alongside new targeted funding such as a €20 million private sector development program focused on agribusiness and fisheries.

EU investment in Liberia is largely development-driven, but is gradually shifting toward private sector participation and public–private partnerships.

Key sectors of cooperation and investment include:

- Agriculture and agribusiness (value chains, food security, climate-smart farming)
- Forestry (legal timber and sustainable management)
- Fisheries and blue economy (sustainable resource management)
- Infrastructure and energy (roads, electrification, digital access)
- SME and private sector development (competitiveness and job creation)
- Emerging sectors such as ICT, tourism, and skills development

Overall, EU–Liberia economic relations are characterised by strong development cooperation, preferential trade access, and growing private sector engagement, positioning the EU as a key partner in Liberia's long-term economic transformation.

EUROPEAN BUSINESS PRESENCE

Since the COVID-19 pandemic, European business presence in Liberia has gradually recovered and stabilised, with a shift toward strategic, investment-led engagement rather than large-scale expansion. Trade and investment ties have strengthened, supported by EU frameworks and initiatives such as the Global Gateway and "Team Europe" approach, with key European actors active in infrastructure, extractives, agriculture, and energy.

Rather than contracting, the European business community has shown modest but steady growth, mainly through deepening existing investments and selective new market entry via partnerships and joint ventures. Recent business forums and EU engagement efforts reflect renewed investor interest in Liberia's long-term potential.

Market entry is influenced by Liberia's resource potential and development agenda (ARREST), but also constrained by challenges such as infrastructure gaps, regulatory complexity, skills shortages, and perceived investment risks. As a result, European companies typically adopt risk-sharing and partnership-based strategies when entering the market.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The impact of recent or expected U.S. tariff measures on Liberia is limited directly but more noticeable indirectly.

Liberia faces very low U.S. tariffs on its exports, largely due to preferential access arrangements such as AGOA, meaning there is minimal direct export disruption. However, the country is still affected by broader global trade dynamics.

The main impacts include:

- Exports: Little direct effect, but possible reduced competitiveness if global tariffs disrupt supply chains or if trade preferences change in the future.
- Investment flows: Moderate sensitivity, as global tariff uncertainty can reduce investor confidence and delay foreign direct investment, especially in export-related sectors.
- Key industries: Mining and agriculture are mostly affected indirectly through global price shifts and demand changes rather than U.S. tariffs themselves.

Overall, the direct impact is low, but the indirect impact is moderate, mainly through global market uncertainty and investment behavior rather than direct U.S. trade restrictions on Liberia.

Geopolitical Tensions – Country Exposure

Geopolitical tensions affect Liberia mainly through indirect economic channels rather than direct involvement in global conflicts. As a commodity-dependent and import-reliant economy, Liberia is exposed to global instability in several ways:

- Trade impact: Fluctuations in global markets and supply chain disruptions influence prices and demand for key exports like iron ore and rubber.
- Investment flows: Heightened global uncertainty can reduce foreign direct investment, as investors become more cautious about emerging markets.
- Import costs: Rising global tensions often increase fuel, food, and shipping costs, contributing to local inflation.
- External financing: Changes in global donor priorities and financial conditions can affect aid and development funding.
- Business confidence: Although Liberia remains politically stable, global uncertainty can slow private sector expansion and investment decisions.
- The price of Fuel and Gas.

Overall, Liberia's exposure to geopolitical tensions is moderate and largely indirect, with the economy affected mainly through commodity prices, import costs, and investor sentiment rather than direct geopolitical risk.

ESG Trends

The ESG landscape in Liberia is still developing, but is increasingly influenced by global standards and EU sustainability regulations. Environmental priorities focus on climate resilience, sustainable resource management, and reducing deforestation, while social priorities emphasise job creation, community development, and youth inclusion. Governance efforts are centered on improving transparency and reducing corruption.

European businesses operating in Liberia are gradually adapting to stricter EU ESG requirements, including supply chain due diligence, environmental reporting, and human rights compliance. This has led to improved sustainability practices, stronger community engagement, and more structured ESG reporting across key sectors such as mining, agriculture, and forestry.

Sustainability initiatives in Liberia are growing, supported by international partners, particularly in climate-smart agriculture, responsible natural resource management, and community development programs. Corporate responsibility is shifting from ad-hoc philanthropy toward more measurable and impact-driven ESG strategies.

However, challenges remain, including weak enforcement capacity, limited data for ESG reporting, and reliance on extractive industries. Despite this, ESG adoption is expected to grow as EU regulations tighten and investor expectations increase, making sustainability a key factor for business success in Liberia going forward.

Supply Chain Redistribution/Resilience

The current global trade environment is reshaping supply chains involving Liberia mainly through increased risk diversification and regionalisation rather than production relocation.

Companies supplying Liberia are increasingly:

- Diversifying suppliers across Asia, Europe, and West Africa to reduce disruption risks.
- Relying more on regional trade hubs in ECOWAS countries (especially Ghana, Côte d'Ivoire, and Nigeria) for faster and more resilient sourcing.

- Adjusting logistics strategies to manage higher freight costs, delays, and global uncertainty.

However, reshoring is minimal and Liberia is not yet a significant destination for nearshoring due to limited industrial capacity and infrastructure constraints.

Overall, Liberia remains highly import-dependent, and while global supply chain shifts are improving sourcing diversity, they also reinforce the country's vulnerability to external shocks and global price fluctuations.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Key challenges to economic stability

Liberia faces several structural and external pressures that affect its resilience in a volatile global environment:

- High dependence on imports (fuel, food, and manufactured goods), making the economy vulnerable to global price shocks.
- Commodity reliance, particularly iron ore, gold, rubber, and timber, exposes revenues to global price fluctuations.
- Inflationary pressures, driven largely by imported inflation and exchange rate instability.
- Weak fiscal space, limiting the government's ability to respond aggressively to external shocks.
- Infrastructure gaps, especially in energy, transport, and logistics, which increase the cost of doing business.
- Exposure to global financial tightening, which affects borrowing costs and development financing.

Government response: inflation, interest rates, and supply chain disruptions

The Government of Liberia and the Central Bank of Liberia (CBL) have adopted several stabilisation measures:

- Monetary tightening and liquidity management to control inflation and stabilise the Liberian dollar.
- Foreign exchange interventions to reduce currency volatility and support import payments.
- Gradual fiscal consolidation, improving revenue collection and reducing excessive deficit financing.
- Food security and price stabilisation efforts, including support for rice imports and essential commodities.
- Infrastructure investments (roads, ports, and energy) to reduce supply chain bottlenecks and internal transport costs.
- Strengthening public financial management systems to improve efficiency and reduce waste.

Trade diversification and reducing dependency

Liberia is actively pursuing strategies to broaden its trade relationships:

- Regional integration through ECOWAS, enhancing intra-West African trade and reducing reliance on distant markets.
- Engagement under the EU–West Africa Economic Partnership Agreement (EPA) to improve access to European markets.
- Expansion of trade relations with Asian partners (notably China and India) in infrastructure and commodities.
- Promotion of agro-processing and value addition, aiming to export more finished or semi-processed goods rather than raw materials.
- Encouraging private sector export diversification, especially in agriculture, fisheries, and light manufacturing.

Foreign investment trends and policy response

Liberia is experiencing a mixed but gradually improving investment landscape:

- Resource-sector dominance remains, with continued FDI in mining (iron ore, gold) and plantations (rubber and palm oil).
- Infrastructure and energy projects are attracting donor-backed and private investment.
- Some volatility in FDI flows due to global risk perceptions, governance concerns, and commodity cycles.
- Increased interest in climate-related and sustainable investments, particularly from development partners.

Government responses include:

- Strengthening the National Investment Commission (NIC) to streamline investor engagement.
- Improving the business regulatory environment (licensing, taxation, and investment incentives).
- Promoting public–private partnerships (PPPs) in infrastructure and energy.
- Enhancing transparency and governance reforms to build investor confidence.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Global trade instability driven by protectionism, geopolitical tensions, and the increasing use of trade as a political tool is affecting European companies in Liberia by increasing uncertainty, raising operational costs, and complicating long-term investment planning.

In Liberia, EU firms face stronger competition from non-EU actors, especially in infrastructure, trade, and consumer goods, as global supply chains become more fragmented and regionally focused. This reduces the relative competitiveness of European companies, particularly where price and financing terms are key factors.

At the same time, stricter EU regulations on sustainability and supply chain transparency add compliance costs, which can further impact competitiveness in the short term, even though they support long-term sustainability goals.

Overall, while EU–Liberia trade relations remain stable, global trade instability is shifting them toward more risk-managed, strategic partnerships rather than purely market-driven expansion.

Impact of External Tariffs, Sanctions and Policies

Tariffs, sanctions, and protectionist policies outside the EU are increasingly affecting European companies operating in third markets by raising costs, limiting market access, and reshaping competition.

- China's export controls on critical materials (e.g., rare earths) disrupt EU supply chains, increasing costs and weakening competitiveness in global markets.
- US tariffs on goods like steel indirectly push European exporters to third markets (including Africa), increasing competition and lowering prices.
- China's and other state-backed procurement systems in Africa often favor non-EU firms, reducing opportunities for European companies in infrastructure and energy projects.
- Sanctions and counter-sanctions (e.g., Russia–EU) have cut EU firms out of key markets and allowed competitors from Asia and other regions to gain ground.
- Protectionist policies in countries like India (local content rules and tariffs) force EU firms to localise production or lose contracts.
- African local content requirements also limit direct EU participation, requiring joint ventures with local firms.

Overall, European companies face a more fragmented and politicised global trade environment, where market access increasingly depends on geopolitical alignment, local production, and strategic partnerships rather than open competition.

Bilateral Trade Projections (2026–2027)

Over the next 12–24 months, trade between Liberia and the EU is expected to grow gradually but moderately.

This growth will be driven mainly by:

- Expansion of agricultural and agro-processed exports (e.g., cocoa, palm oil, cassava)
- Ongoing EU support and investment in value chains and logistics
- Improved efforts to meet EU quality and sustainability standards

However, growth will remain limited by:

- Weak infrastructure and production capacity
- High compliance requirements for EU markets
- Dependence on a narrow range of exports

Overall, trade will increase steadily but not significantly, with Liberia benefiting more from long-term investment and capacity-building than immediate large-scale export growth.

Adaptation to Weakening Global Rules

The EBO in Liberia is adapting to the weakening of global trade rules by focusing on resilience and risk management. Members are diversifying supply chains, increasing local and regional sourcing, and building backup logistics options to reduce disruptions. They are also strengthening compliance with evolving EU regulations through better traceability and documentation systems. In addition, companies are using scenario planning to manage trade and geopolitical risks more effectively. The EBO is also more actively engaging in policy dialogue to improve trade facilitation and reduce barriers. Overall, the focus has shifted from efficiency-driven trade to building more stable, flexible, and compliant business operations.

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IVORY COAST

FUTURE (ECONOMIC) OUTLOOK

Côte d'Ivoire remains one of the fastest-growing economies in sub-Saharan Africa and one of the main growth engines of the WAEMU region. The medium-term outlook remains strong, supported by hydrocarbons, mining, services, infrastructure investment, and improving macroeconomic management, with real GDP growth recorded at 6.3% in 2025 and projected at 6.4% in 2026 — confirming the country's resilient expansion path.

The macroeconomic picture has improved materially. Average inflation in 2025 is expected to return to the WAEMU target band of 1–3%, while consumer price inflation for 2026 is projected at 1.5%. On public finances, the fiscal deficit is projected at 3% of GDP in 2025, in line with the WAEMU convergence criteria, with the government committed to maintaining this level in 2026.

Foreign trade remains central to the economy, representing approximately 52% of GDP. Côte d'Ivoire's leading exports include gold ($5.85bn), cocoa beans ($4.87bn), rubber ($2.69bn), cocoa paste ($2.07bn), and refined petroleum ($1.89bn). This export profile confirms both the continued dominance of commodities and a gradual rise in local processing — most notably in cocoa and petroleum products — reflecting the country's ongoing efforts to move up the value chain and capture greater economic returns from its natural resource base.

Agriculture and agro-industry

Agriculture remains a core pillar of the economy. Côte d'Ivoire is still the world's largest cocoa producer.

The USDA's 2025 cocoa sector overview forecasts cocoa bean production at 1.8 million metric tons in MY 2024/2025, up slightly from 1.76 million tons in MY 2023/2024, after a sharp drop from 2.3 million tons in MY 2022/2023. The same report places domestic grinding at 800,000 tons for MY 2024/2025, which is important because it shows the country's industrial-processing base is real, not just aspirational.

Cashew is another major strength. The World Bank reports that Côte d'Ivoire produced 1.2 million tons of raw cashew nuts in 2023, equivalent to roughly 40% of world supply. Local cashew processing capacity rose to 350,000 tons in 2024, with more than 18,321 jobs created, and the World Bank expected 12,000 additional direct jobs by the end of 2025 through new agro-industrial zones.

This is one of the clearest examples of Côte d'Ivoire moving from raw commodity exports toward value-added transformation.

Mining and extractive resources

Mining is becoming a much more important growth driver. According to Côte d'Ivoire's official economic promotion portal, gold production reached 55 tons in 2024 and was projected at 65 tons in 2025. The sector's momentum is being reinforced by new mines and deposits, including Lafigué, Tanda-Iguéla, Abujar, Séguéla, and Koné. Separately, EITI reports that the extractive sector contributed about 3.1% of GDP, 16% of export value, and 2.9% of government revenue in 2023.

Energy and Côte d'Ivoire's ambition to become a regional hub

Côte d'Ivoire is consolidating its position as a regional energy hub. The African Development Bank notes a 45% renewable energy target by 2030, while Côte d'Ivoire's own official energy communication states a 2030 ambition of 5,000 MW of installed capacity, with 42% from renewable sources. The country's climate reporting also indicates that renewables already account for about 39% of installed electricity capacity.

A major regulatory development is the roll-out of mandatory and periodic energy audits. Côte d'Ivoire formally launched the national system in October 2024, and the Directorate General of Energy published the 2025 mandatory energy-audit program, confirming that this is now a live compliance issue for energy-intensive organisations rather than a theoretical reform.

Oil and gas

Oil and gas are now central to the 2026 outlook. Eni stated in March 2025 that, with Baleine Phase 1 and Phase 2 completed and Phase 3 under study, total production is expected to reach 150,000 barrels of oil per day and 200 million cubic feet of associated gas. This is a major structural shift for the country and one of the strongest reasons why Côte d'Ivoire's medium-term growth outlook remains favorable.

The regulatory landscape has also evolved. Côte d'Ivoire has put in place a local-content framework for oil and gas, and the Ministry's dedicated platform makes clear that local participation is now a strategic pillar of sector policy. Additional guidance in 2025 also highlighted the digitisation of authorisation and renewal procedures through the sector's digital local-content platform.

Transport and logistics
Transport and logistics continue to strengthen Côte d'Ivoire's role as a regional gateway. The road network is officially reported at around 82,000 km, with roughly 8,505 km paved, including 400 km of highways.

On air transport, passenger traffic at Abidjan airport continued to grow strongly. Officially cited figures show 2,331,917 passengers in 2023, followed by an 8.7% increase in 2024, placing traffic at roughly 2.53 million passengers.

Port infrastructure is also expanding. The Port of Abidjan handled 46.6 million tonnes of cargo in 2025, up from 40.1 million tonnes in 2024, a rise of about 16%. The Port of San Pedro, meanwhile, reports total traffic of more than 7.4 million tonnes in 2024 and remains the world's leading cocoa-export port.

Business climate and financial credibility
Côte d'Ivoire continues to benefit from strong investor confidence relative to many peers. S&P upgraded the sovereign to BB in October 2024, and by November 2025 had affirmed the BB/B ratings with a stable outlook. That matters because it supports the broader narrative of macroeconomic resilience, better fiscal management, and access to international financing.

The World Bank also highlighted progress in domestic resource mobilisation: the tax-to-GDP ratio rose from 11.9% in 2019 to around 14% in 2024. That is still below the WAEMU target, but it is a meaningful improvement and a useful signal for anyone assessing the country's reform credibility.

Digitalisation and data regulation
Digital transformation remains a transversal policy priority, especially for tax administration, public services, payments, and governance. On the regulatory side, Côte d'Ivoire's data-protection authority has been increasingly active. In 2025, ARTCI intensified outreach to private companies and startups on compliance, and in early 2026 a National Register of Data Protection Officers was established. That suggests a market environment moving toward more active enforcement and more formal compliance expectations around personal-data handling.

2026 Market Outlook
For 2026, the most important market shifts are likely to be these:

- Côte d'Ivoire should remain on a high-growth path around 6.4%, with inflation contained and fiscal consolidation largely on track.
- The economy should become more hydrocarbon- and mining-driven, thanks to Baleine and new mining projects, while still relying heavily on agriculture.
- There should be more pressure on companies to comply with local-content rules in oil and gas, energy-efficiency obligations, and data-protection compliance, making the regulatory environment more structured and more demanding than in previous years.
- At the same time, opportunities should deepen in agro-processing, logistics, mining services, energy, industrial subcontracting, and compliance-related services. This is especially true for firms that can bring technical expertise, local partnerships, and long-term execution capacity.
- Côte d'Ivoire enters 2026 with a strong macroeconomic profile, real GDP growth projected at 6.4%, inflation expected at 1.5%, and a fiscal deficit anchored at 3% of GDP. The country's growth model is increasingly supported by hydrocarbons, mining, agro-processing, logistics and energy, while the regulatory environment is becoming more structured through stronger local-content rules, mandatory energy audits and tighter data-protection compliance. For investors and business organisations, Côte d'Ivoire remains one of the most attractive and dynamic markets in West Africa.

BUSINESS / INVESTMENT ENVIRONMENT

Government Priorities

The Government is preparing the transition from the current National Development Plan (PND 2021–2025) toward the future PND 2026–2030, with a strong focus on industrialisation, energy transition, digitalisation, infrastructure and private-sector-led growth.

The current National Development Plan remains structured around six strategic pillars:

1. Accelerating the structural transformation of the economy through industrialisation and industrial clusters
2. Developing human capital and promoting employment
3. Strengthening private sector development and investment
4. Reinforcing inclusion, social cohesion and solidarity
5. Promoting balanced regional development, environmental protection and climate resilience
6. Strengthening governance, modernisation of the State and institutional transformation

The implementation of the PND relies heavily on private investment, which represents approximately 74–75% of the overall investment volume estimated at nearly CFA 59 trillion.

Sectoral Opportunities & Challenges

Industrialisation

Industrial transformation remains one of the country's highest priorities. Côte d'Ivoire seeks to move from a raw-material-export economy toward local processing and higher added value industries, particularly in cocoa, cashew, rubber, palm oil and agriculture-related sectors.

The Government continues developing industrial clusters and integrated industrial zones across the country, with support from international partners including the African Development Bank and UNIDO.

Priority industrial clusters include:

- Agro-industry
- Chemicals and plastics
- Textile industry
- Construction materials
- Pharmaceuticals
- Packaging
- Automotive spare parts

The DAICE Programme launched in 2025 further supports industrial competitiveness, SME financing, innovation and industrial infrastructure development.

Main challenges:

- Skills and talent shortages
- Administrative complexity
- Access to industrial financing
- Energy costs and logistics competitiveness
- Need for stronger local supply chains

Energy & Green Transition

Côte d'Ivoire aims to become a major regional energy hub in West Africa and a leader in renewable energy integration. The country continues investing heavily in electricity generation, transmission and regional interconnection projects.

Current and ongoing projects include:

- Development of several solar photovoltaic plants
- New hydroelectric dams and rehabilitation projects
- Biomass energy projects
- Reinforcement of national transmission infrastructure
- Expansion of electricity access programs
- Regional energy interconnections within ECOWAS

The Government also promotes:

- Energy transition initiatives
- Climate resilience projects
- Green growth strategies
- Public-private partnerships in renewable energy

Main opportunities for European companies:

- Renewable energy technologies
- Grid modernisation
- Energy storage solutions
- Green hydrogen and clean industrial energy
- Technical training and capacity building

Main challenges:

- Lack of specialised technical talent
- Financing constraints for green projects
- Infrastructure gaps in secondary cities
- Need for regulatory modernisation

Oil and Gas
Following major offshore discoveries, including the Baleine oil and gas field, the sector remains strategic for the country's economic growth and energy security.

The Government aims to:
- Increase local content participation
- Develop downstream transformation capacities
- Improve gas-to-power integration
- Maintain international investment attractiveness

Challenges include:
- Capacity building
- Administrative procedures
- Competitiveness versus other African oil-producing countries
- Environmental and ESG expectations

The government is actively seeking to engage the private sector in supporting its broader ambition of positioning Côte d'Ivoire as a regional logistics hub — through the development of a decentralised infrastructure network and the growth of secondary cities as economic centres.

Transportation & Logistics
Côte d'Ivoire continues strengthening its position as a regional logistics and transport hub for West Africa. Major investments are ongoing in:
- Port infrastructure
- Roads and highways
- Urban mobility
- Rail transport
- Logistics corridors

The Government promotes:
- Development of secondary cities
- Decentralised logistics networks
- Cross-border trade corridors
- Public-private partnerships in transport infrastructure

Opportunities exist for European companies in:
- Smart mobility
- Sustainable infrastructure
- Engineering and construction
- Port logistics
- Urban transport systems

NTIC: ICT & Digital Transformation
Digitalisation remains a major national priority. Côte d'Ivoire has accelerated the implementation of its National Digital Development Strategy and the modernisation of public administration.

Key reforms include:
- Digital tax administration ("e-impôts")
- Digital company registration systems
- E-government services
- Digital trade facilitation
- Expansion of cybersecurity frameworks
- Digital financial services development

Priority sectors for digitalisation:
- Agriculture
- Energy
- Health
- Education
- Public administration

Opportunities for European companies:

- GovTech
- Cybersecurity
- Digital infrastructure
- AI and data services
- Smart agriculture technologies
- E-health solutions

Main challenges:

- Digital skills gap
- Cybersecurity risks
- Connectivity disparities between urban and rural areas

Health

The health sector remains a major pillar of the Government's inclusion and competitiveness strategy.

Priority objectives include:

- Expanding healthcare coverage nationwide
- Strengthening regional medical excellence centers
- Rehabilitation and construction of healthcare infrastructure
- Development of pharmaceutical and vaccine production
- Improvement of healthcare accessibility and inclusion
- Strengthening maternal and child healthcare services

The Government is also encouraging:

- Public-private partnerships
- Local pharmaceutical production
- Digital health solutions
- Training of healthcare professionals

Key opportunities for European companies:

- Hospital infrastructure
- Medical equipment
- Pharmaceutical production
- Telemedicine
- Health training and education
- Public health partnerships

POLITICAL AND ECONOMIC CHALLENGES

Côte d'Ivoire remains one of the most stable and business-oriented economies in West Africa, despite a regional environment marked by political transitions and security challenges in the Sahel.

The country continues strengthening its legal and regulatory framework through both national legislation and regional integration mechanisms. Ivorian business law is aligned with international standards and supported by several major African regional organisations of which Côte d'Ivoire is an active member:

- WAEMU (West African Economic and Monetary Union)
- ECOWAS (Economic Community of West African States)
- OHADA (Organisation for the Harmonisation of Business Law in Africa)
- OAPI (African Intellectual Property Organisation)
- CIMA (Inter-African Conference on Insurance Markets)
- African Union (AU)

These regional frameworks provide:

- Legal harmonisation for investors
- Monetary stability through the CFA Franc
- Simplified commercial regulations
- Improved dispute resolution mechanisms
- Greater regional market access

In 2025–2026, the Government continues reforms focused on:

- Improving the business climate
- Simplifying administrative procedures
- Digitalising public administration and taxation
- Reinforcing anti-corruption and transparency mechanisms
- Strengthening public procurement governance

However, businesses still face several operational challenges:

- Administrative complexity and processing delays
- Regulatory unpredictability in certain sectors
- Customs and logistics bottlenecks
- Talent shortages in technical sectors
- Regional geopolitical instability impacting supply chains and security perceptions

The 2025 presidential election cycle is also closely monitored by investors, although institutions and economic fundamentals remain broadly resilient and investor confidence continues to be relatively strong compared to the regional average.

Strategies for European Companies Navigating the Business Environment

For European companies operating in Côte d'Ivoire, strong local integration and relationship-building remain essential success factors. The development of a reliable local network is a key component of business success. Business associations, sectoral clusters, bilateral chambers of commerce, and European business organisations provide:

- Access to market intelligence
- Understanding of regulatory developments
- Networking opportunities with public and private stakeholders
- Advocacy platforms for improving the business climate
- Facilitation of public-private dialogue

Organisations such as EuroCham Côte d'Ivoire, EBOWN (European Business Organisation Worldwide Network), and national and sector-specific business associations play an increasingly strategic role in supporting European companies and strengthening EU–Africa economic cooperation.

European companies are also encouraged to:

- Develop strong local partnerships
- Invest in local talent development and training
- Integrate ESG and sustainability standards into operations
- Engage with public institutions early in project development
- Position themselves within long-term national development priorities

Economic priorities under the National Development Plan continue generating significant opportunities through:

- Public-Private Partnerships (PPP)
- Infrastructure development projects
- Energy transition initiatives
- Industrialisation programs
- Digital transformation projects
- Healthcare and education investments

Many of these investment portfolios are managed by public agencies and State-backed entities, creating substantial opportunities for European expertise, financing and technology transfer.

Governance, integrity, CSR

Governance, integrity and Corporate Social Responsibility (CSR) are becoming increasingly important in Côte d'Ivoire's business environment.

European companies are generally perceived as strong contributors to:

- Ethical business practices
- Sustainability standards
- Skills transfer
- Inclusion and diversity

- Environmental responsibility
- Long-term economic partnerships

CSR expectations are evolving rapidly, particularly in sectors such as:
- Energy
- Mining
- Agriculture
- Construction
- Manufacturing
- Infrastructure

There is increasing emphasis on:
- Measurable social impact
- Local community engagement
- Environmental protection
- Gender inclusion
- Youth employment and training
- Transparency in supply chains

The Government, international donors, and private sector stakeholders are encouraging companies to align with:
- ESG standards
- Climate resilience objectives
- Sustainable finance principles
- Inclusive economic development goals

For European companies, demonstrating tangible local impact is now considered a major competitive advantage in both public and private sector partnerships.

INTEGRATION WITH EU POLICIES

Alignment with EU policies in Trade and Commerce

Strengthened EU–Côte d'Ivoire Strategic Partnership
In 2025–2026, Côte d'Ivoire continues reinforcing its economic and political alignment with European Union priorities, positioning itself as one of the EU's most strategic partners in West Africa.

The relationship is increasingly structured around:
- Sustainable investment
- Green industrialisation
- Energy transition
- Regional connectivity
- Digital transformation
- Food security and sustainable agriculture
- Private-sector development

The partnership framework remains supported by:
- The EU–West Africa Economic Partnership Agreement (EPA)
- The Global Gateway strategy
- Team Europe initiatives
- European Investment Bank (EIB) financing
- European development finance institutions and blended finance mechanisms

The European Union remains Côte d'Ivoire's leading economic partner and one of its largest foreign investors, particularly in:
- Agriculture and agro-industry
- Energy and infrastructure
- Logistics and transport
- Telecommunications and digital services
- Financial services
- Manufacturing

Trade exchanges between Côte d'Ivoire and the EU continue to grow steadily, notably in:

- Cocoa and processed cocoa products
- Cashew nuts
- Rubber
- Tropical fruits
- Industrial goods and services

Alignment with EU priorities

Côte d'Ivoire's development strategy is strongly aligned with EU policy priorities:

Green Transition & Climate Strategy

The alignment with European Green Deal priorities has significantly accelerated in 2025–2026.

Côte d'Ivoire is strengthening investments in:

- Renewable energy production
- Climate resilience infrastructure
- Sustainable agriculture
- Forest preservation and reforestation
- Circular economy initiatives
- Sustainable urban development

The Government maintains its objective of increasing the share of renewable energy in the electricity mix to approximately 45% by 2030 through:

- Solar power projects
- Hydroelectric developments
- Biomass energy initiatives
- Energy efficiency programs

There is also increasing interest in:

- Green hydrogen opportunities
- Energy storage solutions
- Carbon markets and climate finance
- Sustainable mobility

European companies are particularly well positioned in these sectors due to:

- Technical expertise
- ESG compliance experience
- Access to green financing instruments
- Technology transfer capabilities

Sustainable Value Chains & ESG Compliance

A major evolution in 2025–2026 concerns compliance with new European sustainability regulations, particularly:

- The EU Deforestation Regulation (EUDR)
- Traceability requirements
- ESG reporting standards
- Sustainable sourcing obligations

Côte d'Ivoire is accelerating reforms and partnerships to comply with EU requirements, especially in:

- Cocoa
- Coffee
- Rubber
- Palm oil
- Timber and agricultural exports

This transition is encouraging:

- Greater supply-chain transparency
- Digital traceability systems
- Sustainable certification programs
- Local processing and industrial transformation

European companies increasingly seek local partners capable of:

- ESG reporting
- Impact measurement
- Sustainable sourcing
- Community engagement and CSR implementation

Digital Transformation & Innovation

Digital cooperation between the EU and Côte d'Ivoire continues expanding rapidly. Priority areas include:

- E-governance and digital administration
- Cybersecurity frameworks
- Data protection and regulatory harmonisation
- Digital entrepreneurship ecosystems
- Smart infrastructure
- AI and digital innovation

The Government is accelerating:

- Administrative digitalisation
- Tax and customs modernisation
- Digital public services
- Startup ecosystem support

European technology companies and investors are increasingly active in:

- Fintech
- GovTech
- Smart agriculture
- E-health
- Telecommunications infrastructure
- Digital training and education

Inclusive Growth, Human Capital & Social Impact

Inclusive growth remains central to both EU and Ivorian priorities. Key shared objectives include:

- Youth employment
- Women's economic inclusion
- Vocational training and technical skills development
- Regional inclusion and decentralisation
- SME development
- Social entrepreneurship

European institutions and development agencies continue supporting:

- Technical training programs
- Entrepreneurship ecosystems
- Skills-transfer initiatives
- Public-private partnerships with social impact

The growing importance of measurable impact means that companies are increasingly expected to demonstrate:

- Local employment creation
- Community impact
- Environmental responsibility
- Gender inclusion
- Long-term sustainability commitments

Implications for European Companies

The growing alignment between Côte d'Ivoire and EU priorities creates an increasingly favorable environment for European investors and operators.

This alignment facilitates:

- Regulatory convergence with European standards
- Access to EU-funded projects and financing instruments
- Public-private partnership opportunities

- ESG-compliant investment frameworks
- Long-term industrial and infrastructure investments
- Regional market expansion through Côte d'Ivoire

Priority sectors for European companies in 2025–2026 include:
- Renewable energy and energy infrastructure
- Agro-processing and sustainable agriculture
- Industrial transformation
- Logistics and transport
- Healthcare and pharmaceuticals
- Digital services and cybersecurity
- Construction and sustainable cities
- Education and vocational training

EU-CÔTE D'IVOIRE ECONOMIC RELATIONS

Investment and trade

Côte d'Ivoire remains one of the most attractive destinations for foreign direct investment (FDI) in West Africa, driven by strong economic growth, political stability, and an increasingly structured business environment.

Foreign Direct Investment (FDI)

FDI inflows reached approximately USD 1.6–1.8 billion annually in 2023–2024, with continued growth expected in 2025–2026. Key sectors attracting investment include:

- Oil and gas (notably the Baleine field developments)
- Energy and renewables
- Infrastructure and construction
- Agro-industry and processing
- Telecom and digital services

The government actively promotes investment through CEPICI (Investment Promotion Agency), offering incentives such as tax exemptions, customs advantages, and facilitated administrative procedures.

Trade dynamics

Trade represents over 50% of GDP, confirming Côte d'Ivoire's strong integration into global and regional markets.

- **Exports (~USD 20–22 billion) are dominated by:**
  - Cocoa and processed cocoa products
  - Gold
  - Natural rubber
  - Petroleum products (rapidly increasing share)

- **Imports (~USD 22–25 billion) include:**
  - Petroleum products
  - Machinery and industrial equipment
  - Food products (rice, fish)

Trend 2025–2026: A clear shift toward local processing and industrialisation, reducing dependence on raw commodity exports.

Regional integration and market access

Côte d'Ivoire benefits from access to a large regional market through:
- WAEMU (UEMOA): common currency (FCFA), harmonised regulations
- ECOWAS: free movement of goods and people
- AfCFTA (African Continental Free Trade Area): expanding intra-African trade opportunities

This positions the country as a strategic gateway to a market of over 400 million consumers in West Africa.

Investment outlook 2026

The investment climate remains positive, supported by:
- Sustained GDP growth (~6.4%)

- Improved sovereign rating (BB stable)
- Strong pipeline of PPP projects and infrastructure investments
- Expansion of energy, mining, and industrial sectors

At the same time, investors must increasingly factor in:
- Local content requirements (especially in oil & gas)
- Regulatory compliance (energy efficiency, data protection)
- Need for strong local partnerships

EUROPEAN BUSINESS PRESENCE

Statistics/trends in the presence of European companies since the pandemic

Côte d'Ivoire has maintained strong economic resilience since the COVID-19 pandemic, with GDP growth projected at around 6.5–6.7% in 2026.

European companies continue to play a major role in the economy, representing an estimated 40–45% of total Foreign Direct Investment (FDI) stock in Côte d'Ivoire.

FDI inflows reached:
- USD 1.75 billion (approx. CFA 1,050 billion) in 2023
- Approved investments exceeded CFA 1,000 billion in 2023, compared to CFA 632 billion in 2020.

Since the pandemic, the European business community has continued expanding, particularly in:
- Renewable energy
- Infrastructure
- Agro-industry
- Oil & gas
- Logistics
- Healthcare and digital services

Team Europe has significantly reinforced its economic support:
- CFA 150 billion mobilised during the COVID recovery period for SMEs and economic resilience
- CFA 655 billion (€1 billion) announced in 2026 to support Côte d'Ivoire's PND 2026–2030 under the Global Gateway strategy.

A Eurocham Côte d'Ivoire survey conducted after the pandemic showed that 52% of member companies declared significant operational impacts during COVID-19. In 2025–2026, business confidence has largely recovered despite ongoing challenges linked to:
- Administrative procedures
- Talent shortages
- ESG compliance
- Logistics and operating costs.

The European Union remains Côte d'Ivoire's leading economic partner:
- Around 30% of imports come from the EU
- Approximately 35% of exports are destined for the European market
- European companies represent an estimated 40–45% of total FDI stock

Several EU Member States have strengthened their economic presence through sectoral cooperation and investment missions:
- Netherlands & Switzerland: cocoa sustainability and agro-processing
- Italy: oil & gas and energy infrastructure
- Spain: renewable energy and solar projects
- France: transport, healthcare and urban infrastructure
- Germany: vocational training and industrial development

European investment activity continues growing particularly in:
- Renewable energy
- Infrastructure and construction
- Agro-industry
- Logistics and transport
- Digital services
- Healthcare

Factors Influencing Market Entry (2026 Update)

Several factors continue influencing market entry and business development for European companies in Côte d'Ivoire in 2025–2026.

Key Positive Factors

- Strong economic growth projected at around 6.5% in 2026
- Strategic position as a gateway to the ECOWAS market of more than 400 million consumers
- Political and macroeconomic stability compared to the regional environment
- Major infrastructure investments under the National Development Plan (PND)
- Increasing alignment with EU sustainability and trade policies
- Expansion of Public-Private Partnership (PPP) opportunities

Main Challenges

- Administrative complexity and procedural delays
- High operational and logistics costs
- Access to qualified technical talent
- Regulatory and tax compliance burdens
- Infrastructure gaps in certain regions
- ESG and traceability requirements linked to EU regulations

Business Environment Indicators

- Côte d'Ivoire continues improving its business climate through digitalisation and investment reforms led by CEPICI
- The private sector is expected to contribute nearly 75% of investment financing under the PND 2026–2030
- European companies represent approximately 40–45% of total FDI stock in the country

Key Success Factors for European Companies

Successful market entry increasingly depends on:

- Strong local partnerships
- Participation in business networks and chambers of commerce
- Long-term investment strategies
- ESG and sustainability integration
- Local talent development and training initiatives

OPPORTUNITIES AND CHALLENGES

ESG Landscape and Sustainability Trends in Côte d'Ivoire (2025–2026 Update)

The ESG landscape in Côte d'Ivoire continues to accelerate in 2025–2026 under the influence of EU sustainability regulations, climate finance and international investment strategies.

Several major ESG and sustainability projects have recently been reinforced:

- The African Development Bank (AfDB) confirmed a €400 million Partial Credit Guarantee dedicated to mobilising financing for ESG projects in Côte d'Ivoire.

Priority sectors include:

- Renewable energy
- Sustainable agriculture and cocoa
- Water and sanitation
- Green infrastructure
- Healthcare
- Affordable housing
- Vocational training and financial inclusion

Under the EU Global Gateway strategy, Team Europe announced in 2025:

- €300 million in new financing for sustainable and strategic investments in Côte d'Ivoire.

This package includes:

- €150 million for reforestation and forest restoration projects
- €100 million through BNI to support sustainable cocoa, youth employment and gender inclusion
- €50 million through ATIDI to support low-carbon transition and sustainable trade.

Côte d'Ivoire's climate strategy aims to:

- Restore more than 7 million acres of forest by 2030
- Reach approximately 45% renewable energy in the electricity mix by 2030.

The country continues strengthening:

- Mandatory energy audits for large industrial consumers
- Plastic waste management regulations
- Carbon credit and reforestation initiatives
- Sustainable cocoa traceability systems aligned with the EU Deforestation Regulation (EUDR)

Public-private ESG initiatives continue growing through:

- CSR and ESG task forces
- SME sustainability training programs
- Sustainable finance and green finance platforms
- Climate and carbon market development initiatives.

Supply Chain Redistribution / Resilience – Côte d'Ivoire 2026 Update

Côte d'Ivoire continues to strengthen its position as a regional logistics and supply-chain hub for West Africa, with major post-COVID investments in ports, inland logistics, food supply chains and digital trade facilitation.

Changing supply-chain landscape

Key projects and figures:

- Abidjan Second Container Terminal: capacity of around 1.5 million TEUs/year; it handled its 1 millionth TEU in July 2024, only 18 months after opening. It allows larger vessels and improves direct links with Europe, Asia and the Americas.
- Inland logistics investment by Africa Global Logistics: over €60 million planned over five years to develop logistics hubs in Ferkessédougou, Bouaké and San Pedro, including dry warehouses and cold-chain facilities.
- Inclusive Connectivity and Rural Infrastructure Project: World Bank support to rehabilitate and maintain around 15,000 km of rural roads in 11 regions, connecting nearly 4 million people to rural transport networks.
- AgriConnect Côte d'Ivoire: launched by the World Bank and AfDB in 2025, aiming to mobilise over USD 5 billion annually by 2030 for food sovereignty, agro-logistics and job creation.
- New wholesale markets planned in Abengourou, Abidjan and Daloa to reduce post-harvest losses and stabilise food prices.
- GUCE – Single Window for Foreign Trade continues to centralise and digitalise import/export procedures through one transactional platform.

Impact on European businesses

These developments create opportunities for European companies in:

- Port and logistics services
- Cold chain and warehousing
- Agri-logistics and food processing
- Digital customs and trade facilitation
- Transport infrastructure
- Electric mobility and low-carbon logistics

The electric mobility agenda is also progressing: Côte d'Ivoire now targets 10% electric vehicles in the State fleet by 2030, supported by EU low-carbon transition initiatives.

Key challenges

- Despite progress, supply chains still face:
- High logistics and transport costs
- Port congestion risks
- Need for stronger inland connectivity
- Cold-chain gaps for agriculture and health products
- Customs and administrative delays
- Skills shortages in logistics and digital supply-chain management

Key takeaway: Côte d'Ivoire is moving from a port-centered supply chain model toward a more decentralised, digital and resilient logistics network, creating strong opportunities for European companies in infrastructure, logistics, agri-business and green mobility.

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FUTURE (ECONOMIC) OUTLOOK

Mali's economic future offers a mix of strong potential and important challenges. The country is expected to continue growing, mainly through gold mining, agriculture, energy development, and infrastructure investment. While the business environment remains complex, many sectors are still underdeveloped, creating opportunities for investors and entrepreneurs willing to take calculated risks.

Mining remains one of Mali's strongest industries, especially gold production, with opportunities in logistics, transport, equipment, and local processing. Agriculture also has major long-term potential thanks to vast arable land, a young population, and growing regional demand for food and agricultural products. At the same time, the country's energy shortages are creating demand for solar power and energy infrastructure, while the rise of mobile technology is opening space for digital services and fintech businesses.

BUSINESS/INVESTMENT ENVIRONMENT

The country still faces serious challenges, particularly security instability, political uncertainty, and regulatory changes, which can increase business costs and reduce investor confidence. Mali also depends heavily on gold exports, making the economy sensitive to global commodity prices.

Overall, Mali is not considered a low-risk market, but it remains a country with high growth potential and significant untapped opportunities. If security and infrastructure improve over the coming years, Mali could become an important economic hub for agriculture, mining, energy, and regional trade in West Africa.

POLITICAL AND ECONOMIC CHALLENGES

Business operations in Mali are strongly influenced by the country's political and security environment. The government currently prioritises national sovereignty, security, and economic independence, which affects regulations, foreign partnerships, and investment policies. In recent years, Mali has increased state control over strategic sectors such as mining and natural resources, leading to regulatory reforms and renegotiation of some contracts with foreign companies. This sector is subject to local content requirements. All suppliers must comply with applicable local content rules.

Political instability and regional security challenges can also impact supply chains, transportation, insurance costs, and project timelines. Sanctions, regional tensions, and shifts in diplomatic alliances may influence trade flows and access to international financing. In addition, administrative procedures and regulatory frameworks can change quickly, requiring businesses to remain flexible and well-informed.

At the same time, the government is actively encouraging investment in sectors considered strategic for national development, including agriculture, energy, infrastructure, telecommunications, and local industrial transformation.

European companies operating in Mali should adopt a long-term, risk-aware, and partnership-driven approach. Building strong relationships with local stakeholders, authorities, and communities is essential for maintaining operational stability and trust.

Companies can reduce political and operational risks by:

- Partnering with reliable local firms,
- Diversifying supply chains and logistics routes,
- Investing in strong compliance and legal monitoring, and
- Maintaining flexible business strategies that can adapt to regulatory changes.

It is also important for European businesses to align their projects with Mali's national priorities, particularly in areas such as local job creation, infrastructure development, agriculture, energy access, and technology transfer. Projects that contribute visibly to local economic development are generally viewed more positively by authorities and communities.

In addition, companies should strengthen security planning, conduct regular political risk assessments, and maintain close monitoring of regional developments within the Sahel and AES framework.

Overall, success in Mali often depends on patience, local partnerships, adaptability, and a clear understanding of the evolving political and economic landscape.

OTHER REGULATORY AND LEGAL CHALLENGES

European businesses operating in Mali face several economic, legal, and regulatory challenges linked to the country's evolving political environment and developing institutional framework.

One of the main economic hurdles is operational uncertainty caused by security instability . These conditions can disrupt transportation, increase logistics and insurance costs, delay projects, and complicate supply chain management. Limited infrastructure, particularly in energy and transport, can also increase operating expenses for foreign companies.

From a financial perspective, businesses may face currency and payment-related constraints, limited access to local financing, and delays in public-sector payments.

Legally and regulatorily, European companies must navigate a framework that can evolve rapidly, especially in strategic sectors such as mining, energy, and telecommunications. Recent reforms aimed at increasing national control over natural resources have introduced new taxation rules, local participation requirements, and contract renegotiation processes. This can create uncertainty for long-term investment planning.

Administrative complexity is another challenge. Businesses may encounter lengthy approval procedures, inconsistent application of regulations, bureaucratic delays, and difficulties related to permits, customs clearance, or land ownership documentation.

Compliance expectations are also increasing. European companies must balance local regulatory requirements with international standards related to governance, anti-corruption, environmental protection, and human rights obligations.

In addition, reputational and geopolitical risks have become more significant due to changing diplomatic relations between Mali and some Western countries. Companies must therefore carefully manage stakeholder relations, public perception, and political sensitivities while maintaining neutrality and strong local engagement.

Overall, European businesses in Mali need strong legal guidance, local partnerships, proactive risk management, and operational flexibility to navigate the country's evolving economic and regulatory environment successfully.

R06 of the Central Bank of West African States is also a constraint that limits investment; it now prohibits the payment of part of expatriate salaries abroad; restricts the free flow of funds between the CFA zone and the rest of the world; and caps advance payments to foreign suppliers at 50%. This is particularly challenging for Mali, given its deteriorating security situation, as few European suppliers are willing to take the risk and tend to favor countries that are less restrictive regarding cash transactions.

INTEGRATION WITH EU POLICIES

Mali's trade and commercial relationship with the European Union has traditionally been shaped by development cooperation and regulatory alignment with international standards. For European companies, alignment with EU trade and commerce policies can offer both important advantages and notable challenges when operating in Mali.

One major benefit is improved access to international standards and frameworks. EU-supported regulations often encourage greater transparency, stronger governance, environmental protection, and clearer business procedures. This can create a more predictable environment for European investors and facilitate trade between Mali and European markets.

Alignment with EU policies also supports sectors such as agriculture, renewable energy, infrastructure, and sustainable development through development financing, technical assistance, and investment programs. European businesses may benefit from easier market access, trade facilitation measures, development funds, and partnerships supported by EU institutions.

In addition, compliance with EU standards can help Malian products become more competitive internationally, especially in agricultural exports and processed goods. This can strengthen supply chains between Mali and European markets over the long term.

However, there are also significant challenges. Political tensions between Mali and some European governments in recent years have complicated diplomatic and economic cooperation. Mali's increasing focus on sovereignty and diversification of international partnerships may sometimes reduce alignment with European priorities or regulatory approaches.

European regulations can also be difficult and costly to implement locally. Strict standards related to compliance, environmental rules, labor practices, anti-corruption measures, and reporting requirements may create administrative and financial burdens for local partners and smaller businesses.

Another challenge is the difference in business environments. EU commercial expectations often rely on high regulatory stability and institutional predictability, while Mali's regulatory environment can evolve rapidly due to political, economic, or security developments.

Furthermore, regional dynamics within the Alliance of Sahel States (AES) may gradually influence trade policies and economic priorities in ways that differ from traditional EU frameworks.

Overall, alignment with EU trade and commerce policies can provide important long-term benefits in terms of market access, governance, and investment opportunities. However, European companies must also navigate political sensitivities, regulatory complexity, and changing regional dynamics with flexibility and strong local engagement.

EU-MALI ECONOMIC RELATIONS

Investment and Trade

Mali's trade relationship with the European Union is mainly governed through regional agreements between the EU and West African countries, rather than through a bilateral FTA with Mali alone.

The most important framework is the Economic Partnership Agreement (EPA) between the EU and the Economic Community of West African States (ECOWAS). The EPA was designed to promote trade, improve market access, and support economic development between the EU and West Africa. However, the agreement has faced delays in full regional implementation, as most West African countries have not yet fully ratified or implemented it — with Ivory Coast and Ghana being the notable exceptions.

In practice, Mali continues to benefit from preferential access to the EU market under existing EU trade arrangements for developing countries. The EU remains one of Mali's important trade and development partners, particularly in sectors such as agriculture, mining, infrastructure, and development cooperation.

In addition to trade agreements, Mali and the EU cooperate through:

- Development assistance programs,
- Agricultural support,
- Governance and institutional programs, and
- Private-sector investment initiatives.

However, political tensions in recent years between Mali and some European partners have affected certain areas of cooperation and slowed aspects of diplomatic engagement.

The European Union remains one of Mali's major economic partners, although investment levels fluctuate depending on political and security conditions.

Key points include:

- The EU is an important export destination for Malian products, particularly gold and agricultural goods.
- European companies are active in mining, energy, construction, telecommunications, logistics, and development-related sectors.
- Gold represents the largest share of Mali's exports, with Europe remaining a major market.
- Development financing from European institutions has historically supported infrastructure, governance, rural development, and energy projects.

Trade volumes and investment flows have faced pressure in recent years due to :

- Political instability,
- Sanctions,
- Security concerns, and
- Changing geopolitical relations.

Despite this, several European businesses continue to operate in Mali, especially through long-term projects and partnerships.

Mining

Mining is the dominant sector for foreign investment in Mali. European involvement is mainly linked to:

- Gold extraction,
- Mining services,
- Engineering,
- Logistics, and
- Equipment supply.

Agriculture and Agro-industry
European companies and development institutions support:
- Cotton production,
- Irrigation,
- Food processing,
- Livestock development, and
- Agricultural exports (with the exception of mangoes this year).

Energy and Renewable Energy
The EU has supported projects related to:
- Solar energy,
- Rural electrification,
- Energy infrastructure, and
- Sustainable energy development.

This sector is expected to grow significantly due to Mali's large energy deficit.

Telecommunications and Digital Services
European technology and telecom companies have contributed to:
- Mobile networks,
- Digital infrastructure,
- Fintech services, and
- Communications technology.

Overall assessment
The EU and Mali maintain an important economic relationship based on trade, development cooperation, and investment. While implementation of some regional trade agreements remains incomplete, European companies continue to play a significant role in strategic sectors of the Malian economy.

However, future trade and investment relations will depend heavily on:
- Political stability,
- Regional security,
- Regulatory predictability,
- And the evolution of Mali's international partnerships and regional economic policies.

EUROPEAN BUSINESS PRESENCE

Since the COVID-19 pandemic, the presence of European companies in Mali has evolved under the combined influence of economic recovery, political uncertainty, security challenges, and changing geopolitical relations. During the pandemic period, many European businesses experienced operational disruptions caused by supply chain interruptions, rising transport costs, reduced mobility, and slower economic activity. Despite these difficulties, strategic sectors such as mining, telecommunications, agriculture, logistics, and energy continued operating and remained relatively resilient.

In the years following the pandemic, Mali's political transition, regional sanctions, and diplomatic tensions with some European countries contributed to a more cautious business environment. As a result, some European companies postponed expansion plans, reduced expatriate operations, or delayed new investments. Overall, the European business community in Mali has experienced moderate contraction, particularly in terms of new market entries and large-scale expansion projects.

However, the European private sector has not withdrawn entirely from the country. Many established companies continue to operate, especially in industries considered strategically important, including mining, renewable energy, infrastructure, agribusiness, and telecommunications. Instead of aggressive expansion, European businesses are increasingly adopting more cautious and partnership-oriented strategies focused on operational continuity, local collaboration, and long-term positioning.

Several factors continue to influence market entry for European companies in Mali. Security remains the most important consideration, as businesses must evaluate operational risks, transport safety, and staff protection before investing. Political and regulatory stability also play a critical role, especially as reforms in sectors such as mining and natural resources continue to evolve.

At the same time, Mali still offers significant economic potential. The country's large natural resources, agricultural capacity, growing demand for infrastructure, and underdeveloped sectors continue to attract investor interest. Opportunities are particularly strong in renewable energy, agriculture, logistics, mining services, and digital technologies.

Infrastructure limitations, including electricity shortages and logistical constraints, remain operational challenges for foreign businesses. In this environment, successful market entry often depends on building strong local partnerships, understanding administrative systems, and maintaining flexibility in response to changing political and economic conditions.

Overall, the trend since the pandemic reflects a more selective and risk-conscious European business presence in Mali. While growth has slowed in some areas, opportunities remain available for companies capable of adapting to the country's evolving political, economic, and regional landscape.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The impact of recent or expected U.S. tariff measures on Mali is largely indirect rather than direct, since Mali does not have significant bilateral trade with the United States. The country's exports are mainly composed of gold, which is traded on global markets rather than being highly sensitive to specific U.S. tariff policies.

However, U.S. trade measures can still affect Mali through global economic channels. When tariff tensions increase internationally, they often create uncertainty in global markets. This can influence investor behaviour, making international capital flows more cautious toward emerging markets such as Mali. As a result, foreign direct investment may slow down or become more selective, particularly in new or high-risk projects.

At the same time, global trade disruptions can influence commodity markets. For Mali, this is especially relevant for gold, its main export. In periods of economic uncertainty or trade tension, gold often becomes more attractive as a safe-haven asset, which can support Mali's export revenues. However, if global growth slows significantly due to trade conflicts, industrial demand for commodities may weaken, creating downward pressure on prices.

Key sectors such as agriculture, energy, and infrastructure may also feel indirect effects. Higher global tariffs can increase the cost of imported equipment and materials, particularly for renewable energy and industrial projects. They can also contribute to delays in international investment decisions and increase financing costs for development projects.

Overall, while U.S. tariff measures do not directly target Mali, they influence the country through global trade dynamics, commodity price fluctuations, and changes in international investment sentiment. The overall impact is therefore mixed: potentially supportive for gold exports in times of uncertainty, but more challenging for attracting foreign investment and controlling import-related costs.

Geopolitical Tensions – Country Exposure

Geopolitical tensions are making Mali's economic environment more uncertain and cautious. They are slowing investment decisions, complicating trade relations—especially with traditional partners—and reducing overall business confidence.

Although Mali is trying to diversify its international partnerships, this transition is gradual and does not yet fully offset disruptions in established trade and cooperation channels.

Despite this, key sectors like mining, energy, and agriculture still attract interest due to the country's strong natural resource base. However, in the short to medium term, investors remain careful because of political, security, and regulatory risks.

Overall, the economy continues to function, but geopolitical tensions are increasing uncertainty and limiting strong business expansion.

ESG Trends

ESG practices for European businesses in Mali are gradually developing, but they are shaped by a balance between strict EU sustainability standards and local operational constraints.

Companies mainly focus on environmental management (especially in mining and energy), social impact through jobs and community projects, and governance measures like transparency and anti-corruption compliance. However, implementation varies depending on company size and sector.

Sustainability efforts are growing, particularly in renewable energy, agriculture, and climate-related projects, often supported by development partners. Overall, corporate responsibility is increasing, but progress remains uneven and adapted to local realities.

Supply Chain Redistribution/Resilience

The global trade environment is reshaping supply chains involving Mali by making them more regional, diversified, and focused on resilience rather than efficiency.

Because Mali mainly exports gold and imports essential goods, global disruptions and geopolitical tensions have increased transport costs and uncertainty in supply routes.

As a result, businesses are relying more on regional West African and Sahel networks and reducing dependence on distant suppliers.

Export supply chains, especially for gold, remain relatively stable, but logistics and financing are still affected by global volatility. Overall, companies are adapting by diversifying suppliers, strengthening local and regional partnerships, and prioritising risk management, even if this increases costs in the short term.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Mali faces major challenges in maintaining economic stability due to global uncertainty, rising import costs, supply chain disruptions, and its reliance on a limited range of exports, mainly gold. These pressures are reinforced by domestic issues such as infrastructure gaps and security risks.

To manage inflation and economic pressure, the government relies on regional monetary frameworks, fiscal controls, and measures like supporting local agricultural production and stabilising prices of essential goods. However, its ability to act is limited because monetary policy is largely set at the regional level.

To reduce external dependence, Mali is focusing on diversifying trade partners, strengthening regional cooperation within the Sahel, and encouraging local processing of resources. At the same time, foreign investment patterns are shifting, with some traditional investors becoming more cautious while others from alternative partners show growing interest.

Overall, Mali is responding to global instability by combining short-term stabilisation policies with longer-term strategies aimed at diversification and greater economic autonomy.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Tariffs, sanctions, and protectionist policies outside the EU are affecting European companies mainly by increasing costs, reducing market access, and making global operations more complex.

Tariffs in major economies like the US and China reduce competitiveness for European exporters by raising prices or pushing buyers toward local suppliers. Sanctions, such as those on Russia, have forced European firms to exit markets or adjust supply chains, while also creating indirect disruptions in energy, raw materials, and logistics.

In many emerging markets, protectionist policies require European companies to use more local content or form partnerships with domestic firms, which can increase costs and reduce flexibility. Export restrictions on strategic technologies and growing regulatory fragmentation also add compliance burdens.

Overall, these measures are making global business more fragmented and costly, pushing European companies to adapt with more localised and flexible strategies.

Bilateral Trade Projections (2026–2027)

Over the next 12–24 months, trade between Mali and the EU is expected to remain broadly stable but with limited growth.

Mali will continue exporting mainly gold and some agricultural products, while relying on the EU for machinery, fuel-related equipment, pharmaceuticals, and consumer goods. These flows are likely to remain steady, although import costs may fluctuate due to global economic conditions.

However, geopolitical tensions, security concerns, and regulatory uncertainty may limit new European investment and slow trade expansion. At the same time, Mali's growing focus on regional partnerships could gradually reshape trade patterns, although this shift will be slow.

Overall, trade is expected to continue without major disruption, but with constrained growth potential and a cautious investment environment.

Adaptation to Weakening Global Rules

European businesses in Mali are adapting to the weakening of global trade rules by becoming more flexible, cautious, and locally focused.

They are diversifying suppliers, strengthening regional sourcing in West Africa, and improving supply chain resilience to reduce risks from global disruptions. Risk management has become more important, with greater attention to political, security, and economic uncertainty.

Companies are also relying more on local partners and workforces to ensure continuity and better navigate regulatory and operational challenges. At the same time, they are becoming more selective in investments, focusing on key sectors like mining, energy, agriculture, and infrastructure.

Overall, European firms are shifting toward more localised, risk-aware, and long-term strategies rather than broad expansion in an uncertain global trade environment.

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MOZAMBIQUE

FUTURE (ECONOMIC) OUTLOOK

Mozambique continues to register positive economic growth, supported by mega-projects in the natural resources sector, notably the resumption of the LNG project. The country benefits from its strategic location within the SADC region, with access to neighbouring markets. Projections point to a favourable, albeit gradual, evolution, with the economy showing resilience in the face of external and climate-related disruptions.

BUSINESS/INVESTMENT ENVIRONMENT

Opportunities for European companies are concentrated in sectors such as energy (including renewables), agribusiness, infrastructure and logistics, the digital economy, and nature-based tourism. The government's priorities include attracting foreign direct investment, improving the regulatory environment, and promoting the integration of small producers into value chains. Challenges that are being addressed include administrative simplification (digitalisation under way), occasional foreign exchange constraints (measures to enhance exchange-rate transparency), and isolated delays in public payments (extraordinary clearance plans).

POLITICAL AND ECONOMIC CHALLENGES

The political framework remains stable, with functioning institutions and structured dialogue between the state and the private sector. Security challenges in one northern province are being managed with international support and do not compromise the majority of business operations. European companies adopt adaptive strategies: solid local partnerships, scenario planning, and contracts with exchange-rate flexibility.

OTHER REGULATORY AND LEGAL CHALLENGES

Labour and foreign mobility legislation has been updated. The repatriation of profits and dividends sometimes faces short queues, but the central bank has introduced instruments to speed up transactions. The VAT and refund system is being simplified, with automatic offset mechanisms.

INTEGRATION WITH EU POLICIES

Mozambique applies the SADC-EU Economic Partnership Agreement, which removes tariff barriers for most products. The EU is the largest investor, with initiatives such as Global Gateway (energy, connectivity, green transition). The EU-Mozambique Economic Forum in June 2026 provides a platform to strengthen business ties.

EU-MOZAMBIQUE ECONOMIC RELATIONS

Investment and Trade

The EU is one of Mozambique's main economic partners, with strong involvement in energy, extractive sectors, and infrastructure. Trade remains concentrated in a limited number of sectors, highlighting the need for diversification. The SADC-EU Economic Partnership Agreement provides a solid framework for cooperation, though implementation capacity remains an area that requires strengthening.

EUROPEAN BUSINESS PRESENCE

Large European companies maintain a consolidated, long-term presence. Small and medium-sized enterprises are showing growing interest, especially in services, sustainable agriculture, and the digital economy. There is no significant withdrawal; instead, consolidation and, in certain niches, expansion are observed. Factors facilitating entry include trustworthy local partners, European financing lines, and support from EuroCam. Risk perception has improved thanks to public-private dialogue and macroeconomic stabilisation.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The direct impact is limited, given the small volume of trade with the United States. Any indirect effects (global increase in import costs, exchange-rate volatility) are mitigated by the diversification of trading partners.

Geopolitical Tensions – Country Exposure

Mozambique is not a central stage for geopolitical tensions, benefiting from a neutral position. External conflicts may influence commodity prices and transport costs, but the country adapts through contingency planning. Investor confidence is maintained through regular dialogue.

ESG Trends

European companies are pioneers in implementing environmental, social, and governance criteria, with clean energy projects, water management, and community programmes.

The Mozambican government shows openness to incorporating ESG practices into concessions and licensing. Climate change (floods, cyclones) is a natural challenge that the country faces with adaptation plans, to which European partners actively contribute.

Supply Chain Redistribution/Resilience

European companies have diversified suppliers, reducing dependence on single sources, and have invested in safety stocks and alternative logistics solutions. The most active sectors in this adaptation are construction, fuel distribution, and the agri-food industry.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

The government has adopted a prudent monetary policy, with interest rates that follow inflation trends. Diversifying trade partners is a priority: beyond the EU, Mozambique is strengthening ties with Asia and the Middle East. The central bank has introduced measures to make the foreign exchange market more flexible and transparent, while keeping international reserves at comfortable levels. The private sector responds with contingency plans, exchange-rate hedging, and negotiation of payment terms with suppliers.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Rising protectionism increases logistics and financial costs worldwide. In Mozambique, European products remain competitive thanks to quality and the Economic Partnership Agreement. The main pressure comes from Asian competitors, but European companies offset this through technological differentiation and sustainability.

Concrete examples

Sanctions on certain countries have indirectly affected the price of fertilisers and aluminium, without causing serious disruptions. Protectionist measures by Asian partners have had a marginal impact on Mozambican exports, which quickly found alternative markets.

Bilateral Trade Projections (2026–2027)

EU-Mozambique trade is expected to grow moderately, driven mainly by developments in the LNG sector, although structural diversification is likely to remain gradual. Opportunities exist to strengthen local value chains and expand into sectors such as agro-processing, renewable energy, and services.

Adaptation to Weakening Global Rules

EuroCam and its members are adapting through strengthened risk management and compliance frameworks, stronger local partnerships and institutional engagement, and the diversification of supply chains and market strategies. The main priorities for the future include continued improvement of the regulatory and administrative environment, strengthening institutional capacity and policy implementation, promoting greater integration of local SMEs into value chains, and supporting economic diversification beyond extractive industries.

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INTRODUCTION

The European Business Chamber of Nigeria continues to serve as a platform for European companies operating in Nigeria and for businesses considering entry into the market. This report provides a clearer view of sentiment across the business community, with attention to the economic, regulatory, political, and sector-specific conditions that shape investment decisions. The overall picture for 2026 is one of cautious improvement. Many businesses believe the worst of the immediate macroeconomic shock has passed, but they remain focused on execution risk, policy consistency, and the cost of operating in the market.

The report follows the EBOWN framework by covering future economic outlook, business and investment conditions, political and regulatory challenges, economic relations with the European Union, European business presence, and the main opportunities and constraints affecting companies in Nigeria.

FUTURE (ECONOMIC) OUTLOOK

Overview of Future Economic Projections

Macro-Stability and GDP Trajectory

- Accelerated Growth: Nigeria's GDP is projected to rise by 4.0% to 4.2% in 2026, significantly outpacing the projected global average of 3.1%. This expansion is fueled by the maturation of 2024 fiscal reforms and a decisive rebound in oil output (projected at 1.46 million bpd).

- The "Rebound" Effect: 2025 marked the end of the "initial shock" phase. Sentiment for 2026 reflects a shift toward predictability, with the International Monetary Fund (IMF) upgrading Nigeria's outlook based on renewed investor confidence and a more favorable fiscal stance.

Monetary Stabilisation & Inflation Deceleration

- Aggressive Cooling: Headline inflation, which peaked in 2024, has shown a significant downward trend. By early 2026, inflation is recorded in the 15%–17% range, with projections suggesting it could hit single digits by late 2026 if the Central Bank (CBN) maintains its tight monetary stance.

- Purchasing Power Recovery: This deceleration is finally restoring household purchasing power. Mastercard data indicates a notable increase in discretionary spending (travel, lifestyle, and services), signaling a recovery for FMCG and retail sectors.

Currency Convergence and FX Confidence

- Range-Bound Stability: The Naira has moved away from the extreme volatility of 2024, stabilising between ₦1,450 – ₦1,650 per USD in 2025, and starting 2026 even stronger at an average of ₦1,410.

- Net Reserve Strength: Nigeria's net foreign reserves jumped significantly (reaching over $50 billion in early 2026), providing a sturdy buffer that has narrowed the gap between official and parallel market rates, simplifying profit repatriation planning for European firms.

Strategic Sector Shifts

- Energy Transition & IPPs: With the 2026 budget focusing on "Energy Resilience," there is a massive sentiment shift toward Captive Power and Distributed Renewable Energy (DRE). European firms are no longer planning around the national grid but are investing in independent solar and gas-to-power solutions.

- Digital Productivity: Beyond Fintech, the 2026 outlook highlights AI integration and tech-driven SMEs as primary productivity drivers. Digital transformation is expected to add significant value to the services sector, which now constitutes roughly 35% of export revenue.

Institutional & Tax Reform (The 2026 Pivot)

- Unified Tax Code: The Tax Reform Act (effective January 2026) is a major milestone. While the corporate tax remains at 30%, the streamlining of codes is expected to reduce "multiple taxation" hurdles, though capital gains tax adjustments will require higher return thresholds for investors.

- Regional Integration Hub: Eurocham members are increasingly viewing Nigeria not just as a domestic market, but as the industrial launchpad for the AfCFTA. Nigeria is positioned to earn record non-oil export revenues (exceeding $6.1 billion) as regional trade lanes formalise.

Potential Changes in Market Dynamics

Digital Economy: The Profitability & AI Pivot

- Scale and Value: Nigeria's digital economy is projected to reach $18.3 billion in revenue by late 2026, nearly doubling its 2021 value ($9.97 billion). The sentiment has shifted from "growth at all costs" to a profitability mandate.
- AI Integration: 2026 is cited as the year of the "AI Value Shift." European firms are moving beyond pilot projects to operational AI—using it to solve local operational lags (up to 30% efficiency gains), predictive analytics for supply chains, and credit underwriting for SMEs.
- Regulatory Maturity: The enactment of the National Digital Economy and E-Governance Bill (Q2 2026) introduces a dual regulatory framework (NITDA and NDPC) focused on algorithm transparency and AI risk classification.
- Infrastructure Depth: Internet penetration is forecasted to hit 60% in 2026, supported by the deeper deployment of 5G and "fiber-to-the-home" networks in urban hubs like Lagos and Abuja.

Agricultural Modernisation & Agri-Industrial Processing

- Output Surge: Agriculture remains a vital engine, with the sector's output reaching ₦30.5 trillion by late 2025. There is sustained growth in key staples (maize, rice, and cassava) driven by improved technology integration.
- The SAPZ Era: Phase 1 of the Special Agro-Industrial Processing Zones (SAPZs) is now active across seven states (including Cross River, Kaduna, and Ogun). These zones offer European investors de-risked "Agro-Industrial Hubs" with climate-adapted infrastructure.
- Export Performance: In 2025, non-oil export earnings surged to $6.11 billion, with cocoa and its derivatives alone accounting for nearly $2 billion. 2026 projections suggest this will grow by an additional 10% as trade channels liberalise.

AfCFTA: Transitioning to a Regional Export Hub

- Market Readiness: Nigeria has ratified the AfCFTA Protocol on Digital Trade (Nov 2025) and established a dedicated Air Cargo Export Corridor.
- Intra-African Trade: Intra-African trade is set to grow by 10% to $230 billion in 2026. Manufacturing and agri-food sectors are expected to account for nearly 50% of these flows.
- Currency Advantage: The rollout of the Pan-African Payment and Settlement System (PAPSS)is reducing foreign exchange costs by 20% to 30% for Nigerian exporters trading within the continent.

Emerging Tech-Enabled Sectors

- HealthTech 5.0: Following the GITEX Nigeria debut (Sept 2025), there is significant momentum in digital health and healthcare triage.
- EdTech Growth: The Nigerian EdTech market is expected to surpass $400 million in 2026, with platforms scaling across West Africa to bridge the technical skills gap.
- Logistics & Q-Commerce: Real-time tracking and digital supply chain tools are being prioritised by Eurocham members to bypass traditional infrastructure bottlenecks.

Regulatory Landscape Shifts

The Nigeria Tax Act (Effective January2026)

The 2026 tax cycle marks the implementation of the most ambitious fiscal overhaul in Nigeria's history, moving from 60+ taxes to fewer than 10 clearly defined statutes.

- Corporate Tax Tiers:
  - Small Companies (<₦50m turnover): 0% CIT.
  - Large Companies & MNEs: Maintained at 30%, but with a 15% Minimum Effective Tax Rate (ETR) for multinational groups, aligning Nigeria with global minimum tax principles.
  - Unified Development Levy: Replaces various earmarked taxes (Tertiary Education, IT Levy, Police Trust Fund) with a single 4% levy on assessable profits for large firms.
  - Agribusiness Incentive: A five-year tax holiday is now standard for new companies in the agricultural sector to bolster food security.
  - The Nigeria Revenue Service (NRS): The FIRS has been modernised into the NRS, deploying a "Single Window" for automated audits and e-invoicing to eliminate manual compliance friction.

National Digital Economy and E-Governance Act

This foundational law provides the legal equivalence between electronic and paper-based processes, fundamentally changing how contracts are executed.

- Legal Validity of Digital Assets: Electronic signatures, contracts, and transferable records now have full evidentiary recognition in Nigerian courts.
- AI Governance & Sovereignty: Establishes a Risk-Based Framework for AI, requiring transparency and human oversight for systems deployed in Nigeria.
- AI Development Fund: Foreign companies training AI models using Nigerian data must contribute 2% of their annual local revenue to this fund.
- Local Content in Tech: 30% of R&D for AI using Nigerian data must be conducted within the country.

Trade Facilitation & Customs Modernisation

- National Single Window (NSW): Phase-one implementation (Q1 2026) centralises all border regulatory agencies into one digital portal, aiming to reduce cargo clearance times by over 50%.
- Authorised Economic Operator (AEO): The "TrustedTrader" regime is now fully operational. Eurocham members can migrate to the AEO framework to enjoy priority treatment and reduced physical inspections at ports.
- Digital Logistics: Validates electronic shipping documentation and receipts, facilitating the move toward paperless supply chains.

Energy Market Decentralisation

- State-Level Regulation: Following the constitutional amendment, 16 states have now established their own Electricity Regulatory Commissions.
- Mini-Grid Regulations 2026: New NERC guidelines provide a streamlined legal path for Independent Power Producers (IPPs) to sell directly to industrial clusters, bypassing the national grid.
- Renewable Integration: Mandatory "Clean Energy" quotas are being introduced for new industrial developments, favoring European firms with existing green-tech portfolios.

Data Protection & Privacy Compliance

- Mandatory Audits: All organisations must file their Annual Compliance Audit Returns (CAR) by March 31st each year.
- Cross-Border Transfer: The NDPC now enforces strict "adequacy decisions" for data leaving Nigeria, requiring European firms to ensure their regional data hosting complies with local data localisation mandates for sensitive user data.

Opportunities for European Businesses

ESG Trends & Sustainability Initiatives

- The Opportunity: 2026 is the year of "Carbon Transition." European firms are leading in Renewable Energy Supply Chains (solar/wind/biomass) and Circular Economy models (plastic recycling and sustainable packaging).
- Climate Finance: Sentiment is high regarding the "Green Bond" market in Nigeria, which is expected to facilitate lower-interest funding for sustainability-linked projects.
- The Challenge: Weak Enforcement. While the desire for green projects is high, members cite inconsistent enforcement of environmental standards as a barrier to a level playing field.

Supply Chain Resilience & AfCFTA Integration

- The Shift: Sentiment has moved from "Global Sourcing" to "Regional Integration." Following the 2024 supply shocks, Eurocham members are investing in Local Capacity Development to source raw materials within West Africa.
- AfCFTA Advantage: 2026 projections show Nigeria becoming a regional "Export Hub" for processed goods. The reduction in intra-African tariffs is a major positive sentiment driver for manufacturing members.
- The Challenge: Logistics Bottlenecks. Despite port reforms, congestion and "hidden costs" in the clearing process remain the top-cited hurdle for 2026 supply chain planning.

Market Entry Trends & Statistics

- Growth of the Community: The European business community is projected to grow by 8–10% in 2026, with new entrants primarily in the Renewable Energy, Agri-processing, and Digital Infrastructure sectors.
- Entry Velocity: 2025 data shows a trend of "Strategic Re-entry"—firms that paused during the 2024 volatility are now returning with leaner, tech-enabled operating models.
- Employment Impact: European firms are expected to surpass 150,000 direct jobs in Nigeria by the end of 2026, with a focus on high-skill technical roles.

Key Drivers (The "Pull" Factors)

- Market Scale: Nigeria's reach toward 230 million people remains the primary attractant for FMCG and Healthcare.
- Resource Integration: The push for local content and the Tax Reform Act's agribusiness incentives are driving European manufacturers to move closer to raw material sources in Nigeria.
- AfCFTA Readiness: Investors are increasingly viewing Nigeria as a "Manufacturing Launchpad" to access the 1.3 billion-person African market under preferential tariffs.

Deterrents & Risk Mitigation (The "Push" Factors)

- Complexity of Compliance: While tax codes are being unified, the "Cost of Compliance" (licenses, permits, and inspections) remains a concern for SMEs.
- Talent Migration: The "Japa" phenomenon (brain drain) has created a talent premium; European firms are responding by building In-house Training Academies to secure their 2026 talent pipelines.
- Security & Power: Infrastructure gaps still require firms to dedicate roughly 15–20% of CapEx to self-generation and private security,which remains the biggest deterrent to mid-cap European entrants.

BUSINESS / INVESTMENT ENVIRONMENT

The "Ease of Doing Business" Narrative

In 2024, the narrative was about surviving the currency float. For 2025/2026, the narrative is about Efficiency. The report should highlight that while costs are higher, the "Ease of Doing Business" is improving through the digitisation of government services (E-Governance Act) and tax simplification.

Key Drivers for Investment:

- The Yield Factor: With high-interest rates (MPR) currently in play to fight inflation, Nigeria remains a high-yield environment for European capital, provided the FX exit remains clear.
- Industrial Clusters: There is a strong sentiment toward Special Economic Zones (SEZs). European firms are increasingly looking to move operations into these zones to enjoy "one-stop" regulatory handling and better infrastructure.

Primary Deterrents:

- Cost of Credit: High local borrowing costs are a major hurdle for mid-sized European companies looking to expand without bringing in more offshore capital.
- Security of Supply: While the macro-economy is stabilising, security concerns in the "hinterlands" still pose a risk to agri-industrial supply chains.

POLITICAL AND ECONOMIC CHALLENGES

The Federal vs. State Friction

The political landscape is characterised by a "Reform vs. Reality" gap. While the Federal Government is pushing for a unified market (Tax Reform Act), individual States are asserting more fiscal independence. For European businesses, this creates a landscape of Regulatory Fragmentation, where doing business in Lagos vs. Kano requires entirely different legal and compliance strategies.

Monetary Hardship vs. Long-term Gain

The prevailing economic sentiment is a paradox: members appreciate the "Orthodox" monetary policy (tight money supply to save the Naira), but the liquidity crunch it has created makes short-term operations difficult. The "Cost of Doing Business" has shifted from an FX availability problem (2024) to a Cost of Credit problem (2025/2026).

Infrastructure "Soft" Costs

Beyond physical roads and ports, the "soft infrastructure" challenges—customs processing, digital permit delays, and bureaucratic "hidden costs"—remain high. Sentiment suggests that while the National Single Window is a great promise, the actual day-to-day experience at the ports has not yet mirrored the policy improvements.

The ESG Compliance Gap

European firms are facing a "Compliance Wedge." They are held to high global ESG and sustainability standards by their headquarters, but they operate in a local market where enforcement of these standards on competitors is weak. This creates a competitive disadvantage in terms of pricing and operational speed.

EU-NIGERIA ECONOMIC RELATIONS

Investment and Trade

- Key Pact: March 2026 Ministerial Dialogue shifted focus to green energy and digital security.
- Global Gateway: €962.5M package now funding infrastructure and climate-smart agritech.
- Tech Alignment: New negotiations for an STI agreement to link Nigerian startups with Horizon Europe.

Statistics (2025/2026)

- Trade Volume: Reached €32.4B.
- Trade Balance: Nigeria surplus (€20.2B exports vs €12.2B imports).
- Market Share: EU remains the #1 investor, covering 25%+ of Nigeria's foreign trade.
- Job Creation: 200+ companies employing over 130,000 locals.

Key Sectors

- Energy: Dominates exports at €17.4B.
- Agri-Food: €86M in new grants for dairy and cocoa sustainability.
- Infrastructure: EU-backed 90,000km fiber optic rollout is the top digital priority.
- Health: €50M deal signed (March 2026) for local vaccine and medicine production.

EUROPEAN BUSINESS PRESENCE

Community Growth

- Expansion: European business presence grew by 8% in 2025, with new entrants focused on Renewable Energy and Tech-Agri.
- Resilience: 92% of existing Eurocham members maintained or increased their local footprint despite 2024's fiscal shocks.
- Market Entry: 45% of active companies have entered or significantly expanded in Nigeria within the last 12 years, showing long-term commitment.

Factors Influencing Entry (The "Pull")

- Demographics: A consumer base approaching 230M remains the primary driver for FMCG and Healthcare sectors.
- AfCFTA Strategy: Nigeria is increasingly used as a Regional ExportHub for West Africa to leverage lower intra-continental tariffs.
- Policy Reform: The 2026 Tax Act and unified FX window have improved predictability for foreign capital allocation.

Factors Deterring Entry (The "Push")

- Capital Cost: High local interest rates (MPR) make debt-financing for expansion expensive.
- Talent Gap: The "Japa" phenomenon (skilled migration) has created a shortage in middle-management and technical engineering.
- Logistics: While improving, "soft costs" at ports and energy self-generation still account for 15–20% of operational overhead.

OPPORTUNITIES AND CHALLENGES

ESG Trends

European firms are moving from voluntary CSR to audit-ready ESG data to meet 2026 global disclosure standards.

- Opportunities: High demand for solar-gas hybrids and waste-to-energy projects; improved access to Green Bonds.
- Challenges: Weak enforcement of regulations and high costs for green infrastructure in a high-interest environment.

Supply Chain Redistribution/Resilience

Firms are replacing "just-in-time" models with local sourcing to buffer against FX and logistics shocks.

- Opportunities: Using Nigeria as an AfCFTA export hub; using AI and "digital twins" to bypass port disruptions.
- Challenges: Persistent port congestion, customs inefficiencies, and the high cost of training local suppliers to EU standards.

Conclusion

The overall sentiment for Nigeria in 2026 is cautiously positive. The market is moving in a better direction on macro stability, reform credibility, and sector-specific opportunity, but the pace of improvement is uneven. For the European business community, the main message is that Nigeria remains strategically important, commercially attractive, and operationally complex. Success will depend on policy consistency, practical implementation, and the ability of firms to adapt to a changing business landscape.

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RWANDA

FUTURE (ECONOMIC) OUTLOOK

Rwanda's economic outlook is presented as robust and forward-looking, underpinned by sustained growth and a clear long-term development trajectory. Over the past decade, the economy has recorded average GDP growth of approximately 7.5 percent per annum. This performance reflects a broader structural transformation over the last two decades, during which Rwanda's GDP expanded from RWF 1,150 billion in 2003 to RWF 16,355 billion in 2023, representing fourteen-fold growth. This expansion has been accompanied by a gradual shift in the structure of the economy, with agriculture declining in relative importance, industry increasing its share, and services maintaining a stable contribution to overall output.

Growth has translated into improved living standards, with GDP per capita increasing steadily over recent years. Rwanda has articulated a clear ambition to reach upper-middle-income status by 2035 and high-income status by 2050. Looking ahead, economic expansion is projected to be driven by services, construction, information and communication technologies, manufacturing, agribusiness value addition, and green energy. Targeted growth rates in priority sectors are expected to exceed 9 to 12 percent annually, reflecting a policy focus on productivity, innovation, and export-oriented activities.

BUSINESS / INVESTMENT ENVIRONMENT

Rwanda continues to offer one of the most competitive investment environments in Africa. It is ranked as the second-easiest country to do business in on the continent, supported by strong governance, regulatory predictability, and a clear pro-investment policy stance. Investor facilitation is centralised through the Rwanda Development Board, which operates as a one-stop centre providing support across business registration, licensing, investment promotion, and aftercare. This institutional model reduces administrative complexity and provides clarity for investors. The environment is further reinforced by investment-friendly tax and incentive regimes, particularly in priority sectors identified by the government, making Rwanda an attractive destination for European companies seeking stable and reform-oriented markets.

Government priorities shaping the investment environment are clearly articulated and directly relevant to European business interests. These include export-oriented industrialisation, import substitution in food, manufacturing, and consumer goods, green growth and climate-resilient urbanisation, digital economy development, innovation and skills, and positioning Rwanda as a regional logistics, meetings, incentives, conferences, exhibitions, and services hub. These priorities are not purely strategic statements but are operationalised through flagship projects and bankable investment pipelines promoted by the Rwanda Development Board, translating policy direction into concrete opportunities for private sector participation.

In agribusiness and food systems, Rwanda is prioritising commercial agriculture and value addition to reduce import dependence and expand exports. Key opportunities include the fully irrigated Gabiro Agribusiness Hub, covering 15,600 hectares, where Phase II presents an identified investment gap of USD 100 million. Additional opportunities exist across the dairy and milk processing value chain, including UHT milk, yoghurt, cheese, and cold chain infrastructure, as well as staple crop value chains such as rice, maize, wheat, soybean, potato, and beans. Export-oriented opportunities are also identified in avocado production, targeting European markets, and in high-value floriculture and horticulture.

In ICT, innovation, and outsourcing, Rwanda is positioning itself as a regional technology and services hub. Kigali Innovation City represents a USD 300 million master planned development anchored in education, innovation, and technology. This ecosystem is complemented by the presence of the World Economic Forum Centre for the Fourth Industrial Revolution and a rapidly scaling Global Business Services sector, which is projected to create over 5,000 jobs by 2025. These opportunities are supported by a competitive multilingual workforce and a growing pipeline of ICT graduates, reinforcing Rwanda's attractiveness for European companies in digital services and outsourcing.

Real estate, urban development, and tourism opportunities are closely linked to Rwanda's innovation and sustainability agenda. Priority developments include Green City Kigali, a 600-hectare net-zero urban development with an initial phase valued at USD 150 million. Additional opportunities exist in the development of Grade A offices, student housing, and residential real estate associated with Kigali Innovation City. Tourism and hospitality investments are targeted around Bugesera International Airport and Rubavu, with a focus on eco tourism, meetings and conferences, as well as golf resort and luxury residential developments.

Manufacturing and industrialisation opportunities are aligned with Rwanda's import substitution and export orientation objectives. Priority sectors include glass manufacturing, both float and container glass, fertiliser production, including organic fertilisers, seed multiplication, veterinary drugs, textiles and garments, furniture, packaging materials, hygiene products such as diapers and sanitary pads, detergents, and agro processing and food manufacturing clusters.

These opportunities are supported by the development of industrial parks, including under-build-own-operate transfer models, to facilitate private investment in manufacturing capacity.

In energy and e-mobility, Rwanda's green transition is accelerating. Electricity access has expanded significantly, rising from 34 percent in 2017 to 74 percent in 2024, while unexploited generation potential is estimated at 6,000 megawatts. Investment opportunities include Lake Kivu methane gas projects and renewable energy development. Rwanda is also actively promoting electric mobility through strong fiscal and non-fiscal incentives for electric vehicles and charging infrastructure, alongside an ambition to position itself as a regional leader in e-mobility.

POLITICAL AND ECONOMIC CHALLENGES

The documents highlight Rwanda's exceptional political stability and policy continuity as a core strength of the business environment. At the same time, several structural economic challenges shape the operating context. Rwanda's domestic market remains relatively small, which limits scale for businesses focused solely on national demand and increases the importance of regional market strategies. The country's landlocked geography contributes to higher logistics and transport costs, particularly for goods reliant on imports or regional export corridors.

Skills gaps persist in specialised engineering and advanced manufacturing, which can constrain rapid scaling in higher technology industries. In addition, foreign exchange pressures linked to import dependence affect cost structures and financial planning for some investors. These challenges do not undermine the overall investment case but rather define the conditions under which investments are most viable. European companies are shown to mitigate these constraints through regional expansion strategies, local partnerships, and alignment with government priorities.

OTHER REGULATORY AND LEGAL CHALLENGES

The regulatory and legal environment is described as generally predictable but evolving. Investors face ongoing adjustments related to tax and customs compliance frameworks, which require continuous monitoring and interpretation. In certain sectors, local content expectations influence procurement, staffing, and partnership models. The limited depth of domestic capital markets is also identified as a constraint, particularly for larger-scale investments requiring long-term financing.

Despite these challenges, regulatory reforms are characterised as consultative, with openness to structured dialogue through European Business Organisations. This approach allows for engagement on implementation issues, clarification of requirements, and improved predictability for European firms operating in Rwanda.

INTEGRATION WITH EU POLICIES

Rwanda aligns strongly with European Union priorities on sustainable development and environmental, social, and governance standards, with a policy focus that integrates responsible investment, environmental protection, and long-term economic sustainability. Climate action and green finance are reflected in Rwanda's emphasis on renewable energy, climate-resilient urban development, and support for green mobility, creating an enabling environment for environmentally responsible investment. Digital transformation is a further area of alignment, with Rwanda prioritising ICT, innovation ecosystems, and digitally enabled services to support productivity, skills development, and services trade. Gender inclusion and broader social responsibility are embedded across national development priorities, including youth employment, skills development, and inclusive participation in economic opportunities. In trade, the Everything But Arms scheme continues to provide duty-free, quota-free access to EU markets, supporting export-oriented growth, while the implementation of the regional Economic Partnership Agreement remains a strategic objective for deepening EU–Africa trade integration.

EU-RWANDA ECONOMIC RELATIONS

Investment and Trade

The European Union is a central partner for Rwanda in trade, investment, and private sector development. EU engagement supports Rwanda's economic transformation, with increasing emphasis on green and digital transitions. European companies are active across a range of sectors, including energy, agribusiness, construction, healthcare, ICT, and professional services, reflecting alignment between Rwanda's development priorities and European commercial strengths.

Trade relations are underpinned by Rwanda's duty-free and quota-free access to EU markets under the Everything But Arms arrangement. In parallel, Rwanda's participation in regional trade frameworks strengthens its role as a gateway for European companies seeking access to East African and continental markets. The implementation of the regional Economic Partnership Agreement remains a strategic objective for further deepening EU-Rwanda trade relations.

EUROPEAN BUSINESS PRESENCE IN RWANDA

European business presence in Rwanda has expanded gradually in recent years, with renewed momentum following the pandemic period. There is increasing interest in green energy, ICT, outsourcing, and urban development. Small and medium-sized enterprises are particularly prominent, often entering the market through partnerships, joint projects, and phased investments rather than large standalone operations.

A key driver of European interest is Rwanda's positioning as a regional gateway. Access to the East African Community and the African Continental Free Trade Area allows firms to leverage Rwanda as a base for broader regional operations. Rwanda's reputation for stability, facilitation, and innovation further supports this trend, particularly for companies seeking controlled market entry and scalable regional strategies.

OPPORTUNITIES AND CHALLENGES

ESG Trends

Rwanda is presented as a continental leader in environmental, social, and governance standards. The country has implemented progressive environmental policies, including plastic bans, and is prioritising green and climate-resilient urban development. ESG considerations are embedded in flagship projects and investment pipelines, particularly in energy, urban development, and agriculture. European companies, which often operate under high ESG standards, are well aligned with these priorities and are positioned to contribute to Rwanda's sustainability objectives while meeting strong corporate responsibility expectations.

Supply Chain Redistribution/Resilience

Rwanda is emerging as a regional logistics and services hub, with growing relevance for near-shoring and light manufacturing. Its positioning as a proof of concept market allows companies to pilot scalable African supply chains, build operational resilience, and access regional markets. This role is reinforced by Rwanda's connectivity, trade agreements, and focus on export-oriented investment models.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Rwanda's economic resilience is framed through sustained growth, diversification, and strategic integration into regional and global markets. Over time, economic expansion has translated into improved living standards and strengthened productive capacity. The country's long-term development targets and sectoral growth projections reflect a focus on structural transformation rather than short-term growth alone.

Resilience is further supported by Rwanda's participation in multiple trade frameworks and its focus on future-oriented sectors such as green energy, digital services, and climate-resilient urbanisation. While global volatility presents risks related to inflation, supply chains, and external demand, Rwanda's policy continuity, investment facilitation, and structured project pipelines underpin its positioning as a reliable partner capable of managing external shocks while maintaining momentum toward long-term economic objectives.

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FUTURE (ECONOMIC) OUTLOOK

Senegal shows overall positive economic prospects, driven by the start of production of oil and gas projects, which are expected to support growth in the medium term. The country aims to achieve a structural transformation of its economy through policies focused on industrialisation, digitalisation, and infrastructure development. However, these prospects remain contingent on macroeconomic stability, control of public debt, and the ability to maintain a predictable and attractive regulatory framework for foreign investors.

BUSINESS / INVESTMENT ENVIRONMENT

Government Priorities

- Economic and food sovereignty
- Local industrialisation
- Development of local content in extractive industries
- Digital transformation
- Strengthening infrastructure (energy, transport, logistics)

Sectoral Opportunities

- Energy (renewable and fossil)
- Infrastructure and construction
- Agriculture and agro-industry
- Digital and services
- Healthcare and pharmaceutical industries

Sectoral Challenges

- Access to financing
- Administrative complexity
- Perceived high tax pressure
- Evolving and sometimes unpredictable regulatory framework

POLITICAL AND ECONOMIC CHALLENGES

Senegal has traditionally benefited from relative political stability in West Africa, although the discovery of the domestic debt has affected the perception of country risk.

European companies must contend with:

- Rapid regulatory changes
- An administration that can sometimes be slow
- Issues related to transparency and governance

Recommended Strategies:

- Strengthening local partnerships
- Regular dialogue with authorities
- Active regulatory monitoring

OTHER REGULATORY AND LEGAL CHALLENGES

European businesses operating in Senegal continue to face a range of regulatory and legal challenges that can complicate day-to-day operations and long-term planning. Administrative procedures remain lengthy, adding friction to business processes and slowing down decision-making. Legal uncertainty persists in certain sectors, making it difficult for investors to operate with full confidence in the stability of the regulatory environment. Contract enforcement also presents difficulties, posing risks particularly for companies engaged in commercial disputes. Compounding these issues is the tendency for sector-specific regulations to change, which requires businesses to remain continuously adaptive and vigilant in their compliance efforts.

INTEGRATION WITH EU POLICIES

Senegal has not ratified an EPA as Côte d'Ivoire and Ghana have, but it benefits from the EBA scheme, allowing it to export to the EU at 0% tariffs. Negotiations for an EPA have been ongoing since January.

Advantages

- Preferential access to the European market
- Gradual alignment with certain international standards

Challenges

- Compliance with European standards can be costly for local companies
- Perceived imbalance in certain sectors

EU-SENEGAL ECONOMIC RELATIONS

Investment and Trade

The European Union is one of Senegal's main trading partners and investors, accounting for 33.5% of its imports but only 11.1% of its exports. France is Senegal's leading supplier (12% of imports), slightly ahead of China (10.8%). Belgium is the second EU supplier (5.8%). In terms of Senegal's exports, Spain ranks first, accounting for 3.1% of exports.

- Significant presence of European investments in key sectors (energy, telecoms, construction, services)
- The EU remains a major partner for Senegalese exports (agricultural products, fisheries, raw materials)

EUROPEAN BUSINESS PRESENCE

Since the pandemic, the European presence has remained broadly stable, with:

- Consolidation of existing positions
- Increased caution in new investments

Trends

- Growth in strategic sectors (energy, digital)
- Increased interest in local partnerships

Factors influencing market entry

- Size of the regional market (WAEMU/ECOWAS)
- Relative political stability
- OHADA legal framework
- Investment incentives

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The direct impact of US tariff policies remains limited, but indirect effects can be observed through:

- The reorientation of trade flows
- Volatility in commodity prices

Geopolitical Tensions – Country Exposure

Global geopolitical tensions (Ukraine, Sahel) impact:

- Energy costs
- Supply chains
- Perception of regional risk (AES specially with Mali)

ESG Trends

European companies in Senegal are generally ahead on ESG issues.

- Gradual adoption of ESG standards
- CSR and sustainability initiatives (included in the new investment code)

Supply Chain Redistribution/Resilience

Senegal benefits from a strategic position in West Africa and serves as a gateway to several landlocked countries.

Trends

- Growing interest in nearshoring
- Diversification of suppliers
- Logistics development (Port of Dakar, regional corridors)

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Challenges

Senegal's economy faces a number of pressing challenges stemming from its exposure to global economic disruptions and structural vulnerabilities:

- Imported inflation
- Vulnerability to external shocks
- Dependence on imports
- The burden of the Domestic debt weighs on the budget
- Pressure on investors and financial institutions

Government Responses

In response to these pressures, the Senegalese government has adopted a series of measures aimed at stabilising the economy and strengthening its resilience:

- Targeted subsidies
- Economic sovereignty policies
- Diversification of trade partners
- Implementation of protective measures for national industry

Foreign Investment

Despite the broader challenges, Senegal continues to attract foreign investment, though the landscape is shaped by evolving priorities and emerging regulatory tensions:

- Overall attractiveness maintained
- Increased interest in extractive and energy sectors, with local content requirements based on national preference
- Inconsistencies between the new investment code and Regulation R06 (BCEAO / supranational)

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Global protectionism may reduce the competitiveness of European companies through increased costs and greater trade complexity, as evidenced by a range of pressures already being felt on the ground:

- Rising logistics costs
- Trade restrictions in certain third markets
- Supply chain disruptions
- Changing of supplier for other lands like China due to the R06 restriction

Bilateral Trade Projections (2026–2027)

Looking ahead to 2026–2027, EU–Senegal bilateral trade is expected to maintain overall stability, even as global trade conditions remain uncertain and uneven across sectors. While the broader trade relationship is projected to hold steady, sectoral volatility is anticipated, particularly in areas sensitive to commodity price fluctuations, shifting demand patterns, and evolving regulatory frameworks. At the same time, the outlook presents meaningful opportunities in strategic sectors, most notably energy and infrastructure, where growing investment interest and Senegal's ongoing development agenda are likely to drive increased engagement between European businesses and local partners. These sectors are expected to serve as key drivers of bilateral trade momentum in the near term, provided that the enabling environment — including regulatory clarity and contract enforcement — continues to improve.

Adaptation to Weakening Global Rules

In response to the erosion of multilateral trade frameworks and growing uncertainty in the global rules-based order, European businesses operating in Senegal have been actively adapting their strategies to safeguard continuity and competitiveness. This has involved strengthening risk management practices to better anticipate and absorb external shocks, as well as diversifying supply chains to reduce dependence on single sources or routes that may be vulnerable to disruption. Alongside this, there has been a growing emphasis on developing local partnerships, recognising that strong on-the-ground relationships are essential to navigating an increasingly complex regulatory and commercial landscape. Crucially, enhanced dialogue with both local authorities and European counterparts has emerged as a key pillar of this adaptation, enabling businesses and chambers to collectively advocate for greater predictability, regulatory coherence, and a more stable operating environment for European investment in Senegal.

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SOUTH AFRICA

FUTURE (ECONOMIC) OUTLOOK

South Africa's outlook is cautiously improving but structurally constrained. The IMF expects growth of around 1.3%–1.4% in 2025–2026, rising gradually toward 1.8% in the medium term, supported by reforms in energy, logistics and public finance. Inflation is expected to move toward the 3% target by end-2027, but exports remain exposed to tariffs and global trade uncertainty.

The main positive signals are improved electricity stability, fiscal discipline, infrastructure reform, private-sector participation in energy and logistics, and renewed interest in green investment. The main constraints remain high unemployment, weak municipal services, transport bottlenecks, crime, corruption, policy complexity and low domestic demand. Treasury identifies energy, water and transport reforms as essential to lifting growth.

BUSINESS/ INVESTMENT ENVIRONMENT

South Africa remains one of Africa's most sophisticated investment destinations, with strong financial markets, rule-of-law institutions, deep industrial capacity and access to the wider African market. For European companies, it is both a domestic market and a regional platform into SADC and AfCFTA.

Government priorities include:

- Stabilising electricity supply and building a competitive energy market;
- Reforming rail, ports and logistics;
- Expanding infrastructure investment;
- Improving local government performance;
- Supporting industrialisation and localisation;
- Accelerating the green transition and just energy transition.

Growth opportunities for European companies are strongest in renewable energy, electricity grids, water infrastructure, logistics, ports, rail, green hydrogen, critical minerals, automotive components, pharmaceuticals, agro-processing, digital infrastructure, financial services and industrial equipment.

Sector Opportunities and Challenges

The most attractive sectors are linked to South Africa's reform agenda and EU strategic priorities.

- **Energy and renewables:** Strong demand exists for generation, storage, grid expansion, transmission, smart metering and energy efficiency.
- **Logistics and infrastructure:** Port and rail reform creates opportunities for operators, equipment suppliers, financiers and engineering firms.
- **Automotive:** South Africa remains a regional manufacturing hub, but faces pressure from U.S. tariffs, electric-vehicle transition risks and localisation requirements.
- **Mining and critical minerals:** Demand for platinum group metals, manganese, chrome and battery-related minerals supports EU supply-chain diversification.
- **Water and environmental services:** Water scarcity and municipal infrastructure failures create opportunities in treatment, reuse, monitoring and industrial water efficiency.
- **Agriculture and food:** Strong export links to Europe continue, but phytosanitary standards, traceability and climate resilience are increasingly important.

POLITICAL AND ECONOMIC CHALLENGES

South Africa's political environment is more coalition-based after the formation of the Government of National Unity. This has improved investor sentiment in some areas, but it also means policy execution can be slower and more negotiated.
Political influences on business include:

- Procurement rules and B-BBEE expectations;
- Localisation requirements;
- Labour regulation and union influence;
- Public-sector tender complexity;

- Foreign-policy tensions, especially around U.S., EU, China and BRICS alignment;
- Provincial and municipal service-delivery variation.

European companies should manage this through strong local partnerships, careful stakeholder mapping, robust compliance, transparent procurement practices, and early engagement with regulators, municipalities and industry bodies.

REGULATORY AND LEGAL CHALLENGES

Key hurdles for European businesses include:

- B-BBEE compliance, especially for public procurement and large corporate supply chains;
- Localisation and industrial policy requirements;
- Exchange-control rules;
- Competition law scrutiny;
- Labour law and employment equity obligations;
- Environmental permitting;
- Data protection under POPIA;
- Sector-specific licensing in energy, telecoms, mining, finance and healthcare.

B-BBEE is especially important. Draft amendments to the B-BBEE Codes were published in early 2026, and if implemented, businesses may need to rethink procurement, transformation budgets and verification evidence.

INTEGRATION WITH EU POLICIES

South Africa is relatively well aligned with the EU on trade and commerce through the EU–SADC Economic Partnership Agreement, which has applied provisionally since 10 October 2016. The agreement regulates goods trade between the EU and Southern African partners and gives South Africa preferential access to the EU market.

The newer EU–South Africa Clean Trade and Investment Partnership is strategically important. It aims to promote bilateral trade and investment in clean supply chains, including renewable energy, raw materials, clean fuels, electricity grids and climate technologies.

Benefits of EU alignment include:

- Improved market access;
- Stronger investor confidence;
- Access to EU finance and technology;
- Support for green industrialisation;
- Better standards alignment;
- Opportunities in clean supply chains.

Challenges include:

- EU carbon and sustainability rules, especially CBAM;
- Higher compliance and reporting costs;
- Traceability and due-diligence requirements;
- Pressure on carbon-intensive exporters;
- Potential misalignment between EU standards and South African development priorities.

Overall assessment

South Africa offers European companies a strong but complex opportunity. The market is not high-growth by emerging-market standards, but it is strategically important because of its industrial base, minerals, infrastructure needs, financial sophistication and role as a gateway to Africa.

The best-positioned European investors will be those that combine commercial objectives with localisation, B-BBEE, ESG, skills development, energy resilience and long-term partnership with South African institutions.

EU-SOUTH AFRICA ECONOMIC RELATIONS

Executive summary

The EU remains South Africa's largest trading partner and its largest source of foreign direct investment. In 2025, EU–South Africa goods trade reached about €46 billion, and EU investment stock in South Africa reached €40.4 billion in 2024. The relationship is increasingly moving beyond traditional trade into clean energy, critical minerals, grid infrastructure, green hydrogen, automotive value chains and industrial decarbonisation.

Economic relations: Investment and Trade

South Africa's trade with the EU has grown steadily since the EU–SADC Economic Partnership Agreement began applying in 2016. Since then, total EU–South Africa trade has increased by 31%, with EU imports from South Africa up 53% and EU exports to South Africa up 16%. The EU is South Africa's most important economic bloc relationship because it combines:

- Large-scale trade access;
- High-value investment;
- Industrial technology transfer;
- Development finance;
- Regulatory alignment pressure;
- Support for green transition and infrastructure.

South Africa's main exports to the EU include machinery and transport equipment, fuels and mining products, precious metals, vehicles, agricultural products and chemicals. EU exports to South Africa are mainly machinery, appliances, transport equipment, chemicals and industrial inputs.

FTAs and agreements: status and implementation

EU–SADC Economic Partnership Agreement

The core trade agreement is the EU–SADC EPA, signed in 2016 and provisionally applied since 10 October 2016. It covers trade in goods between the EU and South Africa, Botswana, Lesotho, Mozambique, Namibia and Eswatini.

Under the EPA, the EU removed customs duties fully or partially on 97.8% of imports from South Africa in 2022. The agreement improved market access, rules of origin and safeguards.

A 2025 European Commission response stated that the EPA has increased trade in goods by 24% overall since 2016, including 31% growth in SADC exports and 18% growth in EU exports. It also helped diversify South African exports, especially in the automotive sector. The current EPA review is not expected to reopen the agreement or add new trade areas.

Clean Trade and Investment Partnership

In November 2025, the EU and South Africa signed the first-ever Clean Trade and Investment Partnership. It focuses on renewable energy, electricity grids, clean fuels, raw materials value chains and climate technologies.

Implementation has already begun. In March 2026, South Africa and the EU held the first Business-to-Government dialogue under the CTIP, involving over 150 representatives from industry, finance and government.

Statistics on European investment and trade

Indicator	Latest figure
EU–South Africa goods trade	€46bn in 2025
EU investment in South Africa	€40.4bn in 2024
EU share of South Africa FDI stock	Almost half
EU share of South Africa total trade, earlier official estimate	About 22%
EU companies active in South Africa	At least 1,055
Direct jobs from EU companies	At least 350,000

Sources: European Commission and EU Delegation factsheet.

Key industries and sectors involved

The most important EU–South Africa sectors are:

- Automotive and transport equipment: one of the clearest success stories in value-added exports.
- Machinery and industrial equipment: major EU export category into South Africa.
- Chemicals and pharmaceuticals: strong EU presence and import flow.
- Mining and precious metals: important South African export base.
- Agriculture and agri-food: citrus, grapes and wine are major exports to Europe.
- Renewable energy and grid infrastructure: fast-growing due to South Africa's energy transition.
- Critical minerals and clean technologies: increasingly strategic under the CTIP.

Transport equipment alone reached €9.5 billion in 2025, showing the importance of the automotive value chain.

EUROPEAN BUSINESS PRESENCE IN SOUTH AFRICA

European companies are deeply embedded in the South African economy. The EU Delegation estimated at least 1,055 EU companies active in South Africa, supporting at least 350,000 direct jobs. The real number is likely higher because not all EU-linked firms are captured in official company records.

European firms are concentrated mainly in:

- Gauteng;
- Western Cape;
- KwaZulu-Natal;
- Eastern Cape.

Investment is especially strong in manufacturing, finance, wholesale and retail, transport, communications, construction and mining. EU investment stock was previously estimated to be distributed around 32% manufacturing, 25% financial sector, 21% wholesale and retail, 8% transport/storage/communications, 6% construction and 3% mining.

TRENDS IN TERMS OF EUROPEAN COMPANIES IN SOUTH AFRICA

Trends since the pandemic

Since the pandemic, the European business community in South Africa has shown resilience rather than contraction. The strongest signal is not mass exit, but cautious expansion in selected sectors.

German companies provide a useful indicator. A 2025 KPMG/AHK survey found that 64% of German companies in South Africa expected revenue to increase in 2025, while 44% planned to invest in South Africa over the next three years.

The trend is therefore best described as:
Stable to modestly expanding, especially in clean energy, infrastructure, automotive, industrial equipment, business services and technology.

However, expansion is selective. European firms remain cautious because of electricity risk, logistics bottlenecks, crime, corruption, regulatory complexity, exchange-rate volatility and weak domestic growth.

Factors influencing European market entry

Key positive factors:

- South Africa is the most industrialised economy in Sub-Saharan Africa.
- It offers access to the wider SADC and African Continental Free Trade Area markets.
- The EU–SADC EPA gives legal certainty for goods trade.
- Strong demand exists for energy, water, logistics and infrastructure solutions.
- South Africa has developed financial markets and relatively sophisticated legal and professional services.
- The CTIP creates new opportunities in clean supply chains and green industrialisation.

Key constraints:

- Infrastructure failures, especially ports, rail, electricity and water;
- Policy and regulatory complexity;
- B-BBEE and localisation requirements;
- Security and crime concerns;
- Slow economic growth;
- Currency volatility;
- Skills shortages;

- Municipal service delivery weaknesses.

German companies surveyed in 2025 identified improved political stability, reduced bureaucracy and anti-corruption measures as major growth factors. They also identified crime, corruption and infrastructure modernisation as priority issues for government.

Overall assessment

South Africa remains one of Europe's most important African economic partners. The relationship is shifting from a traditional trade-and-investment model toward a more strategic partnership around green industrialisation, critical minerals, infrastructure, clean energy and resilient supply chains.

The European business community appears stable and selectively growing, not retreating. The main risk is that South Africa's infrastructure and governance constraints limit the speed at which EU investment opportunities can be converted into real projects.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Challenge: The U.S. imposed a 30% tariff on many South African exports from August 2025, creating pressure on automotive, citrus, wine, steel, aluminium and other manufactured exports. Government estimated around 30,000 jobs could be at risk, especially in autos and agriculture.

AGOA was extended, but only until 31 December 2026, retroactive from 30 September 2025. This helps preserve some preferential access, but the benefit is partly weakened by the new tariff environment.

Opportunity: South Africa is being forced to accelerate export diversification into the EU, Africa, China, India, the Gulf and other Asian markets. Government's response includes continued U.S. negotiations, alternative-market diversification, support for vulnerable exporters, trade-defence tools and demand-side interventions.

Geopolitical Tensions – Country Exposure

Challenge: South Africa is exposed to a more fragmented global environment: U.S.–China tensions, wars affecting energy and shipping routes, sanctions politics, tariff weaponisation and uncertainty around Western relations. South Africa's non-aligned foreign policy and BRICS positioning can create diplomatic friction with the U.S. and some Western partners.

Geopolitical instability is already weighing on business confidence and growth expectations. FNB warned in April 2026 that global tensions could cool South Africa's economic recovery, while Parliament's 2026 outlook noted rising uncertainty from sanctions, tariffs and resource-security tensions.

Opportunity: South Africa can benefit from being a strategic "bridge" economy: linked to the EU, U.S., BRICS, Africa, and the Indian Ocean trade corridor. Critical minerals, agriculture, automotive capability, financial services and green-energy potential give it leverage.

ESG Trends and European Business Adaptation

Challenge: ESG compliance is becoming more demanding, especially for companies linked to Europe. EU rules such as CBAM, supply-chain due diligence and sustainability reporting are pushing South African exporters to prove lower carbon intensity, labour compliance, traceability and governance standards.

South Africa is also moving toward stronger sustainability disclosure. The JSE has aligned its sustainability guidance with IFRS S1 and S2, and the CIPC added a sustainability disclosures module to its XBRL taxonomy.

Opportunity:
ESG is becoming a competitive advantage. Emerging areas include:

- Renewable energy and embedded generation;
- Green hydrogen;
- Sustainable mining and critical minerals;
- Circular economy initiatives;
- Water efficiency;
- Climate-risk disclosure;
- Just transition finance;
- Sustainable agriculture and traceable food exports.

The FSCA's sustainable finance programme aims to align South Africa's financial sector with global ESG standards and national climate commitments.

For European businesses, the key adaptation is to localise ESG: comply with EU parent-company standards while also addressing South African realities such as B-BBEE, employment equity, community development, energy security, water scarcity and just transition obligations.

Supply Chain Redistribution/Resilience

Challenge: South Africa's supply chains are being reshaped by tariffs, port congestion, rail underperformance, electricity risk, geopolitical shipping disruptions and the move away from overdependence on China or single-source suppliers.

Opportunity: Companies are increasingly considering:

- Regional sourcing within Africa, especially through AfCFTA;
- Dual sourcing for critical inputs;
- More local warehousing and inventory buffers;
- Supplier diversification in agriculture, manufacturing and retail;
- Nearshoring into Southern Africa for selected goods;
- Investment in logistics, cold chains and digital supply-chain visibility.

Nearshoring and regionalisation are increasingly relevant for South African firms, with AfCFTA creating opportunities to source from neighbouring and regional markets such as Botswana, Namibia, Kenya and Egypt.

Most active sectors:

- Automotive: looking for alternative export markets and localised component supply.
- Agriculture and food: diversifying away from U.S. exposure into EU, Middle East and Asia.
- Mining and critical minerals: benefiting from global demand for secure non-China supply chains.
- Pharmaceuticals and healthcare: interest in regional production resilience.
- Retail and consumer goods: more regional sourcing and inventory planning.
- Renewables: growing localisation of solar, battery and grid-related supply chains.

Overall View

South Africa faces real downside from U.S. tariffs and geopolitical fragmentation, but the same pressures are accelerating diversification, ESG upgrading, regional integration and supply-chain resilience.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

For South Africa, the short answer is: stability is improving, but still fragile.

Main challenges to economic stability

South Africa faces five big risks:

- Low growth and high unemployment: GDP growth is forecast to average only about 1.8% from 2026–2028, not enough to materially reduce unemployment.
- Fiscal pressure: debt-service costs remain high, although government says public debt is now close to stabilising.
- Infrastructure bottlenecks: electricity has improved, but ports, rail, water and municipal services remain major constraints.
- External shocks: oil prices, geopolitical conflict, U.S. tariffs, AGOA uncertainty and global risk aversion can weaken the rand and raise import costs.
- Trade concentration risks: key exports remain exposed to China, the EU and the U.S., especially minerals, autos and agriculture.

Inflation, interest rates and supply chains

The South African Reserve Bank is keeping monetary policy cautious. Inflation was around 3% in February 2026, but SARB expects it to rise during 2026 while remaining near its target path.

The repo rate was held at 6.75% in March 2026, reflecting concern about global supply shocks, rand weakness and energy-related price risks.

On supply chains, the government's response is mainly structural: fixing Transnet, ports, rail corridors, electricity, water and logistics. Treasury says faster reforms in energy, transport and water are essential to unlock higher investment and growth.

Trade diversification strategy

South Africa is trying to reduce dependence on any single market through:

- AfCFTA and deeper African regional trade.

- Continued use of the SADC–EU Economic Partnership Agreement.
- Maintaining access to the U.S. market, although AGOA and U.S. tariff uncertainty remain risks.
- Growing trade with BRICS: China, India, the Gulf and other Global South markets.
- Export promotion through the government's "Butterfly Strategy", which aims to balance trade links across Africa, Europe, Asia and the Americas.

The U.S. tariff shock has made diversification more urgent, particularly for citrus, autos and manufactured exports.

Foreign investment flows
Yes, South Africa is seeing a shift, but it is uneven. FDI turned positive again in Q4 2025, with inflows of about R41.3 billion, after outflows in the previous quarter.

Investment interest is strongest in:
- Renewable energy,
- Infrastructure,
- Mining and critical minerals,
- Digital infrastructure,
- Logistics,
- Green industrial projects.

Government is responding by pushing structural reforms, infrastructure investment, private-sector participation in energy and logistics, and green-transition financing. The World Bank's $1.5 billion loan for infrastructure and green energy transition is part of this broader response.

Bottom line: South Africa is more stable than it was during the worst electricity crisis, but growth remains too weak. The policy direction is to stabilise inflation and debt, repair logistics and energy infrastructure, diversify export markets, and attract green and infrastructure-linked investment.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

AGOA
As many other African countries, South African trade with the USA was based on AGOA (stands for the African Growth and Opportunity Act). It is a U.S. trade program that gives qualifying African countries — including South Africa — preferential access to the U.S. market by allowing thousands of products to enter the United States duty-free .

The law was first enacted by the United States in 2000.

What AGOA actually does
Normally, when a country exports goods to the U.S., import duties (tariffs) apply.

Under AGOA:
- Eligible African countries can export many products to the U.S. without paying those tariffs,
- Making their products cheaper and more competitive in the American market.

AGOA covers over 1,800 additional product lines on top of existing preferences under the U.S. Generalised System of Preferences (GSP).

Examples of South African exports benefiting from AGOA
South Africa has used AGOA heavily for:
- Vehicles and automotive parts
- Citrus fruit
- Wine
- Macadamia nuts
- Clothing and textiles
- Chemicals
- Industrial products

The automotive sector has been one of the biggest beneficiaries.

Why the U.S. created AGOA
The U.S. designed AGOA to:
- Encourage economic growth in Africa,

- Increase U.S.-Africa trade,
- Support market-oriented reforms,
- Strengthen diplomatic ties,
- Counter growing influence from other global powers (now especially China).

AGOA is not automatic
Countries must qualify and remain eligible.

The U.S. reviews countries annually based on criteria such as:
- Rule of law,
- Market economy policies,
- Labour rights,
- Human rights,
- Political openness,
- Cooperation with U.S. foreign policy interests.

Countries can be suspended or removed.

Examples:
- Ethiopia lost AGOA benefits in 2022 due to the Tigray conflict.
- Mali, Niger, Gabon, and Uganda have also faced suspensions or removals.

South Africa has periodically faced political pressure over its AGOA eligibility, but remains eligible as of 2026.

Why AGOA matters to South Africa
AGOA is strategically important because:
- The U.S. is one of South Africa's largest export markets,
- Duty-free access helps South African manufacturers compete globally,
- It supports thousands of jobs, especially in:
  - Automotive manufacturing,
  - Agriculture,
  - Logistics,
  - Textiles.

Without AGOA, many exports would become more expensive in the U.S. market.

Current challenge (2025–2026)
Even though AGOA was temporarily renewed through the end of 2026, new U.S. tariffs imposed in 2025 have created uncertainty.

So South Africa currently faces a situation where:
- AGOA still exists,
- But some newer U.S. tariff measures reduce its practical value for certain industries.

That is why there is currently significant lobbying from South African business groups for:
- Along-term AGOA renewal,
- Or a broader U.S.-Africa trade agreement.

As of May 2026, the tariff situation between South Africa and the United States is complicated because there are both:

- Normal WTO/MFN tariffs (the standard tariff schedule), and
- Additional Trump-era reciprocal and sector tariffs imposed in 2025.

Current U.S. tariffs affecting South African exports
The key measures currently affecting South Africa are:
- 30% reciprocal tariff announced by the U.S. on many South African goods from August 2025.
- 25% tariffs on steel and aluminium exports to the U.S. under Section 232 measures.
- Automotive exports also face pressure from U.S. tariff policy changes, although some quota-style exemptions were discussed between Ramaphosa and Trump in 2025.

South Africa did not broadly retaliate with equivalent tariffs on U.S. imports and instead pursued negotiations.

Before these measures, many South African exports entered the U.S. duty-free under AGOA.

Was AGOA renewed?
Yes — but only temporarily.

AGOA (African Growth and Opportunity Act) originally expired on 30 September 2025. Congress initially failed to renew it in time.

However:
- • In February 2026, the U.S. reauthorised AGOA through 31 December 2026, with retroactive effect back to September 2025.

That means AGOA is currently active again, but:
- It is only a short-term extension,
- There is still uncertainty about long-term renewal,
- And the new U.S. tariffs partly undermine AGOA's benefits.

Important nuance
Even though AGOA has been renewed, some analysts and South African officials argue that the new U.S. tariffs effectively neutralise many AGOA advantages because exporters now face additional duties anyway.

Sectors most affected in South Africa
The industries most exposed are:
- Automotive manufacturing
- Steel and aluminium
- Citrus and agriculture
- Apparel/textiles
- Industrial equipment

South Africa EU Trade

For South Africa–EU trade, the expected impact over the next 12–24 months is likely moderately positive overall, but uneven by sector.

The EU is South Africa's largest trading partner and South Africa is the EU's biggest trading partner in Sub-Saharan Africa, with €46 billion in goods trade in 2025. Trade has grown 31% since 2016 under the EU–SADC Economic Partnership Agreement.

Main expected impacts:

1. **Trade may shift more toward the EU:** U.S.–South Africa trade uncertainty, AGOA uncertainty, and U.S. tariffs could push South African exporters to prioritise the EU, especially in agriculture, wine, minerals, and industrial goods.

2. **Green-economy trade should grow:** The EU–South Africa Clean Trade and Investment Partnership is aimed at renewable energy, electricity grids, clean fuels, raw materials, and clean technologies. This should support more EU investment and imports of South African inputs linked to the energy transition.

3. **Automotive and machinery trade should remain important:** Germany is the dominant EU partner: in 2024 it took about 41% of South Africa's exports to the EU and supplied about 30% of South Africa's imports from the EU.

4. **CBAM (Carbon Border Adjustment Mechanism) will be the biggest headwind:** The EU carbon border mechanism is now a real cost issue for carbon-intensive exports such as iron, steel, aluminium, cement, fertilisers, hydrogen and electricity. South Africa is exposed because of its coal-heavy electricity mix.

5. **Agriculture should remain resilient:** Citrus, wine, fruit, nuts, and related exports should continue performing, although citrus disputes and EU sanitary/phytosanitary rules remain risks.

Bottom line: South Africa–EU trade is likely to grow modestly, with stronger opportunities in agriculture, critical minerals, renewables, and clean-tech supply chains. But heavy industry exports into Europe may face margin pressure unless South African firms can prove lower embedded emissions or decarbonise production.

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TANZANIA

FUTURE (ECONOMIC) OUTLOOK

Tanzania's medium-term economic outlook remains cautiously positive, supported by continued public investment in infrastructure, energy, logistics, tourism, agriculture, and digitalisation. The government continues to position Tanzania as an investment destination through investment promotion efforts and large-scale development projects. However, European businesses continue to report concerns related to administrative consistency, tax-related disputes, operational costs, and broader business sentiment following the 2025 election period.

BUSINESS/ INVESTMENT ENVIRONMENT

Tanzania continues to position itself as an investment destination, with government priorities focused on infrastructure development, industrialisation, energy access, logistics, agriculture, mining, tourism, and digital transformation. Investment promotion efforts through institutions such as Tanzania Investment and Special Economic Zones Authority (TISEZA) continue to encourage foreign direct investment and public-private partnerships.

For European companies, growth opportunities remain particularly strong in renewable energy, tourism and hospitality, transport and logistics, agribusiness, construction and infrastructure, digital services, manufacturing, and healthcare-related sectors. Increased regional integration through the East African Community (EAC) also continues to support Tanzania's role as a regional trade and logistics hub.

Meanwhile, European businesses continue to face challenges related to administrative procedures, tax disputes, licensing processes, and inconsistent implementation of regulations across institutions. While investor engagement by government authorities has improved in several sectors, businesses emphasise the importance of transparency, policy consistency, and clear implementation practices to support long-term business planning.

POLITICAL AND ECONOMIC CHALLENGES

Tanzania has remained politically stable overall, although the 2025 election period contributed to a degree of uncertainty within parts of the business community. European companies continue to monitor the broader regulatory and political environment closely, particularly regarding administrative decision-making and the consistency of implementation across government institutions.

Businesses continue to report challenges related to tax assessments, licensing procedures, changing regulatory interpretations, and administrative processes, which can affect long-term planning and operational certainty. In some sectors, companies highlight the importance of maintaining strong stakeholder engagement and regular dialogue with government authorities to navigate evolving regulatory requirements.

To manage these dynamics, many European companies are strengthening local partnerships, increasing compliance and legal monitoring, engaging more actively through business associations and public-private dialogue platforms, and diversifying operational and supply chain strategies where possible. Continued engagement between the government, private sector, and international business community remains important to support sustainable economic growth and a stable business environment.

OTHER REGULATORY AND LEGAL CHALLENGES

Tanzania continues to undertake regulatory reforms aimed at increasing local participation in the economy and strengthening domestic value creation. However, some recent measures have created additional uncertainty for foreign investors and European businesses operating in the market.

European companies continue to raise concerns regarding restrictions on certain business activities and licence categories for non-Tanzanian nationals, particularly in selected service sectors and small-scale business activities. Businesses also report challenges related to evolving local content requirements, administrative procedures, and inconsistencies in the interpretation and implementation of regulations across institutions.

In addition, recent foreign exchange and currency-related measures have created operational and financial challenges for parts of the private sector. Restrictions and increased scrutiny regarding the use of foreign currency, including limitations on contracts and transactions denominated in USD, have affected international business operations, long-term contracting, and financial planning for some European companies operating in Tanzania.

Businesses continue to emphasise the importance of transparency, stakeholder consultation, and clear implementation guidelines to support long-term investment planning and operational stability.

INTEGRATION WITH EU POLICIES

Tanzania's trade and investment environment continues to align gradually with several EU priorities related to sustainability, responsible business practices, trade facilitation, and digitalisation. European companies increasingly apply EU standards related to ESG, supply chain due diligence, sustainability reporting, food safety, and data protection within their local operations.

This alignment creates opportunities for higher standards, long-term investment, and improved access to European markets. Alongside these developments, businesses note that compliance with evolving EU regulations can create additional administrative and reporting requirements, particularly for companies operating across multiple regulatory environments.

EU-TANZANIA ECONOMIC RELATIONS

Investment and Trade

The European Union remains one of Tanzania's key trade and investment partners, with European companies active across a wide range of sectors including tourism and hospitality, logistics and transport, renewable energy, agriculture and agribusiness, manufacturing, mining services, financial services, construction, and telecommunications.

Trade relations between the EU and the East African Community (EAC) continue to be shaped by discussions surrounding the EU-EAC Economic Partnership Agreement (EPA). While Tanzania has historically taken a cautious position regarding full EPA implementation, trade and investment relations between the EU and Tanzania remain significant and continue through bilateral engagement, development cooperation, and private sector partnerships.

European investment remains important for Tanzania's economy, particularly in sectors linked to infrastructure, sustainability, energy transition, tourism, agribusiness, and digitalisation. European companies continue to contribute through long-term investment, skills transfer, employment creation, and regional trade connectivity.

EUROPEAN BUSINESS PRESENCE

The presence of European companies in Tanzania has remained relatively stable since the pandemic, with continued interest in long-term investment opportunities despite periods of economic and regulatory uncertainty. While some companies have adopted a more cautious investment approach, European businesses continue to view Tanzania as an important regional market with long-term growth potential.

Growth has been particularly visible in sectors such as tourism and hospitality, logistics, renewable energy, digital services, agribusiness, and infrastructure-related activities. Meanwhile, some companies have delayed expansion plans or adopted more risk-sensitive investment strategies due to concerns regarding foreign exchange measures, taxation issues, administrative procedures, and the broader operating environment.

Key factors influencing market entry include Tanzania's strategic regional position within East Africa, market size, natural resources, infrastructure development, and government investment promotion efforts. Factors affecting investment decisions include regulatory consistency, access to foreign exchange, tax administration, licensing requirements, and the overall ease of doing business.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The direct impact of recent or expected US tariff measures on Tanzania remains relatively limited compared to larger export-oriented economies. However, broader global trade tensions and increasing protectionist measures continue to contribute to uncertainty in international trade flows, investment decisions, and supply chain planning.

Some export-oriented sectors, including agriculture, mining-related supply chains, manufacturing, and logistics, may experience indirect effects through changes in global demand, commodity prices, shipping costs, and investment flows. European businesses operating in Tanzania also continue to monitor how global trade fragmentation and shifting geopolitical dynamics may influence regional competitiveness and future market access.

Nevertheless, some companies view Tanzania as a potential long-term diversification market within East Africa as businesses explore alternative regional supply chains and investment destinations.

Geopolitical Tensions – Country Exposure

Current geopolitical tensions, including conflicts affecting global trade routes, energy markets, and international supply chains, continue to contribute to a more cautious global investment climate. While Tanzania has not been directly affected by these conflicts, businesses are experiencing indirect impacts through increased shipping costs, exchange rate pressures, higher import costs, and broader uncertainty in global markets.

European companies operating in Tanzania continue to monitor global developments closely, particularly regarding trade fragmentation, energy prices, supply chain resilience, and shifts in international investment priorities. Geopolitical tensions have also increased attention toward economic security, strategic infrastructure, regional trade integration, and diversification of supply chains.

Despite these challenges, Tanzania's relative political stability within the region, strategic geographic location, and growing role as a regional logistics and trade hub continue to support long-term investor interest despite global uncertainty.

ESG Trends

European companies in Tanzania continue to place increasing emphasis on ESG standards, sustainability reporting, responsible sourcing, and corporate governance, partly driven by evolving EU regulatory requirements and global investor expectations. ESG considerations are becoming increasingly integrated into business operations, particularly among larger European companies and internationally connected sectors.

Emerging sustainability initiatives are particularly visible in renewable energy, sustainable tourism, circular economy initiatives, agribusiness, waste management, community engagement, and workforce development. Many European companies are also strengthening internal policies related to environmental compliance, occupational health and safety, gender inclusion, and corporate transparency.

However, the implementation of ESG-related standards remains uneven across sectors, and businesses continue to face challenges related to local regulatory capacity, reporting alignment, infrastructure limitations, and the practical implementation of sustainability requirements within local supply chains.

Supply Chain Redistribution/Resilience

The current global trade environment is encouraging companies to place greater focus on supply chain diversification, regional resilience, and alternative sourcing strategies. Tanzania is increasingly viewed as part of broader East African supply chain diversification efforts, particularly in sectors such as logistics, agribusiness, mining-related services, renewable energy, and manufacturing.

Some European companies are strengthening regional sourcing networks and exploring local or regional suppliers to reduce exposure to global disruptions, shipping delays, and geopolitical uncertainty. In parallel, infrastructure gaps, administrative procedures, and regulatory predictability continue to influence supply chain decisions and operational planning.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Tanzania continues to face challenges related to global inflationary pressures, foreign exchange constraints, rising import and logistics costs, and broader uncertainty in international trade and investment flows. Exchange rate volatility and global supply chain disruptions have continued to affect operational costs for businesses across multiple sectors.

The government continues to prioritise infrastructure investment, industrialisation, energy development, regional trade integration, and investment promotion as part of its broader economic strategy. Efforts to diversify trade partnerships and attract investment from a wider range of international partners, including the EU, Middle East, Asia, and other emerging markets, have also increased in recent years.

Tanzania continues to position itself as a regional trade and logistics hub within East Africa, while sectors such as tourism, energy, agribusiness, mining, logistics, and digital services continue to attract investor interest. At the same time, businesses stress the importance of transparent implementation of policies, access to foreign exchange, and a stable regulatory environment to support long-term economic growth.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

European companies in Tanzania are affected mainly indirectly by global trade instability. Examples include higher shipping and insurance costs, delays in international supply chains, increased costs for imported inputs, and uncertainty linked to sanctions or export restrictions affecting equipment, technology, energy, and logistics. These developments can make European products and services more expensive compared to competitors with lower compliance or sourcing costs.

Bilateral Trade Projections (2026–2027)

Trade between Tanzania and the EU is expected to remain stable, with continued opportunities in sectors such as agribusiness, logistics, renewable energy, tourism, mining-related services, and infrastructure. However, growth may be moderated by global uncertainty, foreign exchange constraints, higher import costs, and regulatory unpredictability. European companies are likely to remain interested in Tanzania, but investment and expansion decisions may become more cautious.

Adaptation to Weakening Global Rules

EUBG and its members are adapting by strengthening policy dialogue, monitoring regulatory and trade developments, sharing information among members, and engaging with EU and local stakeholders on business climate issues. Companies are also increasingly reviewing supply chains, improving compliance systems, diversifying suppliers where possible, and incorporating risk planning into investment and operational decisions.

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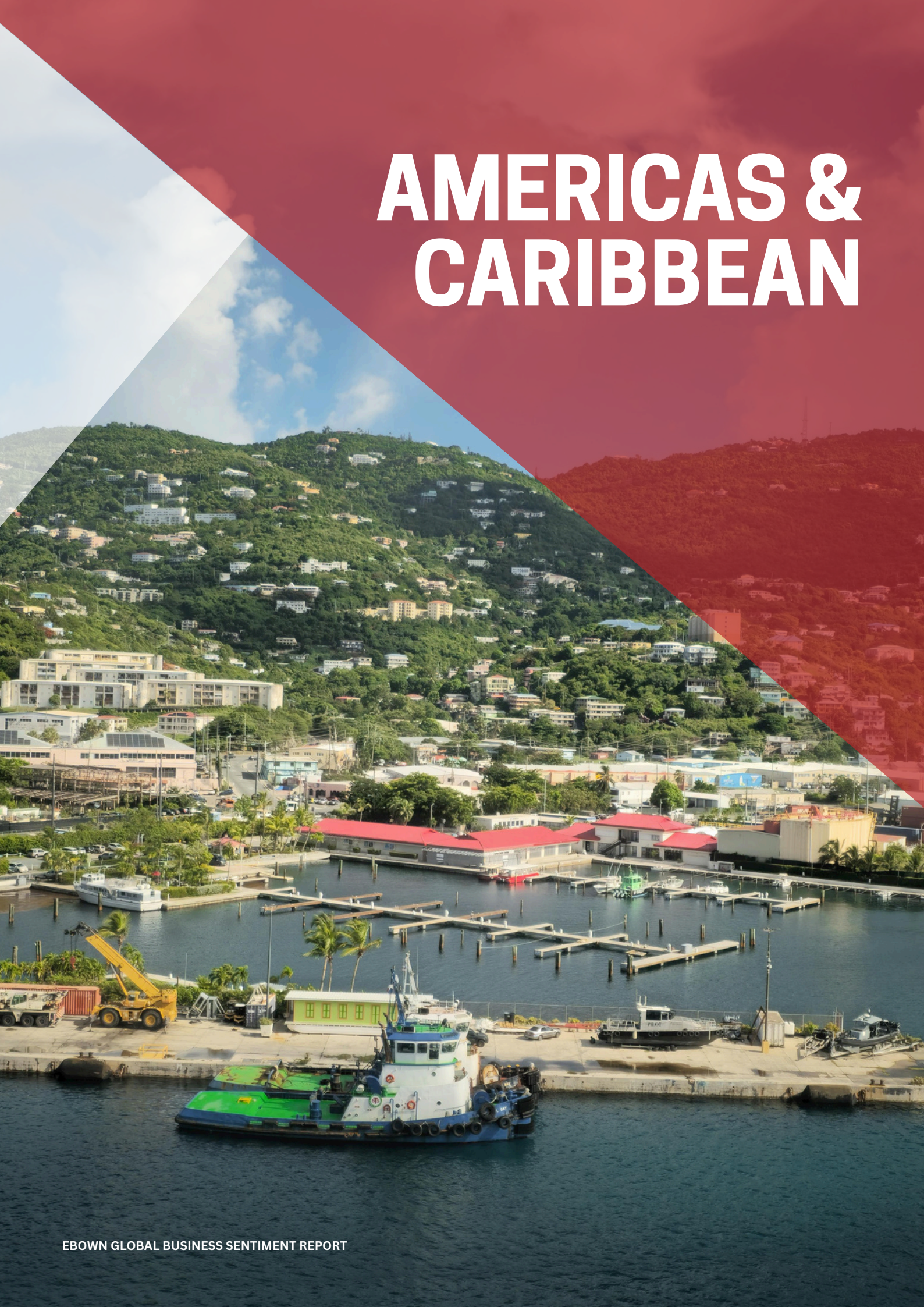
AMERICAS & CARIBBEAN



ARGENTINA

FUTURE (ECONOMIC) OUTLOOK

Argentina is entering a phase of gradual economic recovery after a deep macroeconomic adjustment. The outlook for 2026 is cautiously positive, supported by fiscal consolidation, disinflation efforts, deregulation, and renewed interest in export-oriented sectors. Growth is expected to be driven mainly by energy, mining, agribusiness, infrastructure, and knowledge-based services.

However, the recovery remains exposed to significant risks. Inflation has declined from previous peak levels, but price stability is not yet fully consolidated. Exchange-rate volatility, limited international reserves, financing constraints, and social pressures linked to the adjustment process remain important challenges. The government's ability to maintain fiscal discipline while rebuilding growth and political support will be decisive for investor confidence.

Argentina's strategic assets continue to shape the medium-term outlook. Vaca Muerta offers major opportunities in oil, gas, LNG, petrochemicals, infrastructure, and energy services. Mining, particularly lithium and copper, is increasingly relevant due to global demand for critical raw materials. Agribusiness remains a core export pillar, while renewable energy, biotechnology, digital services, and advanced manufacturing present additional opportunities.

For European companies, Argentina offers substantial long-term potential, but the short-term operating environment remains complex. Investors should monitor macroeconomic indicators, sector-specific regulation, foreign-exchange conditions, tax reform, labour-market changes, and the evolution of the EU–Mercosur Agreement.

BUSINESS/ INVESTMENT ENVIRONMENT

Argentina offers renewed growth opportunities for European companies as the government pursues a pro-investment agenda focused on macroeconomic stabilisation, deregulation, fiscal discipline, export promotion and the attraction of large-scale foreign investment. A central instrument is the Régimen de Incentivo para Grandes Inversiones (RIGI), established under Title VII of Law 27.742 (Ley de Bases, June 2024), designed to provide fiscal, customs and legal stability for major investment projects and to create a more predictable framework for long-term investors. The regime sets a minimum investment threshold of USD 200 million and offers regulatory stability guarantees of up to 30 years.

Government priorities are concentrated on sectors capable of generating exports, foreign currency, infrastructure development and productivity gains. These include energy, oil and gas, mining, agribusiness, infrastructure, technology, forestry and tourism.

For European companies, the most important opportunities are in energy and oil & gas, especially Vaca Muerta, gas transportation infrastructure, LNG-related projects, renewable energy, energy efficiency and industrial decarbonisation. Argentina's energy sector can benefit from European technology, engineering, financing and environmental standards.

Mining is another priority sector, especially lithium, copper, gold and other critical raw materials linked to the global energy transition. Sector analysts project significant growth in mining exports under the RIGI framework, particularly for lithium and copper. European companies can contribute in extraction, processing, equipment, engineering, sustainability services, water management, environmental compliance and supply-chain traceability. However, mining projects face social, environmental and provincial regulatory challenges, particularly around water use, community consultation and environmental permitting.

Agribusiness and food value chains remain core strengths of the Argentine economy. Opportunities exist in agricultural technology, machinery, biotechnology, precision farming, irrigation, logistics, food processing, certification and sustainable production. European companies can contribute to productivity gains, traceability, climate-smart agriculture and compliance with EU sustainability standards.

Infrastructure and logistics are also important areas for European participation. Argentina needs investment in ports, railways, roads, energy transmission, pipelines, storage and export corridors to reduce logistics costs and increase competitiveness. These opportunities are closely linked to the expansion of energy, mining and agribusiness exports.

Additional opportunities exist in knowledge-based services, digital transformation, fintech, health technologies, renewable energy, circular economy and advanced manufacturing. Argentina has a skilled workforce and a strong entrepreneurial ecosystem, but companies still face challenges related to taxation, labour regulation, intellectual property protection, access to financing, foreign-exchange rules and administrative complexity.

POLITICAL AND ECONOMIC CHALLENGES

Argentina's business environment remains strongly influenced by political and macroeconomic dynamics. The current administration is pursuing an ambitious reform agenda aimed at reducing state intervention, lowering inflation, restoring fiscal balance, liberalising the economy and improving the investment climate. These reforms have created a more market-oriented outlook, but they also generate uncertainty during the transition period, especially for companies exposed to public procurement, regulated prices, subsidies, import procedures or access to foreign currency.

Political support is a key factor for the success of the reform programme. Many structural reforms require congressional approval or negotiation with provincial governments, sectoral stakeholders and social actors. This creates uncertainty for investors in areas such as tax reform, labour regulation, privatisations, pension reform, infrastructure concessions and foreign-exchange liberalisation.

Economic challenges remain significant. Argentina continues to face inflationary pressures, exchange-rate volatility, limited international reserves, debt sustainability concerns and a still-complex capital-control legacy. These factors affect business planning, pricing, financing, profit repatriation, import operations and contract negotiation.

Social reactions to fiscal adjustment also influence business confidence. Spending cuts, subsidy reductions and labour or administrative reforms may generate resistance, strikes or implementation delays. For European companies, this means that even when the overall policy direction is favourable to investment, operational conditions may remain uneven across sectors and provinces.

European companies should navigate these dynamics through cautious but proactive strategies: strong local legal and tax advice, monitoring of federal and provincial regulation, currency and inflation-risk planning, reliable local partnerships and engagement through business chambers and bilateral platforms. Priority should be given to sectors with strong long-term fundamentals and export potential, while maintaining careful due diligence on permitting, environmental requirements, labour issues and community relations.

OTHER REGULATORY AND LEGAL CHALLENGES

European businesses in Argentina continue to face a complex legal and regulatory environment, although recent reforms aim to simplify procedures and improve legal certainty. The main regulatory hurdles relate to foreign-exchange restrictions, taxation, labour regulation, customs procedures, administrative complexity, intellectual property protection and the interaction between federal and provincial rules.

A key challenge remains the foreign-exchange framework. Although Argentina eased some capital controls in 2025, companies may still face difficulties accessing foreign currency, repaying external debt, importing inputs or repatriating profits generated before the liberalisation measures. The pace of full normalisation will depend on macroeconomic stability and the accumulation of international reserves.

The tax burden is another major issue. While the government has reduced or eliminated certain taxes, the overall tax system remains heavy and complex. Businesses must navigate national, provincial and municipal taxes, including turnover taxes, export duties in some sectors, social security contributions and sector-specific levies. This increases compliance costs and can reduce competitiveness, particularly for SMEs and new entrants.

Labour regulation is also frequently identified as a constraint. High employment costs, litigation risks, severance rules and rigid labour arrangements can discourage formal hiring and complicate restructuring. Some labour reforms have been introduced or discussed under the current administration, but structural change remains politically sensitive and may advance gradually.

Customs and import procedures have improved under the current deregulation agenda, which was initiated by Decree of Necessity and Urgency 70/2023 (December 2023) and extended through the Ley de Bases (Law 27.742, June 2024). Administrative delays, documentation requirements and changes in import rules can still affect supply chains. European companies that depend on imported machinery, spare parts, pharmaceuticals, chemicals or industrial inputs may face uncertainty linked to licensing procedures, payment authorisations and exchange-rate access.

Legal certainty has improved for large-scale projects through the RIGI, created under Law 27.742. However, RIGI mainly benefits projects above the required investment threshold, meaning that SMEs and medium-sized European investors may not receive the same level of protection or predictability.

European investors should also consider Argentina's federal structure. Provinces have significant powers over natural resources, mining permits, environmental regulation, land use and local taxation. This creates differences in procedures and requirements across provinces, especially in mining, energy, infrastructure and agribusiness.

Dispute resolution and investment protection are also relevant. Several EU Member States have bilateral investment treaties with Argentina, offering additional protections and arbitration mechanisms for investors. These instruments remain important for European companies assessing long-term legal certainty, especially outside the scope of RIGI.

Intellectual property protection is another area to monitor, particularly for European pharmaceutical, chemical, biotechnology and technology companies. While Argentina has an established legal framework, enforcement, patent timelines and regulatory predictability remain important factors in investment decisions.

INTEGRATION WITH EU POLICIES

Argentina's alignment with EU policies is increasingly important in trade, investment, sustainability, critical raw materials and supply-chain resilience. Under the EU–Mercosur Agreement, for which a political agreement was reached in December 2024 and ratification remains pending, Argentina could benefit from a more predictable trade framework, reduced tariffs, simplified procedures and stronger rules-based cooperation with the European Union.

The agreement has strategic relevance beyond trade. Argentina is increasingly important for the EU's green and digital transition, particularly through lithium, copper and other critical raw materials. Under the EU's Global Gateway strategy, Argentina and Chile are included in initiatives to develop sustainable lithium and copper value chains, including business-to-business exchanges, research and development, ESG standards, mining governance and infrastructure development.

This creates opportunities for European companies in mining technology, environmental services, water management, traceability, certification, renewable energy supply, engineering and industrial processing. It also supports the EU's objective of building secure, sustainable and diversified supply chains for critical raw materials.

However, alignment with EU policies also presents challenges. EU sustainability requirements, including environmental due diligence, deforestation-related rules, traceability expectations and corporate reporting standards, may increase compliance costs for Argentine exporters and European investors. Agribusiness, mining, forestry, food production and leather-related value chains may face particular pressure to demonstrate compliance with EU environmental and social standards.

European companies can benefit from early adaptation to these standards by promoting traceable supply chains, responsible sourcing, labour compliance, biodiversity protection, community engagement and transparent ESG reporting. Argentine suppliers, especially SMEs, may require technical assistance, financing and capacity building to meet EU expectations.

Closer integration with EU regulatory standards could improve Argentina's long-term competitiveness, provided implementation is gradual, practical and accompanied by capacity-building support for Argentine counterparts.

EU-ARGENTINA ECONOMIC RELATIONS

Investment and Trade

Economic relations between Argentina and the European Union are substantial and strategically important. The EU is one of Argentina's main trade and investment partners, while European companies have a long-standing presence in the country across industry, services, energy, infrastructure, agribusiness, finance, technology, pharmaceuticals and consumer goods.

The main trade framework under negotiation is the EU–Mercosur Agreement. On 6 December 2024, the European Union and the Mercosur founding members — Argentina, Brazil, Paraguay and Uruguay — reached a political agreement on a partnership agreement. The agreement is not yet fully implemented and remains subject to signature, legal review and ratification processes. If implemented, it could reduce tariffs, improve market access, simplify trade procedures and strengthen regulatory cooperation.

For European companies, the agreement could improve access to the Argentine and wider Mercosur market, particularly for industrial goods, machinery, transport equipment, chemicals, pharmaceuticals, services and technology. It could also support Argentine exports to the EU in agribusiness, food products, energy-related inputs and raw materials, provided that companies comply with EU sustainability and traceability standards.

Argentina's external trade position improved in 2024, with merchandise exports increasing and imports falling, resulting in a significant trade surplus. Key export sectors include agriculture, energy and industrial products. The bilateral relationship is also important in services. In 2024, the EU imported €3.3 billion in services from Argentina and exported €6.6 billion in services to Argentina. Services trade is particularly relevant in business services, transport, ICT, professional services, engineering, finance, insurance and knowledge-based activities.

European investment is one of the strongest pillars of the bilateral relationship. According to the European Commission, the EU is the largest source of foreign direct investment in Argentina, with EU businesses holding €51.9 billion in FDI stocks in 2024.

This reflects the depth of European corporate presence and the long-term commitment of European investors despite Argentina's macroeconomic volatility.

Key sectors involved in EU–Argentina investment and trade include energy and oil & gas, mining and critical raw materials, agribusiness and food value chains, industrial goods and manufacturing, infrastructure and logistics, services and technology.
The main opportunities for European companies are linked to Argentina's natural resources, skilled workforce, export potential and current pro-investment reform agenda. However, challenges remain, including foreign-exchange restrictions, tax complexity, regulatory uncertainty, infrastructure bottlenecks, import procedures and macroeconomic volatility.

EUROPEAN BUSINESS PRESENCE

European companies have a long-standing and diversified presence in Argentina, supported by historical business ties, accumulated investment and sectoral expertise. They are particularly relevant in oil and gas, electricity, renewable energy, automotive, machinery, chemicals, pharmaceuticals, consumer goods, retail, telecommunications, financial services, engineering, logistics, agribusiness and professional services. Recent examples of European investment include Rio Tinto's acquisition of the Rincón lithium project in Salta province for USD 825 million (2022), and the active participation of TotalEnergies, Repsol and Shell in Vaca Muerta oil and gas development, where European operators hold significant concession areas and are contributing capital, technology and operational standards.

Since the pandemic, the European business community has shown both resilience and caution. Many European companies maintained operations despite COVID-19, high inflation, exchange-rate restrictions and macroeconomic volatility. However, expansion decisions were often delayed due to uncertainty over capital controls, import restrictions, access to foreign currency, profit repatriation and regulatory instability.

The trend is therefore mixed. In strategic and export-oriented sectors such as energy, mining, agribusiness, infrastructure, renewable energy, technology and knowledge-based services, European interest is growing. These sectors benefit from Argentina's export potential, natural resources and investment incentives. By contrast, sectors more dependent on domestic consumption, imports or regulated prices have faced greater pressure from recession, reduced purchasing power, cost increases and currency volatility.

Market entry is mainly influenced by macroeconomic stability, access to foreign currency, regulatory predictability, tax and labour costs, local partnership opportunities and sector-specific incentives. Argentina's current policy direction may encourage new entrants, but companies continue to assess whether stabilisation and deregulation will be sustained over time.

European companies also face increasing competition from non-European actors, particularly Chinese companies in lithium, infrastructure, energy equipment and agribusiness-related value chains. This competition affects financing terms, project development, technology standards and access to strategic resources. For European firms, differentiation through ESG standards, technology, quality, long-term partnerships and regulatory compliance will be increasingly important.

Overall, European business presence in Argentina remains significant, but growth is selective rather than broad-based. Companies with long-term strategies and exposure to export-oriented sectors are more likely to expand, while companies focused on the domestic market remain cautious. Future growth will depend on macroeconomic stabilisation, gradual removal of capital controls, improved legal certainty and clearer implementation of investment-friendly reforms.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Recent and expected U.S. tariff measures have created both risks and opportunities for Argentina. Argentina is exposed to broader U.S. tariff policy, including measures affecting sensitive sectors such as steel and aluminium. These measures increase uncertainty for exporters and reinforce the need to diversify export markets.

The direct macroeconomic impact on Argentina is relatively contained compared with countries that are more dependent on the U.S. market. However, the sectoral impact may be significant for companies exporting metals, industrial inputs, selected food products or manufactured goods to the United States. Higher tariffs can reduce price competitiveness, delay investment decisions and encourage exporters to redirect sales toward other markets.

Argentina and the United States have also explored frameworks to deepen trade and investment cooperation, including possible measures on tariff and non-tariff barriers. However, companies should closely monitor the final legal status, scope and implementation of any preferential treatment before incorporating it into long-term business planning.

Agrifood exports may benefit from bilateral discussions, particularly if access conditions improve for Argentine beef and other products.

However, these issues remain politically sensitive in the United States and depend on quotas, sanitary rules and domestic industry reactions.

For European companies operating in Argentina, U.S. tariffs have several implications. They may create uncertainty for export-oriented production if the U.S. is a target market. They may also encourage companies to use Argentina as a platform for diversified supply chains oriented toward Mercosur, the EU, Asia and other non-U.S. markets. If U.S.–Argentina trade preferences expand, some European investors may consider Argentina a more attractive production or sourcing base for specific goods.

The main strategic challenge is uncertainty. U.S. trade policy has become more politically driven and less predictable, increasing the importance of scenario planning, rules-of-origin compliance, tariff monitoring and market diversification.

Geopolitical Tensions – Country Exposure

Argentina's exposure to geopolitical tensions is moderate but increasing, mainly through global trade fragmentation, U.S.–China competition, commodity-market volatility, the future of Mercosur and the country's external financing needs. Argentina is not directly exposed to a major regional conflict, but its economic outlook is sensitive to changes in global demand, financing conditions, energy prices, food prices and trade barriers.

A central issue is Argentina's balancing act between Western partners and China. The current government has strengthened its political and financial alignment with the United States, the IMF and other Western partners. At the same time, China remains an important commercial partner, buyer of commodities, provider of infrastructure finance and participant in strategic sectors. This creates both opportunities and risks for Argentina, particularly in mining, energy, agribusiness and infrastructure.

Rising protectionism and trade disputes also affect business confidence. Companies must consider potential tariff changes, sanctions risks, rules-of-origin requirements and the possibility that trade policy will be used as a geopolitical instrument. Some regional observers have noted that Argentina's pursuit of closer bilateral trade ties outside Mercosur could create tensions within the bloc if not coordinated with a common trade policy.

For European companies, geopolitical tensions create both risks and opportunities. On the risk side, protectionist measures may reduce market access or increase costs for companies integrated into global value chains. On the opportunity side, companies seeking to diversify supply chains may view Argentina as a potential source of food, energy, lithium, copper and other strategic inputs.

The EU–Mercosur Agreement could strengthen Argentina's position as a partner for Europe in a more fragmented global trading system, but delays in ratification or political disputes around agriculture, environment and industrial policy could weaken this opportunity.

ESG Trends

Argentina's ESG landscape is developing unevenly. Large companies, listed firms and multinational groups — including European companies — increasingly apply ESG standards through corporate policies, sustainability reporting, responsible sourcing, climate commitments and supply-chain due diligence. However, Argentina does not yet have a fully consolidated ESG regulatory framework, and implementation varies significantly by sector, province and company size.

European companies operating in Argentina are generally among the most advanced in adapting to ESG expectations. Many apply internal EU-driven standards on environmental management, labour practices, anti-corruption, human rights, traceability and corporate governance, even where local regulation is less demanding. This is particularly relevant for companies connected to EU value chains and subject to European sustainability reporting or due diligence requirements.

The most important ESG opportunities are linked to Argentina's strategic sectors: renewable energy, lithium, copper, agribusiness, forestry, sustainable finance, circular economy, energy efficiency and low-carbon infrastructure. Argentina's lithium and copper resources are particularly relevant for the global energy transition, but these sectors also face significant ESG scrutiny. Industry sources indicate that several lithium projects remain pending environmental permits or final investment decisions, showing the importance of ESG and regulatory approval for project development.

Mining is therefore both an opportunity and a challenge. European companies can contribute high environmental, technological and governance standards in extraction, processing, water management, monitoring, traceability and community engagement. At the same time, social acceptance is essential, especially in lithium and copper provinces where concerns around water resources, indigenous rights and environmental impact can delay projects.

Agribusiness is another critical ESG area. Argentina's agricultural sector is central to exports, but companies increasingly need to demonstrate traceability, deforestation-free production, responsible land use, lower emissions and compliance with EU sustainability requirements. European companies can support this transition through certification, digital traceability, precision agriculture, regenerative farming, bio-inputs, logistics efficiency and food-chain transparency.

Sustainable finance is gradually expanding. Argentina's securities regulator has introduced guidance for socially responsible investment and for the issuance of social, green and sustainable bonds, helping to standardise ESG concepts and improve transparency in labelled financial instruments. Carbon markets are also emerging as a future opportunity, particularly in forestry, agriculture, renewable energy, methane reduction, energy efficiency and nature-based solutions.

Argentina's Nationally Determined Contribution under the Paris Agreement and its long-term climate strategy provide additional context for companies assessing climate-related risks and opportunities. The main challenges remain regulatory fragmentation, limited enforcement capacity, lack of harmonised ESG metrics, high financing costs and the tension between short-term economic recovery and long-term sustainability objectives.

Supply Chain Redistribution/Resilience

The current global trade environment is reshaping supply chains involving Argentina by increasing the strategic importance of reliable sources of food, energy, critical raw materials and regional production capacity. Geopolitical tensions, protectionism, shipping disruptions and the search for alternatives to highly concentrated supply chains are encouraging companies to reassess sourcing strategies and diversify suppliers.

Argentina is well positioned to benefit from this shift because it combines natural resources, industrial capabilities, a skilled workforce and access to Mercosur. In agribusiness, Argentina remains a key global supplier of grains, oilseeds, meat, wine and food products. European companies are increasingly interested in traceable, sustainable and resilient food value chains.

In energy, Vaca Muerta is central to Argentina's supply-chain repositioning. New oil and gas infrastructure, including pipeline and export projects, is expected to improve Argentina's capacity to supply regional and global markets. The Vaca Muerta Oil Sur project is particularly relevant from a logistics perspective: it is designed to connect production to a new deepwater export terminal at Punta Colorada (Río Negro province), with a planned capacity of approximately 700,000 barrels per day and an estimated infrastructure investment exceeding USD 3 billion. If completed on schedule, it would represent a structural shift in Argentina's hydrocarbon export capacity and open direct Atlantic access for European buyers.

In mining, lithium and copper are the most relevant sectors for supply-chain diversification. European companies and institutions are looking for secure and sustainable sources of critical raw materials to support the energy transition and reduce dependency on concentrated suppliers. This creates opportunities not only in extraction, but also in processing, engineering, water management, environmental services, renewable energy supply, certification and transport infrastructure.

Companies are also considering Argentina as a regional platform for South America. This is relevant in automotive components, agricultural machinery, pharmaceuticals, chemicals, food processing, energy services, mining equipment and technology services. Nearshoring and regionalisation trends are more visible than full reshoring: companies are seeking more balanced supply chains with multiple regional nodes rather than relocating production entirely back to Europe.

However, supply-chain resilience in Argentina is constrained by infrastructure bottlenecks, customs complexity, foreign-exchange restrictions, logistics costs and regulatory uncertainty. The World Bank's Logistics Performance Index remains a useful reference for assessing trade logistics constraints, including port, border and inland transport performance.

Free trade zones, bonded warehouse regimes and customs-related facilitation tools may become increasingly relevant for European companies seeking to build regional supply-chain operations in Argentina. Their effectiveness will depend on regulatory clarity, customs simplification and integration with broader trade facilitation reforms.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Argentina's main challenge in maintaining economic stability amid global uncertainty is to consolidate macroeconomic stabilisation while rebuilding growth, reserves and investor confidence. The government's strategy is based on fiscal discipline, monetary restraint, deregulation and gradual normalisation of the foreign-exchange regime.

The IMF programme remains central to this stabilisation architecture. Argentina and the IMF reached a new Extended Fund Facility (EFF) agreement in April 2025, providing multi-year balance-of-payments support and anchoring the government's fiscal and exchange-rate commitments. Argentina's relationship with the IMF affects reserve accumulation targets, fiscal policy, exchange-rate flexibility and investor expectations. For European companies, the credibility and implementation of this framework directly influence financing conditions, currency risk, import capacity and overall business confidence.

Inflation is being addressed through balanced public accounts, reduced monetary financing and a more disciplined monetary framework. However, the disinflation process remains vulnerable to exchange-rate movements, administered-price adjustments and changes in expectations. Companies, therefore, continue to manage pricing, working capital and contract structures carefully.

Supply-chain disruptions are being addressed through export-oriented investment, infrastructure development and a stronger focus on strategic sectors. Argentina's priorities include energy, mining, agribusiness, logistics and technology. Investment incentives, including RIGI, are intended to expand export capacity, generate foreign currency and reduce bottlenecks in strategic value chains.

Argentina is also seeking to diversify trade partners and export markets. Brazil, China, the United States and the European Union remain key partners, while the EU–Mercosur Agreement could support deeper integration with European markets if ratified and implemented. At the same time, Argentina must balance closer Western alignment with continued commercial links to China and regional partners.

For European companies, Argentina's resilience strategy creates opportunities in sectors aligned with long-term competitiveness: renewable energy, oil and gas, lithium, copper, agribusiness, infrastructure, logistics, digitalisation and professional services. However, investment decisions will remain sensitive to exchange-rate movements, inflation, political support for reforms and global financial conditions.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Growing global trade instability is affecting Argentina and European companies through higher uncertainty, more frequent tariff changes and increased use of trade policy as a geopolitical instrument. For Argentine exporters, this can affect competitiveness in destination markets, particularly where tariffs or non-tariff barriers change suddenly. The impact is most relevant for sectors such as metals, agribusiness, industrial inputs and manufactured goods.

A concrete example is the impact of U.S. tariff policy on Argentine steel and aluminium. In response to higher import barriers in certain destination markets, Argentina temporarily suspended export taxes on aluminium, steel and related products until the end of 2025 for exports to countries applying very high import tariffs. This shows how protectionist measures outside the EU can force Argentina to adjust its own trade policy in order to preserve exporter competitiveness.

For European companies operating in Argentina, trade instability creates a more complex environment for pricing, sourcing, investment planning and market access. If non-EU partners obtain preferential access to Argentina or Mercosur through bilateral arrangements, European exporters may face a competitive disadvantage in sectors such as machinery, vehicles, chemicals, pharmaceuticals and industrial equipment.

The EU–Mercosur Agreement could help mitigate this risk by providing a more predictable and rules-based framework for EU–Argentina trade. However, delays in ratification or political disputes around agriculture, environmental standards or industrial competition could prolong uncertainty for companies planning long-term trade and investment strategies.

Overall, growing trade instability makes Argentina more relevant as a potential supplier of food, energy and critical raw materials, but also increases the need for predictable trade rules. European companies are responding by diversifying supply chains, monitoring tariff and sanctions risks, strengthening rules-of-origin compliance and adapting sourcing strategies.

Bilateral Trade Projections (2026–2027)

Over the next 12–24 months, trade between Argentina and the European Union may improve gradually, contingent on macroeconomic stabilisation, exchange-rate conditions, import capacity and progress toward implementation of the EU–Mercosur Agreement. The agreement's full impact is unlikely to be immediate, but companies are expected to begin preparing supply chains, investment plans and market-entry strategies in anticipation of a more open bilateral framework.

In the short term, the most immediate growth potential is likely to come from Argentine exports to the EU in agribusiness, food products, energy-related inputs, lithium, copper and other strategic raw materials. Argentina's services exports also show positive momentum, particularly in knowledge-based services, ICT, professional services and engineering.

For European exports to Argentina, the outlook should improve if Argentina's recovery strengthens domestic demand and if import restrictions and foreign-exchange constraints continue to ease. European companies could benefit from machinery, industrial equipment, pharmaceuticals, chemicals, transport equipment, renewable-energy technology, mining equipment, digital solutions and high-value services.

The main risks are renewed global protectionism, U.S. tariff policy, domestic political constraints, delays in EU–Mercosur implementation, exchange-rate volatility and limited reserves. Therefore, the most likely scenario is a moderate but conditional increase in EU–Argentina trade, with stronger growth in export-oriented and strategic value chains than in traditional domestic-demand-driven imports.

Adaptation to Weakening Global Rules

The European business community in Argentina is adapting to the weakening of global trade rules through three main approaches: risk planning, supply-chain diversification and stronger compliance.

First, companies are increasing their monitoring of trade policy developments, tariff changes, customs rules, import procedures, foreign-exchange restrictions, sanctions risks and sustainability requirements. Scenario planning is becoming more important for sectors exposed to global volatility, such as energy, mining, agribusiness, industrial equipment, automotive components, pharmaceuticals, chemicals and technology.

Second, companies are diversifying supply chains. Rather than relying on single suppliers or single destination markets, European businesses are increasingly assessing alternative sourcing options, regional suppliers, local production capacity and new export routes. Argentina's role as a potential supplier of food, energy, critical raw materials and knowledge-based services is becoming more relevant in this context.

Third, companies are strengthening compliance and traceability. European companies operating in Argentina are increasingly aligning their operations and supply chains with EU standards on sustainability, due diligence, corporate responsibility, environmental impact, labour practices and responsible sourcing. This helps preserve access to European markets and strengthens the credibility of Argentine-based value chains.

Business chambers and bilateral platforms support this adaptation by providing market intelligence, institutional dialogue, regulatory monitoring and channels for collective advocacy. This helps companies respond more effectively to a more fragmented and politicised global trade environment.

Overall, the European business community is responding through risk planning, diversification, regulatory monitoring and ESG compliance, while positioning Argentina as a potential partner in strategic value chains such as agribusiness, energy, mining, infrastructure and services.

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BRAZIL

FUTURE (ECONOMIC) OUTLOOK

Brazil's near-term outlook is not explosive growth, but it is strategically attractive: large domestic market, strong agribusiness, renewable energy, infrastructure pipeline, and growing digital demand. The main risks are high interest rates, fiscal pressure, tax-transition complexity, geopolitical commodity shocks, and regulatory execution.

BUSINESS/ INVESTMENT ENVIRONMENT

For European companies, Brazil is most attractive, where European technology, finance, compliance standards, and industrial know-how match Brazilian priorities: green transition, infrastructure, reindustrialisation, digitalisation, health, agribusiness, and export-oriented manufacturing.

POLITICAL AND ECONOMIC CHALLENGES

Brazil rewards European companies that combine:

European strengths

- Technology
- Governance
- Sustainability
- Finance
- Compliance

With Brazilian realities

- Political adaptability
- Local partnerships
- Regulatory fluency
- Institutional presence

OTHER REGULATORY AND LEGAL CHALLENGES

Brazil's main hurdles for European companies include tax complexity during VAT reform (CBS/IBS transition), bureaucratic licensing, labor and judicial costs, regulatory fragmentation across federal and state levels, compliance burdens (LGPD, ESG, transfer pricing), and infrastructure bottlenecks. Local partnerships and strong legal structuring remain essential.

INTEGRATION WITH EU POLICIES

Brazil broadly aligns with EU trade, sustainability and industrial cooperation goals through EU–Mercosur negotiations, ESG adaptation, and digitalisation opportunities. Benefits include market access, technology transfer and sustainability cooperation; challenges include environmental compliance (EUDR/CBAM), political resistance in Europe, and implementation uncertainty.

EU-BRAZIL ECONOMIC RELATIONS

Investment and Trade

The EU remains one of Brazil's largest foreign investors and trading partners, with a strong presence in automotive, energy, finance, pharmaceuticals, agribusiness, industrial technology and infrastructure. EU–Mercosur could significantly expand trade if ratified, though political and environmental concerns may delay full implementation.

EUROPEAN BUSINESS PRESENCE

Since the pandemic, European business presence in Brazil has remained resilient, with growth concentrated in renewables, infrastructure, health, digital services, and industrial modernisation. While some sectors faced contraction due to high costs and political uncertainty, Brazil remains a strategic Latin American platform.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

US tariffs and protectionist measures can indirectly benefit Brazil in selected sectors by redirecting trade and investment, but they also create volatility in commodities, steel, manufacturing and agribusiness.

European firms in Brazil may face supply chain cost shifts and altered competitive positioning.

Geopolitical Tensions – Country Exposure

Brazil is exposed to geopolitical tensions through commodity prices, fertiliser dependency, China–US competition, energy markets, and trade realignment. While Brazil benefits from diversification opportunities, uncertainty can affect inflation, exchange rates and investor confidence.

ESG Trends

Brazil's ESG environment is expanding, particularly in renewables, sustainable agriculture, carbon reduction and governance. European companies are often ahead in ESG implementation, but must adapt to evolving local frameworks, reputational sensitivities, and supply chain traceability requirements.

Supply Chain Redistribution/Resilience

Brazil is increasingly viewed as a diversification hub for agribusiness, renewable energy, mining, industrial production, and regional manufacturing. Companies are prioritising supplier diversification, logistics resilience, and selective nearshoring, though infrastructure inefficiencies and tax inefficiencies remain significant barriers.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Brazil focuses on fiscal discipline, tax reform, reindustrialisation, trade diversification, energy transition, and infrastructure investment to strengthen resilience. Challenges include high interest rates, inflation control, fiscal pressures, and external commodity dependence.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

External Protectionism

Global trade tensions continue to create tangible disruptions for EU–Brazil bilateral commerce. Tariff disputes between the United States and China have significantly affected trade flows in steel, electric vehicles, industrial goods, and agricultural commodities. Simultaneously, sanctions regimes have driven up energy and logistics costs, while the EU's Carbon Border Adjustment Mechanism (CBAM) is increasingly reshaping industrial competitiveness and placing additional pressure on carbon-intensive exports — directly influencing the terms under which Brazilian and European producers engage in trade.

Bilateral Trade Projections (2026–2027)

EU–Brazil trade is projected to expand moderately over the next one to two years, with the most promising growth concentrated in green technology, infrastructure development, agribusiness, and industrial modernisation. However, the pace and scale of this expansion remain heavily contingent on progress in EU–Mercosur negotiations, domestic inflation trends in both regions, and the maintenance of political stability in Brazil. Uncertainty in any of these areas could temper otherwise favorable trade prospects.

Adaptation to Weakening Global Rules

EBO Adaptation Strategies

In response to the weakening of global trade structures and rising geopolitical complexity, Eurocamaras and European companies operating in Brazil are actively recalibrating their approaches. Efforts are focused on strengthening risk management frameworks, intensifying policy advocacy, diversifying supply chains, deepening ESG alignment, cultivating local partnerships, and enhancing regulatory intelligence capabilities — all aimed at building greater resilience and securing long-term commercial positioning in an increasingly volatile international trade environment.

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INTRODUCTION

In collaboration with 27 European bilateral chambers of commerce (and business associations), with endorsement from the Delegation of the European Union to Canada, EUCCAN (EU Chamber of Commerce Canada) serves as a pivotal resource for European businesses operating in Canada. EUCCAN's mandate rests on three pillars: Advocacy, Information, and Representation.

The March 2025 to April 2026 period was defined less by incremental market-opening than by strategic realignment. With the 2026 CUSMA review approaching and U.S. tariff policy injecting renewed uncertainty into North American supply chains, the Canada–EU relationship deepened institutionally while Canadian firms adjusted to a more protectionist continental setting and a stronger imperative to diversify exports, suppliers and investment. For European companies already active in Canada, the year combined a softer domestic climate with a materially stronger strategic rationale for Canada as a partner in trade, digital policy, critical raw materials, and defence-industrial cooperation. *[3][5][6][7][25]*

EU-CANADA ECONOMIC RELATIONS

CETA remains the anchor of the relationship, but its importance is now as strategic as it is commercial. Trade in goods between the EU and Canada reached €75.6 billion in 2024, and bilateral services trade reached €48.9 billion. Canada's reporting indicates that combined Canada–EU goods and services trade reached C$178.6 billion in 2025, confirming the EU as Canada's second-largest trading partner for goods and services and its second-largest partner for two-way direct investment. Full ratification remains unfinished, with 10 EU Member States still to complete their national processes. *[1][2][4]*

What changed most during the period under review was the breadth of the policy agenda around that trade relationship. At the 23 June 2025 EU–Canada summit, leaders launched a "New EU–Canada Strategic Partnership of the Future," signed a Security and Defence Partnership, recommitted to full ratification and implementation of CETA, and agreed to work toward a Digital Trade Agreement that would complement it. Global Affairs Canada also reported that Canada exceeded its target of increasing overseas (non-U.S.) exports by 50% one year early, with the EU identified as one of the principal drivers of that growth. *[3][5]*

EUROPEAN BUSINESS PRESENCE

For European business, the installed commercial base in Canada remains substantial. The Government of Canada estimates EU foreign direct investment stock in Canada at C$194 billion in 2024, with Canadian affiliates of EU companies generating around 447,000 jobs. That depth of investment means the bilateral relationship is carried not only by trade flows but also by embedded European participation in Canada's domestic economy. *[2]*

BUSINESS ENVIRONMENT

Overview

The operating environment nevertheless remained demanding. Global Affairs Canada reports that Canada's economy contracted by 0.6% on an annualised basis in the fourth quarter of 2025, although real GDP still grew 1.7% over the year and Canada avoided recession. The Bank of Canada's January 2026 outlook judged that U.S. tariffs would leave Canadian GDP about 1.5% lower by the end of 2026 than anticipated a year earlier. With the 2026 CUSMA review also emerging as an explicit macroeconomic risk, firms were operating under both cyclical weakness and a wider policy-risk premium tied to the future of North American trade. *[6][7][25]*

Business Sentiment and Trade-Flow Developments

Business survey evidence points to a year that began with a sharp deterioration in sentiment and ended with only a partial recovery. The Bank of Canada's first-quarter 2025 Business Outlook Survey found that conditions had deteriorated because of the trade conflict with the United States, especially for exporters, with many firms delaying hiring and investment decisions. By the fourth quarter of 2025, sentiment remained subdued, export sales growth was expected to be only modest, most firms planned to maintain or reduce staffing, and investment spending remained focused on routine maintenance. A small but growing share of exporters reported higher sales to non-U.S. markets in response to U.S. trade tensions. *[8][9]*

Statistics Canada's quarterly business polling tells a similar story. Business optimism fell to 70.0% in the second quarter of 2025 and 65.8% in the fourth quarter of 2025 before recovering to 72.3% in the first quarter of 2026. Cost pressures remained the dominant obstacle: 65.4% of businesses expected cost-related obstacles in Q2 2025, 61.5% in Q4 2025, and 58.9% in Q1 2026.

Tariff exposure also became more visible. In Q2 2025, 18.1% of businesses expected U.S. tariffs to have a high impact; by Q1 2026, 32.2% reported a negative impact over the prior 12 months, and 33.4% said they were likely to pass tariff-related cost increases on to customers over the next year. *[10][11][12]*

Trade-flow data confirm that diversification is real, even if uneven. In April 2025, Canada's goods exports to the United States fell 15.7% and imports from the United States 10.8% amid new U.S. tariffs, while trade with non-U.S. countries reached a record high. Even in that month, exports to the EU were still up 19.4% year-to-date and imports from the EU were up 4.1% year-to-date. Over 2025 as a whole, annual goods exports to the United States fell 5.8%, while exports to non-U.S. markets rose 17.2%; the U.S. share of Canadian goods exports fell to 71.7%, the lowest share since the early 1980s. The latest official monthly data available at drafting, for February 2026, again showed record trade with non-U.S. countries, with goods exports to the EU at C$3.718 billion and imports at C$7.188 billion. *[13][14][15]*

Rebalancing Canada–U.S. Trade and CUSMA Review Risk

The next strategic question is whether Canada's diversification response remains cyclical and opportunistic or becomes structural. Canada remains unusually exposed to the U.S. economy: Statistics Canada estimates that exports to the United States accounted for about 17% of Canadian GDP and 2.6 million Canadian jobs in 2023. The Government of Canada formally consulted stakeholders in autumn 2025 to prepare for the 2026 CUSMA joint review, underscoring that this is not a distant issue but an active policy file. The Bank of Canada has already identified the review as an important risk to the outlook, with possible outcomes ranging from a straightforward extension to significant renegotiation, repeated annual reviews or even withdrawal scenarios. *[25][27][28]*

At the firm level, adjustment is already underway. The Bank of Canada reports that Canadian businesses are seeking new markets and suppliers outside the United States and relying less on U.S. inputs. Statistics Canada's analysis similarly found that, among exporters to the U.S. planning mitigating actions in 2025, roughly one in four intended to seek alternative customers outside the U.S., while nearly one in four planned to seek alternative suppliers outside the U.S. Yet this is rebalancing rather than abrupt decoupling: the Bank of Canada notes that U.S.-sourced content makes up about one-fifth of the total value of Canada's exports to the U.S., underscoring how deeply cross-border production remains embedded. *[26][27]*

For that reason, the Canada–EU relationship now merits treatment as Canada's top-priority diversification corridor for growth. Global Affairs Canada's diversification review identifies the EU as Canada's largest overseas export market and one of the principal drivers of Canada surpassing its non-U.S. export target a year early. At the March 2026 CETA Joint Committee, Canada and the European Commission explicitly linked deeper trade and investment ties to diversification, investment opportunities, long-term prosperity, economic security and resilience, while also formally launching negotiations toward a Canada–EU Digital Trade Agreement. Unlike many diversification corridors, the EU track already combines a preferential trade agreement with active workstreams in digital trade, industrial policy, critical minerals and defence procurement. Europe is not a near-term substitute for the United States in absolute trade volume, but it is the most credible available platform through which Canada can reduce its marginal GDP dependence on U.S. trade-policy shocks while expanding growth in rules-based, higher-value sectors. [5][16]*[17][18][19][21][29]*

OPPORTUNITIES AND CHALLENGES

Sectoral Opportunities and Selected Case Studies

The clearest medium-term opportunities for European firms are clustered where Canada's diversification agenda intersects with EU industrial policy. In July 2025, Canada and the EU launched a new Industrial Policy Dialogue on supply chains, competitiveness and critical industries and technologies. By March 2026, both sides had linked that dialogue to trade and investment facilitation, regulatory cooperation, innovation and critical raw material value chains, including through a Letter of Intent between the European Investment Bank and the Government of Canada. *[16][17]*

A second opportunity area is the digital economy. At the first Canada–EU Digital Partnership Council in Montréal in December 2025, both sides framed the partnership around competitiveness, innovation and economic resilience, while explicitly highlighting business-to-business exchange, start-ups, technology investment and the need to avoid unduly burdensome regulation for SMEs. The accompanying memoranda of understanding on artificial intelligence and on digital credentials and trust services commit both sides to deeper cooperation on AI frameworks, standards, skills, adoption in strategic sectors and interoperable digital identity systems. *[18][19]*

Selected company-level developments also illustrate the practical depth of the relationship. In September 2025, Airbus announced a strategic investment in Quebec-based IPR Innovative Product Resources under Canada's Strategic Tanker Transport Capability programme. In a separate development, Canada formally joined the EU's SAFE initiative in February 2026, creating new export opportunities for Canadian defence companies and allowing participation in SAFE contracts with up to 80% Canadian content. These are early-stage developments, but they point to more concrete channels for EU–Canada cooperation in aerospace, defence and dual-use industrial supply chains. *[20][21]*

Supply Chain Resilience, Labour and Responsible Business Conduct

The structural constraints in Canada's operating environment, however, should not be understated. Statistics Canada reports that 41.0% of businesses purchased goods or services from suppliers in another province or territory, and 26.9% sold interprovincially;

among firms facing interprovincial trade obstacles, transportation cost was the most commonly cited challenge. Labour pressures have eased but remain material, with 24.8% of businesses in Q1 2026 expecting recruiting skilled employees to be an obstacle. Compliance expectations are also rising.

Under Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act, in-scope entities must file annual reports by 31 May each year, and updated federal guidance now includes an optional Canada–United Kingdom–Australia reporting template to streamline multi-jurisdictional disclosure. *[12][22][23][24]*

Conclusion

For EBO members, the message is therefore mixed but strategically constructive. Canada did not offer an easy business climate during the period under review: confidence weakened under tariff uncertainty, costs remained elevated, and firms stayed cautious on hiring and capital expenditure. Yet the year also clarified the hierarchy of Canada's diversification options. The EU is no longer best understood as a supplementary market; it is Canada's top-priority diversification corridor for incremental growth. Europe is already a material source of trade, investment, and embedded business activity in Canada, and the bilateral agenda now extends beyond merchandise trade into digital rules, industrial policy, critical minerals, and defence cooperation. That does not mean Europe can replace the United States in absolute terms in the near term. It does mean that the Canada–EU corridor offers the most credible path to reduce Canada's marginal GDP dependence on U.S. trade-policy volatility while deepening access to a large, rules-based, and strategically aligned market. *[2][5][16][17][18][21][25][26][29]*

Selected indicators: Canada–EU combined goods and services trade reached C$178.6 billion in 2025; the EU is Canada's largest overseas export market; exports to the United States accounted for about 17% of Canada's GDP in 2023; and the U.S. share of Canadian goods exports fell to 71.7% in 2025. *[2][5][14][27]*

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CHILE

FUTURE (ECONOMIC) OUTLOOK

Chile's economy is projected to grow steadily at around 2.4% in 2026 and 3% in 2027, driven by copper and lithium exports, rising wages, and recovering domestic demand. Inflation is expected to stabilise near 3%, while fiscal consolidation and regulatory reforms will shape market dynamics and business conditions.

BUSINESS / INVESTMENT ENVIRONMENT

European companies can find strong growth opportunities in Chile through government-backed priorities such as critical minerals, renewable energy, and digital transformation.

POLITICAL AND ECONOMIC CHALLENGES

Chile faces a mix of political fragmentation, social pressures, and fiscal constraints, alongside economic dependence on copper and lithium exports. While growth is expected to recover moderately in 2026–2027, national tax reform debate and global market volatility remain key risks.

INTEGRATION WITH EU POLICIES

In December 2023, Chile became the first country in the region to sign a new-generation agreement with the EU, the Advanced Framework Agreement (AFA), a modern and ambitious agreement that updates the 2002 Association Agreement (signed in 2024 and provisionally applied in 2025). Chile's integration with EU policies is advancing, and positions Chile as a strategic partner for the EU's raw materials agenda. Chile is in a very good shape for applying the EUDR starting December 2026.

EU-CHILE ECONOMIC RELATIONS

Investment and Trade

Chile and the EU are linked by a modernised Free Trade Agreement, the EU–Chile Advanced Framework Agreement (AFA). European investment and trade with Chile have grown significantly, with the EU standing as Chile's second-largest trading partner.

EUROPEAN BUSINESS PRESENCE

European companies in Chile have maintained a strong presence, with investment concentrated in mining, renewable energy, and infrastructure.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

It creates a scenario of differentiated impact: pressure on semi-finished copper and manufacturing, but opportunities in lithium, clean energy, and agribusiness. For Chile, the challenge is to diversify markets and strengthen agreements with other countries.

Geopolitical Tensions – Country Exposure

Geopolitical tensions create an environment of uncertainty, but they also position Chile as a strategic partner in critical minerals and clean energy. The key to maintaining business confidence lies in diversifying markets and strengthening institutions.

ESG Trends

Chile is consolidating an ESG landscape, with companies demonstrating a high level of corporate responsibility and governments promoting sustainability policies.

Supply Chain Resilience

The current global business environment, characterised by geopolitical tensions, the need for resilience, and technological acceleration, is driving a profound transformation in Chile's supply chains as of 2026.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Chile's economic stability depends on diversifying markets, strengthening institutions, and accelerating the transition to clean energy and digitalisation. The country holds strategic advantages — critical resources, agreements with the EU, and relative institutional stability — but must manage external volatility and internal tax debates to sustain business confidence and growth.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Bilateral Trade Projections (2026–2027)

For the period 2026-2027, the impact on trade between Chile and the European Union (EU) is expected to be highly positive, driven primarily by the entry into force of the Advanced Framework Agreement (AFA). This modernised framework consolidates the EU as a key partner in Chile's energy transition and export diversification.

Adaptation to Weakening Global Rules

Eurochile is executing a project for the Chilean Agricultural Ministry in order to implement the EUDR in the cattle and timber sectors in 2026.

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INTRODUCTION

Euro Cámaras Colombia, founded in 1998, is the Association of European Bilateral Chambers of Commerce and Industry in Colombia. It brings together 6 chambers: AHK Colombia (Germany), CamaCoes (Spain), CCI France Colombia (France), Holland House (Netherlands), the Colombian-Italian Chamber, and BritCham (United Kingdom).

It represents 1,497 active European companies with USD 5,679.8M in investment and 346,530 jobs generated in Colombia. Key priorities for 2025–2026: energy transition, sustainable agri-industry, digitalisation, infrastructure, and strengthening the EU-Colombia Trade Agreement (fully ratified November 2024).

EU–COLOMBIA ECONOMIC RELATIONS

Trade & Investment

The European Union is Colombia's third-largest trading partner and is the second-largest source of foreign direct investment (FDI). The EU-Colombia-Peru Trade Agreement, provisionally applied since August 2013, was fully ratified in November 2024, consolidating the preferential framework governing bilateral relations in goods, services, investment, and intellectual property.

Trade Flow (2024)	Value
EU Imports from Colombia	€ 5,288 million (-25.8%)
EU Exports to Colombia	€ 7,569 million (-5.1%)
EU Trade Balance	Surplus € +2,281M

The main EU imports from Colombia are: food and live animals (42.6%, mainly coffee and cut flowers), mineral fuels (30.1%, coal and oil — in sharp decline due to lower prices), and crude materials (4.9%). Main EU exports to Colombia: machinery, chemicals, pharmaceuticals, and transport equipment.

The EU is the second-largest source of FDI in Colombia across multiple sectors, with strong growth potential in renewable energies, infrastructure, and railway projects.

EU–Colombia Bilateral Agreements

The EU-Colombia-Peru Trade Agreement is the cornerstone of the bilateral economic relationship. Fully ratified in November 2024, the agreement covers: tariff elimination on the majority of products; preferential access for services and investment; mutual recognition of technical and sanitary standards; and chapters on trade and sustainable development. Its full entry into force has strengthened the competitiveness of Colombian exports to the EU and improved the predictability of the investment framework for European companies.

Beyond this legal architecture, the bilateral relationship was further elevated at the 4th EU-CELAC Summit, hosted by Colombia in Santa Marta on 9–10 November 2025 — the first time the country organised a summit of this scale. Convening leaders from the 27 EU Member States and 33 CELAC countries, the Summit reviewed progress under the €45 billion EU-LAC Global Gateway Investment Agenda launched in 2023 and consolidated Colombia's role as a strategic bridge between Europe and Latin America. The EU confirmed a financial commitment of at least €106 million in non-reimbursable cooperation for Colombia for 2021–2027, leveraging multi-billion-euro investments under Global Gateway: a bilateral pipeline of 175 European-backed renewable energy projects worth over €20 billion, 16 renewable hydrogen projects worth approximately €48 billion, and inclusion of the Panama–Colombia electrical interconnection within the €6.86 billion Bi-regional Initiative on Regional Electricity Integration. European companies already account for over 60% of Colombia's renewable energy generation, positioning the bilateral energy partnership as a flagship of Global Gateway in the region. The LAC-EU Business Forum, co-organised by Colombia, the EU, the IDB, and CAF in parallel to the Summit, also opened concrete dialogue channels for European business associations on green investment, digital connectivity, and sustainable transport.

Recommended strategies for European companies:

- Partner with local firms for market entry and regulatory navigation.
- Leverage Free Zone regimes for operational efficiency and fiscal optimisation.
- Engage early with regulators and government stakeholders, including through Euro Cámaras Colombia.
- Structure investments with long-term regulatory foresight and ESG alignment.

ECONOMIC OUTLOOK

General Economic Outlook

Colombia demonstrated notable resilience in 2025, with GDP growth of 2.6% (World Bank) – or 2.5% according to the IMF – up from 1.6% in 2024, driven primarily by robust private consumption supported by higher government spending, a recovery in services, and continued agricultural growth. Inflation eased from 6.6% in 2024 to approximately 4.8% by mid-2025, still above the Banco de la República's 3% target. The central bank cut its policy rate by 25 basis points to 9.25%, balancing disinflation against fiscal and external uncertainty.

Indicator	2025 (Estimate)	2026 (Forecast)
Real GDP Growth (%)	2.6% (World Bank)	2.5% (IMF)
CPI Inflation (year-end %)	~4.8%	~3.5–4.0%
Fiscal Deficit (% of GDP)	6.5% (gen. gov.)	~5.8%
Public Debt (% of GDP)	~67%	Stabilising
Current Account Deficit (% GDP)	~2.5%	~2.7%
Unemployment (annual average)	8.9% (century low)	~9–10% est.

Economic Growth

The World Bank projects growth of 2.6% for 2025 and 2.2% for 2026, with the economy converging to its potential of 2.4% by 2027, supported by private consumption, stable exports, and rising private investment. Commerce and manufacturing should stabilise. The IMF estimates growth of approximately 2.3% for 2026. Key downside risks include fiscal slippage ahead of the 2026 elections, wage-driven inflation (minimum wage rose 9.5% in 2025 and 23% for 2026), and external shocks from global trade tensions.

Investment remains the main laggard: gross fixed capital formation stays below pre-pandemic levels, affected by regulatory uncertainty in hydrocarbons and construction.

Employment & Wages

2025 was an exceptional year for Colombia's labour market. The average annual unemployment rate closed at 8.9%, the lowest level of the 21st century, compared with 10.2% in 2024 (a 1.3 percentage point improvement). In December 2025, the monthly unemployment rate was 8.0%, the lowest for that month since 2001. The working population grew by approximately 800,000 people during the year, reaching 23.8 million workers.

The national employment rate rose to 59.2% in December 2025 (vs 58.5% in December 2024), with labour participation stable at 64.3%. However, structural challenges persist: labour informality remains at approximately 55.7% at year-end 2025 (down marginally from 55.9% in 2024), and 56% of new jobs created in 2025 corresponded to self-employed workers. The gender gap is significant: male unemployment 6.4% vs female 10.1% (December 2025).

Business & Investment Environment

Colombia maintains a solid macroeconomic institutional framework: a rules-based fiscal system, a flexible exchange rate and inflation targeting by the Banco de la República. It is the fourth-largest economy in Latin America (nominal GDP ~USD 419 billion), an OECD member since 2020, with a network of 16 active free trade agreements covering 82% of its external trade.

The sectors with the greatest dynamism for European investment are: (1) energy — renewable transition, with a government target of 6 GW of non-conventional renewable energy capacity by mid-2026, although sector projections converge around ~4.2 GW achievable by year-end 2026; solar growing at 35% in 2025, reaching 2.55 GW (up from 1.88 GW in 2024); (2) agri-industry — Colombia is the world's second-largest coffee exporter, a leader in cut flowers, and a growing producer of cocoa and avocado; (3) digital services and BPO; (4) road, port and rail infrastructure; and (5) financial services and fintech.

Factors limiting investment include regulatory uncertainty in hydrocarbons (exploration restrictions that have reduced FDI in oil and gas), pending structural reforms (labour, health, pension), a rising fiscal deficit, and security risks in regions affected by armed groups.

GOVERNMENT PRIORITIES, OPPORTUNITIES & SECTORAL CHALLENGES

Government Priorities

The government of President Gustavo Petro (2022–2026) has articulated its agenda around the National Development Plan 2022–2026 'Colombia Potencia Mundial de la Vida', with emphasis on: just energy transition, food sovereignty, total peace, inequality reduction, and reindustrialisation. The priorities most relevant to European business for 2025–2026 are energy transition, fiscal agenda, infrastructure investment, social reforms, and foreign policy.

Several PND pillars converge with concrete EU policy frameworks, creating natural anchors for bilateral cooperation. The just energy transition aligns with the EU Green Deal and the Global Gateway energy pipeline identified for Colombia (175 European-backed renewable projects worth over €20 billion, plus 16 renewable hydrogen projects worth approximately €48 billion). Food sovereignty and sustainable agri-industry intersect with the EU Deforestation Regulation (EUDR, Regulation 2023/1115), applicable from 30 December 2026 for large operators and 30 June 2027 for micro and small operators, which will require traceability and deforestation-free supply chains for coffee, cocoa, palm oil, cattle, rubber and wood — categories that account for a significant share of Colombian agricultural exports to the EU. Total peace remains anchored in the EU Trust Fund for Peace (€130 million, 23 contributing donors), which since 2016 has supported rural reform and the reincorporation of ex-combatants. Reindustrialisation and inequality reduction connect with the EU's strategic autonomy agenda and the social pillar of Global Gateway. This convergence positions Colombia as one of the Latin American partners whose national agenda most directly mirrors EU regulatory and investment priorities — a structural advantage for European companies operating in the country.

This agenda will be redefined by the 2026 electoral cycle. Legislative elections held on 8 March 2026 produced a highly fragmented Congress with no coalition holding a clear working majority. Presidential elections are scheduled for 31 May 2026, with a possible runoff on 21 June, and the incoming administration will assume office on 7 August 2026; President Petro is constitutionally barred from seeking consecutive re-election. The race is structured around three frontrunners reflecting the country's polarisation: Iván Cepeda (Pacto Histórico, continuity of the current agenda), Abelardo de la Espriella (right-wing outsider), and Paloma Valencia (Centro Democrático, centre-right), in a campaign environment also marked by security concerns following the assassination of pre-candidate Miguel Uribe Turbay in August 2025.

For European companies, the transition introduces policy uncertainty across files central to the bilateral agenda — pace of the energy transition, hydrocarbons regulatory framework, pending structural reforms (labour, health, pension), tax policy, and foreign policy alignment regarding the EU-Colombia Trade Agreement, BRI participation, and US relations — making regulatory predictability and contract stability central priorities for the post-election agenda.

Sectoral Opportunities & Challenges

Energy & Climate Transition

Colombia has exceptional conditions for renewable energy development. Between 2023 and 2033, up to 13.5 GW of solar and 2.8 GW of wind capacity approved by UPME could come into operation. However, renewable investment fell nearly 70% between 2022 and 2023 (from USD 1.2 billion to USD 410 million) due to changes in fiscal incentives, high capital cost, and electricity price pressure. The sector has since shown signs of stabilisation: in 2025, UPME freed approximately 5,000 MW of grid capacity by clearing 101 stalled connection requests, and a new long-term renewable energy auction is scheduled for 2026. European companies including Enel, EDP Renewables, and Siemens Gamesa are present, though some projects have been suspended due to regulatory and community obstacles.

Agri-industry & Food Security

The agricultural sector grew 8.1% in 2024, with coffee expanding 22.5% and livestock 5.6%. The food sovereignty policy opens opportunities for European companies in: agri-technology, agricultural machinery, food processing, cold-chain logistics, and sustainability certification. Coffee, flowers, and cocoa offer value chain linkages with European premium and traceability brands.

Infrastructure & Construction

Colombia has a historic deficit in road, port, and rail infrastructure. 5G concessions and railway projects offer opportunities for European engineering, construction, and financing companies. The key challenge is the legal stability of concession contracts ahead of possible government changes in 2026.

Digital Services & Technology

Colombia is the third-largest digital economy market in Latin America. The government has prioritised digitalisation of the state and expansion of rural connectivity. Opportunities exist for European companies in fintech, cybersecurity, artificial intelligence, and cloud services.

EBO Policy Focus – Euro Cámaras Advocacy

Euro Cámaras Colombia maintains an active dialogue agenda with the Colombian government, the EU Delegation in Colombia and the EBOWN network. The main advocacy lines for 2025–2026 are:

- **Effective implementation of the EU-Colombia Trade Agreement:** Euro Cámaras has submitted formal observations to the Colombian government and the European Commission on persistent non-tariff barriers, including the revision of Decree 162/2021 on 'Good Manufacturing Practices' for alcoholic beverages (burdensome for European exporters) and delays in pharmaceutical marketing authorisations.

- **Energy transition:** participation in sectoral working groups to promote regulatory frameworks that facilitate foreign investment in renewable energies; dialogue with the Ministry of Mines and Energy on wind and solar projects with European participation.

- **Economic diplomacy and visibility:** coordination of trade missions and cross-affiliated agendas to position European technology and know-how before government entities and Colombian companies; participation in the EU Global Gateway Initiative for Colombia and follow-up on the bilateral pipeline consolidated at the 4th EU-CELAC Summit (Santa Marta, November 2025) – see section 2.2.

- **Regulatory reform and business climate:** engagement with the government to improve regulatory predictability in strategic sectors (hydrocarbons, construction, financial services), promoting legal certainty for European investment.

- **Sustainability and ESG:** promotion of European sustainability standards (CSRD, EU green taxonomy) among member companies, and dialogue with Colombia's Financial Superintendency to align the Colombian ESG framework with European standards.

OPPORTUNITIES & CHALLENGES IN A VOLATILE GLOBAL ENVIRONMENT

US Tariffs – Impact on Colombia

On 2 April 2025 ('Liberation Day'), the US imposed a 10% baseline tariff on all Colombian imports, eliminating the preferences under the US-Colombia Free Trade Agreement in force since 2012. Although Colombia received the minimum tariff rate compared to other countries facing higher rates, the economic impact is significant.

According to AmCham Colombia analysis, the estimated impact includes: a reduction in GDP growth from 2.8% to 2.7% in 2025; a cumulative revenue loss of COP 4.7 trillion (~USD 1.1 billion) over the first two years; and up to 15,000 jobs at risk by end-2026. The most exposed sectors are agriculture, textiles, and manufactures exported to the US.

For European companies, this scenario generates both risks and opportunities: (1) Colombia's diversification towards alternative markets increases Europe's role as a commercial and investment partner; (2) the peso's exchange rate adjustment (depreciating trend in 2026 after the 2025 appreciation) affects margins for European companies with COP costs and EUR/USD revenues; (3) the Colombian government has expressed interest in strengthening trade ties with the EU as a strategic response to US protectionism.

Geopolitical Tensions – Colombia's Exposure

Colombia has adopted an active geopolitical diversification posture: accession to the Belt and Road Initiative (BRI) on 14 May 2025 and acceptance into the BRICS New Development Bank (NDB) on 19 June2025, while maintaining the Trade Agreement with the EU and the FTA with the United States. This multi-aligned strategy seeks to maximise commercial and investment options amid growing fragmentation of the global trade order, although it has also generated friction with Washington.

The IMF estimates the direct impact of US tariffs on Colombia as 'limited', as trade diversion effects from countries facing higher US tariffs may partially offset the decline in direct US demand. However, greater global uncertainty (disinvestment in emerging assets, dollar volatility, deteriorating petroleum terms of trade) creates risks for Colombia's macroeconomic framework.

For Euro Cámaras and its members, the growing Chinese presence in Colombia (in telecoms, energy and infrastructure) introduces greater competition in sectors where European companies have historically been dominant. The strategic response must be differentiation through quality, technology transfer, sustainability and clear governance rules.

ESG Trends

Colombia is a regional leader in ESG regulation in Latin America. In 2022, it became the first country in South America to establish a green taxonomy in its legal framework. The Colombian Financial Superintendency (SFC) has required since February 2023 that financial entities and listed issuers integrate ESG criteria in investment decisions and include climate metrics in their quarterly and annual reports. In 2022, the Ministry of Finance adopted the 'Framework for Green, Social and Sustainable Bonds of Colombia'.

For European companies in Colombia, there is a favourable convergence between Colombian standards and the EU framework (EU Taxonomy, CSRD, SFDR), facilitating integrated reporting.

The EU 'Omnibus Simplification Package' (February 2025) delays CSRD timelines and reduces scope, easing compliance burdens for some medium-sized European companies operating in Colombia.

The most relevant ESG opportunities for European investors in Colombia include: sovereign and corporate green bonds; renewable energies; sustainable agriculture and circular economy; biodiversity conservation (Colombia is megadiverse); and green hydrogen projects.

Supply Chains – Redistribution & Resilience

The global supply chain reconfiguration driven by US tariffs and geopolitics positions Colombia as an attractive nearshoring and supplier diversification destination, thanks to: (1) strategic geographical location with access to the Pacific and Atlantic oceans; (2) a network of 16 active FTAs; (3) OECD and Pacific Alliance membership; and (4) a growing workforce and competitive labour costs.

Sectors with the greatest relocation potential for European companies include: light manufacturing (textiles, footwear); agri-industry and food processing; business services (BPO, KPO); and components for renewable energies. Investment in port infrastructure (Puerto Antioquia, projected capacity of 7.5 Mt/year) and logistics reinforces this positioning.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Strategies in Times of Global Disruption

Colombia's main challenges for maintaining economic stability amid global uncertainty are: (1) fiscal consolidation — it must reduce the deficit from 6.5% of GDP (2025) toward the fiscal rule target by 2028, requiring a structural adjustment of more than 3 percentage points of GDP; (2) inflation control — maintaining restrictive monetary policy to bring CPI to 3% by 2027; and (3) investment recovery — overcoming regulatory uncertainty that keeps gross fixed capital formation below pre-pandemic levels.

The fiscal challenge intensified at the end of 2025. After Congress rejected the Ley de Financiamiento — which sought to raise approximately COP 16.3 trillion (~USD 4.2 billion) for the 2026 budget — President Petro declared a 30-day economic emergency through Decree 1390 of 22 December 2025, issuing tax measures by decree. On 9 April 2026, the Constitutional Court unanimously (8-0) struck down both the emergency declaration (Sentence C-075/2026) and its operational tax package (Sentence C-079/2026), ordering DIAN to refund approximately COP 25 billion already collected. The episode leaves the 2026 fiscal gap unfunded and channels any future revenue measures through ordinary legislative procedure in a fragmented Congress, reinforcing concerns over fiscal sustainability and regulatory predictability ahead of the August 2026 government transition.

The Banco de la República manages monetary policy prudently with robust international reserves (USD 65 billion, covering 9 months of imports). The government launched a debt buyback programme (August 2024) to replace up to USD 10 billion in USD-denominated global bonds maturing 2030–2061, seeking to reduce financing costs and diversify funding sources.

Global Trade Uncertainty: Effects on EU–Colombia Bilateral Trade

Global trade instability — US protectionism, weakening WTO norms, geopolitical fragmentation — generates indirect but significant effects on EU-Colombia bilateral trade: greater exchange rate volatility (COP/EUR/USD) affecting contractual profitability; more volatile input costs for companies with global value chains; and lower investment appetite in sectors with high regulatory uncertainty.

However, the EU-Colombia Trade Agreement provides a stable and preferential legal framework that favourably differentiates bilateral relations from markets without an agreement. Over the next 12–24 months, EU-Colombia trade is expected to remain stable, with a possible recovery of Colombian exports to the EU in non-energy segments (coffee, flowers, cocoa, services) as the energy sector stabilises.

Euro Cámaras Colombia and its members are adapting their strategy through: (1) strengthening dialogue with the Colombian government on regulatory predictability; (2) supporting members in supply chain diversification and nearshoring strategies; (3) advocating for the full implementation of the EU-Colombia Trade Agreement; and (4) participating in sectoral working groups on energy transition, digital economy and sustainable infrastructure.

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DOMINICAN REPUBLIC

INTRODUCTION

The Eurochamber of Commerce of the Dominican Republic (Eurochamber-DR) is a confederation of European Member States' Chambers of Commerce, dedicated to fostering and enhancing economic and trade relations between the European Union (EU) and the Dominican Republic. With a strong focus on promoting European business interests in the country, the Eurochamber-DR serves as a key liaison between European companies and the Dominican market. In close collaboration with the Delegation of the European Union to the Dominican Republic, it operates as a vital resource for the European private sector, either currently operating in or seeking entry into the Dominican market. Through various initiatives, the Eurochamber-DR provides a platform to strengthen partnerships, improve market access, and promote sustainable growth.

FUTURE (ECONOMIC) OUTLOOK

The Dominican Republic continues to position itself as one of the most dynamic economies in Latin America and the Caribbean. As the largest economy in the Caribbean and Central America region, the 7th largest economy in Latin America, and with a GDP growth rate of 5.0% in 2024 — the highest recorded in the region — the country has outperformed both its Caribbean peers and larger Latin American economies for the second consecutive year. IMF projections point to growth of 5.1% in 2026, underpinned by solid political stability, a robust financial system, and continued investment in infrastructure and productive sectors. Macroeconomic stability remains a defining strength, with inflation averaging 3.6% in 2025, well within the Central Bank's target range, while international reserves reached USD 14.6 billion — equivalent to 5.4 months of imports and above IMF-recommended thresholds. The current account deficit narrowed to 3.3% of GDP in 2024, fully financed by FDI inflows. FDI reached USD 4.5 billion in 2024, growing 7.1% year-on-year and representing 41% of all capital flows captured by Central America, according to UNCTAD.

BUSINESS / INVESTMENT ENVIRONMENT

Government Priorities

- Strengthening logistics and positioning the Dominican Republic as a regional trade and nearshoring hub
- Promoting industrialisation through expanded Free Zone regimes (800+ operating companies; USD 7.7B+ in gross investments)
- Advancing digital transformation and public sector modernisation
- Enhancing infrastructure: 8 international airports, 18 seaports, 5 logistics centers
- Increasing investment facilitation through MetaRD2036, the country's long-term development strategy
- Attracting European capital under the EU Global Gateway initiative and the EU-CARIFORUM EPA framework

Sectoral Opportunities

- Logistics and port infrastructure (strategic geographic position: 2 hours by air and 2 days by sea from the US)
- Renewable energy and green transition (first green bond issued in June 2024, supported by EU Global Gateway)
- Tourism: 11.1 million arrivals in 2024, a 48% increase over 2019 pre-pandemic figures
- Agroindustry and organic exports: Dominican Republic ranks as the EU's 5th-largest supplier of organic products (2024)
- Medical devices, electronics, and textiles through the Free Zone regime
- Digital economy and ICT services

Challenges

- Energy costs and infrastructure gaps in inland regions
- Labor productivity and workforce skills development
- Bureaucratic inefficiencies in permitting, land registration, and regulatory processes
- Low tax revenue base (approx. 16.2% of GDP), limiting fiscal headroom

POLITICAL AND ECONOMIC CHALLENGES

The Dominican Republic benefits from sustained political stability and a consistently pro-business policy environment. President Luis Abinader's administration, re-elected in 2024, has continued to prioritise investment facilitation, institutional strengthening, and public sector modernisation.

Nevertheless, key structural challenges persist:

- Institutional capacity and administrative efficiency remain uneven across sectors and regions
- Regulatory processes — particularly in environmental permitting and land registration — can be slow and fragmented
- Exposure to external shocks: the US market absorbs over 50% of Dominican exports, creating significant dependence on US economic conditions and trade policy
- Haiti border instability poses ongoing logistical and humanitarian risks

Recommended strategies for European companies:

- Partner with local firms for market entry and regulatory navigation
- Leverage Free Zone regimes for operational efficiency and fiscal optimisation
- Engage early with regulators and government stakeholders, including through EuroCámara-RD
- Structure investments with long-term regulatory foresight and ESG alignment

OTHER REGULATORY AND LEGAL CHALLENGES

- Complexity in administrative procedures, particularly permits and land registration
- Tax compliance and interpretation challenges for foreign investors
- Judicial delays (though commercial arbitration is increasingly used and legally supported)
- Emerging need for clearer regulatory frameworks in digital economy and ESG reporting

INTEGRATION WITH EU POLICIES

The Dominican Republic has deepened its strategic alignment with the European Union through several complementary frameworks:

EU-CARIFORUM Economic Partnership Agreement (EPA)
Signed in October 2008 and in force since 2009, the EPA is the foundational framework governing EU-Dominican economic relations. The agreement grants all Dominican goods duty-free and quota-free access to the EU market, while progressively liberalising 87% of EU exports to CARIFORUM over 25 years. It also covers trade in services, investment, intellectual property, government procurement, and sustainable development commitments. Since the EPA's entry into force, bilateral trade in goods has grown by 254%, reaching a historic record of EUR 4.407 billion in 2024 — an increase of 8% over 2023 and 52% above pre-pandemic levels. (EEAS, March 2026)

The Dominican Republic is CARIFORUM's dominant trading partner, accounting for 22% of all EU-CARIFORUM trade and ranking as the EU's 5th-largest provider of organic products globally in 2024. Key Dominican export categories to the EU include cocoa and cocoa preparations, medical instruments, organic produce, and cigars. EU exports to the Dominican Republic are led by fuels, machinery, pharmaceuticals, and dairy products.

Global Gateway
The EU's Global Gateway strategy — its geopolitical infrastructure investment initiative — has identified the Dominican Republic as a priority partner in the Caribbean. Concrete deliverables include support for the country's first sovereign green bond (June 2024), financing for clean transport, renewable energy, and water infrastructure, and a joint EU-DR taxonomy study for green investments to facilitate cross-border sustainable finance.

Key EPA Challenges

- Dominican exporters continue to underutilise EPA preferences, reflecting gaps in standards compliance and market knowledge
- Capacity constraints among SMEs limit their ability to meet EU technical and sanitary standards
- Greater investment in EPA utilisation support, trade facilitation, and EU market literacy is needed

EU-DOMINICAN REPUBLIC ECONOMIC RELATIONS

Investment and Trade

Investment
The European Union has become the Dominican Republic's leading source of foreign direct investment, accounting for approximately 33% of total FDI in 2024 — making the Dominican Republic the EU's primary investment destination in the Caribbean region. Key European investor countries include Spain, the Netherlands, Germany, France, and Italy. Investment is concentrated in tourism and hospitality, renewable energy, Free Zone manufacturing, financial services, and agroindustry.

Trade
The EU is the Dominican Republic's second most important trading partner after the United States. In 2024, bilateral merchandise trade reached EUR 4.407 billion, with EU exports to the Dominican Republic valued at EUR 3.197 billion and EU imports from the Dominican Republic at EUR 1.210 billion. Dominican exports to the EU are growing in sophistication and value-added content, driven by the EPA framework and rising demand for organic and traceable agricultural products. The Dominican Republic's ranking as the EU's 5th-largest organic product supplier is a notable achievement that underscores the country's comparative advantage in agroindustry. The main EU export categories to the Dominican Republic are: fuels and mineral products, machinery and mechanical devices, jewelry, pharmaceuticals, and dairy products. The main EU import categories from the Dominican Republic are: cocoa and cocoa preparations, medical instruments and devices, organic produce, tobacco, and apparel.

EUROPEAN BUSINESS PRESENCE

European business engagement in the Dominican Republic has deepened considerably in the post-pandemic period.

The combination of geopolitical realignment, nearshoring demand, and the country's sustained macroeconomic performance has made it an increasingly strategic destination for European operators seeking a Caribbean platform. Key trends observed among EuroCámara-RD members and the broader European business community:

- Expansion of European companies in Free Zones, particularly in medical devices, electronics, and agro-industrial processing
- Growing interest in nearshoring and regional supply chain integration, leveraging the country's dual access to the US (via CAFTA-DR) and EU (via EPA) markets
- Continued investment in sustainable tourism, including ecological and cultural segments
- Increasing deployment of EU capital in renewable energy, aligned with Global Gateway and Green Deal priorities

Growth Drivers for European Business

- Strategic geographic position: proximity to the US with competitive access to EU markets via EPA
- Sustained political stability and pro-business administration
- Comprehensive Free Zone incentive framework (Law No. 8-90)
- Competitive labor costs and growing technical workforce
- Strong logistics infrastructure: 8 airports, 18 ports, 5 logistics centers
- Highest GDP growth rate in LAC (5.0% in 2024), with IMF projecting 4.5%-5.1% through 2026

Challenges Affecting Entry

- Regulatory complexity and lengthy permitting processes
- Need for local partnerships and market navigation support
- Infrastructure disparities between urban centers and rural areas
- Energy cost and supply reliability concerns for industrial operators

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

While the Dominican Republic benefits from CAFTA-DR preferential access to the US market — its largest trading partner — the current wave of US industrial policy and tariff measures creates both risks and opportunities for European investors operating in the country.

Geopolitical Tensions – Country Exposure

The Dominican Republic's geopolitical exposure is shaped by its position at the intersection of US, European, and intraregional dynamics. While insulated from direct conflict exposure, the country faces indirect effects from global instability:

- Global supply chain disruptions (post-COVID, Russia-Ukraine conflict, Red Sea crisis) have increased shipping costs and input volatility, affecting export-oriented sectors
- US-China strategic competition is accelerating reshoring and nearshoring demand, positioning the Dominican Republic favorably as a trusted, stable production location
- Haiti's ongoing political and security crisis poses a persistent risk to border stability, logistics, and regional integration dynamics
- The Dominican Republic is increasingly recognised by European and US policymakers as a democratic anchor in the Caribbean, enhancing its strategic profile as an investment destination

ESG Trends

ESG considerations are becoming a central driver of European investment decisions in the Dominican Republic. The country's growing alignment with EU sustainability frameworks — including through the Global Gateway and green finance cooperation — positions it favorably among ESG-conscious European operators.

- Growing adoption of ESG standards among European companies operating in the Free Zones and tourism sectors
- Expansion of renewable energy projects, supported by the country's first green bond (June 2024) and EU technical assistance
- Increasing focus on sustainability, traceability, and fair trade compliance in Dominican agro-exports targeting EU markets
- Dominican Republic's 5th-place ranking as an EU organic product supplier reflects growing alignment with EU food quality and sustainability standards
- Challenges: limited ESG regulatory enforcement capacity; need for stronger national ESG reporting frameworks; SME capacity gaps in meeting EU CSRD-adjacent standards

Supply Chain Resilience

The Dominican Republic is rapidly consolidating its position as a nearshoring hub for US-facing and increasingly EU-facing supply chains. Its unique dual-treaty architecture — CAFTA-DR and EPA — provides a competitive advantage that no other Caribbean nation fully replicates.

- Medical devices: the Dominican Republic is already the world's 7th-largest exporter; sector continues to expand within Free Zones
- Textiles and apparel: steady growth driven by CAFTA-DR access and competitive labor

- Agro-processing: rising EU demand for organic and traceable products is driving investment in coconut, cocoa, and tropical fruit processing
- Electronics assembly: growing sector supported by expanding Free Zone infrastructure
- Logistics services: strategic port and airport investments are positioning the country as a Caribbean logistics hub

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

The Dominican Republic has demonstrated notable resilience in navigating post-pandemic global volatility. The combination of a diversified economic base, prudent monetary management, and a sustained investment promotion strategy has enabled the country to maintain growth momentum even as global headwinds intensified in 2024-2025.

Key Macroeconomic Indicators (2024-2025)

- GDP growth: 5.0% in 2024 (highest in LAC); 3.5%-4.0% projected for 2025; 4.5%-5.1% for 2026 (IMF/World Bank)
- Inflation: 3.18% in 2024; averaging 3.6%-3.7% in 2025 — within Central Bank target
- FDI: USD 4.5 billion in 2024 (+7.1% YoY); USD 1.3 billion in Q1 2025 alone
- International reserves: USD 14.6 billion (5.4 months of import coverage)
- Tourism: 11.1 million arrivals in 2024 (+48% vs 2019); USD 10.7 billion in tourism revenues
- Free Zone exports: projected to exceed USD 8.5 billion in 2025

Government Response to Volatility

- Monetary policy normalisation followed by targeted liquidity measures (June 2025)
- Reformulated 2025 budget with fiscal stimulus to sustain activity amid external headwinds
- Continued investment in infrastructure: ports, renewable energy, urban mobility
- Expansion of Free Zone incentive framework to new sectors and border regions
- Ongoing MetaRD2036 structural reform agenda targeting productivity and institutional strengthening

Trade Diversification

- Strengthening EU ties through EPA deepening and Global Gateway cooperation
- Expanding relations with Asia, particularly in manufacturing inputs and consumer goods
- Increasing intraregional trade within CARICOM and Central America

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Growing global trade instability — driven by US tariff escalation, geopolitical fragmentation, and supply chain realignment — is reshaping the competitive landscape for European companies operating in or considering entry to the Dominican market. In this context, the EU-Dominican Republic trade relationship takes on renewed strategic importance.

Key impacts on European operators:

- Increased costs from global tariff and logistics disruptions are prompting European companies to seek nearshore production platforms with reliable regulatory frameworks
- The Dominican Republic's dual-treaty access (CAFTA-DR + EPA) makes it uniquely attractive as a production hub serving both the US and EU consumer markets simultaneously
- Heightened regulatory uncertainty in global markets increases the premium on countries offering legal certainty, investment protection, and bilateral dispute resolution — areas where the EPA framework is particularly valuable
- US industrial policy changes are redirecting global supply chains toward Western Hemisphere partners, generating new FDI opportunities in Dominican Free Zones

Bilateral Trade Projections (2026–2027)

- Moderate but sustained growth in EU-Dominican Republic bilateral trade, building on the 254% increase recorded since EPA entry into force
- Increased European interest in Dominican nearshoring opportunities, particularly in medical devices, agro-industry, and logistics
- Greater emphasis on supply chain resilience over pure cost optimisation, favoring stable, rule-of-law partners
- Deepening EU-Dominican cooperation under Global Gateway, particularly in green infrastructure and digital economy
- Growing EU export interest in the Dominican market's 450 million-adjacent consumer base, leveraging zero-tariff EPA access

Adaptation to Weakening Global Rules

- Supply chain diversification, positioning the Dominican Republic as a dual-access hub for US and EU-facing production
- Risk management and geopolitical scenario planning for members with significant US market exposure

- Increased engagement with local and EU through policymakers via EuroCámara-RD's advocacy platforms
- EPA utilisation support: helping European and Dominican companies maximise preferential trade benefits
- ESG and sustainability advisory: supporting members in aligning with EU CSRD and Green Deal frameworks for Dominican operations
- Strategic positioning of the Dominican Republic as the premier Caribbean platform for European investment in the Americas

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FUTURE (ECONOMIC) OUTLOOK

Guyana's economy is experiencing one of the most rapid transformations in the world, driven primarily by the commercialisation of offshore oil and gas resources.

BUSINESS / INVESTMENT ENVIRONMENT

The International Monetary Fund (IMF) notes that Guyana has shifted from lower-middle-income to high-income status, with real GDP growth averaging very high levels in recent years. Oil output is projected to continue expanding, while non-oil sectors grow through infrastructure investment and diversification efforts.

POLITICAL AND ECONOMIC CHALLENGES

Potential Changes in Market Dynamics

- Oil-led growth continues to reshape the economy, making energy exports a major driver of foreign exchange and fiscal revenues.
- Growth in non-oil sectors (agriculture, services, logistics) is increasingly a policy priority.
- Expansion of infrastructure and trade connectivity is expected to enhance competitiveness and attract diversified foreign investment.

OTHER REGULATORY AND LEGAL CHALLENGES

Regulatory Landscape

Guyana is modernising its regulatory frameworks — including food and drug regulations and maritime legislation — to streamline business processes and meet international trade and investment standards. Recent missions to Europe under the EU's Global Gateway initiative have provided insights into regulatory best practices that can strengthen export readiness and logistics governance.

INTEGRATION WITH EU POLICIES

Guyana's partnership with the EU is anchored in shared values of transparent governance, sustainable development, and rule-based cooperation. The EU supports Guyana's sustainable transformation through initiatives such as the Global Gateway Investment Agenda and cooperation on forestry and green growth. Benefits and challenges of this alignment.

EU-GUYANA ECONOMIC RELATIONS

Trade Agreements and FTAs

Under the CARIFORUM-EU EPA, Guyana benefits from immediate duty-free and quota-free access to EU markets, which is a strong incentive for export diversification beyond oil.

EUROPEAN BUSINESS PRESENCE

The launch of the European Chamber of Commerce (Guyana) supports EU business engagement, facilitating networking, advocacy, and market entry support for European firms.

Trends

- Growth in EU investment missions spanning ports, logistics, agriculture, and health sectors.
- Increased participation of EU companies in technical cooperation and trade facilitation activities.
- European private sector engagement in developing supply chains, technology exchange, and capacity building.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Guyana is engaging in dialogue with the United States to mitigate potential tariff pressures that could affect competitiveness. At the same time, tariff adjustments globally may shift export patterns and present both challenges and opportunities for trade diversification.

Geopolitical Tensions – Country Exposure

Regional geopolitical shifts, such as the Venezuela territorial dispute, underscore the importance of diversified partnerships and strategic alliances, including with the EU and U.S. markets.

ESG Trends

ESG (Environmental, Social & Governance) considerations are increasingly central for EU investors. Guyana's leadership in sustainable forest management and green development aligns with EU policy priorities, enhancing investment appeal.

Supply Chain Resilience

- Focus on port modernisation, logistics efficiency, and agro-processing capability supports supply chain resilience.
- EU engagement through the Global Gateway initiatives strengthens infrastructure connectivity and trade flow reliability.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Guyana's future economic outlook is broadly positive, underpinned by rapid growth, diversification strategies, and deepening trade and investment relations with the EU. With continued regulatory alignment, infrastructure investments, and institutional cooperation, European business engagement is poised to expand — even as global trade uncertainties present both challenges and opportunities.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Challenges

- Need for regulatory and operational reforms to meet international standards.
- Volatile global trade conditions, tariff negotiations, and shifting supply chain strategies

Positive Drivers

- Continued expansion of oil exports to EU markets.
- Growth in non-oil exports and diversification into sectors such as agriculture, pharmaceuticals, and logistics.
- Strong institutional cooperation and investment missions that support capacity building.

Adaptation to Weakening Global Rules

The European Chamber of Commerce (Guyana) is playing a central role in helping members navigate trade complexities, advocate for regulatory improvements, and facilitate partnerships that align with evolving global trade rules.

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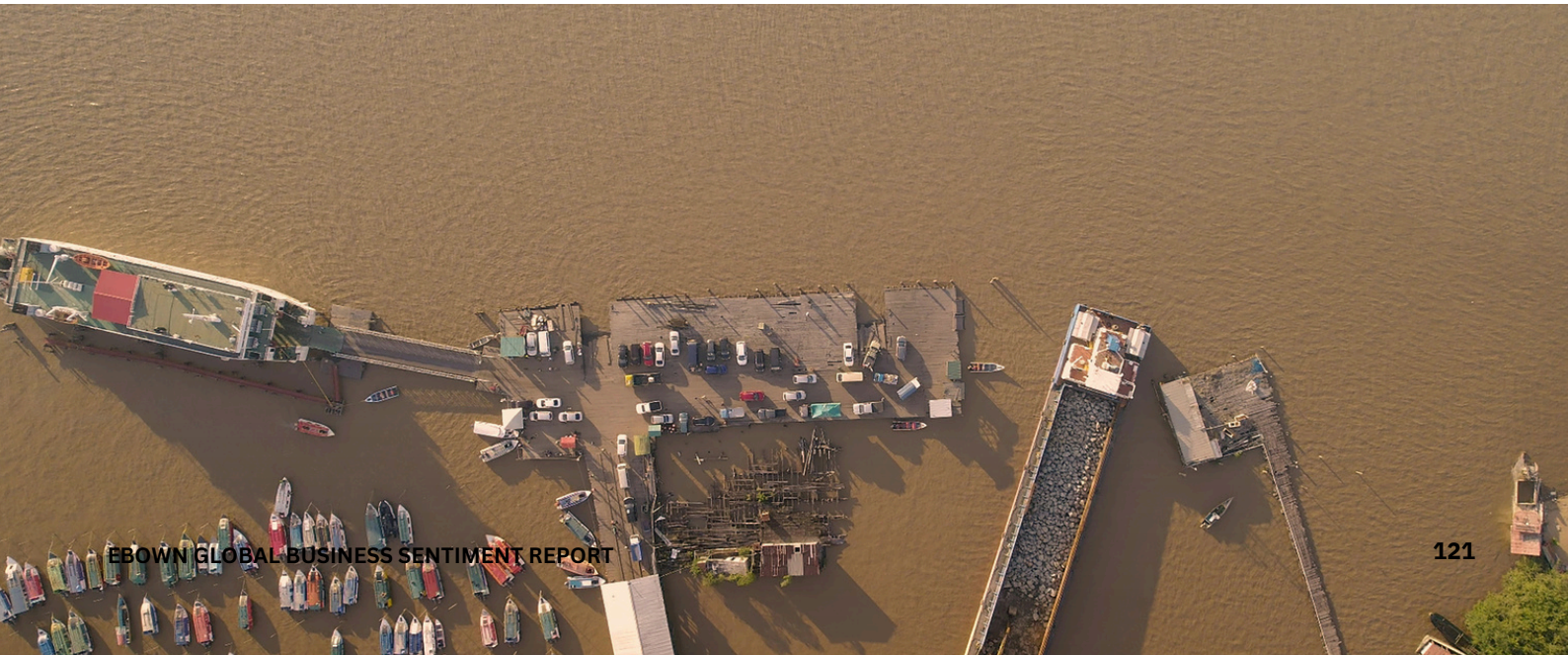


TRINIDAD AND TOBAGO

FUTURE (ECONOMIC) OUTLOOK

Based on the International Monetary Fund (IMF) Article IV consultation, and visit of staff team which took place January 27–February 9, 2026 (post the military operation in Venezuela):

- Trinidad and Tobago's economy is gradually recovering to pre-pandemic levels amid persistent headwinds.
- The non-energy sector, particularly manufacturing and services, has underpinned recent growth, stagnant production in the mature energy sector has weighed on activity. Inflation and unemployment remain low.
- The banking sector appears sound, and private sector credit growth is robust.
- The current account (CA) balance remains in surplus, though the external position has weakened and FX shortages persist. Foreign reserves remain adequate, with coverage at 6.4 months of prospective imports. The Heritage and Stabilisation Fund (HSF) assets continue to provide an additional sizeable buffer (US$6.38 billion as of February 2026).
- Economic growth is expected to remain subdued in the near term before gradually recovering over the medium term.
- Medium-term growth prospects are expected to improve as several new energy projects come on stream, most notably:
  - Shell's Loran -Manatee Project (field on Trinidad's Southeast peninsula - 2028 production)
  - Dragon Project (field between Venezuela and Trinidad and Tobago) in discussion- 2028 production
  - BP's Manakin Cocuina Project (field between Venezuela and Trinidad and Tobago- 2029 production)
  - BP's Cypre Project (2026 production)
  - ExxonMobil's 2028 Drilling Projects (UD 1 field).

BUSINESS / INVESTMENT ENVIRONMENT

Growth Opportunities for European Companies

Priority sectors for the national Government which offer investment and growth opportunities for EU companies, are in the following sectors:

- Energy
- Natural Gas
- Clean energy – Solar, wind, hydrogen
- Blueprint for Revitalisation -hotel, ports and logistics and health sectors
- Digitisation
- Ecotourism
- Sargassum
- Cocoa.

Energy Sector

The Government of the Republic of Trinidad and Tobago will focus on boosting oil and gas production to maximise revenue while simultaneously pursuing economic diversification to reduce long-term reliance on the sector. Key strategies include reversing declining production and rejuvenation of mature hydrocarbon fields to extend their producing life, attracting foreign investment via improved fiscal terms, and advancing strategic energy projects.

French company Perenco, an independent hydrocarbon producer, has become an important supplier of gas from mature fields and recently signed amended production sharing contracts with the Government, intended to accelerate the revitalisation of mature hydrocarbon fields located offshore Trinidad's north-east coast. Perenco has also acquired assets off the coast of Trinidad and Tobago previously owned by Australia's Woodside Energy. Perenco's advantages are excellence in engineering and a focus on made-to-measure solutions.

Natural Gas

Trinidad and Tobago's hydrocarbon sector moved from an oil-dominant to a mostly natural gas-based sector in the early 1990s.

Today, untapped Venezuelan offshore reserves of oil and gas, plus Trinidad and Tobago's energy infrastructure and location just 11 kilometres from the East coast of Venezuela, have created the conditions for energy cooperation between Venezuela and Trinidad and Tobago. Investors such as Shell, bpTT, and Chevron have moved quickly to develop and or expand major projects.

EU energy services companies across technical, marine, logistics, as well as others looking at natural gas related industries are expected to see new opportunities.

In April 2026, Shell and Chevron agreed to an asset swap whereby Chevron gains from Shell additional heavy oil assets in Venezuela and in exchange, Shell gains control of the offshore natural gas assets in the Loran-Manatee Field of interest to Trinidad and Tobago.

Loran-Manatee is a single, large cross-border gas field containing approximately 10.04 trillion cubic feet (tcf) of natural gas from which Shell expects to have gas by mid-2027.

Shell Trinidad and Tobago Ltd. (Shell) will supply the gas to feed liquefied natural gas and several petrochemical projects. These projects contribute significantly to exports and foreign currency and to Government tax revenue in Trinidad and Tobago.

Apart from Loran-Manatee projects, dialogue continues on the Dragon Field located entirely within Venezuelan waters, North of Paria Peninsula, close to T&T's existing energy infrastructure for processing. It is estimated that this field could yield 3.2–4.2 trillion cubic feet of gas, as dialogue continues on its development.

Clean Energy Sector

Trinidad and Tobago's clean energy policy is driven by its intended nationally determined contributions (iNDC) under the UNFCCC. The iNDCs are based on a Carbon Reduction Strategy focused on three sectors:

1. Power generation
2. Transportation
3. Industry.

The overall emissions reduction objective for the 3 sectors is 15% by 2030 from BAU (2013), which is equivalent to a reduction by 103,000,000 tonnes of CO2eq. by 2030.

Power Generation

The Government of the Republic of Trinidad and Tobago (GORTT) is strongly committed to reducing greenhouse gas (GHG) emissions through the adoption of cleaner energy sources, with a strategic emphasis on Renewable Energy (RE) and Energy Efficiency (EE). Trinidad and Tobago has set an ambitious target of incorporating 30% renewable energy into its energy mix by 2030.

Specific projects and opportunities:

1. The Government, with Technical Assistance from the Global Climate Change Alliance (funded by the EU), has been working on a national renewable energy policy. This policy aims to establish a legislative framework for renewable energy generation and includes provisions for a licensing structure and feed-in tariff policy to facilitate private sector participation in renewable energy projects. This policy is long overdue.
2. A draft strategy for developing a wind industry in Trinidad and Tobago covering the period until 2035 has been developed and funded by the EU. Having a strategy for wind power generation, the next major step will be to undertake a Wind Resources Assessment Programme.
3. Power generation: Brechin Castle Solar Limited's (BCSL) plant is energised, and they are currently reviewing export requirements with relevant stakeholders.

Blueprint for Revitalisation

The Government of Trinidad and Tobago has presented the Revitalisation Blueprint- "Trinidad and Tobago's Global Logistical Hub."

It has been described as the Government's vision to kick-start the economic expansion of Trinidad and Tobago while strategically and intentionally stepping away from total dependence on the energy sector and creating a country that is safe, equitable, attractive and functional.

For the details, please visit the website: https://ttglobalhub.gov.tt/

There are areas which may interest European investors including:

1. Waterfront development at Invaders Bay:
    a. Four five-star hotels with over 3,000 rooms, premium waterfront apartments, a 400-berth marina, and blends hospitality with residential luxury, boardwalks and sustainable design.
2. Ports: 400-acre offshore industrial and logistics zone designed to handle 4 million TEUs per year, 18-metre berths and post-Panamax dry-docking facilities.
3. Multimodal transport system connecting land, sea, and air travel establishes Port of Spain as a model for smart mobility, where sustainable design, digital infrastructure, and accessibility converge to create a modern, connected capital city.
4. Healthcare

a. Port of Spain Health City introduces a state-of the-art medical complex built around two inpatient towers totalling 600 beds, 20 operating theatres, and advanced radiology and rehabilitation centres. The Health City elevates national healthcare standards, with specialised facilities for non-communicable diseases, ensuring comprehensive, accessible and future-ready care for all citizens.
b. The new Sangre Grande Hospital in the Northeast of Trinidad was also opened in 2025.
c. The new Point Fortin hospital in the Southwest of Trinidad was opened in 2022.

EU companies in the health sector involved in hospital construction and supply and maintenance of healthcare equipment (Bigton and Siemens Healthineers already operate in Trinidad and Tobago) should see new opportunities.

Digitisation

Digitalisation is a priority in the country's development agenda. Plans are entered around three pillars. First, it envisions a digital knowledge-based society with digital access and literacy for all citizens. Second, it creates a cloud-based interoperable and cyber-secure digital government infrastructure accessible with electronic identification (e-ID) to enable online public services and payments between the government and individuals. Third, it aims to double the size of the digital economy, focusing on software development and e-commerce.

The European Commission approved CAF's first blending operation in Trinidad and Tobago, amounting to 3 million Euros, for a digital transformation program that includes the development of electronic identity, a public data interoperability platform, and a government data centre.

Currently, many Government Services, including the Companies Registry are fully automated. The most recent development has been the online immigration portals since March 2026.

Eco-tourism

Trinidad and Tobago is among the most biologically diverse countries in the Caribbean. Eco tourism in Trinidad and Tobago has developed around its natural assets, including sites within proximity to leatherback turtle nesting grounds and hatchlings, habitat for various bird species, including endangered scarlet ibis, Pawi, oil birds, and hummingbirds, among others.

There are several designated protected and sensitive areas, including Ramsar sites such as the Caroni and Nariva swamps, and the UNESCO Man and the Biosphere Reserve — Tobago Main Ridge Forest Reserve in Tobago.

There are opportunities, and EU companies have invested in eco resorts, and the promotion of international tours (e.g. Yes Tourism (German) has a dedicated and diverse team that offers multilingual representation to airlines, tour operators and members of the international travel industry). There is a shortage and opportunity for high-quality eco resorts. Standards bodies such as the Foundation for Environmental Education (FEE), a Denmark-based organisation dedicated to promoting the Green Key and Blue Flag certifications, are now active in Trinidad and Tobago. There are a few new hotel projects dominated by the Hilton brand including:

- Hilton Garden Inn (San Fernando): A $220M TT project at South Park, featuring 120 rooms and a convention centre, expected to be completed in 2028.
- Secrets/Dreams Resorts (Tobago): A proposed 500-room, $500M+ (estimated) luxury resort at Kilgwyn Bay, managed by Hyatt's AMResorts.
- Elephant Tree Beach Club and Villas (Tobago): A TT $320M project in Tobago, including a 40-room hotel and 126 residential units.
- Maracas Bay Hotel Redevelopment: A TT $78M initiative to redevelop the existing hotel into a 40-room facility.
- Tobago Hilton (Roxborough): A beachfront resort signed under the Tapestry Collection by Hilton.
- Airport Hotels: Developments include a Hilton Garden Inn and a Hampton by Hilton at the Trinidad Airport (Piarco).

On Biodiversity, Trinidad and Tobago has adopted the Kunming-Montreal Global Biodiversity Framework and has committed to setting national targets toward implementing the framework to reverse its biodiversity loss by 2030. Investments that can contribute to reversing biodiversity loss through responsible tourism could find opportunities in both islands once they incorporate biodiversity reversal as part of their operations.

Sargassum Development

Several initiatives are underway to turn this potential waste to a valuable biomass: a Sargassum Taskforce has been set up, a Draft National Sargassum Management Policy of Trinidad and Tobago has been prepared by the Sargassum Taskforce and is in circulation for public consultation, UNDP (United Nations Development Programme) /with funding from the Government of Japan / through the GEF SGP project to combat sargassum seaweed influxes in Trinidad and Tobago (2022–2025) has now procured equipment for collection and harvesting sargassum near shore and several EU companies are expressing interest or are involved: DESMI, the Danish company, is supplying equipment for collection and harvesting near shore for the UNDP project; Origin by Ocean, a Finnish company is keen to obtain biomass, SARGAS Ltd, Swedish, is keen to expand and also interested in biomass, the research institution CIRAD is keen to support the development of drying facilities to allow easier export. A pilot project is being designed and hopefully, will be implemented over the next few months.

Cocoa

Trinidad and Tobago has a reputation for high-quality cocoa beans. It is the country of origin of the Trinitario cocoa variety which is a natural hybrid derived from the criollo variety of cacao known for its fine flavour beans, brought by the Spanish to Trinidad and Tobago and the hardier and more disease-resistant forastero (amelonado variety) from Venezuela.

Cocoa beans from Trinidad and Tobago have won numerous international awards, and the beans attract a significant price premium.

There are EU/ TT partnerships in premium, single-source chocolates, but in general, the demand for beans far outweighs the supply of beans from Trinidad and Tobago.

It is estimated that 45,000 ha of abandoned cocoa land (both private and government) can be revitalised. There are initiatives to attract new investment for these estates and for nurseries/ planting material and waste recycling. Key strategies promoted that can benefit both estate owners and chocolate makers are:

- **Rehabilitation of old estates** with certified/DNA-tested Trinitario genetic material for branding. Old estates are more likely to have original Trinitario genetic material and a more natural environment. Older estates can also generate income after pruning and cleaning within the first year, versus starting a new estate.
- **Propagation versus seeding.** Large estates may consider establishing propagation stations within the estate to ensure the supply, and the best genetic material for the estate is maintained. Trunk propagation is recommended.
- **Training and the use of technology.** This can be supported by experienced cocoa agronomists.
- **Integrating sustainability.** Investors should commit to no deforestation, promotion of soil regeneration, waste reduction through secondary products such as cocoa pod husks for animal feed and fertiliser, or cocoa shells for garden mulch, and fair wages and conditions for labour.
- **Value-added processing.** There is interest in processing beans locally into intermediary products rather than exporting raw beans, increasing the income-generating capacity of the industry. Cocoa nibs, cocoa liquor/mass, cocoa butter, and couverture drops produced in Trinidad and Tobago can all be used to produce fine chocolates, truffles, and desserts in Europe.
- **Traceability.** Certified, traceable cocoa beans for single-origin products are also encouraged.

POLITICAL AND ECONOMIC CHALLENGES

The country is considered politically and economically stable. The main complaints from investors are:

- A change in the Government administration in April 2025 has resulted in the review of policy, changes in executives and directors, and in some cases, delays in the implementation of projects and major investments.
- Slow execution in some regulatory approvals.
- Slow execution of the policy and legislative process for renewable energy.
- Inefficient residency application process. The work permit process has improved, but the residency process, important for long-term investment remains very difficult.

In terms of economic challenges, while there are no controls or limits on the repatriation of capital, dividends, and interest (see The Exchange Control Act, Chap. 79:50), there is a shortfall in foreign exchange in circulation through official channels, due to a decline in LNG exports and the consequent difficulty in exchanging TTD holdings.

INTEGRATION WITH EU POLICIES

CBAM preparedness

While there are many who have studied the requirements, EUROCHAMTT would like to build the capacity by partnering with an experienced industry expert who can facilitate workshops and advise companies to prepare.

Market Entry Strategies

Many Trinidad & Tobago businesses lack detailed knowledge of EU market entry requirements, have limited access to distribution networks, market intelligence, and branding strategies for European consumers. This provides an opportunity for EUROCHAMTT to organise missions/ study tours to the EU trade shows in partnership with EU organisations.

Standards and Certifications

Additionally, stringent EU regulatory and compliance standards, sanitary and phytosanitary (SPS) standards for food exports, traceability and documentation, technical standards, and certification requirements (CE marking, REACH chemical regulations) require considerable preparation time and costs.

EUROCHAMTT has partnered with organisations such as COLEAD to build capacity to support SME agrobusinesses from Trinidad and Tobago to prepare (good agriculture practices, global gap, HACCP) and attain various certifications to explore opportunities in the EU.

We would be keen to expand partnerships to support the work in fisheries and across other industries, including technical, engineering, and sustainability standards.

EU-TRINIDAD & TOBAGO ECONOMIC RELATIONS

Investment and Trade

There exists an economic partnership agreement (EPA) between the EU and fifteen (15) countries, which comprise the CARIFORUM states.

The CARIFORUM-EU EPA is a comprehensive trade and partnership agreement that was negotiated between the CARIFORUM countries and the EU with the objective of contributing to partnerships that would support sustainable development and regional integration among other objectives (https://trade.ec.europa.eu/access-to-markets/en/content/eu-cariforum-economic-partnership-agreement).

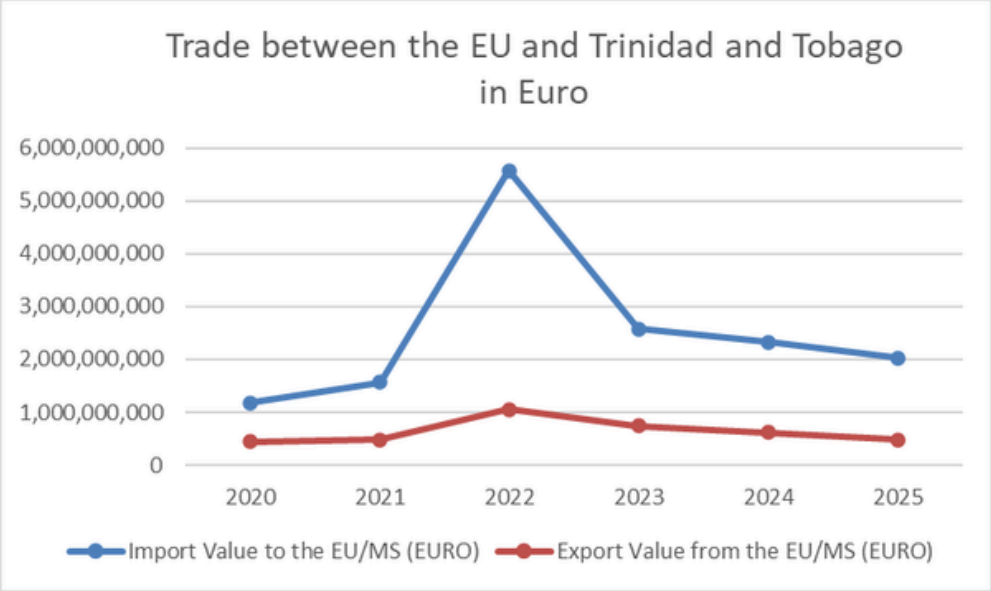
The Agreement was signed in 2008 between the EU and CARIFORUM member countries. It was enacted into local legislation in Trinidad and Tobago in July 2013 and assented to and is awaiting proclamation by the President.

In 2008, EU countries immediately removed tariffs on goods originating from CARIFORUM countries entering their markets, while CARIFORUM countries, including Trinidad and Tobago were given a period from 2009 to 2033 (25 years) to gradually reduce tariffs (Article 16: customs duties can be found in Annex 1, 2 and 3 in this document L_2008289EN.01000101.xml (europa.eu).

Trinidad and Tobago is among the countries that have not implemented the reduction of tariffs due to its shortfalls in foreign exchange since 2015. However, Trinidad and Tobago has a series of fiscal incentives including reduced tariffs for industries of priority. Raw materials and equipment are subject to low, zero or exemption from tariffs and many products across a wide range of sectors benefit from these fiscal incentives. Notwithstanding the fiscal incentives, EUROCHAMTT continues to advocate for full implementation of the EPA justified based on a signed agreement and the impact of failure to implement the reduction of tariffs on the business and investment cost.

Statistics

Trinidad and Tobago exports a greater value than it imports from the EU. In 2025, it exported Euro 2 billion and imported 0.5 billion in value. Top exports from Trinidad and Tobago are natural gas, liquefied anhydrous ammonia, methanol "methyl alcohol", petroleum oils and oils obtained from bituminous minerals, crude mixtures of urea and ammonium nitrate in aqueous or ammoniacal solution (excl. those in packages with a gross weight of <= 10 kg). However, trade appears to be on a downward trend, and this may relate to low supplies of natural gas and / or the lack of preparedness for CBAM (to be investigated further).



In terms of imports, the main categories of goods from the EU are:

- Light oils and preparations, of petroleum or bituminous minerals, which >= 90% by volume "incl. losses" distil at 210°C "ASTM D 86 method" (excl. containing biodiesel)
- Parts of gas turbines, n.e.s.
- Wire of refined copper, with a maximum cross-sectional dimension of > 6 mm
- Potatoes, prepared or preserved otherwise than by vinegar or acetic acid, frozen
- Soya-bean oil and its fractions, whether refined (excl. chemically modified and crude)
- Milk and cream in solid forms, of a fat content by weight of > 1.5%, unsweetened

- Motor cars and other motor vehicles principally designed for the transport of < 10 persons, incl. station wagons and racing cars, with only spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1,500 cm³ but <= 3,000 cm³ (excl. vehicles for travelling on snow and other specially designed vehicles of subheading 8703.10)
- Tubes, pipes and hollow profiles, seamless, of circular cross-section, of stainless steel, not cold-drawn or cold-rolled "cold-reduced" (excl. line pipe of a kind used for oil or gas pipelines or of a kind used for drilling for oil or gas)
- Articles of precious metal or of metal clad with precious metal, n.e.s.
- Fresh or chilled potatoes (excl. seed)
- Motor cars and other motor vehicles principally designed for the transport of < 10 persons, incl. station wagons and racing cars, with only spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1,000 cm³ but <= 1,500 cm³ (excl. vehicles for travelling on snow and other specially designed vehicles of subheading 8703.10)
- Spirits obtained by distilling grape wine or grape marc

Sustainable Fisheries/ Fisheries Management

In September 2023 Trinidad and Tobago was identified/flagged under Article 33 of the EU IUU regulation which addresses the issue of fisheries management and seeks to ensure that fish caught through illegal, unreported and unregulated (IUU) fishing, either by Trinidad and Tobago-flagged fishing vessels or foreign-flagged fishing vessels that may land or tranship fish in or through Trinidad and Tobago, do not enter international trade destined for the EU market. The appropriate legislative framework, fish traceability systems and monitoring, control, surveillance and enforcement systems are among the requirements to have the "identification" or "red card" lifted. The Fisheries Management Bill in Parliament addresses the key issues regarding IUU fishing and will enable Trinidad and Tobago to meet its international obligations as a flag, coastal, port, and market State. Additionally, Trinidad and Tobago needs to address SPS and animal health to meet requirements for certification and export to the EU.

Apart from promoting sustainable fisheries (including replenishing of fish stock, offering more protection to turtles, and reducing bycatch), passing required legislation could open EU markets and increase investment potential in this sector. It could lead to investment in upgrades to fish processors, vessels, docks, fishing equipment, and monitoring systems.

EUROPEAN BUSINESS PRESENCE

European companies are present in:

- Oil and gas (e.g. Shell (Dutch/British), Perenco (French), Repsol (Spanish), bpTT (British), and Proman (Swiss).
- Related service sectors such as marine and specialised services industries serving oil and gas. For example, Dutch geophysical surveying company Fugro, French offshore marine services company Bourbon Offshore, and French energy projects services company TechnipFMC.
- Renewable energy: French hydrogen company HDF.
- Construction: Dutch company Van Oord (dredging).
- Maritime: There are a significant number of European shipping companies with agents present, including CMA-CGM (French), Oldendorff Carriers (German), Maersk Trinidad Ltd. (Danish), Hapag-Lloyd (German), and Van Oord (dredging/ports).
- Digital: Irish company EKCO MSP has recently expanded its physical presence in the region.
- Sargassum exploratory:
  - Sargas Limited (Swedish)
  - Origin by Ocean (Finnish biotech company)
  - DESMI (Danish pump technology company that has developed special systems to collect sargassum; their pumps are currently being used in Mexico, and they are looking for further opportunities in the region)

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Trinidad and Tobago's largest exports to the US are exempt from tariffs.

- Energy Products: Primarily Liquefied Natural Gas (LNG), crude oil, and petrochemicals.
- Industrial Chemicals: Methanol, ammonia, and related nitrogen products are major exports.

ESG Trends

There is no legislation currently to support sustainability and ESG reporting in Trinidad and Tobago. However, both are driven based on the Paris Agreement and other UN – COP Agreements, international trade, and access to markets.

Trinidad and Tobago's intended nationally determined contribution (iNDC) is based on its Carbon Reduction Strategy developed for its power generation, transportation and industrial sectors. There are already clean energy projects for power generation, fiscal incentives to encourage transition to hybrid and electric vehicles, and most recently, a green manufacturing initiative.

Among the multinationals present, including all the European companies, they are already contributing to internal sustainability and ESG Reporting.

Extractive Industry Transparency Initiative (EITI)
The EITI is a global standard for the open and accountable management of oil, gas, and mineral resources. The EU supports this standard https://eiti.org/supporters/european-union as it helps partner countries to develop their mineral resources sustainably through supporting improved local governance and the dissemination of responsible mining practices.

Trinidad and Tobago was admitted on 1 March 2011 as a member of the EITI with "Compliant Country" status, marking full compliance with EITI requirements, achieved on 31 January 2015.

Compliance involves disclosures on gender, anti-corruption, the energy transition, greenhouse gas (GHG) emissions, as well as the measures companies are taking to reduce their carbon footprints.

Furthermore, it includes an analysis of production sharing contracts and offers recommendations for the Government to improve monitoring of these agreements, with the aim of ensuring fair value for the country.

Locally, there are a few very large organisations and groups working on implementing Sustainability and ESG within their groups.

EUROCHAMTT has developed a Sustainability programme to create the environment and support to encourage companies to invest in sustainability. The Programme is in its fourth year.

It comprises:
1. Annual one-day sustainability workshop
2. A free sustainability self-assessment tool
3. An Awards opportunity (recognition is a sustainable trophy, PR, and certificate).

Supply Chain Redistribution/Resilience

Exploring alternative suppliers
The US- Iran blockade of the Strait of Hormuz is impacting fuel prices for both the airline industry and ships calling in Trinidad and Tobago, and high fuel prices are affecting the costs of products imported and travel and tourism. Businesspersons are currently exploring alternative suppliers, including those from within the region.

Panama Canal
Additionally, the crisis in the Middle East has pushed more traffic towards the Panama Canal, which already was carrying a little more than 5% of the global ocean traffic. A drought in 2023 had reduced the number of vessels that the Panama Canal could accommodate, and now with this increased demand, the wait times are only getting longer. Moreover, the management companies on either end of the Panama Canal are owned by a Hong Kong parent company, and the US is putting pressure for control of the Panama Canal due to the management link with China.

Venezuela
There is also renewed interest in two-way trade and travel between Venezuela and Trinidad and Tobago. However, the reported lifting of US sanctions against Venezuela has not opened that market sufficiently – at least not yet. Amerijet cargo has operated a few flights into Caracas and Valencia, and American Airlines commenced service at the end of April 2026, though broader access for other carriers remains limited.

A successful diplomatic visit by the Government of Trinidad and Tobago to Venezuela could reopen significant opportunities for connecting flights between Trinidad and Caracas and trade, including for European operators based here.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Bureaucracy and trade facilitation gaps with internal administrative processes can be a bottleneck, e.g., export licensing and approvals, customs processing delays, and limited digitalisation of trade systems.

SOGET, a French company, signed a USD 9.8 million contract in June 2023 with Trinidad and Tobago's Ministry of Trade and Industry to implement a 24-month Port Community System (PCS) at major air and seaports. The PCS aims to improve trade efficiency, reduce bottlenecks, and automate logistics -a neutral electronic platform (S)ONE) to unify port, customs (ASYCUDA/NAVIS), and TTBizLink systems Progress: By March 2026, the PCS went live with Administration and Voyage Services, allowing registered agents to create vessel records, followed by Maritime and Invoice Services for electronic submission of vessel arrivals/departures.

Forex
Shortages of foreign currency (especially EUR and USD) in Trinidad & Tobago makes it difficult for exporters/importers to pay European suppliers and invest in export expansion. This slows trade flows and discourages EU partnerships.

Adaptation to Weakening Global Rules

EBO Trinidad and Tobago is increasing focus on:

- Trade and investment support services, including inward and outward mission services.
- Membership engagement.
- Strategy for engaging members more in advocacy through committees.

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FUTURE (ECONOMIC) OUTLOOK

The macroeconomic landscape looks highly favourable with projections from the National Executive, ranging from 10 to 15% GDP growth mainly fuelled by the expansion of the crude oil sector, while CEPAL and IMF project more moderate estimates, both of more than 5%.

The rhythm and depth of the legal reforms implemented by the new "post-01/03 government" and a return to IMF and World bank relations will be decisive factors for the economic recovery, while opening the way for debt renegotiation and new investments.

BUSINESS / INVESTMENT ENVIRONMENT

Almost all sectors of the economic landscape need fresh foreign investment and technology, and offer opportunities to first risk-neutral companies.

Although the hydrocarbon and gas sectors are already occupied by the likes of ENI, REPSOL, BP and Shell, business opportunities are wide open in such sectors as Infrastructure Construction and maintenance, Energy production and distribution, the Agri-food chain, health Services which all correspond to Government social priorities. The realisation of such projects will depend upon the availability of financing alternatives from multilaterals, public or private origins.

POLITICAL AND ECONOMIC CHALLENGES

The Executive Branch lead since January 2026 by the new President-in-charge, Ms. Delcy Rodriguez, is managing the country in close agreement with directives issued by the US administration, with oil deliveries and subsequent cash payments from exports controlled by the US Energy Dept from an escrow account. These resulting funds are due to be re-injected into the national economy in agreement with social and economic policies upon their approval by both parties.

European companies entering the country should make sure that their investment and further cash flow needs will be properly funded, with little or no access to local debt financing.

OTHER REGULATORY AND LEGAL CHALLENGES

A critical consideration for enterprises seeking to establish new business operations in Venezuela is the prior compliance with the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) regulations and executive orders. These legal frameworks significantly restrict the scope and nature of financial and commercial transactions permitted with the Venezuelan executive government and its affiliated entities.

Since mid-2025, a "National Emergency Status" has been declared in the country, granting extraordinary rights to the government in financial, economic and legal matters, exempt from further control from the other branches of power. So far, this status has proved of little impact on doing business in Venezuela.

INTEGRATION WITH EU POLICIES

The limited commercial trade with the EU amounting to 1678 million euros in 2025 has not significantly suffered from EU regulations, though the inclusion of Venezuela into the "grey list" following GAFI recommendations, might have affected payments speedy flow, following bank over compliance.

EU-VENEZUELA ECONOMIC RELATIONS

Trade Agreements and FTAs

MERCOSUR Membership Status

Although Venezuela holds legal membership in MERCOSUR, its rights and affiliation are currently suspended due to legal framework and fees compliance issues, leaving the country without active commercial framework now.

Investment and Taxation Treaties

Bilateral Investment Treaties and Double Taxation Avoidance Agreements remain in force with most European Union member states. However, the practical utility of the former has been severely limited in recent years, giving rise to multiple international arbitration and indemnification lawsuits that are currently pending resolution.

There is a critical scarcity of official and updated statistical data regarding total European Foreign Direct Investment (FDI) in Venezuela.

FEDEUROPA is currently regrouping 11 bi-national chambers with acumulative membership of around 1,500 companies.

Trade Performance (2024–2026)
By 2025, trade stood at just 15% of its 2012 level. Trade between Europe and Venezuela fell by 43%, following a 66% surge in 2024, to stand at EUR 1.678 billion, driven by a 75% drop in oil trade following the restrictions imposed by OFAC on EU oil companies in May 2025. EU exports fell by 22% last year to EUR 624 million, reversing the 37% recovery seen in 2024. Similarly, imports from Venezuela also fell by 51% to EUR 1.06 billion, following an 80% surge in 2024.

At the level of member states, Spanish, Italian, German and Dutch companies dominate trade relations with the country. In 2025, Spain accounted for 35% of total EU imports, followed by Italy (27.4%) and the Netherlands (20.5%). European imports consist mainly of oil, iron and steel, organic chemicals and crustaceans. In terms of exports to Venezuela, Spain also leads with 27.2% of the EU's total exports, followed by Germany (20.2%), Italy (19.5%) and France (11.7%). Sales of machinery, perfumery, electrical equipment, pharmaceutical products and instruments are among the dominant exports.

Current projections for 2026 anticipate a recovery toward historical averages, with an estimated trade volume of €2.5 billion.

EUROPEAN BUSINESS PRESENCE

Between 2017 and 2025, GDP shrank by 70%, with active companies' number decreasing by half and surviving resilient working at 30% of capacity. Pandemic and US Sanctions were contributing factors compounding adverse economic policies effects.

Active companies owned by individuals of European descent still form a nationwide network. In close contact with FEDEUROPA through their respective national Chambers of Commerce, they constitute a solid recovery block to build upon.

Total emigration from the country has been reported at 8 million people, moving mainly to Latin American countries, Europe, and the United States. The European business community was heavily affected by this trend, as second-generation European immigrants returned to their countries of origin. Consequently, the resulting shortfall of local administrative, technical, and managerial talent may pressure the economic recovery—a critical factor that organisations must consider when setting up operations in Venezuela

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Since most of the country exports are oil and derivatives oriented to the US market, the new trade-investment relations with the US determines that the imposition of US tariffs globally have limited or no impact on country exports. Investment flows on oil sector will be mainly monitored through OFAC licenses, with no further restrictions on non-oil trade.

Geopolitical Tensions – Country Exposure

US administration input - thru the "3 phases plan" - into Venezuela economic and political landscape is a contributing factor to the opening of the country, to be consolidated by domestic consensus.

ESG Trends

Although not deeply engrained in the PyME business environment, ESG principles are well communicated by the Chambers of Commerce and MNC's. Local regulations often make reference to ESG values.

Supply Chain Resilience

Starting January 2026, most oil exports originated from Venezuela have been redirected to the USA South Coast refineries with few exceptions to the Far East. Non-oil exports have not been affected so far. No major supply chains arrangements have been implemented yet.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Current annualised inflation at the end of March runs at 650%, driven by monetary financing expansion by the (BCV) Versus a 452% currency depreciation recorded over the 12 months leading into April. A critical challenge for 2026 will be managing a fiscal deficit around 9% of GDP, while restructuring household incomes and pensions above extreme survival thresholds. Current food basket stands at $730 per month, while the legal minimum income is $240 per employee.

The infrastructure, health, education, and energy investments necessary to recover public services will rely mainly on international financing. Recent OFAC License lifted sanctions on the BCV and major state banks, providing a framework to address the external debt of $170 billion possible negotiation.

In April 2026, the Executive formalised the Public Asset Evaluation Commission to attract foreign direct investment into the companies nationalised over 20 years and currently inactive, which can open the door to speculative opportunities.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Although sanctions may have had a compounding effect on the country economic and social crisis, their partial lifting are expected to exert a positive impact on trade and investment from the EU, for those companies prepared to navigate the political and social uncertainty and the economic volatility of a country slowly transiting from a two decades of strict public control toward free market policies

Adaptation to Weakening Global Rules

EBO Venezuela in close communication with the Euro Delegation for Venezuela aims to integrate the EEN network and provide local private enterprises with the necessary tools for their recovery and LT development.

FEDEUROPA

Federation of Binational Chambers of Commerce and Industry of the European Economic Area (FEDEUROPA)
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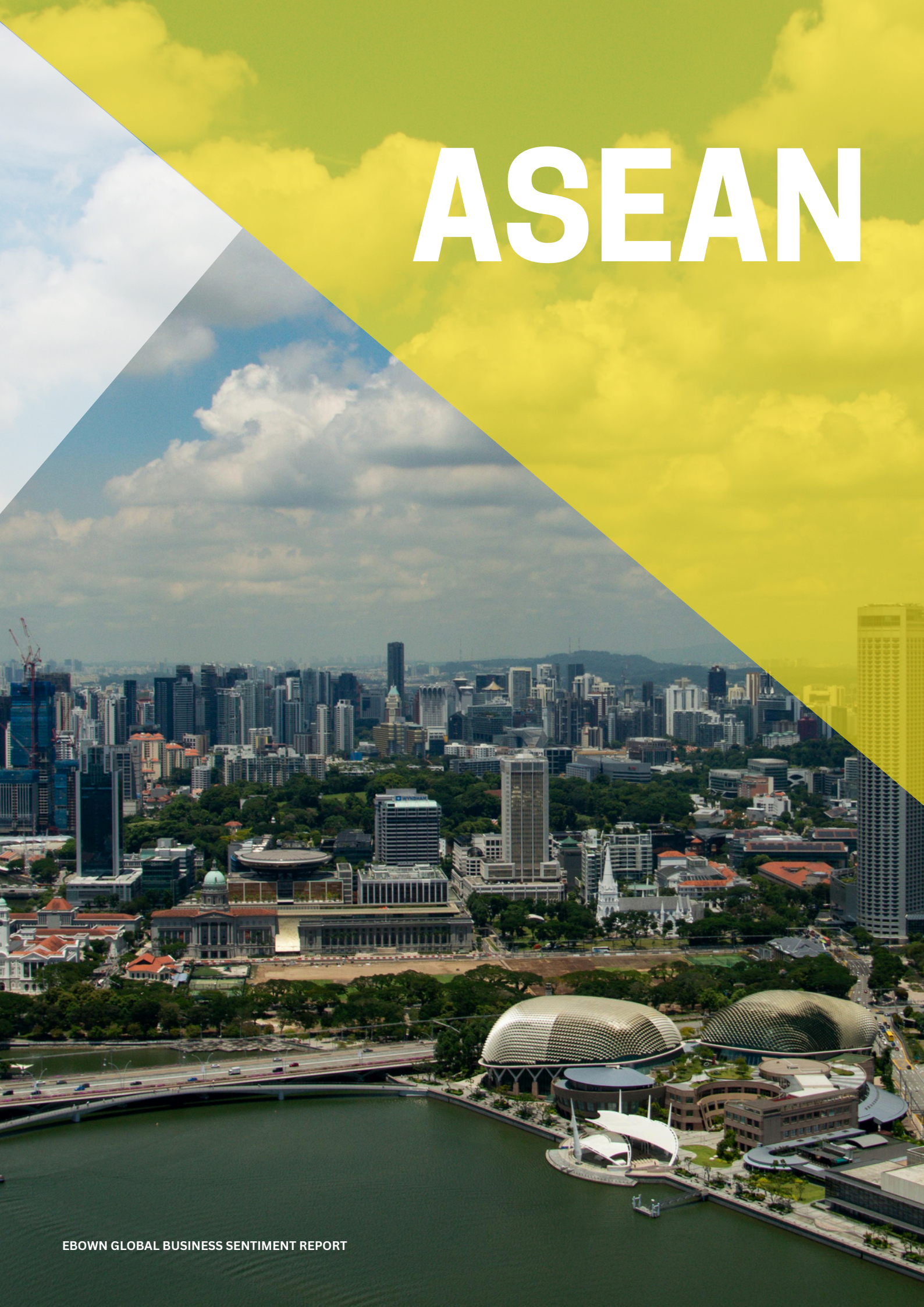
ASEAN



EBOWN GLOBAL BUSINESS SENTIMENT REPORT

CAMBODIA

FUTURE (ECONOMIC) OUTLOOK

Real GDP growth in 2025 in Cambodia was estimated to be around 4.8% to 5.5%, which is a downturn from the 6% in 2024, and inflation remained stable at around 2% to 2.5%. The Cambodian economy is proving quite resilient in an era of structural change, showing higher growth rates than other ASEAN countries like Thailand and Myanmar. The main reasons for deceleration are a property market downturn, border tensions with Thailand, and trade policy uncertainties. Key concern in 2025 is the rise in Non-Performing Loans (NPLs), which exceeded 8%. This is mainly because of underperforming construction and real estate sectors.

However, Cambodia's economic growth is still robust, and there is continued growth and an increasing focus from the government to diversify away from an export model solely focused on textiles and travel goods. A major shift in the market came about because of global companies rebalancing their sourcing from volatile countries such as Myanmar and Bangladesh to Cambodia, further cementing the Kingdom's reputation as a stable source of goods. Although traditional exports such as bicycles experienced a short-term downturn, the market quickly adjusted to meet the rising demand for e-bikes in Europe, with exports increasing tenfold by the end of 2024 and growth extended into 2025. This era also saw a focus on high-value agro-processing and renewable energy, driven by aggressive government "Knock-on-Door" missions throughout the EU to secure diversified European investment.

The 2021 Law on Investment continued to be a bedrock for FDI attraction with generous tax incentives and full ownership of companies. Nevertheless, the year also saw mounting pressure for regulatory harmonisation with European best practices; adherence to the EU's Corporate Sustainability Due Diligence Directive (CSDDD) became a pressing need for local exporters to retain their position in EU sourcing networks. To enhance trade facilitation, the government made substantial progress in the digitisation of customs via the National Single Window (NSW) and the ASYCUDA system, thereby alleviating the "red tape" that had previously impeded efficiency.

In terms of strategy, 2025 made substantial progress in the government's sovereign infrastructure development initiatives, such as the Funan Techo Canal and the Techo Takhmao International Airport, which started to transform Cambodia into a major logistics hub by lessening its overdependence on neighbouring countries' ports. Although substantial progress was made, the economic prospects were tempered by high private debt levels and uncertainties in international trade, especially regarding tariff policy shifts. As the country approached its graduation in 2029 from Least Developed Country (LDC) status, the 2025 agenda remained on track with the formalisation of the economy and addressing shortages of qualified personnel.

BUSINESS/ INVESTMENT ENVIRONMENT

Government priorities

An important focus of the government has been on improving trade and diversifying its exports, as well as compliance with the European Union. In 2025, the EU-German Global Access and Trade Expertise (EU-German GATE) project was a key step towards making this a reality. The aim of this project is to help the country improve trade regulations, measures, and practices with the main objective of facilitating inclusive and sustainable exports to the EU and regional markets.

The government has set priorities on a full rollout of 5G pilot programmes and set up a digital hub to try to boost innovation. The exact date of this is not yet determined.

Another relevant development in 2025 is the finalisation of several infrastructure agreements, including the signing of a partnership with China to establish the Funan Techo Canal to reduce reliance on Vietnamese ports (postponed as of 2026) and the final opening of Techo International Airport in Phnom Penh.

Sectoral opportunities & challenges

A significant challenge for business is a notable gap in high-skilled technical labour. Even though the workforce is quite young, this skills gap remains persistent across sectors.

The four main sectors for European businesses and investments in Cambodia are agriculture, manufacturing, environmental services, and tourism and hospitality. Each sector has its own specific and shared opportunities and challenges.

Agriculture

There are gaps of opportunities in the agricultural sector for European companies to dive into, including fruit drying, rice milling, and technology for traceability. With the available ASPIRE-AT funding for these relevant fields, it is the right time for relevant stakeholders to act.

Additionally, those investors can take advantage of the thriving certification, cold chain, and sustainable farming sectors via partnerships with local businesses.

Regardless, the current geopolitical conflict between Cambodia and Thailand serves as an ongoing source of supply chain disruptions. Furthermore, the low amount of value-added agrifood firms limits the amount of local production in processed food items. Lastly, the lack of widespread utilisation of agri-tech in Cambodia also hinders this industry's potential.

Manufacturing

The main opportunity for EU firms in this sector is the range of fields in which they can diversify their investments. Ranging from automobile components and electronic parts to light components and e-mobility assemblies, those investors can benefit from Cambodia's affordable labour costs and the existing EBA scheme in this nation. More importantly, there are also opportunities to upscale the practices of Cambodia's thriving manufacturing sectors to improve outputs and efficiency.

On the flip side, the astronomical costs of electricity and untrustworthy rural grids serve as the main hurdles in this field for investors. Shortages of relevant skills among Cambodian workers and bureaucratic issues are also what European firms must face if they choose to invest in the manufacturing sector in Cambodia.

Environmental Services

Relevant European firms can undertake investments for renewable, sanitation, and wastewater treatment in Cambodia, considering the country needs to improve its infrastructure further. Additionally, the available technology in Europe can aid in tackling waste in the urban areas and spearheading clean energy projects in Cambodia.

Nevertheless, Cambodia is still lacking in concrete implementation related to environmental regulations and financing in the renewables field. Additionally, the underdevelopment of the current infrastructure in the provinces can hinder the scale of investment in the environmental services sector in this nation.

Tourism and Hospitality

Simplification in the visa process, the newly launched Techo International Airport, and the ongoing rise of ecotourism spots are the attractive points for EU businesses to invest in this sector in Cambodia. The increasing values given to adventurous travel spots in the provinces, local heritage sites, and wellness among young Cambodians further allure potential European companies in the tourism and hospitality sectors to consider operations in this nation.

Like the other three sectors listed above, there are also ongoing challenges that the tourism & hospitality sector has been facing. Since the start of the geopolitical conflict last year, Cambodia has seen significant drops in international tourists and revenues. Additionally, the limited provincial road infrastructure is another factor that hinders the potential of travel destinations in the rural areas for international travellers.

POLITICAL AND ECONOMIC CHALLENGES

Political Influences on Business Operations

In 2025, there have been various political influences on business operations. The first influence is on trade policy and investment shocks. The 2025 US Tariffs hit Cambodia hard, especially since the USA is by far the largest export destination for Cambodian goods. Additionally, there was a decrease in FDI, especially in the manufacturing and real estate sectors. Secondly, geopolitics also played a major role in 2025, especially the conflict with Thailand.

Strategies for European Companies Navigating These Dynamics

One of the strategies European firms can utilise in this dynamic is to build relationships with the Council for the Development of Cambodia (CDC) and partner with local businesses to overcome bureaucratic and cultural challenges. Another approach is diversifying investments across numerous industries. This approach will help offset potential instability in the economy and politics.

OTHER REGULATORY AND LEGAL CHALLENGES

One of the key hurdles for European businesses was the non-digitalisation and inconsistency of customs duties. There is now an initiative from GIZ and other European institutions to digitalise and make international business easier in the future. In 2025, the key initiative GATE was launched, which is the main driver behind change on this matter. The GATE project aims to also eliminate the red tape currently set in place by the government.

Another remaining major issue is high energy costs. Energy prices in Cambodia are notoriously high for the region, with prices reaching from 0.137 to 0.149 per kWh.

Legal and regulatory inconsistencies remain another major hurdle as European firms face difficulties with non-transparent arrangements for procurement and a closed investment environment.

Additionally, grey imports, especially in the automotive sector, remains an issue as there are loopholes that punish European firms attempting to operate legitimately.

A significant hurdle remains to be human capital and labour shortages. European firms, especially in engineering, IT, and manufacturing, are facing severe shortages of qualified local personnel. The result of this is that firms must invest heavily in internal training and rely on government efforts to bridge the evident technical gap.

INTEGRATION WITH EU POLICIES

Alignment with EU Policies in Trade and Commerce

Cambodia has partially aligned with EU policies regarding trade and commerce via the Everything But Arms (EBA) scheme. Additionally, there are current initiatives between the European Union and Cambodia, including the Global Gateway programme and the EU-German GATE project.

Benefits and Challenges of this Alignment

Under the EBA scheme, Cambodia has currently benefited from tariff-free exports on 80% of the GFT goods sent to the EU region. However, the other 20% must encounter tariffs due to the partial suspension of this scheme since August 2021.

EU-CAMBODIA ECONOMIC RELATIONS

Investment and Trade

FTAs and other agreements between the EU and Cambodia

Cambodia currently benefits from the Everything But Arms (EBA) scheme, allowing the nation to have access to the EU markets free of duty and quota for all products, except ammunition and arms. Regardless, Cambodia has faced a partial suspension of this scheme due to civil, labour, and political issues since August 2021, affecting around 20% of exports to the EU. On the other hand, Cambodia will need to start depending on the Generalised System of Preferences (GSP) scheme instead once the country graduates from the LDC status in 2029. Other than that, Cambodia has no other active FTAs or other agreements with the European Union.

Statistics on European investment and trade activities

European investment statistics: The foreign direct investment (FDI) from the European Union in Cambodia is currently equivalent to around 1.1 billion Euros. The main prioritised sectors include agro-processing, manufacturing, and renewable energies. Based on the Global Gateway programme, the European Union provides support to Cambodia in the fields of sanitation and sustainable energy. Meanwhile, exports from the United Kingdom to Cambodia were around 156 million Great British Pounds as of the third quarter of 2025.

European trade statistics: In 2025, Cambodia's exports to the European Union totalled 5.01 billion USD, which was around 16% of Cambodia's overall exports. The top three key EU nation markets for Cambodia's exports in 2025 included Spain (1.19 billion USD), the Netherlands (1.01 billion USD), and France (568 million USD). The main exported items from Cambodia to the EU in 2025 were footwear, textiles, and travel goods.

Key Industries and Sectors involved

Focusing on the industries for exports to the EU region, the main ones include apparel, footwear, garments, knits, textiles, and travel goods. Additionally, other secondary industries for EU exports in 2025 under the Everything But Arms (EBA) scheme included bicycles, cassava, milled rice, and vehicle tyres.

In terms of the sectors for imports from the EU to Cambodia, the top three are fur skins (323 million USD), machinery (77 million USD), and pharmaceuticals (69 million USD). Other crucial imported sectors are beverages, cereals, medical apparatus, and vehicles.

Regarding the European Union's FDI sectors in Cambodia, the leading industries are agrifood, environmental services, light mobility, and manufacturing upgrades. Via the Global Gateway programme, the EU provides financial assistance to the fields of agri-business, sustainable energy, and water and sanitation.

EUROPEAN BUSINESS PRESENCE

Statistics/trends in the presence of European companies since the pandemic

There is no exact number of European firms in Cambodia since 2020. However, it can be estimated that there are approximately between 100 and 200 direct European companies, with the majority based in Phnom Penh and Sihanoukville. Within those estimated amounts, most of them belong to the sectors of agro-processing, consulting, hospitality, machinery importers, and textiles. Notably, the number remains stable amid the ongoing partial suspension of the EBA scheme in Cambodia.

Growth or Contraction of the European business community

For the past five years, Cambodia has seen a moderate increase in European businesses operating in the nation.

Despite the global pandemic, the rebound in trade between the European Union and Cambodia remains significant, with an increase of 13.5% in exports from 2020 to 2025. As stated above, the recent approximate number of European firms in the nation has stayed stable around 100-200, which showcases admirable persistence despite the EBA issue.

Highlight factors influencing market entry

Market entry conditions for European firms in Cambodia contain both standout elements and outstanding barriers. In terms of the optimistic factors, the benefits provided by the EBA scheme make it appealing for European companies to consider Cambodia as a potential nation for operation. Additionally, Cambodia possesses numerous incentives for EU firms, including the availability of industrial zones for agrifood, electronics and renewable energy sectors, complete foreign ownership, and tax holidays.

Nevertheless, the recent Cambodia-Thailand geopolitical conflict can serve as a supply chain challenge for those potential companies. High electricity costs and skills gaps are possible negative factors that can deter some EU firms from entering the Cambodian market. Most importantly, persistent governance issues related to informal payments, land titles, and delays in permit issuance are also significant barriers.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

After the initial declaration of a 49% tariff, Cambodia was able to renegotiate a 19% tariff rate in return for a 100% tariff elimination on certain US industrial and agricultural goods. This tariff ultimately led to price competition in factories and significant investments in compliance efforts to meet the US Country of Origin (COO) verification. Additionally, there are more traceability and logistics auditing efforts to comply with EU standards and diversify away from the US export reliance.

The effect on the Garment, Footwear, and Travel (GFT) Goods sector was that European and US buyers aggressively pushed for price discounts to offset tariffs. Regardless, the industry has grown significantly with an increase in export values of 28% in 2025. This is largely due to frontloading to avoid further tariff hikes by companies.

There was a major 3,521% anti-dumping duty imposed on Cambodia and other ASEAN countries by the USA because of a lack of cooperation in investigations related to Chinese transshipments. This presented a major shock to the industry. Due to this, electrical equipment exports dropped by 29% in 2025.

Geopolitical Tensions – Country Exposure

Besides the already mentioned impact of tariffs, there were additional geopolitical events that affected Cambodia.

Regional unrest in Myanmar and Bangladesh has significantly affected the GFT sector, making Cambodia a primary beneficiary due to its relative political stability. Because of this, export volumes have increased. Yet it also put a strain on production capacities, driving a need for additional investments in the manufacturing sector's efficiency and labour skills. Another development regarding Bangladesh is its potential graduation from the Least Developed Country status in late 2026 and accession to GSP+, which could potentially have the opposite effect of the political unrest.

Cambodia continues to seek national economic independence by reducing its reliance on neighbouring countries like Thailand and Vietnam through major infrastructure projects like the Funan Techo Canal and the Techo Takhmao International Airport to increase logistical sovereignty.

For European stakeholders, the Cambodian geopolitical alignment is an opportunity for increased regulatory compliance and further integration of Cambodia into the EU Corporate Sustainability Due Diligence Directive (CSDDD), offering a reliable trade partnership in a more volatile geopolitical world.

ESG Trends

A key development in 2025 was the increase in adoption of green certifications such as Leadership in Energy and Environmental Design (LEED) and the Global Organic Textile Standard (GOTS) to comply with the EU Green Deal and CSDD directives.

The Accelerating Sustainability in Cambodia's Agri-food System (ASCA) project was officially introduced in April 2025, in a collaboration of the European Union and the Cambodian government. The objective of this project is to promote sustainable practices, the use of green technologies, carbon fertilisers, and the reduction of food loss in the agricultural sector until the end of December 2027.

Supply Chain Redistribution/Resilience

There are several ongoing changes that will have direct and indirect effects on the supply chains of Cambodia. Direct effects on the economy have been slowing GDP growth, an increase in trade deficit, especially attributed to the increased imports of manufacturing capital equipment, migration and labour market pressure because of border disruptions with Thailand, and an increase in public debt to 27.2% of GDP.

Several notable EU trade agreements being negotiated in the region including the signing of a free trade deal agreement with Indonesia in September 2025, a free trade agreement with India set to be finalised in January of 2026, a potential free trade agreement with Thailand that has restarted negotiations since 2023 and set to be finalised in mid-2026, and a potential accession to GSP+ of Bangladesh after stabilisation of the political situation with an end date set for 2029.

Cambodia is navigating the mixture of these factors by strengthening ties with China, negotiating trade agreements with the USA, and focusing on the Cambodia-UAE Comprehensive Economic Partnership Agreement (CEPA).

There is a trend of European companies engaging in regional nearshoring in ASEAN countries. Cambodia is a secondary manufacturing hub in this surge that benefits from the China Plus One strategy pursued by several governments and enterprises.

The agricultural sector in Cambodia, backed by 80 million Euros of investment, is focusing on onshoring agricultural processing, especially of cashew nuts and rice. Historically, Cambodia has been offshoring these processes to other countries, mainly Vietnam, and is now working on onshoring these to upgrade the value of exports.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Cambodia currently faces three key macroeconomic challenges. The first is a projected decline in GDP growth for 2025 and 2026, driven largely by the country's heavy reliance on exports and its vulnerability to both regional and global disruptions — particularly the Cambodia-Thailand geopolitical conflict and the impact of US tariffs. Compounding this is an extended downturn in the local property market, where a surplus of supply combined with rising non-performing loans has created a prolonged slump. Rounding out these pressures is a reduction in tax revenues and delays in infrastructure development, with widening budget deficits and an increasing dependence on borrowing intensifying the fiscal strain.

In response, the Cambodian government and the National Bank of Cambodia (NBC) have taken a multi-pronged approach. To manage inflation, the NBC is working to maintain rates between 2% and 3% through liquidity injections and reserve requirements, with tax revenue serving as the primary tool for fiscal mobilisation. Interest rate volatility has been tempered by stabilising the short-term certificate of deposit rate at 0.5%, helping to ease borrowing costs while preserving adequate market liquidity. To address supply chain disruptions stemming from the border conflict with Thailand, Cambodia has redirected logistics through Vietnam and the Lao PDR, bolstered air freight for essential goods, and introduced fee waivers on NBC loans affected by the conflict.

On the trade front, Cambodia is actively pursuing diversification to reduce its dependence on single markets. The government is leveraging existing Free Trade Agreements to broaden market access and secure additional certificates of origin, benefiting the agriculture, electronics, and manufacturing sectors through lower tariff rates and stronger supply chain visibility. Simultaneously, efforts are underway to expand into new markets across Africa, Central Asia, Central Europe, Latin America, and South Asia, while redirecting agricultural exports away from Thailand to other Regional Comprehensive Economic Partnership (RCEP) members. Domestically, there has been a significant push to boost local production of food, machinery, and pharmaceuticals to reduce import dependency. Institutional reforms are also central to this strategy, with the Ministry of Commerce prioritising collective branding, geographical indications, regulatory harmonisation, and trade facilitation roadmaps to sharpen competitiveness and reduce operational costs for businesses.

Cambodia is also witnessing a notable shift in foreign investment flows, with growing interest concentrated in agribusiness, fintech, infrastructure, and manufacturing. EuroCham Cambodia has been actively responding to this shift by hosting targeted events, advocating for wider market access, facilitating skills development through training programmes, and promoting regulatory harmonisation to create a more enabling environment for investors.

Report Reference

- *For more information about EuroCham Cambodia's on-going advocacy work, visit EuroCham's Live Advocacy Compass website.*

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INDONESIA

FUTURE (ECONOMIC) OUTLOOK

Indonesia's economy continues to demonstrate resilience amid heightened global uncertainty. In 2025, GDP growth reached 5.11%, up from 5.03% in 2024, marking the strongest annual expansion since 2022, although slightly below the government's 5.2% target. Growth has been supported by robust household consumption and sustained investment.

Looking ahead, Indonesia's long-term trajectory is guided by the National Long-Term Development Plan (RPJPN) 2025–2045, enacted under Law No. 59/2024. This roadmap aims to achieve "Indonesia Emas 2045," focusing on escaping the middle-income trap through structural transformation, productivity enhancement, and sustained multi-stakeholder engagement. While the outlook remains positive, achieving these ambitions will require consistent reforms, improved governance, and stronger institutional capacity.

BUSINESS / INVESTMENT ENVIRONMENT

Indonesia's business environment presents a combination of strong growth potential and structural challenges. The government continues to emphasise food and energy self-sufficiency as strategic priorities, alongside industrial downstreaming and digital transformation.

However, the investment climate remains complex, with Indonesia ranked 73rd in ease of doing business, according to the World Bank. Indonesia's business environment is complex and mired with red tape. In the 2025 Corruption Perceptions Index, Indonesia scored 34/100, ranking 109th globally, indicating a deterioration in perceived governance quality. Although President Prabowo Subianto has reiterated a strong commitment to anti-corruption measures, implementation remains a key concern for both domestic and foreign investors.

European companies can find significant opportunities in priority sectors such as renewable energy, electric vehicle supply chains, healthcare, and digital services. These sectors closely align with government priorities, particularly in strengthening energy security, which includes boosting oil and gas production, ensuring more equitable energy subsidies, and accelerating the transition to 100% renewable power generation by 2035, with a net-zero emissions target by 2060. In healthcare, the focus is on improving quality and access through the strengthening of the national health insurance system. Meanwhile, in global investment and trade, the government is prioritising the downstreaming of strategic sectors—representing an estimated investment value of US$38 billion—alongside the development of a robust battery ecosystem and the implementation of an ambitious housing program targeting the construction of 3 million homes.

POLITICAL AND ECONOMIC CHALLENGES

European companies operating in Indonesia face a complex environment shaped by regulatory uncertainty, evolving policy priorities, and structural economic constraints. The post-2024 political transition has brought shifts in government priorities, particularly in industrial policy, trade regulation, and investment governance. While the administration continues to emphasise economic transformation and investment attraction, frequent regulatory changes and overlapping mandates across ministries remain key challenges, affecting business predictability and long-term planning.

From an economic perspective, Indonesia's policy direction reflects a strong emphasis on domestic value creation and industrialisation. Measures such as local content requirements, food and energy security, and prioritisation of domestic industries are intended to strengthen national competitiveness. However, these policies can also create inefficiencies in supply chains, increase operational costs, and limit the integration of European companies into global value chains.
Trade and industrial policies, despite ongoing deregulation efforts, continue to present implementation challenges. Businesses frequently face delays in trade licensing processes, limited transparency in quota allocation, and inconsistencies across sectors. These issues are particularly impactful in industries that depend on imported inputs, such as healthcare and consumer goods, where regulatory bottlenecks can disrupt supply and market access.

Labour and human resource regulations further contribute to operational complexity. Uncertainties surrounding outsourcing, foreign workforce arrangements, and residency processes can affect workforce planning and increase administrative burdens for European firms operating in Indonesia.

To navigate these challenges, European companies are increasingly strengthening local partnerships, expanding domestic production capabilities, and aligning their investment strategies with national priorities. Continued progress in improving regulatory consistency, transparency, and coordination will be essential to enhance investor confidence and support Indonesia's long-term economic competitiveness.

OTHER REGULATORY AND LEGAL CHALLENGES

A key development is the enactment of Government Regulation No. 28 of 2025 on risk-based business licensing, which represents a significant step toward streamlining administrative procedures. The introduction of clearer timelines, including mechanisms such as fictitious-positive (fiktif positif) approval, has improved efficiency and provides greater certainty for investors by ensuring that licensing decisions are issued within defined timeframes, which is particularly important for European businesses, as it supports more predictable investment planning and reduces administrative bottlenecks.

In parallel, the introduction of KBLI 2025 (Indonesia's updated business classification system) reflects efforts to modernise the regulatory framework in line with evolving economic activities and emerging industries. By aligning with international standards, KBLI 2025 improves clarity and comparability for foreign investors. However, changes to classification codes also require businesses to continuously adapt their licensing, reporting, and operational structures.

INTEGRATION WITH EU POLICIES

The conclusion of negotiations for the EU–Indonesia Comprehensive Economic Partnership Agreement (CEPA) in September 2025 represents a major milestone. Once implemented, the agreement is expected to significantly enhance market access, reduce tariffs on 98.5% of Indonesian goods, and strengthen investment protection.

EU-INDONESIA ECONOMIC RELATIONS

Investment and Trade

The EU is Indonesia's fifth-largest trading partner (accounting for 6.4% of the country's total trade). Indonesia is the EU's 33rd biggest trading partner, and the EU's fifth-biggest ASEAN trading partner in 2024. Bilateral trade in goods between the EU and Indonesia amounted to €27.3 billion in 2024, with EU exports worth €9.7 billion and EU imports worth €17.5 billion. Bilateral trade in services between the EU and Indonesia amounted to €8.8 billion in 2023, with EU exports amounting to €5.7 billion and imports amounting to €3.1 billion. In 2023, the EU's foreign direct investment (FDI) stock in Indonesia amounted to €25.1 billion, while Indonesia's FDI stock in the EU was €1.1 billion. In the last decade, EU-Indonesia trade in goods has grown by over 24%. Imports have grown by more than one-third, while exports have increased by over 10%.

The European Union remains a key economic partner for Indonesia, ranking as its fifth-largest trading partner and accounting for approximately 6.4% of total trade. In 2024, bilateral trade in goods reached €27.3 billion, with EU exports valued at €9.7 billion and imports at €17.5 billion. Trade in services amounted to €8.8 billion in 2023, while EU foreign direct investment stock in Indonesia stood at €25.1 billion.

Trade relations have shown steady growth over the past decade, with total goods trade increasing by more than 24%. European exports to Indonesia are concentrated in machinery, chemicals, and agricultural products, while imports from Indonesia are dominated by agricultural commodities, electronics, and manufactured goods such as footwear.

The EU–Indonesia CEPA and Investment Protection Agreement (IPA), concluded in 2025, are expected to further strengthen economic ties by liberalising trade, improving regulatory cooperation, and enhancing legal certainty. The agreement is expected to have a significant impact, with bilateral trade targeted to increase to US$60 billion.

EUROPEAN BUSINESS PRESENCE

European companies in Indonesia are increasingly prioritising sustainability, digital transformation, and deeper integration into regional supply chains. While overall foreign direct investment (FDI) into Indonesia has shown strong growth—rising by approximately 21% in 2024—European investment flows have been comparatively volatile. This fluctuation is partly driven by regulatory uncertainty and intensifying competition from Asian investors.

Despite these challenges, Indonesia remains a highly attractive destination for European businesses. Key market entry drivers include the country's favorable demographics, stable macroeconomic environment, and a progressively improving investment framework. However, regulatory complexity and elements of economic protectionism continue to require careful navigation.

As the largest economy in Southeast Asia, Indonesia offers significant long-term potential. With a population exceeding 270 million and a rapidly expanding middle class, the country provides substantial opportunities for market expansion and investment. This attractiveness is further reinforced by sustained economic growth of around 5% annually, reflecting strong macroeconomic fundamentals and resilient domestic demand. In addition, Indonesia's strategic geographic position at the center of Southeast Asia enables it to serve as a key gateway to the ASEAN market, providing access to a regional population of over 600 million while also benefiting from its location along major global trade routes.

Several European multinational corporations in 2025 have already strengthened their presence in Indonesia, leveraging its large domestic market, competitive workforce, and abundant natural resources. Notable examples include:

- Bosch, which broke ground on a new modular manufacturing facility in Cikarang, West Java, on 19 November 2025, with an investment of approximately €25 million.
- Daimler Truck, which inaugurated a new production plant on 10 June 2025 to expand its regional manufacturing footprint, supported by an investment of €30 million and an annual production capacity of up to 5,000 Mercedes-Benz trucks and buses.
- Dräger launched locally manufactured ventilator products, supporting Indonesia's healthcare sector and strengthening domestic production capabilities.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

US tariff measures have had a relatively limited direct impact on Indonesia due to its low export dependence on the US (less than 10% of total exports), but they still shape strategic policy responses. Higher US tariffs have encouraged countries, including Indonesia, to pursue bilateral negotiations rather than retaliation, while also prompting Indonesia to reassess both tariff and non-tariff trade barriers.

As of February 2026, Coordinating Minister for Economic Affairs Airlangga Hartarto has consistently described the 19 percent tariff arrangement with the United States as a strategic necessity to safeguard Indonesia's global competitiveness. The government has stressed the importance of aligning with—or surpassing—the 18 to 19 percent tariff rates recently secured by countries such as India and the Philippines. This alignment is considered critical to ensure that Indonesia's labor-intensive exports, particularly textiles and footwear, remain competitively priced and continue to enjoy stable access to the U.S. market.

Geopolitical Tensions – Country Exposure

Indonesia's economy has shown resilience amid geopolitical tensions. Competition between the US and China, the fallout of the Russia-Ukraine war, and South China Sea tensions are driving Indonesia to diversify trade and investment ties. Indonesia is actively pursuing new trade agreements while balancing its historic partnership with China. The result is a complex mix of opportunities (new export markets, inflows of investment) and headwinds (higher tariffs, investor uncertainty).

Indonesia remains as the middle power between countries of the Global North and South, proving that under the current Indonesian government, Indonesia is willing to do business with those who are willing to invest in Indonesia.

ESG Trends

Indonesia's ESG trajectory must be understood within the context of its macroeconomic resilience. Despite global uncertainty (climate change, technological disruption, geopolitical tensions, and market volatility), Indonesia recorded 5.12% year-on-year growth in Q2 2025 and 4.99% growth in the first semester of 2025. Controlled inflation and improving manufacturing PMI figures further demonstrate structural stability.

This stability provides a conducive environment for embedding Environmental, Social, and Governance (ESG) principles into both public policy and private sector practice. The Indonesian government has explicitly framed ESG not merely as a compliance tool, but as a strategic instrument for inclusive, sustainable, and globally competitive economic growth. For European businesses operating in Indonesia, this macroeconomic resilience reduces transition risk and enhances the viability of long-term sustainability investments.

PwC's 2023 findings suggest that although awareness of ESG principles is steadily increasing in Indonesia, significant implementation gaps remain—particularly among small and medium-sized enterprises and within local supply chains. In this context, European companies have increasingly assumed the role of standard-setters, extending their ESG expectations to Indonesian partners and suppliers. Currently, around 80% of Indonesian companies use the GRI Standards for sustainability reporting, indicating growing alignment with internationally recognised best practices. Additionally, adoption of the TCFD climate reporting framework increased from 4% to 10% between 2021 and 2022, reflecting measurable progress in climate-related disclosure. Taken together, these developments suggest that European businesses operating in Indonesia are not only complying with EU regulatory requirements but are also actively encouraging local companies to align with higher sustainability standards. Through supply chain engagement and reporting expectations, they contribute to the broader institutionalisation of more sustainable business practices in Indonesia.

Indonesia's ongoing accession process to the Organisation for Economic Co-operation and Development (OECD) represents a structural shift in regulatory ambition. OECD standards encompass governance transparency, anti-corruption, environmental integrity, and social safeguards. If successfully implemented, this process will significantly elevate corporate governance and sustainability standards in Indonesia, aligning them more closely with EU regulatory expectations such as CSRD, CSDDD, and EU Taxonomy requirements.

Supply Chain Redistribution/Resilience

Indonesia is increasingly integrated into shifting supply chains and believes ASEAN can play a big role in enhancing regional resilience. First, as the biggest and most influential member of ASEAN, Indonesia is pushing for regional resilience by accelerating economic transformation in several key areas. First, through the ASEAN Digital Economy Framework Agreement (DEFA), the world's first regional digital economy agreement. DEFA aims to harmonise digital trade regulations and unlock the potential of a digital economy worth approximately USD 2 trillion by 2030.

Second, through increasing the resilience of global value chains (GVCs), ASEAN has completed 27 of the 34 action lines in the GVC Work Plan, as well as strengthening regional competitiveness in sectors such as semiconductors, electric vehicle batteries, and sustainable manufacturing. Third, through climate and sustainability initiatives, such as the ASEAN Power Grid (APG), the Framework for Circular Economy for the AEC, and the ASEAN Strategy for Carbon Neutrality. These efforts will not only reduce emissions but also create up to 12 million green jobs and attract green financing of USD 1.1 trillion by 2030.

At present, there are a number of national initiatives aimed at reinforcing Indonesia's trade architecture and expanding market diversification. These efforts include the conclusion of several Comprehensive Economic Partnership Agreements (CEPAs) with partners such as Canada, the EU, and Peru, as well as a Free Trade Agreement (FTA) with the Eurasian Economic Union (EAEU) and a Preferential Trade Agreement (PTA) with Tunisia. For Indonesia, this could mean deeper supply integration with ASEAN partners, the EU, and the US, rather than solely China. In parallel, the Ministry of Trade is strengthening domestic trade competitiveness by promoting the internationalisation of micro, small, and medium enterprises (MSMEs).

Regionalisation is becoming increasingly significant: approximately 88 percent of Southeast Asian trade flows remain within the Asia–Pacific region. This strengthens Indonesia's position within regional value chains. Indonesia's substantial mineral resources, particularly nickel, position the country as a critical upstream supplier for electric vehicle (EV) batteries and renewable energy technologies. Strategic commodities such as nickel, coal, and liquefied natural gas (LNG) continue to play a central role in global supply chains. Through policies such as downstream processing and export restrictions on raw materials, Indonesia aims to capture greater value domestically, develop higher-value industries, and attract more diversified foreign investment.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

The Indonesian authorities have pursued a coordinated inflation-control strategy and financial-market management. Bank Indonesia (BI) and the government jointly target inflation at 2.5%±1%, reinforcing this with direct interventions. BI has been flexible with interest rates: it held or cautiously cut the policy rate (5.75% as of early 2025) when inflation was well within target. Simultaneously, BI intervenes in foreign-exchange markets (using both onshore and offshore tools) to smooth rupiah volatility. This has helped keep the currency roughly in line with fundamentals despite global shocks. However, high U.S. interest rates tend to pull capital out of Indonesia, weakening the rupiah and raising debt costs.

At the same time, fiscal and regulatory measures support price stability and supply. The government uses subsidies and buffer stocks for essentials: for example, it gives large electricity-tariff discounts (yielding deflation in early 2025) and keeps fuel prices stable to contain energy costs. It also maintains national rice reserves and strategic food programs to blunt food-price shocks.

To reduce reliance on any single market, Indonesia is actively broadening its trade partnerships. In 2025, the EU–Indonesia CEPA (Comprehensive Economic Partnership Agreement) was concluded, which will help to de-risk Indonesia's trade (and attractiveness to EU investors) by giving preferential access to the large European market. Negotiations have also accelerated for agreements with the Gulf Cooperation Council (GCC) and Mercosur (South America), reflecting targets in the Middle East, South Africa, and Latin America. For 2026, the Trade Ministry explicitly aims at Africa (South Africa, Egypt, Kenya), the Middle East, and Latin America as new export frontiers. Beyond FTAs, Indonesia is expanding multilateral frameworks. It remains committed to ASEAN-led arrangements (ASEAN+China, ASEAN+3, RCEP) and has deepened ties with Asian partners (Japan, Korea, India) through investment-promotion and trade talks.

Meanwhile, regulatory reforms in Indonesia continue: for instance, in October 2025, Indonesia cut the minimum paid-up capital requirement for foreign companies from IDR 10 billion to just IDR 2.5 billion. This regulation lowers a major entry barrier for mid-sized foreign investors and startups. Concurrently, Indonesia has streamlined the One-Stop Licensing system, allowed consolidation of business activities under one permit, and expanded sectors open to 100% foreign ownership.

While Indonesia remains a major investment destination, it has responded to any slowdown by easing regulatory requirements and enhancing transparency, rather than relying on large-scale subsidies.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Growing global trade instability is significantly affecting the competitiveness of European companies in markets such as Indonesia. In several sectors, European firms face structural disadvantages compared to regional competitors. For instance, in the automotive industry, import restrictions and high tariffs—often exceeding 40% for completely built-up (CBU) vehicles from Europe—have reduced market competitiveness, especially against East Asian manufacturers that benefit from more favorable trade arrangements. While Indonesia offers tax incentives, these are frequently tied to localisation requirements, particularly in the electric vehicle (EV) ecosystem, creating additional barriers for European firms that rely on global value chains.

Food security policies, such as blanket import restrictions, have had unintended cross-sectoral consequences. A notable example is the halt on industrial salt imports, which has impacted the pharmaceutical and medical device industries. These shortages have disrupted production processes and, in some cases, led to workforce reductions.

Bilateral Trade Projections (2026–2027)

Looking ahead, there are positive expectations for EU–Indonesia trade relations over the next 12 to 24 months. Recent deregulation efforts by the Indonesian government have improved the business environment, particularly through streamlining licensing processes, simplifying trade regulations, and easing local content requirements. These reforms are seen as important steps toward enhancing Indonesia's attractiveness for foreign investors, including European businesses.

A key factor shaping future trade will be the anticipated conclusion and implementation of the I-EU CEPA. This agreement is expected to significantly improve market access, reduce tariff and non-tariff barriers, and provide greater legal certainty for businesses. For European companies, CEPA would not only facilitate trade but also strengthen the case for long-term investment in Indonesia by providing a stable and predictable framework for operations.

Adaptation to Weakening Global Rules

In response to weakening global trade rules and increasing uncertainty, EuroCham Indonesia and its members are actively adapting through both advocacy and operational strategies. EuroCham continues to engage closely with the Indonesian government to support the conclusion of the I-EU- EPA, emphasising its importance for integrating Indonesia more deeply into global value chains.

At the same time, EuroCham advocates for greater regulatory certainty, consistency, and transparency, which are critical for maintaining investor confidence and encouraging new investors. Supporting existing investors remains a priority, as their continued presence signals stability to potential newcomers. In parallel, European companies are strengthening supply chain resilience, diversifying sourcing strategies, and aligning with sustainability and innovation goals. Through these efforts, EuroCham members aim to contribute not only to their own competitiveness but also to Indonesia's broader economic development by promoting international best practices.

eurocham INDONESIA

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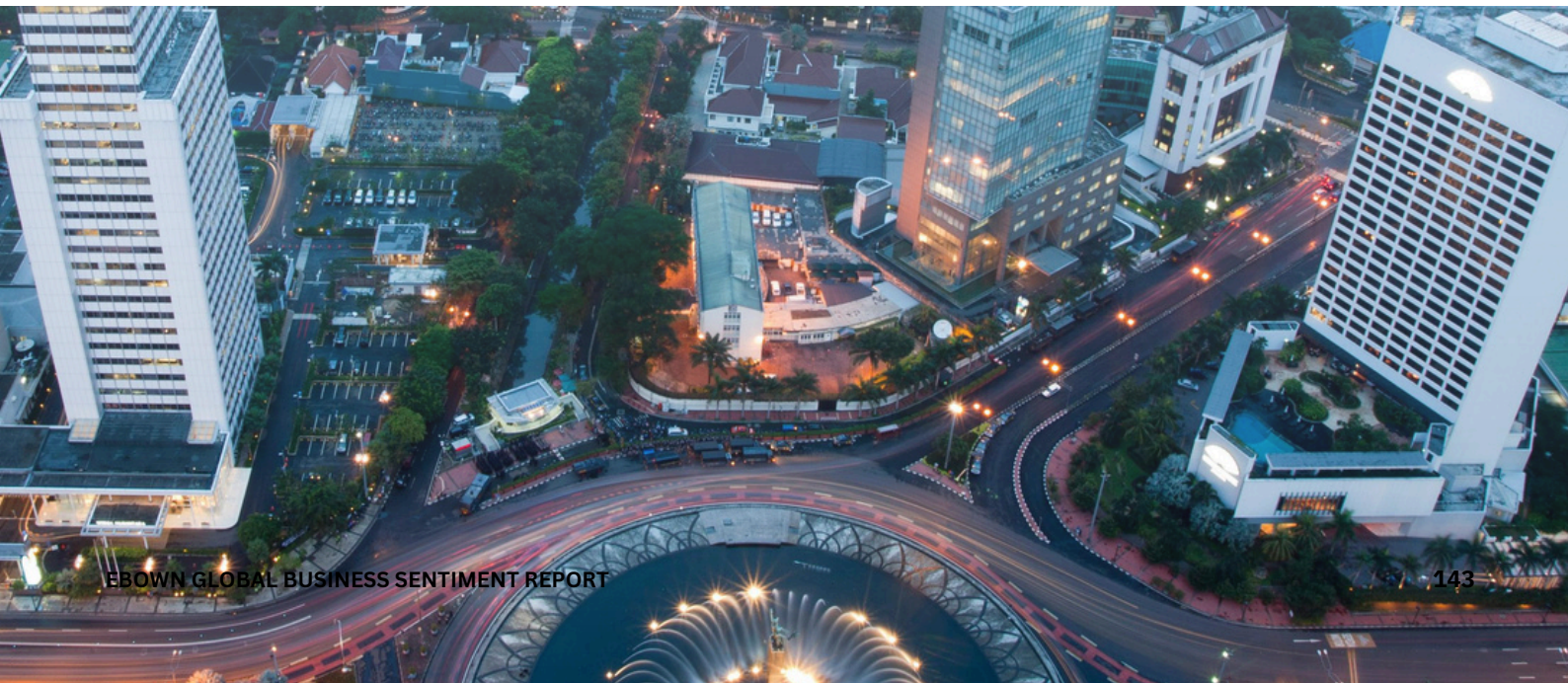

FUTURE (ECONOMIC) OUTLOOK

Overview of future economic outlooks, potential changes in market dynamics, and regulatory landscapes. *[1]*

Macroeconomic conditions improved noticeably in 2025, supported by a more stable exchange rate, easing inflation, and a gradual economic recovery. Growth is projected at 4.2% in 2025, driven by tourism, transport, energy, mining, manufacturing, and stronger production of non-rice crops.

According to the World Bank, the external position strengthened in 2025, supported by a sizable current account surplus, itself driven by strong merchandise exports, and growth in tourism and transport services. Foreign exchange reserves rose to USD 2.8 billion by September 2025, equivalent to roughly three months of imports; however, reserve buffers remain low relative to external financing needs.

Fiscal accounts indicate a surplus in 2025, driven by stronger domestic revenues and moderate expenditure growth. The fiscal and primary balances are projected at 1.6% and 4.7% of GDP, respectively, supported by robust revenue performance. However, the country's economic outlook is clouded by its debt situation, with significant foreign currency debt making the economy susceptible to external shocks, currency depreciation, and rising inflation.

BUSINESS / INVESTMENT ENVIRONMENT

Government Priorities

As the Government continues to pursue its ambition of transforming Laos into a “land-linked” economy connecting China, Thailand, Viet Nam, and Cambodia, the 10th Five-Year National Socio-Economic Development Plan (NSEDP) (2026–2030) sets a target of achieving average annual growth of at least 6%.

The 10th NSEDP outlines six key priority outcomes: enhanced economic self-reliance, stronger human capital development, higher living standards, environmental sustainability, resilient and modern infrastructure, and more effective, transparent governance.

The Government’s headline macroeconomic targets for the 2026–2030 period include reaching a GDP per capita of USD 3,104 and a GNI per capita of USD 2,914, keeping inflation below 5%, maintaining foreign reserves equivalent to at least five months of imports, and reducing public debt to below 70% of GDP by 2030.

Sectoral opportunities & challenges

From a business perspective, Laos offers a mix of clear commercial opportunities and equally evident operational challenges. Its central location in Southeast Asia remains a major advantage, providing practical access to large neighbouring markets and positioning the country as a useful base for regional trade, sourcing, and distribution. This is reinforced by 12 Special Economic Zones, which continue to attract investment through tax incentives for larger projects. Competitive electricity costs also remain a key strength, particularly for processing, manufacturing, and other energy-intensive industries.

Several sectors present strong investment opportunities. Logistics remains a key area given Laos’ strategic location and the need for deeper regional integration. Green energy, particularly wind, hydropower, and emerging carbon-credit activities linked to agroforestry, also shows significant potential. Textiles and garments offer room for further expansion, while eco-tourism continues to grow around natural assets and rising regional travel. Additional promising sectors include electronics, agriculture, and retail. In agriculture, especially, modernising harvesting, planting, and processing can boost productivity and value addition.

These opportunities are tempered by a challenging business environment. Labour shortages and limited skilled workers remain major constraints, while unclear regulations, administrative red tape, and risks of fraud and corruption continue to affect operations. Capacity gaps—human, financial, and organisational, slow implementation, and limit firms’ ability to scale. Parallel trade distorts competition in some sectors, and weak rural infrastructure restricts distribution, market access, and the development of supply chains beyond major urban and border areas.

POLITICAL AND ECONOMIC CHALLENGES

Political Influences on Business Operations

The country operates under a centralised single-party system, which brings both advantages and drawbacks. While it can accelerate reforms when timing and momentum align, political ideology can at times take precedence over economic considerations.

Prospective operators should be mindful of political and administrative constraints, felt primarily through the regulatory and operational environment.

Businesses report limited transparency in the law-making process, including selective circulation of draft regulations, short consultation periods, and the absence of English translations for some draft texts. At the operational level, firms continue to face customs bottlenecks, repeated checks, uneven documentation requirements, alongside issues related to the availability and capacity of the workforce.

The wider business environment is further shaped by compliance and financial governance pressures. Laos was added to the Financial Action Task Force (FATF) "grey list" (jurisdictions under increased monitoring) in February 2025 due to strategic deficiencies in anti-money laundering (AML) and counter-terrorist financing (CFT) systems. The country is now working with the FATF to improve its framework. Overall, weak contract enforcement, slow court procedures, and uneven recognition of arbitration outcomes continue to reduce legal predictability for investors and operators. *[2]*

Strategies for European Companies Navigating These Dynamics

Companies have responded by relying more heavily on customs brokers, increasing buffer stock, and using alternative border crossings, while also calling for greater customs digitalisation, standardised documentation, and more consistent administrative practice.

OTHER REGULATORY AND LEGAL CHALLENGES

Additional regulatory challenges stem from inconsistent interpretation and enforcement of sector-specific rules. Businesses report uneven treatment of VAT, excise, corporate tax, and customs valuation across officers and provinces, particularly for heavy machinery, industrial equipment, spare parts, and vehicles. The automotive sector also faces unclear regulations for electric vehicles, battery certification, and charging standards. In the food sector, Notification 2666/MOIC has created delays in product registration, Lao-language labelling, and approval procedures despite the transition period. Companies further highlight concerns with the intellectual property framework, noting that the current application of exhaustion of rights may enable parallel imports and weaken safety controls, warranties, after-sales obligations, and fair competition.

INTEGRATION WITH EU POLICIES

Under the Global Gateway programme, the “Trade, Investment and Connectivity in Agriculture and Forestry” (TICAF) initiative, co-financed by France, Germany, and the European Investment Bank, supports the development of value chains for coffee, tea, and forest-based products exported from Laos to the EU. It promotes value addition within Laos and helps producers comply with EU requirements, including the EU Deforestation Regulation (EUDR). Complementing TICAF is the Skills for Tourism, Agriculture, and Forestry (STAF) initiative, which aims to enhance skilled labor to support green industry development.

Building on earlier EU-funded programmes such as ARISE+ and SYMST, which focused on improving the business environment, strengthening export capacity, and helping Laos meet international trade standards, the EU is now preparing a new €10 million trade and investment project. The initiative called Laos-EU Assistance for Private Sector Development (LEAP) aims to deepen trade integration by supporting Lao private sector export readiness and compliance with EU standards. Scheduled to begin in mid-2026, the programme will contribute to enhancing Laos’ competitiveness through private-sector-led growth, with a focus on trade facilitation, business climate reforms, and sector-specific export development.

EU-LAOS ECONOMIC RELATIONS

Investment and Trade

FTAs and Other Agreements Between the EU and Laos (Status; Implementation)

Laos has been a WTO member since 2013 and, as a least developed country, benefits from the EU’s “Everything But Arms” scheme, which grants unilateral duty-free and quota-free access for all exports except arms and ammunition. As Laos prepares for its planned LDC graduation in 2026, maintaining market access and ensuring smooth adjustment to post-EBA conditions will become increasingly important for exporters.

Statistics on European Investment and Trade Activities

Economic relations between the EU and Lao PDR remain modest but stable. According to the European Commission, total trade in goods reached EUR 583 million in 2024, making the EU the country’s fifth-largest trading partner. Trade in services amounted to EUR 195 million in 2023, while EU foreign direct investment stock stood at EUR 680 million that same year. In 2024, 92% of Lao exports eligible under EBA entered the EU at preferential rates.

Highlight key industries and sectors involved

The trade structure is highly concentrated: textiles dominate Lao exports to the EU, while machinery and appliances represent the bulk of EU exports to Laos. Looking beyond current flows, both Lao and EU strategic priorities point to broader medium-term opportunities in agriculture and forestry value chains, tourism and services, and selected industrial activities. EU programming in Lao PDR supports sustainable trade, connectivity, and value-chain development, particularly in coffee, tea, and forest-based products.

EUROPEAN BUSINESS PRESENCE

Since the pandemic, the European business presence in Laos has grown slowly, reflecting both structural constraints and new opportunities. After an initial post-COVID contraction, the community has gradually stabilised, with fewer new entrants but more specialised firms in areas such as renewable energy, sustainable agriculture, digital services, and high-end hospitality. Growth is mainly driven by companies already active in the region and operating through hubs like Thailand or Vietnam. Market entry remains limited by the small domestic market, regulatory complexity, currency volatility, and administrative burdens, while opportunities stem from Laos' connectivity ambitions, EU programmes, and rising demand for high-quality and sustainable services.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

On April 2, 2025, Laos was hit with a combined 58% tariff rate on goods entering the US, among the highest in ASEAN. After negotiations, it remained stuck at 40% as of August 2025, while neighbours Thailand and Cambodia secured 19%.

Bilateral trade had grown from $14 million in 2005 to $842.6 million by 2024, driven by solar panels, textiles, furniture, and coffee, all now at risk of losing American buyers to lower-tariff competitors*[3]*. On investment, tariff uncertainty is weighing on FDI inflows, while Laos is deepening ties with China and exploring new export markets such as Russia*[4]*.

The direct trade shock is real but modest. As the German Marshall Fund noted*[5]*, Laos accounts for less than 1% of US imports, making it inconsequential to the deficit it is being penalised for, yet the costs to one of Southeast Asia's poorest economies are far from insignificant. The deeper risk is structural: slowing partner economies, weaker FDI, and an accelerating shift toward Chinese economic dependency.

Geopolitical Tensions – Country Exposure Oil Disruption

Laos has no domestic oil production and no refining capacity, making it among the most exposed countries in Southeast Asia to the Strait of Hormuz disruption triggered by the US-Israel military operation against Iran in February 2026.

The vulnerability is structural and concentrated. Thailand supplies 97% of Laos's fuel imports. That single-source dependency is now a critical liability: Thailand has already reduced deliveries, forcing Laos to encourage working from home, while hundreds of filling stations have closed due to lack of fuel. Energy economists at ERIA have explicitly identified Laos, Cambodia, and Myanmar as the countries that "will suffer the most," citing their small size and lack of refining capacity*[6]*.

One partial buffer exists: Laos is a net electricity exporter via hydropower, limiting domestic power generation exposure. However, this does not insulate businesses from fuel-price pass-through to inflation, logistics costs, or the broader slowdown in Thailand, China, and Vietnam, all simultaneously absorbing the same energy shock.

Therefore, near-total dependence on a single fuel supplier with no short-term alternative sourcing, combined with limited fiscal space to absorb subsidy costs, creates elevated and immediate risks of supply disruption, transport bottlenecks, and inflationary pressure on operating costs.

ESG Trends

The European Chamber of Commerce and Industry in Laos, through its Responsible Business Hub, is actively supporting the implementation of the European Green Deal by promoting sustainable economic growth and responsible business practices in the country. Key initiatives include:

- Disseminating information on Green Deal regulations, such as the EUDR, CSDDD, and CBAM, to enhance awareness and understanding among the private sector.
- Organising the European Business Organisation (EBO) Sustainability Summit.
- Fourth edition of the Responsible Business Awards to recognise companies demonstrating strong CSR performance, with particular emphasis on environmental leadership.*[7]*

Through these efforts, ECCIL is helping to foster a culture of corporate responsibility that aligns with both local priorities and global sustainability objectives, encouraging businesses to integrate ESG principles into their daily operations while adapting to local regulations and market conditions. As these trends continue to evolve, they will increasingly shape the future of business practices in Laos.

By 2026, the ESG agenda in Laos will become more visible. The strongest momentum is found in sectors directly exposed to EU standards, particularly agriculture and forestry value chains such as coffee, tea, and forest-based products. The EUDR has further accelerated this shift by pushing discussions on traceability, legal sourcing, and deforestation-free supply chains.

Supply Chain Redistribution/Resilience

The current trade environment is reshaping supply chains in Lao PDR less through classic reshoring and more through corridor dependence, modal shifts, and route diversification.

The Laos–China Railway has strengthened reliance on the China corridor, but this also highlights the need for improved regional connectivity, enhanced road-to-rail integration, and access to multiple external routes.

This is critical given the country's continued dependence on its road network, only 31.7% of which is in sustainable condition. In this context, upgrades to National Road 2 under the Global Gateway programme are important for expanding market access and reducing reliance on a single logistics axis. *[8]*

From a business perspective, the main change is not nearshoring into Laos but a cautious adjustment of logistics strategies. ECCIL members report limited competition in cross-border trucking, warehousing, cold-chain logistics, container handling, and ICD operations. Slow customs clearance, manual inspections, repeated checks, and inconsistent documentation continue to raise costs. Companies are responding by increasing buffer stocks, relying more on brokers, and using alternative border points.

Sectors most affected are those requiring predictable goods movement, such as logistics, agro-processing, food trade, cold chain, and import-dependent industries. Overall, the trend is one of pragmatic route diversification and logistics adaptation rather than large-scale reshoring or supplier relocation into Laos.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Macroeconomic Resilience & Global Structural Shifts

A key challenge for Laos is that economic stability still relies on a narrow set of external financing, trade, and transport channels. Despite the macroeconomic improvements seen in 2025, reserve buffers remain limited relative to the country's financing needs, public debt is high, and growth remains highly sensitive to external demand and regional spillovers. For a landlocked economy, this creates structural vulnerability: resilience depends not only on domestic stabilisation efforts, but also on reducing exposure to a small number of external partners and routes on which oil, trade and liquidity currently depend.

Economic Safeguards & Supply Chain Resilience

The government is responding to inflation, interest-rate volatility, and supply-chain disruptions through coordinated monetary, fiscal, and structural measures. Efforts to stabilise prices focus on improving foreign-currency liquidity, managing exchange-rate pressures, and prioritising essential public spending. To reduce interest-rate volatility, authorities are strengthening financial-sector transparency and gradually enhancing monetary-policy tools to support more predictable financing conditions. On supply chains, reforms target faster customs procedures, improved trade facilitation, and investment in key transport corridors to diversify routes and reduce bottlenecks. *[9]*

Trade Diversification & Strategic Market Realignment

The most significant strategic response has been the push to diversify external access routes. In this context, the planned Laos–Vietnam railway is especially important, as it would link Laos directly to Viet Nam's Vung Ang Port and create a new maritime outlet for trade. Its relevance goes beyond transport efficiency: it represents a structural diversification measure for a landlocked country still reliant on a small number of existing corridors. The project also aligns with the government's broader objective of shifting from a landlocked to a more land-linked economy with stronger regional connectivity.

Foreign Direct Investment (FDI) Trends & Investor Relations

Laos continues to attract foreign investment, but inflows remain concentrated in a few sectors, especially energy and large infrastructure. Most new commitments still come from hydropower, solar, wind, and transport projects, meaning the country's growth and export capacity remain closely tied to foreign capital. The government's response is to keep attracting FDI while directing it more deliberately toward priority sectors that strengthen infrastructure, expand energy capacity, and support regional connectivity.

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MALAYSIA

EXECUTIVE SUMMARY

Malaysia remains one of Southeast Asia's more resilient and strategically relevant markets for European business. The macro story is constructive: GDP growth stayed above 5% in 2024 and 2025, inflation remained contained, approved investments reached new records, and the industrial policy framework is now clearly tilted toward higher-value manufacturing, digital infrastructure, energy transition, and strategic technologies.

For European stakeholders, the more important point is structural rather than cyclical. Malaysia is no longer best understood as a low-cost platform. It is increasingly a complexity-and-connectivity economy: well-integrated into Asian supply chains, stronger industrially than many regional peers, yet still competitively positioned relative to higher-cost hubs. This supports its role as a regional base for advanced manufacturing, industrial services, logistics, healthcare, sustainability solutions, and digital operations. The outlook is positive but not frictionless. The key constraints remain regulatory predictability, implementation speed, talent shortages in technical roles, procurement barriers, selected foreign equity limits, and uneven interpretation of Bumiputera-linked requirements. These are manageable for larger, established investors, but they continue to weigh disproportionately on SMEs and new entrants.

The bilateral relationship with the EU is commercially significant and strategically underdeveloped relative to its potential. Trade in goods reached EUR 46.4 billion in 2024, and EU FDI stock stood at about EUR 32 billion. The resumption of EU-Malaysia FTA negotiations in 2025 is therefore a major positive signal. It re-opens the pathway to reduce market-access friction at exactly the moment when European companies are rethinking supply chains, economic security, and ASEAN diversification.

Over the next 12-24 months, sentiment should remain broadly constructive, provided that Malaysia sustains reform execution and the external trade environment does not deteriorate materially. For EU policymakers and EUROCHAM Malaysia alike, the strategic agenda is clear: accelerate FTA-related progress, improve business-operating predictability, strengthen talent mobility and capability development, and position EU standards and sustainability expertise as part of Malaysia's upgrading pathway.

MALAYSIA AT A GLANCE FOR EU BUSINESS

Indicator	Current position / implication
GDP growth	5.1% (2024); 5.2% (2025); 4.6%-4.7% forecast (2026)
Inflation	1.8% (2024); 1.4% (2025); 1.9% forecast (2026)
Approved investments	RM378.5 bn (2024); RM426.7 bn (2025)
EU-Malaysia goods trade	EUR46.4 bn in 2024
EU FDI stock in Malaysia	Approximately EUR31.9-32 bn
European company footprint	Estimated c.1,600-2,000 companies in Malaysia
Strategic inflection point	EU-Malaysia FTA negotiations resumed in 2025

FUTURE (ECONOMIC) OUTLOOK

Malaysia enters 2026 from a position of relative macroeconomic resilience. Real GDP grew 5.1% in 2024 and 5.2% in 2025, with Bank Negara Malaysia attributing the expansion mainly to resilient domestic demand and improving exports. For 2026, the IMF projects growth around 4.6%–4.7%, implying moderation rather than reversal. The core message for Brussels is that Malaysia remains a growth market, but one shifting from recovery-led momentum to a more policy- and trade-sensitive expansion phase.

The main growth drivers over 2024–2026 are private consumption, investment realisation, tourism normalisation, and export recovery in electrical and electronics (E&E), machinery, and related manufacturing segments.

Malaysia's approved investments reached a record RM378.5 billion in 2024 and then a new record RM426.7 billion in 2025, indicating that investor appetite remains strong despite a less favourable external environment. The investment story has strengthened further.

Approved investments remained at record levels, but the composition of foreign direct investment (FDI) is shifting. In particular, Bank Negara Malaysia (BNM) highlighted in its third quarter 2025 data-centre study that data-centre-related inflows had overtaken manufacturing in the composition of FDI. This is particularly relevant for EU firms because it signals continuing pipeline depth in sectors where European capital and technology are competitive: advanced manufacturing, industrial services, energy transition, healthcare, aerospace, logistics, and digital infrastructure.

Inflation has remained comparatively contained. Headline inflation averaged 1.8% in 2024 and 1.4% in 2025; the IMF projects 1.9% in 2026. Monetary conditions have become somewhat more supportive: the Overnight Policy Rate was at 3.00% in May 2025, cut to 2.75% in July 2025, and remained there in March 2026. The ringgit ended 2024 2.7% stronger and appreciated significantly during 2025, helped by capital flows and better market sentiment.

For European corporates, this combination of lower inflation and a firmer currency improves operating visibility, though it also trims some export-price competitiveness in euro terms.

The fiscal-policy direction is reformist but politically calibrated. Subsidy rationalisation has continued, and the IMF expects a moderately contractionary fiscal stance in 2026. Malaysia's medium-term reform logic is clear: broaden the tax base, improve subsidy targeting, and preserve fiscal room while sustaining industrial policy. For EU investors, the implication is constructive but mixed: stronger macro credibility over time, paired with near-term sensitivity around regulated prices, consumer purchasing power, and implementation speed.

BUSINESS / INVESTMENT ENVIRONMENT

Malaysia's value proposition remains compelling for European business. It combines a sizeable middle-income domestic market, strong manufacturing ecosystems, deep integration into Asian supply chains, improving digital infrastructure, and comparatively sophisticated industrial capabilities.

In ASEAN terms, Malaysia now matters less as a pure low-cost platform and more as a "complexity-and-connectivity" location: cost-competitive relative to Singapore, more technologically mature than several frontier ASEAN peers, and still capable of hosting regional manufacturing and service hubs. The EU is Malaysia's fourth-largest goods trading partner, and Malaysia is the EU's third-largest ASEAN trading partner, underscoring the strategic depth of the corridor.

Government priorities are now aligned around industrial upgrading, decarbonisation, and digitalisation. NIMP 2030 (New Industrial Master Plan 2030) is organised around four missions: advancing economic complexity, tech-upgrading industry, pushing toward net zero, and safeguarding economic security.

In parallel, the National Energy Transition Roadmap, the Green Investment Strategy, the National Semiconductor Strategy, and Malaysia Digital collectively signal a clear policy preference for high-value manufacturing, clean energy, industrial automation, data infrastructure, and strategic technologies. This direction is broadly positive for EU firms because it favours sectors where European companies compete on quality, standards, process engineering, industrial software, sustainability, and compliance.

Sectorally, the strongest openings for European companies are in:

- Semiconductors and semiconductor equipment
- Green power and grid solutions
- Circular economy technologies
- Sustainable mobility
- Medical technology and healthcare services
- Aerospace and MRO
- Industrial automation
- Advanced materials
- Premium food and agritech systems.

Malaysia's 2025 approved investments show that information and communication alone drew RM152.9 billion, while manufacturing remained above RM131 billion. This reinforces that the investment cycle is now being driven by digital infrastructure, industrial value-chain expansion, and higher-tech manufacturing rather than commodity-led growth alone.

Investment attractiveness versus ASEAN peers is improving, but not uncontested. Malaysia benefits from stronger industrial depth than many regional peers, yet it still lacks the preferential EU market-access architecture already enjoyed by Singapore and Vietnam through FTAs. That gap matters.

Malaysia's competitive proposition is operationally strong, but the absence of a bilateral FTA still weighs on tariff certainty, services access, procurement, and rule-setting influence.

The resumption of EU–Malaysia FTA negotiations in January 2025, therefore, materially improves business sentiment, because it creates a pathway to unlock untapped business potential and investments in addition to the reduction of friction precisely when firms are diversifying supply chains across ASEAN.

POLITICAL AND ECONOMIC CHALLENGES

Malaysia's political environment is more stable than during the turnover period of recent years, but it remains coalition-driven and therefore implementation-sensitive. The main business issue is not acute instability; it is execution risk. Policy direction at the federal level is increasingly coherent, yet delivery can still be slowed by administrative fragmentation, multiple approval layers, and inconsistent agency-level practice. For European firms, this raises the premium on local stakeholder management, longer lead times, and early regulatory engagement.

On the economic side, the principal challenges remain talent shortages in higher-skilled technical roles, compliance costs, wage and utility pressures, and exposure to external demand cycles.

IMF and BNM assessments both point to resilient domestic demand, but also to downside risks from the external environment. This matters especially for EU firms in semiconductors, electronics, machinery, and export-oriented services, where project viability depends not only on Malaysian cost conditions but also on global trade policy and customer demand in the US, China, and Europe.

Bumiputera-related policies continue to shape procurement, licensing, ownership structures, and ecosystem participation in parts of the economy. The strategic issue for EU companies is not simply the existence of preferential policies, but the unevenness of how they are interpreted across sectors and transactions. Well-capitalised firms can usually structure around these constraints, but SMEs and first-time market entrants face a higher friction burden. The result is that Malaysia remains investable, but not frictionless.

The Bumiputera policy is a set of affirmative action measures in Malaysia designed to promote the economic, educational, and social advancement of the Malay and indigenous communities.

The term Bumiputera, meaning "sons of the soil," refers to Malays, the Orang Asli of Peninsular Malaysia, and indigenous peoples of Sabah and Sarawak, along with certain Peranakan sub-groups.

OTHER REGULATORY AND LEGAL CHALLENGES

The most persistent legal and regulatory concerns for European business remain services licensing complexity, foreign equity caps in selected sectors, procurement access restrictions, and the practical burden of compliance across multiple authorities. The European Commission's Access2Markets barrier database notes that licences are required for nearly all service activities and that equity caps continue in areas such as telecommunications, oil and gas services, and insurance. This is a material barrier for EU service exporters and investors seeking speed to market.

Public procurement remains a structural challenge. Malaysia is a WTO member but is not a party to the WTO Government Procurement Agreement, and foreign firms face additional hurdles, including local-incorporation requirements for registration in some procurement processes. In practice, this limits a fully level playing field in public tenders and reduces immediate market access for EU firms in infrastructure, public utilities, medical procurement, and public digital systems.

Industry-specific concerns also deserve greater visibility. In the digital domain, questions around the security of fifth-generation (5G) networks and the use of untrusted vendors remain material to European stakeholders, especially where network resilience, cybersecurity, and strategic infrastructure are concerned. EUROCHAM Malaysia has already raised these concerns with the Malaysian authorities. In the automotive sector, regulatory clarity, standards alignment, and industrial-policy consistency remain important issues for European manufacturers and suppliers, and these have also formed part of EUROCHAM's advocacy with the European Commission and Malaysian counterparts.

The broader compliance landscape is becoming more demanding, not less. Data governance, cybersecurity, sustainability reporting, traceability, and licensing requirements are all rising in importance. For larger European firms, this may create a competitive advantage, because they are used to operating under higher governance standards. For smaller and first-time entrants, however, the result can be a slower and more expensive market-entry process.

The key policy ask from the business community is therefore not deregulation, but better predictability, faster approvals, and clearer administrative guidance.

INTEGRATION WITH EU POLICIES

Malaysia's policy trajectory is increasingly compatible with core EU economic priorities:

- Resilient supply chains,
- Industrial decarbonisation,
- Digital governance,
- Sustainable production.

The 2022 EU–Malaysia Partnership and Cooperation Agreement created a wider political platform for engagement, and the 2025 relaunch of FTA negotiations creates a practical channel to translate that alignment into market access and rule convergence. The renewed European Union-Malaysia Free Trade Agreement process is positive: not only as a mechanism to reduce market-access frictions, but as a pathway to unlock under-used commercial potential, support rules-based cooperation, and deepen strategic economic alignment between both sides.

Among relevant European Union policy files, the European Union Deforestation Regulation is the most immediate and visible issue for Malaysia because of its implications for palm oil, rubber, traceability, and supply-chain documentation. By contrast, the Carbon Border Adjustment Mechanism is relevant but likely to remain more marginal for most Malaysian firms. More consequential in the medium term are wider sustainability and human-rights rules, notably the Corporate Sustainability Due Diligence Directive and the Forced Labour Regulation, which increase expectations on supply-chain governance, labour conditions, remediation systems, and corporate due diligence.

This is particularly important in Malaysia, where labour-rights practices, migrant-worker welfare, and supply-chain oversight can become commercially material issues for exporters and multinational buyers. For European companies, the implication is twofold: first, compliance burdens will increase; second, there is a major opportunity for deeper European Union-Malaysia cooperation on standards, traceability, responsible sourcing, and technical readiness.

Tensions remain, especially in palm oil and land-use governance. The WTO ruling in the EU–Malaysia renewable-energy dispute did not eliminate friction, but it clarified legal boundaries and may create more structured cooperation going forward. The practical implication is that EU–Malaysia relations are no longer defined only by trade irritants; they are increasingly defined by whether both sides can convert sustainability disputes into joint technical problem-solving.

ECONOMIC RELATIONS BETWEEN EU AND MALAYSIA

Investment and Trade

EU–Malaysia economic relations remain substantive and strategically underdeveloped relative to their potential. Total EU–Malaysia trade in goods reached €46.4 billion in 2024, up from €44.6 billion in 2023. EU imports from Malaysia were €28.6 billion and EU exports to Malaysia were €17.8 billion.

Over the last decade, bilateral goods trade has risen from €27.8 billion in 2014 to €46.5 billion in 2024, demonstrating durable commercial depth even without an FTA.

Trade is heavily concentrated in industrial products, with machinery and transport equipment accounting for roughly 60% of both directions of goods trade in 2024. Beyond that, the EU imports significant volumes of optical and medical instruments, fats and oils, and plastics from Malaysia, while exporting chemicals and transport equipment.

This structure is important: the corridor is not primarily commodity-led; it is anchored in industrial value chains, which makes policy predictability and standards alignment more valuable than simple tariff cuts alone.

On services and investment, the latest official EU figures show bilateral trade in services at €10.6 billion in 2023 and EU FDI stock in Malaysia at €31.9 billion. EEAS messaging in early 2026 refers to roughly €32 billion in EU FDI stock and describes the EU as Malaysia's second-largest source of FDI. This confirms that the EU is already a major long-term capital provider, even before any FTA dividend.

Institutionally, the bilateral relationship improved markedly in 2025. FTA negotiations, originally launched in 2010, paused in 2012, and were formally resumed on 20 January 2025, with the first round taking place in late June 2025.

For European stakeholders, this is the single most important policy development in the relationship: it re-opens the possibility of improved access in goods, services, investment, procurement, digital trade, energy, and sustainable-development disciplines at a time when ASEAN competition for high-value supply-chain investment is intensifying.

EUROPEAN BUSINESS PRESENCE

European business presence in Malaysia remains deep, but public datasets do not provide a single official census. The most conservative current public benchmark is EUROCHAM Malaysia's network statement of "more than 1,600" companies in its wider ecosystem, while the EU Delegation stated in January 2026 that nearly 2,000 companies from 26 EU Member States operate across Malaysia. The prudent reporting conclusion is therefore that the European business footprint is substantial and likely sits in a range of roughly 1,600–2,000 companies, with the higher number appearing to reflect a broader delegation estimate rather than a published registry count.

The sector mix remains diversified across manufacturing, services, technology, healthcare, mobility, industrial equipment, consumer products, energy, logistics, and business services. European firms are particularly visible in automotive and components, machinery, industrial technologies, pharmaceuticals and medical devices, specialty chemicals, engineering services, and increasingly ESG-linked solution areas. This breadth matters because it reduces concentration risk: the European presence in Malaysia is not confined to a single sector or commodity cycle.

The post-pandemic trend is expansionary rather than contractionary, though uneven by segment. Malaysia's record-approved investment figures in 2024 and 2025, strong digital infrastructure inflows, and the renewed FTA track point to a more positive medium-term investment climate. The strongest momentum is in manufacturing upgrading, digital infrastructure, and industrial services, while companies with high exposure to regulatory approvals, procurement, or lower-margin labour-intensive activities still face more friction.

On employment, local workforce participation is clearly high in practice, but no consolidated official public series was found for total employment by EU companies or local-versus-expatriate workforce share. Likewise, no robust public estimate was found for aggregate annual revenue or tax contributions of EU companies in Malaysia. Those figures should therefore be treated as currently unavailable in the public domain rather than guessed.

For Brussels-facing reporting, the cleaner position is to state that the EU corporate footprint is demonstrably large in company count, FDI stock, and trade value, while recommending that EUROCHAM generate a chamber-based survey to produce a stronger employment, payroll, tax, and revenue evidence base for future editions.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

US trade policy has become a material risk variable for Malaysia. During 2025, proposed or announced US tariff actions increased uncertainty for Malaysian exporters, including in semiconductors and electronics. IMF messaging for the 2026 Article IV explicitly identifies higher US tariffs as a reason Malaysia's growth is expected to slow in 2026. While it remains a risk factor, both the World Bank and BNM have maintained an increased GDP growth outlook for 2026.

For European firms in Malaysia, the exposure is indirect but real: many operate inside globally integrated supply chains where US tariffs can change sourcing logic, customer demand, and margin structures even if the European parent company is not the direct exporter to the US.

At the same time, tariff volatility can create diversion opportunities. When firms reduce direct China exposure or seek alternate ASEAN production nodes, Malaysia can benefit as an intermediate platform, especially in semiconductors, E&E, precision engineering, and industrial services. The strategic implication for EU business is that Malaysia is both a risk-transmission channel and a resilience platform. Companies already present are better positioned to capture the upside than firms waiting for full certainty.

It is also worth noting that the Agreement on Reciprocal Trade (ART) between US and Malaysia is not in force, so it should not be treated as an operative stabilising framework in the current outlook.

Geopolitical Tensions – Country Exposure

Malaysia's geopolitical profile is one of pragmatic non-alignment within ASEAN. That is commercially useful. In an era of US–China rivalry, European companies increasingly value locations that can trade with multiple blocs while avoiding overt alignment costs. Malaysia fits that profile reasonably well. Its challenge is not geopolitical isolation, but external demand sensitivity: it is deeply exposed to shocks transmitted through trade, electronics, shipping, and commodity-linked channels.

For EU investors, Malaysia's neutrality is a comparative strength, but not a full shield. Roughly one-third of EU maritime trade in goods passes through the South China Sea, and broader Indo-Pacific tensions therefore matter directly to European commercial interests.

Malaysia's role as a stable ASEAN manufacturing and logistics node becomes more strategically relevant under these conditions, provided that the business environment remains predictable and customs, ports, and industrial-park infrastructure continue to improve.

ESG Trends

ESG is no longer peripheral in Malaysia; it is increasingly becoming a market-access discipline. National policy now links industrial upgrading to net-zero objectives, circularity, and green-investment mobilisation.

NIMP 2030, the Green Investment Strategy, and related initiatives are moving the policy conversation from voluntary ESG branding toward operational decarbonisation, industrial efficiency, and reporting discipline.

This is broadly positive for European companies because it rewards firms with established sustainability systems and creates demand for EU technologies in energy efficiency, emissions monitoring, circular materials, and traceability.

The pressure side is equally clear. CBAM is now live in its definitive phase, and EUDR compliance is approaching. Malaysia has already been identified in EU materials as a country where traceability and certification schemes are developing in response to EUDR, notably in palm oil and rubber. This means the next 12–24 months will be a transition window in which firms that invest early in data, certification, and supplier mapping should gain advantage.

Supply Chain Redistribution/Resilience

Malaysia is well-positioned to benefit from "China+1" and broader resilience-led supply-chain redesign. Its strongest case is in semiconductors, E&E, precision manufacturing, industrial automation, medtech, and selected aerospace segments. The relaunch of semiconductor strategy, continued FDI into digital and manufacturing platforms, and high approved-investment levels in both 2024 and 2025 all point in the same direction: Malaysia is not merely defending existing supply-chain roles; it is trying to move up the value chain.

Infrastructure readiness is reasonably strong but uneven. Malaysia has credible ports, industrial parks, and established production ecosystems, yet the competitive game has shifted toward speed of approval, energy availability, skilled talent, and ecosystem depth around suppliers and services.

For EU firms, that means Malaysia remains attractive as a regional manufacturing and distribution hub, but success depends increasingly on site selection, state-level execution, and access to technical labour rather than on headline national incentives alone.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Malaysia's response to global disruption is increasingly strategic rather than reactive. The policy mix combines macro stabilisation with sector-specific industrial activism: subsidy rationalisation and fiscal reform on one side; NIMP 2030, the National Semiconductor Strategy, Malaysia Digital, the Green Investment Strategy, and a new incentive framework on the other. The logic is to preserve stability while steering capital into higher-productivity, higher-technology, and greener activities. For EU business, this is the right direction of travel. The issue is execution discipline, not policy intent.

Investment promotion strategy has also become more targeted. Approved investments rose from RM378.5 billion in 2024 to RM426.7 billion in 2025, while foreign investment in 1H 2025 accounted for 56.1% of approved inflows. These numbers suggest that Malaysia is still winning regional investment decisions despite global uncertainty.

For European companies, the signal is straightforward: Malaysia remains investible at scale, particularly where projects align with national strategic sectors and measurable policy outcomes.

Trade diversification is central to resilience. Malaysia is deeply integrated with ASEAN, RCEP, CPTPP, and multiple bilateral and regional FTAs, and it is now re-engaging the EU on a bilateral FTA track. The commercial implication is that Malaysia is positioning itself as a multi-vector economy rather than a single-market-dependent exporter. That aligns well with European supply-chain strategy, which increasingly values redundancy, optionality, and jurisdictional balance.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Growing global trade instability is likely to raise costs and complexity for European companies in Malaysia before it produces any full-scale reconfiguration benefit. Protectionism, sanctions regimes, and industrial-policy competition outside the EU are pushing firms to redesign sourcing, compliance, and customer strategies simultaneously. In the Malaysian context, that most directly affects export manufacturers and firms linked to semiconductor, electronics, machinery, and industrial intermediate trade.

Concrete examples are already visible. US tariff actions and investigations linked to semiconductors have created uncertainty around Malaysian chip exports and around the broader economics of Malaysia's electronics value chain. This matters to European firms because many operate inside those same ecosystems as equipment suppliers, industrial-service providers, automation partners, or multinational manufacturers with Malaysian production assets.

Over the next 12–24 months, the base case is for EU–Malaysia trade to remain resilient, with upside if FTA negotiations progress credibly and downside if global tariff escalation intensifies. The underlying bilateral relationship is strong enough to absorb moderate volatility: goods trade reached €46.4 billion in 2024, investment stocks remain meaningful, and the political relationship is now improving rather than drifting. The key swing factor is whether policy frameworks can reduce friction faster than geopolitical shocks increase it.

European businesses in Malaysia are adapting through supply-chain diversification, more structured risk planning, supplier-traceability efforts, energy-transition investments, and greater attention to tariff and sanctions exposure.

The strategic winners are likely to be firms that treat Malaysia not as a simple sales outpost, but as a regional operations platform connected to ASEAN, Northeast Asia, and the EU simultaneously.

Key strategic takeaways for EU policymakers

1. Malaysia is one of the EU's more strategically relevant ASEAN partners: sizeable trade, meaningful FDI stock, and a diversified industrial base, but still without the market-access architecture that the EU already has with Singapore and Viet Nam.
2. The resumption of EU–Malaysia FTA negotiations in 2025 is commercially significant and should be treated as a strategic file, not a routine trade dossier. It sits at the intersection of economic security, ASEAN diversification, and EU industrial resilience.
3. Malaysia is becoming more relevant as a resilient supply-chain and semiconductor platform, but talent, approvals, procurement access, and regulatory predictability still constrain full upside capture.
4. EU green and due diligence regulation is reshaping the bilateral relationship. CBAM and EUDR are not only compliance measures; they are also tools that can anchor deeper technical and investment cooperation with Malaysia.
5. A stronger EU commercial footprint in Malaysia will depend less on headline diplomacy and more on practical delivery: procurement access, services liberalisation, customs predictability, digital trade rules, and structured support for standards alignment.

Priority advocacy areas for EUROCHAM Malaysia

1. Push for faster, more transparent regulatory approvals and a more consistent single-window approach for investors, especially in services, expatriate approvals, and strategic projects.
2. Prioritise FTA-related advocacy on procurement access, services market entry, digital trade, customs facilitation, and non-tariff barrier reduction.
3. Position EUROCHAM as the bridge between EU sustainability rules and Malaysian implementation capacity, especially on CBAM readiness, EUDR traceability, carbon accounting, and supplier due diligence.
4. Advocate strongly on talent: technical skills, faster specialist mobility, and industry-linked workforce development in semiconductors, advanced manufacturing, digital, healthcare, and aerospace.
5. Strengthen sector-based advocacy through EUROCHAM's working groups, especially automotive, wines and spirits, healthcare, logistics and transportation, digital and cybersecurity, and other priority sectors where European firms face concrete regulatory and market-access issues.
6. Develop a chamber-led evidence base on the employment, investment, supply-chain footprint, and compliance readiness of European Union firms in Malaysia, given the continued gaps in public aggregate data.

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FUTURE (ECONOMIC) OUTLOOK

Myanmar's economic outlook remains largely unchanged, with 70% of survey respondents from EuroCham Myanmar's February 2026 Business Confidence Survey reporting their business situation is unchanged as of February 2026. While 23% are cautiously optimistic about improvement in the next six months, 13% anticipate worsening conditions. The post-2025-2026 election period adds uncertainty, with 51% of respondents saying it is too early to predict the election's impact on business. Most companies (67%) plan to continue operating at the same level, with only 13% planning to expand operations. Respondents identified clear and consistent government policies (72%), banking and financial service improvements (53%), and enhanced security measures (49%) as the critical factors needed to restore business confidence.

BUSINESS / INVESTMENT ENVIRONMENT

Myanmar's business environment remains challenging for European companies, with 92% continuing operations despite widespread disruptions. The garment and textiles, logistics, and consumer goods sectors are the most active European-linked industries. Regulatory unpredictability, banking restrictions, talent shortages, and logistics disruptions are the primary barriers to growth. Sectors such as health and pharmaceuticals, and hotel and tourism reported stable conditions, while consumer goods and logistics face more uncertain outlooks. With the 2025 general election completed, the government's policy direction remains largely unchanged, limiting meaningful opportunities for European investment expansion in the near term.

POLITICAL AND ECONOMIC CHALLENGES

Since the February 2021 military takeover, Myanmar's political environment has impacted European business operations. From EuroCham Myanmar's 19th Edition of Business Confidence Survey conducted in February 2026, regulatory unpredictability affects 55% of respondents, while 41% cite risks related to international sanctions or the removal of the EU's Everything But Arms (EBA) trade preference as key factors in operational decisions. The 2025-2026 general election adds further uncertainty, with 51% of respondents stating it is too early to predict its business impact and only 19% viewing it as a net positive. Safety and security concerns affect 38% of businesses, with staff security a growing operational risk. Reputational risks linked to operating in Myanmar remain a concern for 28% of respondents, with pressure from European headquarters intensifying.

OTHER REGULATORY AND LEGAL CHALLENGES

Import license restrictions allowing only one application per product per month create significant procurement bottlenecks. Informal payment requests and inconsistencies in official procedures have increased, complicating compliance for European firms. Banking and foreign exchange challenges include limited cash withdrawals, difficulties obtaining Foreign Exchange Supervisory Committee's payment approvals for outbound remittance, and cross-border transaction restrictions. Logistics challenges stem from border closures with Thailand and China and rising costs due to longer sea and land detour routes. Digital connectivity issues, including slow internet speeds and VPN disruptions, are increasingly impeding daily business operations, reporting, and communication.

INTEGRATION WITH EU POLICIES

European businesses in Myanmar have an opportunity to demonstrate leadership in responsible sourcing by aligning with the EU Forced Labour Regulation (EUFLR), The EUFLR encourages investment in fair labour practices and traceability systems, which can enhance brand reputation and market access for compliant businesses — particularly in the garment and textiles sector. Companies that proactively build due diligence capabilities in Myanmar position themselves competitively as EU supply chain standards tighten globally, differentiating themselves from non-EU competitors. EuroCham Myanmar's advocacy role is instrumental in supporting members to navigate these frameworks, helping European businesses in Myanmar turn compliance into a strategic advantage rather than a barrier. In addition, EuroCham Myanmar is working with local stakeholders including trade union federation and employers' associations to ensure expected standards under this regulation are to be upheld.

EU-MYANMAR ECONOMIC RELATIONS

Investment and Trade

Myanmar does not have a bilateral Free Trade Agreement with the EU and benefits from the Generalised Scheme of Preferences (GSP), including EBA status, which grants duty-free market access to the EU.

EU is the fourth largest trading partner with Myanmar, accounting for over 11-12% of total trade by Myanmar. EU is the single largest source of destination for garment and apparel exports from Myanmar, at 64% of such exports. There is no updated figure regarding EU's investment in Myanmar, but is estimated to be less than 6%.

EUROPEAN BUSINESS PRESENCE

A small portion of members from EuroCham Myanmar ceased operations in Myanmar since the pandemic, with an estimated percentage not higher than 28%. The largest European companies present in Myanmar are in logistics and consumer goods, with garments the largest sourcing sector. Financial Action Task Force (FATF)'s classification of Myanmar and Myanmar's authority to impose continuous import license restrictions are two market entry barriers, in terms of difficulties in cross-country transactions and importation of raw materials and finished products for operations, respectively.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Though Myanmar was hit with the highest traffic percentage at 40%, the impact was limited as the total % of exports from Myanmar to the US is not more than 4%.

Geopolitical Tensions – Country Exposure

Myanmar occupies a strategically significant position between the world's two most populous nations — China and India — and serves as a critical ocean outlet for China's landlocked southwestern provinces, placing it at the centre of ongoing geopolitical consideration. Since the 2021 military takeover, Myanmar has deepened ties with China, Russia, and India, creating a degree of diplomatic distance from Western nations and adding complexity to the operating environment for European businesses. Despite this geopolitical realignment, the fundamental economic challenges facing all businesses in Myanmar — regulatory unpredictability, banking and foreign exchange restrictions, logistics disruptions, and talent shortages — remain the dominant day-to-day concerns regardless of a company's national origin. Nevertheless, Myanmar's enduring strategic geography and natural resources, especially on critical raw materials, mean that the country retains long-term economic relevance, and European businesses that maintain a responsible presence today may be well-positioned to benefit when conditions stabilise.

ESG Trends

Heightened Human Rights Due Diligence is a must for all members of EuroCham Myanmar in light of the political crisis and the recent ILO's Article 33 Resolution. EuroCham Myanmar's been supporting members with business advisory and hosting regular sessions such as legal and banking discussion and meetings with stakeholders such as trade union federation and local employer associations. EuroCham Myanmar also launched possibly the world's first Cross-Internship and Human Resources Development Programme, to support members with skilled labour shortages, as well as supporting underprivileged youth with placements in lieu of formal education.

Supply Chain Redistribution/Resilience

Because of the Middle Eastern conflict since the end of February, for the month of March, domestic fuel prices in Myanmar were increased by up to 84% - 114%, marking one of the largest hikes around the world. Accordingly, the inflation has been rising up to 20% alone from the month of March. However, Myanmar maintains up to 60 days of fuel reserve, according to official information. EuroCham Myanmar already hosted two sessions on fuel situation and logistics, led by members of Logistics Advocacy Group. The first session focused on sea trade/container transportation, and the second one focused on domestic trucking and border trade. With fuel prices hiking and import license restrictions, businesses are looking inwards for the possibility of sourcing raw materials and developing supply chains locally.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Strict control of foreign currency expenditure is the majority constraint leading to import license restrictions and hampering optimal growth currently. The new government inaugurated in April, maintains and intensifies the support of MSMEs and the development of agro-based industries. On the other hand, the export-first policy is also continued to balance the trade, though continued border closure with Thailand as of the end of April is also drawing back for efficient export.

Myanmar allows Chinese investment to be made in Myanmar in Chinese Yuan. Accordingly, Myanmar-China Investment and Trade Promotion Association aims to attract about US$500 billion in foreign investment from China to Myanmar (tend-folds increase) and to increase China-Myanmar trade volume to approximately US$100 billion (eight-folds increase) between 2026 and 2030. If these investments are to be achieved at least to some extent, there may be some relaxations for imports in Chinese yuan, which may also benefit European importers.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

The US tariffs had a minimal impact on Myanmar due to low trade relations with the US, especially exports to US. The import license restriction in Myanmar and banking challenges are consistently two key challenges for European businesses operating in Myanmar, as it results in higher costs of doing business as well as lower revenues.

Bilateral Trade Projections (2026–2027)

Trade between EU and Myanmar, especially exports from Myanmar in textiles and rice, will steadily grow in the next 12-24 months, pending the global factors such as the global economy and fuel situation.

Adaptation to Weakening Global Rules

EuroCham Myanmar actively monitors the evolving business landscape and provides timely, fact-checked intelligence to its members through regular thematic briefings covering logistics, legal, banking, and security developments. By synthesising complex, fast-moving information into clear and actionable insights, EuroCham Myanmar equips European businesses with the tools they need to make informed decisions on risk management and operational planning. Through sustained stakeholder engagement and advocacy, EuroCham Myanmar ensures that the collective voice of the European business community is heard at the policy and implementing levels, helping members navigate an exceptionally challenging environment with confidence.

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PHILIPPINES

FUTURE (ECONOMIC) OUTLOOK

The Philippine economy in 2026 is shaped by the policies that steer growth in a world of shifting conditions. After years of recovery from the pandemic, the focus has shifted toward keeping expansion steady while strengthening the country's ability to withstand external shocks. Within Southeast Asia, the Philippines remains among the fastest-growing economies.

The government expects the economy to expand by 4.4% in 2026 and 5.9% in 2027, supported by public investment and household demand, while taking into consideration the fast-changing and uncertain environment resulting from the conflict in the Middle East. For Inflation, due to said recent developments, it is now projected to breach the 4-percent ceiling in 2026 before easing back within target by 2027. The Philippine Peso (PHP), which was previously assumed to trade in 2026 between PHP 56.00 and PHP 58.00 per US Dollar (USD), depreciated over the last few months since the start of the war in the Middle East and the forced closure of the Strait of Hormuz to a historic low of 61.71 per USD at the end of April 2026. The Monetary Board of the Bangko Sentral ng Pilipinas (BSP) raised the benchmark rate by 25 basis points in April 2026 to 4.505 to address rising inflation.

On the trade front, goods exports are expected to grow by 2.0%, while imports are forecast to increase by 4.0%, consistent with the expansion in infrastructure and consumption.

BUSINESS / INVESTMENT ENVIRONMENT

The Philippines, through the Board of Investments (BOI), formulates a Strategic Investment Priority Plan (SIPP) aimed at developing globally competitive industries, generating high-skilled jobs, strengthening micro, small, and medium enterprises, improving produced goods and services, and ultimately addressing socioeconomic issues.

Several fiscal or non-fiscal incentives are available to registered business enterprises (RBEs) engaged in projects or activities included in the SIPP. For one, RBEs may opt to avail of Income Tax Holiday (ITH), followed by the Special Corporate Income Tax (SCIT) or Enhanced Deductions Regime (EDR), or SCIT or EDR immediately at the start of commercial operations.

There is also the Executive Order 18 s 2023, otherwise known as "Constituting Green Lanes for Strategic Investments" (EO 18), a government-wide response to enhance the Ease of Doing Business by mandating the creation of Green Lane units in all government offices that will expedite, streamline, and automate government processes for Strategic Investments. It complements the landmark economic reforms such as the Investors' Lease Act which extends the maximum lease period for private lands to 99 years, giving non-Filipinos an option to secure land for investments, Amended Foreign Investments Act, Amended Retail Trade Liberalisation Act, Amended Public Service Act, Amended Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, and relaxed foreign equity participation in renewable energy sector.

The Philippines' investment climate has received notable validation from recent international rankings, signaling that these reforms are beginning to yield tangible recognition. In the World Bank's 2025 Business-Ready (B-Ready) report, the Philippines ranked 53rd out of 101 economies, placing it at the midpoint of a wider comparison set that now includes more advanced economies . The country demonstrated particular strength in the regulatory framework pillar, scoring 73.86 and ranking 26th out of 101 economies, a marked improvement from the previous report's 70.68.

POLITICAL AND ECONOMIC CHALLENGES

Export growth is likely to remain subdued amid weaker global demand and new US tariffs. The BPO sector, traditionally a strong contributor to services exports, faces potential challenges as US clients adjust to tariff-related slowdowns and as automation pressures continue to rise. Remittances, while resilient, could also be affected by the planned 1% excise tax on US-based cash transfers starting in 2026, which may weigh on household incomes and consumption in the medium term.

Consequently, the economy's heavy dependence on services and remittances has struggled to build a competitive manufacturing sector, inadvertently making it difficult for the country to attract diversified, high-value industrial investments from international firms. EU's foreign direct investment (FDI) stock in the Philippines, in particular, stood at a modest share of €14.2 billion in 2023, just around 4 percent of total EU FDI in ASEAN.

The economic outlook has been further complicated by a confluence of global supply shocks that began intensifying in early 2026. Following the escalation of the Middle East conflict in February, the Philippine government declared a State of National Energy Emergency in March 2026.

The situation has led to sharp increases in transport fares, food prices, and power generation expenses, with diesel and gasoline prices more than doubling since the conflict began. The agriculture sector is facing severe pressure, as the Department of Agriculture projects that in a worst-case scenario lasting 180 days with oil prices reaching $200 per barrel, retail prices for food items such as chicken and well-milled rice could surge. Fertiliser costs have already spiked, though alternatives such as using local biofertilisers are being considered to lower the cost.

OTHER REGULATORY AND LEGAL CHALLENGES

The most common regulatory hurdle European businesses have to face is the Foreign Investment Negative List (FINL) of the Foreign Investments Act of 1991 (FIA). This particular portion of the legislation reserves certain economic activities for Filipino citizens or caps foreign equity participation.

Foreign Equity is completely prohibited in areas like mass media (except recording and internet business), the practice of licensed professions, and utilisation of marine resources in archipelagic waters, territorial sea and exclusive economic zone, as well as small-scale utilisation of natural resources in rivers, lakes, bays and lagoons.

There are also partially restricted sectors, such as the Contracts for the construction of defence-related structures (Up to 25% foreign equity), Advertising (30% foreign equity), and Procurement of infrastructure projects (40% foreign equity).

Beyond sectoral caps, the way a business is structured and capitalised is regulated. A foreign-owned domestic market enterprise (more than 40% foreign-owned) generally requires a paid-up capital of USD 200,000. Foreign retail enterprises must have a minimum paid-up capital of PHP 25 million.

INTEGRATION WITH EU POLICIES

The Philippines has undertaken significant policy alignment efforts to integrate with EU standards, particularly through the EUGSP+, where the Philippines actively maintains compliance with 27 international conventions covering human rights, labour rights, good governance, environmental protection, and climate. The Philippine government participates in regular EU monitoring missions, involving exchanges with civil society, trade unions, and comprehensive stocktaking meetings. This compliance mechanism ensures Philippine policies remain aligned with EU norms on the rule of law, anti-corruption, and labour relations.

In addition to this, the Philippines has also launched concrete collaborative programs aligned with EU sustainability policies through the EU-Green Economy Programme in the Philippines. This program fosters circular economy development, waste reduction, carbon emission reduction, and green job creation, directly aligning Philippine industrial policy with EU Green Deal objectives.

EU-PHILIPPINES ECONOMIC RELATIONS

Investment and Trade

The European Union continues to be a vital economic partner for the Philippines. As of 2024, the EU held its place as the Philippines' fourth-largest trading partner for goods, accounting for approximately 7% of its total trade.

The following agreements are one of the major factors that play a vital role in enhancing market and trade relations between the Philippines and Europe:

European Free Trade Association Philippines Free Trade Agreement

The European Free Trade Association, or EFTA, is an intergovernmental organisation established to promote free trade for its four member states: Iceland, Liechtenstein, Norway, and Switzerland. In terms of market access, the Agreement, which was signed in 2016, established significant tariff concessions. The Philippines committed to eliminating most tariffs for EFTA exporters within a 7-year period. In turn, the EFTA countries eliminated 99.9% of their duties on industrial products from the Philippines.

Additionally, the FTA features flexible rules of origin, allowing Philippine exporters of goods like processed meat, fish, and garments to claim preferential tariffs. The agreement also facilitates entry for Philippine service providers, with EFTA members allowing cross-border service supply and temporary movement of skilled professionals, including engineers and architects.

Regarding overall trade volume, the total exchange reached €690 million in 2024. This consisted of €290 million in total imports and €400 million in total exports. These reflect a steady growth trend, with imports showing an average growth rate of 5% over the last five years, while exports grew at an average of 6.5% annually.

European Union GSP+

The European Union's Generalised Scheme of Preferences Plus (GSP+) is a special trade arrangement that grants vulnerable, developing countries duty-free access to the EU market.

In return, beneficiaries must commit to implementing 27 international conventions concerning human rights, and labour rights. The Philippines is a beneficiary of this scheme, which allows over 6,200 product lines to enter the EU with zero tariffs. This preferential access is particularly advantageous for key Philippine industries such as agriculture, textiles and garments, and electronics manufacturing.

The total value of all EU imports from the Philippines reached €8.8 billion in 2023 and €9.1 billion in 2024, making the Philippines the largest source of imports among all GSP+ countries.

EU-Philippines Free Trade Agreement (ongoing)
After a hiatus, the EU and the Philippines agreed to resume negotiations in March 2024. Five rounds of Free Trade Agreement (FTA) negotiations have taken place in Brussels and Manila, with the sixth taking place in May 2026 in Manila.

The EU aims for a comprehensive and modern FTA with the Philippines that includes: Ambitious market access for goods, services, investment and government procurement; the removal of obstacles to digital trade and trade in energy and raw materials, thereby supporting the digital and green transitions; the protection of intellectual property rights including Geographical Indications (GIs), and; robust and enforceable disciplines on trade and sustainable development (TSD).

Both sides are aiming to conclude a comprehensive agreement within 2026.

EUROPEAN BUSINESS PRESENCE

The Philippines is increasingly central to European companies' global strategies. Over the past year, European companies in the Philippines reported improved performance, achieving higher profitability than in other regional markets, and majority of which plan to expand operations over the next four years, reflecting strong confidence in the country's market potential despite ongoing operational and regulatory challenges.
European businesses note broad improvements across the Philippine market, with the strongest gains seen in its role as a sales market and overall business environment. Meanwhile, these companies are prioritising operational efficiency, workforce development, digitalisation, and strategic partnerships, with plans to increase local collaborations.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Under the recent implementation of the US government's reciprocal tariff framework, Philippine exports to the US are subject to a 19% tariff rate, while US imports to the Philippines enter at a 0% tariff. This created significant challenges for local exporters, reducing competitiveness in the US market. Compounding this concern is the proposal to impose a 100% tariff on semiconductor exports and foreign-made chips. Given that semiconductors represent one of the Philippines' top export products, such a measure would have severe and potentially devastating consequences for the industry, affecting not only trade volumes but also jobs, supply chains, and investor confidence.

A bilateral trade agreement between the US and the Philippines may be possible in the next 3-5 years, but it will likely come in the form of smaller, targeted deals rather than a comprehensive FTA. Essentially, this means that at the very least, the US-PH trade relationship will likely become stagnant or focus primarily on key industries that are exempt from these tariffs.

The situation presents both risks and opportunities for the Philippines. On one hand, heightened barriers may constrain market access; on the other, it may accelerate efforts to diversify export markets, strengthen regional trade ties, and attract investments that enhance domestic value-added production. There is a significant opportunity and growth in the EU-Philippines trade relationship, given the soon-to-be-concluded negotiations of the EU/PH Free Trade Agreement.

Geopolitical Tensions – Country Exposure

In terms of business confidence, based on the 2025 ECCP Business Sentiment Survey, companies have identified geopolitical instability as a significant issue to investment and business activities. Not to mention the US's protectionist trade policies and tariffs, which create an uncertain environment.

It is important to note, however, that even amidst these challenges and geopolitical tensions, the Philippine banking sector has remained resilient. Banks also kept strong buffers, with a capital adequacy ratio of 16.4% and a liquidity coverage ratio of 185.8%—both comfortably above regulatory minimums. These figures highlight the industry's capacity to withstand shocks and its steady role in supporting the Philippine economy.

ESG Trends

The ESG landscape in the Philippines is undergoing a significant transformation driven by a major regulatory shift toward mandatory, globally-aligned sustainability reporting. The Securities and Exchange Commission has adopted the Philippine Financial Reporting Standards on Sustainability Disclosures, which is based on the IFRS Foundation's International Sustainability Standards Board framework.

The new standards will form the basis of new mandatory sustainability and climate-related reporting requirements being implemented by the Commission for large and listed companies over the next few years, with reporting for large public listed companies beginning in 2026.

Beyond regulatory compliance, various sustainability initiatives are emerging, driven by both the public and private sectors. Particularly with the government, the Department of Trade and Industry (DTI), with support from the World Bank, is developing the SME COMPETE+ Project . This five-year initiative aims to help small and medium-sized enterprises (SMEs) access export markets by integrating them into sustainable value chains.

Supply Chain Redistribution/Resilience

The Luzon Economic Corridor (LEC) is emerging as a central pillar in the Philippines' strategy to reshape its supply chains. Launched in 2024 as a trilateral initiative between the Philippines, the US, and Japan, the LEC is a coordinated effort to drive infrastructure development and enhance connectivity between key economic hubs in the country: Central Luzon (Subic Bay & Clark), Manila, and Batangas. It focuses on coordinated investments in high-impact infrastructure projects, such as advanced rail systems to improve regional connectivity and port modernisation to streamline maritime trade. The initiative is designed to address logistical bottlenecks that hinder economic efficiency and strengthen interconnectivity between regions.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

The Philippines faces a complex array of challenges in maintaining economic stability amid global uncertainty, but the government is actively pursuing a multi-pronged strategy to diversify trade partners and create a more resilient investment climate. This strategy is anchored by the following government policies:

CREATE MORE Act (RA 12066)
This act improves the fiscal environment for investors, directly addressing high operating costs. It extends the maximum Income Tax Holiday for high-priority projects (6 to 8 years for High Priority Projects, 7 to 10 years for Innovation & High Tech). It offers powerful cost-reduction measures as it reduces the Corporate Income Tax (CIT) rate for registered businesses under the Enhanced Deduction Regime from 25% to 20%. Moreover, the act halves the processing time for tax refunds to just 90 days, improving cash flow for businesses.

New PPP Code (RA 11966)
This new legal framework creates a reliable system for private sector participation in infrastructure and helps push critical infrastructure projects forward. The law establishes a unified and predictable legal framework for PPPs, creating an environment of stability and confidence for both public and private partners. By streamlining guidelines and procedures, it enhances transparency, accountability, and efficiency in project development and procurement, thereby accelerating infrastructure delivery. Importantly, the PPP Code not only strengthens private sector participation but also enables the government to allocate scarce public resources to other priority sectors, amplifying the overall impact of infrastructure investments on national development.

Investors' Lease Act (RA 12252)
This amendment directly addresses a long-standing concern for foreign investors: land tenure security. It extends the maximum lease period for private lands from 75 years to an aggregate of 99 years, giving non-Filipinos an option to secure land for investments. The law's implementing rules require lease contracts to be annotated on the land title, providing an essential layer of legal protection and making the lease binding on third parties.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

As mentioned, with the advent of US' tariffs, it introduces new barriers that constrain market access. However, this has also encouraged efforts to diversify export markets and work on the opportunity to harness the growth in the EU-Philippines trade relationship, prominently manifested by the recent developments of the Free Trade Agreement negotiations. Both sides are aiming to conclude a comprehensive agreement by 2026. As such, despite surrounding global tension and trade uncertainty, trade relationships with the EU continue to flourish.

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SINGAPORE

ECONOMIC OVERVIEW OUTLOOK

Singapore's GDP growth forecast for 2026 stands at 2.0 to 4.0%, as per the Ministry of Trade and Industry (MTI) announcement in early February 2026 (upgraded from 1.0 to 3.0%). This outlook predates recent geopolitical developments in the Middle East, which will likely dampen growth. Overall, the Singapore economy expanded by 5.0% in 2025, slightly below the 5.3% growth in 2024 (Ministry of Trade and Industry, 2026b). Manufacturing, wholesale trade, and finance and insurance were the key industries driving last year's growth. Singapore's year-on-year GDP grew by 4.6% in Q1 2026, while quarter-on-quarter GDP contracted by 0.3% (The Business Times, 2026a).

For 2025, core inflation (excluding accommodation and private transport) and headline inflation were 0.7% and 0.9% respectively, considerably down from 2024 (2.8% and 2.4% respectively). The Monetary Authority of Singapore (MAS) forecasts core and headline inflation at 1.5 to 2.5% in 2026, amid heightened geopolitical risks.

For European companies operating in Singapore, this reflects a broadly stable macroeconomic environment, albeit with increasing exposure to external volatility.

Minister of Foreign Affairs Vivian Balakrishnan described the closure of the Strait of Hormuz as an 'Asian crisis' (Reuters, 2026). Given that Singapore is not an energy-producing country and therefore relies on imports for about 95% of energy needs, Singapore is vulnerable to trade disruptions (CNA, 2026). Minister Tan See Leng underscores that safeguarding energy supplies is one of Singapore's four lines of defence (The Straits Times, 2026b).

Additionally, Deputy Prime Minister Gan Kim Yong highlights the continued relevance of tariffs, both those directly impacting Singapore and the broader global tariff environment (The Straits Times, 2026c).

In response to domestic market impacts, the government closely monitors the developments to address prolonged risks from increased global energy prices. In early April, Singapore announced a S$1 billion support package to alleviate the rising energy prices. Business support includes increased corporate income tax rebates for 2026 and enhancements to the Energy Efficiency Grant (The Business Times, 2026c).

EUROPEAN BUSINESS PRESENCE

Singapore is home to more than 14,000 European companies, many of which have established their regional headquarters and logistics hubs in Singapore, underscoring its role as a key operational and supply-chain hub.

Recent investments by European firms across sectors such as semiconductors, aerospace, and biopharmaceuticals further reinforce this position. For instance, STMicroelectronics's manufacturing and office buildings are home to Singapore's largest industrial district cooling system, which is now fully operational, which helps improve energy efficiency, reduce carbon emissions, and lower operational costs. Second, Safran has recently unveiled a new facility focused on the production and maintenance of advanced aerospace electrical systems. Finally, Sanofi's new Modulus facility in Singapore, set to be fully operational by mid-2026, focuses on digitalised vaccine manufacturing to enhance responsiveness during pandemics and better serve the Asian market.

Domestic Drivers

Singapore's economy is largely driven by the services industry (71.9%), with wholesale trade (19.7%), finance and insurance (14.0%), and transportation and storage (8.1%) as the largest contributors; however, heightened global uncertainty could dampen foreign investment and trade volumes, potentially weighing on growth despite these structural strengths (MTI, 2026a).

In 2026, growth is projected in financial services as well as in health and social services. Additional expansion is also expected across sectors such as technology, the green economy, semiconductors, advanced manufacturing, logistics, and AI-driven services.

National Economic Strategies

As part of Singapore's national strategy, Singapore's Economic Strategy Review (ESR) was launched in August 2025 to focus on growth and job creation amid a more uncertain global environment. ESR focuses on increasing competitiveness, accelerating technology and AI adoption, deepening the innovation and entrepreneurship ecosystem, and emphasising workforce adaptability (Government of Singapore, 2026). The aim of this government initiative is to secure a sustained 2-3% economic growth over the next decade.

Potential Risks

Singapore, as a highly trade-dependent economy and major global shipping hub, could face amplified risks from ongoing geopolitical tensions, particularly the prolonged disruptions in the Middle East. These conflicts drive volatility in fuel prices, disrupt supply chains, and inflate shipping costs.

BUSINESS / INVESTMENT ENVIRONMENT

AI, Security and Digital Economy

Singapore is also stepping up its focus on AI security and digital-economy resilience as part of its broader strategy to strengthen economic competitiveness and maintain its position as a trusted business hub. The new national AI Council provides strategic direction across four priority sectors—advanced manufacturing, connectivity, finance, and healthcare—supported by S$1 billion in funding through the National AI Research and Development (NAIRDS) Plan until 2030, with strong emphasis on AI security, applied AI, and talent development (MDDI, 2026).

Defence spending remains at around 3% of GDP, with flexibility to increase expenditure if geopolitical tensions escalate.

Defence spending stays at around 3% of GDP, with flexibility to increase security expenditure if geopolitical tensions escalate. At the same time, Singapore has formally launched its National Space Agency of Singapore (NSAS) in April 2026, positioning the country as a strategic player in the global space economy by focusing on satellite data, aerospace, and related high-tech sectors.

Cybersecurity is also being strengthened in response to increases in cyberattacks. In response, Singapore continues to invest in improving cybersecurity capabilities and improving cross-agency coordination to safeguard digital systems.

Singapore continues to focus on the digital economy and continues to invest in digital trade agreements. The EU-Singapore Digital Trade Agreement (EUSDTA), signed in May 2025, entered into force on February 1, 2026. EUSDTA is Singapore's largest digital trade agreement and establishes rules for cross-border data flows, e-payments and signatures, paperless trading, cybersecurity, and consumer and data protection.

In addition, Singapore is also part of ASEAN's Digital Economy Framework Agreement (DEFA), which is currently on the agenda for Philippines' ASEAN Chairmanship in 2026, and set to be signed in late 2026 following more than two years of dialogue and 14 rounds of negotiations. DEFA aims to harmonise digital rules across ASEAN's markets, enabling trusted data flows, paperless trading, cybersecurity standards, and digital payments. The agreement is initiated to accelerate the growth of the ASEAN digital economy from US$1 to US$2 trillion by 2030. Singapore's ASEAN 2027 Chairmanship is expected to focus on aspects such as growth of the digital economy, connectivity, and further regional integration.

Innovation

Singapore maintains a strong position in innovation, ranking 5th in the World Intellectual Property Organization (WIPO)'s latest Global Innovation Index and 1st in innovation inputs (Dutta & Lanvin, 2025).

This aligns with public R&D expenditure from the government and Singapore's commitment to research and innovation. Singapore has committed to invest S$37 billion (~ US$ 29 billion), or roughly 1% of GDP, over a five-year period from April 2026 as part of its Research, Innovation and Enterprise (RIE) 2030 plan.

European businesses are generally well-positioned to contribute to and benefit from Singapore's innovation agenda, particularly in high-value and technology-intensive sectors.

The first flagship area of investment is the semiconductor industry, which is already a key part of Singapore's business ecosystem. Under RIE2030, efforts will focus on advancing areas such as advanced packaging, heterogeneous integration, and silicon photonics. Singapore's goal is to strengthen its position as an important R&D and manufacturing node in the global supply chain. The second flagship area is yet to be announced.

Besides flagship investment areas, Singapore also invests in grand challenges. The first challenge is healthcare and longevity. With a rapidly ageing population, healthcare requires a shift to more preventive healthcare and long-term care. RIE2030 aims to increase healthy lifespan by advancing research focused on longevity, especially in brain and physical health. With their expertise, European businesses are well-positioned to contribute to and benefit from Singapore's innovation agenda.

Green Economy

Singapore implemented a carbon tax in 2019 as the first Southeast Asian nation, initially priced at S$5 per tonne of CO2 emissions. This has increased to S$45 per tonne for 2026 and 2027, with a planned rise to between S$50 and S$80 by 2030 (NCCS, 2026).

Simultaneously, the European Union's Carbon Border Adjustment Mechanism (CBAM), which entered into force on January 1st, 2026, imposes carbon-related charges on imports of cement, iron and steel, aluminium, fertilisers, electricity, and hydrogen from non-EU countries. Under CBAM, carbon tax already paid on exports from Singapore can be deducted from the amount payable (The Straits Times, 2026a).

Singapore has also identified decarbonisation as a grand challenge under RIE2030, committing S$800 million over the next five years to support research, innovation, and real-world implementation of low-carbon energy solutions and cleaner industrial processes, through for example, solar and hydrogen energy. The focus on industrial processes and power generation is crucial, as they account for over 80% of greenhouse gas emissions in Singapore (EDB, 2026).

Sustainability remains a key focus area for Singapore, guided by the Green Plan 2030 to transition towards a more sustainable, low-carbon economy. There is strong alignment between Singapore's and the EU's sustainability agendas, creating opportunities for collaboration. As part of the Singapore Green Plan 2030, key goals are increasing green spaces by 50%, reducing waste on landfills by 30%, and transitioning to cleaner energy sources, such as solar. A key example is the Tuas Nexus, which is a water-energy-waste nexus consisting of the Tuas Water Reclamation Plant (operational in 2027) and Integrated Waste Management Facility (anticipated to be completed in stages commencing in 2027).

While solar remains Singapore's primary renewable energy source, the country is also exploring alternative energy options to diversify its portfolio and enhance energy security, such as nuclear, geothermal, and tidal.

In July 2025, the Singapore Nuclear Research and Safety Institute (SNRSI) was opened. The facility was opened to grow in expertise on nuclear technology and safety (NEA, 2025) and explore the potential of nuclear energy.

Another emerging technology that is actively being researched is advanced and enhanced geothermal systems (AGS/EGS). These refer to next-gen geothermal systems, which are not dependent upon geothermal sources like hot springs or naturally occurring hydrothermal reservoirs, making them theoretically possible to be deployed in most parts of the world (EMA, 2025).

Tidal stream energy is also being explored as a renewable energy source in Singapore, providing an opportunity to support electricity generation while reducing CO_2 emissions (Wen & Low, 2026). It serves as an alternative to wind and wave energy, which are less viable in Singapore due to low wind speeds and greater land requirements.

POLITICAL CHALLENGES

Singapore ranks among the most politically stable nations in the region, providing strong rule of law, a predictable regulatory landscape, minimal corruption, and a pro-business environment. In the 2025 General Election (GE2025), the ruling People's Action Party (PAP), in power since 1959, secured a decisive victory, capturing 87 of 97 elected seats. The Workers' Party (WP) remains the leading opposition, holding 10 elected seats.

However, the prolonged situation in the Strait of Hormuz and the Middle East war affects fuel prices and supply chains, representing a stress point for the global economy. Given Singapore's high trade dependence, sustained geopolitical instability poses a potential challenge for the country, though this is mitigated by its substantial reserves built up to effectively manage crises.

ECONOMIC CHALLENGES

Singapore remains an attractive hub for businesses, with good infrastructure and a skilled workforce, even as operational costs rise. Unit labour cost in 2025 remained stable with 2024 levels, as productivity increases offset rising wages. In 2026, unit labour costs are expected to increase due to a productivity growth slowdown, with pay-per-worker growth at a rate comparable to 2025 (MTI, 2026a). Businesses face significantly higher operational costs amid rising energy prices and material costs, with utility, fuel, and transport costs likely to stay high or decline only slightly in the near future.

Singapore, as a key global trade and logistics hub, plays a pivotal role in supply chains by linking businesses to international markets. This is evidenced by strong investments in connectivity, including the Port of Singapore's ongoing Tuas Mega Port expansion (doubling its capacity), with Phases 1 and 2 operational and Phases 3 and 4 inaugurated in February 2026 (full completion by 2040), and the development of Terminal 5 at Singapore Changi Airport (to be completed in the mid-2030s), increasing cargo and annual passenger capacity by 80 and 55% respectively (The Straits Times, 2025).

Strategies for European Companies

Geopolitical instability and rising operational costs are key factors shaping the outlook for European businesses in Singapore, suggesting that external pressures may be weighing more heavily on business sentiment than domestic factors such as demand or talent availability.

Infrastructure quality is perceived as a positive factor, in line with Singapore's appeal as a regional hub.

In navigating these pressures, they tend to prioritise operational flexibility and market access.

Product and service diversification, local partnerships and joint ventures, and geographic diversification across the region are key responses to these pressures. This suggests risk diversification by reducing exposure to any single market, a continued focus on regional presence, and building supply chain resilience.

The Strait of Hormuz disruptions contribute to higher logistics and fuel costs, alongside supply chain disruptions, though the degree of impact varies across industries and has resulted in moderate shifts in supply chain strategies for some European businesses, such as seeking alternative supply chain partners or moving towards local-for-local sourcing to strengthen supply chain resilience.

Longer-term factors potentially requiring re-strategising may be increased competition from Chinese manufacturers and changes in consumer behaviour across the region.

INTEGRATION WITH EU POLICIES

European companies operating in Singapore consistently regard EU trade and regulatory frameworks as an important factor shaping their operations.

EU policies affect the required due diligence of companies. For example, the Corporate Sustainability Due Diligence Directive (CSDDD) affects supply chain accountability, whereas the Carbon Border Adjustment Mechanism (CBAM) affects trade in carbon-intensive goods between the EU and Singapore. Likewise, the EU Deforestation Regulation (EUDR), due to enter into force at the end of 2026, will have implications for the due diligence and (regional) supply chains for certain companies.

Alignment between initiatives is beneficial, such as between the European Green Deal and Singapore's Green Plan 2030, which share complementary goals on clean, low-carbon transition, and sustainable finance.

The EU-Singapore Free Trade Agreement (EUSFTA) and the EUSDTA exemplify the strength of bilateral ties between the EU and Singapore.

Challenges remain where EU and Singapore frameworks diverge in pace or scope, which may lead to institutional complexity. However, this also creates an opportunity for greater regulatory dialogue between the EU and Singapore to reduce friction and build on the strong bilateral foundation already established through the EUSFTA and EUSDTA. Broader coordination on ASEAN-wide regulatory harmonisation would further amplify these benefits, enabling European companies to operate more seamlessly across the region.

EU-SINGAPORE ECONOMIC RELATIONS

Singapore and the European Union continue to strengthen their bilateral relationships with the EUSDTA, which entered into force on February 1st, 2026. It aims to increase digital connectivity and enable seamless digital trade between the EU and Singapore. It establishes rules for cross-border data flows, facilitates digital trade, strengthens cybersecurity cooperation and online consumer protection, and helps SMEs and businesses operate better in the digital economy. It marks the EU's first bilateral digital economy agreement with an ASEAN country.

The EUSDTA complements the EUSFTA, in force since November 21, 2019 and EU-Singapore Investment Protection Agreement (EUSIPA), signed on October 19, 2018, which aims to strengthen political dialogue and will enter into force once ratified by all EU Member states.

EU-Singapore Trade

In 2024, total EU-Singapore trade reached €131 billion, comprising €83 billion in services and €48 billion in goods, a 24% increase since the EUSFTA entered into force. Trade in services increasingly occurs digitally, highlighting the importance of the EUSDTA (European Commission, 2026).

For trade in services, Singapore ranked as the EU's fifth largest trading partner in services, and the largest in ASEAN, accounting for over 60% within the bloc (EU Delegation to Singapore, 2025). Singapore ranked as the EU's 21st largest merchandise trade partner, 19th largest export partner and first within ASEAN (EU Delegation to Singapore, 2025). The EU mostly imported goods from Singapore, such as chemicals, machinery and equipment, and optical and photographic instruments. Main EU exports to Singapore were dominated by similar categories, namely machinery and equipment, chemicals, and optical and photographic instruments (European Commission, 2026).

Conclusion

Geopolitical instability and rising operational costs remain key concerns for European businesses in Singapore. Recent geopolitical developments in the Middle East continue to drive volatility in energy prices, logistics costs, and supply chain dynamics.

Singapore nonetheless remains a strong regional hub, characterised by regulatory stability, robust infrastructure, and deepening EU–Singapore economic ties through the EUSFTA and EUSDTA.

Growth sectors such as financial services, AI, semiconductors, and the green economy continue to present opportunities for European businesses to contribute their expertise and expand their regional footprint.

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THAILAND

FUTURE (ECONOMIC) OUTLOOK

Thailand faces both structural and cyclical pressures. Domestically, private consumption is expected to remain weak, constrained by declining purchasing power and consumer confidence amid persistently high energy and food prices and falling real incomes. Structural challenges, particularly slow productivity growth and an ageing population, continue to weigh on labour market dynamism and long-term growth, reflected in average GDP growth of around 1.8% over the past decade.

Prior to the impact of the war in the Middle East, economists' basket of GDP growth forecasts was about 1.6%. Taking war impact into account, that basket has reduced to 1.3% to 1.4% - SCB Economic Intelligence Center (EIC) 2026 growth down to around 1.4%, Moody's projects real GDP growth at approximately 1.5% in 2026, with a modest recovery to 2.2% in 2027.

Externally, Thailand faces heightened vulnerability. Heavy reliance on imported energy, around 74% of crude oil sourced from the Gulf region —and significant LNG dependence expose the economy to supply shocks. Net energy imports, at roughly 8% of GDP, combined with high energy intensity, amplify this risk. At the same time, shifting global trade patterns, supply chain reconfiguration, and US–China tensions are weighing on export-oriented manufacturing, with exports likely to soften further.

The second Anutin administration has adopted a dual-track approach: short-term stabilisation to protect purchasing power and restore confidence, alongside proposed longer-term structural reforms aimed at strengthening competitiveness and economic resilience.

OECD accession may strengthen governance and investor confidence, but its long timeline (5–8 years) risks delaying needed structural reforms. There is a mentality that structural changes are not needed now, they will come somehow later with the OECD programme.

Energy market decentralising with direct supply is needed, and the development of a carbon credit framework should create opportunities in clean energy and sustainability services, where early-mover advantages may be significant. The SME Plus agenda signals improved regulatory and financing conditions for smaller enterprises, though delivery will depend on the effectiveness of cluster-based governance.

Meanwhile, visa policy reforms introduce some uncertainty for firms reliant on foreign talent and long-stay tourism.

BUSINESS / INVESTMENT ENVIRONMENT

Thailand presents promising growth opportunities for European companies, particularly in sectors aligned with the government's strategic push to move up the value chain and strengthen long-term competitiveness. Insights from the European Association for Business and Commerce 2025 survey "Expectations and Challenges of an EU–Thailand Free Trade Agreement (FTA): Perspectives from European Business in Thailand" present this positive outlook.

In the survey over 76% of respondents expect the FTA to improve business operations within two years, contingent on credible implementation and reform.

Five priority areas stand out where the FTA is expected to deliver meaningful impact:

1. Tariff reduction and elimination
2. Lower regulatory overhead and administrative burden
3. Improved market access for goods
4. Enhanced availability and mobility of skilled labour
5. Expanded market access for services

These priorities reflect a demand not just for tariff liberalisation, but for a more predictable and transparent regulatory environment. Addressing them would reduce frictions and enhance Thailand's competitiveness as a regional hub.

A core issue is services sector liberalisation, with changes to the Foreign Business Act lists stalled, yet with plans to make investment more restrictive.

Services sector change is the way to see effective competition in services, upskill the economy, and support getting through the middle-income trap. Thailand's aspirations to be a high-income economy by 2037 are not on track, but would be greatly supported by services sector liberalisation.

Green economy policies focus on attracting clean energy investment, advancing Net Zero, and developing a carbon market aligned with international standards. Direct Power Purchase Agreements are expected to boost private participation, while smart grid investments will strengthen resilience and support cheaper renewable energy.

In modern industry, Thailand is prioritising electric vehicles, smart electronics, and defence-related manufacturing to deepen technological capabilities and industrial resilience. This reflects a broader ambition to upgrade existing industrial clusters and position the country within higher-value segments of global supply chains.

The 'hub' concept needs focus. Some sectors are unlikely to be hubs for Thailand, but Thailand aims to position itself as a global hub for medical and wellness tourism, shifting from volume-driven to value-based tourism. This strategy is supported by efforts to establish Thailand as a year-round ("365-day") destination, building on its established strengths in healthcare and hospitality.

BOI is reinforcing four pillars of national stability—food security, clean energy, supply chain resilience, and human capital—to attract risk-averse, long-term investors. Its "Fast Pass" framework shifts from incentives to execution, streamlining processes and improving coordination. Reforms in energy access, land development, and workforce readiness aim to accelerate delivery and enhance certainty.

In the context of global supply chain realignment and heightened geopolitical risk, Thailand is positioning itself as a resilient and strategically located investment hub in Southeast Asia. Early engagement with BOI priority sectors and Fast Pass mechanisms may offer first-mover advantages for investors.

While the overall picture is positive, challenges remain. European investors may continue to face regulatory complexity and administrative hurdles, and procedural differences. Continued progress in regulatory reform and effective implementation will therefore be critical to fully realising Thailand's investment potential and meeting the expectations of the European business community.

POLITICAL AND ECONOMIC CHALLENGES

On March 19, the House of Representatives elected Anutin Charnvirakul as Thailand's 32nd Prime Minister with 293 out of 498 votes, following the earlier appointment of a Bhumjaithai-affiliated House Speaker. This marks the first time in over 15 years that both executive and legislative leadership are aligned under the same party, an outcome likely to improve policy coordination, legislative efficiency, and budget execution.

According to Moody's, the formation of a coalition government with a sizeable parliamentary majority has reduced the risk of political volatility and strengthened the prospects for sustained policy implementation. The affirmation of Thailand's Baa1 sovereign rating reflects the country's strong external position and relatively favourable debt affordability. However, this is balanced against concerns over declining long-term growth potential and a rising public debt burden, which may constrain fiscal space in the years ahead.

The new government's policy statement (issued in Thai and English versions) shows a wide range of promises and proposals, which is expected for such plans. Slightly downgraded is fast-track regulatory reform, due in part to a key DPM not being in the cabinet for the new government.

In the area of trade, the government is committed to "connecting Thailand to the global economy and building strategic trade partnerships," signalling a more outward-looking and proactive approach to international economic engagement. For European stakeholders, this strategic orientation positions Thailand as an increasingly relevant partner in advancing resilient, diversified, and rules-based trade relationships in Southeast Asia. The emphasis on global integration and partnership-building aligns closely with the EU's own priorities around supply chain diversification, sustainability, and open strategic autonomy.

In practical terms, this creates opportunities for deeper EU–Thailand cooperation in areas such as green transition, high-value manufacturing, and regulatory alignment. As Thailand moves to strengthen its international economic linkages from undergoing FTA negotiation, European firms that are already familiar with complex regulatory environments may benefit from a growing degree of policy convergence and a more predictable framework for cross-border trade and investment.

OTHER REGULATORY AND LEGAL CHALLENGES

Foreign businesses operating in Thailand encounter several regulatory and legal challenges that can impact their ability to establish and manage operations effectively. One significant issue is the inconsistent enforcement of regulations. While the new government's policy agenda is ambitious, a balanced assessment requires engaging directly with several areas of concern.

In the energy sector, the absence of concrete measures to address persistently high electricity costs—particularly burdensome for households and SMEs—sits uneasily alongside the government's inclusive growth narrative.

Thailand's electricity tariffs remain relatively high within the region, and without structural pricing reform, existing cost-of-living measures may prove insufficient. Decentralisation and direct supply are some remedies.

Environmental policy presents a similar gap. The lack of specific commitments on PM2.5 air pollution and limited progress on Clean Air legislation (which is stalled) have drawn criticism from civil society and public health stakeholders. This disconnect between high-level sustainability ambitions and unresolved, immediate environmental health challenges raises questions about policy coherence.

On political reform, the absence of a clear constitutional reform timeline despite significant public support introduces uncertainty around the government's reform credibility.

While a referendum process is acknowledged as a long-term objective, the lack of defined milestones risks delaying progress and potentially eroding public and foreign businesses' trust.

INTEGRATION WITH EU POLICIES

As EU–Thailand FTA negotiations advance toward later rounds, both sides are working to reduce trade barriers and improve market access. Greater alignment is expected to boost trade and investment by streamlining regulations and harmonising standards. Regulatory alignment has accelerated since 2023, driven by three factors: the FTA process, the extraterritorial reach of EU regulations (CBAM, CSDDD, EUDR), and Thailand's commitments under the Paris Agreement.

- **CBAM:** From 2026, Thai exports of steel, cement, aluminium, fertilisers, and electricity will face carbon pricing at the EU border. The absence of a domestic carbon pricing mechanism places Thai exporters at a relative disadvantage.
- **EUDR:** Thai exports of rubber, palm oil, and wood products must meet deforestation-free requirements. While national deforestation rates are comparatively low, weak traceability in smallholder supply chains creates compliance risks.
- **Digital regulation:** Thailand's PDPA reflects partial alignment with GDPR, though gaps remain. At the same time, Thailand and other Southeast Asian economies are pursuing more flexible approaches to AI governance, rather than adopting the EU's comprehensive ex ante model—an approach not viewed negatively by EABC.

Overall, Thailand's policy direction, particularly in the green economy, digital transformation, and industrial upgrading, shows growing alignment with EU priorities. For European stakeholders, this creates both opportunities and challenges. Regulatory convergence lowers entry barriers, but transitional frictions—especially in compliance capacity, implementation, and policy alignment—will require careful navigation.

Following WTO MC 14 (late March), the issue of free flow of data and digital services (other than for modest, transparent and universally applicable taxes) is vexed. It is important that Thailand supports an ongoing moratorium on customs duties, for example.

There are open issues in the Digital Trade chapter of the proposed EU-TH FTA.

EU-THAILAND ECONOMIC RELATIONS

Investment and Trade

The European market remains a key strategic trading partner for Thailand, ranking as its fourth-largest partner after China, the United States, and Japan.

Thailand's exports to the EU are concentrated in higher-value manufactured goods, including electronics, gems and jewellery, air conditioners, rubber products, and transformers, while imports from the EU are led by capital- and technology-intensive sectors such as machinery, pharmaceuticals, chemicals, and scientific instruments. This reflects a complementary relationship: the EU supplies advanced technology, while Thailand serves as a competitive manufacturing base. In the context of FTA negotiations and evolving EU regulations, this interdependence reflects the need for regulatory alignment, standards compliance, and value chain upgrading.

Following the eighth round of negotiations, both sides have reached an agreement on an additional three chapters, bringing the total to 11 out of 24 chapters concluded. This steady advancement reflects a shared commitment to addressing both market access and regulatory issues, but the more challenging areas are those still open.

Importantly, both parties have agreed on a structured roadmap for continued engagement, including technical exchanges and intersessional discussions, with the next negotiation round scheduled for June. The stated objective of concluding negotiations within the year signals strong political momentum and a mutual interest in accelerating economic partnership. For businesses, this enhances medium-term visibility and reinforces expectations of a more predictable and harmonised regulatory environment.

EUROPEAN BUSINESS PRESENCE

Amid rising geopolitical fragmentation and economic uncertainty, Thailand is pursuing a more proactive economic diplomacy strategy to safeguard growth and diversify partnerships. Through initiatives such as 'Team Thailand', it is leveraging trade negotiations, investment promotion, and sector cooperation to position itself as a competitive, neutral hub in global supply chains.

In this context, the EU stands out as a reliable, rules-based partner, offering predictability, transparency, and a shared commitment to sustainable and open trade—helping Thailand maintain strategic balance while deepening integration into a stable, standards-based framework. It is important that EU policies are not too onerous and do not make trade with Europe, especially for SMEs, impossible.

Europe is a key partner in Thailand's green and human capital transition, bringing expertise in clean energy, carbon management, and sustainable industry. Alongside initiatives like the Skill Bridge programme, this creates opportunities for collaboration in skills, training, and technology transfer, especially in advanced manufacturing, digital, and green sectors.

OPPORTUNITIES AND CHALLENGES

ESG, Climate Change and Sustainability Trends

Thailand's bid for OECD accession by 2028 is a major institutional commitment. It requires alignment with high standards in tax transparency, anti-corruption, corporate governance, and environmental regulation. If pursued credibly, it would strengthen Thailand's regulatory framework and boost investor confidence, with progress closely watched by investors and ratings agencies. Thailand's policies align with EU sustainability goals, but gaps in implementation, enforcement, and regulatory clarity create both compliance risks and business opportunities for European firms.

Opportunity

- *Green Finance:* Thailand's SEC green bond framework and BOT sustainable finance taxonomy create entry points for European ESG capital in a fast-growing market.
- *Carbon markets:* Strong demand for EU expertise in CBAM compliance and carbon pricing readiness.
- *Renewable Energy:* Thailand's AEDP (Alternative Energy Development Plan) targets 30% renewable electricity by 2037. European wind, solar, and energy storage companies have significant opportunities in the IPP and corporate PPA markets.

Risk

- *EUDR compliance:* Traceability gaps in Thai rubber and palm oil supply chains risk market access disruptions and reputational exposure for European firms without verified deforestation-free sourcing. Where effective policy support through climate finance, low-carbon technologies, and SME capacity-building will be critical to ensure a smooth and inclusive transition. Strategically, Thailand could position itself as a regional energy and sustainability hub. Integration into the ASEAN Power Grid, particularly via cross-border renewable exchange, would enhance energy security, reduce fossil fuel dependence, and strengthen resilience in line with EU priorities.

Supply Chain Redistribution/Resilience

At the regional level, Thailand's participation in the ASEAN Economic Community (AEC) and RCEP enhances its attractiveness by facilitating trade, simplifying rules of origin, and strengthening legal certainty, enabling deeper integration into regional value chains.

However, competitive pressures are intensifying. Vietnam continues to attract high-growth FDI and Indonesia is advancing its EV battery ecosystem. To remain competitive, Thailand aims to accelerate its EV transition, digital infrastructure, and skills upgrading.

These challenges make reform more urgent in related areas of rising labour costs, shift competition toward quality and ecosystem strength, skills gaps limit upgrading into higher-value activities, and high, volatile energy costs continue to weigh on industrial competitiveness.

Summary

- **GDP growth (2026)**: ~1.4%; exports expected to decline.
- **Reform priorities:** Structural reforms needed across services, energy sector decentralisation, work permits and visas, digital government, air quality, and broader administrative efficiency.
- **European Green Deal alignment:** Transition toward sustainable trade, stronger compliance frameworks, and SME support; climate law implementation targeted by 2027.
- **Services sector:** Critical to escaping the middle-income trap, achieving high-income status, and deepening EU–Thailand trade and competitiveness.
- **EABC EU-TH FTA survey priorities:** Tariff reduction, lower regulatory burdens, improved market access (goods and services), and greater availability and mobility of skilled labour.

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FUTURE (ECONOMIC) OUTLOOK

Vietnam has entered 2026 following a landmark year of growth, having achieved a GDP expansion of 8.02% in 2025, according to GSO data *[1]*, pushing the economy beyond the USD 500 billion mark for the first time ever while preserving macroeconomic stability in an increasingly volatile world. This performance significantly outpaced the broader ASEAN 6 bloc (averaging 4.0%) and confirmed Vietnam's status as a regional frontrunner. Entering the first quarter of 2026, the economy has maintained this momentum with a 7.83% year-on-year increase (highest 1st quarter growth in 16 years), driven by a resilient manufacturing sector (expanding by 9.73%) and a surge in the services sector (up 8.18%).

For European business leaders, this trajectory represents more than a cyclical recovery; it is the advent of "Đổi Mới 2.0" (reform to transform, optimise to mobilise). While the original 1986 reforms gradually transitioned Vietnam to a market-oriented economy, this second phase is defined by strategic openness, institutional maturity, and a shift towards high-value productivity.

The IMF and World Bank project sustained growth between 6.5% and 7.1% for the remainder of 2026, while the Government is ambitious to hit the double-digit growth rate soon. Expansion is increasingly driven not only by export manufacturing, but also by domestic consumption, services, digitalisation, and a rising productivity *[2]*. This transition is creating new opportunities for higher value investment, while also placing greater demands on infrastructure, energy systems, skills development, and regulatory capacity.

Crucially, the global financial community has signalled its confidence: on 7 April 2026, FTSE Russell officially confirmed Vietnam's upgrade to Secondary Emerging Market status, effective from 21 September 2026. This reclassification is expected to unlock passive capital inflows of approximately USD 1.5 billion, with total potential inflows reaching up to USD 6 billion, fundamentally altering Vietnam's position in global equity portfolios.

Looking ahead, Vietnam's development strategy is increasingly shaped by long-term ambition. Government targets of upper-middle-income status by 2030 and high-income status by 2045 *[3]* imply sustained growth above historical averages and signal a new reform phase focused on productivity, innovation, and institutional quality.

BUSINESS / INVESTMENT ENVIRONMENT

In 2025, total registered FDI reached approximately €32.8 billion, while disbursed capital exceeded €23.6 billion, the highest level in five years. This reflects nearly 9% year-on-year growth in execution despite regional investment slowdowns *[4]*. Vietnam's sustained appeal reflects not only reform progress but also a targeted incentive framework designed to attract high-quality, high-impact investments, supported by political stability, strategic geography, and a young workforce. High-technology projects and investments with significant socio-economic impact benefit from preferential tax treatment, exemptions, and import duty waivers.

EuroCham Vietnam's Business Confidence Index (BCI) for Q1 2026 stands at 72.7, reflecting a pragmatic recalibration from the Q4 2025 peak of 80.0, yet it remains significantly above the last six years' average. This sentiment is bolstered by a historic endorsement: 93% of European business leaders would recommend Vietnam as an investment destination *[5]*.

In a world of major power struggles, Vietnam continues to practice "Bamboo Diplomacy" – a flexible, multi-directional foreign policy that balances relations between the EU, USA, China, and Russia. This strategic autonomy allows Vietnam to act as a rising middle power, offering a stable environment for European capital amidst global fragmentation.

POLITICAL AND ECONOMIC CHALLENGES

Vietnam's political landscape has seen its most significant reorganisation in decades. Following the 16th National Assembly elections in March 2026, the formal ratification of To Lam as State President (merging with the General Secretary post) has signalled a move towards a more consolidated and technocratic leadership model.

One of the most far-reaching developments in 2025 was the restructuring of the state apparatus. Vietnam undertook its most significant administrative reorganisation in decades, consolidating provincial-level administrative units from 63 to 34 *[6]* and advancing a streamlined two-tier local governance model. This reform was designed to reduce fragmentation, strengthen coordination, and enable larger economic regions to function as integrated growth poles capable of supporting infrastructure development, industrial clustering, and long-term strategic planning.

For businesses, these changes matter. Fewer administrative layers and clearer jurisdictional boundaries reduce complexity, shorten approval timelines, and improve the predictability of investment decisions. By strengthening regional governance and enabling coordinated planning across wider economic zones, the reform also enhances competitiveness and helps unlock economies of scale *[7]*.

At the central level, ministries and agencies were also streamlined *[8]* to improve policy coherence and execution capacity. This emphasis has shifted from overlapping mandates towards a more agile, accountable, and results-oriented public administration, addressing long-standing business concerns around regulatory inconsistency and procedural delays.

Digitalisation has become a cornerstone of this institutional transformation. The mandatory implementation of the VNeID system *[9]* in July 2025 marked a major step toward unified digital identity and integrated e-government services, linking administrative procedures across licensing, taxation, customs, and social services. By strengthening digital connectivity, data interoperability, and transparency, the system is expected to reduce processing times and improve regulatory consistency. While challenges remain in harmonising legacy systems and ensuring accessibility for foreign-invested enterprises, the reform represents a decisive move toward a data-driven public administration aligned with international best practices.

Institutional reforms have been reinforced by targeted economic policy measures. Key government directives, including Resolution 68 and Resolution 57 *[10]*, reaffirm the private sector as the principal engine of growth, with stronger emphasis on innovation, investment facilitation, and accelerated public infrastructure spending. These policies aim to remove persistent bottlenecks related to land access, project approvals, and enterprise formalities, while supporting a nationwide infrastructure push, encompassing transport corridors, logistics hubs, urban transit systems, and industrial zones.

At the same time, strategic initiatives such as the development of free trade zones *[11]* (FTZs) and international financial centres *[12]* (IFCs) reflect Vietnam's ambition to diversify beyond manufacturing into higher-value activities in services, financial markets, fintech, and regional capital flows. By creating platforms that attract global capital and specialised expertise, these initiatives signal a growing openness to advanced sectors and a willingness to align regulatory frameworks more closely with international investor expectations.

OTHER REGULATORY AND LEGAL CHALLENGES

Administrative hurdles remain the most frequently cited constraint. In the latest BCI Q1 2026 survey, 61% of businesses identified 'administrative procedures and paperwork' as a key challenge, up from 53% in the previous quarter. Close behind are the 'unclear or inconsistently applied regulations', as well as 'tax administration', reported by 51% and 44% of respondents, respectively.

There are, however, signs of progress in certain areas. Businesses reported some improvement regarding overlapping government requirements as well as visa and work permit procedures, though these gains remain secondary compared to the broader administrative and regulatory burden.

For companies on the ground, these issues translate into tangible business impacts. Many companies report higher operating costs, slower business execution, and the diversion of management resources away from core business activities. For investors, regulatory complexity is also reducing planning visibility and affecting competitiveness in an increasingly competitive global investment landscape.

INTEGRATION WITH EU POLICIES

The EU-Vietnam Free Trade Agreement (EVFTA) has matured from a tariff-reduction tool into a comprehensive framework for regulatory alignment. Vietnam is increasingly adopting European standards in intellectual property, labour rights, and environmental protection, creating a "quality-first" environment that favours long-term European investment over short-term speculative capital.

The pending ratification of the EU-Vietnam Investment Protection Agreement (EVIPA) is expected to further strengthen the bilateral economic framework. By reinforcing investor protections and dispute settlement mechanisms, EVIPA would provide greater legal certainty for long-term European investment and deepen confidence in Vietnam as a destination for strategic capital.

Together, the EVFTA and EVIPA form the backbone of a partnership that extends well beyond transactional trade, anchoring a shared commitment to resilient growth, innovation, and sustainable development in an increasingly complex global economy.

Sustainability considerations also became increasingly operational. From BCI Q3 2025 *[13]*, awareness of the European Green Deal reached 50%. One-quarter of businesses had implemented comprehensive green initiatives, with ESG reporting, energy-efficiency upgrades, and waste-reduction programmes leading adoption.

Against this backdrop, the elevation of EU-Vietnam relations to a Comprehensive Strategic Partnership *[14]* on 29 January 2026 represents decades of deepening economic, regulatory, and institutional alignment. Coming at a moment when Vietnam is entering a new era of development, the Partnership provides a framework to anchor long-term cooperation in trade, sustainability, innovation, and human capital.

EU-VIETNAM ECONOMIC RELATIONS

Investment and Trade

The year 2025 marked the fifth anniversary of the EU-Vietnam Free Trade Agreement (EVFTA). Since its inception, bilateral trade has reached a cumulative total of approximately €400 billion (accounting for nearly half of all trade between EU and Vietnam since 1995). For the European business community, the EVFTA has provided a predictable legal framework that has anchored Vietnam as the EU's largest trading partner in the ASEAN region.

2025's data from the Ministry of Industry and Trade shows that Vietnam's exports to the EU reached €48.1 billion, up 8.6% compared to 2024, while imports from the EU amounted to €15 billion, an increase of 5.4% year-on-year. As a result, Vietnam recorded a trade surplus of €33 billion with the EU, up 10.1% over 2024 and the highest level on record in bilateral trade with this market.

A notable development was the sharp increase in businesses citing tariff reductions as a key EVFTA benefit *[15]*, rising from 29% in Q2 2024 to 61% in BCI Q2 2025. This trend reflects the agreement's phased tariff elimination schedule and rising utilisation of preferential treatment. However, implementation challenges persisted. 37% of respondents reported customs valuation issues, often linked to inconsistent product classification between EU and Vietnamese authorities. These challenges were compounded by complex regulatory frameworks and uneven coordination at the local administrative level.

Two-thirds of surveyed companies were actively engaged in EU–Vietnam trade or related supply-chain services. Awareness of the agreement reached 98.2%, with nearly half of the respondents reporting moderate to significant operational benefits.

To address these constraints, businesses emphasised the need for streamlined import procedures, expanded digitalisation of customs procedures, and greater flexibility in rules-of-origin certification, including self-certification mechanisms. 28% called for clearer customs guidance and more consistent enforcement, while 22% highlighted the removal of technical trade barriers as a priority. Five years after its entry into force, the EVFTA's benefits and progress are increasingly tangible; still, the data points to the need for deeper institutional alignment and capacity-building to fully unlock its potential.

The Agreement has also incentivised domestic regulatory reform and standards upgrading, thereby enhancing the long-term competitiveness of Vietnamese firms in the EU market. Taken together, these developments confirm the EVFTA's function not merely as a tariff reduction instrument, but as structural frameworks shaping deeper economic integration and sustainable bilateral cooperation.

The EU remains among Vietnam's leading foreign investors, accounting for nearly €28 billion in registered capital across more than 2,700 projects, notably in manufacturing, services, and increasingly green, digital and other high-value sectors.

In March 2026, the EU-Vietnam Global Gateway Business and Investment Forum (GGBIF) served as a powerful catalyst for high-quality capital flows *[16]*. With the presence of European Commissioner Jozef Síkela, the forum highlighted the EU's commitment to mobilising €300 billion globally, with Vietnam as a trusted partner. Key investment commitments were secured in:

- **Renewable Energy:** Supporting the Just Energy Transition Partnership (JETP) through offshore wind and smart-grid technology.
- **Digital Infrastructure:** Establishing Vietnam as a regional hub for semiconductors and data centres.
- **Sustainable Logistics:** Modernising deep-water ports and rail connectivity to enhance the EU-Vietnam trade corridor.

EUROPEAN BUSINESS PRESENCE

European businesses have maintained a long-standing presence in Vietnam, contributing not only capital but also advanced technologies, high standards of corporate governance, and managerial expertise across manufacturing, services, infrastructure, and emerging green sectors. Over time, this engagement has shifted from export-oriented production to deeper, higher-value participation in Vietnam's domestic economy.

Today, the European Union stands among Vietnam's leading sources of high-quality foreign direct investment, while Vietnam has become the EU's largest trading partner in ASEAN *[17]*. This two-way relationship reflects a growing convergence of strategic interests, as both sides seek more resilient supply chains, diversified markets, and sustainable growth models amid a more fragmented global economy.

Despite a moderation in regional investment flows, Vietnam continued to attract strong foreign investment in 2025. Within this context, European investors increased their share of total FDI from 5.4% in 2024 to 7.1% in 2025 *[18]*, signalling rising confidence in Vietnam's market fundamentals and reform trajectory. European investment is typically characterised by longer time horizons, stronger commitments to environmental and social standards, and a focus on skills development and technology transfer – qualities that closely align with Vietnam's ambitions for sustainable and inclusive growth.

Current Trends Include:

- **R&D Localisation:** More European firms are establishing research and development centres in Vietnam to tailor products for the broader Asian market.

- **Supply Chain Resilience:** Businesses are shifting their focus from "lowest cost" to "maximum resilience," prioritising Vietnam's stable political environment and growing network of FTAs.

OPPORTUNITIES AND CHALLENGES

ESG Trends

As Vietnam deepens its economic integration with Europe and global markets, sustainability has moved from the margins to the centre of its growth strategy. Recent climate events have made this shift unavoidable. In 2025, Vietnam experienced some of the most severe climate-related disruptions in decades, including historic flooding, extreme weather, and widespread damage to infrastructure and livelihoods. The economic cost of climate-related disasters more than doubled over the past five years, reaching approximately €2.75 billion by November 2025 *[19]*, underscoring the material risks climate change poses to development gains.

In this context, the green transition has become both a strategic necessity and a growth opportunity. Global value chains are increasingly shaped by decarbonisation requirements, supply-chain resilience, and regulatory alignment. These trends are closely linked to European sustainability frameworks such as the European Green Deal, the Global Gateway and the Carbon Border Adjustment Mechanism (CBAM). For Vietnam, alignment with these systems is not only about climate responsibility, but also about maintaining market access, attracting high-quality investment, and moving up the value chain.

Vietnam has already established a strong policy foundation. Its Net Zero by 2050 commitment, announced at COP26 *[20]*, is supported by the National Strategy for Green Growth, Power Development Plan VIII, and a phased roadmap toward a fully operational carbon market by 2029 *[21]*. Together, these frameworks provide long-term policy direction and anchor investor expectations, particularly in energy, manufacturing, and infrastructure, where capital allocation depends heavily on regulatory clarity.

Energy transition is at the core of this sustainability agenda. Rising electricity demand, climate vulnerability, and energy security concerns have made power sector reform a defining policy challenge. Vietnam is therefore moving toward a more diversified and market-oriented electricity system, combining rapid renewable deployment with reforms to improve transparency, competition, and private-sector participation. The revised Electricity Law and Power Development Plan VIII offer a clearer framework for integrating renewable energy at scale while maintaining system reliability.

International cooperation is accelerating this shift. The Just Energy Transition Partnership (JETP), backed by approximately €13.25 billion *[22]* in pledged international financing, represents a landmark effort to accelerate decarbonisation while safeguarding social and economic stability. Complementary EU-supported initiatives further reinforce Vietnam's access to technical expertise, policy alignment, and sustainable finance, strengthening the link between climate objectives and long-term investment flows.

Beyond energy, sustainability is becoming embedded in Vietnam's regulatory and corporate governance frameworks. In 2025, greenhouse gas inventory and emissions reporting requirements were expanded for large enterprises, strengthening transparency and access to green finance. These reforms closely mirror evolving EU regulations, including CBAM and deforestation-related compliance rules, highlighting the growing importance of regulatory convergence for exporters and investors operating across borders.

Supply Chain Redistribution/Resilience

Trade liberalisation has further deepened Vietnam's integration into global value chains. In 2025, total trade exceeded approximately €794.8 billion, representing an 18.2% year-on-year increase and reinforcing Vietnam's position as one of the world's most open and trade-dependent economies *[23]*. Sustained trade surpluses have strengthened foreign exchange reserves, enhanced macro-financial stability, and underpinned investor confidence.

Today, Vietnam ranks among the world's fastest-growing economies and the top 15 global trading nations *[24]*. At its current pace, it is projected to become one of Southeast Asia's three largest economies in 2026, alongside Singapore and Indonesia *[25]*. Vietnam also remains a leading destination for FDI and continues to improve its standing in innovation and competitiveness benchmarks.

Recent global supply-chain realignment has further elevated Vietnam's strategic importance. As firms diversify away from single-country concentration, Vietnam has emerged as a key "China Plus One" destination for electronics, automotive components, and consumer goods assembly. Its cost advantages, improving infrastructure, strategic location, and dense network of trade agreements make it an attractive alternative for companies seeking stability and growth.

At the same time, domestic consumption has become a more important growth driver. Rising incomes *[26]* and a rapidly expanding middle class, supported robust demand in 2025, boosting sectors such as retail, financial services and the digital economy – all offering long-term opportunities for international investors.

Vietnam remains a primary beneficiary of global supply chain diversification. As businesses look to de-risk their operations, Vietnam offers a unique combination of scale, connectivity, and reform-minded leadership.

The challenge for the next three to five years will be for Vietnam to move up the value chain by improving human capital and infrastructure. Accelerated public investment in transport corridors is creating new industrial hubs outside traditional centres like Hanoi and Ho Chi Minh City.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

US Tariffs – Country Impact

On April 2, 2025, the U.S. administration implemented a 46% reciprocal tariff on approximately 90% of Vietnamese exports, a measure designed to mitigate a good trade surplus that had reached nearly $180 billion *[27]*. This initial rate was predicated on a "reciprocity" doctrine targeting asymmetric trade barriers. Following multiple rounds of bilateral negotiations, the baseline rate was recalibrated to 20% for most product categories *[28],* effective August 1, 2025.

During the immediate aftermath of the April 2025 announcement, EuroCham conducted a rapid survey to assess the impact on European entities operating within Vietnam. At that time, more than 70% of respondents projected high levels of market volatility, with a majority of firms revising revenue targets downward in anticipation of approximately 20% reduction in net profitability.

The actual economic data from the final quarter of 2025 revealed a heterogeneous impact across sectors. The textile, garment, and footwear industries experienced a contraction in export volumes ranging between 20% and 27% as American buyers adjusted to increased costs. In contrast, the electronics and semiconductor sectors demonstrated greater resilience, sustained by the strategic requirements of "China Plus One" supply chain diversification despite the 20% levy. By February 2026, the Vietnamese government initiated a policy of "strategic purchasing" to address trade imbalances, formalising $37.2 billion in cooperation agreements involving U.S. aviation, energy, and technology sectors *[29]*.

EuroCham Vietnam's Business Confidence Index (BCI) Q1 2026 report proved that actual business performance was more robust than initial projections suggested. Despite the geopolitical environment, 77% of European businesses maintained or increased their revenue through 2025, with 40% reporting year-on-year growth. While 23% of firms reported revenue declines, these losses were largely categorised as moderate rather than systemic.

The correlation between market engagement and financial outcome has become increasingly evident in the 2026 data. European firms that designate Vietnam as a core strategic market were significantly more likely to report revenue increases in 2025 compared to those with limited operational integration. This data suggests that while the 20% tariff regime has increased the cost of doing business, Vietnam's role as a stabilising node in global supply chains remains intact. For the European business community, the long-term economic fundamentals of the Vietnamese market appear to be offsetting the immediate pressures of the current tariff environment.

Geopolitical Tensions – Country Exposure

Businesses today are no longer focused solely on trade disruptions but increasingly on the secondary economic effects of global instability, mainly tied with the prolonged conflict in the Middle East. Energy and fuel price volatility has emerged as the most widely cited concern in BCI Q1 2026, affecting 75% of surveyed businesses, followed by rising operating costs (61%) and the risk of a slowdown in global demand (55%). Altogether, 90% of respondents identify cost pressures and geopolitical conflicts as the defining risks for the year ahead.

This shift highlights a broader dynamic shaping the business outlook for 2026. The challenge facing investors in Vietnam is no longer about whether opportunities exist, but rather how efficiently companies can capture them in an environment characterised by higher costs, supply chain adjustments, and greater operational complexity.

Global conflicts are raising cost pressures and reducing predictability, pushing businesses into more cautious operating modes. While impacts vary in intensity, businesses consistently highlight an accumulation of pressures, led by rising energy and fuel prices (69%), higher logistics and freight costs (68%), and delivery disruptions (64%), alongside currency volatility (50%). These factors are reducing visibility and making short-term planning more complex and less predictable.

For many businesses, the challenge is not a single disruption, but the combination of multiple, reinforcing pressures. Several comments also point to overlapping risks, which add further uncertainty to planning and near-term business outlook.

Most businesses (54%) report negative impacts from recent global tensions, while mixed (10%) and positive (2%) effects remain limited, resulting in a clear net drag on business conditions in Vietnam. On the other hand, 34% of companies have yet to report an impact, indicating that exposure remains uneven across the business landscape so far.

Negative impacts are widespread but uneven. Mid-sized firms (51–100 employees) show the highest negative exposure at 68%, compared to 41–45% among smaller firms. This points to a vulnerability gap, suggesting that mid-sized companies may be more exposed as they lack the scale of larger organisations and the flexibility of smaller ones.

Market exposure is another key driver of sentiment. Companies primarily focused on Vietnam's domestic market report significantly higher confidence, with a BCI score of 77.4, well above the overall average. Whereas, firms with heavier exposure to external markets, especially the United States and the Middle East, or broader global supply chains, show lower confidence levels, reflecting their greater sensitivity to ongoing geopolitical disruptions and external demand fluctuations.

Despite these near-term headwinds, confidence in Vietnam as a premier investment destination remains strong. An impressive 93% of European businesses say they would recommend the market, which is among the highest endorsement levels in the history of the BCI. European companies are decoupling short-term operational frictions from their long-term strategic outlooks.

National Economic Strategies in Times of Global Disruption

The Vietnamese government has adopted a proactive and flexible policy mix to safeguard macroeconomic stability.

- **Monetary Policy:** The State Bank of Vietnam (SBV) has prioritised an average inflation target *[30]* of 4.5% for 2026. To achieve this, the SBV has set a 15% credit growth target, shifting focus from asset investment to production and business activities.
- **Fiscal Measures:** In response to energy price spikes in early 2026, the government implemented time-bound measures, including VAT rate reductions, tax relief, and the use of the stabilisation fund to contain fuel prices.
- **The Halal Frontier:** An aggressive push is underway to penetrate the trillion-dollar global Halal economy, targeting the GCC countries and Southeast Asian neighbours. A unified National Halal Certification System *[31]* was established in April 2026.
- **AI-Driven Trade Intelligence:** Vietnam Trade Promotion Agency is launching a "Global Trade Intelligence Hub" that uses predictive AI to provide exporters with six-month forecasts on supply chain disruptions and legislative changes *[32]*.
- **Shift to High-Tech and Green Energy:** Investment is increasingly concentrated in semiconductors, green hydrogen, and renewable energy. Significant commitments include a $10 billion LNG Power Center proposal *[33]* from a U.S.-Korea-Singapore consortium and $20 billion in loans from the Japan Bank for International Cooperation (JBIC) for clean energy projects *[34]*.
- **Resilient Electronics:** Electronics have eclipsed light manufacturing as the top export category *[35]*, more than tripled, from around $47 billion in 2015 to over $165 billion in 2025, reinforcing Vietnam's role as a strategic hub for global tech giants like Samsung and HP.

Vietnam stands as a rising middle power that has mastered the art of balance in an era of geopolitical struggle. With newfound political stability, an official upgrade to emerging market status, and a deepened partnership with the European Union, the country offers a compelling and resilient landscape for European business. While challenges in administrative reform and infrastructure remain, EuroCham Vietnam continues to pave the way through active advocacy, ensuring that Vietnam's growth is not only rapid but also of higher quality.

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EAST ASIA AND THE PACIFIC

AUSTRALIA

FUTURE (ECONOMIC) OUTLOOK

Australia's medium term economic outlook remains characterised by moderate growth underpinned by institutional strength, political stability, and deep integration into global markets. Long-standing advantages, including transparent regulation, strong governance, a robust financial system, and open trade and investment settings, continue to support economic resilience and business confidence.

According to the IMF World Economic Outlook (April 2026), Australia is the world's 12th largest economy by nominal GDP, with output estimated at approximately USD 2.1 trillion, supported by population growth, high labour force participation, and diversified economic activity. Economic output is concentrated across health and education, mining, construction, financial services, and manufacturing. The states of New South Wales, Victoria, and Queensland together account for just over 70 per cent of national economic activity, while Western Australia is the fourth-largest state economy, contributing approximately 16–17 per cent, driven primarily by the resources sector.

The outlook, however, is increasingly shaped by structural constraints common to most advanced economies. Productivity growth has deteriorated significantly over the past decade, limiting real income growth and fiscal capacity. The Reserve Bank of Australia (central bank) projects GDP growth averaging around 1.6 per cent through to the late 2020s, reflecting persistent inflationary pressures, capacity constraints, and subdued productivity performance.

Population growth driven primarily by migration continues to support labour supply and domestic demand, with Australia's population projected to reach 28 million in 2026. While workforce participation remains high, structural skills shortages persist in construction trades and engineering, healthcare, education, professional services, and emerging technology sectors.

The energy transition is a defining influence on the outlook. Renewable energy supplied approximately 43 per cent of grid electricity in 2025, with a target of 82 per cent by 2030. Investment is shifting from generation capacity expansion toward grid reliability, storage, and resilience. The retirement of coal-fired generation, rising electricity demand including from data centres, and domestic clean energy manufacturing ambitions are reshaping capital allocation and industrial strategy.

Australia has entered 2026 facing a complex risk environment. Inflation remains elevated, with interest rates at restrictive levels. Headline CPI inflation rose to 4.6 per cent in the 12 months to March, up from 3.7 per cent in the year to February, well outside the central bank's 2 to 3 per cent target band. External shocks, including energy volatility, geopolitical tensions, and trade fragmentation, add to uncertainty. Nevertheless, Australia's institutional strength, policy credibility, and strategic adaptation position it comparatively well to manage external disruption.

BUSINESS / INVESTMENT ENVIRONMENT

Australia continues to present an attractive environment for European investment, supported by legal certainty, a skilled workforce, advanced infrastructure, and demand across priority growth sectors.

Foreign investment remains a central driver of economic performance. Australia hosts nearly AUD 5 trillion (EUR 3.15 trillion) in total foreign investment stock, making it one of the world's largest capital destinations. In aggregate terms, inward investment is led by the United States (US) (AUD 1,355.5 billion), followed by the European Union (EU) (AUD 869.3 billion) and the United Kingdom (UK) (AUD 839.1 billion), underscoring Australia's deep integration into global financial markets and the strength of its capital links with advanced economies.

Foreign direct investment (FDI) is a particularly important component of this broader investment base, supporting long-term productive capacity, technology transfer, and skills development. Australia ranks 15th globally for inward FDI stock, reflecting its attractiveness as a destination for stable, long-term investment. The US and the UK are the largest sources of FDI, with the EU ranking third. European FDI in particular is concentrated in long-duration, productive sectors such as renewables, infrastructure, transport, financial services, advanced manufacturing, and digital infrastructure.

Government policy increasingly aligns investment attraction with national strategic objectives. Under the 'Future Made in Australia' agenda, the Australian Government has committed AUD 22.7 billion over a decade to crowd in private capital into industries critical to the net-zero transition and economic resilience, including renewable hydrogen, critical minerals processing, green metals, low-carbon fuels, and clean-energy manufacturing.

These priority industries are complemented by digital technologies, data infrastructure, and defence-related advanced manufacturing, reflecting Australia's parallel focus on sovereign capability, cyber resilience, and defence industry uplift. Together, these areas align closely with European industrial strengths and EU strategic autonomy objectives.

For European companies, priority investment opportunities are concentrated in clean energy, critical minerals value adding, infrastructure, defence-linked manufacturing, data and digital infrastructure, and advanced services. All are areas where European capability strongly aligns with Australian policy priorities.

POLITICAL AND ECONOMIC CHALLENGES

Political stability remains a defining strength of Australia's operating environment. However, the key challenges facing businesses are increasingly external rather than domestic. Australia's economic model remains resource-intensive, resulting in heightened sensitivity to global commodity price cycles and terms-of-trade volatility.

Beyond the structure of the domestic economy, Australia is highly exposed to international trade conditions and regional security dynamics. China remains Australia's largest trading partner, accounting for approximately 25 per cent of total trade, heightening vulnerability to shocks in Chinese growth, trade policy, or geopolitical tensions. Around 99 per cent of Australia's trade is seaborne, with approximately two-thirds transiting the South China Sea, amplifying exposure to maritime and regional security risks.

Energy security has emerged as a structural vulnerability. Despite being a major energy exporter, Australia relies heavily on imported refined fuels. Recent refinery disruptions and global energy instability have underscored system fragility, translating external shocks directly into domestic price volatility.

These pressures are compounded by a fragmented global order marked by volatile US tariff policy, intensifying US–China strategic competition, and the increasing weaponisation of trade and technology. For European firms operating in Australia, risk-management strategies increasingly focus on diversification, supply-chain redundancy, compliance resilience, and long-term scenario planning, rather than just short-term cost optimisation.

OTHER REGULATORY AND LEGAL CHALLENGES

Foreign investment policy is evolving in response to heightened economic and national security considerations. In May 2024, the Australian Government announced reforms to streamline and strengthen the Foreign Investment Review Board (FIRB) framework, adopting a more explicitly risk-based approach. Further reforms were advanced through a Treasury consultation released in November 2025, proposing faster approvals for low-risk investments alongside heightened scrutiny of sensitive sectors such as critical infrastructure, emerging technologies, sensitive data assets, and defence-related industries. These reforms are being implemented progressively through 2025 and 2026 and mirror approaches adopted across the EU, the US, the UK, and Japan, reflecting a shared effort to balance openness to investment with economic and national security objectives.

Beyond foreign investment screening, European businesses face a regulatory environment characterised by increasing complexity across climate and ESG disclosure, employment and industrial relations, competition policy, data protection and cyber security, and tax administration. Mandatory climate-related financial disclosures commence from 2026, expanding governance and assurance requirements and increasing director accountability. Workplace regulation has become more interventionist, with expanded bargaining arrangements, stronger compliance and enforcement, and reduced flexibility in labour-intensive sectors. Competition regulation is also tightening, including the introduction of a mandatory merger notification regime, adding to transaction risk and regulatory overlap, particularly for infrastructure, energy, digital, and logistics businesses. At the same time, reforms to data protection and cyber security obligations are raising compliance costs for firms managing cross-border data flows, while tax administration remains predictable but resource-intensive, with heightened enforcement and scrutiny of international structures.

INTEGRATION WITH EU POLICIES

Australia's trade and commerce policy settings increasingly intersect with those of the EU, reflecting shared commitments to open markets, high regulatory standards, sustainability, and rules-based economic governance. There is growing convergence in regulatory objectives across key areas, creating both opportunities and practical challenges for European businesses operating across both markets.

Alignment delivers clear benefits in terms of market predictability, investor confidence, and strategic coherence. Australia's adoption of international standards in areas such as climate-related financial disclosures, competition policy, corporate governance, and trade facilitation reduces regulatory uncertainty for European firms accustomed to operating under EU frameworks. The conclusion of the EU–Australia Free Trade Agreement (FTA) provides an important institutional platform to translate this convergence into improved market access, stronger services trade, expanded public procurement opportunities, and structured regulatory cooperation.

Convergence is particularly evident in industrial and sustainability policy. Australia's Future Made in Australia agenda, focused on clean-energy manufacturing, critical minerals processing, green metals, and low-carbon fuels, parallels EU initiatives under the Net-Zero Industry Act and Critical Raw Materials Act.

For European firms, this alignment supports long-term investment in sectors where policy priorities, decarbonisation pathways, and supply-chain resilience objectives are increasingly shared.

At the same time, alignment also presents practical challenges. The EU is a global leader and fast mover in many regulatory domains, often implementing ambitious frameworks with detailed and prescriptive requirements. Australia frequently pursues similar policy outcomes, but through different legal traditions, institutional arrangements, and regulatory sequencing. As a result, businesses may face parallel but non-identical obligations across sustainability reporting, product standards, digital regulation, competition policy, and economic security frameworks, increasing compliance complexity and administrative burden.

For businesses operating across multiple markets, the critical issue is therefore not regulatory ambition, but regulatory interoperability in practice. Greater emphasis on common standards, equivalence arrangements, and mutual recognition mechanisms would help reduce unnecessary duplication while preserving high regulatory outcomes. Australia and the EU are well placed to advance this agenda, given their comparable standards, shared values, and strong institutional trust, even where domestic legal systems and regulatory approaches differ.

Overall, alignment with EU policies in trade and commerce offers significant advantages for European firms in Australia, but realising these benefits fully will depend on sustained regulatory dialogue focused on implementation, interoperability, and mutual recognition rather than formal harmonisation. Effective use of cooperation mechanisms under the EU–Australia FTA will be critical to ensuring that high standards enhance competitiveness rather than create additional friction for businesses operating across both markets.

ECONOMIC RELATIONS BETWEEN EU AND AUSTRALIA

Investment and Trade

The EU–Australia economic relationship is deep, mature, and diversified, spanning trade in goods and services, two-way investment, and growing cooperation across strategic industries. The EU is Australia's third-largest trading partner and one of its most significant sources of foreign investment, reflecting long-standing economic ties and strong institutional confidence.

According to Australian Government statistics, in 2024, the EU was Australia's third-largest trading partner, with AUD 109.7 billion in two-way trade, comprising AUD 25.9 billion in Australian exports to the EU and AUD 83.9 billion in imports from the EU. Trade remains heavily in the EU's favour, with a AUD 57.7 billion surplus. The EU supplied AUD 82.9 billion of Australia's imports, representing 13.7 per cent of total imports and reflecting an average five-year growth of 7.9 per cent. Australia's exports to the EU totalled AUD 25.1 billion, making the EU Australia's sixth-largest export market, with a five-year average growth of 8.6 per cent.

European Commission data shows that trade volumes continued to expand in 2025, with EU–Australia trade in goods exceeding EUR 47 billion, including EUR 36.9 billion in EU exports and EUR 10.2 billion in imports from Australia, representing almost 50 per cent in two-way trade growth over the past decade. This growth reflects steady demand for EU manufactured goods, pharmaceuticals, transport equipment, and services, alongside Australia's exports of raw materials, agricultural products, and critical minerals.

Investment ties underpin the economic relationship. In 2024, the EU ranked as Australia's second-largest source of foreign investment, with AUD 869.3 billion in total investment, including AUD 132.1 billion in FDI across renewables, infrastructure, transport, advanced manufacturing, and financial services. Over the past five years, EU investment stock in Australia expanded at an average rate of 7.3 per cent, despite a modest year-on-year dip reflecting global financial volatility.

Two-way investment flows are substantial and increasingly balanced. In 2024, total two-way investment between Australia and the EU reached AUD 1.35 trillion, representing 14.5 per cent of Australia's total international investment position. While flows remain Australia-favourable, with a AUD 390.4 billion surplus, Australian investment in the EU is rising strongly.

Australia's investment stock in the EU increased by 38.4 per cent to AUD 478.9 billion, including AUD 79.5 billion in FDI and AUD 7.2 billion in annual outward investment flows, making the EU Australia's third-largest investment destination. This growth reflects diversification by Australian institutional investors, pension funds, and corporates seeking exposure to European infrastructure, energy, transport, and advanced manufacturing assets.

Overall, EU investment in Australia spans a wide range of sectors but is particularly concentrated in renewable energy, large-scale infrastructure, transport, and advanced manufacturing, aligning closely with Australia's industrial priorities and the EU's strategic autonomy objectives.

EU-Australia FTA

The conclusion of negotiations on the EU–Australia FTA in March 2026 marks a significant milestone in bilateral relations and establishes a robust framework for expanding trade, investment, and regulatory cooperation. While formal signing and ratification are still required, the agreement provides greater certainty for European businesses engaging with the Australian market and sets a clear direction for deeper economic integration.

Once fully implemented, the FTA is expected to remove over 99 per cent of tariffs on EU exports to Australia, delivering up to EUR 1 billion per year in duty savings. European Commission modelling suggests the agreement could increase EU exports to Australia by around 33 per cent over the next decade, driven by improved competitiveness and reduced border costs. Key beneficiary sectors include machinery, motor vehicles, chemicals, professional and business services, agri-food, and digital services.

For European firms, the FTA delivers improved market access for goods and services, supporting deeper participation in Australia's services markets. Enhanced provisions covering professional services, digital trade, and the mobility of skilled workers improve operating conditions across sectors such as financial services, engineering, architecture, ICT, and consultancy.

The agreement also expands access to public procurement, creating new opportunities for European companies in Australia's large-scale infrastructure, transport, energy, defence-adjacent, and public services projects. This is particularly relevant given Australia's sustained investment in energy-transition infrastructure, digital systems, and supply-chain resilience.

From an investment perspective, the FTA strengthens protections for European investors and enhances predictability through clearer rules, transparency commitments, and structured dispute-resolution mechanisms. Formal frameworks for regulatory dialogue and cooperation support closer alignment in areas such as sustainability, technical standards, digital regulation, and conformity assessment, reducing compliance barriers for firms operating across both markets.

Overall, the FTA reinforces Australia and the EU as trusted economic partners at a time of heightened global trade uncertainty. For European businesses, it enhances legal certainty, supports long-term investment planning, and provides a durable platform for deepening commercial ties and translating economic complementarities into tangible outcomes as implementation progresses.

TRENDS IN TERMS OF EUROPEAN COMPANIES IN AUSTRALIA

European Business Presence

European companies maintain a strong and long-standing presence in Australia, with more than 2,000 EU firms operating across the economy. Many European businesses have been established in Australia for decades, and in some cases, well before Federation, reflecting deep historical and commercial ties. Several long-established European Australian Business Council members, including Siemens (over 150 years in Australia), BNP Paribas (145 years in Australia), and Ericsson (over 135 years in Australia), exemplify this enduring presence, alongside a growing cohort of more recent entrants.

Since the pandemic, trends in European business activity have been net positive. While some sectors experienced temporary consolidation or delayed investment decisions during 2020–2021, no broad contraction of the European business community has occurred. Instead, European corporate engagement has rebounded from 2022 onwards, with renewed investment momentum evident across infrastructure, energy-transition projects, financial services, advanced manufacturing, and digital services.

Growth in European business presence has been particularly strong in sectors aligned with energy transition, supply-chain resilience, and sovereign capability, including renewables, green metals, transport infrastructure, defence-adjacent industries, and critical minerals processing. Interest from European pension funds, institutional investors, and strategic corporate investors has remained robust, underpinned by Australia's macroeconomic stability, predictable regulatory environment, and strong rule-of-law framework.

Key factors influencing market entry and expansion for European companies include access to large-scale infrastructure and energy-transition projects, growing demand for decarbonisation and clean-technology solutions, Australia's strategic role as a supplier of critical minerals, and its position as a stable Indo-Pacific platform for regional operations. Alignment with European sustainability and governance standards further supports Australia's attractiveness for EU firms seeking consistency across jurisdictions.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Recent and prospective US tariff measures have had a limited direct impact on Australia's aggregate exports, but a more meaningful indirect impact on key industries, investment planning, and business confidence. Despite the existence of the US-Australia FTA, Australia is currently subject to a 10 per cent temporary import surcharge on most exports to the US, alongside higher sector-specific tariffs applying to steel, aluminium, vehicles, certain machinery, and selected pharmaceuticals. Key Australian exports such as beef and gold are currently exempt, limiting the immediate impact on Australia's largest export categories.

At the macroeconomic level, direct trade exposure remains modest. Australia exports around AUD 24 billion worth of goods to the US each year, but steel and aluminium exports account for less than 0.2 per cent of total Australian exports, and overall export volumes to the US have remained relatively resilient. However, specific firms and sectors, particularly in metals, advanced manufacturing, pharmaceuticals, and automotive supply chains, face higher compliance costs, reduced margins, and greater uncertainty.

Experience across multiple sectors indicates that US tariff measures have generally not deterred imports from Australia, but have instead raised costs for US importers and consumers. During earlier phases of tariff implementation, Australian beef exports continued despite the imposition of tariffs, reflecting strong structural demand in the US market, with costs largely passed through to US consumers. A similar pattern has been observed in sheep meat, metals, and selected pharmaceutical products, where tariffs increased prices and supply-chain costs without materially altering sourcing patterns.

The more significant impact for firms operating in Australia arises indirectly, through global demand suppression, trade diversion, increased logistics and insurance costs, and heightened policy unpredictability. These second-order effects influence investment flows, supply-chain configuration, and risk-management strategies across multiple sectors. In this context, US tariff volatility has reinforced Australia's strategic pivot toward diversified, rules-based trade and investment partnerships, including deeper economic integration with the EU under the EU–Australia FTA.

Geopolitical Tensions – Country Exposure

Australia is highly exposed to geopolitical tensions, reflecting its deep integration into global trade, heavy reliance on maritime supply routes, and strategic location in the Indo-Pacific. Policymakers and business leaders increasingly describe the current environment as the most challenging since the Second World War. Intensifying great-power rivalry, Indo-Pacific security tensions, energy instability, and the fragmentation of the global trading system are having a material impact on Australia's economic outlook and business confidence, even where immediate trade flows remain resilient.

Australia's exposure is amplified by its trade concentration. China remains Australia's largest trading partner, accounting for over AUD 300 billion in two-way trade, particularly across iron ore, energy, and manufactured inputs. This concentration heightens vulnerability to tariff spillovers, regulatory disruption, supply-chain shocks, and fluctuations in Chinese demand. While periods of tactical stabilisation may prevent abrupt trade contractions, confidence in China-exposed sectors has weakened, and sensitive industries face growing pressure to diversify markets and supply chains. OECD analysis indicates that a 10 per cent disruption in trade between major economies could reduce Australian GDP by around 1.2 per cent, underscoring Australia's sensitivity to second-order geopolitical shocks.

Geopolitical tensions are also affecting logistics costs, insurance premiums, investment risk assessments, and strategic planning. Disruptions and uncertainty around key maritime chokepoints, including the South China Sea and Middle Eastern transit routes, have increased freight costs and war-risk surcharges. Although Australia is a major LNG exporter, it remains indirectly exposed to energy-market instability through its dependence on imported refined fuels and complex regional supply chains.

Australia's security role further elevates its exposure. Participation in AUKUS strengthens long-term defence capability and deterrence but also raises Australia's profile within regional power competition, increasing susceptibility to geopolitical spillovers. Tensions around Taiwan and Indo-Pacific maritime routes pose particular risks to mineral exports and critical inputs, reinforcing the vulnerability of seaborne trade upon which Australia depends.

In response, government and business are accelerating trade diversification, supply-chain resilience, and alliance-based economic integration. For European companies, this heightened exposure is balanced by Australia's close strategic alignment with the EU, US, Japan, and other trusted partners, its strong institutions, and predictable regulatory environment. As a result, Australia is simultaneously a high-exposure economy in geopolitical terms and a comparatively safe operating environment for European firms seeking stability, transparency, and access to the Indo-Pacific region amid growing global uncertainty.

ESG Trends

Australia's ESG landscape in 2026 is characterised by a shift from largely voluntary approaches toward mandatory, decision-useful sustainability disclosure, requiring active adaptation by European businesses operating in the market. Mandatory climate-related financial reporting aligned with International Sustainability Standards Board (ISSB) frameworks enters its first full reporting cycle in 2026, embedding ESG considerations more deeply into financial governance, risk management, and board accountability.

Beyond disclosure, Australia is actively building market-based sustainability mechanisms. The Australian Carbon Credit Unit (ACCU) Scheme has been strengthened through reforms to the Safeguard Mechanism, which imposes declining emissions baselines on large industrial facilities and drives demand for high-integrity carbon credits. This has increased market activity and positioned carbon pricing as a central compliance and investment consideration for emissions-intensive sectors.

Australia has also launched a world-first, legislated Nature Repair Market, established under the Nature Repair Act 2023, creating a national voluntary biodiversity market. The scheme enables the generation and trade of biodiversity certificates for verified nature-positive outcomes and is overseen by the Clean Energy Regulator. First methodologies came into effect in 2025, with additional methods in development. For European businesses, this signals the emergence of new compliance, investment, and corporate responsibility pathways linked to biodiversity and nature-related risk.

European companies operating in Australia are generally well-positioned to adapt, given alignment with EU ESG frameworks, but face increased reporting, assurance, and systems requirements in a more fragmented global ESG environment. Differences in timing, scope, and enforcement across jurisdictions are increasing complexity for multinational firms, even as Australia's alignment with international standards provides relative regulatory clarity.

Regulatory scrutiny has intensified materially. Australian regulators have significantly ramped up enforcement against greenwashing and misleading sustainability claims, signalling a shift from guidance-led supervision to litigation and penalties. This has elevated expectations around data integrity, substantiation of claims, and internal governance, reinforcing ESG as a market-integrity and legal-risk issue, not just a reputational one. This tightening of enforcement is extending beyond environmental claims to social and supply-chain conduct, with the establishment of Australia's first Australian Anti-Slavery Commissioner and ongoing reforms following the statutory review of the Modern Slavery Act 2018. These developments point to a shift away from a transparency-only model toward stronger compliance expectations, including potential civil penalties, expanded reporting requirements, and enhanced regulatory powers. For businesses, this raises the bar on supply-chain risk identification, due diligence, and remediation, integrating modern slavery risk more directly into governance, reporting, and assurance frameworks.

Emerging sustainability initiatives include large-scale investment in renewable energy, green metals, low-carbon fuels, carbon markets, biodiversity markets, and critical-minerals processing, alongside stronger expectations around supply-chain transparency and corporate responsibility. Despite political headwinds internationally, investor expectations, climate risk, regulatory convergence, and market-based mechanisms continue to drive ESG integration in Australia.

Overall, European businesses operating in Australia generally demonstrate a high level of corporate responsibility and are typically well prepared for Australia's tightening sustainability and conduct requirements. In an environment of increasing enforcement and regulatory complexity, this positions European businesses comparatively well, helping to manage compliance, reputational, and investment risks, albeit with higher short-term implementation costs.

Supply Chain Redistribution/Resilience

The current global trade environment is materially reshaping supply chains involving Australia, with companies shifting away from efficiency-driven, single-source models toward resilience, diversification, and risk-aware sourcing. This shift reflects lessons from recent shocks and intensifying geopolitical risk. OECD analysis shows that supply-chain concentration and exposure to disruption have increased significantly over the past decade, reinforcing the need for diversification rather than pure cost optimisation.

In Australia, geopolitical tensions, trade volatility, and climate-related disruptions have exposed vulnerabilities across fuel, pharmaceuticals, energy technologies, semiconductors, telecommunications equipment, and critical industrial inputs. These sectors are formally monitored by the Australian Government's Office of Supply Chain Resilience, which applies quantitative risk assessments and industry engagement to identify and mitigate national supply-chain vulnerabilities.

Policy coordination is led through the Office of Supply Chain Resilience and supported by broader frameworks such as the Future Made in Australia agenda and the Modern Manufacturing Strategy. The emphasis is on diversification and international collaboration with trusted partners, rather than broad-based reshoring. This approach is consistent with Australia's refreshed National Freight and Supply Chain Strategy, which identifies resilience alongside productivity and decarbonisation as core pillars of long-term supply-chain policy.

In practice, company behaviour reflects these policy settings and global trends:

- Supplier diversification is accelerating, particularly away from highly concentrated or geopolitically exposed markets. A 2024–25 global survey of CEOs and COOs conducted by Bain & Company found that more than 80 per cent are actively restructuring supply chains through diversification, near-shoring, or split-sourcing in response to geopolitical risk.
- Near-shoring and friend-shoring are expanding in sectors such as critical minerals, clean-energy technologies, defence-adjacent manufacturing, and advanced industrial inputs, with sourcing increasingly oriented toward allied and Indo-Pacific partner economies.
- Digital logistics, AI-enabled planning, and inventory visibility are being adopted to improve resilience and responsiveness, with logistics providers and large importers investing in real-time data and automation to manage disruption risk.

These developments align closely with EU supply-chain resilience strategies and create tangible opportunities for European firms to integrate into Australian-based value chains, particularly in critical minerals, clean energy, advanced manufacturing, defence-adjacent industries, and digital infrastructure. Australia's Critical Minerals Strategy explicitly targets the development of diverse, resilient international supply chains through partnerships with trusted economies, including the EU.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Australia's economic resilience strategy reflects a clear shift toward active industrial positioning, trade diversification, and sovereign-capability development, driven by the net-zero transition and heightened geostrategic competition. The Future Made in Australia framework anchors this approach, underpinned by legislated objectives and a National Interest Framework designed to use targeted public investment to crowd in private capital at scale in nationally significant industries, while managing fiscal and competitiveness risks.

This strategy is complemented by an expanded free-trade agenda, foreign-investment screening reform, infrastructure investment, and policies aimed at reducing dependence on single markets while deepening integration with trusted partners. The Australian Government has explicitly framed trade diversification as a resilience objective, supported by new institutional mechanisms, including the Trade Diversification Network and expanded engagement with the Indo-Pacific, the EU, the UK, and India.

Beyond tariff liberalisation, Australia is deepening cooperation with Europe on research and innovation (including prospective association with Horizon Europe), defence and security, and critical minerals supply chains, aligning economic policy with strategic objectives. These initiatives are designed to secure access to capital, technology, and markets while reducing vulnerability to global fragmentation.

The EU–Australia FTA, concluded in March 2026, is central to this strategy. The agreement removes more than 99 per cent of tariffs on EU exports to Australia, delivers duty-free access for over 97 per cent of Australian exports into the EU, and embeds cooperation on critical raw materials, supply-chain resilience, research, and security. In a period of heightened global instability, the agreement strengthens Australia's integration into European trade, investment, and innovation ecosystems and reinforces its role as a reliable, rules-based partner in a more fragmented global economy.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Growing global trade uncertainty is increasingly shaping the operating environment for European companies in Australia, reflecting a broader erosion of multilateral trade norms and the expanding use of trade, technology, and investment policy as instruments of geopolitical competition. Protectionism, sanctions, export controls, and industrial subsidies imposed by major economies are raising costs, disrupting supply chains, and reducing predictability for globally integrated firms. For European companies operating in Australia, the impact is primarily indirect, transmitted through higher input costs, supply-chain disruption, regulatory complexity, and elevated risk premiums.

A prominent illustration of these dynamics has been China's use of economic coercion, including trade restrictions applied to Australian exports between 2020 and 2023. While many of these measures have since eased, the episode has had a lasting influence on trade strategy and business confidence, highlighting the risks associated with concentrated market dependence. More recently, China's approach has evolved toward a broader weaponisation of trade and technology, including the use of formal export controls, licensing regimes, and regulatory tools targeting critical minerals, advanced manufacturing inputs, and technology-related supply chains. These measures affect European firms operating across the Indo-Pacific, including in Australia, even where neither the EU nor Australia is the direct target.

At the same time, other sources of global trade instability continue to affect European and Australian competitiveness. US and other third-country tariffs on metals, machinery, autos, and industrial goods have raised global prices and compliance costs for European firms with integrated supply chains. Sanctions regimes and export-control measures in technology- and defence-adjacent sectors have constrained access to certain inputs and markets, forcing firms to redesign supply chains and reassess regional footprints. Trade diversion arising from these policies has intensified competitive pressure in some Australian market segments as redirected goods seek alternative destinations.

In practice, these measures have not eliminated trade, but they have increased uncertainty and reduced margins, with costs often passed through supply chains to importers and consumers. European companies report greater difficulty forecasting costs, securing stable logistics arrangements, and committing to long-term investment in the absence of clearer signals on future trade and technology settings.

Despite this challenging global environment, the outlook for EU–Australia trade over the next 12–24 months remains resilient. The conclusion of the EU–Australia FTA provides a strong institutional anchor at a time of heightened volatility, delivering tariff elimination, regulatory cooperation, and legal certainty. The bilateral relationship is increasingly viewed as a trusted and rules-based trade corridor, underpinned by shared regulatory values, strong institutions, and strategic alignment, including cooperation on critical minerals, clean energy, research and innovation, and security.

Global trade uncertainty has also contributed to a structural shift in Australia's trade and investment positioning, with a sharper focus on diversification and integration with trusted partners.

For European companies, this has reinforced Australia's role as a stable Indo-Pacific base from which to manage geopolitical risk, reconfigure supply chains, and maintain access to regional markets under predictable rules. In this context, global fragmentation has tended to increase rather than diminish the relative attractiveness of EU–Australia economic ties.

In response to the weakening of global trade rules, the EBO and its members are adapting through supply-chain diversification, enhanced geopolitical and regulatory risk assessment, scenario planning, and closer engagement with EU and Australian authorities. Members are placing greater emphasis on resilience, compliance readiness, and early identification of exposure to third-country trade and technology measures. The EU–Australia FTA is therefore regarded not only as a commercial instrument but as a resilience framework, supporting confidence, investment, and long-term engagement in an increasingly fragmented global trade environment.

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- *World Trade Organization (WTO)*

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CHINA

FUTURE (ECONOMIC) OUTLOOK

The business sentiment in China for the 2025–2026 period reached an all-time low on many key metrics. A record 73% of European companies reported that doing business in China had become more difficult over the previous year. Optimism about growth prospects in China over the next two years dropped to a record low of 29% in 2025, while only 12% reported being optimistic about profitability outlook. Pessimism about competitive pressure stood at 60%. A record low 38% reported plans to expand operations in the coming year, while 52% planned to cut costs. That said, given the importance and size of the Chinese market, few companies were considering leaving China, and companies were holding out in the belief of longer-term prospects. Many of the challenges in the Chinese economy reported by European companies are also felt by Chinese companies.

BUSINESS / INVESTMENT ENVIRONMENT

The business environment deteriorated across most sectors. 63% of respondents missed business opportunities in 2024 due to market access or regulatory barriers, the highest level on record. 44% were anticipating the number of regulatory obstacles to increase over the next five years. 44% reported that they do not expect a level playing field for foreign-invested enterprises (FIEs) in their industry, and 33% reported that they never expect meaningful market opening. 52% of respondents reported that the business environment became more politicised in 2024.

Increasingly, foreign companies are working hard to justify that they can bring value to the Chinese market in order to retain access and remain competitive. China's increased focus on self-reliance continues to be a significant challenge for foreign companies, particularly those operating in strategic areas of the economy.

POLITICAL AND ECONOMIC CHALLENGES

The overarching political context is shaped by increasing geopolitical tensions, particularly between the US and China, and escalating EU-China trade frictions. 58% reported expectations of further escalation in US-China tensions, with 47% anticipating that their China operations would be substantially impacted as a result. 37% anticipated being impacted by EU-China tensions. Domestically, structural issues such as local government debt, supply-demand imbalances, and unsustainable, irrational competition ('involution') remain key economic challenges.

OTHER REGULATORY AND LEGAL CHALLENGES

Regulatory challenges remain significant. Ambiguous rules and regulations, and China's unpredictable legislative environment are consistently cited as top concerns. China's export control regime emerged as the most significant and acute operational/compliance challenge for manufacturing companies in 2025 and early 2026; while gaining access to China's public procurement market in industries such as medical devices, rail and ICT, is extremely challenging due to strict localisation requirements and 'Buy China' policies, among others. The new Private Economy Promotion Law was seen as a positive step by some, but lacks specific detail, making it hard to ascertain how and if it can truly level the playing field.

INTEGRATION WITH EU POLICIES

The EU's Corporate Sustainability Due Diligence Directive (CSDDD), aimed at ensuring that companies operating outside its legal jurisdiction remain in line with its human rights and environmental standards, will increase pressure on companies and their suppliers/partners to demonstrate transparency across their entire China operations by establishing due diligence processes. It should be noted that the EU issued the first in a series of 'omnibus' packages—aimed at reducing administrative burdens relating to companies' global sustainability reporting and due diligence requirements—on 26th February 2025.

45% expect the CSDDD to impact their China operations, while 13% are unaware of the directive, which is concerning given the potential implications for companies that fall within the scope of the legislation.

It is still not clear if or how it will be possible for some FIEs within scope to reconcile their obligations under the CSDDD with China's legal regime, given that it is currently not possible for companies operating in China to undergo independent, third-party audits of their operations in certain regions in order to demonstrate compliance with the directive.

In addition, recent developments in China—which have seen broad, vague, and ambiguous security-focused clauses added to several pieces of Chinese legislation—have left businesses unclear as to whether gathering and sharing data, as required under the CSDDD, would constitute a breach of Chinese law.

EU-CHINA ECONOMIC RELATIONSHIP

Investment and Trade

Economic relations between the EU and China have become increasingly strained due to the growing trade imbalance and other long-standing and emerging issues, leading European Commission President Ursula von der Leyen to describe the relationship as being at an "inflection point".

China's trade surplus surged 89% from USD 524 billion in 2020 to USD 992 billion in 2024. The EU and US account for nearly two-thirds of this surplus.

The EU launched an investigation into Chinese medical devices procurement, finding that 87% of 380,000 tenders severely restricted non-Chinese bidders. As a result, in June 2025, Chinese bidders were excluded from participating in EU government procurement tenders of medical devices exceeding EUR 5 million for a period of five years. China subsequently retaliated by launching anti-dumping probes into European dairy, brandy, and pork.

China's Ministry of Finance (MOF) also announced on 6th July 2025, that EU medical devices companies would be excluded from Chinese government procurement tenders of over CNY 45 million. *[1]* In a separate statement released on 10th July, the MOF confirmed that European-invested enterprises in China—defined as "all or partly invested by EU investors and registered in China under Chinese law"—are to be exempted from the restriction. However, conditions apply: their bid for relevant tenders cannot contain more than 50 per cent of the total project value's worth of medical devices imported from the EU.

China also imposed export controls on rare earth elements (REEs), further complicating EU-China trade and investment relations. While the export controls China imposed on REEs were reportedly aimed at the US in response to the 'liberation day' tariffs, European companies have been significantly impacted nonetheless.

The result is a highly politicised business environment that is simultaneously increasing complexity and costs, while reducing the operational efficiency of European businesses.

EUROPEAN BUSINESS PRESENCE

The European business community in China has faced increasing challenges. 73% reported that doing business became more difficult in 2024; 63% missed business opportunities due to market access or regulatory barriers; 17% have already shifted current investments out of China; and 16% were planning to shift investments previously earmarked for China to other regions/countries, with Europe overtaking ASEAN as the primary destination for diverted investments. A record low 38% reported plans to expand operations in 2025, and 52% planned to cut costs. 40% reported decoupling between headquarters and China operations. European Chamber membership dropped 5% in 2025, with many companies citing the more challenging economic conditions as the reason, as they needed to trim costs.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The tit-for-tat tariffs between the US and China in April 2025 have created unprecedented uncertainties, while increasing costs and reducing operational efficiency. 59% of European companies expect their China operations to be negatively impacted by US tariffs, and 43% by China's introduction or increase of tariffs. The US-China trade war has negatively impacted business confidence overall and contributed to supply chain disruptions.

Geopolitical Tensions – Country Exposure

China is at the centre of escalating geopolitical tensions with both the US and the EU. 58% expect further escalation in US-China tensions; 47% anticipate substantial impact from US-China tensions; and 37% from EU-China tensions. 52% of respondents reported that the business environment became more politicised in 2024. The level of exposure to geopolitical tensions for European companies in China is particularly high for those in the manufacturing sector.

ESG Trends

Decarbonisation is a key priority, but European companies face barriers. 69% cite limited access to renewable energy as a top barrier to decarbonising China operations. 53% report a lack of industrial guidance, and 51% cite China's lack of a low-carbon culture. As a result, 29% are not pursuing carbon neutrality in China, and more are postponing targets. The harmonisation of Green Electricity Certificates (GECs) with international systems is a key recommendation.

Supply Chain Redistribution/Resilience

The growing list of challenges European businesses face when operating in China, combined with a number of commercial factors, has compelled many to localise and silo their China operations.

An increasing number are creating two separate systems, with one for China and one for the rest of the world—including for supply chains, data and IT systems, and staffing—which is an expensive and inefficient solution.

Overall, 72% reported having reviewed their supply chain strategy in the previous two years. Key drivers behind this include the need to strengthen supply chain resilience (58%), cost factors (57%), geopolitical tensions (32%), and customer demands/requirements (26%).

This overall readjustment speaks to the complexity of maintaining efficient supply chains in a volatile geopolitical environment. Businesses are doing what they can to survive and remain viable, whether foreign or Chinese.

26% of companies making adjustments are onshoring supply chains into China, while 13% are offshoring or establishing alternative supply chains outside. Europe is the top destination for offshored supply chains (48%).

22% import critical components with no alternative sources. 47% report Chinese suppliers are moving operations out of China.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

China's economic strategy under the 15th Five-year Plan (2026–2030) continues to focus on 'dual circulation' and increasing self-reliance—sometimes to the point of self-sufficiency—which is a significant concern for European business.
The European Chamber recommends that China focus more on tackling underlying issues that are dragging on China's economic growth: these include rebalancing supply and demand, addressing local government debt, and allowing market forces to play a decisive role in resource allocation.

The government has acknowledged challenges such as 'involution' (unsustainable, irrational competition) and the subsequent price wars. Local government debt in the context of accounts receivable arrears remains a significant issue, with one European company owed over CNY 400 million in unpaid fees over five years.

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HONG KONG

FUTURE (ECONOMIC) OUTLOOK

Despite the economic turmoil caused by the US – China trade war, Hong Kong's position as a secure and stable hub between China, the EU, and the rest of the world has allowed it to resist much of the worst economic shortfalls seen in some other economies. Hong Kong remains an effective entrepot and acts as an effective intermediary for Mainland China and the International market.

BUSINESS/ INVESTMENT ENVIRONMENT

Government priorities

The priorities of the Government are focused on adherence to the 15th 5-year plan. This plan aims to double China's economy by 2035 to achieve a moderate industrialised economy, which requires a growth rate of at least 4.7% until 2035. Hong Kong's alignment with the 5-year plan revolves around the Greater Bay Area (GBA), aiming to bring the eleven largest and most important cities of Guangdong, Hong Kong and Macau into greater economic, technological interconnectedness. Hong Kong authorities aim to leverage Hong Kong's location, status as a hub, and innovative economy to integrate further into the GBA economy. Hong Kong's location at the mouth of the Pearl River Delta provides the opportunity to profit greatly from the commerce in the region. Hong Kong's free port status, having no tariffs, and its offshore Renminbi (RMB) business hub nature contribute to lower transaction costs and operational efficiency for business between Mainland China and the outside world. Finally, the government is leveraging its innovative and highly skilled workforce to encourage start-ups and invest in various newly emerging technologies aimed at improving efficiency of trade, commerce, and financial services. Using services such as the Hong Kong Science and Technology Park to identify, fund, and assist many high-tech startups in Hong Kong. The Hong Kong Top Talent Pass Scheme allows for recent graduates from specified universities and Professionals to be granted a work visa for up to 36 months.

Sectoral opportunities & challenges

- Within the sectors of service and tourism, there has been a general growth from 718 thousand tourists from Europe in 2024 to 880 thousand tourists in 2025. Overall, tourism has risen by 12.1% to 49.9 million annual visitors, with 75.8% being mainland visitors. The Hotel's average occupancy rate was 87% in 2025, up by 2% from 2024.
- AI is similarly booming, with China being one of the largest producers of AI products and the largest importer of products required to create AI. Hong Kong, as a hub, has benefitted from this increased trade and itself has many AI start-ups and a total of 85 data centres. According to the IMF AIPI index, Hong Kong ranks 20th globally for the AI preparedness index and 4th in Asia.
- Imports of machinery, equipment, and intellectual property products increased sharply 24.7% over 2025 with the Private sector showing strong growth
- The stock market of Hong Kong rose a notable 27.8% over 2025.
- Hong Kong maintains first place in IPO funds raised globally, with 100 companies raising upwards of HK$272.1 billion over 2025, a big jump from 2024. This performance suggests an improvement in issuers and investor confidence relative to recent years
- The change in real terms of GDP for the construction industry has shrunk at a rate of 9.4% over 2025, despite a strong growth of 38.9% in the costs of ownership to counteract this decrease. This means it became significantly more expensive to own and operate assets in the construction industry—not necessarily to build more, but to keep projects and equipment running.

POLITICAL AND ECONOMIC CHALLENGES

Political Influences on Business Operations

Through the GBA development strategy, China and Hong Kong are increasingly integrated, both economically and politically. The development plan for Hong Kong does adhere to one country two systems, while increasing connectivity between Guangdong and becoming a staging ground for new innovative industries and reforms. The US – China trade war has influenced the Hong Kong economy and political scene, as tensions and reciprocal tariffs will affect supply chains for local companies.

Strategies for European companies navigating these dynamics

It is important that businesses in Hong Kong are aware of the goals of the GBA development plan, as well as the 15th 5-year plan of the People's Republic of China. European companies can use the development strategies and resources offered by the Hong Kong government to align themselves with these projects. Hong Kong's role in this development plan is to innovate and expand its financial, commercial, and trade capabilities within the GBA region. This offers great opportunities for new businesses to get started in Hong Kong or for existing enterprises to expand into newly integrated markets and fill necessary niches within this development strategy. Hong Kong's increasing integration with Mainland economics and politics should additionally be considered by companies.

OTHER REGULATORY AND LEGAL CHALLENGES

The high costs and competition in Hong Kong for employees and locations increases the costs of running a business.

Alongside this, the small domestic market of Hong Kong (only 7.5 million residents) means that it is important to develop a regional strategy incorporating locations around Hong Kong into your business strategy to secure supply chains or markets to sell products and provide services.

Businesses in Hong Kong must adhere to Hong Kong's laws and regulations in addition to adhering to regulations for any other market. From time to time new regulations come out which are not always favourable for foreign companies that import and sell products in Hong Kong. Recent examples are new regulations for electric vehicles with an implementation date which is too short for European brands to adjust their supply chain and a high tax on imported wines and spirits. EuroCham Hong Kong provides advocacy on these topics to the HKSAR government in collaboration with members from these industries.

INTEGRATION WITH EU POLICIES

As a free port, Hong Kong aims to import and export everything with zero tariffs and increasingly simplified licensing fees to fulfil obligations to Hong Kong's trading partners or to meet public health, safety or internal security needs. EU policy is similar, with a focus on facilitating trade with the world as a single market. Both Hong Kong and the EU are attempting to invest in green technology and ensuring trade and finance are green as well. Hong Kong is therefore well aligned with the EU's policies in trade and commerce, thanks to free trade and ESG standards.

EU-HONG KONG ECONOMIC RELATIONS

Investment and Trade

FTAs and other agreements between the EU and Hong Kong

- Hong Kong and individual EU nations have signed and implemented IPPAs (Investment Promotion and Protection Agreements) with the following EU countries: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, and Sweden.

Statistics on European investment and trade activities

- In 2025, Bilateral Merchandise trade between Hong Kong and the EU amounted to €55.7 billion (HK $490.8 billion), noting a drop of 0.6% from the previous year.
- Goods imported from the EU account for 3.8% of Hong Kong's total imported goods (€24.6 billion or HK $217.2 billion), largely consisting of semiconductors, electronic valves and tubes, travel goods and handbags, plus non-electric engines and motors.
- Goods exported to the EU accounted for 2.2% (€0.16 billion or HK$1.4 billion) of total HK domestic exports, with most exports being jewellery, pearls, precious and semi – precious stones alongside silver and platinum.
- Trade through Hong Kong accounted for 5% (€24.1 billion or HK $204 billion) of Chinese Mainland's exports to the EU and 4% (€9.6 billion or HK $81 billion) of Chinese Mainland's imports from the EU. At the end of 2023, inward direct investment amounted to €33 billion (HK $285 billion) mostly in accommodation and food services sector and the manufacturing sector.)

EUROPEAN BUSINESS PRESENCE

Statistics/trends in the presence of European companies since the pandemic

- Overall, the number of companies with EU origins has increased since COVID-19 with most nations in the EU seeing growth

Growth or Contraction of the European business community

- From 2024 onwards the number of businesses owned by parent companies in the EU has grown up to 1780 from 1548 in 2023

Highlight factors influencing market entry

Hong Kong has robust legal protections, arbitration and law system using common law which aligns with most international business laws. Hong Kong has a low and predictable tax rate capped at 16.5% and no VAT, GST and no withholding tax on dividends. Hong Kong's zero-tariff regime and unique gateway to China and the GBA area allows great market access and access to innovations. Its banking, capital markets and trade finance ecosystem is highly developed with a freely convertible $HK under the Linked Exchange Rate System. Advanced risk management and financial tools. World-class ports and airports, trade infrastructure, and increased use of digital customs and trade are making commerce more efficient. Large talent pool, many bilingual employees with lots of international experience, with an easy-to-use talent admission pathway for foreign talent ("Talent Pass"). All contribute to Hong Kong's easy market entry. However, high costs for office spaces and very small domestic market should be noted.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Tariff Stabilisation: After an initial spike in April, the U.S. and China negotiated a "suspension" of higher rates, settling on a 10% reciprocal tariff that is now set to remain in effect until November 10, 2026. End of De Minimis: The $800 duty-free threshold for China and Hong Kong was abolished in May 2025 and expanded globally in August 2025. All low-value imports are now subject to duties. Postal Changes: A temporary "specific duty" methodology for international mail is being phased out. As of February 28, 2026, all such shipments must comply with the standard ad valorem (value-based) duty system.

Geopolitical Tensions – Country Exposure

- Despite the US-China trade war, Hong Kong's economy has remained resilient and grew 3.5% in 2025.

- Trade with the EU slowed in the first three quarters of 2025 but rebounded in Q4 following an easing of trade restrictions
- Initial business sentiments dampened during the first half of the year however, these rebounded following the easing of tensions between China and the US.

ESG Trends

From January 1, 2025, Hong Kong-listed companies are mandated by the HKEX to disclose their climate response under the four-pillar framework of "governance – strategy – risk management – metrics and targets". Due to this transparency requirement, companies are advancing compliance with TCFD (Task Force on Climate-related Financial Disclosures) frameworks and ISSB (International Sustainability Standards Board) standards. According to a PWC survey, the four pillars are largely being adhered to.

- Governance: survey results show 86% of sampled companies have disclosed the boards and management's oversight and management's responsibilities for climate-related risks and opportunities
- Strategy: 82% of sampled companies disclosed climate risks and opportunities within their business models and supply chains.
- Risk management: 70% of companies have integrated climate risk management into overall risk management processes including dedicated identification, assessment, and prioritisation processes
- Indicators and metrics: most companies have established a data foundation for managing and disclosing scope 1 & 2 emissions, and 41% have included scope 3 carbon emissions. 75% have disclosed climate-related targets and have actionable plans to achieve these targets.

Supply Chain Redistribution/Resilience

Current Global Trade Environment Reshaping Supply Chains

Studies have shown that, despite US – China tensions, Hong Kong remains a useful hub for both US and EU market forces. Many mainland and Hong Kong companies are rethinking their supply lines, with Hong Kong acting as a supply chain management centre and an effective intermediary platform. Hong Kong continues to function as an intermediary platform linking Mainland China and the international markets, including the EU.

Reshoring & Supplier Diversification

Companies are diversifying their supply chains away from single – country sourcing, primarily to a China + 1 model where parallel supply chains are established to ease supply chain disruptions. Many industries are taking advantage of trade between ASEAN member nations, Mexico, and India to carry out nearshoring to shorten supply chains closer to Hong Kong.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Hong Kong faces several challenges in maintaining economic stability amid global uncertainty, chiefly the rise of protectionism, a potentially slower Mainland economic recovery post-COVID, and ongoing trade tensions with the United States. To address inflation, the government has focused on supply-side measures and tax benefits, keeping price pressures moderate through 2025. On interest rate volatility, the introduction and expansion of an RMB Financing Liquidity Facility has bolstered liquidity for Hong Kong banks, while improved resilience standards and stronger supervisory frameworks have further shielded the banking sector.

To mitigate supply chain disruptions, the Hong Kong Monetary Authority extended financial support to SMEs affected by tariffs and trade tensions, while investments in trade digitisation and infrastructure upgrades to ports and airports have strengthened operational capacity. Deeper trade connections with the Middle East, ASEAN, and Belt and Road Initiative markets have also enabled greater supply chain diversification. This diversification strategy is further reinforced by a China+1 approach, with businesses increasingly relocating supply chains to ASEAN, India, and Mexico to reduce dependency on any single economy.

On the investment front, foreign direct investment into Hong Kong has grown by 2%, and InvestHK is actively leveraging this momentum to attract more investments and startups. Collaboration with Belt and Road Initiative members continues to expand market access, positioning Hong Kong as a resilient and well-connected hub amid a shifting global landscape.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

US reciprocal tariffs have created wide-reaching effects across economies, with EU corporations operating in Hong Kong facing pressure on both their exports to and imports from the United States. Beyond tariffs, US controls over high-technology semiconductors, AI components, and other sensitive goods have significantly impacted EU businesses in Hong Kong, compelling many to adopt a China-for-China strategy — sourcing from Chinese suppliers exclusively for domestic Chinese markets. This shift is further complicated by the heavy subsidisation of Chinese companies by the mainland government, placing EU competitors at a relative disadvantage.

In response, European businesses have been expanding collaborative networks to diversify their supply of components and products, exploring new markets to offset exposure, and building up inventory buffers to manage unforeseen delays and the added costs of tariffs.

Bilateral Trade Projections (2026–2027)

Trade between the EU and Hong Kong is expected to remain stable, shifting from pure goods transshipment toward trade-related services, supply chain coordination, financial compliance, and regional headquarter functions for EU companies operating in China.

Adaptation to Weakening Global Rules

As a sourcing, trading and logistic hub, as well as an international financial centre, Hong Kong is at the frontline of changes to the global trade rules. Chamber members are both affected by and can profit from the shifting trade & finance patterns. As such, most members are actively monitoring the shifting environment and actively transforming their processes to deal with new risk patterns and, where possible, benefit from evolving market dynamics..

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FUTURE (ECONOMIC) OUTLOOK

Japan's economic outlook is characterised by moderate growth and ongoing structural constraints. Real GDP growth is expected to remain in the range of 1 - 1.5% over 2025 - 2026, supported by domestic demand, gradual wage increases, and corporate investment.

Inflation has stabilised around the Bank of Japan's 2% target, marking a transition away from prolonged deflation. Monetary policy is gradually normalising, with potential implications for financing conditions and exchange rate volatility.

Key structural challenges persist, notably:

- Demographic decline and aging population
- Labour shortages across sectors
- Relatively low productivity growth

BUSINESS/ INVESTMENT ENVIRONMENT

Japan offers a stable, predictable, and high-value market, with strong rule of law and advanced infrastructure.

Government priorities include:

- Economic security and supply chain resilience
- Digital transformation (DX)
- Green transformation (GX)
- Strengthening strategic industries (e.g. semiconductors)

Key opportunities for European companies:

- Renewable energy and decarbonisation technologies
- Digital and data-driven services (AI, cybersecurity)
- Healthcare and life sciences
- Advanced manufacturing

Key constraints:

- Persistent non-tariff barriers
- Regulatory complexity and administrative burden
- Labour market rigidities

POLITICAL AND ECONOMIC CHALLENGES

Japan maintains a high degree of political stability, though industrial policy and economic security considerations are increasingly shaping the business environment.

Public policy may influence market access in strategic sectors through:

- Subsidies and industrial support measures
- Preferences for domestic suppliers in specific industries

European companies typically respond through:

- Long-term market positioning
- Partnerships with local stakeholders
- Active regulatory engagement

OTHER REGULATORY AND LEGAL CHALLENGES

European companies operating in Japan may face additional compliance requirements stemming from differences in regulatory frameworks, standards, and administrative practices.

- **A recurring challenge is the need to comply with Japan-specific technical standards and certification schemes**, even where products already meet EU or international requirements. Examples include Japanese Industrial Standards (JIS), the Electrical Appliance and

Material Safety Act (DENAN/PSE), the Radio Act (TELEC certification), and sector-specific approvals in areas such as medical devices and chemicals. In practice, this frequently entails additional testing, local certification, and documentation in Japanese, resulting in longer time-to-market and higher compliance costs.

- **In regulated sectors such as healthcare and life sciences**, European companies must undergo separate product approvals and clinical or performance evaluations, even for products already authorised in the EU. This includes Pharmaceuticals and Medical Devices Agency (PMDA) reviews and conformity assessments that may require locally generated data or Japan-specific testing protocols.

- **The railway sector** presents a further set of regulatory hurdles. Japan applies unique technical standards, safety rules, and operational requirements for rolling stock, signalling systems, and railway components. European suppliers often face project-specific approvals, extensive on-site testing, and bespoke certification processes, even where products comply with internationally recognised or EU standards (e.g. EN standards). Long procurement cycles, limited standardisation, and strong preferences for proven domestic solutions can further complicate market access for European railway manufacturers and service providers.

- **Administrative procedures can further add complexity**. Licensing, registration, and reporting requirements are often highly detailed and may involve multiple authorities at national and local levels. Processes can be document-heavy, with limited use of digital submissions, increasing the reliance on local legal and regulatory support.

- **Finally, European companies must adapt to Japan-specific labour, tax, and corporate governance rules**, including detailed transfer pricing documentation, local tax filings, and employment regulations that limit flexibility in workforce restructuring.

INTEGRATION WITH EU POLICIES

The EU and Japan maintain a high level of regulatory and policy alignment, supported by:

- The EU-Japan Economic Partnership Agreement (EPA)
- The Strategic Partnership Agreement (SPA)
- The Digital Partnership
- The Green Alliance

These frameworks facilitate:

- Tariff elimination and improved market access
- Regulatory cooperation and dialogue
- Enhanced digital and sustainability cooperation

However, non-tariff barriers and limited standards convergence remain key challenges.

EU-JAPAN ECONOMIC RELATIONS

EU- Japan Investment and Trade Relations

Economic Partnership Agreement (EPA) Between the EU and Japan

The cornerstone of modern economic relations between the European Union (EU) and Japan is the EU-Japan Economic Partnership Agreement (EPA). This agreement was signed in December 2018, approved by the respective legislatures, and came into force on 1 February 2019. It is one of the most ambitious bilateral trade deals ever concluded by the EU, covering a combined economic area accounting for roughly 30 % of global GDP and nearly 20 % of global trade.

Key features of the EPA:

- **Tariff liberalisation:** At full implementation, the EPA eliminates tariffs on 99 % of tariff lines for EU goods and 97 % for Japanese goods, with sensitive agricultural products subject to tariff-rate quotas or phased reductions.
- **Non-tariff measures:** The agreement also addresses regulatory cooperation and non-tariff barriers, helping reduce compliance costs and facilitate market access.
- **Services and investment:** The EPA improves market access for services, including professional, financial, telecommunications and transport services, and supports a more stable framework for investment flows.
- **Implementation and cooperation:** Beyond pure tariff cuts, the EPA includes mechanisms for regulatory dialogue and ongoing policy coordination, underpinning deeper economic integration.

Since its implementation, both sides have reaffirmed commitments to strengthen trade cooperation further, including through high-level dialogues that also touch on economic security and supply chain resilience.

Other agreements are:

EU-Japan Strategic Partnership Agreement (SPA)

- In force since February 2019, alongside the EPA.

- Provides the overarching political and strategic framework for EU-Japan relations.
- **Covers cooperation on:**
  - Foreign and security policy
  - Crisis management
  - Counter-terrorism
  - Climate change
  - Development cooperation
  - Human rights and rule of law

EU-Japan Green Alliance

- Launched in May 2021 between the European Union and Japan as a framework for enhanced cooperation on climate and environmental issues.
- Aims to support climate neutrality, implementation of the Paris Agreement, and the transition to a circular and sustainable economy.
- As of 2026, cooperation has become more operational and structured, with regular high-level dialogues and joint initiatives.
- Key priority areas include clean energy transition, industrial decarbonisation, carbon pricing, sustainable finance, and climate adaptation.
- Also covers broader environmental topics such as biodiversity protection, pollution reduction, and circular economy policies.
- Serves as a platform for coordination in international climate diplomacy and reinforces a shared commitment to rules-based multilateralism.

EU-Japan Digital Partnership

- Launched in 2022
- Focuses on cooperation in:
  - Digital trade
  - Semiconductors
  - Artificial intelligence
  - 5G/6G
  - Cybersecurity
  - Digital identities
- Aims to reduce dependencies, strengthen supply chains, and promote interoperable standards.

Mutual Adequacy Decisions on Data Protection

- In force since 2019.
- Recognises each other's data protection regimes as "equivalent".
- Allows free flow of personal data between the EU and Japan without additional safeguards.
- Often described as the world's largest area of trusted data flows.

Horizon Europe

- December 2023: The association agreement was formally signed.
- 2024: The agreement entered into force, enabling Japanese entities to participate in the programme.
- From 2025 onwards: Japan is fully operational as an associated country, meaning its participation is implemented across the programme's work programmes and calls on an equal footing with EU Member States in most areas.

Trade and Investment Statistics

Bilateral Trade Volumes

- Total trade in goods and services between the EU and Japan surpassed €190 billion in 2024, reflecting substantial growth since the EPA's entry into force.
- In 2024 alone, EU exports of goods to Japan were approximately €66.9 billion, while EU imports from Japan stood at around €63.8 billion.
- In services, the EU ran a significant surplus, with exports to Japan totalling about €39.9 billion and imports at €21.8 billion in 2024.
- As of 2023, the EU recorded a positive total trade balance with Japan, including a notable services surplus.

Investment Stocks

- Japanese foreign direct investment (FDI) stock in the EU is sizeable, estimated at around €212.5 billion, concentrated mainly in the Netherlands and Germany.
- EU investment in Japan stands at approximately €86.6 billion (2023 figures), showing strong reciprocal investment links.

Trade Growth Since the EPA

- Compared to the period before the EPA (2018), trade in goods has increased by over 11 %, and trade in services has grown by over 40 %, demonstrating the agreement's positive impact.

Key Industries and Sectors

Trade in Goods

Trade between the EU and Japan is predominantly concentrated in industrial and manufactured goods:

- Machinery and mechanical appliances – a core component of bilateral trade.
- Transport equipment, including motor vehicles and related parts.
- Chemicals and pharmaceuticals, reflecting both regions' strong industrial and innovation bases.
- Optical and medical instruments, as well as plastics and advanced manufactured inputs.

Primary products (e.g., agriculture) represent a smaller share of bilateral goods trade, while industrial goods account for more than 90 % of the total.

Services

Key service sectors with growing importance include:

- Telecommunications, computer and information services.
- Financial and business services, including consulting and professional services.
- Travel and transport services, reflecting deep mobility and tourism links.

Strategic and Emerging Areas

Both the EU and Japan are actively cooperating in high-tech and strategic sectors, such as:

- Digital trade and data flows with ongoing work under digital partnership frameworks.
- Advanced technologies, including semiconductors, high-performance computing, and resilient digital connectivity.

EUROPEAN BUSINESS PRESENCE

The presence of European companies in Japan has remained stable with moderate expansion since the COVID-19 pandemic.

Key trends:

- Continued investment in high-value and innovation-driven sectors
- Increasing focus on sustainability and digitalisation

Market entry drivers:

- Benefits derived from the EPA
- Size and sophistication of the Japanese market
- Stable regulatory and business environment

Constraints:

- Regulatory complexity
- High operating costs
- Demographic-related labour shortages

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Recent and potential U.S. tariff measures have had a notable impact on Japan, given the depth of bilateral trade and Japan's significant exposure in key manufacturing sectors. On the export side, Japan is particularly vulnerable through automobiles, auto parts, machinery, and electronics, which together account for a substantial share of its exports to the United States. Past and proposed tariff increases on vehicles and industrial goods have introduced considerable uncertainty for Japanese exporters, putting pressure on profit margins and, in some cases, reducing export volumes. Critically, even when tariffs are threatened rather than fully implemented, they tend to erode business confidence and complicate long-term planning for export-oriented firms. The automotive sector is especially sensitive in this regard, as the U.S. remains one of Japan's most important overseas markets, and any tariff-driven shift in price competitiveness carries significant consequences for the industry.

In terms of investment flows, U.S. tariff policy has reinforced a broader trend toward greater Japanese foreign direct investment within the United States. To mitigate tariff risks and maintain uninterrupted access to the U.S. market, Japanese companies — particularly in autos, machinery, and electronics — have increasingly relocated production, assembly, or final processing to U.S. facilities. While this dynamic supports Japan-U.S. economic ties, it also implies a gradual substitution of domestic production and exports with overseas manufacturing, which over time can weigh on Japan's industrial base.

Across key industries, the automotive sector remains the most exposed, followed by industrial machinery, electronics, and components. Tariff uncertainty has accelerated supply chain diversification and localisation strategies, raising costs in the short term while building greater resilience over the medium term. By contrast, some Japanese exports — such as food products and high-value specialty goods — have proven less affected, reflecting robust U.S. demand and comparatively lower tariff sensitivity in those categories.

At the macroeconomic level, higher or prolonged U.S. tariffs on Japanese goods would act as a moderate drag on growth, primarily through weaker exports and the gradual shift of production abroad. While Japan has thus far absorbed these pressures through corporate adjustment, investment reallocation, and diversification of export destinations, continued tariff uncertainty remains a meaningful downside risk for the country's trade-dependent sectors.

Geopolitical Tensions – Country Exposure

Japan remains highly exposed to U.S.-China strategic competition, which continues to shape both regional security and global economic dynamics. Rising tensions in the Taiwan Strait are viewed as a direct security concern, with significant implications for regional stability and critical trade routes. At the same time, ongoing trade fragmentation and the expansion of economic security policies — including export controls and investment screening — are steadily reshaping the global business environment. Japan's structural dependence on energy imports and key maritime corridors, particularly through the Middle East, further adds to its vulnerability to external shocks, making the country acutely sensitive to any escalation in geopolitical tensions.

These dynamics have translated into a heightened policy focus on economic security, with particular emphasis on protecting critical technologies and strategic sectors. Geopolitical risk has become a central factor in corporate investment decisions, prompting companies to reassess their exposure to sensitive markets. Japanese firms are increasingly accelerating supply chain diversification, notably shifting production toward Southeast Asia to build resilience without pursuing full decoupling from China. Taken together, resilience, risk management, and strategic autonomy have emerged as defining pillars of Japan's broader economic and industrial policy framework.

ESG Trends

Japan is accelerating its sustainability and decarbonisation agenda, supported by a strong policy framework and increasing public–private investment:

- Japan has committed to achieving carbon neutrality by 2050, a target underpinning its national industrial and energy strategies.
- The government’s Green Growth Strategy and related GX (Green Transformation) policies mobilise multi-trillion yen investments to decarbonise key sectors such as steel, chemicals, automotive, and energy.
- Japan is actively developing green finance frameworks and subsidies, including public support schemes to incentivise clean energy use and sustainable investment (e.g. subsidies covering up to 50% of capex for decarbonised projects from 2026).
- The country is positioning itself as a global leader in hydrogen and clean energy, supported by its Basic Hydrogen Strategy and new legislation promoting a “hydrogen society,” although infrastructure and cost challenges remain.
- Significant efforts are also underway in renewable energy expansion, energy efficiency, and industrial decarbonisation, including offshore wind, electrification, and carbon capture technologies.

From a business perspective:

- European companies operating in Japan generally demonstrate high alignment with ESG standards, particularly on climate, governance, and sustainability reporting.
- However, adaptation to Japan-specific regulatory frameworks remains necessary, especially in areas such as energy policy, taxonomy alignment, and industrial standards.
- Disclosure and reporting requirements differ from EU frameworks (e.g. CSRD), requiring companies to navigate parallel systems and ensure compliance with both Japanese and European expectations.

Supply Chain Redistribution/Resilience

The global trade environment is prompting reconfiguration of supply chains involving Japan.

Key developments include:

- Diversification of suppliers (“China+1” strategies)
- Selective reshoring in strategic sectors
- Increased focus on resilience in critical industries

Affected sectors:

- Electronics and semiconductors
- Automotive
- Pharmaceuticals

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Japan faces several structural and cyclical challenges in maintaining economic stability:

- **Inflationary pressures and currency volatility:** Inflation has fluctuated around the 2% target in recent years (≈2.8% in 2025, easing toward ~2% in 2026), while the yen remains historically weak, reaching multi-decade lows against the US dollar and contributing to imported inflation.
- **Energy import dependency:** Japan imports around 90-95% of its energy, with a large share sourced from the Middle East, making it highly vulnerable to external shocks and price spikes.
- **Structural labour shortages:** Demographic decline and ageing continue to constrain the workforce, prompting sustained wage increases over three consecutive years (2024–2026) and increased investment in labour-saving technologies.

Policy responses have been significant and increasingly targeted:

- Targeted subsidies and fiscal support, particularly in energy (e.g. fuel subsidies worth trillions of yen) and strategic sectors such as semiconductors and advanced manufacturing.
- Measures to support wage growth, including government pressure and corporate commitments, leading to sustained base salary increases across major firms.
- Active industrial policies aimed at strengthening strategic sectors (digital, green technologies, semiconductors) and enhancing economic security and resilience.

Japan is also actively pursuing trade and strategic diversification:

- Strengthening economic and regulatory ties with the European Union.
- Deepening integration with ASEAN economies, particularly through supply chain relocation and regional production networks.
- Expanding partnerships across the Indo-Pacific, including through trade agreements and economic security frameworks.

Foreign investment trends reflect a dual dynamic:

- Japan remains a major source of outward investment, supported by its large stock of external assets and global corporate presence (e.g. continued large-scale investments abroad, including in the US).
- At the same time, the government is actively working to increase inward FDI, with a target of ¥100 trillion stock by 2030 (from ~¥50 trillion in 2023), although Japan still lags behind other advanced economies in FDI inflows.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Concrete examples of impact on European companies in Japan

China's export controls on critical raw materials (2023–2025)

China introduced restrictions on exports of key semiconductor inputs such as gallium, germanium and antimony, which are essential for electronics and automotive supply chains. These measures have disrupted global supply chains and increased costs for European firms operating in Japan, particularly in advanced manufacturing and automotive sectors.

Geopolitical retaliation and sanctions targeting European firms

In 2026, China imposed export bans on dual-use items to several European companies in response to geopolitical tensions (e.g. Taiwan-related issues).

Even when indirect, such measures create legal uncertainty and compliance risks for European firms active in Japan and across Asia.

- Semiconductor supply chain disruptions linked to geopolitical tensions.

The dispute involving the Dutch-based company Nexperia and China led to suspension of chip supplies, affecting both European and Japanese automotive industries. This resulted in risks of production slowdowns or shutdowns for European manufacturers operating in Japan due to shortages of critical components.

US-led export controls on advanced technologies (spillover effects)

U.S. restrictions on semiconductor exports to China (since 2022) have had extraterritorial effects, limiting the ability of European companies, also present in Japan, to supply or collaborate with Chinese partners in high-tech sectors. This constrains market access and complicates global R&D and production strategies.

Overall impact on EU-Japan business and trade

- These measures increase operational costs and compliance burdens for European firms in Japan
- They disrupt integrated supply chains, particularly in semiconductors and automotive sectors
- They create strategic uncertainty, forcing companies to diversify sourcing and reassess investment decisions
- Ultimately, they risk reducing competitiveness of European companies and may dampen the growth potential of EU-Japan bilateral trade

Expected impact on EU–Japan trade (next 12-24 months)

EU-Japan trade is expected to remain stable with modest growth, but below its full potential, constrained by weaker global demand, trade fragmentation, and persistent geopolitical uncertainty, while continued bilateral cooperation provides an important stabilising factor.

- **Stable but moderate growth trajectory:** EU-Japan trade is expected to remain broadly resilient, supported by the EPA framework and strong sectoral complementarities. However, growth is likely to stay moderate, in line with a slowing global economy (around ~2.9% global growth in 2025-2026) and subdued external demand.

- **External demand as a structural constraint:** In Japan, external demand is projected to weigh on growth, with net exports acting as a drag due to weaker global trade and higher tariffs in key markets. This trend is expected to persist into 2026-2027, as GDP growth stabilises at around ~0.9% annually, driven mainly by domestic demand.

- **Impact of trade fragmentation and tariffs:** Rising protectionism, particularly new U.S. tariffs and broader trade restrictions, is increasing costs and uncertainty for exporters. For example, across-the-board tariff measures introduced in 2026 are expected to affect global trade flows and supply chains. This environment directly impacts EU-Japan trade through reduced global demand and more complex value chains.

- **High uncertainty but resilient trade volumes:** While uncertainty remains elevated due to geopolitical tensions and supply chain disruptions, global goods trade has shown resilience in early 2026, with export orders reaching their highest levels since 2021. Japan's total trade volume is still projected to increase slightly through 2027, indicating continued, albeit limited, expansion of trade flows.

- **Strategic alignment mitigating downside risks:** The EU and Japan are strengthening cooperation on economic security, supply chain resilience, and rules-based trade, which should help stabilise bilateral trade and partially offset external shocks.

Adaptation to Weakening Global Rules

The European Business Council in Japan and its members emphasise the importance of maintaining a predictable, transparent, and rules-based business environment, particularly in a context of increasing global trade uncertainty and regulatory fragmentation.

- The EBC consistently calls for regulatory alignment with international standards and mutual recognition, noting that divergence from global norms increases costs and complexity for companies operating in Japan.
- The latest EBC White Paper highlights the need to avoid unnecessary localisation requirements and market access barriers, which can disrupt established supply chains and reduce efficiency.
- Across sectors, the EBC underlines concerns related to supply chain constraints and resilience, stressing the importance of maintaining open and well-functioning international supply chains rather than introducing restrictive or protectionist measures.
- The EBC also advocates for greater transparency, simplification of administrative procedures, and improved regulatory coherence, in order to support companies navigating an increasingly complex global trade environment.
- More broadly, the organisation continues to engage with Japanese authorities to promote open markets, fair competition, and non-discriminatory policies, which are seen as essential to mitigating the effects of weakening global trade rules.

Report Reference

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

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KOREA

FUTURE (ECONOMIC) OUTLOOK

Recent shifts in U.S. tariff policy, coupled with escalating tensions involving Iran, have disrupted global energy supply chains. As a result, Korea—being highly dependent on energy imports—has experienced increased volatility in both financial and foreign exchange markets. The KOSPI index has shown sharp fluctuations, while the Korean won has hovered around the psychologically significant level of KRW 1,500 per USD, reflecting continued market uncertainty.

In response, the government has adopted short-term stabilisation measures, including the reconfiguration of raw material and energy supply chains, alongside the approval of a supplementary budget aimed at mitigating economic shocks and supporting key industries.

Looking ahead, Korea's growth outlook remains cautious. According to Korea Development Institute (KDI), real GDP growth is projected to moderate to around 1.9% in 2026. This outlook reflects expectations of a continued recovery in the semiconductor sector, which is anticipated to support exports despite ongoing global uncertainties. Inflation is expected to gradually stabilise, though external risks—particularly in energy markets and global trade—continue to weigh on the outlook.

Overall, while Korea demonstrates resilience supported by proactive policy responses, the economic outlook remains highly contingent on external developments and the effectiveness of domestic policy adjustments.

BUSINESS/ INVESTMENT ENVIRONMENT

Global supply chains are undergoing a significant realignment, driven in part by shifts in U.S. tariff policies and broader geopolitical developments. In response, Korea has been actively pursuing supply chain diversification strategies, seeking to enhance resilience and reduce dependency on specific regions for critical materials and components.

At the institutional level, recent government restructuring—most notably the separation of energy-related functions from the Ministry of Industry and Resources into the Ministry of Climate, Energy and Environment—signals a heightened policy focus on clean and sustainable energy. This direction is expected to gain further momentum in light of recent tensions around the Strait of Hormuz, which have underscored Korea's vulnerability to external energy supply disruptions.

Domestically, a number of regulatory and policy developments are shaping the business environment. Labour protection measures continue to be strengthened, reflecting broader social priorities but also increasing compliance considerations for businesses. At the same time, amendments to the Commercial Act are placing greater emphasis on directors' fiduciary duties and shareholder protection, aligning Korea more closely with global corporate governance standards.

Efforts are also underway to enhance capital market attractiveness, particularly in response to concerns over the undervaluation of Korean equities. Policy initiatives aimed at improving market transparency, strengthening investor confidence, and encouraging shareholder returns are being advanced as part of broader capital market reforms.

Taken together, these developments highlight a policy environment that is actively evolving in response to both external shocks and domestic priorities. Foreign-invested companies are advised to closely monitor these changes, as they carry important implications for supply chain strategies, compliance requirements, and overall investment planning in Korea.

POLITICAL AND ECONOMIC CHALLENGES

External factors remain a key source of uncertainty for Korea's economic outlook. Ongoing global supply chain realignments, driven by geopolitical developments and shifts in U.S. trade and industrial policy, are expected to continue influencing Korea's trade environment and strategic positioning.

At the same time, tensions on the Korean Peninsula remain largely unchanged. Broader geopolitical uncertainties in the region continue to persist, with North Korea maintaining its pattern of provocations. In addition, evolving policy approaches by the United States towards its allies, including matters related to the presence of U.S. Forces Korea, add a further layer of uncertainty to the regional security environment.

Domestically, the political calendar may also shape the policy landscape. With local elections scheduled for June 2026, there is potential for policy adjustments or shifts in emphasis, particularly in areas related to economic management and social policy from the second half of the year and ahead.

OTHER REGULATORY AND LEGAL CHALLENGES

Recent legislative developments in Korea indicate a continued strengthening of worker protections. Following the implementation of the Serious Accidents Punishment Act, ongoing discussions around the so-called "Yellow Envelope Act" suggest a further expansion of labour rights, particularly in relation to the scope of employer responsibility and collective labour actions.

While these measures reflect broader social priorities, they have also raised concerns within the business community regarding legal clarity, the potential expansion of liabilities, and the predictability of industrial relations. Companies are therefore closely monitoring how these changes may affect operational risk and labour management practices.

In parallel, a series of high-profile data breaches has led to increased scrutiny of corporate data protection practices. Regulatory developments are expected to place greater accountability on senior management, including CEOs, with stricter requirements around governance, oversight, and incident response.

Amendments to the Commercial Act are also reinforcing corporate governance standards, including enhanced fiduciary duties of directors and stronger protections for shareholders. These changes are broadly aligned with international standards, but may require foreign-invested companies to review internal governance structures and compliance frameworks to ensure alignment with evolving legal expectations in Korea.

INTEGRATION WITH EU POLICIES

Korea has been increasingly aligning its policy direction with key elements of the EU's sustainability and digital frameworks.

While recent government restructuring has further integrated climate and energy functions, this broader policy shift reflects a growing recognition of the need to address energy policy in tandem with climate objectives, notably in advancing the transition towards clean energy and carbon neutrality. In parallel, the government has stepped up efforts to promote renewable energy, including offshore wind development initiatives and the establishment of dedicated task forces to accelerate deployment. This direction is further reinforced by increased policy engagement with key EU regulatory frameworks, including the Carbon Border Adjustment Mechanism (CBAM), as well as emerging ESG-related regulations such as the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), all of which are being actively introduced to and discussed with industry stakeholders in Korea due to their significant extraterritorial implications.

In the digital domain, following the establishment of the EU–Korea Digital Partnership, the EU and Korea further strengthened cooperation by concluding the EU–Korea Digital Agreement in 2025. This provides a framework for collaboration on emerging technologies, data governance, and digital standards. Domestically, Korea has also advanced its regulatory framework for artificial intelligence, with its AI Act having entered into force in March 2026.

Bilateral cooperation has also expanded in the field of research and innovation. Korea became the first country in Asia to associate with Horizon Europe, opening new opportunities for joint research and development projects between Korean and European entities.

EU-KOREA ECONOMIC RELATIONS

Investment and Trade

Economic relations between the EU and Korea remain robust, underpinned by the EU–Korea Free Trade Agreement, which marks its 15th anniversary and continues to facilitate strong trade and investment flows.

Since the entry into force of the EU–Korea Free Trade Agreement, bilateral trade in goods has shown an overall upward trend, with total trade volumes increasing significantly over time. EU exports to Korea have remained strong, while imports from Korea have grown at a faster pace in recent years, driven in part by the expanding market share of Korean products in strategic industries such as electric vehicles and batteries, thereby contributing to a trade deficit on the EU side.

Investment flows have also expanded significantly. As of 2024, the EU's stock of foreign direct investment (FDI) in Korea exceeded EUR 50 billion, reaching a record high, while Korea's investment in Europe surpassed EUR 40 billion—underscoring their role as strategic investment partners.

At the same time, global uncertainties—including supply chain realignments and broader geopolitical developments—are reshaping trade dynamics and investment decisions. In this context, the need for closer EU–Korea cooperation has become increasingly evident, with both sides expected to further strengthen collaboration in the years ahead.

EUROPEAN BUSINESS PRESENCE

The activities of European companies in Korea are increasingly evolving beyond traditional sales and distribution models towards the establishment of strategic bases for high-value manufacturing and research and development (R&D).

Analysis of foreign direct investment (FDI) notifications by the Ministry of Trade, Industry and Energy from the second half of 2025 to early 2026 suggests that European investment has been concentrated in key future growth sectors, including semiconductor equipment, advanced battery materials, and biopharmaceutical manufacturing.

This trend is also reflected in recent analyses, including reports by the National Assembly Research Service, which indicate a growing share of investments directed towards R&D centres and logistics hubs in Korea. Such developments point to a broader shift in the role of Korea within global supply chains, with companies increasingly viewing the country as a reliable and technologically advanced base for high-value activities.

This shift is further illustrated by the composition of the European Chamber of Commerce in Korea (ECCK) membership, where engineering, manufacturing, and chemicals sectors represent a significant share. This suggests that European companies are actively leveraging Korea's industrial capabilities as part of their regional and global operations.

Leading European firms such as ASML, Merck, and BASF have established strong collaborative ties with Korea's advanced manufacturing ecosystem, particularly in the electronics and materials sectors. These partnerships highlight the complementary strengths of Korea's manufacturing capabilities and Europe's technological expertise within global value chains.

In addition, the renewable energy sector has emerged as a notable area of growth. The increasing presence of companies in this field reflects rising interest in Korea's energy transition. European companies such as Ørsted and Equinor are actively engaged in offshore wind and hydrogen-related initiatives, leveraging Korea's geographic conditions and its strengths in shipbuilding and offshore engineering.

Overall, European companies are playing an increasingly important role in supporting Korea's industrial transformation and its alignment with global ESG and supply chain trends.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Following the APEC summit in 2025, there were expectations of a more stable trade environment, with some signals pointing towards a potential easing of tariff pressures. However, subsequent geopolitical developments—notably the escalation of tensions involving Iran in 2026—have reintroduced uncertainty into U.S. trade policy. Discussions around renewed tariff measures have resurfaced, highlighting the fluid and evolving nature of the policy landscape.

As a result, Korea continues to face indirect exposure to these shifts. While the impact is not uniform across sectors, the unpredictability of tariff policies remains a key concern for businesses operating within global value chains.

Geopolitical Tensions – Country Exposure

Since the inauguration of the new administration, Korea has sought to stabilise and recalibrate its regional diplomatic relations. In particular, relations with both Japan and China have shown signs of improvement, supported by a series of high-level engagements.

Following the APEC summit, this momentum has been reinforced by subsequent state visits by the Korean President to China and Japan, further contributing to a more constructive and cooperative atmosphere.

At the same time, tensions on the Korean Peninsula remain largely unchanged. Broader geopolitical uncertainties in the region continue to persist, with North Korea continuing its pattern of provocations.

Overall, Korea's geopolitical environment reflects a mixed picture—marked by efforts to improve regional relations, while longstanding security challenges remain unresolved.

ESG Trends

The Korean market demonstrates a strong commitment to aligning with global ESG standards; however, structural constraints remain, particularly in terms of energy infrastructure costs and regulatory flexibility. In the environmental domain, the levelised cost of renewable energy generation is estimated to be approximately 2.8 to 3 times higher than the global average, driven by high land costs, complex permitting procedures, and limited economies of scale. As a result, renewable energy procurement costs—including power purchase agreements (PPAs)—are also elevated, typically ranging from 1.5 to 2 times higher than in other markets, placing a considerable financial burden on companies.

Grid-related constraints, such as delays in connection and additional network charges, further slow the pace of adoption and limit corporate uptake. In response, the government has introduced revisions to time-of-use industrial electricity tariffs from April 2026, including measures to lower tariffs during periods of high renewable energy availability in order to incentivise more flexible corporate energy consumption.

In the social domain, regulatory expectations are evolving both in Korea and at the EU level. In particular, emerging EU sustainability due diligence and reporting requirements are expected to increase compliance burdens across supply chains over the coming years. Korean suppliers are already facing substantial costs related to the collection and management of human rights and environmental data. According to a 2024 survey by the Korea Chamber of Commerce and Industry, approximately 67.9% of Korean exporting companies were still considered insufficiently prepared to meet such requirements, indicating a narrow window for compliance. Domestically, regulatory developments are also contributing to increased business uncertainty. Compliance obligations under the Serious Accidents Punishment Act, expanded data governance responsibilities under personal data protection laws, and the implementation of recent labour law amendments—including the so-called "Yellow Envelope Act"—are collectively increasing perceived legal risks and compliance burdens for companies operating in Korea.

In the governance domain, addressing the so-called "Korea discount" has become a central policy objective, with shareholder return policies increasingly serving as a key benchmark for corporate valuation. Following recent amendments to the Commercial Act, particularly the expansion of directors' fiduciary duties, there has been a notable acceleration in shareholder-friendly measures, including share buyback cancellations and improvements to dividend procedures. At the same time, concerns persist regarding the ambiguity of breach of trust provisions under Korean law, which may discourage management from undertaking more proactive or long-term investments, including ESG-related initiatives. Furthermore, growing pressure from activist investors—including calls for enhanced governance mechanisms such as cumulative voting—has intensified demands for greater transparency and accountability. As a result, companies are increasingly required to balance the dual objectives of enhancing shareholder value while maintaining management stability.

Supply Chain Redistribution/Resilience

Foreign-invested companies in Korea are increasingly reassessing and restructuring their supply chains as part of broader de-risking strategies. A number of companies are repositioning Korea not merely as a manufacturing base, but as a relatively stable and reliable node within regional supply chains, particularly for high-value components and advanced manufacturing.

This trend is particularly relevant for European companies. As EU sustainability due diligence requirements are expected to be phased in over the coming years, Korean subsidiaries are facing increasing pressure to align with headquarters-level compliance expectations. In practice, this has highlighted a gap in data readiness and implementation capacity between global standards and local suppliers.

As a result, standardisation and data integration in line with global regulatory frameworks are emerging as key priorities for companies operating in Korea.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Amid increasingly persistent global uncertainty, Korea has been pursuing a pragmatic and diversified diplomatic approach aimed at strengthening supply chain resilience. Following participation in major multilateral engagements—including the G7, the 80th session of the UN General Assembly, and ASEAN- and G20-related summits in 2025—the government has continued high-level diplomatic outreach in 2026, engaging with key partners such as China, Japan, Italy, Brazil, and Singapore. These efforts reflect a broader strategy to reinforce strategic partnerships and diversify economic linkages.

Recent geopolitical developments, including heightened tensions affecting key energy transit routes such as the Strait of Hormuz, have further underscored the importance of securing stable energy and raw material supply chains. In this context, Korea's diplomatic engagement is expected to remain closely aligned with efforts to mitigate external risks and enhance economic resilience.

Domestically, the government has placed increasing emphasis on technological transformation as a driver of future growth, with a particular focus on artificial intelligence (AI). Initiatives such as the establishment of a national AI governance framework and the expansion of research infrastructure reflect this priority. The government has also signalled its intention to increase investment in AI-related sectors as part of broader fiscal planning, alongside efforts to position Korea as a regional hub for AI innovation.

This technology-driven growth strategy is increasingly linked with regional development initiatives. Projects such as the development of AI-based smart city models in areas including Saemangeum illustrate efforts to foster innovation beyond the Seoul metropolitan area, supporting more balanced national development.

More broadly, the government is pursuing policies aimed at addressing regional disparities and strengthening local economic foundations, including the redistribution of certain public functions and the promotion of regionally specialised industries.

At the same time, financial and capital market reforms are being advanced to improve market attractiveness and encourage a shift in household asset allocation from real estate towards financial markets.

In particular, initiatives aimed at addressing the so-called “Korea discount,” including corporate value-up programmes and related policy measures, are intended to enhance investor confidence and support capital inflows through both foreign direct investment and portfolio investment channels.

Taken together, these policy directions reflect a broader effort to strengthen Korea’s economic fundamentals and enhance its capacity to withstand external shocks, while pursuing sustainable and innovation-led growth.

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FUTURE (ECONOMIC) OUTLOOK

Macau's economy in 2026 is projected to experience moderate, stable growth, with the IMF forecasting a 3% GDP expansion, revised up from previous estimates. Growth is supported by a robust tourism and gaming recovery, evidenced by a strong 14.3% revenue increase in Q1, but faces challenges from weakened mainland China consumer spending, with 2026 gaming revenue growth expected to slow to 3%–7%. The European Union remains Macau's second-largest trading partner, accounting for over a quarter of its total trade.

BUSINESS/ INVESTMENT ENVIRONMENT

In 2026, the Macau Special Administrative Region (MSAR) is transitioning from post-pandemic recovery to "high-quality development," with a primary focus on economic diversification, integration with the Chinese mainland (specifically Hengqin), and administrative reform. The government, under Chief Executive Sam Hou Fai, is prioritising a "1+4" diversification strategy to reduce reliance on gaming while strengthening the regulated, sustainable development of the integrated tourism sector.

Key 2026 Government Priorities for Development

- **The "1+4" Diversification Strategy:** Focusing on strengthening four key industries — Big Health (Traditional Chinese Medicine), modern finance, MICE (Meetings, Incentives, Conferences, Exhibitions), and high-tech/cultural tourism — alongside the core integrated tourism and leisure sector.
- **Deepening Integration with Hengqin:** Accelerating the construction of the Guangdong-Macao In-Depth Cooperation Zone, treating Hengqin as an extension of Macau for industrial development, youth employment, and residential living.
- **Administrative and Legal Reform:** Streamlining governance to improve efficiency, breaking down departmental silos, and implementing the Urban Renewal Legal System.
- **15th Five-Year Plan Alignment:** Implementing the Third Five-Year Plan for the Economic and Social Development of the MSAR (2026–2030) to align with the national 15th Five-Year Plan.

Business and Investment Environment 2026

Gaming Sector Regulations

The industry is consolidating, with junket operations restricted to a fixed commission model (1.25% of turnover) rather than revenue sharing, and the number of authorised junkets (29 in 2026) remaining far below 2014 levels.

Modern Finance Expansion

The Investment Funds Law (effective 1 January 2026) introduces tax incentives for high-quality fund management, with a focus on bond markets, green finance, and a "convenient renminbi" funding arrangement.

Tax Incentives and Support

Corporate treasury centres may benefit from a 5% preferential profit tax rate. SMEs are encouraged to specialise, with continued interest rate subsidies and tax relief measures.

MICE and Tourism

Focus on attracting high-end international visitors and developing Macau as a "City of Culture" by revitalising cultural heritage, rather than relying solely on gaming.

Qualified Personnel and Employment

Prioritising local employment and tightening the approval system for non-resident workers, while encouraging the development of a high-end talent hub in Hengqin.

Key 2026 Projects and Infrastructure

- **Macao–Hengqin Integration:** Advancing the Guangzhou–Zhuhai (Macao) High-Speed Railway and a dedicated rail link to the Hengqin border.
- **Education and Culture:** Establishing the Macao International Education (University) Town and the Macao International Integrated Tourism and Culture Zone, inclusive of a Macao National Museum Cultural Hall.
- **Technology Hubs:** Developing the Macao Science and Technology Research and Development Industrial Park.
- **Urban Renewal:** Focusing on redeveloping the Iao Hon district and other ageing neighbourhoods.

Opportunities for European Companies

The Macau Government has expressed interest in attracting investment and cooperation from European partners in biotechnology, biomedicine, digital technology, integrated circuits, and aerospace technology.

The cooperation between Macau and Hengqin through the Guangdong-Macao In-Depth Cooperation Zone creates a unique, high-level investment platform by combining Macau's status as a free port and its international business network with Hengqin's ample land space and mainland China market access. As of 2026, this partnership serves as a "golden gateway" for international capital, with a particular focus on emerging industries such as technology, modern finance, and biomedicine, while offering significant tax, regulatory, and financial advantages.

For European countries, the Macau–Hengqin cooperation zone presents a compelling entry point into the Chinese market, particularly through the "1+4" diversification strategy spanning big health, modern finance, high-tech, and MICE/culture. As of 2026, the EU–Macau trade relationship remains strong, with considerable potential in green development, the digital economy, and high-tech manufacturing.

POLITICAL AND ECONOMIC CHALLENGES

Geopolitical Volatility and Regulatory Shifts

European firms operating in Macau face mounting challenges stemming from escalating geopolitical uncertainty. Forecasts for 2026 point to "interconnected turbulence" that carries the potential to disrupt business operations, supply chains, and investment planning across the region.

Operational Disparities

Substantial differences in social, cultural, and institutional systems between Macau and Hengqin (Mainland China) continue to generate administrative friction, particularly in the area of regulatory compliance for foreign entities. These disparities require European companies to maintain dual operational frameworks that can accommodate diverging legal and administrative standards.

Talent Acquisition and Mobility

The post-pandemic period has seen a notable outflow of foreign talent from the region. European firms face considerable difficulty in attracting and retaining European professionals willing to reside and work across the Macau–Hengqin corridor, posing a longer-term challenge to workforce sustainability and operational continuity.

Slow Economic Diversification and Local Competition

Macau's economy remains heavily reliant on the gaming sector, and the 2026 recovery trajectory may not immediately translate into the high-tech industrial expansion envisioned under the "1+4" strategy. Local SMEs continue to face intense competition in high-end services, creating a tight and challenging market environment for new entrants, including European businesses seeking to establish a foothold.

Slow Regional Integration

True integration between Macau and Hengqin remains a long-term, decade-long undertaking. Physical infrastructure and service-level connectivity are still being developed, meaning that the full benefits of the Guangdong-Macao In-Depth Cooperation Zone are not yet fully realisable for European investors.

European investors should consider high-end, differentiated services (such as creative culture, premium, or specialised TCM) rather than competing on price, and engage with the Joint Investment Promotion teams that facilitate market access. Also, European companies should make use of Macau’s free port and low tax policy, as well as a similar European culture and business environment.

OTHER REGULATORY AND LEGAL CHALLENGES

European businesses operating in Macau and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) face a complex operating environment characterised by "three systems" (mainland civil law, Hong Kong common law, and Macau Portuguese-derived civil law) and tightening regulatory compliance. As of early 2026, while the GBA initiative aims to foster integration, European companies often experience "policy/regulatory ambiguity, uncertainty and unfamiliarity".

EU-MACAU ECONOMIC RELATIONS

Investment and Trade

Macau is a member of the World Trade Organisation (WTO), and the EU–Macau relationship is governed by a 1992 Cooperation Agreement, with trade relations primarily managed through WTO principles and Macau's status as a free port.

EU–Macau Joint Committee

The 1992 Cooperation Agreement established a Joint Committee that convenes annually, alternating between Brussels and Macau, to review bilateral developments and explore new areas of cooperation.

Trade Relations and Characteristics

Free Trade and Tariff Arrangements

As a free port, Macau does not apply tariffs on imports, meaning EU goods enter the territory freely and without additional duties. This arrangement makes Macau one of the most accessible markets in the region for European exporters.

EU Exports to Macau

The European Union is a major supplier to Macau, with exports predominantly comprising luxury goods, fashion, food, and beverages. These sectors reflect both the territory's high consumer purchasing power and its thriving tourism and hospitality industry.

Trade Imbalance

Bilateral trade is heavily weighted in favour of the European Union, which maintains a substantial trade surplus with Macau. This imbalance reflects the structure of Macau's import-dependent economy and the strong demand for European premium products.

CEPA and Indirect Trade Opportunities

Through the Mainland and Macau Closer Economic Partnership Arrangement (CEPA), in effect since 2004, goods of Macau origin exported to Mainland China benefit from zero-tariff treatment. This arrangement creates an indirect but strategically significant opportunity for European companies, as products processed or value-added in Macau may qualify for preferential access to the broader Chinese market.

EUROPEAN BUSINESS PRESENCE

Following the pandemic, European companies in Macau navigated a significantly challenging business environment. While European visitor arrivals recovered to approximately 80% of pre-pandemic levels by late 2025, the recovery amongst European businesses has been mixed — with certain sectors reducing their footprint while others, particularly in the high-end segment, renovated and repositioned their brands. The European Union continues to serve as a major trading partner and foreign investor in the territory.

Key Trends and Statistics

Business Environment

Nearly two-thirds of European companies operating in China reported increased difficulty doing business, a sentiment that has also been reflected across the Macau market as firms adapt to evolving conditions.

Trade and Investment

The EU remains a major trading partner and, as of 2023, the fourth-largest source of foreign direct investment in Macau. In 2024, European trade accounted for a significant 26.6% share of Macau's total trade volume, underscoring the enduring depth of the bilateral economic relationship.

Retail Presence

While some European fashion brands reduced their presence in the market, resilient and popular brands maintained or renovated their flagship stores. Premium cosmetics, fashion, and luxury products have remained prominent features of Macau's retail landscape.

Tourism and Services

The number of travel agencies in Macau offering European tourism products declined by approximately 60% since the onset of the pandemic, reflecting a broader contraction in outbound European travel services that has yet to fully recover to pre-2019 levels.

Visitor Recovery

European visitor arrivals to Macau have rebounded strongly, reaching nearly 80% of pre-pandemic levels by December 2025, with overall tourism recovery reaching 89.6% of pre-pandemic figures across 2025.

Shift in Trade

Dynamics From August 2023, the EU began to lose its position as Macau's primary import supplier, being overtaken by imports from Mainland China. Nevertheless, absolute EU trade levels remain strong, and the bilateral relationship continues to hold strategic significance.

Key Sectors Affected

- **Luxury and Retail:** High-end European fashion brands demonstrated considerable resilience, while smaller or less adaptable brands resized or reduced their market presence in response to shifting consumer behaviour and tighter spending patterns.
- **Tourism and Travel:** The market for travel agencies specialising in European tourism has contracted significantly, with the sector continuing to struggle in returning to pre-2019 volumes despite the broader recovery in visitor arrivals.

As of early 2026, the European business community in Macau is undergoing a phase of cautious optimisation and strategic realignment, rather than broad expansion or contraction. This is characterised by deeper integration into Macau's "1+4" economic diversification strategy.

While the post-pandemic period saw an outflow of some European professionals, European firms remain firmly rooted in the city, supported by a strong trade share and an increasingly aligned strategic interest in the territory's diversification agenda.

Growth Areas

Green Technology and Professional Services
The President of the Macau European Chamber of Commerce (MECC) has highlighted significant growth potential in green technology, innovative design, and professional services — areas where European expertise is well-positioned to contribute to Macau's development priorities.

MICE and Culture
With tourism continuing its recovery, European firms in hospitality, retail, and event management are encountering renewed opportunities, particularly as Macau advances its positioning as a cultural and MICE destination.

Portugal Connection
Macau is actively strengthening its ties with Portugal, having returned to Lisbon's BTL Travel Fair as a "Preferred International Destination 2026." This initiative is aimed at attracting European tourists and investors, and presents a natural gateway for broader EU engagement with the territory.

Challenges

Labour and Talent
Attracting skilled professionals from Europe to Macau remains a persistent challenge, particularly in supporting specialised sectors that require internationally experienced talent.

Cost Management
While Macau's economy is projected to grow by 6.3% in 2026, businesses are navigating margin compression and tighter consumer spending, requiring careful financial management and operational efficiency.

Regional Competition
European companies must carefully balance opportunities within Macau against the need to remain competitive across the rapidly evolving Greater Bay Area, where market dynamics and regulatory environments continue to shift.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Macau faces no direct impact from US tariffs, given its free port status and limited manufacturing exports.

Geopolitical Tensions – Country Exposure

Rising global geopolitical tensions are contributing to increased operational costs for European businesses in Macau, while also affecting tourism and travel flows across key source markets.

ESG Trends

European businesses in Macau are navigating a complex ESG landscape by aligning stringent EU sustainability mandates — such as the CSRD and supply chain due diligence — with local regulations focused on gaming concessionaire social responsibility and environmental sustainability. Companies are adopting frameworks such as the IWAY Code of Conduct and investing in digital tools to manage ESG risks while supporting the local economy.

Supply Chain Resilience

Global supply chain disruptions are generating inflationary pressures while simultaneously accelerating Macau's integration into the Greater Bay Area (GBA).

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

As of early 2026, Macau's economy carries a cautiously optimistic outlook, transitioning from rapid post-pandemic recovery to moderate growth while navigating significant external pressures. Although tourism and gaming demonstrate strong resilience, the region faces several key challenges in maintaining broader economic stability.

In response to these pressures, the Macau SAR government — guided by the 2026 Policy Address and recent economic forecasts — is addressing inflation, interest rate volatility, and supply chain disruptions through a combination of targeted livelihood subsidies, prudent monetary management, and accelerated economic diversification. To combat inflation directly, the government has introduced measures including child allowances, tax relief, and subsidies aimed at supporting residents and boosting local community consumption.

Macau is pursuing long-term economic diversification through its "1+4" strategy (2024–2028), aimed at reducing reliance on gaming by strengthening the integrated tourism sector while cultivating four key industries: Big Health (traditional Chinese medicine), modern finance, high-tech, and conventions, exhibitions, and sports. Central to this strategy are deeper integration with the Greater Bay Area (GBA) and Hengqin, expansion into international tourism markets, and the fostering of trade through the Belt and Road Initiative.

Foreign investment flows are actively shifting away from a near-exclusive focus on gaming towards this diversified "1+4" model. While gambling remains a primary economic driver — representing approximately 50% of GDP in 2024–2025 — investment is increasingly pivoting towards modern finance, Big Health, high-tech, and the conventions and exhibitions sector. According to local think tanks, this strategic reorientation is both a response to the economic vulnerabilities exposed by the pandemic and an effort to align with central government expectations for long-term economic resilience.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Growing global trade instability — characterised by increased protectionism and the use of trade as a political tool — is significantly testing the resilience of European companies in Macau. While the EU remained a major trading partner for Macau in 2024, European companies continue to face rising compliance costs, supply chain disruptions, and intense competition from Mainland Chinese products. This volatility is compelling a strategic shift, with European businesses increasingly focusing on resilience, diversification, and digital compliance to maintain their competitiveness.

Bilateral Trade Projections (2026–2027)

Trade between Macau and the European Union over the next 12–24 months is expected to deepen cooperation in non-gaming sectors, driven by Macau's economic diversification strategy and sustained high demand for EU imports. While trade remains heavily skewed in favour of EU exports to Macau, the push towards technology, green finance, and tourism presents new opportunities for bilateral growth.

Expected Impact and Trends (12–24 Months)

- Diversification and Technology Focus: Macau is actively seeking to strengthen ties with the EU in innovation, digital technology, and the green economy. The recent European tour by Chief Executive Sam Hou Fai aimed to deepen cooperation in areas such as higher education and cultural industries, with the Macao Economic and Trade Office to the EU facilitating these efforts.
- Strong Demand for EU Goods: The EU remains a critical partner and one of Macau's primary sources of imports, particularly in luxury goods. As Macau continues to develop its tourism sector, demand for high-end European-made products is expected to remain robust.
- Sustainability and Regulatory Compliance: The EU's strict regulatory frameworks, such as the Carbon Border Adjustment Mechanism (CBAM), will impact trade. Macau businesses exporting products to the EU must ensure compliance with these increasingly rigorous sustainability standards.
- High-Value Service Integration: Cooperation between Macau and the EU is also being deepened through institutional partnerships, including the Macao-Europe Centre for Advanced Tourism Studies (MECATS) and the Institute of European Studies of Macao, both aimed at elevating service standards within Macau's tourism sector.

Adaptation to Weakening Global Rules

The Macau European Chamber of Commerce (MECC) and its members are adapting to weakening global trade structures and supply chain volatility by strengthening regional economic integration, embracing digital transformation, and shifting towards a cautious, diversified, and sustainable business model. As of early 2026, members are navigating these challenges by aligning with Macau's "1+4" economic diversification strategy, focusing on emerging opportunities in finance, technology, and MICE (meetings, incentives, conferences, and exhibitions).

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FUTURE (ECONOMIC) OUTLOOK

The Mongolian economic outlook for 2026-2030 is characterised by a transition toward large-scale infrastructure industrialisation and a stabilised macroeconomic environment. Following a robust GDP growth of 6.8% in 2025 and the accumulation of record-high foreign exchange reserves reaching over 7 billion USD, the economy is moving into a phase of heavy capital investment. The Public Investment Program for this period signals a strategic shift toward energy independence and logistics de-bottlenecking, with massive projects like the 500 kV transmission lines to New Kharkhorum and the expansion of hydroelectric and battery storage capacities designed to reduce the current 90% dependency on coal-fired thermal power.

BUSINESS/ INVESTMENT ENVIRONMENT

The state's primary objective for 2026 is to "bring about new trust" by reducing the footprint of the government in private affairs. Key initiatives include the "Four Roads to Freedom" legislative framework. This framework focuses on economic and legal liberation, green development, and anti-corruption efforts. These reforms highlight specific sectors where European expertise in technology and sustainability is highly valued, particularly in renewable energy and green tech. Specific opportunities exist in small-scale solar and battery systems, grid integration under public-private partnerships, and digitalisation services as the state moves toward "digital by default" licensing for 120 different permits.

POLITICAL AND ECONOMIC CHALLENGES

Mongolia continues to face significant challenges regarding transparency and the rule of law. According to the Corruption Perceptions Index by Transparency International, Mongolia has historically struggled with systemic corruption, often ranking in the lower half of global results. The 2026 "Road Four" reform initiative, titled "Anti-Corruption Liberation," explicitly acknowledges this by aiming to improve Mongolia's CPI ranking and introducing mechanisms to nationalise "stolen wealth." For European businesses, this translates to a high-risk environment where administrative processes can be opaque and influenced by political interests.

OTHER REGULATORY AND LEGAL CHALLENGES

European businesses in Mongolia face a challenging operational landscape defined by a steep USD 100,000 minimum investment requirement for work permits, which, combined with high social security contributions and a volatile exchange rate, creates a high-risk financial barrier for SMEs and startups. Structural hurdles further complicate market entry, as mandatory local partnership requirements prevent foreigners from registering businesses in their own name, leading to "proxy" ownership, decreased transparency, and significant bureaucratic friction. This environment is exacerbated by a lack of protective "landing" incentives, sudden regulatory shifts in taxation and mining, and an investment law where protections are not self-executing, requiring substantial private effort to enforce. Finally, even established firms struggle to remain operational due to a critical domestic shortage of both skilled and unskilled labor, coupled with high-cost, quota-driven visa procedures for foreign professionals.

INTEGRATION WITH EU POLICIES

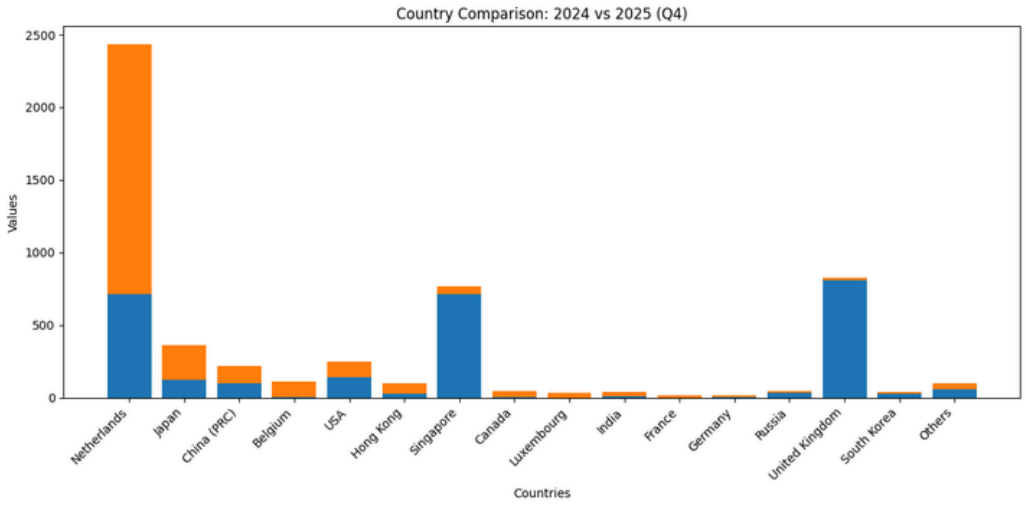
Mongolia’s trade strategy centers on the GSP+ Special Incentive Arrangement, which has provided zero-duty access to 66% of EU tariff lines since 2015 in exchange for the effective implementation of 27 international conventions on human and labor rights, environmental protection, and governance. The European Union has extended this access until at least 2027, with a further transition window available until December 31, 2028, under new regulations, offering Mongolia a critical opportunity to diversify an economy currently defined by an 87% export dependency on China. By leveraging these preferences, Mongolia aims to fulfill its Vision 2050 and Government Action Plan objectives of moving beyond unprocessed mineral exports toward value-added processing and reduced structural reliance on single markets.

EU-MONGOLIA ECONOMIC RELATIONS

Investment and Trade

According to the 2025 preliminary performance, the inflow of FDI into Mongolia reached USD 3,831 million. However, outflows related to investment withdrawals and loan repayments totaled 1,205 USD million, resulting in a net inflow of USD 2,626 million. This represents a 6% decrease compared to the previous year's performance. Comparing the net FDI flow into Mongolia with the previous year: Netherlands: Investment increased by 1,008 USD million, reaching 1,722 million; Belgium: Investment increased by USD 101 million, reaching USD 107 million.

Trade between Mongolia and the EU has entered a "new era" of partnership, with total trade volume reaching approximately USD 1.03 billion in 2025.



This relationship is currently characterised by a significant trade imbalance, as EU exports, primarily machinery, pharmaceuticals, and vehicles, account for USD 936 million, while Mongolian exports of cashmere and textiles total roughly USD 93 million.

To support Mongolian exports, the GSP+ scheme allows 94% of the country's products to enter the EU market duty-free, with apparel and textiles serving as the primary export categories. Furthermore, the partnership is set for a massive expansion through a Memorandum of Understanding with the European Investment Bank, which aims to invest up to EUR 1 billion specifically into Mongolia’s renewable energy sector.

EUROPEAN BUSINESS PRESENCE

European corporate presence is most prominent in Mongolia's bedrock mining sector, highlighted by Rio Tinto’s management of the Oyu Tolgoi copper-gold mine, projected to be the world's fourth-largest by 2030, and Orano’s landmark 2025 investment agreement for the 1.6 billion USD Zuuvch-Ovoo uranium project. Beyond extractive industries, a significant shift toward green energy is underway, evidenced by a EUR 1 billion MoU with EIB Global for clean energy projects and over EUR 300 million in EBRD investments that have already helped reduce national coal reliance from over 90% to 75%.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

While Mongolia’s direct trade with the US is less than 1%, American tariffs reaching up to 145% on Chinese goods pose a severe indirect threat by slowing the industrial output of China, which purchases over 90% of Mongolian coal and copper exports. This ripple effect creates a "commodity double-edged sword" where export volumes may remain high while revenues drop due to suppressed global prices, a trend already observed in early 2025. Consequently, the mining sector remains highly vulnerable to US-China trade volatility, which stifles Chinese-routed investment pipelines and puts downward pressure on the Mongolian Tugrik, thereby increasing the cost of imported fuel and machinery. These external shocks further weaken the government's ability to support other sensitive industries like agriculture and have forced the Bank of Mongolia to maintain high interest rates of 12% to combat inflation, which stood at approximately 9.0% in late 2025.

Geopolitical Tensions – Country Exposure

The most critical geopolitical risk for Mongolia is a global fuel supply shortage caused by Middle East conflicts, which has already surged oil prices toward USD 112 per barrel and threatens to spike domestic inflation to 17.1% if prices hit USD 130. Beyond price hikes, potential long-term refinery damage could lead to a physical fuel shortage, forcing the Bank of Mongolia to maintain a high 12% policy rate as a buffer. These disruptions impact Mongolia indirectly through its dependency on China, as rising Middle Eastern energy and sulfur costs for the "Southern Neighbor" are passed down through higher prices for fertilisers, plastics, and construction materials, directly threatening Mongolia’s agricultural and "Green Development" goals. In response, the government is accelerating "Mega Projects" to ensure long-term autonomy, treating the 37.4% complete Oil Refinery as a top national security priority and pushing for an USD 8.4 billion gas pipeline by 2031 to mitigate foreign market volatility.

ESG Trends

As of early 2026, Mongolia’s climate policy is rapidly transitioning toward a rigorous "hard law" framework, centered on a draft Law on Climate Change that establishes a unified Greenhouse Gas registry and a permanent Agency for Climate Change. Despite the high-level ambition of the updated NDC 3.0 targeting a 30.3% emissions reduction by 2030, a significant implementation gap remains due to a 90% coal-dependent energy grid and a lack of technical architecture.

Critical concerns for the business community include the absence of a precise legal definition for carbon credits as transferable property rights, which hinders their use as collateral, and the lack of streamlined administrative processes for "Corresponding Adjustments" required for international trade under the Paris Agreement. Furthermore, the country lacks standardised methodologies for high-intensity sectors like livestock methane and rangeland carbon sequestration, risking the production of credits that fail to meet European "additionality" standards. This transition is further complicated by a "readiness gap" in corporate governance, where a lack of digital infrastructure for mandatory ESG reporting and MRV systems makes compatibility with EU standards, such as the Carbon Border Adjustment Mechanism, essential for maintaining future export competitiveness.

Supply Chain Redistribution/Resilience

As a landlocked nation, Mongolia has faced severe supply chain disruptions due to international sanctions on the Russian Federation, forcing a reliance on costly or inefficient alternatives. While the Czech Republic established bi-weekly freight flights to bridge this gap, high operational costs and unpredictable schedules, driven by mandatory minimum cargo weight thresholds, limit their utility for local distributors. Consequently, overland routes through Kazakhstan and China remain the primary alternative, yet these corridors suffer from transit times of two to three months, effectively barring the practical importation of perishable European goods like dairy and yogurt.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Mongolia's economic resilience is currently tested by its geographic isolation and heavy reliance on Russia for 95% of its energy and China for the majority of its export routes, leaving the national budget highly vulnerable to commodity price fluctuations and environmental shocks like the "dzud." To address these structural challenges and infrastructure bottlenecks, where the country currently ranks 97th on the Logistics Performance Index, the government and the Bank of Mongolia have implemented aggressive stabilisation measures, including maintaining a 12% policy rate and increasing reserve requirements to curb inflation. Central to Mongolia's long-term strategy is the "Third Neighbor" policy, which seeks to diversify the export base through the EU's GSP+ scheme and a new interim trade agreement with the Eurasian Economic Union covering 367 non-mining products. These efforts are complemented by the EUR 1 billion MoU with EIB Global for clean energy, which has contributed to a credit rating upgrade to B+ and a comprehensive 2026-2030 regulatory reform agenda aimed at restoring investor trust and reducing state intervention.

EUROCHAMBER MONGOLIA
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NEW ZEALAND

FUTURE (ECONOMIC) OUTLOOK

New Zealand's future economic outlook suggests low growth of 1-2% and beyond. This trajectory depends on the impact of the current energy crisis.

BUSINESS / INVESTMENT ENVIRONMENT

New Zealand has made its business and investment environment more favorable. The country is keen on foreign investment, supported by an ambitious Infrastructure Program and highly positive Free Trade agreements.

POLITICAL AND ECONOMIC CHALLENGES

New Zealand faces significant political and economic challenges, including an upcoming election in November with an uncertain outcome. National debt must be kept under control alongside a pressing affordability crisis. After two years of low growth, the country is now ready for improvement, though this remains subject to an energy resolution.

OTHER REGULATORY AND LEGAL CHALLENGES

New Zealand faces specific regulatory and legal challenges as China remains its major trading partner. Balancing relations between China and the US remains important, while NZ exports to the EU show strong growth.

EU-NEW ZEALAND ECONOMIC RELATIONS

Investment and Trade

New Zealand's investment and trade landscape shows NZ exports to the EU up more than 20% in the first year. The country has an ambitious infrastructure program with good opportunities for the EU, and the bilateral economic outlook remains highly favorable. Overall, New Zealand maintains very good relations with the EU.

EUROPEAN BUSINESS PRESENCE

The European business presence in New Zealand faces a difficult car industry with sharp growth in China. Electric cars are now more popular after the energy supply disruptions in the Middle East, though people are holding off investing due to energy uncertainty. Relations remain good with the EU, representing a diversification from China and the US.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Regarding US tariffs, the country impact for New Zealand is as of yet minimal.

Geopolitical Tensions – Country Exposure

New Zealand is managing the balance well by keeping good relations with both China and the United States.

ESG Trends

New Zealand continues with its commitment to ESG trends. Perhaps the focus has eased a bit due to global views and other cost pressures.

Supply Chain Resilience

New Zealand’s supply chain resilience is good. The country is working closely with Australia, Southeast Asia, and others, including the EU, to improve diversification. While the agriculture sector has done very well, it remains exposed to the oil conflict in the Middle East.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

New Zealand is well managed but has a debt overhang from Covid, like many others. There is a commitment to 2-3% inflation, and interest rates are stable but will be used to counter inflation.

The country needs oil and gas for fertiliser and agriculture, and has a good customer in China, while growing with others. New Zealand is open for foreign investment, and its unique location away from wars makes it attractive. Wealthy immigrants are welcome, though there is some brain drain to Australia due to a slow labor market.

Tourism and education are recovering to pre-COVID levels, and New Zealand remains closest to the Pacific Islands.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

European companies in third markets like New Zealand are seeing their cars exposed to Asian, specifically Chinese, competition.

Bilateral Trade Projections (2026–2027)

The expected impact on trade between New Zealand and the EU over the next 12–24 months is a very positive experience of the Free Trade Agreement (FTA), and this is expected to continue.

Adaptation to Weakening Global Rules

The weakening of global trade rules is a concern for NZBEC and its members, but it has been managed. New initiatives are needed in cooperation with New Zealand partners. While the US is unpredictable, trade is continuing.

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PAPUA NEW GUINEA

FUTURE (ECONOMIC) OUTLOOK

Papua New Guinea is actively working to modernise its investment landscape, with the Investment Promotion Authority (IPA) and the Bank of Papua New Guinea playing central roles in driving key regulatory and financial reforms. These efforts signal a commitment to improving the ease of doing business and attracting greater foreign investment. While market dynamics continue to evolve, the reform agenda presents a cautiously optimistic outlook for European companies looking to establish or expand their presence in PNG, provided that the pace and consistency of implementation can be sustained.

BUSINESS/ INVESTMENT ENVIRONMENT

The PNG government's priorities are centred on infrastructure development, resource extraction, and economic diversification, creating a range of opportunities for European companies with relevant expertise. The strongest growth opportunities for European businesses lie in technology, infrastructure, and the promotion of sustainable standards — areas where European companies hold a distinct competitive advantage. However, these opportunities are accompanied by structural challenges, including limited local capacity, underdeveloped supply chains, and the need to navigate complex stakeholder relationships. European companies that align their offerings with government priorities and demonstrate a commitment to local development are best positioned to capitalise on these emerging opportunities.

POLITICAL AND ECONOMIC CHALLENGES

Political influence on business operations in Papua New Guinea is a significant consideration for European companies. Its effects are most visible in the areas of government approvals, licensing processes, landowner negotiations, and tax agreements — all of which can be subject to delays, changes in direction, or competing interests depending on the political climate. European companies navigating these dynamics are advised to invest in strong local partnerships, maintain open and transparent communication with relevant government authorities, and build flexibility into their project timelines to accommodate the realities of operating in a politically influenced business environment.

OTHER REGULATORY AND LEGAL CHALLENGES

European businesses operating in Papua New Guinea face a range of specific economic, legal, and regulatory hurdles that require careful management. Foreign exchange restrictions and limited access to currency remain a persistent challenge, impacting the ability to repatriate profits and manage cross-border transactions. Land ownership in PNG is particularly complex, with the majority of land held under customary tenure, creating significant difficulties for project development and requiring extensive negotiation with landowners. Licensing processes and bureaucratic delays further compound these challenges, extending project timelines and increasing operational costs. Additionally, local ownership and employment requirements impose further obligations on foreign companies, necessitating proactive workforce development and partnership strategies to ensure compliance.

INTEGRATION WITH EU POLICIES

Papua New Guinea is progressively aligning with elements of the EU trade framework, though full adoption remains a work in progress. While PNG has engaged with aspects of EU trade and commerce policies — particularly in areas related to sustainable development and responsible resource extraction — the alignment is partial and selective rather than comprehensive. For European companies, this partial alignment offers some benefits in terms of shared standards and frameworks, but also presents challenges where local regulations diverge from EU norms. Continued dialogue between PNG and EU institutions will be important in deepening this alignment and creating a more predictable and conducive environment for European business engagement in the country.

EU-PAPUA NEW GUINEA ECONOMIC RELATIONS

Investment and Trade

The economic relationship between the European Union and Papua New Guinea is anchored by a number of significant agreements and frameworks. The Economic Partnership Agreement (EPA) has been provisionally applied since 2009, providing a foundation for preferential trade between PNG and the EU. This is complemented by the Samoa Agreement, which governs the broader EU-Pacific partnership, as well as the Global Gateway Infrastructure Cooperation framework and a range of development agreements spanning education, health, rural development, fisheries, and climate change.

In terms of investment and trade statistics, the EU's economic engagement with PNG is substantial. Foreign direct investment from the EU was estimated at K10 billion in 2023, and over the past 50 years, the EU has invested approximately K4 billion in the country through various development programmes.

Current EU Global Gateway commitments stand at K450 million for PNG, reflecting the EU's continued strategic interest in supporting the country's development trajectory. Key industries and sectors benefiting from this engagement include ports, water infrastructure, climate resilience, energy, digitalisation, and transport systems — all areas critical to PNG's long-term economic development.

EUROPEAN BUSINESS PRESENCE

The European business community in Papua New Guinea has continued to evolve since the COVID-19 pandemic. Notable European companies and institutions with a presence in PNG include TotalEnergies, the European Investment Bank (EIB), and the EU-STREIT PNG programme, which supports sustainable agriculture and trade. There is a growing interest from European companies in key sectors including LNG and energy, ports and logistics, climate and forestry, and rural development — reflecting both the country's resource wealth and its alignment with European sustainability priorities.

A key factor driving market entry interest is PNG's strategic importance in the Indo-Pacific region. As a resource-rich nation situated at the intersection of Asia and the Pacific, PNG offers significant opportunities for European companies seeking to diversify their regional presence. Its critical sea routes and natural resource endowments further enhance its appeal as a long-term investment destination, particularly for European companies with expertise in infrastructure, energy, and sustainable development.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The direct impact of recent and anticipated US tariff measures on Papua New Guinea is relatively limited. PNG's exports to the United States consist of relatively small volumes of coffee, cocoa, vanilla, seafood, and certain raw materials, meaning that the direct tariff exposure is modest. However, broader shifts in global trade patterns resulting from US tariff policy may have indirect effects on commodity pricing and investment flows into the region, which PNG will need to monitor carefully as its export base develops.

Geopolitical Tensions – Country Exposure

Papua New Guinea's strategic location between Asia and the Pacific, combined with its significant natural resource endowments and critical sea routes, has elevated its geopolitical importance considerably. Far from being a negative development, this heightened strategic attention is bringing with it increased financial opportunities, infrastructure upgrades, and greater diplomatic engagement from major global powers. For European companies, this environment presents both opportunity and complexity, as PNG navigates competing interests from a range of international partners while seeking to maximise the benefits for its own development agenda.

ESG Trends

The ESG landscape in Papua New Guinea is developing, with European businesses increasingly expected to align their operations with sustainability standards and local regulatory requirements. A flagship example is the PNG REDD+ Forest Protection Project, a US$63.4 million ESG-linked initiative aimed at protecting PNG's vast forest resources and generating carbon credits. This project reflects a growing recognition in PNG of the importance of sustainable resource management and the role of international financing in supporting conservation efforts. European companies operating in PNG are well-positioned to lead on ESG standards, given the alignment between EU sustainability frameworks and the country's emerging environmental priorities.

Supply Chain Resilience

The global trade environment is reshaping supply chains in Papua New Guinea, with a notable shift from fragmented, commodity-dependent models toward more resilient, regionally connected, and digitally integrated supply chains. Shipping delays and persistent foreign exchange shortages have accelerated the move away from single-source supply chains, with PNG companies such as TWL Group and Mapai Transport actively diversifying their supplier networks to build greater operational resilience. This trend presents opportunities for European companies to position themselves as reliable and sustainable supply chain partners, particularly in sectors where quality, consistency, and adherence to international standards are valued.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Papua New Guinea faces a number of significant challenges in maintaining economic stability amid global uncertainty. Chief among these is a heavy reliance on imports, which exposes the economy to external price shocks and supply chain disruptions. To manage inflation and monetary stability, the Bank of Papua New Guinea utilises the Kina Facility Rate (KFR) as its primary monetary policy instrument. In September 2025, the Bank raised the KFR from 4.0% to 5.0% to help contain inflationary pressures and support the kina exchange rate — reflecting a proactive approach to monetary management in a volatile global environment.

On trade diversification, Papua New Guinea is actively pursuing a strategy to reduce its historical dependence on a narrow set of markets and commodities. While PNG has traditionally relied on exports of LNG, gold, copper, coffee, and palm oil — predominantly to Asia and Australia — the government is now actively broadening its engagement to include the European Union through the Global Gateway initiative, ASEAN member states, and new investors from the Middle East and India.

This diversification strategy reflects a recognition that over-reliance on any single market or commodity creates significant vulnerability in times of global disruption.

In terms of foreign investment flows, Papua New Guinea is experiencing a notable shift in its investment landscape. Over the past decade, China has been a major source of foreign investment in construction, retail, and mining. However, PNG is increasingly strengthening its ties with the European Union, Japan, the United States, and multilateral development institutions such as the Asian Development Bank and the World Bank. This rebalancing reflects both PNG's desire to diversify its investment base and the growing strategic interest of Western partners in the Indo-Pacific region.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

The growing instability of global trade — driven by protectionism and the increasing use of trade as a geopolitical tool — presents challenges for European companies operating in Papua New Guinea, though the direct impact has thus far been relatively limited. No specific concrete examples of tariffs, sanctions, or protectionist policies outside the EU materially affecting European companies in PNG have been identified at this time. However, the broader uncertainty in global trade rules is a factor that European businesses must increasingly factor into their risk planning and supply chain strategies as they deepen their engagement in the Pacific region.

Bilateral Trade Projections (2026–2027)

The outlook for bilateral trade between Papua New Guinea and the European Union over the next 12 to 24 months remains positive. The EU continues to be one of PNG's top five trading partners and represents PNG's fourth largest export destination — a relationship underpinned by the Economic Partnership Agreement and the growing engagement through the Global Gateway framework. As PNG continues to develop its resource base and improve its investment climate, the bilateral trade relationship with the EU is expected to deepen, with particular growth potential in energy, infrastructure, and sustainable development sectors.

Adaptation to Weakening Global Rules

The upcoming EU-PNG 5th Investment Forum next month will provide an important platform for EBO members and key stakeholders to discuss the evolving global trade environment, share experiences on supply chain adaptation and risk planning, and identify collective responses to the weakening of global trade rules. The outcomes of the forum are expected to provide valuable insights that will inform the network's advocacy and member support activities going forward.

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TAIWAN

BUSINESS CLIMATE

Economic growth, trade, and investment

Taiwan's economy grew at a rapid rate in the first three quarters of 2025, driven by strong demand for artificial intelligence (AI) and related technology products. In the first eight months of 2025, exports rose by 29.2% from the same period in 2024. As long as the AI-driven boom continues, Taiwan's suppliers in these categories will continue to benefit. In addition, real private fixed capital formation is anticipated to increase by around 10% in 2025 on the back of capacity expansion to meet surging demand. However, US tariff measures continue to disrupt global trade and economic activity. The International Monetary Fund (IMF) forecasts global trade volume to grow by 2.6% in 2025, down from 3.5% in 2024. Weak aggregate demand has put pressure on some of Taiwan's traditional industries already hit by overcapacity. As for consumer spending, Taiwan's Directorate General of Budget Accounting and Statistics (DGBAS) expects real private consumption to rise only moderately in 2025 as tariff-related uncertainties have made consumers cautious and delay big ticket purchases, such as cars (due to uncertainty over automobile import tariffs).

Taiwan's economic indicators

	Year	2023	2024	2025F*
Economy	GDP growth rate	1.28%	4.84%	4.45%
	GDP (US$ billion)	755	796.9	889.3
	GDP per capita (US$)	33,402	34,040	38,066
Inflation	Consumer Price Index annual growth rate	2.49%	2.18%	1.76%
Production	Industrial production annual growth rate	-12.3%	11.8%	14.4%
Consumption	Private consumption growth rate	10.4%	4.6%	0.9%
Stock market**	Average daily trading volume (NT$ billion)	334.8	477.4	553.3
Investment	Fixed capital formation growth rate (y-o-y change)	-8.2%	6.4%	9.9%
	Capital goods imports annual growth rate (y-o-y change)	-17.7%	11.9%	55.3%
Trade	Imports (y-o-y change)	-17.9%	12.2%	19%
	Exports (y-o-y change)	-9.8%	9.8%	24%
Banking	Foreign exchange reserves (US$ billion)	570.6	576.7	597.4
Labour	Unemployment rate	3.48%	3.38%	3.45%
Tourism	Inbound travel annual change	624%	21.1%	8.7% (Jul)
	Outbound travel annual change	695.5%	42.8%	10.2% (Jul)

Source: Directorate General for Budget Accounting and Statistics (DGBAS), Executive Yuan, Ministry of Finance
* Economic indicators for 2025 are annual forecasts, except where indicated
** Stock market refers to the Taiwan Stock Exchange plus the over-the-counter market

Looking ahead, Taiwan's export orders in the first three quarters of 2025 rose by more than 20% and the manufacturing purchasing managers index (PMI) came in at 50.3 in October, breaking a four-month losing streak, on the back of robust demand for AI-related equipment. However, broken down by industry sector, five of six industry sectors were in contraction while the six-month outlook for all six sectors remained below the neutral 50-point threshold, suggesting economic contraction ahead. The Chung-Hua Institution for Economic Research (CIER) has attributed the weak figures to US tariff uncertainty and sluggish global demand for traditional industry products, even as demand for AI products remains strong. At the time of writing, CIER forecast GDP growth of 5.45% in 2025 while the DGBAS is expected to increase its previous forecast (made in August 2025) of 4.45% for 2025 and 2.81% for 2026.

EUROPE-TAIWAN TRADE

Overall trade between Taiwan and Europe declined by almost 5% in 2024 (measured in US dollars). In the first eight months of 2025, exports from Taiwan to Europe continued to contract although imports from Europe to Taiwan rose, keeping overall net trade growth slightly positive. Unlike China, ASEAN countries, and the United States, which have large trade deficits with Taiwan, Europe continues to enjoy a trade surplus with Taiwan (as do Japan and South Korea).

Taiwan's trade with its four main trading partners (US$ billion)

Period / Area	2020		2021		2022		2023		2024		2025 (Jan' -Aug')	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
China + Hong Kong	216.2	13.4%	273.07	26.3%	271.39	-0.6%	224.0	-17.4%	231.2	3.2%	168.4	14.8%
Japan	69.3	2.9%	85.3	23.1%	88.2	3.4%	75.7	-14.1%	72.3	-4.6%	54.8	17.1%
USA	83.1	2.4%	104.8	26.2%	120.4	15.1%	116.9	-3.2%	158	34.9%	149	36.9%
Europe**	61.9	-1.9%	80.9	30.7%	88.2	8.9%	88.9	0.8%	84.6	-4.9%	57.7	2.6%
ASEAN	89.1	0.2%	117.4	31.8%	134.5	14.5%	117.3	-12.8%	137	16.8%	118	33.1%
Global Total	631.3	2.7%	828.4	31.2%	907.5	9.6%	783.9	-13.6%	869.3	10.9%	710	25.7%

Source: International Trade Administration, Ministry of Economic Affairs (MOEA)
** Europe area, includes the UK, Switzerland, and other non-EU countries

EUROPEAN FDI IN TAIWAN

Investment by Europeans in Taiwan continued to expand in 2024 and 2025, further widening the gap between Europe's overall investments and the next largest foreign investors (the United States and Japan).

Foreign Direct Investment in Taiwan from five main areas (US$ billion)

Area	2024		Jan-Aug' 2025	1952-Aug' 2025
	Amount	Annual change	Amount	Amount
Europe*	2.92	-28.4%	4.98	79.79
USA	0.94	0.4%	0.27	27.22
China + Hong Kong	0.45	78%	0.19	12.79
Japan	0.45	-27.1%	0.58	27.32
Caribbean	2.49	103%	2.09	45.03
Global Total	8.15	-27.8%	8.49	234.35

Source: Department of Investment Review, MOEA
* Europe area, includes the UK, Switzerland, and other non-EU countries

Taiwan's outbound investments in the first eight months of 2025 were less concentrated in the United States (compared to 2024) as indicated by the largest share of overseas investments in "other" countries year-to-date. As figures indicate, the trend of diversification of Taiwanese overseas investments beyond China continued in 2024 and 2025.

Taiwan's overseas investments (US$ billion)

Area	2024		Jan-Aug' 2025	1952-Aug' 2025
	Amount	Annual change	Amount	Amount
China + Hong Kong	4.1	25.1%	1.08	220.27
ASEAN	8.49	62.5%	3.97	68.26
USA	14.13	45.8%	3.22	50.76
Europe*	2.07	-61.7%	1.21	21.98
Japan	5.49	2,455.9%	1.14	18.74
Other	14.30	410.2%	21.68	110.88
Global total	48.59	83%	32.29	490.88

Source: Department of Investment Review, MOEA
* European area, includes the UK, Switzerland, and other non-EU countries

INDUSTRY OUTLOOK

The following is a look at the status and outlook for various industries from the point of view of ECCT members which represent the ECCT's committees. The views expressed in this section do not necessarily reflect those of the ECCT's board of directors, secretariat, or the ECCT's general membership.

Financial Services

Asset Management

In 2026, AI-driven productivity gains and further interest rate cuts are expected to continue to dominate the agenda, alongside geopolitical tensions arising from Trump-era tariffs and ongoing conflicts in the Middle East and Ukraine. US corporate earnings are forecasted to rebound with double-digit growth, buoyed by sustained investment in AI, regulatory easing, and revitalised capital markets activity. Prospective lower interest rates and fiscal measures, such as the Trump administration's "One Big Beautiful Bill," are also expected to bolster this growth trajectory. However, the tensions and uncertainties stemming from tariffs and regional conflicts necessitate caution in maintaining an optimistic outlook. Tariff-related cost pressures could erode margins for manufacturing and product-oriented companies, while regional instability may disrupt supply chains and dampen global demand. The impact of these factors will not be uniform; different sectors and regions will navigate the challenges and opportunities in distinct ways, leading to a more mixed outlook.

In Taiwan, the equity market remains closely aligned with global tech trends, especially AI, while ETFs continue to gain traction due to their accessibility and growing popularity among retail investors. This dynamic presents both challenges and opportunities for asset managers, which must differentiate through product innovation, competitive pricing, consistent performance, and clear investment strategies. The asset management industry in Taiwan is at a structural inflection point. With further deregulation and policy reforms on the horizon, the operating environment is expected to improve. Over the long term, investors stand to benefit from new government initiatives such as TISA and the Wealth Management Zone, which aim to deepen market development and support sustainable wealth creation.

Banking

At the time of writing, ING forecast Taiwan's GDP to slow to 2.6% year-on-year in 2026. Growth in the first half of 2025 was stronger than market expectations, on the back of strong growth in exports and industrial production. Heavy demand driven by the AI boom, combined with the fear of US tariffs, led to waves of export frontloading. However, as tariffs came into effect in August 2025 and as the frontloading effect fades, we expect that Taiwan's growth will likely slow down in 2026. With much of Taiwan's export growth recently attributable to exports to the US market, tariff developments could play a major role in whether or not Taiwan's streak of outperformance can continue.

Taiwan's domestic demand indicators have been relatively soft in comparison, with retail sales in contraction for much of 2025, and consumer confidence dropping steadily since September 2024. Taiwan's economic growth has been unbalanced, so if the export engine of growth cools, GDP growth will likely slow as well.

Inflationary pressure has cooled off and with less Taiwan dollar depreciation pressure compared to mid-2025, conditions are suitable for a cut in interest rates by Taiwan's Central Bank (CBC) if necessary, especially if the US Federal Reserve continues to cut interest rates in the coming months as well. However, with growth still well above forecasts, there does not appear to be a high degree of urgency to act in the short term, and the first cut is not expected until December 2025 at earliest, and possibly not until 2026.

The surge in export orders driven by frontloading early in 2025 provided temporary support to corporate lending, keeping growth marginally above 2024 levels in 1Q25, but this began to fade after April. Soft domestic loan demand has also led to slowing loans to individuals. Heightened economic uncertainty has also led to a more cautious corporate investment appetite, also impacting loan demand. As such, after a solid start to the year in 2025, loan growth could moderate further in 2026. Foreign currency lending growth was relatively robust in 2025 and could be supported by potential Fed rate cuts ahead.

Supported by robust GDP growth and a relatively low unemployment rate, Taiwan's banking sector has remained stable overall. The NPL ratio edged slightly higher in 2024 but has been trending downward since the beginning of 2025 and remains at relatively healthy levels. Benefiting from a high proportion of household deposits in total deposits, the loan-to-deposit ratio remains at a healthy level. Moving forward, Taiwan's outlook may be impacted by whether or not the AI boom continues, as well as monetary policy developments.

Insurance

Over the past few years, Taiwan's life insurance industry has continued to benefit from a super-ageing population, increasing consumer demand for protection, and ongoing advancements in financial technology. Looking ahead to 2026, retirement planning and wealth inheritance-related insurance products will become the main focus in the market, and protection-oriented life and health insurance are expected to continue to perform well. Digital transformation and the application of AI technology will further enhance the convenience of customer service and promote the popularity of simple online insurance products, continuously creating business opportunities.

However, Taiwan's life insurance industry in 2026 will still face several challenges, particularly how to cope with the dual pressures of aligning with the 17th version of International Financial Reporting Standards (IFRS 17) and Taiwan's next generation insurance solvency regime, the Taiwan Insurance Capital Standard (TW-ICS), as well as managing foreign exchange and interest rate-related risks, and the related mismatch between assets and liabilities. Strengthening asset-liability matching, and risk management capabilities, as well as enhancing company capital will therefore remain top priorities in the coming years.

Other Industries

Beverage Alcohol

In 2024, Taiwan's alcoholic-beverage market entered a period of structural transition amid slowing tax receipts and incremental policy adjustments. Alcohol tax revenue in 2024 totalled NT$24.3 billion, a 6.0% decline from 2023, and— having peaked in 2022—has now fallen for two consecutive years, indicating weakening overall growth momentum. The revenue structure remains highly concentrated, with beer and distilled spirits together accounting for over 80% of total alcohol tax collections. Starting in January 2025, the duty-free allowance for alcoholic beverages carried by inbound travellers for personal use was raised from one litre to 1.5 litres. Beginning in July, the permitted duty-free quantities for purchases from duty-free shops on the outlying islands brought back to Taiwan proper or other outlying islands was likewise relaxed. The Ministry of Finance estimates that combined business tax and tobacco-and-alcohol tax revenues will decrease by several million New Taiwan dollars per year, adding marginal pressure to public finances.

On the market landscape, the domestic share of alcoholic beverages has declined year after year, falling to 46.2% as of June 2025. Since imported alcohol first surpassed domestic in 2022, its lead has continued to widen, pushing the product mix toward greater diversification. The shift is especially pronounced in beer: domestic beer's market share dropped from 66% in 2016 to about 48% in 2024. By the end of July 2025, the overall beer market was roughly 47.98% domestic and 52.02% imported. Within imports, beer made in China accounted for 73.36%, or 38.16% of the total market, around a four-fold increase from 9% in 2016 over the past decade. Starting in July 2025, a four-month provisional anti-dumping duty was imposed on beer made in China, reflecting a phased regulatory response to mitigate the negative impact on the local beer industry.

According to the International Wine and Spirits Record (IWSR) report, Taiwan's whisky market in 2024 exhibited growing segmentation across different price tiers. Import volumes of super-premium blended whisky in the mid-to-high price range grew by 62.2% year-over-year, while the value segment at the lower end also recorded a 22.1% increase. These figures highlight rising consumer demand across multiple price tiers and increasingly diverse purchasing behaviour.

However, evolving consumer demand has also introduced new challenges. In June 2024, law enforcement uncovered a criminal operation involving the sale of counterfeit alcohol, posing risks to consumer health and undermining market confidence. The incident also heightened reputational risks for brand owners, underscoring the urgent need for effective traceability systems and regulatory oversight to safeguard market order.

Taiwan's beverage alcohol industry is currently in a critical phase. While market diversification creates new opportunities, weak overall demand and growing policy uncertainties continue to exert significant pressure on the industry. Looking ahead, maintaining market integrity will require closer collaboration between the government and the industry. Strengthening enforcement against counterfeit alcohol and enhancing regulatory frameworks will be essential to protect the interests of legitimate businesses.

Electrical Engineering & Equipment

From the electrical infrastructure perspective, 2025 was a decent year, powered primarily by continued investments in local semiconductor production capacity, but also in the utility grid infrastructure to facilitate the energy transition from conventional to renewable energy sources. This has received even more urgency with the shutdown of the last active nuclear reactor. While traditional verticals such as steel, oil & gas and shipbuilding are showing slow growth, investments in local data centre capacities are picking up, triggered by the global demand for generative AI-related services.

Mobility

Taiwan's passenger car market in 2024 registered 458,000 new units, which was a 4% decline compared to 2023. In 2025, passenger car demand was stable until April 2025. However, uncertainty over US tariff negotiations dramatically slowed down passenger car demand on public expectations of lower tariffs and commodity taxes, which prompted consumers to cancel or postpone orders. As a result, overall unit sales of imported vehicles in the first eight months of 2025 fell by 14% compared to the same period in 2024, placing a huge burden on the automobile industry as inventory surged on the back of the decline in sales. In addition, global automotive brands are also concerned about how Taiwan's negotiations with the US on tariffs will affect fair competition in the Taiwan market.

EV sales growth is also not up to the expected level to achieve Taiwan's net-zero goals. EVs are expected to account for only around 10% of passenger car sales in 2025. This has been attributed to several challenges, including opposition from apartment building residents to installing chargers inside existing apartment parking lots and the complicated administrative application and approval process for chargers. In addition, EV sales highly depend on the government's long-term support, including commodity and licence tax even strengthened compared to that of purchasing internal combustion engine (ICE) cars.

Regarding commercial vehicles (especially trucks and buses), government subsidies as well as regulatory support are needed to speed up the transition from traditional ICE vehicles to zero-emission alternatives. However, this type of support is still lacking in Taiwan. For instance, Taiwan's gross vehicle weight requirements in Taiwan are not aligned with international standards to account for the fact that EV trucks are heavier than ICE trucks. In addition, a more aggressive and wider range of subsidies will be needed to make the total cost of ownership the same or lower than diesel trucks in order to accelerate the transition to electric trucks. Such incentives are already in place in several countries with net zero initiatives, such as EU countries, Japan and South Korea.

Retail & Distribution

Despite geopolitical uncertainties and disrupted global supply chains, Taiwan's retail sector in 2025 continues to evolve, driven by digital transformation, shifting consumer behaviour and regulatory developments. While traditional retail formats remain strong, e-commerce and social commerce are expanding at double-digit rates. Consumers are increasingly mobile-first, price-sensitive, and health-conscious. Retailers are responding with omnichannel strategies, fast delivery, and curated product assortments. Sustainability and transparency are no longer optional. They are central to consumer expectations and brand loyalty.

European retailers operating in Taiwan are clearly feeling the impact of what is taking place globally. Rapidly changing trade rules and legislative changes, such as the Corporate Sustainability Reporting Directive (CSRD), requires flexibility but also long-term commitments and a clear direction. Both Taiwan and European economies are built on openness and the benefits of a rule-based trading system. In times like this, it is more important than ever to safeguard this.

Technology

The current business climate presents a mixed picture, particularly for Taiwan's manufacturing and machinery sector. Overall sentiment remains gloomy, shaped by two main factors: the Taiwanese currency and the lingering uncertainty surrounding US tariffs. The strong local currency continues to weigh on exporters, eroding profit margins and reducing competitiveness in global markets. Meanwhile, tariff-related issues create hesitation among manufacturers, who fear making capital investments that could quickly turn unprofitable if trade policies shift unexpectedly. As a result, many companies have adopted a cautious, "wait-and-see" approach, holding back on expansion and long-term commitments.

In contrast, the advanced semiconductor sector has experienced a much more optimistic cycle. Demand has been driven heavily by the global boom in Artificial Intelligence (AI) applications, from data centres to next-generation consumer electronics.

Taiwan, as a key hub in global advanced chip production, has benefited from this surge, with companies seeing strong orders and robust revenues over the past few years. However, recent signs suggest that the momentum may be starting to moderate. AI-driven demand remains significant, but growth is no longer accelerating at the pace witnessed earlier.

All in all, the overall business climate reflects a clear divide: traditional industries face persistent headwinds, while high-tech sectors remain relatively resilient, though not immune to cooling trends. Until global trade policies become clearer and currency pressures ease, investment across the broader manufacturing sector will likely remain restrained, reinforcing a cautious outlook for Taiwan's economy in the near term.

Wind Energy

The global wind energy sector is currently under pressure, with failed auctions and project cancellations occurring worldwide. Taiwan is also impacted by this situation.

While the industry has seen the first Round 3 projects reach financial close and enter the construction phase over the course of 2025, it is becoming clear that up to half of the originally awarded projects may never be built and will eventually be cancelled. This threatens the government's offshore target of 10.9GW by 2030. If these projects do not proceed, Taiwan's supply of green electricity will be reduced, making it harder for Taiwanese exporters to meet international commitments.

The government's immediate focus must be to ensure the remainder of the already awarded Round 3 projects progress towards installation before 2030. To accomplish this, continued support for the offtake market through the newly created Taiwan Smart Electricity and Energy Company (TSEE) is necessary. In addition, local banks and insurance companies must provide sufficient capital to keep these projects moving forward.

Looking ahead, it is imperative that the next auction is held in 2026, with the goal of awarding projects for construction in 2031 and beyond. This will help avoid any "gap year" for the local industry. The auction scheme should reflect the changed market conditions globally. For example, the United Kingdom, Denmark, and the Netherlands revised their auction frameworks in response to similar challenges, ensuring more stable returns for investors and continued project development. By drawing on successful strategies from other countries and ensuring the financial viability of awarded projects, Taiwan can facilitate the continued build-out of clean, import-independent green energy.

STRENGTHENING TAIWAN'S RESILIENCE IN UNCERTAIN TIMES

Introduction

Taiwan's economy was a net beneficiary of the Covid-19 pandemic in the early 2020s and is now enjoying the fruits of the Artificial Intelligence technology-driven boom. But there is no telling if or how long the AI bonanza will last while Taiwan is facing numerous other economic and geopolitical challenges. Now is the time to make proverbial hay while the sun shines to strengthen Taiwan's whole of society resilience. This should go beyond defence to increase the resilience of the economy and civil society. The United States has overtaken China as Taiwan's largest goods export destination by value, thanks in large part to a surge in exports of electronic products and components for AI. If this surge slows or reverses, the hit to the broader economy will be significant. And while the gradual diversification of Taiwan's trading partners is to be welcomed, replacing one dominant partner (China) with another (the US) simply swaps one set of risks for another rather than spreading the risks more evenly. And this risk is exacerbated by the temperamental and often volatile shifts in trade policies of the current US administration. As a trade-driven economy, further diversification of both trading partners and economic activity beyond AI products should be concentrating the minds of officials and business leaders alike. In addition, Taiwan's exposure to security, energy and climate-related risks highlight the need for strengthening the resilience of society, energy, and communications infrastructure, while the demographic trajectory and talent shortages highlight the need for enlightened solutions for the long term.

A future-proof AI regulatory framework

Hitherto, the focus of Taiwan on AI has been mostly about the hardware that powers it and the profits that companies supplying the chips, data servers and other equipment are enjoying, which in turn is providing multiplier effects for government coffers and the overall economy. But the government has only begun to start paying attention to the implications of AI implementation and its possible wide-spread use on the broader economy and society. Many distinguished experts have warned about the potential risks and drawbacks of unleashing AI on the world without
guardrails. Like many other countries, Taiwan lacks a comprehensive human-centred AI policy framework and regulatory system. Without such a framework, Taiwan will be exposed to ethical, security, and economic risks, which creates uncertainty for innovators, investors, and the public. Taiwan needs to put in place a resilient AI regulatory framework that would maximise the benefits of AI while minimising the risks.

AI cooperation with Europe

Taiwan and Europe have unique and complementary attributes that make them ideal partners for AI collaboration. The EU's AI Act offers a regulatory framework under which the EU will continue to establish specific AI standards. Taiwan, with its strong semiconductor and ICT industries, can contribute unique insights to augment these standards, such as interoperable AI benchmarks, performance and safety thresholds, and transparent auditing and certification processes. Moreover, joint Taiwan and EU testbeds could validate AI systems across diverse languages, cultural contexts, and risk scenarios, ensuring fairness, robustness, and accountability.

A shared approach to standards and verification would not only promote trust in AI technologies but also help align Taiwan's AI regulatory framework with that of the EU, which in turn would facilitate trade, attract investment, and strengthen digital resilience. By working together, Taiwan and Europe can shape the global AI landscape, ensuring that innovation develops in a safe, ethical, human-centred, and future-proof manner. We recommend that the competent authorities in Taiwan establish a formal communication channel with their counterparts in the EU to explore cooperation mechanisms on AI governance, standardisation coordination, and conformity assessment frameworks. And, drawing reference from European legislation, the Taiwan government should formulate and implement a national AI governance framework that encompasses transparency, accountability, safety, and data protection.

Regulation on the use of AI in employment decisions

Taiwan's AI regulations should include provisions governing the use of AI in employment contexts, without which Taiwan risks regulatory gaps that could lead to employment disputes, biased outcomes, or erosion of worker trust. In line with the EU AI Act that classifies HR-related uses of AI (such as recruitment, CV screening, worker monitoring, and evaluation) as "high-risk systems," Taiwan should draft and implement legislation that: 1) AI should not be permitted to make unilateral adverse employment decisions (such as rejection of applicants, demotions or dismissals) without meaningful human review and accountability and 2) Employers using AI for recruitment or employee evaluation should be required to conduct regular bias and fairness testing, maintain documentation of their AI systems' decision-making processes, and disclose to employees or applicants when AI tools are involved in key employment decisions. In addition, to mitigate against the risks of job displacement due to AI adoption while supporting Taiwan's long-term competitiveness, the government should prepare a blueprint for workforce transition in the AI era, including subsidies for re-training and reskilling.

Protecting creative works in the AI era

Taiwan lacks a clear and enforceable framework to protect creators from unauthorised use of their Intellectual Property Rights (IPR). Many AI systems are developed using copyrighted material, including musical compositions, sound recordings, and visual works without permission, posing a significant threat to creators' livelihoods. Taiwan authorities could address this by amending the Copyright Act to provide a clear and enforceable framework for AI-related copyright issues, specifically: 1) Prohibiting the development or training of AI systems using copyrighted content without prior authorisation; 2) Requiring separate authorisation for AI systems to reproduce the voice, image, name and likeness of performers; 3) Allowing rights holders to withdraw previously granted consent for the use of their works in AI training; 4) Requiring AI developers, providers, and operators to maintain transparent records detailing the use of copyrighted material in training datasets and 5) Clarifying that works generated solely by AI are ineligible for copyright protection.

Energy security and resilience

Energy is both the figurative and literal engine of the economy, but Taiwan is still overly reliant on imports of fossil fuels to power electricity generation and vehicles, which makes the island vulnerable to external supply shocks. Moreover, a lack of green energy could have a potentially negative impact on future FDI into Taiwan as more global companies commit to stricter environmental goals. Taiwan needs to balance the need for a sufficient, stable supply of affordable energy with the need for energy security and resilience and to meet its international obligations to decarbonise the economy. The installation of renewable energy is falling behind official targets due to factors including unfavourable international market conditions, a lack of regulatory coordination and permitting restrictions, among others. Increasing Taiwan's energy security and resilience is no easy task, but ECCT members are deeply engaged in furthering Taiwan's energy transition and could do much more with a little help from the government.

Creating a Ministry of Energy

The scope and complexity of Taiwan's energy transition demand more than incremental reform—they require elevated and coordinated governance. To meet national targets and unlock its full potential, Taiwan should establish a centralised, cross-ministerial coordinating authority, such as a Ministry of Energy, to ensure a consistent and feasible overall energy policy clearly mapped towards Taiwan's 2050 net-zero goal. This body would consolidate strategic oversight, streamline inter-agency coordination, and accelerate implementation across sectors. Similar governance mechanisms have been adopted in the Netherlands, Belgium, France, and Denmark, which can serve as a useful reference for Taiwan.

Getting offshore wind energy back on track

The insufficient allocated capacity and cancellation of certain site development rights awarded in previous rounds of offshore wind energy development (Rounds 2 through 3.1 and 3.2) will make it increasingly difficult for Taiwan to meet its targets. Since some of the cancelled allocations will be rolled into Round 3.3, its success will be especially crucial if Taiwan is to get back on track. Smooth implementation of R3.3 will require a comprehensive review of the planned total allocation capacity for R3.3, the availability of suitable maritime areas for development, sufficient grid connection capacity, a more practical Extension of time (EOT) mechanism and transparent and inclusive communication with the relevant stakeholders. In addition, financing support for the offtake market through the Taiwan Smart Electricity and Energy Company (TSEE) and local banks and insurance companies will be needed to provide sufficient capital to keep projects moving forward.

Sensible permitting requirements and procedures

Taiwan's regulatory and administrative environment for geothermal projects is not conducive to development.

In particular, the current law requires consent from all landowners for directional drilling beneath their land. To accelerate scalable geothermal development, directional drilling should be permitted beneath all categories of land. Meanwhile, due to the lack of an expedited repowering mechanism, in the next five years, over 300MW of existing onshore wind capacity will reach the end of its useful life and be lost. Authorities could address this by simplifying the Environmental Impact Assessment (EIA) process for repowering. In addition, to prevent actors with ill intentions from disrupting projects, authorities should establish a clear and precise definition of stakeholders throughout the permitting process that can be clearly recognised and protected by central and local authorities.

Robust grid and energy storage infrastructure

As countries such as The Netherlands, have recently discovered, insufficient electricity grid infrastructure and energy storage can cause severe disruptions to electricity supplies when substantial amounts of renewables are added to the grid in a short space of time. Certain areas of Taiwan's electricity grid are vulnerable or congested, such as coastal grid points. The government, in cooperation with Taipower, should put in place a systematic grid monitoring and planning mechanism and ensure that sufficient funds are provided to expand grid and energy storage capacity to coincide with and keep up with the connection of renewable energy sources to the grid.

Realistic localisation policies

The current process for localisation amendment applications is excessively lengthy. Companies often miss critical windows for price negotiations and capacity reservations with international suppliers due to delayed reviews, which increases the risk of project delays. Moreover, authorities are not yet fully implementing consensus decisions reached between Taiwan and the EU under the WTO framework on offshore wind to provide exemptions to localisation requirements under certain circumstances. For projects already in progress, authorities should review and revise existing execution barriers within the localisation policy, such as procedures for handling force majeure and non-attributable circumstances.

In addition, based on the consensus reached between Taiwan and the EU, where necessary, exemptions to localisation requirements should be permitted under the following conditions: Insufficient local supply or delayed delivery timelines, inadequate quality of local products or excessively high local pricing. For future developments, starting with Round 3.3, the auction framework should avoid mandating specific localisation items and refrain from incorporating localisation execution plans into the evaluation criteria.

Kick-starting floating offshore wind energy (FOW)

As the best shallow water locations for fixed bottom foundation offshore wind turbines are running out, Taiwan needs to implement a clear development roadmap for deep water FOW platforms, starting with the selection guidelines for demonstration projects and a long-term plan for FOW that is fully integrated into the national offshore wind energy roadmap.

Increasing support for EVs

Passenger electric vehicles (EV) in 2025 accounted for only around 10% of new car sales. This can be attributed to factors including insufficient incentives as well as regulatory hurdles, such as difficulties in getting permission to install charging facilities in apartment building parking lots. To expedite the transition to EVs, authorities should increase tax incentives for both passenger and commercial EVs and establish clear regulations for "charging safety" to expedite the build-out of charging facilities.

Promoting alternative fuels and CCUS

The use of alternative fuels would help to reduce Taiwan's reliance on imports, but Taiwan's regulatory framework and development roadmap does not incorporate a broader range of low carbon fuels beyond hydrogen, such as e-fuels, hydrotreated vegetable oil (HVO) or combinations, such as hydrogen and ammonia. Authorities should therefore amend existing regulations to ensure the compatibility and recognition of various low-carbon fuels across different applications, such as recognising e-fuels as a type of renewable energy in the Renewable Energy Development Act and supporting and facilitating the use of low-carbon fuels, such as HVO for large vehicles and industry, Sustainable Aviation Fuel (SAF) for aircraft, and combinations such as hydrogen and ammonia for use in thermal power plants. In addition, authorities should incorporate Carbon Capture, Utilisation and Storage (CCUS) into the Climate Change Response Act's relevant provisions and foster collaboration between local teams and international partners to establish technically and commercially viable demonstration plants.

A dynamic and resilient labour force

Taiwan has become a super-aged society, and consistently low birth rates have resulted in a continuous decline in the population. In addition to the social and healthcare costs associated with caring for the elderly, an ageing and shrinking population will pose significant challenges for the workforce. To shore up resilience, Taiwan will need to approach these challenges from several angles.

Attracting and retaining foreign talent

Without an increase in the birth rate, immigration will be necessary to maintain population sustainability and supplement the talent pool. While Taiwan has made progress in recent years, many of the remaining discriminatory practices would be addressed if authorities made a clear legal distinction between residents and non-residents, so that all legal permanent residents of Taiwan, regardless of nationality, would enjoy the same benefits as ROC citizens.

For example, there are currently several different types of Alien Permanent Resident Certificates (APRCs). The newer versions provide better benefits, which discriminates against holders of older versions, who have been in Taiwan, sometimes for decades, making significant contributions to Taiwan's development. In addition, the criteria for foreign nationals to qualify for dual nationality remain restrictive and subjective.

Authorities should unify the requirements and benefits of APRCs to provide one standard APRC. The standard should be streamlined to include the most favourable APRC conditions currently available, including the ability to maintain the validity of an APRC provided the cardholder returns to Taiwan at least once during any five-year period. Authorities should also relax requirements to apply for dual citizenship.

Foreign residents also experience a wide range of obstacles in managing their financial affairs, through limited or no access to services routinely available to ROC citizens. Taiwan's banks continue to deny certain services to non-citizens, often citing challenges with online ID verification, despite the availability of official, verifiable documents and government validation systems. Without explicit government requirements, there is a risk that foreign residents will be excluded from Taiwan's Digital Identity Wallet (TW DIW). To address these issues, the Financial Supervisory Commission (FSC) should mandate that all banks and digital wallet providers provide all their services to both citizens and foreign residents alike, without exceptions.

Practical labour laws

Overly restrictive labour laws and outmoded practices are holding back women from reaching their full potential in their careers, while restrictive immigration rules and insufficient incentives are making Taiwan less attractive to foreign professionals and workers. In particular, regulations governing attendance records and remote work remain too rigid. Moreover, current restrictions on working hours and overtime approvals often limit retailers' ability to adequately respond to peak sales periods. Senior executives and managers should be excluded from the same requirements as other employees, while employers and employees should be given flexibility to mutually agree on working arrangements and recording working hours.

In addition, the standards listed in the qualifications for special foreign professionals are too strict, while the application process for visas, work permits, and immigration for foreign nationals remains difficult. Authorities should lower the qualifications for special foreign professionals, streamline the visa and work permit application process, grant three-year work permits to all qualified foreign professionals as a standard, introduce a short-term business visa for foreign professionals or allow visitors to engage in short-term work under current visitor visa rules.

Loosening restrictions on foreign workers

Taiwan is experiencing a shortage of workers, such as container truck drivers in the logistics industry and service staff in the hospitality industry. Authorities should develop a comprehensive strategy that combines the introduction, training, and retention of foreign workers to meet labour needs across different sectors and job levels, while safeguarding labour rights, and gradually loosen restrictions on the hiring of foreign blue-collar workers, starting with industry sectors facing the most severe shortages. And to make Taiwan attractive to migrant workers, authorities should, once and for all, end the predatory practices of labour brokers by enforcing laws that eliminate brokerage fees, making it mandatory for employers to cover all HR-related costs and service fees of workers and strengthening labour rights protections in line with international standards.

Creating a family-friendly society

The economic burden of housing and raising children, unfriendly workplace environments, and the difficulty of striking a balance between work and family life are the most frequently cited reasons for Taiwan's low birth rate. Authorities and enterprises could also do more to ease the burden on young parents, to encourage them to raise children. Current legislation and administrative regulations do not go far enough to enhance family-friendly measures in the workplace, while parental leave and government support measures are insufficient. Taiwan has made progress in offering more generous leave allowances for young parents, but these should be increased further in line with the best practices in Europe. In addition, employees should be granted the right to apply to work remotely, part time or given other flexible working options while they are raising young children. To address the lack of childcare options, the government should provide more subsidies or tax incentives to childcare centre operators and to enterprises to provide and maintain childcare facilities in their workplaces. In addition, the central government should actively support and subsidise local governments to establish family-friendly welfare policies.

A healthy and resilient population

As Taiwan's population ages, more efforts and resources will be required to keep people healthy. The establishment in 2024 of the "Healthy Taiwan Promotion Committee" and follow-up actions in 2025, such as establishing a NT$10 billion Cancer Drug Fund (CDF), demonstrate the government's sincere efforts to find solutions to safeguard the health of the general population.

In addition, the creation in 2025 of the Ministry of Sports, working in cooperation with the Ministry of Health and Welfare's Health Promotion Administration, should help to promote healthy and active lifestyles.

However, more work could be done to align Taiwan with international best practices. In particular, Taiwan would benefit by creating a high-level interministerial task force to lead vaccine policy, strengthen investment, and promote strategic partnerships with international pharmaceutical companies. In addition, Taiwan's assisted reproductive technology (ART) programme should be extended beyond heterosexual couples diagnosed with infertility to all women of child-bearing age, to enhance inclusivity and effectiveness, while more could be done to enhance screening, monitoring, and treatment of children.

Due to underfunding, there are significant gaps in drug accessibility generally, while Taiwan's coverage of cancer drugs is not aligned with international treatment guidelines.

Taiwan also lacks proactive and comprehensive strategies to raise awareness, prevent and treat chronic diseases. Authorities should include obesity, chronic kidney disease (CKD), and autoimmune diseases in national chronic disease management strategies and, to improve cancer patient outcomes, authorities should include drugs with proven efficacy under NHI coverage.

Internationalisation

As a trade-driven economy, Taiwan needs to remain integrated with the global economy, which requires constant adjustments to standards, regulations, and practices to remain competitive. The following is just a partial snapshot of where Taiwan is not fully aligned with international counterparts.

Aligning with international standards

While Taiwan has gradually shifted towards adopting international standards and best practices for more than two decades, ECCT committees in several industries report instances where Taiwan's laws and regulations are still not aligned, while there are numerous instances of a lack of transparency and consistency in government policies and procedures.

For example, Taiwan continues to recognise outdated standards for high-voltage switchgear, while Taiwan's power system framework currently classifies a low-voltage system at 600 volts (V), compared to the international standard of 1000V. In addition, Taiwan's vehicle safety testing directions are not yet completely aligned with UNECE vehicle safety regulations. Full alignment with international standards in these cases would improve safety.

Taiwan's width, height and weight limitations for EV trucks and buses and standards for wheel rims and tyres are not aligned with international standards. Alignment would allow Taiwan to import and use the most advanced car parts and commercial EVs. In addition, Taiwan's current brake system regulations for motorcycles are not harmonised with EU UN regulations, while the Ministry of Environment's required method to collect and report emissions data is antiquated and labour-intensive when there are more efficient alternatives available and already in use.

Taiwan's food regulations are sometimes out of step with the rapid advances in global food industry developments, which is an impediment to the retail industry. For instance, updates to food registration requirements by the Taiwan Food and Drug Administration (FDA) are inconsistent and not fully communicated with the food industry in advance, while labelling rules for the use of general food claims are inconsistent, and the FDA often blocks products which contain naturally occurring substances. In addition, Taiwan's current border inspection procedures are sometimes inefficient. All these issues could be resolved by more effective communication with food business operators and retailers by implementing practical regulations and procedures, drawing on the best international standards and practices.

In the medical device industry, while the FDA has partially simplified documentation requirements for Class I devices, these do not go far enough , while 85% of Class II medical device items still require complex documentary procedures. Documentation requirements for Class I and II medical devices should be reduced in accordance with risk-based principles.

Towards bilingual administration

While authorities have made great progress in translating laws and regulations, there remain instances where local regulations, standards and official announcements are not translated into English. As a nation heavily reliant on international trade, it is in Taiwan's interests to expedite the process to make all government information sources bilingual.

Reducing financial overregulation

Authorities in Taiwan have ambitions to turn Taiwan into a regional financial hub and transform Taiwan's capital market into an "Asian Nasdaq." However, the regulatory environment remains overly restrictive and will require significant opening to make it more attractive to both institutional and retail investors. To name just a few examples, insurance products have become an important option in retirement planning. However, authorities in Taiwan have imposed certain restrictions on the development and promotion of innovative insurance products, while there are currently no specific rules directly governing Fixed Indexed Annuity (FIA) products, both of which are limiting the variety of insurance products available.

Meanwhile, foreign bank subsidiaries and branches in Taiwan are not permitted to assist their overseas affiliates, regional headquarters, head offices, and other group members in providing cross-border financial services to Taiwanese clients.

Authorities should loosen restrictions on investments in insurance products in line with Europe and the US, and establish clear risk management regulations that differentiate investors based on their wealth and risk profiles. In addition, foreign bank branches in Taiwan should be allowed to assist their overseas entities in providing cross-border financial services to Taiwanese multinational clients.

Enabling e-labelling

The FDA has decided to establish an e-labelling platform. However, existing regulations for food products require full ingredient and nutritional labelling in specific font sizes, while cosmetic products must disclose detailed ingredients and usage information on packaging.

Even commodities like furniture may not use e-labelling. These requirements are incompatible with the aim of e-labelling to reduce the impact on the environment. Authorities should review and revise labelling regulations across all industry sectors to ensure consistency, compatibility, and alignment with the goals of increasing digitalisation and reducing the use of resources currently wasted when compliance requires vendors to produce or replace physical labels or packaging.

Increasing digitalisation

While progress has been made in recent years, there are agencies and procedures which require hard copy documentation and in-person presence. For example, there is currently no digital system for organic agriculture product import permit applications, while municipal national taxation bureaus do not allow companies to provide documents in digital format. In addition, it is not possible for foreigners to update their information on ARC/APRC cards online. In accordance with the government's support and promotion of digitalisation, these and other administrative procedures should be able to be completed online, and digital versions of documents should be accepted.

In IPR cases, enforcement of ficials do not allow videoconference testimony and demand in-person analysis or court testimony even where it is extremely inefficient and prohibitively expensive. Offering a videoconferencing alternative would enable experts located abroad to participate in court cases and thereby improve the quality of testimony and potential outcomes of cases.

Ensuring fair international trade relations

Under pressure to secure deals from certain trading partners, there is a risk that Taiwan may discriminate against other trading partners. The ECCT continues to support the government's efforts to pursue international trade agreements. At the same time, we urge the government to ensure fairness in dealing with its European trading partners and to continue ongoing efforts to address non-tariff barriers in order to boost bilateral trade and economic growth in both Europe and Taiwan.

Robust infrastructure and logistics

As an island, Taiwan is vulnerable to communications disruptions from natural disasters, accidents, or intentional sabotage. This includes the network of undersea cables and telecommunications infrastructure on land.

Building and maintaining communications infrastructure

Contingency plans and support are currently lacking in the event of disruptions to Taiwan's submarine cables and mobile networks, while Taiwan's satellite communications are still in the early stages of development. To ensure the timely capability of repairing submarine cables, the government should establish a submarine cable repair fleet or gain full control of domestic and international submarine cable repair capabilities. To maintain Taiwan's mobile telecoms networks, subsidies should be provided to telecom operators to purchase additional equipment and parts to ensure that supplies are sufficient to repair or replace equipment that gets damaged in force majeure events. In addition to ongoing efforts to establish its own satellite network, Taiwan should enhance cooperation with international partners to ensure access to existing satellite communication network facilities and augment its low-earth orbit (LEO) satellite terminal equipment and vehicle-mounted mobile base stations, to serve as an emergency backup communication contingency in the event of disruptions to other networks.

Upgrading airports and logistics infrastructure

Compared with neighbouring countries and cities, some of Taiwan's international airports are comparatively old and facilities are outdated while logistics capacity is insufficient. It is in the interests of Taiwan's authorities and companies engaged in logistics, trade, and retail services to upgrade older facilities with the latest equipment and services. Meanwhile, Taiwan's export and import facilities operate 24 hours a day, but the Customs Administration only operates on weekdays, which limits business efficiency and increases costs. Authorities are advised to implement a shift system to support full-time customs operations. Moreover, cargo handling facilities at Kaohsiung International Airport are limited and should be expanded.

Conclusion

At the time of writing, Taiwan's economy is in a position of strength but overreliance on certain tech sectors and trading partners coupled with the risks from security threats, disruptions from AI, energy constraints and talent shortages make Taiwan vulnerable to potential future shocks. At this time, Taiwan should take advantage of its booming economy to shore up resilience in areas where it is vulnerable.

Members of the European Chamber of Commerce Taiwan have been consistently supportive of Taiwan's progress and a champion of Taiwan's numerous strengths.

Europeans remain by far the largest group of foreign investors in Taiwan and ECCT members have demonstrated their commitment to Taiwan through years of building their local operations, promoting economic development, and creating jobs in line with the highest international standards for corporate governance and sustainability.

We share a common interest and resolve to bolster Taiwan's economy and society. We believe that following the recommendations in our position papers would help to realise mutual goals and deliver benefits for both Taiwan and Europe. We therefore urge the government to continue to engage in constructive and comprehensive consultations with us and to enhance cooperation aimed at strengthening Taiwan's resilience to navigate these uncertain times.

Report Reference

- *ECCT 2026 Position Papers Position Papers - Position Papers (ecct.com.tw)*

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EUROPE AND EASTERN PARTNERSHIP

ARMENIA

FUTURE (ECONOMIC) OUTLOOK

Armenia's government places strong emphasis on improving its business and investment environment. It prioritises economic diversification to reduce reliance on a limited number of sectors and to strengthen overall economic resilience. At the same time, the country is actively promoting digital transformation and innovation, aiming to position itself as a competitive player in the global technology landscape.

The development of small and medium-sized enterprises (SMEs) is another key focus, as these businesses are seen as essential drivers of job creation and economic growth. In addition, the government is working to attract foreign direct investment (FDI) by creating a more favourable and transparent investment climate.

Finally, Armenia is committed to aligning its regulatory framework and business practices with European Union standards, which supports greater international integration and enhances investor confidence.

BUSINESS / INVESTMENT ENVIRONMENT

Government Priorities

The Armenian government prioritises:

- Economic diversification
- Digital transformation and innovation
- SME development
- Foreign direct investment (FDI) attraction
- Integration with EU standards and practices

Sectoral Opportunities & Challenges

Opportunities

Armenia offers several sectoral opportunities for growth and investment. The information technology sector and startup ecosystem are expanding rapidly, supported by a strong talent base and increasing global recognition.

Renewable energy and energy efficiency also present significant potential, as the country seeks to reduce energy dependence and promote sustainability.

Agriculture and food processing remain important sectors, with opportunities to improve productivity and expand exports.

In addition, tourism and creative industries are growing, driven by Armenia's cultural heritage and natural landscapes. Infrastructure and logistics also provide investment potential, particularly in improving regional connectivity.

Challenges

However, there are several challenges to consider. Armenia's domestic market is relatively small, which can limit the scale for businesses. Infrastructure gaps still exist in certain areas, affecting efficiency and accessibility.

Regulatory predictability can also be a concern for investors, as consistency and transparency are still improving.

Finally, there is a mismatch between workforce skills and industry needs in some sectors, which may impact business growth and productivity.

POLITICAL AND ECONOMIC CHALLENGES

Armenia faces a number of political and economic challenges that influence its business environment. Political and regional security dynamics continue to play an important role in shaping business confidence and investment decisions. While the country maintains internal political stability, external geopolitical risks can create uncertainty, affecting long-term planning and the flow of capital into the market.

To navigate these conditions, European companies typically adopt several strategies. These include diversifying risk across markets, forming strong local partnerships to better understand the business environment, and entering the market in phases to manage exposure. In addition, companies place strong emphasis on compliance and robust legal frameworks to ensure stability and mitigate potential risks.

OTHER REGULATORY AND LEGAL CHALLENGES

European businesses in Armenia face several additional regulatory and legal challenges. These include evolving regulatory frameworks, which can create uncertainty as rules and requirements continue to change. Administrative complexity is another issue, often resulting in longer procedures and increased compliance efforts. In some cases, inconsistencies in enforcement can lead to unpredictability in how regulations are applied.

Customs and certification procedures may also pose challenges, particularly for companies involved in trade, as processes can be time-consuming and require careful navigation. Despite these difficulties, ongoing reforms are being implemented to improve transparency, digitalise public services, and strengthen investor protection, which should gradually enhance the overall business environment.

INTEGRATION WITH EU POLICIES

Armenia's integration with European Union policies is anchored in the Comprehensive and Enhanced Partnership Agreement (CEPA). This agreement provides the foundation for closer political and economic cooperation and supports the country's gradual alignment with EU standards and practices.

The benefits of this alignment include greater regulatory convergence, which helps create a more predictable and transparent business environment. It also improves trade facilitation by reducing barriers and simplifying procedures, making it easier for companies to operate across borders. In addition, the agreement strengthens institutional dialogue between Armenia and the European Union, fostering closer collaboration and policy coordination.

However, there are also challenges associated with this process. Armenia's implementation capacity can be limited, which may slow down reforms and alignment efforts. Compliance costs can be relatively high for small and medium-sized enterprises (SMEs), as they adapt to new standards and requirements. Furthermore, the process of harmonisation is gradual, meaning that full alignment with EU policies will take time.

EU-ARMENIA ECONOMIC RELATIONS

Investment and Trade

The European Union is one of Armenia's key economic partners and plays a significant role in trade and investment. Armenia benefits from the EU GSP+ trade regime, which grants preferential access to EU markets. In addition, the Comprehensive and Enhanced Partnership Agreement (CEPA) supports trade liberalisation and regulatory approximation, further strengthening economic cooperation.

Key sectors involved include manufacturing, agri-food, IT services, textiles, as well as mining and metallurgy. European companies remain among the most stable long-term investors in Armenia, contributing to consistent economic development.

EUROPEAN BUSINESS PRESENCE

Since the pandemic, European business presence in Armenia has shown moderate growth, particularly in IT and digital services, consulting and professional services, and renewable energy. While some sectors experienced temporary contraction, overall European engagement has remained resilient.

Key factors influencing market entry include access to a skilled workforce, competitive operating costs, and ongoing legal reforms aligned with EU standards. At the same time, geopolitical risk considerations continue to shape investment decisions and long-term strategies.

OPPORTUNITIES AND CHALLENGES

Environmental, Social, and Governance (ESG) considerations are becoming increasingly important in Armenia, particularly among European companies operating in the market. There is a growing focus on corporate governance and transparency, alongside increasing attention to environmental compliance, especially in sectors such as energy, mining, and manufacturing. In addition, social responsibility initiatives are emerging, with a stronger emphasis on workforce development and community engagement.

ESG Trends

While ESG regulations in Armenia are still evolving, alignment with European Union standards is gradually shaping business practices. This process is supported by European investors, financial institutions, and development programmes, which encourage higher standards of sustainability and accountability across industries.

Supply Chain Redistribution/Resilience

The current global trade environment has prompted companies operating in Armenia to reassess their supply chain structures. As a result, businesses are diversifying their suppliers, increasing interest in regional sourcing and nearshoring, and strengthening local production capacities in selected sectors. Manufacturing, agri-food processing, and logistics are among the sectors most affected by these shifts, with Armenia positioning itself as a flexible and adaptive partner within regional value chains.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

Armenia faces several key challenges, including external shocks, inflationary pressures, a limited domestic market size, and ongoing geopolitical uncertainty. In response, the government has implemented prudent fiscal and monetary policies, introduced measures to control inflation, and provided support for small and medium-sized enterprises (SMEs). Efforts are also being made to promote digitalisation and boost exports.

National Economic Strategies in Times of Global Disruption

Armenia is actively working to diversify its trade partners and reduce dependency on single markets. At the same time, the country is adapting to shifts in foreign investment flows, aiming to enhance economic resilience and maintain stability in an increasingly uncertain global environment.

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BELARUS

INTRODUCTION

European Belarusian Business Association (EBBA) was established in 2021 to support dialogue for European firms working in Belarus or planning to enter the Belarusian market.

EBBA aims to promote best EU practices, improve the business climate, and maintain EU-Belarus business ties despite political headwinds. EBBA believes in friendly and strong beneficial relations with all EBO's of Eastern neighbourhood in the long run.

BUSINESS / INVESTMENT ENVIRONMENT

The Belarusian economy managed to maintain high growth rates – 3.9% in 2023 and 4.0% in 2024, but slowed down in 2025, and GDP grew by 1.3%. Experts attribute the slowdown last year to economic overheating, logistical difficulties, and slowing growth in Russia (the main trading partner).

Inflation remains at 6.8% in 2025 but remains stable. Domestic demand is strong because of income growth, and local currency remains relatively stable.

Entrepreneurial Climate

Despite macroeconomic headwinds, the government is actively promoting investment and modernisation. Investment guarantees and exceptions are granted to strategically interesting companies, including those from "non-friendly" states, and protected by special regimes of Industrial parks and free economic zones. Crime rate is low. Belarus is a relatively stable country, though with some unstable neighbours. Trade volumes are affected by geopolitical factors and sanctions with alternative markets being actively explored. The focus is on high-tech, logistics, and infrastructure sectors under the 2035 FDI strategy.

Institutional Specifics of the Belarusian Economy:

- State-owned enterprises account for over 45% of GDP; in industry, up to 70%.
- Government programs provide subsidies and direct investment advantages to State-Owned Enterprises (SOEs).
- Competition is constrained in many sectors by administrative and regulatory barriers.
- Private business is mainly concentrated in trade, services, IT, and some light industries.
- Industrial parks and free economic zones remain the most liberalised platforms for foreign investors, with special regimes and protections.

EU-BELARUS ECONOMIC RELATIONS

Total EU-Belarus trade in 2025 was €8,0 billion with €6,7 billion exports (machinery, chemicals, food/raw materials), and €1,3 billion imports from Belarus (food/raw materials, chemicals, machinery). Economic exchange is low but stabilised. There is a structural shift from EU towards Russia and Eurasian markets.

Foreign Direct Investment (FDI) EU's FDI stock in Belarus: €3.4 billion (down from €3.7 billion in 2022). In 2021, EU direct investment reached USD 546 million, with key investors from the Netherlands, Poland, Germany, Lithuania and Belgium. Due to sanctions and legal risks, many Western firms exited Belarus, and FDI from "non-friendly" states dropped sharply.

However, it is noteworthy that net foreign direct investment in Belarus from EU countries reached €527,9 million in the first half of 2025; compared to the same period in 2024, investment volumes almost doubled (€272,0 million), primarily due to increased investment from Cyprus.

Foreign investment has shifted in the past years: Russia now accounts for over 60% of FDI, with increased integration under the Union State framework.

TRENDS OF EUROPEAN COMPANIES IN BELARUS

EU sanctions target key Belarusian sectors primarily to mitigate the risk of Belarus being used to bypass Russian sanctions. Due to the smaller size of the Belarusian market, many Western corporations apply the same compliance policies to Belarus as they do to Russia.

Since 2020, European companies have significantly reduced their footprint in Belarus, while some are still active because of the advantages of the market with access to Russia and China and high profit margins.

Positive Drivers:

- Strategic location: Belarus serves as a gateway to the Eurasian Economic Union (EAEU), offering access to over 185 million consumers.
- High-Tech and Industrial Park incentives: Tax breaks, simplified regulations, and liberal digital economy laws attracted IT and fintech firms.
- Skilled labour force: Strong STEM education and competitive wages made Belarus attractive for outsourcing and tech development.

Current Barriers

- Sanctions and isolation: EU restrictions on trade in petroleum, fertilisers, metals, dual-use goods and other items limit business operations.

GOVERNMENT POLICY, OPPORTUNITIES AND CHALLENGES FOR EU COMPANIES

Despite the challenges, there are important niche opportunities:

- Green tech and circular economy: Belarus is investing in recycling, renewable energy, and sustainable agriculture, opening doors for EU firms with ESG expertise.
- Digital services and fintech: The High-Tech Park remains a potential hub for EU IT firms, though political risks persist.
- Local partnerships: Collaborating with Belarusian SMEs and clusters can offer access to regional markets and innovation ecosystems.

Key Industries and Sectors for opportunities:

- Machinery: the largest manufacturing segment. Predominantly state-run. Potential for components, services, and localised assembly.
- Logistics: strong demand for warehouse and multimodal solutions, especially in light of Great Industrial Park and China-oriented projects.
- Pharmaceuticals & Medical Devices: several private producers. Potential for localisation of packaging, components, and reagents.
- IT & Fintech: despite talent outflow, infrastructure remains. Viable through HTP and offshore structuring.
- Agriculture Supplies to Russia, China, and CIS: needs to include equipment localisation, processing, and packaging capabilities.

EU exports to Belarus: non-restricted machinery and transport equipment; chemicals; pharmaceuticals and medical equipment; non-restricted vehicles and vehicle parts.

EU imports from Belarus: food and agricultural products (e.g., rapeseed oil, non-soybean cake); non-restricted chemicals and fertilisers; glassware and crude lead; non-restricted insulated wire and metal products.

ECONOMIC RESILIENCE AND STRATEGY IN TIMES OF GLOBAL DISRUPTION

Belarus faces several interconnected challenges to economic stability:

- Sanctions and geopolitical isolation: Western sanctions have restricted access to global markets and financial systems.
- Supply chain disruptions: Sanctions and pandemic-related shocks have disrupted traditional trade and payment routes and access to raw materials.
- Dependence on Russia: Over 65% of Belarusian exports go to Russia, making the economy vulnerable to Russian market fluctuations. In 2021 (before the introduction of large-scale sanctions), Russia's share of Belarusian exports was approximately 41%, indicating a profound reorientation of trade flows in recent years.

Belarus has adopted several measures:

- Inflation control: Price controls, especially in non-food sectors, have helped moderate inflation, which stood at 6.8% in 2025.
- Interest rate management: The central bank lowered the interest rate to 9.5% in 2023 from 20% a decade earlier, aiming to balance inflation and credit growth. In June 2025, the rate was increased by 0.25 percentage points and set at 9.75%.
- Alignment with Environmental, Social, and Governance (ESG) standards.

Trade Diversification Strategies to reduce dependency on Russia, Belarus is:

- Pursuing the 30/30/30 export strategy: Aiming to balance exports equally among Russia, the EU, and other markets.
- Expanding into China, Central Asia, and the Caucasus: Exports to China, Azerbaijan, Georgia, Tajikistan, Turkmenistan, and Uzbekistan have doubled over four years.
- Encouraging industrial cooperation: Belarus is leveraging regional organisations like BRICS, SCO, and the Eurasian Economic Union to build alternative trade channels.

EUROPEAN – BELARUSIAN BUSINESS ASSOCIATION

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GEORGIA

FUTURE (ECONOMIC) OUTLOOK

Overview of future economic outlooks, potential changes in market dynamics, and regulatory landscapes

Georgia's economy has remained strong in recent years and continues to grow at a solid pace. According to the World Bank, real GDP growth reached 7.8% in 2023 and 9.7% in 2024, before moderating to an estimated 7.5% in 2025. Growth has been broad-based, particularly in services such as education, information and communications technology (ICT), transport, and tourism-related activities, while agriculture has lagged behind.

On the demand side, growth has been mainly driven by private consumption, supported by strong labor market performance and financial sector activity. Real wages increased by approximately 11.5% year-on-year, while real credit growth remained solid at around 10.1%, indicating strong household demand and access to finance (World Bank).

Looking ahead, growth is expected to moderate to a more sustainable level of around 5%. The World Bank projects GDP growth of about 5.0% in 2026 (World Bank), while the International Monetary Fund forecasts approximately 5.3% growth, converging toward a medium-term potential of around 5% (IMF). The Asian Development Bank provides a similar outlook, projecting 5.5% growth in 2026 and 5.2% in 2027 (ADB).

According to the Ministry of Finance of Georgia's Basic Data and Directions (BDD) 2025–2028, which underpins the country's medium-term fiscal framework, real GDP growth is projected at approximately 5.0% in 2026 and remains close to 5% annually over the medium term.

Future growth is expected to rely less on temporary external inflows—such as migration, remittances, and re-exports—and more on domestic and structural drivers, including tourism, transport and logistics, ICT, and investment in infrastructure and renewable energy. At the same time, external vulnerabilities remain. The IMF notes that Georgia's current account deficit is expected to remain around 5% of GDP in the medium term (IMF), reflecting sensitivity to tourism revenues, energy prices, and external demand.

BUSINESS / INVESTMENT ENVIRONMENT

Government priorities

Georgia's development strategy is oriented toward building a competitive, connected, and resilient economy. The World Bank emphasises regional connectivity, human capital development, jobs and productivity, and resilience, with digitalisation as a cross-cutting priority across all sectors.

These priorities are reflected in the Government of Georgia's medium-term policy framework, which focuses on infrastructure and connectivity development, access to finance, digital economy integration, and EU market alignment (Government of Georgia).

Sectoral Opportunities and Challenges

Georgia offers significant growth opportunities for European companies in several sectors. Transport and logistics remain central due to Georgia's strategic position along the Middle Corridor, with ongoing investments aimed at improving infrastructure and connectivity. Renewable energy and energy infrastructure also represent major opportunities, supported by strong untapped renewable potential and ongoing reforms in the energy sector.

The digital economy is another key area of growth. According to a joint analysis by the World Bank and IFC, renewables, transport and logistics, and digital transformation are the main sectors capable of boosting productivity and competitiveness in Georgia. In addition, tourism and services continue to play an important role in economic growth and external revenues, reinforcing the country's service-oriented economy.

At the same time, several structural challenges remain. This includes the need to improve productivity, job creation, and skills development, as well as strengthen institutional quality and regulatory enforcement. In particular, limited high-quality job creation, skills mismatches, and governance challenges constrain private-sector expansion. Moreover, despite strong trade openness and access to EU markets, further improvements in infrastructure, digitalisation, and regulatory predictability are needed to fully unlock investment potential.

POLITICAL AND ECONOMIC CHALLENGES

Georgia's business environment remains open and relatively resilient; however, political and geopolitical factors continue to play a significant role in shaping economic performance and investment decisions.

The International Monetary Fund highlights that Georgia has shown resilience amid heightened domestic and geopolitical uncertainty, while noting that domestic political uncertainty and governance challenges may weigh on investment, economic activity, and key sectors such as foreign direct investment and tourism (IMF). These risks affect business confidence by increasing uncertainty around policy continuity, regulatory enforcement, and long-term planning conditions.

External political relations are also critical. Georgia's economic model is closely linked to integration with European markets, including trade under the DCFTA and ongoing regulatory alignment with EU standards. As a result, developments in EU–Georgia relations and the broader geopolitical environment can directly influence investor sentiment, market access, and reform momentum (World Bank).

At the regional level, Russia's war in Ukraine and shifting trade and financial flows have created both opportunities and risks. While Georgia has benefited from increased transit activity, migration-related inflows, and changes in regional trade routes, these developments have also increased exposure to external volatility in remittances, capital flows, tourism, and demand from key trading partners, complicating long-term business planning and increasing macroeconomic uncertainty (IMF and World Bank).

Finally, institutional quality and regulatory predictability remain central challenges for businesses. Both the European Bank for Reconstruction and Development and the World Bank emphasise that strengthening governance, improving the rule of law and institutional effectiveness, and ensuring consistent implementation of reforms are essential for sustaining private investment and enhancing competitiveness (EBRD and World Bank).

OTHER REGULATORY AND LEGAL CHALLENGES

European businesses in Georgia face several regulatory and legal hurdles, mainly linked to implementation gaps and partial alignment with EU rules, despite the country's generally open trade regime.

One concrete issue concerns customs procedures and the practical implementation of EU-aligned rules. While Georgia has adopted customs legislation broadly aligned with EU frameworks, implementation is not always consistent in practice. Businesses report administrative burdens related to classification, documentation, and application of duty relief regimes, which can create additional costs and uncertainty. This reflects broader challenges in translating formal regulatory alignment under the DCFTA into consistent implementation (EU and DCFTA).

More broadly, the World Bank highlights that regulatory predictability, enforcement, and institutional effectiveness remain key constraints for private-sector development (WB). Even where legislation is aligned with EU standards, inconsistent implementation and administrative practices can increase compliance costs and uncertainty.

Similarly, the European Commission notes that further efforts are needed to strengthen market surveillance, align technical regulations with EU standards, and improve the enforcement of competition policy to meet EU internal market requirements (EU).

Finally, judicial effectiveness and dispute resolution remain important concerns. Weaknesses in institutional effectiveness, including aspects of contract enforcement and dispute resolution, can increase operational risks and transaction costs, particularly for long-term investments (World Bank).

INTEGRATION WITH EU POLICIES

Georgia's trade and commercial policy is closely linked to EU integration through the EU–Georgia Association Agreement and DCFTA. The DCFTA reduces tariffs, supports improved customs procedures, and promotes gradual alignment of Georgian legislation, standards, and trade rules with the EU framework (EU) remained Georgia's largest trade partner, accounting for 22.1% of total trade, with bilateral trade turnover of around EUR 5 billion (European Commission).

A major recent step was Georgia's accession to the Common Transit Convention and the Convention on the Simplification of Formalities in Trade in Goods. From 1 February 2025, Georgia joined the common transit system and began using the New Computerised Transit System (NCTS) for transit movements with convention countries, which should make cross-border trade more predictable and better aligned with EU transit procedures (European Commission).

However, implementation challenges remain. The European Commission assesses Georgia as moderately prepared in customs union matters and notes that further administrative and operational capacity is needed. The Authorised Economic Operator (AEO) system is also still developing: by September 2025, 28 companies had AEO status, but mutual recognition with the EU remained on hold, limiting full benefits for EU–Georgia trade (European Commission).

Overall, EU alignment offers Georgia clear benefits: better access to the EU market, more predictable customs procedures, improved standards, and stronger potential to attract European investment.

At the same time, gaps remain in market surveillance, conformity assessment, competition enforcement, public procurement, and practical use of customs simplifications. For European companies, Georgia remains a promising regional trade and logistics platform, but firms should plan for evolving rules, uneven implementation, and administrative capacity constraints.

EU-GEORGIA ECONOMIC RELATIONS

Investment and Trade

EU-Georgia Association Agreement & DCFTA

The Deep and Comprehensive Free Trade Area (DCFTA), part of the EU-Georgia Association Agreement signed in 2014 and fully in force since July 2016, remains the cornerstone of bilateral trade relations. The agreement removes tariffs on the vast majority of goods and grants Georgian exports preferential access to the EU market, subject to regulatory compliance requirements. Implementation is ongoing, with Georgia continuing to align customs procedures, sanitary and phytosanitary standards, and technical regulations with EU norms.

Trade Statistics (2024)

The EU is Georgia's largest trading partner, accounting for approximately 22.1% of total trade turnover. In 2023–2024, bilateral trade exceeded EUR 4.5 billion. Georgian exports to the EU include ferroalloys, wine, mineral water, nuts, and fresh produce; EU exports to Georgia consist primarily of machinery, pharmaceuticals, vehicles, and chemicals. EU member states collectively remain among the largest sources of cumulative foreign direct investment in Georgia. Major EU investors typically include Germany, the Netherlands, France, and the Czech Republic (European Commission).

Key Sectors of European Investment

Energy (hydropower, wind, solar); Financial services and banking; Hospitality and tourism infrastructure; Logistics, warehousing, and transit services; Agri-food processing and retail; Telecommunications and IT services.

TRENDS IN TERMS OF EUROPEAN COMPANIES IN GEORGIA

European Business Presence

Since the COVID-19 pandemic, EU-Georgia economic relations have remained strong, with the EU continuing as Georgia's largest trading partner in 2024, accounting for 22.1% of Georgia's total trade turnover (European Commission).

Post-pandemic trends

EU-Georgia bilateral trade turnover reached approximately EUR 5.02 billion in 2024, reflecting continued economic integration despite regional uncertainty.

The EU remains an important source of foreign direct investment and business activity in Georgia, although annual FDI inflows have shown fluctuations in recent years.

The EU continues to account for a substantial share of Georgia's imports and exports, reinforcing its central role in the country's external trade structure (EEAS).

Market presence of European companies

EU companies remain particularly active in the following sectors: energy (especially renewables and utilities), banking and financial services, transport and logistics, and ICT and digital services.

Recent investment patterns have increasingly focused on reinvestment and service sectors rather than large-scale manufacturing, reflecting Georgia's role as a relatively small, service-oriented, and transit economy (World Bank).

Overall, the European business presence in Georgia has expanded moderately since the pandemic, supported by trade growth, DCFTA integration, and service-sector investment.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Georgia has a relatively small trade volume with the United States, meaning that U.S. tariff measures affect only a limited share of its external trade (USTR).

The United States does not apply a uniform "baseline tariff" to Georgian imports; instead, goods are subject to product-specific MFN tariff rates under the U.S. Harmonised Tariff Schedule, with many products entering at 0% duty. (USITC DataWeb).

Due to the limited trade volume and product-specific nature of tariffs, the impact of U.S. tariffs on Georgia is concentrated in specific export categories rather than the overall economy or investment flows (USTR).

Geopolitical Tensions – Country Exposure

Political and geopolitical factors are commonly considered part of the broader context shaping Georgia's business environment, with relevance for investor sentiment and medium-term economic expectations.

According to the EU Business Climate Report Georgia 2024, 76.7% of surveyed European companies identify political stability as a relevant factor in their operational environment in Georgia, reflecting its position among a range of business climate considerations (EU Delegation / EBA).

International credit assessments also incorporate such contextual elements in their evaluation of the business environment. Institutions such as S&P Global note that relations with international partners and related developments are among several factors considered in assessments of Georgia's overall macroeconomic stability (S&P Global assessment).

ESG Trends

ESG practices in Georgia are increasingly integrated into corporate operations, particularly among large firms and investment-oriented companies, with growing adoption of environmental, social, and governance principles as part of long-term strategy (IFS).

Corporate sustainability reporting in Georgia is developing. It is mainly driven by voluntary adoption, investor requirements, and alignment with international reporting frameworks (such as GRI or IFRS Sustainability Standards). Some disclosure requirements exist for specific regulated entities (e.g., financial institutions) (OECD).

European-linked companies operating in Georgia are increasingly influenced by EU ESG frameworks, particularly through supply-chain requirements and alignment with the EU Corporate Sustainability Reporting Directive (CSRD) and due diligence expectations, which indirectly affect Georgian exporters and subsidiaries of EU companies (European Commission).

Supply Chain Redistribution/Resilience

Global trade fragmentation and geopolitical shifts are driving supply chain diversification and the reconfiguration of transport routes. In this context, the Middle Corridor (Trans-Caspian International Transport Route) has gained strategic importance as an alternative East–West trade link between Europe and Asia, with Georgia serving as a key transit country due to its geographic position and transport infrastructure (ADB).

Georgia's role as a regional logistics and transit hub is supported by ongoing investments in transport connectivity, including ports (Poti, Batumi), railways, and road infrastructure, which enhance its function within regional and international trade flows (World Bank).

At the same time, under the EU-Georgia Deep and Comprehensive Free Trade Area (DCFTA), Georgia is increasingly integrated into European markets and value chains, particularly in agriculture and selected light manufacturing sectors (European Commission).

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Georgia operates under an inflation-targeting monetary policy framework, managed by the National Bank of Georgia (NBG), which uses policy interest rates to maintain price stability (National Bank of Georgia).

Georgia is pursuing trade diversification and has active trade agreements (including DCFTA with the EU, FTAs with regional partners such as China and Turkey).

Georgia pursues a trade diversification strategy supported by multiple preferential trade regimes, including the EU-Georgia Deep and Comprehensive Free Trade Area (DCFTA), as well as free trade agreements with partners such as China, Turkey, EFTA states, and CIS countries (European Commission).

Georgia promotes investment and export diversification through Enterprise Georgia and special economic/free industrial zones.

Georgia's economy is structurally open, import-dependent, and exposed to external shocks, including remittances and trade flows (World Bank).

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Tariffs, sanctions, and protectionist measures outside the EU increase compliance costs, administrative burden, and supply chain complexity for EU companies operating in third markets. In particular, EU sanctions regimes require companies to conduct enhanced due diligence, restrict transactions with listed entities, and adjust logistics and financial channels where restrictions apply (European Commission).

In addition, global trade restrictions and geopolitical fragmentation have led to supply chain reconfiguration and increased compliance risk exposure, especially for firms operating across multiple jurisdictions.

Bilateral Trade Projections (2026–2027)

EU-Georgia trade operates under the Deep and Comprehensive Free Trade Area (DCFTA), which provides tariff-free access for most goods and supports gradual regulatory alignment with EU standards.

According to official EU assessments, Georgia's economy remains highly open and sensitive to external geopolitical and macroeconomic conditions, meaning trade performance with the EU is influenced by regional stability, investment flows, and global demand conditions rather than short-term policy shifts (European Commission).

Adaptation to Weakening Global Rules

European Business Association (EBA) member companies are responding to growing global trade fragmentation by gradually diversifying suppliers and logistics routes, strengthening compliance with EU regulatory requirements, and improving risk management practices such as scenario planning and supply chain monitoring.

These adjustments broadly reflect wider global business trends, where companies are placing greater emphasis on resilience, regulatory compliance, and supply chain diversification.

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KAZAKHSTAN

FUTURE (ECONOMIC) OUTLOOK

In the business sector, Kazakhstan currently looks quite promising, especially by Central Asian standards:

- The largest and most substantial market in the region
- Relatively convenient environment for doing business
- A fairly strong fintech market
- Available untapped niches and opportunities

Within the regulatory and legal environment, Kazakhstan currently appears relatively favorable for business development, especially by Central Asian standards:

- An improving legal framework for entrepreneurship
- Ongoing digitalisation of government and compliance procedures
- Comparatively accessible company registration and tax administration
- Special economic zones and investment incentives
- Gradual alignment with international business and financial standards
- Room for further reforms in transparency, consistency, and judicial predictability

BUSINESS / INVESTMENT ENVIRONMENT

In 2025, Kazakhstan's economy demonstrated strong growth, driven by industry, construction, manufacturing, trade, transport, and logistics. GDP expanded at an impressive pace, while encouraging progress was also made in economic diversification.

European companies can benefit from a wide array of EU-Kazakhstan projects. In 2026, the EU Delegation in Kazakhstan will continue implementing the Global Gateway initiatives across key sectors such as transport, energy, water, digital, and Critical Raw Materials. These initiatives offer both direct and indirect business opportunities, especially in preparing investment studies for the Transcaspian Transport Corridor (TCTC), direct investments for the modernisation of the Aktau port, indirect investments in soft and hard connectivity, and opportunities for training and preparatory studies in Critical Raw Materials, including networking during the June 2026 CRM week in Astana.

In the area of transport and development of the TCTC, the EU is closely working with EIB, EBRD, and the World Bank and is starting to co-finance feasibility studies, e.g., on the Beyneu-Saksaulsk road.

POLITICAL AND ECONOMIC CHALLENGES

The EU is interested in Kazakhstan as a supplier of raw materials and as an alternative supply route (including the Middle Corridor), but is constrained by:

- Sanctions-related risks
- Regulatory uncertainty
- Logistical constraints

At the same time, cooperation is expanding in areas such as:

- Critical raw materials
- Energy transition
- Transport and logistics
- Green projects
- AI, data centers, and digitalisation development

OTHER REGULATORY AND LEGAL CHALLENGES

Year 2025 proved to be globally tumultuous, as the international rules-based order and multilateral cooperation suffered several defeats, being overtaken by opportunism and transactionality. Looking into 2026, these tendencies seem to continue, and global risks – whether linked to conflicts, extreme weather, economic downturn, misinformation, polarisation, and general uncertainty - abound.

Kazakhstan has been navigating the stormy waters through its multivectoral foreign policy, balancing between various players, promoting friendly relations, and avoiding conflictual situations.

Projections into 2026 indicate that economic growth in Kazakhstan will largely be supported by services, manufacturing, logistics, and general trade development, reinforced by strategic cooperation and deeper integration within the region and globally. Kazakhstan's aspirations to decarbonise, to digitalise, and to do structural upgrading continue to offer opportunities for European companies in energy transition and decarbonisation technologies, critical raw materials, infrastructure, agricultural technologies, healthcare, and digital services.

EU-KAZAKHSTAN ECONOMIC RELATIONS

Investment and Trade

The Enhanced Partnership and Cooperation Agreement (EPCA) between the EU and Kazakhstan serves as the foundation of all bilateral trade and economic relations. The EU stands as Kazakhstan's largest trading and investment partner, accounting for approximately 30–40% of Kazakhstan's total trade, with a combined trade turnover of around €45 billion in 2024.

Key areas of EU–Kazakhstan cooperation include:

- Critical raw materials (CRM)
- Transport and the Middle Corridor
- Energy and decarbonisation
- Digitalisation
- Infrastructure

OPPORTUNITIES AND CHALLENGES

Supply Chain Redistribution/Resilience

Interest in Kazakhstan as a transport and logistics hub has grown considerably in recent years. As global supply chains continue to be reshaped by geopolitical shifts and trade fragmentation, Kazakhstan's strategic position along the Middle Corridor has made it an increasingly attractive option for European companies seeking to diversify their routing and reduce dependence on traditional supply chain networks.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

The Association does not have a mandate to participate in political activities or to be involved in politics or geopolitics in any way. It communicates to government authorities the positions of the business community across various industries, and provides business expertise on legislative initiatives, taking into account international business experience.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Bilateral Trade Projections (2026–2027)

Despite global trade fluctuations, EU-Kazakhstan relations are increasingly anchored by deeper integration and growth in manufacturing, logistics, and services. Kazakhstan's structural shift toward digitalisation and decarbonisation creates a stable environment for European trade. This strategic focus offers consistent opportunities for EU firms in critical raw materials, healthcare, and agritech, ensuring bilateral cooperation remains resilient against international uncertainty.

Adaptation to Weakening Global Rules

Businesses draw on their international expertise and experience to address challenges within their supply chains. The Association supports businesses when there is a need to do so and when the approach is constructive. It has repeatedly submitted position papers regarding trade and supply barriers, in which businesses provide substantiated facts and case studies demonstrating what hinders trade or why companies incur significant losses as a result of existing restrictions and barriers.

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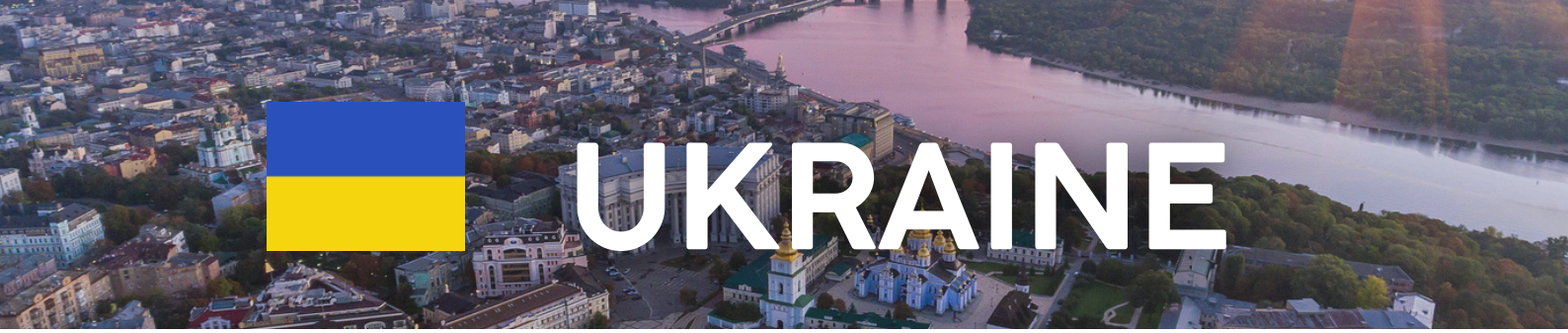

FUTURE (ECONOMIC) OUTLOOK

The business sentiment in Ukraine for the 2025-2026 period reflects a landscape of cautious resilience amidst profound and ongoing challenges.

The business climate forecast for 2026 is measured: 29% of business leaders expect improvement, 44% foresee stagnation, and 27% anticipate deterioration. The trajectory hinges on tangible progress in addressing these core institutional challenges.

Despite the challenging environment, the financial outlook for 2026 is positive for most EBA members. As many as 77% of executives expect revenue growth in UAH terms, while 12% anticipate a decline. At the same time, 60% of respondents expect revenue growth in real (volume) terms, and 55% in USD terms — up from 46% and 43% in 2025, respectively. Revenue declines in both real and USD terms are anticipated by 15% of businesses. In addition, the share of companies planning large investment projects in 2026 has increased to 20%, with the average value of planned projects reaching USD 14 million.

BUSINESS / INVESTMENT ENVIRONMENT

Despite the continued direct threat of Russian military aggression, the European Business Association's (EBA) Investment Attractiveness Index has shown a slight recovery, reaching 2.70 out of 5 in 2025, nearing pre-full-scale invasion levels.

A critical, bifurcated perspective is emerging:

- **Resilient Commitment:** A significant **72% of EBA member companies plan to continue investing** in Ukraine, demonstrating a strong long-term belief in the market's potential. Major transactions, such as NEQSOL Holding's privatisation of UMCC Titanium, signal confidence from international capital.
- **Persistent Systemic Barriers:** However, internal institutional weaknesses are now perceived as equally severe as external military threats. **Corruption and a weak judicial system** are consistently ranked alongside the war as the top barriers to investment. This duality defines the current sentiment: optimism about Ukraine's European future is tempered by urgent demands for domestic reform, judicial integrity, and battlefield stability.

POLITICAL AND ECONOMIC CHALLENGES

The overarching political trajectory remains Ukraine's integration into the European Union. This commitment is the primary positive driver for long-term investor sentiment, providing a reform anchor and future market access. Domestically, political will is being tested to address the business community's top concerns: delivering tangible, credible judicial reform and demonstrating results in the fight against corruption. The government's ability to balance war-time exigencies with the imperative of building robust, transparent institutions will be a key determinant of political risk perception in 2026.

OTHER REGULATORY AND LEGAL CHALLENGES

The regulatory landscape is in a state of asynchronous transition towards EU norms. Positive steps in deregulation and digitalisation of public services (the "transport visa-free regime") are noted. However, significant friction points remain:

- **EU Alignment:** Harmonisation with the EU acquis (e.g., in environmental standards, medical device regulation, financial services) is progressing but creates a heavy compliance burden and temporary instability.
- **Implementation Gaps:** There is a recurrent issue of laws being passed (e.g., new environmental regulations, e-audit) without ready technical systems, clear subordinate regulations, or adequate transition periods, leading to compliance uncertainty.
- **Key Legislative Priorities:** Finalising laws on e-audit, mining waste, and clinical trials are cited as critical for providing business certainty.

INTEGRATION WITH EU POLICIES

The ongoing alignment with EU policies is the single most transformative process for Ukraine's economy, serving as both a strategic anchor and a comprehensive reform roadmap. Full integration into the EU Single Market is the primary strategic goal.

- **Benefits:** This alignment provides unprecedented market access under the EU's Autonomous Trade Measures that were transformed into the updated Association Agreement's Deep and Comprehensive Free Trade Area (DCFTA). It drives regulatory modernisation, replacing opaque, post-Soviet norms with transparent, predictable EU standards (the acquis communautaire).

This significantly enhances investor confidence by signaling a long-term commitment to the rule of law, good governance, and a competitive market economy. The process also facilitates access to EU funds and programs supporting green transition, digitalisation, and SME development.

- **Challenges:** The primary challenge is the immense regulatory and administrative burden of transposing and implementing complex EU legislation under martial law. Businesses face a dual regulatory environment during the transition, leading to compliance uncertainty. There is a significant capacity gap within both public institutions and the private sector, especially SMEs, to absorb and implement new standards. Furthermore, premature or poorly sequenced implementation of directives (e.g., environmental, tax reporting) without adequate technical preparation or transition periods creates operational friction and cost pressures.

EU-UKRAINE ECONOMIC RELATIONS

Investment and Trade

Economic relations with the EU have deepened fundamentally, transitioning from partnership to a pre-accession integration model.

- **FTAs and Agreements:** The **EU-Ukraine Association Agreement/DCFTA** remains the cornerstone, with provisions continuously expanded. Ukraine's status as an **EU candidate country** (since June 2022) accelerates regulatory harmonisation. Key ongoing initiatives include integration into the EU's **Customs Union** single-window systems and **Digital Europe** programs. The "**transport visa-free**" regime (continued liberalisation of road freight) is critically important for logistics.
- **Statistics on Investment and Trade:** The EU is Ukraine's dominant economic partner. Pre-war, it accounted for over 40% of Ukraine's trade. While total volumes dropped in 2022-2023, the **EU's share of Ukraine's trade has surged to over 60%** as traditional eastern routes closed. The EU is the largest source of foreign direct investment (FDI) in Ukraine. Notably, even during the war, **72% of EBA member companies continued or planned investments in 2025**, signaling long-term commitment.

Key Industries and Sectors:

- **Agriculture & Agri-processing:** The #1 export sector to the EU (grains, oilseeds, processed foods).
- **IT & Digital Services:** A resilient export powerhouse, deeply integrated with the European market.
- **Energy & Green Tech:** A priority for reconstruction, with massive potential in renewable energy, grid modernisation, and green hydrogen.
- **Extractive Industries:** Strategic investments continue in areas like titanium (critical for EU aerospace/defense).
- **Logistics & Infrastructure:** Critical for EU-Ukraine supply chains, receiving significant public and planned private investment.
- **Military tech**

TRENDS IN TERMS OF EUROPEAN COMPANIES IN UKRAINE

European Business Presence

The European business community in Ukraine has undergone a stress test, displaying remarkable resilience and strategic patience.

- **Statistics/Trends Since the Pandemic:** The pandemic was swiftly overshadowed by the full-scale invasion. The trend is bifurcated: many SMEs and businesses in exposed sectors contracted or temporarily relocated, while large, strategic investors and export-oriented firms have largely maintained their presence. There has been no mass corporate exodus of major European groups. Instead, the focus shifted to crisis management, supply chain adaptation, and supporting humanitarian efforts.
- **Growth or Contraction:** The community has contracted in number but consolidated in commitment. The EBA's consistent surveys show that while operational footprints may be optimised, core legal and strategic entities remain, planning for the future. The profile is shifting from broad market-seeking to focused, strategic, and reconstruction-oriented investment.

Factors Influencing Market Entry:

- **Barriers: Extreme physical security risk** (war, energy attacks) is the paramount barrier. This is compounded by **macroeconomic instability, currency restrictions**, an **inefficient judiciary**, and **corruption**. **Labor shortages** due to mobilisation are a severe operational constraint.
- **Drivers:** The primary driver is the **generational opportunity** presented by Ukraine's future EU membership and the estimated **$500bn+ reconstruction market. Government incentives** for priority sectors, **strong support from EU institutions and home governments**, and the potential for **first-mover advantage** in a rebuilding economy are key pull factors.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The direct impact of US tariffs on Ukrainian exports is currently limited, as the US is not a primary market for most Ukrainian goods. The greater risk is indirect: potential global trade fragmentation and "friend-shoring" could marginally affect Ukraine if it slows European investment. However, Ukraine's clear EU alignment positions it favorably within the Western economic bloc.

Geopolitical Tensions – Country Exposure

Ukraine is at the epicenter of the most severe geopolitical tension. The ongoing war represents a total and all-consuming exposure. This translates into direct asset destruction, disrupted logistics (especially Black Sea routes), energy blackmail, and a humanitarian crisis that drains state resources and labor markets. The business environment is fundamentally a "war economy" requiring specialised risk mitigation and resilience planning.

ESG Trends

Businesses need to highlight emerging sustainability initiatives and face a higher level of corporate responsibility. Businesses also need to solve the problems related to deteriorated social conditions (because of wars and humanitarian crises). Rebuilding Ukraine will require a strong focus on governance and on social well-being. There is disrupted waste management, environmental crisis caused by war. However, there is great potential in green economy and green reconstruction.

Supply Chain Redistribution/Resilience

- **Landscape and Adaptation:** The ESG landscape is paradoxical. On one hand, the war has caused catastrophic environmental damage (ecocide, disrupted waste management, industrial pollution) and a profound social crisis. On the other hand, EU accession mandates an accelerated adoption of the highest EU ESG standards.
- **Business Adaptation & Initiatives:** Leading European businesses are integrating ESG into their core reconstruction strategies. This includes:
- **Governance (G):** Championing transparency, anti-corruption, and robust corporate governance as foundational for recovery.
- **Social (S):** Addressing the humanitarian crisis through corporate social responsibility (CSR) programs focused on supporting employees (mental health, safety), veterans, IDPs, and rebuilding community infrastructure. There is a strong focus on social well-being as a pillar of stability.
- **Environmental (E):** Pioneering green reconstruction—building back with energy-efficient, circular-economy principles. There is immense potential in renewable energy, sustainable agriculture, and modern waste management systems to leapfrog outdated Soviet-era infrastructure. Businesses advocate for "build back better" principles to be enshrined in state policy.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

The economy operates in a **"war economy" paradigm** with distinct characteristics:

- **Adaptation & Resilience:** Sectors like IT, agriculture, and selective export-oriented industries show adaptability. The planned launch of a national emissions trading system from 2031 is a forward-looking economic signal.
- **Bottlenecks:** The economy is constrained by labor shortages, logistics disruptions, and energy insecurity. Access to finance, especially for SMEs, remains a critical hurdle.
- **Fiscal Pressure:** The state's focus on defense spending limits resources for investment incentives and reconstruction, increasing the reliance on private capital and international financial aid.

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UZBEKISTAN

FUTURE (ECONOMIC) OUTLOOK

Uzbekistan's growth outlook remains strong, with real GDP estimated to have expanded by about 6.0% in 2023 and projected by the EBRD to reach around 6.5% in 2024 and 6.0% in 2025, supported by investment, exports, and robust domestic demand. The authorities have entered a more complex second phase of reforms focused on SOE and banking-sector transformation, tariff adjustment and privatisation, while WTO accession negotiations and the forthcoming EPCA with the EU are expected to further anchor regulatory and trade reforms.

BUSINESS / INVESTMENT ENVIRONMENT

The investment environment is underpinned by strong capital spending: total foreign direct investment reached about USD 11.9 billion in 2024, with particularly dynamic inflows in energy, digital, and transport infrastructure. The government is prioritising large-scale projects in energy, chemicals, mining, and transport, creating opportunities for European suppliers of industrial machinery, engineering services, and green technologies, while GSP+ preferences covering some 6,200 tariff lines continue to support export-oriented manufacturing and agri-processing.

POLITICAL AND ECONOMIC CHALLENGES

Despite progress, the state still plays a prominent role in many strategic sectors, and political decisions can significantly influence price formation, market entry conditions, and access to infrastructure. In this context, European companies often rely on sustained engagement with central government, EU institutions, and business associations to address issues such as localisation requirements, contract enforcement, and licensing, and to preserve the momentum of expanding bilateral trade, which reached roughly EUR 4.8–5.3 billion in 2024 and accounts for around 10% of Uzbekistan's total trade.

OTHER REGULATORY AND LEGAL CHALLENGES

Regulatory frameworks continue to evolve, but inconsistencies across sectors can create additional compliance costs and uncertainty, especially where implementation capacity is stretched. In highly regulated sectors such as telecoms, energy, and pharmaceuticals, differences in tax treatment or registration procedures can delay investment decisions; for example, only about two-thirds of EU imports from Uzbekistan are eligible for GSP+ preferences, and the effective utilisation rate of around 92% still requires careful documentation and process management from exporters and their EU partners.

INTEGRATION WITH EU POLICIES

Integration with EU trade and regulatory frameworks has accelerated since Uzbekistan obtained GSP+ beneficiary status in 2021, with the EU now accounting for roughly 10% of the country's external trade and 7% of exports. The EPCA under preparation, together with WTO accession and steadily rising EU-Uzbek trade (which nearly doubled between 2020 and 2024 to close to EUR 4.8–5.3 billion), is expected to deepen alignment on technical standards, customs practices ,and investment rules, gradually improving predictability and market access for European businesses.

EU-UZBEKISTAN ECONOMIC RELATIONS

Investment and Trade

The EU is one of Uzbekistan's main economic partners, accounting for roughly 10% of the country's total trade and around 7% of exports, supported by GSP+ preferences since 2021. Bilateral trade in goods has nearly doubled since 2020, reaching around EUR 4.8–5.3 billion in 2024, with textiles, agri-food, metals, and machinery as key product groups.

EUROPEAN BUSINESS PRESENCE

European business presence has expanded steadily over the past 5–7 years, with a rising number of EU companies and joint ventures in energy, petrochemicals, mining, construction materials, machinery, and services. Recent large projects by European investors in power generation, renewables, transport, and industrial modernisation illustrate growing interest, although competition from China, Russia, Turkey, and Korea is intensifying.

- The number of EU-linked enterprises and JVs has increased significantly since the pandemic.
- Market entry is driven by growth potential, reforms, and regional hub ambitions, but moderated by regulatory predictability and compliance expectations.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Direct exposure of Uzbekistan to recent or expected US tariff measures remains limited, given relatively small bilateral trade volumes. Indirect effects may arise through shifts in global demand, changes in supply-chain configurations and tighter compliance requirements for multinational groups, including European firms operating in Uzbekistan.

- Main impact is indirect, via global value chains and financing conditions.
- Monitoring of sector-specific tariff changes remains important for exporters integrated into US-linked supply chains.

Geopolitical Tensions – Country Exposure

Current geopolitical tensions affect Uzbekistan mainly through logistics, sanctions-related compliance and risk perceptions, rather than through domestic fundamentals. Re-routing of trade flows, higher transport costs and greater due-diligence requirements influence project timelines and working capital needs, but also create opportunities to position Uzbekistan as a more neutral regional production and transit hub.

ESG Trends

The ESG landscape is still emerging, but alignment with international standards is gradually improving, particularly among large exporters and state-owned enterprises preparing for privatisation. Pressure from international lenders, buyers and prospective investors is pushing companies to adopt basic ESG policies, enhance disclosure and upgrade environmental and labour practices, especially in energy, mining, textiles and agri-processing.

Supply Chain Redistribution/Resilience

Global trade uncertainty is prompting companies to diversify suppliers and routes, with Uzbekistan seeking to attract production for regional markets and to move up value chains in textiles, agri-food and basic manufacturing. EU and other international firms are exploring multi-supplier and near-shoring models, using Uzbekistan as a base to serve Central Asia, the Caucasus and, in some segments, Russia, while relying on improved overland corridors to Europe and Asia.

- Sectors most affected include textiles and garments, agri-processing, construction materials and light manufacturing.
- Resilience strategies combine supplier diversification, inventory buffers and alternative transport corridors.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Uzbekistan aims to preserve macroeconomic stability through prudent fiscal policy, inflation-targeting by the central bank and continued support for priority investment projects. The government is diversifying export markets, promoting local processing of raw materials and strengthening regional transport corridors to reduce dependency on single partners and routes.

- Key challenges include inflation pressures, external financing costs and logistics bottlenecks linked to regional tensions.
- Authorities are using targeted social support, tariff and tax reforms, and gradual liberalisation to manage adjustment while maintaining growth and investor confidence.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

European manufacturers and traders using Uzbekistan as a production or sourcing base are indirectly affected by sanctions on Russia and Belarus, as well as sector-specific US and third-country measures. These measures can limit access to certain markets, complicate payments and require changes in routing via compliant corridors, affecting costs and delivery times.

Bilateral Trade Projections (2026–2027)

Bilateral EU–Uzbekistan trade is expected to keep expanding moderately, supported by GSP+, ongoing reforms and the anticipated EPCA, despite global uncertainty. Shifts in global value chains, near-shoring and diversification strategies should continue to support EU demand for Uzbek textiles, agri-products and selected manufactured and processed goods.

- Trade growth may be uneven across sectors, with stronger momentum in textiles, agri-food, metals and machinery, and more cautious dynamics in highly regulated or sanction-sensitive segments.

Adaptation to Weakening Global Rules

Members increasingly use scenario planning, multi-supplier strategies, and alternative transport corridors to reduce exposure to sudden policy shifts.

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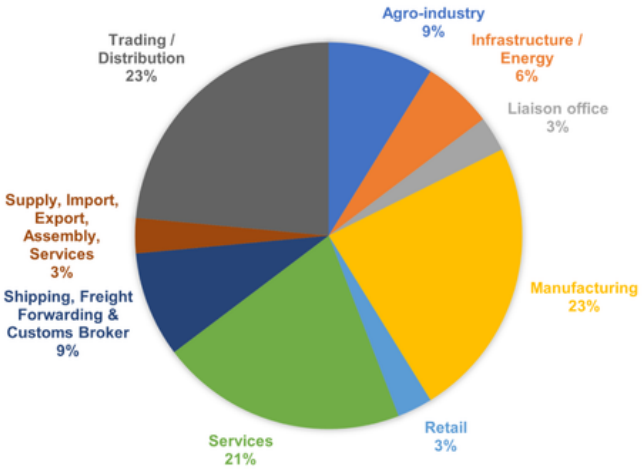
SOUTH ASIA AND MIDDLE EAST

EBOWN GLOBAL BUSINESS SENTIMENT REPORT

BANGLADESH

INTRODUCTION

The EuroCham Bangladesh Business Sentiment Survey 2026 was conducted to assess the evolving business ecosystem in Bangladesh from the perspective of EuroCham member companies. The survey captures key dimensions, including the investment climate, political and regulatory environment, and prevailing economic conditions, as well as the post-pandemic performance and outlook of European businesses operating in the country. It further examines how companies are adapting their economic strategies in response to global disruptions. In addition, the report provides insights into EU–Bangladesh trade relations, including the impact of external factors such as US tariff measures and broader geopolitical developments, with the aim of identifying challenges, risks, and opportunities for sustaining and expanding European business engagement in Bangladesh.



- **Sectors represented:** The survey reflects a well-diversified representation of EuroCham Bangladesh's membership, with strong participation from manufacturing, trading, and services, alongside a broad range of smaller sectors—highlighting the wide and cross-sectoral footprint of European businesses across Bangladesh's economy.

- **Company Origins:** The majority of survey respondents represent European-origin businesses, with 76.5% identifying as EU-based companies. This is complemented by a notable presence of Bangladeshi firms, accounting for 20.6% of respondents, reflecting strong local engagement within the EuroCham network. A smaller share of 2.9% comprises non-EU foreign companies. Overall, the composition underscores EuroCham Bangladesh's primary representation of European business interests while also incorporating perspectives from local and other international stakeholders operating in the country.

- **Legal Structure:** The legal structure of respondent companies in Bangladesh shows a strong preference for full foreign ownership, with 35.3% operating as wholly foreign-owned subsidiaries. Joint ventures also represent a significant portion, with 14.7% being majority foreign-owned partnerships and an additional 5.9% structured as equal (50–50) ventures, alongside 5.9% minority foreign-owned joint ventures.

- **Business Presence in Bangladesh:** The duration of operations among respondent companies indicates a well-established business presence in Bangladesh. A majority of 52.9% have been operating in the country for 10–20 years, while a further 29.4% report more than 20 years of experience, reflecting deep-rooted engagement in the market. In contrast, 11.8% of companies have been active for 3–10 years, and only 5.9% have entered the market within the past three years.

- **Company size:** The revenue distribution of respondents reflects a diverse mix of business sizes within the EuroCham network. The largest share falls within the small category (€0.08–€0.8 million / BDT 10–100 crore), followed by 31% reporting large-scale revenues above €4 million (BDT 500 crore) and 27.6% in the medium range (€0.8–€4 million / BDT 100–500 crore). A smaller segment (3.4%) represents micro enterprises, indicating participation across both established and emerging businesses. Similarly, the employee distribution is weighted toward small to mid-sized firms, with 38.2% employing 50–250 people and 23.5% fewer than 50. Larger companies are also represented, with 17.6% employing 251–500 staff, 14.7% employing 501–1000, and 5.9% exceeding 1,000 employees—highlighting a balanced mix of growing firms and large-scale operations.

FUTURE (ECONOMIC) OUTLOOK

Perceptions of Bangladesh's economic outlook for 2025–2026 reflect a broadly cautious sentiment among respondents. While the largest share (36.4%) maintains a neutral stance, a notable 33.3% express a negative outlook, indicating underlying concerns about near-term economic conditions. Positive sentiment remains more limited, with 24.2% viewing the outlook favourably and only a small proportion (3%) expressing strong optimism, while an equal share reports a very negative perspective. Overall, the findings point to a balanced but cautious business sentiment, with neutrality prevailing but skewed slightly toward downside risks.

This outlook is shaped by a combination of political, regulatory, and cost-related factors. Political stability (30.3%) and the regulatory environment (27.3%) emerge as the most influential considerations, underscoring the importance of a predictable and consistent policy framework. Energy costs (18.2%) also represent a key concern for businesses, reflecting ongoing cost pressures. Additional factors include inflation and banking sector risks (6.1% each), while some respondents highlighted broader structural and external challenges such as exchange rate volatility, governance constraints, geopolitical tensions in the Middle East, and uncertainties surrounding LDC graduation in the absence of a clear FTA pathway.

Changes in market dynamics or regulatory conditions over the next 12–24 months

A clear majority of respondents (67.6%) anticipate significant changes in market dynamics or regulatory conditions over the next 12–24 months, while 32.4% do not foresee major shifts. This indicates a strong expectation of an evolving business environment, with companies actively preparing for adjustments in policies, regulations, and market conditions. Overall, the findings reflect heightened awareness of potential disruptions and a proactive approach to managing future uncertainties.

The expectation of change is driven by several interrelated factors. Geopolitical and global economic developments—particularly tensions in the Middle East—are seen as key risks, with concerns over potential energy shortages, rising inflation, and broader impacts on global growth and employment. At the domestic level, regulatory and policy considerations remain central, including anticipated adjustments in tax, VAT, customs procedures, and port operations, particularly in the context of evolving political conditions. LDC graduation is another major driver, with companies expecting substantial regulatory shifts related to tariffs, compliance standards, and market access frameworks. The potential loss of preferential trade schemes, such as the EU's GSP, alongside increased competition from countries with established FTAs (e.g. India, Vietnam, Indonesia), is a significant concern for maintaining export competitiveness.

In addition, respondents highlighted emerging market and investment trends, including a growing shift toward nearshoring, market consolidation, and diversification of sourcing destinations such as Africa and India. Energy and infrastructure factors also play a critical role, with expectations of increased investment in renewable energy and infrastructure, alongside concerns over energy supply constraints and price volatility. Collectively, these factors point to a period of structural adjustment, requiring businesses to remain agile and responsive to both global and domestic developments.

BUSINESS/ INVESTMENT ENVIRONMENT

Government Priorities, Policy Initiatives, and Political Developments

Responses indicate that government priorities, policy initiatives, and political developments in Bangladesh are having a mixed impact on business operations and investment decisions. On the positive side, political stability is widely seen as a key factor in improving business confidence and supporting growth. Ongoing reforms and government initiatives are viewed with cautious optimism, particularly the government's focus on attracting foreign direct investment (FDI), which is encouraging for future shareholder commitments. Infrastructure development—especially in ports and airports—along with efforts toward legal and regulatory modernisation in areas such as customs, commercial law, and dispute resolution, are also positively influencing business activity. Additionally, policy attention toward green energy and infrastructure is creating sector-specific opportunities, while macroeconomic factors such as exchange rate stability, inflation control, and logistics performance remain critical to sustaining investor confidence.

At the same time, respondents highlight several operational and investment constraints. Policy priorities continue to affect a wide range of business functions, including pricing, compliance, employee conditions, sustainability requirements, logistics, and overall project management. Tightened foreign exchange controls, import restrictions, and payment limitations are creating challenges related to remittances, reduced import volumes, and delayed transactions, leading to more cautious investment planning. Furthermore, gaps in policy implementation and regulatory delays are impacting operational efficiency, while some respondents noted the need for more favourable and predictable investment policies. Initiatives such as circular economy programmes remain difficult to implement under current conditions.

Overall, a degree of uncertainty persists. Many respondents indicated that it is still too early to fully assess the impact of the current government, with limited immediate positive changes observed so far. Political uncertainty, combined with external risks such as geopolitical tensions, is contributing to a "wait-and-see" approach among businesses. In response, some companies are actively diversifying risk by reducing dependence on Bangladesh in certain product categories and developing alternative sourcing or investment strategies in other regions.

Sectoral Opportunities and Challenges Identified by Respondents

Survey responses highlight a broad range of growth opportunities across sectors, reflecting both structural strengths of the Bangladeshi economy and emerging global trends, while also pointing to persistent challenges that may constrain sectoral development.

In Trading and Distribution, companies see strong potential to diversify beyond the garments sector, supported by emerging industries and export categories such as hard plastics, bicycles, and outdoor goods. Strengthening backward linkages in man-made fibres (MMF), scaling renewable energy adoption, and improving market conditions to attract international retail brands are also viewed as key enablers. Potential trade agreements, including FTAs, could further unlock market access. However, challenges remain in the form of import dependence, regulatory complexity, and limited policy incentives to support diversification and value addition.

For Supply Chain, Import–Export, and Assembly Services, new infrastructure investments are creating avenues for growth, particularly through the expansion of trade-related services and improved connectivity. At the same time, operational inefficiencies, customs delays, and regulatory bottlenecks continue to affect service delivery and cost competitiveness.

The Logistics sector, including shipping, freight forwarding, and customs brokerage, is expected to benefit from rising export volumes, post-LDC trade expansion, and increasing demand for integrated logistics and third-party (3PL) services. Ongoing port and infrastructure development, particularly in Chittagong, alongside a shift toward efficiency and digitalisation, is expected to favour more capable operators. Key challenges include port congestion, infrastructure gaps, procedural delays, and the need for further digital integration and regulatory simplification.

In Services, particularly legal and advisory segments, digitalisation and the expansion of tech-enabled services are driving demand, especially from multinational companies. Opportunities are growing in areas such as corporate restructuring, M&A, taxation, foreign exchange regulation, and cross-border dispute resolution. In addition, the increasing focus on green energy and infrastructure is generating strong demand for project finance and sustainability-related advisory services. However, regulatory uncertainty, evolving compliance requirements, and limitations in institutional capacity remain key constraints.

The Manufacturing sector presents significant long-term potential, driven by a large and growing domestic market, rapid urbanisation, and a young consumer base. Sustainability trends are creating opportunities in circular economy initiatives, waste management, and textile recycling, with the sustainable textile segment growing significantly faster than conventional markets. There is strong potential for Bangladesh to position itself as a global leader in sustainable and traceable textiles. At the same time, the sector faces challenges related to energy costs, infrastructure limitations, regulatory compliance burdens, and the need for stronger backward linkages and technological upgrading.

In Retail and FMCG, companies highlighted opportunities linked to an expanding consumer base, urbanisation, and evolving consumption patterns. Increased awareness of sustainability is also opening avenues for circular economy initiatives and multi-stakeholder partnerships. Challenges include inflationary pressures, shifting consumer purchasing power, supply chain inefficiencies, and regulatory constraints affecting pricing and distribution.

Liaison offices see opportunities in expanding research collaboration, strengthening institutional coordination, and leveraging Bangladesh's competitive advantages, including cost competitiveness, a skilled workforce, and strong compliance standards. However, challenges remain in navigating regulatory processes, ensuring policy consistency, and maintaining effective coordination across stakeholders.

In Infrastructure and Energy, continued infrastructure development and the growing role of LPG in the energy mix are creating new investment opportunities, alongside broader momentum in renewable energy. Nevertheless, energy supply constraints, price volatility, financing barriers, and regulatory complexities continue to pose risks to sector growth.

Other sectors also show promising potential. International air express services are expected to grow through the adoption of global best practices, though they face challenges related to customs processes and infrastructure capacity. The agrochemical sector benefits from supportive government policies but requires further incentives, regulatory clarity, and sustainable practices to fully realise its growth potential.

POLITICAL AND ECONOMIC CHALLENGES

Political conditions over the past 12 months have had a predominantly negative impact on business operations. A clear majority of respondents (64.7%) reported a moderately negative effect, with an additional 14.7% experiencing a strongly negative impact. In comparison, only a limited share observed positive or neutral outcomes—8.8% reported a moderately positive influence, 8.8% indicated no impact, and just 2.9% experienced a strongly positive effect. Overall, the findings highlight that political developments have weighed significantly on business sentiment during this period.

Business continuity and cautious planning
In response to political and economic uncertainty, many companies are adopting a cautious and measured approach. Respondents highlighted a focus on maintaining business continuity, avoiding abrupt strategic shifts, and closely monitoring developments before making decisions.

Several firms indicated a "wait-and-see" stance, adjusting plans incrementally as conditions evolve. For some, the immediate priority is operational survival, supported by existing risk mitigation frameworks. In sectors with less flexibility, companies noted that strategic shifts are difficult to implement quickly, leading to a focus on managing challenges as they arise.

Cost control and operational adjustments
Cost management has emerged as a key strategy, with companies prioritising efficiency and margin protection. Measures include tightening operational expenditures, maintaining workforce flexibility, and postponing short-term investments. Some firms reported proactive steps such as reducing energy consumption through operational adjustments, including flexible working arrangements. At the same time, businesses are balancing cost discipline with selective openness to new opportunities, albeit under stricter investment controls.

Diversification and market reallocation
Diversification is a central response to uncertainty, particularly in supply chains and sourcing strategies. Companies are increasingly spreading risk across multiple Asian markets, diversifying trade lanes, and reducing over-reliance on Bangladesh for specific product categories. Some respondents indicated a strategic shift toward alternative sourcing destinations, including Africa and India, while limiting further investment exposure in Bangladesh. Others emphasised strengthening local backward linkages, particularly in man-made fibre (MMF) segments, to enhance resilience and competitiveness.

Client, service, and capability-driven responses
A number of firms are adapting by strengthening client engagement and tailoring services to evolving market needs. This includes enhancing service offerings, expanding into counter-cyclical business areas, and building capabilities in areas such as dispute resolution, restructuring, and financial advisory. Some respondents also highlighted increased use of alternative dispute resolution mechanisms and client-focused knowledge-sharing initiatives to support businesses navigating regulatory and economic changes.

Positioning and policy alignment
Companies are also aligning their strategies with broader policy and institutional frameworks. While some firms follow global corporate strategies in the local market, others emphasise maintaining a strictly business-focused approach, avoiding political involvement. A number of respondents indicated alignment with government priorities as part of their strategy during uncertain periods, reflecting the importance of policy awareness in navigating the operating environment.

OTHER REGULATORY AND LEGAL CHALLENGES

EuroCham members responded that a wide range of interconnected economic risks affects business operations and future investment decisions. The most frequently cited concerns include inflation, energy-related challenges, foreign exchange instability (including dollar liquidity and exchange rate volatility), banking sector risks, regulatory uncertainty, political instability, slowing global demand, and supply chain disruptions driven by geopolitical tensions. More broadly, businesses highlighted persistent inflationary pressures, rising energy costs, and supply disruptions, as well as volatility in raw material and freight prices. Financial sector vulnerabilities—such as liquidity constraints and high levels of non-performing loans—continue to weigh on confidence, alongside evolving Bangladesh Bank regulations on remittances and broader macroeconomic uncertainty.

Additional structural risks include limited industrial diversification, lack of Free Trade Agreements (FTAs), and the potential loss of GSP benefits following LDC graduation. Respondents also pointed to infrastructure gaps, misalignment with global best practices, labour market pressures, and exposure to climate-related risks as ongoing challenges. Combined with policy unpredictability and external shocks, these factors contribute to a cautious outlook among businesses regarding Bangladesh's near- to medium-term economic trajectory.

Challenges limiting business expansion further reinforce this cautious sentiment. Respondents identified a range of structural and strategic constraints, with regulatory and compliance-related challenges remaining a primary concern. Companies highlighted the complexity of the regulatory framework, tax regime, and compliance requirements, alongside the need for greater policy liberalisation in areas such as reuse and recycling to support circular economy initiatives. From a market and strategic perspective, expansion decisions are increasingly shaped by global sourcing strategies. For many firms, stable demand in home markets reduces the urgency for expansion, positioning Bangladesh as part of a broader diversification approach rather than a primary growth market. At the same time, concerns surrounding LDC graduation and the potential loss of trade preferences are prompting companies to reassess long-term commitments and reduce overdependence on a single sourcing destination.

Political and macroeconomic considerations also continue to constrain expansion, particularly the perceived lack of predictability and policy stability.

Respondents emphasised the importance of consistent policy direction, improved infrastructure, and greater responsiveness to evolving business needs to strengthen investor confidence. Finally, trade-related limitations—most notably the absence of comprehensive FTAs with key markets—remain a critical barrier. Without competitive preferential access, Bangladesh risks losing its relative advantage compared to peer economies, potentially limiting its ability to attract new investment and support sustained business expansion.

INTEGRATION WITH EU POLICIES

Alignment with EU trade, sustainability, and regulatory frameworks has a significant impact on business operations in Bangladesh. A clear majority of respondents (68.8%) reported that such alignment influences their operations, underscoring the strong role of EU standards in shaping business practices—particularly for companies engaged in export-oriented activities or integrated into European value chains. These frameworks increasingly affect compliance requirements, sustainability strategies, and overall operational decision-making. In contrast, 31.3% of respondents indicated no direct impact, likely reflecting firms with limited exposure to EU markets or primarily domestic operations. Overall, the findings highlight the growing relevance of EU regulatory and sustainability standards as a key driver of business conduct and competitiveness in Bangladesh.

Impact of EU Regulations: Benefits and Challenges

Benefits: EU regulations have improved compliance standards, supply chain transparency, and ESG practices across industries in Bangladesh. Alignment with EU requirements has strengthened the credibility of local companies with international customers and business partners, while also elevating standards in legal, regulatory, and compliance practices.As Bangladesh has long experience working with the EU market, adaptation has been comparatively smoother in several areas. The evolving regulatory framework has also increased demand for specialised compliance and sustainability advisory services.In the textile and apparel sector, EU regulations create opportunities to strengthen sustainability, promote circular economy initiatives, and increase the use of recycled fibers. Currently, around 20% recycled fiber is blended with virgin fibers, with strong potential for gradual growth. Compliance with EU standards also supports access to the EU market, encourages collaboration with European businesses, and enhances global corporate reputation.

Challenges: At the same time, EU regulations have increased compliance, documentation, monitoring, and certification costs for businesses. Companies are required to meet increasingly complex standards related to social compliance, sustainability, environmental impact, and supply chain transparency.Many businesses face challenges due to limited local infrastructure, lack of technical readiness, and the rapid evolution of EU regulations, which require continuous upskilling and investment in monitoring systems. Supply chain traceability and vendor compliance remain particularly difficult areas.There are also concerns about pricing pressures and uneven competition, especially where some local market actors do not maintain comparable governance standards. If Bangladesh's RMG and textile sectors are not adequately prepared for evolving EU requirements, there is a risk of losing EU market share to competing countries that are adapting more quickly. In addition, failure to secure an FTA with the EU after LDC graduation could result in Bangladesh moving to the Standard GSP regime, potentially increasing tariffs and reducing competitiveness.

Compliance and Transition Context: Companies are actively working to ensure that products and operations comply with new EU regulations. At the same time, the Government of Bangladesh is engaging with the EU regarding possible FTA negotiations, which could help maintain preferential market access.Overall, the impact of EU regulations remains mixed and varies across sectors and business models. While compliance creates operational and financial challenges, it also presents significant long-term opportunities for sustainability, competitiveness, and stronger integration into global markets.

EU-BANGLADESH ECONOMIC RELATIONS

Investment and Trade

EU–Bangladesh economic relations remain preference-driven, with no Free Trade Agreement (FTA) currently in force. Bangladesh is the largest beneficiary of the EU's Everything But Arms (EBA) scheme, exporting €21,645 million to the EU in 2024, with all exports benefiting from duty-free, quota-free access. This framework has been central to Bangladesh's export competitiveness and integration into EU value chains.

Transition phase and post-LDC context

The relationship is now entering a structural transition phase. Following Bangladesh's graduation from LDC status in 2026, EBA preferences are expected to continue during a transition period until November 2029. Beyond this point, the absence of a clearly defined successor framework—whether GSP+ or a negotiated FTA/EPA-style arrangement—introduces increasing uncertainty for both Bangladeshi exporters and European businesses, particularly regarding tariffs, rules of origin, and compliance requirements.

Institutional development: PCA

At the institutional level, EU–Bangladesh relations are undergoing a significant upgrade. In April 2026, the two sides initialled the Partnership and Cooperation Agreement (PCA) in Brussels, following the finalisation of its text in January 2026 after multiple negotiation rounds. The PCA establishes a legal and institutional foundation for a more comprehensive partnership, with structured cooperation across trade, investment, labour, environment, and other sectors through dedicated joint committees.

While not a trade agreement, it signals a shift from a development cooperation model (under the 2001 agreement) toward a more forward-looking economic partnership. The agreement is currently undergoing technical steps, including translation into EU languages, before formal signature and ratification.

Future agreements under discussion (FTA & IPA)
The PCA is being positioned as a platform for deeper economic engagement, with both sides expressing interest in exploring a Free Trade Agreement (FTA) and an Investment Protection Agreement (IPA).

Discussions have increasingly focused on ensuring continued preferential market access for Bangladeshi exports and stronger protection and predictability for European investments in Bangladesh.

Business perspective and implementation challenge
From a business perspective, the central issue is post-2029 predictability. The current preference-based model provides strong market access but does not ensure long-term certainty. As Bangladesh transitions out of LDC status, meeting EU expectations—particularly on labour standards, environmental compliance, and governance frameworks—will be critical for accessing future trade arrangements such as GSP+ or an FTA.

Policy outlook (2026–2029 window)
A structured post-EBA pathway—potentially including an FTA and IPA—is increasingly seen as critical to ensure trade competitiveness, support diversification, and improve conditions for EU investment. The 2026–2029 period will be critical to establish a credible, rules-based framework supporting a shift from a preference-driven to a more partnership-based relationship.

EU Trade Relations and EuroCham Member Companies
A majority of respondents perceive a strong linkage between their sector and EU–Bangladesh trade and investment relations. Specifically, 67.6% reported that their sector is closely connected to these bilateral ties, underscoring the EU's role as a key trade and investment partner for Bangladesh. In contrast, 32.4% indicated no strong linkage, suggesting that a segment of businesses remains more domestically focused or less directly integrated into EU markets. Overall, the findings highlight the significant relevance of EU–Bangladesh economic relations across a broad range of sectors, while also reflecting varying degrees of exposure and integration within the business landscape.

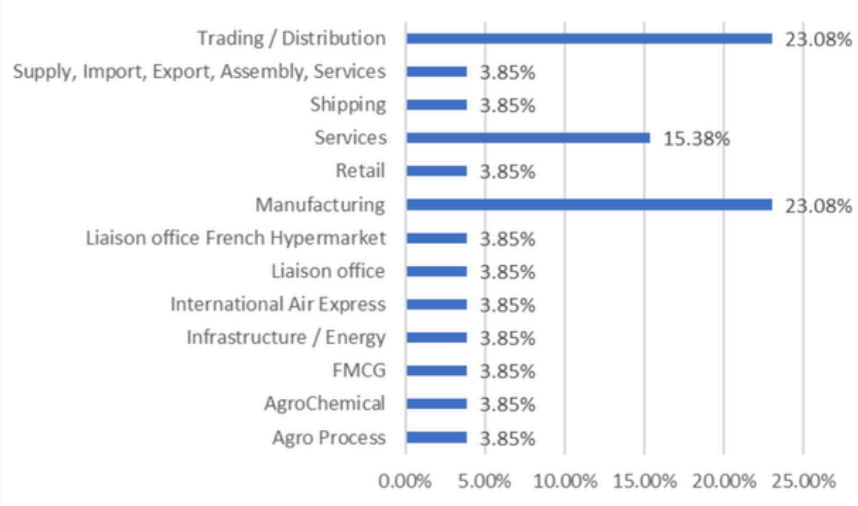
Member companies indicated a generally positive trajectory in EU trade and investment activity in Bangladesh over the past three years. Half of the respondents (50%) reported a moderate increase, reflecting steady growth in engagement between the EU and Bangladesh, while a smaller share (3.3%) observed a strong increase. At the same time, 36.7% reported no noticeable change, suggesting that this growth has not been evenly distributed across all sectors. A limited proportion (10%) experienced a moderate decline, with no respondents indicating a significant decrease. Overall, the findings point to a broadly stable to improving trend in EU economic engagement, highlighting the resilience and gradual strengthening of EU–Bangladesh trade and investment relations.

EU trade preferences—particularly under the Everything But Arms (EBA) initiative—have been a major driver of Bangladesh's export growth, strengthening its position in global supply chains, especially in the apparel sector. However, the upcoming LDC graduation in 2026 represents a critical turning point. Respondents widely acknowledge that duty-free access has supported export expansion and industrial development. At the same time, there is significant concern about the post-LDC landscape, with the potential loss of preferential tariffs expected to increase export costs, reduce competitiveness, and create uncertainty in long-term sourcing decisions. Many businesses noted that Bangladesh is not yet fully prepared for this transition, citing gaps in policy readiness and institutional capacity. While some firms are proactively preparing through compliance upgrades and alignment with potential GSP+ requirements, others report limited visibility on future impacts. In response, companies with diversified supply chains indicated that they may shift production to alternative markets if Bangladesh's competitiveness declines.

European investment and trade activities
The graph attached illustrates the sectoral distribution of EU-based respondent companies, showing the percentage share of respondents across different sectors.

Outlook for future expansion
While 44.1% of companies plan to expand their operations in Bangladesh within the next two years, a nearly equal share (41.2%) remains undecided, reflecting some uncertainty. A smaller proportion of 14.7% do not plan to expand, suggesting that while growth intentions are present, they are tempered by prevailing business conditions.

Among companies planning to expand, most indicate relatively modest investment commitments. A majority (61.5%) expect to invest less than €5 million over the next 2–3 years, while 30.8% plan investments in the range of €5–20 million. A smaller share (7.7%) anticipates larger-scale investments of €50 million or more, reflecting a limited number of high-value expansion plans.



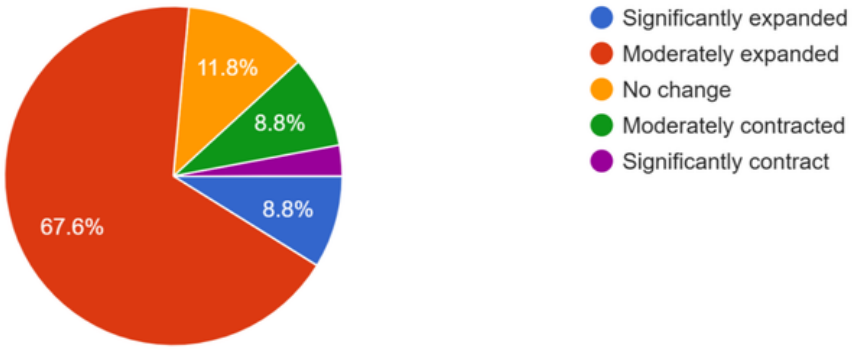
The decision to expand operations is primarily driven by economic and strategic considerations. Cost competitiveness emerges as the leading factor (55.6%), followed by export potential (50%). Political stability and supply chain diversification are also significant drivers, each cited by 44.4% of respondents. Additionally, domestic demand (38.9%) and the availability of a skilled workforce (33.3%) play important roles. Ease of doing business was noted by 22.2% of companies, while a small number highlighted government incentives and the need for a supportive, sustainability-oriented policy environment (5.6% each) as influencing factors.

Growth and Investment Potential

From EuroCham's perspective, the sectors with the strongest growth and investment potential in Bangladesh over the next 3–5 years include value-added textiles and apparel, renewable energy and industrial energy solutions, agribusiness and food processing, and pharmaceuticals/medical devices, alongside ICT, light engineering, and higher-value manufacturing with national investment priority focus. The most immediate opportunity lies in upgrading Bangladesh's manufacturing base- particularly in man-made fibre, technical textiles, circularity, compliance, and decarbonised production, given that the EU remains Bangladesh's largest trading partner and imports are still heavily concentrated in textiles. For European companies, the strongest opportunities therefore lie in supporting Bangladesh's transition toward higher-value, more sustainable, and more resilient growth.

EUROPEAN BUSINESS PRESENCE

Since 2020, most respondent companies have experienced growth in their operations in Bangladesh. A majority of 67.6% reported moderate expansion, while a further 8.8% indicated significant expansion. In contrast, 11.8% reported no change, and a smaller share experienced contraction, with 8.8% noting moderate decline and 2.9% indicating significant contraction. Overall, the results point to a broadly positive growth trend despite some instances of slowdown.



A range of interrelated factors has been shaping business performance and decision-making since 2020, spanning economic, regulatory, political, and global dimensions.

Economic factors have played a central role, including organic growth and rising market demand, particularly driven by global demand and the expansion of Bangladesh's RMG exports. At the same time, businesses have faced challenges from inflationary pressures, tariff imbalances, lack of a level playing field, disruptions in letters of credit (LCs), rising energy and raw material costs, and foreign exchange constraints.

Regulatory and policy factors have also been significant, with evolving frameworks around NBR policies, customs procedures, and compliance requirements influencing operations. Respondents highlighted increasing complexity in foreign exchange (FOREX) regulations, changes in capital market rules, and updates to the Customs and Tax Acts (2023). Delays in regulatory adjustments, such as in energy pricing formulas, have further added to uncertainty.

Political and administrative factors, including periods of political instability and frequent changes within administrative structures, have affected business continuity. Additional constraints were noted in areas such as import processes, particularly for reused or secondary products.

Global and supply chain dynamics have continued to shape the operating environment, particularly in the aftermath of COVID-19. Respondents pointed to freight rate volatility, capacity imbalances, port congestion, and broader geopolitical disruptions—including the Russia–Ukraine war—as key challenges. These factors have contributed to shifting supply chain strategies and, in some cases, international trade and shipping disputes.

Market and competitiveness factors remain critical, including Bangladesh's preferential access to key markets such as the EU, price and performance positioning, and ongoing efforts to diversify product ranges in sectors such as textiles, footwear, and outdoor goods. Respondents also noted shifts in sourcing patterns—such as reduced reliance on China and Myanmar—and emphasised Bangladesh's strengths in reliability, quality, and timely delivery.

Finally, sector-specific drivers have also supported growth, including increased exports across multiple industries, expansion in renewable energy, and rising demand for trade-related services. In the services sector, particularly legal and advisory, economic pressures have driven increased demand for corporate restructuring, mergers and acquisitions (M&A), and insolvency-related services.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

US tariff measures have had a mixed but overall limited impact on the sectors represented. Nearly half of respondents (48.5%) reported no effect, suggesting that many businesses are either not directly exposed to US trade flows or have been able to absorb the impact. At the same time, 33.3% experienced moderately negative effects, indicating some degree of disruption, cost pressure, or indirect exposure in specific sectors. A smaller share (12.1%) reported moderately positive impacts, reflecting opportunities arising from shifts in global sourcing patterns or trade diversion. Only marginal proportions (3% each) reported strongly positive or strongly negative effects. Overall, the findings suggest that while US tariff measures have influenced certain segments, their impact remains uneven and relatively contained across the broader business landscape.

Geopolitical Tensions – Country Exposure

Findings indicate that global geopolitical tensions have had a predominantly negative impact on business confidence among respondents. A strong majority (63.6%) reported moderately negative effects, with an additional 24.2% experiencing significantly negative impacts—reflecting widespread concern over global instability. In contrast, positive or neutral impacts were limited, with only 6.1% reporting moderately positive effects, 3% indicating significantly positive outcomes, and another 3% observing no impact. Overall, the results highlight that geopolitical tensions are materially undermining business confidence, with only a small proportion of companies able to benefit from or remain insulated from these developments.

The ongoing conflict involving Iran is a key factor exacerbating these concerns. The war has significantly disrupted global energy markets, leading to rising fuel prices, supply uncertainties, and logistical delays. Bangladesh—being highly dependent on imported energy—has been particularly affected, with energy shortages and increased costs intensifying existing structural challenges in the sector. These disruptions have had direct implications for business operations, including delays in orders and shipments, increased transportation costs, and reduced reliability in supply chains. As energy constraints were already a longstanding issue in Bangladesh, the current geopolitical situation has further amplified operational risks and uncertainty for businesses.

ESG Trends

Survey respondents reported a wide range of initiatives aimed at advancing decarbonisation, sustainability, and resource efficiency across their operations. These include measures to reduce emissions in shipping and manufacturing, adoption of fuel-efficient technologies and alternative fuels, increased use of renewable energy, and improvements in water and energy efficiency. Many companies are also implementing circular economy practices, such as waste-to-fuel solutions, textile extended producer responsibility (EPR) systems, zero-waste programmes, and the use of sustainable raw materials.

Digitalisation is another key focus area, with firms adopting paperless operations, digitised workflows, and tools such as digital product passports to enhance traceability and efficiency. These efforts are often embedded within broader ESG frameworks, with companies aligning to international standards and participating in global initiatives such as the Bangladesh Accord, amfori BSCI/BEPI, HIGG FEM, Textile Exchange, and Better Cotton.

In addition, companies are strengthening sustainable supply chains and logistics by engaging with environmentally responsible suppliers, promoting local production, and improving planning and inventory management. Several respondents also highlighted efforts in knowledge sharing and capacity building, including seminars, technical guidance, and industry support platforms. Corporate responsibility activities extend to social and environmental initiatives, such as pro bono services, audits, and CSR programmes implemented through local partnerships. A strong emphasis is also placed on community development and inclusion, including support for farmers, youth, and women's empowerment, alongside environmental conservation efforts such as mangrove restoration and sustainable agriculture practices. Overall, these initiatives reflect a growing integration of sustainability into core business strategies, combining operational efficiency with broader social and environmental impact.

Supply Chain Redistribution/Resilience

Supply chain disruptions have been a significant challenge for businesses over the past five years. The largest share of respondents (40.6%) reported moderately negative impacts, with a further 15.6% experiencing significantly negative effects—highlighting the widespread nature of these disruptions. At the same time, 31.3% indicated no noticeable impact, suggesting a degree of resilience or limited exposure among some firms. Positive outcomes were relatively limited, with only 9.4% reporting moderately positive changes and a negligible share noting significant improvements. Overall, the findings suggest that adverse supply chain developments have outweighed gains, reflecting the ongoing impact of global disruptions and structural constraints on business operations.

Factors Influencing Supply Chain Disruption

Geopolitical tensions and global disruptions have had a cumulative and sustained impact on business operations over recent years. Ongoing conflicts—including the Russia–Ukraine war and escalating tensions in the Middle East—have significantly increased economic uncertainty, disrupted trade flows, and, in some cases, led to substantial business losses. These developments have been compounded by successive shocks, including the COVID-19 pandemic, creating a prolonged period of instability. In particular, disruptions in key shipping routes—such as the Red Sea, Strait of Hormuz, and Suez Canal—have resulted in longer transit times, higher freight costs, and reduced supply chain predictability. These challenges are further intensified by volatile energy and fuel prices, rising input costs, and broader inflationary pressures.

At the same time, businesses are navigating structural and policy-related uncertainties, including the implications of Bangladesh's upcoming LDC graduation, weakening global trade predictability, and increasing protectionist tendencies. These factors have contributed to margin compression, delayed investment decisions, and heightened risk exposure. In response, companies are actively pursuing supply chain diversification and risk mitigation strategies, building on shifts already initiated during the pandemic and global trade realignments. While some improvements—such as developments in port infrastructure—have been noted, respondents emphasised that the combined impact of geopolitical, economic, and structural pressures continues to create a complex and challenging operating environment for businesses in Bangladesh.

Mitigation Strategies Adopted by Companies

Respondents reported a range of mitigation strategies to manage ongoing disruptions and uncertainty, combining operational adjustments with longer-term resilience-building measures.

- Supply chain diversification and operational adjustments have been a primary response, with companies re-routing logistics, diversifying sourcing across multiple origins, and expanding trade lanes to reduce concentration risk. Many firms are also increasing lead times and enhancing planning processes to better manage disruptions and ensure continuity.
- Coordination, planning, and network optimisation have also been strengthened. Companies are improving communication with customers, enhancing demand forecasting, and building greater operational flexibility in capacity deployment. Closer coordination with global networks and transshipment hubs is helping firms identify alternative solutions and maintain service reliability.
- At a more strategic level, companies are focusing on resilience-building measures, including diversifying markets and customer bases, strengthening sustainability-driven partnerships, and maintaining long-term investment commitments despite uncertainty.
- Firms are also enhancing financial and treasury management to navigate foreign exchange constraints, while actively engaging with regulators, financial institutions, and business associations to address structural and policy challenges. Operational resilience is further supported through investments in backup energy solutions, logistics optimisation, and strategic partnerships, alongside continued upgrades in technology, quality, and sustainability standards.
- Cost management and internal adjustments remain critical, with companies implementing cost-control measures, aligning with global corporate policies, and strengthening internal risk and crisis management frameworks to maintain stability.

However, respondents also emphasised limitations to mitigation efforts. In many cases, external shocks—particularly geopolitical and macroeconomic factors—remain beyond the control of individual firms.

While companies are managing in the short term, there are concerns about the sustainability of these strategies over the longer term, especially in the absence of supportive policy interventions.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Bangladesh faces a set of interconnected macroeconomic, structural, and external challenges that constrain its ability to maintain economic stability in an increasingly uncertain global environment. These challenges are mutually reinforcing, combining domestic vulnerabilities with external shocks, and are expected to remain critical over the next two years.

A central concern relates to macroeconomic and financial stability. Persistent inflation, foreign exchange constraints, and exchange rate volatility—alongside structural vulnerabilities in the banking sector—are tightening liquidity conditions, increasing the cost of doing business, and undermining investor confidence. Limited access to foreign currency and rising input costs are further affecting operational continuity, profitability, and investment planning. At the same time, sustained inflation and cost-of-living pressures are eroding household purchasing power, weakening domestic demand, and contributing to subdued consumption and slower growth momentum. This, in turn, limits the capacity of internal demand to act as a buffer against external shocks, reinforcing overall economic vulnerability.

At the same time, the economy remains highly exposed to external demand conditions, given its concentration in export-oriented sectors and reliance on key markets such as the European Union and the United States. This concentration exposes the country to global demand fluctuations, inflationary pressures in consumer markets, and evolving sourcing strategies by international buyers. Uncertainty surrounding Bangladesh's forthcoming LDC graduation and evolving trade arrangements.

Energy security and infrastructure limitations continue to act as significant structural constraints. Dependence on imported fuel exposes the economy to global price volatility, while domestic gas shortages, power disruptions, and logistics inefficiencies—particularly at major ports—lead to increased production costs, delivery delays, and reduced competitiveness relative to regional peers.

In addition, policy and governance-related uncertainties remain a critical concern for businesses. Limited regulatory predictability, inconsistencies in policy implementation, and broader political uncertainty negatively affect long-term investment planning and business confidence. These challenges are made more difficult by a relatively new administration managing such overlapping pressures, particularly at a time when Bangladesh also needs to prepare credibly for the demands of LDC graduation.

Bangladesh is also increasingly exposed to global geopolitical developments, including conflicts affecting trade routes, energy markets, and supply chains. Ongoing tensions—such as the Russia–Ukraine war and instability in the Middle East—are contributing to supply chain disruptions, cost volatility, and heightened uncertainty in global trade flows.

Finally, structural competitiveness challenges persist. These include limited export diversification, a relatively low tax base, constrained foreign direct investment inflows, and slow adaptation to evolving international standards—particularly in areas such as sustainability, circular economy requirements, and emerging EU regulatory frameworks (e.g., Ecodesign for Sustainable Products Regulation or ESPR). At the same time, increasing regional competition from more agile economies is intensifying pressure on Bangladesh to accelerate reforms, improve productivity, and secure reliable market access.

Overall, the interaction of these factors—macroeconomic instability, external exposure, structural bottlenecks, and governance challenges—creates a multi-layered risk environment. Addressing these challenges will require coordinated policy action to stabilise the macroeconomic framework, strengthen financial sector resilience, enhance regulatory predictability, and support structural transformation, particularly in the context of LDC graduation and evolving global trade dynamics.

Government addressing inflation, interest rate volatility, and supply chain disruptions

Survey responses reflect a mixed but generally cautious assessment of the government's response to economic challenges. Some respondents expressed a moderately positive or neutral view, acknowledging that the government is making efforts under difficult global conditions, including the energy crisis, and has taken steps such as policy tightening to gradually contain inflation.

However, even among these respondents, concerns remain around high interest rates, foreign exchange shortages, and their impact on trade flows and operating costs. A larger share of respondents felt that the response has been insufficient or not proactive enough, pointing to regulatory constraints, central bank measures on import financing, and dollar liquidity issues that have created operational bottlenecks, disrupted supply chains, and increased business uncertainty. Concerns were also raised around policy clarity, transparency, and the need for stronger communication, as well as the absence of a clear medium-term investment strategy. Structural challenges—particularly in foreign exchange access, energy supply, and logistics—continue to weigh on business confidence, leading many to call for more decisive and forward-looking policy action. At the same time, a notable group of respondents indicated that it is still too early to form a definitive assessment, as the government is relatively new and its policies are still evolving.

Strategies to diversify trade partners and reduce dependency on single markets

Bangladesh is increasingly recognising the need to diversify its trade partnerships and reduce over-reliance on a limited number of markets, particularly in light of its upcoming LDC graduation. From a business perspective, this requires a more strategic and accelerated push toward securing comprehensive trade agreements, including Free Trade Agreements (FTAs) and investment frameworks with key partners such as the European Union and other major economies. At the same time, there is a growing emphasis on expanding into new markets across Asia, the Middle East, and beyond, while strengthening Bangladesh's position in existing value chains.

However, diversification cannot be achieved through market access alone. It must be supported by a parallel shift toward export diversification, moving beyond the dominance of the ready-made garments sector into high-potential industries such as pharmaceuticals, agro-processing, leather, and light engineering. Strengthening competitiveness through regulatory reforms, improving ease of doing business, ensuring policy predictability, and investing in infrastructure and energy reliability will be critical enablers. From an advocacy standpoint, EuroCham believes that a clear, forward-looking trade strategy—combined with faster progress on trade agreements, particularly with the EU—will be essential to ensure Bangladesh remains competitive, attracts quality foreign investment, and successfully transitions to a more resilient and diversified economic model in the post-LDC era.

Foreign investment flows and EuroCham response

Bangladesh is witnessing a cautious and increasingly selective investment climate rather than a broad-based expansion in foreign direct investment. While the country continues to attract interest due to its cost competitiveness and export potential, investor confidence remains constrained by macroeconomic instability, foreign exchange pressures, and regulatory unpredictability. Survey findings reflect this hesitation, with a significant share of companies either undecided or refraining from expansion, underscoring a fragile outlook shaped by both domestic and global uncertainties.

Key structural barriers—particularly foreign exchange constraints, policy inconsistency, and a complex regulatory environment—continue to limit investment inflows. Notably, persistent non-tariff barriers remain a major obstacle to attracting European investment, affecting market access, operational efficiency, and overall competitiveness. Addressing these barriers has proven to be a complex and ongoing challenge, with EuroCham Bangladesh actively engaging with stakeholders to advocate for their removal and promote a more enabling business environment.

At the same time, companies are increasingly adopting risk diversification strategies, including reducing dependence on Bangladesh in certain segments and exploring alternative markets. This reflects a broader shift in global investment patterns, where predictability and ease of doing business are critical decision factors.

Despite these challenges, Bangladesh retains strong fundamentals. However, translating this potential into sustained investment growth will require urgent policy action—particularly in ensuring regulatory clarity, improving trade facilitation, stabilising the foreign exchange regime, and reducing non-tariff barriers.

In this context, EuroCham Bangladesh, together with the EU Delegation and EU Member States, is supporting efforts to increase European investment by facilitating market access and strengthening business linkages. The planned EU–Bangladesh Business Forum will serve as a key platform to attract the right investors, promote B2B engagement, and advance a more structured and forward-looking investment partnership.

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INDIA

FUTURE (ECONOMIC) OUTLOOK

India enters FY2026-27 as one of the fastest-growing economies, with IMF projections placing GDP growth at around 6.5% and macroeconomic fundamentals remaining resilient. Core inflation stood at 3.4% in April 2026, while forex reserves reached approximately €697 billion. Private consumption continues to rise, supported by a growing middle class and young workforce. India is projected to become the world's third-largest economy by 2030, with GDP reaching around €6.2 trillion.

The regulatory environment continues to evolve through GST rationalisation, labour code implementation, the Digital Personal Data Protection (DPDP) Rules notified in November 2025, and expanding technical regulations and Quality Control Orders (QCO) measures.

EU business sentiment remains strongly positive: 88% of FEBI Business Sentiment Survey (BSS) 2026 respondents reported profitability in the most recent financial year, 93% expect turnover growth in FY26, and 96% plan to expand operations in India over the next five years.

BUSINESS/ INVESTMENT ENVIRONMENT

Government priorities

European companies see significant opportunities in both traditional and emerging sectors in India. According to FEBI BSS 2026, manufacturing and supply-chain integration is the leading opportunity area (75%), followed by sustainability and green transition (51%), R&D and talent development (45%), technology and digital innovation (42%), and market expansion and trade (39%). Around 40% of European firms have earmarked investments for Global Capability Centres (GCC), while 35% plan to deepen sourcing and supply-chain integration in India.

Government priorities aligned with European strengths include Production Linked Incentives (PLI) schemes across key sectors, the India Semiconductor Mission (ISM), the National Green Hydrogen Mission, logistics modernisation under Gati Shakti, defence indigenisation, the IndiaAI Mission, and Digital Public Infrastructure initiatives.

Sectoral Opportunities & Challenges

Key growth sectors include clean energy, EVs and battery storage, advanced manufacturing, aerospace and defence, semiconductors, pharmaceuticals and medical devices, agri-food processing, and digital services/GCCs.

PLI schemes have already influenced investment decisions, with 73% of FEBI BSS respondents reporting increased investment, including 25% citing rises above 20%.

Key challenges include competition from low-cost regional players, evolving local-content requirements, QCO proliferation (cited by 37% of respondents).

POLITICAL AND ECONOMIC CHALLENGES

India's political stability remains a key attraction for European investors, with 64% of Federation of European Business in India (FEBI) BSS 2026 respondents citing it as a positive investment driver. State-level investment decisions are primarily shaped by workforce availability (76%), infrastructure quality (64%), ease of regulatory approvals (61%), and government responsiveness (54%).

At the same time, European companies face operational challenges linked to complex Centre-State coordination and approval processes, policy unpredictability, tariff volatility, and abrupt QCO notifications. Policy uncertainty is the third-most-cited operating challenge in FEBI BSS 2026 (47%). External geopolitical developments, particularly the Iran conflict and disruptions in the Strait of Hormuz, have further raised freight and energy costs.

OTHER REGULATORY AND LEGAL CHALLENGES

The FEBI BSS 2026 ranks the operating-environment frictions as follows: regulatory approvals and compliance (71%), customs and import regulations (54%), policy uncertainty (47%), taxation (41%), Quality Control Orders (37%), tariffs (36%), infrastructure availability (30%), workforce availability (25%), legal processes (22%), lack of green incentive policy (12%), and IPR protection (10%).

INTEGRATION WITH EU POLICIES

The EU-India relationship is increasingly structured through the Trade and Technology Council (TTC) and the Joint EU-India Comprehensive Strategic Agenda, which focuses on sustainability, technology, security, connectivity, and resilient value chains.

For European businesses, alignment offers several benefits, including reduced transaction costs through standards harmonisation, easier professional mobility, improved customs and digital trade facilitation under the FTA, and enhanced talent mobility through the parallel Mobility & Migration Agreement. Additional support comes through the €500 million Green Transition Assistance package, EU-India Innovation Hubs, and the Startup Partnership.

EU-INDIA ECONOMIC RELATIONS

Investment and Trade

FTAs and other agreement between the EU and India

The EU-India FTA negotiations concluded in January 2026. The agreement will reduce tariffs on over 96% of EU exports to India, including major cuts for automobiles and wines, while sensitive sectors remain excluded. Negotiations on investment protection and geographical indications are ongoing, alongside separate Mobility & Migration and Security & Defence partnerships.

Statistics on European Investment and Trade Activities

EU-India goods trade reached approximately €120 billion in FY2024, while total trade including services stands at around €180–190 billion. EU FDI stock in India is estimated at €140 billion, with nearly 67% of cumulative inflows arriving in the last decade.

Highlight Key Industries and Sectors Involved

Key sectors driving engagement include machinery, automobiles, chemicals, pharmaceuticals, energy, advanced manufacturing, semiconductors, and digital technologies.

EUROPEAN BUSINESS PRESENCE

European business presence in India has expanded steadily since the pandemic. Around 6,000 European companies currently operate in India, supporting 3.7 million direct jobs, while EU FDI has more than doubled over the past decade.

Growth or Contraction of the European Business Community

FEBI BSS 2026 reflects strong business confidence: 88% of firms reported profitability in the most recent financial year, 93% expect turnover growth in FY26, and 96% plan to expand operations over the next five years. Among firms with defined investment plans, 26% intend to invest more than €100 million, while most expansion continues to be financed through reinvested India-generated profits.

Expansion is also broadening beyond manufacturing into GCCs, supply-chain integration, services, and R&D. Around 54% of EU firms already conduct in-house R&D in India, with another 22% planning to establish such operations. Employment expectations remain positive, with 78% of respondents expecting the FTA to increase employment in India.

Highlight Factors Influencing Market Entry

Key market-entry factors include workforce availability (76%), infrastructure quality (64%), ease of regulatory approvals (61%), government responsiveness (54%), market size (49%), fiscal incentives (44%), and cost competitiveness (41%).

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The US tariff trajectory has disrupted trade in the past 18 months. In August 2025, the US Government imposed a combined 50% tariff on Indian goods.

Impact on Investment Flows

For European companies, India is increasingly viewed as a reliable, scaled, alternative manufacturing base.

Impact on Key Industries

Hardest-hit sectors are textiles & apparel, gems & jewellery, leather goods, marine products, and select chemicals/machinery.

Sectors that have benefited from supply-chain diversification include electronics assembly, smartphones, solar modules, and select pharmaceutical APIs.

Geopolitical Tensions – Country Exposure

External geopolitical developments, particularly the Iran conflict and disruptions in the Strait of Hormuz, have further raised freight and energy costs.

Effect on Economic Outlook, Trade Relations, and Business Confidence
The combined effect has slowed FY26 export growth, raised input costs, and increased inventory and freight insurance costs for European manufacturers operating in India.

ESG Trends

The ESG landscape in India has matured rapidly over the past three years. Mandatory Business Responsibility and Sustainability Reporting (BRSR) for the top 1,000 listed companies, BRSR Core assurance for the top 250, and progressive ESG-linked disclosures by Securities and Exchange Board of India (SEBI).

Adaptation by European Businesses
EU companies in India are aligning local operations with both Indian rules and parent-company commitments under CSRD, CSDDD, and EUDR.

80% of FEBI BSS 2026 respondents report no systemic ESG difficulties when sourcing from India. Among the 20% that do report friction, the issues are: lack of supplier quality consistency (50%), measurable carbon emissions / Scope 3 reporting (48%), social audit readiness (42%), insufficient supplier scale (33%), and lack of local sustainable inputs (25%).

Emerging Sustainability Initiatives and Corporate Responsibility
Corporate Social Responsibility (CSR) remains mandatory under Section 135 of the Companies Act, requiring 2% of average net profits for firms over a financial threshold. EU CSR spend in India is concentrated in Education and Skilling (80% of FEBI BSS respondents), Environmental Sustainability (63%), Health and Sanitation (41%), Rural Development and Livelihoods (37%), and Gender Equality and developmental activities (31%). Looking forward, sustainability is the second-most-cited future area of EU-India collaboration (51%).

Supply Chain Redistribution/Resilience

The current global trade environment is reshaping India-linked supply chains in three distinct directions:

1. Diversification of Supply chains
2. Within-India diversification
3. Selective reshoring back to the EU

Sectors where diversification, reshoring, and nearshoring are most active in India: electronics and semiconductors, EV components and batteries, solar PV modules, pharmaceuticals and APIs, specialty chemicals, automotive components, defence and aerospace components, textiles and apparel (post-FTA opportunity), and medical devices.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

India faces pressures from elevated freight and energy costs, supply-chain disruptions, tariff uncertainty, and external geopolitical volatility, all of which pose challenges to maintaining economic stability in the current global environment.

On inflation and supply chain management, core inflation remained contained at 3.4% in April 2026, allowing the Reserve Bank of India (RBI) to maintain a relatively accommodative monetary stance. In parallel, the government extended the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme and export credit relief, launched the ₹487 crore Resilience & Logistics Intervention for Export Facilitation (RELIEF) scheme, and reduced duties on key inputs to ease supply-chain pressures.

In terms of trade diversification, India is actively pursuing a broad range of partnerships to reduce dependency on single markets. These include ongoing negotiations under the EU-India Free Trade Agreement, the India-EFTA Trade and Economic Partnership Agreement (TEPA), the India-UK Comprehensive Economic and Trade Agreement (CETA), as well as negotiations with the United States, Oman, and Peru, complemented by deeper engagement with Indo-Pacific, African, and Latin American markets.

Foreign direct investment inflows have remained resilient, supported by Production Linked Incentive (PLI) schemes and intensified state-level outreach to global investors, reflecting continued confidence in India as a long-term investment destination despite the broader global uncertainty.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions and Policies

Growing trade protectionism — including tariffs, sanctions, and export controls — is increasing costs and supply-chain uncertainty for European companies operating in India, particularly for firms dependent on imported intermediates or US-linked export markets.

At the same time, the EU-India Free Trade Agreement is expected to strengthen bilateral trade by providing a more stable and rules-based framework.

According to the FEBI BSS 2026, 75% of respondents plan to increase investments as a result of the FTA, while 90% expect a positive business impact.

Recent tariff measures, sanctions, and protectionist policies have affected European companies in India across several sectors. US tariffs on Indian goods have disrupted India-based manufacturing for US-bound European brands, particularly in apparel, leather, jewellery, and automotive components, leading some firms to reroute production through alternative markets. US sanctions linked to Russian oil have complicated operations for European petrochemical and lubricant facilities using Russian-origin feedstock, while disruptions in the Strait of Hormuz have significantly increased freight and marine insurance costs for EU-linked shipments through Indian ports.

China's export controls on critical minerals and rare earths have further lengthened lead times for European electric vehicle, electronics, and renewable energy manufacturers operating in India. Additionally, India's expanding Quality Control Order (QCO) regime has created non-tariff barriers for a number of European suppliers in the chemicals, textiles, footwear, and machinery components sectors.

Bilateral Trade Projections (2026–2027)

EU-India trade is expected to continue growing over the next 12 months, though at a moderated pace due to freight pressures, tariff uncertainty, and the transition period before FTA ratification.

Over the following 12–24 months, expected FTA implementation should accelerate bilateral trade growth through phased tariff reductions.

Adaptation to Weakening Global Rules

FEBI and its member companies are adapting along five lines:

1. Structured policy advocacy.
2. Supply-chain resilience planning.
3. Localisation and value-chain integration.
4. Compliance and reporting upgrades.
5. Strategic engagement with FTA implementation.

Report Reference

- *Business Sentiment Survey by FEBI 2026*

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NEPAL

FUTURE (ECONOMIC) OUTLOOK

Besides ongoing geopolitical and economic uncertainties, Nepal's economy has shown gradual improvement in FY2025/26 compared to previous years. It has been observed that economic growth reached around 4.6 percent in FY2025, supported mainly by the services sector, particularly tourism and related activities. However, projections for FY2026 remain moderate at 2.5 percent due to both domestic structural challenges and external uncertainties.

The positive growth trend has been supported by a significant increase in remittance inflows, which continue to play a central role in sustaining domestic consumption. Remittance inflows have increased substantially, reaching approximately NPR 1,261 billion in the mid-year period, reflecting strong labor migration and stable demand in destination countries.

Nepal's external sector remains strong, with a current account surplus and foreign exchange reserves reaching approximately USD 22–23 billion, sufficient to cover more than 18 months of imports.

However, it has also been observed that industrial growth and private and foreign investment remain weak. Furthermore, global developments, including the Middle East conflict and disruptions in the Red Sea, have increased transportation costs and created uncertainty in global supply chains, indirectly affecting Nepal's import/export prices and trade environment.

Nepal, as a small landlocked economy, continues to present a mixed investment environment. While the country offers opportunities due to its strategic location between India and China and its potential in sectors such as hydropower, Agro Processing, and tourism, structural and administrative challenges persist.

The business environment has seen gradual improvements, particularly in business registration processes and digitalisation efforts. It has been observed that recently formed new government initiatives are moving toward a more investment-friendly and liberal policy framework, especially in relation to foreign investment procedures.

However, challenges remain in terms of policy consistency, infrastructure limitations, and bureaucratic processes, which continue to affect investor confidence.

Explore growth opportunities for European companies

Government priorities

The government has prioritised:

- Hydropower development and energy exports
- Tourism promotion
- Agricultural modernisation
- Digital economy development

There has also been increased focus on supporting farmers through minimum support price mechanisms, aimed at improving rural income and domestic production.

Sectoral opportunities & challenges

Opportunities:

- Renewable energy (hydropower, solar)
- Tourism and hospitality
- Agro-processing and organic products
- ICT and outsourcing services

Challenges:

- Limited industrial base
- Small domestic market
- Infrastructure constraints

POLITICAL AND ECONOMIC CHALLENGES

Political developments continue to influence business operations in Nepal. The formation of a new government with an absolute majority has created expectations for improved policy stability and economic reform. It has been observed that the current administration has shown a more proactive approach toward fair and transparent economic management and private sector engagement.

Encouraging signals have been seen in efforts to liberalise foreign direct investment (FDI), including simplification of procedures and easing of repatriation provisions.

Strategies for European companies

- Engage with local partners
- Maintain long-term investment perspective
- Participate in policy dialogue platforms
- Target the products with Zero duty in EU and India

OTHER REGULATORY AND LEGAL CHALLENGES

Businesses in Nepal continue to face:

- Unstable tax policies
- Inconsistent enforcement of regulations
- Delays in approvals and licensing
- Restrictions in certain sectors for foreign investment

While reforms are ongoing, further simplification and effective implementation are needed.

INTEGRATION WITH EU POLICIES

Nepal benefits from preferential access to EU markets under the Everything But Arms (EBA) scheme. With the expected graduation from LDC status, Nepal will need to transition to the GSP+ framework, which requires compliance with governance, labour, and environmental standards.

This alignment presents both opportunities and challenges, as it enhances market access while requiring improved regulatory compliance.

EU-NEPAL ECONOMIC RELATIONS

Investment and Trade

The European Union remains an important trade partner for Nepal. Nepal's exports to the EU are primarily concentrated in textiles, garments, carpets, and handicrafts, while imports from the EU include machinery, chemicals, and transport equipment.

Despite preferential access, Nepal has not fully utilised EU market opportunities due to its limited export diversification and challenges in meeting quality standards.

FTAs and other agreements

- No formal FTA
- Preferential access under EBA
- Transition to GSP+ under preparation

Statistics on European investment and trade

- EU accounts for approximately 8–10% of Nepal's exports
- Imports from EU remain relatively low but stable
- FDI from Europe is present mainly in Manufacturing ,energy, tourism, and services

Key industries and sectors

- Hydropower (mainly Equipment supply and Engineering Design)
- Tourism
- Manufacturing (limited scale)
- IT outsourcing (Increasing Trend)
- Development and consulting services

EUROPEAN BUSINESS PRESENCE

There has been a gradual recovery in European business presence following the pandemic. While interest remains in sectors such as renewable energy and tourism, overall expansion has been cautious.

Trends

- Stable presence with limited expansion
- Increased focus on sustainability projects

Factors influencing market entry

- Regulatory clarity
- Ease of doing business
- Infrastructure availability
- Policy stability

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Nepal has limited direct exposure to US tariffs; however, indirect impacts include shifts in global supply chains and increased competition in export markets such as textiles.

Geopolitical Tensions – Country Exposure

Global geopolitical tensions, particularly the Middle East conflict, pose risks to Nepal's economy through:

- Potential disruption in remittance inflows
- Rising oil prices impacting inflation

Additionally, Red Sea disruptions have increased shipping costs and delays, affecting Nepal's trade logistics.

ESG Trends

Nepal is in the early stages of ESG adoption. Awareness is increasing, particularly among larger firms and financial institutions. European companies are contributing to promoting sustainable practices, especially in renewable energy and responsible business conduct.

Supply Chain Redistribution/Resilience

Nepal's supply chain remains heavily dependent on India for transit. While alternative routes through China are being explored, logistical and cost challenges persist.

Recent global disruptions have highlighted the importance of supply chain diversification and resilience planning.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Nepal faces several challenges in maintaining economic stability, including:

- High dependence on remittances
- Low industrialisation
- Import dependency

The government has adopted measures to:

- Manage inflation through monetary policy
- Promote energy exports
- Support agriculture and domestic production

Efforts are also being made to diversify trade partners and reduce dependency on a single market.

Foreign Investment Trends

FDI inflows have shown gradual recovery, particularly in energy , IT outsourcing, and tourism sectors. Policy reforms aimed at liberalising FDI are expected to improve future inflows.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Impact of External Tariffs, Sanctions, and Policies

Global trade instability and increasing protectionism are affecting the competitiveness of European companies by increasing operational costs and uncertainty.

- Increased shipping costs due to Red Sea disruptions
- Energy price volatility affecting production costs
- Trade policy shifts impacting global supply chains

Bilateral Trade Projections (2026–2027)

Moderate growth in EU–Nepal trade is expected, particularly in:

- Renewable energy (Technology Transfer)
- Textile and Apparels
- Tourism
- IT Outsourcing

However, risks from geopolitical tensions remain.

Adaptation to Weakening Global Rules

EEC Nepal and its members are adapting by:

- Strengthening supply chain resilience
- Enhancing risk management strategies
- Increasing focus on ESG compliance
- Engaging in policy advocacy

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SAUDI ARABIA

INTRODUCTION

Saudi Arabia is the EU's largest trading partner in the Gulf region, while the EU is Saudi Arabia's second-largest trading partner overall. As the Kingdom advances its Vision 2030 agenda, the pace of structural transformation across sectors, including energy, infrastructure, digital services, and manufacturing, is creating substantial and sustained demand for European expertise, technology, and investment.

In 2025, total bilateral trade in goods and services reached €88.8 billion. The bilateral relationship is underpinned by strong fundamentals: the EU is the leading source of foreign direct investment into Saudi Arabia, holding 29% of total FDI stock, and over 2,500 European companies are currently active across the Kingdom. European businesses are not merely present in this market; they are integral to its development.

The European Chamber of Commerce in the Kingdom of Saudi Arabia (ECCKSA) is the pivotal bilateral platform fostering dialogue and collaboration between European businesses and Saudi stakeholders. Backed by strong government ties and EU diplomatic support, ECCKSA provides a dynamic business network and facilitates high-level engagement with representatives from Saudi Arabia and Europe.

Saudi Arabia offers significant opportunities across key sectors, including energy, infrastructure, and digital transformation. However, navigating this market alone can be challenging: regulatory frameworks, business practices, and policy developments impact all European companies alike. This is where ECCKSA provides essential support. By consolidating European interests, ECCKSA ensures that businesses are represented, supported, and engaged at the highest levels.

BUSINESS/ INVESTMENT ENVIRONMENT

Vision 2030, the agenda

Launched in 2016 under the leadership of HRH Crown Prince Mohammed bin Salman, Vision 2030 set out an ambitious agenda to diversify the Saudi economy beyond hydrocarbons, develop new industries, attract foreign investment, and create opportunities for a young and growing population. Built on three pillars - a vibrant society, a thriving economy, and an ambitious nation - the programme also encompasses a pragmatic and multi-aligned foreign policy as a prerequisite for securing the investment and regional stability its implementation requires.
Almost ten years on, the results are tangible. Key milestones include the non-oil sector now accounting for over 50% of GDP, a historic high. Saudi Arabia has climbed significantly in the IMD World Competitiveness Rankings, rising from 32nd place in 2021 to 17th in 2025, reflecting measurable improvements in economic performance over the Vision 2030 reform period.1

The transformation is driven by three interlocking engines: the Public Investment Fund (PIF) and its portfolio of strategic companies; a coordinated government apparatus delivering sector-specific reforms across infrastructure, finance, healthcare, education, manufacturing; and a compelling pipeline of giga-projects and landmark international events, among them Diriyah, Qiddiya, Expo 2030 and the FIFA World Cup 2034, that are collectively reshaping the Kingdom's economic and cultural landscape.

ECONOMIC OUTLOOK

Economic growth

Saudi Arabia's real GDP grew by 4.5% in 2025, reaching $1.28 trillion (approximately €1.1 trillion). Based on Q1 2026 estimates, both the IMF and World Bank project sustained growth for Saudi Arabia, with forecasts ranging between 4.3% and 4.5%. Growth is also expected to remain solid through 2027, with projections of 3.6% (IMF) and 4.4% (World Bank).2

Population

According to GASTAT's 2024 Population Estimates3, Saudi Arabia's total population reached 35.3 million. Saudi nationals account for 55.6% of the total. Non-Saudis represent 89.9% of the working-age population, underscoring the Kingdom's continued reliance on expatriate labour. The population is also notably young: nearly 70% of Saudi nationals are under 35, a demographic asset that Vision 2030 seeks to channel into a productive and diversified workforce.

Inflation

Saudi Arabia's inflation remains well contained, with the Consumer Price Index rising by 1.8% year-on-year in January 2026, driven primarily by housing-related costs (+4.2%), transport (+1.5%), and hospitality services (+1.0%). The housing figure should be read alongside a significant government intervention: in September 2025, the General Real Estate Authority enacted a five-year freeze on rent increases for both residential and commercial properties in Riyadh4, with potential extension to other cities under consideration.

For European businesses and their employees based in the Kingdom, this measure meaningfully improves cost predictability.

Employment

Saudi Arabia's overall unemployment rate reached a record low of 2.8% in Q1 20255 before edging up to 3.2% in Q2 and 3.4% in Q3, remaining at historically low levels. The picture differs markedly between nationals and expatriates: Saudi national unemployment stood at 7.5%, compared to 1.4% for non-Saudis. Female participation stands out as one of Vision 2030's most tangible achievements. The labour force participation rate among Saudi women reached 36.2%, comfortably exceeding the initial 30% target.

Introduced in 2011, the Nitaqat (Saudisation) system requires private sector employers, including European companies, to meet sector-specific quotas for Saudi national hires, with compliance determining access to government services, work visa allocations, and operating licences. The programme is currently undergoing significant expansion: as of 2026, the number of classified sectors has increased from 37 to 41, with new quotas introduced across engineering (30%), marketing and sales (60%), dental professions (55%), tourism (40% from June 2026), and wellness centres (100% for administrative roles from May 2026). European companies operating across these sectors should review their workforce composition proactively, as non-compliance directly affects Nitaqat rankings and, in turn, operational licences and visa entitlements.6

Business and Investment Environment

Saudi Arabia's investment climate has been fundamentally reshaped over the past decade, with a sustained programme of regulatory liberalisation removing longstanding barriers to foreign participation. Key reforms have progressively extended 100% foreign ownership across most sectors, strengthened investor protections and streamlined registration procedures.

Several institutions underpin this transformation. The Ministry of Investment (MISA) serves as the primary gateway for foreign investors. The Saudi Investment Promotion Authority (SIPA), operating under MISA, plays a central role in attracting and retaining FDI through targeted investor outreach, sector-specific incentive packages, and coordination across government entities.

The Regional Headquarters (RHQ) programme encapsulates this broader drive: launched in 2021 and made mandatory for government contractors from 2024, it had attracted 706 international companies to establish their regional base in Riyadh as of Q1 2026, well ahead of the original 500-company target for 2030. Incentives include a 30-year corporate tax exemption, unlimited work visas, and a waiver from Saudisation requirements, making it a compelling proposition for European multinationals seeking a strategic hub for MENA operations.

POLITICAL AND ECONOMIC CHALLENGES

Saudi Arabia has undergone a notable foreign policy alignment, subordinating its external relations to the domestic priorities of Vision 2030 and economic diversification. The Kingdom has adopted a more pragmatic, multi-aligned posture, reducing regional tensions, maintaining its OPEC+ partnership with Russia, and deepening economic ties with China, which remains its largest trading partner, while preserving its longstanding strategic relation with the United States. This deliberate diversification of partnerships reflects a broader ambition to maximise diplomatic leverage, positioning Saudi Arabia as an increasingly autonomous actor in global affairs.

The economy, despite significant progress under Vision 2030, remains structurally dependent on oil revenues, and low oil prices would put fiscal pressure on the government with direct consequences for public investment and procurement pipelines. These dynamics, an ambitious reform agenda, a rapidly evolving governance structure, and an economy in transition, define the broader political and economic context in which European companies are operating.

OTHER REGULATORY AND LEGAL CHALLENGES

Saudisation

Meeting localisation requirements remains a practical challenge in a number of technical and specialised functions, where the availability of qualified Saudi nationals does not yet fully match the targets set, generating additional operational and cost considerations for foreign companies.

Local Content Obligations

The local content framework, while broadly supported in its objectives, lacks consistency in application across authorities and contains areas of ambiguity. The scope for recognising alternative forms of local contribution that may deliver comparable economic value remains limited.

RHQ Regulatory Framework

The rules governing Regional Headquarters are not always interpreted consistently across government entities, creating uncertainty for companies operating under this structure regarding the commercial scope of their RHQ and their obligations.

Procurement Processes and Project Timelines

Procurement procedures vary in consistency and transparency, and evaluation criteria do not always fully reflect the technical and long-term value of bids.

Project timelines remain difficult to anticipate, with extended delays between tendering and contract signature affecting business planning across sectors.

Regulatory Predictability
Significant regulatory changes, including new compliance requirements or trade measures, are occasionally introduced without structured advance notice, limiting the ability of companies to adapt their operations and strategies in a timely manner.

Investment and Licensing Thresholds
Certain licensing conditions, including minimum capital requirements and multi-year investment commitments, represent a material threshold for companies seeking to establish or expand operations, and can act as a constraint on smaller-scale or early-stage investment.

Bankability and Long-term Project Frameworks
The contractual and financial frameworks underpinning large infrastructure projects do not always provide the stability and predictability required to fully meet the expectations of international investors regarding long-term capital commitment.

INTEGRATION WITH EU POLICIES

The alignment between Vision 2030 and key European policy frameworks creates a set of areas of convergence.

On sustainability, Saudi Arabia's Net Zero 2060 commitment and its expanding renewable energy programme, anchored in large-scale solar, wind and hydrogen ambitions, resonate with the European Green Deal and the EU's broader energy transition agenda, creating conditions for structured cooperation. A MoU between the EU and Saudi Arabia in the energy sector is in talks, which would provide a formal framework for advancing cooperation on these themes.

On digitalisation, the Kingdom's Smart City initiatives, its push for e-government and its investment in digital infrastructure map closely onto European priorities around connectivity, data ecosystems and digital industrial transformation, opening space for technology partnerships and standard-setting dialogue.

Critical raw materials represent another area of strategic convergence: as the EU works to secure its supply chains under the Critical Raw Materials Act, Saudi Arabia's significant mineral endowments and its ambition to develop a domestic mining and processing sector position it as a potential strategic partner in this space.

The EU-GCC Free Trade Agreement negotiations, long stalled but revived, remain a structuring horizon for the broader bilateral relationship, with the potential to significantly improve market access and investment conditions for European companies.

Finally, the India-Middle East-Europe Economic Corridor (IMEC), in which Saudi Arabia plays a central role, offers a concrete framework for EU-Saudi cooperation on infrastructure, logistics and connectivity, with implications for trade flows and supply chain architecture across the region.

ECONOMIC RELATIONS BETWEEN EU AND SAUDI ARABIA

EU-GCC Economic Relations

EU-GCC trade and investment negotiations date back to the early 1990s, laying the groundwork for a relationship that has steadily deepened over three decades. At the EU-GCC Summit in Brussels in 2024, both parties committed to advancing discussions towards a regional Free Trade Agreement, while also exploring tailor-made bilateral trade and investment agreements with individual GCC member states, including the Kingdom of Saudi Arabia.

This political commitment translated swiftly into a concrete institutional step in 2025, when the EU Council authorised the European Commission to open negotiations with each of the six GCC member states individually. The resulting bilateral Strategic Partnership Agreements (SPAs) would be designed to provide a comprehensive framework for cooperation across trade and investment, rather than replacing the broader regional FTA ambition.

EU-KSA Economic Relations

In 2025, total bilateral trade in goods and services between the EU and Saudi Arabia reached €88.8 billion, reflecting a slight contraction from €89.8 billion the previous year, driven primarily by a reduction in EU goods imports from Saudi Arabia, which fell to €28.2 billion from €33.1 billion. This decline is partly structural, reflecting the EU's gradual diversification away from fossil fuel dependency, which historically represents a significant share of Saudi exports to Europe.

Against this backdrop, EU goods exports to Saudi Arabia continued to grow, rising to €38 billion from €36.9 billion in 2024, driven by demand for medicinal and pharmaceutical products, industrial machinery, road vehicles, and transport equipment. The positive trade balance in goods has therefore widened.

Trade in services presents an equally positive trajectory. Total EU-Saudi services trade reached €22.6 billion in 2024, up from €18.9 billion in 2023, with EU service exports accounting for €18.8 billion, spanning business services, financial services, engineering, telecommunications, and transport and logistics.

On investment, the EU remains the primary source of FDI into Saudi Arabia, with outward stocks reaching €34.3 billion in 2024, up from €30.6 billion the previous year. Saudi FDI into the EU stood at €39.9 billion over the same period.

TRENDS IN TERMS OF EUROPEAN COMPANIES IN SAUDI ARABIA

By January 2026, the EU Ambassador to Saudi Arabia said that 2,500 European companies were operating in the Saudi market, which illustrates both the depth and the durability of the commercial relationship. The same interview described the relationship as having moved beyond a traditional trade exchange towards a broader multi-sector partnership.

Some companies are established in the country, and additional companies operate through local partners. The Regional Headquarters programme, launched in 2021 and effective from 2024, offers a tangible measure of the trajectory European companies are taking: with 706 RHQs now registered in the Kingdom, European companies from EU member states, the EEA and Switzerland account for an estimated 25 to 28 per cent of the total.

The sectors with particularly high potential for European firms span energy, healthcare and life sciences, advanced manufacturing, telecommunications, transport and logistics. In January 2026, the EU Ambassador identified green energy, critical raw materials, advanced industry and the digital sector as the principal growth areas for European investment over the coming five years.

European companies benefit from a strong reputation in the Kingdom for technical expertise, innovation and product quality, as well as for the broader standards and values associated with doing business with European partners. At the same time, competition is intensifying, with a well-established American presence and a growing assertiveness from Asian players.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

The tariff measures introduced by the United States in 2025 have reshuffled global trade flows in ways that affect both the European Union and Saudi Arabia, albeit differently. The EU, facing significant tariffs on its exports to the US market, is actively seeking to diversify its trade partnerships, a dynamic that structurally reinforces the case for deeper EU-Gulf trade engagement.

Saudi Arabia is more exposed to the indirect effects of US tariffs through their impact on global growth and energy demand than to the tariffs themselves. However, the redirection of Chinese exports, diverted away from the US market, towards other regions, including the Gulf, is intensifying competitive pressure in sectors where European companies are present.

Geopolitical Tensions – Country Exposure

Saudi Arabia sits in close proximity to active conflict zones, most notably Yemen and Gaza, and, while not a direct party to all of these conflicts, remains a central regional actor whose ability to deliver on Vision 2030 is materially dependent on sustained regional stability. The Kingdom has taken deliberate steps towards de-escalation, pursuing a negotiated exit from the Yemen conflict and restoring diplomatic relations with Iran under Chinese mediation in 2023. These are meaningful signals, though the broader regional environment remains fragile.

The regional conflict started in February 2026, has introduced a new layer of uncertainty. The Kingdom itself has been targeted by drone and ballistic missile strikes originating from Iran, adding a direct security dimension to an already volatile regional environment. The impact on business operations remains difficult to assess: some European companies are continuing activities largely as normal, whilst others are experiencing significant disruption to their operations or supply chains. Several major events scheduled for the first half of 2026, including Formula 1 and the LEAP technology conference, have been cancelled or postponed. The situation is still evolving and visibility on its medium-term consequences for the business environment remains limited.

ESG Trends

European companies operating in the Kingdom face growing pressure from their home markets, investors and regulators to demonstrate credible sustainability performance across their operations and supply chains, regardless of the local regulatory environment. Saudi Arabia, for its part, has developed its own sustainability framework, notably through the Saudi Green Initiative and its Net Zero 2060 commitment, signalling a long-term ambition on climate.

Supply Chain Redistribution / Resilience

Saudi Arabia is positioning itself as a logistics and industrial hub at the intersection of Asia, Africa and Europe, a strategic ambition underpinned by major investments in ports, freight infrastructure and special economic zones.

The Kingdom's geography gives it a singular advantage in this regard: it holds direct access to both the Persian Gulf and the Red Sea, with the port of Yanbu on the western coast serving as a critical export outlet and, as the current regional conflict has demonstrated, a strategic alternative to the Strait of Hormuz for oil flows. This dual-coast position makes Saudi Arabia a pivotal node in any reconfigured regional or global supply chain architecture.

Several major corridor initiatives converge on this ambition.

- The India-Middle East-Europe Economic Corridor (IMEC), of which Saudi Arabia is a central pillar, aims to create an integrated trade and infrastructure link between India and Europe.
- The GCC Railway project envisions a regional rail network connecting the six Gulf states.
- At the national level, significant investment is going into expanding Saudi Arabia's own rail infrastructure to improve domestic connectivity between industrial zones and ports.

For European companies, the Kingdom's geographic position and infrastructure ambitions make it a potentially attractive node in reconfigured supply chains. The ongoing regional instability reinforces the need for robust business continuity planning, diversified routing strategies and greater supply chain agility.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

National Economic Strategies in Times of Global Disruption

Against a backdrop of regional conflict, Saudi Arabia has demonstrated a notable degree of economic and institutional resilience. Whilst the broader Middle East has been significantly destabilised by the conflict that erupted in February 2026, the Kingdom has remained comparatively stable, continuing to function as a secure operating environment for foreign companies, a transit hub for rerouted flights across its airspace, and a staging point for evacuation and repatriation operations by embassies from more directly affected countries in the region.

This resilience reflects a deliberate strategic posture built on several mutually reinforcing pillars. Saudi Arabia's multi-aligned diplomatic positioning, maintaining active partnerships with the United States, China, the European Union, Russia and regional actors simultaneously, has provided it with a degree of insulation from the binary pressures that have exposed more dependent actors. The Kingdom's fiscal buffers, anchored in sovereign wealth through the Public Investment Fund, give it the capacity to sustain public investment and absorb external shocks without abrupt policy reversals. It is also worth noting that the current conflict environment, by contributing to upward pressure on global oil prices, has in practical terms strengthened Saudi Arabia's fiscal position, providing additional revenue headroom to maintain the pace of Vision 2030 investment at a moment when other regional economies are under strain. Vision 2030 has also introduced a degree of structural diversification that, whilst still incomplete, reduces the Kingdom's vulnerability to any single external disruption.

The business opportunities that drove European engagement in Saudi Arabia before the conflict have not fundamentally changed.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU-KSA BILATERAL TRADE

The current period of global trade uncertainty has not fundamentally altered the trajectory of EU-Saudi bilateral relations, and the structural foundations of the relationship remain intact. Saudi Arabia's Vision 2030 objectives, diversification, industrial upgrading, energy transition, and digital transformation continue to drive investment priorities largely as before, and the ambition behind the programme has not been revised in response to regional turbulence.

In the context of the conflict that erupted in February 2026, Saudi Arabia has positioned itself as one stable actor in the region. The Kingdom has not been a party to the conflict and has not taken retaliatory steps that would escalate tensions further. Where the conflict has had a tangible impact, it has been more disruptive to the margins than to the core of the bilateral relationship. Some business premises have been evacuated, with a number of companies shifting temporarily to remote working arrangements. A number of major business events and trade fairs scheduled for the first half of 2026 have also been cancelled or postponed.

The experience has varied considerably depending on the nationality and sector of the companies. American firms have been more directly targeted in Iran's retaliatory posture. European companies have generally been less directly exposed, though those operating in critical infrastructure, energy or sensitive sectors have not been entirely insulated from the effects of the conflict environment.

For established European companies with a broader operational presence in the Kingdom, business has continued largely as normal. The larger multinationals, with local teams, RHQ structures and long-term contracts, have demonstrated the kind of organisational resilience that comes with real on-the-ground commitment. The segment most likely to be durably affected by the current environment is smaller European firms that had been considering market entry: for those without an existing footprint, the uncertainty may provide cause for a more cautious or delayed approach, even if the underlying opportunity remains unchanged.

Looking ahead, the combination of a stable Saudi operating environment, continued Vision 2030 momentum, elevated oil revenues providing fiscal headroom, and a bilateral relationship with the EU that is deepening across all trade dimensions, suggests that the medium-term outlook for EU-KSA commercial relations remains positive.

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SRI LANKA

INTRODUCTION

Since the economic crisis of 2022, Sri Lanka's business sentiment has considerably improved, bolstered by the recovery of tourism and exports, lower inflation, improved foreign reserves, and International Monetary Fund (IMF) backed reforms. European Businesses increasingly perceive the Sri Lankan market as stable, albeit still fragile. Sectors including renewable energy, logistics, apparel, IT, and tourism continue to offer substantial opportunities. However, there are ongoing apprehensions regarding the pace of structural reforms, policy consistency, taxation, and political uncertainties.

In 2025, GDP growth has rebounded to approximately 5%, inflation has returned to a low single digit, and foreign reserves have increased to approximately USD 7 billion. As noted by the International Monetary Fund (IMF) deputy managing director, Mr. Kenji Okamura, 'the economic recovery has been remarkable', although continued reforms remain necessary.

FUTURE (ECONOMIC) OUTLOOK

Sri Lanka's Public Investment Programme (PIP) for 2026-2030 presents a strategic framework designed to secure stable, inclusive, and sustainable economic development after recent macroeconomic adjustments. Grounded in fiscal responsibility, external restructuring, and reliable monetary policy, the initiative seeks to enhance investment, diversify exports, and encourage growth driven by innovation. It focuses on essential reforms to increase productivity, fortify financial markets, upgrade infrastructure, and support the growth of the private sector.

The PIP aims for national renewal grounded in four key areas: economic, social, environmental, and governance transformation. The economy is anticipated to grow from USD 99 billion in 2024 to USD 120 billion by 2030, achieving an average annual growth rate of 3.1%. Tax revenues are projected to increase from 12.4% to 14.2% of GDP. To address the trade deficit, strategies will focus on boosting exports and substituting imports, especially in the sectors of agriculture, fisheries, and digital services.

In response to the labour market hurdles, the plan seeks to generate 150,000 jobs each year through skill development initiatives while also addressing low female workforce participation and an aging demographic. Environmental objectives involve enhancing forest coverage, increasing renewable energy usage to 70%, and reducing emissions by 30%. It is also essential to bolster governance and diminish corruption to ensure the plan's successful execution.

BUSINESS/ INVESTMENT ENVIRONMENT

Growth opportunities for European companies

The Sri Lankan government's current economic agenda focuses on obtaining higher quality foreign direct investments, diversifying exports, expanding the green transition, modernising ports and logistics, and increasing public sector efficiency. Reforms to the Colombo Port City framework and the Strategic Development Project Act are intended to make the environment more appealing for international investors, particularly in finance, logistics, and advanced manufacturing. At the same time, the government is encouraging export diversification beyond clothing and tea into higher-value areas such as IT services, renewable energy, electronics, and food processing.

With Sri Lanka aiming to generate 70% of its electricity from renewable sources by 2030, renewable energy has become a major priority. Opportunities in solar, wind, grid infrastructure, and energy technologies result in possibilities for European companies. Planned investments in Colombo Port, logistics zones, and digitalisation projects targeted at enhancing cargo handling and trade facilitation may potentially be advantageous to European businesses. While implementation is still slow, changes to public administration, taxation, and state-owned businesses are meant to improve policy predictability and decrease inefficiencies. These initiatives are anticipated to benefit European investors most in renewable energy, logistics, tourism, IT/BPM, and export-oriented manufacturing.

POLITICAL AND ECONOMIC CHALLENGES

David Sislen, World Bank Division Director for Maldives, Nepal, and Sri Lanka stated, "While Sri Lanka's recent economic progress is encouraging, the recovery is uneven and incomplete". Despite solid growth, low inflation, and large external inflows, significant obstacles remain. Economic output continues to remain below 2018 levels, food prices are high, and reserve accumulation has slowed. Poverty, albeit reducing, is twice as prevalent in comparison to 2019, with an additional 10% of the population living barely above the poverty line. The labour market recovery has been gradual, and many households are yet to regain livelihoods lost during the crisis. Malnutrition continues to be a major concern for vulnerable communities.

Fiscal constraints further restrict progress, with public sector wages, welfare programs, and interest payments accounting for more than 80% of total government spending. This limits investment in essential sectors, including infrastructure, education, and healthcare. Given the limited ability to change overall spending, enhancing the efficiency and effectiveness of existing public expenditure, particularly wages and capital projects, is critical for long-term recovery and growth.

ECONOMIC RELATIONS BETWEEN EU AND SRI LANKA

On May 19, 2017, the EU awarded Sri Lanka expanded trade access through the Generalised Scheme of Preferences Plus (GSP+), which boosted economic growth, job creation, and export diversification. This preferential arrangement eliminates charges on 66% of tariff lines, allowing 59% of authorised Sri Lankan exports to enter the EU at lower tariffs in 2024, with apparel accounting for the majority of exports.

In exchange, Sri Lanka must adhere to 27 international conventions on human rights, labour standards, environmental preservation, and good governance, with regular monitoring. In 2024, EU was Sri Lanka's third-largest trading partner, accounting for 13.4% of its total trade, while Sri Lanka represented a small share of EU trade. Total goods trade reached €3.7 billion, alongside €1.3 billion in services trade in 2023, both reflecting EU trade deficits. Trade relations are governed by the 1995 Co-operation and Partnership Agreement and regular Joint Commission meetings, most recently held in February 2026, ensuring continued cooperation and implementation of trade commitments.

The EU and its member states continued to be major grant donors to Sri Lanka, aligning their support with the Indo-Pacific Strategy and the Sustainable Development Goals (SDGs). The EU's 2021-2027 Multiannual Indicative Programme promotes "Green Recovery" and "Inclusive and Peaceful Society", while allocating €10 million to develop public and private sector capacities for sustainable trade.

Additional measures are centred on standardisation, geographical indications, and enhancing the business and investment climate. The EU is also looking at collaboration through its Global Gateway Strategy, which includes targeted assistance for government initiatives. To supplement these efforts, the IMF granted a USD 3 billion Extended Fund Facility (EFF) in March 2023 to support Sri Lanka's economic reforms over a four-year period, thereby helping to stabilise the economy and attract additional international financing.

OPPORTUNITIES AND CHALLENGES

US Tariffs – Country Impact

Dr. Asanka Wijesinghe of the Institute of Policy Studies of Sri Lanka (IPS) highlighted the significant impact of rising US tariffs on Sri Lanka's export sector, particularly apparel, which accounts for 37-40% of exports to the US. The effective tariff rate has increased from 10.21% to 29.95%, posing risks to export performance and economic growth. Estimates suggest apparel exports to the US could decline by around 10-12%, depending on tariff scenarios in competing countries like India. The labour market is also affected, with a projected loss of 13,700 - 15,000 jobs, disproportionately impacting women who make up 71% of the workforce.

Although trade diversion may slightly offset losses, the broader concern is the weakening of Sri Lanka's export-led growth model. Regional experts stressed the importance of export diversification, stronger regional cooperation, and proactive trade negotiations to mitigate these challenges.

Geopolitical Tensions – Country Exposure

Sri Lanka remains vulnerable to external Shocks because of its dependence on global trade and imported energy. The continuing Red Sea disruption and conflict in the Middle East have forced vessels travelling between Asia and Europe to avoid the Suez route and sail around the Cape of Good Hope instead. This has increased transit times by up to three weeks and significantly raised freight, insurance, and fuel costs.

Sri Lankan exporters, particularly in apparel and manufacturing, are already facing higher logistics costs. According to the Joint Apparel Association Forum, shipping costs to the UK have nearly doubled, while import freight costs from China have increased by as much as 75%. These pressures reduce competitiveness and place further strain on export margins.

Sri Lanka is also heavily dependent on imported fuel and industrial inputs. Rising oil prices and supply risks linked to Middle East tension have increased domestic transport and electricity costs, adding to inflationary pressure. Recent electricity tariff increases reflect the impact of higher fuel and energy costs on the wider economy.

At the same time, continued China-US tensions and trade restrictions are creating further uncertainty in global supply chains. While this may create opportunities for Sri Lanka to attract companies seeking alternatives to China, it also increases volatility in trade and logistics networks.

ESG Trends

European buyers are increasing their attention on ESG compliance, making sustainability reporting, carbon reduction, ethical sourcing, and supply chain traceability more vital for Sri Lankan exporters. New EU standards, such as the Corporate Sustainability Reporting Directive and the EU Deforestation Regulation (EUDR), encourage businesses to implement more comprehensive reporting systems and improve traceability through their supply chains.

Major Sri Lankan exporters, particularly in the apparel industry, are responding quickly. Leading manufacturers have increased their use of renewable energy in factories, introduced circular economy approaches, and accepted globally recognised sustainability standards. Several large corporations now operate LEED-certified facilities, use renewable energy for a considerable portion of their production, and have implemented recycling and waste reduction programs.

However, small and medium-sized exporters continue to struggle to achieve these expectations due to inadequate financial and technical resources. As a result, SMEs are adopting more slowly and increasingly rely on external support, technical assistance, and access to common reporting frameworks to stay competitive in European markets.

ECONOMIC RESILIENCE IN A VOLATILE GLOBAL LANDSCAPE

Despite a strong economic recovery since 2023, Sri Lanka's resilience is nevertheless limited by structural weaknesses and ongoing sensitivity to external shocks. The economy continues to rely significantly on imported fuel and intermediate products, while apparel, tea, and rubber remain the leading exports. Sri Lanka is also strongly reliant on a small number of external markets, primarily the United States, the EU, and India, which makes it sensitive to changes in global demand, trade policy, and fiscal space, further weakening the country's ability to withstand future shocks.

In response, the government has prioritised restoring macroeconomic stability while reducing exposure to external risks. Under the supported programme, Sri Lanka has implemented tight monetary policy, tax reforms, and fiscal consolidation measures, helping to reduce inflation to low single digits and rebuild foreign reserves. The Central Bank has also gradually lowered interest rates as inflationary pressures eased, while maintaining a cautious policy stance.

At the same time, the government is pursuing customs digitalisation, port modernisation, and renewable energy investment to improve trade efficiency, reduce dependence on imported fuel, and strengthen long-term economic resilience.

GLOBAL TRADE UNCERTAINTY: EFFECTS ON EU–BILATERAL TRADE

Global trade fragmentation is making it more expensive and less predictable for European firms operating in Sri Lanka. European companies that rely on inputs from China, the Middle East, and other Asian markets are facing higher transport costs, longer delivery times, and greater uncertainty as a result of tariffs, sanctions, and supply chain disruption. At the same time, firms are increasingly required to comply with multiple sets of trade sustainability and traceability standards across different markets, increasing operating costs and administrative complexity.

Recent US tariffs on Chinese goods have increased the cost of imported inputs and created uncertainty for European companies sourcing through China. However, these measures may also indirectly benefit Sri Lanka if global firms shift sourcing to alternative locations. Similarly, Red Sea and Middle East disruptions have raised freight and insurance costs for European companies importing from Sri Lanka, particularly in apparel and manufacturing. Restrictions on energy, fertiliser, and raw material exports in other markets have further increased costs for both Sri Lankan and European producers.

Over the next 12 to 24 months, EU-Sri Lanka trade is expected to remain resilient and grow moderately, supported by GSP+ and increasing supply chain diversification. However, growth will depend increasingly on Sri Lanka's ability to maintain GSP+, improve competitiveness, and comply with emerging EU sustainability requirements. European companies are responding by diversifying supplier networks, strengthening risk planning, and adopting more cautious, phased investment strategies.

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EXECUTIVE SUMMARY

This Global Regional Outlook provides a concise overview of critical dynamics shaping the world in 2026 It synthesises complex data on economic performance, investment opportunities, and geopolitical risks across key regions to offer actionable strategic intelligence. Designed for decision-makers, this report highlights the overarching trends and localised nuancesessential for navigating the evolving global landscape.

6

Regions Covered

Africa, Americas & Caribbean, ASEAN, East Asia & Pacific, Europe & Eastern Partnership, South Asia & Middle East

8

Topic Areas Analysed

Economic Outlook, Investment Environment, Political Challenges, Regulatory Landscape, EU Relations, ESG Trends, Supply Chain Resilience, Strategic Insights

27

Sub Topics Analyses

Covering Economic Outlook, Investments, regulatory, ESG, Supply Chain, and EU Engagement themes

3

Cross Regional Themes

ESG trends, supply chain resilience and digital transformation identified as universal priorities across all regions.

Strategic Growth Pillars

Green transition, digital transformation, and infrastructure development are driving long-term investment and competitiveness.

Supply Chain Evolution

Accelerated diversification, nearshoring, and "China+1" strategies are reshaping global trade routes and manufacturing.

Navigating Regulatory Shifts

Increasing pressures from CBAM, CSDDD, and broader ESG compliance demand proactive adaptation and strategic alignment.

Mitigating Geopolitical Risks

Persistent macroeconomic instability and geopolitical tensions remain critical risks requiring agile risk management frameworks.

Strengthening EU Engagement

EU Global Gateway initiatives and deeper economic security dialogues are forging new partnerships and trade alignment.

Global Cross-Regional Outlook

Three interconnected forces are shaping the global business landscape across all regions — from economic momentum to investment priorities and political headwinds.

FUTURE (ECONOMIC) OUTLOOK

Economic Resilience

- Infrastructure investment — driving long-term growth and connectivity across all regions
- Energy security — reducing dependency risks and stabilising economic foundations
- Industrial diversification — broadening economic bases beyond single-sector reliance
- Supply chain stability — ensuring operational continuity amid global disruptions

Digital & Innovation Expansion

- Digital economy growth — expanding rapidly across all regions
- AI & advanced manufacturing — reshaping industrial competitiveness worldwide
- Smart infrastructure — enabling next-generation connectivity and services
- Innovation ecosystems — driving new business models and productivity gains

Sustainability-Led Growth

- Green transition — shifting economies toward low- carbon models globally
- Renewable energy — accelerating investment in clean energy infrastructure
- ESG adaptation — embedding sustainability into corporate and policy frameworks
- Low-carbon industrial policies — becoming major long-term growth drivers globally

Reconstruction & Recovery

- Reconstruction financing — mobilising capital for post-conflict and post-crisis rebuilding
- Resilience frameworks — embedding recovery into long-term investment strategies
- Economic stabilisation — emerging as a major policy priority in several regions

BUSINESS / INVESTMENT ENVIRONMENT

Energy & Infrastructure Investment

- Energy transition — accelerating shift to renewables and clean grids
- Transport corridors — connecting markets and enabling trade flows
- Grid modernisation — upgrading infrastructure for future energy demands
- Connectivity projects — central investment priorities globally

Technology & Industrial Development

- Advanced manufacturing — increasingly strategic across all regions
- Semiconductors — critical to supply chain security and tech sovereignty
- Industrial upgrading — modernising production capacity and efficiency
- Automation —driving productivity and competitiveness gains

Smart Infrastructure & Digital Economy

- Digital infrastructure — foundational for economic growth and inclusion
- E-commerce ecosystems — expanding rapidly in emerging and developed markets
- Smart cities — integrating technology into urban planning and services
- Digital services

Connectivity & Logistics

- Supply chain diversification — reducing single- source dependencies
- Logistics resilience — ensuring continuity amid global disruptions
- Trade corridors — facilitating regional and cross-border commerce
- Regional integration — driving new investment and economic flows

POLITICAL & ECONOMIC CHALLENGES

Macroeconomic Instability

- Inflation —persistent cost pressures affecting business planning
- Debt pressures — constraining fiscal space in multiple markets
- FX shortages — limiting capital flows and investment returns
- Currency volatility — affecting predictability across multiple markets

Political & Security Risks

- Geopolitical tensions — reshaping trade routes and investment decisions
- Political transitions — creating regulatory uncertainty in key markets
- Security instability — increasing operational risk for businesses
- Regional conflicts — increasingly affecting global investment decisions

OTHER REGULATORY & LEGAL CHALLENGES

ESG & Sustainability Compliance

- CBAM & CSDDD — reshaping cross-border trade and supply chain obligations
- ESG obligations — requiring new reporting and governance frameworks
- Sustainability reporting — becoming mandatory across major jurisdictions
- Climate-related regulations — accelerating compliance timelines globally

DataGovernance& StrategicControls

- Data localisation — requiring in-country data storage in key markets
- Cybersecurity — rising as a strategic and regulatory priority
- Strategic trade controls — restricting technology transfers across borders
- Technology restrictions — increasingly important across regions

Trade & Customs Complexity

- Customs barriers — increasing friction in cross-border operations
- Trade fragmentation — diverging standards across key markets
- Divergent standards — complicating compliance for multinational businesses
- Compliance obligations — continuing to affect international operations

Regulatory Harmonisation

- International standards alignment — growing pressure to converge globally
- EU standards — increasingly influential as a global regulatory benchmark
- Policy convergence — accelerating across trade and investment frameworks

POSITIONING WITHIN EU EXTERNAL POLICY & STRATEGY PRIORITIES

Global GatewayEngagement

- Infrastructure cooperation — unlocking new connectivity corridors globally
- Connectivity frameworks — linking EU investment to partner country needs
- Energy partnerships — central to Global Gateway project pipelines
- Investment cooperation — emerging as a strategic EU foreign policy tool

Sustainability & Green Policy Alignment

- EU sustainability frameworks — increasingly influencing partner markets
- Green industrial policies — shaping investment conditions globally
- Climate alignment — becoming a prerequisite for EU trade and finance
- Green transition support — embedded in EU external engagement strategies

Trade & Regulatory Alignment

- FTAs — deepening bilateral trade and investment relationships
- Customs harmonisation — reducing barriers for EU partner countries
- Regulatory convergence — expanding EU external policy influence
- Policy coordination — continuing to strengthen EU global engagement

Economic Security Dialogue

- External trade shaping — EU security priorities influencing trade policy
- Investment screening — expanding to protect strategic sectors
- Technology cooperation — increasingly tied to economic security frameworks

AFRICA

FUTURE (ECONOMIC) OUTLOOK

Economic Resilience is the defining theme across the continent, driven by three core pillars:

- Infrastructure-led growth
- Industrialisation momentum
- Investment caution in fragile markets

BUSINESS / INVESTMENT ENVIRONMENT

Key sectors attracting European capital and operational focus:

Mining

Strategic raw materials extraction

Logistics

Regional connectivity infrastructure

Logistics

Resilience-focused operations

KEY CHALLENGES

- FX shortages constraining capital flows
- Political instability in key markets
- Persistent inflation pressures
- Security risks in fragile economies
- Customs barriers limiting trade
- Regulatory unpredictability
- Governance weaknesses across borders

Macroeconomic & Security Risks

- FX shortages constraining capital flows
- Political instability in key markets
- Persistent inflation pressures
- Security risks in fragile economies

Regional Integration & Governance

- Customs barriers limiting trade
- Regulatory unpredictability
- Governance weaknesses across borders

EU Relations & Presence

- Global Gateway development cooperation
- Mining & infrastructure partnerships
- Strong EU company footprint
- Market exits in fragile economies

ESG: Renewable Energy

- Renewable energy investment and industrialisation are reshaping the ESG landscapeacross African markets.

Supply Chain Resilience

- Logistics resilience and diversification strategies are central to European operational continuity on the continent.

AMERICAS & CARIBBEAN

FUTURE (ECONOMIC) OUTLOOK

Sustainability-Led Growth defines the trajectory, anchored by:

- Nearshoring as a structural shift
- Resource-driven expansion acrosskey economies

BUSINESS / INVESTMENT ENVIRONMENT

Renewable energy projects

Critical raw materials extraction

Advanced manufacturing hubs

KEY CHALLENGES

- Frequent regulatory pivots affecting long- term planning
- FX volatility impacting returns
- Persistent cost pressures across the region Tightening environmental regulations
- Tax reform waves
- Trade policy adjustments post-FTA

EU-LAC Cooperation

- FTA implementation and sustainability cooperation frameworks deepening bilateral ties

EU-Mercosur Relations

- Mining partnerships and green investment flows accelerating under new trade architecture

European Ecosystem

- Mature, long-standing EU investment presence with green hydrogen and sustainability transition focus

ESG: Green Hydrogen

- Green hydrogen and sustainability transition are driving ESG investment across the region.

Supply Chain Resilience

- Nearshoring trends and supply chain diversification are reshaping European operational strategies.

ASEAN

FUTURE (ECONOMIC) OUTLOOK

High-Growth Manufacturing & Digital Expansion is driven by regional integration and manufacturing relocation trends.

- Regional integration driving growth
- China+1 diversification reshaping supply chains
- Manufacturing relocation trends accelerating

KEY CHALLENGES

- Rising compliance pressures Labour shortages in key markets Intensifying regional competition Customs complexity across borders Market fragmentation challenges
- Regulatory divergence across member states

BUSINESS / INVESTMENT ENVIRONMENT

Smart infrastructure and logistics networks

Circular economy initiatives

Manufacturing hub expansion

EU-ASEAN Connectivity

- Sustainability frameworks and digital policy alignment creating new pathways

Technology & Manufacturing

- Expanding EU trade and investment flows in technology and sustainability

European Presence

- Growing European manufacturing presence across the region

ESG: Circular Economy

- Green transition investments accelerating across the region

Supply Chain Resilience

- China+1 diversification and manufacturing relocation driving structural change

EAST ASIA & PACIFIC

FUTURE (ECONOMIC) OUTLOOK

Innovation & Economic Security are the twin engines of growth, with advanced manufacturing and strategic diversification at the forefront.

- Advanced manufacturing at the forefront
- Strategic diversification driving growth
- Technology leadership and next-gen industry

BUSINESS / INVESTMENT ENVIRONMENT

Semiconductors and critical technology investment

Green transition and industrial decarbonisation

Industrial innovation and manufacturing

KEY CHALLENGES

- Geopolitical tensions affecting market access
- Technology restrictions and export controls
- Trade controls and security standards
- Data governance compliance complexity

Economic Security Dialogue

- Deepening EU-East Asia economic security frameworks and regulatory alignment

Green Frameworks

- Industrial decarbonisation and green growth partnerships expanding

EU Integration

- Industrial & technology cooperation with strategic European commercial presence in finance and technology

ESG: Decarbonisation

- Decarbonisation driving industrial transformation across the region

Supply Chain Resilience

- Strategic diversification and resilient supplychains reshaping European engagement

EUROPE & EASTERN PARTNERSHIP

FUTURE (ECONOMIC) OUTLOOK

Reconstruction & Economic Stabilisation are the twin engines of growth, with EU convergence providing the structural backbone for long-term growth and integration.

- Infrastructure rebuilding as immediate priority
- Logistics development and connectivity
- EU convergence providing structural backbone

BUSINESS / INVESTMENT ENVIRONMENT

Reconstruction financing opportunities

Institutional reform and accession-related investment

Energy efficiency and sustainable infrastructure

KEY CHALLENGES

- Persistent inflation and investor caution
- Security instability in parts of the region
- Regulatory harmonisation complexity
- Institutional reform pace varying across countries

EU Accession & Policy Convergence

- Harmonisation with EU standards as central policy driver, supported by reconstruction financing

Reconstruction Financing

- Trade integration frameworks and institutional cooperation deepening across Eastern Partnership

European Presence

- Reconstruction-focused EU engagement with strong institutional and commercial ties

ESG: Energy Efficiency

- Sustainable reconstruction and energy efficiency investments leading the green agenda

Supply Chain & Energy Security

- Regional logistics resilience and energy security as strategic imperatives

SOUTH ASIA & MIDDLE EAST

FUTURE (ECONOMIC) OUTLOOK

Infrastructure & Demographic Growth are the defining forces, with urbanisation creating vast investment opportunities, energy transition driving structural change, and large-scale infrastructure development.

BUSINESS / INVESTMENT ENVIRONMENT

Logistics and connectivity projects

Large-scale energy infrastructure

Digitalisation initiatives

KEY CHALLENGES

- Persistent inflation and investor caution
- Security instability in parts of the region
- Regulatory harmonisation complexity
- Institutional reform pace varying across countries

Global Gateway Partnerships

- Investment facilitation under EU's Global Gateway strategy unlocking new connectivity corridors.

Energy & Infrastructure Cooperation

- Manufacturing and trade relations deepening through bilateral EU engagement frameworks.

European Commercial Presence

- Strong but uneven — market exposure closely linked to pace of domestic reform progress

ESG: Renewable Energy

- Energy transition investments are accelerating, with renewable energy at the core of the ESG agenda across South Asia and the Gulf.

Supply Chain: Connectivity Resilience

- Logistics corridors, trade facilitation, and connectivity resilience are strategic priorities for European businesses operating in the region.

EMERGING EU ENGAGEMENT THEMES: A Cross-Regional View

Region	EU Policy Framework	Key Partnership	European Business	Top ESG Priority
Africa	Global Gateway, Development Cooperation	Mining & Infrastructure	Strong footprint; exits in fragile markets	Renewable Energy
Americas & Caribbean	EU-LAC FTA, Sustainability Cooperation	EU-Mercosur, Green Investment	Mature, long-standing presence	Green Hydrogen
ASEAN	EU-ASEAN Connectivity, Digital Policy	Technology & Manufacturing	Expanding manufacturing presence	Circular Economy
East Asia & Pacific	Economic Security Dialogue, Green Frameworks	Industrial & Technology	Strategic finance & technology footprint	Decarbonisation
Europe & Eastern Partnership	EU Accession, Policy Convergence	Reconstruction Financing	Reconstruction-focused engagement	Energy Efficiency
South Asia & Middle East	Global Gateway, Connectivity Partnerships	Energy & Infrastructure	Strong but uneven; reform-linked	Renewable Energy

MEMBERSHIP SURVEY INSIGHTS

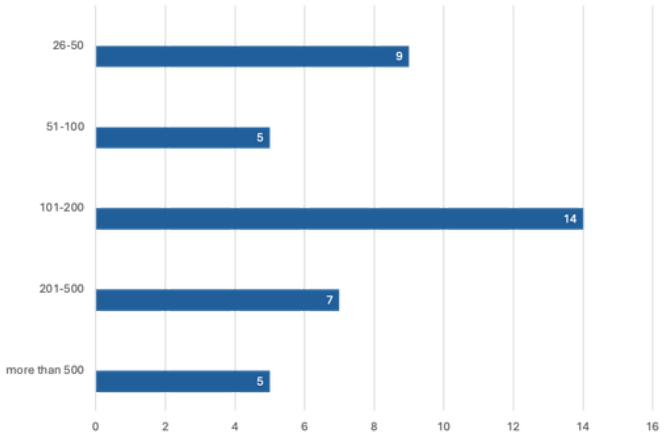
EBOWN GLOBAL BUSINESS SENTIMENT REPORT

THE REACH TO CORPORATE MEMBERS

EBO COMPANY MEMBERSHIP

The size of an EBO's direct corporate membership base is one of the most telling indicators of its influence, sustainability, and representational capacity in its respective market. This data provides a network-wide picture of the collective corporate reach of European business representation globally — informing decisions on membership policy, advocacy positioning, and the level of institutional support that different EBOs may require. It also helps EBOWN demonstrate to EU institutional partners the breadth and depth of the European private sector that the network collectively represents beyond the EU.

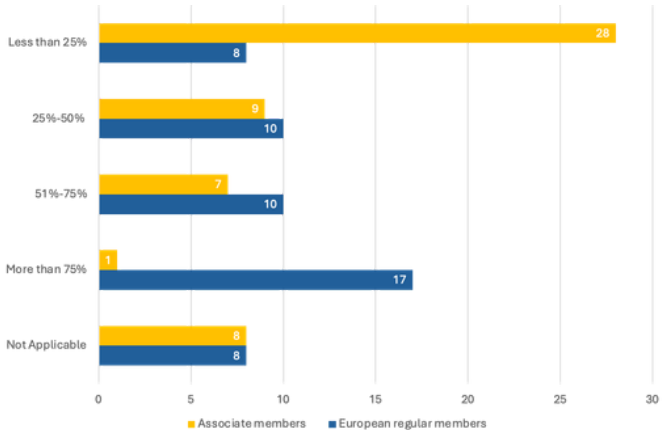
The data confirms that the EBOWN network collectively represents a substantial and diverse corporate base, with the majority of applicable EBOs reporting more than 100 company members and a meaningful group of larger chambers representing in excess of 200 or even 500 companies. The most common profile — 101 to 200 members — reflects the typical mature EBO with a solid and active corporate membership base. At the same time, the significant presence of smaller EBOs — those with fewer than 50 company members — underscores the importance of EBOWN's role in supporting the development and growth of less established chambers, ensuring that the network as a whole continues to deepen its corporate reach and strengthen its collective voice as the representative of European business beyond the EU.



EUROPEAN REGULAR AND ASSOCIATE MEMBERSHIP COMPOSITION

The proportion of European regular members versus associate members within an EBO's total membership is a fundamental measure of the European character and identity of the organisation — directly relevant to EBOWN's membership criteria, constitutional obligations, and the credibility of the network as a representative body for European business interests. This data helps assess the degree to which member EBOs are genuinely anchored in European corporate representation, informs eligibility and compliance considerations, and provides insight into how EBOs are strategically managing their membership base in response to local market dynamics and sustainability requirements.

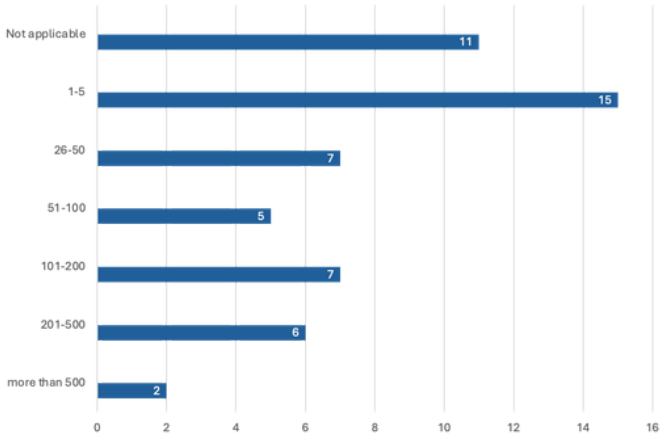
The membership composition data confirms that the EBOWN network is predominantly anchored in European corporate representation, with 60% of applicable EBOs reporting that more than half of their membership comprises European regular members. Associate membership plays a largely supplementary role, with over half of all EBOs reporting associate membership of less than 25%. Together, these findings reinforce the European identity of the network while highlighting the diversity of membership strategies adopted by EBOs in response to their local market contexts — a diversity that EBOWN must continue to manage thoughtfully as it balances the imperatives of European representational credibility and global operational sustainability.



EBOS AS ADVOCACY PLATFORMS

ADVOCACY PLATFORM PARTICIPATION

The number of company members actively participating in an EBO's advocacy platforms — including sector committees, working groups, and policy discussions — is a critical measure of an EBO's advocacy depth and its ability to mobilise its membership around collective policy priorities. For EBOWN, this data provides a network-wide picture of the breadth and intensity of structured member engagement in advocacy activities, informing assessments of institutional maturity, member mobilisation capacity, and the credibility of EBO positions presented to EU institutions and host country policymakers.

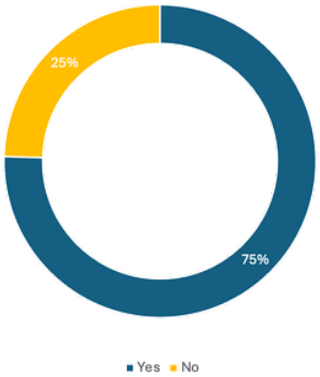


The advocacy platform participation data reveals a network with a wide spectrum of member mobilisation capacity — from EBOs with just a handful of companies engaged in structured advocacy activities to chambers with more than 500 active advocacy participants.

The most common participation band of 1 to 25 members suggests that for many EBOs, advocacy platform engagement remains relatively concentrated, while the meaningful proportion of EBOs with more than 100 active participants confirms that a significant segment of the network has achieved a high level of member mobilisation around structured policy dialogue. The data underscores both the strength of the network's advocacy infrastructure and the significant potential that exists to deepen member engagement across EBOs at all stages of development — an opportunity that EBOWN is well-positioned to support through capacity-building, peer learning, and the sharing of best practices in advocacy platform management and member mobilisation.

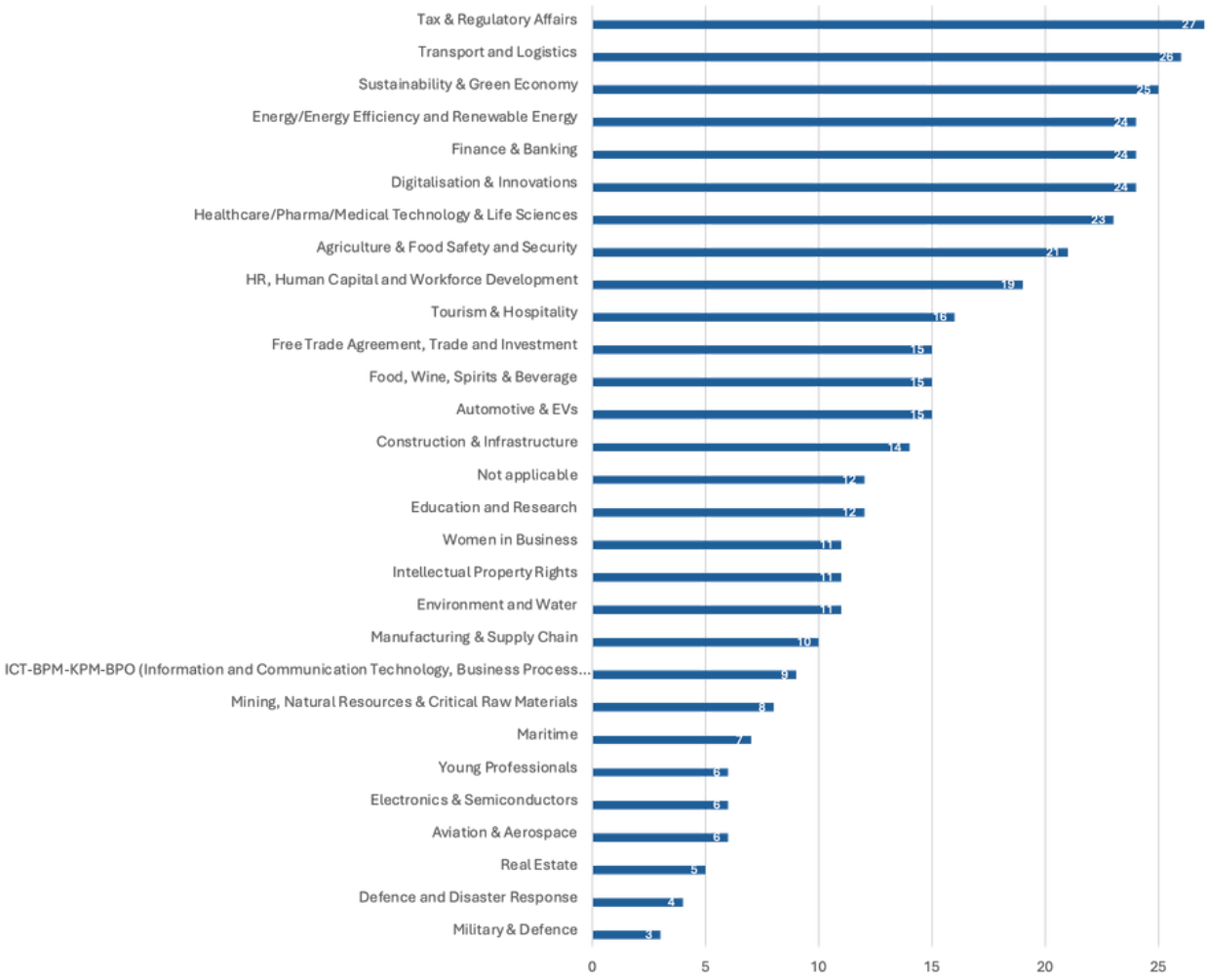
MANAGEMENT AND OPERATION OF SECTOR COMMITTEES

Sector committees are a key indicator of an EBO's advocacy maturity and institutional depth — representing the degree to which a chamber has moved beyond general business representation toward structured, sector-specific policy engagement. For EBOWN, understanding the prevalence and functioning of sector committees across the network helps assess the collective advocacy capacity of its member organisations, identify opportunities for sharing best practices between more and less developed EBOs, and demonstrate to EU institutional partners the sophistication and breadth of the structured policy dialogue that the network facilitates between European business and government authorities in third markets.



The data confirms that sector committees are a well-established and widely adopted feature of the EBO model, with three quarters of the network operating structured committee platforms for advocacy, consultation, and policy dialogue. This reflects a network that has achieved a meaningful level of institutional maturity in its advocacy operations — moving from informal representation toward structured, sector-specific engagement that enhances the credibility, depth, and impact of European business advocacy in third markets. At the same time, the 24.5% of EBOs that do not currently operate sector committees represent a clear opportunity for EBOWN to invest in capacity-building support, peer learning, and practical guidance that helps these organisations develop the advocacy structures they need to better serve their members and contribute more effectively to the network's collective voice.

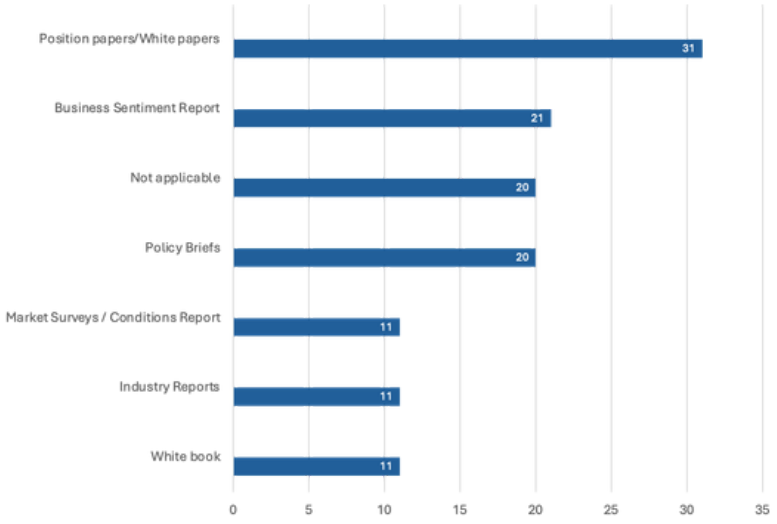
SECTOR COMMITTEE ENGAGEMENT



Mapping the sectoral focus of committee engagement across the network is essential for EBOWN to identify collective advocacy strengths, spot gaps in structured policy dialogue, and develop coordinated cross-regional advocacy positions on issues of shared relevance to European business. This data enables EBOWN to align its institutional engagement priorities with the areas where the network has the deepest member engagement, ensuring that advocacy before EU institutions is grounded in the real sectoral priorities of European companies operating across global markets. The sector committee data reveals an increasingly comprehensive landscape where EBOs engage actively in a broad array of sectors, underscoring the vital role these platforms play in driving actionable solutions and influencing policy for the benefit of global business communities. The dominance of Tax & Regulatory Affairs, Transport & Logistics, Sustainability, Digitalisation, Energy, Finance, and Healthcare mirrors the core strategic pillars of the EU's own economic agenda.

Furthermore, this alignment with EU policies ensures that EBOs' advocacy efforts are not only relevant but also well-supported within the larger framework of European economic and regulatory initiatives. While these established committees reflect current priorities, gaps in areas such as Critical Raw Materials and emerging technology sectors point to opportunities for EBOWN to support the development of new structures that address the evolving goals of the EU's industrial strategy. Ultimately, this mapping provides a powerful tool for identifying cross-regional collaboration opportunities and aligning EBOWN's institutional agenda with the structured sectoral priorities of its member EBOs worldwide.

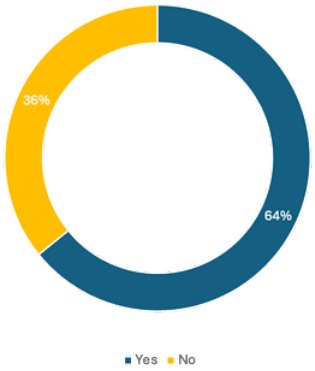
TYPES OF ADVOCACY PUBLICATIONS



Position Papers and White Papers are by far the most widely published advocacy document type, produced by 31 out of 33 publishing EBOs — representing an extraordinary 93.9% of those with active publication programmes. This near-universal adoption confirms that position papers are the foundational advocacy publication format across the network — the primary written instrument through which EBOs articulate their members' views on specific policy issues and present structured recommendations to government and institutional stakeholders.

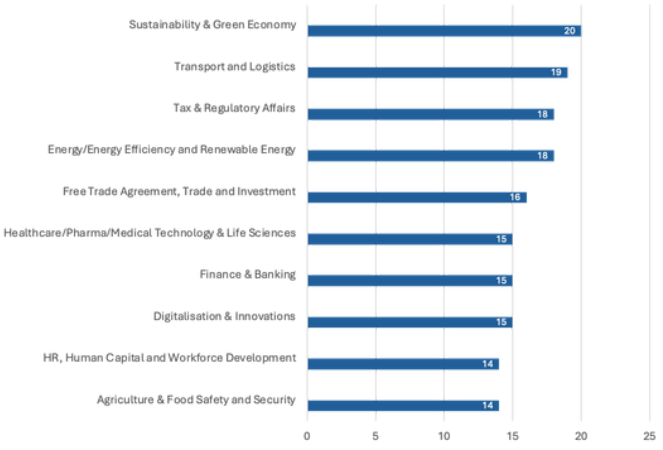
EBO FLAGSHIP EVENT

A clear majority of EBOs — 34 out of 53, representing 64.2% — host at least one flagship event. This confirms that event convening is a well-established feature of the EBO model across most of the network, with more than six in ten EBOs having developed a signature event that serves as a high-profile platform for member engagement, stakeholder dialogue, and public visibility. The 35.8% of EBOs without a flagship event represent an opportunity for EBOWN to provide support, frameworks, and best-practice guidance that helps these organisations develop their own signature event capabilities.



ADVOCACY SECTOR FOCUS OF FLAGSHIP EVENTS (TOP 10)

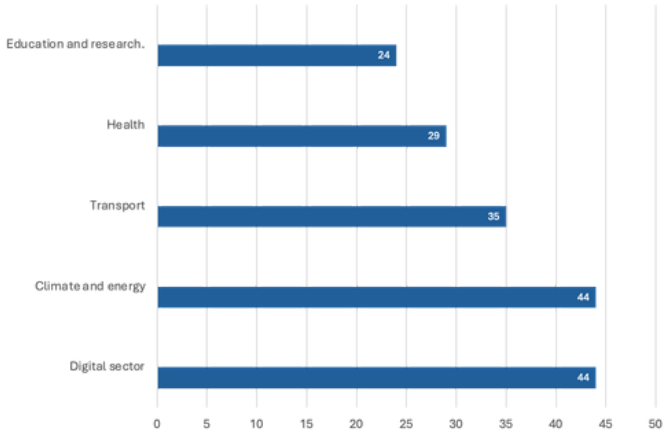
Sustainability and the Green Economy lead as the primary focus for EBO flagship events, cited by 37.7% of EBOs, which underscores the sector's centrality to the European business agenda and the increasing demand for dialogue on EU sustainability regulations and the green transition. This is followed closely by Transport and Logistics (35.8%), highlighting the critical role of global connectivity and infrastructure investment, while Energy and Tax & Regulatory Affairs (34.0%) jointly rank third as high-priority advocacy topics. Collectively, these results demonstrate a comprehensive network that actively aligns its flagship programming with the most transformative challenges of the global energy transition and fiscal complexity. By engaging across this broad array of sectors, EBOs ensure their advocacy remains relevant to EU policy frameworks while driving actionable solutions that benefit the global business community and the wider European economic initiatives.



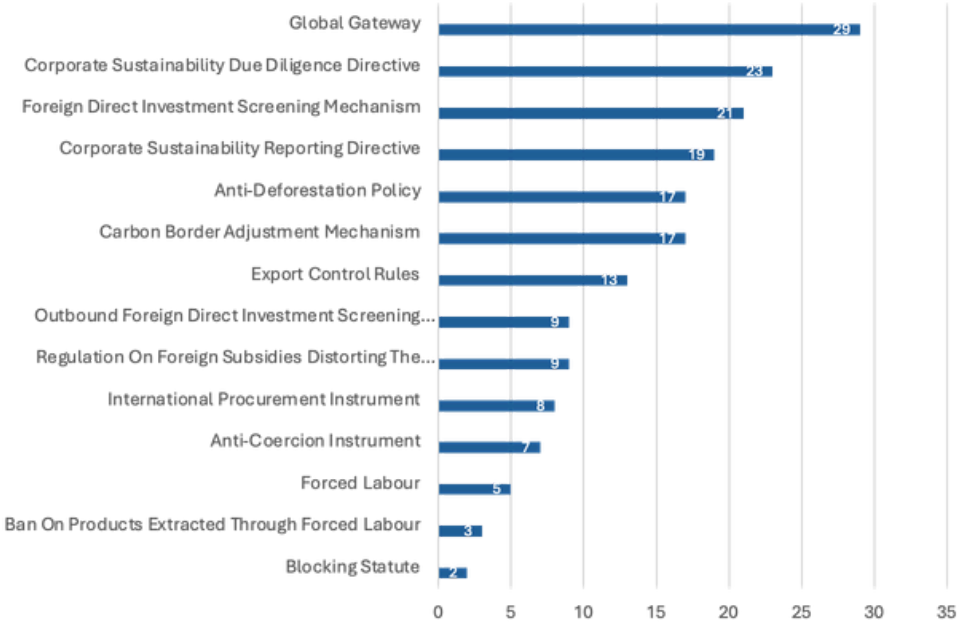
ENGAGEMENT WITH EU STAKEHOLDERS AND PROJECTS

ADVOCACY AREAS OF INTEREST IN GLOBAL GATEWAY SECTORS

Digital and Climate & Energy are the top Global Gateway priorities, each cited by 83% of EBOs, reflecting the network's deep alignment with the EU's strategic focus on the twin digital and green transitions. Transport follows as a high priority for 66% of EBOs, mirroring the critical role of physical connectivity and infrastructure investment in supporting European business operations worldwide. Finally, significant interest in Health (54.7%) and Education and Research (45.3%) underscores the importance of the Global Gateway's social dimensions, particularly in markets where EU-led human development initiatives create direct opportunities for European companies. Collectively, these priorities ensure that EBO advocacy remains relevant to the broader framework of European economic and regulatory initiatives.



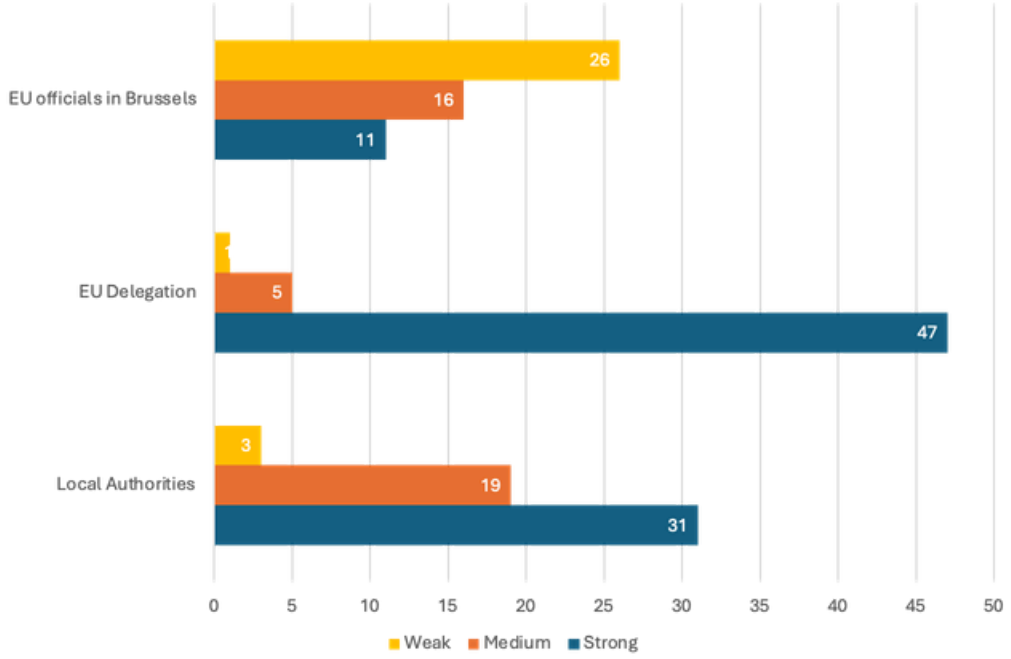
EU POLICIES OF INTEREST



Identifying which EU policy measures are most relevant to EBO member organisations is essential to prioritise and coordinate its advocacy agenda at the Brussels level. This data enables to cluster its institutional engagement around the policy areas of greatest collective importance to the network, develop joint advocacy positions that reflect the shared priorities of European companies operating in third markets, and ensure that its engagement with EU institutions — including DG Trade, DG Grow, DG CLIMA, and the European Parliament — is strategically focused and representative of the network's most pressing policy concerns.

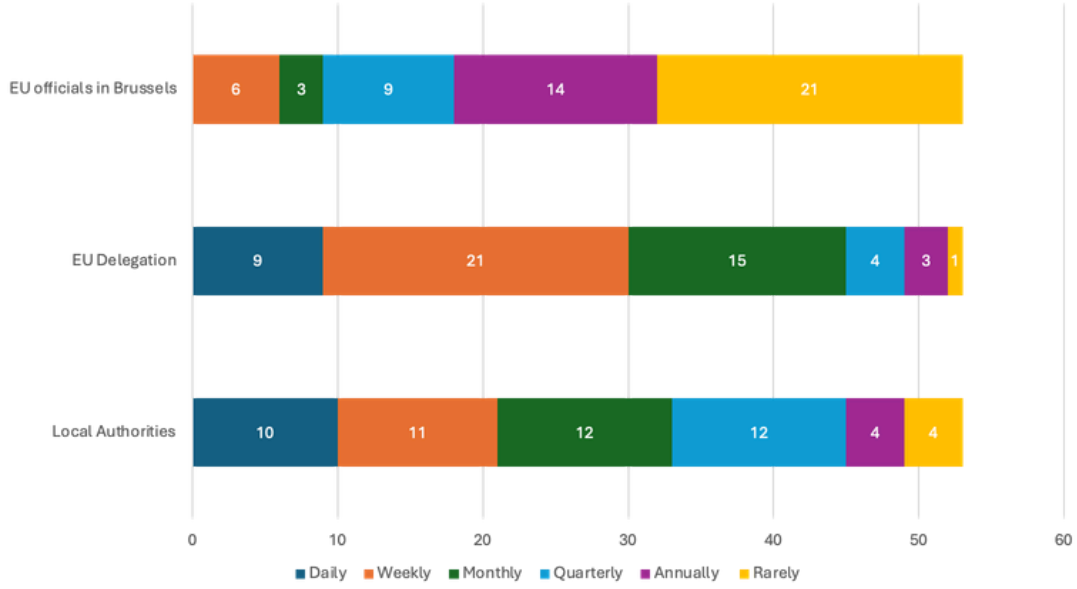
The data confirms that EU policy measures related to sustainability, investment screening, and connectivity are the most broadly relevant to EBOWN's membership, with Global Gateway, CSDDD, FDI Screening, CSRD, CBAM, and Anti-Deforestation Policy emerging as the top priorities across the network. These findings provide EBOWN with a clear and evidence-based roadmap for its Brussels engagement — identifying the policy areas where coordinated network-level advocacy, joint position development, and sustained institutional dialogue with EU bodies can deliver the greatest value for European businesses operating in third markets. The emergence of three distinct strategic clusters — Sustainability and Due Diligence, Economic Security and Investment, and Connectivity and Development — provides a practical framework for organising EBOWN's advocacy coordination efforts in the period ahead.

CHAMBER ENGAGEMENTS WITH EXTERNAL STAKEHOLDERS



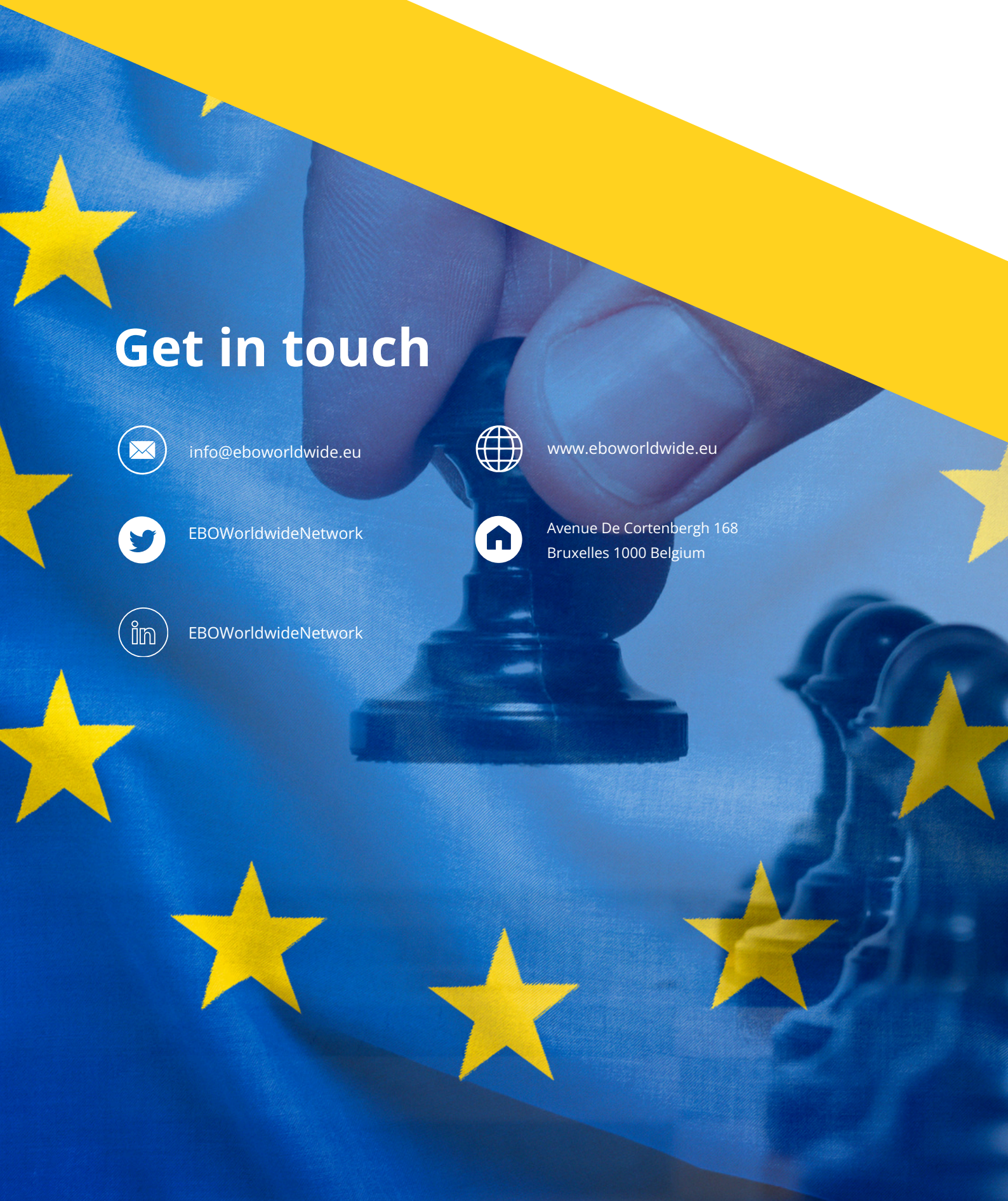
Engagement with EU Delegations is the strongest institutional link across the network, with a remarkable 88.7% of EBOs reporting a "Strong" relationship, confirming these delegations as the primary channel for EU institutional connection and the cornerstone of EBO advocacy in third markets. Meanwhile, 58.5% of EBOs report strong engagement with local authorities, a vital factor in facilitating regulatory dialogue and influencing policy within host countries. While these productive local relationships enable effective advocacy for European businesses, the remaining 41.5% who rated their local engagement as "Medium" or "Weak" suggests significant opportunity for EBOWN to further strengthen ties with host country governments to better support EU external policy objectives.

FREQUENCY OF CHAMBER ENGAGEMENTS WITH EXTERNAL STAKEHOLDERS



EU Delegation engagement is the most frequent across the network, with 84.9% of EBOs interacting with them at least monthly, reinforcing these relationships as sustained and deeply embedded in day-to-day operations. In contrast, local authority engagement is more distributed, with 62.3% of EBOs engaging on a daily, weekly, or monthly basis depending on the specific regulatory needs of their market. While these figures highlight active institutional partnerships, the 15% of EBOs with only rare or annual local interaction suggests an opportunity for targeted support to ensure EBO advocacy remains consistent and influential across all global business communities.

EUROPEAN BUSINESS ORGANISATION WORLDWIDE NETWORK



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