New Zealand Business Roundtable in China Business Outlook Report

July 2024

The outlook and experiences of New Zealand businesses operating in China.

New Zealand Business Roundtable in China | 新西兰中国商业圆桌会

MESSAGE FROM THE CHAIR

This survey of 60 companies was completed prior to Chinese Premier Li Qiang's visit to New Zealand in June, a delegation that further underlined the growing strength of the New Zealand-China bilateral relationship. Premier Li's visit was well received in both countries and followed China Foreign Minister Wang Yi's visit to New Zealand in March and New Zealand Minister of Trade and Agriculture Todd McClay's China visit in April.

As the two nations forge a stronger relationship, results in this year's survey can be categorised by three themes: opportunity, confidence, cooperation. The foundation laid by political leaders to enhance the bilateral relationship will embolden businesses to engage in overseas trade and seek opportunities beyond their borders.

Opportunity

With expectations that 2024 will see improved economic growth in New Zealand and China, there is renewed optimism among New Zealand businesses. More than eight out of 10 (83%) of businesses rank China in their top three priorities for global investment plans, up from 79% last year, while nearly nine out of ten (88%) intend to increase or maintain China investments in the next three years. The findings emphasise the wealth of opportunities available despite the recent economic downturn.

A slower than anticipated post-COVID-19 economic recovery, tepid consumer confidence and a fragile property market are also top of mind for businesses. Nonetheless, the survey highlights that New Zealand businesses see opportunities from China's growing urban middle class and the additional demand from distribution into lower-tier cities.

Confidence

Despite geopolitical and macroeconomic headwinds, New Zealand businesses continue to plan for growth in China. Approximately 61% of New Zealand companies anticipate increasing their China headcount within the next three years, reflecting the potential they see in the market. A pandemic and global economic downturn have done little to dampen the appetite to do business in China and strengthen trading relationships.

The China market remains an important and profitable opportunity for New Zealand businesses. China's scale, breadth and New Zealand's market access offer growth prospects which are hard to find elsewhere.

Co-operation

Free trade agreements between New Zealand and China have been a catalyst for closer cooperation and remain key to economic prosperity. The upgraded New Zealand-China Free Trade Agreement (NZ-China FTA) provides for the highest level of tariff liberalisation of any of China's FTAs, with over 98% of New Zealand exports to China by value entering duty-free upon full implementation. The FTA is highly relevant to 74% of New Zealand companies operating in China — further evidence of the benefits of cooperation.

Looking ahead

Businesses have welcomed the continuity shown by the New Zealand Government in its approach to China. A total of 78% of respondents were either satisfied or more than satisfied with how the coalition has managed its relationship with China over the past six months, up from 71% under the former government in last year's survey.

There is always room for improvement and policy changes that can be made to further enhance collaboration. Support to facilitate business travel from China to New Zealand would be welcomed by companies on both sides of the trade relationship. Continued support in the areas of tourism and education remains vital as our economies rebuild from the pandemic and economic slowdown.

NZBRiC would like to thank member companies and companies that completed this year's survey for their valuable insights. We would also like to acknowledge the New Zealand Consulate-General Shanghai for supporting this project and for promoting constructive engagement with China.

Mark Anderton

Chair
NZBRiC

FOREWORD

The 2024 New Zealand Business Roundtable in China Business Outlook Report is the second annual survey completed by the New Zealand Business Roundtable in China (NZBRiC).

China's economy grew by 5.2% in 2023, surpassing the Government's target of 'around five percent' set for the year. The growth was driven by strong performance in the industrial and service sectors, with industrial added value increasing by 4.6% and service added value by 5.8% year on year. Of more relevance to New Zealand companies, retail sales grew by 7.2%, reaching RMB 47.15 trillion (approximately $10.59 trillion NZD).

Off the back of lower birth rates, China's population again declined in 2023 with the country now being surpassed by India as the most populated in the world. The declining birthrates has had a shrinking effect on demand for those seeking to provide goods and service to infants. On the contrary many businesses are now eyeing opportunities that arise from China's aging or 'silver economy'.

China's property market has faced several challenges in recent years, which have been exacerbated by the economic impacts of the pandemic and regulatory changes. Declining property prices and rising unemployment are having an impact on consumer confidence in the market which is top of mind for many business executives. At the same time businesses see opportunities that arise from China's growing urban middle class population, with New Zealand companies seeking to expand their sales and distribution beyond the tier one cities of Shanghai, Beijing, Guangzhou and Shenzhen to unlock additional demand.

Headline two-way trade between New Zealand and China declined by 4.1% from 2022 to 2023 totalling $38.67 billion NZD. New Zealand's exports of meat (-17.2%), forestry (-10%) and dairy (-4%) exhibited a decline in the value of trade. However, export trade in particular categories exhibited strong growth including cheese (26%), caseinates (19%), honey (18%), beverages (25%) and vegetables (10%).

In 2024 the Chinese Government again set a growth target of 'around five percent'. GDP growth in the first quarter of the year was up 5.3%, which has been characterised as a robust start to the year. The strong start can be attributed to export volumes and capital expenditure in the manufacturing sector.

Global geopolitics is a factor that many businesses operating in, exporting to or sourcing from China are keeping an eye on. New Zealand's ability to navigate the geopolitical environment is an important consideration for businesses operating in China with many New Zealand businesses characterising the bilateral as strong. The importance of this relationship is not lost on businesses operating in the market and is reflected in the survey responses.

The annual NZBRiC survey seeks to capture the outlook of New Zealand businesses operating in China, reflecting upon the opportunities, ease of doing business, as well as the challenges seen in the market.

James Robertson

Executive Member
New Zealand Business
Roundtable in China

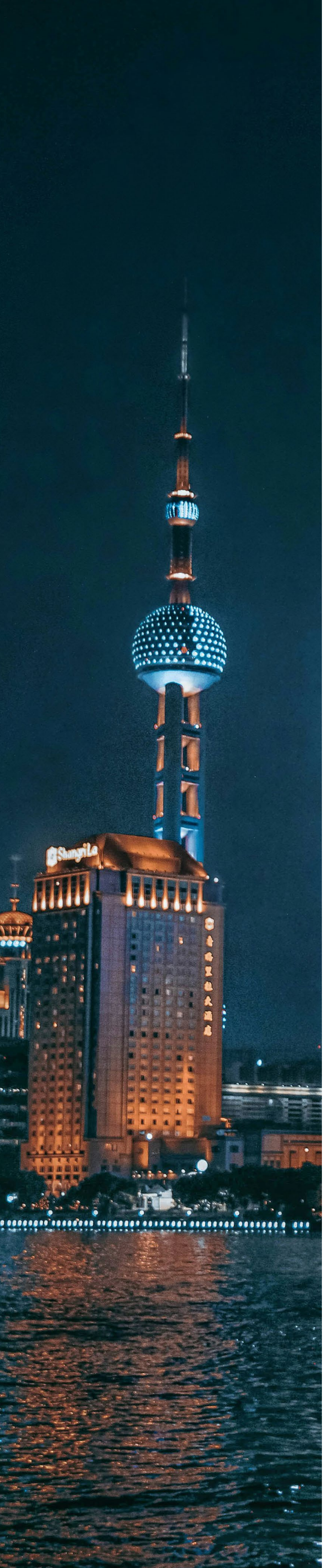


TABLE OF CONTENTS

KEY STATISTICS

71%

71% of businesses expect to see an increase in their China related investment in the coming three years, compared to 66% in the 2023 survey.

56%

of New Zealand businesses are to some extent optimistic about the outlook for profitability growth in the market, this has declined from 67% in the 2023 survey.

67%

of respondent's are focusing on expanding to new cities and regions as the predominant focus for growing in the market, with 38% ranking this as their one priority, overtaking localisation.

60%

of businesses have seen increased interest from their Chinese customers or partners in regard to sustainability. However, the challenge for many businesses is converting this interest or awareness from customers into tangible value or stickiness in relationships.

Zero

The survey saw zero new entrants in the China market within the past year. This is reflective of not only the growing challenges of establishing in the market, but also that many of New Zealand's larger businesses already have or have had a presence in the market.

34%

of New Zealand businesses in China are experiencing a positive effect of higher unemployment rates in China's labour market, resulting in lower staff turn over and increased applicants. Only 13% have felt a negative effect, the balance is unchanged.

The bilateral relationship

84%

of New Zealand businesses feel that the bilateral relationship with China is strong, with no respondents considering the relationship to be weak. This was up from 74% in 2023.

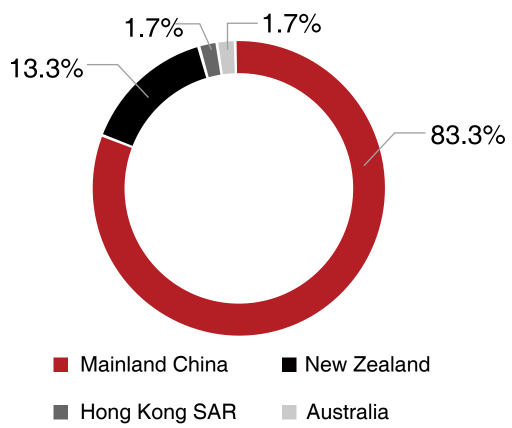
SEA & USA

For New Zealand companies operating in the market, South East Asia (35%) and the United States (33%) are the priority investment markets in addition to China. For many exporters, growth in markets outside of China is not mutually exclusive and is a focus in addition to investing in the Chinese market.

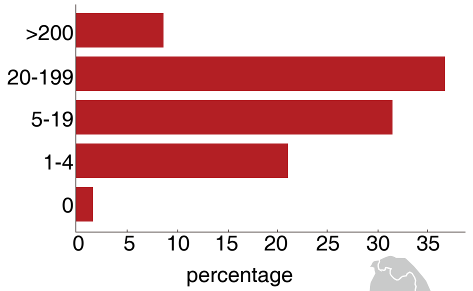
METHODOLOGY AND SURVEY RESPONDENTS

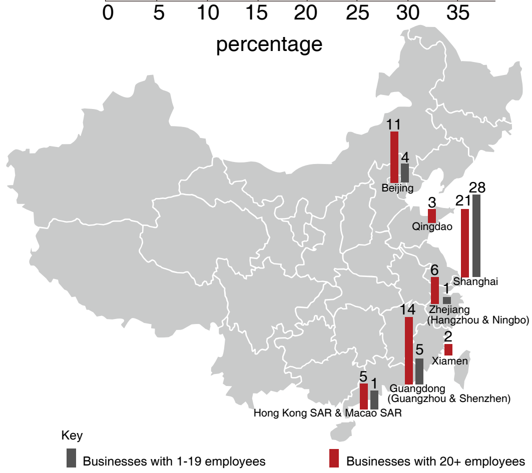
The findings of this report are based on a survey of 60 companies doing business between China and New Zealand that represent a range of industries, company sizes, and operational profiles. The respondents are the senior most business managers accountable for the China market. The field work was carried out in May 2024. More than 80% of respondents were based in China at the time of the study, over 60% work for companies that export to China, 40% work in the food and beverage industry, and half have operated in China for over a decade.

Location of Respondents

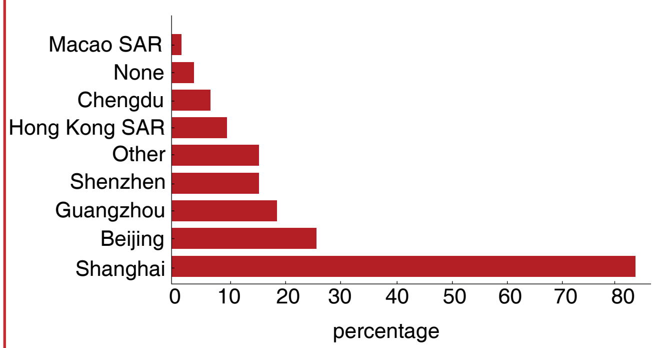


Number of Employees in Mainland China





Sales Office Footprint of Respondent's Organisations



The majority of the New Zealand companies operating in China have an office based in the tier one city of Shanghai (82%), reflective of the city's position as a business and hub for trade within China. Shanghai tends to be the main port of entry for most companies. For those companies based in Shanghai, those with over 20 employees typically had the resources to open a presence in the other cities.

25% of companies have an office or presence on the ground in the capital Beijing.

Those in the other category have offices in Qingdao, Zhejiang, Xiamen and Tianjin.

Length of Operations in China

>1 Year: 0%

6-10 Years: 27%

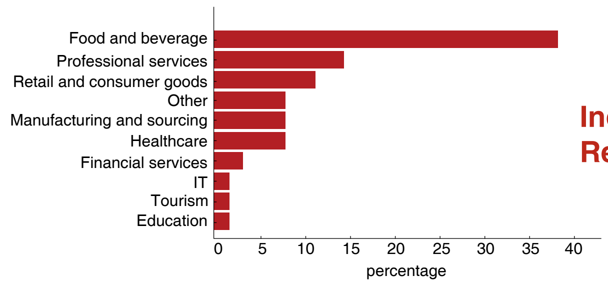
1-5 Years: 23%

>10 Years: 50%

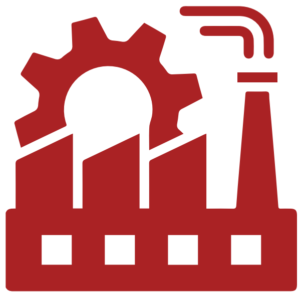
"Recent conversations between NZBRiC members and NZTE corroborate this statistic that there is a considerable decline in the number of New Zealand businesses seeking market entry into China. At the same time, those businesses already established in China continue to grow, hire, and remain optimistic about growth in the next 2-3 years, as was also measured in this survey. The NZBRiC perspective of this pattern, is that those businesses already established in market, are able to flex their business models quickly, with more intimate understanding of how quickly China business can change."

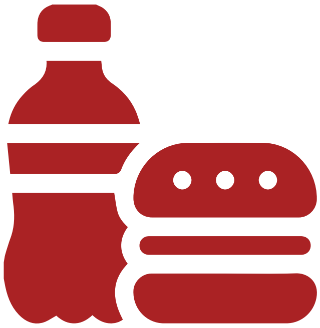
David Boyle, Board Member at NZBRiC, CEO of PCNZ

Exporters of Products from New Zealand to China — **61.7%**

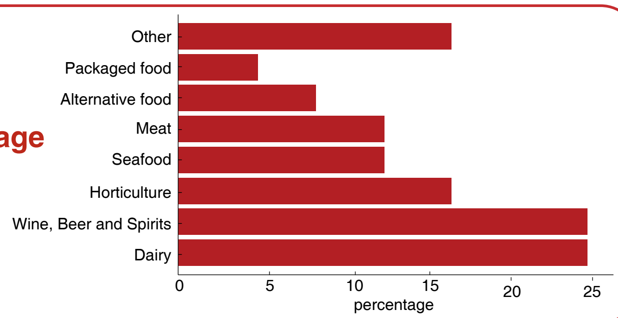


Industries Represented





Food and Beverage Sub-Sectors



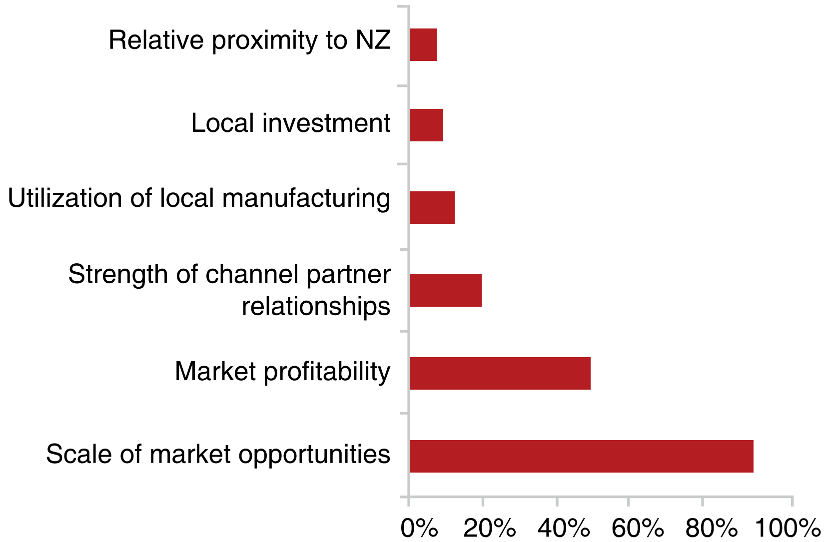
8% — **Māori Businesses**

INCREASING COOPERATION BETWEEN NEW ZEALAND AND CHINA IN BUSINESS

With a population of 1.4 billion people, and the world's largest middle class consumption market, New Zealand businesses have flocked to China for growth. In fact, nine out of 10 respondents cite the scale of market opportunities as a reason for being in the market. With significantly fewer citing profit potential (46%) and strength of channel partner relationships (20%) as a reason for being in the market, this suggests that further potential remains to build better connections with the market and refine business models to unlock profits.

Figure 1

What are your reasons for being in the China market?



In a reflection of the growing cooperation between New Zealand and China, nearly half (49%) of respondents said their organisation relied on China to contribute 40% or more of its global revenue in 2023, up from 44% in the previous year. Additionally, over a quarter (27%) said China contributed 80-100% of global revenue, which is also an increase from 21% in 2022.

When segmenting by company size, smaller enterprises tend to have a higher concentration towards China. The market is large, diverse, and complex, and for many of these businesses it's their predominant focus. The larger organisations surveyed, with greater than 20 employees in mainland China, tend to reflect a more diversified market portfolio, with lower dependency on China.

Figure 2

Proportion of global revenue from China market in 2023

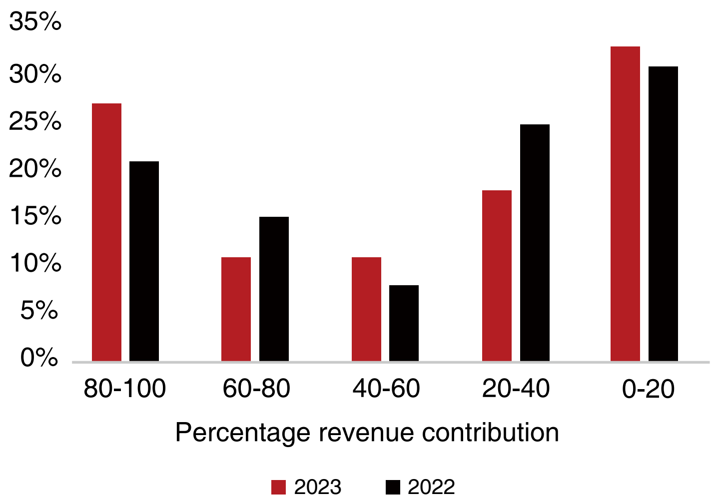
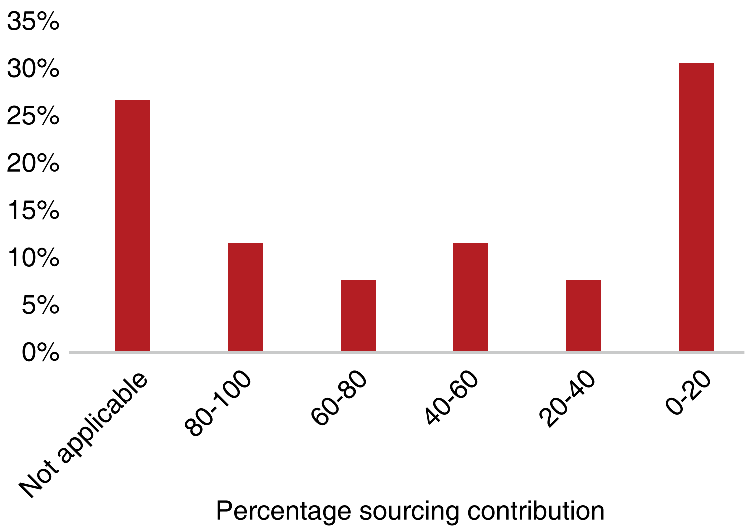


Figure 3

Proportion of China contribution to sourcing in 2023



China also remains a source of inputs, materials and packaging supplies for many New Zealand businesses. In June 2024, the New Zealand China Council released a report on the vital role that imports from China play in the New Zealand economy.[1] It reveals that China accounts for 16.5% of New Zealand's good and services imports, which is unsurprising as China's share of global manufacturing value add has risen to 28.9%, with the United States (US) market in a distant second at 16.1%.

This is reflected in our survey results with 65% of organisations saying they relied on China for some degree of sourcing in 2023. This varies by business type and industry, with exporters relying on China for sourcing at levels concentrated between 0-30%, and companies in manufacturing and sourcing relying on China for 50-90% of overall global sourcing.

1 https://nzchinacouncil.org.nz/wp-content/uploads/2024/06/Importing-from-China.pdf

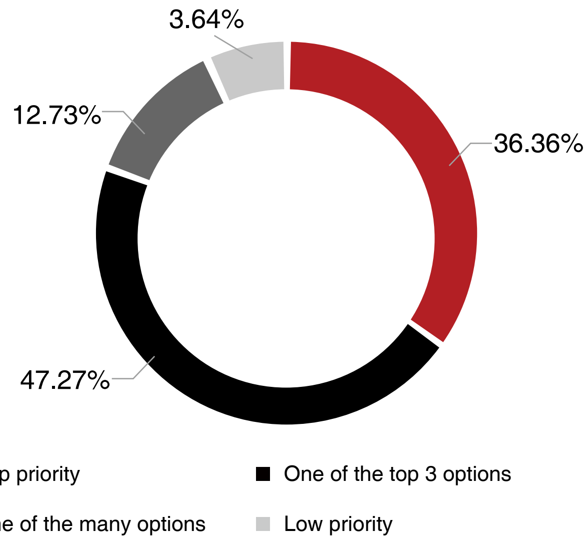
OPTIMISTIC INVESTMENT OUTLOOK AND SALES GROWTH

When looking to the future, optimism remains healthy. Despite some of the widely discussed macroeconomic headwinds being faced by the Chinese economy, most New Zealand companies still plan on making deeper investments in the market.

More than eight out of 10 (83%) businesses rank China in their top three priorities for global investment plans, with over a third (36%) saying it is their number one investment priority. Expansion of manufacturing and investment in marketing and sales channels are noted as focus areas by some respondents. For many respondents, China is already their largest market. Only 4% see China as a low priority market for investment.

Figure 4

% ranking of China in organisation's global investment plans



Aligned with this, 84% of respondents say their company has increased or maintained total investments in China over the past three years, with one in five significantly increasing investments. Nearly nine out of 10 (88%) also intend to increase or maintain China investments in the coming three years, with one in five again planning to significantly increase investments.

These figures represent an increase from last year's survey, which may be related to businesses feeling more confident in a post-COVID operating environment.

Figure 5

% anticipated change in organisation's investment in China over next three years

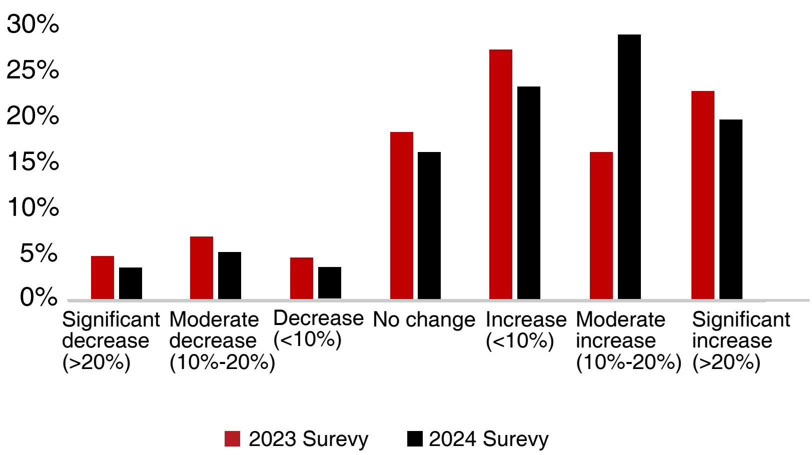
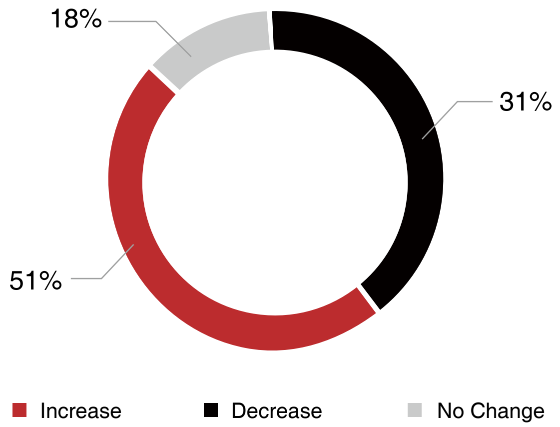


Figure 6

1H 2024 vs 1H 2023 China Sales Revenue



This is translating into bottom line results with nearly seven out of 10 (69%) of respondents maintaining or seeing an increase in China sales revenue for the first half of 2024 compared with the same period in 2023, in spite of the challenging economic conditions.

Outside of China, Southeast Asia at 35% and North America at 33% are the other priority markets for business growth for respondents, which are well ahead of other markets as priorities. This aligns with the New Zealand Government's refreshed emphasis on building stronger political and trade connections in his region. For many exporters, growth in markets outside of China is a focus in addition to investing in the Chinese market.

POSITIVITY HIGHEST FOR LONG TERM GROWTH OPPORTUNITIES, WITH BRIGHT SPOTS FOR PROFITABILITY AND ECOMMERCE

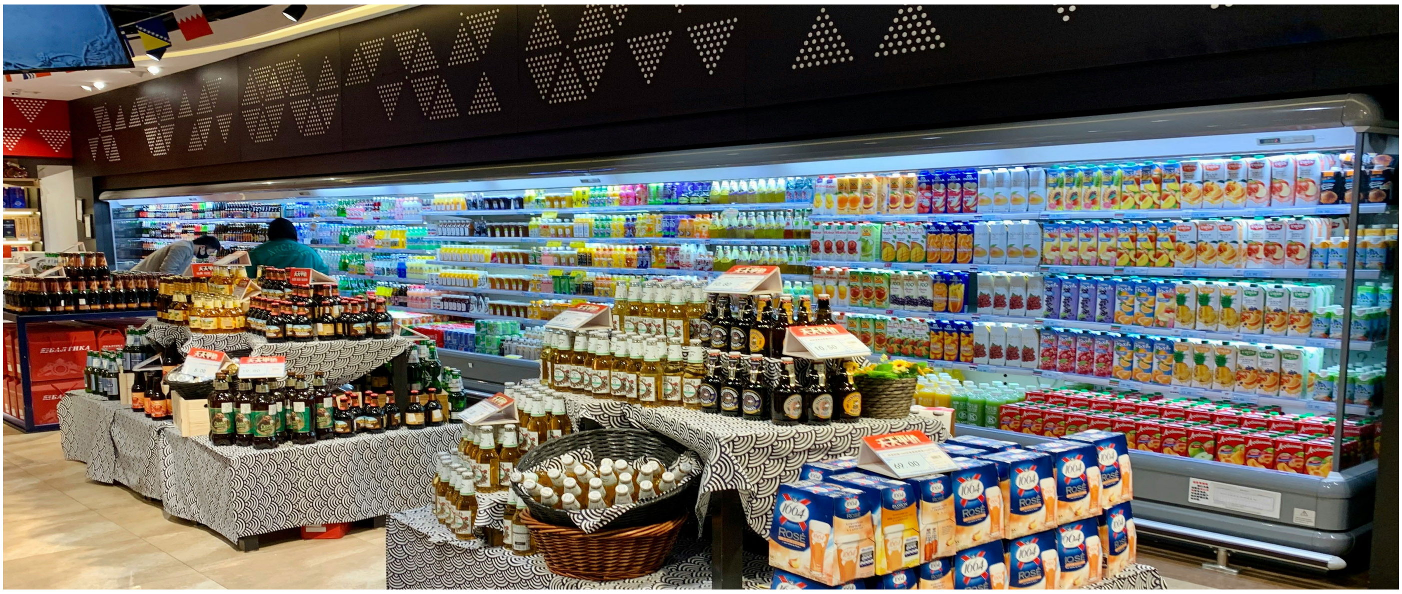
Figure 7

% optimistic and neutral – One year vs three years

	Next 1 year- Positive	Next 1 year - Neutral	Next 3 years – Positive	Next 3 years - Neutral
China market opportunities	76%	15%	93%	4%
Tier two cities	72%	11%	74%	19%
NZ-China relationship	70%	19%	74%	17%
Tier one cities	63%	22%	69%	24%
Profitability growth	55%	28%	85%	6%
Tier three cities	52%	22%	65%	19%
Ecommerce	33%	20%	67%	17%
Regulatory environment	26%	50%	48%	30%
Competitive pressure	22%	22%	31%	20%

When exploring specific areas of growth opportunities, we see a trend for a more positive view for the three-year time horizon than for the next 12 months.

On the China market overall, while 76% of respondents have a positive view for the coming year, 93% indicate this for the next three years. Ecommerce, profitability, and the regulatory environment are other areas where the longer-term view is significantly more positive with 34, 30, and 22 percentage point gaps between those indicating positive outlooks for the next 12 months compared with the next three years respectively. If these outlooks prove correct, this will see a significant shift in the attractiveness of profitability from China operations in particular.



Looking at how optimism may translate into action, it is unsurprising given the positivity around tier two city opportunities that expanding to new cities and regions has overtaken localisation as the predominant focus for New Zealand businesses operating in China in 2024. More than one third of (38%) businesses rank this as their one priority, with two thirds having it in their top three opportunities.

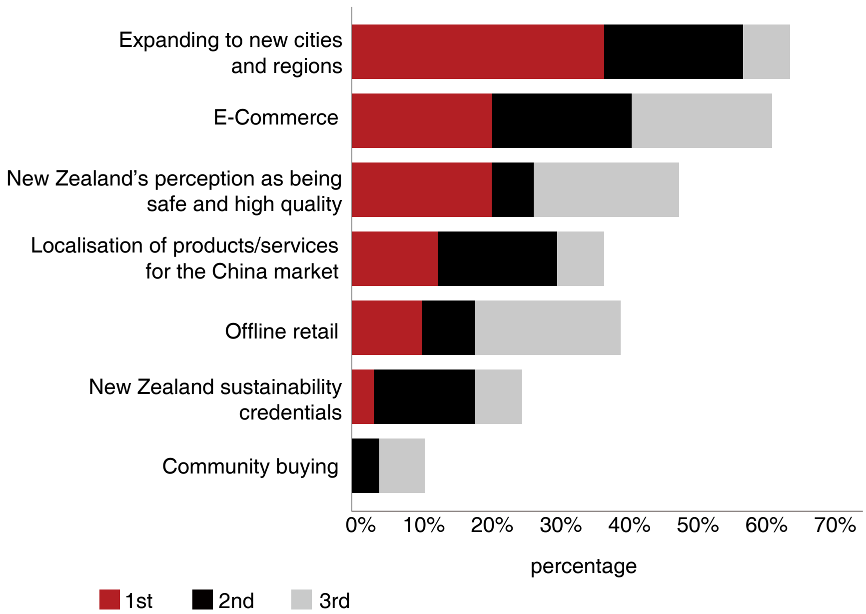
Aligned with the long-term positive view on this area, e-commerce moves up from third position in 2023 to second position in 2024, followed by New Zealand's perception as being seen as safe and high quality.

Community buying practices will not be a key focus for most New Zealand businesses, a reflection that this method of buying was driven by supply chain disruption from COVID-19 rather than a systematic change in the way consumers purchase goods and services.

Responses show businesses are more optimistic about growth opportunities in Tier 2 and 3 cities versus the prior year.

Figure 8

% ranking top opportunities organisations are focusing on

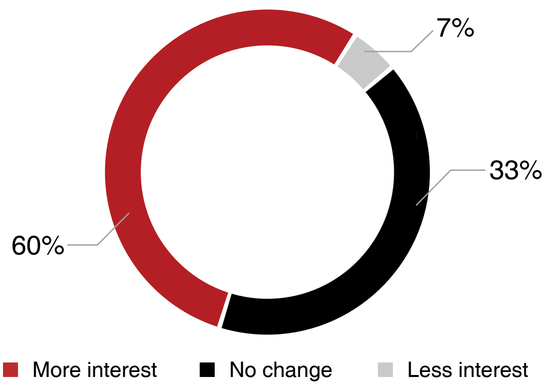


SUSTAINABILITY PRESENTS AN OPPORTUNITY

While not one of the top opportunities that New Zealand companies are prioritising, 60% of respondents indicate they are experiencing increased interest from customers and partners around sustainability.

Figure 9

Change in customer or partner interest in sustainability



This increased level of interest is likely linked to China setting a target to peak its carbon dioxide emissions by 2030 and to achieve carbon neutrality by 2060.

China's climate pledges require several targets to be met by 2025 including increasing the share of non-fossil energy sources to 20% and reducing the carbon intensity of the economy by 18%. To meet these targets, government agencies and companies need to accelerate the green and low-carbon transformation across all industries. Increasingly initiatives to incentivise and encourage the public to choose green and low-carbon products and services, are being implemented.[2]

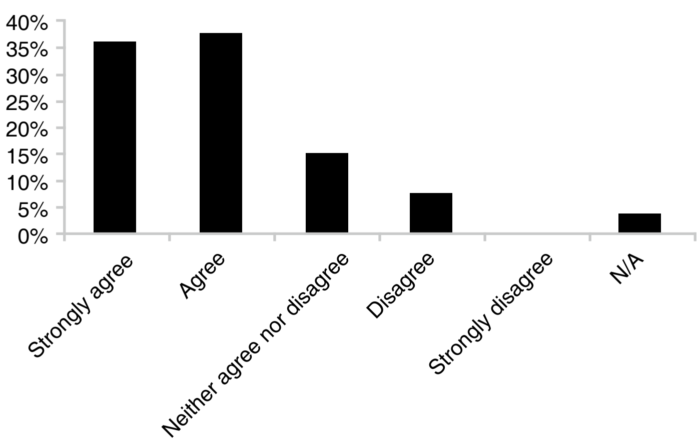
However, despite these developments, the challenge for many businesses is converting this interest or awareness from customers into tangible value or stickiness in relationships.

In March 2024 the New Zealand Ministry of Foreign Affairs and Trade published a report on sustainability trends of primary products in China titled 'The Green Dragon: Sustainability in the China Market',[3] which highlighted that the country's environmental strategy is enforced top-down, focusing on compliance to produce public good outcomes, aiming for a greener and healthier nation to meet climate goals.

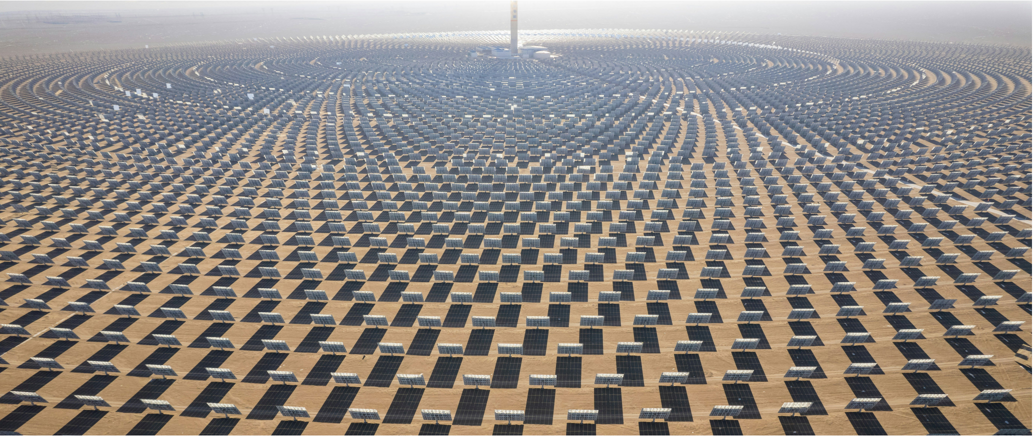
New Zealand is recognised by Chinese consumers, particularly for the country's commitment to sustainability and environmental protection with 74% of respondents agreeing that New Zealand's reputation for sustainability and environmental care enhances marketing in China.

Figure 10

New Zealand's reputation in sustainability and the natural environment supports my organisation's marketing in China



2 https://www.weforum.org/agenda/2023/07/chinese-enterprises-climate-dual-carbon-goals/.
3 https://www.mfat.govt.nz/en/trade/mfat-market-reports/the-green-dragon-sustainability-in-the-china-market-march-2024.



However, with China moving at speed to implement four policy priorities: reducing the local environmental footprint of agriculture, mitigating the climate impacts of agriculture, reducing food packaging, and reducing food waste, there will be implications for New Zealand and New Zealand has greater competition with major local Chinese protein companies who are already adopting voluntary net zero commitments in anticipation of the government's clearly signalled direction.[4]

Complimenting China's top-down approach, there is a growing consumer awareness and demand for sustainable products particularly among the younger generation in China who are becoming more discerning, valuing product provenance, labelling, and packaging. However, the governmental approach does not inherently "premiumise" environmental performance, nor does it cultivate individual environmental responsibility without long-term consumer education.

Exporters operating in China are also looking internationally at the sustainability requirements they must meet, particularly European Union regulations, to retain their ability to export.

4 https://nzchinacouncil.org.nz/2023/12/nz-protein-exporters-must-adapt-to-chinas-accelerating-eco-shift-report/

INCREASING COMPETITION A KEY CHALLENGE

While significant opportunities exist, our study also finds that concerns exist around a number of prominent risks and challenges in the China market.

In 2024 increasing domestic competition is again top of mind for many New Zealand businesses, with 29% of respondents citing it as their top risk, and nearly three quarters (73%) ranking it within their top four risks. Businesses are seeing a marked improvement in the quality of locally made goods and services as a driver behind the growth in competition from the domestic players.

Risks in China's economic outlook is also now front of mind for businesses in comparison to 2023 when it ranked as third, and New Zealand businesses are watching geopolitical tensions, and regulatory change and enforcement closely.

Key macroeconomic indicators for the China market being followed by respondents' companies are cited as consumer confidence, income levels, the property market, urbanization, and population demographics – including the ageing population.

Figure 11

% ranking top risks when considering future investments in China

	1	2	3	4
Increased domestic competition	29%	14%	14%	16%
Risks in China's economic outlook	18%	25%	16%	14%
Global geo-political relations	21%	23%	18%	7%
Regulatory change and enforcement	11%	11%	18%	9%
Increasing costs of doing business in China	5%	5%	16%	13%
Demand for goods or services	5%	11%	5%	13%
Market access challenges	5%	7%	4%	9%
Supply chain disruption	4%	0%	2%	11%
Finding and retaining the right talent (expat or local)	2%	4%	5%	2%

"Urbanization and growth in the middle-class are important indicators for us. China's rapid urbanization and the expanding middle class contribute to increased consumption. Urban residents have greater purchasing power and are more likely to buy premium products."
Anonymous

"The property market and consumer confidence are concerns for our business. Property market fluctuations and consumer spending patterns can impact disposable income. A weakening economy can lead to reduced consumer confidence, affecting purchasing decisions."
Anonymous

When asked about the key challenges, keeping a close eye on increasing domestic competition is again the number one challenge for 31% of the New Zealand companies operating in the market, a trend that has increased since the 2023 survey (22%).

The competitive landscape in China tends to mean that local firms compete on pricing, while larger, higher-quality local players compete with international companies for more lucrative business. This dynamic presents challenges for foreign businesses in the market as they need to navigate the complexities of the Chinese market, which includes adapting to changing consumer needs and regulatory requirements.

Rising labour and input costs fell from the top spot in 2023 down to third, while challenges with recruiting and retaining qualified staff reduced for many businesses. This is a consequence of higher levels of unemployment in China, resulting in lower staff turnover.

The changing retail environment in China is also a challenge for businesses to navigate as the shifts towards digitalisation and omnichannel strategies with the integration of online and offline channels. The pandemic accelerated the shift towards online shopping, with brands now needing to adopt new retail and marketing models like livestreaming. These trends are typically unique to the China market and as a result businesses need to develop a deeper understanding of consumer behaviour to compete effectively.

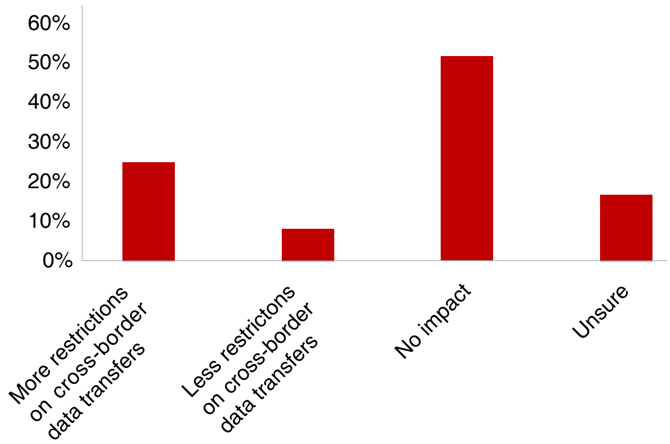
Figure 12

% Ranking Top Challenges Faced in China

	1	2	3
Difficulties recruiting and retaining qualified staff	7%	9%	2%
Rising labour and input costs	11%	11%	13%
Increasing competition from Chinese companies	32%	15%	19%
Increasing international competition	9%	22%	11%
Legal, market access and regulatory uncertainty	6%	9%	17%
Cross-border data flows	0%	2%	4%
Information security	2%	4%	2%
Cultural, language and communication differences	6%	2%	7%
Shipping cost and delays	6%	4%	7%
Changing retail environment and evolving consumer preferences	5%	17%	9%
Decreasing birth rate/Aging population	6%	2%	4%
Other	2%	0%	0%

Figure 13

Little impact from cybersecurity and data regulations

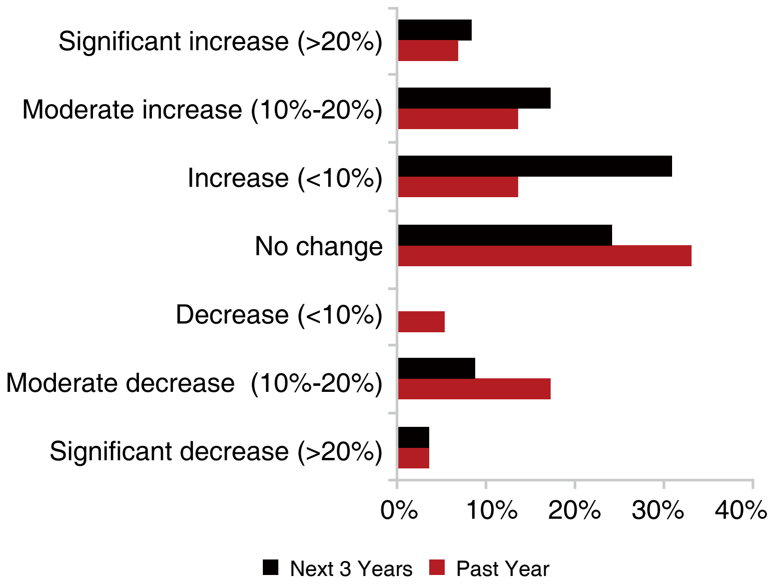


Interestingly, despite the implementation of new regulations on data protection and cybersecurity through the Personal Information Protection Law (PIPL), the Data Security Law (DSL), and the Cyber Security Law (CSL), this was seen to have had little impact on most New Zealand organisations. Nearly half of respondents (48%) said the regulations have had no impact, while just 24% noted additional restrictions on cross-border data transfers.

PLANS TO GROW CHINA WORKFORCES

Figure 14

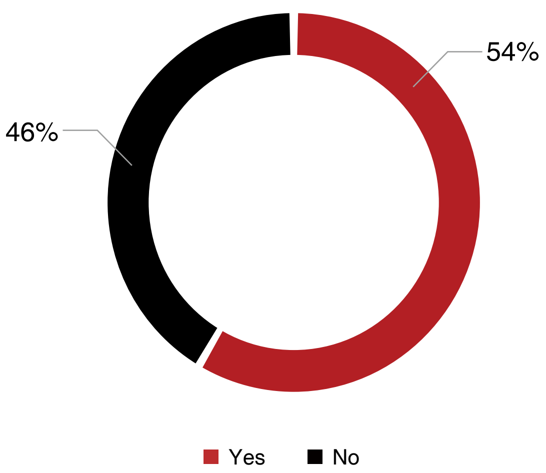
Majority of businesses expect headcount to increase in next 3 years.



Aligned with growth plans, 61% of New Zealand companies anticipate increasing their China-based headcount in the next three years. This forecasted expansion reflects the potential they see in the Chinese market. Over the past three years, 37% of these companies have already experienced growth in their workforce.

Figure 15

More New Zealand citizens and PR needed to work on the ground in China.



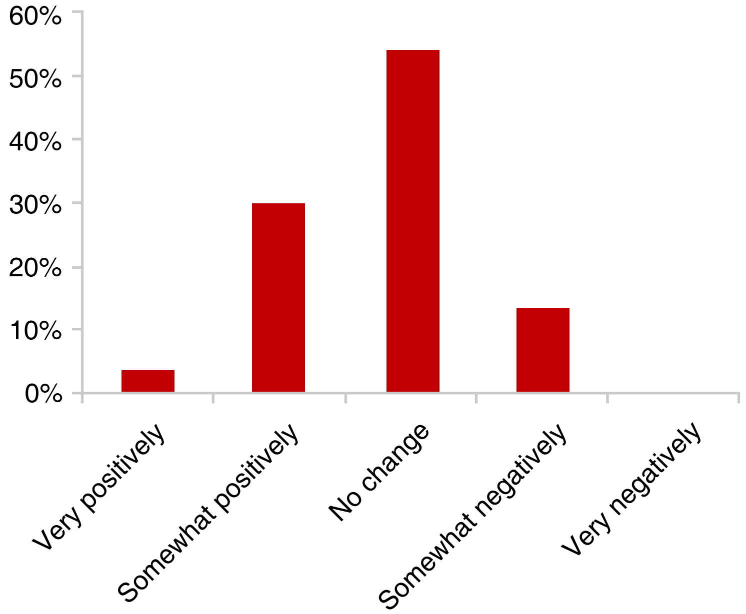
However, the path to growth is not without its hurdles. In the past year, 28% of companies saw a reduction in their China-based headcount. A significant challenge remains integrating New Zealand staff into their China operations. Nearly half (46%) of the respondents report having no New Zealand citizens or permanent residents working on the ground in China. The challenges include language barriers, willingness to relocate, cultural differences, the high cost of relocation and living, annual visa and work permit requirements, the cost of children's education, and uncertainty around tax benefits and social insurance.

NZ Businesses enjoying the benefits of China's higher unemployment rate

The higher unemployment rates in China have resulted in some benefits for New Zealand businesses. Approximately 34% of companies note a positive effect on their operations, with lower staff turnover rates and more people are applying for roles meaning there is a stronger talent pool to choose from when filling job vacancies, compared with in the past.

Figure 16

To what degree has higher unemployment in China and a softer labour market affected your recruitment plans?



The lifting of COVID-19 travel restrictions and quarantine measures in 2023 has also positively impacted business activities.

Business-related travel to China has increased, with around two-thirds (66%) of senior executives from New Zealand making two or more trips a year and over a quarter (28%) traveling more than five times. This is despite, the cost of travel remaining a barrier, with organisations tightening their belts and reducing travel allowances for senior executives.

Figure 17

Business travel to China is taking off after COVID-19

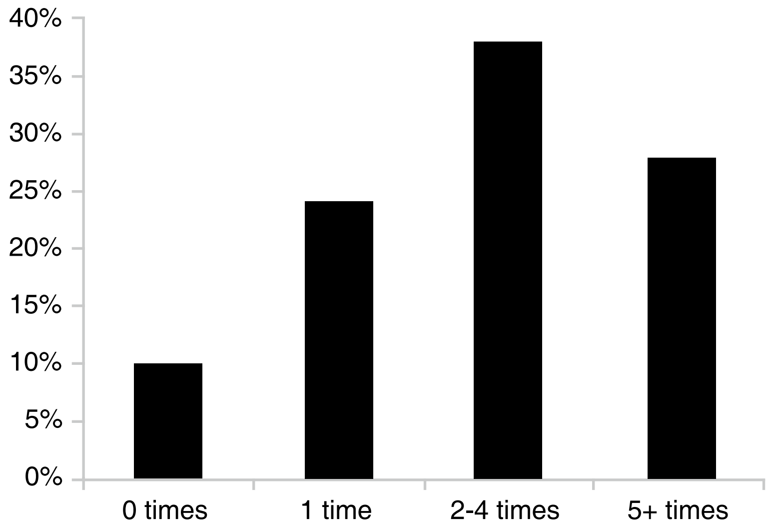
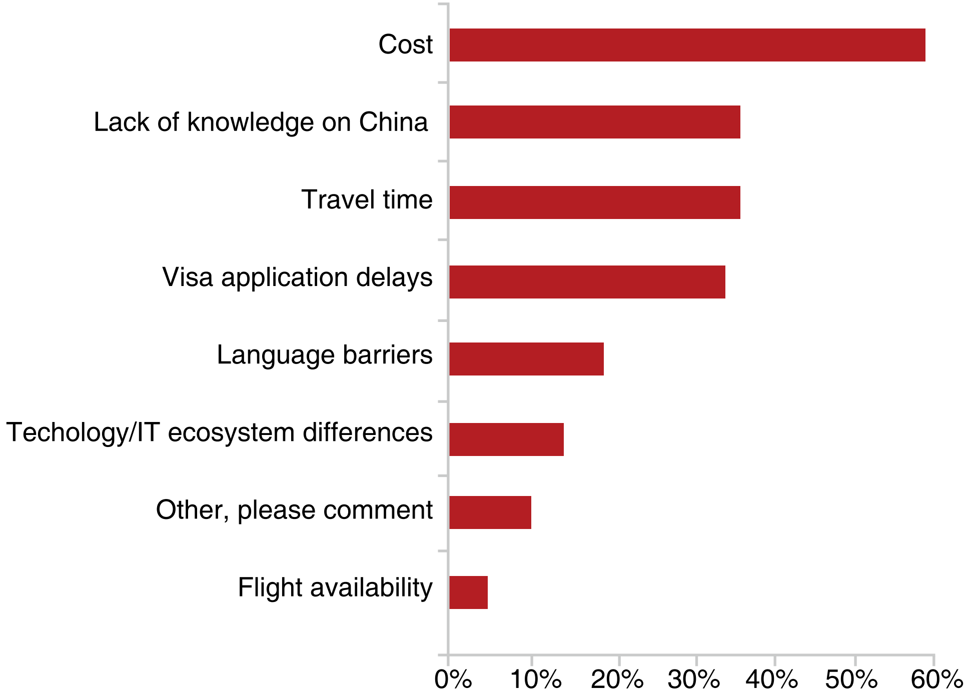


Figure 18

Barriers to business travel



The cost of travel and a lack of knowledge about China are considered the key barriers to two-way business travel between the two countries. Flight prices have reduced over the past year and remain competitive compared to other regions, however, businesses note cost-cutting and reduced business travel budgets as a constraint.

Visa application delays were seen as the fourth most common barrier to more two-way business travel between New Zealand and China.

Executives will welcome the news of China's visa-free waiver for New Zealand, which was announced during Premier Li's recent visit. Despite this progress, obtaining New Zealand visas for Chinese business partners and customers remains challenging.

The unilateral visa-free waiver offered to New Zealand is a significant development that will have a positive impact on businesses, streamlining the visa application process for New Zealand visitors and alleviating the financial burden on companies. It is expected to encourage smaller businesses to engage with the China market. New Zealand businesses are calling for the New Zealand Government to further streamline the visa application process on our end, ensuring smoother business travel. Two-way travel is crucial for building strong business relationships, enabling customers and key stakeholders to experience New Zealand and for New Zealand executives to understand the complex China market.

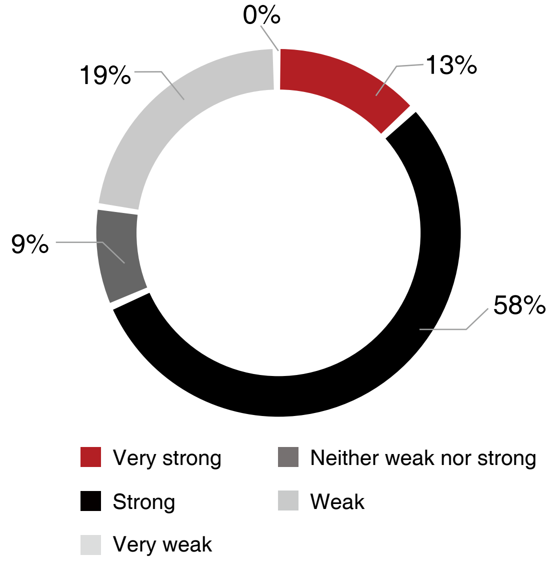
BRAND NEW ZEALAND IS STRONG

Almost three quarters of respondents indicated that awareness of Aotearoa New Zealand's brand in China is either strong or very strong (up from just over 50% last year) with respondents from the food and beverage industry noting that the promotion of New Zealand, sustainability, provenance, and quality as a key qualities of the brand.

Importantly it was noted by several respondents that there are countries such as Ireland and Switzerland whose country-of-origin brand is competing with New Zealand.

Figure 19

How strong is awareness of Aotearoa New Zealand's brand in China?



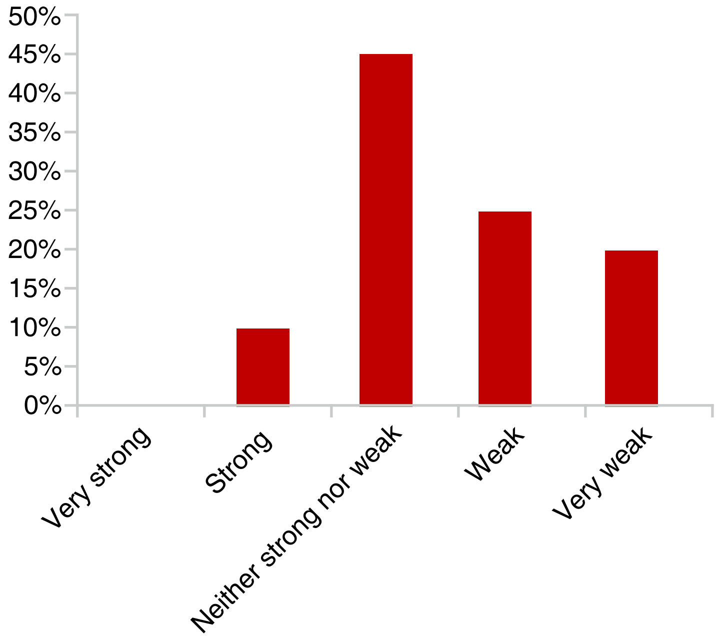
Less than 10% of respondents feel that Māori branding resonates with the Chinese audience, and challenges to appropriately and effectively incorporate Māori culture into business activities in China, remain.

Some noted that it is important for Chinese consumers to learn more about New Zealand and Māori culture.

Others noted that increasing the level of storytelling and cultural exchanges would be helpful in increasing overall awareness. Partnering with Chinese influencers who appreciate cultural diversity was also identified as a means of growing awareness.

Figure 20

How strongly does Māori branding resonate with a Chinese audience?



DIVISION ON THE EASE OF DOING BUSINESS

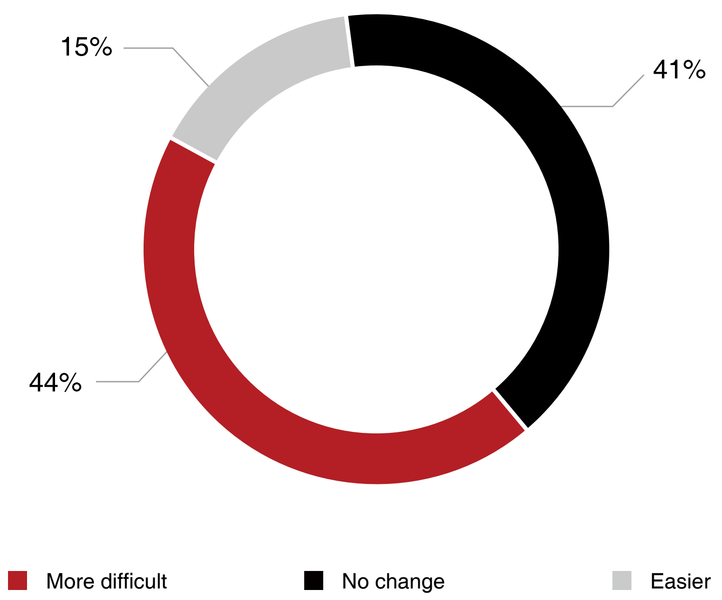
With all aspects considered, when rating the overall ease of doing business in China at the time of this study in May 2024, compared with the same time in 2023, the results are divided. While 56% say the ease of doing business has become easier or remained the same, 44% say it has become more difficult.

One possible reason for this division could be the immediate post-COVID difficulties, which have largely subsided, making it easier for some companies to operate. Additionally, there seems to be more attention and support from the local Chinese government towards foreign businesses (except for those facing market access issues), which may make it easier for them.

Conversely, regulatory reasons like evolving compliance, legal and tax regulations, and more intense domestic competition might be making it harder for some companies to conduct business in China. These factors could contribute to the differing perspectives on the ease of doing business in the country.

Figure 21

Perceived ease of doing business in May 2023 vs May 2024



BILATERAL RELATIONSHIP AND TRADE LINKS STRENGTHENING

Throughout the report, the strength of New Zealand and China's bilateral relations is highlighted as important for the success of New Zealand businesses in the market.

Premier Li's visit to New Zealand in June 2024 has further strengthened the robust and stable trade and investment relationship between New Zealand and China. The Premier's visit followed New Zealand Minister for Trade and Agriculture Hon. Todd McClay's visit to China in April 2024, highlighting the ongoing commitment of both countries to a strong bilateral relationship.

This year's survey was conducted prior to Premier Li's visit, which was well received by businesses and the general population in China. A total of 84% of New Zealand businesses believe the bilateral relationship with China is strong, up from 74% last year. No respondents consider the relationship to be weak.

New Zealand businesses are conscious of their exposure to geopolitical risks when doing business in China. A total of 93% of New Zealand businesses either agree or strongly agree that the New Zealand-China relationship is an important consideration for their business in China, an increase from 82% in the 2023 survey.

Figure 22

Relationship between governments seen as strong

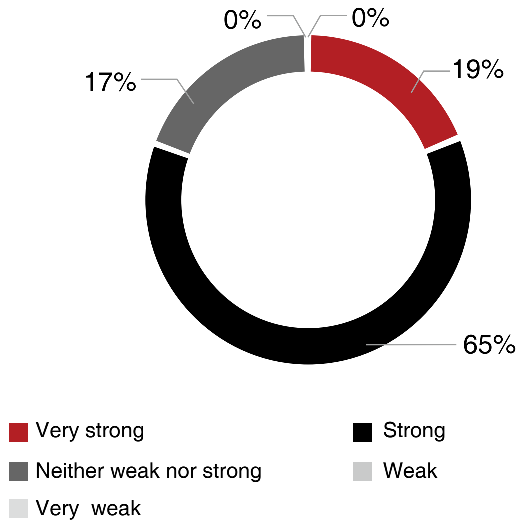
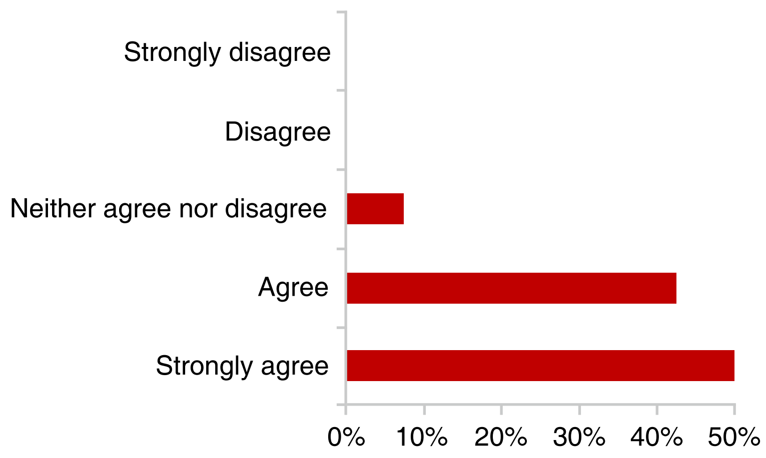


Figure 23

The strength of New Zealand's relationship with China is an important consideration for my organisation's success in China



China's scale, breadth, and market access remain an important and highly profitable opportunity for New Zealand companies. New Zealand's independent foreign policy approach is well respected by New Zealand companies in China, and 78% of respondents were either satisfied or more than satisfied with how the coalition government has managed its relationship with China over the past six months.

A strong and stable bilateral relationship between New Zealand and China is vital for businesses. The New Zealand Government's close and regular engagement with the business community in New Zealand and in China indicates a high level of commitment to the relationship and reinforces New Zealand's considered approach.

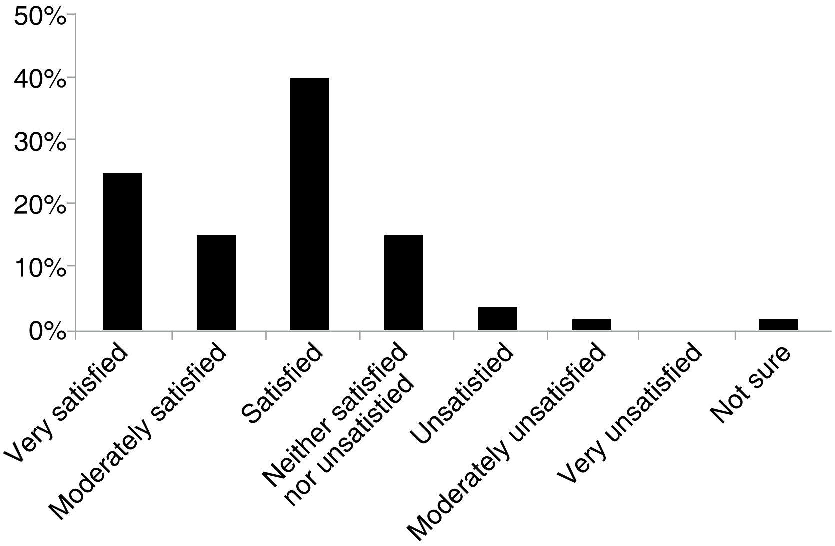
Premier Li's recent visit to New Zealand, Todd McClay's visit to China, and China Foreign Minister Wang Yi's visit to New Zealand in March this year are all positive indicators of the relationship between the two countries and have been recognised by business partners in China.

The removal of the final safeguards for dairy trade under the NZ-China FTA is also an important milestone, and has been well-received by New Zealand's dairy industry.

Businesses back New Zealand Government's foreign policy approach

Figure 24

Describe your level of satisfaction with the New Zealand government's management of the bilateral relationship over the past 6 months?



The New Zealand-China Free Trade Agreement (NZ-China FTA) was indicated by respondents as being highly relevant to 74% of New Zealand companies operating in China.

The FTA has been a catalyst for closer cooperation and has opened up significant trade and economic opportunities by reducing barriers to trade. Since the FTA was signed, two-way trade between New Zealand and China has more than tripled, highlighting the agreement's impact on business growth and expansion.

The FTA provides for the highest level of tariff liberalisation of any of China's FTAs, with over 98% of New Zealand's exports to China by value entering duty-free upon full implementation. This tariff reduction makes New Zealand products more competitively priced in the Chinese market, benefiting businesses across various sectors.

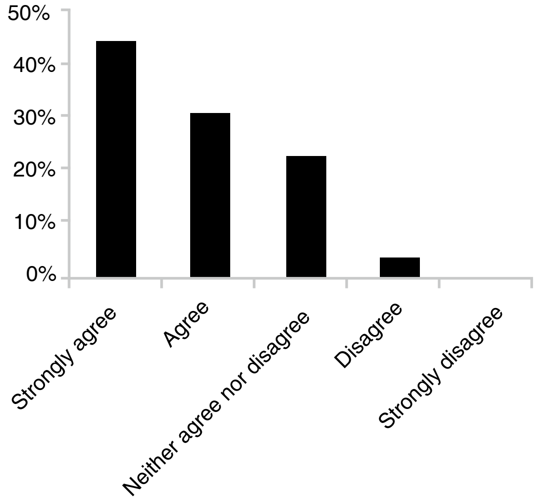
The agreement has also made trade easier to facilitate, with moves towards electronic health certificates reducing the need for physical certificates. This streamlining of processes is invaluable for businesses as it simplifies the export process.

The successful conclusion of the FTA Upgrade in 2022 has further strengthened the bilateral relationship, providing new chapters in cooperation, including competition policy, e-commerce, government procurement, and the environment, which are beneficial for businesses.

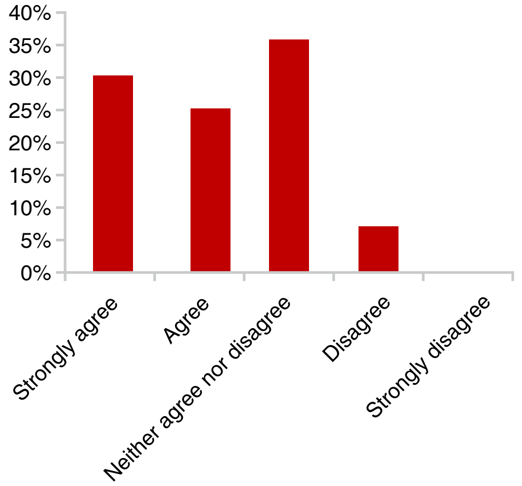
Free Trade Agreement boosts business

Figure 25, 26

The New Zealand-China Free Trade Agreement (entered into force in 2008) is relevant to my business.



The upgrade to the New Zealand-China Free Trade Agreement (entered into force in 2022) is relevant to my business.



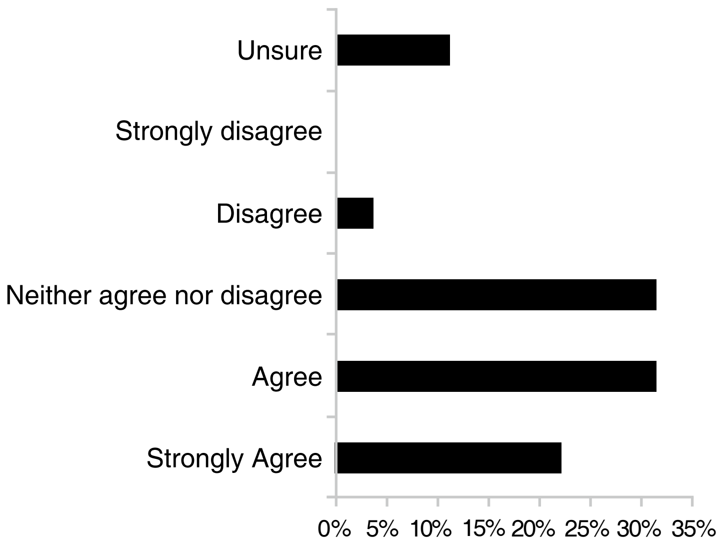
RCEP a further positive for New Zealand China trade

The Regional Comprehensive Economic Partnership (RCEP) entered into force on 1 January 2022 for seven ASEAN members. All five non-ASEAN members have ratified the agreement, including New Zealand and China. Indonesia ratified the agreement in August 2022, and the Philippines in June 2023.

53% of businesses either agree or strongly agree that RCEP is relevant to their business.

Figure 27

The Regional Comprehensive Economic Partnership (RCEP) is relevant to my business



RECOMMENDATIONS

BUSINESSES

Establish a comprehensive omnichannel presence and understanding of consumer behaviour to engage in tier two cities

Social media is an important channel for China's lower-tier cities where consumers seek to understand brands and product comparisons. Maintaining an active presence online can play a crucial role in facilitating the buyer's decision-making process. Lower-tier city consumers show a strong preference for domestic brands,[5] so country of origin branding in these cities could be played down compared to when engaging in tier one cities.

Grow understanding of ecommerce platforms and target audiences

Market research will help to define the consumer profiles companies are targeting, and which platforms they use to purchase goods. NZTE has some resources for those who are starting out, however, new platforms emerge and gain pace quickly so staying on top of the latest platforms and social media trends, and an understanding of the consumers who are engaging them, is important.

Meeting the evolving sustainability requirements of China and its consumers

New Zealand companies should leverage country of brand origin recognised for its sustainability attributes alongside clear commitments to sustainability that meet both increasing consumer demands and the increasingly stringent standards set out by the Chinese Government.

Strengthening the capabilities of New Zealand companies with export ambitions

During his recent visit to China by New Zealand Trade Minister Todd McClay, there were open discussions about what is required for New Zealand businesses with China export ambitions. These capabilities include clear understanding of (1) changes in consumer demand, (2) understanding social media complexities, (3) clear route-to-market and distribution strategies, and (4) have established infrastructure and staff on the ground. Given China's growing middle class, rising wealth-per-capita forecasts, and with leading investors like Goldman Sachs and JP Morgan forecasting continued GDP growth in China, there are a multitude of data that support the size of the opportunity that China offers.

Strengthen integration programmes for New Zealand employees in China

Given the significant challenges in integrating New Zealand employees into China operations, companies should develop stronger integration programmes. The programmes could include basic language training, culture in workplace education, relocation support, and assistance with navigating visa and work permit requirements.

Support the connection and well-being of New Zealand expats in China

To encourage more New Zealand employees to relocate to China companies should provide better support programmes for expats before and after they move. This could include testimonials from current New Zealand expats who have successfully assimilated into life and work in China, as well as organising memberships to expat community groups. These measures can help potential relocatees feel more confident about the move and provide them with a support network once they are in China, easing the transition and increasing their willingness to relocate.

5 https://www.accenture.com/content/dam/accenture/final/a-com-migration/pdf/accenture-2022-China-Lower-Tier-Cities-Consumer-Insight-Full-Report.pdf#zoom=50

GOVERNMENT

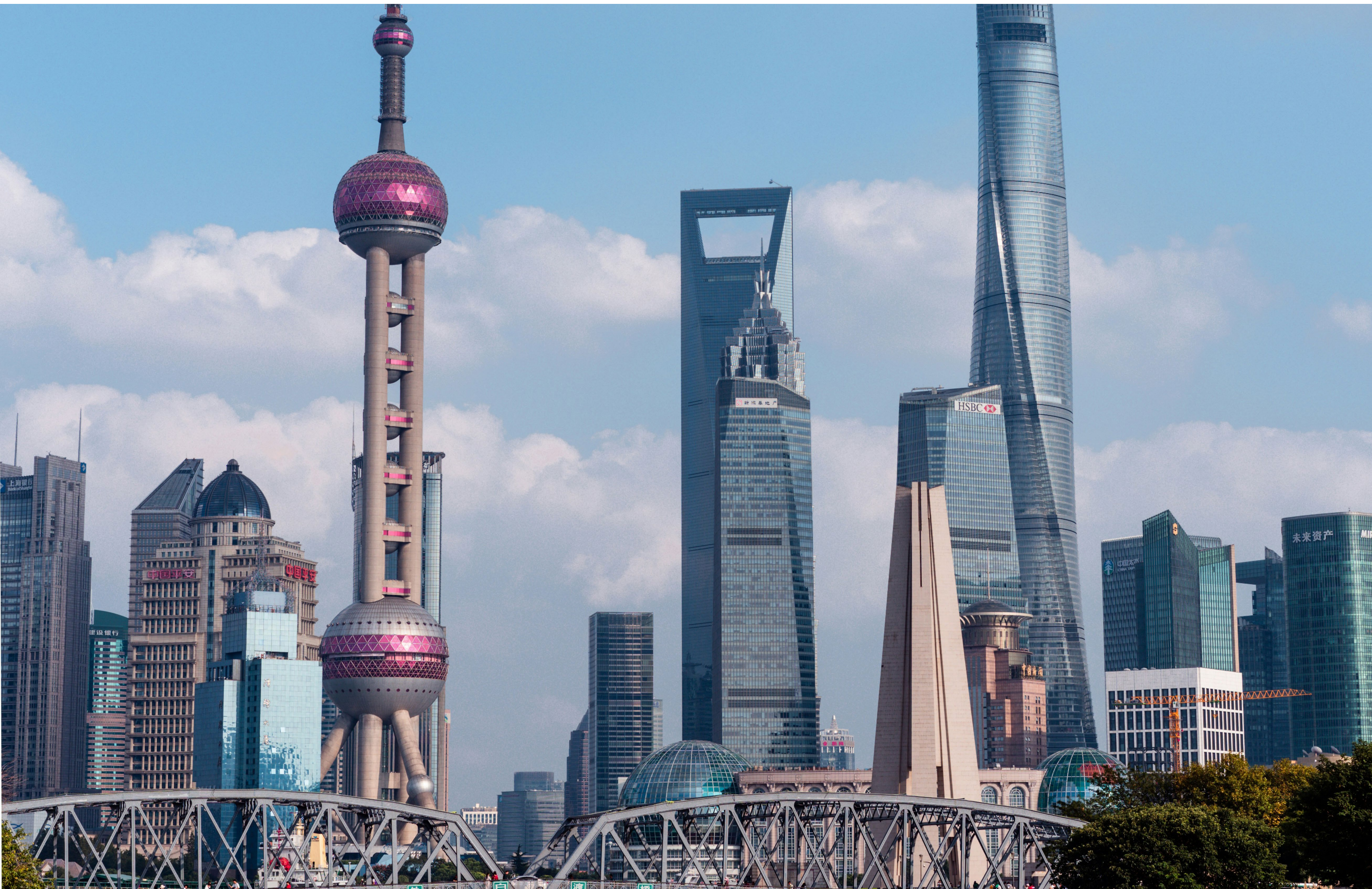
Support a greater understanding of China Government policy requirements and standards

New Zealand Government could provide greater detail on China's climate pledges and policy goals that shape investment (i.e. reduced food packaging) to make it easier for exporters to articulate how their business adheres to China's requirements, and to make required changes to supply chain i.e. packaging when required.

Alongside this, additional context on New Zealand's newly released Climate Strategy, could support the country-of-origin story, so that exporters can demonstrate how they meet both country's requirements.

Facilitating Chinese business travel to New Zealand through visa changes

While China's recently-announced unilateral visa-free waiver for New Zealand is expected to have a positive impact on New Zealand business travellers and alleviate financial strain on employers, further measures should be taken to encourage travel in the other direction. The New Zealand Government has a significant opportunity to facilitate Chinese business travel to Aotearoa and build on the increasingly strong bilateral relationship.




ASCOTT

About the New Zealand Business Roundtable in China (NZBRiC)

The New Zealand Business Roundtable in China (NZBRiC) is a non-profit organisation that brings together industry, corporate and individual members who share a common interest in the success of the New Zealand/China trading relationship. Our goal is to promote mutual business interests and advance key trade sectors in the New Zealand and China trade relationship.

As a collaborative network of key business and government leaders in the New Zealand-China relationship, we strive to be the leading voice and advocate on New Zealand-China trade matters. Our members represent a wide range of sectors from New Zealand, including food and beverage, services, cosmetics, technology, HR, FMCG health, and more.

In the past few years, NZBRiC focussed on collaborating and supporting New Zealand businesses and their teams through the various challenges created by ever-changing responses to the pandemic. From 2023, we move into our post-COVID recovery phase, delivering value to our members through our core pillars; advocacy, representation, information, and insights. We are dedicated to advancing the interests of our members and promoting a successful New Zealand-China trading relationship.

About the Report

Thank you for reading the second annual New Zealand Business Roundtable in China Business Outlook Report. This comprehensive report is built upon a survey carried out by the New Zealand Business Roundtable in China (NZBRiC) in May 2024. The findings, presented here, serve as a resource for government, policy-makers, and business leaders to inform their China decision-making.

The study explores in-depth and nuanced views of doing business in China from the perspective of New Zealand business leaders. It covers the general market outlook, business environment, opportunities and challenges, bilateral relations, barriers to investment, and perceptions of New Zealand.

The New Zealand Business Roundtable in China (NZBRiC) would like to thank all respondents for their participation in our annual Business Outlook Survey, your insights are invaluable. We would also like to thank our Executive Committee for their guidance and insights into the report.

NZBRiC
New Zealand Business Roundtable in China | 新西兰中国商业圆桌会

AUTHORS AND KEY CONTACTS

Mark Anderton
Chairman NZBRiC

Rocky Meng
Vice Chairman NZBRiC

David Boyle
Board Member NZBRiC

Anna-May Isbey
Executive Director NZBRiC

James Robertson
Executive Member NZBRiC

information@nzbric.com

Special acknowledgment to United Media Solution (UMS) for their support on the design of this report.

Special acknowledgement to Sandpiper Group for their editorial review and input into this report.

Supported by

NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

Follow NZBRiC on WeChat
Website: www.nzbric.com