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Reasons and suitable locations for setting up an Asian headquarters (Hub)

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I. Introduction

1. Overview

While growth opportunities in European and American markets seem largely exhausted in many industries, Asian markets still offer attractive growth potential.

Numerous German companies, including mid-sized businesses as well as multinational corporations, have already gained some experience in Asia, either by purchasing or selling their products there.
Companies operating in Asia regularly express the desire to establish a hub office (headquarters or focal point, hereafter referred to simply as "Hub"), from which the Asian business can be centrally managed.
Additionally, especially since the COVID-19 pandemic and the Russian war of aggression against Ukraine, geopolitical risks have become increasingly significant in location decisions. Excessive exposure to the Chinese or Russian markets, in particular, leads to considerable economic risks, such as sanctions. Establishing a hub in a politically and economically less risky location, from which business operations in riskier markets can be managed, can at least minimize these risks.
Contrary to the still widespread belief, Asia is not a single large market. Instead, each country must be considered individually. Success in the Thai market does not necessarily mean success in other Asian markets. China is evidently the largest and most attractive market for business in Asia. Nevertheless, depending on the industry, it can be worthwhile to take a closer look at smaller countries like Thailand, Vietnam, or Cambodia, which are becoming increasingly attractive due to the political situation and rising costs in China.

Given the significant differences between Asian countries, it makes sense to establish a hub in Asia from which business activities in the region can be controlled and which serves as a connection to the main office in Europe. The following newsletter aims to provide an overview of why such an Asia headquarters is useful, what functions the hub may perform, and what advantages and disadvantages selected locations offer when establishing a hub.

2. Tasks to be considered

- **Finance:** Opportunities to centrally organize financial structures and cash pooling;
- **Human Resources (HR):** Searching for and managing highly qualified employees, as well as providing training opportunities at various locations;
- **Intellectual Property (IP) Rights:** Registration and licensing of intellectual property rights at a tax-efficient location, which can create additional, tax-optimized profits;
- **Logistics:** Possibility of concluding framework agreements with logistics partners for all Asian subsidiaries to utilize synergy and volume effects;
- **Insurance:** Conclusion of framework agreements with insurance companies to optimally structure premiums;
- **Marketing:** Development and organization of marketing strategies in collaboration with international marketing agencies experienced in Asia;
- **IT-Structures:** Organization of servers and centralized support, not just related to SAP;
- **Buying and/or Selling Activities:** Centralization of buying and selling, e.g., in Hong Kong or Singapore, leveraging the legally permissible advantages of a favorable tax jurisdiction.

II. Functions of an Asian Hub

When establishing an Asian headquarters, individual activities and factors should be considered, especially the possibility of relocating functions (economic units for value creation, e.g., production or sales) from the European headquarters to Asia. However, if functions are to be relocated from Germany, any potential negative tax implications must be carefully considered and assessed in advance. Particularly under the German Foreign Tax Act in conjunction with the Function Relocation Ordinance (FVerlV of October 25, 2022), relocating functions previously based in Germany could lead to a tax burden due to the application of transfer pricing.

1. Finance

The Asian central company can take over financial tasks from the European headquarters. This could include, for example, the hub receiving loans from the European head office and then passing them on to the companies in the respective countries. Additionally, the hub can also take out loans from banks and provide them to the Asian subsidiaries.

The hub can manage cash pooling for the subsidiaries in Asia. This means that, according to a profit transfer agreement between the companies in the respective countries (e.g., Vietnam, Thailand, Korea, etc.) and the hub, the subsidiary transfers surplus liquid assets daily to the hub, from which they can then be transferred to Europe if necessary (provided a corresponding cash pooling agreement is in place).
The advantage for both the local office and the headquarters would be a transparent overview of the financial situation in the Asian subsidiaries and the ability to quickly support individual companies in financial trouble if needed. Additionally, the head office can use the funds received from Asia overnight for investments in the capital market and then transfer them again the next day.

2. HR

In the area of Human Resources, the hub can also be beneficial to the parent company. Unlike local headhunters, who only operate within and are familiar with the local job market, the hub has the ability to search for well-trained personnel across all of Asia and then assign them to various countries. Transferring such employees would also involve transferring knowledge; for example, a manager who has successfully established an office in Thailand could be sent to Vietnam to open another office there. Additional advantages include the ability to send well-trained personnel who have been with the company for several years to the hub to coordinate the local subsidiaries. For instance, an employee who has set up accounting functions in several local subsidiaries could be transferred to the hub to oversee the accounting for all Asian subsidiaries, as they are familiar with the nuances of different countries.

Another option for centralizing HR functions in the hub would be to offer training for local staff. This would ensure that the same high standard is maintained across all subsidiaries, which in turn can lead to significant cost savings.

3. IP-Rights

Another advantage of the hub is the licensing of IP rights (Intellectual Property Rights). For example, the parent company can transfer certain IP rights (at market prices) to the hub. Since IP rights, their protection, and management are very sensitive issues in Asia, and especially in China, it makes sense to transfer IP rights as much as possible to the respective local companies rather than keeping them at the headquarters in Europe or the USA, where employees may have limited experience with managing IP rights in Asia.
Additionally, the transfer and licensing of IP rights can generate additional profit. When the hub transfers IP rights to the respective companies, those companies must then pay licensing fees. These licensing agreements can be structured in such a way that the hub receives the licensing fees in a tax-optimized manner.

4. Logistics

The hub in Asia has the opportunity to conclude a framework agreement with one or more large logistics providers to negotiate better conditions. This is based on the idea that, if possible, a single service provider should handle most or all logistics services for all subsidiaries in Asia. The individual Asian companies could then enter into their own contracts with the logistics provider under this main contract and benefit from price advantages. Another benefit of using the same logistics provider across all subsidiaries is the efficiency and speed with which a provider can deliver logistics services using a unified system across different countries. Additionally, such an arrangement allows for significantly easier monitoring of operations in Asia by the logistics department at the hub.
The strategic choice of a hub with regard to existing infrastructure and location can also bring

efficiency advantages by, for example, reducing travel times for employees and business partners.

5. Insurance

The hub can also handle a uniform and comprehensive insurance coverage for all companies in Asia. The range of insurance can be extensive, including health and accident insurance as well as office, fire, and transport insurance.
Similar to the main contract for logistics services, the hub is also able to negotiate better rates with the insurance company.
Furthermore, there is the possibility to centralize the management of the insurance policies so that a department at the hub handles all insurance matters. This department would have the necessary oversight to efficiently coordinate all insurance policies, which would save both labor and costs.

6. Marketing

Marketing activities organized by the hub ensure a consistent marketing strategy across the various countries in Asia, which is particularly important if the corporate group markets its products under a unified name or logo. In such cases, a homogeneous appearance is essential.
To enhance brand recognition among customers, it may also be advisable to launch advertising campaigns across Asia. Even if a campaign is not planned for the entire continent, a centralized marketing strategy makes sense because campaigns that have already been successful in some countries can be rolled out in others.
It can also be advantageous for the hub to enter into a contract with an international marketing agency to negotiate better rates for the company, rather than hiring a local agency in each country.

7. Tax and Auditing

Another function that can be centrally managed by the hub is the auditing and financial review of the individual subsidiaries. This central audit department is responsible for ensuring that the bookkeeping in all subsidiaries is conducted properly. It is also responsible for ensuring that the subsidiaries send the relevant information to the hub in a timely manner, where it can be used for the preparation of the annual report for each respective company. A unified system (such as SAP) for all companies further simplifies the information process.

Additionally, an auditor can be appointed who is responsible for the entire Asian region to secure better conditions and to make the auditing and annual financial closing more efficient and timely, allowing the balance sheet to be transmitted to the European parent company.

8. IT- Structure

IT structures can also be managed through the hub's servers. A central IT department can handle all servers for the individual subsidiaries as well as their connection to the hub. This allows each subsidiary to store and secure its data on a single server, providing automatic access to data from all subsidiaries. Such a streamlined structure helps save costs and, importantly, labor, as it eliminates the need for separate IT teams in each country. Nevertheless, there should be one or two employees in each country who are familiar with the system to address smaller issues (e.g., connectivity problems). All other, more complex issues could be forwarded to the IT department at the hub, which can then access the local server from there.
Additionally, cost savings can be achieved if the procurement of IT software and hardware is centrally managed by the hub.
A good example of this is the use of SAP for accounting. Assuming all subsidiaries in Asia use SAP, this task can be managed by the hub. A unified system helps process information immediately without any compatibility issues, which in turn saves time and costs.

9. Centralised Buying and/or Selling Activities

Assuming that the hub is also responsible for all purchasing and sales for the Asian subsidiaries, it can generate advantages for the corporate group. The idea is that all subsidiaries sell their goods to the hub, which then resells them to third parties in America or Europe. Conversely, the hub can act as a buyer for raw materials for the individual subsidiaries and sell or distribute these materials to the subsidiaries. Such a structure can also provide additional tax-saving effects if, for example, Hong Kong or Singapore is chosen as the location for the hub, as the hub would benefit from the tax advantages of the jurisdiction and certain profits could potentially be tax-optimized.

However, it should be noted that in Hong Kong, changes to the Foreign-Sourced Income Exemption (FSIE) regime, which took effect on January 1, 2024, have tightened the criteria for tax exemptions on foreign income to promote transparency and prevent tax avoidance by multinational enterprises (MNEs). The reform particularly affects income from dividends and interest, which can only remain tax-free if they are taxed in a country with a minimum tax rate of 15%. Additionally, to benefit from the tax exemption, companies must demonstrate significant economic substance in Hong Kong, including physical business premises and central management and decision-making from Hong Kong. Companies are required to maintain detailed documentation of their business activities and undergo regular audits to confirm their continued eligibility for the tax exemption. These measures were introduced to meet international standards, especially those set by the EU and OECD, and to maintain Hong Kong's status as a cooperative tax jurisdiction.
In general, when planning efficient tax structures, the growing pressure from the OECD on low-tax jurisdictions should be considered. Recent OECD regulations on minimum taxation (BEPS 2.0 - Pillar 2), which are already implemented or expected to be implemented in most Asian countries, might reduce the attractiveness of low-tax countries from a tax perspective. However, these regulations apply only to large corporations with a consolidated group revenue of at least EUR 750 million.

Furthermore, the provisions of the German Foreign Tax Act should be considered, as transactions in low-tax countries could potentially trigger tax obligations in Germany.
In any case, when designing purchase agreements between the individual subsidiaries, it is essential to ensure that these agreements comply with arm's length principles (i.e., they should follow the same rules and prices as would be charged to an unrelated third party), as there is a risk that tax authorities may not recognize these contracts otherwise.

Example:
Certain spare parts could be centrally procured and sold through the Asian hub. Even if transfer pricing regulations need to be adhered to, a profit margin of 5% to 10% might still be achievable.

III. Where to set up

In general, locations such as Hong Kong, Singapore, or Bangkok are considered. Hong Kong and Singapore, in particular, are known for their legal certainty and efficient, transparent administration. Establishing a company in both jurisdictions can be done within seven to ten business days, with the process being relatively straightforward. Additionally, managing the company in both jurisdictions is manageable and involves relatively low effort.
Moreover, Bangkok has experienced rapid development in recent years and can represent an interesting (and more cost-effective) alternative as a hub in Asia. The legal system is well-developed compared to other Southeast Asian countries, and with the appropriate local expertise, administrative processes can be managed efficiently. Compared to Hong Kong and Singapore, Bangkok stands out particularly for its significantly lower costs, such as for personnel or office rentals.

1. Singapore

Singapore is one of the most advanced countries in the world, with a population of around 6 million. In 2022, the GDP per capita was approximately USD 82,800 (compared to Germany: approximately USD 48,700). Through strategic political decisions, Singapore is increasingly becoming one of the most important economic hubs in Asia. Many Asian and Western companies have their regional headquarters in Singapore. There is also a growing trend of companies relocating from Hong Kong to Singapore.
The standard of living is very high, and the population has a very high level of education (best overall score in the PISA ranking 2022) and excellent English proficiency. The country has one of the lowest corruption rates globally (Rank 5 in the Corruption Perceptions Index 2023 with a score of 83; Germany Rank 9 with a score of 78). Singapore boasts one of the most modern airports in the world, ensuring excellent connectivity to numerous destinations in Asia and globally. The local infrastructure is also outstanding.
Administrative matters are handled quickly and with minimal bureaucracy, and setting up a business can be done within a few days. There are excellent conditions for internationally oriented companies. Opening bank accounts is also simpler than, for example, in Hong Kong.

A significant advantage of Singapore over Hong Kong is the considerably lower risk of political interference from China. Although many Chinese people live in Singapore, direct political influence from China, as has become possible in Hong Kong, is very unlikely and would only be conceivable in a scenario of war.
Generally, Singapore maintains high standards in terms of legal certainty and freedom rights. The political system is considered very stable.
In contrast, the major disadvantage of Singapore is the significant cost. Renting residential and commercial space is very expensive, and space is limited. The wage and price levels are also very high.
Furthermore, there is a growing political trend towards strengthening workers' rights, which will further increase personnel costs. Employees and employers in Singapore must make substantial contributions to social security, affecting employee costs. The contribution rates for the Central Provident Fund (CPF), a key component of social security, have been adjusted several times in recent years. In 2024, the total contribution rate for employees under 55 years is 37% of monthly income, with 20% paid by the employee and 17% by the employer (but only up to a salary of currently 6,000 SGD, approximately 4,800 EUR, which is the monthly salary cap for CPF contributions—equivalent to Germany's contribution assessment ceiling). This cap will be gradually increased to 8,000 SGD (approximately 5,500 EUR) by 2026.

Additionally, since April 1, 2019, the Employment Act in Singapore now covers all employees, including managers and executives with a monthly base salary of more than 4,500 SGD (approximately 3,100 EUR). The Employment Act is the primary labor law in Singapore, governing fundamental working conditions and rights, including minimum wages, working hours, overtime pay, annual leave, sick leave, and protection against wrongful dismissal. Notably, regulations against constructive dismissal have been introduced, allowing employees to make claims if they are forced to resign due to intolerable working conditions. Employers must ensure that their contracts and internal policies comply with these legal requirements to avoid potential legal issues.
A tax disadvantage in Singapore compared to Hong Kong is that all income earned by a company based in Singapore is generally taxable there, regardless of where the income is generated. This could lead to tax liabilities for the hub, especially if regional purchase contracts are handled through a hub in Singapore. This comprehensive tax liability can reduce Singapore's attractiveness as a location for such activities, particularly compared to Hong Kong, where certain foreign income can still be tax-free under certain conditions if economic substance is demonstrated and revenues do not end up in Hong Kong accounts. However, tax exemption conditions in Hong Kong have also recently been significantly tightened under OECD pressure.

Additionally, Singapore has concluded a large number of double taxation agreements (about 100, compared to Hong Kong: about 50, Germany: about 90), which reduces the risk of double taxation but does not always eliminate it.
The corporate tax rate is generally 17%. However, there are various tax incentives for investments.
The Workplace Safety and Health (WSH) Act requires employers to take preventive measures to promote mental health and ensure that the workplace is free from harassment.
Furthermore, new regulations to promote work-life balance through formalized remote work arrangements have been introduced.
Additionally, as of January 1, 2024, the government-funded paternity leave in Singapore will be extended from two to four weeks. Unpaid parental leave, which can be used for the care of young children, will be increased from six to twelve days per year. These measures are part of a broader initiative to improve workplace family friendliness, aimed at promoting work-life balance and increasing fathers' involvement in childcare.
Moreover, measures have been introduced to close the gender pay gap. The Gender Pay Equity Act 2024 requires companies to ensure pay equality and eliminate pay discrimination.
These extensive legal changes and adjustments in labor law in Singapore have significant impacts on the cost structure and operational strategy of companies. They need to factor these elements into their location choice and personnel strategies to comply with legal requirements and mitigate associated risks.

2. Hong Kong

The autonomous Special Administrative Region of Hong Kong is located in southern China and has approximately 8 million inhabitants. Its GDP per capita is around USD 49,000, comparable to Germany. Due to its proximity to the Chinese market, Hong Kong has long been considered a

gateway for business in Asia and remains one of the key economic hubs.
The standard of living is high, and the population has a good level of education and good English proficiency. Corruption is minimal in Hong Kong.
Hong Kong boasts an excellent local infrastructure and offers quick flight connections to all parts of Asia, particularly to China.
The conditions for internationally oriented companies are favorable, and communication with authorities is swift and straightforward.

One of Hong Kong's major advantages lies in its tax regime. Profits generated entirely outside of Hong Kong are generally not subject to tax in Hong Kong, provided that the income qualifies as passive and is not attributable to assets or properties (see Section 14 (1) of the Inland Revenue Ordinance and the latest amendments under the FSIE Regime, Inland Revenue (Amendment) Ordinance 2024). Passive income includes, in particular, interest, income from intellectual property (IP), dividends, and capital gains from shares or equity interests. Since January 1, 2024, the FSIE Regime also includes capital gains from non-equity assets. These regulations were adjusted to meet international standards and clarify tax exemptions for certain passive incomes. The changes mainly affect the income of MNEs and require proof of economic substance in Hong Kong to benefit from tax exemptions.

The introduction of the global minimum tax (BEPS 2.0 - Pillar 2) could impact the attractiveness of offshore regimes in Hong Kong. This initiative aims to ensure that income earned in low-tax jurisdictions is taxed in other jurisdictions if it is not adequately taxed there. From 2025, Hong Kong will introduce the Minimum Top-up Tax (HKMTT), which will impose an additional minimum tax if the effective tax burden of an MNE in Hong Kong is below the global minimum tax rate. This regulation is intended to ensure that MNEs pay a minimum level of tax, even if they benefit from tax advantages in other countries. The HKMTT will apply to all corporate entities in Hong Kong and requires precise compliance with tax obligations.
The corporate tax rate in Hong Kong is generally 16.5%, but the effective tax burden can be lower due to tax benefits.

Another advantage of Hong Kong is its geographic proximity to China. China, as the world's second-largest economy with a market of 1.4 billion people, has substantial potential and demand for high-tech goods, from which Hong Kong, as a direct neighbour and free port, benefits greatly. The flow of capital is not one-way; China also invests its vast foreign exchange reserves increasingly in Europe, especially in Germany, and these transactions are often routed through Hong Kong.
Geographically, it is important to note that China can be reached by land from Hong Kong in 45 minutes. Directly behind the border is Shenzhen, a city that has experienced rapid development over the last 20 years, transforming from a sleepy town of 200,000 inhabitants to the richest city in China with over 15 million residents.
From Hong Kong, all major cities in China, such as Beijing, Shanghai, Chengdu, etc., can be reached within three hours by plane.
Additionally, the Chinese government is trying to boost international trade by developing Hong Kong into an RMB trading center. For a company in Hong Kong, this means that it is relatively easy to make payments in RMB to China or receive payments from China without having to first convert them into a foreign currency. Once the money is in a Hong Kong bank account, it can be freely converted into any major currency (USD, EUR, AUD, HKD, GBP, CHF) and transferred to other countries without restrictions.

However, the geographic and political proximity to China also carries risks. In recent years, there has been a noticeable increase in efforts by the Chinese government to extend its influence in Hong Kong. A central aspect of this is the National Security Law introduced in July 2020, which has profound implications for the legal framework and business environment in Hong Kong and also allows for extraditions to China. There are significant concerns regarding impacts on press freedom, free exchange of information, and data security. This legislation has led to a highly regulated environment, increasing risks for businesses, especially concerning compliance and the protection of business information. Over the long term, the growing influence of China in Hong Kong and associated systemic risks could become a significant disadvantage for Hong Kong as a business location, which should be considered in location decisions. Nevertheless, Hong Kong remains an attractive location due to its proximity to China.

Furthermore, Hong Kong has introduced extensive tax incentives for companies investing in research and development (R&D). These measures aim to establish Hong Kong as a leading hub for innovation. Specifically, companies can receive a tax concession of up to 300% for the first 2 million HKD of qualifying R&D expenses. For expenses beyond this amount, the deduction is 200%. These incentives are part of an expanded tax deduction regime introduced in 2018 to encourage investment in research and development. The 300% tax concession applies to qualifying R&D expenses, such as costs for employees and consumables incurred internally in Hong Kong for qualifying R&D activities. For all other qualifying expenses, a tax deduction of 200% is granted. This means that for every 1 HKD spent on R&D, companies can deduct 3 HKD from their taxable income. This increased deduction exceeds the actual expenses and serves as an incentive for companies to invest more in R&D. The incentives apply to both small and medium-sized enterprises (SMEs) and large multinational corporations operating in Hong Kong. They cover a broad range of R&D activities, including basic research, applied research, and experimental development.

Additionally, new tax incentives for green bonds and sustainable financing projects have been introduced in Hong Kong. These initiatives provide tax benefits for companies investing in projects that support environmentally sustainable practices, such as renewable energy, energy efficiency, and green buildings. Tax concessions for green bonds also facilitate the financing of such projects.

3. Bangkok

Although Bangkok currently does not match Singapore and Hong Kong in terms of economic development and living standards (with Thailand's GDP per capita around USD 6,900, and Bangkok's being somewhat higher), the Thai capital offers an attractive and dynamic alternative as a hub location.
With around 9 million inhabitants in the city area and about 17 million in the metropolitan region (Thailand's total population is approximately 71 million), Bangkok has a significantly larger population compared to Hong Kong or Singapore.

The standard of living in Bangkok can vary significantly between districts but is close to Western standards in central areas.

A major advantage of Bangkok over Singapore and Hong Kong is the significantly lower cost of living. Generally, costs are 30 to 50% lower compared to Singapore or Hong Kong. While affordable office space in central locations is scarce in Singapore or Hong Kong, Bangkok offers such facilities at much more attractive rates.
Personnel costs and service expenses are also significantly lower, leading to substantial savings.
Due to its size and attractiveness as a location, Bangkok can draw from a large pool of employees. While work ethic is generally high, a common issue is the relatively low threshold for employees to change jobs for modest salary increases. Additionally, the educational level and English proficiency of employees in Bangkok are not as high as in Singapore or Hong Kong. Although basic English is usually spoken, it is not always fluent. However, it is possible to find employees with solid English skills, though proficiency in other foreign languages is less common.

Another benefit of Bangkok is its central location in Southeast Asia. Singapore and Hong Kong can be reached quickly within 2-3 hours by plane. Additionally, there are excellent flight connections to all major cities in China, as well as to India, Japan, and South Korea. As the second-largest economy in the ASEAN region, Thailand maintains close trade relationships with all neighboring countries and represents one of the key local markets.
The local infrastructure is generally good, but compared to Singapore or Hong Kong, efficiency may be compromised due to longer commute times caused by traffic congestion.
Although Thailand has a well-organized network of authorities, interacting with local officials is more challenging compared to Singapore or Hong Kong, and longer processing times should be anticipated. Local expertise is essential for successful communication. Corruption does exist, but it is not necessary for successful business establishment, and participation in it is strongly discouraged.

Political relations with both the Western world and China are considered stable, reducing geopolitical risks compared to Hong Kong.

Centralized management of businesses in other markets is possible from Bangkok, but the conditions for internationally oriented companies are not as advanced as in Singapore or Hong Kong. However, there are advantages for production-oriented sectors due to significantly more available space compared to Singapore and Hong Kong.
Thai labor law has comparable termination provisions to Germany or Singapore, but dismissals are generally more flexible. Most terminations require legally mandated severance payments, which are based on the length of service (graduated, up to a maximum salary of the last 400 days after 20 years of service). Provided there are valid reasons (e.g., operational), terminating employees is generally unproblematic within 1-2 months.
Employer-paid social security contributions are lower compared to Singapore and Hong Kong, which further reduces personnel costs. The employer's contribution to social security is 5% of the monthly salary, with a contribution ceiling of 15,000 baht (approximately 380 EUR), which is relatively low.

Company formation in Thailand (except for genuine U.S. firms) is relatively strictly regulated by the Foreign Business Act. In many sectors, business activities require prior approval or permission from the Board of Investment (BOI), which necessitates budgeting for associated costs and bureaucratic processes.
From a tax perspective, Thailand is no longer considered a low-tax country, but the tax burden is still moderate compared to the international average. The corporate tax rate is generally 20%. However, small and medium-sized enterprises (SMEs) with registered capital not exceeding 5 million THB (approximately 129,000 EUR) and revenues from sales or services not exceeding 30 million THB (approximately 775,000 EUR) in the period benefit from a tiered tax rate. This rate is 0% for taxable income up to 300,000 THB (approximately 7,700 EUR), 15% for taxable income from 300,001 THB to 3 million THB (approximately 77,500 EUR), and 20% for income above this threshold.

Additionally, the Thai Board of Investment (BOI) regularly provides subsidies to promote (foreign) investments. Meeting the conditions can lead to further investment incentives, such as tax holidays of up to 8 years, the right to land ownership for foreign companies, and exemptions or reductions in import duties on machinery and raw materials. Companies also benefit from streamlined work permits and visas for foreign employees and the possibility of 100% foreign ownership in certain sectors.

IV. Summary

Establishing a hub in Asia to centrally manage and coordinate activities for the companies operating there can create significant synergies. However, it is important to consider that such an establishment involves time and costs, regardless of the office location.
For any company operating internationally, setting up a regional hub is almost a necessity to achieve synergies through concentration, centralization, and organization, and to exchange ideas, values, people, and knowledge to fully utilize the company's resources. Singapore, Hong Kong, and Bangkok are particularly suited for this purpose.
Singapore may have an advantage in terms of its more European-influenced lifestyle and culture, which can make adaptation easier. Additionally, Singapore has a lower exposure to the geopolitical risks associated with the Chinese market. Moreover, employees in Singapore generally have better English proficiency and slightly higher educational standards compared to Hong Kong. If a company intends to focus more on Southeast Asian markets (e.g., India), Singapore might be preferred over Hong Kong.
On the other hand, Hong Kong's proximity to the Chinese market can also offer advantages, and its larger population (Hong Kong has about 8 million, Singapore around 6 million) suggests a broader labor market. Given the immense flow of money and goods through Hong Kong into and out of China, there are strong arguments for choosing Hong Kong as a location if a company wants to be directly at the "pulse" of these flows, despite Hong Kong now being one of the most expensive cities in the world for office and housing rents. It is also worth noting that China has three times as many inhabitants as the rest of Asia (excluding India) combined. Choosing Hong Kong as an investment location, however, inevitably comes with increased geopolitical risks concerning China.
Bangkok, on the other hand, can be particularly appealing due to significantly lower costs in personnel and services, as well as lower rental prices. Despite these lower costs, an efficient hub can still be established, benefiting from a large pool of workers, relatively modern infrastructure, and

excellent transportation connections to all relevant Asian markets. Disadvantages related to more complex regulatory structures and conditions for establishing a business can be mitigated with appropriate local expertise.

Considering the size of the Asian economy and its potential now and in the future, it is likely that establishing a hub in Bangkok, Hong Kong, or Singapore will be essential.

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