

Japan

Interview with Masashi Nakazono, Director General JETRO Geneva: “Swiss products have great advantages”

Compiled by:

Switzerland Global Enterprise

February 2016

How can Japan get out of its current economic stagnation?

I am quite optimistic about the Japanese economy. With the strong leadership of Prime Minister Abe, The Japanese Government has been promoting a “Three arrows” strategy, consisting of three policies; quantitative and qualitative monetary easing (QQME), increasing public finance to revitalize Japanese economy and the introduction of a Growth Strategy to promote private investment.

Especially, the Growth Strategy is the priority. This strategy is to accelerate the innovation and deregulation in the field of newly emerging areas such as 4th industrial revolution. The results are steadily coming out. The NIKKEI Index is record high in these 20 years, so are companies' profits. The unemployment rate is also record low of 3.3%. These means the positive economic cycle is circulating properly.

Yes, it is true that, recently, we have seen the sharp drop in the NIKKEI Index and the increased value of JPY. These are mainly due to the slowdown of the Chinese economy and the decline in oil price. But, in my view, it is within the range of normal fluctuation of the economy. More importantly, the Bank of Japan swiftly introduced the negative interest rate to respond the situation. This clearly shows Japan's strong determination to move forward, never coming back to the era of 1990', namely “Lost 20 years”.

Will the Japanese economy further open up to foreign goods and service providers (including the Swiss) in the next few years?

Yes, I can guarantee. Foreign goods, services and investment are the most welcome. They not only directly contribute to the economic growth and employment, but also stimulate Japanese companies by introducing new technologies, business models and know-hows. These will surely lead to the increase in efficiency of Japanese companies and will change their old ways of doing business.

With respect to investment, the government committed to expand FDI to 300 billion USD (stock) by 2020 from 200 billion USD in 2014. In order to achieve this ambitious target, various structural reforms are now on the way. The corporate tax rate will be reduced to 29.97% in 2016 and further reduction will follow. The complicated procedure of setting up companies by foreign nationals is being replaced with much simpler one, and so is the immigration system.

In addition, the government is promoting Free Trade Agreements (FTA) with other countries and regions. The Free Trade and Economic Partnership Agreement (FTEPA) with Switzerland came into effect in 2009, removing major trade barriers between these two countries. The Trans-Pacific Partnership (TPP) was signed last month and the FTA with EU is very close to the agreement. This extensive FTA network will promote the mutual flow of trade and investment between Japan and the rest of the world.

Bringing all these things together, we are expecting more increased presence of foreign products, service and companies in Japan in next few years.

What are the biggest challenges facing Swiss exporters who want to expand into Japan?

The FTEPA between Switzerland and Japan came into effect in 2009. In most sectors, Swiss products and services can easily access the Japanese market without custom and additional regulations. There are no obstacles for Swiss exporters, at least in the field of customs and legal systems.

But in reality, there are some challenges. According to the survey conducted by the Ministry of Economy, Trade and Industry, one of the biggest challenges is the communication. In Japan, unlike other markets, it is not always easy to communicate in English, especially in case with SMEs. The traditional business culture would also be a challenge for Swiss exporters. In Japan, some private sectors have developed their own business cultures. Sometimes they are not transparent enough and not easy to understand for Swiss companies. The government and private sectors are now taking various actions to strengthen communication skills as well as to make business cultures transparent. The situation is rapidly improving, so I am sure that these things will no longer be issues in near future.

Where are the best business opportunities for Swiss companies in Japan to be found?

Opportunities are everywhere. Japanese consumers care much about the quality. They are willing to pay the premium if the products and services have good values for money. In that sense, Swiss products have great advantages. We recognize Switzerland itself is the brand and trust Swiss products with their high quality.

One thing I would like to highlight is the growing number of foreign tourists in Japan. In 2015, 19.7 million tourists visited Japan, up 43% compared to the previous year. Their economic effect in 2015 amounts to 30 billion USD. This trend will continue toward the year 2020 when Tokyo Olympic Game is held, creating great business chances for Swiss companies. Some companies are already catching this wave. For instance, some Swiss watch companies are closing their shops in Hong Kong, moving onto Tokyo, and, there, they are opening new shops, targeting at Chinese tourists.

Looking at the investment environment, Japan is also an attractive destination. It is the 3rd largest economy in the world with huge domestic market, accumulation of innovative technologies, skilled

professionals and well-maintained infrastructure. Geographically, Japan can be a gateway to the Asian market. Even though Switzerland is already the 6th biggest country in the field of FDI in Japan, I would like to see further increase from Switzerland.

Does the preparatory work for the Summer Olympics in Tokyo in 2020 also offer attractive business opportunities for Swiss companies?

The last Tokyo Olympic Game was held in 1964, more than 50 years ago. That event was a great stepping-stone for Japan to achieve high economic growth, so called "Japan's Miracle". In preparation for the Olympic, huge investments were made in infrastructure such as high-speed railways and motorways. A colour TV broadcasting had begun, that triggered the spread of colour televisions to each household. The event drastically changed our lives.

We are expecting a drastic change again. Toward 2020, we will bring all the wisdom and the latest technologies together to create a truly attractive and sophisticated society. In that sense, The Tokyo Olympic Game 2020 will be another stepping-stone to pioneer the future of Japan.

Taking the Tokyo Olympic Game 2020 as momentum, the government will accelerate innovation and reforms. As a part of its actions, it decided to implement several large projects in the fields of transportation, energy/environment, robotics-technologies, medical service, tourism and FDI, in addition to the constructions of a new Olympic stadium and other sports facilities. These projects are of course open to foreign companies. So I hope Swiss companies make the best use of this great opportunity.