

EXPORT STUDY 2019: MATURE MARKETS



OFFICIAL PROGRAM

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SUMMARY

SWITZERLAND

Swiss industry is reaping the benefits of dynamic growth abroad. In the last twenty years, foreign trade figures have skyrocketed, with one important success factor being quality. “Made in Switzerland” has established itself and stands for exclusivity, tradition and the latest technology: the right strategy for low-resource, high-wage Switzerland if it is to survive in the face of international competition. The Eurozone is by far the most important export market for Switzerland, followed by the USA. These highly-developed, industrialized countries are also referred to as “mature markets”, and around three out of four Swiss export francs are made through trade with these markets.

But which sectors harbor potential and how can Swiss companies operate successfully in mature markets? Answers to these questions are revealed in this study, which focuses on the countries Germany, USA, France, Canada and Japan.

GERMANY

Germany is Switzerland’s most important trading partner in every respect. The automotive industry plays a very important role, with its Swiss suppliers from the mechanical, electrical engineering and metal industry (MEM), and the pharmaceutical industry is likewise significant. Both sectors achieved a trading volume of over 12 billion Swiss francs in Germany in 2018. As all niches in the German market are already occupied, Swiss exporters must position themselves clearly and highlight their unique selling points. Price is also decisive for success.

USA

The USA is a growth driver and source of stimuli for Swiss foreign trade. Export turnover amounts to 38 billion francs, making the USA the country’s second most important sales market. For Swiss manufacturers of medicines and medical devices in particular, the USA is one of the core sales markets with growth rates well above 10% per year. Manufacturers of precision instruments are also among the beneficiaries. One decisive factor is digitization, especially in the areas of fintech and life sciences.

FRANCE

France has the third-largest export volume with over 14 billion Swiss francs. The biggest suppliers are producers of pharmaceuticals, as well as the local chemical industry and automotive suppliers. Exporting to France requires its own concepts. The market is saturated and cooperation with a distribution partner is recommended. The country has numerous regulations of its own and EU regulations are not necessarily valid.

CANADA

Although Canada plays a modest role in Swiss foreign trade today, this could change rapidly if the current growth trend continues. Pharmaceutical exports dominate in foreign trade with Canada, fostered by its comprehensive and advanced healthcare system, as well as by its relatively high prosperity. Exporters are well advised to take account of the country’s sheer size and to focus any market entry on one region to begin with.

JAPAN

The Japanese economy is characterized by a relatively strong currency, low inflation and an ageing population. The annual growth of Swiss exports to the East Asian country is slightly below average, but the trend is rising. The aging population is likely the main reason why half of exports come from the pharmaceutical and med-tech industries, although exports from the MEM and watchmaking industries are also significant. Japan is an extremely modern market and Swiss solutions in the areas of fintech, IT, life science, and medical technology are in high demand accordingly.



SWITZERLAND AS AN EXPORTING NATION

STRONG EXPORT ECONOMY DESPITE CRISES AND CURRENCY TURBULENCE

Industry is one of the cornerstones of the Swiss economy and a strong driver for growth. More than one fifth of the total economic output is generated in this sector – and the trend is growing. For employment, however, the trend is in the opposite direction: Whereas 800,000 people were employed in industry at the beginning of the 1990s, today the figure is only around 625,000. This decline in employment shows how strongly globalization and the resulting competitive pressure are forcing companies to constantly improve and automate their processes in order to maintain their competitiveness. Swiss industry grows particularly strongly in good economic times, as it benefits not only from domestic demand but also – and most significantly – from growth momentum abroad. Conversely, industry – and thus also foreign trade – also suffers more severely from economic downturns or strong appreciation surges in the Swiss franc, which were most recently observed during the global economic crisis of 2009 and the Swiss franc shock in 2015.

HIGH EXPORT INTENSITY

In the last twenty years, foreign trade figures have skyrocketed. In 2018, Switzerland exported goods worth 233 billion Swiss francs. Since goods amounting to only 202 billion Swiss francs were imported during the same period, there was a substantial surplus of around 31 billion Swiss francs. This has not always been the case, though: At the turn of the millennium, for example, Switzerland recorded a trade balance deficit. Adding in exports of services in addition to goods, the balance sheet is even more impressive. Swiss exports account for around two thirds of total economic output, measured by gross domestic product. In this respect, Switzerland is far ahead among the industrialized nations; only the Benelux countries are even more economically integrated with foreign markets.

TWO-THIRDS OF EXPORT GROWTH IN MATURE MARKETS

The Eurozone is by far the most important trade partner for Switzerland: Slightly less than half of all exports and over 60% of imports are attributable to the countries in the monetary union. The USA comes in second place with around 16%, while Japan and Canada account for 3.3% and 1.6% of total exports. All these countries – and a few others – can be described as “mature markets”. In general, mature markets are characterized by the fact that these economies have been trading with each other for many years and their trading partners are developed industrialized nations. Export growth in mature markets tends to be slower, as a large part of the basic demand for goods and services is already covered. Nevertheless, around three out of four Swiss export francs are made through trade with these markets, and despite somewhat slower economic growth, mature markets have been the main drivers of Switzerland’s foreign trade growth due to their sheer size. Since the global economic crisis of 2009, two thirds of export growth has been attributable to mature markets. This is all the more remarkable since the Eurozone – the most important trading partner among the mature markets – was still in crisis years later.

Exports in relation to the overall economy (GDP)

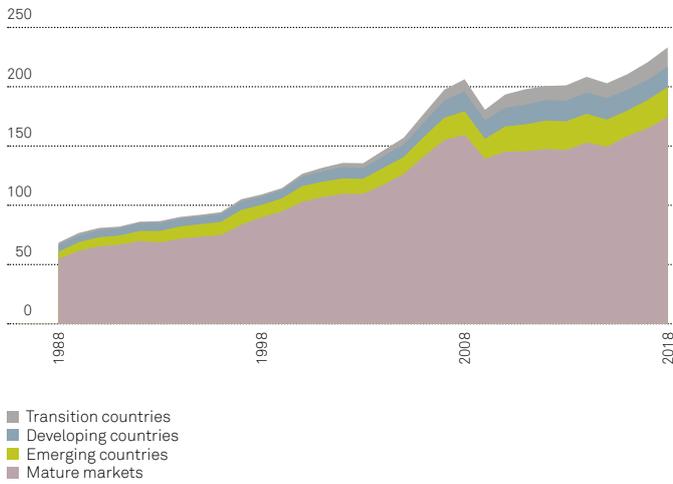
In%, as of: 2018

Luxembourg	230,0
Netherlands	86,5
Belgium	85,1
Switzerland	65,0
Denmark	55,2
Austria	53,9
Germany	47,2
Iceland	47,0
Sweden	45,3
EU	44,7
Portugal	43,1
Finland	38,6
World	37,0
Norway	35,5
Greece	33,2
Italy	31,3
Canada	30,9
France	30,9
UK	30,5
Australia	21,3
China	19,8
India	19,0
USA	11,9

Source: World Bank, Credit Suisse

Swiss exports by market type

In billions of francs



Source: Swiss Federal Customs Administration, Credit Suisse

SUPERIOR IN TERMS OF QUALITY

The quality of Swiss goods exports is often highlighted as one of their greatest success factors. “Made in Switzerland” is well established as a seal of excellence, representing quality, exclusivity, tradition, and the latest technology. As a high-wage country with few raw materials, Switzerland has hardly any alternative to specializing in high-quality and high-tech products in the face of international competition. It is therefore not surprising that most companies in the export industry compete primarily on the basis of quality. According to estimates by Credit Suisse, the share of export goods that offer a quality advantage is highest in the pharmaceutical, medical technology, watch and precision instrument sectors at between 90 and 100%. However, exporters of machinery, electrical engineering components and foodstuffs, as well as producers of chemicals, also compete primarily on the basis of quality.



GERMANY

83

Population in millions

3'700

GDP in billions
of Swiss francs (2017)

43,1

Swiss exports in billions
of Swiss francs (2018)

SUPPLIERS TO THE GERMAN AUTOMOTIVE INDUSTRY

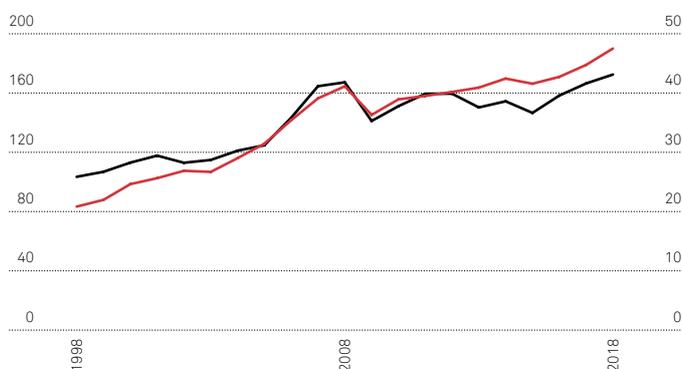
Germany is Switzerland's most important trading partner by far: Over a quarter of all imports come from our northern neighbor, and almost a fifth of Swiss exports are destined for German customers. By way of comparison: The federal states bordering Switzerland alone, namely Baden-Württemberg and Bavaria, import twice as many Swiss products as China. The strong economic integration with the southern federal states is due, not least, to the German automotive industry's trade with Swiss suppliers from the mechanical, electrical engineering and metal industry (MEM). According to estimates by the University of Zurich, turnover among Swiss automotive suppliers amounted to around 12.3 billion francs in 2018, the majority of which came from exports.

SETBACKS DURING THE SWISS FRANC'S APPRECIATION PHASE

Growth in exports to Germany has remained solid over the last 20 years at 2.6% annually. When compared to the development with Switzerland's other trade partners (4.2% growth per year), however, the figure is lower. In fact, export growth was weak or even negative, most significantly in the years of the euro crisis and in 2015 – the year of the Swiss franc shock. During the boom years, however, exports to Germany grew more quickly than those to other export destinations.

Swiss exports by destination

In billions of francs



— Exports excluding Germany
— Exports to Germany (right-hand axis)

Source: Swiss Federal Customs Administration, Credit Suisse

MORE PHARMACEUTICAL PRODUCTS ARE EXPORTED THAN IMPORTED

Of similar significance is the trade volume of the pharmaceutical industry. This accounts for 12.5 billion francs' worth of exports and 8.5 billion francs' worth of imports every year. Consequently, Switzerland has a large trade surplus of 4 billion francs with Germany for pharmaceutical products. Nevertheless, it is one of the few industries where this is the case. Machines, automobiles, chemical products and metal products are all imported in greater quantities than they are exported, and in most other industries the trade balance is negative too. The trade balance deficit with our northern

neighbor is nothing new: For 20 years we have been importing more than we export, whereby the deficit has become smaller since the global economic crisis in 2009.

VIRTUALLY ALL BRANCHES OF INDUSTRY HAVE SEEN INCREASES IN THEIR EXPORTS TO GERMANY

Swiss exports to Germany have developed with very varying levels of dynamism over the past few years. Exports of pharmaceuticals to Germany grew over the last 20 years by an average of around 9%. Measured in francs too, the growth was strong: half a billion francs of additional exports each year. Among most other goods, growth was between 1 and 4%. Only exports of chemical products stagnated more or less, while those of the paper and printing industry suffered from a structural decline due to tough price competition.

Annual growth in exports to Germany

By sector, in%, 1998–2018

Pharmaceuticals	9%
Medical technology	5%
Textiles and clothing	4%
Precision instruments	4%
Foodstuffs	3%
Vehicle construction	3%
Watches	2%
Plastics	2%
Metal	1%
Electrical engineering	1%
Electronics	1%
Mechanical engineering	0%
Chemicals	0%
Paper and printing	-4%

Source: Swiss Federal Customs Administration, Credit Suisse

OUTLOOK

In spite of the current phase of weakness in the crucial German automotive industry, Swiss exports to Germany may grow further over the coming years, albeit at a slightly slower pace than in the past two years. Exports of pharmaceuticals, which are significant in terms of volume, are less susceptible to economic lows in recipient countries and therefore have a stabilizing effect on development. For the next five years, economic growth in Germany is expected to be around 1% annually, which is below the long-term average. Furthermore, Credit Suisse is forecasting a slight devaluation in the franc against the euro. The latter is significantly undervalued, according to model calculations, which is due to prolonged political tensions. One current uncertainty is the lack of clarity with regard to Switzerland's future relations with the EU.

PRACTICAL TIPS FOR LONG-TERM SUCCESS IN GERMANY

1. Establish a pricing strategy

The German market is driven by strong competition and niches are already occupied. A clear positioning of the product and highlighting of its unique selling points are therefore particularly important. Price is crucial to success, since German customers are very price-sensitive, but the exchange rate means that Swiss products and services are often automatically 20 to 30% more expensive than offerings from competitors. Swiss quality is often no longer an adequate sales argument – a major customer benefit is far more important. Adapting pricing strategies and pricing models for the German market may well pay off.

2. Exploit cultural and economic proximity as an advantage

Virtually no other country is as close to Switzerland as Germany, not only in geographical terms, but also with regard to language and culture. The entry barriers are low and channels are generally short, so the market is ideally suited to first-time exporters. Despite this proximity, in-depth market and competition analysis must form the basis for any export business. In addition, the economic relations between Switzerland and Germany simplify exports – hence Swiss conformity assessments are valid in Germany for a number of product categories – but precise clarification in this regard is nonetheless worthwhile. After all, alongside this mutual recognition, exporters of certain products must take account of and comply with specific rules, certifications or registrations.

3. Register your brand

For Germany, it may pay off to protect your own brand. This minimizes the risk of being copied and underpins a long-term strategy in the target country. Both goods and services can be protected in Germany, and in 2018 alone, more than 26,000 foreign patent and brand registrations were submitted to the German Patent and Trademark Office.

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USA

326

Population in millions

19'600

GDP in billions
of Swiss francs (2017)

37,9

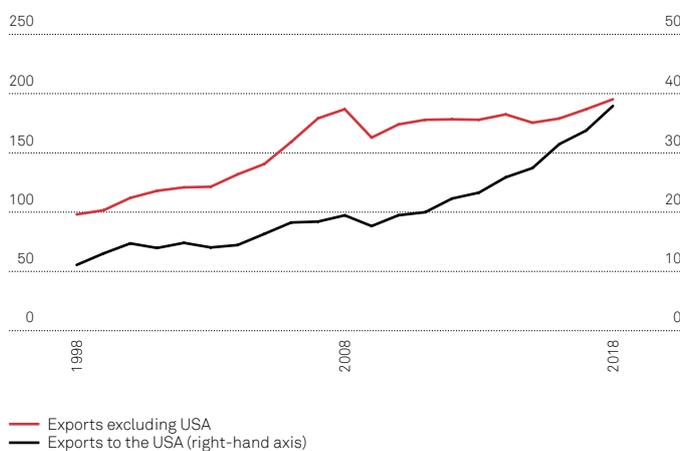
Swiss exports in billions
of Swiss francs (2018)

THE USA AS AN IMPORTS ENGINE

With 38 billion francs in export sales, the USA is the second most important sales market for Swiss exporters. In 2018 one in every six francs earned in the export sector was thanks to the USA. With an annual increase in export sales of more than 6%, the USA has also been the most significant growth driver for Swiss trade in the last 20 years. Over the last few years, this dynamism has intensified even further and the volume of Swiss exports to the United States has doubled over the last decade since 2009 – in spite of the economic crisis. At the same time, Swiss traders are also benefitting from the US dollar's increase in value against the franc since 2011, which has made our products more affordable to American buyers.

Swiss exports by destination

In billions of francs



Source: Swiss Federal Customs Administration, Credit Suisse

PHARMACEUTICALS AND MEDICAL TECHNOLOGY MAKE UP TWO-THIRDS OF EXPORTS TO THE USA

For many Swiss manufacturers of pharmaceuticals and medical equipment, the USA is among the core sales markets, with around a quarter of industry exports sold there. At two thirds, their share of Switzerland's trade in goods with the USA is also extremely high. In comparison with other trade partners, the USA is more lucrative for pharmaceutical manufacturers in particular, since drug prices are less strictly regulated and the margins are correspondingly higher than in large parts of Europe, for example. Export growth in these two health-related areas is also correspondingly dynamic, with 15% annual growth in pharmaceuticals and 11% in medical technology, and this is the main reason why the USA has been the most important of the mature markets in setting impulses for Swiss exporters over the last few years. It's also why Switzerland boasts a massively high trade balance surplus with the USA of 25 billion francs.

ONE IN TEN EXPORTED WATCHES GOES TO THE USA

The USA is also an important trade partner for other Swiss sectors too, and its significance is increasing. Hence, exports by manufacturers of precision instruments have risen by an annual rate of 4% over the last two decades to reach 770 million francs. For certain watch-makers too, the USA is one of the most important sales markets. Across the entire industry, one in ten exported watches is sold there.

Annual growth in exports to the USA

Per sector, in%, 1998–2018

Pharmaceuticals	15%
Medical technology	11%
Foodstuffs	10%
Precision instruments	4%
Watches	3%
Plastics	3%
Electrical engineering	3%
Chemicals	1%
Metal	1%
Vehicle construction	1%
Mechanical engineering	1%
Electronics	1%
Textiles and clothing	-3%
Paper and printing	-4%

Source: Swiss Federal Customs Administration, Credit Suisse

OUTLOOK

Unlike in European and Asian industry, there was no noticeable slowdown in the American economy towards the end of 2018. Since the demand for goods in the healthcare system generally reacts less sensitively than other areas, the growth in Swiss exports to the USA may be affected more by (healthcare) policy decision-making rather than by economic fluctuations, at least in these sectors.

PRACTICAL TIPS FOR LONG-TERM SUCCESS IN THE USA

1. Think digitally as a company

In the USA, companies need digital business models, particularly in the areas of fintech and life sciences. In many regards, the United States has been the epicenter of the fintech boom. Fintech companies know how to appear as pioneers in the improvement and further development of “tools” in the banking and finance sector, of which many stem from Swiss ideas. Countless start-ups offer solutions for payments and transfers, as well as financial management for individuals and companies, including “robot consultants”, which are already taking over certain functions from traditional asset managers. In the USA, the opportunities are there, but the competitive pressure is concurrently high. In the “telehealth” sector, where technological innovations make it possible for medical advice to be provided via video calls or for patients to be monitored remotely, opportunities arise for Swiss companies. Something that’s noticeable on a day-to-day basis is digitization in e-commerce, with the result that the USA now processes 10% of all consumer goods via online trade – and that figure is rising. Short delivery times (from just a few hours to one working day) are standard for conurbations in the USA. E-commerce is now equally important as a sales channel in both the business-to-customer and business-to-business segments.

2. Set a focus

The USA still has the world’s highest GDP and in geographical terms is 238 times the size of Switzerland – with the sort of striking differences in regions, cultures and individual requirements that you might expect. It is therefore all the more important for Swiss companies to focus on a specific niche and, at least initially, a particular region, and then to expand out from there in a second phase of development. Local staff on the ground can help companies to act quickly and to address the needs of the market and specific product requirements with awareness. A lack of focus or the stamina to take on the world’s biggest market with its correspondingly intense competition, and underestimating the differences between Swiss and US regulations are frequent problems Swiss companies encounter in the USA.

3. Know the legal frameworks

A nuanced and in-depth understanding of local laws is crucial to success. Foodstuffs and pharmaceuticals, for example, must meet the requirements of the Food and Drug Administration if they are to be exported and sold in the USA, while suppliers of products that function wirelessly will need to be familiar with the specifications of the Federal Communications Commission. Americans like doing business with other Americans, so lots of companies choose to set up their own branch locally and thus to become an American company with European roots. So as not to have to tackle provisions for taxation, employment law and insurance protection alone, Swiss companies are well advised to work with an American lawyer before establishing their presence.

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FRANCE

67

Population in millions

2'600

GDP in billions
of Swiss francs (2017)

14,7

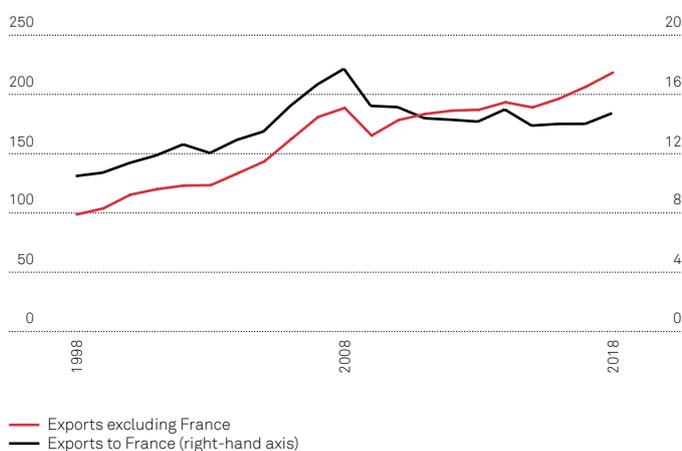
Swiss exports in billions
of Swiss francs (2018)

ALMOST NO EXPORT GROWTH DURING THE EURO CRISIS

After Germany and the USA, France is the third-biggest market for the Swiss export sector with a share of 14.7 billion francs of the country's export volume – although this only corresponds to one third of the exports destined for Germany. Since the economic crisis ten years ago, there has been a downward trend in goods exports to France, and only in 2014 – the year before the Swiss franc shock – and 2018 did export sales rise notably. For exporters in the MEM industry and for chemical manufacturers, France has been tough place to do business over the last ten years. Goods exports fell annually by an average of 2%, while in difficult years like 2015 the fall was even greater.

Swiss exports by destination

In billions of francs



Source: Swiss Federal Customs Administration, Credit Suisse

IMPORTANT MARKET FOR CHEMICALS MANUFACTURERS

Switzerland's most important suppliers to the French economy are producers of pharmaceuticals, which make up one fifth of all exports to the country. In comparison with other trade partners, another figure that stands out – despite a downward trend – is the still significant export volume of the local chemicals industry. In 2018 Swiss chemical producers exported 1.3 billion francs' worth of goods to France, which corresponds to one tenth of the total exports. The French buy pesticides, first and foremost, as well as semi-finished products for perfumes and cosmetics, such as essential oils and aromatic substances, and these are then later sold in Switzerland (and other countries).

WATCH INDUSTRY SUPPLIES ASIAN TOURISTS IN FRANCE

Among the products recording the greatest growth over the last 20 years are semi-finished products for the French automotive industry, which amounted to 680 million francs in 2018. A similar figure was recorded for exports of coffee and tea to France, since these have risen sharply since the successful marketing of coffee capsules. For the Swiss watch industry too, France is not to be neglected as a sales market, having seen consistent growth.

The demand for Swiss watches, meanwhile, has been spurred on not purely by the French themselves, but rather more by Asian (and particularly Chinese) tourists, who typically buy watches and jewelry when travelling in Europe – be it in Switzerland or France. Correspondingly, watch exports to France fell by twice the rate (-20%) of other markets (-10%) in 2016, when the terror attacks prompted many Asian tourists to holiday away from Europe.

Annual growth in exports to France

By sector, in%, 1998–2018

Foodstuffs	6%
Vehicle construction	5%
Pharmaceuticals	4%
Watches	4%
Medical technology	3%
Precision instruments	0%
Metal	0%
Plastics	0%
Electrical engineering	-2%
Chemicals	-2%
Mechanical engineering	-2%
Electronics	-2%
Textiles and clothing	-3%
Paper and printing	-4%

Source: Swiss Federal Customs Administration, Credit Suisse

OUTLOOK

Over the last few years, the French industrial sector has lagged behind many other countries in its development. With the global slowdown in industrial production over the last few months, there is little reason to assume there might be any change in this trend in the foreseeable future. On the positive side, however, it is clear that a considerable portion of Swiss exports are not destined for French industry, but rather consist of consumer goods. These include, for example, a large proportion of products from the pharmaceutical, foodstuffs, and watch industries, which are all benefiting from a strong upward trend.

PRACTICAL TIPS FOR LONG-TERM SUCCESS IN FRANCE

1. Find sales partners locally

Exports to France require a specific strategy, and concepts for other European countries cannot simply be copied and pasted here. The market is saturated, yet there are opportunities, so Swiss companies should be very clear on the entry possibilities for product placement. Collaboration with a distribution partner is therefore very worthwhile. They will know the local market and its conditions, and will ideally also have a well-developed industry network. In the promising, high-end industrial sectors in particular, such as aviation technology, the automotive industry, shipbuilding, mechanical engineering, and electrical engineering, having an optimal sales partner can really pay off. As a basic rule, it can be said that the more complex a business area might be in France, the more independent the structure should be locally. Depending on their areas of business, companies may therefore need to set up a branch in situ. There are some Swiss experts in France who can provide support here, for example with escrow and in legal matters (such as business law). They are familiar with the Swiss perspective and can provide support tailored to Swiss companies, enabling them to concentrate on the actual business of exporting.

2. Read up on France's own legislation

France may be one of the founder states of the European Union, but the country nevertheless places great emphasis on its own legislation and maintains numerous regulations of its own. After all, EU regulations are intended as a basis and can be adapted according to each country's specific needs. Companies should therefore not assume that EU regulations necessarily apply in France. Indeed, various products, for example in the food industry or in medical technology, must undergo their own process of certification or declaration.

3. Speak French

Knowledge of French is a major advantage in the Grande Nation. This helps to solidify business relationships and to cultivate trust in the French business partner, which is an important factor for success. Nevertheless, Switzerland's multilingualism means this isn't usually a major hurdle for Swiss exporters. On the contrary – it's an advantage having one of Europe's biggest economies on the doorstep and benefitting from the geographic and sometimes linguistic proximity this offers.

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CANADA

37

Population in millions

1'700

GDP in billions
of Swiss francs (2017)

3,7

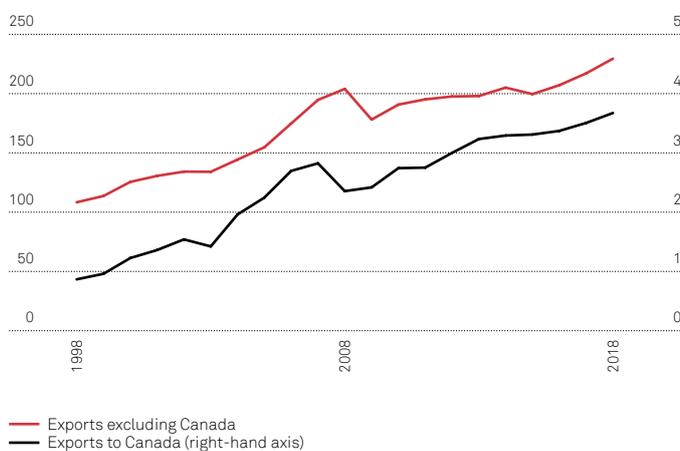
Swiss exports in billions
of Swiss francs (2018)

MODEST TRADE VOLUME BUT HIGHLY DYNAMIC GROWTH

In the official export statistics, there is rarely much comment on Swiss export trade with Canada. With an export volume of 3.7 billion francs, goods trade with this resource-rich country is modest. Canada lies 14th in the rankings of Switzerland's most important trade partners, putting it behind countries like Belgium and Singapore. Nevertheless, if the current growth trend continues, Canada's importance for the Swiss economy is set to grow in future. Between 1998 and 2018, goods exports to the country rose by 7.5% annually. What's more, Canada is one of the few mature markets with which Switzerland has a trade surplus (2 billion francs).

Swiss exports by destination

In billions of francs



Source: Swiss Federal Customs Administration, Credit Suisse

SWISS EXPORTERS BENEFIT FROM CANADIAN HEALTH-CARE SYSTEM

Pharmaceutical exports predominate in foreign trade with Canada, with more than two thirds of sales stemming from this sector. Thanks to its comprehensive and advanced healthcare system, as well as its high level of prosperity, Canada is an attractive sales market for suppliers in health-related industries. Since 1998, Swiss pharmaceutical exports have grown by 13% annually, while producers of medical equipment also saw a rise in export sales of more than 8%. Canadians' high level of prosperity is also reflected in Swiss watch exports, which grew by almost 6% in the same period, meaning they now make up 5% of all exports to Canada.

SWITZERLAND SUPPLIES CANADA'S AUTOMOTIVE INDUSTRY

Canada's automotive industry is one of the ten biggest worldwide and contributes 14 billion francs to the country's GDP every year. The industry imports Swiss products for vehicle construction to the tune of more than one billion francs every year – a figure that has been rising over the last few years at a percentage rate in the high one-digits.

Annual growth in exports to Canada

By sector, in%, 1998–2018

Pharmaceuticals	13%
Foodstuffs	9%
Vehicle construction	8%
Medical technology	8%
Watches	6%
Plastics	3%
Precision instruments	3%
Metal	3%
Electrical engineering	2%
Electronics	0%
Textiles and clothing	-1%
Mechanical engineering	-1%
Paper and printing	-1%
Chemicals	-2%

Source: Swiss Federal Customs Administration, Credit Suisse

OUTLOOK

With its health-related and research-intensive sectors, the Swiss export industry is already well positioned in Canada. A comparison with the size of the economy nevertheless reveals that there is still further growth potential for the Swiss export sector.

PRACTICAL TIPS FOR LONG-TERM SUCCESS IN CANADA

1. Don't ignore the geographical size of the market

Canada is the second-biggest country on Earth after Russia. This is a feature that should be reflected in exporters' strategies, so it makes sense to study the individual provinces when tackling the Canadian market and focusing on one region to start with when entering the market. With the major conurbations of Montreal, Toronto, Calgary, Edmonton and Vancouver, in which three quarters of the population live and work, the number of economically significant cities in Canada is modest, which makes market entry much easier. Given the major distances, logistical challenges are not to be underestimated – although Swiss entrepreneurs are well familiar with federal government structures, bilingualism and cultural differences, which represents an advantage in the Canadian market.

2. Take account of the country's regulations

Although the EFTA states have a free trade agreement with Canada, not all certifications from Switzerland are automatically valid there. Canada has three levels of government: federal, provincial, and municipal (cities), and these often differ from a regulatory perspective. In many industries, this difference also applies to the requirements of the country's southern neighbor, the USA. Often, it makes sense to apply for certification in Canada and the USA simultaneously, as this smoothes the way for access to the two major North American markets. Canada boasts a high level of legal certainty and stability. The rules of play for business are transparent and comprehensible, although it's worth getting legal advice here and there for a targeted strategy.

3. Scoring points for Swiss quality

Canada has a very affluent middle class that values high-quality products and services. Despite an increase in online sales, the country's famous malls remain very popular. As before, price plays an important role, and an innovative product alone is not an adequate sales argument, since Canadians like to buy brands they are familiar with. Premium products are currently also in demand in the business-to-business segment, including for cleantech solutions and industrial machinery. Subsectors such as efficient and sustainable construction and timber construction offer opportunities for Swiss suppliers. For imports of machines and equipment for food processing or the cleantech sector, the Canadian authorities have even created tax incentives. Excellent after-sales services likewise set the right tone, and Swiss exporters can provide these through local partners when starting out, for example.

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JAPAN

127

Million inhabitants

4'900

GDP in billions
of Swiss francs (2017)

7,6

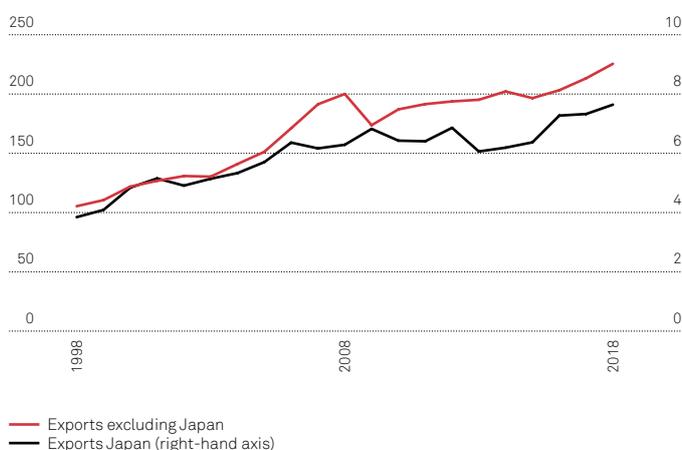
Swiss exports in billions
of Swiss francs (2018)

IMPORTANT PARTNER IN THE EAST

In terms of gross domestic product, Japan is the third largest economy in the world. Like Switzerland, the East Asian country has a relatively strong currency and a low inflation rate. Economic growth in Japan has slowed significantly in recent decades, partly due to the ageing of the population. At 3.5%, the annual growth of exports to Japan is therefore slightly below the average growth of foreign trade with other countries Trading partners over the last twenty years. Over the past five years, however, Swiss exports to Japan have again developed somewhat more dynamically.

Swiss exports by destination

In billion francs



Source: Swiss Federal Customs Administration, Credit Suisse

DEMOGRAPHICALLY DETERMINED DEMAND FOR HEALTHCARE PRODUCTS

Demographic ageing in Japan is probably one of the main reasons why half of Switzerland's exports come from the pharmaceutical and medical technology industries, increasing by more than 10% and 7% respectively each year. Japan is a country of watches and exports timepieces worth over 1.3 billion Swiss francs to the whole world every year. In Japan, however, watches are not only produced and exported, but also bought; domestic brands as well as foreign Swiss watches enjoy great popularity in Japan. The watch industry accounts for 1.3 billion Swiss francs or 17% of all exports of goods to Japan. In addition, watch exports to Japan rose slightly above average compared to other export destinations. Also prominently represented in Japan are products from the Swiss MEM industry, which accounts for 840 million Swiss francs or 11% of total exports.

Annual growth in exports to Japan

Per sector, in%, 1998–2018

Pharmaceuticals	10%
Electronics	7%
Medical technology	7%
Foodstuffs	6%
Vehicle construction	4%
Electrical engineering	3%
Watches	3%
Precision instruments	2%
Plastic	2%
Mechanical engineering	1%
Metal	-1%
Textiles and clothing	-1%
Paper and printing	-4%
Chemicals	-6%

Source: Swiss Federal Customs Administration, Credit Suisse

OUTLOOK

Due to demographic conditions, the growth potential of the Japanese economy is limited. At the same time, the progressive ageing of the population is causing a steadily growing demand for health-related products. In addition, wealth in Japan is relatively high, which should support demand for luxury goods such as watches.

PRACTICAL TIPS FOR LONG-TERM SUCCESS IN JAPAN

1. Offer the latest technologies

Japan is a very modern market in which there is a great demand for technical applications. Due to the expertise involved, Swiss solutions are in demand in areas such as fintech, IT, life sciences and medical technology. In the medical technology sector, the ageing society is opening doors for Swiss exporters. Due to socio-economic challenges, more than half of applications in the field of medical technology are currently imported from abroad. In the best case, Swiss exporters offer the technology bundled with a high-quality after-sales service, which is essential in Japan and must be available 24/7.

2. Understand the culture

Culture is a major hurdle to market entry in Japan. The language barrier can quickly lead to misunderstandings and the business culture also differs greatly. While the Japanese, for example, are used to communicating very politely and indirectly, the Swiss cultivate open and direct communication. Due to further differences, Japanese often tend to prefer domestic companies. This makes it all the more important for Swiss companies to get to know the culture and its particularities, to understand them and to build up a trust relationship with their local business partners.

3. Maintain relationships with business partners

Trust and a good relationship with business partners are crucial for success in Japan. In addition to business activities, this also includes meetings outside of work. Spending time together in a karaoke bar after work is nothing out of the ordinary. On the contrary, the Japanese have even developed their own word for it: "Nomination". This is composed of the Japanese verb nomu (drink) and the English word communication. To maintain a good business relationship and build trust, regular travel to the Land of the Rising Sun is essential.

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