Special Economic Reports

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Celebrating a historic milestone: 150 years of Swiss-Japanese relations

The year 2014 marks a milestone for Japan and Switzerland: the 150th anniversary of the signing of the Treaty of Amity and Trade between the two countries. Thus began a relationship of mutual trust and prosperity, after a group of Swiss watchmakers landed on Japan's shores in 1864. The seeds of this relationship continue to bear fruit today.

Japan is now one of Switzerland's most important trading partners in Asia. Since the signing of a free-trade agreement between the two partners, more economic agreements have been established aimed at promoting trade, open dialogue, and employee benefits.

In recent years Takeda, Mitsubishi Plastics, Toshiba, Nabtesco, and Citizen are just a few of the big Japanese companies that have acquired Swiss firms. When asked about the motivations behind these deals, Japanese Ambassador to Switzerland Ryuhei Maeda remarks: "Swiss companies possess high tech and shares in some markets where Japanese companies are not competitive.

"Companies do not establish a foothold in Switzerland merely for tax purposes," notes Heinrich Wegmann, president of the Swiss-Japanese Chamber of Commerce (SJCC). "They come because of the high quality of labor and technology we have to offer.'

"Our infrastructure, political stability, and quality of life make Switzerland an ideal place for FDI (foreign direct investment)," adds Marie Gabrielle Ineichen-Fleisch, Switzerland's state secretary for economic affairs.

And, according to Wolfgang



The picturesque city of Zurich — considered the business center of Switzerland

Schanzenbach, regional director for Asia-Pacific at Switzerland Global Enterprise, the relatively small Alpine country with a big global footprint is ideal for businesses because of its geographic location. "We have easy access to the biggest markets in Europe," he comments, while Japan is an ideal test market for many Swiss companies pen-

etrating Asia." Similarities between these two nations have allowed their political and economic relationship to flourish. One such aspect is the uncompromising commitment of both the Swiss and Japanese to producing goods of high precision and quality.

"Most Japanese people would be ashamed of producing something unsatisfactory for a customer," explains Ambassador Maeda. "We, Japanese" can thus understand the culture of Switzerland quite easily."

Bruno Chiomento, country managing partner of EY Switzerland, sums it up aptly: "All we have are our brains, education, and skill. Using these to create products that we can export has always given us the necessary pressure to be efficient and effective, and at the same time not be complacent.³

One other key value that both nations share is the prioritization of long-term goals. "A Swiss company will not invest in Japan just to get profit in the next quarter or so, and the same is true for the Japanese in Switzerland," says Rudolf Minsch, interim chairman of Economiesuisse. "This explains the prevailing positive sentiment toward Japanese acquisitions of Swiss firms.'

"It shows the Japanese way of approaching business," says Paul Peyrot, managing director of SJCC. "They are not corporate raiders but strategic investors.'

Political and business leaders from both nations are optimistic on the future of the Swiss-Japan Our infrastructure, political stability and quality of life make Switzerland an ideal place for FDI."

MARIE GABRIELLE INEICHEN-FLEISCH Switzerland's State Secretary for Economic Affairs

The people of both countries will once again realize the importance they have for each other."

- RYUHEI MAEDA Japanese Ambassador to Switzerland

partnership. "More importantly, now is the time for Swiss compa-

nies to consider investing in Japan. The energy, environment, medical, pharmaceutical industries, and next-generation infrastructure investment are attractive based on their growth potential and the weaker yen," says Koichiro Nakamura, director general of JETRO in



Geneva.

Ambassador Maeda believes that the celebration of the 150th anniversary this year will be a welcome reminder of the value of this long-standing relationship. He concludes: "The people of both countries will once again realize the importance they have for each other." ♦

WEF 2014 stays ahead of the curve Q&A with Prof. Klaus Schwab, founder and executive chairman of the World Economic Forum

What can we expect from the 2014 Annual Meeting? The 2014 Annual Meeting will be held under the theme Consequences for Society, Politics and Business." We will take a closer look at the profound political, economic, social and – above all – technological forces that are transforming our lives. Power is shifting from traditional to networked hierarchies. Yet, the international community remains in crisis mode - rather than strategically driven — in the face of the forces creating global, regional and industrial transformation. Our aim is to develop the insights, initiatives and actions necessary to respond to current and emerging challenges.

What are some of the priorities and future development strategies of the World Economic Forum?

The World Economic Forum is constantly evolving as an organization. One way to do this is to invite fresh voices to challenge us. For this reason I'm proud of

our Global Shapers community:

with its young, entrepreneurial "millennials" from nearly 300 city-based hubs worldwide. The youth are greatly under-represented in global affairs, and young people with great potential for future leadership need a global platform.

Another institutional milestone is the introduction of TopLink: an online platform for our members and constituents to engage with each other beyond our face-to-face meetings, and thus ensure more seamless multi-stakeholder cooperation.

What are some of your predictions for market trends in the global economy?

I'm generally optimistic in my outlook on the global economy, but all individual predictions have limits. From the numerous conversations I have had recently, I would single out three key trends for the global economy to watch closely: 1) the quantitative easing of the Federal Reserve with its linkage to "Abenomics"; 2) China's approach to reforming its banking sector; and 3) the political will of EU member states to shoulder the necessary struc-

Prof. Klaus Schwab

tural reforms to increase their competitiveness.

What business opportunities do you see between Switzerland and Japan?

Both countries have a highly developed technology sector, and are driven by innovation to stay ahead of the curve. Switzerland is a promising place in which to invest — it was named one of the most business-friendly countries in Europe, and topped the World Economic Forum's Global Competitiveness Report for five years. ♦

Iconic tool is a 21st-century companion

The Swiss Army Knife is one of the most iconic objects of the last century and is beloved by millions of people around the world. It has accompanied daring expeditions to the North Pole and Mount Everest, and - in many recorded instances — even saved lives. Yet, few people would guess its humble beginnings.

Karl Elsener, founder of Victorinox, started producing household knives in a small workshop in the heart of Ibach, Switzerland, in 1884. In 1897, he created what would become his company's signature product: the "Swiss Of-

worldwide bans on the sale of the company's pocketknives at airports and carrying them inside planes

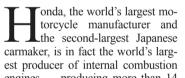
Carl Elsener Jr., great-grandson of Karl Elsener and the current CEO of the family-owned company, regards the period as the most challenging time ever for his company, and a defining one as well. While the ban was in place, greatly reducing sales of Victorinox's signature product



As the company expands its around the world, the company product portfolio, they aim to under Elsener Jr. undertook meacontinue embodying the Swiss sures to safeguard the jobs of its Army Knife's original values employees. It even went as far as of high quality, functionality, to temporarily lend its workers to innovation and iconic design



der the common denominator of the



prise two separate companies - one impressive models in the coming for autos and one for motorcycles — vears that will have features such as the second-largest Japanese until 2011. That year, the two were adjustable suspensions and automatic carmaker, is in fact the world's larg- merged into one in order to take alerts for drivers from roadside sigest producer of internal combustion advantage of mutual synergies un- nals. We expect to appeal to a greater



engines — producing more than 14 million each year that are distributed around the globe.

In this year marking the 150th anniversary of diplomatic relations between Japan and Switzerland, Honda is also celebrating its 40th year in the Alpine country. Honda has been the top-selling motorcycle brand in Switzerland for two years in a row and its total engine sales have already surpassed that of most other car brands.

Honda in Switzerland used to com-

Honda brand. "We took into consideration the improvement of our brand presence in Switzerland and decided to work together more than before," explains Hiroshi Nomura, president of the newly created Honda Motors Switzerland

> "Honda's philosophy is to continuously improve itself to deliver the highest quality with its cutting-edge technology," Nomura says. "Under this philosophy, Honda will introduce

number of customers with our new advanced technology features."

The company's technological edge in the Swiss market has been coupled with its strategy of increased manufacturing in Europe to further reduce the negative influence of factors such as fluctuating Japanese yen exchange rates, and the earthquake and tsunami

disaster in Japan of a few years back, which affected some production plants there. "Most of our car models are now made in the U.K.," he points



The Honda brand was first introduced on the Swiss market back in 1974 by two entrepreneurs: Mr. Horst Frerichs, who founded the import company responsible for motorbikes and equipment products, and Mr. Claude F. Sage, who was in charge of distributing cars. They both attracted customers by offering innovative products that made life and travel easier. Today, Honda is the world's leading engine manufacturer with 27 million people choosing a Honda product each year.

In 2014, Honda will celebrate its 40th anniversary in Switzerland. Thank you for appreciating our brand and contributing to our long-lasting success in Switzerland!

www.honda.ch

Hiroshi Nomura, president of Honda Motors Switzerland

out. "This gives us the possibility of providing better prices for our Swiss customers.

"What also makes us so successful in Switzerland is that Honda has a history of making strong efforts to understand people's needs and thereby consistently satisfy their expectations," Nomura continues. "This is a unique philosophy that differentiates us from our competitors and it is to

this that we ultimately owe our success. In Swiss society, quality expectations are very high, but we are always able to meet the expected quality standards. This is why we are well accepted here.3

Nomura looks forward to the introduction of impressive new vehicle features this year. "We still see room for improvement in our cars and we're developing new models to in-

troduce in the spring," he explains. "We would like to highlight an increased brand presence in Switzerland for all Honda vehicles and other products. We are interested in making a breakthrough in Switzerland and have much work to do in the coming years

> "Joy' is the driving force behind the Honda brand," Nomura concludes. "The '3 Joys' are part of the fundamental principles of the company. They are inseparable, and refer to: the satisfaction of producing great products, the pleasure of selling them, and the gratification felt by customers during their years using Honda products. Only this positive experience, shared by all, gives Honda the right to exist: in Switzerland and everywhere else in the world." \blacklozenge

ficer's and Sport Knife

The invention — a simple multitool folding knife - became an instant favorite among Swiss soldiers. After World War II, the knife became a huge success among American soldiers in Europe as well, who dubbed it the "Swiss Army Knife." Victorinox soon adopted it as the tool's official name.

The company has seen its share of challenges along with its successes. But its most severe problem came in 2001, after the attacks on the World Trade Center and the Pentagon in the U.S. The attacks, which had involved the use of box cutters, resulted in the banning of any sharp objects aboard planes - and that meant



Carl Elsener Jr., CEO of Victorinox

other companies "Because of this, we did not

dismiss a single employee," he proudly says. "Our company is like a family. We will always do everything possible to guarantee our employees' jobs.' Japan has the world's largest

number of Victorinox retail stores and has always been an important market for the company. A new variation of the Swiss Army Knife, called the "Tomo" (which means "companion" in Japanese) was recently released. Designed by a Japanese creative team, it reinterprets the iconic design of the Swiss pocketknife into a simple distillation of Victorinox-inspired simplicity, usefulness, and sustainability within a Japanese context.

Elsener recalls attending a class on "kaizen," the Japanese philosophy of continuous improvement applied to business and production, as a great influence to how he approaches his work. "Whatever we do, we try to be innovative and we use the Swiss Army Knife as our inspiration," he says. He refers to his late father, Carl Elsener Sr., as an important role model. "My father always told

cuses on his people, his customers, and his product cannot go wrong," he explains. In 2000, the company established the Victorinox Foundation — a reserve fund consisting of Elsener family shares that cannot be rescinded. "All employees, past and pres-

ent, have built the value of the brand," says Elsener Jr. "These reserves will guarantee the sustainability of our long-term growth."

Today Victorinox has products that run the gamut from timepieces and travel gear to fashion and fragrances. In order to unify these product categories, the company launched its first global communication campaign this year: portraying each of its products as a "Companion for Life."

Elsener believes that the tremendous task of unifying its products under one philosophy is achievable due to the mentorship of his father. "I worked with him in the same office for more than 30 years," he relates. "I miss him and I am convinced he still helps me make the right decisions." In the world of Victorinoix, everyone needs his own "tomo." ♦ www.victorinox.com

Financial innovation stands on stable Swiss base

nion Bank Privee (UBP) is one of the most highly capitalized private banks in Switzerland and a major player in the field of wealth management with over \$85 billion in assets. It has achieved this through strategically adapting to new paradigms as a result of the global financial crisis.

"After the crisis began, realizing the profound changes that were under way in the financial arena, we shifted our focus accordingly, reorganizing our business model and investment offerings for our clients," says Guy de Picciotto, CEO of UBP. "We completely reorganized our activities, found new ways to invest, and refined successful strategies and high-level performance investment solutions

indeed have a strong entrepreneurial spirit.' UBP offers a wide range of ca-

www.honda.ch

pabilities in asset allocation, including equities, bonds, commodities, as well as diversification strategies within alternative investments. "We are a full-scale wealth management bank focused on performance and innovative investment solutions for private and institutional clients alike," he says.

By adopting a conservative approach to risk management, UBP has maintained a solid financial base and a strong balance sheet with high-level liquidity, allowing it to actively pursue growth. UBP acquired the Swiss subsid-

iary of Dutch bank ABN Amro in

adapted to our clients' needs. We 2011. The same year, it broadened its operations throughout Asia by establishing two joint ventures, in Taiwan with Taiwan's TransGlobe Life Insurance group, and in Hong

> Kong Acquisitions continued in 2012 with the purchase of the Parisbased hedge fund specialist, Nexar Capital Group, which has offices across Europe and in the United States. In May 2013, UBP announced the acquisition of Lloyds Banking Group's international private banking business, thereby bolstering its influence in the wealth management industry.

"Looking ahead," says de Picciotto, "our future strategy is to continue developing innovative products and solutions for our cli-

ents, and to carve out new avenues in Europe, the Middle East, Asia, and Latin America."

me that an entrepreneur who fo-

Notably, UBP sees Japan as a very important market, full of potential. "We have a very strong team in our Tokyo office," says de Picciotto. "From there, we provide creative investment banking solutions, tailor-made for institutions throughout Japan. Our focus lies especially on offering high-yield products to Japanese investors."

Encouraging investors to take advantage of Switzerland's unique offering, particularly with regards to private banking, de Picciotto highlights, "Switzerland is a country with no debt, it enjoys a sound economy, as well as stability and security in our market," he says.



Guy de Picciotto, CEO of UBP

www.ubp.com

"Political stability and security coupled with the best know-how in banking makes UBP unique in our league." ♦

Switzerland

www.worldeyereports.com

Sustainable coffee for Asia's demanding consumers

Tolcafe knows its coffee and you can smell the aroma as you walk into its offices. "We taste dozens of batches daily to make sure every bean we buy or sell is up to standard," discloses the company's managing director, Jan Kees van der Wild. "We examine everything: from the coffee variety to the 'cup' (industry slang for taste)." It is no wonder Volcafe has been a reliable partner for major coffee roasters and multinational brands globally.

Founded in Winterthur northeast of Zurich — in 1851. Volcafe now has a presence in over 90 percent of the world's coffee-producing and consuming territories worldwide. Today, it is part of the leading agricultural commodities merchant, London-based ED&F Man.

In Japan, Volcafe's products have been widely accepted ever since consumers were first introduced to coffee around the late 19th century. "We've been

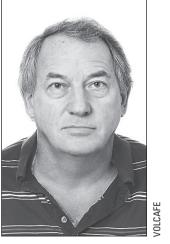
in Japan for nearly 90 years, ers," he adds. "We are active dating back to the Taisho Era," in programs that help coffee explains Volcafe's regional dicommunities boost yields in an environmentally and socially rector for Africa, Asia, and the Pacific, Peter Moser. "In fact. friendly way.' we are the oldest foreign com-"We invest in getting to know

pany in the industry in Japan." a country and we do not impose but work together with farm-Volcafe's long-term presence has proven a boon as Japan and ers," van der Wild emphasizes. 'Volcafe is not just about numthe rest of the Asian region grow into increasingly important cofbers and the 'bottom line' but fee markets. "While coffee conalso about promoting market dysumption worldwide is growing namism and studying behavioral 2 percent to 3 percent per year, trends in coffee consumption." it is in double digits in Asia,"

The company's philosophy is evident in its Japanese operations. "The Japanese have a very distinct culture and our Japanese office has helped a lot in understanding this," Moser adds. "We are happy with our business there. It is stable and not pricedriven. Once you've built up

Volcafe's sustainable approach and strong relationship trust with Japanese clients and with coffee growers gives it partners, you can expect a longunparalleled access to the finest lasting relationship.³

coffees worldwide. "We provide As an integral unit within the centuries-old ED&F Man group, ways to make coffee-growing more profitable for the farm-Volcafe is participating in the



Peter Moser, regional director for Africa, Asia and the Pacific of Volcafe

celebration of its 230th anniversary this year, while retaining its clientcentric and localized approach as it expands in Japan and the rest of the world. \blacklozenge www.volcafe.com

VIIZUIU

Around the world in 108 years, and counting... Japanese market, and its loyal clients

F stablished by Alfred Kuoni in 1906 in Zurich, the Kuoni Group prides itself on being a global travel-related service provider operating in every continent in the world. With over 12,000 employees around the globe, the Kuoni Group caters to three main market segments: destination and accommodations services, tour operations, and visa processing

The group first arrived on Asian shores in 1963 when it opened a branch in Tokyo. For the last 50 years, Kuoni has developed and enhanced its relationship with the

here.

"Japan is an extremely important market for us," says Rolf Schafroth, CEO of Global Travel Services. "In the Group Travel segment, Japan is our most important market. In fact, the country is the largest single source of business for the Kuoni Group as a whole."

The key to managing such a relationship is summed up by Schafroth: We are local where the customer is located and we are local where the supplier is located."

ized on its Swiss roots by committing itself to providing quality and innovative services, and its "global localization" has proved to be its main advantage. "Although we are proud of our Swiss heritage, we are not merely a Swiss-based company," says Schafroth. "In Japan, we are a Japanese company. In the U.S., we are a U.S. company, and so on."

The 21st-century travel industry possesses its fair share of challenges and the Internet — in particular has proved to be a major hurdle for travel companies such as Kuoni. "It has changed everything irreversibly,"

has had years of experience in Webbased services. Schafroth believes that Kuoni's ability to stay flexible and its unrelenting commitment to its suppliers during times of distress are the keys to its 108-year success. Schafroth is positive on the future

he notes. In 2011 the group acquired

the independent travel specialist,

Gullivers Travel Associates, which

of the travel industry in Japan. "We are very proud of our relationship with the Japanese," he says, "and as long as we are open, there will always be opportunities for our clients." ♦ www.kuoni.com

The Kuoni Group has capital-

Independent advice for the new breed of investor

s foreign investors explore opportunities in Switzerland, A opportunities in owners where the search for a trustworthy wealth and investment management firm is often one of the first steps to take upon setting foot in the Swiss market. It is needed to provide excellent tax and legal advice to make the initial steps smooth and accurate. Kendris, headquartered in Zurich and with branch offices in Aarau, Basel, Geneva, Lausanne, and Lucerne, is one such leading Swiss provider of family office, trust and

fiduciary services, tax and legal advice — as well as accounting and outsourcing services, among others. With its international market understanding and local expertise, the firm pays close attention to its private and corporate clients' strategies, and advises them accordingly.

The now independent firm was originally founded as a subsidiary of Before heading Kendris, Escher KPMG Switzerland in 1999, but its was a partner at KPMG Switzerland, roots go back more than 100 years where he developed markets in Asia, when a group of Swiss entrepreneurs the Middle East, Eastern Europe, formed Fides Treuhand-Vereinigung and Scandinavia. in 1910 "Clients that are planning to invest

Kendris has acquired a keen understanding of Japanese business, explains. "We guide them personally having serviced Japanese and international investors' overseas activities for years. "We are able to build a run smoothly, and in compliance bridge between the investor's country and its investment destination, with all relevant laws and regula-

making sure that the relevant regulafirm's clients include high-net-worth individuals, families, companies, fitory and compliance aspects are met, in addition to the investment-driven success factors," says Adrian Escher, the company's CEO.

normally ask a lot of questions," he

through all steps of their projects and

take positions in their investment-

holding structures to ensure that they

tions. We are always asked multiple

nancial institutions, and law firms. "That's what differentiates us from other companies," Escher notes. "We give a high priority to

project management, that investments and business plans can be implemented with high precision, and an understanding of the cultural and business expectations of Japanese clients vis-à-vis their Swiss advisor. We have a fundamental understanding of critical topics that are relevant to Japanese business partners."

"Switzerland has many opportunities for investors to explore," he says. "It is a hugely attractive place for innovation, research and development. We welcome foreign investors to this region." www.kendris.com

Streamlined services for clients in world's financial strongbox

says van der Wild. "Japan in

particular is a very dynamic

and high-end market. We see it

as a growth area, with Japanese

consumers leading the region in

their love of better quality spe-

cialty coffees.'

djusting to the new needs of today's corpo-A needs of today's corpo-rate and retail customers, Mizuho — the leading Japanese global financial services group - has reorganized its corporate structure. It has created a single bank, a single trust bank, and a single securities unit under its new slogan of "One MIZUHO." Its aim is to provide clients with a wider range of seamless financial services through bankingtrust-securities collaboration and mutual cooperation among

its group companies. "We put a high value on 'Customers First," says Iwao Takai, president of Mizuho Bank Switzerland. "This 'One MIZUHO' structure will allow us to serve our clients better by constructing a one-stop channel to our coordinated financial services."

Mizuho Bank Switzerland is a fully owned subsidiary under the Mizuho Financial Group. Within the global group, it is a unique entity focusing on the private banking business. "We have a 42-year history

in Zurich," says Takai, from his office in the heart of the Swiss city's financial district. "In the early 1990s, there were 40 Japanese financial institutions here. Today, only Mizuho and another firm remain.'

Taking advantage of Switzerland's universal banking system (a true one-stop banking system), Mizuho Bank Switzerland offers not only banking services but also investment products to

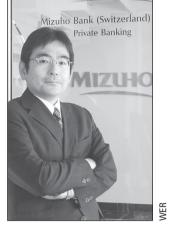
its mainly Japanese and Asian high-net-worth clients. "As wealth shifts from the older generation to the young-

er generation, I expect our business to grow to meet the needs of younger people who will take a more active interest in investments," he explains, "and Mizuho Bank Switzerland has its state-of-the-art infrastructure to provide more flexible services for these demanding clients."

"We employ people of eight different nationalities, which allows us to serve a diverse range of customers better," Takai continues. "Wealth and asset management are growing, and we

are here to offer our services to clients Mizuho's long-standing history in Switzerland is a testament to the company's dedica-

tion to its customers and its trust in the Swiss banking system. As a member of one of the most



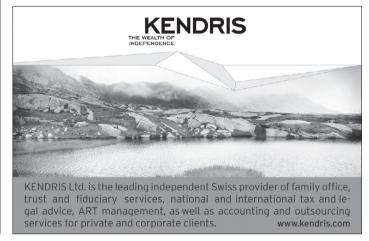
Iwao Takai, president of Mizuho Bank Switzerland

prestigious and respected Japanese financial services groups operating worldwide, Mizuho Bank Switzerland remains committed to Switzerland, while remaining a contributing force to the prosperity of the global economy. ♦ www.mizuho.ch



CEO of Kendris





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