

UNIVERSITÄT BERN

The Role of Switzerland in Enhancing Direct Investments from Japan

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Abstract

This research is dedicated to the analysis of direct investments from Japan to Switzerland. The aim of this analysis is to define how the Swiss Investment Promotion system can enhance the attractiveness of Switzerland as a business location for Japanese companies. In order to achieve this goal this study proposes to the Swiss investment promotion agencies a group of ten targeted policy recommendations based on the qualitative analysis of a case study. In particular, this case study considers the review of the literature most relevant to this topic and ten semi-structured interviews conducted with Swiss and Japanese institutional economic actors with extensive expertise regarding Japanese companies' decision process to invest in Switzerland.

This research concludes that, in order to enhance direct investments from Japan in the coming years, Switzerland should focus on improving its communication towards Japanese potential investors relative to the recent economic and political happenings, both in Europe and in Switzerland, and be proactive in supporting Japanese companies, especially as regards their internationalization process and the issuance of the work permit for Japanese employees. Furthermore, Switzerland should also consider the enhancement of the Swiss-Japan relations in both countries, by strengthening the Japanese community in Switzerland and intensifying the network of Japanese companies' decision makers in Japan. To be more attractive for Japanese potential investors, Switzerland should finally implement measures able to optimize the structure of its investment promotion system, by reducing its complexity and rationalizing the activities carried out by the federal and cantonal investment promotion agencies.

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1 Introduction

1.1 Actors involved

The case study analyzed in this research considers, besides the review of the literature most relevant to this topic, ten semi-structured interviews conducted with Swiss and Japanese institutional economic actors with extensive expertise regarding Japanese companies' decision process to invest in Switzerland. From Switzerland, the actors interviewed at the federal level are the followings: *the former Ambassador to the WTO and Head of Swiss negotiating team for the Swiss-Japanese FTA (JSFTPA)*, the *State Secretariat for Economic Affairs (SECO)*, *Switzerland Global Enterprise (S-GE)* and the *Swiss Business Hub Japan*. At the cantonal/municipal level the actors which participated in this research are the investment promotion agencies of the *Canton of Geneva*, the *Canton of Lucerne*, the *Canton of Vaud*, the *Canton of Zurich* and the *City of Winterthur*. Concerning Japan, the organization involved in this study is the *Japan External Trade Organization (JETRO)* in Geneva.

Additionally, this study had the pleasure to have important insights regarding direct investments in Switzerland from the *Economic section of the Embassy of Japan* and the *Public Affairs section and Commerce department of the Embassy of the United States* in Bern. However, since these information were provided in a written form and by answering a smaller amount of questions compared to the ones present in the interview made to the actors mentioned above, the participation of the Embassy of Japan and the Embassy of the United States will be included in the discussion and in the conclusions of this research, but not in the findings as is the case for the other organizations mentioned before.

1.2 Why the Swiss Investment Promotion system

In principle, there are two institutional actors able to offer, improve, adapt and even change the location determinants of a country with the aim to attract foreign direct investors. In Switzerland they are on one side, the federal and cantonal governments and on the other one, the investment promotion system represented by the federal, regional and cantonal investment promotion agencies. In particular, the federal and cantonal governments are able to impact the core location determinants, political and economic, while the three levels of the Swiss investment promotion agencies are able to affect only the so called "soft" location determinants. Examples of core location

determinants are the infrastructures, the education system, regulatory framework or the monetary policy which each foreign direct investor considers primarily when deciding to move its activities in a foreign country. Examples of soft location determinants are instead all the business services (i.e. relocation, business and intercultural consulting) that each investment promotion agency is able to offer to foreign direct investors both before and after the establishment of their companies overseas.

Since the focus of this research are the FDI coming from Japan and not from all foreign countries investing in Switzerland, this research considers as the most appropriate actors to which propose the policy recommendations the Swiss investment promotion agencies, without directly involving also the federal and the cantonal governments. The reason of this choice is that for political and economic reasons the federal and the cantonal governments in principle do not adapt their economic development policies, and thus the core location determinants of Switzerland, based on the needs of direct investors coming from a specific country. Therefore this research deems that, by considering uniquely the case of Japan, the most effective way to propose policy recommendations is to dedicate them only to the Swiss investment promotion agencies.

1.3 The research question

The aim of this study is to solve the research problem posed by the following research question:

“How the Swiss Investment Promotion system can contribute to increase the level of direct investments from Japan in the coming years?” (RQ1)

In order to answer the RQ1 this research will use the research method of the case study, which combines the review of the literature most relevant to this topic and ten semi-structured interviews conducted with Swiss and Japanese institutional economic actors with extensive expertise regarding Japanese companies' decision process to invest in Switzerland. With the aim of collecting in a targeted way the necessary information able to answer RQ1, this study elaborated the following three sub-research questions:

1. *“Which are the location determinants and challenges for Japanese companies when investing in Switzerland?” (SRQ1)*
2. *“Which is the Japanese perception of Switzerland as a business location?”(SRQ2)*

3. *“Which are the measures Switzerland should take to increase its attractiveness for Japanese companies as a business location?”(SRQ3)*

In particular, the SRQ1 has the objective to explore the factors that attract Japanese companies to invest in Switzerland. The SQR2 would like instead to investigate the perceptions of Japan regarding Switzerland as a business location, while the SQR3 would like to identify the possible measures which the actors involved in this research deem important to take in order to enhance the attractiveness of Switzerland as business location for Japanese companies.

1.4 Significance of the research

In line with the point of view of the OECD which considers the FDI “an important channel for the transfer of technology and a vehicle for the economic development of a country”, also the Federal Council deems the FDI a significant source of economic prosperity. A positive flow of FDI is able in fact to preserve and strengthen the competitiveness of Switzerland in the long term, that is “the ability of the country to generate cutting edge innovation, technology and skilled human capital for ensuring the success of its enterprises and the well-being of its population” (Federal Council, 2011).

Considering the specific case of this research, there are two main reasons why this study would like to focus on how to increase the level of Japanese direct investments in Switzerland. The first one, based on the considerations made by the OECD and the Federal Council presented above, is related to the economic development of Switzerland, while the second one to the current state of research relevant to the topic treated in this study. As regards the economic development rationale, being Japan the second developed world’s economy, with particular focus on high added value products involving advanced innovation and technology, Switzerland can economically and strategically benefit from an increase in direct investments from this country. These benefits can be attributable to an increase of the economic activities in Switzerland and thus of its GDP, including the relative positive spillover effects such as the transfer of know-how and the expansion of the employment in Switzerland.

The transfer of know-how between Switzerland and Japan is particularly important because is related to technology, innovation and workforce of sectors where both countries have advanced competencies such as MEM (i.e. mechanical and electrical engineering), ICT, Cleantech and Pharma. Thanks to this strong similarity in specific industries is therefore possible to create for both countries significant business

synergies in terms of know-how and development of added value products. However, surprisingly, despite Japan has the economic and business characteristics mentioned above and Switzerland has very competitive business location determinants in principle very in line with the expectations of Japanese added value enterprises planning to expand in Europe, the share of Japanese FDI in Switzerland is lower compared to other major economies, and higher in other major European economies than in Switzerland¹. Considering the benefits that Switzerland could have in attracting more direct investments from Japan, this statistical aspect motivated even more the inception of this research.

However, relative to this point it can be argued that the fact that the share of Japanese FDI in Switzerland is lower compared to other major economies, and higher in other major European economies than in Switzerland can be only partially relevant for assessing the situation of Japanese direct investments in Switzerland. The latter is in fact, in most of the cases, considered for highly added value direct investments such as headquarters and R&D facilities. These investments, despite being strategically relevant, often are smaller both quantitatively and financially than the ones invested by Japanese companies in production facilities in the other more cost competitive European countries.

With regard to the second rationale, namely the current state of research relevant to the topic treated in this study, there are two aspects that motivated this research. The first one is that according to the literature review conducted for this study, to date, there are not specific researches related to Japanese direct investments in Switzerland which formulate targeted policy recommendations to the Swiss investment promotion system with the aim to increase the attractiveness of Switzerland as business location for Japanese companies. Therefore, this study could at first improve the understanding of how Switzerland can be more attractive as business location for Japanese companies but also, based on the fact that the literature regarding FDI in Switzerland is generally limited, be used as a base or reference to conduct other studies related to FDI in Switzerland from other countries.

1.5 Trends in direct investments from Japan to Switzerland

A foreign direct investment (FDI) is “a category of cross-border investment in which an

¹ For more details please refer to the point 3.2 “Japanese FDI in Switzerland” of Chapter III (“Literature review”)

investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy. Ownership of 10 percent or more of the voting power in an enterprise in one economy by an investor in another economy is evidence of such a relationship” (OECD, 2015). Most commonly, foreign direct investments are represented by mergers and acquisitions, the opening of new facilities in foreign countries, and the reinvestment of profits earned from operations abroad and intra company loans (Wikipedia, 2015). However, for the purposes of this thesis foreign direct investments will be in line with the OECD definition as “it allows for international comparability and potential generalizability of the research” (Ronan Patrick Coy, 2012).

Concerning direct investments from Japan to Switzerland, the statistics provided by the Swiss National Bank (SNB) show the stock and the flow of direct investments and the relative employment of staff generated by this form of economic activity. According to the data published for the period 2008 and 2013 the stock of direct investments from Japan to Switzerland registered a positive growth which in percentage corresponds to an increase of more than 400% (Table 1.1). This increase was followed by an increase of the number of Japanese staff in Switzerland. Considering the graph below (Figure 1.1), in both cases (i.e. “stock” and “staff”) the positive growth particularly coincided with a specific period of time that is the one from mid-2010 and 2012. This correspondence in time seems attributable to two main happenings occurred in this period. The first one is related to two important Japanese companies’ acquisitions of Swiss enterprises in May 2011, namely Takeda Pharmaceutical Company Limited’s acquisition of Landis + Gyr AG and Toshiba Corporation’s acquisition of Landis+Gyr (CH)². The second one, earlier in time, seems instead to be linked to the conclusion of the Free Trade Agreement between Japan and Switzerland (JSFTEPA) entered into force in September 2009³. In this FTA there are in fact two specific chapters⁴, namely the chapter 7 (i.e. Movement of natural persons for business purposes) and the chapter 9 (i.e. Investment) which might have contributed to catalyze new direct investments from Japan to Switzerland.

² Source: Swiss-Japanese Chamber of Commerce (SJCC), 2015. According to the data published by the SJCC the total amount of these two acquisitions is estimated to be around \$14.3 billion; <http://www.sccij.jp/japan-info/mas-between-japan-and-switzerland/>

³ Source: SECO, 2015 ; <http://www.seco.admin.ch/themen/00513/00515/01330/04619/index.html?lang=en>

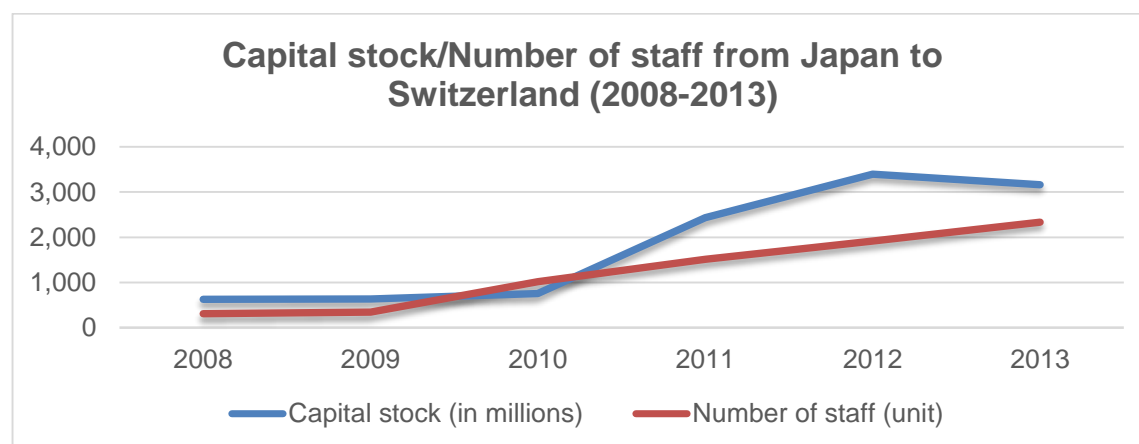
⁴ Source: S-GE, 2015; http://www.s-ge.com/sites/default/files/JSFTEPA_EN_0310_0.pdf

Table 1.1: Capital stock/Number of staff from Japan to Switzerland (2008-2013)

| Capital stock/Number of staff from Japan to Switzerland (2008-2013) | 2008 | 2013 | Δ % |
|---|-------|---------|-----|
| Capital stock (in CHF millions) | 625,2 | 3'161,5 | 405 |
| Number of Japanese staff in Switzerland (unit: person) | 309 | 2'333 | 655 |

Source: Swiss National Bank (2015)

Figure 1.1: Capital stock/Number of staff from Japan to Switzerland (2008-2013)



Source: Swiss National Bank (2015)

In addition to the data indicated above, the SNB proposes also an alternative statistic of Japanese FDI stock and number of staff in Switzerland. In particular, this statistic considers the data according to the “ultimate beneficial owner⁵” (Table 1.2) that is the data that indicate the country where the investor who ultimately controls a given subsidiary in Switzerland is located (SNB, 2013). By considering the data of the SNB according to this alternative definition, Japanese FDI stock share⁶ in Switzerland is in average for the period 2003-2013, 1.77% instead of 0.33% when considering the “traditional” data (immediate investor). Therefore, in relative terms, in the last decade the “ultimate beneficial owner” data indicate that the Japanese FDI stock share in Switzerland is in average almost five times bigger than if we only consider the “immediate investor” data.

⁵ Source: Swiss National Bank, 2015; http://www.snb.ch/en/mmr/reference/Direktinvestitionen_2013/source/Direktinvestitionen_2013.en.pdf

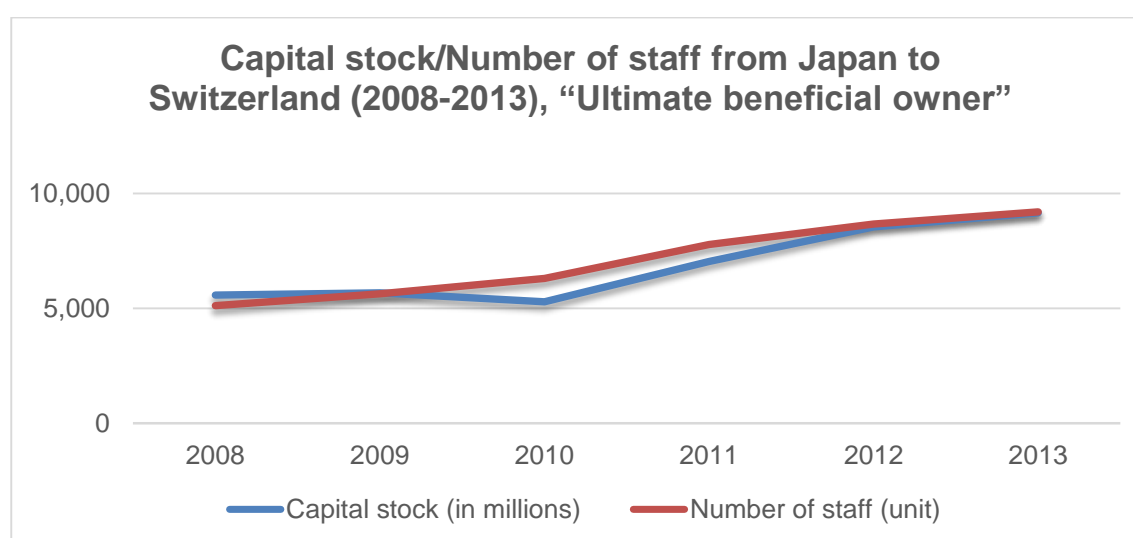
⁶ Amount of Japanese FDI stock in Switzerland divided by the total amount of FDI stock in Switzerland.

Table 1.2: Capital stock/Number of staff from Japan to Switzerland (2008-2013), “Ultimate beneficial owner”

| Capital stock/Number of staff from Japan to Switzerland (2008-2013) (“Ultimate beneficial owner”) | 2008 | 2013 | Δ % |
|---|-------|---------|-----|
| Capital stock (in CHF millions) | 5'578 | 9'157,3 | 64 |
| Number of Japanese staff in Switzerland (unit: person) | 5'118 | 9'198 | 80 |

Source: Swiss National Bank (2015)

Figure 1.2: Capital stock/Number of staff from Japan to Switzerland (2008-2013), “Ultimate beneficial owner”



Source: Swiss National Bank (2015)

1.6 Scope of the work

This research had the precious opportunity to have the participation of most of the Swiss and Japanese economic organizations involved or with extensive expertise in Japanese companies' decision process to invest in Switzerland. In principle, this favorable circumstance allows having a reasonable scientific base for the formulation of the policy recommendations this study aims to propose. However, in order to enhance the scientific rigor of this research other fundamental actors should have been involved, namely the Japanese companies already active in Switzerland and possibly also the ones which are not, but deem Switzerland as a potential business location in Europe. As regards the Japanese companies already active in Switzerland, this participation was planned in the beginning of this study. It was in fact created a

specific questionnaire⁷ based on the Kano Model⁸ approach. Unfortunately, despite having the opportunity to send the questionnaire to Japanese companies in Switzerland, thanks to the Swiss-Japanese Chamber of Commerce, the rate of response was not sufficient to use this source of information for the analysis contemplated by this study. In the future, for possible further studies related to Japanese FDI in Switzerland, to have the involvement of Japanese companies' point of view will be certainly a major added value to understand better how Switzerland can attract more direct investments from Japan.

1.7 Outline of the thesis

The first chapter of this thesis, this chapter, has the objective to introduce the reader to the actors involved, to the research methodology used for answering the research question being investigated, and to offer some background information and data about Japanese direct investments in Switzerland in order to contextualize the problem analyzed.

Chapter II will present the literature review which is divided in three parts. The first one would like to provide an overview related to the main indicators and trends of foreign direct investments in the EU and in Switzerland. The second part will focus instead of the Japanese FDI situation in Switzerland. In this part it will be defined at first the potential of increasing Japanese FDI in Switzerland and then it will be conducted a brief assessment with the aim to determine the practicability of this potential, based on the suitability of the Swiss location determinants with the ones most attractive to Japanese companies planning to invest in Europe. Finally, the third part will also consider the actual state of the Swiss Investment Promotion system by including the review of two specific reports: one published by the Federal Council⁹ and the other commissioned by the State Secretariat for Economic Affairs¹⁰ (SECO).

Chapter III is dedicated to the research design and methodology of this study. At first, it will be presented the hypothesis which motivated this research and then the research question. Moreover, this section will explain the reasons of the choice and the limits of a specific qualitative research method used to investigate the research question

⁷ For further details please see Annex A-3 at page 80

⁸ For further details please see: Kano Model, 2015; <http://www.kanomodel.com/>

⁹Source: SECO, 2015; „Botschaft über die Standortförderung 2012–2015“, „Legal framework“; <http://www.seco.admin.ch/themen/05116/05120/05124/index.html?lang=en> “

¹⁰ Source: SECO, 2015; „EVALUATION NATIONALE STANDORTPROMOTION SCHWEIZ“, „Publications“; <http://www.seco.admin.ch/themen/05116/05120/05124/index.html?lang=en>

namely the case study.

Chapter IV will introduce in a neutral, anonymous and comprehensive way the findings identified from the questions proposed in the interviews. Furthermore, this part of the research will be also dedicated to the discussion. With the support of the literature review treated in Chapter II, this discussion will be used to identify the main location determinant areas where, according to this research, the Swiss Investment Promotion system should intervene in order to enhance direct investments from Japan. This first identification of location determinant areas will be the base for the elaboration of the policy recommendations presented in the next chapter.

Chapter V will be dedicated to the proposal of ten policy recommendations originated from the discussion presented in the previous chapter.

The last chapter will be used to draw the conclusions, to define the limit of this study and to propose some possible extensions. In this part there will be also the opportunity to highlight the points of view of the actors involved at national and international level.

2 Literature review

2.1 Introduction

This chapter would like to propose the literature review which is divided in three parts. The first one will provide an overview related to the main indicators and trends of foreign direct investments in the EU and in Switzerland. The second part will focus instead on the situation of Japanese FDI in Switzerland. In this part it will be defined at first the potential of increasing Japanese FDI in Switzerland and then it will be conducted a brief assessment with the aim to determine the practicability of this potential, based on the suitability of the Swiss location determinants with the ones most attractive to Japanese companies planning to invest in Europe. Finally, the third part will examine the actual state of the Swiss Investment promotion system by reviewing two specific reports one published by the Federal Council¹¹ and the other commissioned by SECO¹².

2.2 Global FDI in EU and in Switzerland

¹¹ Source: SECO, 2015; „Botschaft über die Standortförderung 2012–2015“, Legal framework“;

<http://www.seco.admin.ch/themen/05116/05120/05124/index.html?lang=en>

¹² Source: SECO, 2015; „EVALUATION NATIONALE STANDORTPROMOTION SCHWEIZ“, „Publications“; <http://www.seco.admin.ch/themen/05116/05120/05124/index.html?lang=en>

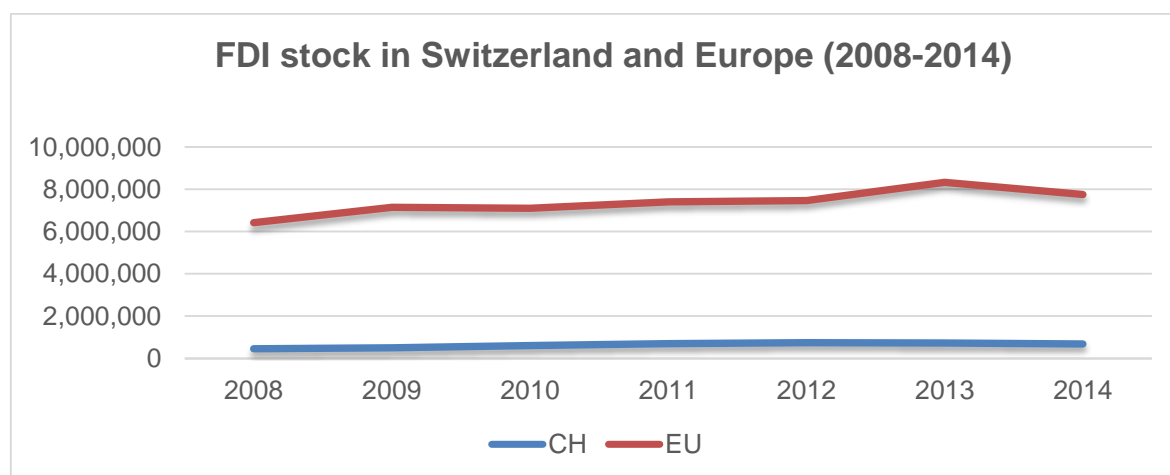
According to the data published by UNCTAD, during the period 2008-2014 both in Europe (EU28) and in Switzerland the FDI inward stock had a positive trend, except in 2014, when in both business destinations there was a quite significant decrease (Table 2.1). On the other hand, during the same period, the FDI inflows had an opposite trend both in the EU and in Switzerland (Table 2.2). Particularly, in the latter, with the exception of 2009 and 2014, the inward flow registered in the years between 2009 and 2013 had a quite substantial decline.

Table 2.1: FDI stock in Switzerland and Europe (2008-2014), in USD at current prices and current exchange rates in millions

| STOCK (in USD) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Switzerland | 447'507 | 499'596 | 610'852 | 690'859 | 736'686 | 733'976 | 681'849 |
| EU (28) | 6'418'007 | 7'151'694 | 7'108'303 | 7'409'362 | 7'470'028 | 8'324'223 | 7'759'428 |

Source: UNCTAD (2015)

Figure 2.1: FDI stock in Switzerland and Europe (2008-2014), in USD at current prices and current exchange rates in millions



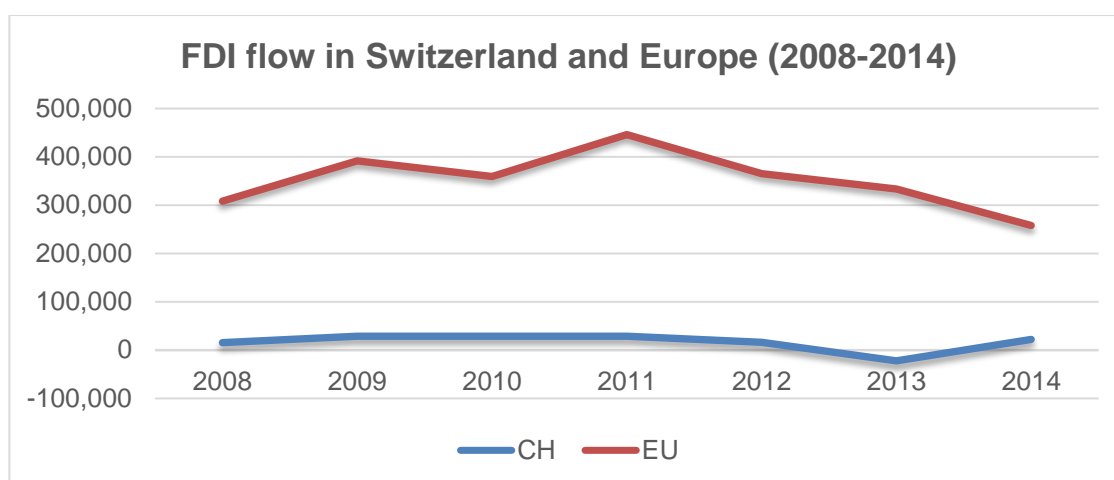
Source: UNCTAD (2015)

Table 2.2: FDI flow in Switzerland and Europe (2008-2014), in USD at current prices and current exchange rates in millions

| FLOW (in USD) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Switzerland | 15'212 | 28'891 | 28'744 | 28'309 | 15'989 | -22'555 | 21'914 |
| EU (28) | 307'798 | 391'285 | 358'668 | 445'920 | 364'998 | 333'001 | 257'589 |

Source: UNCTAD (2015)

Figure 2.2: FDI flow in Switzerland and Europe (2008-2014)



Source: UNCTAD (2015)

Alternatively, when considering other indicators such as the number of projects and jobs created by the FDI inflows in the EU, during the period 2008-2013 both the quantity of FDI projects and jobs created increased quite regularly (Table 2.3). In Switzerland instead, during the same period both the number of projects and the jobs created declined constantly, reaching the lowest point respectively in 2012 and 2010 (Table 2.4).

Table 2.3: Number of FDI Projects and Jobs created in EU (2008-2013)

| EU | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------|---------|---------|---------|---------|---------|---------|
| Nr. of Projects | 3'721 | 3'303 | 3'757 | 3'906 | 3'797 | 3'955 |
| Δ % | | -11% | 14% | 4% | -3% | 4% |
| Jobs created | 149'626 | 125'194 | 137'357 | 157'824 | 170'474 | 166'300 |
| Δ % | | -16% | 10% | 15% | 8% | -2% |

Source: E&Y (2014)

Table 2.4: Number of FDI Projects and Jobs created in Switzerland (2008-2013)

| Switzerland | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------|-------|-------|------|-------|-------|-------|
| Nr. of Projects | 125 | 69 | 90 | 99 | 61 | 76 |
| Δ % | | -45% | 30% | 10% | -38% | 25% |
| Jobs created | 1'996 | 1'099 | 673 | 1'546 | 1'155 | 1'586 |
| Δ % | | -45% | -39% | 130% | -25% | 37% |

Source: E&Y (2014)

Despite Switzerland could maintain also during the European crisis a high level of competitiveness¹³, which according to the Federal Council is mainly due to the solidity of some Swiss leading sectors such as the Life Science, MEM, ICT, Cleantech and Pharma, but also to the very good business framework conditions as for example the quality of the workforce, of the R&D and the infrastructure, the country, as shown by the data above, registered a quite substantial decline in inward FDI in terms of flow, number of projects and jobs created. According to a report¹⁴ published by Ernst & Young (E&Y) in 2014, a professional services firm, this decline seems mainly related to the European economic and political crisis and in particular to the effects that this crisis had on the appreciation of the Swiss Franc. In fact, even though the Swiss location during the crisis performed “excellently on the main economic variables such as economic growth, unemployment and government debt” (E&Y, 2014), the hefty appreciation of the Franc against the Euro and the US dollar between October 2007 and September 2011, “triggered a dramatic increase in investment costs” (E&Y, 2014). This rapid change could lead many foreign investors to freeze their planned investment projects in Switzerland or even cancel those (E&Y, 2014).

2.3 Japanese FDI in Switzerland

2.3.1 Potential of Japanese FDI in Switzerland

According to a report published in 2007 by a joint governmental study group¹⁵ involving Switzerland and Japan, investment is a “key driver force for economic growth and competitiveness”. On the other hand, this report deemed that between the two countries there is still a significant potential to enhance bilateral cross-border investments and that therefore the promotion of inward investments should be a priority for both countries. If looked from the perspective of Switzerland, one way to identify the growth potential of Japanese direct investments in the country is by comparing their level with the one of other developed economies. For example, considering the UNCTAD data for the period 2003-2012 it is possible to observe that the stock share of Japanese FDI in Switzerland is lower than other major economies worldwide. In average Japan ranks 11^h/13 in terms

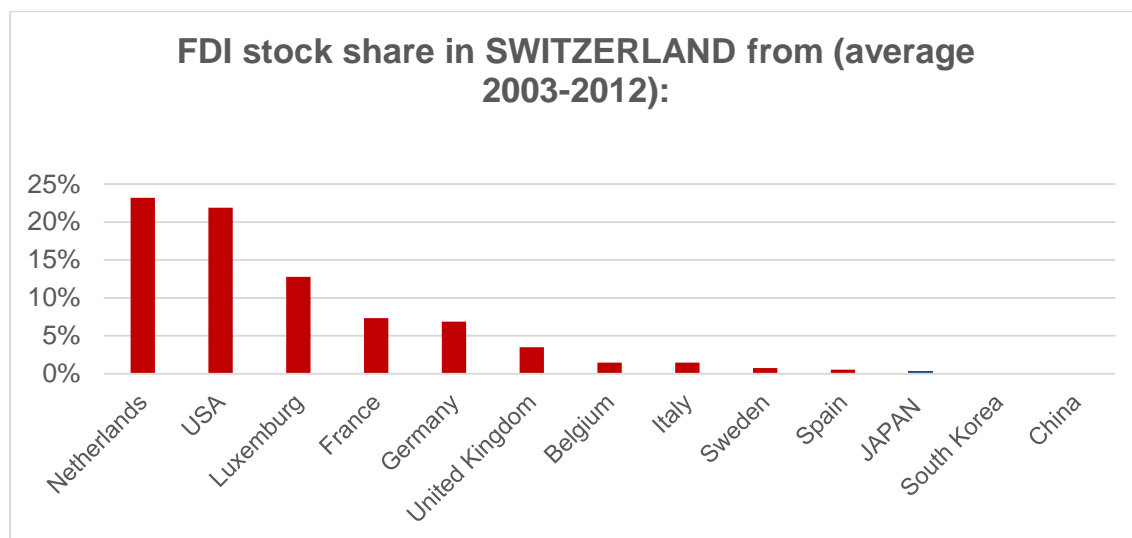
¹³ Based on the Global Competitiveness Report, Switzerland from 2009 to 2015 ranked first;
<http://www.weforum.org/reports/global-competitiveness-report-2014-2015>

¹⁴ Source: EY's attractiveness survey, 2014; “Setting standards: Switzerland as a business location 2014”;
[http://www.ey.com/Publication/vwLUAssets/ey-swiss-attractiveness-survey-2014/\\$FILE/EY-swiss-attractiveness-survey-2014-EN.pdf](http://www.ey.com/Publication/vwLUAssets/ey-swiss-attractiveness-survey-2014/$FILE/EY-swiss-attractiveness-survey-2014-EN.pdf)

¹⁵ Source: MOFA, 2015; “Report of the Joint Governmental Study Group for strengthening economic relations between Japan and Switzerland, 2007”;
<http://www.mofa.go.jp/region/europe/switzerland/report0701.pdf>

of FDI stock share in Switzerland (Figure 2.3). In this order, compared to Japan, Netherlands, US, France, Germany, UK, Italy, Sweden and Spain invested in Switzerland more.

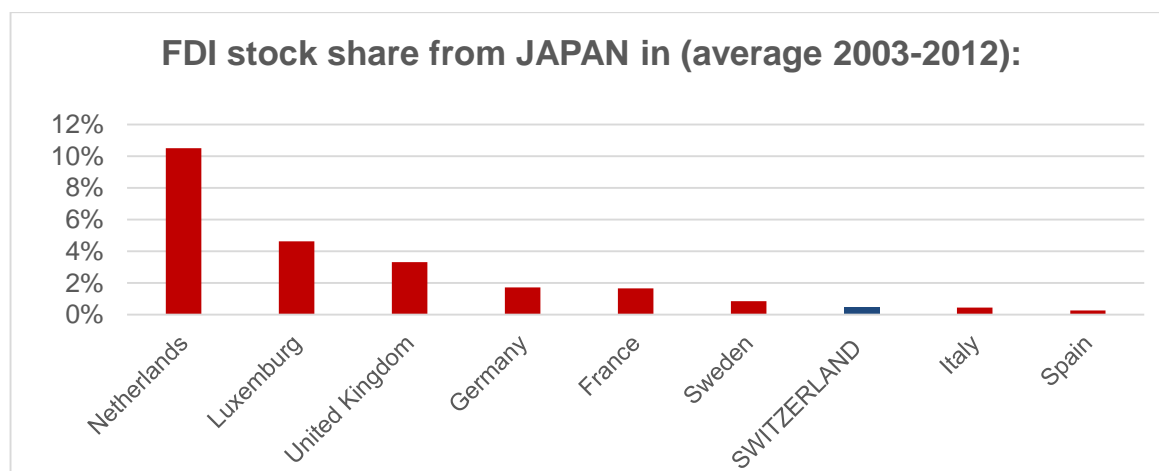
Figure 2.3: FDI stock share in SWITZERLAND from (average 2003-2012)



Source: UNCTAD (2015)

Another way to define the potential for growth of Japanese FDI in Switzerland is to take into account the level of Japanese FDI in other major European economies compared to the one in Switzerland. In this regard, the UNCTAD data show that for the period 2003-2012 the stock share of Japanese FDI in major European economies is higher than the stock share of Japanese FDI in Switzerland. In average Switzerland ranks 7th/10 in attracting Japanese FDI (Figure 2.4). In this order Netherlands, UK, Germany, France and Sweden have a higher Japanese FDI stock share.

Figure 2.4: FDI stock share from JAPAN in (average 2003-2012)



Source: UNCTAD (2015)

Considering the relative higher level of Japanese FDI in other major European economies and the relative lower level of Japanese FDI in Switzerland is therefore possible to assume that Switzerland has still some potential to attract more direct investments from Japan. However, in order to define if this potential is also realizable it is necessary to assess if the core location determinants of Switzerland are suitable to Japanese companies that plan to invest in Europe. This assessment will be done as follows by analyzing the current literature available and is divided in three steps. The first step will identify the Swiss most attractive location determinants and the limits of Switzerland as a business location. The second one will instead defined the location determinants that Japanese companies are interested in when planning to invest in Europe. The last step will finally determine if the Swiss locations determinants are suitable to Japanese companies foreseeing to expand in Europe.

2.3.1 Assessment of the potential

a. Location determinants and limits of the Swiss business location

As regards the attractiveness of Switzerland as business locations, according to a survey published in 2014 by Ernst&Young, the most attractive countries in Europe are Germany, UK, France, Netherlands and Switzerland, positioned only fifth together with Spain, Belgium, Sweden, Denmark and Ireland. Always according to this survey, despite this position, Switzerland is still a competitive business location especially thanks to “the high qualification level of its workforce, good availability and quality of research and development, and the high quality of the country’s infrastructure”. Based on these specific location determinants this organization suggests that Switzerland’s comparative advantage therefore is founded “on the area of innovative, future-oriented products and services which confirmed Switzerland’s image as a premium business location”. Nevertheless, these specific characteristics of the Swiss business location can discourage foreign investors planning to establish activities in “wage-intensive areas where labor costs rather than employee qualifications are key” (E&Y, 2014).

On the other side, Santander, an international bank, considers that the attractiveness of Switzerland as a business location is mainly due to “its economic and political stability, its transparent and fair legal system, its reliable and extensive infrastructure, and its efficient capital markets”. Additionally, Switzerland is a convenient testing market for the introduction of new high technology and high-end products, has a reliable and relatively flexible skilled workforce, and is centrally located in Europe, from where foreign companies have easy access to the bigger EMEA market. According to the

analysis of this bank, Switzerland is also one of the world's most advanced countries in research and development which allows excellent bio and nano- technology partnership opportunities. Based on the information provided by the same bank, Switzerland has also some location determinant drawbacks. One of them is the very high market competition present in the Swiss market which is also influenced by its position in Europe, one of the centers of the global competition. Furthermore, "companies in Switzerland have to deal with rigid European Union regulations and standards, related to product quality and packaging and the unique Swiss requirements for medications, cosmetics, detergents and chemical products".

Moreover, according to the OECD the country is qualified "for headquarter functions and services closely linked to them" especially thanks to the ability Switzerland to offer a skilled workforce and a well-developed infrastructure. However, also for the OECD Switzerland has some business location limits. The main ones are the relatively small market size and the fact that Switzerland does not belong to the EU. The same organization deems that although "this is not an insurmountable obstacle given that Switzerland is surrounded by large neighbors" not being part of the EU "may still give the perception that the full access to a larger market is not ensured from a Swiss base". Concerning a specific location determinants of Switzerland, that is the quality of the workforce mentioned previously by the three sources (i.e. E&Y, Santander and the OECD), S-GE highlights the possible negative consequences that the acceptance of the Mass Immigration initiative¹⁶ may have on the ability of Switzerland to attract qualified foreign employees and thus foreign investments. This aspect is particularly important when considering that Switzerland in most of the case is chosen by foreign companies for implanting regional or global headquarters and R&D facilities for which a qualified workforce is essential.

b. Attractive location determinants for Japanese companies in Europe

According to the survey of E&Y mentioned before, for international companies, and possibly Japanese as well, the most attractive location determinants are: the stability and transparency of the political, legal and regulatory environment followed by the attractiveness of the domestic market, the staff/labor costs, the potential productivity gains as well as transport and logistics infrastructure. Considering the specific case of Japan, some of the attractive location determinants just mentioned are in line with the

¹⁶ For further details please refer to: Admin.ch, 2015;" Implementation of the Popular Initiative Stop Mass Immigration"; <https://www.admin.ch/gov/en/start/documentation/dossiers/implementation-initiative-stop-mass-immigration.html>

findings of a university's research¹⁷ published in 2012, focused on the location-specific FDI factors of Japanese companies in Ireland. This exploratory investigation found out in fact that Japanese companies, especially when interest in expanding their activities in relative small but advanced European economies such as Ireland, are attracted by the level of accessibility to productive, skilled and educated workforce and to the quality of the infrastructure a country can offer.

c. Why Switzerland can attract more FDI from Japan

Although Switzerland, compared to other major European business location destinations, has some structural limits such as the relative small size of its market (OECD, 1996), its limited membership in the EU (Santander, 2015; OECD, 1996) and the particularly high labor costs (E&Y, 2014), based on the location factors defined in the first two steps above (i.e. a and b) it appears that the country has still some potential to attract further direct investments from Japan. Switzerland offers (a) in fact most of the locations determinants attractive for Japanese investors (b), such as the political stability, the transparency of the legal system, productivity gains but also, as it is the case for Ireland, an educated workforce and a developed infrastructure.

In this regard, several successful Japanese companies' already active in Switzerland officially reported¹⁸ that Switzerland, besides offering political and economic stability, a central location in Europe and a very good quality of life is also able to provide a highly skilled workforce, very developed infrastructures and an advanced education system. The last three aspects are particularly relevant considering the fact that in most of the cases Japanese firms already established in Switzerland choose the country for core functions such as head offices and R&D facilities and partnerships to expand their innovation and technology activities and know-how. Concerning this last aspect, another reason showing the growth potential of Japanese FDI in Switzerland is related to the Swiss innovation cluster. Between this cluster and some of the most advanced Japanese sectors such as MEM, ICT, Cleantech and Pharma there is in fact a strong correspondence which can be used to further expand the business synergies between Switzerland and Japan in terms of know-how and development of added value products.

¹⁷ Source: Coy, Roman Patrick, 2015; "Location Specific Determinants of Foreign Direct Investment: An exploratory study of Japanese Investment in Ireland"; <http://de.slideshare.net/ronancoy/thesis-location-specific-determinants-of-foreign-direct-investment-an-exploratory-study-of-japanese-investment-in-ireland>

¹⁸ Source: JETRO Switzerland Newsletter, 2015; "from Issue 1, April 2009 to Issue 75, July 2015"; <https://www.jetro.go.jp/switzerland/newsletter.html> & S-GE, 2015: "Success story list of SGE including Japanese companies"; <http://www.s-ge.com/japan/invest/ja/cases> (only in Japanese)

A further factor that is not related specifically to the location determinants of Switzerland, but is favorable to Switzerland in increasing Japanese direct investments, is the position of Japan as one of the top direct investor in the world. According to the UNCTAD data¹⁹ in fact in 2013 and 2014 Japan was respectively the second and the third top global direct investor. In the opinion of the current Manager Director of the Swiss Japanese Chamber of Commerce²⁰ (SJCC) this situation might be partially explained by following factors²¹:

- in the last years the Japanese Ministry of Economy, Trade and Industry (METI) has been encouraging Japanese companies to diversify internationally in order to access new markets and technologies,
- currencies worldwide (especially in Europe) are weaker compared to the Japanese one,
- interest rates in Japan are very low and companies access to loans is thus facilitated,
- many Japanese companies have large reserve of liquidity which can be invested more profitably abroad,
- in Japan there is an ageing society which makes several sectors in foreign markets more profitable.

Despite the position of Japan as a top global investor is mostly due to FDI in production facilities, for which Switzerland is in principle not attractive because of its relative high labor costs, this position may be still encouraging for Switzerland. The implantation of new production facilities in Europe can in fact create the necessity for Japanese companies to have in the same region also some management and R&D functions for which, as mentioned before, Switzerland is particularly attractive.

2.3.2 Existing solutions and possible improvements

As regards the already existing measures for attracting more FDI from Japan, it is possible to mention the bilateral free trade agreement between Switzerland and Japan signed in 2009, namely the Japan-Switzerland Free Trade and Economic Partnership Agreement (JSFTEPA). This agreement, despite primarily involving the elimination of the trade barriers between the two countries, includes also substantive investment

¹⁹ Source: UNCTAD, 2015; "World Investment Report 2015 - Reforming International Investment Governance"; http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf

²⁰ Dr. Paul Peyrot, Managing Director Swiss-Japanese Chamber of Commerce (SJCC)

²¹ Source: Swissinfo, 2015; "Why are Japanese buying Swiss companies?"; <http://www.swissinfo.ch/eng/why-are-japanese-buying-swiss-companies-/32904110>

provisions (i.e. Chapter 7 “Movement of national persons for business purposes and Chapter 9 “Investment”) aiming to increase the flow of capital and technologies between the two parties. In particular, these provisions consider the enhancement of the framework conditions for private investments such as the investment protection and the mobility of people with the aim to increase the growth and the employment.

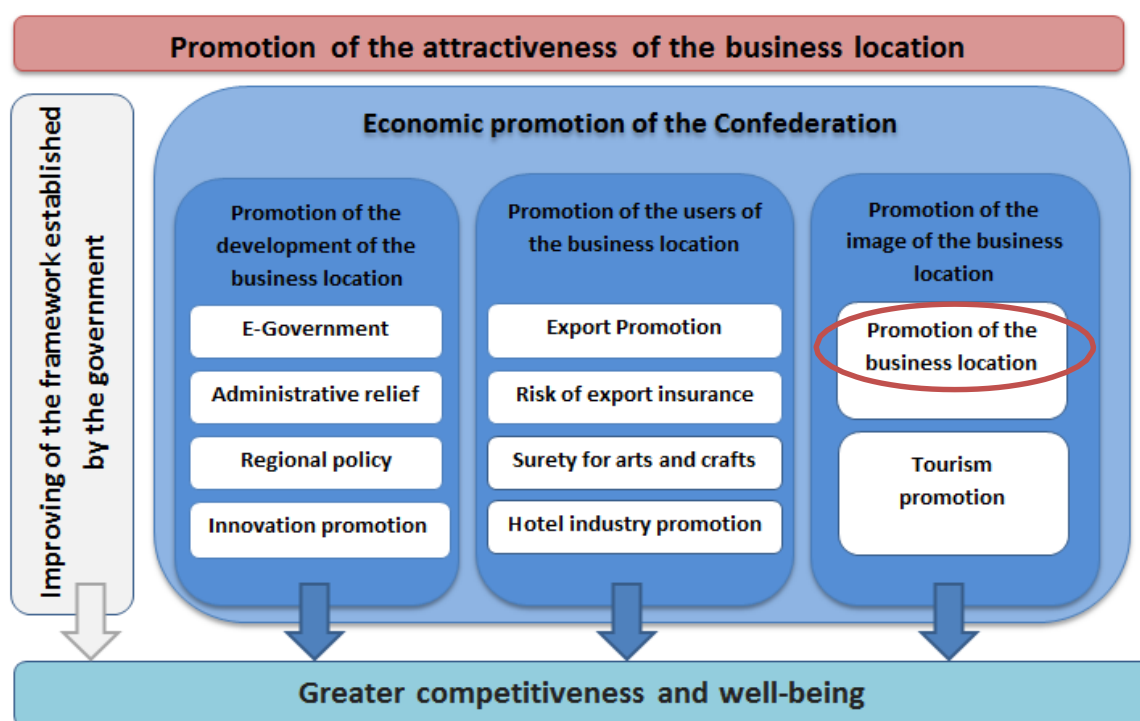
Moreover, the survey of E&Y mentioned previously also shows which are the measures Switzerland should take to enhance its competitive advantage as a business location. According to this survey, for most of the international companies interviewed Switzerland, in order to increase its competitiveness as a business location, should for example “Promote high-tech sectors and innovation”, “Support SME”, “Cut staff and labor costs”, “Promote training and innovation” and “Relax competition rules”. Even though this survey does not indicate specific details about Japanese companies, the areas of improvement just presented can be taken anyway as an initial point of reference for the elaboration of the policy recommendations in Chapter VI.

2.4 The Swiss Investment Promotion system

2.4.1 Objectives of the Confederation

The Federal Council is committed to continue to promote the Swiss economy through the active utilization of different instruments, namely the promotion of the development of the business location, the promotion of the users of the business location and the promotion of the image of the business location (Figure 2.5). Based on the topic treated in the study, the following part of this section will focus on one point of the third instrument used by the Confederation for the economic promotion of Switzerland, namely the promotion of the business location. The goal of this strategy is “to maintain the competitiveness of Switzerland in the long term that is the ability of the Swiss business location to attract and maintain FDI, human capital and the know-how for ensuring the success of its enterprises and the well-being of its population” (Federal Council, 2011).

Figure 2.5: Promotion of the attractiveness of the business location



Source: State Secretariat for Economic Affairs (SECO)

2.4.2 The promotion of the Swiss business location

Despite the economic crisis 2008-2009 Switzerland could maintain a satisfying economic position. The Swiss location “performs excellently on the main economic variables such as economic growth unemployment and government debt, and it can even be taken as a global benchmark for crisis management” (E&Y, 2014). Furthermore, according to the Global Competitive Index between 2009 and 2015 Switzerland constantly ranked in the first position²². This seems much related to the solidity of some Swiss important sectors such as the pharmaceutical, the machinery construction, the precision machinery, the electro technology and the financial. However, according to the Federal Council the very good framework conditions play also an important role in determining the success of the Swiss economy. These are especially related to the fact that Switzerland has a qualified workforce, an excellent R&D, a flexible labor market, a very good infrastructure and a favorable tax regime. Nevertheless, the former believes also that Switzerland’s good location determinants are not sufficient to establish and maintain the Swiss business location competitive in the long-run. In order to compete with the international competitors Switzerland has to

²² Source: World Economic Forum, 2015; “The Global Competitiveness Report (2009-2015)”; <http://www.weforum.org/reports/global-competitiveness-report-2014-2015>

focus even more on its business location competitive advantages positioning itself as an economic place with a high added value and competencies. In particular, this promotion towards potential investors should be ensured through information campaigns active on the advantages of Switzerland as business location.

2.4.3 Role and activities of the Cantons, the Confederation and Switzerland Global Enterprise

Based on a federal law²³ the public entities mainly responsible for the promotion of the business location are the Cantons and the Confederation. According to the Federal Council, the role of the Cantons in promoting direct investments in Switzerland is particularly important. In fact, each of them, knowing in depth the location determinants of their respective region, is able to promote its territory better than any other actor. Additionally, the role of the competition among Cantons is also relevant since this stimulates them to improve their infrastructures, education systems and tax regimes, enhancing so their attractiveness for international investors. Nevertheless, in order to emerge from the competition with other European countries the Federal Council also deems that Switzerland should offer to international investors a homogeneous image proposing a unique “national brand”. This approach should be part of a unified long term strategy which aims to communicate a clear and unique message about the Swiss location determinants. This may be particularly relevant in some specific cultural environments where it takes time to obtain trust, and in far markets, where the Swiss federalism is not always well-known. Officially, this unified approach should be easily ensured by a national representative entity such as the embassies or third parties with a federal and cantonal mandate such as Switzerland Global Enterprise.

In this regard, the Federal Council considers that the role of Confederation should be complementary to the one of the Cantons for the following reasons. The Confederation is the best ambassador of the “Swiss brand” abroad from an effectiveness and credibility point of view. Moreover, the Confederation has the means to increase the impact in the long-run of the national promotion of the Swiss business location including it in its foreign policy. In fact, by exploiting the network of foreign representations of the Confederation (i.e. Swiss Business Hubs) the former can also ensure an efficient employment of the funds available. In addition, the Confederation, since at a higher institutional level, is able to play the role of coordination for cantonal investment promotion activities, which are in competition when attracting new investments in

²³ Source: Admin.ch, 2015; „Bundesgesetz zur Förderung der Information über den Unternehmensstandort Schweiz“; <https://www.admin.ch/opc/de/classified-compilation/20070050/>

their respective territories.

As regards this last aspect, according to the Federal Council the mandate given by the Cantons and the Confederation to Switzerland Global Enterprise (S-GE) allowed reinforcing the cooperation among the Cantons and Regions by opposition to the model of perfect competition. In fact, the role of S-GE, besides to inform potential investors about Switzerland advantageous location determinants, draft publications and organize seminars, is also to encourage the cooperation and coordination of the promotion activities of the Cantons, especially considering that, generally, they have different promotion strategies. However, it is important to note that the coordination fostered by S-GE is specifically related to the image of Switzerland abroad rather than on the promotion strategy each Canton can adopt. In fact, every Canton is free to choose its own strategy in terms of countries and sectors where to dedicate its own resources. Nevertheless, as regards the sector and corporate functions, often S-GE and the Cantons follow quite the same strategy. Both in fact try to focus on sector with a high added value such as the Biotech, the Medtech, the Microtech, the Nanotech, the Cleantech, the Pharma and the ICT, and regional or global HQ and R&D facilities of multinational companies.

2.4.4 Priorities for the coming years

According to the Federal Council, besides an increasing international competition, there are also some domestic aspects that Switzerland should consider when attracting foreign direct investments. These aspects have in fact contributed in the last years to increase the insecurity, at least perceived, of Switzerland as a business location. In particular, they are related to the polls or reforms affecting the Swiss framework conditions such as the Mass Immigration Initiative, the Minder initiative and the Tax Reform III. The Federal Council estimates that this situation requires in the future a bigger effort of communication both from its side and the one of the Cantons. Additionally, due to the increased international competition Switzerland should focus even more on its competitive advantages trying to attract mainly investments which produce added value activities. Therefore, for Switzerland the quality of the investment should be the priority instead of its quantity. In this regard S-GE should focus for instance on attracting investments which are able to promote technology, innovation, R&D and creation of jobs requiring high competencies. On the communication side, S-GE should focus on the aforementioned aspects able to generate insecurity for investors and try to directly involve investment decision makers on specific sectors such as life science, ICT and MEM.

For its part, S-GE deems also very important the role of a more effective communication towards international investors. In this regard, this organization put as one of its priorities the monitoring of the implementation phase of the polls and reforms mentioned before and to act as a credible and reliable intermediary when communicating any possible changes in the Swiss-European political and economic relations that can affect international companies interested in relocating in Switzerland. This communication approach would allow in fact on one hand S-GE to highlight the favorable location determinants of Switzerland and, on the other one, to be a point of reference in answering critical issues related to the Swiss business location. Moreover, in agreement with the point of view of the Federal Council, S-GE aims also to focus its investment promotion on key sectors in line with the Swiss competitive advantage in innovation such as Life science, Cleantech, MEM and ICT.

2.4.5 Possible improvements of the Swiss Investment Promotion system: the study “Evaluation Nationale Standortpromotion Schweiz”

As regards the possible improvements of the Swiss Investment Promotion system, a study²⁴ published in 2014 by a group of Swiss institutions and researchers and promoted by the State Secretariat for Economic Affairs (SECO), shows that, despite the actors questioned do not see the necessity to bring fundamental changes to the Swiss Investment Promotion system, they indicated as positive the reinforcement of the role of Switzerland Global Enterprise, especially when the former is able to enhance the coordination among the Cantons and Regions and unifying the image of the Swiss economy abroad.

Concerning specifically the role of S-GE, the actors involved in this study recognized that this organization still miss a consistent global strategy able to orientate the Swiss investment promotion system in the middle and long-run. The implementation of such a strategy would allow for example a more efficient distribution of the tasks among the different federal and cantonal investment promotion agencies increasing the effectiveness of their activities. In this sense, one example of the benefits of having a global strategy may be the elimination overlapping activities between S-GE and the Regions or Cantons, especially when related to the prospecting. Furthermore, always

²⁴Source: SECO, 2015; „EVALUATION NATIONALE STANDORTPROMOTION SCHWEIZ“, „Publications“; <http://www.seco.admin.ch/themen/05116/05120/05124/index.html?lang=en>

according to this study S-GE should improve its expertise in the different economic sectors in which concentrates its promotion activities. On the other side, as regards the role of the Cantons and Regions, the actors that were interviewed in this study suggest an improvement of the offer of information and data which often investors consider too general, incomplete or not timely available.

In order to improve the situation of the Swiss investment promotion system this study proposed some recommendations. In this regard, the most representative²⁵ are presented as follows:

- Define more precisely the functions and the tasks of the investment promotion actors, in particular the ones of S-GE and the ones of the cantons/regions.
- The generation of contacts and the prospects abroad becomes a priority for S-GE.
- Developing the S-GE expertise on the specific economic sectors which aim to attract.
- React timely to the current economic and political developments which can affect the decision to invest in Switzerland.
- The Confederation, the Cantons and the Regions define a common strategy suitable to the entire investment promotion system.

2.5 Conclusion

As it will be explained further in the next chapter dedicated to the “Research strategy” (Chapter IV), the literature review just examined will be used together with the findings of the semi-structured interviews (i.e. Chapter V “Findings and Discussion”) for the elaboration of the discussion. The discussion will be then the base for the formulation of the policy recommendations presented in Chapter VI.

3 Research methodology

3.1 Introduction

This Chapter is dedicated to the research design and methodology of this study. At first, it will be presented the hypothesis which motivated this research and then the relative research question. Moreover, this section would like to explain the reasons of the choice and the limits of a specific qualitative research method used to investigate

²⁵ For the complete version please refer to full version of the study: „EVALUATION NATIONALE STANDORTPROMOTION SCHWEIZ“, „Publications“;
<http://www.seco.admin.ch/themen/05116/05120/05124/index.html?lang=en>

the research question, namely the case study.

3.2 Research design

3.2.1 Hypothesis

As reported by the literature review, between Switzerland and Japan there is still a “significant potential to enhance bilateral cross-border investments and that therefore the promotion of inward investments should be a priority for both countries (Report of the Joint Governmental Study Group for strengthening economic relations between Japan and Switzerland, 2007)”. Furthermore, according to UNCTAD data the stock share of Japanese FDI in Switzerland is lower than other major economies worldwide, and the stock share of Japanese FDI in major European economies is higher than the stock share of Japanese FDI in Switzerland. Based on these circumstances, the hypothesis of this study is the following: “Switzerland is able to implement measures which can enhance direct investments from Japan”. In order to “verify” this hypothesis, this research would like to manage to formulate the measures (i.e. policy recommendations) mentioned in the hypothesis above. In case this research through the methodology used (i.e. case study) will be able to define these measures, according to this research the hypothesis will be “confirmed”, since it will be demonstrated the existence of measures that Switzerland is able to implement and which can enhance direct investments from Japan.

3.2.2 Research questions

The aim of this study is to solve the research problem posed by the following research question:

RQ1. *“How the Swiss Investment Promotion system can contribute to increase the level of direct investments from Japan in the coming years?”*

With the aim of collecting in a targeted way the necessary information able to answer RQ1, this study elaborated the following three sub-research questions as well:

SRQ1. *“Which are the location determinants and challenges for Japanese companies when investing in Switzerland?”*

SRQ2. *“Which is the Japanese perception of Switzerland as a business location?”*

SRQ3. *“Which are the measures Switzerland should take in order to increase its attractiveness for Japanese companies as a business location?”*

3.2.3 Research strategy

The aim of this research strategy is to answer the RQ1 through the formulation of policy recommendations. Specifically, these policy recommendations are based on the analysis of the information obtained from a specific qualitative research method, namely the case study. In this research this method combines the review of the literature most relevant to this topic (i) and ten semi-structured interviews (ii) conducted with Swiss and Japanese institutional economic actors with extensive expertise regarding Japanese companies' decision process to invest in Switzerland.

i) Literature review

The literature review of this study will be used for three main purposes. At first, to understand as exhaustively as possible the current situation of foreign direct investments in Switzerland, both in general and specifically from Japan, and to define the actual state of the Swiss investment promotion system. After understanding the main aspects and limiting the object of the analysis, this review will serve then to generate the three main themes and the relative questions proposed to Swiss and Japanese actors in the semi-structured interview. Finally, the literature review will be also used, together with the findings of the semi-structured interviews (Chapter V "Findings and Discussion"), for the elaboration of the discussion which in turn will be the base of the last chapter dedicated to the policy recommendations (Chapter VI "Policy recommendations"). As regards the sources examined, they are related to scientific reports and studies, newspaper articles, newsletters, official websites and statistics found primarily on internet.

ii) Semi-structured interview

a) Content

Based on the literature review indicated above, the interview is divided in three main themes and is composed by ten questions for the Swiss actors and nine for the Japanese ones²⁶. Each of the three main themes are generated from the three sub-research questions presented above. The objective of this interview is to gather the necessary information which, combined with the literature review, will be used to formulate the policy recommendations able to answer the RQ1. In further detail the three main themes of the semi-structured interview are the followings:

²⁶ For more details about the questions treated in the interviews please see Annexes A-1 and A-2 at page

1) Locations determinants and main challenges

After considering the current investment landscape both in Europe and in Switzerland from a macroeconomic, political and business perspective, this section of the interview would like to identify the location determinants and the main challenges Japanese companies find in Switzerland. Then, this part of the interview would like to compare the situation of Switzerland as business location with some of its main FDI competitors in Europe such as UK, Germany and Netherlands. In this way, it will be possible to determine where Switzerland can improve its competitiveness as a business location in relation to other major European economies. Furthermore, this section of the interview would like to focus on one specific location determinant of Switzerland that is the Swiss Investment Promotion system. The information collected from this question will be used to explore the possible limits of the former compared to the main European investment promotion frameworks, which are competing with Switzerland in attracting FDI.

2) Perceptions

This section of the interview would like on the other side to explore the Japanese perception of Switzerland as business location and is based on the findings of the research conducted by E&Y mentioned before and the direct experience of professionals in Foreign Direct Investments from Japan to Switzerland. As regards the findings of E&Y, Switzerland is often associated by companies without activities in the country to sectors such as finance, rather than other Swiss leading industries such as MEM, ICT, Cleantech and Pharma. In other words, the study found out that in general the perception of the foreign companies already active in Switzerland is much more in line with the qualities and characteristic of Switzerland as a business location. A further misperception mentioned by professionals in Foreign Direct Investments from Japan to Switzerland, is the fact that Switzerland seems often identified as a “tourist destination” more than a location where to start a business. This is in opposition with the situation of Switzerland’s main FDI competitors from major European economies, which tend instead to be considered more naturally as business locations. All these aspects may be relevant because, in case those will be found also in the “Findings” obtained from the interviews, the Swiss Investment Promotion system may focus its effort to attract greater Japanese investments in Switzerland by improving the external communication of Switzerland as a strong business location, rather than try to improve/change the already existing “soft” location determinants.

3) Possible improvements and changes

This part of the interview would like at first to explore the relevance of Japanese FDI for

the Swiss Investment Promotion system in order to assess the “motivation” of the actors involved in bringing the necessary improvements/changes able to attract more direct investments from Japan. This part of the interview would like also to know more about the current activities/policies undertaken by the Swiss Investment Promotion system. This last part will further explore the effectiveness of the current activities/policies implemented to attract Japanese direct investments. In case according to the actors involved in this interview the current situation should be improved, it will be asked to them which may be in their opinion the possible alternatives to the current activities/policies able to attract Japanese direct investments. This will allow bringing new insights to the later formulation of the policy recommendations.

b) Coding

In order to identify the areas of the policy recommendations necessary to answer the RQ1, the information collected through the ten semi-structured interviews will be sorted and structured in a comprehensive and consistent way. The technique used to achieve this goal is the so called coding of qualitative data. In this research, the findings collected will be coded through the following process:

1. Transcription of the recorded interviews²⁷ according to the structure of the interview, which is divided in three main themes and composed by ten/nine questions.
2. Gathering of all the answers given by each interviewee based on the question asked (i.e. each question asked will create an overall answer composed by the ten answers given for that specific question). The elaboration of this part will generate the "Findings" (Chapter IV).
3. Analysis and definition of the problems depending on the frequency and/or relevance of the main issues and solutions emerged from the interviews. The elaboration of this part, together with the literature review, will generate the "Discussion" (Chapter IV).

c) Sampling

One of the main goals of the case study used in this research was to involve the majority of Swiss and Japanese organizations and persons with extensive expertise regarding Japanese companies' decision process to invest in Switzerland. This would have allowed collecting the largest amount of information in order to have the wider

²⁷ The overall conversation time of the interviews is 13.4 hours

overview and the strongest scientific rigor related to the topic studied in this research. As regards Switzerland, in principle these actors were represented by the State Secretariat for Economic Affairs, Switzerland Global Enterprise, the four Regional Economic Development Areas²⁸, the twenty-six cantonal investment promotion agencies and major cities. Nevertheless, for the case of this research, among the Economic Development Areas, the twenty-six cantonal investment promotion agencies and major cities, only the Canton of Geneva, Canton of Lucerne, Canton of Vaud, Canton of Zurich and Winterthur resulted active in attracting direct from Japan and able to participate in this research.

As regards the rationales of sampling of the actors involved in the interview, this research deemed very important to represent both the Japanese and the Swiss perspective in order to compare their point of view. Furthermore, concerning the type of actors involved this research considered relevant to be able to collect the information, necessary to the formulation of the policy recommendations, from an “objective” source. Each of them have in fact have an overview of the situation not related/biased to a particular sector (i.e. life science, engineering, etc.), function (i.e. Headquarters, R&D, etc.) or geographic area, as it might be by collecting information only through a group of Japanese companies established in Switzerland.

3.3 Reasons and limits of the methodology used

3.3.1 Reasons

The literature dedicated to methodology used in this research considers the case study research as “principally about the interpretation, subjectivity and meaning” (Ryan, et al., 2004) of a particular contemporary phenomenon within its real world context, using multiple sources of evidence (Robson, 2002; Yin, 2003). Furthermore, through the case study method “the researcher has access to experiences that were previously inaccessible” (Tellis, 1997; Yin, 1994).

According to this research, the explorative nature of this qualitative analysis requires the utilization of the case study since this method allows collecting in the most effective way the qualitative information able to generate the policy recommendations, and thus to answer the sub-research questions which in turn answer the research question. The

²⁸ BaselArea, Greater Geneva Berne area, Greater Zurich Area AG, St.GallenBodenseeArea. Source: S-GE, 2015; “14. Promoting Switzerland”; http://www.s-ge.com/sites/default/files/EN_USA_Investorenhandbuch_120514_14.pdf

interview part of the case study method offers in fact the possibility to investigate in the most targeted way the three themes of the sub-research questions, namely the factors that attract Japanese companies to invest in Switzerland (SRQ1), the perceptions of Japan regarding Switzerland as a business location (SRQ2) and the possible measures to take in order to enhance the attractiveness of Switzerland as business location for Japanese companies (SRQ3).

3.3.2 Limits

The limits of the case study used in this research are mainly amenable to the semi-structured interview phase. In fact, in this phase it is possible to collect the necessary information lacking of objectivity. This situation could be mainly due to a difficult interaction of two persons, the interviewee and the interviewer, and/or the inability of the latter in asking the questions appropriately from a personal and technical point of.

4 Findings and discussion

4.1 Introduction

Using the coding technique described in Chapter III, this part of the research aims to present in a neutral²⁹, anonymous and comprehensive way the findings identified from the questions proposed to the ten Swiss and Japanese professionals with an extensive expertise regarding Japanese companies' decision process to invest in Switzerland. In particular, the persons who kindly offered their valuable contribution to this research in the form of interview are:

Participant from Japan:

- *Mr. Kiyoshi Imai*, Advisor Trade and Investment, Japan External Trade Organization in Geneva (JETRO).

Participants from Switzerland:

At federal level

- *Ambassador Luzius Wasescha*, former Ambassador to the WTO and Head of

²⁹ The author of this research is aware that, despite the methodological and personal measures taken to express neutrally the information and opinions offered by the interviewees, between the former and the "Findings" in some cases there might be a lack of full correspondence due to the qualitative approach used in this study. Should this "lack" be noticed and relevant for each of the interviewees, the author of this research is glad to take note about it and amend the content accordingly.

Swiss negotiating team for the Swiss-Japanese FTA (JSFTPA).

- *Mr. Lukas Siegenthaler*, Head International Investment and Multinational Enterprises Division, State Secretariat for Economic Affairs (SECO).
- *Mr. Laurent Christophe Knecht*, Director Investment Promotion, Switzerland Global Enterprise (S-GE).
- *Mr. Roger Zbinden*, Head of the Swiss Business Hub Japan, Switzerland Global Enterprise (S-GE).

At cantonal/municipal level

- *Mr. Jean-Frédéric Berthoud*, Director, Economic Development of the Canton of Vaud.
- *Mr. Michael Domeisen*, CEO, Location Promotion of Winterthur.
- *Mr. Daniel Loeffler*, Director, Economic Promotion of the Canton of Geneva.
- *Mr. Beat Rhyner*, Investment Advisor, Economic Promotion of the Canton of Zürich.
- *Mr. Patrik Wermelinger*, Marketing & Promotion, Business Development of the Canton of Lucerne.

To facilitate the presentation, the findings follow the structure of the interview in terms of main themes and questions asked. Furthermore, this part of the research will be also dedicated to the discussion of the findings and it will be developed at the end of each of the three main themes³⁰. With the support of the literature review treated in Chapter II, this discussion will be used to identify the main location determinant areas where, according to this research, the Swiss Investment Promotion system should intervene in order to enhance direct investments from Japan. This first identification of location determinant areas will be the base for the elaboration of the policy recommendations presented in the next chapter.

4.2 Findings on Theme 1: Location determinants and main challenges

4.2.1 INVESTMENT LANDSCAPE in Europe and in Switzerland

Due to the strong geographic, economic and political interconnection of Switzerland with the European Union, the Swiss investment landscape is strongly affected by the conditions of the latter. Accordingly, when assessing the investment landscape of Switzerland, the majority of the people interviewed considered also the main aspects

³⁰ For further details please refer to Chapter III ("Research Methodology", pt. 3.2.3 "Research strategy").

characterizing the current European economic, political and market conditions and their potential effects on the Swiss investment landscape. The main considerations made by the interviewees about the European and Swiss investment landscape are presented as follows.

Despite economically very important and with recovering signals, Europe is still perceived by Japanese investors as a region of the world with less growth potential compared to other regions of the world such as US, the BRICS, and Australia. Furthermore, besides the limited growth of its economy also the political stability of the European Union (i.e. Greek crisis) seemed to be a major factor in discouraging Japanese investors to expand their activities in Europe. On the other side, even though the economic and political conditions have been in Switzerland more favorable, the current European situation can have direct consequences for direct investments in the country too. In fact, often the aim of foreign multinational companies established in the centrally located Switzerland, including Japanese, is to manage through headquarters and R&D facilities their sales and production subsidiaries in EMEA countries. Accordingly, a reduction of these subsidiaries, due to the aforementioned European conditions, can lead to a decrease of Japanese direct investments in Switzerland as well. According to the most of the interviewees, another factor which can prevent the inward flow of capital from Japan in Europe, and thus in Switzerland too, is the particular complexity of the European market. This often seems to be for Japanese potential investors much more heterogeneous than other ones such as US and Australia, where Japanese firms can find a more unique system in terms of laws, language and institutions for example.

Nevertheless, according to the majority of the people interviewed Europe has still several attractive features which can partially offset the difficulties mentioned before. In particular, according to most of the people interviewed Europe is still attractive in terms of M&A opportunities thanks to the declining price of many European companies during the economic crisis. This reduced value has been seen in fact by many foreign direct investors as a good opportunity to acquire at low-cost advanced European technology. In addition, according to most interviewees Europe has still some economic and market features which can be very attractive for Japanese potential foreign investors such as big and developed market represented by more than 500 million potential customers³¹

³¹ Source: Eurostat, 2015; « Estimated EU 28 population » ;
<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&language=en&pcode=tps00001&tableSelection=1&footnotes=yes&labeling=labels&plugin=1>

with high purchasing power and living standards. Furthermore, the European international value chain and the important business clusters such as the automotive industry in Germany, the pharma in Switzerland, and the logistic in Netherlands are also important factors that still make Europe an attractive location to invest for Japanese companies. On the other hand, Switzerland, despite being affected by the adverse economic and political conditions of the EU, is considered by most Japanese investors a very competitive business location, especially in terms of R&D opportunities and site where to establish a global or European headquarter. Nevertheless, for Japanese direct investors Switzerland has still some business location limits which cannot be attributable only to the current European conditions but also to some internal economic and political changes occurred in the country in the last few years.

The first is related to the appreciation of the Swiss Franc starting with the European crisis which discouraged foreign companies to take into account Switzerland as a business location due to its relative increase of operational costs. The second is rather associated to the recent political changes of Switzerland. In fact, some polls and reforms such as the so called “Minder initiative³²”, the “Mass Immigration Initiative³³” and the “Corporate Tax Reform III³⁴” in the last few years have negatively influenced the perception of potential Japanese investors in considering Switzerland as a stable business location where to invest. Additionally, due to the political controversy the Mass Immigration initiative caused between Switzerland and Europe, in the opinion of some of the people interviewed this may have quite important consequences not only on the availability of work permits for Japanese enterprises but also on how Japanese investors deem stable the bilateral relations between Switzerland and Europe in the years to come. This is particularly important when taking into account that one of the major competitive advantages of Switzerland as a business location is its political predictability. On the other hand, for some interviewees these polls do not seem likely to have long term effects on Japanese investments decision, since Switzerland, despite not being viewed as a “holy” country as before, is still considered more politically foreseeable than its main business location competitors, such as UK, Germany and Netherlands.

³² Source: Admin.ch, 2015; „Eidgenössische Volksinitiative 'gegen die Abzockerei'“; <https://www.admin.ch/ch/d/pore/vi/vis348t.html>

³³ Source: Admin.ch, 2015; „Eidgenössische Volksinitiative 'Gegen Masseneinwanderung'“; <https://www.admin.ch/ch/d/pore/vi/vis413t.html>

³⁴ Source: Admin.ch, 2015; „Third series of corporate tax reforms (CTR III)“; <https://www.efd.admin.ch/efd/en/home/themen/steuern/steuern-national/third-series-of-corporate-tax-reforms--ctr-iii-.html>

4.2.2 LOCATION DETERMINANTS for Japanese companies

Switzerland has been ranked for several years the most competitive country in the world³⁵. Nevertheless, despite being very attractive for specific location determinants, it seems to be considered by Japanese direct investors only as an optional investment location in Europe. In fact, Japanese direct investors often shortlist before other business destinations, as it may be the case of UK, Germany and Netherlands. On the other hand, Switzerland is particularly attractive when considering company's core functions such as headquarters or R&D, thanks to the very good quality of its infrastructure in transportation (especially related to international flight connections within Europe and to Japan) and education. This aspect is particularly regarded by Japanese investors also due to the very advanced infrastructure system they are used to have in Japan. Another competitive location determinant of Switzerland is the possibility to easily establish cutting edge partnership between the private sector and universities' research departments. Such an opportunity is especially important for Japanese investors since, despite many Japanese companies are very active in the creation of new technologies and innovations this possibility seems much less available in Japan.

Another important location determinant emerged from most of the interviewees is the tax advantages Switzerland can offer to new established foreign companies. This advantage is strengthened by the competition among the Cantons which try to attract investors by minimizing their tax burden. The attractiveness of this factor seems depending on the size of the company. Larger companies seem in fact more aggressive than smaller ones when considering their tax expenses. Nevertheless, this specific advantage offered by Switzerland may be only temporary since the OECD rules are putting pressure on the Swiss tax regime which should implement in the near future the so called Corporate Tax Reform III (E&Y, 2014). Additionally, as regards the particular case of Japan, the fact that Switzerland offers a quite interesting tax environment seems to be not a priority for Japanese investors when considering Switzerland as a business location. This may be due to a specific corporate culture of Japanese companies that tend to valorize more other added value location determinants (such as political stability or the possibility to create R&D partnerships with universities), or more specifically to the fact that Japanese companies with foreign activities are bonded by a Japanese law which imposes them to pay in the country

³⁵ Source: World Economic Forum, 2015; "The Global Competitiveness Report (2009-2015)"; <http://www.weforum.org/reports/global-competitiveness-report-2014-2015>

abroad at least the same amount of tax they would pay if their subsidiaries would have stayed in Japan³⁶.

Another important Swiss location determinant considered by Japanese companies is the high availability of educated people with specific technical and language skills. In relation to this aspect, according to some people interviewed there is also a cultural factor that Japanese companies find very attractive about the Swiss workforce. This is the possibility for the former, once established in Switzerland, to find the kind of work professionalism and consensual decision making approach in line with the Japanese working attitude. The fact that Switzerland has a high concentration of specific clusters very suitable to some advanced Japanese sectors, such as MEM, ICT, Cleantech and Pharma is also a quite strong advantage Switzerland has when considered by Japanese investors. These two advantages (i.e. educated workforce and access to clusters) seem for Japanese companies even more relevant if present in a very liberal economic context, in terms of flexible labor law and low red tape for business, such as the one of Switzerland.

A further important aspect attracting Japanese companies in Switzerland is the particular high level of the quality of life, also if compared to other advanced European countries. This aspect can be relevant especially for the Japanese management who would like to move in Switzerland with their families. There are also some important political and macroeconomic aspects that seem to be significant for Japanese companies when considering Switzerland as a business location. The political one, is related to the stability of Switzerland (it may be an exception the considerations made in the previous question about the recent Swiss polls), while the macroeconomic one regards the currency solidity of the country which is particularly appreciated by Japanese investors when taking long term business decisions.

Furthermore, the fact that Switzerland has quite strong diplomatic relations with Japan, in various multilateral context such as the WTO (i.e. same group in defending shared agriculture policies) and OECD, but also bilateral ones such as the double taxation agreement (1971), the agreement on scientific and technological cooperation (2007) and the conclusion of the Japan-Switzerland Free Trade and Economic Partnership Agreement (JSFTEPA, 2009), is another important element that makes Switzerland attractive as a business location for Japanese enterprises. In particular, in the JSFTEPA

³⁶ This aspect was mentioned in several interviews. Unfortunately, no specific references about this law have been identified in the literature review

there are two chapters regarding the facilitation of FDI between the two countries which improve, on one side the movement of professionals, and on the other one, the legal protection of direct investments made in the respective countries. This set of multilateral and bilateral agreements are therefore seen by Japanese investors as an important legal base but also a “starting point of trust” for creating a new business in Switzerland.

An additional factor related to the Swiss location determinants relevant to a specific group of Japanese companies, namely the small and medium enterprises (SMEs), is the fact that Switzerland offers, thanks to its liberal economic system, a cheaper exit strategy in case of failure of the FDI project in Switzerland. In fact, generally, SME with fewer financial resources at their disposal are more risk adverse when opting for internationalization. Switzerland in this specific situation seems to offer a more favorable business environment compared to other developed European economies such as Germany or France, since they tend to have more costly labor and business laws in case of closing a business activity in their respective business locations.

Another important aspect arose from the interviews and relevant for the decision of Japanese companies to invest in Switzerland is the possibility that the country offers, once a Japanese company is established in a specific location, to be quickly operative and integrated both from a business and private point of view. As regards the business side it seems in fact that for Japanese companies is crucial to access from the beginning all the specific services necessary to run operationally their activities such as tax advising, banking, audit and all the kind of professional experts able to understand and manage the business needs of Japanese firms. Concerning the private side, the services Japanese companies are expecting to find once established in Switzerland are Japanese food and products, Japanese schools and a Japanese community which Switzerland, although not as much as Germany or UK, seems to offer at least partially.

Furthermore, Japanese investment decision seems affected by the role of testimonials, that is, Japanese companies already successfully active in Switzerland. The positive experience of Japanese companies already present in Switzerland seems to be a fundamental element which Japanese potential investors consider when deciding to invest in Switzerland. Although lower compared to Germany, UK or Netherlands, the country provides a quite extensive number of important Japanese “success stories”³⁷

³⁷ For a more complete list please refer to: Success story list of SGE including Japanese companies, 2015; <http://www.s-ge.com/japan/invest/ja/cases>

such as JTI in Geneva, DMG Mori Seiki in Winterthur, Sunstar in Etoy (VD), for example.

4.2.3 CHALLENGES for Japanese companies nowadays in Switzerland

Costs are an important factor which Japanese companies consider when choosing Switzerland for their new activities. In fact, the country has higher costs in terms of production, salaries, rents and private expenses compared to other European countries. This point has an even a greater relevance if the current strength of the Swiss Franc is taken into account. However, it is important to note that in principle costs are discriminatory elements for Switzerland only when Japanese companies plan to invest in production facilities in Europe. For other corporate functions for which Switzerland is particularly attractive such as headquarters and R&D facilities, the cost factor tends to overshadow in favor of the quality of the workforce and the innovation that Japanese investors can find in Switzerland.

According to most of the interviewees, another important difficulty which may decisively affect the decision of Japanese companies to invest in Switzerland is the limitation of work permits for professionals not coming from the European Union, especially after the success of the “Mass Immigration Initiative” in February 2014. Additionally, due to the political controversy this poll caused between Switzerland and Europe, in the opinion of some of the people interviewed this initiative may have quite important consequences not only on the availability of work permits for Japanese enterprises but also on how Japanese investors deem stable the bilateral relations between Switzerland and Europe in the years to come. However, for some others, even though after this poll the process of work permit’s approval managed by the State Secretariat for Migration (SEM) seems becoming more complex, due to the long implementation procedure this new law requires and the fact that Japanese professionals, thanks to their level of education and income, meet in most of the cases the requirements for obtaining a work permit in Switzerland, the effects of the Mass Immigration Initiative on Japanese direct investments cannot be fully visible yet.

In the opinion of the interviewees, a further significant challenge for Japanese direct investors is the cultural difference they find in Europe and thus in Switzerland as well. This culture contrast seems to affect negatively Japanese direct investors planning to expand their activities in the country both before and after their investment decision.

Before, because Japanese potential investors are apparently afraid to face a new complete environment, especially when considering the effect that such a decision may have on their private life. After, because according to some interviewees Japanese investors seem to be not always open to rely on local workforce due to an initial distrust in being able to integrate foreign professionals in their work culture. As regards the phase before the investment decision is made, Japanese investors tend in this case to favor foreign countries or cities with an established Japanese community, where they can be in contact with other Japanese people and find all the kind of services offered in Japan such as Japanese newspapers, Japanese food and Japanese schools, for example. To be able to find Japanese schools seems in fact to be particularly appreciated once Japanese managers move with their families to a foreign country. This is the one of the reasons why Germany, in particular Düsseldorf, seems to be favored by Japanese compared to other European cities. In fact, in Düsseldorf there has been since long time an established Japanese community³⁸ which extensively offers all the kind of services searched by Japanese investors.

A further challenge indicated by some interviewees is the partial but significant loss of Japanese companies' leadership in strategic sectors as for example the automotive and electronics industry. Accordingly, this progressive change in the international market dynamics at present makes more difficult for Japanese companies to have access to the more competitive European market and thus to make new investments both in the EU and in Switzerland. Finally, another main aspects regarding the challenges of Japanese companies investing in Switzerland seems to be related not only to the specific location determinants of the country, but also to the ability of Japanese companies, in particular SME, to manage the internationalization process. On one hand, this seems due to Japanese enterprises' lack of a full international mindset necessary to integrate in an unknown environment, and on the other hand, also to the difficulty of the former to find Japanese staff willing to be relocate abroad.

4.2.4 Why JAPANESE FOREIGN DIRECT INVESTMENTS are GREATER in other major European economies

One of the main aspects mentioned by the interviewees regarding the reason why the level of Japanese direct investments is greater in other major European economies is that Switzerland represents for Japanese direct investors a business location option

³⁸ For more details please refer to: Wikipedia, 2015; "Japanese community of Düsseldorf"; https://en.wikipedia.org/wiki/Japanese_community_of_D%C3%BCsseldorf

within Europe. The others, often more privileged business locations are UK, Germany, Netherlands and France. Commonly, this seems depending on the size of the company involved in the investment decision. Large companies tend in fact to consider bigger markets where to install production facilities and where physical space is more available. The best options in this case may be UK, Germany, Netherlands or France rather than small and more expensive countries such as Switzerland.

Despite it is difficult to quantify due to a limited availability of public data, according to some of the interviewees another reason why the relative amount of Japanese FDI in UK, Germany and Netherlands is larger than in Switzerland is related to the greater availability of resources that the investment promotion systems of these countries have compared to Switzerland. A lower amount of resources available in terms of staff and budget is therefore seen by some of the interviewees as a possible disadvantage for Switzerland since the impact of its activities in attracting new investors is positively correlated to the amount of resources that the Swiss Investment Promotion system has at its disposal.

Others interesting argumentations given by most of the interviewees regarding why Japanese direct investments are greater in other developed EU economies such as Germany and UK, are for example the bigger Japanese community in Düsseldorf or the existence of closer historical ties between Japan and UK. Furthermore, as regards the case of UK, according to most of the interviewees this country is able to attract more direct investments than Switzerland also thanks to the familiarity of Japanese with English rather than with Swiss national languages and to the presence in London of one of the most influential financial centers. Furthermore, Germany and UK seem to interest more Japanese companies not only due to their unique location determinants, but also to the presence of a larger amount of already successfully established Japanese firms in these countries compared to Switzerland. The case of Netherlands seems instead more related to the tradition this country has in logistics. Most of Japanese products transit in fact from Rotterdam which is considered the main “gate” for international trade in Europe. Another aspect indicated by some interviewees is that, despite Switzerland is well integrated in the EU market, for Japanese investors can have some advantages to be directly located in an EU country thanks to a more uniform regulatory framework. This point is particularly relevant when considering the different technical product regulations that still exist between Switzerland and Europe.

A further factor mentioned by the interviewees regarding the greater amount of

Japanese FDI in other EU countries, is the larger size of the markets and the lower operational costs of Swiss FDI competitors. Japanese FDI often are in fact more related to production sites, than headquarters and R&D facilities, which tend to be built in less costly countries and with a larger pool of potential customers, as it is the case of Germany, UK and Netherlands. Nevertheless, in the opinion of some of the people interviewed this should not be considered a real issue, since after the investment in production sites in one of the other European countries mentioned before, Switzerland can still be the business location for headquarters or R&D facilities related to the production sites built in the other European countries. This is especially true considering the Swiss specific competitive advantages such as a developed infrastructure, innovation and technology clusters and a high concentration of a skilled international workforce. Finally, another relevant element that may explain the greater flow of Japanese direct investments in other EU economies is that, even though Switzerland has for some Japanese companies very attractive innovation clusters such as MEM, ICT and Pharma, some European countries have industrial clusters which generally involve a larger amount of Japanese direct investments. One example may be the automotive cluster in Germany or the transport and logistic cluster in UK.

4.2.5 The SWISS INVESTMENT PROMOTION AGENCIES system compared to the one of other major European economies

In general, most of the people interviewed recognized that the Swiss Investment Promotion system improved considerably in the last years, especially when considering the activities of Switzerland Global Enterprise. However, as indicated in the previous question, according to the opinion of most of the people interviewed, the Swiss Investment Promotion system is, even proportionally, much smaller compared to the one of the biggest European economies such as UK, Germany and Netherlands. This seems due to the fact that these countries have at disposal for their investment promotion activities a larger amount of staff and financial resources. Always according to the majority of the people interviewed, the relative limited availability of resources of the Swiss Investment Promotion system seems due to the distribution of the budget available among the different activities Switzerland undertakes in favor of the economic development of the country. Besides the investment promotion activities, Switzerland promotes in fact very actively, dedicating much more resources³⁹, its traditions, culture

³⁹ For the years 2012-2015 the Confederation contributed financially with CHF 20.4 mio for the investment promotion at federal level (i.e. Switzerland Global Enterprise) while with CHF 381.3 for the promotion of the Swiss tourism (i.e. Switzerland Tourism) during the same period. Source: SECO, 2011; « Botschaft über die Standortförderung 2012–2015 », « Legal framework »;

and tourism through two main organizations, that is Presence Switzerland and Switzerland Tourism.

Another difference indicated by the interviewees between the Swiss Investment Promotion system and the foreigner ones, is the organization of their investment promotion system which unlike in Switzerland is centralized. For most of the people interviewed the advantage of Switzerland in having a more fragmented system is that this kind of investment promotion structure allows the autonomy and a favorable competition among Cantons. In particular, the independence of the Cantons guarantees on one hand, to be consistent with the Swiss federal political system, and on the other one, to meet the expectations of the foreign direct investors, since each canton, knowing better its territory than other actors, is capable to propose more effectively its own specific location determinants.

Nevertheless, according to some people interviewed, in some specific cases this autonomy should temporarily converge to a more centralized approach, especially among the Cantons. This may be the case when Switzerland, as a country, is directly competing, with other business locations with a centralized investment promotion system for FDI projects of considerable dimension and strategic importance. An example may be the one of Amgen, an American company, which in a recent past turned down the option of investing in Switzerland in favor of Ireland. Based on the experience of some interviewees, apparently, this missed opportunity was mainly due to the uncoordinated competition among Cantons since they were not able to provide a unified offer to the company in question. Additionally, some of the interviewees raised some other concerns about having a too decentralized investment promotion system. This is related to the autonomy of the Cantons in promoting their locations abroad and the consequences that this has on the image of the Swiss business location overseas. Even though it was recognized that for the Cantons themselves it is quite difficult to distort the unified image of Switzerland as a business location, the fact that they are able to promote independently their location determinants abroad seems sometime generating some confusion at the eyes of the potential foreign investors. In fact, many of them may not clearly realize the real competitive advantages of Switzerland as a business location, especially when living in far country such as Japan.

Furthermore, for some of the interviewees, the Swiss Investment Promotion system is

quite complicated compared to the others in the EU, since is based on three levels, the federal, represented by Switzerland Global Enterprise (S-GE), the regional represented by four “Regional Location Marketing Organizations”⁴⁰ and the cantonal represented by the twenty-six investment promotion agencies. This complex framework may lead in fact to some kind of inefficiencies and ineffectiveness of the Swiss Investment Promotion system. Inefficiencies, because the three levels often carry out the same activities especially when they attract new companies. This uncoordinated approach can create overlapping activities among the different levels of the Swiss investment promotion agencies and thus redundancy in the employment of the resources of the system as a whole. Ineffectiveness because this inconsistent way to manage the activities among the three levels, can lead investors to some confusion when deciding where to start a new business in Switzerland. In the opinion of some interviewees the complexity of the Swiss investment promotion framework is related to the federalist system of Switzerland and the possible change of this specific set-up may be difficult. This in fact would involve a political will, especially of the Cantons, which often are more in favor of maintaining their autonomy rather than delegate their activities to a central actor.

Besides considering the limits and advantages of having a decentralized investment promotion system, the interviewees raised also some possible issues about the role of Switzerland Global Enterprise⁴¹ (S-GE). According to some interviewees higher is the level of the investment promotion system from cantonal to federal, the less are the resources available. For some people this is the reason why the current system, even though producing good results during the last years, is still dysfunctional. According to most of the people interviewed one of the main aspect which derives from a relative insufficiency of resources available at federal level is the limited expertise of the S-GE investment promotion in specific sectors. On the other side S-GE mentioned that, even though admitting a possible lack of in depth expertise in distinct sectors, in order to provide an optimal service the organization is relies on external partners who have the necessary competences in the industries in which the Japanese potential investors have interest in expanding.

Alternatively, most of the heads of the Cantonal promotion agencies interviewed argue in this regard that, even though the external partners’ network is an important source of

⁴⁰ BaselArea, Greater Geneva Berne area, Greater Zurich Area AG, St.GallenBodenseeArea. Source: S-GE, 2015; “14. Promoting Switzerland”;

⁴¹ For further information please refer to: S-GE, 2015; <http://www.s-ge.com/global/invest/de>

industry competencies, this network at present is not able to fully satisfy the potential investors needs for one specific reason. Generally, the external partners are not present at the first meeting organized by S-GE with the potential foreign company. This aspect apparently without concrete consequences on the outcome of the meeting, in reality it has at least two. The first one is related to the trust that the S-GE should build with the potential foreign investors from the first meeting. The presence of the external partner only in a second phase of the series of meetings between S-GE and the potential investor may create disorientation to the former in terms “of whom he should really put trust regarding its needs”. This may be particularly relevant for countries such as Japan where the human relation is a fundamental criterion for establishing the necessary confidence for a possible FDI project.

The fact that the external partner is not present in the first meeting between S-GE and the Japanese potential investors has, always according to some cantonal investment promotion agencies, a second more practical consequence. This is the misuse of time for the potential client who may wish to have already from the first meeting the necessary information for taking a timely decision on where invest its capital. Alternatively, according to other Cantons, the fact that S-GE has no industry experts at the first meeting should be not be deemed as an issue. In fact, for these people the first meeting with S-GE has a more exploratory objective and it is primarily necessary for establishing the first “contact of trust” between the potential investor and Switzerland as a business location. In this case, should the potential investor keep its interest in investing in Switzerland, the Cantons would be responsible afterwards to offer the required industry expertise to the potential investor. In fact, according to these interviewees the main role of S-GE is to promote the image of Switzerland as a business location abroad rather than exhaustively consulting the potential investors with a technical expertise in the first meeting. Moreover, regarding the role S-GE for some people this organization should focus its activities in attracting new FDI (i.e. creating new contacts and managing the projects) while the Cantons should instead aim to preserve the success of the existing FDI in their own territory. In addition, according to some other interviewees S-GE should, besides promoting the advantageous political and economic locations determinants of Switzerland, also consider to prove more specific information about the private life of Japanese potential employees in Switzerland in order to favor their integration process. The possibility to integrate quickly and smoothly in country seems in fact a very relevant aspect for Japanese people when deciding to invest abroad. Furthermore, according to most of the interviewees S-GE, as well as the country and sector focus, currently does not have

yet a consistent long term strategy on how to attract new FDI in Switzerland in the future. This seems mainly due to the length of this mandate which is limited to only four years and to the fact that the Cantons have among them different views about the autonomy of S-GE in taking strategic decisions.

A further important aspect related to S-GE was raised from a specific group of Cantons, namely the ones located in the French-speaking part of Switzerland. According to their experience and opinion, it is possible to observe that in some cases S-GE activities are more inclined to promote potential investment projects for Cantons located in the German-speaking part of Switzerland. According to them this seems mainly related to the geographical position of the S-GE's headquarter in Zurich and to the regional connection of the employees active in this headquarter with the German-speaking part of Switzerland. In this regard, this particular situation seems to have generated in the past some unbalanced benefits between the Cantons located in the French-speaking part of Switzerland and the ones located in the German-speaking part of Switzerland. In practice, due to the reasons mentioned before these unbalanced effects may be translated in the risk that one region of Switzerland, in particular the German-speaking part, could informally obtain in the future more contacts and possible direct investments projects compared to the other ones.

Finally, another point highlighted about S-GE activities is the so called lead management approach which is specifically used in Japan. This strategy allows S-GE not only to define Japanese potential direct investors, but also to establish a longer term relationship with Japanese companies by following them more closely in their decision process. The lead management approach was particularly appreciated by most of the representatives of the cantonal investment promotion agencies, especially for far countries with different cultures and particularly sensitive to the human relation side of the business, as is the case of Japan.

4.2.6 Discussion on Theme 1: location determinants and main challenges

1) Targeted communication

The literature review suggests that, despite the high competitiveness and the excellent business framework conditions, the decline of FDI in Switzerland in the last years is mainly due to the appreciation of the Swiss Franc caused by the European economic and political crisis. However, due to the progressive stabilization of the European

political and economic situation, according to the Federal Council in the future the Swiss business location may be negatively affected by new challenges, in particular internal. They are related to the recent polls and reforms with economic relevance which can possibly change the Swiss business framework situation, namely the Mass Immigration Initiative, the Minder Initiative and the Corporate Tax Reform III. In the opinion of the Federal Council in fact each of these aspects has contributed in the last years to increase the insecurity, at least perceived, of Switzerland as a business location. The Federal Council estimates that this situation requires in the future a bigger effort of communication from its side and the one of the Cantons as well.

Moreover, also S-GE deems very important the role of a more effective communication towards international investors. In this regard, this organization put as one of its priority the monitoring of the implementation phase of the polls mentioned before and to act as a credible and reliable intermediary when communicating any possible changes in the Swiss-European political and economic relations which can have effects on the companies interested in relocating in Switzerland. This approach would allow in fact on one side S-GE to highlight the favorable location determinants of Switzerland and on the other side to be a point of reference in answering critical issues that can affect the Swiss business location. Finally, also the report "Evaluation Nationale" also suggests among its recommendations that in order to improve its communication towards foreign investors the Swiss Investment Promotion system should "react timely to the current economic and political developments which can affect the decision to invest in Switzerland". However, according to the findings, for Japanese companies planning to invest in Switzerland the Minder Initiative and the Corporate Tax Reform III seem to not have a big influence. In particular, tax is not a priority for Japanese investors in Switzerland due to the fact the Switzerland is considered by Japanese for other location determinants (i.e. infrastructure, skilled workforce, R&D partnerships with universities, etc.) and due to a law⁴² in Japan which imposes to Japanese companies with foreign activities to pay in the country abroad at least the same amount of tax they would pay if their subsidiaries would have stayed in Japan.

2) Work Permit

Therefore, for the case of Japanese companies planning to invest in Europe, among the recent internal changes that may affect the Swiss business framework, the Mass

⁴² This aspect was mentioned in several interviews. Unfortunately, no specific references about this law have been identified in the literature review

Immigration Initiative is the one that can have the strongest impact on Japanese FDI in Switzerland. Some concerns related to the work permit for Japanese staff in Switzerland were already indicated prior to the acceptance of the initiative by a survey⁴³ conducted by JETRO in 2006. In fact, about seventy Japanese companies active in the country mentioned as one of the priority for Switzerland the "simplification and acceleration of the process of obtaining work and residence permits in Switzerland". In order to improve this situation in 2009 Switzerland and Japan decided to sign the JSFTPA which, besides reducing trade barriers between them, also aimed to facilitate the work permit for the staff moving in the two countries.

In favor of this agreement, the Swiss National Bank data shows an increase of Japanese staff in Switzerland⁴⁴, especially from 2009, year which coincides with the signature of the JSFTPA. However, some of the interviewees did not fully recognize this trend mentioning the fact that based on their own experience after the JSFTPA not much have been changed in terms of facilitation of work permit for Japanese staff. This consideration is in line with the one of the Embassy of Japan in Bern which confirmed in 2015, and thus after the signature of the agreement, that "in spite of Japanese company intend to invest in Switzerland it is difficult for them to employ Japanese staff from Japan since the working visa is not issued easily by the Government of Switzerland". According to some people interviewed, the inefficacy of the agreement (i.e. JSFTPA) in facilitating the work permit for Japanese staff in Switzerland is primarily amenable to the unawareness of the State Secretariat for Migration (SEM) about the chapter in the agreement (i.e. Chapter 7, "Movement of natural persons for business purposes") favoring the movement of Japanese business people in Switzerland. This unawareness seems in turn related mainly to a lack of direct communication between SECO and the State Secretariat for Migration (SEM). Additionally, due to the political controversy the Mass Immigration initiative caused between Switzerland and Europe, in the opinion of some of the people interviewed this initiative may have quite important consequences not only on the availability of work permits for Japanese enterprises but also on how Japanese investors deem stable the bilateral relations between Switzerland and Europe in the years to come.

3) Partnerships

Most of the location determinants of Switzerland defined in the literature review

⁴³ Source: MOFA, 2015; "Report of the Joint Governmental Study Group for strengthening economic relations between Japan and Switzerland, 2007"; <http://www.mofa.go.jp/region/europe/switzerland/report0701.pdf>

⁴⁴ See Chapter I ("Introduction") pt. 1.5 "Trends in Direct Investments from Japan to Switzerland"

coincides with the ones most attractive to Japanese companies indicated in the interviews. These are for example the economic and political stability, the developed infrastructure, the availability of skilled and educated workforce and the advanced framework for research and development. Furthermore, the Japanese Embassy in Bern indicates that Switzerland is an attractive country to invest not only for European companies but also for Japanese ones, especially considering its geographical position in central Europe, its security and stability in terms of government and regulation, its high quality of the infrastructure, and professionalism of its workforce. According to the literature review the presence of some specific location determinants such as a developed infrastructure, the availability of skilled and educated workforce and an advanced framework for research and development make Switzerland a particularly appreciated business location for innovative and future oriented products and services. In this regard, the findings indicated as a very favorable location determinant for Japanese investor in Switzerland the high concentration of specific clusters suitable for some advanced Japanese sectors, such as Life Science, MEM, ICT, Cleantech and Pharma. Therefore, in line with the literature review⁴⁵, the findings indicated as very interesting for Japanese companies the possibility to create in Switzerland research and development partnerships with private and public research institutions in the aforementioned sectors.

4) Cultural differences

On the other hand, the literature review together with the findings recognized that Switzerland as a business location has also some limits. They are mainly related to: the relative small size of its market, the high costs, and the strong market competition which international companies find in the centrally located Switzerland. As regards the specific case of Japanese companies in Switzerland, besides the Mass Immigration Initiative indicated in the pt.2 above (i.e. Work permit), the findings indicated another major disadvantage of Switzerland as a business location. This is the limited presence, especially compared to one of the main Swiss FDI competitor such as Germany, of a Japanese community in Switzerland. In fact, the findings indicated that Japanese investors tend to favor foreign countries or cities with an established Japanese community, where they can be in contact with other Japanese people and find all the kind of services offered in Japan such as Japanese newspapers, Japanese food and Japanese schools, for example.

5) Internationalization process

⁴⁵ See Chapter II ("Literature review"), pt. 2.3.2 Assessment of the potential, pt. a).

Another main aspects regarding the challenges of Japanese companies investing in Switzerland seems to be related not only to the specific location determinants of the country, but also to the ability of Japanese companies, in particular SME, to manage the internationalization process required to start a direct investment abroad. On one hand, this seems mainly due to Japanese enterprises' lack of a full international mindset necessary to integrate in an international environment, and on the other hand, also to the difficulty of the former to find the basic Japanese staff willing to be relocate abroad.

6) Complexity

As regards a specific location determinant of the Swiss business location, namely the Swiss Investment Promotion system, the literature review and the findings raised similar aspects related to the disadvantages created by its complexity. As regards the literature review, the research "Evaluation Nationale Standortpromotion Schweiz⁴⁶" suggests that in order to reduce the complexity of the Swiss Investment Promotion system it is necessary to define more precisely the allocation of the functions between S-GE and the cantonal investment promotion agencies. In fact, currently, both actors aim to attract the same Japanese investors but on different levels. On one side the regional and cantonal investment promotion agencies would like to increase the level of Japanese FDI in their respective territories, while S-GE would like to achieve the same goal, but on national level. In this case is thus created a situation where the Swiss Investment Promotion system competitive environment may be not beneficial for Switzerland as whole. According to the Federal Council a more effective promotion system can be realized by implementing a common strategy shared by all the actors involved. Related to this aspect also the findings indicated that currently the Swiss Investment Promotion system, since based on three levels (federal, regional and cantonal) is too complicated and that this situation can lead to inefficiencies and ineffectiveness, respectively in terms of overlapping activities and lack of a defined point of reference for Japanese investors. One of the solution suggested in the findings is to separate the activities of the Swiss Investment Promotion system between the federal and the regional/cantonal level. For example, S-GE should be responsible only for attracting new investors (i.e. Prospecting) while the Regions and the Cantons should be instead in charge of preserving the presence of the existing Japanese companies in Switzerland. According to the findings, at cantonal level there is another aspect that increases the

⁴⁶ Source: SECO, 2015; „EVALUATION NATIONALE STANDORTPROMOTION SCHWEIZ“, „Publications“; <http://www.seco.admin.ch/themen/05116/05120/05124/index.html?lang=en>

complexity of the system and possibly discourages Japanese potential investors, that is the different regulations present in each cantons related to environmental laws or tax regimes, for example.

7) Role of S-GE (Strategy, Expertise and Swiss Regional Focus)

Concerning the role of S-GE in the Swiss Investment Promotion system, also in this case the literature review and the findings indicated analogous points of improvement. The first one is the current S-GE's lack of a common and long-term strategy, while the second is the still too general expertise of this organization in the sectors in which operates. In order to offset the possible lack related to the expertise, the findings in most of the cases suggest the involvement of the external experts already in the first meeting between S-GE and Japanese potential investors. The literature also indicates as a possible improvement the increase of the focus of S-GE on specific sectors based on the competitive advantages of Switzerland as a business location. In line with this observation also the Federal Council recommends a more focused sector approach from S-GE. According to the former the sectors which are suitable with the Swiss market and competitive advantages are the ones which promote the technology, innovation, R&D and high competencies jobs. These sectors are generally represented in Switzerland by the MEM, ICT, the Cleantech and the Pharma industries.

The findings highlight also another aspect that S-GE should consider in order to increase its effectiveness. This is related to the focus the organization puts on the different geographical areas of Switzerland, in particular the Swiss-German and Swiss- French-speaking parts. In fact, currently, it seems that the orientation of S-GE in proposing suitable projects and potential investor contacts is asymmetric in favor of the German-speaking part. According to the French-speaking part this may possibly bring to economic inefficiencies since the projects and potential investor contacts are not always allocated based on business rationales, but more based on the regional belonging of S-GE, which its headquarter is located in the German-speaking part of Switzerland, namely Zurich. Finally, one of the S-GE's strongest points indicated by the interviewees is the lead management activity this organization carries out in Japan. As explained in the last paragraph of the pt. 5.2.5 above, according to most of the cantonal investment promotion agencies this specific strategy should be maintained and encouraged also in the future.

8) Resources

The findings indicated as a possible issue for the Swiss Investment Promotion system

its limited availability of resources in terms of budget and staff compared to its major European competitors. Despite not every interviewee agrees that an increase of resources would lead directly to an improvement of the competitiveness of the Swiss Investment Promotion system, it is also important to note that in order to ameliorate some specific aspects suggested in the literature review⁴⁷, especially in terms of communication and business services to offer, the Swiss Investment Promotion system should have at disposal more resources. In this case the issue is, however, from where and how the Swiss Investment Promotion system should obtain these additional resources without increasing the public expenditure. At present, the two options available are the optimization of the activities of the Swiss Investment Promotion system or, should this system already work optimally, a suitable shift of resources from other existing promotion organizations of the Confederation (i.e. Presence Switzerland and Switzerland Tourism) to the Swiss Investment Promotion system. In order to be implemented appropriately, this last option should also take into account the required political considerations.

4.3 Findings on Theme 2: Perceptions

4.3.1 Japanese SENTIMENT towards EUROPE/SWITZERLAND

4.3.2 PERCEPTION/IMAGE of Switzerland as a business location

According to most of the people interviewed the image of Switzerland abroad is very positive. However, generally in Japan this image seems to be mainly related to its traditional side, involving all the cultural, geographic and political characteristics that represent Switzerland abroad such as some typical goods produced in the country, its landscapes and its neutrality and social stability. The factors principally responsible for this kind of perception of Switzerland in Japan are mainly attributable to the following aspects: the presence of a large amount of Japanese tourists in Switzerland, especially in the 90ties, the activities of Presence Switzerland and Switzerland Tourism in promoting the traditional image of Switzerland around the world and the occasional but influential presence of Japanese media in Switzerland reporting the Swiss cultural and traditional aspects back in the country.

On the other side, based on the experience of most of the interviewees only Japanese

⁴⁷ See Chapter II ("Literature review"): regarding the suggestions offered by the Confederation and S-GE pt. 2.4.4 "Priorities for the coming years", and by the study "Evaluation Nationale Standortpromotion Schweiz" pt. 2.4.5 "Possible improvements of the Swiss Investment Promotion system".

technical experts and some managers with international business exposure are also aware about the features of Switzerland as a business location. In this case Switzerland is also considered for its ability to create innovation in technological sectors such as MEM, ICT and Pharma, for its global competitiveness and for its highly skilled but expensive labor force.

Despite everyone agreed that between the very positive location determinants of Switzerland⁴⁸ and its image in Japan there is a considerable divergence, the interviewees expressed different opinions on the effect of this potential drawback may have when attracting Japanese FDI. For some people, the fact that Switzerland is mainly recognized for its positive traditional features is already sufficient for the country to be taken into account as an attractive business location. The positive traditional image of Switzerland in Japan is in fact for these persons a very advantageous background for the Swiss investment promotion agencies when initiating negotiations with potential Japanese investors. This may be particularly relevant when it comes to treat business with Japanese people. Generally, they deem in fact the positive emotional connection created by a favorable country's image an important element for establishing an initial relation of trust with the country considered for the direct investment. For others, even though beneficial, the prevalence of the traditional and cultural image on the positive locations determinants of Switzerland is not a promotional advantage by itself when attracting Japanese FDI in Switzerland. This is mainly due to the increasing competition Switzerland has been facing with other majors FDI destinations such as U.S., BRICS and South East Asia, especially after the economic crisis started in 2008. This increased pressure on Switzerland Investment Promotion system requires accordingly that Switzerland, in order to compete timely and consistently with other strong business locations, is immediately recognized for its business locations features rather than its traditional image

4.3.3 Discussion on Theme 2: Perceptions

In the opinion of the interviewees Switzerland has a very positive "traditional" image overseas, especially in Japan. However, according to both the literature review and the findings, between the real location determinants and leading sectors of Switzerland and the country's image as a business location, there is still an important divergence. For some actors interviewed this gap is not an issue since the positive traditional image of Switzerland is considered as a sufficient "catalyst" to attract more direct investments

⁴⁸ For further details please refer to pt. 4.2.2 "LOCATION DETERMINANTS for Japanese companies".

from Japan. However, other interviewees together with the Federal Council pointed out that, even though the “traditional” image and the favorable business framework conditions of the country are undoubtedly positive factors for being considered by foreign potential investors, the constant increase in the recent years of the competition among the top business destinations, requires an additional effort in communicating and promoting actively the attractiveness of Switzerland as a business location.

4.4 Findings on Theme 3: Possible improvements and changes

4.4.1 Why Japan as a KEY COUNTRY & Role for Japanese companies of PREVIOUS KNOWLEDGE of the Swiss business location

4.4.1.1 Why Japan as a KEY COUNTRY (Question asked only to Swiss interviewees)

For most of the people interviewed, Japan, despite not having the same level of growth of other countries such as China, India, Brazil, is still a very interesting and important country to which focus the investment promotion activities of Switzerland. The main reasons are amenable to the fact that Japan is still the 3rd world economy, and has both a very developed economic structure and large companies. These, in most of the cases, are also qualitatively higher than its BRICS competitors in terms of innovation and added value products and have at their disposal a greater amount of capital to expand abroad. These factors can contribute in fact to the well-being of Switzerland financially (i.e. tax revenue), innovatively (i.e. transfer of technological and managerial know-how from Japan to Switzerland) and socially (i.e. creation of work opportunities in Switzerland). Furthermore, for some people interviewed Japan is potentially also a source of FDI diversification since direct investments in Switzerland are predominantly from Western developed economies, in particular US and Germany. For some people, the ability of most the Cantons to meet Japanese companies expectations in terms of services and quality, the ability of Switzerland to share with Japan some core values (i.e. work and personal ethic) and some key industries, are also very important factors that make Japan a strategic country to focus on.

For a minority of the interviewees, Japan instead, even though having all the qualities mentioned before, should not be considered as a key country to focus the Swiss investment promotion activities. This is due to the fact that, even though the

opportunities offered by Japanese companies are potentially very interesting for the reasons mentioned above, Japanese firms are very difficult to attract in Switzerland. Most of them are in fact looking to invest in production plants for which the country has not a significant competitive advantage especially compared to other bigger markets as Germany, UK and France).

4.4.1.2 Role for Japanese companies of PREVIOUS KNOWLEDGE of the Swiss business location (Question asked only to Mr. Kiyoshi Imai at JETRO in Geneva)

This specific question was asked only to Mr. Imai at JETRO in Geneva. According to the person interviewed it seems that for Japanese companies not having invested in Switzerland yet, the previous success of other Japanese firms, in some cases also US ones, is a very important prerequisite to decide whether to invest or not in Switzerland.

4.4.2 Biggest CHALLENGES IN ATTRACTING direct investments from Japan

The challenges in attracting Japanese FDI in Switzerland indicated by the people interviewed are different and are amenable to various reasons. Someone indicated as the main cause creating difficulties in attracting Japanese FDI in Switzerland the Swiss Investment Promotion system itself. The reason is that the Swiss business location at the eyes of Japanese direct investors is still too complex to understand during the investment decision phase. One example may be related to the different laws each Canton has in specific fields, such as the environmental law or tax law. A second challenge indicated by some interviewees is the ability of the cantons focused on Japanese FDI to get directly in contact with Japanese's company's decision makers. Most of the people in charge of attracting Japanese FDI in their respective Cantons have in fact the impression to be remote from the former and thus not being able to know their needs and their next direct investment moves in Europe. For others, one of the main challenges in attracting Japanese FDI is the fact that Switzerland, even though being currently among the best FDI destination in Europe, is not among the top three. At present it seems that the rank of Switzerland as attractive business location in Europe is maximum number four, following UK, Germany and Netherlands. This position, despite remarkable, often seems not sufficient to acknowledge Switzerland for its high quality location determinants before its main European FDI competitors. Related to this aspect, the fact that Germany has a larger Japanese community and a higher number of successful Japanese companies operating in Düsseldorf is a big

disadvantage for Switzerland when competing for FDI with this country.

Another important aspect raised during some interviews is the potential challenge for Switzerland deriving from the current EU-Japan FTA negotiations. Despite the fact that this kind of negotiation may take long time, especially considering the several countries involved from the EU's side, the conclusion of this agreement could represent for Switzerland a serious obstacle when attracting Japanese FDI. This may be due to the fact that this agreement will offer to Japanese companies much more economic and legal advantages for their FDI in EU compared to the actual situation. In this case there could be a switch of Japanese potential business projects intended for Switzerland to other EU countries. On the other side it is possible to deem the fact that this situation could also generate positive spillover effects for Switzerland. Firstly, when the EU-Japan trade agreement will be concluded, Europe may become more attractive for Japanese FDI also compared to other destinations such as US or Asia. If this will happen this could be positive for Switzerland because when Japanese FDI will invest in Europe for production plants, Switzerland may be still a very attractive business location if Japanese companies will be looking for headquarters or R&D facilities for their production plants installed in other EU countries.

4.4.3 Current POLICIES to attract Japanese FDI in Switzerland

Despite the Swiss Investment Promotion system was not directly involved in the creation of the agreement, the JSFPA has been for some interviewees a strong catalyst for increasing not only the trade between Japan and Switzerland but also the flow of Japanese FDI in the country. As regards the Swiss Investment Promotion system current "policies" to attract Japanese FDI in Switzerland, according to most of the interviewees, at the federal level currently there are no particular policies focused on attracting specific countries. Based on the mandate given by SECO and the cantons, generally S-GE concentrates its investment promotion activities on a list of countries (i.e. Japan, China, US, Brazil, Russia, Germany, Italy, France, UK, and India) to which are not offered specific incentives. The rationale behind strategy is that Switzerland would like to offer to each of the countries mentioned before the same business opportunities. This, according to the majority of the interviewees, would allow in fact a more healthy competition among direct investors from different countries with a positive impact on the Swiss economy. In this regard, however, a possible exception is the lead management activity carried out by S-GE in Japan. This special case was allowed by the majority of Cantons since they considered that S-GE, through the Swiss Business

Hub Japan, is more effective in establishing relations with Japanese potential investors due to its presence in the country. Generally, also at cantonal level there are not specific “policies” for attracting particular countries. This follows the same S-GE’s principle for which each country should have the same kind of investment opportunities in order to preserve a healthy business competition. However, some Cantons, as a measure to near potential investors in some specific countries, organize cantonal institutional visits with the presence of cantonal government representatives. These target countries, for which the role of the government is important in connecting the different cantonal business locations with potential investors, are normally China, India, and Russia and also Japan.

Lastly, according to some interviewees another important aspect could increase the attractiveness of Switzerland for Japan, is the strengthening of the communication among Japanese people living in Switzerland and between Swiss people and the Japanese community. This would require a proactive approach from the Swiss side especially considering the discreteness of the Japanese people living abroad. This reinforcement of exchange would be positive to know better the needs of Japanese people living in Switzerland and to allow Japanese people to refer about their positive business and private experience in Switzerland to Japanese potential investors. This according to some people interviewed should be realized by organizing special events through business but also informal meetings.

4.4.4 Discussion on Theme 3: possible improvements and changes

9) Increase contact with decision makers

According to the findings an important aspect which could increase the level of Japanese FDI in Switzerland is the closer contact of the cantonal investment promotion agencies with Japanese FDI decision makers. At present one of the activities carried out by some of these agencies is the organization of institutional visits in Japan⁴⁹. During these visits both representatives of local and central Japanese government together with Japanese enterprises planning to expand in Europe meet with cantonal officials to discuss about investment opportunities in Switzerland. Thanks to the direct involvement of Swiss and Japanese governmental institutions this approach is able to communicate and promote in a targeted way the competitive advantages of Switzerland as a business location to Japanese firms. The utilization of official channels

⁴⁹ An example of this approach is the Economic mission of the Geneva Canton in Japan held in November 2014. <https://www.jetro.go.jp/switzerland/topics/20140922223-topics.html>

seem in fact in countries such as Japan the best way to inform Japanese companies' decision makers about the competitive advantages of Switzerland as a business location and to create the network of key contacts able to take initiative regarding investing in the country.

10) Communication EU-JP FTA opportunities

The findings suggests that the future EU-Japan FTA agreement⁵⁰ can in principle decrease the opportunities of Switzerland to be considered as an European investment destinations. However, taking into account the different competitive advantages⁵¹ that characterize EU on one hand and Switzerland on the other one, it is possible to conceive a communication strategy which aims to transform a possible disadvantage for Switzerland in an opportunity.

5 Policy recommendations

5.1 Introduction

This part of the research would like, based on the discussion presented in the previous chapter, to propose ten targeted policy recommendations to the Swiss Investment Promotion system. The objective of these “guidelines” is to indicate the most significant areas and measures which according to this study the Swiss investment promotion agencies should consider in order to increase the attractiveness of Switzerland as a business location for Japanese companies.

5.2 Policy recommendations

1) Targeted communication about the challenges of the Swiss business location

Considering the current investment landscape of Switzerland, there are three main factors that can discourage Japanese direct investments in Switzerland. They are the effect of the EU economic and political crisis on the attractiveness of Switzerland as business location, the strength of the Swiss Franc and the recent introduction of new laws and reforms, such as the Minder initiative, The Mass Migration Initiative and the

⁵⁰ For further information please refer to: European Commission, 2015; “Trade, Japan”; <http://ec.europa.eu/trade/policy/countries-and-regions/countries/japan/>

⁵¹ For further details please refer to Chapter IV (“Findings and Discussion”) pt. 4.2.1 and pt. 4.2.2

Tax Reform III. In order to reduce the impact of these factors on the Japanese decision of investing in Switzerland, the Swiss Investment Promotion system should focus its activities on communicating in a proactive and effective way to potential Japanese direct investors a clear message regarding the possible negative effects and the envisaged solutions of the aforementioned challenges for Japanese investments. The main goal of this strategy is to offer to Japanese investors a regular update about the actual Swiss investment landscape in order to avoid speculations on the real situation and thus mitigate any kind of investment insecurity. Additionally, to be able to communicate clearly and propose solutions about the challenges of the Swiss business framework, can be beneficial for Japanese companies since each of these activities would allow them to reduce the employment of their financial resources and time during their decision process to invest in Switzerland.

The channels used to communicate and transmit this information are various. The first can be the media such as newsletters, monthly booklets and economic and business columns on Japanese newspapers. Another one can be the organization of symposiums chaired by Swiss and Japanese experts from various public and private institutions such as SECO, consulting companies, JETRO in Geneva, Embassy of Switzerland in Japan, S-GE, and the Swiss-Japanese Chamber of Commerce. The audience would be a selected group of Japanese potential investors defined by the leads generated in Japan by the Swiss Business Hub Japan, or through the network of JETRO in Geneva, Embassy of Japan in Switzerland and cantonal investment promotion agencies.

2) Facilitate the obtainment of the work permit for Japanese staff in Switzerland

With the objective to limit the negative effects of the Mass Immigration Initiative on Japanese direct investments in Switzerland, the Swiss Investment Promotion system should act on two levels, namely the legislative level and the perception level. As regards the legislative level, each Canton interested in attracting Japanese FDI should try to implement the Article 121a of the Federal Constitution in a way favorable to the movement of Japanese staff in Switzerland. This may be done by considering the pt. 5 of the same article which allows the law to “regulate the details”⁵². Furthermore, in order to facilitate the process of obtaining the work permit for Japanese professionals,

⁵² Source: Admin.ch, 2015; “Art. 121.a FC, pt.5”; <https://www.admin.ch/opc/en/classified-compilation/19995395/201506140000/101.pdf>

SECO and the Cantons should also establish a good communication with the State Secretariat for Migration (SEM). In this regard, the former should inform in detail the latter, through the organization of briefings in which the main representatives of the State Secretariat for Migration are invited, about the necessity to issue as smoothly as possible the work permit for Japanese professionals. These briefings should highlight on one hand, the ability Japanese staff to fulfill in most of the cases the requirements indicated by the pt.3 of the Art. 121a FC (i.e. "an application from an employer, ability to integrate, and adequate, independent means of subsistence") and on the other one, the possible consequences for the Swiss economy in not providing an appropriate amount of work permits to Japanese staff planning to move to Switzerland.

Concerning the perception level, in order to reduce any possible skepticisms related to the openness of Switzerland in accepting the work permit requests of Japanese companies, the Swiss Investment Promotion system should firstly communicate to Japanese potential investors its proactive role in taking all the necessary measures to favor the movement of Japanese staff in Switzerland, and also inform them about how Switzerland would like to stabilize in the near future the relations with the European Union regarding immigration policies.

3) Enhance Japan-Switzerland partnerships in Life Science, MEM, ICT, Cleantech and Pharma

Thanks to the presence in Switzerland of an advanced research and development network of private companies and universities particularly open in creating R&D partnerships in sectors such as Life Science, MEM, ICT, Cleantech and Pharma, the Swiss Investment Promotion system should propose effectively and proactively this opportunity to Japanese investors since each of the aforementioned sectors are very suitable to the ones of Japanese companies with potential to invest in Switzerland. As in the previous case, this communication can be realized through different channels (e.g. newsletters, monthly booklets, economic and business columns on Japanese newspapers, etc.). Through these channels should be in fact presented the current R&D projects and the relative Swiss private or public organizations available to involve external partners. Periodically, for example twice a year, these R&D projects should also be presented in symposiums taking place in Japan (i.e. at the Embassy of Switzerland in Tokyo, in Japanese's universities or at the JETRO's headquarter) and in Switzerland⁵³ (e.g. at the ETH, EPFL, ZHAW, SJCC and the S-GE's headquarter in

⁵³ An example is the informative seminar on the Life Science sector in held Geneva in November 2014.

Zurich) via broadcasting. The participants of these symposiums should be Swiss company's professionals or university's professors in charge of specific R&D projects, Japanese companies CEOs in Switzerland involved in R&D partnerships as testimonials and representatives of the Swiss Investment Promotion system. This type of meetings would have the double function of introducing the projects directly to Japanese potential investors and to create the network of people able to develop the R&D partnerships. In order to enhance the effectiveness of this strategy, this process should be proactively supervised and stimulated by the Swiss Investment Promotion system.

4) Strengthen the Japanese community in Switzerland

In order to strengthen the Japanese community in Switzerland the Swiss Investment Promotion system should promote the already existing network of Japanese people living in the country⁵⁴ by organizing, regularly during the year, both business and informal events. These events have the purpose to enhance on one hand, the interaction among Japanese people in Switzerland at various levels (i.e. companies, families, education and language schools, and organizations such as SJCC, Swiss-Japanese Society and JETRO in Geneva). On the other one, thanks to the hosting of these activities by representatives of Swiss Investment Promotion system, by people from the academia, by Japan-oriented organizations in Switzerland and by Swiss and Japanese diplomatic circles, the relationship between Japanese and Swiss people in Switzerland. The enlargement and the intensification of the Japanese community in Switzerland would be in fact an attractive factor for Japanese companies planning to invest in Europe, while the enhancement of the Swiss and Japanese relations in Switzerland can be a driver in promoting the Swiss business location directly in Japan thanks to the positive references back in the country of Japanese people living in Switzerland.

5) Support the internationalization process of Japanese companies in Switzerland

Due to the particular difficulties of Japanese companies, especially SME, in internationalizing their activities, the cantonal investment promotion agencies interested in attracting Japanese FDI and S-GE should create a specific strategy able to support these companies. This strategy should consider mainly activities such as a “program administration” and “intercultural consulting” focused on relocation. The first activity

<https://www.jetro.go.jp/switzerland/archives/lifescience.html>

⁵⁴ For further details please refer to S-GE, 2015; “Japanese World in Switzerland”; <http://www.s-ge.com/sites/default/files/JWISfinal1109.pdf>

should allow Japanese companies to introduce their activities in a new Swiss environment smoothly. The cantonal investment promotion agencies should give at first a general introduction about the main issues and solutions Japanese companies may have once installed in Switzerland. In the second step of this process, the cantonal investment promotion agencies should introduce personally the Japanese companies to the relevant people and organizations which can provide the necessary services to start successfully their business. These services should range from lawyers, real estate agencies to tax and business consultants.

The second part of this strategy should focus more on the private side of the Japanese people involved in the relocation process. Due to particular cultural differences related to the languages, food and daily activities, the cantonal investment promotion agencies should act as a bridge to adapt Japanese incoming professionals to the new Swiss environment. In order to do so, the cantonal investment promotion agencies should define at first the priorities of the Japanese people by specifically questioning them about their needs and wishes. After having a clear idea about these concerns the cantonal investment promotion agencies should introduce personally them to the specific suitable person able to meet their demands. These persons could range from Japanese-German interpreters, Japanese school teachers to the already existing Japanese community in Switzerland⁵⁵, especially in cities such Geneva and Uster. All the steps of the first and second phase of the strategy should be followed personally and proactively by the cantonal investment promotion agencies until required. With the aim to facilitate the communication of this strategy it would be necessary to create also a booklet such as “Japanese World in Switzerland”⁵⁶, explaining the different steps proactively taken by the Swiss Investment Promotion system to facilitate the integration both on the business and private life level of Japanese staff and managers planning to live in Switzerland.

6) Simplify the Swiss Investment Promotion system and the presentation of the Cantonal regulation frameworks

To reduce the complexity of the Swiss Investment Promotion system, the competition among regional and cantonal investment promotion agencies should be maintained, but should be avoided between the former and S-GE. This approach would in fact allow

⁵⁵ For further details please refer to S-GE, 2015; “Japanese World in Switzerland”; <http://www.s-ge.com/sites/default/files/JWISfinal1109.pdf>

⁵⁶ Source: S-GE, 2015; “Japanese World in Switzerland”; <http://www.s-ge.com/sites/default/files/JWISfinal1109.pdf>

maintaining a favorable internal competitive environment while having a coordinated investment promotion system at national level. The coordination between the cantonal investment promotion system and S-GE should be established in terms of activities. A possible solution to this issue may be to separate clearly the activities of the two Swiss investment promotion actors at federal and cantonal level. With the fundamental support of the regional and cantonal investment promotion network and experience, S-GE should be the main responsible for attracting new Japanese FDI in Switzerland, while the cantons should be instead concerned in preserving the presence of Japanese companies already established in Switzerland. This clear separation of competences between S-GE and the cantonal investment promotion agencies would be beneficial to the Swiss business environment as a whole since the competition, by being only among cantons, would focus on the needs of the Japanese potential investors offering at the same time a more unique image of Switzerland as a business location in Japan.

Furthermore, S-GE with the support of the cantonal investment promotion agencies should proactively minimize at eyes of the potential Japanese investors any differences among the cantons in terms of regulatory framework related to tax regimes and environmental laws, for example. This should be done by modularizing the needs of Japanese investors. This means that S-GE, based on the main Japanese location determinant needs, should at first define a list of potential cantons able to satisfy those needs and then discuss in detail the possible differences in terms of legislation and taxes among the cantons selected. For every cantons selected S-GE, in case not fully competent in a particular topic (ex: environmental law) should be able to turn in a short time to the respective cantonal experts in the specific issue to be addressed.

7) S-GE: Long-term Strategy, Expertise and Regional Focus in Switzerland

S-GE should define a common and longer time strategy in order to allow the Swiss Investment Promotion system to work more consistently with the other actors (i.e. Cantons and Regions) and to avoid biasing its activities to considerations related to short term achievements. In fact, this approach would give the opportunity to S-GE, and as a consequence to the whole Swiss Investment Promotion system, to take advantage of the synergies created with the Cantons and Regions and to focus its activities on added value countries with real long term potential. Moreover, S-GE should allow potential investors, especially when Japanese, to meet the external partner expert in their respective sectors from the first meeting. This approach would ensure Japanese potential investors to establish from the beginning a trusted contact with the

expert consulting them for a possible business project in Switzerland. Furthermore, this approach would increase the chances to be considered by Japanese potential investors since each of them would have already from the start of the discussions the relevant information to decide to invest in the country and allow a more timely response of the Swiss Investment Promotion system competing with other major business destinations. Finally, S-GE should also manage to allocate and promote homogeneously and according to business rationales any kind of potential direct investment project among the Swiss Regions. Thanks to this balanced approach, the activities of S-GE would be able to gain in effectiveness since the “projects” will be distributed within Switzerland based on the ability of each Region to satisfy to the best the location determinant needs of Japanese direct investors.

8) Optimize/increase the resources available

In order to increase the competitiveness of the Swiss Investment Promotion system at international level, S-GE should be considered an optimization and, where necessary, an increase of the resources available in terms of budget and staff. This optimization of the resources would allow S-GE to undertake more activities aimed to promote the image of Switzerland, filling so the gap between the Swiss location determinants and the image of Switzerland as a business location, and to strengthen the network of potential Japanese direct investors in Switzerland and in Japan. These activities could be carried out under the form of formal and informal events or through the activities proposed in the policy recommendations 1, 3, 4, 9 and 10. With the purpose to increase these resources while not affecting the national and cantonal budget, it is possible to consider their shift from the organizations promoting the traditional image of Switzerland abroad to the Swiss Investment Promotion system. This shift should especially concern S-GE, since at present is the most active actor in promoting the image of Switzerland as a business location abroad.

9) Intensify the network of Japanese potential direct investors in Japan

Besides the involvement of Japanese officials through the organization of institutional visits, an alternative way to expand the network of Japanese company's decision makers in Switzerland can be the following. As a first step would be important to define the target of Japanese companies for which Switzerland has a business location

competitive advantage⁵⁷ compared to other major EU business destinations. Afterwards, it would be necessary to benefit from the existing network of Japanese people already connected to Switzerland through organizations such as SJCC, JETRO⁵⁸ in Geneva and Japanese companies already successfully established in the country, with the aim to approach the target companies defined in the first step.

As regards the “approaching” phase, it would be particularly beneficial to establish a contact with the third actor mentioned above, namely Japanese companies with positive experiences in Switzerland⁵⁹. In fact, thanks to these “references” it would be possible to near more effectively Japanese decision makers in Japan. This approach would benefit in particular from a proactive and enhanced utilization of testimonials, due to the fact that these references are from Japan and based on a “Japanese success stories”⁶⁰. As a third step, in order to follow up with the activities described above, the Swiss Business Hub Japan should organize, besides formal events such as the “Investor Seminar”, also informal events such as casual social gatherings, with the aim to offer the opportunity to the participants (i.e. Swiss officials and Japanese potential investors) to know better “each other’s” also from a personal point of view⁶¹.

10) EU-JAPAN FTA: the opportunity for Switzerland

The Swiss Investment Promotion system should see the coming EU-Japan free trade agreement as an opportunity to increase Japanese FDI in HQ and R&D projects in Switzerland. Thanks to its competitive advantage in specific location determinants compared to the EU, Switzerland could be for some specific sectors⁶² a very attractive business location to set further Japanese HQ or R&D facilities. Since the negotiations between Japan and EU should be concluded by the end of 2015, the Swiss Investment Promotion system should define a new communication strategy targeting Japanese potential investors planning to benefit from the agreement, emphasizing that after the conclusion of the former Switzerland is the most suitable and profitable location to

⁵⁷ For further details please refer to Chapter II (“Literature Review”) pt. 2.3.2.

⁵⁸ An example of this approach is the Memorandum of Understanding (MoU) signed between Switzerland Global Enterprise (SGE) and Japan External Trade Organization (JETRO), on July 9, in Tokyo.
<https://www.jetro.go.jp/switzerland/topics/20140714561-topics.html>

⁵⁹ For a list of possible contacts please refer to: S-GE, 2015: “Success story list of SGE including Japanese companies”; <http://www.s-ge.com/japan/invest/ja/cases> (only in Japanese)

⁶⁰ In this regard, Mr. Kiyoshi Imai, Advisor Trade and Investment at JETRO in Geneva, pointed out as crucial for nearing other direct investments from Japan the knowledge of a previous success of Japanese companies in Switzerland

⁶¹ Also this specific point is particularly in line with the opinion of Mr. Kiyoshi Imai, who described as exceptionally successful the organization of such an informal event for Japanese potential investors, which took place in a recent past at the Embassy of UK in Tokyo.

⁶² According to European Commission the major imports from Japan to EU are in sectors such machinery, electrical machinery, motor vehicles, optical and medical instruments, and chemicals. Source: European Commission, 2015; “Trade, Japan”; <http://ec.europa.eu/trade/policy/countries-and-regions/countries/japan/>

invest for HQ and R&D facilities related to their new projects in the EU.

6 Conclusions

6.1 Answer to the research question

Thanks to the answers given to the three sub-research questions and the utilization of the literature review, it was possible to create a case study able to solve the research problem investigated by the research question, namely:

“How the Swiss Investment Promotion system can contribute to increase the level of direct investments from Japan in the coming years?” (RQ1)

This case study allowed in fact generating in Chapter V ten policy recommendations able to offer insights about the most significant areas and measures, which according to this research, the Swiss investment promotion agencies should consider in order to increase the attractiveness of Switzerland as a business location for Japanese companies. In this regard, it is possible to divide the ten policy recommendations in four main categories:

a) External communication:

- Targeted communication about the challenges of the Swiss business location (1)
- Enhance Japan-Switzerland partnerships in MEM, ICT, Cleantech and Pharma (3)
- EU-JAPAN FTA: the opportunity for Switzerland (10)

b) Japanese direct investment “needs”:

- Facilitate the obtainment of the work permit for Japanese staff in Switzerland (2)
- Support the internationalization process of Japanese companies in Switzerland (5)

c) Switzerland-Japan relations:

- Strengthen the Japanese community in Switzerland (4)
- Intensify the network of Japanese potential direct investors in Japan (9)

d) Swiss Investment Promotion system:

- Simplify the Swiss Investment Promotion system (6)

- S-GE: Long-term Strategy, Expertise and Regional Focus in Switzerland (7)
- Optimize/increase the resources available (8)

This categorization of the policy recommendations can be useful for the Swiss Investment Promotion system to investigate the current situation from a wider perspective or identify possible points of deepening for further studies.

6.2 The point of view of the different actors

6.2.1 The Confederation and the Cantons

Considering the points of view offered by the different actors involved at national and international level this research highlighted the following aspects. When comparing for example the federal and cantonal point of view it is possible to notice that the two actors tend to valorize differently the concepts of “autonomy” and “centralization”. On one hand the Cantons seem to want to preserve their independence relying on some services offered by the Confederation, while on the other hand the federal level, with the support of the cantons, would like to centralize more the activities of the investment promotion system with the aim to be more effective in its mission. Despite a definitive agreement between these two standpoints seems not achieved yet, both actors mutually recognize the importance of their roles in contributing to attract more direct investments from Japan.

6.2.2 Switzerland and Japan

When comparing the viewpoint of Switzerland and Japan, this research found that in principle both agree about the significance of the Swiss location determinants for attracting Japanese direct investments, such as the availability of good infrastructures, of a skilled workforce and the facilitation of the work permit for Japanese staff. However, on the other side this study found also that Japan compared to Switzerland highlighted more the relationship side of the Japanese investment decision. In fact, besides the very interesting location determinants Switzerland can offer, Japan esteemed also very important in order for the country to be competitive with the other European business destinations, to intensify also the personal contact and mutual understanding between the two countries.

6.2.3 Japan and the United States

Thanks to the written contribution of the *Economic section of the Embassy of Japan*

and the *Public Affairs section* and *Commerce department of the Embassy of the United States* in Bern, this research has the opportunity to bring attention to some commonalities between the two countries when assessing the location determinants and main challenges for their companies in Switzerland. As regards the location determinants, both Embassies indicate as very attractive features of the Swiss business location the followings: the geographical of Switzerland position in central Europe and the relative access to the four largest European markets and economies, the infrastructures, in particular the transportation, the availability of a competent and industrious workforce and the presence of a stable and reliable administration especially in terms of regulation. Additionally, the Embassy of U.S. mentions also as favorable business conditions in Switzerland the existence of industry clusters and the labor and business laws conducive to the inception of new operations. On the other hand, concerning the main challenges, both Embassies express concerns about the availability of Switzerland in issuing the work permit for Japanese or U.S. people planning to move in the country for business purposes. On the U.S. side, this issue is particularly related to the “uncertainty over the implementation of the February 9, 2014, vote to limit immigration.”

The Embassy of Japan commented also the current economic relations with Switzerland more in general, pointing out that the Embassy “has tried to improve the remove of the barriers for the Investment between two countries” by for example signing agreements with Switzerland in various fields such as the economics (i.e. Economic Partnership Agreement), the social security, the “open sky” and the intellectual property. Therefore, according to the Embassy important regulations barriers are no longer present between the two countries. Another interesting aspect about Japanese and U.S. direct investments in Switzerland is the one mentioned by Mr. *Kiyoshi Imai* at JETRO Geneva. According to Mr. Imai in fact, Japanese companies considering to invest in Switzerland not only deem as an important prerequisite for their decision the previous success of Japanese companies in the country, but also, mainly due to historical reasons, the one of U.S. companies with positive experiences in Switzerland. In particular, according to this research this aspect can be complementary to the case of Japanese companies “success stories” in Switzerland and therefore increase the effectiveness of the communication to Japanese potential investors about the attractiveness of the Swiss business location.

6.3 Japan as a “key country”

Based on Question 8 of the interview, even though for a minority of the interviewees Japan companies are very difficult to attract in Switzerland since most of them are looking to invest in production plants for which Switzerland has not a significant competitive advantage, for most of the other people interviewed, Japan, despite not having the same level of growth of other countries such as China, India, Brazil, is still a very important country to which focus the investment promotion activities of Switzerland. The main reasons mentioned are the followings:

- Japan is still the 3rd world's economy,
- being the 2nd most advanced economy, Japan has a very developed economic structure,
- Japan has large companies, in most of the cases qualitatively higher than its BRICS competitors in terms of products and added value and with availability of capital to expand abroad,
- Japan produces a very high level of innovation and technology (ex: 3D and 4.0)

These factors can contribute in fact to the well-being of Switzerland financially (i.e. taxes to the cantons), innovatively (i.e. transfer of technological and managerial know-how from Japan to Switzerland) and socially (i.e. creating work opportunities in Switzerland). Furthermore, for some people interviewed Japan is potentially also a source of FDI diversification since direct investments in Switzerland are predominantly from Western developed economies, in particular US and Germany. Additionally, for some interviewees, the ability of most the Cantons to meet Japanese companies expectations in terms of services and quality, the fact that Switzerland shares with Japan some core values (i.e. work ethic and tradition) and some key industries, are also very important factors that make Japan a strategic country to focus on.

6.4 More systematic and proactive approach, and dare more...

Besides the policy recommendations formulated in Chapter V, more in general, based on experiences indicated during the interviews and the comparison of the Swiss Investment Promotion system with the one of other major European economies, the former should focus its efforts also on the following two aspects: be more systematic and proactive both at federal and cantonal level in understating and managing Japanese company's needs. More specifically, the proactiveness of the Swiss

Investment Promotion system should be based on two main drivers: the enhancement of the relationship side between Switzerland and Japan and the ability of Switzerland to dare more when taking investment promotion decisions. This last aspect is particularly relevant in light of the increasing competition among the major European investment destinations. One way to apply this approach is by taking more initiative regarding the improvements that Switzerland can do as a business location, before its major FDI competitors. Despite this way would imply a certain degree of risk, according to this research and some interviewees, it will be necessary to maintain and reinforce the competitiveness of Switzerland as a business location in the future.

6.5 Further studies and extensions

Besides the possibility to deepen the analysis of the policy recommendations' categories presented above, another aspect which this research considers as crucial for a better understanding of the topic treated in this study, is the involvement of Japanese companies in Switzerland and potential Japanese investors planning to expand in Europe. According to this research, this participation⁶³ would undoubtedly offer further insights and thus a clearer perspective about how Switzerland can be more attractive for Japanese companies. Moreover, this study also envisages as a possible extension the analysis of FDI in Switzerland coming from other countries such as U.S., China, India or South Korea, for example. Especially in the case of China and South Korea, these additional researches would allow offering a wider, defined and complementary picture on how Switzerland can be more competitive and attractive as a business location in the coming years.

⁶³ As indicated in Chapter I ("Introduction"), this study already created an ad hoc questionnaire which is attached in the "Annexes". In this regard, the author is glad to share this document in case it will be necessary for the inception of further studies dedicated to improve the attractiveness of Switzerland as a business location.

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Annexes

A-1 Semi-structured Interview - SWITZERLAND

This Interview has the objective to explore the factors that attract Japanese companies to invest in Switzerland. Furthermore, this Interview would like also to explore the perceptions of Japan regarding Switzerland as a business location and identify possible measures which Japan deems important to take in order to enhance the attractiveness of Switzerland as business location.

The Interview will last for 1h maximum and it will take place at the interviewee site or if not, at the most convenient location for the interviewee. Permission is sought to record the interview on dictaphone which will be transcribed for coding/analysis purposes. If not agreed differently with the interviewee, any opinion or statement made by the former will be treated in the research anonymously.

In further details, the aim of this Interview is to define:

a) Locations determinants and Main challenges (Q1-Q5)

This section of the Interview would like to identify at first the Location Determinants and the Main Challenges Japanese companies face in Switzerland. Then, this part of the interview would like to contextualize the situation of Switzerland as business location comparing it with some of its main FDI competitors such as UK, Germany and Netherlands. In this way, it will be possible to determine from the Japanese perspective where Switzerland can improve its competitiveness as a business location compared to other major European economies. Furthermore, this section of the interview would like to focus on one specific Location Determinant that is the Swiss Investment Promotion Agencies (IPA). The information collected from this question will be used to explore possible limits of the Swiss IPA system compared to European IPA which are competing with Switzerland in attracting FDI.

b) Perceptions (Q6-Q7)

This section of the Interview would like on the other hand to explore the Japanese perception of Switzerland as business location. In fact, according to different sources analyzed during this research “Swiss Attractiveness Survey – 2013”¹ and experiences from professionals in Foreign Direct Investments) Switzerland is often associated more to sectors such as finance, rather than other Swiss leading sectors as Life science and

MEM. A further misperception found during the preliminary phase of this research is regarding the image of Switzerland abroad. In particular, Switzerland seems often more associated to tourism purposes than to a location where to start a business. This aspect may be significant, especially when comparing Switzerland to its main FDI competitors from major European economies which instead tend to be considered more favorably as business locations.

In this regard it is important to explore which are the perceptions of Japan towards Switzerland since a biased perception of Switzerland as a business location may affect negatively the country ability to attract Japanese FDI. According to the study mentioned above there is in fact a major difference between the perception of potential investors and the one who already invested in Switzerland. The study found that in general the perception of the latter is much more in line with the qualities and characteristic of Switzerland as a business location. This aspect may be relevant because, should this be also found in the case of Japan, the IPA system may focus its effort to attract greater Japanese investments in Switzerland in improving the external communication of Switzerland as a strong business location rather than try to improve/change the already existing Location determinants.

c) Possible Improvements/Changes (Q8-Q10)

This part of the Interview would like to explore the relevance of Japanese FDI for the Swiss Investment Promotion Agencies (IPA) in order to know more about their “motivation” in bringing the necessary improvements/changes. This part of the Interview would like also to know more about the current activities/policies undertaken by the Swiss Investment Promotion Agencies. This last part will further explore the effectiveness of the current activities/policies implemented to attract Japanese direct investments. In case according to the Swiss Investment Promotion Agencies involved in this interview the current situation should be improved, it will be asked to them which are in their opinion the possible alternatives to the current activities/policies able to attract Japanese FDI.

This will allow bringing new insights to the later formulation of the Policy recommendations. As regards the Q9, this would like to explore in which position the Swiss IPA are towards Japanese investors. This will allow understanding whether there are some specific challenges the Swiss IPA have in serving Japanese investors. These challenges may come from different issues related for

example to communication between the Swiss and Japanese actors or the inability of the former to fully understand the Japanese investor's needs. This will be better understood comparing the answers to this question to the ones given by Japan in Q9.

QUESTIONS:

➤ Locations determinants and Main challenges

- 1) **How would you describe the INVESTMENT LANDSCAPE in EUROPE/SWITZERLAND at the moment?**
⇒ This question is used to introduce the main aspects related to the location determinants and main challenges.
- 2) **Which do you think are the main LOCATION DETERMINANTS for Japanese companies when deciding to invest in EUROPE/SWITZERLAND?**
⇒ This question is used to explore the main location determinants.
- 3) **Which are in your opinion the main CHALLENGES that Japanese companies are facing nowadays in EUROPE/SWITZERLAND?**
⇒ This question is used to explore the main challenges.
- 4) **Why do you think the level of JAPANESE FOREIGN DIRECT INVESTMENTS IS GREATER in other major European economies such as UK, Germany or Netherlands?**
⇒ This question is used to explore the main location determinants and the main challenges compared to other major European economies.
- 5) **How do you see the SWISS INVESTMENT PROMOTION AGENCIES system compared to the ones of other major European economies such as UK, Germany and Netherlands?**
⇒ This question is used to explore a specific location determinant and the main challenges compared to other major European economies.

➤ Perceptions

- 6) **What do you think is the Japanese SENTIMENT towards EUROPE/SWITZERLAND?**
⇒ This question is used to introduce the Japanese perception of Switzerland as a business location.
- 7) **Which do you think is the PERCEPTION/IMAGE of Switzerland as a business location?**
⇒ This question is used to explore the role of Japanese companies' perception of Switzerland as a business location.

➤ **Possible Improvements /Changes**

8) Why do you consider Japan as a KEY COUNTRY to focus your investment promotion activities?

⇒ This question is used to explore the relevance for Switzerland to attract direct investments from Japan (useful to assess IPA “motivation in doing more”).

9) Which are the biggest CHALLENGES your office/ the Swiss IPA system has IN ATTRACTING direct investments from Japan? (Ex: communication, sector...)

⇒ This question is used to explore where the office/IPA should focus its efforts and understand where the office/IPA system should understand more Japanese investment needs.

10) Which are the current “POLICIES” to attract Japanese FDI in Switzerland? Are they effective? If not, which alternatives do you see?

⇒ This question is used to explore which is the current situation and the possible alternatives.

A-2 Semi-structured Interview - JAPAN

This Interview has the objective to explore the factors that attract Japanese companies to invest in Switzerland. Furthermore, this Interview would like also to explore the perceptions of Japan regarding Switzerland as a business location and identify possible measures which Japan deems important to take in order to enhance the attractiveness of Switzerland as business location.

The Interview will last for 1h maximum and it will take place at the interviewee site or if not, at the most convenient location for the interviewee. Permission is sought to record the interview on dictaphone which will be transcribed for coding/analysis purposes. If not agreed differently with the interviewee, any opinion or statement made by the former will be treated in the research anonymously.

In further details, the aim of this Interview is to define:

d) Locations determinants and Main challenges (Q1-Q5)

This section of the Interview would like to identify at first the Location Determinants and the Main Challenges Japanese companies face in Switzerland. Then, this part of the interview would like to contextualize the situation of Switzerland as business location comparing it with some of its main FDI competitors such as UK, Germany and Netherlands. In this way, it will be possible to determine from the Japanese perspective where Switzerland can improve its competitiveness as a business location compared to other major European economies. Furthermore, this section of the interview would like

to focus on one specific Location Determinant that is the Swiss Investment Promotion Agencies (IPA). The information collected from this question will be used to explore possible limits of the Swiss IPA system compared to the main European IPA which are competing with Switzerland in attracting FDI.

e) Perceptions (Q6-Q8)

This section of the Interview would like on the other hand to explore the Japanese perception of Switzerland as business location. In fact, according to different sources analyzed during this research (i.e. “Swiss Attractiveness Survey – 2013” and experiences from professionals in Foreign Direct Investments) Switzerland is often associated more to sectors such as finance, rather than other Swiss leading sectors such as Life science and MEM. A further misperception found during the preliminary phase of this research is regarding the overall image of Switzerland abroad. In particular, Switzerland seems often more associated to tourism purposes than to a location where to start a business. This aspect may be significant, especially when comparing Switzerland to its main FDI competitors from major European economies which instead tend to be considered more favorably as business locations.

In this regard it is important to explore which are the perceptions of Japan towards Switzerland since a biased perception of Switzerland as a business location may affect negatively the country ability to attract Japanese FDI. According to the study mentioned above there is in fact a major difference between the perception of potential investors and the one who already invested in Switzerland. The study found that in general the perception of the latter is much more in line with the qualities and characteristic of Switzerland as a business location. This aspect may be relevant because, should this be also found in the case of Japan, the IPA system may focus its effort to attract greater Japanese investments in Switzerland in improving the external communication of Switzerland as a strong business location rather than try to improve/change the already existing Location determinants.

f) Possible improvements /changes (Q9)

This part of the Interview would like to explore the opinion of Japan concerning the measures Switzerland should adopt to attract more investments from Japanese companies. This information will be considered mainly to define where the improvements/changes on the location determinants should be brought. Furthermore,

the information provided in this part of the interview will be particularly regarded during the formulation of the Policy recommendations to the Swiss Investment Promotion Agencies currently attracting Japanese direct investments.

QUESTIONS:

➤ **Locations determinants and Main challenges**

1) How would you describe the INVESTEMENT LANDSCAPE in EUROPE/SWITZERLAND at the moment?

⇒ This question is used to introduce the main aspects related to the location determinants and main challenges.

2) Which do you think are the main LOCATION DETERMINANTS for Japanese companies when deciding to invest in EUROPE/SWITZERLAND?

⇒ This question is used to explore the main location determinants.

3) Which are in your opinion the main CHALLENGES that Japanese companies are facing nowadays in EUROPE/SWITZERLAND?

⇒ This question is used to explore the main challenges.

4) Why do you think the level of JAPANESE FOREIGN DIRECT INVESTMENTS IS GREATER in other major European economies such as UK, Germany or Netherlands?

⇒ This question is used to explore the main location determinants and the main challenges compared to other major European economies.

5) How do you see the SWISS INVESTMENT PROMOTION AGENCIES system compared to the ones of other major European economies such as UK, Germany and Netherlands?

⇒ This question is used to explore a specific location determinant and the main challenges compared to other major European economies.

➤ **Perceptions**

6) What do you think is the Japanese SENTIMENT towards Switzerland?

⇒ This question is used to introduce the Japanese perceptions of Switzerland as a business location.

7) Which do you think is the PERCEPTION/IMAGE of EUROPE/SWITZERLAND as a business location?

⇒ This question is used to explore the role of Japanese companies' perception of Switzerland as a business location.

8) Which is the role for Japanese companies of having PREVIOUS KNOWLEDGE OF SWITZERLAND as business location when deciding to invest in Switzerland?

⇒ This question is used to explore the role for Japanese companies to have previous knowledge of Switzerland as a business location.

➤ **Possible Improvements /Changes**

9) Which are in your opinion the MEASURES that Switzerland should take to enhance its attractiveness for Japanese companies in the coming years?

⇒ This question is used to explore the opinion of Japan concerning the measures Switzerland should adopt to attract more investments from Japanese companies.

A-3 Survey Japanese companies in Switzerland

Japanese FDI: the role of Switzerland in enhancing direct investments from Japan.

Thank you for taking time to complete this survey. Your contribution is very important to this study since it helps to understand the factors that make **Switzerland an investment location for Japanese companies**. This survey consists of **18 pages** and will take approximately **20 minutes** of your time. Page 1 (this page) provides the introduction and asks you for basic information on you and your company. **Pages 2 to 12** ask you to provide your opinion on **21 investment factors** in total (using the Kano format indicated in the document attached). **Pages 13 to 18** ask you to rate the **importance of those 21 investment factors**. The questions marked with “*” are mandatory.

If you have any questions or need help with the survey, I am glad to be at your complete disposal, **Roberto Cardinali**, at roberto.cardinali@students.unibe.ch.

Please note: In accordance with **The Swiss Federal Act on Data Protection (1992)** your personal information will only be used for the purpose of undertaking my thesis only and will not be inappropriately reproduced or disclosed to 3rd parties. All data collected will be treated in the strictest of confidence with only aggregate data used in my final thesis paper.

1) General Information

Please input some basic demographic information below on you and your company. This information will be treated in the strictest confidence and only used for categorization and analysis purposes. Please write your answer(s) here:

Your Name (Optional):

Member of Management Team (Yes/No):

Industry Sector:

Job Title:

Company Name:

Nationality:

Length of Time with the Company:

2)Policy Factors for investments in Switzerland

This page surveys your perceptions of the **policies undertaken by the Swiss Government** that may be factors in your decision to invest in Switzerland. There are **6 questions on this page, each with two parts**. In answering these questions, please place **one** tick mark under the most appropriate response **for each question**.

1. Government Role Perception *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|---|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If the Swiss Government plays a proactive role in enhancing Foreign Direct Investment (FDI) competitiveness (e.g. social security agreement, no screening for investments, flexible labor law), how do you feel?• If the Swiss Government does not play a proactive role in enhancing Foreign Direct Investment (FDI) competitiveness (e.g. limitation on foreign control, work and resident permit difficult to obtain), how do you feel? | | | | | |

2. Social and Political Climate Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there is a low-risk political environment with infrequent occurrences of social disorder, how do you feel?• If there is a high-risk political environment with frequent occurrences of social disorder, how do you feel? | | | | | |

3. Institutional Standard Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there are high-quality government Institutions promoting high standards for investment (e.g. fair and transparent legal system), how do you feel?• If there are no high-quality government Institutions promoting high standards for investment (e.g. perceived high regulation), how do you feel? | | | | | |

4. Industrial Development Policies Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there are high quality industrial policies leading to many specialized knowledge clusters (e.g. Special R&D Zones), how do you feel?• If there are no high quality industrial policies leading to many specialized knowledge clusters (e.g. Special R&D Zones), how do you feel? | | | | | |

5. Trade Agreements Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there are international trade agreements of Foreign Direct Investment (FDI) promoting openness to trade, how do you feel?• If there are international trade agreements of Foreign Direct Investment (FDI) promoting high barriers to trade, how do you feel? | | | | | |

6. Corporate Taxation Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|---|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there are low corporate tax rates (e.g. favorable tax treatment, double tax agreement), how do you feel?• If there are high corporate tax rates (e.g. unfavorable corporate tax reform), how do you feel? | | | | | |

7. Comments (Optional)

Please write your answer here:

3)Economic Factors for Investment in Switzerland

This page surveys your perceptions of the **economic factors** that may influence your decision to invest in Switzerland. **There are 10 questions on this page, each with two parts.** In answering these questions, please place **one** tick mark under the most appropriate response **for each question**.

1. Economic Condition Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If macroeconomic conditions are positive (e.g. stability of the prices, currency and strong growth), how do you feel?• If macroeconomic conditions are poor (e.g. strong currency, high prices and weak growth), how do you feel? | | | | | |

2. Access to Local Capital Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|---|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there is easy access to local capital markets within a stable banking system, how do you feel?• If there is limited access to local capital markets within an unstable banking system (e.g. restrictions for foreign companies), how do you feel? | | | | | |

3. Corruption and Risk Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">If there are low levels of corruption and risk when investing in FDI, how do you feel?If there are high levels of corruption and risk when investing in FDI, how do you feel? | | | | | |

4. Export Market Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|---|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">If there is a strong export market with an economy driven by exports (e.g. EU, Middle East and Africa), how do you feel?If there is a weak export market with an economy driven by exports, how do you feel? | | | | | |

5. Domestic Market Growth Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">If the size of Switzerland's domestic market grows larger how do you feel?If the size of Switzerland's domestic market grows smaller (e.g. higher competition, higher priority on larger markets), how do you feel? | | | | | |

6. Access to Regional Markets Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If the size and demand of the regional market (e.g. EU, Middle East and Africa) grows larger, how do you feel?• If the size and demand of the regional market grows smaller (e.g. Euro crisis and relocation to Emerging Markets), how do you feel? | | | | | |

7. Access to Skilled Labor Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|---|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there is access to a high skilled-labor force (i.e. base for HQ and R&D, access to research centers), how do you feel?• If there is limited access to a high skilled-labor force (i.e. weak knowledge, research and innovation base, shortage of skilled professionals), how do you feel? | | | | | |

8. Cost of Labor Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|---|-----------|-------------|---------------|--------------------|--------------|
| • If there is access to low-cost labor (i.e. low wages and employment costs), how do you feel? | | | | | |
| • If there is limited access to low-cost labor (i.e. high wages and employment costs), how do you feel? | | | | | |

9. Business Operating Costs *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| • If business operating costs (e.g. real estate, transport, communications) are low, how do you feel? | | | | | |
| • If business operating costs (e.g. real estate, transport, communications) are high, how do you feel? | | | | | |

10. Physical Infrastructure Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there is access to high-quality (i.e. reliable, developed and extensive) physical infrastructure (e.g. ports, roads, power, transport, logistic, telecommunications), how do you feel?• If there is no access to high-quality physical infrastructure (ports, roads, power, transport, logistic, telecommunications), how do you feel? | | | | | |

11. Comments (Optional)

Please write your answer here:

4) Business Facilitation Factors for Investment in Switzerland

This page surveys your perceptions of the **business factors** and ease of doing business that may influence your decision to invest in Switzerland. **There are 5 questions on this page, each with two parts.** In answering these questions, please place **one** tick mark under the most appropriate response **for each question**.

1. Investment Promotion Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If the investment promotions services and incentives for investment are well-developed (e.g. highly experienced professionals, strong investment location skills), how do you feel?• If there are poor investment promotion services and incentives for investment (e.g. not enough experienced professionals, access to the various level of the system too complex), how do you feel? | | | | | |

2. Legal System Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|---|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there is a developed legal system (e.g. fair and transparent system, strong intellectual property laws), how do you feel?• If there is an underdeveloped legal system (e.g. unfair and not transparent system, weak intellectual property laws), how do you feel? | | | | | |

3. Business Bureaucracy Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|---|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there is a favorable, business-friendly environment (e.g. reduced bureaucracy and "red tape"), how do you feel?• If there is an unfavorable, business-adverse environment (e.g. reduced bureaucracy and "red tape"), how do you feel? | | | | | |

4. Quality of Life Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If there are many local amenities and social services leading to increased quality of life how do you feel?• If there are no local amenities and limited social services leading to decreased quality of life, how do you feel? | | | | | |

5. Previous Knowledge of Location Perceptions *

Please choose the appropriate response for each item:

| | I like it | I expect it | I do not care | I can live with it | I dislike it |
|--|-----------|-------------|---------------|--------------------|--------------|
| <ul style="list-style-type: none">• If your company has a previous presence and/or investment in Switzerland, how do you feel?• If your company has no previous presence and/or investment in Switzerland, how do you feel? | | | | | |

6. Comments

Please write your answer here:

5) Importance of Investment Factors

1. Importance of Policy Factors *

Please choose the appropriate response for each item:

| | Unimportant | Of little importance | Moderately important | Important | Very important |
|--|-------------|----------------------|----------------------|-----------|----------------|
| <ul style="list-style-type: none"> • How important is it if: the Swiss Government plays a proactive role in Foreign Direct Investment (FDI)? • How important is it if: there is a low-risk political environment with infrequent occurrence of social disorder? • How important is it if: there are high-quality government Institutions promoting high standards for investment? • How important is it if: there are high quality industrial policies leading to many specialized knowledge clusters? • How important is it if: there are international trade agreements on Foreign Direct Investment (FDI) promoting openness to trade? • How important is it if: there are low corporate tax rates? | | | | | |

2. Importance of Economic Factors *

Please choose the appropriate response for each item:

| | Unimportant | Of little importance | Moderately important | Important | Very important |
|--|-------------|----------------------|----------------------|-----------|----------------|
| <ul style="list-style-type: none"> • How important is it if: there is access to local capital markets within a stable banking system? • How important is it if: there are low levels of corruption and risk when investing in FDI? • How important is it if: there is access to a strong export market with an economy driven by exports? • How important is it if: the Swiss domestic market grows in size? • How important is it if: the regional market (e.g. EU) grows in size and potential demand? • How important is it if: there is high labor productivity (rate of output per employee and high utilization days)? • How important is it if: there is access to low-cost labor (e.g. low wages)? • How important is it if: there is a low-cost business operating environment (e.g. low-cost transport, communications, energy)? • How important is it if: there is access to high-quality physical infrastructure (ports, roads, power, logistics and telecoms)? | | | | | |

3. Importance of Business Facilitation Factors *

Please choose the appropriate response for each item:

| | Unimportant | Of little importance | Moderately important | Important | Very important |
|---|-------------|----------------------|----------------------|-----------|----------------|
| <ul style="list-style-type: none"> How important is it if: there is access to well-developed investment promotion incentives? How important is it if: there access to a mature legal system (independent judiciary, strong intellectual property laws and enforcement of contracts)? How important is it if: there access to a favorable business-friendly environment (e.g. reduced bureaucracy, and "red tape")? How important is it if: many local amenities and social services are provided leading to increased quality of life? How important is it if: your company has previous presence and/or previous investment in Switzerland? | | | | | |

4. Please select the top 5 country characteristics that you consider important for choosing Switzerland as the location for your foreign investment (1st is the most important, etc.)*

Please select 5 answers

Please choose the appropriate response for each item:

| | 1st | 2nd | 3rd | 4th | 5th |
|---|-----|-----|-----|-----|-----|
| <ul style="list-style-type: none"> • The Swiss Government plays a proactive role in Foreign Direct Investment (FDI) • Low-risk political environment with infrequent occurrence of social disorder • High-quality government Institutions promoting high standards for investment • High quality industrial policies leading to many specialized knowledge clusters • International trade agreements on Foreign Direct Investment (FDI) promoting openness to trade • Low corporate tax rates • Macroeconomic conditions are positive (e.g. strong growth, low inflation, and favorable exchange rate) • Access to local capital markets within a stable banking system • Low levels of corruption and risk when investing in FDI • Access to strong export market with an economy driven by exports • A growing Swiss domestic market | | | | | |

| | 1st | 2nd | 3rd | 4th | 5th |
|--|---|-----|-----|-----|-----|
| | <ul style="list-style-type: none"> • Access to high-skilled labor (i.e. strong knowledge, research and innovation base) • Access to low-cost labor (e.g. low wages) • Low-cost business operating environment (e.g. low-cost transport, communications, energy) • Access to high-quality physical infrastructure (ports, roads, power, logistics, telecoms) • Access to well-developed investment promotion incentives • Access to a mature legal system (independent judiciary, strong intellectual property laws and enforcement of contracts) • Access to a favorable business-friendly environment (e.g. reduced bureaucracy, and "red tape") • Access to local amenities and social services are provided leading to increased quality of life • Your company has previous presence and/or previous investment in Switzerland | | | | |

5. What can Switzerland do to become more attractive for investment by Japanese companies? *

Please write your answer here:

Thank you very much for your time and having completed this Survey!