



Economic Report 2023

JAPAN

4 July 2023

Executive Summary

The **Japanese economy continues its moderate recovery**. It grew by 1% in 2022 and is on a positive trajectory in 2023. GDP has reached the pre-pandemic level, but not yet its previous peak.

The government has continued its **expansive fiscal policy**, including with energy subsidies to fight inflation. Despite a **national debt at almost 260% of GDP**, it seeks further significant expenditure to build up defense, accelerate decarbonisation, further digitalization and stimulate innovation. A **raise of corporate and tobacco taxes** has been authorized by Parliament for 2024 or beyond.

Inflation temporarily rose to 4.3% in January 2023, the highest in over four decades. The central bank has so far maintained its **loose monetary policy**. Resulting interest rate differentials contributed to a significant **devaluation of the Yen**, which triggered currency interventions by the government.

Meanwhile, Prime Minister Kishida continues to advance his signature policy of a **"New Form of Capitalism"** which seeks to **address structural challenges**, and includes certain measures to incentivize labor mobility, a shift from savings to investments or the creation of startups.

The government has advanced the implementation of its May 2022 **economic security legislation** with a focus on diversifying supply chains for critical materials. It has deployed significant efforts to revive its **semiconductor industry**, which also creates opportunities for Swiss suppliers.

Internationally, Japan continues to **champion free trade**. As the driving force in the regional free trade bloc "Comprehensive and Progressive Agreement of the Trans-Pacific Partnership (CPTPP)", it oversaw the successful conclusion of negotiations to grant the United Kingdom accession.

At the same time, Tokyo has played a **central role in shaping consensus and new rules on economic security and supply chains** through its G7 chairmanship and contribution to the negotiations of the first agreement under the US-led Indo-Pacific Economic Framework (IPEF).

Japan saw record-high exports and imports in 2022. China remained the most important trading partner, although trade grew at a comparatively modest pace. **Foreign Direct Investments (FDI) to Japan grew by almost 14%** in 2022, but remain comparatively low.

Japan remained **Switzerland's eleventh largest trading partner** in 2022 with a trade volume of CHF 15 billion. It was the main driver of Swiss exports to Asia. Both imports and exports rose to record levels, with pharmaceutical products dominating both. **Switzerland was the eighth largest investor in Japan** in 2022. Japanese FDI to Switzerland dropped by 8.1%.

Switzerland has opened an **Honorary Consulate on the southern island of Kyushu** in November 2022. The region offers various opportunities for Swiss companies, including in the area of cleantech. The Swiss Pavilion at the **World Expo 2025 Osaka, Kansai** seeks to position Switzerland as a reliable and innovative partner and offers Swiss companies a variety of concrete sponsorship opportunities.

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1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

Moderate growth in Japan GDP could trail Germany's in USD

Japan's economy grew by one percent to JPY 547.3 trillion for the year 2022.¹ However, the GDP in US dollar-terms would be \$4.2 trillion, lower than the \$4.9 trillion in 2021.² A decline of almost twenty percent in the yen's average value from 2021 to 2022 is the cause for this numerical contradiction across the two currencies. In striking distance of Japan's rank as the third largest economy in the world is Germany, which grew its economy to nearly \$4.1 trillion in 2022.³ As the yen has further depreciated thus far in 2023, Japan could fall behind Germany in dollar terms in the near future - a first since 1968.

From 2022 into early 2023, Japan's economy has had quarterly expansions and contractions almost in parallel to the trajectory of the Covid-19 pandemic and corresponding government responses. The loosening of public health measures during the April to June 2022 quarter coincided with the nation's longest vacation period of the year called Golden Week and lifted personal consumption to a strong positive, as well as business and public investments.⁴ That growth stumbled during the July to September 2022 period because of the coronavirus' seventh wave. The loosening of most border controls since October 2022 may have averted Japan's economy from posting a second straight contraction in that final quarter of the year. It had a zero percent growth quarter instead and then grew in the first quarter 2023.

While Japan has closed two consecutive calendar years with positive GDP growth and has surpassed the pre-pandemic level, the economy in yen terms remains 1.1% short of the numerical peak observed in the July to September 2019 period. If Japan meets the International Monetary Fund (IMF)'s outlook of 1.3% growth in 2023 and one percent in 2024, the economy could surpass that peak.⁵ Nevertheless, recent trends show that a sustainable growth of two percent each year remains out of reach for Japan as it has met this milestone only twice since 2012, when it reached 2% in 2013 and 2.2% in 2021.

The perennial struggle to break out of stagnant growth became an "about face" moment for Japan in 2023. Japan's government used its G-7 chairmanship to argue that GDP is not an accurate method of measuring economic growth and well-being today as it does not account for the shared economy such as rental income, R&D, and unpaid services.⁶ At the G-7 meeting of finance ministers and central bank governors in Niigata in May, attendees agreed that policymakers "need to follow multidimensional indicators for measuring welfare and explore operational tools to reflect such indicators in policymaking"⁷.

'Typical' fiscal policies mask unfunded long-term priorities

For fiscal year 2022 (April 2022 to March 2023), the nation's Parliament (hereafter Diet) approved a regular budget of \$818.5 billion.⁸ As it came in too early to account for inflation from global energy commodity prices and Russia's aggression against Ukraine, lawmakers crafted supplementary spending bills. They voted for an extra \$240 billion in total in May and December 2022.⁹ Among other things, the government used this money to fight inflation in early 2022 with partial subsidies for petroleum wholesalers and in early 2023 with electricity and gas utilities discounts for households. A record \$541.1 billion in tax revenue covered about 51% of the combined three budgets for fiscal year 2022.¹⁰

For fiscal year 2023 (April 2023 to March 2024), lawmakers approved \$852.1 billion in March 2023, a record budget for the eleventh consecutive year.¹¹ The spending authorization includes a 26% increase of the defense budget from fiscal year 2022, initiating implementation of a long-term commitment by Prime Minister Fumio Kishida's government to boost national security expenditure to an equivalent of two percent of the nation's GDP. The 1.7% increase to cover healthcare and social insurance costs is also the highest-ever spending on that combined account, reflecting demographic trends in the country.

¹ Cabinet Office, "Quarterly estimates of GDP: release archive- 2023" (8 June 2023),

https://www.esri.cao.go.jp/en/sna/data/sokuhou/files/2023/toukei_2023.html, accessed on 19 June 2023.

² Converted from JPY 547.3 trillion, based on average currency exchange rate for 2022 at JPY 131.46/USD.

³ Statista, "The 20 countries with the largest gross domestic product (GDP) in 2022" (11 May 2023),

<https://www.statista.com/statistics/268173/countries-with-the-largest-gross-domestic-product-gdp/>, accessed 30 May 2023.

⁴ Cabinet Office, "Quarterly estimates of GDP for April – June 2022" (8 September 2022),

https://www.esri.cao.go.jp/en/sna/data/sokuhou/files/2022/qe222_2/pdf/gaiyou2222_e.pdf, accessed on 1 June 2023.

⁵ IMF, "World Economic Outlook April 2023: A Rocky Recovery" (11 April 2023),

<https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>, accessed on 31 May 2023.

⁶ Kanda, Masato, "Economic policies aimed at improving well-being" (23-24 March 2023), <https://www.genron-npo.net/en/was/archives/5616.html>, accessed 23 March 2023.

⁷ G7 Finance Ministers and Central Bank Governors Meeting Communique (13 May 2023),

https://www.mof.go.jp/english/policy/international_policy/convention/g7/g7_20230513_1.pdf, accessed 15 May 2023.

⁸ Converted from JPY 107.6 trillion, based on average currency exchange rate for 2022 at JPY 131.46/ USD.

⁹ Ministry of Finance, "Fiscal 2022 budget",

https://www.mof.go.jp/policy/budget/budger_workflow/budget/fy2022/fy2022.html, accessed 8 November 2022; converted

from JPY 31.6 trillion at average currency exchange rate for 2022 at JPY 131.46/USD.

¹⁰ MOF, "Fiscal 2022 balance sheet" (3 July 2023), www.mof.go.jp/tax_policy/reference/fy2022_budget_and_settlement.pdf,

accessed 4 July 2023; converted from JPY 71.1 trillion, based on average forex rate for 2022 at JPY 131.46/ USD.

¹¹ Calculated from JPY 114.4 trillion at a 2023 year-to-date average currency exchange rate of JPY 134.25/USD.

Debt-servicing costs and related interest payments take up 22.5% of the budget. The government expects at least \$517 billion in tax revenue to cover 60.7% of this budget.¹²

Recent best-ever tax collections have not motivated officials in Japan to rein in the consecutive years of record spending and tackle debt reduction. The Finance Ministry (MOF) calculates the national debt to be \$9.5 trillion as of April 2023, a 1.6% increase in yen terms compared to twelve months earlier.¹³ The IMF estimates it to be 258.2% of GDP in 2022, which OECD recognizes as the highest among all developed economies.¹⁴ While the IMF has lauded the first hikes of Japan's consumption tax since 1998 in 2014 and 2019, the political costs of those actions make further raises difficult. Japan has started implementing the OECD/G20 global minimum tax, enacting the so-called "income inclusion rule" to enter into force in April 2024, but this is unlikely to have a significant impact on revenue. In its latest staff country report of March 2023, the IMF puts a focus on debt and emphasizes that fiscal support should be decreased and measures more targeted and that credible fiscal consolidation is warranted.

Such high debt levels complicate the Kishida government's efforts to pursue long-term projects. First, the Diet authorized five-year defense spending of \$320.2 billion in June 2023. This almost threefold increase is to be financed through piece-meal efforts, including a 4 to 4.5% increase in corporate tax and a two-cent tobacco tax hike per cigarette sold to enter into force in 2024 or beyond.¹⁵ Second, the Diet's passage of the green transformation bill in May calls for issuing \$149 billion in green transition bonds beginning in April 2024 while also not financing this issuance for the initial few years.¹⁶ Finally, the government has announced that it will avoid tax hikes and instead hunt for savings within the budgeting process before the end of 2023 to finance \$26.1 billion for additional demography-related spending such as more childcare support.¹⁷ Overall, unfunded government spending will likely increase, not decrease.

In fact, some ruling coalition lawmakers have urged the government to not strictly bind itself to a 60-year fiscal discipline principle to repay outstanding debt over six decades so that this repayment money can be used to finance long-term projects mentioned earlier.¹⁸ Finance Minister Shunichi Suzuki had to publicly rule that out, saying that one has to anticipate market reactions if that rule ceases to exist.¹⁹ Still others perennially argue that Japan's national debt is not a crisis as the country remains the world's biggest creditor for 32 years in a row, with the foreign assets balance at \$10 trillion in January 2023.²⁰ The central bank also reports that households own JPY \$15.5 trillion, 55% of it in cash and savings.²¹

New BOJ governor highlights the crossroads of monetary policy

April 2023 marked a new chapter in the history of Japan's central bank as Kazuo Ueda became the 32nd governor of the Bank of Japan (BOJ). His predecessor Haruhiko Kuroda held the longest tenure dating back to the central bank's launch in 1882, leaving behind a series of extraordinary monetary interventions intended to replace decades of deflation with a self-sustaining two percent inflation. The first-ever economist to head the BOJ, Ueda will have to decide on whether to wind down those interventions as Japan has seen two percent or more inflation rates for fourteen consecutive months since April 2022.²²

Such a crossroads is most evident in the short-term interest rate target that the BOJ has maintained at below zero percent since 2016, the only remaining major central bank to do so. Inflation rose to as high as 4.3% in January 2023, the most in over four decades. Energy and fresh food prices contributed to this, as the index excluding them would have been 3.2%. Government subsidies to partially cover households' utility bills have helped keep inflation within three percent since February, but are set to

¹² MOF, "Fiscal 2023 budget balance sheet",

https://www.mof.go.jp/policy/budget/budger_workflow/budget/fy2023/seifuan2023/02.pdf, accessed 1 June 2023; calculated from JPY 69.4 trillion at a 2023 year-to-date average currency exchange rate of JPY 134.25/USD.

¹³ MOF, "Current balance of government bonds, loans, and government-insured liabilities" (10 May 2023),

<https://www.mof.go.jp/jgbs/reference/gbb/202303.html>, accessed 1 June 2023; calculated from JPY 1270 trillion at a 2023 year-to-date average currency exchange rate of JPY 134.25/USD.

¹⁴ IMF, "World Economic Outlook April 2023" (11 April 2023), accessed 1 June 2023.

¹⁵ Office of the Prime Minister of Japan, Prime Minister Kishida Press Conference (16 December 2022),

https://www.kantei.go.jp/jp/101_kishida/statement/2022/1216kaiken.html, online, accessed 16 December 2022; calculated from JPY 43 trillion at a 2023 year-to-date average currency exchange rate of JPY 134.25/USD.

¹⁶ Calculated from JPY 20 trillion at a 2023 year-to-date average currency exchange rate of JPY 134.25/USD.

¹⁷ NHK, Government to present 'children's future strategic doctrine' draft towards combatting birthrate decline" (1 June 2023), <https://www3.nhk.or.jp/news/html/20230601/k10014084641000.html>, accessed 1 June 2023; calculated from JPY 3.5 trillion at a 2023 year-to-date average currency exchange rate of JPY 134.25/USD.

¹⁸ MOF, "Debt management report 2022",

https://www.mof.go.jp/english/policy/jgbs/publication/debt_management_report/2022/index.html, accessed on 1 June 2023.

¹⁹ NHK, "Finance minister Suzuki is cautious of extending JGB repayment period" (20 January 2023),

<https://www3.nhk.or.jp/news/html/20230120/k10013955311000.html>, accessed on 1 June 2023.

²⁰ MOF, "International investment position of Japan" (26 May 2023),

https://www.mof.go.jp/english/policy/international_policy/reference/iip/e2022.htm; calculated from JPY 1338.2 trillion at a 2023 year-to-date average currency exchange rate of JPY 134.25/USD.

²¹ BOJ, "Flow of funds" (27 June 2023), <https://www.boj.or.jp/en/statistics/sj/sjpre.xlsx>, accessed 27 June 2023; converted from JPY 2042.8 trillion, based on average currency exchange rate for 2022 at JPY 131.46/USD.

²² Ministry of Internal Affairs and Communications (MIC), "May 2023 monthly consumer price index" (23 June 2023),

<https://www.stat.go.jp/data/cpi/sokuhou/tsuki/pdf/zenkoku.pdf>, accessed 27 June 2023.

expire before 2023 ends. Price hikes were made worse by the fact that the interest rate differential led to the yen trading against other currencies at record lows, including the Swiss franc, which traded at the lowest level since Japan allowed the yen to float in 1973. Despite such trends prompting the MOF to conduct the first currency interventions since June 1998 in September and October 2022, totaling a combined \$69.9 billion²³, the previous BOJ leadership had opposed rate hikes as they took the price increases to be externally-driven, not endogenous such as from desired wage raises. Ueda has so far reaffirmed this view. Speculation now abounds as to whether the 3.66% annual wage hike in spring 2023, the most in yen terms since 1993, signals continued wage raises and could thus drive a change in view.²⁴

One challenge in executing rate hikes is the BOJ's ownership of Japanese government bonds (JGBs). The \$4.3 trillion in JGBs it holds as of April 2023 represent 53.3% of the total, in contrast to 13% in April 2013, at the start of the decade-long extraordinary monetary interventions.²⁵ The central bank had to buy more JGBs in 2022 to maintain floating yield rates between 0.25% and -0.25%, as investors had been selling them in an effort to pressure the BOJ to abandon the range. The bank unexpectedly widened that band to between 0.5% and -0.5% in December, which jolted markets as speculation arose that extraordinary easing could end.²⁶ Raising short-term interest rates would also raise JGB yield rates and further increase the government's debt servicing costs. The BOJ has yet to find the right moment to begin divesting its JGB holdings. Ueda has said that side effects to these interventions need to be taken into account and has launched an 18 month-long policy review of the BOJ's decisions dating back to 1998.²⁷

One beneficiary of continuing extraordinary easing are the participants at home and abroad in Japan's equity markets. The Tokyo Stock Price Index (Topix) touched 2,320.81 on 3 July 2023, levels last seen in July 1990. On the same day, the Nikkei-225 also rose to 33,753.33, the highest since March 1990.²⁸

The BOJ is also developing tools for longer-term challenges. It has started a two-year pilot program on central bank digital currency (CBDC) in April 2023 with all three of the nation's largest banks, some regional banks, and cashless payment service operators. This is the last of three phases of a process that began in April 2021.²⁹ In the same month, MOF has also launched an advisory council aiming to set principles of instituting a potential cashless currency, which Japan does not currently plan to launch.

PM Kishida digs in his heels on "New Form of Capitalism"

Since his October 2021 election, Kishida has touted a "New Form of Capitalism" as his signature policy agenda. It aims to stimulate growth and tackle long-term problems, including demographic changes, global warming, and inequality in a way that is conceptually neither neoliberalism nor "authoritarian state capitalism". In June 2023, the Cabinet approved an updated blueprint.³⁰ It calls for sustained wage increases through a "three-part labor market reform" where more workers can pursue re-skilling independently from their employers, encourages more job changes by accelerating unemployment benefit payouts, and prods companies to shift from seniority-based pay to one compensating based on job descriptions and skills. In addition, the government seeks to tackle inequality from decades of stagnant wage growth by encouraging workers to increase the value of assets they own. A November 2022 measure called the "Doubling Asset-based Income Plan" aims to divert more household savings into tax-free investment accounts, whose maximum allowance will triple from January 2024.³¹

The program also aims to accelerate innovation. The November 2022 "Start-up Development Five-Year Plan"³² seek to raise total start-up investment from around \$6.1 billion in 2022 to \$74.5 billion by March 2027. Some tax measures came into effect in April 2023, including an exemption from taxation on certain capital gains, if these are used to start a new business or re-invested into start-ups. Another action seeks

²³ MOF, "Foreign exchange intervention operations (monthly release)", https://www.mof.go.jp/policy/international_policy/reference/feio/data/monthly/index.html, accessed 2 June 2023; calculated from JPY 9.2 trillion based on average exchange rate for 2022 at 131.46

²⁴ Japan Trade Union Confederation (JTUC), "Spring 2023 labor-management negotiations" (5 June 2023), https://www.ituc-rengo.or.jp/activity/roudou/shuntou/2023/yokyu_kaito/kaito/press_no6.pdf?8558, accessed 19 June 2023.

²⁵ BOJ, "Flow of Funds for the first quarter of 2023" (27 June 2023), <https://www.boj.or.jp/en/statistics/sj/sjexp.pdf>, accessed 27 June 2023; calculated from JPY 576.6 trillion at 2023 year-to-date average currency exchange rate of JPY 134.25/USD.

²⁶ BOJ, "Statement on Monetary Policy" (20 December 2022), https://www.boj.or.jp/en/mopo/mpmdeci/mpr_2022/k221220a.pdf, accessed 2 June 2023.

²⁷ BOJ, "Statement on Monetary Policy" (28 April 2023), https://www.boj.or.jp/en/mopo/mpmdeci/mpr_2023/k230428a.pdf, accessed 2 June 2023.

²⁸ NHK World, "Nikkei 225 hits new 33-year high" (4 July 2023), https://www3.nhk.or.jp/nhkworld/en/news/20230703_24/, accessed 4 July 2023.

²⁹ BOJ, "Commencement of central bank digital currency experiments: pilot program" (17 February 2023), <https://www.boj.or.jp/en/paym/digital/dig230217b.pdf>, accessed 22 April 2023.

³⁰ Cabinet Secretariat, "A new capitalism - Grand design and action plan- revised 2023" (16 June 2023), https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/pdf/ap2023.pdf, accessed 27 June 2023

³¹ Cabinet Secretariat, "Doubling asset-based income plan" (28 November 2022), https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/pdf/dabiplan2022en.pdf, accessed 24 June 2023.

³² Cabinet Secretariat, "Startup Development Five-year Plan" (28 November 2022), https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/pdf/sdfyplan2022en.pdf, accessed 8 June 2023

to foster entrepreneurship, support researchers and enhance cooperation with foreign universities and companies, including establishing a "Global Start-up Campus" by 2028.³³

Finally, it addresses Japan's efforts to combat global warming. "The Basic Policy for the Realization of Green Transformation" adopted in February 2023³⁴ and approved by lawmakers two months later introduces a compulsory emissions trading system by the end of March 2026 and a carbon levy on fossil fuel importers by the end of March 2029. It also seeks public-private investments of \$1.1 trillion over the next ten years, supporting up-front investments by issuing green transition bonds. The government will commit to developing and building a new generation of nuclear reactors and to extending the life of existing reactors. Other focus areas include the promotion of science, technology, and innovation through public-private partnerships, digital transformation and new policies to increase birth rates.

Syncing the 2022 Economic Security law with like-minded nations

The Kishida government has also focused on implementing components of the Economic Security Promotion Act since its approval by the Diet in May 2022. It will ultimately need to implement 138 rules and regulations, organized into the four pillars that are expected to be fully enforced by May 2024³⁵:

1. Strengthening supply chains of critical materials;
2. Promoting research on advanced technology;
3. Securing critical infrastructure;
4. Non-disclosure of certain patents.

The Cabinet approved documents that set the underlying principles of the four pillars in September 2022 and in April 2023. Regarding the first pillar on supply chains, it has classified eleven categories as critical materials: aircraft parts, antimicrobial ingredients, cloud services, critical minerals, fertilizers, industrial robots, liquefied natural gas, permanent magnets, semiconductors, ship parts, and storage batteries.³⁶ The Kishida government has also won Diet approval for \$8.3 billion in subsidies within the 2022 second supplementary budget for respective Ministries to subsidize businesses that invest in enhancing domestic supply of these materials.³⁷ The Industry Ministry (METI) has announced initial recipients in cloud software, semiconductors, storage batteries in April 2023 and the Transport Ministry for shipping parts in June.³⁸ One chip subsidy recipient is a Japan unit of Mexico City-based Orbia.³⁹

For the second pillar, the government has commissioned the METI-funded New Energy and Industrial Technology Development Organization (NEDO) to solicit and screen subsidy applicants for technology research within the fields of cyber, shipping, and outer space.⁴⁰ Under the third pillar, latest reports suggest that regulators will be identifying businesses recognized as operators of fourteen types of core infrastructure such as insurance providers with more than 20 million accounts and banks with more than \$74.5 billion in deposits.⁴¹ These companies will be subject to regular government disclosures such as vulnerabilities to cyberattacks. Finally, for the fourth pillar, the government is set to recognize 25 areas such as fighter jet stealth technology as patents subject to non-disclosure.⁴²

Japan actively coordinates economic security policies with partners. It has used its G-7 chairmanship in 2023 to facilitate commitments by members to "reduce excessive dependencies in our critical supply chains", to diversify supply chains (in particular critical minerals, semi-conductors, batteries) and to establish a "Coordination Platform on Economic Coercion" to deter economic coercion, examine countermeasures and support victim States.⁴³ Such efforts on economic security by Japan are all but certain to continue, as seen with first breakthroughs in the Indo Pacific Economic Framework.

³³ Converted from JPY 800 billion, based on average currency exchange rate for 2022 at JPY 131.46/USD; and calculated from JPY 10 trillion at a 2023 year-to-date average currency exchange rate of JPY 134.25/USD.

³⁴ Ministry of Economy, Trade, and Industry "Basic Policy for Realization of GX" (10 February 2023, Japanese) https://www.meti.go.jp/press/2022/02/20230210002/20230210002_1.pdf accessed 08 June 2023

³⁵ Nikkei, "Economic security to guard technology with four pillars" (18 October 2022), <https://www.nikkei.com/article/DGXZQOUA124FQ0S2A910C2000000/>, accessed 18 October 2022.

³⁶ Cabinet Office, "Classification of critical materials" (20 December 2023), https://www.cao.go.jp/keizai_anzen_hosho/supply_chain.html#bshitei, accessed 27 June 2023.

³⁷ Cabinet office, "Efforts towards hardening supply chains" (April 2022); https://www.cas.go.jp/jp/seisaku/keizai_anzen_hosyohousei/r5_dai6/siryou5.pdf, accessed 5 June 2023; converted from JPY 1.04 trillion, based on average currency exchange rate for 2022 at JPY 131.46/USD.

³⁸ Ministry of Land, Infrastructure, Transport and Tourism (MLIT), "Ensuring safe supply of shipping parts under Economic Security Promotion Act" (1 June 2023), https://www.mlit.go.jp/maritime/maritime_tk5_000076.html, accessed 6 June 2023.

³⁹ METI, "Economic Security Promotion Act", https://www.meti.go.jp/policy/economy/economic_security/index.html, accessed 6 June 2023.

⁴⁰ NEDO, "Economic security critical technology cultivation program", <https://www.nedo.go.jp/activities/k-program.html>, accessed 6 June 2023.

⁴¹ Core infrastructures are airlines, airports, broadcasting, credit cards, delivery trucks, electricity, finance, gas, international air freight, oil, postal service, railway, telecommunication, water: https://www.cao.go.jp/keizai_anzen_hosho/infra.html

⁴² Yomiuri, "Government to set 25 fields as non-disclosed patents" (7 June 2023), <https://www.yomiuri.co.jp/politics/20230606-OYT1T50279/>, accessed 7 June 2023.

⁴³ "G7 Hiroshima Leaders' Communique" (20 May 2023), https://www.g7hiroshima.go.jp/documents/pdf/Leaders_Communique_01_en.pdf, accessed 6 June 2023.

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

Manufacturing rebound confirms long-term trends in sectors' evolution

An analysis of the economic structure over a five-year period until the latest published figures of 2021 suggests that the pandemic year 2020 was only a temporary disruption to the sector-by-sector evolution in Japan. Manufacturing has rebounded to \$1.22 trillion in 2021, constituting a 26.9% share of the nation's GDP⁴⁴, the highest fraction since 2000.⁴⁵ Despite the dramatic drop in 2020, this portion of the economy that includes construction in fact grew by almost five percent overall during the five-year period leading to 2021, whereas the national GDP grew by 0.2% across the same timeframe. Of the sixteen sub-categories, the four sectors of chemicals, electrical machinery, general-purpose machinery and electronic components/devices are among those that grew by more than two digits percentage-wise over this 2016 to 2021 period. The 2021 values for the latter two are the highest-ever in records dating back to 1994. Transport equipment, general-purpose machinery, construction, and food products are among the largest employers, accounting for 62% of all manufacturing jobs. The first three contributed the most to GDP in 2021.

The share of the service sector appears to have peaked at just under 75% of national GDP in 2009, ending the year 2021 at 72.2% after an increase in value to \$3.2 trillion.⁴⁶ Despite the decline in share, eight of the fifteen sub-categories posted gains over the 2016 to 2021 period, with three of them (finance/insurance, information/communications, and human health/social work activities) scoring gains of about ten percent. Wholesale/retail trade, human health activities, and professional/scientific/technical activities are among the largest employers, accounting for 56% of all service jobs.⁴⁷ The first two sub-categories are the largest contributors to GDP, along with real estate. The primary sectors including mining also saw their GDP share decline to a total of less than one percent over five years.

The largest contributors to Japan's imports in 2021 were mining (16.9%), professional/scientific/ technical activities (9.7%), chemicals (8.5%), IT equipment (6.5%), and basic metal (6.1%).⁴⁸ Japan's economy has increased its imports of all of these categories except mining during the five-year period of 2016 to 2021. While food service activities are a category that declined in import value by almost 97% between 2016 and 2021, the 2022 numbers, to be released next year, may show a rebound due to the loosening of pandemic-related restrictions in Japan both domestically and internationally during this one year.

Sketching Kyushu: Cleantech, startups and semi-conductors

Switzerland has opened an honorary consulate in Fukuoka, the largest city in the southwestern main island of Kyushu, in November 2022.⁴⁹ The eight prefectures of this island include Oita, with whom Switzerland has a special relationship through the annual Oita International Wheelchair Marathon. Oita has also hosted Swiss wheelchair athletes in the years leading to the recent Paralympic Games in Tokyo. The jurisdiction of the Consulate also includes Okinawa, the southernmost corner of the Japanese islands. The Kyushu region constitutes \$478 billion⁵⁰ or 9.2% of the national GDP⁵¹ in the government's latest statistics from fiscal year 2018 (65% of the 2018 Swiss GDP⁵²), a 1.3% growth from the previous period and almost double the national growth average.⁵³ 14.3 million residents, or 11.3% of the total population, live in Kyushu according to the last census in 2020.⁵⁴

Kyushu's major industries are semiconductors, automobiles, agriculture and forestry. All three auto giants of Japan have assembly plants in Fukuoka, contributing to Kyushu's nickname "Car Island" and

⁴⁴ Converted from JPY 146.1 trillion, based on average currency exchange rate for 2021 at JPY 120.14/ USD.

⁴⁵ Cabinet Office, Gross domestic product classified by economic activities, National Accounts for 2021 (20 January 2023), https://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2021/tables/2021fcm2_en.xlsx, accessed 16 May 2023.

⁴⁶ Converted from JPY 398.8 trillion, based on average currency exchange rate for 2021 at JPY 120.14/USD.

⁴⁷ Cabinet Office, Employed persons, employees and hours worked classified by economic activities, National Accounts for 2021 (20 January 2023), https://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2021/tables/2021s3_en.xlsx, accessed 16 May 2023.

⁴⁸ Cabinet Office, Supply and demand of goods and services, National Accounts for 2021 (20 January 2023), https://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2021/tables/2021s1_en.xlsx, accessed 16 May 2023.

⁴⁹ Embassy of Switzerland in Japan, "Opening of a new honorary consulate in Fukuoka" (1 November 2022), <https://www.eda.admin.ch/countries/japan/en/home/news/news.html/content/countries/japan/en/meta/news/2022/11/honorary-consulate-fukuoka>, accessed 9 May 2023.

⁵⁰ Converted from JPY 52.1 trillion, based on average currency exchange rate for 2019 at JPY 109.01/ USD.

⁵¹ Ministry of Internal Affairs and Communications (MIC), "Japan Statistical Handbook 2023", <https://www.stat.go.jp/english/data/nenkan/72nenkan/index.html>, accessed 8 May 2023.

⁵² Federal Statistical Office, "Gross Domestic Product", <https://www.bfs.admin.ch/bfs/en/home/statistics/national-economy/national-accounts/gross-domestic-product.assetdetail.23184115.html>, accessed 9 March 2023; GDP converted from CHF 709.5 billion, based on average currency exchange rate for 2018 at 0.98 USD/CHF.

⁵³ MIC, "Japan Statistical Handbook 2022", <https://www.stat.go.jp/english/data/nenkan/72nenkan/index.html>, accessed 30 May 2023.

⁵⁴ Cabinet Office, "Prefectural Economic Calculation (6 October 2022), https://www.esri.cao.go.jp/jp/sna/data/data_list/kenmin/files/contents/tables/2019/soukatu9.xlsx, accessed 9 March 2023.

to about one-quarter of the island's exports.⁵⁵ Shipbuilding and heavy industries, which helped shape Japan's modernization in the late 19th century, were concentrated in Kyushu and are still responsible for a tenth of the world's new ships today.⁵⁶ The Kyushu region prefectures also seek to attract investments in clean technologies and energy, food processing, healthcare and robotics, providing opportunities for Swiss suppliers.⁵⁷ They see in particular climate change as an important medium to long-term priority. 31 local governments of Kyushu have pledged to reach "Zero Carbon City" status before 2050, with Fukuoka aiming to reach the goal in 2040.⁵⁸ The government further supports efforts throughout the island to build an IoT community, with promotion labs set up in all major cities. The island is also known for brand specialty crops including beef, strawberries, and watermelons.⁵⁹

New and renovated infrastructure abounds on the island, not least due to its strategic proximity to East and Southeast Asia. Fukuoka Airport connects people to Busan, Seoul, Shanghai, and Taipei in three hours or less.⁶⁰ Two of the three newest bullet train routes are in Kyushu, including the Kyushu Shinkansen that links Fukuoka in the north with Kagoshima in the south. Furthermore, real estate developers have taken advantage of the growing interest for the region.

Local Kyushu governments have launched several business promotion initiatives. Team Fukuoka, a private-public initiative launched in September 2020 aiming to raise the city's financial hub profile⁶¹, has attracted nineteen expansions, including Netherlands' NN Life.⁶² This campaign offers lower corporate taxes and temporary rent-free office spaces, in addition to free advice on paperwork as well as on local subsidies. The city has also launched a five-year blockchain initiative in May 2022, aiming to deploy it for real estate vacancy searches and income tax return filings.⁶³ These outreaches are preceded by the city's September 2012 declaration that it will strive to be a start-up hub. Some 540 companies launched operations using this start-up support, but none has gone public yet.⁶⁴

Reviving "Silicon Island" and Japan's chip dominance

Another nickname of Kyushu is "Silicon Island", as the semiconductor industry has made use of its abundant water supply, beginning with the first chip plant in 1967 built by Mitsubishi Electric.⁶⁵ While there are almost 800 semiconductor companies in Kyushu today, significant plant consolidations and closures between 2001 to 2014 saw the island's chip sales drop by almost sixty percent during this period.⁶⁶ This regional decline reverberated nationally, as Japan's share of global semiconductor sales also fell from 50.3% in 1988 to 8.8% in 2021.⁶⁷ Prospects of a "Silicon Island" revival remained glum until the global supply shortage of these chips in 2021 prompted the government to intervene.

After winning a Japanese government pledge for a subsidy worth 43% of the \$8.6 billion total cost of building a new plant, Taiwan Semiconductor Manufacturing Co. (TSMC) is set to begin chip production in Kumamoto in early 2024. Sensing the first foreign semiconductor plant in Kyushu since 1973 as an opportunity, other local companies have followed suit with investments, including in Fukuoka by Kyocera and Rohm, in Nagasaki by Sony, and in Saga by Sumco. TSMC has said in June 2023 that it is considering a second factory in Kumamoto, banking on further state subsidies.⁶⁸

⁵⁵ Kyushu Electric Power Company, https://www.kyuden.co.jp/library/pdf/company/firm-location/firm-location_area_05.pdf, accessed 9 May 2023.

⁵⁶ MLIT, "Shipbuilding and Ship Machinery Division- Kyushu Transport Bureau" (10 May 2022), <https://www.tb.mlit.go.jp/kyushu/gyoumu/kaiji/file04b.htm>, accessed 7 June 2023.

⁵⁷ Kyushu Bureau of the Ministry of Economy, Trade and Industry (METI), Business and investment climate in Kyushu (March 2022), https://www.kyushu.meti.go.jp/seisaku/kokusai/jirei/2022/220419_1_1.pdf, accessed 9 May 2023.

⁵⁸ Institute of Global Environmental Strategies, "Commitment to Net Zero Carbon Emissions by 2050 by Local Governments in the Kyushu Region of Japan" (February 2021), https://www.iges.or.jp/en/publication_documents/pub/issue/en/11193/KUC+Issue+Brief_Kyushu+zero+carbon_rev.20210226_en.pdf, accessed 6 June 2023.

⁵⁹ Kyushu Economic Research Center, "Kyushu Economy in Figures 2021", <https://www.kerc.or.jp/economy/gaikan/>, accessed 9 May 2023.

⁶⁰ METI Kyushu Bureau, "Business and investment climate in Kyushu" (March 2022).

⁶¹ Fukuoka city, "Companies expanding into Fukuoka", <https://financialcity.fukuoka.jp/companies.html>, accessed 9 May 2023.

⁶² "NN Life to open BCP hub in Fukuoka city" (5 June 2023), https://www.nnlife.co.jp/library/pdf/company/news/2023/20230605_TEAM_FUKUOKA.pdf, accessed 7 June 2023.

⁶³ Asahi, "I don't know blockchain" (31 August 2022), <https://digital.asahi.com/articles/ASQ8Y5SDCQ8CTGPB001.html>, accessed 1 September 2022.

⁶⁴ Yomiuri, "A decade since Fukuoka city 'startup metropolis' assistance declaration" (9 September 2022), <https://www.yomiuri.co.jp/local/kyushu/feature/CO050392/20220908-OYTAT50016/>, accessed 9 September 2022.

⁶⁵ METI Kyushu Bureau, "Supply chain map of semiconductor-related companies in Kyushu" (2017), https://www.kyushu.meti.go.jp/report/170824/sik_map_ja.pdf, accessed 23 May 2023.

⁶⁶ Nikkei, "Silicon Island' revival expected after TSMC's Kumamoto expansion" (4 May 2022), <https://www.nikkei.com/article/DGXZQOJC2282M0S2A420C200000/>, accessed 6 May 2022.

⁶⁷ NHK, "Toyota, Sony and 6 others invest in new company to indigenize advanced chips", (10 November 2022), <https://www3.nhk.or.jp/news/html/20221110/k10013886691000.html>, accessed 14 November 2022.

⁶⁸ Kyodo, "TSMC considering 2nd chip plant in Japan's Kumamoto: report" (6 June 2023), <https://english.kyodonews.net/news/2023/06/5281df69d4a-tsmc-considering-2nd-chip-plant-in-japans-kumamoto-report.html>, accessed 6 June 2023.

The renewed public-private "chips fever" is not limited to the "Silicon Island", but part of a national government agenda to enhance resilience of supply chains of critical goods such as advanced semiconductors. The government also partially financed investments in central Japan's Mie prefecture by Western Digital and Kioxia and in western Japan's Hiroshima prefecture by Micron Technology.⁶⁹ Hokkaido in northern Japan will see a Japanese consortium called Rapidus begin construction of a plant in September 2023 with a goal to develop and ultimately mass-produce advanced 2 nanometer-sized chips.⁷⁰ METI has backed Rapidus in forging alliances with IBM and Belgium's Imec and provided subsidies of \$2.5 billion to date.⁷¹ In May 2023, Kishida hinted that more government subsidies may be available in the years to come, as he encouraged executives from eight overseas semiconductor companies to form deeper collaborations with Japanese companies and further invest in the country.⁷² These developments could enhance opportunities for Swiss suppliers in the semiconductor field.

Japan is also working to internationalize its industrial policy on semiconductors. The Industry Ministry and the US Commerce Department agreed in a May 2022 bilateral pact to collaborate in diversifying output, workforce development, and coordinate supply shortage-driven emergency response.⁷³ A year later, the two agencies pledged to a roadmap of technological and human resource development in semiconductors.⁷⁴ In May 2023, METI also announced a semiconductor partnership with the UK's Science, Innovation and Technology Department (DSIT) that calls for joint research, sharing of expertise, industry dialogue, expert missions and collaboration on supply chains.

At the same time, Japan will enforce export controls of advanced semiconductor technology starting in July 2023, in line with policy measures by the US and the Netherlands.⁷⁵ Only members of the Wassenaar Arrangement may import 23 key items for semiconductor production from Japan under the new policy, effectively restricting exports to non-signatory states such as China.

In June 2023, METI updated Japan's two-year old semiconductor strategy. It calls for collaborating in R&D and developing test cases with countries and regions including the EU, Belgium, Netherlands and the UK.⁷⁶ In that sense, semiconductors will be further enhanced as a core element of the country's foreign economic policy and economic security agenda.

On the Road to the World Expo 2025 Osaka, Kansai

Switzerland plans to participate in the most significant upcoming international public event in Japan, the World Expo 2025 Osaka, Kansai. Hosted by the second largest metropolitan area of Japan, organizers expect 28 million visitors to attend. It will take place from 13 April to 13 October 2025, dedicated to the theme of "Designing Future Society for Our Lives". So far, more than 150 countries have signed up to participate. In February 2023, Switzerland has revealed the design and concept of its country pavilion, which includes five spheres, made from sustainable material, embedded in a lush green landscape.⁷⁷ It seeks to position Switzerland as a trustworthy, reliable and credible partner, which is working together with other countries to address global challenges. More specifically, it will centre on portraying Switzerland as an efficient, leading innovation hub with a focus on the three thematic areas of 'Life' (life sciences, health and nutrition), 'Planet' (environment, sustainability, climate and energy) and 'Augmented human' (robotics and artificial intelligence). The Swiss Pavilion offers Swiss companies a variety of concrete partnership and sponsorship opportunities, ranging from showcasing products and services or shaping content and messaging to branding the rooftop bar or providing in-kind contributions.

⁶⁹ Yomiuri, "Restoration of indigenous semiconductors sought with two years to go before TSMC Kumamoto plant begins operation", <https://www.yomiuri.co.jp/economy/2022/11/29-OYT1T50239>, accessed 30 November 2022.

⁷⁰ Nikkei, "Rapidus to build a demonstration assembly line from April 2025 to manufacture cutting-edge semiconductors", (22 May 2023), <https://www.nikkei.com/article/DGXZQOUC224NU0S3A520C2000000/>, accessed 23 May 2023.

⁷¹ Jiji, "Rapidus subsidies to total JPY 330 billion", 25 April 2023, <https://www.jiji.com/jc/article?k=2023042500492&q=eco>, accessed 30 May 2023; converted at a 2023 year-to-date average currency exchange rate of JPY 134.25.

⁷² METI, "Industry Minister Nishimura attends meeting with leading global semiconductor company executives", <https://www.meti.go.jp/press/2023/05/20230518001/20230518001.html>, accessed 22 May 2023.

⁷³ METI, "Basic principles on semiconductor cooperation" (4 May 2022), <https://www.meti.go.jp/press/2022/05/20220506002/20220506002-3.pdf>, accessed 6 May 2022.

⁷⁴ METI, "Joint Statement for the Second Ministerial Meeting of the Japan-US Commercial and Industrial Partnership" (26 May 2023), <https://www.meti.go.jp/press/2023/05/20230526007/20230526007-1.pdf>, accessed 30 May 2023.

⁷⁵ METI, "Regulations revisions on export controls" (23 May 2023), <https://www.meti.go.jp/policy/anpo/law09-2.html#230523>, accessed 23 May 2023.

⁷⁶ METI, "Overview and excerpts of the revised semiconductor, digital industry strategy" (3 April 2023), https://www.meti.go.jp/policy/mono_info_service/joho/conference/semicon_digital/0008/3gaiyou.pdf, accessed 22 May 2023.

⁷⁷ For more information, see <https://houseofswitzerland.org/events/swiss-pavilion-expo-osaka>

3 FOREIGN ECONOMIC POLICY

3.1 Host country's policy and priorities

Japan has concluded 20 bilateral and multilateral free trade pacts, such as economic partnership agreements (EPA), with fifty countries between November 2002 and January 2022.⁷⁸ The country is continuing bilateral trade talks with Colombia and Turkey, as well as trilaterally with China and South Korea, none of which has seen official progress since 2019.⁷⁹ METI has also announced in 2022 that joint studies for prospective EPAs with Bangladesh and Israel will begin, in celebration of 50 and 70 years of diplomatic relations last year respectively.⁸⁰

The newest trade agreement that came into effect for Japan is the Regional Comprehensive Economic Partnership (RCEP) at the beginning of 2022. RCEP groups fifteen members in the Asia-Pacific region, pending Sri Lanka's accession request made public in May 2023.⁸¹ Japanese importers during 2022 have used RCEP to import 50% of goods from China and 25% from South Korea by monetary value, as there have been no free trade arrangements with those trading partners before.⁸² The two bilateral trade flows may increase as RCEP tariff rates will come into effect for more goods over time. Cambodia hosted the first RCEP ministerial in September 2022, where Industry Minister Nishimura said that Japan will offer \$200,000 as initial aid in helping ASEAN members develop RCEP enforcement oversight.⁸³

Japan looks past market access into consolidating and making trade rules

In the latest Diplomatic Bluebook from December 2022, MOFA lists further spread of protectionism, emergence of potential dual-use technology of advanced nature, and mercantilist leveraging of economic dependency to gain strategic interests as evidence that the international economy faces challenges at the intersection of economics and security.⁸⁴ Prime Minister Kishida's update of the longstanding Free and Open Indo-Pacific vision calls for adopting a "free, fair and just economic order" and maintaining WTO rules as its foundation.⁸⁵

Such policy documents hint at Japan's increasing focus into consolidating, enforcing and shaping of trade rules rather than bargaining for market access. Even the Comprehensive and Progressive Agreement of the Trans-Pacific Partnership (CPTPP)'s acceptance of the United Kingdom in March 2023 as the first new member is a rules-driven development. CPTPP does not only require members to trade 99% of goods tariff-free, it also requires them to comply with advanced standards and rules, such as dataflow transparency, forced labor bans and state-owned enterprise benefit phaseouts. In chairing the accession process, Japan successfully emphasized and upheld the prerequisite of complying with these rules with only selected and minor exceptions. It sets a precedent for future member screenings, for which China, Taiwan, Ecuador, Costa Rica, Uruguay, and Ukraine have thus far publicly expressed interest.

Japan has significantly contributed to shaping the US-led Indo-Pacific Economic Framework (IPEF) and sustaining buy-in, in particular by Southeast Asian nations. Announced by US President Joe Biden during his Tokyo visit in May 2022, almost all of the fourteen countries agreed at the first official in-person ministerial meeting in Los Angeles four months later to negotiate on the pact's four pillars of trade, supply chains, clean economy, and fair economy. The members then agreed on a first treaty on supply chains at the second ministerial meeting in Detroit in May 2023, committing to map supply chains, to enhance resilience through diversification, to concretely support other members in case of disruptions and to cooperate on labor rights.⁸⁶

Japan also hosted the European Union for the 28th leaders' summit in May 2022, where the two sides agreed to launch the "Japan-EU Digital Partnership Council" to deepen their voluntary partnership in this field. The yearly Council would focus on infrastructure such as supply chain resilience, digital

⁷⁸ METI, "2022 White Paper on International Economy and Trade" (28 June 2022), https://www.meti.go.jp/report/tshuhaku2022/pdf/2022_zentai.pdf, accessed 5 June 2023.

⁷⁹ MOFA, "Japan-Turkey Economic Partnership Agreement" (26 September 2019), https://www.mofa.go.jp/mofaj/gaiko/fta/j_turkey/index.html, accessed 8 June 2023.

⁸⁰ METI, "Launching of the Joint Study Group on the possibility of a Japan-Israel Economic Partnership Agreement" (22 November 2022), https://www.meti.go.jp/english/press/2022/1122_003.html, accessed 19 May 2023.

⁸¹ Nikkei, "Sri Lanka President 'requests RCEP accession'" (25 May 2023), <https://www.nikkei.com/article/DGXZQOCB251Z60V20C23A5000000/>, accessed 26 May 2023.

⁸² Institute of Developing Economies- Japan External Trade Organization (JETRO), "RCEP usage situation- Japan's imports in 2022" (19 May 2023), <https://www.ide.go.jp/library/Japanese/Publish/Reports/AjikenPolicyBrief/pdf/178.pdf>, accessed 6 June 2023.

⁸³ METI, "Industry Minister's trips to Cambodia and Thailand", https://www.meti.go.jp/english/press/2022/0922_001.html (22 September 2022), accessed 9 June 2023.

⁸⁴ MOFA, "Diplomatic Bluebook 2022", <https://www.mofa.go.jp/mofaj/files/100334590.pdf>, accessed 8 June 2023.

⁸⁵ MOFA, "New Plan for a 'Free and Open Indo-Pacific'" (24 April 2023), https://www.mofa.go.jp/policy/page25e_000278.html, accessed 12 June 2023.

⁸⁶ MOFA, "Press Statement on the Substantial Conclusion of IPEF Supply Chain Agreement Negotiations" (27 May 2023), <https://www.mofa.go.jp/files/100510680.pdf>, accessed 12 June 2023.

education, SME innovation and growth, public services' digitalisation, and digital trade facilitation.⁸⁷ In a concrete follow-up, they launched negotiations in October 2022 to add new provisions on the free flow of data in their bilateral trade agreement, including on data localisation. In April 2023, the two sides also reviewed their arrangement to mutually recognize their data protection regimes as adequate and found it to work well.⁸⁸

Finally, Japanese government officials continue to stress the central importance of the World Trade Organization (WTO) and its reforms in their nation's diplomatic priorities, also related to trade rules. The Kishida Cabinet approved Japan's participation in the Multi-Party Interim Appeal Arbitration (MPIA) arrangement in March, a substitute to the formal appellate system currently adopted by 52 countries.⁸⁹ Japan has yet to use MPIA for its trade disputes with other WTO members.

3.2 Outlook for Switzerland

Switzerland and Japan concluded a bilateral Free Trade and Economic Partnership Agreement (FTEPA) in 2009. It was the first such agreement between Japan and a European country. In certain product categories, agreements concluded more recently by Japan and their gradual implementation challenge some of the early comparative advantages enjoyed by Swiss exporters. The Economic Partnership Agreement (EPA) with the EU, which entered into force in February 2019, is particularly relevant in that regard. Since November 2018, Switzerland has actively tried to convince Japan to engage in a process to modernize the bilateral FTEPA.

⁸⁷ European Commission, "Japan-EU Digital Partnership- Factsheet" (May 2022), <https://digital-strategy.ec.europa.eu/en/library/japan-eu-digital-partnership-factsheet>, accessed 12 June 2023.

⁸⁸ Delegation of the European Union to Japan, "EU and Japan conclude first review of their bilateral mutual adequacy arrangement" (4 April 2023), https://www.eeas.europa.eu/delegations/japan/japan-eu-and-japan-conclude-first-review-their-bilateral-mutual-adequacy_en?s=169, accessed 27 June 2023.

⁸⁹ MOFA, "Cabinet understanding regarding participation in the MPIA" (10 March 2023), https://www.mofa.go.jp/press/release/press6e_000447.html, accessed 10 March 2023.

4 FOREIGN TRADE

4.1 Developments and general outlook

In relation to its GDP, Japan has one of the lowest levels of trade in goods and services among OECD countries. In 2022, imports amounted to 18.7% and exports to 18.2% of GDP.⁹⁰

4.1.1 Trade in goods

Japan's exports and imports scored record highs dating back to 1950 for the calendar year 2022.⁹¹ The four largest export sub-categories of passenger vehicles (11.6% share), semiconductor parts (5.8%), steel (4.8%), and semiconductor production machineries (4.1%) saw at least 15% increases between 2021 and 2022. In terms of imports, purchases of the top two sub-categories of petroleum and LNG doubled, while the third largest sub-category coal saw Japan's expenditure increase by almost 180%. The fourth largest category of semiconductors rose by almost 46%. Overall, imports rose by almost 40% to \$899 billion as compared to the rise in exports by more than 18% to \$747 billion⁹², contributing to the largest trade deficit ever of \$151.9 billion (Japan recorded a \$15.2 billion deficit in 2021).⁹³

Although exports to China grew at a comparatively modest pace (+5.7%), it still remained the largest market for Japanese products at 19.4%, only just ahead of the US with 18.6%.⁹⁴ The best-sellers to China were semiconductors (7.2% share), semiconductor-related machineries (6.7%), plastic materials (5.9%), and motor vehicles (5.3%) while exports to the US were led by motor vehicles (23.6% share), power generating machineries (5.6%) and auto parts (5.6%). Japan also bought the most from China (21.0% share) and the US (9.9%), although imports from both partners grew less than average. It bought the most in telecommunication devices (11.0% share), computers (8.1%) and clothing (7.7%) from China. From the US, Japan bought medical products (11.3% share), cereals (6.0%), power generating machinery (5.5%) and liquefied petroleum gas (5.5%) the most. Reflective of overall import trends, Japan's purchases of US commodities doubled or more in petroleum, coal and nonferrous metals.

As a combined entity, the European Union (EU) followed the US and China as the third-largest export market, with a share of 9.5%. Motor vehicles were Japan's best seller with a share of almost 13%. Germany's 2.6% fraction of Japan's exports led the European peers ahead of the Netherlands (1.7%), the UK (1.5%), Belgium (0.9%) and France (0.9%). Australia became the third largest source of Japan's imports, after they more than doubled to take a 9.8% share ahead of the EU's 9.6%. Possibly due to commodity prices, imports also more than doubled for the UAE (5.1% share) and Saudi Arabia (4.7%).

Spotlight: Energy import share rises as overall trade with Russia shrinks

Japan's annual trade figures with Russia reflect developments in the wake of the latter's aggression against Ukraine. Although exports and imports constitute only 0.6% and 1.6% shares respectively, these trade flows show the consequences of global inflation as well as sanctions against Russia. Total exports to Russia have decreased by 30% in 2022 to \$4.6 billion, in contrast to a 37.3% rise from 2020 to 2021.⁹⁵ Almost all product categories shared the 2022 decline.⁹⁶ Passenger cars alone were 54% of all Japan's exports to Russia, followed by general machinery with a share of 18%.

Japan's imports from Russia rose by almost 27% in 2022 (\$15 billion), at a slower pace than the 35.5% rise in 2021.⁹⁷ Some 68.5% were mineral fuels (61.5% in 2021), followed by manufactured goods with a 18.1% share. The composition of energy imports reflects global trends. Purchases of crude oil and petroleum products dropped by 32.3% and 41.5% respectively. Inflation drove Japan's expenditure on LNG to grow by 82.5% and for coal by 65.4%. In terms of actual volume, LNG imports rose by 4.6% between 2021 and 2022 and coal actually declined by 41.3%.

Aside from phasing out and banning coal and oil imports, Japan has imposed other sanctions, most notably by revoking the most-favoured nation status in April 2022 and prohibiting imports of goods such as machinery, vodka or gold and exports of dual-use and luxury goods among others. To hedge its vulnerability on seafood imports, which was eight percent of all Japanese imports of Russian goods in 2022, the government recommends expanding domestic aquaculture.⁹⁸

⁹⁰ OECD, "Trade in Goods and Services", data.oecd.org/trade/trade-in-goods-and-services.htm, accessed 25 April 2023.

⁹¹ MOF Customs Bureau, "Total values of exports and imports by year", <https://www.customs.go.jp/toukei/suii/html/nenbet.htm>, accessed 21 June 2023.

⁹² Converted from JPY 118.1 and 98.2 trillion, based on average currency exchange rate for 2022 at JPY 131.46/USD.

⁹³ MOF, "2022 total trade figures", https://www.customs.go.jp/toukei/shinbun/trade-st/2022/2022_118.pdf, viewed 21 June 2023; converted from JPY 19.9 trillion, based on average currency exchange rate for 2022 at JPY 131.46/USD.

⁹⁴ See Annex 3, page 18; MOF (Customs Bureau) separates trade data of mainland China from Hong Kong.

⁹⁵ Converted from JPY 604 billion, based on an average currency exchange rate for 2022 at JPY 131.46/USD.

⁹⁶ MOF (March 10, 2023) "Value of Exports and Imports 2022" (Calendar Year) (January-December) (Revised Data) https://www.customs.go.jp/toukei/shinbun/trade-st_e/2022/2022_118e.pdf, accessed 1 June 2023.

⁹⁷ Converted from JPY 2 trillion, based on an average currency exchange rate for 2022 at JPY 131.46/USD.

⁹⁸ Ministry of Agriculture, Forestry and Fisheries (MAFF), "FY 2021 Trends in Fisheries and FY2022 Fisheries Policy", <https://www.maff.go.jp/e/data/publish/attach/pdf/index-211.pdf>, accessed 20 June 2023.

4.1.2 Trade in services

Last year, the country posted a service trade deficit of \$41.2 billion⁹⁹, the largest in twenty years, after exporting \$169.4 billion and importing \$210.7 billion.¹⁰⁰ This is the fifth straight year that the deficit has widened, after the smallest deficit on record occurred in 2017. Telecommunications/information technology, insurance/pension and transport contributed the most to the deficit. In fact, the insurance/pension services deficit has widened for seven consecutive years towards the deepest red since records began in 1996. Intellectual property and travel remain the two largest surplus-contributing categories, with the former posting the second highest black figure since records began. Reflective of the gradual inbound recovery in 2022, the travel surplus has recovered for two straight years to about a quarter of 2019 levels. The US remained Japan's largest services trade partner with a 28.7% share. Rounding out the top five were the EU (14.2%), Singapore (10.8%), the UK (7.5%), and China (6.7%).¹⁰¹ If EU member states are considered separately, Germany would be ranked fifth with a share of 3.2%.

4.2 Bilateral trade

4.2.1 Trade in goods

Japan was Switzerland's eleventh largest trading partner in 2022 (or sixth if the EU is counted as one), with a trade volume of CHF 15 billion (+20%).¹⁰² With a two percent share of Switzerland's total trade, Japan passed Hong Kong and became the third largest Asian trading partner, behind China and India. Asia's second largest economy was the main driver of Swiss exports to the region. Exports rose by 21.5% to CHF 9.4 billion, while imports rose by 16.9% to CHF 5.7 billion, posting a CHF 3.7 billion trade surplus. Double digits growth for both exports and imports in the same year occurred for the first time since 2012, with the value of exports and imports rising to the highest level since records began in 1988.

Pharmaceutical/chemical products, the largest product category of Swiss exports, rose by 28.9% to CHF 5.2 billion, taking a 55.8% share. Exports of pharmaceuticals alone rose by 32.2% to CHF 4.9 billion (52.1% share). It has scored the highest-ever yearly value for two straight years. The second largest export category of precision instruments/clocks/watches/jewellery also increased by 19.2% to CHF 2.9 billion, taking a 31.3% share of exports. Growth in this category was driven by an increase of 19.5% in clocks/watches sales alone of almost CHF 1.7 billion (share of 18%), a record.

Switzerland's top imports from Japan were also pharmaceuticals/chemical products (34.5% share). Pharmaceuticals alone accounted for CHF 1.6 billion (28.1% share) and increased 11.1% from 2021. Precious metals and gemstones (27% share), machines/appliances/electronics (12.8%), precision instruments/clocks/watches/jewellery (9.6%) and vehicles (9.2%) were other significant import categories. Japan sold more vehicles than pharmaceuticals by monetary value to Switzerland until 2018.

4.2.2 Trade in services

In 2022, Switzerland ran a services trade deficit of CHF 253 million with Japan.¹⁰³ Exports by Switzerland sunk by 1.4% to CHF 2.9 billion, which overall is still a 44.4% gain from ten years earlier. Volume-wise, Switzerland is Japan's sixth largest services trading partner, regardless of whether the EU is counted as one or not. The three largest components of Switzerland's services exports were license fees with a 28.7% share, insurance/pension services (19.3%) and transport (15.4%). Over the 2012-2022 period, insurance grew by 5.6 times, technical and trade-related services by more than 4.5 times, while the three categories of consulting, of telecommunications and of information technology, and transport doubled or more. In fact, transport posted a surplus for the first time since records began in 2012. Tourism exports in 2022, on the other hand, were less than half of 2019 levels, leading to three consecutive years of net surpluses lower than CHF 100 million. Meanwhile, financial services declined by 17.6% in the same timespan.

Services imports fell by 33.6% to CHF 3.1 billion, after they had reached a record of CHF 4.7 billion in 2021. The three largest categories of Switzerland's services imports from Japan were license fees with a 44.2% share, followed by research and development (18.2%) and transport (12.6%). Imports in research and development rose sevenfold and licence fees more than doubled during the period between 2012 and 2022.

⁹⁹ MOF, "Japan's balance of payments- historical data" (10 April 2023), www.mof.go.jp/policy/international_policy/reference/balance_of_payments/bp_trend/bpnet/sbp/s-2/6s-2-1.csv, accessed 22 June 2023.

¹⁰⁰ MOF, "Regional balance of payments for 2022" (11 May 2023), www.mof.go.jp/policy/international_policy/reference/balance_of_payments/regional/rbpcy2022.pdf, viewed 20 June 2023.

¹⁰¹ MOF accounting practice includes Macau with China, not Hong Kong.

¹⁰² Federal Office for Customs and Border Security, "Swiss-Impex", www.gate.ezv.admin.ch/swissimpex/public/bereiche/waren/query.xhtml, accessed 20 June 2023.

¹⁰³ SNB, "Zahlungsbilanz – Leistungsbilanz Dienste nach Ländern", <https://data.snb.ch>, viewed 20 June 2023.

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

Japan's inward foreign direct investments (FDI) grew by almost 14% in 2022 to \$351.2 billion.¹⁰⁴ Equivalent to six percent of the GDP¹⁰⁵, this is almost triple the 2005 levels (2.2%) but likely remains the lowest among OECD and G20 economies. In 2022, the US remained the largest investor with a share of 22.3%, followed by the UK (16.7%) and Singapore (10.4%).¹⁰⁶ Singapore's investments in Japan rose in value by almost 30%, overtaking those by the Netherlands. Investments in non-manufacturing outnumbered those in manufacturing by at least 1.5 times in the last five years.¹⁰⁷ Meanwhile, Japan's outward FDI grew by 20% to about \$2.1 trillion in 2022. This is the third double-digit growth since 2019. The US is the top destination with a share of 33.5%, followed by the UK (8.5%) and the Netherlands (7.4%). Japan's investments in the Netherlands jumped by almost 29%, overtaking investments in China.

Balancing investment promotion and investment screening

Even though Japan has not reached the target set in June 2021 of attracting inbound FDI worth \$596 billion (JPY 80 trillion), the government in April 2023 raised it to \$745 billion (JPY 100 trillion) for 2030.¹⁰⁸ The new target focuses on green transformation, restructuring global supply chains (including reshoring of production and research sites), and attracting both high-skilled foreign workers as well as start-ups. It also proposes to improve the business conditions that foreign companies face.¹⁰⁹

Since 2020, foreign entities seeking to hold more than one percent stake or change the top management of Japanese companies in what the MOF recognizes as 33 "core business sectors" will need to notify it.¹¹⁰ For fiscal year 2022, more than 60% of 2,426 notifications involved cybersecurity companies, a category that also includes manufacturing of integrated circuits and memory chips.¹¹¹ Of the 1,327 notifications pertaining to investments of stakes, the US and Cayman Islands combined had a 32% share, while those registered as originating from Hong Kong or China comprised less than five percent.

5.2 Bilateral investment

According to Japanese data, Switzerland had invested \$16.5 billion in Japan at the end of 2022 (+12.9%).¹¹² Switzerland remains the fourth largest European investor and eighth largest overall, one spot lower after being overtaken by the Cayman Islands. The "Ultimate Investor" method ranks it as the second largest investor from Europe behind France and fifth largest overall.¹¹³ The manufacturing sector amounted to about \$9.1 billion or 66.8%.¹¹⁴ Pharmaceuticals/chemicals (46.2%) and electric machinery (14.2%) were the most important industries. The non-manufacturing sector amounted to \$4.5 billion, with the two largest industries being wholesale/retail (16.5%) and finance/insurance (13.7%).

Japan's investment position in Switzerland dropped by 8.1% in value to \$42.3 billion at the end of 2022.¹¹⁵ At two percent of outbound FDI, this makes Switzerland the ninth most important destination and the fourth largest in Europe after the UK, Netherlands, and Germany. The manufacturing sector totalled \$5.4 billion (share of 13.7%).¹¹⁶ Non-manufacturing totalled \$33.9 billion (share of 86.3%).¹¹⁷ Japanese FDI in wholesale/retail was largest at a share of 62.6%, followed by finance/insurance (17.6%).

¹⁰⁴ MOF, "Regional direct investment positions" (26 May 2022), https://www.mof.go.jp/policy/international_policy/reference/iip/rdip2022.xls, accessed 20 June 2023; converted from JPY 46.2 trillion at average currency rate of 2022 of JPY 131.46/USD.

¹⁰⁵ Based on a GDP of 5'843'526 Mio. USD for Japan in 2022, from OECD, "OECD (2023), Gross domestic product (GDP) (indicator)." <https://data.oecd.org/gdp/gross-domestic-product-gdp.htm> accessed 23 June 2023.

¹⁰⁶ MOF, "Outward direct investment position, breakdown by region and industry" https://www.mof.go.jp/policy/international_policy/reference/iip/dip2022.xlsx, accessed 22 June 2023.

¹⁰⁷ MOF, "Inward direct investment position, breakdown by region and industry" (26 May 2023), https://www.mof.go.jp/policy/international_policy/reference/iip/dip2022.xlsx, accessed 23 June 2023.

¹⁰⁸ Cabinet Office's, "The action plan for attracting human and financial resources from overseas" (26 April 2023), http://www.invest-japan.go.jp/documents/pdf/action_plan_gaiyou_en.pdf, accessed 21 June 2023; calculated from JPY 100 trillion at a 2023 year-to-date average currency exchange rate of JPY 134.25 JPY/USD.

¹⁰⁹ Cabinet Office, "Main policy agenda for promoting foreign direct investment in Japan" (20 April 2022), www.invest-japan.go.jp/documents/en_index.html, accessed 21 June 2023.

¹¹⁰ MOF, "List of prior notification of inbound FDI of companies based under Foreign Exchange Law" (24 April 2023), www.mof.go.jp/policy/international_policy/gaitame_kawase/fdi/list.xlsx, accessed 21 June 2023.

¹¹¹ MOF, "Number of prior notification related to inbound direct investments for fiscal 2022" (23 June 2023), https://www.mof.go.jp/policy/international_policy/gaitame_kawase/press_release/20230623.pdf, accessed 27 June 2023.

¹¹² Converted from JPY 2.1 trillion at average currency rate for 2022 at JPY 131.46/USD.

¹¹³ MOF, "Regional Direct Investment Position- Ultimate Investor" (8 June 2023), https://www.mof.go.jp/policy/international_policy/reference/iip/rdip_ui.xlsx, accessed 22 June 2023.

¹¹⁴ Converted from JPY 1.2 trillion, based on average currency rate for 2022 at JPY 131.46/USD.

¹¹⁵ BOJ, "Outward direct investment position, breakdown by Region and Industry 2022" (26 May 2023), https://www.boj.or.jp/en/statistics/br/bop_06/bpdata/dip2022.xlsx, accessed 23 June 2023; converted from JPY 5.6 trillion, based on average currency rate for 2022 at JPY 131.46/USD.

¹¹⁶ Converted from JPY 710.4 billion, based on average currency rate for 2022 at JPY 131.46/USD.

¹¹⁷ Converted from JPY 4.5 trillion, based on average currency rate for 2022 at JPY 131.46/USD.

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

The Embassy of Switzerland in Japan works with Japanese authorities to further improve framework conditions for Swiss companies in Japan. It also organizes events, showcasing Swiss companies, including in collaboration with the Swiss Chamber of Commerce and Industry in Japan and the IMD Business School for the annual Switzerland-Japan Economic Forum. The upcoming sixth edition of the Forum will discuss how to foster innovation ecosystems and enhance industry-academia collaboration.

Integrated into the Embassy, the Swiss Business Hub Japan (SBH) represents Switzerland Global Enterprise (S-GE). It is mandated to promote Swiss exports to Japan and supports Swiss and Liechtenstein-based SMEs with respect to market entry and market expansion projects. The SBH advises and supports more than 300 companies per year with basic information and in-depth advice (market intelligence, business partner search, regulatory advice). The SBH also organizes events, delegation visits and participates in trade fairs with Swiss Pavilions. In 2023, it provides a platform for Swiss companies at "Fuel Cell Expo" (clean energy), "BioJapan" (biotechnology) and "MassTrans" (railway). Moreover, the SBH promotes "business location Switzerland" and facilitates investments by Japanese companies in Switzerland. Furthermore, Switzerland Innovation has mandated SBH to promote and facilitate R&D collaboration between Japanese conglomerates and Swiss innovation parks. The SBH also acts as the secretariat for a community of Japanese companies with existing investments in Switzerland called the Japan-Switzerland Economic Council (JSEC).

In line with its own strategies and Japanese policy priorities, Switzerland puts an increasing emphasis on collaboration in education, research and innovation. In addition to the Science and Technology Office at the Embassy in Tokyo, the newly opened Consulate in Osaka/Swissnex in Japan further strengthens this collaboration. Swissnex in Japan has a mandate with Innosuisse to bring Swiss high-tech startups and university spin-offs for evaluation and market entry to Japan. This is done by reaching out to large Japanese tech-companies or supporting fairs with Swiss Pavilions. Trend scouting and study tours are also offered to Swiss companies and university delegations. The Consulate also contributes to strengthening the Swiss presence in view of the World Expo 2025 Osaka, Kansai. The Science and Technology Office in Tokyo works with authorities to shape optimal framework conditions, including by facilitating Swiss companies to identify innovative Japanese industry partners. It also organizes scientific workshops with government-affiliated institutions to facilitate industry-academia collaboration for Swiss companies, including start-ups in fields such as artificial intelligence, robotics or pharmaceuticals. The office of Switzerland Tourism in Japan is also a part of the Embassy. It markets Switzerland as a destination for leisure and business travel.

The Swiss Chamber of Commerce and Industry in Japan (SCCIJ) provides a networking platform for Swiss companies in Japan or Japanese companies with ties to Switzerland. The SCCIJ hosts near-weekly luncheons and networking events for its members and young professionals, circulates business information and runs a scholarship program. The chamber has about 200 members, of which about two-thirds are companies. The European Business Council in Japan (EBC) has a mandate to improve the business environment for European companies. It regularly updates a digital white paper, issues recommendations and engages in lobbying with authorities. Swiss companies are encouraged to bring up potential challenges and participate in any of the 22 committees covering many sectors.

6.2 The host country's interest in Switzerland

Switzerland continues to be perceived as providing not only high-quality products, but also high quality services. In terms of tourism, it was primarily a summer destination for Japanese tourists, with 70% of trips taking place between June and August before the pandemic. In 2019, the hotel industry had registered around 390'000 overnight stays by Japanese tourists (1.9% of foreign visitors). With daily expenses of around CHF 300, they focus on high quality. In the wake of the relaxation of restrictive Japanese border policies last year, international travel by Japanese tourists has started to gradually pick up again, with around 84'000 overnight stays recorded in 2022. Early figures in 2023, which do not account for the main travel season yet, show a further, steady increase. There is also a significant interest for high quality private education in Switzerland, with a number of boarding and hotel management schools represented in the Japanese market.

In terms of investments, Switzerland remains an attractive location for Japanese companies. More than 200 Japanese companies have existing operations in Switzerland (sales office, R+D, regional headquarters) and are responsible for more than 8000 jobs. There is an increased interest in Switzerland's ecosystem for open innovation and R+D collaboration with Swiss innovation parks, fortifying the country's image as a top research and development location. The Swiss financial center enjoys a strong reputation both in terms of quality and specialization of services. Given restrictive cross-border regulations, a number of financial service providers have established a presence in Japan.

ANNEX 1 – Economic structure

Economic structure of Japan

	Year 2016	Year 2021
Distribution of GDP		
Primary sector	1.01%	0.94%
Manufacturing sector	25.71%	26.89%
Services	73.28%	72.16%
- of which public services	4.91%	5.16%

Distribution of employment		
Primary sector	3.98%	3.63%
Manufacturing sector	23.15%	22.11%
Services	72.86%	74.25%
- of which public services	2.94%	2.97%

Source: Cabinet Office, “Gross Domestic Product and Factor Income classified by Economic Activities” (January 2023), https://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2021/2021annual_report_e.html

ANNEX 2 – Main economic data

Japan's main economic data

	2022	2023	2024
GDP (USD bn)*	4,154	4,120	4,162
GDP per capita (USD)**	33,184	33,063	33,536
Growth rate (% of GDP)***	1.1%	1.3%	1.0%
Inflation rate (%)***	2.5%	2.7%	2.2%
Unemployment rate (%)***	2.6%	2.3%	2.3%
Fiscal balance (% of GDP)***	-7.8%	-6.4%	-4.0%
Current account balance (% of GDP)***	2.1%	3.0%	4.0%
Total external debt (% of GDP)***	261.3%	258.2%	256.3%

* Source: IMF, World Economic Outlook (April 2022),
<https://www.imf.org/en/Publications/WEO/weo-database/2023/April>

GDP 2022 converted from JPY 546 trillion, based on 2022 average exchange rate of JPY/USD 131.46; GDP 2023 and 2024 converted from JPY 553.2 trillion, JPY 558.8 trillion respectively, based on 2023 year-to-date average exchange rate of JPY/USD 134.25

** Source: IMF, World Economic Outlook (April 2022),
<https://www.imf.org/en/Publications/WEO/weo-database/2023/April>

GDP per capita in 2022 converted from JPY 4.36 million, based on 2022 average exchange rate of JPY/ USD 131.46; GDP per capita in 2023 and 2024 converted from JPY 4.44 million, JPY 4.50 million respectively, based on 2023 year-to-date average exchange rate of JPY/USD 134.25

*** Source: IMF, World Economic Outlook (April 2022),
<https://www.imf.org/-/media/Files/Publications/WEO/2023/April/English/text.ashx>

ANNEX 3 – Trade partners

Trade partners of Japan Year: 2022

Rank	Country	Exports from host country (USD million*)	Share	Change ¹¹⁸	Rank	Country	Imports by host country (USD million*)	Share	Change ¹¹⁹
1	China	144,560	19.4%	5.7%	1	China	188,981	21.0%	21.9%
2	US	138,864	18.6%	23.1%	2	US	89,252	9.9%	31.6%
3	S. Korea	54,056	7.2%	23.2%	3	Australia	88,329	9.8%	101.8%
4	Taiwan	52,164	7.0%	14.5%	4	UAE	45,784	5.1%	102.1%
5	Hong Kong	33,146	4.4%	12%	5	S. Arabia	42,362	4.7%	84.4%
6	Thailand	32,476	4.3%	17.8%	6	Taiwan	38,773	4.3%	38.6%
7	Singapore	22,326	3.0%	33.4%	7	S. Korea	33,594	3.7%	25.4%
8	Germany	19,551	2.6%	12.8%	8	Indonesia	28,606	3.2%	74.3%
9	Vietnam	18,644	2.5%	16.9%	9	Thailand	26,642	3.0%	21.1%
10	Australia	16,527	2.2%	29.7%	10	Vietnam	26,459	2.9%	37.7%
26	Switzerland	4,144	0.6%	12.7%	23	Switzerland	7,905	0.9%	12.8%
	EU	71,189	9.5%	22%		EU	86,655	9.6%	20.5%
	Total USD	746,805	100%	18.2%		Total USD	898,684	100%	39.2%
	<i>Total JPY</i>	<i>98,174,981</i>				<i>Total (JPY)</i>	<i>118,140,966</i>		

Source: Ministry of Finance, Value of Exports and Imports by Area (Country),
https://www.customs.go.jp/toukei/shinbun/trade-st_e/2022/2022_118e.pdf

* In millions of dollars, converted from a defined average currency exchange rate for 2022 at JPY 131.46/USD

<https://www.exchangerates.org.uk/USD-JPY-spot-exchange-rates-history-2022.html>

¹¹⁸ Change from the previous year in %

¹¹⁹ Change from the previous year in %

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and Japan

	Export (CHF million)	<i>Change (%)</i>	Import (CHF million)	<i>Change (%)</i>	Balance (in million)	Volume (in million)
2017	7,467	-0.6%	5,995	51.6%	1,472	13,462
2018	7,765	4.0%	4,669	-22.1%	3,096	12,434
2019	8,136	4.8%	4,526	-3.1%	3,610	12,662
2020	7,057	-13.3%	4,989	10.2%	2,068	12,046
2021	7,716	9.4%	4,893	-1.9%	2,823	12,610
<i>(Total 1)*</i>	7,582	9.0%	3,936	6.7%	3,646	11,519
2022	9,378	21.5%	5,720	16.9%	3,658	15'098
<i>(Total 1)*</i>	9,288	22.5%	4,154	5.5%	5,134	13'442

*) 'Economic' total (total 1): not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

Exports	2021 (% of total)	2022 (% of total)
1. Chemical, pharmaceutical products	52.6%	55.8%
2. Precision instruments, clocks, watches, jewellery	32.0%	31.3%
3. Machines, appliances, electronics	6.1%	5.3%
4. Forestry and agricultural products, fisheries	2.7%	2.6%

Imports	2021 (% of total)	2022 (% of total)
1. Chemical, pharmaceutical products	38.1%	34.5%
2. Precious metals and gemstones	19.4%	27%
3. Machines, appliances, electronics	14.7%	12.9%
4. Precision instruments, clocks, watches, jewellery	9.6%	9.7%

Source: Federal Office for Customs and Border Security, <https://www.gate.ezv.admin.ch/swissimpex/>

ANNEX 5 – Main investing countries

Main investing countries in Japan

Year: 2022

Rank	Country	Direct investment (USD millions*, stock)	Share	Variation (stock)	Inflows over past year (USD m)
1	United States	78'190	22.3%	11.2%	7,935
2	United Kingdom	58'547	16.7%	36.1%	15,521
3	Singapore	36'690	10.4%	30.0%	8,473
4	Netherlands	25'783	7.3%	-13.6%	-4,064
5	France	24'577	7.0%	1.9%	453
6	Hong Kong	19'920	5.7%	-5.1%	-1,347
7	Cayman Islands	19'010	5.4%	42.8%	5,697
8	Switzerland	16'541	4.7%	12.9%	1,894
9	Germany	10'604	3.0%	14.4%	1,336
10	Taiwan	8'165	2.3%	19.6%	1,339
	EU	73'996	21.1%	-3.3%	-2,553
	Total USD	351'194	100%	14.0%	43,082
	<i>Total JPY</i>	<i>46.1 trillion</i>			<i>5.7 trillion</i>

Source: Ministry of Finance, Regional Direct Investment Position (Liabilities),

https://www.mof.go.jp/policy/international_policy/reference/iip/rdip2022.xls ,

https://www.mof.go.jp/policy/international_policy/reference/iip/rdip2021.xls

*Based on an average currency exchange rate for 2022 at JPY 131.46/USD.