

Special points of interest:

- The Japanese economy contracted 3.3% in Q4 2008, the worst slump in 35 years
- Japan's demographic shift creates opportunities in the so-called silver market
- Special reports: The mission of the new Japan Tourism Agency, and the growing impact of mobile phones on Japanese society

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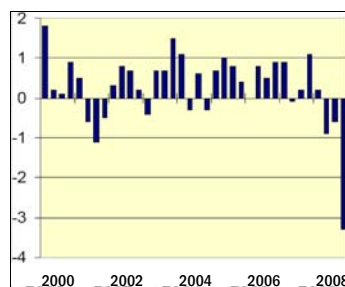
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Japan's current economic situation

The Japanese economy was hit by further bad news during the past month, as it was revealed that its GDP had shrunk 3.3% quarter-on-quarter in the last three months of 2008, its worst slump since the 1974 oil crisis. This means that the economy has now contracted in three consecutive quarters, resulting in an 0.7% decline in real terms for calendar year 2008. This result, which was worse than expected, indicated that Japan is amongst the hardest hit by the global crisis: The 3.3% drop compared with a 1% contraction in the US and a 1.5% decline in the Euro zone in the same period. The slump was mainly a

result of collapsing demand abroad, highlighting Japan's dependency on exports. Following a 27% drop in November, exports in December fell a further 35% year-on-year. Industrial production also saw a 9.8% month-on-month fall in December, the second record fall in a row.

In addition to low demand, exporters have to deal with a soaring yen, which strengthened 19% against the dollar in 2008, and even more against the euro and the pound. This has led to a sharp increase in job losses, notably among some of the nation's largest manufacturers, such as Nissan, Sony and Panasonic. The unemployment rate reached 4.4% in Decem-



Quarterly GDP change (%)
Source: Cabinet Office

ber.

In light of the severity of the slump, the Bank of Japan has made plans to buy up to ¥1,000 bn in corporate bonds to help the worst hit companies. The Japanese government has also stepped up its efforts by setting aside ¥1,500 bn in public funds to encourage banks to buy shares in cash-strapped companies.

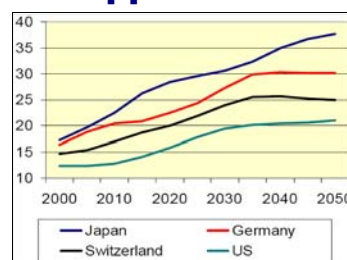
Ageing society creates problems but also opportunities

With 21% of its total population now over 65-years old, Japan has the highest number of elderly in the world. A combination of low birthrate and long life expectancy means that it is also increasing fast. The 25% mark will be passed

in 2013, and the figure is expected to reach 35% by 2050. This of course presents Japan with multiple challenges, but opportunities exist too.

For starters, the ageing

Continued on page 2



Percentage of population 65 or older
Source: United Nations

Ageing society creates problems but also opportunities

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Europe ranked first in survey on preferred trip destinations among Japanese seniors

While this segment offers clear opportunities, the so-called silver market remains underdeveloped.

society phenomenon is not confined to Japan alone. A United Nations report published in 2007 predicts that the percentage of the world's population aged 60 or over will shoot up from around 670 million in 2005 to approximately 2 billion by 2050. Although traditionally limited to developed countries, developing countries such as China are catching up quickly: of those 2 billion, 80% will be concentrated in the latter.

This means that as the first country to experience this phenomenon on such a large scale, Japan now has the opportunity to lead the way and serve as an example for the countries that will inevitably face similar challenges in the years to come. Generally speaking, this involves the creation of a new pro-elderly culture in the society.

Of course, the biggest challenge is to maintain seniors' participation in the society, both in terms of production and consumption. The good news is that most of them are willing to remain active in one way or another. They do not want to be seen as a burden to the society. Consequently, the number of people working beyond retirement age has increased steadily, while local NGOs have been welcoming more and more senior volunteers. Many also decide to go back to university.

While this demographic shift raises a number of challenges, it also offers some market opportunities. They have become particularly interesting since Japan's postwar baby boomers – the 8 million people born in the three-year span of 1947 to 1949 – have reached retirement age.

Indeed, this is the generation that took consumption to the next level in Japan. They were the first to buy televisions and cars, they saw the arrival of supermarkets, shopping malls and convenience stores, and they also adopted the use of computers at work. What's more, they have a lot of spending power and a lot of free time on their hands. They feel relatively young and as a consequence, have the motivation to do things they could not do while working, such as traveling abroad.

Yet, while this segment offers clear opportunities, the so-called silver market remains underdeveloped. Some, such as the medical device and pharmaceutical sector, have already invested heavily in Japan, attracted by the world's most rapidly ageing society.

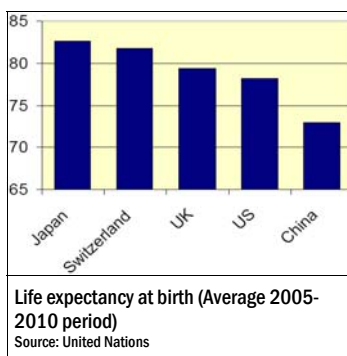
Most, however, have failed to fully embrace this market. Beyond the care sector, the potential is also huge in many other areas, including clothing, home appliances, and mobility. The market could also do with innovative

products in the services sector, finance and insurance in particular.

Furthermore, in light of the baby boomers' strong spending power, the luxury sector could also be interesting. More and more Japanese seniors have the time and money to go on luxury tours abroad, for example.

Interestingly, one innovative product that has been a hit among elders is Nintendo's latest Wii console, which prides itself in bringing together the whole family, from children to grandparents. It does indeed appear that seniors do not like being seen as a separate segment, preferring products that can be used by anyone, including themselves. All in all, the huge potential in this growing silver market has so far not been exploited. Products and services targeting seniors are still rare considering that over one in five consumers falls into that category. This might be explained by the fact that too many firms still do not know how to market products in the silver market. Nevertheless, this market is simply too big not to be considered.

With a demographic shift ahead of other nations, Japan could act as a leader by adapting its society and economy to the needs of the elderly. For firms, it represents a huge opportunity to test their ability to meet the demands of this growing market.



Agency created to boost number of foreign visitors

Despite its numerous attractions, beautiful nature and popular culture, Japan has so far failed to make tourism a cornerstone of its economy. Being aware of this unexploited potential, the Japanese government recently set up the Japan Tourism Agency (JTA), a new body tasked with establishing Japan as a 'tourism nation'.

From 8.35 million in 2008, the agency aims to increase the number of foreign visitors to 10 million in 2010 and 20 million in 2020. Based on surveys that have revealed frustrations related to the language barrier and lack of information in foreign languages, it now

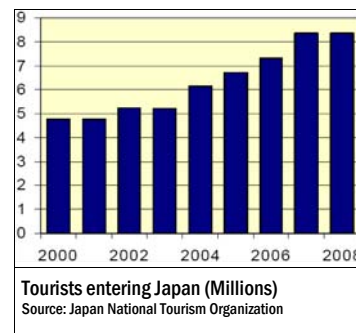
aims to focus on improving tourism infrastructures in order to make the travel experience in Japan more pleasant.

To do so, the JTA aims to compile data and information to help players in the tourism industry formulate strategies. It also aims to improve and standardize information and signs at airports and stations, and to promote travel to less visited areas. Indeed, 70% of tourists still restrict their visit to the so-called Golden Route – the area between Tokyo and Osaka, which includes places such as Mount Fuji and Kyoto.

Business tourists will also be targeted by increasing the number of interna-

tional conferences by over 50% by 2011 with the aim of becoming the top host nation of such conferences in Asia.

The task of the JTA is made easier by the fact that interest in Japan has soared in recent years. People now understand that Japan has a lot to offer beyond manga and sushi, and it is hoped that the increase in foreign visitors will boost cultural exchange and friendship. Although the current crisis and the high yen have been a blow to its ambitions, the JTA has not lowered its targets. It predicts that reaching the 20 million mark in 2020 will result in the creation of 390,000 jobs.



Japan takes mobile phone usage to the next level

Apart from people sleeping, one of the first things that will strike you when you get on a train in Japan is the number of people typing messages on their mobile phones. In the past decade or so, mobile phones – or *keitai denwa* in Japanese – have become so ubiquitous that they are now part of the lifestyle. Although this is true of most developed nations, the phenomenon is so widespread in Japan that some sociologists have detected the emergence of a real culture: the *keitai* culture.

Unsurprisingly, the phenomenon is finding its

roots mainly among youngsters. Nearly 100% of high school students and 50% of junior high school students now own a mobile phone. What's more, they spend a considerable amount of time on them: two hours a day for high school girls and 1½ for boys.

Although Japanese people have always been early adopters of new technology, this culture may have been created because they use cell phones that are different from ours. While most of the world uses the GSM standard, Japan uses its own JIS standard. This has re-

sulted in a unique and isolated mobile phone market, which, over time, has become the world's most advanced in terms of technology.

From a very early stage, mobile phone users were able to send e-mails to each other (longer and cheaper alternatives to the SMS), an instant hit among people of all ages. More recently, several new technologies have been added. Japanese people now have the possibility to use their cell phones as debit or credit cards, and mobile phone novels have also become increasingly popular.



Mobile phones are especially popular among young women



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JETRO is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world. Originally established in 1958 to promote Japanese exports abroad, JETRO's core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential.

The Geneva Bulletin can also be viewed and/or downloaded online:
<http://www.jetro.go.jp/switzerland/bulletin>

Switzerland and Japan sign Free Trade and Economic Partnership Agreement

On February 19, Vice President Doris Leuthard and Foreign Minister Hirofumi Nakasone signed the Free Trade and Economic Partnership Agreement (FTEPA) between Switzerland and Japan.

This agreement, hailed as a landmark in the relations between the two countries, will eliminate tariffs on more than 99% of trade in value terms over the next ten years. Overall, this comprehensive treaty will improve market access and framework conditions for Swiss exporters, investors and service providers.

According to the Federal Department of Economic Affairs, this agreement will enable Swiss exporters to save around CHF 100 million per year.

Japan, as the world's second largest economy, is Switzerland's largest trading partner in Asia. In 2008, Swiss exports to Japan reached CHF 7.1 billion, while imports from Japan were valued at CHF 4.1 billion. Switzerland is also the 8th largest investor in Japan in terms of FDI stock.

The FTEPA is Switzerland's most important free trade agreement since the one concluded with the European Community in 1972. For Japan, this is the 11th free trade agreement, and the first with a European nation.

The agreement is expected to take effect by the end of this year.