Roger Zbinden – Head, Swiss Business Hub, South Korea



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Roger Zbinden, head of the Swiss Business Hub Korea, explains their efforts to raise the profile of the South Korean market for Swiss business. Dr Zbinden also provides his insights into opportunities that exist in the Korean market and explains why Korea need not follow the Swiss model in its quest to become a global innovation hub.

What are the main activities that the Swiss Business Hub conducts to promote Korea to the Swiss market?

The Swiss Business Hub represents the official Swiss trade and investment agency Switzerland Global Enterprise (S-GE). We mainly work in two fields, export promotion, and investment promotion.

In export promotion, we support Swiss companies in their market entry and market expansion activities here in Korea. We help them to find the right business partners, organize individual business trips and point out business opportunities. As we are a small team, we work with local experts in the various fields relevant to the individual challenges of our clients. This allows us to scale our activities to the need of our clients. Furthermore, we run regular information events in Switzerland in order to motivate potential exporters to consider Korea as a promising market.

In investment promotion, we work closely with Korean companies and support them in their expansion plans to Switzerland. We are observing a real increase in interest and in the number and

magnitude of our export and especially investment projects. In investment promotion, we closely work with Korean companies and support them in their expansion plans to Europe. Switzerland as a business location has many advantages.

How much potential does Korea have as an investment destination for Swiss businessmen?

In my opinion, South Korea is still punching below its weight. Korea is not well recognised, not only in Switzerland but all over Europe. When I talk to both CEOs and start-ups considering expanding to Asia, the first country on their mind is China, followed by Japan. Korea is seldom considered, and I want to change this. Korea is a very good market with promising business opportunities for Swiss companies in multiple sectors. Decision making is fast, and Korea is a country which abides by the rule of law. Moreover, English is widely spoken among senior executives.

Also, it would be myopic to simply consider the domestic market. Korea can be used as a stepping stone towards China, and to countries in South East Asia. Korean exports and investment in those countries are extremely high. Korean companies run many production sites in these countries, but decisions on technology and strategic suppliers are always taken in Seoul. Being based in Seoul allows companies to follow the Korean companies' global product lines, opening up other Asian markets. This is the beauty of business in Korea and is applicable across many industries.

What are the current business dynamics between Switzerland and Korea?

Bilateral trade between Korea and Switzerland is only officially USD $4 billion. However, what is interesting is that there is a lot of trade that fails to make it into the statistics. There are several large Swiss shipping companies with their own fleets who have awarded contracts to Korean shipbuilders in excess of billions of dollars. Nonetheless, as these vessels never enter Swiss territory, they are not recorded by customs and are not classed as an export to Switzerland. The level of this unrecorded trade is considerable.

Where are the main opportunities in the Korean healthcare market?

Most of the large global players are present in Korea. Additional opportunities for overseas companies are for supplying large Korean firms like Celltrion or Samsung Biologics. If they grow in

the markets, their business partners and suppliers will also grow. If you have big players like these in Korea, then you can follow and work with them. This is a natural selling point for top Swiss technology companies. The latest example is Bioengineering AG, a leading Swiss biotech supplier who commissioned us this year to build their local subsidiary here in Seoul. Biotech is very dynamic here in Korea, with new players such as Polus and Samsung Bioepis.

What are the main challenges faced by companies operating in the Korean market?

It depends on the industry. A general challenge is that sometimes specific industry regulation may not be compatible with another industry. This is one of the reasons why industry 4.0 will encounter difficulties in Korea, due to the lack of regulatory alignment. It may also be a stumbling block for the government's embracement of the fourth industrial revolution – integrating information technology with biotechnology could potentially result in regulatory conflicts between ministries. There are many initiatives to address this, but progress takes time. Korean central and local governments provide significant funds to many initiatives, be it biotech, fintech, artificial intelligence, 4IR and so on. They run very impressive programs for international start-ups; in Seoul alone, there are more than 40 start-up sites run by the city government. The scene is very vibrant, but at the same time, the survival rate of start-ups is rather low.

What are the main challenges faced by Pharma companies when reaching the Korean market?

One potential issue that may appear after the introduction of Mooncare is that it may become difficult for innovative drugs to receive the reimbursement margins they need. This is because Mooncare will lower the price level. Companies may have to find new ways to continue generating their margins when exporting to Korea.

What would be your advice to Koreans who believe they should follow the Swiss model to become an innovation hub?

Switzerland is one of the most innovative countries. We regularly get the top rank in various innovation rankings. One main reason is our dual education system which does not only stress academic education but also vocational training. The conditions here are very different to those

found in Switzerland. I get asked the same question in regard to our blockchain ecosystem. I had so many Korean delegations going to what is called Cryptovalley in Switzerland near Zug, which included the mayor of Seoul. This area contains 700 blockchain companies in a small space. I always warn these delegations not to emulate the Swiss model as it will not work elsewhere as the framework conditions are different. Switzerland is a small country of just 8.3 million, compared to Korea's 51 million. The Swiss legal framework is very business-friendly. We have a decentralised federal government where power lies with the Cantons. Also, besides large global corporations, there is a thriving SME sector which is key to development and innovation. Development partnerships between universities and the private sector are easy to implement. This unique set of framework conditions cannot be emulated. Therefore, another, more bespoke strategy must be designed for elsewhere. This is not to say that the different framework will not be as successful.

Where does innovation need to come from, government or the industry and private sector?

These are two different concepts. In Korea, all sectors are dominated by the Chaebols (family owned conglomerates), such as Samsung and Hyundai. There are more than 100 of these. Very little capital can control a whole corporation. This model helped to spur on such rapid development here. Considering where Korea was 60 years ago, it was among the five poorest countries with a GDP per capita of around $80- 90 USD. It is incredible the progress they have made in that time. This is sometimes my advice to Swiss businessmen in this market: one must understand the mindset of Koreans of that generation – they lived through hardship. The aim is to win all of the time, there is a survival behaviour which has bred tenacity, and has made them very competitive, pragmatic and fast.

But an unforeseen consequence of the Chaebol system is the crowding out of small and medium-sized enterprises, who in the large part do not exist. Those that do exist tend to just produce according to the specifications of the Chaebol; they do not conduct R&D, cannot properly train their staff and do not enjoy the same social status as large corporations.

In contrast, Swiss R&D and innovation is mainly driven by the private sector. Government concentrates of building business-friendly framework conditions and promotes life-long learning. Large Swiss corporations spend a lot on innovation and R&D, but the same is true for SMEs. In almost any sector, there are Swiss SMEs with an export ratio of 95 percent and a global market share of 80 percent plus. We call them "Hidden Champions" as they are not well known to the

consumer but actually provide key technologies.

Korean innovation is much more government induced, with significant levels of public funds invested into innovation projects. However, much of this is confined to the large Chaebols, for example, Samsung Biologics who have become very innovative in process innovation. Korea is very innovative, but it is driven much more by the government and the big players, rather than the SMEs.

The working environment is very tough – the government is trying to bring the working hours down to 52, from 68. The rather hierarchical business culture can also be a challenge for newcomers. But I think it is also a problem of perception. Korea offers a very dynamic economic environment where global managers can benefit a lot. The high level of risk taking, the speed, the pragmatism of Korean executives offers real opportunities to hone international management skills.

What is your future ambition for the Swiss Business Hub?

Our organisation is very small, but we will grow by almost 100 percent next year, from three up to five people as we increase our activities to attract Korean investment into Switzerland. As a business location, we have a lot to offer, for both global Korean companies as well as for smaller firms which want to globalize. We can assist them in their market access in Europe. Switzerland is in the heart of the continent, highly integrated with all the large economies. Top-notch infrastructure, availability of global talent, leading research institutions and a very business-friendly environment are key elements of our offering. And last, but not least, we want to foster economic exchange between Korea and Switzerland for the benefit of both countries. They may be far apart geographically, but Swiss and Korean business people have many character traits in common and this is an important building block for a mutually beneficial business exchange.

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