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Title	<i>Potential for Japan's Reform Unfulfilled - Europe Biz Group</i>

The atmosphere surrounding Japanese structural reform has been quite positive, but the potential for reform remains largely unfulfilled, Isabelle Hupperts, chairman of the European Business Community in Japan, said Monday.

In Japan, "it is easier to get products approved for sale, but it still takes longer and costs more than in Europe," she said.

"A persistent lack of transparency and clarity in the Japanese regulatory regime makes it extremely difficult for firms to accurately predict the consequences of business decisions," Hupperts said.

She was speaking at a seminar to introduce a new EBC report on the Japanese business environment.

The report provides an up-to-date assessment of the Japanese business environment in 27 key areas from a European industry perspective.

It notes that the EBC welcomes the Japanese government's commitment to telecommunications liberalization.

At the same time, the EBC recommends that Japan enact implementing rules to recognize the dominance of companies that control essential facilities, possess market power and have the ability to act in the market irrespective of competitors and customers.

Strong action should be taken to regulate dominant positions in the telecommunications sector, the report said.

The EBC urges Japan to "enact ex ante rules that clearly spell out the obligations and expected conduct of the dominant carriers toward its affiliates, its competitors and its customers," it said.

The EBC also welcomes the planned introduction of a consolidated tax system to support corporate restructuring efforts, saying it should be introduced no later than April 2002.

"The EBC is disappointed, however, that current proposals call for only completely owned subsidiaries to be included in such a scheme and the implementation of a new tax on unrealized group profits to make up for an expected decline in government revenue," the report said.