

Publication	AFP
Date	November 22, 2002
Title	European businesses impatient with lack of Japanese deregulation

2 11/28 16:40 FAX 81 3 3546 2594

AFP TOKYO

002

3 RQQ81 HKG 0213 ASI

F EMI 221102-17H19 W0408

Japan-EU-business

European businesses impatient with lack of Japanese deregulation

TOKYO, Nov 22 (AFP) - European companies in Japan are growing increasingly fed up with the lack of progress on deregulation, the president of the European Business Community said Friday.

"Japan is explicitly asking for an increase in foreign investment, especially from Europe," said the president of the European Business Community (EBC), Richard Colasse.

"There is, unfortunately, a growing dissatisfaction with Japan within European business circles," he said at a press conference for the publication of the EBC's 2002 report on the business environment in Japan.

Four areas of special concern are allowing foreign lawyers to form local partnerships, the financing of mergers and acquisitions through equity swaps, the two percent supplementary tax on profits of companies declaring a consolidated profit and the approval process for in-vitro diagnostic testing.

"We would like to measure by these four topics at the next Europe-Japan business Round Table in July 2003 whether the Japanese government is serious about change," Colasse said.

Despite decades of lobbying, Japan still bars foreign lawyers from setting up in partnership with Japanese counterparts.

Unlike Japanese companies, foreign enterprises cannot finance Japanese acquisitions through equity swaps.

The Ministry of Finance has scuppered the move towards consolidated tax accounting by imposing a surtax of two percent on the profits of companies which use this method.

In-vitro diagnostic testing comes under controls over pharmaceuticals in Japan -- as opposed to European and US practice -- and as a result are subjected to a complex and time-consuming approval procedure.

The ECB, which represents more than 3,000 European companies, has identified the four areas as those in which rapid change is possible.

"Fast is the key word," Colasse said.

"A progress report (on what Japan had deregulated since 2001), would have been rather short."

Colasse attributed the mood of disenchantment partly to "the lost decade" of Japan's economic stagnation, and partly to a shift in interest elsewhere in Asia, particularly China.

"Significant new investment from Europe will not happen unless Japan moves fast to improve the business environment and show the world that it is changing for the better," Colasse warned.

phr-ja/bro

Japan-EU-business