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Representatives from broad range of sectors gather in Tokyo to discuss the state of the Japanese market.

Despite the fact that Japan is experiencing a deflationary economy with a beleaguered stock market and a stubbornly high jobless rate, there is still room for businesses to see growth. So argued members of the European Business Community in Japan at the EBC's Nov. 22 conference in Tokyo releasing its latest annual policy white paper, "Challenges to Growth and Investment."

At the same time, the participants, who represented a wide range of sectors, argued that within European industrial circles, there has been increasing discontent with Japan due to frustration with its commercial climate. For the Japanese government to attract more foreign direct investment, deregulation is essential.

Richard Collasse, EBC chairman and president of Chanel KK, the local arm of the French fashion house, discussed the state of European sentiment toward Japan and Asia as a whole. "There is, unfortunately, a growing dissatisfaction with Japan within European business circles, due in part to the current economic situation in Japan - the 'lost decade' continues to weigh heavily on everybody's mind. There is also a shift in interest toward other parts of Asia, especially China. In Europe, China is 'a la mode,' in fashion. China is seen, rightly or wrongly, as the new business El Dorado," he said.

With that in mind, Collasse added: "I would like to stress that 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. Japan needs to show the world that it is serious about combating deflation, cleaning up the banking sector and finding its way back onto the path of economic growth."

Leaders of a number of EBC sectoral committees also spoke, addressing key issues in their respective fields. To start, Bernard Anquez, general manager of Air France's local operations and an expert in the transportation and communications field, urged the government to continue making efforts in three primary areas of pricing and distribution, high cost structure, and airport infrastructure, based on the belief that air transport plays a vital role in industrialized economies.

"The distribution, pricing and settlement of airfares in Japan should be deregulated so that carriers can offer competitive net fares in a transparent fashion directly to the consumer, including over the Internet," said Anquez, who also serves as president of the French Chamber of Commerce and Industry in Japan. "The government should strive to reduce the costs associated with air transport provision in Japan by 50%. Prohibitive landing, navigation and common user fees charged by airport authorities should be substantially reduced. And competition in the operation of airport facilities should be promoted."

Anquez stressed total international capacity should be further expanded to satisfy demand in the Kanto region around Tokyo, while using the existing facilities more efficiently. Earlier this year, there was the much anticipated opening of the second runway at New Tokyo International Airport at Narita, however, he said: "Flight movement per hour at Narita should be increased, slots from the two runways there should be pooled and Tokyo International Airport at Haneda should be opened to regular international traffic."

In the consumer goods field, Lionel Requillart, vice president and representative director at Pierre Fabre Japon KK, and Andrew Mankiewicz, president of Tozai Group Ltd., pointed out some of the regulatory problems surrounding their respective business sectors - cosmetics and food products.

Requillart, who chairs the EBC cosmetics committee, noted the Japanese cosmetics regulatory environment has undergone a fundamental change that would provide all manufacturers with a greater opportunity to develop innovative products for the demanding market here. He argued there is much work to be done, particularly expanding the scope of deregulation in the quasi-drug category, which includes such health-oriented products as medicated cosmetics, toothpaste and mouth wash.

Slew of barriers

Mankiewicz, who chairs the food committee, said, "European food producers take great pride in the quality and safety of their products." He argued that it is difficult for them to satisfy consumers here owing to a slew of barriers in the market, in particular the limited acceptance of food additives and the regulations on organic food. For high-quality organic food, Mankiewicz observed that local demand has been growing steadily. However, he noted, "While European producers are very strong in this field, unfortunately a small number of our organic food certification and testing bodies have received accreditation in Japan."

Richard Mountford, managing director at Schroder Investment Management (Japan) Ltd., said that there needs to be further measures to reduce regulatory barriers, especially in financial services. As chair of the asset-management committee, Mountford singled out access to yucho (postal savings) and kampo (postal life insurance) funds as a central issue. Although

these two funds are enormous, business opportunities are quite limited at this point, as the custodians of these funds are prohibited by law from using the services of professional investment advisers to help maximize returns.

Michael Hancock, partner at Lovells Tokyo Office and chair of the legal services committee, asserted the pressing necessity of equal treatment of foreign lawyers in Japan. Pascale Sinnaeve, marketing and communications manager at Coface Japan and chair of the e-commerce committee, raised several points involving limitations on business activities over the Internet.

She did, however, give some credit to the government's efforts in the Internet area, including the development of "e-Japan" strategy, saying, "It is a good message to the business world." At the same time, Sinnaeve urged the government to continue to promote confidence in using the Internet to do business through a series of initiatives, including the implementation of a comprehensive regulatory framework designed to assuage concerns over the security and legal standing of online transactions.

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BUSINESS

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MINORU NAITO
Staff writer

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Executives belonging to the European Business Community in Japan, including EBC Chairman Richard Collasse, center, stressed the need for further deregulation at a conference in Tokyo last month.

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