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EBC calls for drastic deregulation in Japan

TOKYO, Nov. 13 Kyodo - The European Business Community in Japan (EBC) called on Japan on Thursday to improve the investment climate through drastic deregulation, saying it is essential to realize Prime Minister Junichiro Koizumi's pledge to double foreign direct investment in Japan in five years from 2003.

In releasing an EBC report on the Japanese business environment for 2003, EBC Vice Chairman Duco Delgorge said Japan risked falling way behind its Asian neighbors if it fails to take decisive action to lure foreign investment into the country.

Delgorge, general manager of Puratos Japan Co., told a luncheon meeting with Japanese officials and business leaders that Koizumi's structural reform programs, such as the creation of special deregulation zones, "have done little to address many of the outstanding issues foreign firms face doing business in Japan."

The report urges Japan to allow private companies to own or operate hospitals, or do both, anywhere in the country, although the government launched deregulatory measures this year that will allow joint stock firms to own and operate medical facilities in special deregulation zones.

"Such facilities will only be allowed to provide medical services for a limited range of procedures," it says. "The EBC feels that allowing stock companies to own medical facilities will lead to an increase in management efficiency and help the Japanese government control medical expenditures."

The report, the fourth of its kind, details current situations, problems and recommendations for outstanding issues in 29 sectors, including legal services, tax, insurance, airlines, food and environmental technology.

Ichiro Fujisaki, deputy foreign minister for economic affairs, said foreign direct investment will play a crucial role in ensuring Japan's budding economic recovery and that the government is "serious" about taking up the proposals.

Fujisaki, who attended the EBC meeting, promised that he will hand a summary of the 96-page report to Koizumi.

European diplomats told Kyodo News that they want to see Japan take a serious attitude toward deregulation when Japan and the European Union hold a one-day regulatory reform meeting on Friday in Tokyo.

Fujisaki voiced hope that Japan will be seen as a country pursuing deregulation, drastic structural reforms and recovery, not suffering from the demographic problem of an aging population, debt and deflation.

The report also calls for a nullification of a telecom ministry decision in April to allow Nippon Telegraph and Telephone Corp. to raise connection fees by an average of 5% that it imposes on other carriers to use its dominant fixed-line network.

"In many cases, such as the recent decision to increase telecom interconnection rates and the decision to levy the corporate enterprise tax on criteria other than profits, it could be said that the situation (on investment climate in Japan) has in fact worsened," Delgorge said.

Interconnection charges in Japan at present are up to 50% above comparable rates in other Organization for Economic Cooperation and Development member countries, even excluding special factors in Japan such as higher construction costs, the report says.

As for the financial sector, the EBC called on Japan to scrap Article 65 of the Securities and Exchange Law -- which prohibits banks from conducting securities business and vice versa -- as part of efforts to realize full liberalization of its financial market.

"The EBC is disappointed that reforms enacted in 2002 allowing banks and securities firms to share common retail space in order to promote the sales of securities products to retail investors did not do more to rationalize existing regulations that impose artificial barriers between banks and securities firms," the report says.

The EBC is the trade-policy arm of the 13 European national chambers of commerce and business groups in Japan, representing more than 3,000 European companies and individuals in the country.

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