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European Business Lobby Calls for "Decisive" Reform Action in Japan

Tokyo, Nov. 13 (Jiji Press)—A Tokyo-based business lobby representing European companies in Japan on Thursday called on the Japanese government to move for "decisive reform" and put the economy on a recovery track by promoting foreign investment in the country.

"Japan is truly at a crossroads," Duco Delgorge, vice chairman of the European Business Community, said at a luncheon meeting on the launch of its annual report of deregulation recommendations in various sectors in Japan.

"Out of the emergency room, but perhaps not fully on the road to recovery," Delgorge said of the Japanese economy. "The response of the Japanese government over the next few years will determine whether or not there will be a sustained recovery or a second 'lost decade.'"

"Foreign direct investment represents new blood in the tired body," Delgorge said.

Delgorge welcomed Prime Minister Junichiro Koizumi's goal of doubling foreign direct investment in Japan within the next five years. But at the same time, he underscored the importance of the government to do more to boost foreign investment, particularly at a time when a 'hollowing-out' of industry is in progress and China is rising as both the world's market and the world's factory.

He mentioned an episode in which top executives of a major European corporation returned to Europe after flying as far as Beijing and Shanghai without taking the trouble to visit their company's unit in Tokyo.

This should be seen as ringing alarm bells, he said.

In the EBC's 2003 report, titled "Promoting Foreign Investment Through Decisive Reform," the EBC reveals that the Japanese government failed to address such longstanding issues as plant quarantine regulations, pricing and distribution for international airfares, and the requirement of national tests for in-vitro diagnostic products for animal use.

The requirements of national tests do not exist for in-vitro diagnostics for human use in Japan, the report pointed out.

The business group also said it is "disappointed" with revisions to interconnection fees charged by Nippon Telegraph and Telephone Corp. (9432), saying the revisions resulted in an overall increase in interconnection charges for most carriers.

The EBC called for the abolition of the 2-pct surtax charged on companies that adopt the consolidated taxation system. It also sought streamlined reporting requirements for banks to submit to various regulatory and self-regulatory bodies.

The EBC requested the elimination of "all forms of double taxation," particularly following the recent signing of a revised Japan-U.S. tax treaty, which substantially reduces withholding taxes on cross-border dividends between Japanese and U.S. companies.

The EBC is the trade policy arm of the 13 European national chambers of commerce and business associations in Japan.

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