

Publication	Dow Jones Newswire
Date	November 13 th , 2003
Title	<i>Europe Business Execs: Tokyo Must Do More For Investment</i>

European business leaders Thursday urged the Japanese government to do more to attract foreign investment, saying Japan risked falling further behind its Asian neighbors unless steps were taken.

The European Business Community in Japan (EBC), which represents more than 3,000 European firms operating in Japan, said the country's investment climate needs to be improved if Prime Minister Junichiro Koizumi's pledge of doubling foreign direct investment within the next five years is to be fulfilled.

The warning, issued in the group's report on Japan's business environment for 2003, came despite a series of recent government reform initiatives such as the creation of a special deregulation zone.

EBC Vice Chairman Duco Delgorge said such government initiatives "have done little to address many of the outstanding issues European and other foreign firms face doing business in Japan."

The situation has in fact worsened in many cases, Delgorge said in a luncheon with Japanese government officials and business executives, pointing to areas like Japan's financial services and telecommunications policies.

For one thing, the report called for nullifying the government's recent decision to allow the former state-run Nippon Telegraph and Telephone Corp. to increase connection fees it charges other carriers to use its dominant fixed-line network.

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

On financial services, the report called on Japan to abolish Article 65 of the Securities and Exchange Law, which prohibits banks from engaging in securities business and vice versa.

The government relaxed firewall regulations between banks and securities firms at the retail level in 2002. But such measures are not enough for Japan to establish an "integrated financial industry," the report said in calling for further deregulation on the wholesale level.

The report also stressed that more effort should be made in deregulating Japan's tightly-controlled liquor retail system and the distribution of international air tickets, among other areas.