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The European Business Community (EBC) in Japan on Wednesday criticized a plan by Japan's ruling coalition parties to present a bill to the Diet, possibly during the current session, to ban the use and sale of prepaid mobile phones, on the ground they are often used in crimes.

In its annual report on the Japanese business environment for 2004, the EBC also touched on the privatization of Japan's postal services, urging the government to establish a level playing field with private competitors during and after the process.

The EBC, which represents more than 3,000 European companies and individuals

in Japan, asked Japan to ensure that the same tax deferral rules on capital gains currently available for corporate reorganizations between Japanese companies are extended to cross-border stock-for-stock mergers.

In its 96-page annual policy paper, the EBC called the coalition's plan a "disproportionate response," saying the problem "is not with prepaid itself, but with the current weakness in the ID check system, which criminals have exploited."

"No country has banned prepaid (cell phones)," the European business lobby said, calling for the government's support for growth of the nation's prepaid phone market, which it says is expanding.

"Banning prepaid would harm Japanese

consumers," it said.

The report, the fifth of its kind and expected to be taken up at a Japan-European Union regulatory reform meeting Thursday in Tokyo, said similar problems had emerged in other countries, but they responded by strengthening their identification verification systems.

The EBC's demand reflects requests by Japanese units of European telecommunications carriers including Vodafone K.K. It came in response to moves by policymakers of the Liberal Democratic Party and New Komeito to submit legislation to ban prepaid mobile phones during the current Diet session, which runs through Dec. 3, or next year's ordinary session to be convened in January.

The report said prepaid issues should be kept in perspective, noting that only 0.1 percent of prepaid phones are used in crimes and there is three times as much Internet crime.

In releasing the report, EBC Chairman Richard Collasse said in a speech the EBC "feels strongly that Japan will not be able to attract more foreign investment until the government takes decisive action to address the structural impediments to business development in the private sector."

He cited a 10 percent fall in foreign direct investment in Japan over the past two years, despite the government's goal of doubling such investment within five years from 2003.