

Introduction

The European Union once again thanks the Government of Japan for the chance to make a contribution, through the EU-Japan Regulatory Reform Dialogue, to Japan's rolling programme of regulatory reform. The EU hopes that its input will serve as a point of reference, for the recommendations of the Council for Regulatory Reform (CCR) expected at the end of this year, and that the government of Japan will be able to take up as many as possible of the EU's proposals when it next revises the programme in March 2003.

Developments over the past year in the Japanese economy make systematic economic restructuring and regulatory reform measures all the more necessary. The constraints on stimulating demand through fiscal and/or monetary and exchange rate policies are more clearly understood. Thus, the need to address structural and regulatory obstacles which at present inhibit business activity, entrepreneurial initiative and the competitiveness of the Japanese economy has become all the more starkly apparent. Moreover, measures to improve conditions in segments of the economy like the financing of SMEs, development of the information society, efficient health care, and so on, cannot be implemented successfully without tackling structural problems in the economy more broadly, in particular the need to revitalise the business environment and to do so in a comprehensive and systematic way.

In this context, the recently announced intention of the Government of Japan to tackle the non-performing loans problem in the banking sector in a more vigorous manner is welcome.

The EU, like Japan, considers the bilateral dialogue on regulatory reform to be a valuable channel to discuss problem issues which affect not only EU companies, but also Japanese when doing business in the Japanese market and to identify and advance solutions to these problems. The joint Action Plan, a set of medium-term co-operation initiatives adopted at the December 2001 EU-Japan Summit in Brussels, and intended to strengthen political and economic links, renews both sides' commitment to making the regulatory reform dialogue more efficient and effective. The EU and Japan have already taken steps to streamline the exercise and to pinpoint priorities more clearly. Moreover, the Ministry of Foreign Affairs this year for the first time submitted written answers to the EU regulatory reform requests of October 2001 (the EU already provides written as well as oral answers to Japan's requests). At the bilateral summits of December 2001 and July 2002, Prime Minister Koizumi called for more EU firms to invest in Japan, as well as for continuing structural reform efforts at home. This gives grounds for hope that the regulatory reform process in Japan and our bilateral dialogue can be made more fruitful.

In that regard, there are two points worth mentioning.

- One is the essentially non-conceptual, and segmented approach of the Regulatory Reform Programme. The Council on Regulatory Reform has a central, and difficult role to play, but it is essential for it not to neglect the need to base its work on a comprehensive and consistent philosophy or model of reform, bearing in mind that the EU's proposals for Japan focus on a hard core of systemic problems like transparency, for which there are few obvious immediate fixes. The EU hopes to see from the Council for Regulatory Reform a renewed commitment to taking a broad and systematic view when framing its December recommendations, focusing on entrepreneurship, company start-ups and investment issues, and extracting maximum leverage from novel ideas like "Special Zones for Structural Reform".
- The second is that, against this background, the EU is particularly anxious to work with Japan to use the regulatory reform dialogue to stimulate a deeper dialogue of regulators in order to identify models of regulatory best practice - particularly in fast-evolving and/or innovative sectors like financial services and telecommunications, but also in such areas as food safety where the lack of a robust, independent regulatory framework may have adversely affected the health of consumers. Thus, the regulatory reform dialogue should focus not only on problems arising from past regulation, but, also on best practice in tackling emerging regulatory challenges.

Finally, implementation remains of considerable concern to the EU. The improvements in the regulatory framework which the Japanese authorities are making or are planning will not work without a commitment by the government ministries or other bodies concerned to implement fully and energetically. In this context, we welcome the active and growing dialogue between the European Business Community in Japan and the relevant Japanese ministries.