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**USTR Zoellick Praises Japan for Market-Opening Reforms,
Urges More Progress
*Annual U.S.-Japan Regulatory Reform Report Released***

WASHINGTON - U.S. Trade Representative Robert B. Zoellick today praised Japan for significant deregulation it has achieved over the past year to bolster its economy and open markets to U.S. exports. Developed under the U.S.-Japan Regulatory Reform and Competition Policy Initiative (Regulatory Reform Initiative), the deregulation steps include measures that have substantially lowered retail rates for calling mobile phones, will increase consumer choice in innovative medicines, and should expand meaningful public input into regulatory decision-making.

“We very much welcome the recent improvement in the Japanese economy, as it is crucial for Japan to have a strong and vibrant economy for the United States, the Asia-Pacific region, and the world. This improvement demonstrates that the regulatory and structural reforms Japan has been implementing are beginning to bear fruit,” Zoellick said.

At the same time, Zoellick urged Japan to stay the course on reform as its economy improves. “We urge Japan not to veer from an aggressive reform agenda. Successful regulatory and structural reform cannot be achieved with quick fixes, but instead requires a relentless commitment to change over time and the courage to challenge the status quo. We therefore urge Japan to stay the course and strongly support Prime Minister Koizumi in his determination to promote bold reform with firm resolve.”

“The Regulatory Reform Initiative continues to be an important vehicle to address pressing bilateral trade and economic issues. This exercise allows us to take up issues in all the key sectors and deal with them in a comprehensive manner, often finding solutions to problems before they become heated disputes,” Zoellick added.

The deregulation steps are included in the “Third Report to the Leaders” under the Regulatory Reform Initiative. This year’s 67-page joint report was concluded on the eve of the summit between President Bush and Prime Minister Koizumi at Sea Island, Georgia on June 8.

Reform measures specified in the report will yield many concrete benefits for Japan’s consumers as well as U.S. firms seeking to do business in the Japanese market. Examples of measures Japan

has taken or will take in sectors such as telecommunications, information technologies, and distribution include:

- Lowering retail rates for calling mobile networks (by up to 55 percent), and endorsing the principle of removing fixed costs from what NTT, the dominant carrier, charges its competitors for completing calls on its network (the interconnection rate);
- Reducing by another 50 percent certain customs processing fees in the spring of 2004 at seven major international ports (in addition to a 50 percent cut last year), and a 50 percent reduction of these same fees at all other ports throughout Japan;
- Adopting numerous measures to promote e-commerce, strengthen the protection of intellectual copyrights, and ensure consistent implementation of Japan's new Privacy Law and reforms for the procurement of information systems;
- Taking steps to ensure Japan's newly created Pharmaceuticals and Medical Devices Agency provides a speedier and more transparent regulatory process that helps bring innovative products to market faster, increase consumer choice, and expand access for U.S. companies to Japan's healthcare market;
- Implementing legislation to significantly liberalize electricity and gas sectors in ways that will promote competition and encourage market entry;
- Finalizing for submission to the Diet amendments to the Antimonopoly Act (AMA) that would strengthen the Japan Fair Trade Commission's investigatory powers, establish a corporate leniency program, and increase fines on companies violating the AMA;
- Submitting whistleblower protection legislation to the Diet in March 2004 that would promote more effective corporate governance by protecting employees who report violations of Japan's securities laws;
- Ensuring that U.S. insurance companies have a meaningful voice in the privatization of Japan Post and its *Kampo* postal insurance system, and confirming there are now no plans to introduce new or altered *Kampo* products that would compete with the private sector;
- Enhancing the transparency of financial regulation by making more active use of Japan's No Action Letter System and by introducing measures intended to increase the volume of No Action Letter requests from the financial services industry; and
- Actively pursuing proposals endorsed by the Cabinet to improve the public comment process so the private sector can more meaningfully provide input for the development and revision of regulations in Japan.

In addition, to ensure the Regulatory Reform Initiative remains forward-leaning, the United States and Japan agreed in the report to place greater focus in the coming year on areas that have assumed increased relevance to the broader economic reform agenda, such as competition policy and the privatization of public entities.

President Bush and Prime Minister Koizumi launched the Regulatory Reform Initiative in June 2001 at Camp David as an important component of the U.S.-Japan Economic Partnership for Growth. Each year, the two Governments exchange reform recommendations in the fall under this Initiative. These recommendations serve as a basis for annual reports to the President and Prime Minister, specifying reform measures to be taken by each Government. USTR is the lead agency for the U.S. Government for this Initiative while the Ministry of Foreign Affairs takes the lead for the Japanese Government.

(A Fact Sheet summarizing the Third Report to the Leaders and a full text of the report can be found on the USTR website.)

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