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**United States Calls on Japan to Bolster Regulatory Reform:**  
**Submits Far-Reaching Recommendations**

WASHINGTON, D.C. – Deputy United States Trade Representative Josette Sheeran Shiner presented the Japanese Government today with extensive reform recommendations designed to help sustain Japan’s recent return to growth and open markets for U.S. companies. These recommendations build on significant progress achieved in recent years to reduce the myriad of regulations in Japan, including measures that have substantially lowered customs processing fees at Japan’s international airports for express delivery services, reduced rates for calling mobile phones, and increased consumer choice in innovative medicines.

“An open, competitive market is critical for our trade relationship with Japan, and regulatory reform is key to achieving that. Our continuing work with Japan to clear away the thicket of regulations that has clogged commerce and hindered growth in that country has worked to create a significantly improved business environment and expanded market access opportunities,” Shiner said.

“Successful regulatory and structural reform cannot be achieved with quick fixes, but instead requires a relentless commitment to change and the determination to challenge the status quo. We particularly welcomed Prime Minister Koizumi’s October 12 statement to the Diet that ‘there can be no rebirth and development for Japan without structural reforms,’” Shiner said.

Submitted under the U.S.-Japan Regulatory Reform and Competition Policy Initiative (Regulatory Reform Initiative), the recommendations presented to the Japanese Government today cover key areas such as information technologies, telecommunications, medical devices and pharmaceuticals, energy, and competition policy.

In this year’s recommendations, the United States is placing a special focus on Japan’s plans to privatize key government entities. In particular, Prime Minister Koizumi is carrying out a bold plan to privatize Japan’s postal businesses, a process that has important implications for fair competition in the banking, insurance, and express delivery sectors. “Japan Post privatization should be market-oriented and carried out in a transparent way that establishes a level playing field for all participants in the market,” said Shiner.

The United States also applauds the work of the Council for the Promotion of Regulatory Reform (which has played a central role in advancing Prime Minister Koizumi’s ambitious economic reform agenda) and commends the progress Japan has made to establish deregulation

zones around the country to stimulate local growth. In addition, the 64-page document includes key recommendations in the following areas:

- *Information Technologies*: Strengthen protection of intellectual property rights by extending the term of protection for sound recordings and other works, and by implementing stronger measures to stop online piracy of digital content; remove regulatory barriers to e-commerce and enhance the security of online transactions; reform e-government procurement to improve market access.
- *Telecom*: Reform Japan's interconnection regime for both fixed and mobile services to bring interconnection rates to competitive levels; make Japan's spectrum management and wireless licensing regime more flexible, transparent, and reliant on objective regulatory criteria.
- *Medical Devices and Pharmaceuticals*: Speed the approval processes for medical devices and pharmaceuticals to provide patients with timely access to advanced products; stimulate innovation through pricing reforms.
- *Energy*: Increase the competitiveness of Japan's gas and electricity markets and help reduce energy costs by providing greater opportunities for third-party access to transmission grids, pipelines, and gas terminal facilities.
- *Competition Policy*: Bolster antitrust enforcement by increasing administrative fines on Antimonopoly Act violators and by introducing a corporate leniency policy for whistleblowers; strengthen penalties against government officials who instigate bid rigging.
- *Transparency and Other Government Practices*: Improve Japan's public comment process to give the private sector more meaningful opportunities to input into the development of regulations; remove technical barriers that impede the import of agricultural goods.
- *Commercial Law Reform*: Permit modern merger techniques (i.e. triangular and cash mergers), and facilitate their use by affording them appropriate tax treatment.
- *Legal System Reform*: Facilitate resolution of legal disputes in Japan by promoting effective Alternative Dispute Resolution (ADR) processes that would include allowing non-lawyers to act as neutrals in ADR proceedings.
- *Financial Services*: Enhance Japan's no-action letter system; allow foreign banks to engage in trust and banking businesses on equal footing with domestic banks; permit lenders to satisfy disclosure requirements under Japan's Money Lending Business Law through e-notification.
- *Distribution*: Lower the cost of doing business in Japan by reducing landing and user fees at Japan's major international airports, which are among the highest in the world.

Deputy USTR Shiner presented the recommendations to Deputy Foreign Minister Ichiro Fujisaki in Washington, D.C. today. Each year, the two Governments exchange reform recommendations

in the fall under the Regulatory Reform Initiative, which was launched by President Bush and Prime Minister Koizumi in 2001 as a key component of the U.S.-Japan Economic Partnership for Growth. The recommendations serve as a basis for an annual report to the two leaders, 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.

Building on progress achieved over the past three years, the Working Groups will begin meeting this fall to consider this year's reform proposals. These initial meetings will be followed by a deputies-level meeting early next year.

A summary and detailed annex of the reform recommendations can be found on the USTR website.

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