

# Japan

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Among five LAISR themes, Regulatory reform and Competition policy have been making significant progress in Japan.

## **Regulatory Reform**

Regulatory reform has been making significant progress in Japan, particularly in the non-manufacturing sector in recent years. The underlying concept of regulatory reform is to shift the society and economy from a government-led system to one based on the market mechanism and social discipline.

For this purpose, the government promoted regulatory reform aiming at: promoting innovation to improve productivity; increasing openness of the economy; promoting reform in the labour market and social services to ensure flexibility and security of living; encouraging the efforts of regions to build attractive and vibrant communities; and providing more efficient and better public services through encouraging public and private partnerships, and so on. Current areas of reform cover various areas such as environment and energy, medical and elderly care services, agriculture, and so on.

The progress in regulatory reform has been significant in various ways. First, the discussion between the central reform agencies and the line ministries has become much more intense and transparent in recent years. Second, initiatives by the local government and private sector have come to play an important role. Third, new horizontal schemes, such as Special Zones for Structural Reform and No-Action Letters, have been introduced.

## **Competition Policy**

There were significant amendments of “Act on Prohibition of Private Monopolization and Maintenance of Fair Trade” (Antimonopoly Act) twice in the past five years in Japan. First one was 2005 amendment (enacted in April 2005, came into force in January 2006), and the second one was 2009 amendment (enacted in June 2009, came into force in January 2010).

2005 amendment formed an important part of structural reform and greatly contributed to efficiency and effectiveness in the Japanese economic society based on market mechanism, and 2009 amendment is expected to greatly contribute to a vigorous implementation of competition policy in order to realize fair and free economic society.

The main features of these amendments include introduction of a leniency program, introduction of compulsory measures for criminal investigation, revision of the surcharge system, etc.

More details on the 2009 amendment are available at: <http://www.jftc.go.jp/e-page/pressreleases/2009/June/090603-2.pdf>

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

### **Regulatory Reform**

The Special Zones for Structural Reform initiative, the idea of allowing specific geographical areas to act as a testing ground for regulatory changes, was first proposed by advisory councils comprised of private sector members representing businesses and academia. Under this initiative, all the interested parties, such as local governments, private firms and citizens, are invited to submit regulatory reform proposals, which are then reviewed by a committee of cabinet ministers. Many of such proposals have been accepted, while others have been rejected. Examples of successful reforms include:

- Kita-kyushu international physical distribution special zone: special measures including relaxed land use regulation has attracted new businesses with 190 billion yen of new investment and 4,800 new employments.
- Shodoshima • UchinomiTown olive promotion special zone: special measures to allow leasing of agricultural land to corporations have vitalised agricultural activity and tourism.
- Kobe advanced medical industry special zone: special measures to accept foreign researchers have attracted new businesses including university-launched venture businesses.
- Ota foreign language special zone: establishment of an integrated elementary and secondary school where most of the curriculums are taught in English has proved to be very popular.

Examples of relevant websites include:

<http://www5.cao.go.jp/keizai/index-e.html>

<http://www.cao.go.jp/en/reform/reform.html>

[http://www.meti.go.jp/english/report/data/Startups\\_Finalreport.pdf](http://www.meti.go.jp/english/report/data/Startups_Finalreport.pdf)

### **Competition Policy**

Leniency program<sup>13</sup> was introduced in 2005 amendment. Since violations such as cartel, bid-rigging, etc. are committed behind closed doors and it is difficult to detect and investigate them, leniency program has been greatly contributing to Japan Fair Trade Commission (JFTC)'s investigation activities.

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<sup>13</sup> Leniency program is a system whereby surcharges are immunized or reduced on condition that the entrepreneurs involved in cartels and bid-riggings voluntarily report to the Japan Fair Trade Commission (JFTC). Besides, leniency program not only helps detecting the violations but also gives violators a great incentive to terminate their violation.

Based on this program, 349 applications were received since its inception in January 2006 (as of the end of FY2009). For more effective implementation of leniency program, it was amended to permit joint application by violators within the same company group and expand number of leniency applicant in 2009 amendment.

More details on the 2009 amendment regarding the leniency program are available at (slide 8): <http://www.jftc.go.jp/e-page/pressreleases/2009/June/090603-2.pdf>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

Main key factors of success for reform in the field of competition policy are the following.

- Active promotion of amendment of Antimonopoly Act by the JFTC
- Independence of competition authority (it makes the JFTC possible to demonstrate its active initiative in the promotion of competition.)

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

A study by the Cabinet Office indicates that regulatory and institutional reforms in 15 areas between 2005 and 2008 created 5.4 trillion yen of consumer benefits.

According to this study, the consumer benefits have been substantially increased in the following sectors as their markets are relatively large and the price decline brought about by regulatory and institutional reforms is also significant. The largest consumer benefit was recorded in mobile communications sector (1.4 trillion yen, as a result of the relaxation of entry regulations, etc.), followed by petroleum products (1.2 trillion yen, as a result of the full liberalisation of the petroleum industry, etc.) and electricity (1.0 trillion yen, as a result of the introduction of competition in the retail market, etc.).

Reference (in Japanese):

<http://www5.cao.go.jp/keizai3/2010/10seisakukadai06-3.pdf>

<http://www5.cao.go.jp/keizai3/2010/10seisakukadai06-4.pdf>

## **Competition Policy**

Introduction of leniency program leads to good compliance of Antimonopoly Act by businesses. Now, JFTC is able to enforce Antimonopoly Act more efficiently and more effectively than ever.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Considering the diversity of APEC economies, many economies can share good practices from other economies.

For example, in the field of the Competition policy, current situation is that some economies do not have comprehensive competition law. Besides, many economies which have competition law have little experiences in enforcing the law. In order to achieve further developments and the proper and steady implementation of competition law and policy, APEC should hold meetings or training programs regularly, thereby accumulating knowledge and expertise on competition laws and policies. Every competition authority should enhance their domestic competition law and policy by utilizing knowledge and expertise acquired through such meetings or training programs. These contribute to improvement of fair and free economic society based on market mechanism in whole APEC region.

Although APEC member economies have made a significant progress in structural reform through the LAISR process, there remains room for further reform. This LAISR stock-take exercise would provide a good insight into which areas APEC has made good progresses in, and which of the five LAISR priority areas should be of relatively higher importance in the future activities.

As for beyond LAISR process, we should note that structural reform can be a main policy approach for the APEC comprehensive long-term growth strategy which has been developed in 2010.

Also, it would be important to strengthen collaboration with other APEC fora/groups to further promote structural reform in key areas.

Besides, involvement of businesses and academia as well as collaboration with other international organizations will bring fresh insights and perspectives beyond LAISR process.