

Special Zones for Structural Reform

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C a b i n e t S e c r e t a r i a t
Office for the Promotion of Special Zones for Structure Reform

1 .The Process of investigation concerning Special Zones for Structural Reform

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2002

- April 24: At a meeting of the Council on Economic and Fiscal Policy (CEFP), the Minister of Economy, Trade and Industry, Takeo Hiranuma and the four private-sector members of the Council each proposed the conception of Special Zones for Structural Reform .
- May 2: Concrete investigations on Special Zones for Regulatory Reform initiated at the Council for Regulatory Reform's Working Group .
- June 25: "The Basic Politics for Economic and Fiscal Policy Management and Structural Reform 2002 " was decided by the Cabinet; included the proposal that an organization to promote the introduction of Special Zones for Structural Reform and the actualization of system reforms, should be established in the Cabinet Secretariat.
- July 5 : The Office for the Promotion of Special Zones for Structural Reform was inaugurated within the Cabinet Secretariat.**
- July 23: The Council for Regulatory Reform decided the "Interim Report on the Prioritized Regulatory Reform Plans for Economic Vitalization ", which contains the concept of Special Reform Zones.
- July 26: The Headquarters for the Promotion of Special Zones for Structural Reform which has the Prime Minister as its director, was inaugurated.**
- August 30: The deadline for proposal applications part 1 on Special Zones for Structural Reform; 249 entities sent in 426 proposals.
- September 20: Basic policies for the promotion of Special Zones for Structural Reform were drawn up, (and decided by the Headquarters).**
- September 30: Yoshitada Konoike was inaugurated as the Minister of State (Disaster Management, Special Zones for Structural Reform).
- October 11: The program for the promotion of Special Zones for Structural Reform was drawn up (and decided by the Headquarters).**
- December 18: The law on Special Zones for Structural Reform was promulgated.**

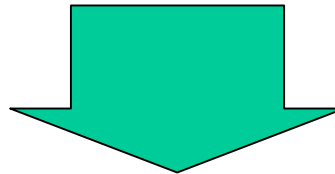
2003

- January 15: The deadline for proposal applications part 2 on Special Zones for Regulatory Reform; 412 entities sent in 651 proposals.
- January 24: Basic policies on Special Zones for Structural Reform, based on the Law, were decided by the Cabinet.**
- February 27: "The policies of the government on how to cope with proposal applications part 2 " on Special Zones for Structural Reform were drawn up, and decided by the Headquarters.**
- March 18: The bill of the amended law was decided by the Cabinet.**
- April 21: 57 Special Zones for Structural Reform were decided.**

2 .Objectives of Special Zones for Structural Reform

To stimulate the Japanese economy, it is necessary to elicit private-sector vitality to the maximum extent, and to expand private-sector business by implementing regulatory reforms.

Regulatory reforms are not being implemented as planned in some sectors for a variety of reasons



Introduction of Special Zones for Structural Reform

By setting up specified zones where regulatory exceptions are established in accordance with the zones' specific circumstances, based on voluntary plans proposed by municipal bodies, private-sector enterprises, etc., we promote structural reforms in the area.



By publicizing successful case examples of structural reforms in specified areas, regulatory reforms can be extended to the whole country, and we can stimulate the economy of Japan as a whole.

Characteristics of the area will be made clear. By encouraging the cluster of industries in accordance with those characteristics, and by creating new industries, we can stimulate the area's economy.

Basic principles

• Stimulation through competition of wisdom and ingenuity

Change the concept to enable the establishment of a system to encourage independent local areas to compete with each other and thereby stimulate their society and economy, instead of accepting for set model laid down in advance by the government.

Change the concept that “regulations should be enforced uniformly throughout Japan ”to the concept that “regulations can be set up in accordance with the areas’ specific circumstances. ”

• Respecting the spirit of self-help and independence

Municipalities voluntarily carry out various counter measures to prevent the adverse effects of the introduction of regulatory exceptions, both inside and outside the Special Zones for Structural Reform.

Conventional financial measures are not carried out. (Combination with existing budget measures is allowed.)

Key focus points

A wide range of regulations is targeted to the maximum possible extent

Regulatory exceptions which can be carried out in Special Zones are clearly set forth in the form of an extensive list, and municipalities choose from that list. (The list is to be updated periodically in response to proposals made by municipalities and the private sector.)

The procedures and the decision-making process are unified in the Cabinet

Nationwide regulatory reforms will be implemented through adequate assessments

Regulatory exceptions carried out in Special Zones will be evaluated after a set period of time has elapsed. Regulatory reforms that should be implemented on a nationwide scale will be expanded based on this.

4 .Basic framework of the Law on Special Zones for Structural Reform
(promulgated on December 18, 2002)

Basic policies on Special Zones for Structural Reform(as decided by the Cabinet)

Significance and goals of promoting the system for the Special Zone for Structural Reform
Basic policies concerning measures, which need to be implemented
Plans on measures that the Government must carry out(Programs)



Ensure that a list of preferential measures (e.g., laws, government decrees, ministerial ordinances, notifications, etc.) that may be implemented, will be drawn up.

Introduction of exceptions to regulation

If the plan is approved, the exceptions to regulation provided in this law and government/ministerial ordinances are to be introduced.

< Municipalities > Drawing up and submission of the Plan for Special Zones for Structural Reform

It is possible to ask relevant ministries and agencies to provide legal interpretations of regulations concerning the plan. The ministries asked to provide the interpretations are obligated to reply to such requests.

The private sector can make proposals to municipalities. (If these proposals are not accepted, a notification stating the reasons, etc., must be provided.)

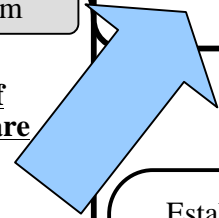
- (Content of the plan)
- Scope of Special Zones for Structural Reform
- Content of project; exceptions to regulation that are sought to be introduced
- Social and economic effects anticipated in the area
- Others

< Prime Minister > Approval of the Plan for Special Zones for Structural Reform

The Prime Minister will decide whether to approve the plan by studying its conformation to the Basic Policies, its social and economic effects in the area, etc.
Introduction of exceptions to regulation will require the consent of the ministers of the relevant administrative organs. (In determining the need to implement exceptions to regulation, etc., the judgment of municipalities will be respected the most. If the exceptions to regulation introduced by the municipalities will introduce meet the requirements, the ministers of the relevant administrative organs will, in principle, give their consent.)

Establishment of the Headquarters for the Promotion of Special Zones for Structural Reform
(with the Prime Minister acting as director)

Concentrated and integrated promotion of the system for Special Zones for Structural Reforms, as well as comprehensive coordination within the government



5 . Overview of Basic policies on Special Zones for Structural Reform

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1 .Significance and goals of promoting structural reforms, etc. (Outlined in 2 and 3)

2 .Basic policies on measures which the Government must implement to promote structural reforms,etc.

Basic policies regarding the promotion of Special Zones for Structural Reform

Proposals are to be received regularly from municipalities and the private sector, and which are then to **be added onto the list of the exceptions to regulation, so that the list is improved.**

The exceptions to regulation implemented in Special Zones are to be assessed after a set period of time. **The achievements in Special Zones should be steadily extended to the whole country.**

No restriction other than those provided by the “Basic policies on Special Zones for Structural Reform” can be **added through notification, etc.,** on each exception to regulation.

Basic policies regarding the evaluation of exceptions to regulation implemented in Special Zones

Evaluations must be made from the following two perspectives by the **Evaluation Committee (provisional title)**, which will be established within the Headquarters for the Promotion of Special Zones for Structural Reform by the end of FY2003, and will **comprise of private-sector personnel, scholars and other third parties.**

Evaluations of how each exception to regulation in Special Zones should be classified

Each exception to regulation implemented in Special Zones is to be evaluated and classified as one of the following:

-) Should be implemented nationwide
-) Should continue to be implemented in Special Zones
-) Implementation in Special Zones should be abolished or improved

Evaluations of the effects, influences, etc., of the exceptions to regulation implemented in each Special Zone

Evaluation whether the exceptions to regulation are implemented appropriately in Special Zones, or whether the effects are achieved at the level outlined in the Plan for Special Zones for Structural Reform is to be carried out.

Basic policies on the operation of the prior confirmation system on legal interpretation

In principal the ministers of relevant administrative organs should respond, **either in writing or by electronic means** to the municipalities, **within 30 days.**

Basic policies concerning complaints, consultations, etc., for local municipalities, private-sector enterprises, etc.

The window will be established in the Cabinet Secretariat to handle complaints, etc., of municipalities, private-sector enterprises , etc.

6 .Basic matters concerning the approval of the Plan of Special Zones for Structural Reform

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Basic policies concerning the approval of the Plan for Special Zones for Structural Reform

If a plan for Special Zones for Structural Reform drawn up by a municipality **conforms to the subject provided by the “Basic policies on Special Zones for Structural Reform,”** then the plan must be **approved**. **No restriction** must be laid down on **the number of plans** approved.

Subjects that are indispensable in drawing up the Plan for Special Zones for Structural Reform

Exceptions to regulation should comply with the matters provided by the laws.

Exceptions to regulation which will be implemented should be indispensable for achieving the goals of the local municipality.

The scope of the plan should be appropriate in light of the content of the project that the municipality is planning to implement.

Exceptions to regulation which are to be implemented should conform to the project that the municipality is planning to implement.

The plan should be based on proposals submitted by private-sector enterprises, etc., and the municipality should appropriately hear the ideas of the operating entities, etc.

The standards for approving Special Zones for Structural Reform

The plan should suit to Basic policies on Special Zones for Structural Reform.

) The content of the plan should conform to the “significance and goals of promoting structural reforms, etc.,” provided by the “Basic policies on Special Zones for Structural Reform”.

) Matters mentioned in the plan for Special Zones for Structural Reform should meet the above.

The social and economic effects, which are anticipated, should be explained quantitatively, in a detailed and rational manner, to the maximum extent possible.

The project should be expected to be implemented smoothly and surely.

) **The entity indebted to exceptions to regulation** should either **be specified or be highly likely to be specified**.

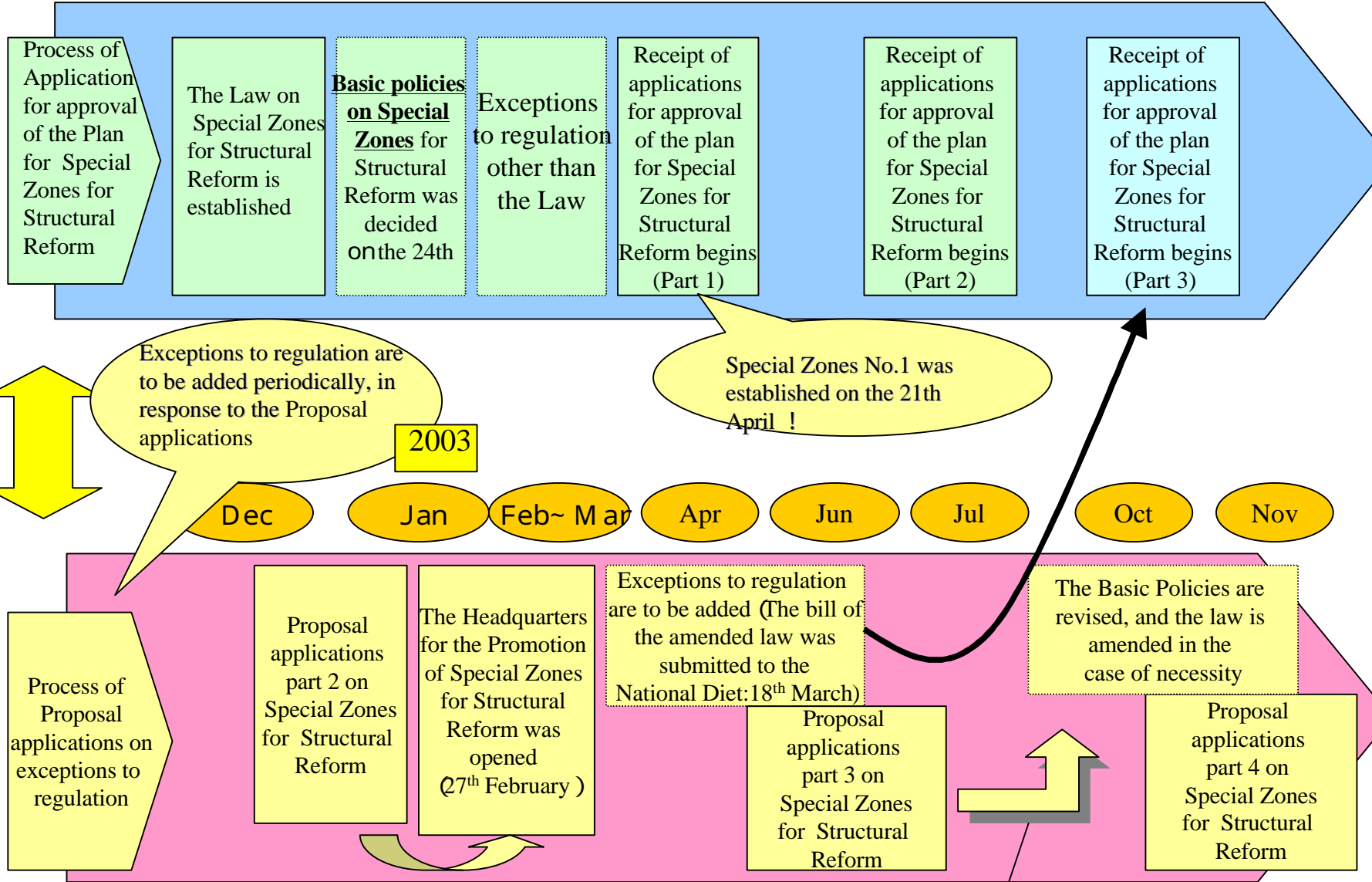
) **The schedule** of the project should be **clear**.

Procedures for the consent of the ministers of relevant administrative organs

Municipalities decide whether the plan complies with the matters provided by “the Content of exceptions to regulation implemented in Special Zones”.

• The ministers of relevant administrative organs check whether the exceptions to regulation being implemented in Special Zones conform to the “Basic policies on Special Zones for Structural Reform,” when they have “Requirements for consent”. The latter concerns only safety regulations and procedural confirmation. In other cases, the ministers **must consent to** the exceptions to regulation provided in the Plan for Special Zones for Structural Reform, **except when** these are **clearly contrary to “the Content of exceptions to regulation implemented in Special Zone,”** provided by the “Basic policies on Special Zones for Structural Reform.”

7 . Future developments (Process for application for approval concerning Special Zones for Structural Reform and proposal applications part on the Special Zones for Regulatory Reform)



Process of Application for approval of the Plan for Special Zones for Structural Reform

The Law on Special Zones for Structural Reform is established

Basic policies on Special Zones for Structural Reform was decided on the 24th

Exceptions to regulation other than the Law

Receipt of applications for approval of the plan for Special Zones for Structural Reform begins (Part 1)

Receipt of applications for approval of the plan for Special Zones for Structural Reform begins (Part 2)

Receipt of applications for approval of the plan for Special Zones for Structural Reform begins (Part 3)

Exceptions to regulation are to be added periodically, in response to the Proposal applications

2003

Dec

Jan

Feb~ Mar

Apr

Jun

Jul

Oct

Nov

Special Zones No.1 was established on the 21th April !

Process of Proposal applications on exceptions to regulation

Proposal applications part 2 on Special Zones for Structural Reform

The Headquarters for the Promotion of Special Zones for Structural Reform was opened (27th February)

Exceptions to regulation are to be added (The bill of the amended law was submitted to the National Diet:18th March)

Proposal applications part 3 on Special Zones for Structural Reform

The Basic Policies are revised, and the law is amended in the case of necessity

Proposal applications part 4 on Special Zones for Structural Reform

Negotiations are carried out between the Cabinet Secretariat and each ministry

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