

competition between and within such alliances. The *keiretsu* system's merits, and they clearly exist, should be reviewed closely, while continuing the process of liberalizing trade and investment distorting practices on both sides of the Pacific through broadly based negotiations.

Moreover, Japan itself is changing. The Japanese economy has undergone a major adjustment in response to the strengthening of the yen since the mid 1980s. Exchange rates do affect Japanese buying patterns in a predictable way. Japanese imports of consumer goods are on the rise. Financial markets are becoming less distinctive. Given the major shifts in Japanese behaviour over the past few years, a case for an entirely new approach that emphasizes pre-established targets rather than internationally arrived at rules cannot be sustained.