

was based on "democratizing" Japan, and included land reform, labour reform and the dissolution of *zaibatsu*.

It was the intention of the American Occupation to remove *zaibatsu* so as to eliminate the concentration of economic power. In an immediate sense, the Occupation was successful. Large companies were broken down into several smaller ones, *zaibatsu* head offices were closed, and a number of legal barriers were erected to prevent the reemergence of conglomerates. The present legal structure governing Japanese corporate relations differs little from that which the American Occupation introduced.

3.1. The Anti-Monopoly Law

In April 1947, the Anti-Monopoly Law (AML), which was based on U.S. antitrust laws, was enacted.¹⁷ In December 1947, the Elimination of Excessive Concentration of Economic Power Act was enacted, allowing the Holding Company Liquidation Commission to identify and eliminate any company deemed a monopoly.¹⁸ The Japan Fair Trade Commission (FTC) was established to monitor and enforce the AML.

- Shareholding Offenses¹⁹

In addition to sections that prohibit mergers and asset sales when they would result in a reduction in competition, the AML has several restrictions on shareholding. As a direct consequence of *zaibatsu*, the existence of holding companies is strictly forbidden under Section 9 of Chapter IV. Any company whose primary purpose is to control other companies through equity stakes would be considered in violation of this Section.

Section 10 of the AML restricts the acquisition of shares when it would result in a reduction of competition, regardless of the lack of existence of holding companies or any intent to engage in concerted activity. There are no pre-determined structural

¹⁷ Law Relating to Prohibition of Private Monopoly and Methods Preserving Fair Trade (Law No. 54 of 1947).

¹⁸ The Elimination of Excessive Concentration of Economic Power Act is Act Number 207 of 1947. Imperial Ordinance Number 233 of 1946 created The Holding Company Liquidation Commission.

¹⁹ This section is drawn from E. Razin, *op. cit.*, pp. 383-5.