4.2 *Keiretsu*

"The sundry ways in which keiretsu operate ... make generalization rather treacherous."[33]

"Definitions of keiretsu do vary so widely that it is often difficult to say who is in and who is out."[34]

"Although defining the elements of these corporate groups is possible, identifying the existence of actual keiretsu is less easily accomplished."[35]

"It is important to keep in mind that group 'membership' is not clearly defined; there are no membership dues or cards."[36]

Given the importance attached -- especially by foreigners -- to the special relationships between *keiretsu* firms, there is a surprising lack of agreement regarding their identity, their role in the Japanese economy and the impact they have on domestic competition. There is much more agreement -- although still little empirical proof -- regarding their deleterious effects on the ability of international firms to compete in the Japanese market.[37]

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[33] R.L. Lawrence, "Efficient or Exclusionist? The Import Behaviour of Japanese Corporate Groups", in *Brookings Papers on Economic Activity 1,* W.C. Brainard & G.L. Perry, eds. Brookings Institution, Washington, D.C., 1991, p. 313.

[34] G.R. Saxonhouse, "Comments and Discussion", in *Brookings Papers on Economic Activity, 1,* W.C. Brainard & G.L. Perry, eds. Brookings Institution, Washington, D.C., 1991, p. 333.

[35] E. Razin, *op. cit.*, p. 367.

[36] T. Hoshi, A. Kashyap and D. Scharfstein, "Corporate Structure, Liquidity, and Investment: Evidence From Japanese Industrial Groups", in *Quarterly Journal of Economics,* Vol. CVI, No. 1, MIT Press, Cambridge, MA, February 1991, p. 41.

[37] Although there is much more agreement, there is still no consensus, and the "proof" offered is generally anecdotal. See, for example, M.E. Kreinin, "How Closed is Japan's Market? Additional Evidence", in *The World Economy,* Vol. 11, No. 4, Basil Blackwell Publisher Ltd., Oxford, U.K., December 1988, pp. 529-42. Exceptions are derived estimates of the trade effects of *keiretsu* by R.L. Lawrence. See R.L. Lawrence, *op. cit.*, pp. 311-41; and R.L. Lawrence, "Imports in Japan: Closed Markets or Minds?", in *Brookings Papers on Economic Activity 2,* W.C. Brainard & G.L Perry, eds. Brookings Institution, Washington, D.C., 1987, pp. 517-48.