

MITI may impose minimum standards for price, quality, quantity or design upon members of export cartels, as well as on non-members. MITI has advised many export cartels to disband when it felt they were no longer serving "national objectives". The approach to cartel enforcement tends to be low-key. Fines and legal action in this area appear to be rare.

Japanese commentators assert that their country's export cartels are not employed for the purposes of extracting rents from foreign markets, but rather for avoiding harm to a foreign industry. Japanese firms are portrayed as having been forced into cartels to raise their export prices either as a means of respecting antidumping settlements (i.e., price undertakings), or for the purposes of avoiding antidumping challenges or accommodating foreign pressure for voluntary export restraints.

Japan has a far higher rate of export cartels than do most other industrial nations. When export cartels were first permitted in the early 1950s, they were used almost exclusively to prevent competition among domestic exporters, most of which were small enterprises engaging in price-cutting to secure sales in foreign markets. However, the mainstream Japanese position is that, as a result of import control measures taken by the U.S. and E.U. since the 1960s, export cartels are a legitimate means of restraining exports to limit international trade disruptions.<sup>45</sup>

In Japan, therefore, the apparent justification for export cartels is not the extraction of rents from foreign markets, which the theory discussed above in section 2 would suggest, or an increase in the ability to compete. Rather, the alleged underlying *rationale is to avoid competitive harm to a foreign industry*. In other words, an implementation of VERs, under MITI oversight, is the alleged rationale for export cartels in Japan.

The Japanese contend that these export cartels are abolished as soon as the need for them disappears. A closer analysis of this claim, however, does not lend support to this view. The export cartels analyzed in one major study lasted longer than would have been necessary to "protect" industries in the importing countries against the surge of Japanese imports.<sup>46</sup>

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<sup>45</sup> Mitsuo Matsushita, "Coordinating International Trade with Competition Policies", in E.U. Petersmann and M. Hilf, (ed.), *The New GATT Round of Multilateral Trade Negotiations*, Deventer: Kluwer, 1991.

<sup>46</sup> A. Jacquemin, T. Nambu and I. Dewez, "A Dynamic Analysis of Export Cartels: The Japanese Case", *The Economic Journal*, 91, 1981; 685-96.