

In this Paper, we have argued that long-term relationships are the hallmark of Japanese business arrangements and have served the country well on balance. Nonetheless, the functioning of the *keiretsu* system currently violates an important principle of international commerce—the principle of **transparency**. Competition policy in Japan has to come to grips with this serious inadequacy. But Japan is changing. The attitude toward competition policy is also evolving from the needs of a "shortage economy" to an advanced country in pursuit of technological innovations, higher productivity and higher living levels.

8.2 Final reflections

In the medium term, competition policy in the Triad countries is likely to face fairly similar challenges of corporate and economic restructuring, as well as issues related to the information age and the emergence of a knowledge-based economy. As the pace of transactions zipping across national borders picks up and firms adopt similar business management practices, competition policy becomes a candidate for some form of coordination among industrialized countries.

During the 1950s to 1970s, the European countries and Japan were catching up to advanced U.S. industries. The role of activist government industrial policy in Europe and Japan was at variance with the view in the U.S.. But since then, the Triad countries appear to be converging to the view that direct government production and involvement in the science and technology sector does not translate into durable commercial success.¹⁶⁸ In the past, governments in Europe and Japan could subsidize domestic firms to reach a target, which they could set relative to what U.S. industries had already achieved. When competitors are running neck and neck, such targetting and

¹⁶⁸For example, Article 130 of the Maastricht Treaty states that a system of open and competitive markets is required to make EU industry competitive. Furthermore, it warns that the title of industrial policy in the EU: shall not provide a basis for the introduction by the Community of any measure which could lead to a distortion of competition.

See also Sylvia Ostry and Richard R. Nelson, *Techno-Nationalism and Techno-Globalism, Conflict and Cooperation*, Washington, D.C.: The Brookings Institute, 1995, p. 61.