If foreign firms are not entirely accepted in Japanese business associations, or are regarded as less than equal members, then the activities of the associations should be made public. Trade officials should insist on full public disclosure of the relationships between industry associations and government, including any formal or informal discussions or agreements, as well as association lobbying efforts. Membership lists need to be made public, and perhaps periodic reports should be made available detailing association activities. Opening up the associations, or at least publicizing their activities, will extend to foreign firms a clearer understanding of the issues affecting their industry in Japan, and general industry strategies.

From a trade policy perspective, unravelling the Japanese relationships between industry and government is critical. Even though close inter-corporate relationships can, and do, tangentially exclude foreign firms, all firms still operate in an open market. There remains a chance that if foreign firms are competitive enough, they can pry apart inter-corporate alliances and capture part of the market. There is no way, however, for foreign firms to pry apart close industry-government relationships. It is up to trade policy officials to pursue these types of changes in Japan.

The use of administrative guidance as a tool to regulate banks in Japan is an excellent example of the industry-government ties that can effectively exclude foreign firms. The very nature of its application, which is ad hoc, unwritten and communicated within a familiar community, leaves foreign firms trying to enter and adapt to a new market with a different set of rules at a distinct disadvantage. To reduce the uncertainty foreign financial firms face, any future trade discussions with Japan should include the transparency of the financial regulatory system in general, and the use of administrative guidance in particular. Just as with industry associations, it is in the interest of foreign financial institutions to have all industry-government interactions publicized. Japanese authorities must be urged to ensure that all regulations, guidelines and other government directives are widely discussed and reviewed in advance of implementation, including by interested foreign participants in Japanese markets, and are subsequently clearly written and made publicly available.

- Adapting to the Japanese Way

In order to develop relationships with Japanese firms, foreign firms, including financial institutions, must, to a certain degree, conduct business (or at least be well versed in) the Japanese way. That might include cross shareholding between foreign firms and Japanese firms, but not necessarily. More important approaches would include, for example, not switching Japanese suppliers for a marginally better price.