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Cartel and Concentration Trend in Japan

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I. Cartel Trend

1. Cartel Legislation

In this paper I will outline the cartel and concentration trend in Japan, using official research work done in this field of economics and politics.
In Japan, cartels are prohibited in principle by the Antimonopoly Act (the Act concerning Prohibition of Private Monopoly and Maintenance of Fair Trade of 1947)[1]. However, various laws have been enacted to permit exceptions to this act. From the very beginning certain regulated industries as transportation, electric power, and insurance as well as small business cooperatives were exempted. But with the severe business recession experienced in 1952, there came strong pressure for modification of the outright prohibition of cartels. This pressure resulted in several legislation developments. There was enacted in 1952 an Act concerning Temporary Measures for the Stabilization of Specific Medium and Small Enterprises, the predecessor of the present Medium and Small Enterprise Organization Act; the Export Trading Act of 1952, the present Export and Import Trading Act, was a further legislative development of that year. Then, in 1953, when the Antimonopoly Act was revised, provisions permitting the formation of "depression" and "rationalization cartels" were incorporated. They were modeled after those of the West German Government's Bill against Restraint of Competition of 1951, allowing certain exemptions to the prohibition on restraints of competition. Subsequently, the aforementioned Act concerning Temporary Measures for the Stabilization of Specific Medium and Small Enterprises and the Export Trading Act had been revised almost every year for further strengthening of cartelization, and such so-called rationalization laws as Machine Industry Promotion Temporary Measures Act of 1956 or Electronics Industry Temporary Measures Act of 1957 were enacted.
The laws permitting exemption from the provisions of the Antimonopoly Act are listed in the following Table 1. They number in all about 40, but of these the majority have to do with (1) government-regulated industries such as transportation, electric power, and insurance (coded Y, Z, a, b, c, d, e, f, g, h, i, j, k, l, m, and n in the Table), (2) cooperatives of small business for mutual aid (coded A_3, C_3, L, O,

[1] As to the legal explanation of the Japanese cartel legislation, see OECD, Guide to Legislation on Restrictive Business Practices, Japan, Paris 1966, and H. Iyori, Antimonopoly Legislation in Japan, Federal Legal Publications (U.S.), 1969. As to the application of the law, see OECD, op. cit., H. Iyori, op. cit., and OECD, Annual Reports on Competition Policy and on Restrictive Business Practice Legislation and its Application, Paris, of which German translations are to be found in the journal "Wirtschaft und Wettbewerb".

P, Q, S, W, Y, Z and I_2); the rest are laws in connection with (3) business depression or prevention of excessive competition (A_1, C_1, M, N, U, V and X), with (4) "rationalization" (A_2, C_2, F, G, and J_2), with (5) foreign trade (E, H_2 and I) and with (6) small businesses (C, D, I, J, T, U, V and b).

Among the laws permitting cartelization in order to combat a recession or to prevent excessive competition, the conditions of A_1 are the most stringent, while the other are less strict. The laws permitting agreements among small enterprises apply as a general rule only to manufacturing operations employing less than 300 workers or with capital of not more than 50 million Yen, and to commercial or service establishments with not more than 50 workers or capital of not more than 10 million Yen. "Depression" and "rationalization" cartels provided for in the Antimonopoly Act are permitted by the Fair Trade Commission, and cartels under the other exemptive laws are permitted by the government agency in charge, with the Fair Trade Commission being duly consulted.

Exemptive legislation, in many cases, provides not only for permission to form cartels but also for regulation of all enterprises of the industry to protect the cartelised order. Among the laws listed in Table 1, such power is granted in the cases of C, E, F, G, I, J, T, U, and I which mainly cover medium and small enterprise associations and agreements in connection with foreign trade. Among the temporary laws for "rationalization" cartels F, G, M and N provide for the government agency in charge to take the initiative in advicing cartelization.

2. Status of Approved Cartels

a) Number of Cartels

In so far as the economic activities of cooperatives formed under the laws governing the various cooperatives do not come under the direct supervision of government agencies it is difficult to present a clear picture of what is going on. It is, however, known that about 20,000 cooperatives of medium and small enterprises have been legally established.

The number of cartels formed under other exemptive laws was virtually nil at the time of March 31, 1952, but yearly increase since then had been sharp, which is shown in Table 2. In 1966 the number of cartels had reached 1,079. However, from that time cartels have been criticised from the view point of price stabilization policy and consumer policy, and the number of cartels has been decreased slightly. The increase in the number of cartels according to the Small and Medium Enterprise Organization Act in 1972 is due to the U.S.-Japan Textile Agreement.

b) Small and Medium Enterprise Cartels[2]

Of the 976 cartels in existence on March 31, 1972, 776 or 79.5 per cent are small and medium enterprise cartels, which are formed under the laws C, I, J, T, U, T and I listed in Table 1. 604 of them are formed under the Small and Medium Enterprise Organization Act, and 334 of these 604 have existed for more than 5 years. Also,

[2] Cf. Fair Trade Commission (FTC), Materials of the Antimonopoly Conference, Vol. IV, Part II: Material Concerning Present Status of Small and Medium Enterprise Cartels (in Japanese), Tokyo 1973.

Table 1: **List and Classification of Laws Providing Exemptions for Cartels by Industry**
(January, 1973)

Field of Industry	Name of Act Providing Exemptions	Year of Enactment	Kind of Cartel	Notification to or Approval by Government	Restriction on Outsiders	Identification Mark
Manufacturing and Mining Industry in general	Antimonopoly Act Sec. 24–3	1953	Depression Cartel	Appr.	None	A_1
	Antimonopoly Act Sec. 24–4	1953	Rationalization Cartel	Appr.	None	A_2
Small Enterprise	Antimonopoly Act Sec. 24	1947	Joint Economic Business	None	None	A_3
	Small and Medium Enterprise Cooperative Act Part 2 Division 2	1949	Joint Economic Business	None	None	B
	Small and Medium Enterprise Organization Act Sec. 17 (1) (IV) 28 & 31	1957	Excessive Competition Prevention Cartel	Appr.	Yes	C_1
	Sec. 17 (1) (V) & 31	1956	Rationalization Cartel	Appr.	Yes	C_2
	Sec. 17 (2) and 17 (4)	1957	Joint Economic Business	None	None	C_3
	Act concerning Exemptions, Etc., of the Application of the Antimonopoly Act Sec. 2 (IV)	1948	Activities of Small Entrepreneurs Organization	None	None	D
Export & Import Trade	Export and Import Trading Act					
	Sec. 5 & 11 (2)	1952	Export Cartels of Exporters	Notifi.	Yes	E_1
	Sec. 5–2 & 11 (4)	1955	Domestic Cartel for Exports of Exporters	Appr.	Yes	E_2
	Sec. 5–3	1955	Domestic Cartel for Exports of Producers	Appr.	None	E_3
	Sec. 7–2 & 19–4	1953	Import Cartel	Appr.	Yes	E_4
	Sec. 7–3 & 23	1955	Export-Import Cartel	Appr.	Yes	E_5
	Sec. 27–9	1961	Foreign Trade Union	Appr.	None	E_6
Manufacturing	Specific Machine Industry and Electronics Industry Promotion Temporary Measures Act Sec. 6	1971 (1956)	Rationalization Cartel	Advice	Yes	F
	Specific Textile Industries Structure Reorganization Temporary Measures Act Sec. 8	1967	Facilities Restriction Cartel	Advice	Yes	G
	Fertilizer Price Stabilization, Etc., Temporary Measures Act					
	Sec. 2	1964	Collective Price Bargaining Cartel	Notifi.	None	H_1
	Sec. 11	1964	Domestic Cartel for Export	Notifi.	None	H_2
	Export Marine Products Industry Promotion Act					
	Sec. 17–2	1957	Raw Materials Purchasing Cartel	Appr.	None	I_1
	Sec. 18	1954	Domestic Cartel for Export	Notifi.	Yes	I_2
	Act concerning Preservation of Liquor Tax & Liquor Industry Association					
	Sec. 42–3 & 82	1953	Excessive Competition Prevention Cartel	Appr.	Yes	J_1
	Sec. 42–6 & 82	1959	Rationalization Cartel	Appr.	Yes	J_2
	Silk Yarn Industry Act Sec. 15–2	1953	Cocoon Purchase Price	Notifi.	None	K
	Salt Industry Association Act Part 2	1953	Joint Economic Business	None	None	L
	Sugar Price Stabilization Act Sec. 13	1965	Depression Cartel	Appr.	None	M
Mining Industry	Coal Mining Industry Rationalization Temporary Measures Act Sec. 62 & 63	1955	Depression Cartel	Advice	None	N

Field of Industry	Name of Act Providing Exemptions	Year of Enactment	Kind of Cartel	Notification to or Approval by Government	Restriction on Outsiders	Identification Mark
Agriculture, Forestry & Fishery	Agriculture Cooperative Act Part 2 Division 2	1947	Joint Economic Business	None	None	O
	Tobacco Farming Association Act Sec. 8	1958	Joint Economic Business	None	None	P
	Forest Act Sec. 79	1961	Joint Economic Business	None	None	Q
	Fruits Agriculture Promotion Special Measures Act Sec. 5–2	1966	Collective Bargaining Agreement	Notifi.	None	R
	Fisheries Cooperative Act Sec. 11, 87, 93 & 97	1948	Joint Economic Business	None	None	S
	Fishery Production Adjusting Association Act Sec. 10	1961	Fish Catching Adjustment Cartel	Appr.	Yes	T
	Pearl Cultivation Adjustment Temporary Measures Act Sec. 22, 24	1969	Depression Cartel	Appr.	Yes	U
Commerce & Services	Act concerning Proper Operation of Business Requiring Environmental Sanitation Sec. 8	1957	Excessive Competition Prevention Cartel	Appr.	Yes	V
	Shopping District Promotion Association Act Sec. 13 & 19	1962	Joint Economic Business	None	None	W
	Central Wholesale Market Act Sec. 15–2	1956	Excessive Competition Prevention Cartel	Appr.	None	X
Financial Business	Credit Banking Act Sec. 53 & 54	1951	Joint Financing Business	None	None	Y
	Labor Banking Act Sec. 58	1953	Joint Financing Business	None	None	Z
Insurance Business	Insurance Business Act Sec. 12–3	1951	Insurance Rating Cartel	Notifi.	None	a
	Non-Life Insurance Rating Organizations Act Sec. 10	1948	Insurance Rating Cartel	Appr.	None	b
	Act concerning the Foreign Insurance Enterprises Sec. 19	1949	Insurance Rating Cartel	Notifi.	None	c
	Fishing Boats Damages Compensation Act Sec. 132	1952	Insurance Rating Cartel	None	None	d
Transportation Business	Local Railways Act Sec. 25 (1)	1947	Transportation Cartel	Order	None	e
	Tramway Act Sec. 26	1947	Transportation Cartel	Order	None	f
	Land Transportation Business Adjustment Act Sec. 2	1947	Transportation Cartel	Order	None	g
	Road Transportation Act Sec. 20	1951	Transportation Cartel	Appr.	None	h
	Express Business Act Sec. 46	1951	Transportation Cartel	Appr.	None	i
	Harbor Transportation Business Act Sec. 19	1951	Transportation Cartel	Appr.	None	j
	Marine Transportation Act					
	Sec. 24	1949	Shipping Cartel	Notifi.	None	k_1
	Sec. 30–2	1951	Agreement of Entrepreneurs interested in Harbor	Notifi.	None	k_2
	Coastal Shipping Association Act					
	Sec. 8 (1) (i) to 8 (1) (vi)	1957	Shipping Cartel	Appr.	Yes	l_1
	Sec. 8 (1) (vii) to 8 (1) (xiii)	1957	Joint Shipping	None	None	l_2
	Aviation Act Sec. 110	1952	Aviation Cartel	Appr.	None	m
Warehouse Business	Warehouse Industry Act Sec. 15	1956	Agreement on Cargo Collection	Notifi.	None	n

Notes: (1) Exemption laws considered not very significant such as those presented in Section 2 of the Act concerning Exemptions, Etc., of the Application of the Antimonopoly Act, are not listed in this Table.
(2) "Year of Enactment" does not necessarily show the year when the Acts were issued, but rather shows the year when the specific provision provided the exemption from application of the Antimonopoly Act for the cartel.

Table 2: **Number of Cartel Agreements formed under Major Exemption Laws**
(end of March)

Major Laws	'52	'53	'54	'55	'56	'57	'58	'59	'60	'61	'62	'63	'64	'65	'66	'67	'68	'69	'70	'71	'72
Antimonopoly Act Sec. 24–3 (Depression Cartel)	—	—	0	0	0	1	1	5	4	3	0	1	2	2	16	1	0	0	0	0	9
Antimonopoly Act Sec. 24–4 (Rationalization Cartel)	—	—	0	0	4	6	6	8	9	9	11	11	14	14	14	13	13	12	10	13	10
Small & Medium Enterprise Organization Act Sec. 17, 28 & 31																					
– Industrial Association	—	53	71	143	194	218	280	313	352	407	420	413	415	419	441	421	401	399	364	345	523
– Commercial Association	—	—	—	—	—	—	—	1	18	60	129	178	173	168	211	213	181	123	105	94	81
– Sub-total	—	(53)	(71)	(143)	(194)	(218)	(280)	(314)	(370)	(467)	(549)	(591)	(588)	(587)	(652)	(634)	(582)	(522)	(469)	(439)	(604)
Export & Import Trading Act																					
Sec. 5 & 11 (2) (Export Cartel)	—	0	5	14	28	57	73	112	129	144	149	143	137	139	135	130	138	140	133	124	177
Sec. 5–2 & 11 (4) (Domestic Cartel for Export Trade)	—	—	—	—	5	5	2	7	7	8	7	5	4	4	4	4	4	5	5	3	2
Sec. 5–3 (Producers Domestic Cartel for Export Trade)	—	—	—	—	4	7	15	27	34	39	41	44	52	57	64	64	63	64	68	57	48
Sec. 7–2 & 19–4 (Import Cartel)	—	—	1	0	0	2	3	4	2	2	2	2	1	2	3	4	3	4	4	3	2
Sec. 7–3 & 23 (Export-Import Cartel)	—	—	—	—	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sec. 27–9 (Foreign Trade Union)	—	—	—	—	—	—	—	—	—	—	0	0	8	8	8	8	8	8	8	8	8
– Sub-total	(—)	(0)	(6)	(14)	(37)	(71)	(93)	(150)	(172)	(193)	(199)	(194)	(202)	(210)	(214)	(210)	(216)	(221)	(218)	(195)	(177)
Machine Industry Promotion Temporary Measures Act Sec. 6	—	—	—	—	—	0	0	0	1	1	5	6	14	14	9	6	8	17	10	17	0
Electronics Industry Promotion Temporary Measures Act Sec. 17	—	—	—	—	—	0	0	0	0	0	0	0	0	1	1	1	0	0	1	2	0
Textile Industry Promotion Temporary Measures Act Sec. 17	—	—	—	—	—	0	0	2	7	4	3	3	3	3	3	3	3	3	3	—	—
Specific Textile Industries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0	1	0	0	0	0
Fertilizer Price Stabilisation, Etc. Temporary Measures Act Sec. 11	—	—	—	1	1	1	1	1	1	1	1	1	1	2	2	2	2	2	2	4	4

Major Laws	'52	'53	'54	'55	'56	'57	'58	'59	'60	'61	'62	'63	'64	'65	'66	'67	'68	'69	'70	'71	'72
Export Marine Products Industry Promotion Act Sec. 17 (1) (ii) Sec. 18	—	—	—	0	8	8	11	10	11	10	11	11	11	12	11	8	8	8	8	8	8
Act concerning Preservation of Liquor Tax & Liquor Industry Association																					
Sec. 42 & 82 (Manufacturers)	—	—	2	4	4	6	7	8	8	8	8	8	8	11	11	11	11	9	9	9	9
Sec. 42 & 82 (Sellers)	—	—	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
– Sub-total	(—)	(—)	(2)	(4)	(4)	(7)	(8)	(9)	(9)	(9)	(9)	(9)	(9)	(12)	(12)	(12)	(12)	(10)	(10)	(10)	(10)
Coal Mining Industry Rationalization Temporary Measures Act Sec. 62 & 63	—	—	—	—	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Sugar Price Stabilization Act Sec. 13	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0	0	0	0	0	0	0
Pearl Cultivation Adjustment Temporary Measures Act	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8	8
Fishery Production Adjustment Association Act Sec. 10	—	—	—	—	—	—	—	—	—	—	4	5	5	6	6	6	7	7	7	7	7
Act concerning Proper Operation of Business Requiring Environmental Sanitation Sec. 8	—	—	—	—	—	—	0	0	0	5	63	95	106	122	123	123	123	123	123	123	123
Central Wholesale Market Act Sec. 15–2	—	—	—	—	—	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fruits Agriculture Promotion Special Measures Act Sec. 5–2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7	0	0	0	0
Harbor Transportation Business Act Sec. 19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Coastal Shipping Association Act	—	—	—	—	—	—	1	9	10	12	13	16	15	14	16	15	22	22	22	21	19
Total	**0**	**53**	**79**	**162**	**248**	**312**	**401**	**508**	**595**	**714**	**868**	**943**	**973**	**999**	**1079**	**1040**	**1033**	**948**	**856**	**844**	**976**

Note: Compiled from the FTC Annual Report for 1971.

123 cartels formed under the Act concerning Proper Operation of Business requiring Environmental Sanitation which is applied for barber shops, beauty parlors, laundry shops, amusement centers, etc., have existed all for more than 5 years. These long existing cartels have been recently critisized from the viewpoint of competition policy, price policy, consumer policy or even industrial policy.

c) Export Cartels

Of the total 976 cartels in 1972, 177 or 18 per cent are export cartels formed under the Export and Import Trading Act. According to recent research by the Fair Trade Commission[3], the percentage of the value of export goods covered by export cartels of the total value of export goods was 27.4 per cent in 1965 and 18.9 per cent in 1970.

A large fraction of the export cartels is made up of small and medium business agreements, and also a large number of export cartels have been formed by requirements of the importing nations.

d) Depression Cartels[4]

An important cartel in the field of big business is a depression cartel under the Antimonopoly Act, Section 24—3, which is permitted in the time of depression. The number of depression cartels in Japan was 6 in 1958, 2 in 1962, 18 in 1965 and 13 in 1972. These authorized cartels are listed in Table 3. Most of the depression cartels are terminated in a year.

Besides these authorized depression cartels, there were so-called "recommended" production curtailments, which were not based on any specific law, but were made under the "suggestion" or "recommendation" of a government agency. Recently this has been criticized very much. The number of these curtailments was 33 in 1958, 12 in 1962, 1 in 1965 and 0 in 1972. So, the increase of the number of depression cartels in 1965 and 1972 does not necessarilly mean an easy permission of cartels.

e) Rationalization Cartels

Another important cartel in the field of big business is the rationalization cartel under the Antimonopoly Act, Sec. 24—4. The complete list of these cartels is shown in Table 4.

f) Cartelization in Manufacturing Industries in 1963

In its report of 1963[5], the Fair Trade Commission indicated in quantitative terms the results of cartelization. Quantitative analysis was undertaken by listing all cartels formed under the exemptive laws on March 31, 1963, together with the more important and joint actions by manufacturers for production cut-backs under official "recommendation". (On March 31, 1963, there were 27 cases of such officially

[3] Cf. FTC, Materials of the Antimonopoly Conference, Vol. III, Part IV: Material Concerning Export Cartels (in Japanese), Tokyo 1973, pp. 238—239.

[4] Cf. FTC, ibid. Part V: Material Concerning Depression Cartels, pp. 249—267.

[5] This FTC Report is contained in J. Yoshida, Cartels in Japan (in Japanese), Toyo Keizai, Tokyo 1964.

"recommended" production cut-backs involving such products as rayon staple, wool, woolen yarn, paper of various types, crude steel, steel bar, wire rod, and steel sheet). Domestic agreements among manufacturers for export goods were also included. The products involved were then tabulated according to the Standard Commodity Classification for Japan (6-digit classification) for estimation of shipped value by means of the 1960 Census of Manufacturers.

Out of the total of 1,748 commodity items, 336 (19.2 per cent) were involved in cartelization actions: Y 4,058,170 million-worth (28 per cent) as against the total shipment value of Y 14,457,252 million. Excluding domestic agreements for export goods, the number of items involved became 210 (12 per cent), valued at Y 2,857,115 million (19,7 per cent).

Because in percentage terms cartelization affects fewer items than the value shipped, it can be inferred that cartelization tends to be related to the importance of the commodity in trade. This fact is born out by further analysis. Taking items shipped in amounts of less than Y 1,000 million, it is found that cartelization was involved in only 12.5 per cent of the total number. Conversely, with items sold in amounts of more than Y 50,000 million, cartel items were 16 versus the total of 43, or 37.2 per cent.

As for the prevalence of cartelization among the major industry groups (2-digit classification) of the Standard Commodity Classification, we find that 78.1 per cent of the value of textile output was cartelized. The comparable percentages for other industries are: clothing and other textile manufactures, 64.8; non-ferrous metals, 50; publishing, printing and allied industries, 47; clay, stone and glass industries, 41.2; steel products 34.5 and food products 34.2.

If we total the number of specific items of agreements found in those cartels, we find that the figure comes to 749. There are 273 items concerning quantity limitation, 167 in facility limitation, 105 in price limitation. When domestic cartels for export goods are excluded, the total is reduced to 402 items, with facility limitations at 158, quantity restrictions at 119, and price limits at only 10.

The degree of cartelization is considered to have decreased in the last years. One of the reasons is the abolition of "recommended" curtailments in 1965. However, there is not any recent research available on this problem.

II. Concentration Trend

1. Legislation concerning Concentration[6]

The Antimonopoly Act regulates concentrations in its Part IV (from Section 9 through 18). This part has been modified to a large extent by the 1949 and 1953 amendments, but the prohibition of market control by stockholding, interlocking directorate, merger (in Japanese law, "merger" means that by which a juridical person is brought about) and transfer of business remains unchanged in principle.

In detail, stockholding (Section 10 and 14), interlocking directorate (Section 13), merger (Section 15) and transfer of business (Section 16) are prohibited where the

[6] See H. Iyori, op. cit., pp. 62–69, and OECD, Guide to Legislation on Restrictive Business Practices, Japan, op. cit.

Table 3: **List of Depression Cartels approved under Section 24–3 of the Antimonopoly Act**
(as of January 1, 1973)

Commodities	Number of Companies Concerned	Object of Limit	Period (month)	Frequency of Renewal
1. Flax & Lamie Yarn	5–12	Sales Quantity	56/4/1–61/9/20 (66)	5
2. Pressed Yeast	8	Production Quantity	58/6/15–60/12/14 (30)	2
3. Vinylchloride Resin	13	Production & Sales Quantity & Price	58/11/17–59/3/31 (4.5)	0
4. Sheet Celluloid	7	Production Quantity & Price	58/12/1–59/11/30 (12)	1
5. Hard Vinylchloride Tubes	10	Production & Sales Quantity & Price	59/3/20–60/5/20 (14)	4
6. Synthetic Dyeing Staff	6	Sales Quantity	60/7/1–61/6/30 (12)	0
7. Medium Steel Shapes	12	Production & Sales Quantity	63/1/1–63/9/30 (9)	1
8. Artificial Graphite Electrode	7	Production Quantity	63/10/22–64/6/30 (8)	1
9. Pentachlorphenol Weeding Killers	8	Sales Quantity	64/11/10–66/7/31 (20.5)	1
10. Alloy for Structure	9	Production Quantity & Price	65/1/27–66/9/30 (20)	3
11. Automobile Tire	6	Production Quantity	65/6/15–65/12/31 (6.5)	0
12. Camera	12	Production Quantity	65/6/30–66/3/31 (9)	1
13. Sugar	41	Utilization of Facilities & Production Quantity	65/7/8–67/2/28 (20)	3
14. Medium Steel Plates	18	Sales Quantity	65/8/10–66/6/30 (11)	1
15. Hard Vinylchloride Tube	9	Production Quantity	65/9/10–66/6/30 (10)	1
16. White Lined Board	27	Utilization of Facilities	65/9/24–66/8/31 (11)	1
17. Cotton Yarn and Spun Rayon Yarn	163	Utilization of Facilities & Production Quantity	65/10/1–66/12/31 (15)	1
18. Straight Shank Drills	11	Production Quantity	65/10/5–66/9/30 (12)	1
19. Hard Vinylchloride Corrugated Plates	11	Production Quantity	65/10/13–66/6/30 (9)	1
20. Liner Board	23	Utilization of Facilities	65/11/1–67/3/31 (17)	2
21. Corrugating Medium	39	Utilization of Facilities	65/11/9–66/7/31 (9)	1
22. Mashed Potatoes Flakes	8	Production Quantity	65/11/2–66/3/31 (5)	0
23. Hard Board	7	Production Quantity	65/11/11–66/2/28 (3.5)	0
24. Perro Alloys	23	Production & Sales	65/11/18–66/9/30 (10)	1
25. Stainless Steel	6	Production Quantity	65/12/20–66/9/30 (9)	1
26. Steel for Bearing	10	Production Quantity	66/1/20–66/6/30 (5)	0
27. Stainless Steel	6	Production Quantity	71/11/26–73/6/39 (19)	2
28. Specific Steels (by blast furnace)	8	Production Quantity (Crude Steel)	71/12/8–72/12/31 (12)	1
29. Vinylchloride Tubes	17	Production Quantity & Facilities	72/1/1–72/7/30 (9)	0
30. Alloy for Structure	9	Production Quantity	72/1/1–72/6/30 (6)	0
31. Liner Board	19	Utilization of Facilities	72/2/3–72/12/31 (11)	1
32. Corrugating Medium	23	Utilization of Facilities	72/2/3–72/7/31 (6)	0
33. Specific Steels	59	Production Quantity	72/3/1–72/12/31 (10)	1
34. Polypropylene	8	Production Quantity	72/3/16–72/10/31 (7)	0
35. Polyethylene	9	Production Quantity	72/3/16–72/10/31 (7.5)	0

Commodities	Number of Companies Concerned	Object of Limit	Period	Frequency of Renewal
36. Ethylene	12	Production Quantity	72/4/15–72/12/31 (8,5)	0
37. Artificial Graphic Electrodes	6	Production Quantity	72/5/8–72/12/31 (8)	1
38. Ferrosilicon	19	Production Quantity	72/6/1–72/12/31 (7)	0
39. Glass Fiber	6	Production Quantity	72/8/21–72/3/31 (7)	0

Note: Compiled from the FTC Annual Reports.

Table 4: **List of Rationalization Cartels approved under Section 24–4 of the Antimonopoly Act**
(as of January 1, 1973)

Commodities	Number of Companies Concerned	Object of Limit	Period	Frequency of Renewal
1. Copper Scrap	108	Purchase Price, Quantity & Purchase Method	55/4/1–57/7/31 (deleted)	0
2. Iron & Steel Scrap (for blast furnace)	8	Purchase Price, Quantity & Purchase Method	55/4/11–72/9/30	13
3. Iron & Steel Scrap (for special steel)	14	Purchase Price, Quantity & Purchase Method	56/9/21–72/9/30	10
4. Iron & Steel Scrap (Kansai area)	20	Purchase Price, Quantity & Purchase Method	56/9/21–72/9/30	10
5. Iron & Steel Scrap (Kanto area)	30	Purchase Price, Quantity & Purchase Method	58/9/21–72/9/31	8
6. Iron & Steel Scrap (Chubu area)	16	Purchase Price, Quantity & Purchase Method	58/9/21–72/4/30	8
7. Iron & Steel Scrap (Hokkaido area)	5	Purchase Price, Quantity & Purchase Method	71/2/25–72/9/30	0
8. Iron & Steel Scrap (Tohoku area)	17	Purchase Price, Quantity & Purchase Method	71/2/25–72/9/30	0
9. Iron & Steel Scrap (Chugoku area)	13	Purchase Price, Quantity & Purchase Method	71/2/25–72/9/30	0
10. Iron & Steel Scrap (Kyushu area)	7	Purchase Price, Quantity & Purchase Method	71/2/25–72/9/30	0
11. Cotton & Staplefiber Mixed Yarn	118	Standardization	55/5/21–70/5/20 (deleted)	12
12. Pure Span Rayon Yarn	38	Standardization	55/9/1–71/11/30 (deleted)	8
13. Ball Bearings	5	Specialization	55/11/18–66/9/20 (deleted)	5
14. Margarine and Shortening	18	Standardization	59/5/25–69/9/25 (deleted)	5
15. Synthetic Dye-Staffs	5	Specialization	61/8/1–72/1/20 (deleted)	5
16. Flax & Lamie Yarn	11	Standardization	62/7/21–70/4/20 (deleted)	3
17. Automobile Tire	7	Specialization	63/7/1–68/11/7 (deleted)	3
18. Polynosic Cotton	7	Standardization	63/11/12–73/12/31	4
19. Worsted Yarn	63	Standardization	63/12/10–71/12/31 (deleted)	3

Note: Compiled from the FTC Annual Reports.

Table 5: **Classification of Mergers by Size of Company and by Year**

Capital (Million Yen)	'48	'49	'50	'51	'52	'53	'54	'55	'56	'57	'58	'59	'60	'61	'62	'63	'64	'65	'66	'67	'68	'69	'70	'71	Total
Less than 50	–	–	406	309	342	291	278	300	342	337	332	350	348	456	513	706	663	714	700	775	773	854	806	831	9,724
50–1,000	–	–	14	22	40	48	43	30	43	52	41	55	82	117	173	246	171	166	141	180	219	273	298	308	4,453
1,000 and More	–	–	0	0	3	5	4	8	7	9	8	8	10	18	29	45	30	14	30	40	28	36	43	39	414
Total	(309)	(571)	420	331	385	344	325	338	381	398	381	413	440	519	715	997	864	894	871	995	1,020	1,163	1,143	1,178	14,591

Note: Compiled from the FTC Annual Report for 1971.

Table 6: **Classification of Transfers of Business by Size of Company and by Year**

Capital (Million Yen)	'48	'49	'50	'51	'52	'53	'54	'55	'56	'57	'58	'59	'60	'61	'62	'63	'64	'65	'66	'67	'68	'69	'70	'71	Total
Less than 50	–	–	172	161	102	87	116	92	147	81	78	78	85	109	130	147	126	126	168	185	252	259	289	302	3,292
50–1,000	–	–	35	13	22	34	39	36	51	48	40	46	43	44	50	59	55	60	75	94	90	111	93	114	1,252
1,000 and More	–	–	2	8	0	5	12	15	11	11	0	15	16	9	13	17	14	16	21	20	12	21	31	33	302
Total	(192)	(196)	207	182	124	126	167	143	209	140	118	139	144	162	193	223	195	202	264	299	354	391	413	449	4,846

Note: see Table 5.

Table 7:

A) Classified Number of Mergers by Types

	horizontal	vertical	conglomerate	others	total
'70	472	107	574	150	1,303
	(36.1%)	(8.2%)	(44.1%)	(11.5%)	(100%)
'71	389	176	685	113	1,363
	(28.5%)	(12.9%)	(50.3%)	(8.3%)	(100%)

B) Classified Total Paid-in Capital of the Merged Companies by Types (million yen)

	horizontal	vertical	conglomerate	others	total
'70	21,367	3.891	15.984	1,025	42,267
	(50.3%)	(9.2%)	(38.0%)	(2,5%)	(100%)
'71	50,279	9,157	17,446	550	77,432
	(64.9%)	(11.8%)	(22.6%)	(0.7%)	(100%)

C) Classified Total Assets of the Merged Companies by Types (million yen)

	horizontal	vertical	conglomerate	others	total
'70	231,338	78,183	159,160	4,648	473,329
	(48.9%)	(16.5%)	(33.6%)	(1.0%)	(100%)
'71	3,153,243	102,603	189,424	2,306	3,447,636
	(91.4%)	(3.0%)	(5.5%)	(0.1%)	(100%)

Notes: (1) Compiled from the FTC Annual Reports for 1970 and 1971.
(2) Year is the fiscal year.
(3) A merger between 3 companies is counted as 2 mergers, a merger between 4 companies as 3 mergers and so on.
(4) "others" means merger for mere legal structural change.
(5) 308 yen equal 1 US dollar, and 95.6 yen equal 1 Deutsche Mark since Dec., 1971.

Table 8: **Classified Number of Mergers by Sizes of Merging Company and Merged Companies in 1971 (million yen)**

A) By Size of Paid-in Capital

Merging Company / Merged Company	Less than 50	50–1,000	1,000 and more	Total
Less than 50	1,014	213	13	1,240
50–1,000	21	72	17	110
1,000 or more	0	1	12	13
Total	1,035	286	42	1,363

B) By Size of Total Assets

Merging Company / Merged Company	Less than 1,000	1,000–10,000	10,000 or more	Total
Less than 1,000	1,054	189	30	1,273
1,000–10,000	11	50	22	83
10,000 or more	0	0	7	7
Total	1,065	239	59	1,363

Note: Compiled from the FTC Annual Report for 1971.

Table 9: **Examples of Major Mergers**

Name of Company after Merger	Year	Merging and Merged Companies	Total Capital/Total Assets (million yen)		Remarks
All Japan Airways	1957	Japan Helicopter	300	670	Dominated local air servcie at the time
		Far East Airline	300	460	
Snow Brand Dairy	1956	Snow Brand Dairy	1,050	8,200	Butter 43.5%, Cheese 53.9% (No. 1)
		Clover Dairy	120	2,990	Butter 14.2%, Cheese 21.1% (No. 2)
Teikoku Textile	1959	Chuo Textile	500	4,110	Linen thread 18.5% (No. 1)
		Teikoku Linen	720	2,130	Linen thread 38.3%
Kyowa Hakko	1960	Kyowa Hakko	2,380	38,550	Alcohol as additive 27% (No. 1)
		Nippon Liquor	1,150	3,430	Alcohol as additive 5%
Ishikawajima-Harima	1960	Ishikawajima Heavy Industries	7,800	38,550	Shipbuilding 3.85% (No. 2)
		Harima Shipbuilding	4,000	28,660	Shipbuilding 6.27%
Mitsubishi Heavy Industries	1963	New Mitsubishi Heavy Industries	30,600	245,500	Shipbuilding 27.6% (No. 1) Boiler 40% (No. 1)
		Mitsubishi Nippon	23,000	127,300	Steam power generation turbine 24% (No. 2) Truck 25% (No. 2) Bus 25.5% (No. 2)
		Mitsubishi Shipbuilding	22,400	158,800	Paper manufacturing machine 63% (No. 1)
Osaka Shosen Mitusi Senpaku	1963	Mitsui Steamship	5,500	44,080	Tonnage 10.5% (No. 1)
		Osaka Shosen	7,600	43,720	
Nippon Yusen	1963	Japan Mail Steamship	11,400	53,210	Tonnage 8.9% (No. 2)
		Mitsuibishi Shipping Co.	4,800	19,360	
Toyo Spinning	1965	Toyo Spinning	12,900	98,270	Cotton yarn 6.5% (No. 1)
		Kureha Spinning	5,500	54,520	Cotton textile 2.3% (No. 1)
Nissan Motors	1966	Nissan Motors	35,000	277,150	Passenger Car (Middle) 48.9% (No. 1) Micro bus 24.7% (No. 1)
		Prince Motors	12,015	56,990	Passenger Car (Middle) 13.9%, Micro bus 20.9%
Fuji Iron & Steel	1967	Fuji Iron & Steel	82,010	376,013	Pig Iron 23.4% (No. 2)
		Tokai Iron & Steel	20,000	132,718	Crude Steel 17.8% (No. 2)
Jujo Paper	1967	Jujo Paper	5,800	67,950	Western Paper 19.3% (No. 1)
		Tohoku Pulp	3,883	31,138	Pulp 15% (No. 1)

Name of Company after Merger	Year	Merging and Merged Companies	Total Capital (million yen)	Total Assets (million yen)	Remarks
Mitsui Toatsu Industries	1968	Tokyo Koatsu Industries	13,109	93,254	The 4th biggest chemical company
		Mitsui Chemical	8,809	69,625	
Nippon Jukagaku	1968	Azuma Kako	1,501	13,988	Fare-Alloy 20.9% (No. 1)
		Nippon Fare-Alloy	1,600	9,989	
Nippon Iron & Steel	1968	Yawata Iron & Steel	127,360	857,725	Pig Iron 42.7% (No. 1) Crude Steel 35.7% (No. 1)
	(1969)	Fuji Iron & Steel	102,000	631,732	
Sumitomo Heavy	1969	Sumitomo Machinery	5,400	50,638	Crane 14.2% (No. 3)
		Uraga Heavy Industry	3,200	68,892	Asphalt Finisher 21.3% (No. 1)
Unichika	1969	Nichibo	10,000	71,209	Strong Rayon Yarn 36% (No. 1)
		Nippon Kayon	12,820	80,783	Nylon 21.6% (No. 2)
Oji Paper	1970	Oji Paper	7,500	92,775	Craft Paper 24.9% (No. 1)
		North Japan Paper	1,400	12,277	Paper A for Printing 15.9% (No. 2)
Mitsui Sugar	1970	Yokohama Sugar	1,000	8,125	Refined Sugar 15.0% (No. 1)
		Shibaura Sugar	1,300	5,903	Molasses 16.4% (No. 1)
		Osaka Sugar	1,000	8,395	
Nippon Iron & Steel	1970	Nippon Iron & Steel	229,360	1,765,403	Special Steel Pipe 25.7% (No. 1)
		Fuji Sanki Steel Pipe	2,000	23,315	
Nippon Denkko	1971	Nippon Denkko	3,030	26,944	Ferrosilion 25.6% (No. 1)
		Far East Industries	270	914	Ferromangan 23.5% (No. 2)
Mitsubishi Gaschemical	1971	Nippon Gaschemical	5,449	45,223	Methanol 32.1% (No. 1)
		Mitsubishi Edogawa Chemical	5,400	39,665	Holmalin 13.8% (No. 2)
Kawasaki Heavy	1971	Kawasaki Heavy	42,000	470,836	Railway Cars 29.2% (No. 1)
		Kisha Seizo	2,625	41,234	Vibration Machinery 18% (No. 1)

Notes: (1) Compiled from the FTC Annual Reports.
(2) Number in Parentheses is ranking in the market share.

effect on such activities "may substantially restrain competition in any particular field of trade" or where they are performed through "unfair business practices". In addition, the establishment of a holding company is prohibited absolutely (Section 9), and stockholding by a financial company is restricted in case where it acquires in excess of ten per cent of the total outstanding shares of another company (Section 11). Activities to evade such prohibitions or restrictions are also prohibited (Sec-

tion 17). In addition to these provisions, the former part of Section 3 (prohibition of private monopolization) may apply to some concentrations.
Although recently violation cases relating to the above mentioned provisions are not many[7], there have been some informal cases where the parties concerned gave up their merger plans after informal consultation with the Fair Trade Commission. These provisions are still important for the prevention of excessive economic concentration.

2. Statistics of Mergers

There are published statistics of mergers and transfer of businesses reported under Section 15 and 16. They are shown in table 5 and following. The number of mergers has been increasing in the last 10 years (Table 5). 440 mergers in 1960 became 1,147 in 1971, and 10 big mergers (paid-in capital is more than 1,000 million Yen) in 1960 became 43 in 1971.
As to the industrial field of the 1,178 mergers in 1971, 384 are in wholesale and retail trade, 372 in manufacturing industry, 104 in finance and insurance, 104 in transport, communications and warehouses, 65 in construction, and 47 in others. Of the 372 mergers in the manufacturing industry, 76 are in machinery, 63 in metal, 58 in textiles, 47 in foods and 128 in others.
Of the 1,178 mergers in 1971, 389 (28.5 per cent) are horizontal, 176 (12.9 per cent) vertical, 685 (50.3 per cent) conglomerate and 113 (8.3 per cent) others (mergers for legal structural change, etc.). Since some of them overlapped, the aggregated total is actually 1,363. (The details are shown in Tables 7 and 8.) The total merged assets of 3,447,636 million Yen are less than 5 per cent of the total corporation assets. (Examples of major mergers are shown in Table 9.)

3. Economic Concentration

a) Concentration in Capital and Assets

The total number of corporations (except those of financial corporations) in Japan were 825,605 in 1969. The number of the corporations whose paid-in capital is 1,000 million yen or more were 1,099 or 0.13 per cent of the total number of corporations but they occupy 60.5 per cent of total paid-in capital, 45.4 per cent of total assets, 68.5 per cent of total investments, 19.0 per cent of total employees and 44.0 per cent of total profits.
The top 100 corporations in paid-in capital in 1969 occupy 0.012 per cent in the total number of corporations but 33.02 per cent of the total paid-in capital. (These top 100 corporations have 2,818 subsidiaries, more than 50 per cent of each paid-in capital being owned by one of the 100 corporations.) Of these top 100 corporations 62 are in manufacturing industry, 11 in transportation, 9 in electricity, 8 in wholesale

[7] Major Cases are: (1) Toho-Subaru Lease Contract for Movie Theaters Case (Tokyo High Court, 1953), (Sec. 16 of the Act). (2) Nippon Gakki Stockholding Case (FTC, 1957), (Sec. 17, Sec. 10). (3) Yawata Iron & Steel – Fuji Iron & Steel Case (FTC, 1969), (Sec. 15). (4) Tokyo Can Stockholding Case (FTC, 1972), (Sec. 3). As to these cases, see H. Iyori, op. cit.; OECD, Guide to Legislation on Restrictive Business Practices, op. cit., and OECD, Annual Reports on Competition Policy, op. cit.

Table 10: **Classification of Number and Aggregated Paid-in Capital of Total Corporations by Size of Paid-in Capital (in 1969)**

Size of Paid-in Capital (million yen)	Number of Corporations		Paid-in Capital
less than 5	704,367	(85.32%)	8.91%
5–10	60,823	(7.37%)	3.83%
10–50	47,694	(5.77%)	8.99%
50–100	5,951	(0.72%)	3.77%
100–1,000	5,671	(0.69%)	14.04%
1,000 or more	1,099	(0.13%)	60.47%
Total	825,605	(100.00%)	100.00% (9,891 million yen)
The Top 100 Corp.	100	(0.012%)	33.02%

Notes: (1) Compiled from the FTC Annual Report for 1971.
(2) Subsidiaries or affiliates are not included.
(3) The top 100 corporations are based on paid-in capital.

and retail, and 10 in others. Of the 62 corporations in manufacturing industry 14 are in chemical industry, 13 in machinery for transportation, 9 in electric appliances, 7 in iron and steel, and 19 in others.

According to the 1972 Fortune magazine list of the top 200 corporations of the world in 1971 (by sales in the manufacturing and mining industries) there are 16 Japanese corporations (against 119 U.S., 18 British, 17 German, and 13 French corporations); and among the top 200 corporations of the world not including those of the U.S. there are 48 Japanese corporations (against 42 British, 29 German and 24 French corporations).

b) Concentration in Production

Table 11 shows production concentration ratios in some major industries of Japan compared with those of the U.S. Table 12 shows the trend of production concentration ratios of the top 3 companies and top 10 companies with respect to the selected 170 commodities. As can be seen from this table the trend has been slightly downward from 1960 to 1965, but since 1966 it is slightly upward[8].

Table 11: **Production Concentration Ratios in Selected Commodities (in %) – Japan and the U.S. –**

Selected Commodities	1958 Japan Top 4	1958 Japan Top 8	1958 USA Top 4	1958 USA Top 8	1963 Japan Top 4	1963 Japan Top 8	1963 USA Top 4	1963 USA Top 8	1970 Japan Top 4	1970 Japan Top 8
dry milk	85	96	22	33	87	93	22	33	86	89
creamy butter	93	96	11	15	88	91	8	14	74	78
bottled milk	37	43	26	32	56	57	25	32	61	66
weat flour	57	64	—	—	61	68	40	58	62	68
chocolate and cacao products	64x	85x	69	83	64	84	71	83	—	—
malt liqueurs and brewing byproducts	100 (4)	—	29	45	99	100 (5)	34	52	99	100 (5)
distilled and blended liqueurs	96x	100x	60	77	97	99	56	73	98	100
soy bean oil	37	59	39	61	50	78	46	67	56	85

(Continued on p. 432)

[8] For general and detailed analysis of the cartel and concentration problems in Japan, see Eleanor M. Hadley, Antitrust in Japan, Princeton University Press, 1970; Kozo Yamamura, Economic Policy in Postwar Japan, University of California Press, 1969.

Table 11 (Continued)

Selected Commodities	1958 Japan Top 4	1958 Japan Top 8	1958 USA Top 4	1958 USA Top 8	1963 Japan Top 4	1963 Japan Top 8	1963 USA Top 4	1963 USA Top 8	1970 Japan Top 4	1970 Japan Top 8
shortening and cooking oil	61	85	50	73	65	91	51	74	62	92
combed cotton yarns	23	41	23	35	21	38	26	39	25	43
rayon and/or acetate spun yarns	17	29	34	47	23	35	30	43	27	39
wool yarns	31	49	19	32	29	45	25	43	36	53
veneer and plywood	14^x	21	16	23	13	21	21	29	13	21
paper	43	58	25	39	46	61	26	40	43	57
newsprint	62^x	78^x	62	93	71	88	57	88	75	95
text books	48^x	67^x	33	50	45	65	32	54	41	59
phosphatic fertilizer	53	74	47	68	39	62	44	64	31	59
sulfric acid	34	52	58	76	27	44	60	75	32	50
synthetic rubber	100^x (1)	—	54	75	97	100 (6)	52	73	87	96
explosives	92	100	73	90	90	100 (8)	70	87	86	97
film	100	100 (5)	97	99	100 (2)	—	96	99	100 (2)	—
petroleum products	49	78	31	54	45	72	32	55	37	59
gasoline					48	73	33	55	47	71
liquified petroleum gas					49	80	34	53	42	68
tires & inner tubes	88	100	71	86	86	97	72	88	85	99
flat glass	100 (3)	—	90	98	100 (3)	—	87	95	100 (3)	—
cement	56	77	32	50	56	77	29	49	49	75
pig iron	80	95	54	69	74	94	60	76	88	99
ferroalloys	50	71	67	86	37	57	70	89	41	58
steel ingot (crude steel)	60	76	71	85	54	72	70	84	74	84
steel pipe & tube	68^x	83^x	43	63	62	80	40	58	63	81
steel wire	23^x	44^x	44	61	24	41	37	54	32	54
copper smelter products	76	98	95	99	77	98	89	n.l.	81	99
zinc residues	93	100 (5)	86	98	93	100 (6)	85	98	95	100 (6)
primary aluminium	100 (3)	—	82	90	100 (4)	—	93	n.l.	100 (4)	
structural iron and steel for buildings	22^x	38^x	19	23	19	32	13	18	15	25
internal combustion engines	56	68	45	63	50	61	46	66	64	89
presses	35^x	54^x	41	61	38	52	45	61	41	56
pumps and compressors	50^x	64^x	25	36	67	79	23	34	46	57
overhead travelling cranes	72^x	96^x	46	71	61	77	43	65	43	60
sowing machines	32	47	n.l.	92	41	56	82	91	62	85
ball and roller bearings	86	95	56	76	82	92	57	76	86	94
household refrigerators	87	97	73	91	77	95	76	93	76	96
power and distribution transformers	68	86	80	94	60	85	76	90	58	91
household T.V. receivers	63	95	55	81	58	87	58	81	57	83
passengers cars	95	100 (8)	99	n.l.	91	99	99	n.l.	95	100 (8)
watches	100 (4)	—	82	93	100 (4)	—	80	95	100 (4)	—
pianos	84^x	n.l.^{x}	53	76	89	n.l.	62	85	90	99

Notes: (1) Data of Japan are taken from the FTC, "Industrial Concentration in Japan 1963–1966", 1969, and other FTC Reports.

(2) Data of the U.S.A. are taken from "Concentration Ratios in Manufacturing Industry", 1963.

(3) x mark is a value of 1959.

(4) Number in parentheses after concentration ratio 100 is the number of corporations in the industry.

Table 12: **Trend of the Aggregated Production Concentration Ratios**

	'60	'61	'62	'63	'64	'65	'66	'67	'68	'69	'70
Top 3	100	97.4	99.4	97.2	98.2	97.8	98.0	98.3	100.0	100.9	104.0
Top 10	100	99.9	100.4	100.0	100.2	100.4	100.7	101.3	102.1	102.3	102.8
H. I.	100	98.7	98.3	98.4	97.3	96.8	96.9	98.1	100.0	101.8	110.1

Notes: (1) Compiled from FTC Report on the Trend of Production Concentration in Main Industrial Fields, Dec. 1972.

(2) The number of selected commodities for this research was 170 items, accounting for 56.7% of the shipment of all commodities in the manufacturing industries in 1965.

(3) H. I. means Herfindahl Index.