



“Island as Platform” Symposium

***Fairness in competition
from islands' perspective***

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Fair competition from islands' perspective

- Japan's Competition Act was enacted in 1947,
 - The basic law to ensure fair competition.
- Geographic scope
 - Global
 - Nationwide or
 - Within a single island.
- Issues for islands and issues for Japan

Iki island

- Iki island
 - One hour from Fukuoka by high-speed vessel
- Iki as a tourist spot
 - Very famous for its tourism and fisheries
- Declining population



Year	1955	1965	1975	1985	1995	2005	2015
	51,765	45,654	41,871	39,528	35,089	31,414	27,103



Merger of Regional Banks

- Benefit of Fair competition
 - Better and cheaper products and services
 - Innovation
- Merger of two regional banks
 - Eighteenth Bank and Shinwa Bank
 - Companies in Iki borrow money from banks
 - They invest in manufacturing equipment and purchase raw materials
 - Shrinking economy
 - Nishi-nihon bank closed its Iki branch
 - Eighteenth Bank and Shinwa Bank announced merger



Merger of Regional Banks

- Eighteenth/Shinwa will be a dominant bank in Iki
 - No competition between banks for loans to companies (especially for small/mid-sized companies).
 - The merged bank will not have to lower lending rates
- Merger plan under shrinking economy
 - If the government prohibits the merger, **both** of the two banks may eventually leave the island
- New approach by the Government
 - If the economy is so small that it is difficult for more than one company to survive, merger is not considered a breach of competition law even if the merger would create a monopoly
 - The government will monitor lending rates in Iki Island



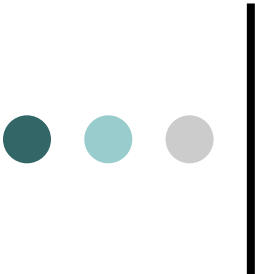
Unfair interference in bidding

- Competition in bidding
 - Local governments order construction and other projects through bidding/tender
 - Lowest price bidder is awarded the contract
- Unfair exclusion from bidding
 - A construction company was not allowed to participate in a tender. The mayor of Iki Island did not allow the construction company to participate
 - Retaliation
 - When an election of the mayor of Iki Island, the company supported a different candidate
- Close relationship and shrinking “pie” may harm fair and free competition



Islands' perspective for global fair competition

- Japan - The only developed country with declining population
 - Fair competition issues arising from shrinking economy is rarely discussed in other countries
 - Japan's experience, especially lessons from islands, would serve as a useful reference for other countries



Thank you!

