General Trading Companies in the Interwar Period: The Expansion of Asia–Pacific Trade and the Progress of Japanese Trading Companies

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Introduction

THIS STUDY analyzes the factors that contributed to the rapid development of Japanese general trading companies during the interwar period. The progress of Japanese trading companies in this period deserves attention, considering the context and circumstances of that progress, as described below.

After having expanded during WWI and undergone a postwar recovery boom, world trade stagnated in and after the 1920s, thus creating a challenging environment for trading companies. Some Japanese trading companies, however, rather enhanced their international competitiveness, once they overcame the postwar recession. Mitsui & Co., for instance, maintained high-level performance during the interwar period and continued to pay dividends of 5–12% during and after the 1920s—except in the second half of the 1921 fiscal year, which immediately followed the postwar recession. The company fared well, even during the Great Depression.

In contrast, colonial trading companies—British companies in particular—which had previously enjoyed high levels of competitiveness suffered serious setbacks during the interwar period. For instance, Jardine

Matheson, which had gained large profits during WWI, incurred a huge loss with respect to the agricultural and silk trade in 1921 and remained in a deficit until 1930. It was unable to pay a dividend between 1927 and 1940, and it was only after the mid-1930s that its performance turned upward.¹

While Mitsui & Co.'s profit-to-capital ratios hovered around 12–18% in the late 1920s,² those of British trading companies stayed at around 3–8% within the same period.³ This fact alone exemplifies the markedly different states of Japanese and British trading companies at that time.

This study investigates the reasons behind the high level of performance among Japanese trading companies, in relation to the trade structure of the interwar period. In doing so, it highlights these companies' internal structure as the principal source of their strong competitive power.

I. Trade Structure in Interwar Japan

World trade, which had been bloated during WWI, shrunk suddenly with the postwar recession. World trade did begin to recover, but no sooner had it been restored to 1920 levels than the unprecedented Great Depression broke out, bringing world trade back into a contraction cycle. Under the circumstances, it became difficult for Britain to maintaining its leading position in international trade. Although Britain held the largest share of the world trade in 1913, its position was overtaken by the United States in 1920. Thanks to high import levels during the early 1920s, Britain temporarily regained the top position in terms of the total value of foreign trade, including both imports and exports. In the late 1920s, however, it slipped back to second place, due to export stagnation.

The regional structure of world trade was also changing in the 1920s. During this period, the United States and Canada became less dependent on exports to Europe, and they increased exports to Asia. On the other hand, Asian countries such as India, China, and Japan increased exports to the United States, also while reducing exports to Europe. Thus, world

1. Geoffrey Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries* (Oxford: Oxford University Press, 2000): 92.

2. Nihon Keieishi Kenkyūsho, *Kōhon Mitsui Bussan-kabushikikaisha Hyakunenshi* [A Hundred-Year History of the Mitsui & Co. Ltd.], first volume (Tokyo: Nihon Keieishi Kenkyūsho, 1978): 428.

3. Geoffrey Jones, *op. cit.*, 354-355.

trade expanded in this period in accordance with the development of Asia–Pacific trade, while European countries were losing ground.

These developments, however, do not indicate that Asian markets had diminished the significance of European countries. Britain was becoming more dependent on Asian markets in the late 1920s, and other European countries on the continent—which had traditionally depended on intra-European trade—were also increasing exports to Asia. However, whereas Germany’s shares in Asian markets were growing, Britain was losing its shares, despite its increased dependence on Asian markets. In contrast to Britain’s decline, by the late 1920s, Japan’s shares in Asian markets had increased by around 3%, compared to 1913.⁴

Under these general circumstances, such relatively new trade regions as the Dutch East Indies, India, Central and South America, and Africa, as well as North America, increased their importance in terms of Japan’s export markets, during and after the 1920s. Many of these regions, however, were colonies of European countries and the United States; as such, colonial trading companies held strong competitiveness and consolidated a solid footing in these regions by the 1920s.

In the 1920s, however, corresponding to expansions in Asia–Pacific trade and the decline of Britain’s status in international trade, Japanese general trading companies—which were gaining ground in Asia–Pacific trade—strengthened their competitive power, while that of British trading companies was relatively weakening.

How and why Japanese general trading companies improved their competitiveness during and after the 1920s will be examined in the following.

II. The Expansion of Japan’s Foreign Trade and the Progress of Japanese Trading Companies

1. Cooperative Relationships with Manufacturing Companies through Investments

Japan’s increased share of world trade brought about stronger

4. Takeda Haruhito, “Kokusaikankyō [International Environment],” in *Senkyūhyakunijyū-nendai no Nihon Shihonshugi* [Japanese Capitalism in the 1920s], edited by Senkyūhyakunijyū-nendaishi Kenkyūkai [The Society for the Study of the History of the 1920s] (Tokyo: University of Tokyo Press, 1983): 3-9.

competitiveness among Japanese trading companies. Because Japanese trading companies were in cooperative relationships with Japanese manufacturers, expansion in Japan's foreign trade led directly to development among Japanese trading companies. This point will be corroborated in the following, while examining the case of silk exported to the United States.⁵ Although the price of silk was falling in the 1920s due to escalating competition with rayon (a synthetic, silk-like fabric), silk remained Japan's largest export product. The amount of silk exports doubled from 286,621 to 574,849 piculs between 1919 and 1929.

It is instructive to take up examinations of three companies engaged in silk trading in Asia, for comparison purposes: Mitsui & Co., Japan's largest silk exporter; Madier Rebet, a major French trading company; and Jardine Matheson, a major British trading company. According to Table 1, Madier Rebet, the largest of the three, held the predominant position in the trade of Shanghai and Canton silk: the former was mainly exported to Asia and the United States, while the latter was mostly exported to Europe. Madier Rebet handled only a small portion of Japanese silk, which accounted for the bulk of Asian silk exported to the United States; Mitsui & Co., on the other hand, handled a large proportion of it. It should be noted, in addition, that Mitsui & Co. also held significant shares of Shanghai and Canton silk, even though its European rivals had the proverbial "upper hand" in the trading of these goods.

Mitsui & Co.'s prominent position in the silk trade was rooted in its close relationships with major silk manufacturers. Mitsui & Co. was the top shareholder of the Gunze Silk Manufacturing Co., a large producer of high-quality silk. In addition, it made loans to many silk manufacturers,

Table 1: Silk Exports: Amounts and Shares, by Company (May 1925–April 1926)

Exported Silk	Mitsui & Co.	Madier Rebet & Cie.	Jardine Matheson	Others	Total Amount
Japanese Silk	98,043 (22.9%)	8,181 (1.9%)	6,308 (1.5%)	316,392	428,924 (100%)
Shanghai Silk	7,577 (8.5%)	18,622 (20.8%)	8,190 (9.2%)	55,013	89,402 (100%)
Canton Silk	4,016 (7.6%)	16,326 (30.9%)	n.a.	32,563	52,905 (100%)

Source: Nihon Keieishi Kenkyūsho, *Kōhon Mitsui Bussan-kabushikikaisha Hyakunenshi*, first volume (Tokyo:Nihon Keieishi Kenkyūsho,1978): 459-460.

5. The following is based on Nihon Keieishi Kenkyūsho, *op. cit.*, 458-466.

including the Katakura Silk Manufacturing Co., another silk company in good standing. Thus, Mitsui & Co. was able to increase its competitiveness by combining disparate silk trade transactions, while earning commissions securely from deals made with excellent silk companies. Incidentally, investments made and loans given by general trading companies to manufacturers during the 1920s were more about establishing secure relationships with manufacturers than about securing trading companies' interests in managing manufacturing activities.

2. Trading Activities Based on a Global Network

From the manufacturers' viewpoint, they were able to develop closer relationships with trading companies only as long as doing so reduced their distribution costs. Therefore, manufacturers sought—if it compensated them to do so—to internalize the distribution process, instead of resorting to the use of trading companies.⁶ What advantages, then, were inherent in the trading companies' transaction systems? This question will be pursued in the following by examining the sales market of Mitsui & Co.'s silk trade.

Mitsui & Co. was highly competitive in the silk trade, not only in the purchasing market but also in the sales market. In the mid-1920s, Mitsui & Co. accommodated 150 U.S. companies, including the major ones of the 1,700 in need of silk. To cope with the needs of these clients and dealers, Mitsui & Co. adopted an aggressive sales strategy that involved the deployment of locally hired salespeople.

In addition, coordination between purchasing and sales operations also enhanced the company's competitiveness. It was not a rare case that the silk price in New York—the site of consumption—was lower than that in the production areas (e.g., Yokohama, Shanghai, and Canton), even if one were to include transport costs and interest rates. Under such circumstances, Mitsui & Co. observed the conditions of both the U.S. market and the production areas, and adjusted purchases and sales of silk based on long or short-term expectations. Thus, that Mitsui & Co. took

6. For instance, there were cases where silk manufacturers sought to internalize the distribution process as they accumulated sufficient internal reserves. A typical example of this was when Katakura Silk Manufacturing set up its New York branch in 1924 and embarked on export operations.

advantage of its global network was another of its strengths.⁷

It was not only with regard to sales operations that Mitsui & Co. capitalized on its global network. During the 1920s, the company's global network was also leveraged in terms of foreign exchange and financial operations. With regard to Canton silk trading, the company drew dollar-denominated drafts not in Hong Kong—the actual site of trade—but in Tokyo, where the terms were more favorable. In this way, the company gained a competitive advantage. Moreover, the New York branch of the company held ample in-hand funds throughout the 1920s, given strong silk sales and payments made prior to due dates. The New York branch made financial adjustments by sending surplus funds to other U.S. branches; this is why the company was able to maintain sufficient cash flow, even at the time of the 1927 financial crisis.⁸

3. Cooperation with Shipping Companies

The competitive power of Japanese trading companies was also reinforced by maintaining cooperation with Japanese shipping companies. Traditionally, the British shipping industry, placed at the center of the international shipping market, held a high level of competitiveness. However, it declined in the 1920s as tramp routes around the world were gradually transformed into liner routes. Unlike its British counterpart, the Japanese shipping industry rather raised its competitive power. Japanese shipping and trading companies alike improved their competitiveness by developing cooperative relationships based on the prospect of long-term and fixed business connections. Secret contracts involving deferred rebates were products of such relationships. Although the Shipping Conference (comprising liner shipping companies) officially approved a deferred rebate system, there existed between Japanese shipping and trading companies a secret system that offered deferred rebates to specific clients; these were rebates that were not allowed officially.

In the case of the silk trade elucidated earlier, silk shipped to the Pacific coast of North America was then transported to New York, either by the silk train across the continent or by steam ship through Panama.

7. Ueyama Kazuo, *Hokubei ni okeru Sōgōshōsha no Katsudō* [Activities of General Trading Companies in North America] (Tokyo: Nihon Keizai Hyouronsha Ltd., 2005): 295-297.

8. *Ibid.*, 259-265.

The latter route became more popular in the 1930s after the Osaka Shōsen Shipping Co. started a high-speed service that linked Japan directly to New York. Thus, about 70% of the silk shipment to the United States was handled by this direct shipping service through Panama. The Osaka Shōsen Shipping Co. was especially keen about the transport of silk, and thus on many occasions offered deferred rebates secretly to both Japanese trading companies and silk producers. For instance, the Gunze Silk Manufacturing Co. received 10–20% rebates for shipments of its silk thread and other silk products from Japan; for the shipment of its products from Shanghai, the highest rebate rate applied was 15%. In the case of Mitsui & Co., the highest rebate rate applied to shipments from Shanghai was 20%.

As a result of such relationships with Japanese trading companies, the loading rate of Japanese ships versus the whole of Japanese foreign trade increased rapidly, from 50% in 1913 to 75% in 1923. The rates then stayed at high levels—at 69%, 79%, and 66% in 1925, 1929, and 1935, respectively.⁹

III. The Competitive Power of Japanese Trading Companies in Asia–Pacific Trade

As the international trade structure changed after WWI, Japanese trading companies—in particular, general trading companies whose operations were conducted through their own global networks—improved their competitive power throughout the 1920s; this characteristic distinguished them from colonial trading companies, including those from Britain, that were losing their competitive advantage during the same period.

Geoffrey Jones argues that Japanese general trading companies were able to increase their competitiveness on account of having succeeded in extending their international networks, and thus in taking advantage of the development of Japan's foreign trade.¹⁰ In fact, as mentioned, Japan's position in international trade was upgraded as Asia–Pacific trade added to its importance after WWI; thereafter, Japanese shipping companies—

9. See Ōshima Hisayuki, "Pre-war Shipping Markets and Trading Companies," *Japanese Research in Business History* 28 (2011).

Geoffrey Jones, *op. cit.*, 100.

10. Geoffrey Jones, *op. cit.*, 100.

which were in cooperative relationships with Japanese manufacturers—increased their shares.

However, it was not only with regard to Japan's foreign trade that Japanese general trading companies became more competitive. Their competitive power increased also with regard to international trade with countries outside Japan (hereafter, "foreign countries"), to the extent that the activities of Japanese trading companies created trade friction with suzerain states in the 1930s. Why and how was the competitive power of Japanese general trading companies improved in areas where they could not take advantage of cooperative relationships with Japanese manufacturers? This question will be addressed in the following by examining international trade among foreign countries in which Japanese general trading companies were involved.

1. The Development of International Trade among Foreign Countries Handled by Japanese Trading Companies

As Japanese trading companies intensified their presence in Asia-Pacific trade in the mid-1920s, Japan's Ministry of Foreign Affairs and Ministry of Commerce and Industry sought to fully understand the actual situation. A secretary of the Ministry of Commerce and Industry in New York took note of trade developments between the United States and Asian countries, and reported the following points: most of the goods traded were not high-value added, but replaceable; they were for general and mass consumption; they were traded in developed systems, and produced only small profit margins; and many of them were international commodities whose demand fluctuated rather sharply. Additionally, he pointed out that there was no U.S. trading company whose organizational structure suited the trade of such international commodities, and that Japanese trading companies were more suitable.¹¹

Bulky agricultural products from Asian regions constituted the main items of Asia-Pacific trade. They were highly risky commodities for trading companies, given their susceptibility to natural conditions. Moreover, the regions concerned had been colonized by Western countries such as Britain, France, and Holland; therefore, colonial trading companies held predominant positions in the markets of those international

11. Ueyama Kazuo, *op. cit.*, 318-327.

commodities, on account of their strong connections with their respective home countries.

Figure 1 lists commodities that were traded among foreign countries and handled by Japanese trading companies. Raw cotton, cotton thread, cotton cloth, and gum, along with soybeans and vegetable oils like soybean oil, were the major items. In general, however, fluctuations were sharp: in the case of agricultural products, the balance between supply and demand could be easily disturbed by factors like climate conditions. Even if trade volumes were to remain unchanged, the amount of trade fluctuated violently because of price movements.

Next, we investigate Mitsui Co.'s gum trade as a case study of Japanese general trading companies' operations in relation to international trade among foreign countries.

According to Kazuo Ueyama,¹² exports of gum from the Malay Peninsula, Ceylon, and Dutch East Indies to the United States started to grow in the 1910s, as the U.S. auto industry developed. Traditionally, however, London had been the center of gum trading, because three-quarters of the gum-growing area was under the control of British capital. When an influential gum dealer went bankrupt after WWI, Mitsui & Co. set out to expand its gum trading. Kiyoshi Miyazaki—who was engaged as a gum trader at Mitsui & Co.'s branch in Singapore, an important gum shipment center—was transferred to the New York branch in the early 1920s; later in the same year, another gum trader from the Singapore branch was also sent to New York. Thus, the Singapore and New York branches were established as hubs of Mitsui & Co.'s gum trade, and through them, the company tried to extend its sales markets and improve its competitive power. Mitsui & Co.'s attempt began to pay off in the mid-1920s. According to the head of the New York branch, Mitsui & Co.'s competitive power stemmed from the company's ability to cope with price fluctuations, which in turn was made possible by making adjustments between purchasing and sales branches based on information gained through its global branch network. He added that no other gum-trading company in New York had such structural strength. However, although gum trading initially became a flourishing business in the New York branch, the purchasing operations of the Singapore branch could not keep up with the

12. *Ibid.*, 315-344.

Figure 1: Major Items of International Trade among Foreign Countries, Handled by Japanese Trading Companies: 1927–38

Note: The left axis refers to total trade amounts (bar graph), whereas the right axis refers to per-product trade amounts (line graphs).
Source: Shōkashō bōeki-yoku [Ministry of Commerce and Industry, International Trade Administration Bureau], *Honpōjinkei ni Kakaru Naigaisha no Shutsushōgyōhiki* [International Trade by Japanese Trading Companies], each year.

thriving pace of the consumption market. In fact, in 1929, only 11% of the gum sold by the New York branch was internally purchased through Mitsui & Co.'s global branch network; the remainder was purchased in the local New York market, imported from London, or bought from a counterparty of the Singapore branch called "shippers." It was under these circumstances that the company sought to extend its purchasing markets in the 1930s.

As a result, the Singapore branch succeeded in establishing close relationships with influential local estate agents, who in turn always gave "first preference" to Mitsui & Co.'s Singapore branch. In addition, the branch extended its purchasing network, and made purchase agreements with major shippers and local traders such as East Asiatic and General Rubber. Thus, the Singapore branch ranked fourth in Singapore's shipment rankings in the first half of 1931, after Goodyear Orient, Lee Rubber, and Aik Hoe Co. Throughout the first half of the 1930s, the Singapore branch maintained top positions.

2. The Sources of General Trading Companies' Competitive Power

Following the case study of Mitsui & Co., the following three points need to be stressed as crucial factors that contributed to Japanese trading companies' successful entry to Asia-Pacific trade.

First, there was a global branch network that covered both the purchasing and sales markets. Keiko Saruwatari, who researches the development models of British trading companies, argues that there existed some British trading companies that had grown to become similar to general trading companies, although British trading companies have been categorically regarded as commission merchants who traded specific commodities in specific areas.¹³ However, it was only during and after the 1960s that Guthrie & Co., a major trading company engaged in agency services for gum companies, started global business development.¹⁴ Harrisons & Crosfield, Ltd., another major trading company and an

13. Saruwatari Keiko, "Furisutandingu Kanpani no Kurasutā ni okeru Shihontekishigen no Torihiki – Igrishushōsha to Gomusaibaikaisha no Shīgatakurāsutā no Jirei [The Financial Resource Transactions within a Cluster of Free-standing Companies: the Case of a C-type Cluster Consisting of a British Trading Company and Rubber Producers]," *Keizaigaku* 73, no. 3 (2013): 161-162.

14. Saruwatari Keiko, "Igrishushōsha no Keiseinryaku to Soshiki – Gasurīsha no Jirei [The Strategy and Structure of a British Trading Company, 1821–1981: the Case of the Guthrie Corporation]," *Keieishigaku* 17, no. 4 (1983): 54.

agency for gum companies, had until 1917 also limited its operating areas to Australia and the United States, apart from nine Asian bases. In some areas, business transactions took place within a partnership structure.¹⁵ Jardine Matheson did operate widely, in terms of geography; nonetheless, its business shrunk during the interwar period, except in China. In addition, its New York branch, which had been established for sales of Chinese tea and silk, was closed in 1931.¹⁶ In contrast, Mitsui & Co. owned local subsidiaries in France and Germany and had 17 branches and 10 sub-branches overseas in 1931, in addition to 8 branches and 1 sub-branch in the home country. Apart from these, moreover, the company's personnel had been dispatched to seven different places worldwide.¹⁷

In the case of Japanese trading companies, their global business networks were run under the auspices of the companies' headquarters, and local personnel were allowed only narrow discretion. This state of affairs contrasts with that seen among British trading companies, where local personnel remained in one place for an extended period as experts. In addition, in the late 1920s and early 1930s, Chinese compradors and local Indians were engaged as branches' managerial personnel.¹⁸ Employees of Japanese trading companies were transferred among branches worldwide, and expertise regarding inter-branch transactions was shared by all; this contributed to the effective functioning of their global branch networks. In the case of Mitsui & Co.'s aforementioned gum trade, for instance, many members of the managerial staff in the sales markets had been transferred from conducting purchasing operations in Southeast Asia branches, in order to improve coordination between purchasing and sales markets. The establishment of a global branch network became a source of competitiveness among Japanese trading companies.

The second factor was the rigid monitoring function of the headquarters, particularly with regard to risk management. During and after the 1920s, credit uncertainty and bad loans were growing concerns for Japanese trading companies. Given the difficulties inherent in grasping

15. Saruwatari Keiko, "Igirisu Shokuminchishōsha no Takakutekiseichō – Harisunzu Ando Kurosufirudoshia no Jirei, 1844–1982 [The Strategy of a British Trading Company in Eastern Territories: the Case of Harrisons & Crosfield, Ltd., 1844–1982]," *Hitotsubashironshū* 90, no. 3 (1983): 118–119.

16. Geoffrey Jones, *op. cit.*, 103.

17. Nihon Keieishi Kenkyūsho, *op. cit.*, 436.

18. Geoffrey Jones, *op. cit.*, 206; 213; 221–224.

the actual financial situations of their trading partners, risk management was crucial to their business development, especially when they handled international trade involving foreign countries. In the mid-1920s, Mitsui & Co. ordered its branches to report on the financial situations of their trading partners, and the headquarters in Tokyo then put these reports under close scrutiny. In this way, the risk management system was reinforced. While local branches gathered various forms of intelligence on their trading partners and asked the headquarters to extend transaction ceilings with regard to business development, the headquarters adjusted the credit risk of each branch against the total risk to which the company was exposed, while taking into consideration the possibility of, for instance, a serious macro-level crisis.¹⁹

Many Asian trade products were agricultural goods that did not align with the typical commission-based transaction system, owing to sharp price fluctuations. Therefore, there was a need for other transaction systems, such as the “long transaction” (a trading company took a long position) and the “short transaction” (a trading company executed a purchasing contract before the actual purchase). In these cases, however, the trading company had to assume all the risk with respect to price fluctuations, and so risk management was crucial. In the 1920s, Mitsui & Co. kept commodities worth JPY20–30 million in stock, which corresponded to 20–30% of the company’s capital. To manage risk concerning the large amount of commodity stock it held, the company monitored the business activities of its branches and set a budget ceiling for each item. In the case of gum trading, headquarters determined the maximum amounts regarding both commodity stock and a purchasing contract, prior to the purchase; in 1931, these were as high as 4,900 tons and JPY22 million, respectively. Concerning the quota of each branch, the Singapore branch consulted with other local branches, came to understand each branch’s needs, and then made a quota application on its behalf. The headquarters then made adjustments and final decisions according to the situation at the time.

The third factor to contribute to Japanese trading companies’ successful entry to Asia–Pacific trade was that Japanese general trading companies

19. Ōshima Hisayuki, “Ryōtaisenki Sōgōshōsha no Risukukanri [Risk Control of General Trading Companies in the Interwar Period],” in *Senzenki Hokubei no Nihon Shōsha* [Japanese Trading Companies in North America in the Pre-war period], edited by Ueyama Kazuo and Kikkawa Yō (Tokyo: Nihon Keizai Hyouronsha Ltd., 2013): 263–294.

were involved not only in international trade, but also in financial services and transportation. With regard to transportation in particular, cooperation with Japanese shipping companies did increase trading companies' competitive power. In the case of gum trading, the cooperative relationship with Japanese shipping companies played an important role in business extension; this was also the case with the silk trade. In August 1934, the shipping section of Mitsui & Co. and of Kokusai Kisen Shipping Co. joined the Shipping Conference, which presided over gum transport between Singapore and the Atlantic coast of the United States. Thanks to their entry into the shipping route, Japanese trading companies that had secretly received deferred rebates gained a competitive advantage. Accordingly, the share of Japanese shipping companies increased. With regard to gum shipment from the Straights Settlements to the United States, the combined shares of the shipping sections of Mitsui & Co. and of Kokusai Kisen Shipping Co. were 15% between November 1934 and April 1935, 25% between August and September of 1935, 34% between November and December of 1935, and 50% at the end of 1935.²⁰ Ian Brown, who has investigated gum transport undertaken by Japanese shipping companies, refers to a report by a colonial administration bureau,—according to which, because of the integrated organizational structure covering a wide range of functions such as purchasing, trading, insurance, shipping, banking, and distribution, Japanese trading companies were capable of purchasing a commodity at a price higher than other companies in Singapore and selling it at a lower price on the sales markets.²¹ The same characteristic seen in the silk trade can be seen in the gum trade, although it was basically international trade among foreign countries.

Conclusion

This study examined the factors that contributed to the progress of Japanese general trading companies in the interwar period, especially relative to the decline of colonial trading companies in the Asian region at

20. Ian Brown, "Nihon no Keizaishinshutsu to Shingapōru no Igrishushihon [Japan's Economic Advancement and British Capital in Singapore]," in *Senkanki Tōnanajia no Keizaimasatsu* [The Economic Friction in Southeast Asia in the Interwar Period], edited by Sugiyama Shinya and Ian Brown (Tokyo: Dobunkan Shuppan. Co., Ltd., 1990): 186-187.

21. *Ibid.*, 187-188.

that time.

In the interwar period, Asia–Pacific trade enhanced its importance and Japan’s foreign trade increased its share in world trade. In accordance with the development of Japan’s international trade, Japanese general trading companies enhanced their competitive power. They established close relationships with Japanese manufacturers by making loans and investments, and the resulting cooperative relationships served to enhance their status in world trade. However, improvements in Japanese trading companies’ competitiveness cannot be ascribed solely to their relationships with Japanese manufacturers, because it also improved with regard to trade between North America and the Asian region outside Japan—something that was activated by the expansion of Asia–Pacific trade. For Japanese manufacturers, it would have been meaningless in the first place to involve trading companies in the distribution of their products, had it not been for their strong competitive power. What, then, were the sources of their competitive power, which brought about the remarkable progress of Japanese trading companies? This study highlighted as an important factor the internal structure of Japanese trading companies: they had trading bases in both Asia (purchasing markets) and North America (sales markets), and their global business network was presided over by headquarters in Japan. Japanese company personnel were transferred across countries, which facilitated information-sharing among them. However, the long-distance trade of commodities that saw sharp price fluctuations entailed high levels of risk. To manage such risk, a rigid monitoring system was established within the headquarters, and business transactions worldwide were kept under surveillance.

In addition, Japanese general trading companies were engaged in comprehensive business operations, including financial services and transportation distinct from international trade. They maintained close and cooperative relationships—especially with the Japanese shipping industry—based on long-term business prospects. This too served to strengthen the competitive power of Japanese trading companies.

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