Foreword

The Overseas Branch Activities of General Trading Companies

It is a well-known fact that a Japanese-made business skill, the Toyota Production System, came into worldwide use throughout the car manufacturing industry. The concept behind a general trading company (hereafter, GTC) may well be regarded as another product originally invented in Japan and now being used elsewhere. And in fact, South Korea has introduced the concept and set up GTCs for the purpose of encouraging that country’s exports (Jong Wook Ha, *The Impact of the General Trading Company on Export Performance* [1989]).

Obviously, the preeminent position of GTCs stems from their “generality”: they deal in a variety of goods and services ranging from “noodles to missiles,” or, as people put it more recently, from “bottles of mineral water to satellites.” They take advantage of an aggregated and consolidated power in both trade functions and geographical areas (The Research Dept. of Itoh Chu Corporation, ed., *Nippon no sōgō shōsha* [Japanese general trading companies], 1997). On the other hand, the lack of core competence in GTCs’ business operations is often pointed out as their weakness, because they get involved in anything and everything that might bring them profit. But nowadays the term “general” is verging on becoming obsolete, especially in the retail and electric industries in Japan. This is because GTC managers are tending more and more to follow a “niche top” strategy and concentrate on doing business within a specific field.

A long severe depression afflicted the GTCs in the second half of the 1990s, and most of them faced a financially awkward position of declining shares, suspended dividends, and operating in the red. This situation resulted basically from a shrinking of their economic activities in a depressed economy and bad investments made by them.
in the bubble period of the 1980s. The Asian financial crisis also accelerated this deterioration in GTC activities. In 1999 Kanematsu Corporation, the ninth largest GTC, was forced to slash personnel numbers and to cut the size of its operations by one-third. Its management aimed at restructuring by changing from a general trading company to a specialized trading company whose trade would be limited to food and electronic products only. The top-ranking GTCs still adhere to a "general trading" policy of taking on a wide range of goods and services, but lower-ranking ones are ready to withdraw their managerial resources from low-profit business items and to concentrate on the most advantageous ones. This has prompted an economic analyst to express the very pessimistic view that only GTCs set up as zaibatsu-affiliated trading companies will be able to survive in the 21st century.

Historically the GTCs have three types of origins. The first type owes their beginnings to zaibatsu that established trading companies as affiliates. The second consists of merchants who imported raw cotton and exported cotton manufactured goods for textile companies, then grew into GTCs after mergers and acquisitions. The third group consists of iron merchants who had licenses from the government-controlled Yahata Iron Foundry. After World War II the top ten trading companies (in annual turnover) became GTCs, but Ataka Corporation, the tenth largest, was absorbed into Itoh Chu Corporation in 1977 because of its bad debts to an oil refining company in Canada.

Still, once before, in the 1960s, the GTCs were considered to be on their way out. One scholar who thought the manufacturing companies would integrate purchasing and selling roles warned that manufacturing companies would finally be able to dispense with the trading companies. It did not take long, however, for this prediction to be proven wrong, for small and medium-sized companies came to depend heavily upon the GTCs when they decided on overseas expansion. The GTCs did market research for them and opened up new marketing channels abroad. The GTCs greatly assisted car manufacturing companies, for example, in creating dealer networks in the United States. But now the rapid spread of deregulation and of e-commerce provides consumers with many opportunities for direct access to manufacturers without the need for going through established merchandising channels. Fierce global competition, as well, forced
manufacturers to cut the commissions they paid to GTCs for their services. As a result of all these pressures, the GTCs now pay more attention to business operations related to information and networks, investment (R&D), and the financing of manufacturers and other enterprises than to the old established trade-mediating operations.

There are several historical studies written on the GTCs in English: K. Kojima and T. Ozawa, *Japan's General Trading Companies: Markets of Economic Development* (Department Centre of the Organisation for Economic Co-operation and Development, 1984); S. Yonekawa and H. Yoshiwara, eds., *Business History of General Trading Companies* (University of Tokyo Press, 1987); and S. Yonekawa, ed., *General Trading Companies* (United Nations University Press, 1990). They are brief histories of the GTCs and do not go into their detailed business activities. In Japan the business histories of the GTCs have been studied mostly within the framework of zaibatsu history. The important role of the GTCs in Japan's industrialization has attracted most of the attention of scholars. Some of the GTCs have commissioned histories by academic people; though they are well written, they do not make much mention of GTC activities overseas. So far very little has been revealed about GTC branches' activities at the world's commercial centers—London, Paris, and New York. It would probably be safe to say that the history of Japanese multinationals—Japan's outward direct investments—has as yet not received academic endorsement.

This subject is to be approached from the viewpoint of international business history: researchers have to pay serious attention to both Japanese and foreign materials simultaneously. In volume 11 this journal dealt with the topic of the encroachment of foreign companies on the Japanese market through inward investments. Thus the topic of this volume should be considered in connection with these earlier articles, as being, as it were, the other side of the coin.

The feature articles in this volume deal mainly with the history of GTC overseas branch activities. Terushi Hara firstly reveals the little-known history of Mitsubishi France on the basis of company records newly discovered in France. Nobuo Kawabe analyses the investment activities of Japanese business abroad in a case study of the Mitsubishi Trading Co. branch offices in the United States; he depends largely upon alien property records seized during World War II. Makoto
Kasuya skilfully writes up the business history of the London branch of Mitsui Trading Co. on the basis of what he discovered in relevant materials held at the Mitsui Archives. We sincerely hope that this set of pioneering articles will be able to pave the way for our readers to understand the significance of a subject that deserves to be of greater interest in both Japan and abroad: the history of Japanese multinationals.

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