

The Sogo Shosha: Japan's Multinational Trading Companies

by Alexander K. Young

(Westview Press; 247 pp.; \$20.00)

Frank Meissner

In the 1970's Japan started to outshine the socioeconomic performance of the United States as measured by almost all common indices. Thoughtful Americans warn that if this erosion of American economic competitiveness deepens, our standard of living will be jeopardized and our national strength eroded. We might become another England. America must respond constructively to the Japanese challenge or, like an old soldier, "fade away." The Japanese explain in cultural terms their capability of running rings around us, while knowledgeable Americans believe it is more a matter of overall economic policy. It is undoubtedly a little of each.

The Sogo Shosha, the General Trading Companies (GTCs), are the little-known institutions that implement Japan's economic policy. Alexander Young, professor of international relations at the State University of New York in New Paltz, writes that with an annual turnover of over \$200 billion, the ten big GTCs (Mitsubishi, Mitsui, Marubeni, Itoh, Sumitomo, Nisso-Twai, Toyomenka, Kanematsu-Gosho, Ataka, and Nichimen) account for more than half of all Japanese imports and exports, one-fifth of domestic wholesale trade, one-third of Japan's gross national product, and over 5 per cent of the entire world's export trade.

The beginning of the GTCs goes back to 1868, when Japan shed its self-imposed isolation and set about changing from a feudal state to a modern nation. That meant trade, an activity Japan pursued from the start of the modern era. Coming out of isolation, Japan had no expertise in foreign trade. International commerce was dominated by foreign companies. Later, as Japan's Meiji leaders stimulated industrialization, trade gradually shifted to Japanese business houses. Starting from zero, by the end of World War II GTCs handled most of Japan's foreign trade and were financing intermediary domestic industries as well as foreign companies. They

provided new technology, information, overseas offices, private communications systems, and ships.

The destruction of World War II was complete. Few people believed that Japan would ever again become a significant economic power. The environment for trading houses changed. Mitsui and Mitsubishi, the two biggest traders, were dissolved. Other traders soon moved in to fill the vacuum, turning every adversity into opportunity. Depression, which followed the Korean War, necessitated change in structure for both trading houses and the Japanese economy: less concentration on textiles and a shift to heavy and chemical industries. Steady supplies of raw materials were needed. GTCs stepped in by organizing joint investment and resource development ventures aimed at increasing sources of food and other staples. Big volume and low commission was the dominant method of operation. There was no limit to flexibility. GTCs are involved in urban development, housing, fashion, distribution, consultancy, and engineering.

In short, GTCs are bundles of energy aimed at problem-solving in a supply/demand-oriented world. They identify ways to supply goods and services by acting as intermediaries in simple or complex trade deals, they create demand for products in specific markets, they boost trade flows toward existing markets, they look for weak spots in existing trade flows, and initiate industrial development to help shore them up. In short, the Sogo Shosha offer a network of international and domestic services that catalyze trade in any product or service worth trading in.

The original purpose of the GTCs was to serve Japanese companies only, but today a substantial and growing part of their activity consists of imports and exports of goods on behalf of manufacturers and buyers of commodities in other nations. Yet the Sogo Shosha remain uniquely Japanese. They derive

their business philosophy from the Confucian cultural tradition, which emphasizes harmony and community. They operate like an extended family unit, following principles of filial piety and loyalty toward their clients.

Rather than quick profits on single deals, GTCs like to build long-lasting loyal relationships based on high volume: They typically realize profits of 1.7 to 2 per cent on total revenue; they often take losses on deals because of the special problems of certain close customers, just as family businesses give discounts to relatives. Admittedly, they work most comfortably with other Japanese companies, which also operate on the basis of mutual loyalty. Yet they are willing to extend loyalty to foreign companies as well.

Dr. Young points out that up to now the American business community has not been able to figure out the enigmatic GTCs. They tended to act in accordance with an old Czech proverb: "What the peasant does not know, he does not eat." Consequently, the spirit of the freewheeling Yankee trader seems to have evaporated as Americans ran for cover crying "foul play." In 1970, Herman Kahn pointed out the shortsightedness of this attitude, but nobody paid much attention. (While Young's topic index omits Kahn, there is under the letter "K" a reference to Kentucky Fried Chicken.)

All that glitters is not gold, of course. Professor Young shows that since the mid-1970's it has been rough going for some of the Sogo Shosha. Geared to growth, more especially to export-led growth, the GTCs have not thrived on limping world economies, energy crisis, yen revaluation, and direct restrictions on Japan's exports. Moreover, Japanese manufacturing concerns are rapidly learning to cut out intermediaries. In the early 1960's the GTCs handled three-quarters of Japan's imports, by 1977 only half. Likewise, the GTC share of export trade has fallen from 56 per cent in 1974 to 49 per cent in 1978. This is happening when the GTCs' dependence on the international side of their business is growing.

GTCs are not taking all this lying down. They are examining their exposed role as bankers to small business clients, operating on leverages that would make U.S. financial officers run for cover or face impeachment. They

are increasing bad-debt provisions, strengthening screening of credit requests, and cutting back support of selected clients. They are substituting new activities to diversify from overexpanded industries such as open-hearth steel, sugar refining, and plywood.

Young's pioneering treatise on such an important subject as GTCs calls for a revised edition, which gradually would bestow on it the status of a classic. Here are some suggestions for the second edition: First, cut out most of the more than sixty statistical tables, a flood of data which tends to drown out many an important message. Second, the pragmatic reader looks for some carefully selected and comprehensively treated case studies of such topics as putting together the complex agribusiness deal in Brazil, the feeding and care of one of

the more than 200 GTC offices around the world, or a young man's ascent on the lifetime career ladder (women not yet admitted), and so forth. Third, there should be case studies of how small American exporters grew and prospered by using the Sogo Shosha to pave their way into Japanese markets. Fourth, above all there should be a chapter or two highlighting the Japanese style and possibilities of adapting some of the elements to American and West European management practices.

But Professor Young has written a book that should be on the shelves of economic and diplomatic professionals dealing with the Far East, and that claims the attention also of intelligent laypersons who wonder why the Japanese are running circles around us and what we might do about it. [WV]

respectively), or the basic, pithy, though thoroughly European, statement on human rights and American policy by Zbigniew Brzezinski at the White House Commemoration of the 30th Anniversary of the Universal Declaration of Human Rights.

Nonetheless, the three anthologies taken together provide the student of human rights with a solid look at the cluster of complicated issues involved in United States initiatives to promote such rights. Many of the chapters in these books are written by key participants in the struggle for human rights and the recent attempts to introduce human rights concerns in American foreign policy: In Rubin and Spiro we have Donald Fraser, chairman of the House of Representatives subcommittee that leads the way in Congress; Dante Fascell, co-chairman of the Congressional Helsinki Commission; Senator Moynihan; Theo Van Boven, director of the U.N. Human Rights Division. In Brown and MacLean appear Mark Schneider, the State Department's human rights workhorse; Tom Buergenthal, a member of the Inter-American Court of Human Rights; John Salzborg, for years the key congressional staffer on human rights; the Reverend William Wipfler, a major link in the United States for human rights problems in Latin America. And Kommers and Loescher include A.H. Robertson, former director for human rights, Council of Europe; Ben Whitaker, director, Minority Rights Group; Tom Farer, member of the Inter-American Human Rights Commission; Nigel Rodley, legal advisor to Amnesty International; Laurie Wiseberg and Harry Scoble, co-editors of the *Human Rights Internet* newsletter. Additionally, Rubin and Spiro, and Kommers and Loescher, include the basic administration human rights policy pronouncements by Carter, Vance, Warren Christopher, and Patricia Derian.

Brown and MacLean include three excellent case studies: the Philippines (Richard Claude), South Korea (Jerome Cohen), and Iran (Richard Cottam). Elizabeth Spiro provides a useful introduction to the complexities of U.S. human rights policies toward the multilateral aid institutions, and Abraham Sirkin (in Brown and MacLean) discusses lucidly the impossibility of consistency in U.S. human rights policy, arguing for balance, integrity, and co-

Human Rights and U.S. Foreign Policy *ed. by Peter Brown and Douglas MacLean*

(Lexington Books; 301 pp.; \$16.95)

Human Rights and U.S. Foreign Policy *ed. by Barry Rubin and Elizabeth Spiro*

(Westview Press; 283 pp.; \$20.00)

Human Rights and American Foreign Policy

ed. by Donald Kommers and Gilbert Loescher

(University of Notre Dame Press; 345 pp.; \$14.95)

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None of these books is complete or internally coherent. Kommers and Loescher is a well-edited version of papers presented at a conference in April, 1977, but most of the pieces have little to do with American foreign policy. Most of the chapters in Rubin and Spiro have been published elsewhere, chiefly in *Commentary*. Brown and MacLean, strangely for a volume that concentrates on "human rights provisions in U.S. law governing foreign policy," overlooks the Soviet Union as if the Jackson-Vanik amendment does not ex-

ist, and overlooks the international financial institutions as if the multilateral aid spigots were not a prime concern of congressional human rights advocates.

None of the introductions by the editors provide either a cogent rationale for including the articles that follow or a clear and concise introduction to the announced subject matter: human rights and U.S. foreign policy. For this an interested reader could better start with Arthur Schlesinger's or Sandra Vogelgesang's articles in *Foreign Affairs* (January, 1979, and July, 1978,