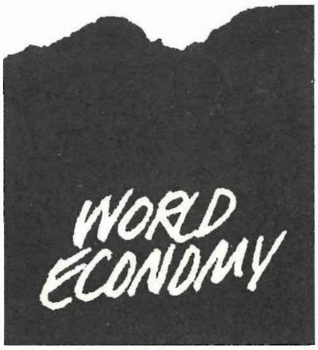

The expansion of Japanese Sogo Shoshas

By Frederick Clairmonte

In the course of the last 100 years the Japanesese Sogo Shoshas, or general trading companies, have become the most visible dynamic force of Japan's growth – at home and abrbad. They mounted the economic offensive that raised Japan's GNP from 24 billion US dollars in 1955 to 563 billion dollars in the mid-1970s. Here the Sogo Shoshas are analysed as a case study of the forces behind the structural changes in the world economy discussed in the previous article.

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Earlier, they were the trading muscle of the Zaibatsu until their dissolution by the United States occupation after the Second World War. After the initial big anti-trust drive had spent itself, the Shoshas were reconstituted to become an even more powerful extension of the Japanese industrial corporations [1]. Such corporate power transcends the geopolitical boundaries of the island empire, with banks providing the financing; the Shoshas being responsible for purchasing, marketing, carrying of inventory, and market research; and the industrial subsidiaries acting as the production arm.

Accelerating centralization and concentration of capital

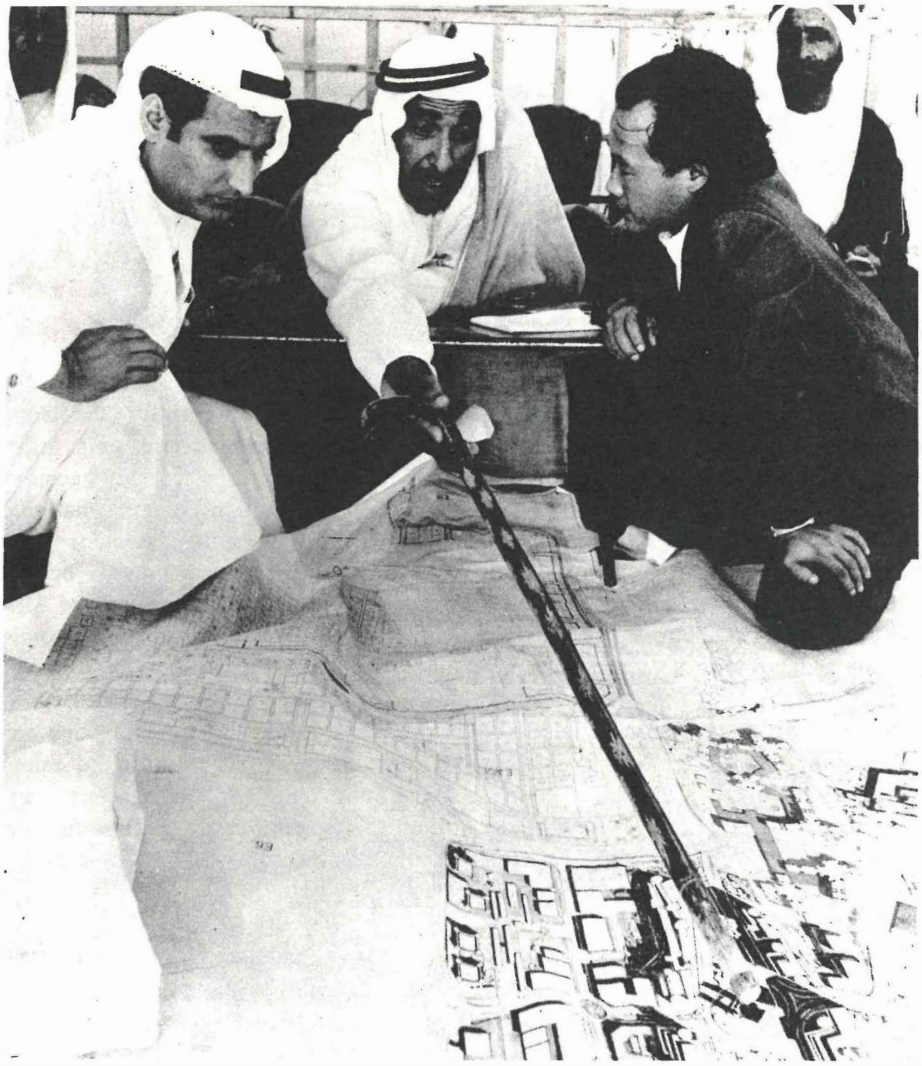
At present, there are about 14 highly sophisticated Sogo Shoshas broken down into the group of nine and the remainder composed of *the majors*: Mitsubishi, Mitsui, Itoh, Marubeni, Sumitomo, Nissho-Iwai, Toyo Menka Kaisha, Kanematsu-Gosho, Nichimen, and *the minors*: Chori, Kinsho-Mataichi, Nozuki, Okura and Tashoku. Analysis, however, will be confined merely to the majors whose total revenues in 1979 were $269 billion (which compares with the GDP of France). In the latter half of the seventies their share of Japanese foreign trade (exports plus imports) at times reached as high as sixty per cent.

Their activities embrace four major trading activities: imports, exports, domestic transactions and trading between third countries. Whereas foreign trade amounted to $212 billion, total trading transactions of the majors outstripped $269 billion in 1979, or 27 per cent of the nations GNP. By the onset of the 1980s, the majors had carved out about 8 per cent of world trade and 8 per cent of domestic distribution. In general, each Sogo Shosha handles 20,000-25,000 products, which gives an idea of the organizational dimensions of these multinacional conglomerates which have, in fact, ceased to be purely "trading corporations". Hence the term "general trading companies" to describe their complex operations in almost every facet of economic (and political) life is inappropriate.

While ostensibly independent, the big nine are inextricably enmeshed in a variety of ways, although manifestations of collusive behaviour in no way imply that competition does not exist, or that the status of a Sogo Shosha is impregnable, as the wave of mergers, acquisitions and bankruptcies demonstrate. Economic recessions, as is true of the global concentration and centralization of capital, contributed to thin the existing ranks of the Sogo Shoshas. With each successive economic cycle the weaker Senmon Shoshas (specialized trading firms) were eliminated and annexed with the big banks stimulating such acquisitions to protect their investments.

In 1959, Mitsui Bassan and Daichi, the last two contending firms of the old Mitsui Zaibatsu, merged. By the mid-1960s thirteen Sogo Shoshas had been slashed to ten (with the three mergers: Kanematsu-Gosho, Marubeni-Iida, Nissho-Iwai)[2]. In 1977, Ataka (the ninth largest) which once appeared to be as indestructible as the Titanic, collapsed. With the support of the Ministry of International Trade (MITI), and other Sogo Shoshas, it was absorbed – this indicating the relationship between the state apparatus and the corporate sector. The process of economic consolidation and conglomeration masterminded by MITI, continues.

It is this combined phalanx of Sogo Shoshas which was capable of attacking the seven petroleum sisters. as the former now account for around two-fifths of total petroleum imports into the island kingdom. There are few major countries – if any – that would have the economic muscle and flexibility to make such aggressive inroads against the seven sisters. This is but one significant illustration of the unprecedented battles of the transnational conglomerates that are now shaping up in the 1980s.



A Japanese businessman demonstrating a new building complex in The United Arab Emirates. The Gulf countries are a major export market for the Japanese Sogo Shoshas.

The origins of Japanese oligopolies

The nature, complexity and ideological commitment of the big nine are inseparable from their Zaibatsu foundations. Although the Mistsubishi corporation was reborn in Juli 1957, and Mitsui in February 1959, the House of Mitsubishi was one of the four Zaibatsus which jointly controlled 76 per cent of the total paid-in industrial capital of Japan prior to the end of World War II. The basic technological strategy before 1914, as after 1950, was the national pursuit of *import substitution* policies with reliance on imported products not produced in Japan and the incorporation of foreign technology not yet produced by domestic capitalists.

In time, import substitution became wedded to *overseas annexationism*, and in the interwar period the consolidation of Zaibatsu power, which in turn was the major motive force of Japanese imperialism. Not merely had foreign traders been ousted by the 1930s but the movement to concentration gathered momentum. Between the early thirties and the early forties Mitsui and Mitsubishi had annexed 30 per cent of the nation's external sector.

Via a mixture of *massive government subsidies and tax privileges,* linked to a xenophobically nationalistic economic policy, the Zaibatsus and the state apparatus became inextricably blended. The Zaibatsus had become conglomerates well before that term had received its conceptual consecration in the 1950s and 1960s. They grew symbiocally with the Bank of Japan which, since its inception in 1882, deliberately fostered economic concentration. The Bank's patrons and pursuits were to be harmonized with the rising Zaibatsu. Apart from the Finance Ministry's holdings, much of the Bank's stock was held by Mitsui, Iwasaki (the owners of Mitsubishi), Sumitomo, Kawasaki, Yasuda Kenaike, Okura and Yamaguchii families. Indeed, Japanese capitalism had plunged into the era of oligopolistic conglomeration decades before that concept was deployed to designate the evolution, practices and global reach of the giant transnational corporations in the 1960s.

A facade of antitrust legislation

The avalanche of antitrust legislation imposed by the McArthur administration during the U.S. postwar occupation could not alter the direction of the engine of capital accumulation. Rather, an antitrust facade was scaffolded based on a literal transplantation of the American model. Between 1959 and 1955, antitrust laws were systematically amended to sanctify intercorporate stockholdings, mergers and interlocking directorates. In 1955, the Liberal Democratic Party, which was to become the supreme ideological economic spokesman of Big Capital, was born. In what could be regarded as a marvel of understatement, the leading antitrust administrator of the Japanese Fair Trade Commission noted that "the history of the anti-monopoly law (in Japan) is a history of emasculation". As distinct from appearance the engine of Japanese capital accumulation has now wholly ceased to be inhibited by the irritantes of an alien legislation which never corresponded to the cultural specificity of Japanese capitalism.

To be sure, while rivalry among the giant Sogo Shoshas is present, much of it is illusory because they work together in a myriad of ways. Unlike American antitrust terminology, the term "collusion» is singularly inept to describe the present forms of cooperation between the Japanese corporate giants. A recent example that is typical of such inter-Sogo Shosha cooperation is the takeover (July 1980) of one-third of a major Philippine copper smelting company by Marubeni, Sumitomo and C. Itoh. Not only has the traditional distinction between political decision-making and corporate interstate interests long since been obliterated, but finance capital has become one of the key factors in the cohesion of the Sogo Shoshas. Their financing potential, now reinforced by their harnessing of the petrodollar surplus of the OPEC world, has given them limitless access to finance capital.

Given their meshing with banks,

Mitsubishi Corporation is the leading Sogo Shosha in terms of global sales. Photos from the company's import of LPG (left top) and bunker fuel (left bottom).

Mitsubishi is also active in production and imports of foodstuffs, eg pineapple from Thailand and coffee from Brazil (top and bottom right).

the Sogo Shoshas are ideally positioned to extend long term credits, finance international trade, and provide working capital as well as investment funds. Moreover, because a growing volume of international trade now involves barter arrangements, the Sogo Shoshas, due to their highly flexible marketing mechanisms, are ideally positioned in the global market. Mutual ownership promotes group solidarity and stability and allows for transfer pricing techniques. "Relendings" or reinvestments to small or medium-sized clients constitute anywhere between 30-40 per cent of each Sogo Shosha's outstanding debt at anytime. No less significant is that the annual amount of write-offs for bad debts often total anywhere from 30-50 per cent of its annual profits in economic recessions and 15-30 per cent in economic expansion.

It is significant of the inter-relationship between finance and industrial capital that the Industrial Bank of Japan, Nippon Credit Bank, as well as 13 city banks were top shareholders in 257 of 1,507 corporations. Among them is Mitsubishi Bank, the top shareholder in 39 corporations, followed by Dai-Ichi Kangyo Bank, ranking first in 38 companies, and Fuji Bank in 31. Such strategies are designed to ensure corporate cohesion. It is not at all fortuitous that the 5 per cent limit on individual shareholders prescribed by the so-called 'Anti-Monopoly Act' now exceeds 20 per cent in many cases. Of no less significance for the sustained offensive of the current global economic war is that of the world's 50 biggest banks, 14 are Japanese, 7 American.

The Intelligence Network

The successful annexation of global markets would have been considerably less potent had it not been for the development of a coherent economic and intelligence network at all output and marketing levels. Recently, the Sogo Shoshas have stepped up their information gathering, particularly acquisition of information on international politics. In an understatement that would – in appearance only – be the acme of banality the President of Mitsui noted: "It seems that economic and industrial activities have never been so swayed by international political developments as now"[3]. Such extensive intelligence networks are imperative not only for the massive commodity hedging and speculation on global futures markets, but for a multiplicity of goals.

"Japan's unique business organizations, the nine leading general trading companies", writes *Business Japan* [4] "must spend far more than the CIA to support their communications networks". The combination of these factors means that Japanese oligopolistic capitalism in its conglomerate phase has possibly reached the ultimate upper level of corporate organization. The 1980s will undoubtedly see the further consequences of these organizational shifts.

In 1970, aggregate overseas Japanese investment was a trifling $3.6 billion. However, according to the projections of the Japan Economic Research Center, these investments are expected to rocket to $155 billion by 1990, with $44 billion slated for North America. Because of what it regards increasingly as the political instability of the underdeveloped capitalist world, Japanese capital will be moving at an accelerated tempo into the Euro-North American economic complex. Such a geo-political configuration must inevitably escalate economic antagonisms in the 1980s, and even contribute to the further marginalization of the underdeveloped capitalist economies.

Notes:

[1] Cf. A. K. Young, *The Sogo Shoshas: Japan's Multinational Trading Companies* (Boulder, Colorado, 1979); Dodwell Marketing Consultants, *Industrial Groupings in Japan* (Tokyo, 1978), Part V. pp. 443-466.

[2] Y. Tsurumi and R. Tsurumi, *Sogoshosha: Engines of Export-Based Growth*, The Institute for Research on Public Policy, Montreal, 1980, p. 22.

[3] *Japan Economic Journal*, 5 Feb. 1980.

[4] *Business Japan*, Nov. 1978. ■

The Sogo Shoshas: global sales, 1979 (in $ billion)

Corporations	1974	1979	Percentage increase over 1974
Mitsubishi	32,5	52,6	161
Mitsui	27,1	48,8	180
C. Itoh	17,8	38,6	217
Marubeni	19,4	36,5	189
Sumitomo	17,8	33,1	186
Nissho-Iwai	13,7	25,1	184
Toyo Menka	8,3	12,1	146
Kanematsu-Gosho	7,9	12,0	152
Nichimen	7,1	10,0	141
TOTAL	**151,6**	**268,8**	**177**

Source: Annual reports of the companies and trade sources.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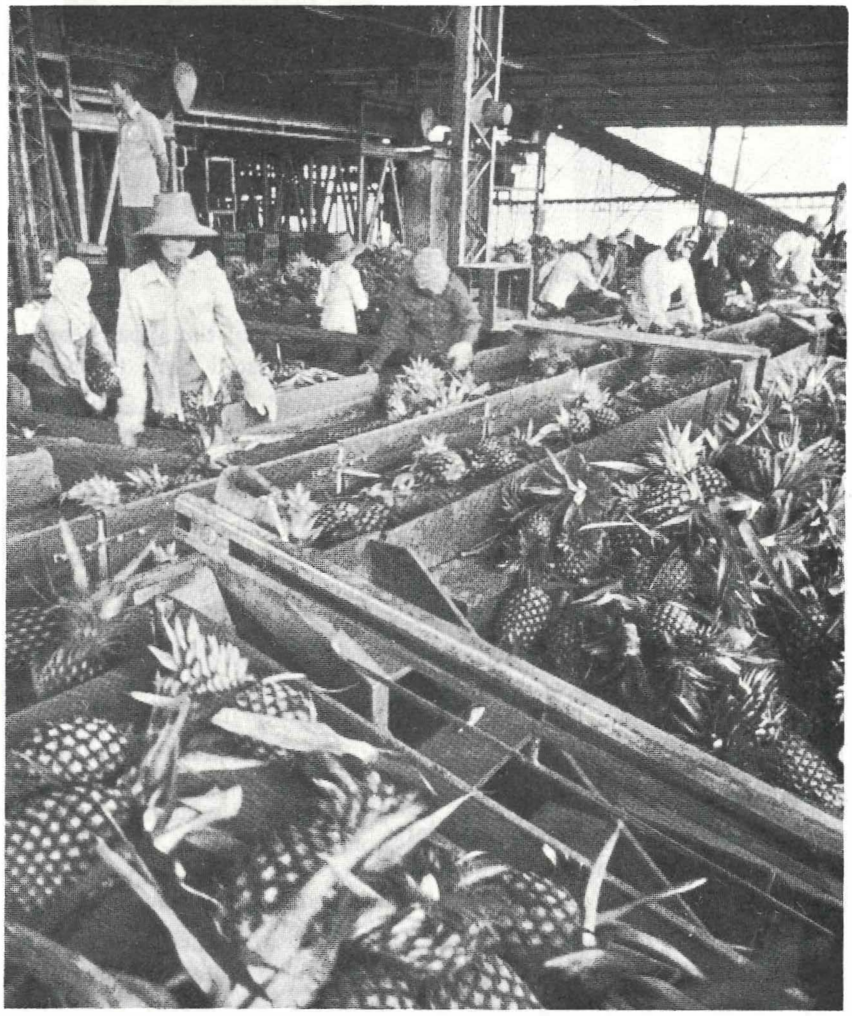

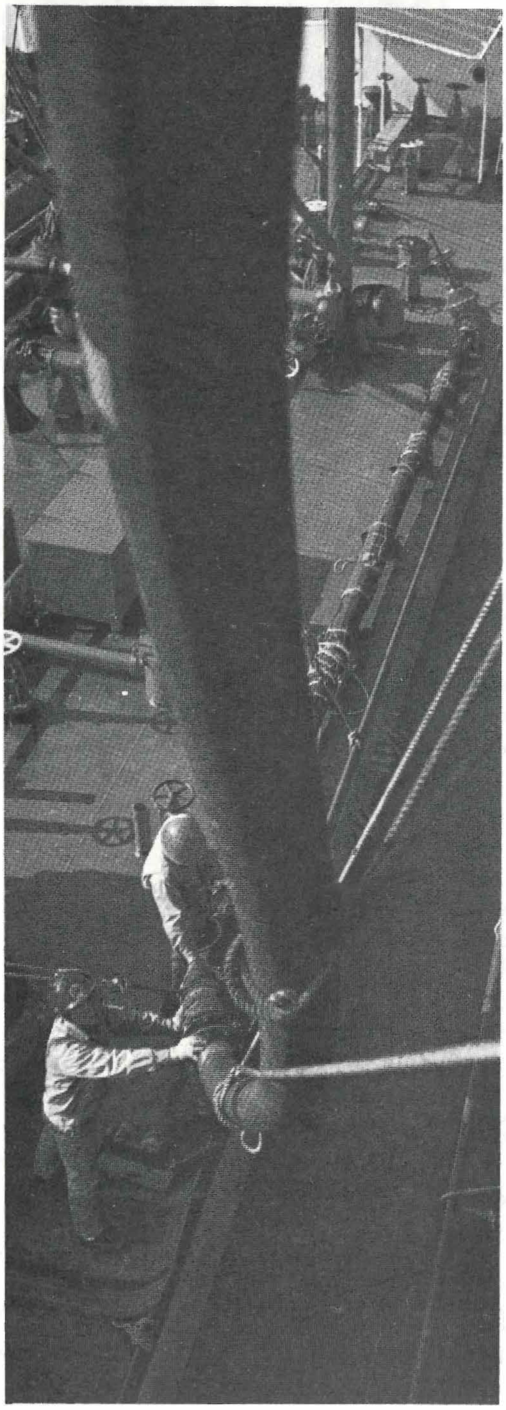


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