Mitsui & Co

By Tsuchiya Takeo

Japan is one of the world's leading capitalist industrialized countries. However, the country is heavily dependent on import of a large number of strategic raw materials. The first report in our series on transnational companies examines Mitsui & Co., Ltd, a major Japanese trading company, with a special emphasis on its activities in the raw materials field.

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The origin of the Mitsui family concern can be traced back to the early Edo period in the 17th century. The year 1673, when Mitsui Hachirobei Takatoshi opened the Echigoya draper's shop in Edo (now Tokyo) is generally accepted as the year of establishment of the family concern. Mitsui Zaibatsu is thus a truly old family business, with a history of more than three centuries. In this respect it differs from Mitsubishi Zaibatsu, which was only established in the post-Meiji Restoration period.

Mitsui diversified its business lines from draperies to financing, and in 1707 it extended its business to Nagasaki, the only open port in the Edo Isolation Period, and started importation activities. That *import business* can be regarded as *the origin of the modern Mitsui & Co.* In the late Edo period, the Mitsui family concern had already grown to be one of the leading Japanese merchants.

When the Meiji Restoration government took power in 1868, Mitsui ran its business as financier and trader in close relationship with the new government. In 1876, the family concern founded *Mitsui Bank* and *Mitsui & Co.* As Mitsubishi Corporation (Mitsubishi Shoji Kaisha) became a corporate entity only as late as 1918, Mitsui was 42 years ahead of Mitsubishi in establishing itself as a trading company. In the years after its establishment, Mitsui & Co. opened a representative office in London and a branch office in Shangai, launching its overseas operations. In later years, the trading company built up its branch office network in Asia making use of coal export as its lever.

The development of Mitsui & Co. coincides with the development of Japanese capitalism. The company had engaged in the importation of machinery and export of cotton yarn and silk as well as other key trading items. In 1911, shortly after the Sino-Japanese and Russo-Japanese War, Mitsui & Co.'s stake in Japan's overall trading transactions were:

»Single price and cash payment». The signboard of Mitsui Hachirobei Takatoshi. Above.

Mitsui head office in 1800. Right.

- 24 per cent of the total exports (38 per cent of cotton yarn exports, 34 per cent of cotton fabric exports, 29 per cent of silk exports).
- 21 per cent of the total imports (31 per cent of raw cotton imports, and 31 per cent of machinery imports).

As the company's current share in total trading transactions (exports and imports combined) is approximately 10 per cent, Mitsui & Co. had a stronger hold on Japan's trading transactions in the

A Mitsui warehouse around 1915.
Packing of silk for export.

early 20th century than now. The percentage composition of its transactions by type of business for the same year (1911) were: 35 per cent in export, 36 per cent in imports, 18 per cent in domestic transactions and 11 per cent in overseas transactions. As compared to the current composition of its transactions, the company leaned more heavily toward trading business at the time.

Mitsui and Japanese colonialism

In the pre-war period, Mitsui & Co. played an important role in controlling Japanese colonies. In *Taiwan* which Japan acquired from China after the Sino-Japanese War, the company established the Taiwan Sugar Refining Co., the largest sugar refining company on the island, commanding the highly profitable sugar manufacturing sector. In *Korea*, colonized by Japan after the Russo-Japanese War, Mitsui & Co assisted the operations of Toyo Takushoku Co, a national concern to plunder the Korean people of their land holdings as a matter of policy, and had Japanese cotton spinning companies form a cotton textile exporters association to conquer the Korean cotton textile market with Japanese goods. Mitsui & Co. also delegated two directors to the South Manchuria Railway, acquired from *Russia* after the Russo-Japanese War, and monopolistically sold railway supplies to the Manchuria company. In 1908, Mitsui & Co began to export soybeans produced in northeast *China* (Manchuria) to the European market, one of the earliest overseas trade transactions (intermediary trade) carried out by the company.

China – a key market

Making inroads into the Chinese market was the consistent strategy pursued by Mitsui & Co. By 1911, the company had already opened its branch and representative offices in 41 overseas locations of which 18 were in China. The company not only expanded its trade with China, but also acquired exploitative concessions in mines, and so on, by extending credits to the Chinese. The company also organized "Taihei Kumiai", an arms-export association, to promote such exports to China; the association was restructured into Showa Tsusho Co. Ltd. in 1939 to perform special missions for the Japanese Army (export of arms, procurement of rare metals and other munitions, and collection of information).

In that year Japan launched an aggressive war against China and promoted formation of the so called Greater Asia Co-Prosperity Sphere including Southeast Asia. To administer economic activities in the occupied areas, the company positively cooperated with Japanese armed forces and played a major role in administering economic activities in the occupied areas, exploiting resources, distributing commodities and investing in manufacturing ventures. By the time Japan was defeated, 2,000 Mitsui & Co. staff of a total of 7,000 employees

Winter transport of soybeans for export from colonized Manchuria to Europe. Loading of soybeans in a Manchurian port. Both pictures from 1908.

were engaged in business in the Greater Asia Co-Prosperity Sphere outside Japan. As a consquence of the defeat, Mitsui & Co. was temporarily dissolved, but its experiences in overseas operations in the pre-war period have been very helpful for overseas operations in the post-war period.

Post-war days – from the great reunion to a transnational enterprise

After the war, Mitsui & Co. was ordered dissolved by the General Headquarters of the Allied Forces as a gigantic trading concern having supported Japanese militarism. As a result, the company was divided into a total of 223 smaller companies. However, the Allied Forces' policy on occupied Japan changed, in accordance with the evolving Cold-War system, in favor of reconstructing Japan's economy, and under such circumstances a growing tendency toward reunification of the divided Mitsui & Co. surfaced. Smaller trading firms spun-off from the previous Mitsui & Co. made mergers and amalgamations with each other many times, and finally *in 1959 the great reunion, i. e. the revival of Mitsui & Co., was achieved*. The revival of Mitsui & Co. lagged five years behind the unification of Mitsubishi Corporation, mainly beacuse of the lack of organizing power in the Mitsui group. In addition, the new Mitsui & Co. had to restart its operations with weaknesses in its energy division. Nevertheless, Japan's largest Sogoshosha, with 5,300 employees, 40 domestic offices, 41 overseas offices, and 11 overseas subsidiaries revived.

Rebuilding the empire

In the post-war period the *establishment of overseas subsidiaries* and the *development of mineral resources overseas* were characteristic of Mitsui's major activities abroad until the early 1960s. In 1949, Daiichi Bussan Co., the core company, delegated its staff to *Burma, Pakistan, India, Thailand, Hong Kong, Taiwan, and the USA*, to restore the trade connections and marketing channels that had been built up in pre-war days by the old Mitsui & Co., and by March 1952 the company had created an overseas branch office network comprised of one branch office in North America, one in Latin America, two in Europe, and six in Asia.

Its exploitation of overseas mineral resources included development of a nickel mine at Pomalaa in Sulawesi, *Indonesia*, and a copper mine in *Peru*.

The blessing of war reparations

Entering the 1960s, the rapid economic growth of Japan was accompanied by Japanese manufacturing firms making active inroads into Third World countries. Such inroads aimed at securing stable overseas markets for manufactured products and simultaneously making use of *cheap Third World labor*, were helped by host countries pushing industrialization programs making use of foreign investments.

Japanese *manufacturing firms launching overseas joint ventures* required experience in overseas operations, information on the host countries, and financing capacity held only by Sogoshosha, so that the Sogoshosha and manufacturing firms combined their efforts in making investments in overseas projects. During the 1960s Mitsui concentrated direct investments to Taiwan, Thailand, Indonesia and other Asian countries.

Furthermore, Mitsui & Co.'s inroads into Asia were closely geared to reparation payments by the Japanese government. For example, reparation to Indonesia consisted for the most part in deliveries of ships built by Japanese shipyards, with reparation contracts monopolistically arranged by Kinoshita Shoten, a trading firm connected with then Premier Kishi Nobusuke. The trading firm profited from the reparation contracts and offered bribes to both Premier Kishi and Indonesian officials. The irregular "Indonesian Concession" held by Kinoshita Shoten was succeeded to Mitsui & Co. This aquisition markedly reinforced the iron & steel division of Mitsui.

Another example is the Japan-Korea Treaty concluded in 1965, in which the Japanese government agreed to extend a $ 800 million loan including commercial credits to South Korea. Shortly after the Japan-Korea loan agreement was reached, Mitsui & Co. successfully arranged the construction of an ammonium-urea plant and a thermal power station. The disbursement of government funds in the form of reparation payments to Asian countries indicates that Japan's economic cooperation policy has been centering on Asia, and the policy has stimulated Japanese capital's inroads into Asia.

The transnational strategy

The rush of overseas investments by Japanese firms during the early 1970s marked a new era of overseas operations for Japanese companies. During the period, overseas assets held by Mitsui & Co. increased startlingly.

The company and other Japanese firms were hardhit by the 1973-1974 energy crunch and Mitsui & Co. and other Japanese Sogoshosha have been groping for a changeover into real transnational status, putting the emphasis on securing *stable supplies of energy, minerals, foods and other resources.*

STRUCTURE OF OVERSEAS INVESTMENTS

As seen in Table 1, overseas investment carried out by Mitsui & Co have been significant, both in terms of the number of cases and in the amount of capital. By relating these important overseas investments to the stagnant transactions in recent years one might assume that *the company is now in a transitional process, from Japan-based merchant capital to a TNC organizing production and* *distribution on a global basis.* The decline in recurring profit may be one of phenomena specific to such a transitional period.

How much?

Let's look into overseas investments carried out by Mitsui & Co more in detail. To begin with, we examine, on a year-to-year basis, its overseas investments with data obtained from *Japanese Overseas Investments: 1980 Edition,* published by The Oriental Economist. Of the company's outstanding overseas investments, for 261 cases the year of initiation (the starting year of operation) is available. Their breakdown is as follows: during the 1952-to-1963 period, 24 (yearly average, 2); during the 1964-to-1969 period, 49 (yearly average, 8); and, during the 1970-to-1978 period, 188 (yearly average, 21). In particular, enterprises were newly initiated (yearly average, 33 cases). In terms of invested money, increases in capital outlays in the later 1970s were remarkable. Reflecting those increases, its outstanding overseas investments increased about 3.3 times, from 75.5 billion yen at the end of March 1973 to 248.7 billion yen at the end of May 1979. From these figures we can ascertain that the amount of investment and loan per case increased in the later 1970s, and this fact suggests that *the company has shifted from smaller investment projects for securing its exporting markets to huge investment projects in order to exploit resources.*

Where?

Second, we look to characteristics of composition by region of the company's outstanding overseas investments. According to *Japanese Overseas Investments,* regional composition of those investments are: 110 cases in Asia; 58 cases in North America; 39 cases in Latin America; 37 cases in Europa; 15 cases in Oceania; 10 cases in Africa; and 7 cases in the Middle East. In terms of the number of cases, Asia is ranked at the top of the company's overseas investments. By country, its overseas investments are: 50 cases in the U.S.A.; 24 in Indonesia; 22 in Thailand; 16 in Singapore; 13 in Korea; 13 in Australia; 10 in Malaysia; and 10 in Brazil among others.

In what sectors?

Directory of Sogo Shosha: 1978-1979, published by the Publishing Department, Seikei Tsushin-sha, shows the company's overseas investments by commodity division, the breakdown of which was:

Foodstuffs	44
Lumber, pulp and paper	38
Chemicals	35
Machinery	34
Textiles	31
Iron and steel	31
Construction and transport	29
Non-ferrous metals	25
Oil and gas	7

In terms of invested money, investments into agriculture, forestry, fishery, mining, oil & gas and other *projects relating to resources development account for 50 per cent of the company's total overseas investments.*

Table 1. The 20 largest Japanese corporations in terms of overseas investment 1980.

Name of company	Outstanding loans & investment (1,000 million yen)	No. of overseas subsidiaries & affiliates
1. Mitsui & Co.	235.3	280
2. Mitsubishi Shoji	158.1	201
3. Marubeni Corp.	155.2	218
4. C. Itoh & Co.	126.2	214
5. Japan Asahan Aluminium Co.	87.0	1
6. Sumitomo Corp.	68.8	130
7. Matsushita Electric Industrial Co.	67.4	70
8. Nissan Motor	59.6	14
9. Nissho-Iwai Co.	56.9	125
10. Toray Industries	56.8	50
11. Toyo Menka	47.8	100
12. Honda Motor	43.9	23
13. Kawasaki Steel Corp.	42.2	24
14. Sanyo	38.6	46
15. Nippon Steel Corp.	38.1	28
16. Sony	37.6	23
17. Mitsubishi Heavy Industries	35.3	18
18. Ishikawajima-Harima Heavy Industries	35.0	16
19. Kanematsu Gosho	34.0	83
20. USIMINAS, Japan	32.5	1

Source: *Japanese Overseas Investments,* 1981 ed., The Oriental Economist, Dec. 1980, p. 12

Major projects

- **Foods**

Its development-and-import food scheme for the Third World includes a maize growing joint venture, Mitsugoro in Sumatra, Indonesia. It started in 1968 and is one of the pioneering cases for the development-and-import programs carried out by Japanese corporations. Following the maize growing venture in Indonesia, the company has been developing agricultural and livestock raising projects in Brazil, Paraguay and Iran.

With regard to grain, its aggressive inroads into the grain market in the USA are notable. The company's acquisition of seaboard elevators, serve Mitsui & Co as a major leverage point to develop itself as a transnational corporation.

In the marine products business, Mitsui & Co. has invested in a total of 13 overseas operations including 7 projects in the USA and 2 in Indonesia.

- **Lumber, pulp and paper**

In the development-and-import scheme for lumber, its subsidiary Mitsui Overseas Forestry Development Co. carries on two joint ventures in Indonesia, and also invests in forestry in the USA, Brazil and the Philippines. With regard to rubber, Mitsui & Co. in cooperation with Bridgestone Tire Co. has been operating rubber plants in Indonesia, Denmark and West Germany. The company and Onoda Cement Co. have also been jointly operating cement plants in Singapore and Indonesia.

International Agro-Forestry Development Corporation, established in 1974, is a Mitsui joint venture in the Philippines.

- **Chemicals**

The Chemicals Division of Mitsui & Co. has enjoyed the largest sales volume among Sogoshosha, and has invested in many overseas chemical projects including petrochemical projects in Iran and Korea. The petrochemical complex project at Bandar-e-Khomeini, Iran, a joint venture project between the Mitsui Group and the Iranian government through the Iran-Japan Petrochemical Company, is a gigantic project with a total investment of more than $ 2 billion in which the company has concentrated its best efforts. But the project is stalled due to the Iranian Revolution, and has pushed Mitsui & Co. to the brink

Table 2. Total trading transactions by Commodity (in million of US dollars)

	Year Ended March 31					
	1981		1980		1979	
Iron and Steel	$ 12,583	18%	$ 12,410	19%	$ 10,088	22%
Nonferrous Metals	6,206	9	5,072	8	3,170	7
Machinery	10,806	15	9,244	15	8,575	18
Chemicals	8,630	12	8.209	13	5,540	12
Foodstuffs	13,634	19	10,235	16	7,380	16
Textiles	2,739	4	2,726	4	2,567	5
Energy	10,486	15	10,143	16	4,645	10
Other	5,673	8	5,683	9	4,655	10
Total	$ 70,757	100%	$ 63,722	100%	$ 46,620	100%

Source: Mitsui & Co., Ltd., Annual Report for the year ended march 31, 1981 of serious financial difficulty. The petrochemical-complex project at Yeosu, Korea, on the other hand has already reached the operational stage, and the company is building a dominating position to control the Asian chemicals market with products produced by Mitsui affiliate chemical companies in Japan and Union Carbide Corporation in the USA.

• Machinery

In this field, its industrial plant export connections with Tokyo Shibaura Electric Co. (Toshiba), Toyo Engineering Co., Ishikawajima-Harima Heavy Industries Co. and other Mitsui Group companies are notable. Though smaller in terms of invested money per project, the company's participation in nine overseas automobile and transportation equipment manufacturing projects is noteworthy (five relating to the Toyota Motor group). Arab Heavy Industries Ltd., its shipbuilding & marine equipment manufacturing venture in the United Arab Emirates, is a joint venture with the Ajman government, and one of several typical cases showing Mitsui & Co.'s venture business practices involving local governments.

• Textiles

Of 31 overseas investments in textile business, those carried out in Asia number 21 cases, including 6 projects in Korea, 5 in Indonesia and 3 in Thailand. Toray Corporation is the Japanese partner in Mitsui & Co.'s overseas textile investments in 14 such cases. However, the weight of import-export business and intermediary trade in the company's overall textile business is rather low, and domestic transactions account for as high as 79 per cent of the company's total textile transactions. Its transnationalization is slow in this particular business line.

• Iron & steel

With regard to iron ore exploitation projects carried out under the development-and-import scheme, Mitsui & Co. has participated in the Mount Newman Mining venture in which companies of four countries hold interests (yearly production set at 40 million tons), and the Robe River iron ore development project (yearly production set at 15 million tons), in Australia. The company has also joined Mineraçoes Brazileiras Reunida's Aguas Claras iron ore mine development project in Brazil. As a result of these efforts Mitsui & Co. is the largest iron ore importer among Japanese Sogoshosha. With regard to coal development projects under the development-and-import scheme, the company has joined the Moura coal development project (yearly production set at 4 million tons) and the Nebo coal development project (yearly production set at 5 million tons) in Australia, and with Denison Mines, Ltd. has established Saxon Coal Ltd., a coal prospecting company in Canada. The company also holds a monopolistic position in coal importation from South Africa.

• Non-ferrous metals

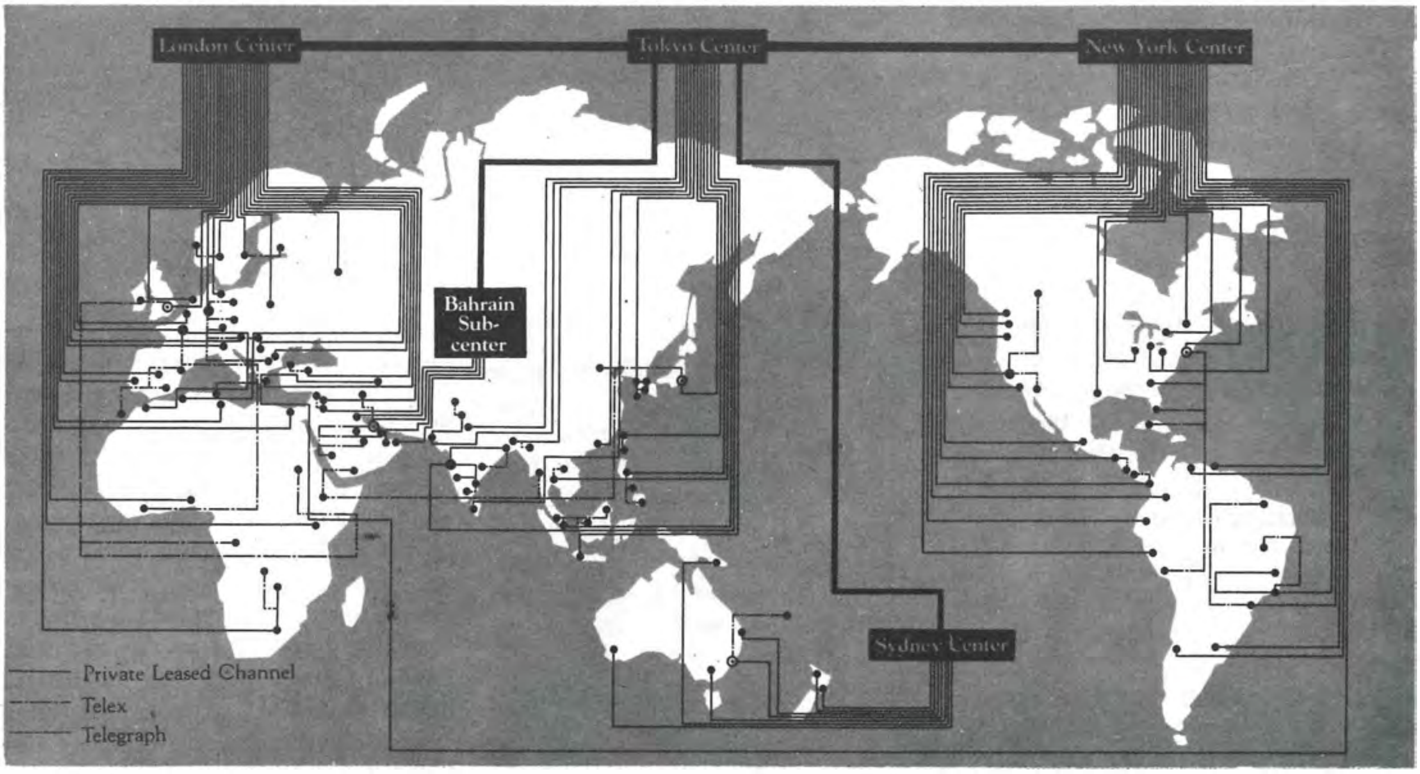
The company has participated in forming a consortium, Société Minière de Tenke-Fungrume, in order to join the world's largest copper ore strip-mining project in Zaire, but the development project has stalled because of political unrest in the country. In Alumax Inc., an aluminum refining venture jointly established by the company and Amax Corporation of the USA., Mitsui & Co. has invested as much as $ 121.5 million. With yearly sales of $ 718 million, Alu-

Table 3. Operating divisions and divisional performance 1981 (in % of divisional transactions)

	Number of divisions	Number of affiliates	Export	Import	Offshore	Domestic	Total
Iron and steel	13	22	24.5%	19.2%	4.2%	52.1%	100%
Nonferrous metals	6	16	7.0	55.4	9.1	28.5	100
Machinery	14	46	57.6	6.6	6.4	29.4	100
Chemicals	11	22	12.9	7.8	19.1	60.2	100
Foodstuffs	8	41	1.6	21.3	52.9	24.2	100
Textiles	3	22	14.1	8.0	12.8	65.1	100
Energy	5	12	0.5	43.2	30.0	26.3	100
Others divisions [1]	10	76	23.0	16.0	6.8	54.2	100

1) Development, Construction and Related Materials, Lumber, Forestry, Pulp and Paper, Rubber, General Merchandise

Source: Mitsui & Co., Ltd., Annual Report 1981, Year Ended March 31, 1981



max was listed in the top position among Japanese overseas subsidiaries in 1978 in terms of sales volume (second on the list was Sony Corporation of America, with $ 325 million sales). In the field of uranium development, the company holds three uranium ore prospecting companies in Canada, all of which are joint ventures with Denison Mines, Ltd.

- **Oil and Gas**

Business in this field is a weak point for Mitsui & Co. In spite of its positive participation in overseas petroleum development projects, the company was unsuccesful in oil prospecting projects in the Laurestan region, Iran, and offshore Nigeria, both of which were conducted in cooperation with Teijin. Also, the prospects of oil discoveries in its concession tracts in the Gulf of Siam and West Irian, Indonesia, are still vague. On the other hand, its LNG development project at Das Island, offshore Abu Dhabi, a joint venture with BP and CFP, has reached production stage, and the product is shortly to be supplied to Tokyo Electic Power Co.

THE MITSUI STRAGEGY FOR THE 1980s

So far, we have examined Mitsui & Co.'s revolution into a transnational corporation in terms of its increasing intermediary trade and overseas investments. Here, we will try to look into the concrete aspects of its effort to become a transnational.

A global operation network

In all, Mitsui & Co. has deployed 148 overseas operational toeholds in 77 nations, and its employees working at these overseas operations account for 26.5 per cent of Mitsui & Co.'s 12,380 (including locally hired personnel) employees. Furthermore, *the number of employees working in Mitsui's Japanese offices has been stagnant, while employees in overseas offices and subsidiaries have been growing.* During the period from 1970 to 1979, employees hired at Mitsui's Japanese offices increased only by 9.9 per cent (from 8,280 in 1970 to 9,099 in 1979), while during the same period employees hired at overseas subsidiaries increased by as much as 67.8 per cent (from 1,236 to 2,074).

Regional distribution of Mitsui & Co.'s 89 overseas offices, 59 headquarters, and branch offices of overseas subsidiaries, 148 total, are as follows: 38 in Europe, 32 in Asia, 21 in i Latin America, 19 in the Middle East, 14 in Africa, 15 in North America and 7 in Oceania.

Overseas subsidiaries function as strategic bases for Mitsui & Co.'s development toward transnationalization, and the importance attached to these overseas subsidiaries will increase in the future. The paid-up capital of Mitsui & Co. (USA), Inc., 45.2 billion yen, has reached almost the same amount as its parent company's 47.5 billion yen, and the US subsidiary has *the power to raise money and commit overseas investments independently of its parent.* Sales revenues and profits earned by its overseas subsidiaries have been increasing to gigantic amounts. For instance, the combined sales of Mitsui's 25 overseas subsidiaries for the business year 1977 ending March 1978, amounted to 29.4 per cent of the parent company's sales, and their pre-tax profits reached as high as 44.8 per cent of the parent's profit for the same period.

Mitsui & Co. has divided the globe

Major stockholders in Mitsui & Co.

Company	1 000	%
Mitsui Bank	57 520	5.9
Fuji Bank	43 370	4.7
Bank of Tokyo	38 700	4.0
Mitsui M Life Ins	36 200	3.7
Taisho M & F Ins.	32 250	3.3
Mitsui Trust	25 224	2.6
Foreign ownership	8 468	0.9
No shares out (sept 1980)	974 225	

Source: Japan Company Handbook, 1st half 1981

The Mitsui Global Online System (MGOS), modern technology for rapid market penetration.

into four "Quadripolar" areas, and the Mitsui & Co. headquarters in Japan, Mitsui & Co. Europe Ltd. and Mitsui & Co. (Australia) Ltd. have been delegated much of the firm's authority and responsibility to administer business operations in each of these in an effort to raise the regional independence of each Quadripolar. The expanded global network of Mitsui & Co. and its subsidiaries is reinforced by well-established telecommunication systems. The company's information network, called *MGOS (Mitsui Global Online System)*, is of such magnitude that its personal circuit extension could run ten times around the earth.

Increasing integration with monopoly capital in Japan and abroad

The Sogoshosha acts as the core of an industrial group because of its superior power to *control distribution, collect information and raise funds.* The Sogoshosha also take the role of organizer for strategic investment projects, with this organizational function over overseas projects promoting the formation of the Sogoshosha as a transnational corporation. Mitsui & Co. is the core company of the Mitsui group companies in this context, as we show in Table 4 below.

The movement towards the reunion of Mitsui group companies after World War II started after 1960, when major Mitsui companies put together a *"Nimoku-kai,"* or informal policy board for the industrial group in which presidents of major Mitsui group companies participated. Now, the member companies constituting the *Nimoku-kai* number 23, including companies joining the policy board in the capacity of advisors.

In addition, executive directors of the group companies, 52 firms in all, have formed a *"Getsuyo-kai* (Monday meeting)," an informal policy board making group decisions to launch new

Table 4. Mitsui group companies (Members of Nimoku-Kai), as of 1980

unit: 1,000 million yen

		Employees	Volume
MINING & MANUFACTURING			
Mitsui Mining Co., Ltd.	Mining	1,523	276
Hokkaido Colliery & Steamship Co., Ltd.	Mining	50	27
Nippon Flour Mills Co., Ltd.	Food	1,508	105
Toray Industries, Inc.	Textile	14,052	404
Oji Paper Co., Ltd.	Paper & Pulp	6,728	214
Mitsui Toatsu Chemicals, Inc.	Chemical	7,911	305
Mitsui Petrochemical Industries, Ltd.	Chemical	4,695	191
Japan Steel Works, Ltd.	Iron & Steel	8,060	142
Mitsui Mining & Smelting Co., Ltd.	Non-Ferrous Metals	6,289	178
Tokyo Shibaura Electric Co., Ltd.	Electric Machinery	62,784	1,240
Mitsui Engineering & Shipbuilding Co., Ltd.	Shipbuilding	12,290	255
Toyota Motor Co., Ltd. (5)	Automobile	45,203	2,617
FINANCIAL INSTITUTIONS			
Mitsui Bank, Ltd.	City Bank	12,153	455 (1)
Mitsui Trust and Banking Co. Ltd.	Trust & Banking Co.	5,991	151 (1)
Mitsui Mutual Life Insurance Company	Life Insurance	6,193	406 (2)
Taisho Marine & Fire Insurance Co., Ltd.	Non-Life Insurance	4,389	199 (3)
OTHERS			
Mitsui Construction Co., Ltd.	Construction	4,454	201
Sanki Engineering Co., Ltd.	Construction	2,436	88
Mitsui Real Estate Development Co., Ltd.	Real Estate	918	130
Mitsui O.S.K. Lines, Ltd.	Shipping	4,025	321
Mitsui Warehouse Co., Ltd.	Warehousing	1,214	40
Mitsuikoshi Ltd.	Department Store	13,209	471
Mitsui & Co., Ltd.	Commerce	10,159	8,361
TOTAL		**236,234**	**15,566 (4)**

Notes: 1) Recurring profits
2) Insurance premiums revenue
3) Net insurance premiums revenue
4) Excluding Financial institutions
5) Toyota joins Nimoku-Kai as an advisor

Source: The Orie.ıtal Economist, *Kigyo Keiretsu Soran* (Industrial Group Affiliation) 1981 ed., Nov. 1980 ventures as a concerted effort of Mitsui group companies. The group's joint-capital investment companies established through the coordinated efforts of these policy boards include Mitsui Ocean Development & Engineering Co., Ltd., Mitsui Oil Exploration Co., Ltd. and Mitsui Information Development Co., Ltd. In 1979, an advisory panel for the *Nimoku-kai*, called "Mitsui Inter-Industry Research Institute", started to coordinate and carry out joint research and development programs as well as work out master plans for the group's joint investment projects.

In these activities of the Mitsui group, Mitsui & Co. takes the role of the group's coordinator by making full use of its functions as a Sogoshosha.

With regard to the fund raising activities of Mitsui, the company's outstanding long-term borrowings amounted to 1,397.5 billion yen as of September 1980. The company's outstanding loans from the Export-Import Bank of Japan, which loans governmental funds, are the highest among Japanese Sogoshosha, and therefore Mitsui & Co.'s inroads into overseas operations are carried out under protection of the Japanese government. Its fund raising activities in the overseas capital market have become more active as well as overseas subsidiaries increase their corporate strength.

Table 5. Outstanding balance of deposits and loans of 13 city banks 1981 (in billion yen)

in billion yens

	Deposits		Loans	
	March end, 1981	Change from Sept. end, 1980	March end, 1981	Change from Sept. end, 1980
1. Dai-ichi Kangyo Bank	11,128.1	520.6	9,575.9	432.9
2. Fuji Bank	9,995.6	502.3	7,953.2	411.9
3. Sumitomo Bank	9,684.6	394.0	7,865.6	420.7
4. Mitsubishi Bank	9,486.4	410.9	7,762.5	362.9
5. Sanwa Bank	9,264.3	304.3	7,652.8	350.7
6. Tokai Bank	6,929.1	220.2	5,558.3	224.0
7. Taiyo Kobe Bank	6,800.8	302.7	5,521.4	239.3
8. Mitsui Bank	6,644.4	411.6	5,398.1	290.8
9. Kyowa Bank	4,716.9	231.7	4,093.3	167.1
10. Daiwa Bank	3,820.9	72.4	3,280.4	76.6
11. Saitama Bank	3,710.3	79.7	2,978.9	144.1
12. Hokkaido Takushoku Bank	3,082.0	83.4	2,415.7	157.1
Bank of Tokyo	2,373.7	196.2	2,735.7	172.6

Note: Preliminary figures for domestic operations for each bank. Excluding bond issuances for Bank of Tokyo

Source: The Japan Economic Journal, 1981-05-19

Minerals — a key sector in oligopoly integration

We should also pay attention to the fact that Mitsui & Co., and other monopolistic corporations in Japan as well as overseas, have been creating an international monopolistic system through reinforcement of business ties with transnationals in the USA and Europe. Its linkage to international monopolies in the field of non-ferrous metals is particularly notable; for example, the company has entered business tie-ins with the South African based Anglo American Corporation (AAC), the world's largest mining combine. In 1971, Mitsui & Co. in cooperation with AAC and the Zaire government founded two *copper*-mine exploration firms, Société Internationale des Mines du Zaire and Société Minière de Tenke-Fungrume. In the latter, Mitsui & Co. holds a 14.2 per cent interest, with 20 per cent held by the Zaire government, 28 per cent by the AAC group, 28 per cent by Amoco Minerals Co., a Standard Indiana Oil Company, 6.4 per cent by Bureau de Recherches Géologiques et Minières of France, 3 per cent by Leon Tempelsman & Son, Inc. and 0.6 per cent by Omnimines. These companies hold similar interests in Société Internationale des Mines du Zaire as well. These copper mine exploration projects have been stalled, at least for the time being, because of the Zaire government's inability to pay foreign debt redemptions and political unrest there, but the significance of Mitsui & Co.'s entry, in an arrangement with AAC, into the international cartel controlling world mineral resources is noteworthy. The company's relations with AAC date from 1968 when Mitsui & Co. concluded a copper ore purchasing contract with Nchanga Mines, Zambia, in which AAC held a controlling interest. In 1973, Mitsui & Co. with Derby & Co., an AAC company, and Philipp Brothers A.G. established Anglo Chemical Metals Ltd. in London to participate in the international trade of non-ferrous metals and became a member of the London Metal Exchange, thus participating in pricing decisions made in the international non-ferrous metals market.

Alumax Inc., a joint venture between AMAX Inc. of the US, Mitsui and Nippon Steel is Mitsui's largest and most profitable investment in North America. Right.

To secure raw materials for the resource poor Japanese industry is a central task in Mitsui's long term planning.
Copper mining in the Huansala mine in Peru.

Its cooperation with AMAX Inc., a non-ferrous metals refining transnational controlled by Standard Oil of California (SOCAL), is also notable. Mitsui & Co. (45%) jointly with AMAX Inc. (50%) and Nippon Steel (5%), founded the integrated *aluminum* company, Alumax Inc. in the USA and developed it so vigorously that it soon became the largest of all overseas Japanese firms in terms of sales. The establishment of Alumax was conducted to set up overseas bases for further vertical integration of the Japanese aluminum industry. Mitsui's relations with AMAX Inc. started in the 1960's when the company joined AMAX's joint venture to develop the Mt. Newman Iron Ore Mining Project in Australia. Mitsui & Co. and AMAX also founded ORALCO Inc., an entirely owned subsidiary, to launch aluminum refining operations in South Carolina. Alumax, the joint venture, has been pushing an aluminum refining plant construction project and a bauxite ore exploration project in Australia as well.

The partner is different but the organization the same for *uranium* ore exploration. Since 1976 Mitsui & Co has been promoting three uranium ore exploration projects in the Northwest Territories, Manitoba and Saskatchewan, Canada, in cooperation with Denison Mines, Ltd. Mitsui & Co. jointly established Saxon Coal Ltd. with Denison Mines, in a *coal*-mine exploration venture in Canada as early as 1971.

In another non-ferrous metals project, Mitsui joined a *nickel matte* production venture, PT International Nickel, in Sulawesi, Indonesia. Here Inco (former name The International Nickel Co of Canada), the world's leading nickel producer, holds a controlling interest.

In this context it is obvious that the Mitsui transnationalisation strategy at present is aimed at integration into the international cartels for non-ferrous metals.

Mitsui – a grain major

In March 1978, Mitsui & Co. acquired substantial grain storage and transportation facilities from Cook Industries Inc., one of the five US grain majors. At the time, Cook Industries Inc. had suffered financial difficulties due to losses incurred exporting soybeans to the USSR. Mitsui & Co. bought Cook's grain division at a cost of $55 million, and with this acquisition, Mitsui & Co. assumed the capacity to export 5 million

Since 1981 Foodstuffs is Mitsui's leading division, with 19% of transactions. Harvesting in Australia. Top. Grain Elevator in Iowa, USA. Middle. Integrated food processing plant, or »food combinat», in Kobe, Japan. Bottom.

tons yearly of soybeans, corns and sorghum produced in the USA. It also established an integrated distribution system encompassing everyone from grain grower to consumer, breaking the monopoly held by the five grain majors.

In the prewar days, Mitsui & Co. had a strong controlling power over the domestic trade of rice and other cereals and intermediary trade in soybeans produced in Manchuria. Mitsui also established Pacific Grain Co. in Illinois, USA, to operate one country elevator there in 1961 and in 1968 commissioned grain charters between Japan and the USA. By 1969, it expanded even more with the United Grain Corporation in Portland, Oregon, USA, operating two seaboard elevators and two small inland facilities in the Northwest. All of those were the company's earliest effort to become a major grain power in the international scene.

In parallel with its acquisition of Cook's grain division, Mitsui & Co. founded MIT-Corn Co., a joint venture with International Corn Corporation, a European grain importer, to export 1.5 million tons of grain yearly to the European market.

Since the acquisition of Cook, Mitsui & Co. has been expanding its intermediary trade of grain produced in the USA and the company is beginning to enter flour milling and edible oils.

In search of an energy policy

Oil and gas has long been a weak point for Mitsui & Co., with the company subsequently lagging behind Mitsubishi in terms of business performance. In the 1977 business year, Mitsubishi's crude-oil imports accounted for 44.8 per cent of the aggregate crude-oil imports of nine Sogoshosha, while Mitsui's stake was a meager 5.5 per cent, following C. Itoh & Co., Ltd., Sumitomo Shoji Kaisha Ltd. and Marubeni. However, Mitsui & Co., has successfully developed a *liquefied natural gas* (LNG), project at Das Island, Abu Dhabi, which is administer-

The Iran-Japan Petrochemical Co., Ltd (IJPC) is at a stand still after the Iranian Revolution.

ed by Abu Dhabi Gas Liquefaction Co., Ltd. (1973), in which Mitsui & Co. holds 22.05 per cent interest, 51 per cent being held by the Abu Dhabi National Oil Co., 16.33 per cent by British Petroleum, 8.17 per cent by Compagnie Francaise des Pétroles and 2.45 per cent by Bridgestone Liquefied Gas Co., Ltd.

The magnitude of its LNG gas project is comparable to Mitsubishi's LNG projects in Alaska and Brunei and Nissho-Iwai Co.'s Indonesian LNG project, and is expected to supply the Tokyo Electric Power Co. with 2 million tons of LNG. 800,000 tons of LNG yearly are also to be imported into Japan from the Das project. One problem pertaining to the company's Das LNG project is that the exporter of the Das LNG, Liquefied Gas Shipping Co., Ltd., is headquartered in the well-known tax paradise of Bermuda, the Bermuda company being a paper corporation used to escape taxation through transfer pricing maneuvers.

In energy strategy, Mitsui has attached much importance to *coal liquefaction* as the company's next phase in energy cartelization. Mitsui Mining Co., Ltd. has long been a major coal mining operator in Japan, and Mitsui & Co. and Mitsui Mining Co. have been tackling coal liquefaction projects in cooperation with Gulf Oil, the oil major. Based on this Mitsui/Gulf Oil coal liquefaction venture, a three-nation coal liquefaction project involving the USA, Japan and West Germany is now at a planning stage, in which Mitsui & Co. is to assume the role of coordinator representing Japanese intererests.

The Mitsui group is moving into a barter contract under which it will provide its coal liquefaction technology to China, and in turn China officials will assure a stable supply of Chinese coal to Mitsui. To cover its weakness in oil with coal liquefaction programs is the specific energy strategy planned by Mitsui for the future.

The limits of transnational power – Mitsui in Iran

The Mitsui petrochemical project in Iran spearheads the corporation's efforts toward transnationalization, and the interruption of the project by the Iranian Revolution is a serious setback in the company's strategy for overseas operations.

Originally, Mitsui & Co. intended only to develop petroleum resources in Iran, and acquired an oil exploitation concession in the Laurestan area of that country. But as one of the conditions in the oil concession to Mitsui, Shah Pahlevi's government required Mitsui & Co. to participate in a petrochemical-complex construction project in Bandar-e Shahpur (now Bandar-e-Khomeini).

When the petrochemical project first took shape in 1971, the total investment in the project was projected at 200 billion yen, and petrochemical products turned out by the huge complex were expected to be easily absorbed by a growing market in Japan or elsewhere. Mitsui & Co and four other Mitsui group companies (Toyo Soda Mfg. Co. Ltd, Mitsui Toatsu Chemicals, Inc., Mitsui Petrochemical Industries, Ltd. and Japan Synthetic Rubber Co.) established an investment consortium called Iran Chemical Development Co., Ltd. (ICDC) representing Japanese interests.

In 1973 ICDC and the National Petrochemical Company of Iran (NPC) founded a joint venture called *Iran-Japan Petrochemical Co., Ltd. (IJPC)*. Completion of the Bandar Shapur Project was slated for sometime in 1980 with the complex to turn out 300,000 tons of ethylene and 140,000 tons of prophylene yearly.

The energy crunch which occurred in late 1973 affected the Bandar Shapur Project in two ways: on one hand, construction costs soared, and on the other, prospects for expansion of petrochemical product demand darkened. At the same time as the profitability of the Iranian petrochemical project became questionable, the company's oil prospecting at its Laurestan concession failed. The questionable petrochemical project is still in Mitsui & Co.'s hands.

Construction costs of the project stood to as much as 650 billion yen when the Pahlevi government fell in 1978, with Mitsui's petrochemical project in Iran stalled at 90 per cent completion. Mitsui immediately began an intensive lobbying effort to change the Mitsui group's Iranian petrochemical project into a national project characterized by Japanese government participation with governmental funds. The Ministry of International Trade and Industry (MITI) supported this transformation into a national project because of Japan's economic security policy of securing a stable supply of Iranian oil to Japan. In October 1979 the Japanese

Front page article in The Japan Economic Journal of April 28th 1981 illustrates the threat posed to Mitsui and other Sogo Shoshas by revolutionary changes in the Third World.

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BY JAPANESE INVESTMENT FIRM—ICDC

Sending of capital to Iran complex project is halted

A Nihon Keizai Shimbun Roundup

Iran Chemical Development Co. (ICDC), a Japanese investment arm of the Iran-Japan petrochemical project, decided last Thursday to reject an Iranian request for additional financing and threatened to [illegible] of the project entirely if five Mitsui companies, headed by Mitsui & Co.

The meeting also decided that the Iranians will bear any additional financial burdens incurred in the future and the Japanese side will cooperate only with completion and operation of plants, technology [illegible] and sales of petro- necessary to cope with the situation.

Observers said this decision has dealt a severe blow to the present contract which said the ICDC and the Iranian partner, National Petrochemical Co. (NPC), will undertake the pr[illegible] ject on a 50-50 basis in the [illegible] Japan [illegible]

government decided to invest 20 billion yen into the Iranian petrochemical project from the Overseas Economic Cooperation Fund, a *transformation into a national project* which was then completed at least in form.

But the changeover has still not solved all of Mitsui's problems: if the project is nationalized by the Iranian government, Mitsui would undoubtedly incur a great financial loss. If the political unrest in Iran continues further and completion of the petrochemical complex stays in its current deadlock for a prolonged period, Mitsui & Co.'s accrued interest expenses from the deadlocked project will begin to amount to an enormous sum. On the other hand, if the company succesfully starts production, there is still no assurance that IJPC will not go into the red; in fact, the prospects for the Iranian petrochemical project are very dim.

Conclusion

Mitsui & Co. is one of Japan's leading Sogoshoshas and one of the most expansive corporations in the capitalist world. In 1980 Mitsui was the largest Japanese corporation in terms of outstanding investments and loan holdings (table 1).

As seen in the table Mitsui in 1980 had 280 affiliated companies overseas and 235,3 billion yen worth of outstanding loans and investments. Furthermore, compared to other Sogoshosha, Mitsui's amount of extended loan and investment per overseas affiliate is relatively large. Based on these facts, we can reasonably say, at least on a quantitative basis, that Mitsui & Co is the largest Japanese transnational enterprise.

As a summing up of Mitsui's overseas operations, let's make a brief comparison between Mitsui & Co and its main rival for leadership among the Sogo Shoshas, Mitsubishi Corporation.

In the pre-war period, Mitsui & Co. was far ahead of Mitsubishi Corporation in terms of size (volume of transactions, paid-up capital, number of employees, and so on), and topped the latter in the ranking of family concerns (Zaibatsu). Since World War II, however, the Mitsubishi Zaibatsu Group has pulled ahead of the Mitsui Group, mainly because the former laid its developmental base on heavy and chemical industries, which became the fastest growing sectors in Japan during the 1960's and 1970's. Moreover, financial institutions belonging to the Mitsui Group are weaker than those financing Mitsubishi Group companies, and in terms of concentrating force as an industrial group, Mitsui is also weaker than Mitsubishi.

Because Mitsui & Co. has been forced to compete with Mitsubishi Corporation with the support of a weaker industrial group behind it, Mitsui & Co. has had to do business beyond the relatively narrow framework provided by the Mitsui Group. In this context, differences in corporate character between the two companies, often referred to as "Mitsubishi on Organization vs. Mitsui om Human Resources," render corporate activities of both companies contrastive. That is, Mitsubishi Corporation makes much of intra-company or intra-group concentration, and currently takes a rather conservative attitude toward new ventures. Mitsui & Co., on the other hand, allows relatively independent decision-making by its individual staffs, branch offices or divisions, and takes a positive stance toward new ventures.

However, the failure of a gigantic overseas project jointly launched by Japan's largest transnational company and Shah Pahlevi's dictatorial regime clearly demonstrates Mitsui's vulnerability and the limits of transnational power. The fate of IJPC is a striking example of how revolutionary movements in the Third World are of crucial importance in checking the global expansion of transnational corporations.

To counter Third World demands for control over national resources and prices on international markets Mitsui is very active in promoting integration between the leading corporations in Europe, Japan and the US. One example is that Mitsui Chairman Yoshizo Ikeda has been a member of the Trilateral Commission since 1977. This is likely to continue to be a central part of Mitsui policy throughout the 1980s. ■

In 1980 Mitsui opened an office in Washington. Mitsui offical meets US »futurologist» Herman Kahn. Above.

Penetration of the Chinese market is a major aim of Mitsui. In July 1980 the company formed a Japan-China Technical Exchange Society. Left.

Table 6. 20 top traders in machinery sales in fiscal 1980 (in billion yen; year-to-year change in parantheses in %)

Ranking FY '80	FY '79	Trader	Sales in fiscal 1980		Sales target för fiscal 1981	Major product lines
1	1	Mitsubishi Corp.	2,200.0	(26.4)	–	Plants, other machinery
2	2	Mitsui & Co.	1,533.0	(19.0)	1,620.0	Plants, other machinery
3	3	Sumitomo Corp.	1,503.4	(35.4)	1,653.7	Plants, other machinery
4	4	Marubeni Corp.	1,350.0	(28.6)	–	Plants, other machinery
5	6	C. Itoh & Co.	1,134.2	(51.6)	1,079.6	Plants, other machinery
6	5	Nissho Iwai Corp.	1,075.5	(25.9)	1,450.0	Plants, ship equipment
7	7	Nichimen Co.	623.4	(37.7)	750.0	Plants, boilers
8	8	Toyo Menka Kaisha	481.9	(32.2)	580.0	Plants
9	9	K. Hattori & Co.	341.5	(20.7)	357.0	Watches
10	10	Kanematsu Gosho, Ltd.	266.6	(21.6)	323.0	Plants, machine tools
11	14	Yamazen Co.	150.0	(24.5)	165.0	Machine tools
12	12	Yuasa Shoji Co.	143.0	(6.0)	156.8	Constr. machinery, machine tools
13	13	Yanmar Agricul. Equipm't Mfg.	127.3	(3.8)	128.0	Agricultural machinery
14	15	Shinko Shoji Kaisha	124.2	(21.3)	–	Construction machinery
15	19	Toyoda Tsusho Kaisha	123.4	(63.7)	125.1	Textile machinery
16	16	Citizen Trading Co.	117.6	(16.1)	130.0	Watches
17	11	Tokyo Sangyo Co.	113.1	(27.8)	156.0	Motors, general machinery
18	17	Canon Sales Co.	111.0	(25.9)	–	Office equipment, cameras
19	18	Moriya & Co.	100.1	(16.0)	102.2	Wind & hydro power mach., constr. mach.
20	23	Seika Sangyo Co.	88.5	(45.8)	100.0	Power generation units

Source: Japan Economic Journal 1981-08-18