

## JFTC News

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## Toward the Further Development of East Asia (Proposal)

Committee activities are a major function of Japan Foreign Trade Council, INC. (JFTC). The International Market Committee deals with the WTO, EPAs, investment agreements, and other trade-related issues, as well as engaging in research and studies on specific regions. Last July, recognizing the importance of East Asia, a subcommittee was established under the International Market Committee to address this region. Having completed the year's activities as planned, the East Asia Subcommittee put together a set of proposals and submitted it to the Ministry of Economy, Trade and Industry and the Ministry of Foreign Affairs. The proposal is shown below.

### 1. Introduction

Southeast Asia has long been a crossroads of trade, with the nations of the region forming nodes on the "maritime Silk Road," the sea route that has linked the Far East and Southwest Asia since ancient Roman times. Today, the hub constituted by the 10-member ASEAN grouping of Southeast Asian nations plays a pivotal role in the movement toward economic integration of a region extending from Japan and China to Australia and India—the region known as East Asia. In contrast to continental unions like the EU and NAFTA, East Asia could be called the world's first large-scale maritime regional union, and as such, because of its sea boundaries, it is inherently open and expandable.

At the beginning of the 19th century, before the Industrial Revolution gained momentum in Europe, East Asia accounted for more than half of global GDP, largely due to the extraordinary productive capacities of China and India. By 1950 the region's share had declined to the 10–20% range, but with postwar independence the East Asian nations, as sovereign states, pursued industrialization with renewed vigor. Today, they have taken on a propulsive role in the global economy, becoming known as the "world's factory" and a "global growth center." An important factor in the region's rise, however, was the entry of Japanese companies in the late 1980s due to the appreciation of the yen; indeed, it has been less than three decades since East Asia embarked on the growth path that we see today. Moreover, due in part to the fact that integration of the real economy has proceeded faster than creation of the necessary institutional framework, the present state of integration is far from balanced, and Japan, as a regional economic power, continues to play a major role. Thus, while the EU provides one possible model, it can safely be said that East Asia will require a unique form of integration since its inherent characteristics differ from the historic ties that evolved into the European Union.

### 2. Speedy Realization of "ASEAN+6" Economic Integration

East Asia's share of world real GDP rose by 6% in the 25 years from 1980. This compares favorably with a much smaller rise in NAFTA's share and a 4% decrease in that of the EU, highlighting the region's increasing influence as a world growth

center. Although their integration is not yet fully institutionalized, the East Asian nations show ever-greater economic interdependence, together with an intensifying international division of labor that is contributing to their growth. Meanwhile, a strength of the region is the organic nature of the ties it has developed at the inter-process level. It has been pointed out, however, that the region is lagging in developing these ties across all industries, with intra-industry trade (especially vertical intra-industry trade) accounting for a lower proportion of total trade in East Asia than it does in the EU, but this can be viewed as a positive factor since it shows potential for future growth.

To promote further growth in East Asia, it is necessary to realize economic integration rapidly at the formal and organizational levels, to strongly support the unification of the real economy, and to create a balanced whole.

As part of the vision for economic union, there are calls for region-wide cooperation in what is known as “ASEAN+6,” an economic union of 16 nations consisting of the 10 ASEAN members plus Japan, China, South Korea, Australia, New Zealand, and India. This approach takes into account such considerations as the degree of involvement of Japanese companies, the deepening and expanding phenomenon of fragmentation<sup>1</sup>, and the need to secure consumption power that will lead the region. In practice, auto parts manufactured in Thailand are being shipped to India, and Australian exports to India are also growing. As these examples suggest, integration on the real side has already reached the point where it is no longer enough to think in terms of “ASEAN+3” (the

10 ASEAN members plus Japan, China, and South Korea).

In the past, the commerce that developed spontaneously among East Asia’s archipelagos was not directed solely eastward but was naturally oriented toward trade with the West. Similarly, in the present-day context, economic interdependence brings its greatest benefits when conceived in broader regional terms, and the openness and expandability of a maritime economic union mean that it tends to seek a wider scope. Thus, Japan sees the speedy realization of an economically integrated “ASEAN+6” as highly desirable.

### **3. The Importance of Improving Infrastructure**

At the present stage of East Asia’s economic integration, in the absence of an organization or structure charged with planning and enforcement to ensure efficiency and standardization across the whole region, as seen in the EU, reducing the service link costs of cross-border production networks becomes a major issue. Given the large differences in wages and technology that exist among countries in East Asia, it becomes all the more important to make effective use of fragmentation, and cutting the costs involved has been identified as a key issue that must be addressed if the region is to achieve further development.

It is important that Japan do what it can now and not wait for the arrival of a formalized economic union. This brings to light an important topic: the need to improve infrastructure and thus reduce service link costs by making optimum use of ODA. In the past, Japanese ODA in Asia has acted as a stimulus for growth in the region, priming the pump for active private investment that has contributed greatly to regional growth.

We should plan to make strategic use of ODA with a view to reducing service link costs such as transport and communication costs, actively utilizing ODA to maximum effect to promote East Asia’s development. Obviously, as part of these

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<sup>1</sup> Fragmentation: the breaking down of production activities into a series of processes dispersed among optimized locations, with final assembly taking place at a single point. Because the processes are shared across borders, it becomes crucial to reduce the costs of linking them (service link costs). Important components of these costs include not only transport and communications, but also less tangible aspects such as customs clearance procedures.

efforts, the advanced technological capacity and know-how of Japanese companies should be tapped as a form of “visible” Japanese aid.

One example of this approach is the East Asia Industrial Corridor concept formulated by the Economic Research Institute for ASEAN and East Asia (ERIA). This aims to drastically reduce transport costs and time by linking the region’s countries with roads while also improving their ports, airports, and related facilities. Logistic infrastructure for land, sea, and air cargoes needs to be consolidated without delay. To achieve this, it will be essential to make strategic and practical use of ODA guided by an overview in which a limited budget is allocated so as to facilitate development of the region as a whole. Future provision of infrastructure is expected to require enormous sums, and since ODA alone will not be enough, it is important to develop new approaches rather than clinging to traditional ways of thinking and acting. It is strongly hoped that measures will be quickly put in place to enable ODA to be combined with private funds in various new forms known as Public-Private Partnerships (PPPs), as well as directing ODA funds to investment and loans.

#### **4. Overcoming the Worldwide Recession**

The financial crisis that originated in the United States has had massive effects on the real global economy, and negative economic growth rates are predicted for this year in every industrialized nation—the first time such a phenomenon has occurred. In fact, the world economy as a whole is expected to contract in the current year, and fears of an almost unprecedented synchronized financial crisis and recession are spreading.

At times of crisis, individual nations tend to turn to protectionist measures, as is already being seen in some countries. Japan must play the role of a leader and coordinator to minimize the spread of protectionism.

East Asia has adopted an export-led economic structure, becoming known as the “world’s factory,” the supplier to U.S. and European markets. In the

current crisis, this export-led system supported by U.S. consumption has suffered a serious blow, while domestic-market-based countries have been able to avoid a serious downturn and their economies remain relatively firm. As U.S. consumption is unlikely to regain pre-crisis levels any time soon, we may expect East Asia, with its huge latent markets in China and India, to activate its own economies and stimulate internal demand throughout the region while maintaining its openness as an economic bloc. To help achieve this, it is important that Japan take the initiative and contribute to growth in East Asia. This will mean helping to deepen ties of economic interdependence, and will surely see a serious effort by Japan to tackle a challenge on which it can take immediate action, namely, reducing service link costs. Efforts of this kind to revitalize trade flows within the region will help to correct economic and other disparities and also to lay the groundwork for economic integration.

At the same time, although the financial market situation has not proved as serious as the 1997 Asian monetary crisis, it is very important to continue strengthening the financial underpinnings of the real economy and to focus on building an overall system in which the financial and real economies are in balance—a system more immune to shocks.

#### **5. Conclusion**

As a world growth center, once East Asia has created a more attractive environment for industrial location and gained increased benefits from interdependence, the boundaries of regional integration will probably continue to expand of their own accord in a widening circle that will not be limited to East Asia itself. As yet, few nations in the region have been able to meet the U.S. government’s criteria for concluding comprehensive, high-level EPAs; in fact, there are only two East Asian partners (Singapore and Australia) among the nine nations and two regions (NAFTA and DR-CAFTA) that currently have EPAs in force with the United States. If East Asia’s advantage increases, the emerging trend may spread from there to the

Pacific region. From Japan's point of view, building a solid foundation for economic union in East Asia will lead to the next stage of integration.

## Shosha Environment Month 2009

In May 2008, the JFTC designated every June as Shosha Environment Month. This move was in response to mounting concern within Japan and overseas about environmental problems and was inspired by the holding in July that year of the G8 Hokkaido Toyako Summit at which the environment was a key agenda item. During Shosha Environment Month, seminars are held on common environmental issues with the aim of boosting the awareness of executives and regular employees at member shosha regarding environmental issues. In fiscal 2009, the following seminars were held.

### ■ Current Status of Biodiversity and Business Involvement —Why Do Companies Need to Address Biodiversity?

**Yasushi Hibi**  
Conservation International  
Director, Japan Program

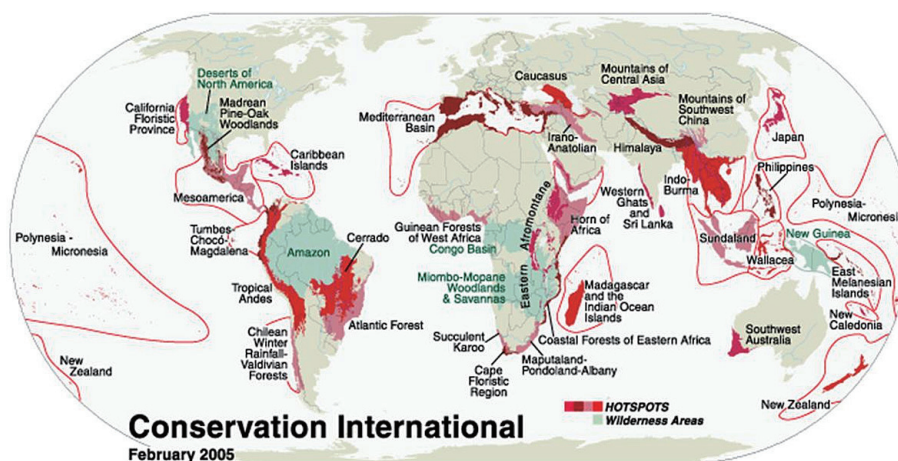
Japanese companies are becoming increasingly

interested in biodiversity issues in the lead-up to the 10th Conference of the Parties to the Convention on Biological Diversity (CBD/COP10), which will be held in Nagoya in 2010. Moves to promote company action on biodiversity have also gained momentum, including creation of the Guidelines for Private Sector Engagement in Biodiversity by the Ministry of the Environment, and Nippon Keidanren's declaration of biodiversity. However, there still seem to be few companies that truly understand why companies have to tackle biodiversity. Most seem to believe that all companies can do for biodiversity after all is to plant trees through social contribution projects.

### Global Biodiversity under Threat

Today, biodiversity is being lost at the greatest speed in the planet's living history. While extinction of living species is a natural phenomena, the current scale of extinction is apparently 1,000 times the natural rate. International Union for Conservation of Nature (IUCN), in its Red List 2008, listed 21 percent of mammal, 12 percent of bird, and 30 percent of amphibian species as. As for ecosystems, tropical forests, those treasure-troves of biodiversity, are disappearing at a rate of around 14.2 million hectares every year. One-third of the world's main coral reefs, the "rainforests of the sea," are threatened. Thirty-four points around the world have been designated as "biodiversity hotspots," areas with richest biodiversity but yet under great threat.

Chart1: Biodiversity hotspots



Source: Conservation International/Center for Applied Biodiversity Science

## Ecosystem Services Underpin Lifestyles, Industry, Economy, and Culture

The Convention on Biological Diversity defines biodiversity as “the variability among living organisms from all sources ...; this includes diversity within species, between species and of ecosystems.” From this definition, many people appear to understand biodiversity as an issue concerning living things (flora and fauna, nature, ecosystems). However, when biodiversity is discussed at international conferences these days, a much broader concept is addressed. When biodiversity was raised as a G8 summit agenda in Heiligendam in 2007 and in Toyako last year, leaders of the world’s major powers naturally did not discuss the fate of “living things”. Rather, they discussed biodiversity as an economic issue, on the premise that biodiversity provides ecosystem services indispensable to human lives and to industry.

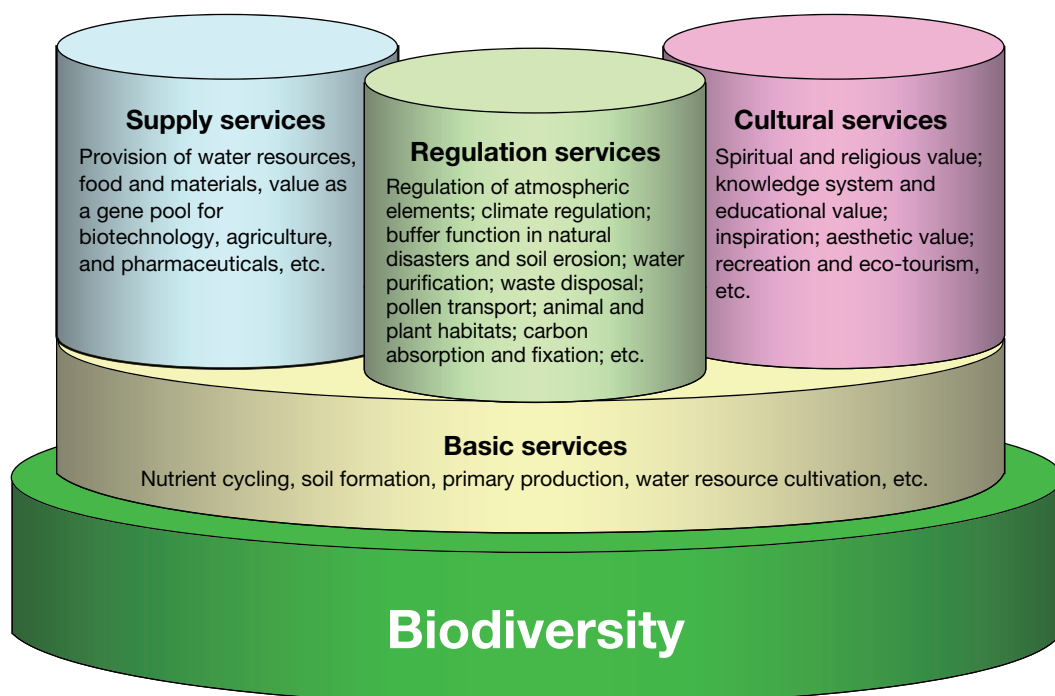
## Japan’s Dependence on Global Ecosystem Services

Ecosystem services comprise those various

goods and services which humans receive and benefit from nature, including air purification; water resource recharging; soil maintenance; mitigation of natural disasters; constraint of disease vectors and infectious diseases; absorbing and fixing CO<sub>2</sub>; climate stability; ecosystem maintenance including agricultural and marine products; raw materials for agriculture, forestry, fishery, food products and industrial products; ecotourism resources; scenic and aesthetic value; and religious and ethical value. This could be referred to as nature’s blessings or life’s blessings, with ecosystem services and biodiversity providing not only the oxygen, water, nutrients, clothing, food, and housing on which we humans depend as a life form, but also the foundations for economic and cultural activities.

A global perspective is critical when considering biodiversity. The major factor behind the destruction of the global biodiversity is clearly human induced, with ecosystems destruction due to urban development and the conversion of wild areas into farmland in developing countries, the unsustainable use of biological resources such as food, timber,

Chart2: Ecosystems Service



Source: Created by author based on the Millennium Ecosystem Assessment



pharmaceuticals, textiles, use of animals as pets, illegal logging and harvesting, alien species, and climate change. Then, of course, Japan is a country dependent on imports from abroad for most of its food, energy, and resources. Food is one of the most critical ecosystem services for human beings, but as you know, Japan has a food self-sufficiency ratio of less than 40 percent. That means that we depend 60 percent of our national diet on offshore ecosystem services. The water used in producing the agricultural products and other goods that we import (clean water resources are also a product of ecosystem services) is estimated to be at least three times the amount that Japanese people use daily domestically. Japan depends on overseas sources for almost all the rare metals indispensable in high-tech products, such as mobile phones, while mining for rare metals in many cases leads to destruction of aboveground ecosystems. In other words, Japan depends heavily on offshore ecosystem services and also has a substantial impact on global biodiversity. Shosha (Japanese trading companies) could be said to play a role of bringing offshore ecosystem services to Japan and taking products to which value has been added back overseas.

### **How Should Shosha Address Biodiversity?**

As seen above, global biodiversity is indispensable for sustainable business for shosha and other Japanese firms, too. So what specifically should they do? Below are a few suggestions that I hope to give Japanese companies, especially shosha, on how they think about their relationship to biodiversity and how to take their first steps to address biodiversity.

- Understand the real nature of the biodiversity issue.
  - Take a global perspective.
- Shosha are engaged in the business of connecting Japan and the world.
- Look at both reducing impact by its own business activities and social contribution possibilities by supporting biodiversity conservation at site level).
  - Not only reduce the impact of their own
- corporate activities but also gauge and reduce the impact across the whole supply chain.
- Shosha are one of the few industry types that serve to link all stages of the supply chain from upstream to downstream of ecosystem services.
- Recognize engaging in efficient and effective biodiversity protection as part of corporate social responsibility, while also taking advantage of shosha's skill in creating new values and business models.
  - Be cautious in using numerical indicators for evaluating pro-biodiversity activities and outcomes.
  - Boosting the understanding of the general public increases the corporate value of companies addressing biodiversity.
  - Companies have little experience in dealing with biodiversity issues. Work with NGOs and research institutes with specialized knowledge and experience.

## **■ Water and Climate Change**

**Dr. Taikan Oki**  
**Professor, Institute of Industrial Sciences**  
**The University of Tokyo**

Water is indispensable for human beings and all other living organisms on the Earth, the “water planet,” to survive. It is estimated, however, that today there remain nearly 900 million people around the world who do not have access to safe drinking water.

Unlike fossil fuels, water is a renewable resource and does not run out even if used. Nonetheless, there are water shortages because the natural water cycle varies greatly by season and year, and water resources are unevenly distributed geographically. The question of how stably water resources can be used depends not only on climatic conditions such as rainfall, river flow, and soil humidity but on how well social infrastructures are prepared, how well time variations in water resources are regulated, and how well the uneven geographical distributions

of water resources are regulated.

Water resources are generally supplied at a very low cost. It is unreasonable to transport water from areas with water abundance to areas with water shortage because the transport costs are rather high even if tankers are used in shipment. Instead, agricultural and livestock products that use plenty of water are produced in areas where water resources are comparatively abundant, and the foods produced there are transported. In addition, seawater desalination and other technologies are used to produce water. Human beings cannot use all the available renewable water resources because water needs to be preserved to maintain healthy ecosystems and for navigation purposes.

The world's average daily per capita water usage is approximately 170 liters. However, there are great disparities among nations. Americans use about 500 liters a day; Japanese use about 310 liters a day and the people of China, Thailand, and Botswana use about 50 liters a day. People drink only about 2 to 3 liters of water a day at most. When the water issues are considered, we tend to focus more on drinking water. In fact, however, the amounts of water used for daily life activities, including bathing, laundry, flushing toilet, and cooking, are dozens of times more or even up to a hundred times more than the per capita volume of drinking water. In addition, Japanese use about 250 liters a day of water per capita for industrial purposes and approximately 1,300 liters for agriculture.

To produce 1 kilogram of wheat in Japan requires 2 tons of water, or about 2,000 times the amount of edible products gained. Calculated by per kilogram of edible food produced, soybeans require about 2.5 tons of water, chicken requires approximately 4.5 tons, pork requires about 6 tons, and beef requires about 20 tons of water, or 20,000 times the weight of edible food produced. In the case of meat production, the figures of water consumption include both watering and washing the livestock, but the bulk of the figures are actually accounted for by water needed to grow their feed. Based on these numbers and import statistics for key grains

and livestock for the year 2000, it is estimated that it would have required about 64 billion tons of water (about 2.5 times of the capacity of Lake Biwa) annually if Japan were to produce domestically the major imported foods and industrial products. This is equivalent to about 1,500 liters of water per capita per day. A full 62.7 billion tons out of the 64 billion figures is related to agriculture and livestock products, and water used for domestic agriculture is about 57 billion tons a year. Japan's food self-sufficiency ratio is 40 percent on a calorie basis, and the remaining 60 percent depends on foods imported from overseas.

Considering the volume of water resources needed for food production, it is clear that even if a nation is deficient in water resources by nature, it would be difficult for that situation to lead to a social problem if the country is economically affluent. Instead, it is apparent that the problem is the countries that are neither rich in water resources nor economically affluent - such nations can neither have enough water nor buy food. Water issues are thus intertwined with poverty, hunger, and food issues.

Moreover, there is a concern that climate change accompanying global warming will alter water cycle on a global scale and that the distribution of water resources will become increasingly uneven, resulting in an increase in the frequency of droughts and the emergence of some regions with tightened water resources and some regions with increasing risks of flood damage. In terms of water issues, however, climate change is just one of the multiple determinants that will exacerbate the situation in the future. Looking at developing nations, we find that climate change is just one key factor that will further accelerate the deterioration of water issues there, but that the primary factor of worsening water situation is the further increase in population, the concentration of the increased population to cities, and the development of the economy. These primary factors are expected to cause deterioration in water issues at least until around the middle of this century.

If we estimate the outlook for water resources during this century in light of the increase in water consumption associated with population increase and economic development as well as climate changes accompanying global warming, it is almost certain that the world population living in areas under high water stress will increase at least until the middle of this century, although this depends greatly on the directions toward which the society will develop, as well as the trends in technology. There are not so many new problems in securing adequate water resources supply in the future where water issues are not serious at present. Rather, it has been concerned that the water situation will become increasingly tight in areas presently already under pressure and water resource systems will become vulnerable and unstable.

Similar to other global environmental issues, it will be the comparatively poor countries forced into difficult circumstances with the increasingly stressed water situation. In such nations and regions, rather than a shortage in drinking water, the problem will be the facilities and social frameworks to provide an adequate and stable supply of water for people's daily living needs, industry and agriculture. Regarding water supply for people's daily needs, there is a possibility that systems to purify and reuse comparatively clean wastewater will spread as an effective solution in areas with a highly stressed water situation. To avoid serious water issues in the future, technology costs must be reduced and social policies must be developed to promote economic development in such countries.

In this sense, providing technology, know-how, human resources, and investment to such nations and regions for the development of social capital and other experience-based means to secure water resources, to protect ecosystems, and to reduce flood damage in a balanced way, is the same as virtually exporting water to them. The corporations of Japan and other developed nations should promote such initiatives in the future if such work would help resolve water issues

in developing countries and the world even if the corporations themselves make an economic profit through such an overseas support. Governments, administrations, and private corporations, are in fact starting to move in this direction. I am delighted that people in Japan and overseas have high hopes for Japan's future contribution toward the resolution of world's water issues.

## Olympic Movement Council

The sixth meeting of the Olympic Movement Council was held on Thursday, June 25, at a hotel in Tokyo. This was the first time for Nobuo Katsumata, chairman of the JFTC, to attend since being elected a member. The Olympic Movement Council was established in 2003 to create a forum for the executives of the Japanese Olympic Committee (JOC) to hear frank opinions on the Olympic Movement from representatives of various segments of society, including the political, business, and cultural sectors. The June meeting was the sixth in the series.

After the fourth meeting of the Olympic Movement Council held on March 24, 2006, discussions have focused on Japan's bid for the Games of the XXXI Olympiad in 2016. JOC President Tsunekazu Takeda said that the Olympic Movement Council was a valuable forum for the exchange of views to ensure the success of Tokyo's Olympic bid and was the key to bringing the Olympics to Japan.

The relationships between the JFTC and the Olympic Movement Council started on May 8, 2009, when Tsunekazu Takeda, president of the JOC, paid a visit to JFTC Chairman Nobuo Katsumata to exchange views on Japan's efforts to bring the 2016 Olympic and Paralympic Games to Tokyo. Japan's trading companies (*shosha*) and trade community also see holding the Olympic and Paralympic Games in Tokyo as an excellent opportunity to communicate to the international



community the unique appeal of Japan and Tokyo. Anticipating the Games will have a positive economic impact as a result, our nation's trading companies and trade community have been using their overseas networks to actively cooperate in the drive to bring the Games to Tokyo.

The final selection of the Olympic host city is to be announced on October 2, less than a month from now. The JFTC will continue its support and closely watch developments as the date approaches.

## Expo 2010 Shanghai China

Expo 2010 Shanghai China will be held next year. China has become Japan's largest trading partner in recent years so the nation is one of the most important partners of *Shosha*, as well. The Japan Pavilion at Expo 2010 is significant for Japan-China friendship and economic exchange in the future as the pavilion will communicate the appeal of Japan and Japanese corporations to people who visit the world expo from all over the globe and particularly Chinese visitors. The JFTC looks forward to the success of Expo 2010 and intends to provide support to the Japan Pavilion and thus contribute to its success, 17 key JFTC member companies are to participate. We would like to take this opportunity to give an overview of the Japan Pavilion at Expo 2010 Shanghai China.

Expo 2010 Shanghai China is scheduled to be held for the 184-day period from May 1 through October 31, 2010, on the main theme of "Better City, Better Life." At present, a total of 241 countries and international organizations (192 countries and 49 international organizations) have confirmed their participation in the expo, and 70 million visitors are expected. In addition to the Japan Pavilion, Japan is also participating in the Japan Corporate Pavilion and the Urban Best Practices Area.

The nickname for the Japan Pavilion is *Zi Can Dao*, a Chinese phrase meaning "purple silkworm island." The Japan Pavilion was given this name because it looks from the outside like a silkworm's cocoon. The theme of the Japan Pavilion is "WA—Harmony of the Hearts, Harmony of the Skills," and its message is "Connect for a harmonious future!" The Japan Pavilion will distinguish itself for its use of environmental technologies and its dynamic sense of space. The Japan Pavilion at Expo 2010 Shanghai China is the largest pavilion that Japan has ever staged at a world expo. It is the official pavilion of the Japanese government, and at the same time it is the first pavilion that is truly a joint effort of our nation's public and private sectors. The Japan Pavilion will also carry on the tradition of Expo 2005 Aichi Japan which aimed to communicate a message and not just serve as a trade fair. The fact that about 4,000 submissions were received in response to a general call for proposals for a nickname of the Japan Pavilion tells of the great interest there is in the pavilion.

The JFTC hopes that a successful Expo 2010 Shanghai China will lead to the further development not only of China, but also of Asia, and will serve as an opportunity for people from throughout the world to gather together and take a new step toward creating a "Better City, Better Life." We hope that, through the world expo, Japan-China friendship and trade will increase and all of Asia will grow hand in hand while enjoying good relations.



Image of Japan Pavillion

## First Meeting of the BOP Business Policy Study Committee Held on August 4

The Ministry of Economy, Trade and Industry (METI) held the first meeting of its BOP Business Policy Study Committee on Tuesday, August 4. The study group is chaired by Nobuo Katsumata, chairman of the JFTC. In addition to Chairman Katsumata, eight study committee members hailing from industry, media, academia, and other sectors attended the first meeting.

“BOP” stands for “Bottom/Base of the Pyramid” and refers to the 4 billion people—or approximately 70 percent of the world population—who have an annual income of less than US\$3,000. At its inaugural meeting, the study committee engaged in a lively discussion about their vision for new business

that will target the BOP and contribute to both the solution of social issues and economic development.

The low-income segment has not traditionally been viewed as a business target, but there are more and more cases today of global U.S./European corporations entering BOP business with assistance from aid agencies. This METI study committee is looking into this new business with the aim that BOP business will come to be seen as one avenue for Japanese corporations to expand overseas.

METI plans to dispatch a public-private sector joint mission to examine the potential of this business model. The working group set up by the study committee will consider concrete support measures on BOP business, and the study committee plans to draft a report on its findings by January 2010. BOP business is not sufficiently widely known in Japan so the METI plans to hold public symposiums and seminars to educate people about BOP business and spread this new concept.

### ◆◆◆◆◆◆◆◆◆◆ JFTC Essay Competition 2009 ◆◆◆◆◆◆◆◆◆◆

We have been sponsoring the JFTC Essay Competition since 2004 as one of our wide-ranging activities.

#### **JFTC Essay Competition 2009**

#### **“How Should Global Capitalism be Corrected – Japan’s Role and Mission”**

Awards: One Grand Prize of 1,000,000 yen and three Prizes for Excellence of 200,000 yen

Language: English or Japanese

Length: No more than 4,000 words(in English) or 10,000 characters(in Japanese)

Deadline: Sept. 30, 2009

Judges Chair: Dr. Iwao Nakatani, Director of Research, Mitsubishi UFJ Research and Consulting Co., Ltd. and Professor, Dean, Renaissance Center, Tama University

Vice Chairs: Professor Yoko Wake, Faculty of Business and Commerce, Keio University  
Mr. Kazuo Mori, Senior and Editorial Writer, NIKKEI INC.

For details of the competition and submission of your essay, please visit our web site:

**[www.jftc.or.jp](http://www.jftc.or.jp)**

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## Living in Tokyo, Working at a Sogo Shosha The 3 S's: Shosha, Shotengai and Sento



**Patrick Ryan**  
**Senior Analyst**  
**Marubeni Research Institute**

My life in Tokyo over the past 20 years can be broken down, for simplification purposes, into what I call the three S's; the sogo shosha (*major Japanese trading firm*), the shotengai (*shopping street*), and the sento (*public bath*).

Tokyo is a captivating city to live in and working in a sogo shosha has been fascinating, to say the least. Like most of my Japanese colleagues, I was attracted to the sogo shosha by the image it conjures as a widely diverse business entity and global player, meaning the lure of working in the international arena. The fact that my sogo shosha is headquartered in Tokyo, one of the world's great cities, and right across from the Emperor's Palace to boot, certainly didn't hurt matters any.

At the same time though, the sogo shosha are quintessentially Japanese organizations whose corporate cultures are rooted to a certain extent in Japanese customs and Tokyo is, of course, Japanese at its core. So both the sogo shosha and Tokyo are strong mixtures of the international and the Japanese at the same time. My work in the sogo shosha has been a reflection of all of these dichotomies.

It has been global and diverse, foreign-focused and Japanese-focused. For most of my career I have worked in the HR Department in the area of globalization and in the Research Institute in the area of industry and market research. Basically, my role in HR was as a bridge between our Japanese headquarters and our local overseas offices and between our Japanese employees and our local overseas employees, having to explain everything from the ringi system (*official consensus approval*) to nemawashi (*unofficial consensus building*), from tatemae (*polite surface response, not one's true feeling*) to honne (*franker response, one's truer feeling*), to how the sogo shosha think and work. In research, we've been asked to look at everything from the food industry in the U.S., to the car market in China, from world steel industry trends to the bio-mass market in Europe, from business prospects for health care in Japan to the future directions of the sogo shosha, much

of this in support of our business divisions. Working in a sogo shosha has been global and diverse, foreign-focused and Japan-focused all at the same time.

Of course, this all sounds very glamorous, where in fact, just as in any job, in the short term there is the daily grind of routine work, the pressures of deadlines, long hours, and inevitable cultural clashes. In fact, there have been times, albeit very few, where as an in-between or bridge, I had wished both sides would just go away. Still, over the course of a year or so, in looking back at the broad nature of what you have worked on, or whom you've dealt with from an international perspective (in fact, I have met people from nearly every country in the world in the course of my work) or the understandings you have created between various constituents, you realize the very global and diverse nature of your work and come to really appreciate the unique opportunity of being able to work in a sogo shosha.

Interestingly, what has helped me cope with work the most is Tokyo itself; the convenience of its shotengai and the community relief found in its sentos. To me Tokyo is a series of villages set around train stations with shotengai emanating from and between them, providing for nearly every basic need and want. And, if you look close enough you will find a local sento nearby, too. These are conveniences I find unmatched by any other major city.

Having basically given up the efficiencies of the subway system for the more scenic views from the seat of a bicycle on my way to and from work (25 minutes), I find myself, usually after work, exploring these various shotengai, often stopping into a sento to help relieve my daily stress. In my own neighborhood alone there are numerous shotengai and 3 or 4 sentos, to which of one I am a regular member of the 5 o'clock gang!

I just can't imagine living and working in any other place but Tokyo and giving up the 3 S's; the shosha, the shotengai and the sento.

## REGULAR MEMBERS OF JFTC

### Companies (Total 42)

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### Associations (Total 24)

COSMETIC IMPORTERS ASSOCIATION OF JAPAN, FUKUOKA FOREIGN TRADE ASSOCIATION, INTERNATIONAL DEVELOPMENT ASSOCIATION OF THE FURNITURE INDUSTRY OF JAPAN, JAPAN AUTOMOBILE IMPORTERS ASSOCIATION, THE JAPAN BANANA IMPORTERS ASSOCIATION, JAPAN CHEMICAL EXPORTERS' ASSOCIATION, JAPAN CHEMICAL IMPORTERS' ASSOCIATION, JAPAN EEL IMPORTERS ASSOCIATION, JAPAN ELECTRONIC PRODUCTS IMPORTERS ASSOCIATION, JAPAN FISH TRADERS ASSOCIATION, JAPAN FOREIGN TRADERS ASSOCIATION, INC., JAPAN MACHINE TOOL IMPORTERS' ASSOCIATION, JAPAN MACHINERY CENTER FOR TRADE AND INVESTMENT, JAPAN OVERSEAS ROLLING STOCK ASSOCIATION, JAPAN PAPER IMPORTERS' ASSOCIATION, JAPAN SHEEP CASING IMPORTERS ASSOCIATION, JAPAN SHIP EXPORTERS' ASSOCIATION, JAPAN TEXTILE EXPORTERS ASSOCIATION, THE JAPAN TEXTILES IMPORTERS ASSOCIATION, JAPAN WATCH IMPORTERS' ASSOCIATION, JAPAN WINES AND SPIRITS IMPORTERS ASSOCIATION, KOBE FOREIGN TRADE ASSOCIATION, KYOTO FOREIGN TRADE ASSOCIATION, THE YOKOHAMA FOREIGN TRADE ASSOCIATION

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