

Interview with New Chairman Utsuda

“Pioneering a New Frontier of Global Trade”

At the 86th General Assembly of the Japan Foreign Trade Council, Inc. (JFTC) held on May 31, Mr. Shoei Utsuda, chairman of Mitsui & Co., Ltd., assumed office as the 10th chairman of the JFTC. JFTC secretariat asked him about subjects such as the thinking that infuses his new slogan “Pioneering a New Frontier of Global Trade,” the present economic environment, and the expected role of *Shosha* (trading companies).

– **What meaning and expectation do you imply to your slogan “Pioneering a New Frontier of Global Trade”?**

When Mr. Tatsuzo Mizukami (former chairman of Mitsui & Co., Ltd.) held office as the third chairman of the JFTC, he always based his thinking on the spirit of Japan being “a nation based on global trade” and the spirit of “free trade,” and he had high aspirations to contribute both to Japan and to the advancement of the world economy through the balanced development of exports and imports and economic cooperation.

In the slogan “Pioneering a New Frontier of

Global Trade,” I took the philosophy of Mr. Mizukami and added the aspiration to foster the development of the global and Japanese economies in tandem through the strengthening of this exchange of people, goods, finance, and information.

Amid progressive economic globalization, Japanese companies should not be satisfied with their thinking simply to generating earnings and to paying corporate taxes. Companies that are



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respected worldwide need to think through the kind of contribution they should make to society, so in my view it is important to delve very deeply into the “new” aspect of what I refer to as “a New Frontier of Global Trade.”

I think it's important that, rather than the conventional concept of “From Japan, To Japan,” on the trade businesses, we recognize the world from a somewhat broader perspective. This will enable us to identify the path that *Shosha* should be advancing along, and the frontiers.

As illustrated by the existence of the socioeconomic stratum known as the “Base Of the economic Pyramid” (BOP), there remain many people in the world who still do not enjoy the benefits of technological progress or economic development. Although these people do not have a great deal of purchasing power, there are certainly groups of products and services that they need. By adopting their local perspectives, having a strong desire to contribute something for the people, believing that we should be able to do something by means of hard work, I think what *Shosha* can actually accomplish could be seen.

– What is your assessment of the current economic environment for the international trade and investment?

Trading companies are particularly heavily impacted by the state of the global economy, even companies headquartered in Japan. A mixture of factors are at work, for example, the favorable state of the economies of emerging nations and the uncertainties in the U.S. and European economies. But it is natural to find both favorable and unfavorable situations in different regions. Given this, in my view it is important not to be needlessly pessimistic, but instead to make judgments calmly and to do, in a resolute manner, what needs to be done.

There is concern that protectionism will emerge depending on how the world economy recovers.

What is important above all, I believe, is to take a comprehensive view of trends worldwide and think in a broad, forward-looking way about how to overcome the present difficulties by means of free trade and international cooperation.

We are also seeing changes in the main players in the world economy. In addition to China and India, which have already been achieving remarkable economic advancement, a variety of other developments are in prospect, for example, as regards South Africa, where the FIFA World Cup is being held, and Brazil, the first-ever South American host country of the Olympics, both illustrating how such countries are making their presence felt more prominently in the world economy. This paradigm shift, which is arguably of a magnitude that figuratively speaking is shifting the “earth's axis”, is likely to persist for some time to come. We should understand that in the world of the future this change will be the norm.

– What kind of policy proposals are you considering making?

One of the ways in which JFTC differs from other organizations of its kind is the preponderance of its overseas business activities. In view of this, I intend to draft and provide policy proposals by looking at Japan from the overseas perspectives. The Strengthening of the free trade system on the WTO and steps to promote the conclusion of bilateral and inter-regional FTAs and EPAs that supplement the WTO are core elements of the JFTC's proposals, but in addition to these I would like to be more vigorous in making proposals on issues such as the desirable forms of future economic cooperation and the creation of new global systems and rules.

For example, the fields in which there are strong needs overseas and in which Japan could contribute are infrastructure projects — such as railways, electric power generation, and water supply and drainage — and environmental business, including projects in the spheres of nuclear power

generation and high-efficiency coal-fired thermal power generation. How can Japan best go about participating actively and assertively in large-scale overseas infrastructure development of this kind? Recently we have been hearing a lot of talk about strengthening the cooperation between the public and private sectors, building an “All-Japan system” that harnesses the expertise of national and local governments and corporations, and promoting “Exports as the System (equipment and the services)”. To ensure these do not end up as mere buzzwords followed by inaction, we would like to investigate very thoroughly what specific steps need to be taken.

The cooperation between the public and private sectors, including local activities at the grass-roots level, has improved substantially from what they used to be; however, such partnerships would not be possible if the international competitiveness of Japanese companies — a crucial factor in such arrangements — is at a low level. To enhance Japan's international competitiveness, I intend to propose measures with such objectives as promoting the early implementation of corporate tax cuts and the introduction of institutional initiative designed to enhance innovation.

I also think that Official Development Assistance (ODA) is particularly important for Japan to proceed with large-scale overseas projects. I intend to undertake research and make proposals to help determine how to make Japan's ODA into economic cooperation that clearly has a “human touch”, while also addressing aspects such as a reappraisal of its form, the devising of new methods, and the development of wide-area social infrastructure straddling multiple countries.

I believe that Japan as a nation has splendid national traditions, culture, and social values that compare very favorably with any in the world. I feel that, for example, Japanese people's basic attitude towards business, which includes traits such as the spirit of craftsmanship, absolute commitment to honoring pledges, and punctuality, has universal



values that are also very important for people of other countries when conducting business. I also hope to spread universal values such as these around the world through ODA.

Meanwhile, Japan is the Asia-Pacific Economic Cooperation (APEC) Chair this year. I look forward to it being a year in which Japan takes the lead in such areas as promoting the Free Trade Area of the Asia-Pacific and the conclusion of an economic partnership agreement in Northeast Asia. What I consider very important, and very worthwhile is to engage in the cooperation between the public and private sectors with a view to quickly establishing mechanisms that will enable us all to benefit together from Asia's growth, for example, in the form of wide-area infrastructure development and financial cooperation within the region.

In addition to making requests and proposals to the government, I hope to liaise closely with other economic organizations in order to make the JFTC's powers of conceiving and formulating new concepts more multifaceted and multilayered. What I envision here is incorporating the standpoint of the trading companies to view the problems and issues facing the Japanese manufacturing industry conceived from a cross-industry perspective, seeing this as a composite strategy for Japan, and

considering the role that the trading companies can perform.

– **What is the main forte of *Shosha*?**

If I put in a word, it is “flexibility”. *Shosha* have considerable freedom in their business activities as regards what to do and where to do it, for example, the places and fields in which they operate. Another strong point is their ability to respond speedily to outside changes. In the past, crises affecting *Shosha* were talked about frequently, but on each such occasion *Shosha* morphed to create new business models.

Why *Shosha* have been able to transform themselves repeatedly is their strong will “not to protect themselves” or, in other words, not to adhere stubbornly to vested interests and existing frameworks, but to take up new challenges instead.

– **What do you think is expected of *Shosha* within Japan's industrial structure?**

I think that one of the functions expected of *Shosha* is that of sniffing out which goods and services are needed in any given market. This doesn't mean some sophisticated activity like market research, but walking around the locality, drinking, eating, and chatting with the local people, listening to their problems and their gripes and their dreams, and, through that, starting to build a sensitivity to local needs and gradually formulating measures that give substance to that.

As *Shosha* can participate in a vast range of business fields, it is a very challenging, yet worthwhile, business in which one can enter unknown markets, sometimes on the basis of no more than nebulous intuition.

– **What capabilities will *Shosha* need to have and what roles will they need to play as they continue to take up challenges?**

Recently there has also been a lot of talk about



incorporating Asian growth, but I think that will prove rather difficult. It cannot be accomplished solely from a “From Japan, To Japan” perspective.

It is *Shosha* that can discern the true needs of countries undergoing economic development and then attempt to seek out local requirements and be positioned to do something. It is by being acclimatized to each overseas locality, thinking and acting from the same points of view of the people of the country, and by experiencing ups and downs, that the contributions that *Shosha* are able to make can come to the fore.

In moving a business forward, it is important to be rooted in the individual countries and regions, races, religions, and cultures where you do business, as well as to take fully into account the inherent values of the people who actually live in those environments, and what makes them happy.

I reaffirm my belief that we are entering an era in which we in the trading companies, armed with a characteristically enterprising spirit and conceptual ability, act as vanguards of Japan in launching into the outside world with resolute determination. I am confident that this will be good for the world, and in turn for Japan.