

# JFTC News

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## Interview with the New Chairman “Striving Towards a Global Frontier”

Mikio Sasaki, Chairman, Japan Foreign Trade Council, Inc. (JFTC)



**Interviewer:** Shohei Nagai,  
Public Relations Committee, JFTC,  
(General Manager, Planning Section,  
Corporate Communications Department,  
Marubeni Corporation)

**Nagai:** You became the JFTC’s eighth chairman at the council’s general assembly on May 31. How do you feel about it now, and could you tell us about your aspirations in this new role?

**Sasaki:** I am extremely honored to have been elected as chairman of the JFTC. It is a non-profit organization with a long history, dating back to its establishment in 1947. When the JFTC was born, it was a nationwide private entity affiliated with companies and organizations in general. In 1986, however, it was developed into an entity that would mainly represent trading houses and related organizations. Although I know my responsibilities as chairman will be challenging, I hope to contribute to Japan’s further prosperity and the ongoing development of global society. I will of course be calling upon the vice chairmen and other interested parties to support me in these endeavors.

**Nagai:** The rapid pace of advancing globalization and technological innovation is significant. As such, what do you think of changes in the business environment surrounding trading companies?

**Sasaki:** As you just described, we are in the middle of an era where remarkable changes are quickly taking place.

Globalization and technological innovation, both 21st-century trends, will undoubtedly advance much faster than expected. Within such environments I believe it is important to have courage and determination, so that we can respond to rather than fear changes, and regard these as new business opportunities. Trading companies have so far been successful in dealing with changes by reforming their business models and taking other initiatives. We shosha will continue to play important roles, and outside expectations of our capabilities and functions will only increase from hereon.

**Nagai:** What responsibilities do you think the JFTC should take in such an era of change?

**Sasaki:** In step with the rapid development of globalization, Japan’s industries are also being increasingly globalized. In my opinion, we will be able to contribute to the revitalization of the Japanese economy and the subsequent further development of the world economy by providing solutions born of the experience and know-how of JFTC members. For the purpose of proliferating a wide-spread understanding of shosha activities, including their functions and missions, I hope that the JFTC will enhance public relations for our companies. Specifically, the JFTC will steadily execute its business plan for the current fiscal year.

**Nagai:** What challenges and problems do you think shosha now have in common?

**Sasaki:** Japan is a country heavily dependent on trading activities, and as such benefits from a system of free trade. It is therefore very important to liberalize the movement of people, goods, and money. Ever since the World Trade Organization (WTO) failed to reach an agreement in September last year, the consolidation of regions and the conclusion of bilateral pacts, such as free trade agreements (FTAs) and economic partnership agreements (EPAs), have been pursued actively for the purpose of complementing the WTO. Although Japan appeared lag behind, in March it eventually concluded a long-expected FTA with Mexico. I think this was a big step forward. I hope that the Government of Japan will use this as a turning point and make aggressive efforts to establish EPAs with other countries and regions in Asia. To this end the JFTC will play its part in actively proposing policies.

International trade facilitation is another issue to tackle. Japan's administrative procedures, including those for trade activities, are more complicated than those of other countries and regions. The JFTC would like to suggest that the central government address the issue of simplifying such processes, which are a common problem facing all business sectors. Japan is actively promoting incoming investment, but if foreign enterprises that are interested in setting up business in Japan are required to undergo more complicated procedures than necessary, Japan will no longer remain an attractive investment target, which could impact adversely on the competitiveness of its industries.

The JFTC has been asking the government for a long time to address the issue of double payments in national pension programs. Japan last year concluded social security agreements with the U.S. and South Korea to avoid such double payments. We would like to continue to suggest that Japan sign similar treaties with other countries and regions, including France and Belgium, with whom Japan is currently engaged in talks.

The tax convention between Japan and the U.S. was revised in mid-May for the first time in 30 years. As regards similar conventions that Japan has agreed upon with other countries and regions of Asia, the JFTC believes that they should be revised as well so that when companies receive dividend payouts from foreign subsidiary companies, they should not be burdened with heavier taxes. For these reasons we will work aggressively on this issue.

**Nagai:** The JFTC promotes the conclusion of FTAs and EPAs. Could you tell us your views on FTAs and EPAs in more detail?

**Sasaki:** As I said, it is very important to globally liberalize the movement of people, goods, and money for Japan, which establishes itself through trading activities and therefore benefits from free trade. I think that the

Government of Japan, and industries as well, should make efforts to cooperate with one another to achieve this goal. The promotion of FTAs and EPAs will, I believe, enable domestic industrial sectors, which have not been exposed very much to global competition so far, to be more efficient. At the same time, such promotion will be effective in making them more globally competitive. During Japan's ongoing negotiations with other countries and regions in Asia, the movement of people, in addition to individual products, such as agricultural products and seafood, is a prominent issue. In particular, the Philippines and Thailand, among others, are demanding that the movement of people be liberalized in the fields of nursing and care giving. A declining birthrate and an aging population are problems that will become even more significant in Japan's future. I feel that we must realize some kind of mechanism that will free up the movement of people. Liberalization is also one of the most important issues for the WTO, the base of the global trade system; the government and the private sector should help each other not only in the promotion of FTAs and EPAs but also in a new round of agreements.

**Nagai:** The concept of corporate social responsibility (CSR) has been attracting attention recently. The JFTC has launched its own CSR study committee, while some trading companies have been publishing sustainability reports. What are your opinions on the shosha's social responsibilities?

**Sasaki:** Trading companies are expanding their fields of business. They are associated with a variety of industries and develop their activities in step with globalization, both in Japan and overseas. As a consequence, their impact on society is increasing all the time. Stakeholders have diversified values now, requiring companies to be all the more transparent in their operations. When I say stakeholders, I do not only mean stakeholders in the narrow sense of the word, i.e. shareholders, employees, and business partners, but the broad sense as well, namely users in general and society. When firms are asked to explain what they do and their associations with society, they should take these questions very seriously and answer them honestly. Calls for greater attention to CSR will only increase, and as the head of a company myself, I know that much of our responsibility will involve guiding our organizations towards the kind of business development that always adheres to these values.

The JFTC has been driving home the importance of compliance, the consideration of the natural environment, and activities to contribute to society via the Action for a Better International Community (ABIC). We will continue to devote ourselves to these efforts and seek harmony with society as a trade organization.

**Nagai:** You have always said that Japan's core competence is its ability to develop technologies and the

subsequent manufacturing of products. What role do you think the shosha play in these regards?

**Sasaki:** Historically, shosha have long been involved in technologies. During the rapid growth of the post-war Japanese economy, the shosha introduced a variety of overseas technologies to Japanese companies and imported machinery. It is these experiences that have enabled the shosha to accurately evaluate new technologies.

There is something called “Death Valley” which exists between the R&D stages and commercialization of new technologies. These developments sometimes cannot be put into practical use due to a depletion of funds and other factors. The U.S. has venture capital to bridge this Death Valley, but in Japan, it is the shosha who are playing a major role in commercializing new technologies. They accomplish this by making the most of their ability to evaluate technology and by providing financial, logistics, marketing, and other means of support.

In order to analyze and provide those “seeds” that will respond to the “needs” of a changing era, I believe the shosha can play an important role; their extensive associations with almost all the other sectors, including consumers in general, will prove invaluable. As Peter F. Drucker points out in his recent work, “Managing in the Next Society,” it is difficult to produce new value based upon one technology or by one company. I think that the concept of “fusion,” such as the combination of more than one technology and the partnerships of companies from different industries, will become increasingly important. The Shosha, which work with many different sectors, can play a major role in promoting such fusion.

**Nagai:** Former chairman Miyahara promoted the JFTC’s activities under the motto, “JFTC for an affluent world.” What catch phrase do you have in mind?

**Sasaki:** In this day and age, where changes are rapid,

such as the advancement of globalization and technological innovation, the shosha are playing more and more important roles. Not only are they matching market needs with the necessary seeds, they are also creating new market needs around the world, making the most of their global business networks, and business activities which enable them to stay in touch with many other industries. Under the descriptive catch phrase, “Global Frontier,” I envision shosha as contributing to the revitalization of the economy by creating new demand and developing new business frontiers in a wide variety of industries and regions.

**Nagai:** What is your own motto?

**Sasaki:** I try to think globally and act locally. When we play a game of go, we look at the whole picture of the game; however, when we actually place a go stone, we pay attention exclusively to that move. I believe this strategy works effectively in business as well. We must remain sensitive to all business activities, but at the same time pay attention to every single step along the way. That is my philosophy.

**Nagai:** How do you keep yourself healthy? What are your hobbies?

**Sasaki:** I do not do anything in particular to keep myself fit, but I always try to get enough sleep and I also play golf occasionally. Recently, I have been focusing more on my distance off the tee than my overall score. I also like reading. I usually read a random variety of works, but to relax these days, I have been enjoying some historical works on Japan and ancient China.

**Nagai:** Thank you very much for taking the time to speak with me today. I hope that the JFTC will develop further under your leadership.

(at Mitsubishi Corporation’s chairman’s office)

## What is "SHOSHA" ?

SHOSHA is consistently changing to meet the requirements of each era. Its function, activities and vision are explained in detail in English at <http://www.jftc.or.jp/shosha/english/index.html>

## JFTC MONTHLY REPORT ON-LINE — Titles

JFTC publishes monthly reports covering wide variety of topics for the members and subscribers.

The following contents are available from the website (<http://www.jftc.or.jp/>) though written in Japanese.

### From July/August issue

1. Foreword “New Norms” — Eiichi Ueda, President, Sumikin Bussan Corporation
2. “Contents Business of Shosha” — Itochu, Sumitomo, Sojitz, Marubeni, Mitsui, Mitsubishi
3. “Towards Development of Contents Industry as National Strategy” — Ikuro Hirozane, Director, Media and Content Industry Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade Industry (METI)
4. “Challenges Towards Contents Nation and Future Programs”  
— Hideaki Kubori, Representation, Hibiya Park Law Offices
5. “Footsteps of Other Countries Creeping up to Japanese Specialty” — Ryo Hato, Institute Head, PIA Research Institute
6. International Letter “Sanuk, Sabaai and MaiPenRai”  
— Ichiro Wakabayashi, Chief Operating Officer, Nagase (Thailand) Co., Ltd.

## Challenging Next-Generation Frontiers The JFTC published a book titled “Shosha no ‘Shin’ Jitsuzo,” (“Latest” Real Image of Shosha) in July 2004 which illustrates true nature of trading companies

Japan is now in the midst of great change. The globalization of economy has been rapidly progressing. New social problems are arising such as a declining birthrate, an aging population, environmental issues, etc. In the meantime, science and technology has been making rapid progress such as in the fields of nanotechnology and biotechnology, and other new innovative technologies are emerging. In order to maintain strength and win severe competition in the global market, the Japanese economy is demanded to regard those changes as opportunities for creating new markets and industries, and to challenge a number of creative innovations in very competitive sectors.

Since the Meiji Era, when Japan took the first step toward modernization, Japanese trading companies, better known as “Shosha”, have been expanding their business activities in such a way that the shosha help the Japanese economy and industries overcome their occasional challenges. As such, today’s shosha are striving to develop their businesses by challenging today’s problems.

The Japan Foreign Trade Council, Inc. (JFTC), which is led by chairman Mikio Sasaki, in April 2003 set up a special study group for “Shosha and New Frontier Businesses” headed by Mr. Akio Shibata, deputy director, Marubeni Research Institute. By looking into various unique projects trading companies are currently working on, the council hoped to illustrate the latest real image of trading companies and to clarify their universal nature. The results of analysis made by the study group were published in July 2004 by The Nikkan Kogyo Shimbun, Ltd. as “Shosha no ‘Shin’ Jitsuzo – (“Latest” Real Image of Shosha – Their Global Strength that Develops New Technologies into Business).

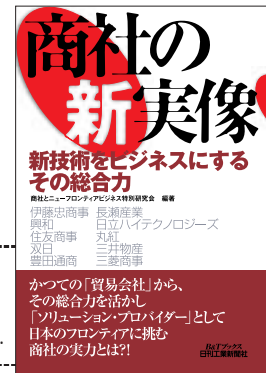
Following is an outline of the publication, which focuses on today’s business frontiers of the shosha.

### 10 Projects in 4 Sectors – Playing Roles in Overcoming Challenge of the Times

#### Advancing Functions of Shosha

Until the Japanese economy grew rapidly after the end of World War II, the “business frontiers” for Japan mostly existed in foreign countries in terms of technology, market and natural resources. The shosha contributed to development of Japanese economy as “trading companies” by playing a role as a bridge to foreign

“Shosha no ‘Shin’ Jitsuzo”  
published on July 14th by  
The Nikkan Kogyo Shimbun, Ltd.



countries.

However, once Japan became an advanced country and its frontiers were not just foreign countries alone anymore, the trading companies began to show another face. It is a face as “solution providers” for various problems and challenges with which the Japanese economy, industries and enterprises are confronted.

The Government of Japan has set the following as major national challenges; improvement of the global environment, foundation of Japan as a country of intellectual properties and technologies, reform of medical and welfare systems, revitalization of local economy, modernization of small and medium-size enterprises, and the promotion of the WTO (The World Trade Organization) agreement and FTAs (Free Trade Agreements). Looking into these horizons, today’s shosha are, for their part, facing challenges as solution providers in a variety of business sectors.

“Shosha no ‘Shin’ Jitsuzo” introduces the challenges being made by shosha by citing 10 specific projects in four areas – environment business; health/ medical/ personal care business; IT and media business; and frontier technology business. Those projects illustrate the real image of shosha showing themselves as “solution providers”.

Since the beginning of their history, shosha have, foreseeing the future, always been challenging in frontier sectors. Why has such nature built up in shosha? It is because they keep a strong awareness inside that they need to constantly diversifying and enhancing their functions to compete with the pressure trying to skip “intermediate distributors”. While manufacturers produce goods and service companies offer specific services, it is the “business solutions” that shosha sell. It is shosha’s talent to discover various problems and gaps as time goes by and to provide business schemes for overcoming such problems and gaps. For shosha, the transaction of goods and services is the consequences of business schemes they created. Diversifying and improving functions enable shosha to organize businesses in new frontier anytime.

## New Fields of Business that Trading Companies are Challenging

### Environment

- 1) Mitsui & Co., Ltd. : Recycling business of home electric appliances by JFE Urban Recycle Corporation
- 2) Toyota Tsusho Corporation : Project to commercialize dimethyl ether (DME)

### Health, Medical, and Personal Care

- 3) Kowa Company, Ltd. : Development of instruments to measure pollen floating in the air on a real-time basis
- 4) Marubeni Corporation : Commercialization of capsule-type endoscope cameras for medical diagnosis
- 5) Mitsubishi Corporation : Healthcare business development in preparation for an aging population to come and changes in environments in the medical sector

### Information, IT, and Media

- 6) Sumitomo Corporation : Provision of TV programs by Jupiter Programming Co., Ltd. and TV shopping business by Jupiter Shop Channel Co., Ltd.
- 7) Sojitz Corporation : "Riskmonster"— Internet support system for management of trade credit.

### Development of Frontier Technologies

- 8) Itochu Corporation : Bioinformatic center business supporting development of new pharmaceuticals
- 9) Hitachi High-Technologies Corporation : Business development in the field of organic electroluminescence (EL)
- 10) Nagase & Co., Ltd. : Resource management revolution "Chemical Management System (CMS)"

## Four Outstanding Gaps

What are the "gaps" that shosha direct their attention to now? One lies between needs and seeds for the commercialization of newly developed technologies such as nanotechnology and biotechnology.

Secondly, changes in social frameworks sometimes result in various gaps. Liberalization of telecommunication business, introduction of the long-term care insurance system for the elderly, and emission right trading to solve global warming are some of good examples.

Thirdly, gaps appear when dealing with new partners, such as local governments; universities, colleges, and other research institutes; non-profit organizations (NPOs) and non-governmental organizations (NGOs); and China and other countries and regions of Asia.

The fourth gaps develop in association with changes in tasks that each player is faced to carry out in a value chain of business, which lies from an upper part to a lower part, i.e., R&D, product development, manufacturing and retailing.

The gaps are growing due to the three currents moving around Japan; the progress of regulatory reforms, the rapid progress of science and technology, and the growth of new social needs due to declining birthrate, aging population, global environment concerns, etc.

The development of these gaps, however, means opportunities for shosha which have a variety of unique skills in discovering business solutions.

## Global Strength of the Shosha

### Management Resources

The globalization of business could lead to greater business risks. The business development in the frontier

would accompany uncertainty. The business alliance would be necessary on a cross-industry or on a cross-region. Those factors should be taken into consideration when people start new business in challenging areas. Under such environment, the management skills and resources that shosha have accumulated over a long period of time through a plenty of experiences in forming various business ventures could be quite useful.

What are shosha's resources? They are; 1) ability to evaluate technologies leading to real business, 2) strong brand and credit, 3) human resources with variety of new ideas, 4) capability to make the most of economies of scale, 5) organizations that can deal flexibly with changes in business environment, 6) capability to raise funds, 7) global information networks, and 8) capability of connecting and combining flexibly domestic and overseas affiliated companies that can play necessary roles. As a whole, shosha are well fitted to perform these complicated tasks, making use of their global strength.

### Diversity and Flexibility

Business innovations in the field of new technologies can often be happened from discovering new combinations of existing elements rather than from creating new things from nothing. For this reason, the system and mechanism is essential under which new ideas are freely pursued via communicative collaboration among various partners with unique ideas and viewpoints. As shosha have global and diversified strength inside, they are expected to contribute to creating innovations, turn them into products and sell them, thus develop them into new markets.

General trading companies have often been criticized for not having clear core strengths. However, they are

instead competent to deal with changes in various outside circumstances because they have accumulated diversified capabilities inside.

### New Functions, Creation of Business

What are trading companies heading for in the future? Although each trading company has different expression in answering to this question, they all share the same strong sense of challenge. They believe trading companies would not be able to continue to exist unless they demonstrate and perform clear functions. In order to continue to play major roles in value chains of business, it is important for trading companies to organize networks linking themselves with manufacturers, users, and other business partners. Shosha have a wide range of know-how and expertise acquired through their experiences including IT-related capabilities, logistics-related technology (LT), financing-related technology (FT), and marketing-related technology (MT). They can

make use of those expertise and capabilities to promote business in cooperation with related companies.

As described above, trading companies are challenging to create new businesses by focusing on various gaps existing in this day and age. They are striving to play a role as a “connecting point” of value chains so that they can play host in core parts of all business opportunities.

Introduced in the conclusion of “Shosha no ‘Shin’ Jitsuzo” are remarks made by Koyata Iwasaki, who was the president of Mitsubishi Goshi Kaisha some 90 years ago. “Trading companies are responsible for linking a required number of necessary products and services efficiently where they are needed,” Iwasaki is quoted as saying. This concept still holds true in today’s business. Trading companies are expected in the 21st century to become more dynamic, upgrading themselves from “business connectors” to “business creators” and “new market developers”.

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 HITACHI HIGH-TECHNOLOGIES CORPORATION, INABATA & CO., LTD., ITOCHU CORPORATION  
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 JAPAN MACHINERY EXPORTERS’ ASSOCIATION, JAPAN MACHINERY IMPORTERS’ ASSOCIATION,  
 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,  
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