

Japanese Global Trading Companies in a Changing World

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1. The world has changed. Where are we now?

The world has changed significantly over the last two decades, particularly since the beginning of the 21st century. The political and economic situation around the world is entirely different from then. The key areas of change are in people's mobility, economic activities, money flow and information technologies. For better or worse, we need to recognize these changes.

Now, let's look back briefly what world events had the greatest global impact.

It was the early 90's when the Cold War ended with the collapse of the USSR. This created a unipolar world where the USA emerged as the dominant global presence and has remained dominant ever since.

We have also seen the collapse of Japan's bubble economy followed by the 'Big Bang' reforms and Asian crisis in late 90's. The real change, however, has been the IT revolution that took place during that time, not only in regards to how it changed communication systems but how it influenced practically all human endeavors globally.

The world also encountered hatred and antagonism towards terrorism and tension stemming from Islamic Extremism after 9.11. In recent years, the economies of the BRICs have begun their rise to prominence, particularly China, while the heretofore advanced countries have been hit by financial crises: first, the USA's sub-prime mortgage crisis, followed by the European financial crisis.

In the USA, Obama's election to the

Presidency altered the essence of US government policy in terms of domestic affairs, foreign diplomacy and global military strategy.

Since then, the remarkable growth of leading developing nations, including China, has begun to plateau. Conversely, the United States is now poised to make an economic comeback in a few years given the revolutionary findings in shale gas extraction technologies.

2. Where is Japan?

2-1. Current Situation

- (1) End of political instability
- (2) Declining birthrate and overall shrinking population/aging society.
- (3) Slipping/weakening international competitiveness
- (4) Free trade issues: Japan is falling behind the USA, S. Korea, the EU, and China.

We need to be more competitive through more drastic deregulations.

2-2. Advantages

As a mature nation, Japan still enjoys many advantages which can be leveraged for further growth.

- (1) Japan is a major economic power (3rd largest GDP worldwide)

In fact, with GDP per capita of around \$47,000, Japan is No.12 in the world and the highest of the Asian countries except for Singapore

- (2) Japan is the world's richest country, having overseas net assets of 253 trillion yen (US\$3 trillion; followed by China at US\$1.7 trillion).

Companies have a lot of cash on hand (liquidity



is high, excluding liquidity by the banks) totaling around 60 trillion yen.

- (3) Clean, safe, and well-functioning cities
- (4) Highest literacy rate in the world
- (5) Awards more patents than most other countries and has one of the biggest research and development budgets.
- (6) “Soft power” such as Japanese Pop Art and Manga are becoming popular around the world. Japanese cuisine and food culture have also become commonplace worldwide.

3. What are *sōgō-shōsha* (global trading & investment companies), and what role do they play?

For your information, we will take a look at *sōgō-shōsha*’s (global trading companies’) business development worldwide as we believe *sōgō-shōsha* have historically been the front runners for Japanese economic growth.

- We now have 7 major *sōgō-shōsha*.
- Each of us has a business history of over 100 years.
- Our business covers almost all the business activities you can imagine.
- As the world’s economic climate changes, we

have changed our business models as necessary to meet the requirements of not only Japan, but countries all over the world.

- The functions of global trading companies
- Trading companies today and future growth
- Today, 75% of total profit comes from/is based on foreign subsidiaries.
- Changing investment and lending strategy—from an over reliance on energy and resources to the more diversified non-energy/natural resource sectors

4. Conclusion

We are confident that we will be able to overcome the difficulties ahead and eventually come back as a global economic leader using the hard-earned wisdom we have cultivated over the past few decades. Needless to say, Japan will have to work more closely with the other Asian countries in order to make that happen.

In the globalized, fluid, and rapidly moving world, Asia will play a crucial role. Japan, China, and the ASEAN countries are expected to make up well over 50% of the world’s GDP in the future and will lead the coming Asian emergence. For that reason, cooperation and close dialogue at all levels is needed among these Asian countries.