

Foreword

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Foreword

In defining “technology” one must think beyond only machines and equipment. Technology encompasses not only hardware and software but also the institutional and social interface which operates the system of technology. This view is based fully on our experiences dealing with the difficulties contained in today’s “development” problématique.

Japan’s general trading companies played a vital role in the transfer of technology to Japan as an importer of machinery and equipment. Today, general trading companies export as well as import these items and thus continue their crucial part in technology transfer even today.

General trading companies also serve as a development model, since they developed by transferring and adapting technologies for forming and operating an enterprise. In the process of their own development, they acquired practical know-how of how to carry out foreign trade in its daily operation (which was distinctly different from domestic trading activities in terms of the merchandise handled, quality evaluation, pricing, method of clearance, transportation, and insurance), while adjusting and co-ordinating their new activities with the surrounding environment in Japan.

Successful execution of the business of general trading companies requires detailed information regarding the needs of the markets in and out of the country, as well as practical know-how and experience regarding the nature of individual merchandise items, market opportunities or their absence, means of transportation, emergency measures, and a host of other matters. Thus, their economic and management operations amounted to a systematic accumulation of know-how and its efficient utilization, both of which required a high-quality source of manpower as the initiating as well as ultimate resource.

General trading companies sometimes are looked upon as a specifically Japanese phenomenon born out of the uniquely Japanese history of their development. We have no explicit objection to such a view. But we do object to the denial of their universality on the basis of their uniqueness. No one

would deny the *raison d'être* of individual nations and peoples because they have undergone a unique process of nation-building: the precise opposite should be the case. So should universality and generality be operationally confirmed following a painstaking accumulation of case-studies. Thus, the case of Japan should not be denied merely because it is unique but, instead, should be characterized as one of many unique entities. It can be shown that there were factors that helped general trading companies develop in the way they did and that similar cases can be found in the West and are not exclusive to Japan. Specialty dealers not only form the mainstream of distributors in the West but can also be found in Japan, past and present. Both specialty and general trading companies are possible, particular historical and social conditions either promoting the formation of general trading companies or denying their development.

Our choice of general trading companies in Japan as a research subject has received staunch support and generous encouragement from numerous development specialists and intellectuals from developing countries gathered at the United Nations University, a truly global intellectual forum. They recognize the important roles these companies play in transferring technology and also it is their ardent hope to possess their own general trading houses and commercial fleet.

An absolute need for technology in development pushes them to seek, perhaps too hastily, the large-scale and quick transfer of technology. But easily transferable technology in the form of machinery and equipment has already been transplanted and is being operated. What comes over and above that which has already been achieved belongs to the realm of technology where theoretical transferability is defied by practical difficulties in the transfer itself or in making it operative. Our aim was to pursue a dialogue by examining these difficulties in terms of the five Ms of contemporary technology, that is, materials, machines, manpower, management, and market, so that crucial problems could be identified. What emerged was the following: what integrates these five Ms is information and services, and what links the first M with the last (i.e., materials with market) is the general trading company. General trading companies are thus seen to be that partner who is most keenly aware of the high value as well as the high price of technological information and services. Viewed from development perspectives, both the activities and organizations of general trading companies underwent changes and diversification as technology changed and developed.

General trading companies transformed their function from an initial preoccupation with import to more emphasis on export, and further on to heavier involvement in third-party trading. In this process, they have often been criticized by their countrymen, and not merely by academicians alone, for being redundant or doomed to oblivion. This criticism constitutes an interesting topic for discussion, particularly when efforts are being made in a number of developing countries to create general trading companies by policy measures; any such discussion is likely to lead to a confirmation that this category of trading companies is not free of the constraints and challenges of

the particular stage of development of their economy and at the historical period in which they operate. As developing countries request "counter purchases" and package import associated with Japan's exports of industrial plants and development of natural resources, Japanese manufacturers and financial organizations have come once again to expect a great deal out of the vast know-how these trading companies have on third-party trading on a global scale. This is a complete about-face from the trend two decades ago, when manufacturers themselves tried to export their own products, develop their own markets, and establish their own services network, giving rise to the claim that there was no need for general trading companies. But the renewed expectation regarding the role of these traders is only a reflection of the stage of development of the international economy in which we now find ourselves.

The methodology adopted in this study is that of business management, where general trading companies are examined from the global point of view in comparative historical perspectives. Through analyses of the various functions they performed and still perform (such as developing products and markets, co-ordinating various industrial sectors, organizing, money exchange and financing, and providing information and services), the reader can gain insights into what a particular country needs and can reasonably hope to attain in its plans to encourage such traders' activities.

Thus, the study published here is unique in its polemic and the kinds of questions that are addressed. As the project planner, I can say I am quite content with the result. I would like to express my profound gratitude to the researchers, who, in addition to their on-going professional duties, gladly consented to the strenuous undertaking and completed their superb work within the short period of a mere two years. I would like to mention, too, that a few years have passed since the research underlying this volume was completed in 1982, and it should be noted that the contributions presented here are not intended by the authors to be taken as necessarily representative of the most recent research on the subject.

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