

BOOK REVIEWS

General Trading Companies: A Comparative and Historical Study edited by Shin'ichi Yonekawa, Japanese Experience Series,* Tokyo, United Nations University Press, 1990, viii+229 pp.

Japan's *sogo shosha*, or general trading companies, are one of the most distinctive forms of Japanese business activities. Throughout the twentieth century a very considerable share of Japanese foreign trade has passed through their hands. They were also pioneers of Japanese foreign direct investment. By 1900 Mitsui Bussan had branches operating elsewhere in Asia, and in Europe and the United States. In the mid-1970s the first five of Japan's top overseas investing companies were *sogo shosha*, one counting for over 40 per cent of the total value of overseas investments. Over the last two decades the evident success of the *sogo shosha* has attracted the Republic of Korea and others in the developing world, and even the United States, to try to emulate them.

The distinctive feature of this book is its concern with the historical evolution of *sogo shosha*. Until recently this was a neglected subject. Most studies of the contemporary period contained a review of the historical background, but this was usually rather sparse. The Japanese language literature on the history of the *sogo shosha* has now grown considerably, but much less has been published in English. This book brings together, in English, some of this recent Japanese work. The result is to provide a great deal of detailed information on the history of *sogo shosha* which will be of great use to English-speaking students of international business.

The first substantive chapter, by the editor, places the Japanese general trading companies in a comparative context, and asks a central question: are they really unique to Japan, and if so, why? The result is an example of first-rate business history, which discusses British trading companies such as Gibbs, colonial trading houses such as Jardine, Matheson and Guthrie, and American trading companies, before turning to the growth of Japanese trading companies. Yonekawa argues that some aspects of the *sogo shosha* are found in other countries. Nevertheless, the Japanese firms were undoubtedly shaped by the distinctive pattern of Japanese development in the late nineteenth century, and by the early Japanese willingness to use professional managers, which permitted much greater organizational capabilities than was seen in the family-based enterprises operating elsewhere. Yonekawa ends on a positive, if controversial, note, arguing that today's developing countries can generate their own general trading companies.

Kazutoshi Maeda contributes two studies to the volume. The first essay discusses the business activities of the *sogo shosha* from the late nineteenth century until the 1960s. He notes the early importance of third country trading. Mitsui Bussan was already engaged in China-Europe trade by the mid-1890s, and in the interwar years it contributed at least 20 per cent of Mitsui Bussan's total business. Maeda also notes

* Editor's note: This series is the culmination of a project on Technology Transfer, Transformation, and Development: The Japanese Experience, carried out from 1978 to 1982, jointly by the Institute of Developing Economies and the United Nations University.

the great diversity of products handled by the *sogo shosha*. By the mid-1900s, Mitsui already dealt with over 120 items of merchandise. A particularly interesting feature of this essay is the discussion of the role of the *sogo shosha* as gatherers of information, one of their most important functions, and one which Western writers sometimes experience problems comprehending. Maeda's second essay focuses more sharply on the pre-Second World War history of the *sogo shosha*, and particularly the process of diversification. This study is of particular use in demonstrating that the rise of the *sogo shosha* was neither easy nor trouble-free. The enterprises experienced management problems, which were not always successfully overcome, and there were many changes of strategy as the external environment changed.

Masako Sakamoto also takes up the question of diversification in a detailed case study of Mitsui Bussan, the first general trading company in Japan. This chapter is a richly detailed study, with much information on Mitsui's trade in particular products, and on its business strategy. Historians of *sogo shosha* will be indebted to the author for the statistical data provided, almost all of it never previously published in England. Sakamoto offers a number of explanations for Mitsui Bussan's success. Its early growth was closely associated with government patronage, while the enterprise was successful in developing a trade in commodities with a large growth potential. Mitsui Bussan's success was partly dependent on its relationship with the rest of the diversified Mitsui business empire.

Tsuneko Suzuki turns to the postwar development of the *sogo shosha*. The essay takes a chronological approach, discussing developments in 1945-54, 1955-64, and 1965-74. Suzuki's lucid study reminds readers that although the business of the *sogo shosha* is complex, their basic function is straightforward: "to systematize the flow of various commodities from the raw material phase to that of finished products" (pp. 163, 166). This chapter is particularly useful in describing the nature of inter-company links in Japan. Suzuki argues convincingly that the close relationship between Japanese manufacturers and the *sogo shosha* was a critical part of the Japanese "economic miracle" of the 1950s and 1960s.

Nobuo Kawabe provides an accomplished survey of the growth of the overseas operations of the *sogo shosha*, and he clearly demonstrates the changes over time in their business strategies and organization. Before the Second World War the *sogo shosha*'s trading activities, organized through branches in Europe and the United States, were of major importance. They also undertook some manufacturing and natural resource developments in China and elsewhere in Asia. After the war, the *sogo shosha* replaced overseas branches with a variety of affiliated firms or joint ventures. They engaged in manufacturing and natural resource development in developing countries, and marketing and services in the industrialized West.

No book is perfect, and this volume has some of the typical problems of multi-authored works. There is some repetition and duplication between the chapters. The brief introductory chapter by Yonekawa was written to introduce a set of conference proceedings, later published as S. Yonekawa and H. Yoshihara, eds., *Business History of General Trading Companies: Historical and Comparative Perspectives* (Tokyo: University of Tokyo Press, 1987). The reproduction of the chapter in this volume is disconcerting because Yonekawa introduces essays not published in this book, and whose existence and location would not be known unless the reader happens to have read the 1987 volume. At the very least, there should have been an editorial note to explain this idiosyncratic situation.

This book provides, especially for non-Japanese speaking scholars, a uniquely valuable

source of information on Japanese *sogo shosha*. The statistical data contained within it would alone justify purchasing the work, but the level of qualitative analysis is also high. *Sogo shosha* come alive in these pages as real business institutions, facing a real, complex, and changing environment. Although business historians will inevitably be particularly interested in this book, others concerned with both contemporary business and economic development will find much of value in its pages. (Geoffrey Jones)

The Oil Boom and After: Indonesian Economic Policy and Performance in the Soeharto Era edited by Anne Booth, South-East Asian Social Science Monographs, Singapore, Oxford University Press, 1992, xxvi+448 pp.

This book provides the first comprehensive analysis of the transformation process of the Indonesian economy during the 1980s when the economy changed from one driven by a government-led import substitutive industrialization policy heavily dependent on oil revenues to one driven by a private-sector-led export oriented industrialization policy dependent on NONMIGAS (non-oil and gas) exports.

In addition to the high standard of analyses carried out largely by the Research School of Pacific Studies, Australian National University, the book has two other merits for the general reader. First, it provides various secondary statistics which have been carefully compiled from both published and unpublished data. Second, the description of institutional reform is very informative, including information directly obtained from the policymakers.

The "Introduction" by Anne Booth outlines economic performance and structural change under the Soeharto regime placing special emphasis on the economic liberalization process. In assessing the economic performance of Indonesia's oil dependent economy, she has correctly pointed out the importance of the terms of trade effects brought about by the drastic change in oil prices and applied the concept of Gross Domestic Income (GDY) instead of the conventional GDP concept. However a more thorough explanation of the concept of GDY should have been added since the concept has a number of definitions and to some extent can be arbitrary. Policy proposals on future problems are also given; these are: promotion of regional economic autonomy to mitigate widening regional disparity; the importance of vocational education over higher education; enforcement of economic liberalization both to avoid excessive industrial concentration and to foster entrepreneurship.

The following chapters are arranged into three parts. The four chapters in Part I cover macroeconomic policymaking. The book's fiscal analysis highlights the highly centralized nature of the fiscal system and proposes fiscal decentralization. But efficiency of resource allocation should have been analyzed before drawing any conclusion. Financial and monetary analyses show the importance of the regulatory structure for the sound development of the capital market and nurturing the bond market in order to increase the controllability of the money supply. The chapter on the monetary system gives a good illustration of the actual management of the money supply under a system without foreign exchange controls. The last chapter in Part I discusses the macroeconomic impact of oil prices in relation to the "Dutch Disease" phenomenon.