

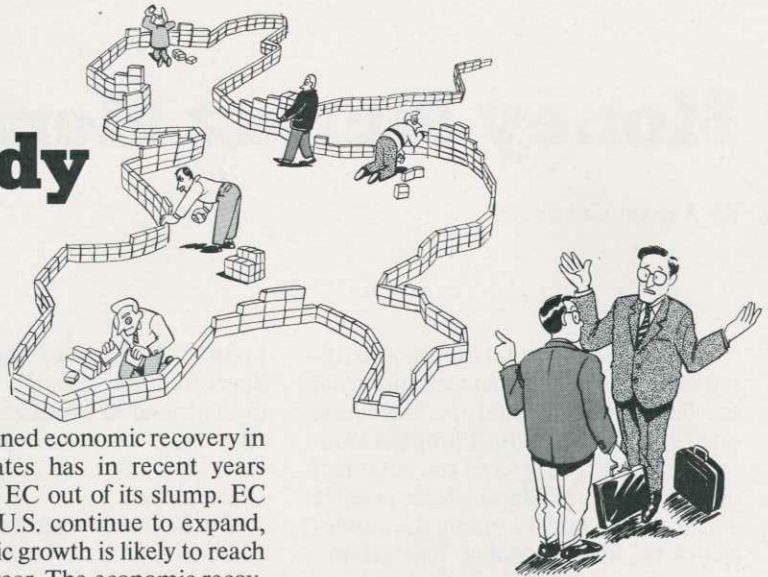
Sogo-shosha Strongholds Ready

By Michio Itoh

More than a century has passed since Mitsui Bussan, the predecessor of Mitsui & Co., a major trading company, or *sogo-shosha*, opened its first branches and representative offices in Europe. As far as Europe is concerned, the company has years of business experience, tremendous know-how and a vast list of clients there. Mitsui also has a longstanding employee education program whereby young trainees are sent to study at foreign universities, many of them in Europe. This program, which dates back to the prewar years, is designed to give trainees an opportunity to learn not only foreign languages and economics but also the mores and cultures of foreign nations. In this way the company develops specialists well versed in the affairs of the countries to which they are assigned, representing a vital managerial resource for the firm.

With the world economic map in flux, the European Community is moving to create a single market by 1992. The balance of world economic power has shifted greatly since the European Economic Community was created in 1958. The organization's membership has doubled to 12 nations, but all were dealt a heavy blow by the oil crises of the 1970s. While Japan and the United States recovered relatively quickly, the EC nations continued to suffer zero or negative growth for many years. Economic conditions in the region deteriorated so badly that people began to speak of "Euro-pessimism."

The nations of the EC all have their own unique cultures, traditions and histories. Each member state is in and of itself an independent country, but as economic units they are all quite small, while their research and development activities are not well coordinated on a regional basis. As a result, the technological gap between Europe on the one hand and the United States and Japan on the other has widened. This is especially true of high technology. The EC further faces a competitive threat from the newly industrializing economies of Asia.



Yet the sustained economic recovery in the United States has in recent years helped pull the EC out of its slump. EC exports to the U.S. continue to expand, and its economic growth is likely to reach nearly 3% this year. The economic recovery in Europe in turn has created conditions conducive to the emergence of an integrated European market.

In Japan there is an excessive wariness of EC moves toward economic integration. In reality, these moves are primarily defensive in nature, since they flow from a common aspiration to restore economic leadership to Western Europe. It is wrong to view the EC's vision of an integrated market as an attempt to build a "Fortress Europe," or close the doors to other countries. The underlying motivation is to maintain a free and open trade system, not just inside but also outside the EC region.

It is the position of Mitsui & Co. that Japan should welcome EC economic integration. The road ahead will be tortuous, however. First, there are the economic disparities among EC member states, the so-called "North-South problem" within the EC itself. Such disparities need to be reduced, yet nations which already maintain high-level, sophisticated systems of their own will resist a "leveling-off" or harmonization of these systems being pursued in the interests of the region as a whole. Member states, while agreeing in principle, are bound to disagree on specifics.

Yet ultimately these differences must be ironed out in order to create a single market, and while there may be twists and turns, there will be no turning back. With that realization, Japanese manufacturing companies have been stepping up efforts to build footholds within the EC to enable them to operate there as "insiders." Similarly, trading houses are reviewing the role of their European strongholds

in readiness for more positive participation in the economic integration process. They are also setting up industrial corporations in cooperation with manufacturers, while stepping up their M&A activities to promote their localization as European enterprises.

In Mitsui's case, a task force has been created at head office in Tokyo to prepare for the establishment of a single European market, while specialists at Mitsui & Co., Europe in London and Mitsui & Co., Benelux in Brussels gather information on the EC. The company is one of the premier actors in the EC market among Japan's major trading houses, with two-way trade between Mitsui and the region reaching ¥2.3 trillion in 1987 alone. Although a total of 190 Japanese are among the 640 employees on the payrolls of Mitsui's European subsidiaries, branches and offices, the company's 50 subsidiaries in the EC region are strongly committed to localization.

In his New Year's message to employees, Mitsui President Koichiro Ejiri declared, "It is a longstanding aspiration of Mitsui to become a reliable company accepted around the world." He noted Mitsui's ongoing, and successful, efforts to become an integral part of local industries and communities in countries around the globe, including European nations. "Our future aim," he said, "is to be accepted insiders in foreign countries as we perform our multinational functions."

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