

Let's Discuss Specifics

-Impressions on the Japanese Market Access Promotion Mission To Europe-

By Hiroshi Sugiyama

The "kan" and "kotsu" of trading with Japan

In November of last year, the Ministry of International Trade and Industry (MITI) dispatched to Europe a mission officially called the "Japanese Market Access Promotion Mission" as one of its major import promotion programs. This mission was aimed neither at signing procurement contracts nor at negotiating trade concessions; rather, its intention was to provide foreign businessmen with the "kan" and "kotsu" (Japanese expressions for "knack" and "secret") of trading with Japan. The mission comprised heads of a trading company, a department store and a supermarket, as well as other leaders in the fields of distribution and foreign trade. I had the privilege of accompanying the mission. (See the list of mission members in the box.)

The mission was on the business level, growing out of the idea that business should play the key role in expanding European exports to Japan. In the five European countries that the mission visited—Britain, Belgium, France, West Germany, and Sweden—its members explained the patterns and trends of market needs, the methods of utilizing various distribution channels, and trade practices in Japan based on their own experiences. In fact, I was deeply impressed by the members' profound knowledge of merchandise and business at the forefront, despite their present management-oriented responsibilities. The mission was able to conduct substantial discussions with various sectors of the European busi-

ness community, ranging from members of local chambers of commerce to representatives of international corporations. Incidentally, this was the second mission of its kind, following that sent to the United States in September last year.

Specific discussions rather than general complaints

In preparing for this mission, the members agreed its guiding principle should be

discussions on specific problems involved in doing business with Japan, based on specific facts and experiences. Government-level talks and newspaper commentaries sometimes concern complaints about the Japanese market that are based on hearsay of obscure origin, or at best something that was only true up to a few years ago.

For instance, we are still faced with the accusation that Japanese distribution channels are closed to imports. Abstract arguments as to whether or not this statement is true may do double harm. First, it



MITI's mission to Europe, dispatched in Nov. 1983, aimed at the promotion of imports into Japan.

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JETRO actively promotes import trade fairs.

would not lead to the solution of actual problems, if there is any. Solutions must always be on the specific level. Second, such general statements may lead to misconceptions among foreign businessmen, wrongly discouraging them in their attempts to enter the Japanese market.

Accordingly, the mission's members did their best to be specific in their explanations and requested their European counterparts be likewise in their questions. In spite of our efforts, however, there were some cases where government-level issues such as arms procurement or generalized accusations on characteristics of the Japanese market were raised at business-oriented meetings. However, I believe that on the whole the mission was able to achieve its intended objective of undertaking specific, business-level discussions. In addition, it seemed that the sessions dominated by such specific, business-level discussions were better received by the European participants also, as compared with sessions disturbed by general accusations of a political nature.

Do the Japanese drink coffee and eat bread?

Sometimes in the discussions with European businessmen, mission members were startled to find how little the Japanese market was understood by their European counterparts. In the most extreme cases, the members had to explain basic Japanese eating and drinking patterns.

Misunderstandings had been expected, but not to such an extreme. For instance, as the mission had anticipated the question of whether the Japanese market is exclusive toward imports, we distributed a note explaining in detail the openness of the market in such terms as the level of

customs duties, number of import quota items, and standards and certification.

It was noteworthy that questions on standards and certification were among those most frequently raised. About half of such questions resulted from ignorance of the recent improvements made by the Japanese government, while the other half urged further improvements.

The more highly educated businessmen asked for clarifications in the following two subject areas.

- (1) Sogo-shosha (general trading companies): "Do sogo-shosha import into Japan in addition to exporting from it? Doesn't a sogo-shosha discriminate against imports while favoring the products of member enterprises of the group to which it belongs?"

- (2) Licensing production: "Japanese importers prefer to manufacture in Japan under license once an import has proved to be a success. As this is unfair, the government should intervene in switches from import to local manufacturing."

The mission's reply to the sogo-shosha question was: Sogo-shosha are one of the important channels of import into Japan, and they choose the items they carry on a competitive basis regardless of nationality.

In regard to licensing production, the mission replied that Japanese importers may propose local manufacturing under license when they find that the production cost can be reduced or when exporters do not agree to modify the goods to meet Japanese taste. Such consultations and decisions rest solely with business, and the government should not intervene. (Greater detail of the mission's reply to both questions is available from MITI's Import Division.)

Import promotion initiatives

Naturally, we did not think that sending a mission alone would eliminate friction with Europe. The mission is one important part of an overall import promotion program, and we are committed to undertake other programs to follow-up the mission.

As the Japanese market has reached a reasonable degree of openness (i.e. as open as European markets), Japanese import policy seems to have entered into the second stage: while further openness is still pursued, key positions are occupied by import promotion programs. Whereas most countries in the world are engaged in



A trade fair recently held by MIPRO in Tokyo

Mission Members

Leader

Mr. Y. Mimura
President, Mitsubishi Corp.

Deputy Leaders

Mr. T. Okada
President, JUSCO Co., Ltd.
Mr. Y. Sakakura
President, the Seibu Department Stores, Ltd.

Members

Mr. T. Harada
President, Harada Sangyo Kaisha, Ltd.
Mr. K. Inazuki
Executive Managing Director, Japan Automobile Imports Association
Mr. Y. Kittaka
Vice Chairman, Japan Voluntary Chain Association
Chairman of B.D., Kittaka & Co., Ltd.
Mr. A. Minamimura
Managing Director, Sumitomo Corp.

Mr. S. Mitomi
Managing Director, Marubeni Corp.
Mr. T. Tanaka
Managing Director, Marubeni Corp.
Prof. M. Uno
Waseda University

Advisers

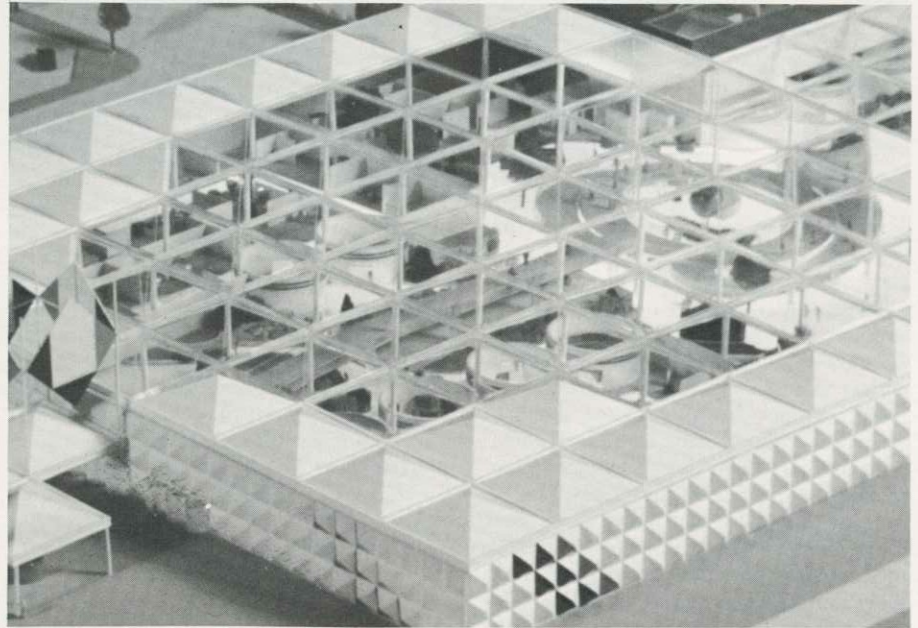
Mr. S. Miyamoto
Vice President, Japan External Trade Organization (JETRO)
Mr. T. Oishi
President, Manufactured Imports Promotion Organization (MIPRO)

export promotion efforts, Japan may be the only country which has withdrawn its export programs and is now committed instead to import promotion initiatives.

The Japanese government has made an important advancement in this direction since last October. Following the announcement of the Comprehensive Economic Measures on Oct. 21, 1983, the Export-Import Bank of Japan and the Bank of Japan have each introduced special financing schemes for imports. Subject to approval by the National Diet, the Development Bank of Japan will start in fiscal 1984 its own financing scheme for facilitating imports. (Brief details of two of these schemes appear on p. 60.)

Another major expansion of import promotion programs is expected for the Japan External Trade Organization (JETRO) in fiscal 1984. Two major new schemes are envisaged. Firstly, under a plan called the Plaza Projects for Promotion of Exports to Japan, experts on distribution and marketing in Japan will be sent abroad to give advice to foreign enterprises wishing to export to Japan on the development of merchandise suited to Japanese markets, identification of appropriate representatives in Japan, and selection of proper distribution channels. Secondly, JETRO will organize and dispatch several missions comprised of medium and small-scale Japanese enterprises, with the aim of facilitating their import business. Within Japan, JETRO plans to hold a large-scale import trade fair and to assist in several local import fairs. The organization will also undertake surveys of Japanese markets for imports upon request by foreign governments or institutions. Together with various other import promotion schemes, JETRO is expected to become an effective and valuable tool for those foreign governments and enterprises desiring access to the Japanese market.

The Manufactured Import Promotion Organization (MIPRO) is gaining increasing popularity with a series of trade fairs held at its exhibition space at Ikebukuro. MIPRO is also expected to become a



West Germany plans to hold a large-scale "German Exhibition '84 in Tokyo" this April/May.

home consultant for foreign embassies and business people in Japan.

The knowledge of Europe gained through the mission, along with the personal links thus developed, should enable these financial and promotional schemes to be mobilized most effectively.

The Europeans are coming

On various occasions during the mission, its members observed that Europeans have finally recognized the vast potential of the Japanese market, one which consists of 120 million people with \$9,000 GNP per capita (1982 figures). In fact, various kinds of export-to-Japan committees have been formed in Britain, Belgium and France. A large-scale "German Exhibition '84 in Tokyo" is planned for April/May 1984 and some 300 German enterprises are expected to participate. The mission offered its co-operation for the German plan. Many ministers as well as business communities whom the mission had the honor to meet

in Europe expressed their intention to visit Japan, some with representatives of their nation's enterprises; these intentions are now being materialized. Subsequently, in February 1984, Foreign Trade Minister F. Bolkestein of the Netherlands announced in Tokyo the launching of the Japan-Netherlands Initiative 1984, a well-conceived export-to-Japan promotion program focusing on seven promising sectors.

The saying "seeing is believing" holds true in foreign trade. European businessmen may have been misled by generalized accusations leveled at Japan. Once they come to Japan, they will have a better chance of assessing the market for their own exports. More importantly, a visit to Japan is an essential step for anyone starting to export to this country. Therefore, we hope for many such visits from Europe, and would be pleased to extend whatever assistance possible to make them a success.

Export to Japan is not necessarily easy. Competition here is stiff. But, I believe our turn will come to say, "The Europeans are coming."