

## 2-6 Design Promotion System

A G-mark (Good Design Mark Commodities) system was started by the Patent Office (Design Promotion Council) in 1957, and transferred to Design Division of MITI in 1959, to emphasize the so-called G-mark, selecting good design commodities on application by manufacturers. Originally, it started as a project to direct or encourage the manufacturer, but reforms took place in the education of the general public from the year 1963. Publication of good-design collections; exhibitions at major cities in the country; public relations activities in television, newspapers, and magazines were performed.

The Japan Export Design Exhibition has been held once a year since 1963. The variety and quantities of good-design commodities had been greatly expanded year by year.

In order to display and introduce superior craft articles of Japan, the Japan Superior Handicraft Articles Export Promotion Plan started in 1960, as one of the subsidiary programs of JETRO. In the first year, various articles of export eligibility were selected by native and foreign designers from all over the country.

Through this plan, articles of approximately 1,000 units per year were selected, displayed and introduced by JETRO at the Japan Trade Centers abroad. A display was first held in New York and San Francisco, and then New York and Hamburg, and later on circulated from Hamburg to London. In this plan, a great emphasis was placed on the promotion of general merchandises exports and JETRO organized the participation in the specialized international trade fairs to introduce Japanese good design products and promote sales with attendants from exporters and export associations to facilitate trade negotiations. The plan was carried out by the joint efforts of those who were undertaking the export and design promotion programs, such as local governments, design centers and export associations.

Trial production and investigations were carried out regarding general merchandise at the Industrial Craft Laboratory, and pottery at Nagoya Industrial Engineering Laboratory respectively.

Four design centers were established, they are the Japan Textile Design Center (1955), the Japan Pottery Design Center (1956), the Japan General Merchandise Design Center (1956) and the Japan Machinery Design Center. Design centers by products were organized to handle the registration and recognition of design. And they held various design seminars, design concours, as well as collection and dissemination of informations under the assistance of MITI. Moreover, the four design centers were reinforcing their activities related to the G-mark or Japan Design Exhibition under mutual cooperation as the leading members of the Design Promotion Council.

In March, 1960, the Japan Design House was established in JETRO, as a permanent exhibition hall of superior design commodities. This House was expected to become an integrated information center with respect to Japanese design, where the entire design business of JETRO was con-

centrated since 1965. Later, the Japan Design House was dissolved and the Japan Industrial Design Promotion Organization (JIDPO) was established in 1971.

MITI has been contributing to execution of various design policies covering "Manufacturing," "Distribution" and "Consumption," based on proper recognition and understanding that design development greatly contributes not only to sound development of Japanese industries and international trade, but also to the qualitative development of the consumers' life and also to the creation of a new Japanese industrial culture. In 1975, MITI initiated a "Regional Industrial Design Development & Promotion Project." MITI has positively promoted "a know-how and knowledge-intensive program in design" by design promotion activities for further development of regional industries.

Since 1977 is the 20th anniversary of the establishment of "The Selection Systems of Good Designed Commodities," various campaigns are carried out throughout Japan as a memorial project for further enhancement of national and industrial design mentality.

These design policies are partly executed by MITI and mostly by JIDPO.

The present design promotion programs of the JIDPO are as follows:

- (a) Selection of G-mark commodities and organization of the Japan Good Design Exhibition
- (b) Regional Industrial Design Development & Promotion Project
- (c) Design Enlightenment Projects
  - 1) Exhibition Project at the Japan Industrial Design Hall
  - 2) Collection of foreign-made superior design commodities, and collection of domestic & foreign design information and data
  - 3) Holding of the design seminar for consumers
  - 4) Publications of bulletins both in English and Japanese
  - 5) Execution of "The Group Training Course in Industrial Design for Developing Countries"
- (d) Other projects
  - 1) Development projects of Japan's superior design commodities
  - 2) Holding of the design management seminar

### 3. JAPAN'S GENERAL TRADING COMPANIES

#### 3-1 Growth of General Trading Companies

Japan opened the door to international trade in 1859, after a long period of the closed economy which had lasted for more than 250 years under the feudal governments, and started to undertake the modernization and industrialization of her economy in 1868 when the new government Meiji was established.

During the period from 1859 to 1873, the international trade had been handled by foreign commercial houses located in Japan and their share in the Japan's total international trade in 1876 accounted for 95.3%. This is mainly due to the lack of experience in international trading practices on the part of Japanese trading companies established since 1873. However, the share of foreign houses was surpassed by Japanese companies in 1904 and afterwards.

The origin of so-called general trading companies are classified in general into three categories. One is from Zaibatsu groups (big financial combines), the second from textile wholesalers and third from iron and steel wholesalers.

Among largest trading companies then established, two Zaibatsu companies, Mitsui and Mitsubishi, were regarded as so-called general trading companies and others were classified as specialized trading companies at that time. Activities of general trading companies in those days are as follows:

- (a) Establishment of close relationship with domestic manufacturers by importing machinery, raw materials and etc. and by locating buyers of their products.
- (b) Expansion of handling merchandise in line with the increasing needs of industries and consumers or with the progress of industrialization and Westernization (see Table V-3-1).
- (c) Establishment of their own distribution channels in the domestic market for imports and sales networks in overseas markets for exports.
- (d) Conclusion of sole agency contracts.
- (e) Dispatch of representatives overseas whenever necessary.
- (f) Setting-up of representative offices whenever necessary.
- (g) Development of supply sources, namely in the case of raw cotton and soybeans, by advising overseas exporters or local farmers if necessary to improve the methods of production, collection and sorting of produces, transportation, packaging, etc.
- (h) Dissemination of business information obtained through overseas branch offices to domestic manufacturers.

Table V-3-1 Main Exports and Imports of Japan during the Period from 1868 to 1945

Period	Exports	Imports
<1868 to 1893>		
Introduction of modernized industry	Raw silk Tea Marine and agricultural products	Textile products Crude oil Metal Machinery Sugar
<1894 to 1903>		
Establishment of modernized industry	Raw silk Cotton yarn & fabric Coal Tea	Crude oil Sugar Cotton Rice Iron & steel Machinery
<1904 to 1918>		
Initial development stage of industrialization	Raw silk Cotton fabric Silk fabric Coal	Cotton Crude oil Wool Sugar Soybean
<1919 to 1929>		
Establishment of industrial capitalism	Raw silk Cotton, silk & rayon fabrics Cotton yarn Coal Knitted goods Chinaware	Cotton Wool Sugar Soybean Crude oil Wheat Lumber
<1930 to 1934>	In addition to above	
Recovery from world-wide recession	Machinery Iron & steel Electric bulb Toy Rubber products Bicycle Canned food Paper Match	Cotton Crude oil Wool Lumber Wheat Soybean Coal Sugar
<1935 to 1945>		
Bloc economy and trade control	Raw silk Cotton & silk fabrics Lumber Iron & steel Paper	Cotton Crude oil Rice Coal Wool Iron ore Soybean Rubber

The share of the two general trading companies (Mitsui and Mitsubishi) in the Japanese trade was about 35% in average during the period from 1937 to 1943. For reference, the trading patterns of "Mitsui" in terms of sales by type of trade in 1936 and 1940 were shown in percentage below.

	(%)				
	Export	Import	Domestic	Off-shore	Total
1936	21	20	38	21	100
1940	16	22	33	29	100

After World War II, Mitsui, Mitsubishi and other large business concerns were dissolved into small units (1947) and the international trade was decontrolled in 1951.

The Mitsubishi group was reorganized into one company in 1954 and the Mitsui group in 1959. During the early 1950s, other large specialized trading companies had intensified diversification of trading merchandise as well as overseas markets, taking advantage of the rapid recovery of the Japanese economy and the world trade, to grow to general trading companies.

Ten general trading companies had played a vital role in the expansion of Japan's international trade (Table V-3-2). They had increased their share from 30.5% in 1951 to 46.6% in 1960 and 59.0% in 1973. However, their share in the total Japan's international trade had been decreasing since 1973 owing mainly to the uprise of specialized trading companies and manufacturer-exporters and partly to the recent establishment of their affiliates dealing in specialized items (see Table V-3-3).

Activities of general trading companies in the postwar period had been more extensive and systematic than those in the prewar period in the field of trade, investment and financing business. They handle a wide variety of goods ranging from industrial plants to noodles as many as 20,000 different items, although they are specializing in bulk trade. They organize overseas investment, participate in development projects in developing countries and extend financial services to parties involved in the businesses and joint ventures.

They organized groups of manufacturers and other related business concerns such as banks, transportation companies, construction companies, etc., to undertake development projects, joint ventures and other trade creating activities.

Table V-3-2 Export Structure of Japanese General Trading Companies

		Foodstuff	Textile	Chemical products	Metal	Machinery	Others	Total
Mitsui	1960	20.2	22.5	13.4	28.6	18.2	14.4	117.4
	1970	30.2	62.9	78.6	246.3	255.2	49.7	722.9
Mitsubishi	1960	24.6	20.2	0.7	20.1	29.9	16.5	111.9
	1970	39.4	51.4	55.8	197.8	259.5	43.2	657.2
Marubeni	1960	8.1	46.6	2.5	11.4	18.5	10.2	97.3
	1970	13.3	75.9	26.1	121.0	249.7	36.1	522.2
C. Itoh	1960	5.0	56.5	1.0	8.3	5.7	7.6	84.1
	1970	14.5	101.6	21.3	94.3	132.9	21.1	385.7
Sumitomo	1960	0.7	0.6	3.2	16.1	4.1	2.6	27.4
	1970	6.0	7.6	34.5	150.8	115.2	11.6	325.6
Nissho-Iwai	1960 <sup>b</sup>	1.4	11.9	—	14.5	2.8	4.2	36.7
	1970	8.6	40.6	—	110.7	100.5	31.9	292.3
Toyo Menka	1960	2.5	31.7	0.8	5.1	3.8	7.7	51.6
	1970	25.4	60.6	11.8	32.0	65.3	2.4	197.4
Nichimen	1960	1.6	40.6	1.6	8.0	14.4	6.2	72.3
	1970	10.1	38.7	18.6	39.9	54.5	8.5	170.4
Kanematsu-Gosho	1960 <sup>c</sup>	3.4	25.6	—	9.3	11.1	12.1	61.6
	1970	10.7	34.8	—	28.6	28.4	20.4	122.9
Ataka	1960	0.2	4.6	1.2	8.4	3.0	4.7	22.1
	1970	3.9	23.4	12.5	44.3	19.6	8.2	111.8
GTCs total <sup>d</sup>	1960	67.7	260.8	24.4	129.8	111.5	86.2	680.4
		(70.3)	(59.6)	(27.0)	(58.9)	(30.3)	(33.8)	(46.6)
	1970	162.1	497.5	259.2	1,065.7	1,280.8	243.1	3,508.4
		(69.5)	(62.6)	(58.3)	(77.8)	(39.8)	(36.9)	(50.4)
Japan's total <sup>e</sup>	1960	96.3	430.5	90.4	220.3	367.4	254.7	1,459.6
	1970	233.1	794.3	444.2	1,370.0	3,218.9	658.6	6,954.4

All figures in table, except those in parentheses, are in billion yen (i.e. 1,000 million yen)

Fiscal years, except as noted

<sup>a</sup> Export price indexes in 1970 are (1960=100): foodstuff, 129; textiles, 103; chemical products, 77; metal, 103; machinery, 94; all commodities, 106

<sup>b</sup> The total of Nissho and Iwai, which were separate companies in 1961

<sup>c</sup> The total of Kanematsu and Gosho, which were separate companies in 1961

<sup>d</sup> Figures in parentheses are GTCs' percentage share of the Japan total

<sup>e</sup> Calendar year

Source: I. Yamazawa and H. Kohama, "Trading Companies and the Expansion of Foreign Trade: Japan, Korea, and Thailand:", in K. Ohkawa and G. Ranis eds., Japan and the Developing Countries, Oxford: Basil Blackwell, 1985, pp. 432-433.

Table V-3-3 Export Structure by Trading Agent

	( % )			
	1974		1980	
	Export	Import	Export	Import
General trading cos.	57	58	40	47
Other trading cos.	10	12	23	18
Manufacturers	33	30	37	35
Total	100	100	100	100

Source: JETRO

### 3-2 Role and Functions of General Trading Companies

#### 3-2-1 Role as Intermediary in Trade

General trading companies play various trade intermediary functions, both for imports and exports and for transactions in the domestic market. Basic trade service activities include handling the paperwork for customs clearance procedures, obtaining favorable trade finance and cutting through red tape to make trade easier for clients, in addition to supervising such essential details as providing for the least expensive means of transporting goods, arranging for insurance, providing for storage and other similar activities.

Besides these trade services, general trading companies also play an important role in providing information on overseas markets to their Japanese clients and to overseas clients as well. The large trading company maintains more than 100 offices in business centers around the world. Modern communication systems permit transmission of messages to even the most distant points of the globe in less than five minutes. Information collected by trading companies covers a wide range of fields but tends to be very practical in nature. For example, trading companies maintain close watch on weather conditions in the main agricultural producing areas of the world and thereby anticipate future price trends for internationally traded agricultural commodities. Trading companies may keep industrial plant manufacturers informed of the progress of proposed industrial projects in developing nations, while they also keep other clients advised on a myriad of other subjects. Some specialized trading companies also perform this role in their specialized areas. Those dealing in textiles, for example, provide information on international fashion trends to their clients, and importers of higher technology equipment regularly digest large amounts of materials in foreign languages and disseminate this information to their clients.

The larger general trading companies have a history of overseas activities which extends back slightly more than 100 years. Consequently, the expertise they have amassed on dealing in foreign markets is possessed by few other types of companies operating internationally, and would be difficult for individual manufacturers to duplicate.

Another important element in the growing role of trading companies in Japan's international trade has been their ability to handle large-scale product flows. They have introduced efficient types of distribution equipment such as automated warehouse equipment, and the bulky size of the orders which they place for raw materials generally results in lower unit costs and greater efficiency in distribution. So, in addition to organizing trade, trading companies have also justified their existence by providing distribution services at a cost lower than manufacturers could provide themselves.

Still another key role of trading companies has been the economies realized from their extensive overseas networks. Companies in manufacturing and other industries, both in Japan and overseas, have come to

rely on trading companies for a flow of information on export and import opportunities. Furthermore, these networks have come to be used increasingly for the promotion of trade among third countries and not just in connection with Japan's exports and imports.

Offshore trade refers to trade among third countries not involving Japan, for example, when Japanese trading companies export the products of a petrochemical complex in an oil-producing country to another country for further processing or final sale.

The value of this type of trade has grown rapidly in recent years. One unusual example of offshore trade is provided by the case of a U.S. chemical manufacturer and a producer located in Taiwan. The U.S. chemical producer called on a major trading company to find a market overseas for their benzene products. The trading company located a buyer in Taiwan. Other cases of offshore trade transactions include the sale of raw cotton from the U.S. and wool from Australia and New Zealand to the People's Republic of China. Both of these transactions were arranged by general trading companies, utilizing their customers in these nations.

As trading companies become increasingly active in organizing industrial plant exports to developing nations, these offshore trade activities appear likely to grow further.

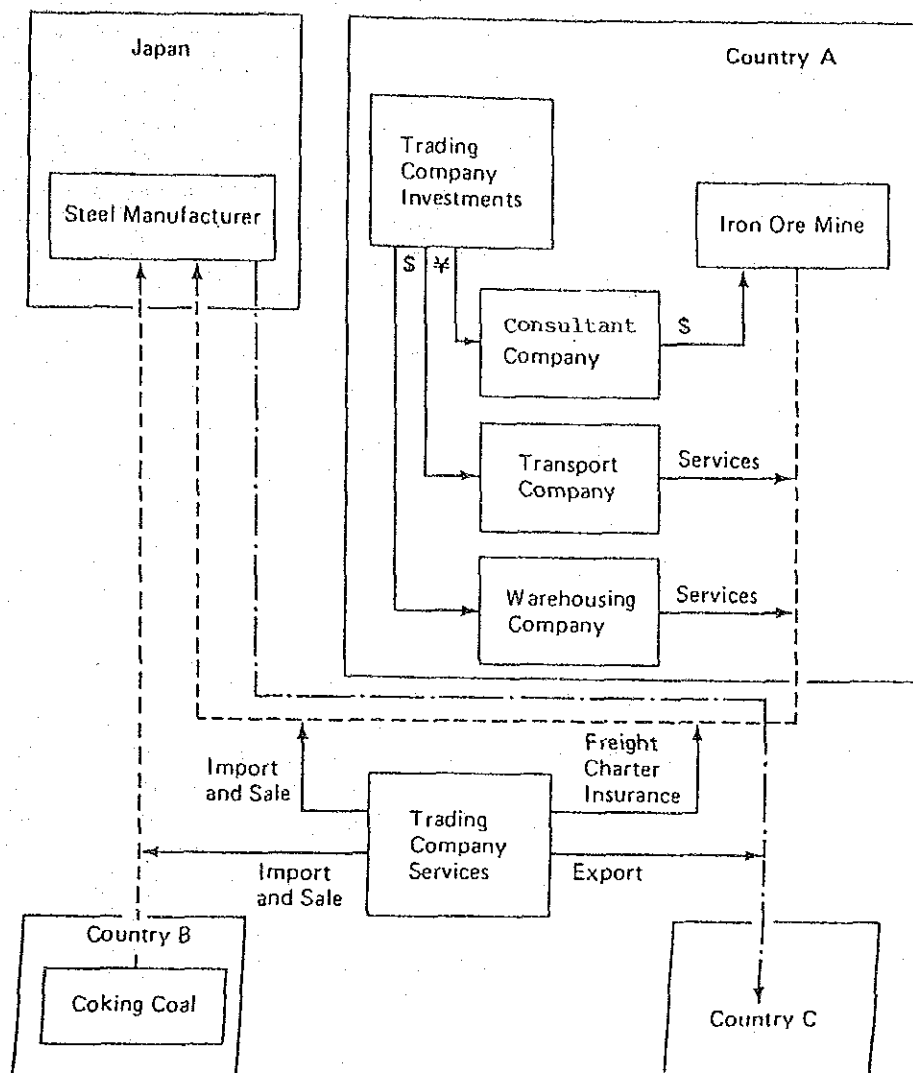
### 3-2-2 Trade Development Activities

As a result of the growing interdependence among international economies in recent years, trading companies have taken an active part in creating trade flows by developing sources of supply and viable markets. Utilizing their financial capability along with knowledge of products and markets, trading companies have been active in developing new sources of supply and organizing new industrial facilities to process raw materials. In this respect, Japanese trading companies have gone considerably beyond the role of being simply trade intermediaries and have become creators of trade flows.

One example of the trade development function of major trading companies is shown in Figure V-3-1. It illustrates the contribution of general trading companies to the steel industry and to the development of sources of supply and demand. As shown in the figure, general trading companies are involved first in the development of iron ore resources. This involvement typically begins with equity investments in consultant engineering companies which draw up initial plan for mining iron ore resources. Next, trading companies make also equity investments and provide know-how for the setting up of transportation companies which will be engaged in moving the ore from the mine to port of loading, and eventually to its foreign destination. At the same time, the trading company may also invest in storage companies which will construct portside storage facilities. When the iron ore mine actually goes into production and loads of iron ore begin to arrive for shipment, the trading company arranges for ship charters. The large volume of business which trading companies do with major shipping companies allows them to obtain more favorable rates than smaller companies. After the



Figure V-3-1 Trade Development: Trading Companies and the Steel Industry



Source: JETRO, The Role of Trading Companies in International Commerce, 1983.

ore has arrived in Japan, the trading company sells it to steel manufacturers, along with other raw materials which come into Japan from a wide variety of other sources. In many cases the development of these other raw materials resources has also involved trading company participation.

After the processing of raw materials into crude steel or finished steel products, trading companies purchase a portion of the output and sell it to export markets overseas. In many cases the trading company may also play an intermediary role in the domestic market, purchasing

steel products from one of the five largest manufacturers of crude steel and selling it to domestic processors.

Another example of trade development project undertaken by several major trading companies, related to resource development, is foodstuff-processing bases or "food combinats" (see Figure V-3-2). Raw materials such as corn or soybeans are transported from silos overseas, either owned or rented by the general trading company, on vessels owned or chartered by the trading company, to silos located in the food combinat. Processing plants for production of animal feed and cornstarch are located within the food combinat and raw materials are transported from storage silos to the processing plant by conveyor. Cornstarch is transported to glucose manufacturers, also located in the combinat, and this product is then transported by pipe to a manufacturer of food additives. The final products of the feed, cornstarch, glucose and food additives manufacturers are then loaded on trucks or railcars for shipment to end users.

Trading companies are also closely involved in the development and processing of many other raw materials, including LNG, lumber, coal, iron ore, and uranium.

### 3-2-3 Financial Function

While trading companies are not financial institutions in the usual sense, they perform a very important financial function for the benefit of many industries. One example is for the paper and wood processing industries who import raw materials such as logs, chips for pulp production and, more recently, lumber. These raw materials are supplied to the industries on credit terms of 120 days or more. Trading companies also assist in financing development projects of raw material resources overseas, and in financing processing facilities both overseas and in Japan.

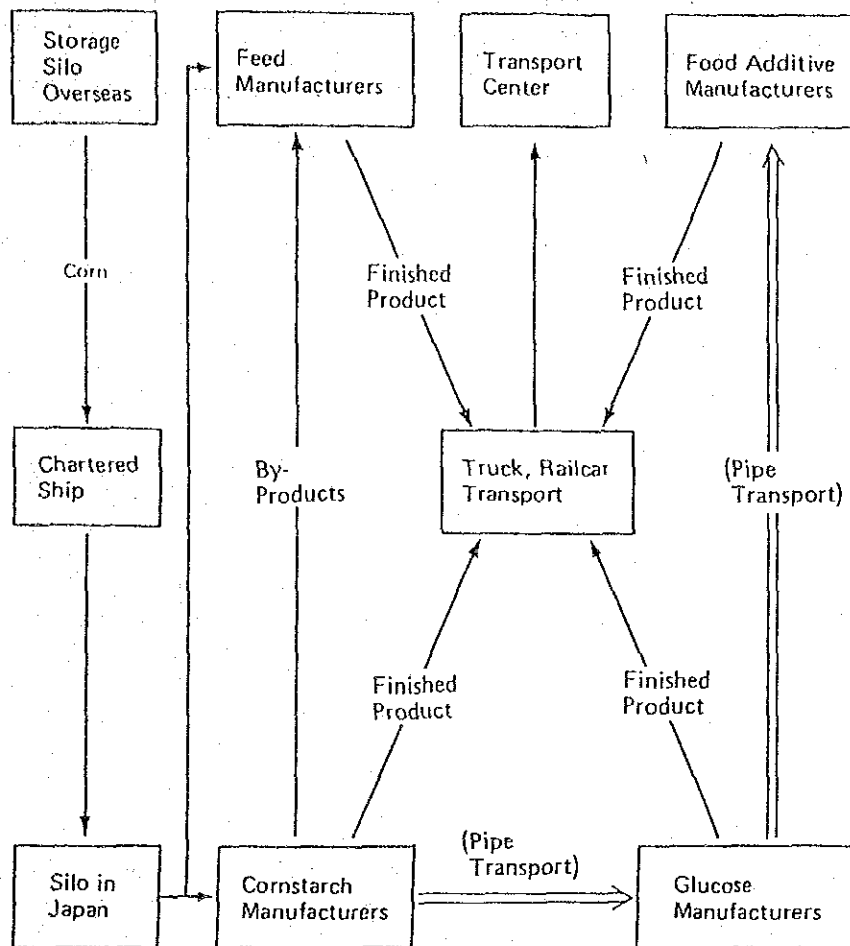
Provision of trade credit by intermediaries is much more common in Japan than in some other nations, although it is similar to the practices in F.R. Germany.

In addition to trade credits, general trading companies extend other types of financial assistance to affiliated companies, including equity investment, direct loans and provision of guarantees for loans and other obligations of their client companies. This activity has grown in importance in recent years, with the ratio of interest and dividend proceeds received to gross profit rising over time.

### 3-2-4 Risk Absorbing Function

Another important way in which trading companies facilitate trade is by playing various risk absorbing functions related to imports, exports and offshore trade. As previously described, general trading companies are often in a better position to judge the creditworthiness of their client companies than banks, and provide them with trade and

Figure V-3-2 Food Combinat



Source: JETRO, The Role of Trading Companies in International Commerce, 1983.

other credits.

General trading companies can also absorb risk through their sheer size and wide variety of products they handle. The large general trading companies are said to handle as many as 20,000 different items in their export and import business as mentioned before. Except during worldwide recessions similar to that of 1974-75, it is unlikely that demand for all of these products will decline at once. General trading companies can thus usually finance losses in one field with the profits obtained in other areas.

In addition to the variety of products handled, trading companies are able to reduce risk because of the information which they gather from around the world, and the variety of markets where they operate. Information on trends in the market prices of internationally traded goods permits trading companies to supply raw materials at relatively

stable prices to users not only in Japan, but elsewhere as well. The worldwide networks of trading companies permit them to find market opportunities which individual manufacturing companies would have difficulty in locating, thus reducing business risks for their clients.

Another important way in which trading companies absorb risk is risk hedging operations through forward foreign exchange transactions. Trading companies normally have both buying and selling contracts denominated in major international currencies.

Currency fluctuations can therefore have a substantial impact on profits for many exporters. General trading companies, however, have both export and import contracts denominated in dollars. While losses in yen terms may be recorded on export contracts if the dollar depreciates in relation to the yen, a gain will be recorded for import contracts.

### 3-2-5 Export Promotion Activities of General Trading Companies

The role played by the general trading companies in the expansion of Japan's exports has been very significant throughout both the prewar and postwar period as explained above. The share of ten general trading companies<sup>1)</sup> in the total exports has increased to almost 60% in 1973, expanding their lines of business and diversifying export markets, taking advantage of the continued growth of world demand as well as the remarkable improvement in the productivity and competitiveness of Japanese industries.

This achievement, however, must be the result of their efforts in producing various devices in the method of doing business economically, efficiently and safely. As stated above, they have acted as promoters and also creators of trade flows with various functions necessary for attaining the objectives. The factors enabled them to do so are as follows:

- (a) They have extensive and efficient networks of information on business and related subjects throughout the world coming from their overseas branch offices and sales outlets.
- (b) They are manned with staffs with experience and expertise in the field of international trading practices as well as in the organization of industrial and business groups to undertake joint ventures, domestic or overseas, and development projects in the developing countries.
- (c) They have enough financial capacity and functions to deal with bulk business, making investment, participation in development projects in developing countries, etc.
- (d) They have developed potential exportable products.

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1) They are Mitsubishi, Mitsui, C. Itoh, Marubeni, Sumitomo, Nissho-Iwai (formed by merger in 1968), Toyo Menka, Kanematsu-Gosho (merged in 1967), Nichimen, and Ataka (which was absorbed by C. Itoh in 1977).

#### 4. JETRO'S ROLE AND ITS ACTIVITIES

##### 4-1 History of JETRO

One of the most serious defects in the performance of Japan's international trade in the 1950s was the absolute lack of information relevant to the overseas markets. Most exporters were obliged to do business without the knowledge of international market situation except for buyers offers. In addition, Japan moved into a deficit in the balance of payments in 1953, and it became a matter of urgency to overcome the deficit as well as to deal with the problem of the shortage of foreign currency.

To remedy this situation, the Japanese Government took the following measures for the quick gathering of accurate market and commodity information:

- (a) Setting up of government offices abroad
- (b) Holding of exhibition overseas and participation in international trade fairs
- (c) Setting up of overseas market research organizations

The Ministry of International Trade and Industry (MITI) established the Japan Export Trade Research Organization in 1951, the International Trade Fair Council in 1952 and the Japan Trade Center Council in 1953. Three organization merged in 1954 and reorganized in 1958 with the present name of the Japan External Trade Organization (JETRO) under the Japan External Trade Organization Law as a consolidated body specializing in Japan's export promotion activities, at initial stage, and in the promotion of export, import and industrial cooperation afterwards<sup>1)</sup>.

The major business activities of JETRO during the early stage of its inception included: an overseas market survey investigation of business standings of trading companies at domestic and abroad, collection of samples from abroad, operation of trade libraries, a publication business, its participation in international trade fairs and etc. A market survey was started around September 1951. Applicants for resident surveyors were screened among the prewar trade correspondents assigned by MITI and further screening took place through recommendations of overseas branch offices. Those Japanese who had stayed abroad through and after World War II and local experts were also examined. However, no surveyor was officially dispatched from Japan during the time of the Japan Export Trade Research Organization.

Looking into its financial aspects, one notes it retained 2,325,000 yen as its basic funds for running the juridical foundation. Yet, it was far too little for the organization to manage itself. Accordingly, its perennial headache was how to raise the necessary funds and secure a strong financial footing. In an attempt to overcome this hurdle, JETRO

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1) The Japan Export Trade Research Organization is also referred to as JETRO in the following paragraphs.

positively extended its services to local public bodies and organized patron members for the purpose of earning extra income aside from its regular sources. The year 1953 was the third year since the launching of JETRO, in which the Friend and Commerce Treaty between Japan and the United States was established, the foreign exchange allocation system was effected and Japan's quasi-participation into the General Agreements on Tariffs and Trade (GATT) was approved.

With such background, Japan's enterprises, especially trading companies, came to have a free hand in travelling abroad, opening overseas branch offices and sales agents, and in directing the collection of market information, even though strict foreign exchange controls were still imposed on them. Subsequently, JETRO members were prone to place a heavier dependence on JETRO, putting forward such requests as staging of more intensive public relations (PR) activities in overseas markets, organization and participation of international trade fairs, and many other trade development activities.

After the consolidation, its business activities expanded to four main categories, namely, (a) overseas market research, (b) organization and participation in international trade fairs, (c) overseas PR activities and (d) mediation of international trades.

JETRO's main activities, for a decade from the mid-1950s, in overseas markets included an increase in the number of its market research staff to be dispatched from Japan, an expansion of overseas branch offices named "Japan Trade Center", which were the bases for overall business activities, and establishment of countermeasures for overall business activities, as well as the establishment of countermeasures for import restriction moves and etc. In addition, it also extended its activities to the communist nations wherein no Trade Center was allowed to be opened. It organized the 1st Moscow International Trade Fair in August 1960.

Looking over its activities in the domestic market, it opened the Japan Design House in March 1960 for upgrading quality and designing of Japanese products (see V-2-6). This activity, i.e., the Japan Design House, was transferred to the one named the Japan Industrial Design Promotion Organization (JIDPO) in 1971. It also opened a Trade Information Center to offer international trade information to trading companies, in recognition of the significance of the survey, through reference books, trade statistics, etc. collected from overseas branch offices as well as from local survey.

During the decade from 1965 to the present in which trade circumstances surrounding Japan showed remarkable changes, demands for more diversified programs were placed before JETRO. The world has now entered a limited resources age, each developed nation is requested to place even more emphasis on aids to developing nations, as well as orderly exports, horizontal trades, international cooperations for getting rid of stagflation and etc. In an effort to cope with these circumstances, JETRO is being transforming itself both in name and in reality from a mere export promotion institute into an overall foreign trade promotion organization.

In June 1966, JETRO created within its organization the Import Promotion Division to encourage imports from developing nations. In 1970, it assumed responsibility for operating the Japan Pavilion at the Japan World Exposition 1970 (EXPO'70). It also launched the International Economic and Trade Information Center for integrated collection and analysis of international trade information and offered this data to trading companies.

As noted, JETRO stands alone in the world in respect to its unique function. It has continually made every effort to further develop international trade, functioning as a locomotive engine for Japan's entire industry.

#### 4-2 Current Export Promotion Activities of JETRO

At present, JETRO is engaged in nine types of export promotion activities. The first and most important of these remains research. The domestic and overseas staffs study the actual conditions of overseas export markets and relay their findings back to the private sector. This research covers everything relating to exports - from the demand for specific commodities to the means for successful local sales. For a general overview of the market, JETRO researches the economic trends of the target country or region.

JETRO collects information relating to import systems, price trends, import channels, trading ports, customs clearance procedures, and transportation channels after customs. On a more specific level, JETRO investigates the credit ratings of importers and wholesalers, retail prices for individual commodities, margins for each step of the distribution system up until the retail sales level, and local trade practices. JETRO also examines demand trends for individual commodities. For this latter type of work, it studies the import share of Japanese products, the state of production, manufacturers and sales companies, the current diffusion of specific products, the state of purchasing by income bracket, and demand forecasts.

This information is disseminated through the second activity, trade information services. Traders and other businessmen make wide use of the information at the trade information centers. The centers house collections of business directories of countries around the world, "yellow page" type telephone directories, trade statistics, catalogs of foreign products, tables of customs tariffs, and other information. All of this is available for reviewing by the general public.

As the third activity, JETRO hosts overseas fairs on its own and participates in numerous international fairs to assist the Japanese firms develop overseas markets.

Fourth, JETRO tries to publicize the superiority of Japanese products and industry through publications and pamphlets.

Fifth, JETRO offers trade consultation services and helps establish business contacts. This latter service is particularly useful for the

smaller businessmen and businessmen in the local areas.

Sixth, on a more practical level, JETRO helps improve the designs of export commodities. Design information is collected overseas for use in modifying Japanese products to foreign tastes.

Seventh, JETRO watches the developed nations for signs of oncoming import restrictions and strives to develop flexible responses to keep such restrictions from materializing and affecting trade.

Eighth, JETRO's overseas offices offer information and other conveniences for Japanese businessmen traveling overseas for market surveys and business negotiations.

Finally, ninth, JETRO actively disseminates information through publications. JETRO publishes a daily trade bulletin, for example, which carries national economic reports and commodity and industry information compiled by its overseas offices. It also put out white papers on overseas markets and other material for the Japanese industrial world.

This basically sums up what JETRO is doing to promote exports. However, export promotion no longer accounts for a large share of JETRO's activities. It will be noted that Japan's export promotion policies and activities may not necessarily apply to other countries. Japan was successful, it is true, but one should not forget the time frame in which the promotional activities were performed. The concentrated, systematic export promotion campaigns taken by Japan coincided with the so-called "golden sixties" of world trade.

In this way, Japan was quite fortunate. In any case, it is important to note that no matter what the type of export promotion policy, that policy must reflect real world conditions, in other words the strengths of one's own industries and the state of the international economy.

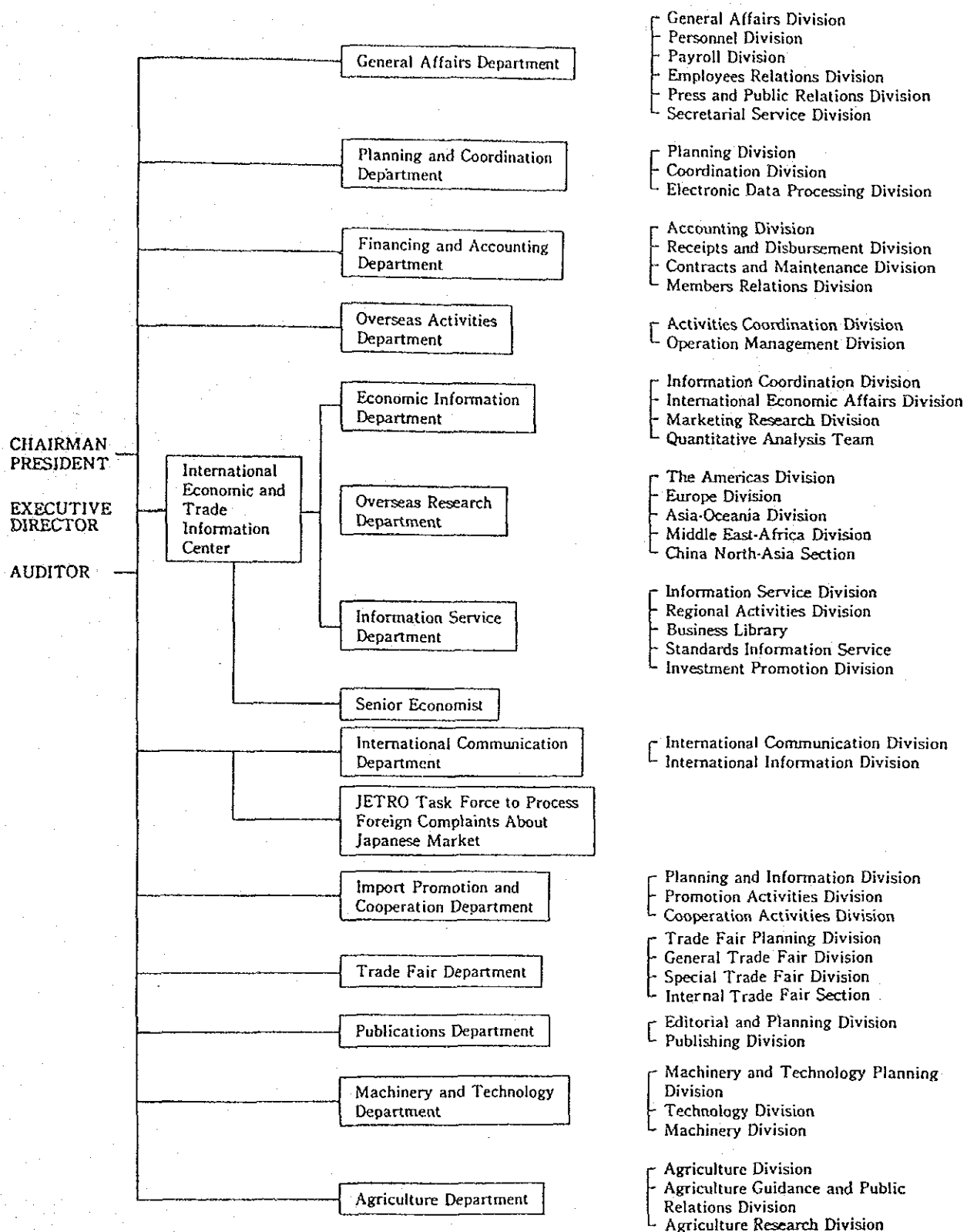
#### 4-3 Organization of JETRO

In 1958 when the Japan External Trade Organization (JETRO) started, it had 8 domestic offices including its head office with 239 employees and 37 overseas offices with 53 Japanese employees. It had to operate these offices on an budget of \$2.5 million in government subsidies. With the expansion of Japanese international trade, the role of JETRO became more important, and in 1983 it grew an organization with 31 domestic offices including Tokyo Head Office and 78 overseas offices. These offices are staffed by approximately 600 people inside Japan and 600 abroad including 300 local people. The budget has also grown to \$115 million (Figure V-4-1 shows the organization structure of JETRO Head Office).



Figure V-4-1 Organization Chart of Japan External Trade Organization (JETRO) - Head Office

(As of October 1, 1985)



Source: JETRO





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