

EMERGING PATTERNS OF GENERAL TRADING COMPANIES IN JAPAN,
SOUTH KOREA, TAIWAN AND THE UNITED STATES

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The need for both developing and developed countries to promote export to reduce the trade deficits and unemployment is well recognized (Krueger 1978; Kao and Oh 1985; and Czinkota 1984). Among the alternatives available for export promotion, the formation of general trading companies (GTCs) seems very attractive due to their superior performance in facilitating international business, as evidenced by the successful track records of Japanese sogo shosa or general trading companies (Young 1979; and Kajiwara 1982).

South Korea (Korea, hereinafter) and Taiwan have achieved a remarkable economic development and export performance because of their export-oriented economic policies. Both Korea and Taiwan have patterned after the Japanese GTC approach for the formation of their large trading companies. The U.S. Export Trading Company (ETC) Act of October 1982 is designed to facilitate the formation of new export intermediaries that can be more effective and efficient in promoting exports (Scouton 1982). Since the 1970's, Japanese GTCs have engaged not only in the import and export trade but also in expansion of their roles in organizing joint investment in foreign manufacturing and resource development ventures, and also involved domestic urban development, financing, housing, fashion, distribution, marketing consulting and engineering as well (Kotabe 1984). The primary purpose of this paper is to examine and compare the development and the changing patterns of general trading companies in Japan, Korea, Taiwan, and the United States and to consider implications for other countries interested in formulating their own large trading companies. This study is based on data gathered from selective interviews with executives and officials in each country and surveys of literature.

CONCLUSIONS AND IMPLICATIONS

The patterns of GTCs can be classified along three major dimensions: product diversification, market area diversification, and functional diversification, as presented in Figure 1. Trading companies usually evolve from product and market diversification to functional diversification. KGTCs and TGTCs are moving in that direction. Japanese GTCs have achieved the highest diversification in all three dimensions. It seems that U.S. GTCs have not developed a clearly defined pattern yet.

Both Japan, Korea, and Taiwan have performed extremely well in promoting their exports. The GTCs have played a significant role in promoting exports for Japan and Korea.

Taiwan's export success seems to indicate that general trading companies are not indispensable to successful exporting.

U.S. ETCs have been in existence for only a short period of time and thus, it is too early to assess their growth patterns. One thing, however, seems clear that U.S. ETCs cannot copy the Japanese GTC model indiscriminately without taking into consideration significant differences in business-government relationships and corporate culture between the United States and Japan.

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