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THE FORMATION OF THE TRADE CORPORATION

By KICHIHIKO TANIGUCHI

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1. THE FORMATION OF THE TRADE CORPORATION

The Trade Corporation which was created by virtue of a law adopted by the 1942-3 session of the Imperial Diet is an epochmaking mechanism for carrying on the Greater East Asia War and may be considered as an important and appropriate trade policy.

As we have already discussed on many occasion,¹⁾ there are definite principles and theories in connection with the trade of Greater East Asia wider territory economy. In principle, it may be said that East Asia trade has more to do with the principle of absolute production cost rather than that of comparative production cost, and in consequence, it depends more on the principle of domestic commerce rather than on that of foreign trade. Even after the conclusion of the Greater East Asia War and the establishment of Greater East Asia economy, there will be assuredly no trade of the Anglo-Saxon pattern, not even controlled trade of the more recent origin, so long as it is trade controlled individually by different nations. Furthermore, even more progressive trade plans could not be executed in their original forms so

long as they are individual plans of different nations. No one today will doubt the absolute necessity of having trade for the whole East Asia sphere which shall be synthetically planned and synthetically controlled. Nor can any one anticipate the revival in any near future of a purely profit-making trade such as the one carried on by the Anglo-Saxon nations. This is one reason why the Japanese equivalent for the Trade Corporation is "Kōeki Eidan" instead of "Bōeki Eidan".

Now, let us see what concrete trade mechanism would be needed for the perfect execution of such synthetically planned and controlled trade and whether or not the existing trade mechanism is sufficient for such trade purposes. It goes without saying that trade agreements and clearing agreements as national policies or institutions such as I have been advocating these years should be established among the nations of Greater East Asia. However, there remains the unsolved question of adopting concrete mechanism for carrying on trade under the systems of trade agreements and of clearing agreements.

As is generally known, the exchange of goods has been taking place under a special trade mechanism between Japan and the occupied regions in the south where military administration is carried on. Although such a special trade system is inevitable under the existing conditions, it should be modified as soon as the present conditions are altered, so that this system should not be considered as permanent. At any rate, the more important problem in these regions is that of the future instead of the present.

The problem of trade we are confronting to-day when all trade of Europe or of the third-countries is suspended, concerns itself with the trade of such countries as Manchoukuo, Kwantung Territory, China, French Indo-China, and Thailand in none of which military administration is carried on. Our trade with these regions is still in the stage of individual trade control by different nations. In Japan our trade with these regions is carried on by our old-time trade associations under the supervision of the Trade Control

Association, and under the systems of trade permit and trade quota. It is clear beyond doubt that such a trade mechanism is absolutely inadequate for carrying on the future trade in Greater East Asia. The existing wartime conditions have made the need of a more efficient trade system all the more inevitable. We have attained the stage where our trade problems can never be solved by means of such an organ as the Trade Control Association having a very weak executive power.

As is generally known, our trade with the foregoing countries has been marked by a great difference in prices which, if left in natural conditions, would inevitably cause great increases in Japan's exports due to excess profits therefrom and great decreases in her imports due to great losses therefrom. This condition would be unavoidable also in the future in facing the actual trade problems of Greater East Asia economy. This is because our synthetic policy of prices for all parts of Greater East Asia for the purpose of minimizing price differences which we would have to carry out would not be always successful in actuality. We have under the existing trade mechanism the so-called reserve fund system for adjusting price levels. It is intended to compensate losses due to imports by accumulating a part of profits from exports, but it has failed to function as desired, chiefly because while price levels were variable the reserve fund was constant. It may seem that this defect will be eliminated by the adoption of a sliding reserve fund system. However, its successful operation in actuality is accompanied by serious difficulties.

Viewed both from the general theory of wartime trade and our actual wartime needs, the greatest object of our trade at present is importation. If any one should regard the problems of export as the principal problems of trade and advocate export enlivenment or promotion, he is highly mistaken, as he is a prisoner of the wrong idea of peacetime trade of the past. Whereas peacetime trade has export as its object and adopts whatever is necessary for export,

wartime trade aims at import as its greatest objective and carries on export only as a necessary means of import. For this reason, supposing a nation could carry on its import without resorting to any export whatever, that country would be in an ideal wartime trade condition.

But the actual trade condition of Greater East Asia, especially that of the countries outside the occupied territories, is such that if it is left in its natural conditions, there would be no import and only export would take place, because of the differences of price levels as has been already noted. If the old-time commercial trade is allowed to be carried on in such conditions of price levels, export trade of exorbitant profit-making would be carried on and the detrimental import trade would be entirely stopped. Therein lies the chief reason for the establishment of the Trade Corporation. In order to reach this conclusion, it would be necessary to consider the adjustment of price levels.

2. THE ADJUSTMENT OF PRICE LEVELS

In the liberal economic mechanism, differences of price levels among nations tended to be adjusted by the fluctuations of exchange quotations which were manifested by means of trade. Such a tendency may be seen in our present price conditions in the rise of the value of the yen due to export increases and import decreases and also in the depreciation of the value of the Continental currencies, and this exchange fluctuation will tend to restrict our export and encourage our import. We cannot deny this tendency if we are to accept liberal economy as our premises. But we should not jump from this to the acceptance of the parity theory of purchasing power and to the denial of the fixed theory of exchange rates.²⁾ I have elsewhere criticized the parity theory of purchasing power and asserted the fixed theory of exchange, so that I shall here dwell on it as briefly as possible. The theory of adjustment of price levels through exchange quotations presupposes the international accounts

of trade only and excludes those of non-trade factors, especially the accounts of the movement of capital. In actuality, however, the capital of the country is exported to both the Asiatic Continent and the southern region in large amounts. For this reason, even supposing that we continue export excess, if we invest our export receipts in these countries or carry on a positive export of our capital, exchange quotations would not fluctuate as supposed by the theory. On the contrary the fluctuation may take place exactly in the opposite direction. Although according to this theory, the permanent continuation of export excess or import excess is unthinkable, in actuality such a phenomenon is seen as in the case of the continued export excess in the trade of the southern region. This is because there were capital exports on the other hand. For this reason, it would be a great mistake both as theory and economic policy to obstruct the formation of the fixed policy of exchange by asserting such theory of the Anglo-Saxon origin as the parity theory of purchasing power and the adjustment of exchange.

Secondly, let us examine whether or not there are other means of adjusting the price levels in East Asia. I shall here take up the East Asia link system which I have been advocating for many years. The link system during the stage of the China Incident was based on the import permit system and enforced in our trade with the third nations outside of the yen bloc territory. But the new link system now advocated totally differs as regards these two points. Territorially, the link system will be restricted to the East Asia sphere and will be predicated on the export permit system instead of the import permit system. Traders wishing to make a profitable export to some part of East Asia should first make an unprofitable import from the same territory, the latter being thus linked to the former. Or, the traders may be required to fulfill some obligation as a condition for securing an export permit. If such measures are adopted, the losses incurred by import may be compensated by the profit accruing from export in the calculation of the traders themselves ;

and the difference of price levels may be adjusted and the continuation of import may be assured.

We attach great value to the function of the East Asia link system in adjusting prices. For this reason, this system would be sufficient if its object is only to adjust prices. But, as I stated at outset, the mechanism of East Asia should aim at carrying on the synthetic and controlled trade of the whole East Asia sphere and for this reason, the East Asia link system based on the commercialism of traders would be highly undesirable, because such a system would be incapable of carrying out such an objective.

Thirdly, the pool system based on commodity classification may be capable of adjusting prices. For instance, the import of cheap copper may be pooled with the high priced domestic copper, or the profit made in the importation of foreign rice may be used in compensating the difference of prices between domestic rice and foreign rice. But for the function of this system, there are some prerequisites: first, there should be both imported and domestic commodity of the same kind; and secondly, there should be conditions in which the profit made in importing a cheaper commodity can be utilized in compensating losses due to the higher price of the domestic commodity. But the general conditions in actuality, on the other hand, are just the opposite: the most important question we are confronting is how to compensate the losses incurred in the high priced imports. If we should attempt to compensate such losses by the domestic prices of the same commodity we shall come into conflict with the wartime low-price policy of the nation. Thus, this system is restricted to only a small number of special commodities and for this reason it cannot be a general method of adjusting prices for the trade of East Asia.

Fourthly, as to the reserve fund system already noted, it may be an effective method at least in theory but in actuality it is subject to some defects. Not only it cannot fully function as a means of adjusting prices because of the conflict between the variability of price levels and the con-

stancy of the reserve fund ; but it may stand in the way of executing the wartime trade inasmuch as it is primarily based on the commercialism of traders. For instance, when they can secure some profit even after deducting the reserve fund from the profit made in export, they will be exclusively engaged in export, and would not engage in import which is most necessary in wartime conditions. For in import their losses will be compensated only by the reserve fund and there will be no actual profit-earning. Thus, while in theory the reserve fund is to be adjusted automatically without any excess or deficit, in actuality the fund has been accumulated as an outcome of the system. This accumulation of the reserve fund itself is an evidence of the failure of this system.

The various methods of adjusting price levels among the different nations of East Asia such as we have already seen, namely, the exchange compensation system, the link compensation system, the pool compensation system and the reserve fund system,—these are all inadequate in fulfilling their function of compensation. But even supposing they are capable of compensation, that will be all and each of them is highly insufficient in respect to the function of highest importance in East Asia trade, that is, the execution of trade plans.

Needless to state, the real issue here is not so much the adjustment of price levels. True, idealistically speaking, the price levels of all countries of East Asia should be the same and identical and the price policies of all countries should aim at such an ideal condition. In actuality, however, the attainment of such an ideal condition is of utmost difficulty if not of impossibility. To make the prices of individual commodities for all countries identical will never be possible. The central trade problem would be to adopt the most suitable way of executing the synthetic trade plan in spite of the differences in price levels in different countries, and the foregoing various methods of adjusting price levels are nothing but the means of this supreme objective. Our aim after

all is to carry out the trade plans outlined, and various systems of adjusting price levels are to be adopted as the means of attaining this objective. For this reason, even supposing these systems have succeeded in adjusting prices, they would be incapable of carrying on their real function, if they should fail to impede the execution of trade plans for one reason or other. This is the theoretical ground for the formation of the Trade Corporation.

3. THE EXECUTION OF TRADE PLANS

Needless to state, the establishment of Greater East Asia economy consists in the execution of the so-called planned economy or, to be more specific, the execution of planned controlled economy. Now, one of the important conditions for the smooth execution of planned and controlled economy is that a nation's external economic relations, trade in particular, should be carried on as have been planned out. This is shown most eloquently by how Manchoukuo's five-year plan and Japan's materials mobilization plan were forced to be revised by the outbreak of the European War and the refrigeration of Japanese capital by the Anglo-Saxon countries, respectively. There is no exaggeration in the statement that the success or failure of economic plans depends on the success or failure of trade plans. The various problems of domestic economy excepting some natural or technical impediments may be solved by the one-sided will of a nation, but our external economic relations cannot be adjusted as in the case of our domestic economy, even within the Greater East Asia economic sphere, which is under our guidance.

For this reason, the central problem of Greater East Asia trade is how to execute smoothly the trade plans based on the synthetic plans of production and consumption for the entire East Asia sphere. Moreover, inasmuch as the price levels in the various parts of the sphere are unequal in actuality and the low prices of Japan make a sharp con-

trast with the high prices of other countries, if the former commercial trade is allowed to be carried on, our export increases and import decreases would become inevitable. But viewed both from the conditions of materials in our wartime economy and the export of vast quantities of goods required for the execution of war, our wartime trade should aim at the promotion of import and the suppression of export. And this demand contradicts the natural tendency above noted.

The elimination of this contradiction would be impossible of accomplishment by means of the former system of trade control because although trade control is capable of suppressing the profitable export or import, it cannot promote the unprofitable import or export.

Under such circumstances, in order to materialize the importation or exportation of definite quantities as shown in trade plans, there should be a trade mechanism capable of carrying on the pre-determined import or export, and no regard should be paid to profit or loss of trade. It has become clear that such a work can never be carried on by the former trade of commercial enterprise. The execution of trade without regard to profit-making or loss involved must be after all undertaken by the State. However, since State finance does not allow the national treasury to earn profit from trade or to pay for loss in trade, an independent management would be required for all this. Thus, the idea of the Trade Corporation was born.

The object of the Trade Corporation is to carry on trade plans. The Trade Corporation has the mission of carrying on correctly the materials mobilization plan for the entire of Greater Asia or the importation or exportation of definite quantities of goods by Japan based on both production and consumption plans for the entire sphere. For this reason, the success or failure of the Trade Corporation would be determined by its success or failure in its trade transaction of the pre-determined quantities, and its financial accounts, that is its profit or loss would be of secondary

importance. However, the Trade Corporation should live up to the principle of making the greatest possible success by the least possible sacrifice in the present case also, and so long as it carries on trade plans with certainty, it should also maintain the best possible financial status. But whereas in the former enterprise, profit-making was regarded as its object and trade was regarded as means, the Trade Corporation regards trade as its object and profit and loss are considered as incidental. This is the essential difference between the two.

In the condition of trade equilibrium, the Trade Corporation may continue its existence in an ideal condition in which there will be neither profit nor loss. This is because when this trade equilibrium is established on equal price as in the case of liberal economy, the movement of goods will take place at their necessary expenses and for this reason the Trade Corporation would not secure either above or below the amount of expenses involved. Again, when trade equilibrium is established on the unequal prices due to controlled economy, the Trade Corporation will receive on profit nor incur no loss therefrom. This is because when prices in our country are high, the profit of import will be cancelled against the loss of export, and when prices in our country are low as in the present case, the loss of import can be cancelled against the profit of export. At any rate, in the case of trade equilibrium the Trade Corporation can bear its own expenses without any profit or loss whatsoever.

On the other hand, the Trade Corporation either yields profit or incurs loss in the case of unbalanced trade. For instance, in the low price condition of our country like the present case, if we have import excess, the Trade Corporation will continue to incur loss. On the other hand, if our country shows an export excess, the Trade Corporation will accumulate profits. When the price condition of our country is high, there will be profit in the case of import excess and there will be loss in the case of export excess.

Thus, theoretically speaking, the Trade Corporation may make profit or incur loss as the outcome of its carrying on trade activities. However, in the existing actuality, our prices are low as compared with those in other countries of East Asia and our trade has a tendency to show an import excess. In the face of these two factors, the Trade Corporation is liable to incur loss rather than make profit. This is a welcome outcome in the execution of our present wartime condition. For this reason, the loss incurred by the Trade Corporation should be given a State compensation.

4. THE TRADE CORPORATION AND TRADERS.

When the Trade Corporation has been fully established, what will be the lot of those traders who have been engaged in the nation's foreign trade? Will there be absolutely no room for their business activities, or will they be able to survive in some way? These questions must be considered from the standpoint of getting the best result from trade plans. If these questions are considered from the viewpoint of furthering the interests of these traders or of relieving their hard lot, then the conclusion, of course, will be quite different from the one which will be reached when the same questions are considered from the standpoint of the State. If these traders are unnecessary from the standpoint of the State, then their relief should be considered separately. At any rate, the State trade should never be sacrificed on their account.

By far the most important problem in connection with government companies such as the Trade Corporations is to create a mechanism which is capable of displaying the highest possible efficiency in its activities. It is incontestable that in the stage of State total war as at present, both man power and material goods should show the highest possible efficiency. However, it is generally admitted that the greatest shortcoming of State enterprises such as the

Trade Corporation is their low efficiency and all criticisms against the existing government companies have been concentrated on this point. Thus, there is a good reason to stress the problem of efficient management in making a study of the internal mechanism of the Trade Corporation.

I am convinced that the Trade Corporation should not carry on its trade activities monopolistically. On the contrary, it should endeavour to utilize to the fullest extent the long experience, knowledge and initiative on the part of the traders so that it may be enabled to carry out State trade activities most efficiently.

In what form and relations, then, should the traders be included in the Trade Corporation? Now, it should be noted that the Trade Corporation is the dispenser of all trade activities and is the source of all calculations. Profits and losses attendant on trade entirely belong to this organization. Hence, the traders are no longer traders who carry on business on their own accounts. In this sense it may be said to leave no room for the traders.

However, it is not only possible but also necessary from the standpoint of the efficient management of the Trade Corporation that the traders should engage in trade activities as contractors and for a definite amount of commission, under the direction of the corporation. It is not that all traders are to become contractors alike. On the contrary, there should be a division of labour between the direct activities of the Trade Corporation and those entrusted to the traders.

The business to be undertaken directly by the Trade Corporation is the proper trade between Japan and the Asiatic Continent and the southern region. For this reason, the Trade Corporation should have its offices or agencies at all ports. The business of the Trade Corporation should be restricted to the movement of goods between these ports and our Japanese ports. Other businesses except those of special goods should be entrusted to the traders. Thus, the traders should carry on the business of collecting our import

goods in other countries and of distributing the exported goods. They should also be in charge of distributing of imported goods and of collecting export goods in Japan. Thus, the traders would not be traders in the real sense of the term; they are merely the domestic distributors both here and abroad and would be engaged in the collection and distribution of goods under the engaged in the collection and distribution of goods under the trust of the Trade Corporation.

However, the traders who are the contractors of the Trade Corporation cannot be the same as the traders of the past. As is generally known, they have come to assume an efficient industrial form of some definite scale as a result of their business amalgamation and adjustment of management and ownership. For this reason they are truly the selected and able body of traders. But there is an important problem as to what should be the mechanism by which they may be permitted to participate in the business function of the Trade Corporation.

Here, the principle of past business record on the part of the traders as the basis of their participation should be avoided as far as possible. Such a principle, if unavoidable, should be restricted to a minimum. To decide on their participation on the basis of this principle of past business record would result in the elimination of their initiatives and individual endeavours and thus would have the effect of impeding an efficient management. At the same time, the abuse of monopolistic distribution should be prevented at all cost. Should the Trade Corporation allow some traders to become monopolistic contractors in entrusting to them its trade functions, it would be highly difficult to carry on trade plans efficiently. On the contrary, the Trade Corporation should appoint many traders as its contractors in order to make them compete in carrying out their trusted trade business, if an efficient management of trade activities is to be maintained.

Generally speaking, the idea that control and competi-

tion are incompatible to each other is erroneous. True, the traditional competition in the quality and price of commodities would not be permitted under the system of economic control. It is a shortsighted idea that competition cannot take place outside of quality and price. For competition in a new sense can take place when a commodity of the same quality and of the same price is distributed. Such competition is not only possible but also desirable under the system of controlled economy. I shall call this competition "vocational competition", in my wish to distinguish it from the liberal competition of the past and make it a new and important factor that should be introduced into the present system of economy, thereby making its efficient management possible. We should also devise some mechanism by which this vocational competition may take place among the traders who are to be under the sway of the Trade Corporation. Of course, it will be noted that there would be no room for competition in the past sense in their endeavours, since they are to remain only as commission merchants and both their commission selling and commission buying will be made on a limited consignment. In other words, they buy some definite goods at specified prices and sell them at specified prices. For this reason, there will remain no free competition in the traditional sense among them. However, there will be some left for the displaying of their initiative and endeavour so that a mechanism should be contrived by which the amount of goods handled by the traders can be either increased or decreased at will. If, on the contrary, there should be a system of allotted or monopolistic distribution, there will be no initiative or endeavour displayed by the traders and it will be almost impossible to execute the trade plans without failure. Suppose we have to import five million piculs of Chinese raw cotton. Instead of entrusting the work of buying to a single trading company on a monopolistic basis, several companies may be compete in getting the largest possible amount of cotton purchases. The latter

system will undoubtedly prove a more efficient method and will probably succeed in buying the amount greater than that of the original plan, and thus will be more certain of success in the mobilization of goods, than the monopolistic scheme. Needless to state, all plans should aim at a level much higher than that which it intends to reach, in order to assure their ultimate success. In order to carry out trade plans with certainty and with the highest efficiency, a new scheme embodying vocational competition will be needed.

5. THE TRADE CONTROL ASSOCIATION AND THE IMPORTANT GOODS ADMINISTRATION CORPORATION.

When the proposed Trade Corporation actually comes into existence, both the Trade Control Association and the Important Goods Administration Corporation are destined to undergo an evolutionary dissolution as they would have lost their significance of existence. However, their theoretical survey reveals that there is still room for various problems worthy of consideration.

Let us first take up the problems of the Trade Control Association. If the proposed Trade Corporation were to carry out by itself trade activities in detail, then of course, the traders would have to pass out and consequently there would be no need of any trade body such as the Trade Control Association. I have already tried to show that the traders should continue their business existence this time as appointed agents for the Trade Corporation, and this view of mine is shared by many persons. If, therefore, the traders should continue to carry on the trade activities on behalf of the Trade Corporation, showing, as they should truly do, their highest efficiency by the new vocational competition, then there would still be the need of their own trade organizations and of the synthetic and unified body such as the Trade Control Association. The Trade Control

Association primarily is a body which does not engage in economic activities, and thus it will retain the reason of its existence even after the establishment of the Trade Corporation, whose business is to engage in economic activities, so long as individual traders continue to exist. In such a situation, the Trade Control Association will have several functions. First, it will have to act as the organ of supervision and control over the traders who have been readjusted as trade agents. Secondly, it should be the connecting link between the traders and the Trade Corporation. Because it will be noted that, in making the traders to act as agents, the Trade Corporation would have to make them organize themselves both territorially and according to different commodities. Thirdly, the Trade Control Association has the important mission of being a connecting link between the Government, on one hand, and the traders or the Trade Corporation, on the other. For, although the Government can give orders direct to the Trade Corporation regarding the execution of trade plans, all matters relating to trade control concern themselves with the traders, thus necessitating the existence of a control organization. So long as the traders continue their business even though in their new capacity as brokers or consignment merchants, the Trade Control Association as their organ of control will never lose its reason of existence.

Let us next take up the Important Goods Administration Corporation the object of which is to administer or preserve important goods. Since the important goods dealt with by this corporation are not limited to the objects of trade but actually include domestic goods as well, its function is no duplication with that of the Trade Corporation; nor does it come into a conflict with it. The Trade Corporation aims at handling goods in a continued stream and its ideal is not to keep stocks. The Important Goods Administration Corporation, on the other hand, has the object of keeping goods in store for long periods of time. The relations of the two corporations resemble those be-

tween the commercial bank which handles circulating capital and the real estate bank which handles fixed capital. Both banks are necessary for carrying on their respective activities, and not only they can stand together without a contradiction, but they can also mutually aid each other in fulfilling their functions. The Trade Corporation must import goods in amounts greater than those given out in the plan of national mobilization of goods and keep them in store in order to assure the actualization of the plan. The corporation must also purchase domestic goods in excessive amounts and keep them in store for future export purposes. But to own goods in store will be against the floating nature of the Trade Corporation, and for this reason it will be necessary to make the Important Goods Administration Corporation own and store them. On the other hand, the Important Goods Administration Corporation must import various goods from the south through the Trade Corporation and in disposing of domestic goods it must also export them through the same trade organization. The Important Goods Administration Corporation is entitled to dispose of the goods in private possession without owning them, but no such right is enjoyed by the Trade Corporation, which, on the contrary, must purchase and own goods before disposing of them.

This is another difference in the functions of the two corporations.

To summarize: even after the establishment of the Trade Corporation, there will be an ample room for the functioning of the Important Goods Administration Corporation. The two organization do not duplicate in their functions, nor do they contradict each other. On the contrary, they can display their efficiency through their mutual cooperation. In short, there is absolutely no reason for the evolutionary dissolution of the Important Goods Administration Corporation from the theoretical viewpoint.

6. VARIOUS PROBLEMS OF THE TRADE CORPORATION.

Lastly, I shall take up several remaining problems of the Trade Corporation.

The first problem concerns itself with the sphere of the activities of the Trade Corporation. Idealistically, of course, the entire East Asia should be its sphere and in the future the countries of both the north and the south should be included in it. However, as a real problem, it will be necessary to conceive it in two stages. In the first stage, the sphere should include the countries of the north and French Indo-China and Thailand. After preliminary problems have been solved and some experience has been made, the entire southern countries should be included in the second stage. As is generally known, these two spheres have been under different trade mechanisms and for this reason there will be some dislocation if they are included in the same economic sphere at once. Moreover, an elaborate mechanism created overnight is liable to fail, although it may prove successful if given proper time interval. Again, the demand for the Trade Corporation comes from the existing situation in the north. The new trade mechanism of the south has not yet attained the same stage. True, southern trade should be included in the future activities of the Trade Corporation, for demand for the execution of the synthetic and planned trade for Greater East Asia is self-evident.

Secondly, the Trade Corporation is a Japanese institution which carries on trade between Japan and other countries including other territories of East Asia. Thus, it would not be the function of this corporation to carry on trade between other countries of East Asia, for instance, between Manchoukuo and China. In actuality, however, there will be triple or quadruple relations among East Asiatic countries, when we are carrying on our trade plans. For instance, in order to import raw cotton from North

China, we shall have to export Manchoukuo's cereals to that country. Needless to state, we should attempt to make the smooth execution of our trade plans in anticipation of such difficulties. But on the other hand, it would be impossible for a trade organization of Japan to monopolize the mutual trade of all independent nations of East Asia except those territories under our direct administration. Idealistically speaking, each nation of East Asia, such as Manchoukuo, China and Thailand, should have its own trade corporation of an independent basis and should share in the execution of the synthetic trade plans of the entire East Asia in their mutual cooperation. Needless to state, the trade between the territories under the direct administration of Japan should be carried out by the branches of the Trade Corporation in these territories.

Thirdly, let us see whether or not the Trade Corporation should also carry out the trade with the third countries or the countries outside East Asia, when such trade has been reopened. We do not share in the opinion of those who believe that such trade with the third countries will be liberal trade. Nor do we believe that there will be absolutely no trade with the third countries in the future. There will be such trade with the third countries though of much less importance than hitherto, but it will not be liberal trade such as we saw in the past. There is no doubt that it will be carried out as a newly planned trade or controlled trade. But the meaning of both plans and control will be different for the third countries and the nations of East Asia. This is an inevitable outcome of the difference between the countries over which our right of leadership is established and those nations over which this right does not extend. Since the trade with the third countries will be also a planned and controlled trade, we conclude that there should be an organization similar to the Trade Corporation and it should be charged with the task of carrying out such trade. But because of the peculiarities of third-countries trade, such an organization should be

independent of the Trade Corporation. In other words, there should be two distinct trade bodies, namely, the Greater East Asia Trade Corporation and the Third-Countries Trade Corporation, and we should let them cooperate with each other in executing the Government's trade plans.

- 1) My work, the Theory of Greater East Asia Economy, Chapter 3, Part II.
- 2) *Idem*, Chapter 4, Part II.