Article

The Evolution of Machine Tools Trading System in the 1930s: A Case Study of Japanese Trading Companies in North America

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Abstract

This paper takes up the purchase of machine tools in North America by Japanese trading companies as a case study that replies to the following two research questions. First, how did the difference in competitiveness of trading companies affect their business relationships with manufacturers? Second, what did the peculiarities of machine tools as special goods have to do with competitiveness of trading companies? The Mitsubishi Corporation relinquished many of its sales agent contracts with American machine tools manufacturers during the economic recession of the 1920s. Therefore, when demand expanded in the first half of the 1930s, the Mitsubishi Corporation lagged behind the Mitsui & Co. and the Ataka & Co. The factors which helped the Mitsubishi Corporation to overcome the situation was the Nissan Motor's large-scale machine tools purchase in North America. With regard to the transaction between the Nissan Motor and Japanese trading companies it should be noted that the close human relationship between the negotiators had important meanings in various aspects of the commodity business. However, such close relationship was not simple mutual aid. It was a tense human network cultivated in the atmosphere of severe business transactions.

Introduction

The purpose of this study is to make a comparison, in terms of competitiveness, between the Mitsubishi Shōji (Mitsubishi Corporation formerly known as Mitsubishi Shoji Kaisha, Ltd., hereafter, Mitsubishi Shoji), a typical general trading company, and the Ataka Shōkai (Ataka & Co., Ltd., hereafter, Ataka), a typical specialized trading company, with a case study of the purchase of machine tools in the United States. During the 1930s, Japanese automobile and airplane companies imported a large number of machine tools from the United States. The details of the concrete

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trading process, however, have not been delineated, and many disputed points are yet to be examined.

This study traces concrete activities of Japanese trading companies in North America by using requisition documents held by the U. S. National Archives and Records Administration under the title, ‘Record Group 131.’ Record Group 131 consists of documents belonging to the Office of Alien Property Custodian set up in 1917. Incidentally, the documents also include ones related to Germany during WWI. In July 1941, the United States froze Japanese assets and banned activities of Japanese companies. When the war eventually broke out, both individual and corporate assets, including a large amount of documents, were requisitioned.

Through empirical analysis of the negotiation process of machine tools purchase in the United States, this study looks into the relationships between Japanese manufacturers and trading companies, between American manufacturers and trading companies and between general and specified trading companies. In doing so, the following two questions are pursued. First, how did the difference in competitiveness of trading companies affect their business relationships with manufacturers? Second, what did the peculiarities of machine tools as special goods have to do with competitiveness of trading companies? Following these threads, the investigation seeks a deeper understanding of ‘generality’ of general trading companies dealing with a wide variety of goods and ‘specialty’ of specialized trading companies.

１. The Purchase of Machine Tools by the Mitsubishi Shoji

The Conclusion of Machine Tools Purchase Contract

The Jidōsha Seizō (automobile manufacturer), a joint venture by the Nihon Sangyō (Nihon Sangyo Co.) and the Tobata Imono (Tobata Foundry Co.), was established in December 1933 and renamed the Nissan Jidōsha (Nissan Motor Co., Ltd., hereafter, Nissan Motor) in May 1934.[1] A major characteristic of the Nissan Motor’s automobile production was that its core machinery and equipment were imported from the United States. William R. Gorham, an American technical advisor, was in charge of the layout of the plant and equipment, and decisions concerning the purchase of American machine tools were made under his direction. In 1934, there were 850 ma-

1) As for the development of the Nissan Motor, see Nissan Jidōsha (1965).

chines equipped at the Yokohama Factory of the Nissan Motor. As large-size cars started to be produced in 1936-37, the number of machines increased rapidly, amounting to 1,049 in 1936 and 1,742 in 1937.[2] In this rapid introduction of machines, the Mitsubishi Shoji played a crucial role, mediating the importation of American machine tools.

According to a letter sent from the headquarter Machinery Department to the San Francisco Branch on 17 May 1933, the Mitsubishi Shoji was aiming to expand business with the Nissan Motor and Ayukawa Yoshisuke, advising the San Francisco Branch not to be concerned only about 'short-term profits.'[3] With regard to the transactions with the Nissan Motor, the headquarter Machinery Department ordered that: (1) the commission should be set at as low as 1.5 percent and (2) even the information about the kickback to the Mitsubishi Shoji from the American manufacturers should be disclosed to the Nissan Motor. It is obvious that the Mitsubishi Shoji gave the utmost consideration to the Nissan Motor. The headquarter Machinery Department took the initiative in the transactions with the Nissan Motor and gave detailed instructions to overseas branches.

Although the purchase agent contract between the Nissan Motor and the Mitsubishi Shoji gave the latter the status of the exclusive agent,[4] the contract allowed the Nissan Motor to use other trading companies when necessary. In this sense, it was a disadvantageous contract for the Mitsubishi Shoji. However, since the Mitsubishi Shoji did not have strong relationships with American machine tools manufacturers in the early 1930s, the company was not able to interfere with the relationships between the Nissan Motor and other trading companies.

In fact, the Mitsubishi Shoji's industrial knowledge on American machine tools manufacturers was not comparable to the Mitsui Bussan (Mitsui & Co.) 's. Letters sent from the Mitsubishi Shoji's headquarter Machinery Department to the New York, London and Berlin Branches at the end of 1937 refer to the shortage of infor-

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2) As for the number of machines Nissan possessed, see Udagawa (2005) : 159.

3) Mishima Seiichi, General Manager of Machinery Department [to Branch Manager of San Francisco], "Tobata Imono Kaitsuke Kōsaku-kikai Sonota ni kakawaru-ken [A Letter of Tobata Ironworks of the Purchased Machine Tools]," 17 May 1933, The U. S. National Archives and Records Administration, Entry35-E/Container372.

4) Jidōsha Seizō and Mitsubishi Shoji. "Keiyakusho [Master Transaction Agreement]," U. S. NARA, E35-E/C369.

mation on machine tools manufacturers gathered by overseas branches.[5] They were repeatedly ordered to collect basic data as to overseas machine tools manufacturers. With regard to machine tools transactions, trading companies were required high levels of expertise, which could not be acquired in a short period of time.[6]

The commission rate for the Mitsubishi Shoji prescribed in the contract with the Nissan Motor was only 1.5 percent. Of course, the Mitsubishi Shoji's commission rates varied according to items and companies. As regards the purchase of machine tools, the commission the Mitsubishi Shoji received from Mitsubishi Heavy Industries in the latter half of the 1930s was 3 percent in the case that the former had the exclusive selling right of the products of the overseas manufacturer concerned. Whereas, in the case that another trading company had the selling right, the rate was 1.5 percent.[7] During the same period, the Mitsubishi Shoji received 4 percent commission from the Mitsubishi Denki (Mitsubishi Electric). To take examples of companies other than Mitsubishi Zaibatsu companies, the Katō Seisakusho (machine manufacturer) paid 10 percent commission to the Mitsubishi Shoji for the purchase of used machine tools and the Kahoku Kōtsū (North China Transportation Co.) paid the commission of 6.67 percent. Moreover, the Manshū Jyūkōgyō Kaihatsu (Manchurian Industrial Development Co.), one of Nissan Zaibatsu companies, paid 2.5 percent commission to the Mitsubishi Shoji around 1938. As can be seen, the 1.5 percent commission rate the Mitsubishi Shoji set for the Nissan Motor was extremely low, even lower than the rates applied to the kindred Mitsubishi Zaibatsu companies.

With regard to the machine tools industry in the United States, Sawai Minoru has presented a case study of the G. A. Gray Co., providing detailed accounts of 'internal and external commissions.'[8] Agents with exclusive selling rights received 'internal commission' included in the list price. In the case of the purchase of machine tools, it was a common practice that the commission rate was set at around 10 percent. Most of the abovementioned commissions, including the 1.5 percent commission applied to the Nissan Motor, were external commissions paid separately as brokerage fees. As Sawai points out, internal commissions guaranteed large profits for trading

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5) Machinery Department of Head Office [to New York, London and Berlin Branch], "Machine Tools Import for 1938," 29 December 1937, U. S. NARA, E52/C183.

6) Sawai (2001) : 159–161.

7) As for brokerage commissions of machine tools, see Mitsubishi Shōji (1958) : 233–235.

8) Sawai (1995) : 14–15.

Table 1 The Mitusbishi Shoji's Brokerage Business

(Unit: Thousand Yen, Percent)

Fiscal Year	Transaction Amount			Commission			Profit Rate (%)		
	Machine	Machine Tools	Total	Machine	Machine Tools	Total	Machine	Machine Tools	Total
1930	20,361	56	190,077	409	3	3,091	2.0	4.5	1.6
1931	20,330	28	146,397	418	2	2,653	2.1	5.9	1.8
1932	35,279	1,047	212,576	787	33	4,328	2.2	3.1	2.0
1933	46,657	1,985	276,569	939	39	5,125	2.0	2.0	1.9
1934	69,134	2,447	338,850	1,444	37	6,961	2.1	1.5	2.1
1935	89,990	2,109	419,591	1,791	33	7,614	2.0	1.6	1.8
1936	97,027	4,847	381,906	1,964	75	7,760	2.0	1.6	2.0
1937	118,428	11,635	452,020	2,517	203	8,185	2.1	1.7	1.8
1938	155,606	14,808	685,305	2,984	221	11,520	1.9	1.5	1.7
1939	195,102	28,686	790,979	3,466	626	14,284	1.8	2.2	1.8

Source: Mitsubishi Shōji. *Sōgō Kessanhyō* [Statement of Accounts] (each year). Mitsubishi Archives, MC 1062–1106.
Mitsubishi Shōji. *Mitsubishi Shōji Shashi Shiryōhen* [The History of the Mitsubishi Shoji Kaisha, Ltd.: Reference Material] (1987) : 76–77.

companies engaged in importing machine tools, which drove trading companies to acquire exclusive selling rights.

Table 1 shows the Mitsubishi Shoji's brokerage business and its profitability during the 1930s. As for 'machine' transactions, the profit rates were around 2 percent throughout the decade, almost the same as the average profit rates of the whole brokerage business. As for 'machine tools' transactions which constituted part of 'machine' transactions, the profit rates were 3 to 6 percent in the early 1930s when the transaction amounts were still very small. Although the transaction amounts increased between 1934 and 1938, the profit rates of 'machine tools' transactions remained only 1.5 to 1.7 percent, 0.4 to 0.5 percent lower than the average profit rates for the total 'machine' transactions. Since the transaction process of machine tools was rather complicated relative to ordinary machine transactions, higher operating expenses ate profits. Under such circumstances, internal commissions deriving from exclusive selling rights must have been an important source of revenue for trading companies. As the amounts of 'machine tools' transactions grew during and after the mid-1930s, the Mitsubishi Shoji became keen on acquiring exclusive selling rights. Consequently, the profit rate of 'machine tools' transactions rose to 2.2 percent in 1939, surpassing the average 'machine' transaction profit rate of 1.8 percent.

Table 2　The Top Twenty Manufacturers from which the Nissan Motor Purchased Machine Tools between 1933 and 1939

Rank-ing	Manufacturer	Purchase Amount (Yen)	Main Product	Agent
1	Barns Drill Co.	6,276,253	Drilling Machine, Boring Machine	Mitsubishi Shoji
2	Gleason Works	2,521,083	Gear Cutting Machine, Gear Grinding Machine	Ataka & Co.
3	Baker & Co.	1,718,159	Trimming Press	—
4	Erie Foundry Co.	1,477,255	Drop Hammer	Mitsubishi Shoji
5	General Machinery Co.	1,469,773	Press	—
6	Brown & Sharpe Manufacturing Co.	1,312,073	Milling Machine, Automatic Lathe	Ataka & Co.
7	Cincinnati Co. etc	1,031,513	(Machine Tools)	—
8	Platt & Whitney Co.	939,622	Lathe, Turret Lathe	Andrews & George Co.
9	New Britain Gridley Machine Co.	640,181	Automatic Screw-Cutting Machine	Mitsubishi Shoji
10	Sundstand Machine Co.	629,798	Automatic Lathe, Milling Machine	Mitsubishi Shoji
11	Lodge & Shipley Machine Tool Co.	515,914	Lathe	Mitsubishi Shoji
12	Toledo Machine	457,658	(Machine Tools)	—
13	National Machine Co.	399,890	Forging Machine	Mitsubishi Shoji
14	Cincinnati Grinder Co.	301,850	Grinding Machine	Andrews & George Co.
15	Landis Tool Co.	290,258	Grinding Machine	Andrews & George Co.
16	Bullard Co.	290,140	Lathe	Mitsui & Co.
17	Niles-Bement Pond	244,838	Lathe, Lapping Machine	Andrews & George Co.
18	Ex-Cell-O Grinder Co.	238,624	Boring Machine	Mitsui & Co.
19	Ferracute Machine Co.	159,033	(Machine Tools)	—
20	Cincinnati Milling Machinery Co.	144,884	Milling Machine	Andrews & George Co.
	Others (71 Manufacturers)	4,297,368		
	Total	25,356,169		

Source: Mitsubishi Shōji Kikaibu [The Mitsubishi Shoji Kaisha, Ltd. Machine Department]. *Kikaibuhō* [The Machine Department Report] (each year).

The Nissan Motor's Purchase of Machine Tools

The Nissan Motor purchased machine tools necessary for its automobile production from American manufacturers with the help of the Mitsubishi Shoji. **Table 2** shows machine tools the Nissan Motor imported, together with the names of manufacturers and their agents. Since the table only shows those machine tools cited in the Mitsubishi Shoji's *Kikaibuhō* [The Machinery Department Report] between June 1933 and March 1940, it does not cover all the machine tools the Nissan Motor purchased during the period. However, general characteristics can be grasped. In terms of purchase amount, Barns Drill Co. was the top manufacturer for the Nissan Motor. Its sales amount, 6.28 million yen, was more than twice as much as that of the second place manufacturer, the Gleason Works. Barns Drill Co. was a manufacturer of powerful drilling machines located in Rockford, Illinois. Incidentally, Rockford was the second largest machine tools producing area after Cincinnati, Ohio. The Mitsubishi Shoji concluded an exclusive selling contract with Barns Drill Co. in 1934.[9] The Gleason Works, famous for its gear cutting machines, sold 2.52 million yen of ma-

9) As for the manufacturing of machine tools in the United States, see Mitsubishi Shōji (1958) : 228-229.

chine tools to the Nissan Motors. Baker & Co. was famous for its trimming presses and the Erie Foundry Co., for its drop hammers. Among highly ranked manufacturers were Brown & Sharpe Manufacturing Co., Platt & Whitney Co. and Lodge & Shipley Machine Tool Co. Concerning five among the top twenty manufacturers, the names of their agents are unknown. The Mitsubishi Shoji represented only six out of the fifteen manufacturers. As for the remaining nine manufacturers, the Mitsui & Co., the Ataka and Andrews & George Co., Ltd. were their agents. While operating as the purchase agent for the Nissan Motor, the Mitsubishi Shoji intensified its efforts to become sales agents for American manufacturers from around 1935 onwards. The trading company sought to make secure profits by means of internal commissions, let alone external commissions. For that purpose, the Mitsubishi Shoji had to acquire exclusive selling rights of machine tools produced by American manufacturers.

It is a well-known fact that the Nissan Motor established the mass production system of automobiles by introducing the equipment of an American automobile manufacturer, Graham-Paige Motors.[10] The New York Branch of the Mitsubishi Shoji undertook the general clerical work concerning the purchase of Graham-Paige Motors' equipment. The contract between both companies was concluded in April 1936. It was agreed that machines, tools, molds and gauges used at the West Warren Avenue Plant were to be purchased. At the same time, the Nissan Motor began to purchase machine tools from other American manufacturers. Apart from Graham-Paige Motors, Spicer Manufacturing Co. was the principle machine tools supplier for the Nissan Motor.[11] Both companies supplied a variety of automobile parts including bearings, crankshafts and bevel gears.

As the Nissan Motor started to import machine tools in large quantities through the Mitsubishi Shoji, machine tools manufacturers in the United States became interested in selling their products to Japan.[12] The Mitsubishi Shoji itself changed its previous policy and began to aim for the acquisition of exclusive selling rights in 1934. **Table 3** shows American machine tools manufacturers the exclusive selling rights of whose products the Nissan Motor acquired in and after 1934. As regards Barns Drill Co. located in Rockford, Illinois, the Rokuroku Shōkai (Roku-Roku Co., Ltd, trading company), an eminent Japanese trading company specialized in ma-

10) Cusumano (1985) : 40-49, Yokohama-shi (1993) : 520.

11) As for Spicer Manufacturing Company, see Hartlage (2004).

12) Mitsubishi Shōji (1958) : 228.

Table 3 Machine Tools Manufacturers for which the Mitsubishi Shoji Became Sales Agents in and after 1934

Manufacturer	Year of Contract	Location	Main Product
Barns Drill Co.	1934	Rockford, Illinois	Drilling Machine
├▶ Barber Coleman Co.	1936	Rockford, Illinois	Gear Cutting Machine, Grinding Machine
├▶ Ingersoll Milling Machine Co.	1936	Rockford, Illinois	Milling (Planing) Machine
└▶ Sundstand Machine Co.	1936	Rockford, Illinois	Automatic Lathe
Lodge & Shipley Machine Tool Co.	1935	Cincinnati, Ohio	Lathe
├▶ Avey Drilling Machine Co.	1936	Cincinnati, Ohio	Precision Drilling Machine
├▶ Carlton Machine Tool Co.	1937	Cincinnati, Ohio	Radial Drilling Machine
└▶ Cincinati Planer Co.	1938	Cincinnati, Ohio	Planing Machine
Gisholt Machine Co.	1936	Madison, Wisconsin	Turret Lathe
Erie Foundry Co.	1935	Erie, Pennsylvania	Drop Hammer
The Oil Gear Co.	1935	Milwaukee, Wisconsin	Broaching Machine
Micromatic Hone Corp	1935	Detroit, Michigan	Honing Machine
New Britain Gridley Machine Co.	1936	Detroit, Michigan	Multi-Spindle Automatic Lathe
Lucas Mac. Co.	1937	Detroit, Michigan	Boring Machine
Cross Gear and Machine Co.	1937	Detroit, Michigan	Gear Cutting Machine
Michigan Tool Co.	1937	Detroit, Michigan	Gear Cutting Machine, Grinding Machine
National Machine Co.	1937	Detroit, Michigan	Forging Machine
Wicks Brothers Co.	1937	Detroit, Michigan	Crankshaft Lathe

Source: Mitsubishi Shōji (1958): 228-229.
Note: '→' indicates referral.

chine transaction, had been its sales agent for twenty-five years. However, Barns Drill Co. changed its sales agent to the Mitsubishi Shoji, when the Ishikawajima Zōsenjyo (Ishikawajima Shipbuilding & Engineering Co., Ltd.) purchased their products through the trading company. Subsequently, the Mitsubishi Shoji concluded exclusive sales agent contracts with three other Rockford manufacturers through referrals from Barns Drill Co. In Cincinnati, a large machine tools producing area, Lodge & Shipley Machine Tool Co., famous for its lathes, helped the Mitsubishi Shoji to become agents of three manufacturers in the region by referring it to them.[13] In Detroit, moreover, the Mitsubishi Shoji newly became agents of six manufacturers, seizing the opportunity of the Nissan Motor's large-scale machine tools purchase. Thus, by 1939, the Mitsubishi Shoji had become exclusive sales agents of eighteen American as well as three British manufacturers.[14]

2. The Ataka's Brokerage Business and Sales Negotiations

The Ataka's Machine Transactions in North America

Because the Mitsubishi Shoji had terminated many of its exclusive sales agent

13) As for the close relationship between machine tool manufactures, see Scranton (1997).
14) *Kikai-buchō Kōtetsu Jimu Hikitsugi-sho* [A Handover Report of Manager of Machinery Department], 10 June 1942, Mitsubishi Archives, MC-654.

contracts with foreign manufacturers by the early 1930s, the Nissan Motor had to depend on other trading companies for the purchase of machine tools. With regard to the purchase of machine tools in North America, Sawai points out that: (1) Japanese manufacturers seeking to purchase American machine tools were taking inspection tours freely without regard to their Japanese purchase agents; (2) when it came to placing an actual order, Japanese manufacturers observed their contracts with their purchase agents.[15] The question to be asked here is: how did business negotiations proceed when the purchase agent of a Japanese manufacturer and the sales agent of an American manufacturer were at odds? In the following will be presented a case study of the Ataka, which rapidly expanded its machine tools business in North America during the 1930s.[16] In doing so, the relationships between the Nissan Motors, the Mitsubishi Shoji, the Ataka and American machine tools manufacturers will be examined.[17]

The Ataka's machine business started, when those employees who had been engaged by the Machinery Department of the bankrupt Suzuki Shōten (Suzuki & Co., Ltd.) were transferred.[18] It was after the 1928 merger of Horne Co., Ltd. that the Ataka's machine business started to grow in earnest.[19] Machine tools transactions constituted the core of the company's machine business in North America. Initially, however, the company did not set up a representative office in North America. Business affairs were entrusted to its agent, Viele, Blackwell & Buck Inc., located in New York. There, practical work was done by two Japanese and M. J. Kluger, a Viele, Blackwell & Buck employee put in charge of Ataka's business affairs.

Among the Ataka's requisitioned documents are business letters related to the transactions with the Nissan Motor after 1935. With the examination of such letters, the process of negotiations with Brown & Sharpe Manufacturing (Providence, Rhode Island) which took place between January and April of 1936 concerning the purchase of automatic lathes will be traced in the following. This particular case is chosen among many purchasing negotiations, not only because the letters remain almost intact but because this case is unique and instructive. Since the Nissan Motor's respon-

15) Sawai (2001): 161.
16) As for the Ataka's machine tool trading in the 1930s, see Sawai (1995): 6-8.
17) As for Record Group 131 of the Ataka, see Okabe (2011).
18) As for the Ataka, see Ataka Sangyō (1968).
19) As for Horne Co., Ltd., see Kanematsu Shōten Kikaibu (1940).

sible staff, Little (first name unknown), started the purchase negotiation in an unusual way, the relationships between Kluger, the Ataka's head office in Japan and Brown & Sharpe Manufacturing became strained.

The Ataka's Sales Negotiations

The negotiation started, when Kluger received Letter #１ (dated ７ January, 1936) from Brown & Sharpe Manufacturing.[20] Letter #１ informed Kluger of the following two facts. (１) Little, the Nissan Motor's responsible staff, had sent a letter directly to Brown & Sharpe Manufacturing. (２) The Nissan Motor decided to purchase two automatic lathes and asked Brown & Sharpe Manufacturing for advice. In addition, the Nissan asked Brown & Sharpe Manufacturing to give information on the machine tools the former had previously purchased from the latter. At the same time, Brown & Sharpe Manufacturing provided Kluger with Letter #２ (dated 10 December, 1935) which Little had sent from Yokohama to Brown & Sharpe Manufacturing.[21] Attached to Letter #２ were five blueprints of automobile parts the Nissan Motor was planning to produce. In Letter #２, Little was asking about Brown & Sharpe Manufacturing's 'recommendations on setups and cam layouts to give the best possible output.' It can be known that Little was seeking concrete technical advice. Moreover, it should be noted regarding Letter #２ that although Little indicated that the Nissan Motor was planning to purchase two automatic lathes through the Mitsubishi Shoji, he let Brown & Sharpe Manufacturing know that the Nissan Motor had not consulted with the Mitsubishi Shoji on this matter. Incidentally, there was no mention of the Ataka, Brown & Sharpe Manufacturing's sales agent, in Letter #２. From Kluger's and the Ataka's point of view, the true intentions of the Nissan Motor (Little) and the Mitsubishi Shoji were unfathomable. The Ataka's side found itself in a difficult situation.

As a reply to Letter #１, Kluger immediately sent Letter #３ (dated ８ January) to Brown & Sharpe Manufacturing, conveying that: (１) the machine the Nissan Motor had previously purchased from Brown & Sharpe Manufacturing had been shipped to Japan in November 1934 with the order number, V-7054; (２) that

20) Brawn & Sharp [to Horne NY], "Nissan Jidosha Kaisha Ltd (Dept. 106)," ７ January 1936, U. S. NARA, E14/C88.

21) Nissan Motor [to Brawn & Sharp], 10 December 1935, U. S. NARA, E14/C88.

machine was purchased through the New York Branch of the Mitsubishi Shoji.[22] On the same day that he sent Letter #3, Kluger sent Letter #4 to the Ataka's head office in Japan,[23] reporting that for unknown reasons the Nissan Motor had directly sent Letter #2 to Brown & Sharpe Manufacturing, ignoring both the Ataka and the Mitsubishi Shoji. He went on to say that he wondered if there were automobile parts whose specifications needed to be hidden even from mediating trade companies.

Then, Kluger received Letter #5 (dated 16 January, 1936) from Brown & Sharpe Manufacturing.[24] It was the response to the Nissan Motor's inquiry, giving the quotation and detailed technical advice. In addition, Letter #5 told the Ataka to make the official quotation and send it to the Nissan Motor. Moreover, it guaranteed the Ataka to receive its 'usual commission of 10%' as internal commission. On receipt of Letter #5, Kluger sent letters (dated 17 January) to both the Ataka's head office and Little. In Letter #6 addressed to the Ataka, Kluger reported how he was dealing with Brown & Sharpe Manufacturing' response. An interesting point about Letter #6 is that Kluger referred to Little's visit to the United States in the letter.[25] According to Letter #6, Kluger paid a visit to the New York Branch of the Mitsubishi Shoji on 14 January and 'accidentally heard a conversation,' from which he learnt that Little would be coming to New York in a couple of days and staying at a certain hotel. In the letter, Kluger divulged his intention to make contact with Little secretly and probe into the true meaning of Letter #2 dated 10 December. Kluger had established, through machine transactions, close relationships with H. Kennedy and Yoshio Ishikawa working for the Mitsubishi Shoji's New York Branch Machine Division. They were exchanging information on the market and transactions on a regular basis. It can be assumed that Kluger tried to start negotiation rather secretly, because he could not make out true intentions of Little and the Mitsubishi Shoji at this stage.

The content of Letter #7 (dated 17 January) addressed to Little is, in general, along the line of Letter #5 in which Brown & Sharpe Manufacturing presented its

22) Horne NY [to Brawn & Sharp], "Attention of Mr. J. H. Skelton, Department 106," 8 January 1936, U.S. NARA, E14/C88.

23) V. B. Buck [to Horne Osaka], "No. 22910," 8 January 1936, U.S. NARA, E14/C88.

24) Brawn & Sharp [to Horne NY], "Quotation: Dept. 106," 16 January 1936, U.S. NARA, E14/C88.

25) V. B. Buck [to Horne Osaka], "No. 22954," 17 January 1936, U.S. NARA, E14/C88.

quotation.[26] However, Kluger deleted the clause concerning the internal commission. On the other hand, Kluger let Little know that Letter #２ which Little sent to Brown & Sharpe Manufacturing from Yokohama was now in his hand. As for the delivery, Kluger clarified the terms: (１) the machines would be delivered to the New York Branch of the Mitsubishi Shoji; (２) because the offered price was the delivered price for the delivery at the Providence factory, freight and insurance premium for its transport to New York would be charged separately. According to another document concerning the business practice at the time, it was a common practice for Brown & Sharpe Manufacturing that it offered delivered prices for the delivery in New York, instead of those for the delivery at the factory, when doing business with the Mitsubishi Shoji and Japanese manufacturers.[27] Incidentally, delivered prices for the delivery in New York were around 15 percent higher than those for the delivery at the factory, because of transport expenses. Commissions for the agents were calculated based on list prices which included internal commissions. Usually, the commission rate for Viele, Blackwell & Buck was 10 to 13 percent and that for the Ataka's head office was ２ to ５ percent. Considering the unusual way of offering the delivered price and the lack of the serial number in Letter #７ which confirms that the quotation was official, it is feasible that the official quotation was later sent to the Mitsubishi Shoji. Given that the Ataka side insisted on the delivery at the New York Branch of the Mitsubishi Shoji, it can be assumed that the Ataka was trying to avoid dealing directly with the Nissan Motor out of consideration for the Mitsubishi Shoji.

Kluger spent around a fortnight collecting information about Little's visit to the United States. Then, he sent Letter #８ (dated ４ February, 1936) to the Ataka's head office,[28] reporting that although he talked to a staff of Heald Machine Co., useful information was not obtained. He also conveyed his impression that people at the New York Branch of the Mitsubishi Shoji knew little about what Little was doing. In addition, he argued in the letter that more efforts should be put into information gathering on the Japanese side, because there was a limit for what he could do in New York. Eventually, frustrated Kluger went to the New York Branch of the Mitsubishi Shoji in the afternoon of the day he dispatched Letter #８. There, he asked straightly about the purpose of Little's visit to the United States. The results of this

26) Horne NY [to Little], 17 January 1936, U.S. NARA, E14/C88.
27) Ataka [to V.B. Buck], “General Letter #5221,” 16 April 1937, U.S. NARA, E14/C86.
28) V.B. Buck [to Horne Osaka], “No.23059,” ４ February 1936, U.S. NARA, E14/C88.

event can be seen in Letter #9 Kluger sent to the Ataka's head office.[29] He asserted in the letter that the purpose of Little's and other Nissan staff's visit to the United States was to commence tie-up negotiations with American automobile manufacturers. Moreover, he concluded, from the impression he had when he talked to the staff of the Mitsubishi Shoji's New York Branch, that Little had no intention of defying the exclusive sales contract between the Ataka and Brown & Sharpe Manufacturing. According to Kluger, Little entered into direct negotiations with Brown & Sharpe Manufacturing out of his personal interest in technical issues.

Shortly after Kluger dispatched Letters #8 and #9, Letter #10 (dated 6 February) arrived in New York from the Ataka's head office.[30] As a matter of fact, Letter #10 had been dispatched before the arrival of Letters #8 and #9. Therefore, Letter #10 was a reply to Letter #4 (dated 8 January). In letter #10, the Ataka's head office expressed its own strong interest in the Nissan Motor's business activities. As the Ataka cited in the letter, there was a case concerning the purchase of American machine tools in which the Nissan Motor directly asked the Ataka to make a quotation without the Mitsubishi Shoji's mediation. Interestingly, the Ataka's head office thought that this change in the Nissan Motor's policy was caused by the structural transformation of the company deriving from its tie-up negotiations with GM Japan.[31] In the letter, the Ataka's head office even referred to the possibility that the Nissan Motor, like GM, would eventually start purchasing machine tools directly from machine tools manufacturers without trading companies' mediation. As manufacturers attempted to eliminate trading companies from the process of purchasing machine tools, trading companies were becoming more and more sensitive to the activities of manufacturers.

Letter #11 (dated 20 February) sent from the Ataka's head office was the reply to Letter #6 (dated 17 January).[32] The Ataka's head office was still unable to catch, even at this stage, any information on the activities of the Nissan Motor and the

29) V. B. Buck [to Horne Osaka], "No. 23060," 4 February 1936, U. S. NARA, E14/C88.

30) Ataka [to V. B. Buck], "General Letter #3382," 6 February 1936, U. S. NARA, E14/C88.

31) In December 1935, Little, Asahara Genhichi and Kubota Atsujirō from the Nissan Motor visited the United States. Among the purposes of this visit was to learn the GM headquarters' thoughts on the tie-up negotiation between the Nissan Motor and GM Japan. The Ataka's head office had been given the information about this tie-up negotiation by GM Japan.

32) Ataka [to V. B. Buck], "General Letter #3410," 20 February 1936, U. S. NARA, E14/C88.

Mitsubishi Shoji. All it did was to approve Kluger's responses to the actions of Little and the Mitsubishi Shoji. Letter #12 (dated 25 March) was the long-awaited reply to Letters #8 and #9 (dated 4 February).[33] On the basis of the information provided by Letters #8 and #9, the Ataka's head office instructed its Tokyo office to be watchful of the Nissan Motors activities. Then, finally in Letter #13, the Ataka's head office confirmed the following three points: (1) the purpose of Little's visit to the United States was the purchase of new machines needed for the expansion of the Nissan Motor's Yokohama factory; (2) the purchase would be mediated by the New York Branch of the Mitsubishi Shoji; (3) This transaction was very significant for the Ataka. Then, the Ataka's head office told Kluger to approach the Nissan Motor aggressively through the Mitsubishi Shoji for future business opportunities.[34] The Nissan Motor's rather unusual purchasing negotiation with Brown & Sharpe Manufacturing lasted for three months, during which the Ataka side was agonized by doubts and suspicions. However, after Letter #13 was dispatched, the negotiation process returned to normal. Then eventually, the automatic lathes were delivered to the Nissan Motor's Yokohama factory via the New York Branch of the Mitsubishi Shoji.

So far, the negotiation process has been examined in details concerning the purchase of automatic lathes produced by Brown & Sharpe Manufacturing. Since the purchase negotiation proceeded in an unusual way, unique aspects of the machine purchase in North America are highlighted in this case study. In the following will be summarized important characteristics of the relationships between trading companies.

First, the importance of personal relationships among the responsible staff of different trading and manufacturing companies in North America needs to be stressed. Kluger was in constant contact with the responsible staff of Brown & Sharpe Manufacturing through the exchange of letters and meetings. As was shown, for example, Kluger instantly answered the latter's inquiry concerning the order number of the machine tool sold in the past. In addition, Kluger also had established close relationships with the staff of both the Mitsubishi Shoji and the Mitsui & Co. For example, in 1938, Kluger informed the Ataka's head office of Little making contact with the New York Branch of the Mitsui & Co.[35] Kluger gained this information from a

33) Ataka [to V. B. Buck], "General Letter #3509," 25 March 1936, U. S. NARA, E14/C88.
34) Ataka [to V. B. Buck], "General Letter #3554," 6 April, 1936, U. S. NARA, E14/C88.
35) V. B. Buck [to Horne Osaka], "No. 28104," 5 January 1938, U. S. NARA, E14/C86.

Mitsui & Co. employee with whom he was on good terms. It can be assumed that, with any trading company, the staff of overseas branches had various ways of exchanging information, both formal and informal. Such human relationships among the staff of trading and manufacturing companies cannot be made instantly. In addition, as was shown above, there was a significant time-lag in the exchange of letters between Kluger and the Ataka's head office. In the case of overseas transactions conducted far away from home, the local staff had to be given large discretion. The machine business required special expertise. The work also required practical knowledge and human skills. Therefore, it was crucial for the development of the business to cultivate and secure excellent human resources.

Second, it should be noted that Kluger and the Ataka remained cautious in their information gathering and negotiations. Throughout the event concerning the purchase of Brown & Sharpe Manufacturing's machine tools, the Ataka showed extremely sensitive responses against each activity of the Nissan Motor and the Mitsubishi Shoji. Although the Ataka was the exclusive sales agent of Brown & Sharpe Manufacturing, it did not have confidence its position. The Ataka was afraid that the Mitsubishi Shoji would steal the Ataka's exclusive sales right by making use of the Nissan Motor's large-scale purchase for which the Mitsubishi Shoji was the agent. Apart from the Nissan Motor, the Mitsubishi Shoji was also in close relationships with Mitsubishi group companies such as the Mitsubishi Jyūkōgyō (Mitsubishi Heavy Industries). The Mitsubishi Shoji's potential purchasing power was a serious threat for the Ataka. The Mitsui & Co. was also a serious concern for the Ataka.[36) From the point of view of rival companies such as the Ataka, zaibatsu companies like the Mitsubishi Shoji and the Mitsui & Co. looked invincible no matter how their real states were. With regard to the case of this study in which the Ataka had to deal not only with the Mitsubishi Shoji but also with the Nissan Motor, it was not easy for the Ataka to find out the intentions of both companies, because the Ataka was basically placed in the position to negotiate only through the Mitsubishi Shoji.

From 1938 onwards, the Mitsui & Co. tried to enter into the brokerage business related to the Nissan Motor's machine tools purchase in North America.

36) V. B. Buck [to Horne Osaka], "No. 28378," 26 February 1938, U. S. NARA, E14/C88.

Conclusion

This study has examined the inter-company competition between the Mitsubishi Shoji and the Ataka over the Nissan Motor's purchase of machine tools in North America. The Mitsubishi Shoji relinquished many of its sales agent contracts with American machine tools manufacturers during the economic recession of the 1920s. Therefore, when demand expanded in the first half of the 1930s, the Mitsubishi Shoji lagged behind the Mitsui & Co. and the Ataka. As previous studies have pointed out, one of the factors which helped the Mitsubishi Shoji to overcome the situation was the Nissan Motor's large-scale machine tools purchase in North America. The establishment of the collaboration system between the head office and branches supported the large-scale purchase. In addition, the Mitsubishi Bank financially assisted Mitsubishi Shoji by setting flexible credit limits. Under the circumstances, the issue of 'commission' became especially important, because it provided a strong incentive to make exclusive sales contracts. Given momentum by the Nissan Motor's large-scale purchase, the Mitsubishi Shoji concluded sales agent contracts with many American machine tools manufacturers. Consequently, the Mitsubishi Shoji became able to secure the profits of its machine tools business while improving profitability.

Moreover, with regard to the transaction between the Nissan Motor and the Ataka, it should be noted that the close human relationship between the negotiators had important meanings in various aspects of the commodity business. However, such close relationship was not simple mutual aid. It was a tense human network cultivated in the atmosphere of severe business transactions. In other words, how to secure or train human resources that were able to join the human network surrounding the world of machine business was the crucial point for the business development of each trading company.

Author note

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