

Investment in Georgia: A Two-way Street

By Day Lancaster

Japanese investment in the United States is still a relatively recent phenomenon. It was only around 15 years ago that Japanese firms began building factories in America. Since those first few manufacturing investments, however, the ranks of Japanese companies with U.S. production facilities have swelled tremendously.

Except for a brief lull in 1981 and 1982, the pace of Japanese investment in the United States has been steadily increasing. According to Department of Commerce figures the cumulative manufacturing investment from Japan reached \$1.68 billion in 1983. And when the 1984 figures are released, undoubtedly the amount will have surpassed the \$2-billion mark.

What has fueled all this activity?

It would be nice to say that altruistic motives are behind Japanese companies putting factories and jobs in America, in most cases their largest market. The cold facts, however, point to more hard-nosed pressures. The many examples of anti-dumping suits, quotas, tariffs and the protectionist mood (currently subdued, but still just beneath the surface) have been the spurs urging Japanese companies on. Now more and more firms aren't waiting around until the last minute, but are going ahead and investing before their export levels and market shares bring a backlash from their U.S. competitors.

Trade friction and protectionist sentiment are certainly the largest factors dictating the decisions by Japanese companies to invest. Increasingly, however, companies are finding they can serve the American market better (through lower transportation costs, for example), as well as improve their market share more quickly, with a local manufacturing presence. This is particularly true of those manufacturers with made-to-order products requiring a lot of front-end input from the customer.

Realizing benefits

And now, those firms that originally set up production facilities in America to escape trade restrictions are realizing the benefits of faster response to changes in customer tastes and a resulting increase in market shares.

Though Japanese companies have been slow to appreciate the advantages of investing in the United States, aside from getting out from under the constraints of trade friction restrictive barriers, the recipients of Japanese investment have from the beginning been fully aware of the benefits to their region.

To find out just what those benefits are, let us look at what Japanese investment has accomplished in Georgia, one of the states where Japanese companies have concentrated.

From the beginning, Atlanta has been the focus of the Japanese presence in Georgia. The Japanese people got their first introduction to Atlanta from the book and movie, "Gone With the Wind." And though the city portrayed in "Gone With the Wind" had long since vanished by the time the first Japanese visited Atlanta, a fond image still seems to attract many Japanese to the city.

With the growth of Atlanta's role as the southeastern regional center, Japanese companies began to recognize the need for a presence in the city for the purpose of covering the southeast market. A district sales office of Japan Air Lines was among the first Japanese companies to arrive, along with general trading firms that needed a southeastern base in order to expand their exports and imports in the United States. Representative of this group were Mitsubishi Corp. and Mitsui & Co., which opened Atlanta offices in the late 1960s. By 1975 five of the top seven trading companies had established Atlanta offices to service the southeast.

Following along the same lines, the U.S. subsidiary sales companies of Japanese manufacturers also began putting offices and warehouses in the Atlanta area. Panasonic, the sales arm of Matsushita Electronics Corp. of America, opened their southeastern regional sales warehouse and distribution center in the Atlanta area around the same time as the trading companies were moving in. Soon, other Japanese subsidiary sales companies followed suit by locating sales centers in and around the city. By the end of 1984 there were over 90 subsidiary sales companies of Japanese manufacturers located in Georgia, primarily in the Atlanta area.

Since the end of World War II, the policy of the state government of Georgia has been to promote economic and industrial development — an effort to balance the state's reliance on agriculture. For the first 20 years, this effort was concentrated on attracting U.S. companies to Georgia, since there was very little, if any, foreign investment at the time. During the 1970s this began to change.

Perhaps it was the established presence of several Japanese sales and warehouse operations in Georgia that convinced former President Jimmy Carter, then governor of Georgia, to work hard at attracting Japanese manufacturing investment. Whatever the impetus, it was due in no small part to his efforts that Yoshida Kogyo (YKK), the world's largest producer of zippers, decided to put its first U.S. factory in Macon, Georgia in 1973.

Of course, the governor's word alone wasn't sufficient. The good business environment that Macon had to offer was the largest factor in YKK's decision. In any case, YKK put up a 250,000 square foot factory, employed 120 workers, and began manufacturing zippers for the American market.

This was one of the very first cases of

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Japanese manufacturing investment in the U.S., and as such, received quite a bit of attention both in Japan and in America. At that time, any article on Japanese investment in the States invariably mentioned YKK's Macon plant.

This, coupled with the nearly simultaneous establishment of the State of Georgia Department of Industry and Trade office in Tokyo, served to highlight Georgia as a good site for other Japanese manufacturers looking to start making products in America.

Whether influenced by YKK's move or not, three Japanese textile related companies established their first United States factories in Georgia shortly after YKK. Locating in Augusta, Columbus and Macon, these companies began fabric printing operations. Partially spurred on by U.S. government pressure to compete on equal terms with domestic textile manufacturers, the three firms perceived Georgia's experienced textile work force as a particular advantage in making their decisions to locate in the Peach State.

No distinct pattern

Subsequent manufacturing investment in Georgia has not followed any particular pattern. Makers of products ranging from ceramic capacitors to high voltage circuit breakers to automobile oil seals have come from Japan to set up shop in Georgia, almost

all within a 50 mile radius of Atlanta. The 22 manufacturers that have invested in the state so far represent a truly diversified product range. This illustrates the compatibility of Georgia as a location for numerous types of industry. Currently Georgia ranks third in the nation for the number of Japanese factories in operation in one state.

So what has all this investment meant for Georgia? From a purely economic point of view, Japanese companies have put over \$300 million in investments (including non-manufacturing) in the state as of 1984. The 130 facilities that make up that figure employ approximately 4,500 people. There are no published figures on how much tax revenue the state has yielded from these companies and the Georgians they employ, but the amount must be substantial.

The increased jobs and tax revenues resulting from Japanese investment in places like Georgia have not gone unnoticed by other states promoting economic development. The proliferation of state offices in Tokyo and the many governors leading investment missions to Japan amply testify to that fact.

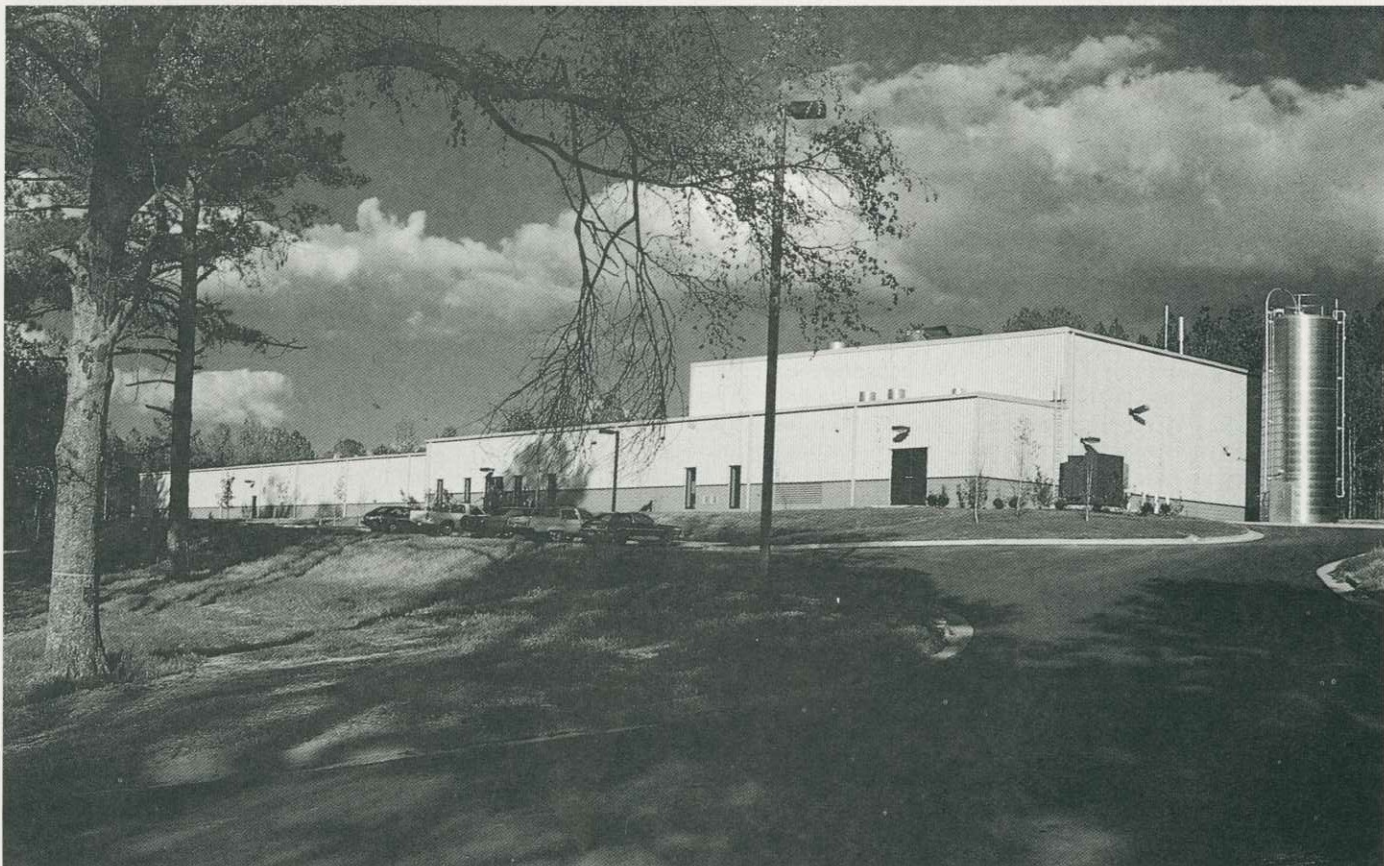
These are the obvious economic benefits that have made state offices one of America's fastest growing exports to Japan. There are now 24 such offices in Tokyo.

But the contributions to the U.S. by Japanese companies go beyond economics. The strong Japanese corporate presence in Georgia, for example, has resulted in the

creation of a number of different organizations that have served to increase the dialogue between Japan and Georgia, as well as the southeast in general.

In the spring of 1975, a group of about ten senior executives of large Japanese corporations visited Atlanta, and in conversations with then Governor George Busbee and various local businessmen, the executives became convinced of the growing potential for business exchange between Japan and the southeast. The outgrowth of these discussions was the establishment in December 1975 of the U.S. Southeast/Japan Association, comprising seven member states (Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee and Virginia) and Japanese firms doing business in the southeast. The state of Georgia hosted the first meeting in Atlanta in 1976. Subsequent annual meetings have rotated among the seven member states during the even years, while the Japanese side hosts the odd numbered years. There are other organizations of this kind in the United States, but the U.S. Southeast/Japan Association is by far the most active.

On a social and cultural level, the Japan-America Society of Georgia, established in 1980, has played an increasingly active role in promoting understanding of Japan in Georgia as well as providing a venue for Japanese living in the state to associate with Georgians interested in Japan. Were it not for the large Japanese presence in the state,



Yoshida Kogyo (YKK), the world's largest producer of zippers, announced in 1973 it would site its first U.S. factory in Macon, Georgia.

this organization would probably not have been possible. Today, the society is one of the most active in the U.S.

Besides these organizations, there are a number of civic and educational programs that have developed out of Japanese corporate investment in Georgia. Thanks to YKK's introduction, Macon and Kurobe (YKK's headquarters in Toyama Prefecture) became sister cities about ten years ago. Through YKK's generous efforts, these sister cities have been able to maintain an active level of student exchange as well as visits back and forth by civic leaders.

YKK has also contributed a great deal to Mercer University in Macon in an attempt to foster understanding of Japan by the students there. In fact, the company has implemented a scholarship program that would fully subsidize a year of study in a Japanese university for students in Macon area colleges.

In the case of LaGrange, Georgia and Aso City, in Kumamoto Prefecture, the go-between was Nippon Oil Seal, Inc. (NOK U.S.A. Inc.) which has factories in both cities. More recently, Gainesville, Georgia and Ohito City, in Shizuoka Prefecture, tied the knot after being introduced by Tokyo Electric Co., Ltd. (TEC America, Inc.). Here again, these companies have been instrumental in maintaining an active and viable relationship.

Maxell America is another example of a company doing more than its fair share to foster good employee and community relations. In an effort to get to know each employee personally, Mr. Hideo Ogino, president and plant manager of Maxell's tape plant in Conyers, Georgia, pastes photographs of every worker on one wall in his office. He also implemented a policy of holding a party every month for all the employees who celebrated birthdays that month.

Besides these efforts at developing a good rapport with the employees, the company, working with Conyers city officials, inaugurated an annual spring festival centered on the blossoming of the 500 cherry trees that Maxell donated to the city.

Then there is the case of Tokai Corporation, Japan's largest disposable lighter manufacturer. For the past eight years, Tokai has supplied Scripto Inc. (based in Atlanta) with their disposable lighters. During that period, Scripto went through several changes of ownership, and when the company went up for sale once again last year, Tokai decided to purchase the company from the parent, Allegheny International, in order to stabilize the management of Scripto.

In announcing their acquisition, Tokai held a reception to which they invited not only government and city officials, but the entire work force of Scripto, a total of about 600 people. This was a powerful signal to the employees, and all others involved, of Tokai's commitment to the future of Scripto.



Maxell America's tape plant in Conyers, Georgia

Time and effort

Both of these examples are good illustrations of the willingness by Japanese corporations to invest not only their money, but also a lot of time and effort into the people and communities of Georgia. This commitment has served to develop an excellent reputation for Japanese companies in Georgia. The corporate track record is so good, in fact, that communities vie with one another for Japanese projects.

These are but a few examples of what Japanese firms have contributed in Georgia. They serve to demonstrate, however, what is true all over the country: Japanese investment is good for America.

But it is not a one-way street. To illustrate, I would like to close with the story of one man who gained a great deal from his company's investment in the United States.

Mr. Junkichi Suzuki, now manager in the international trade division of Nippon Oil Seal Industry Co., Ltd. (NOK), has two daughters. His second daughter, Mika, was born with brain damage. Having discovered this when Mika was nine months old, the Suzukis took her to a variety of specialists in Japan, but eventually determined that if they were going to get the best help for her, they would have to seek treatment at the Institute for the Achievement of Human Potential in Philadelphia.

Mr. Suzuki put in a request to his company to be assigned to their Chicago headquarters so that Mika would have access to the institute's training program. As it turned out, NOK U.S.A. Inc. was in the process of building a factory in LaGrange, so Mr. Suzuki moved there with his family in the spring of 1980, just after the plant opened.

That summer they took Mika to the institute for evaluation and testing, as a result of which they were instructed in a program

of pattern training. This training involved three adults working 40 minutes, ten times a day, for five days each week. Realizing they would need help to accomplish the program, the institute recommended a family that had successfully completed the program in the past, and was now living in LaGrange.

This family, in turn, introduced the Suzukis to a woman who was interested in learning and using the method of pattern training for brain damaged children. She gladly accepted the challenge and began organizing a group of one hundred volunteers to donate a portion of their time each week to working with Mika. Composed of housewives, working mothers and high school students, the group of LaGrange citizens continued the program with Mika and her parents for the entire two and a half years the family spent in the city.

Thanks to this purely volunteer effort, Mika progressed from being unable to speak or even crawl at four years of age to being able to attend regular elementary school.

The Suzukis returned to Tokyo in 1983, where Mika, now eight, is enjoying her classmates and studies at a regular Japanese elementary school. Mr. Suzuki is convinced that his family would have had a very hard time finding such a supportive community in Japan. "We will always be deeply grateful to the citizens of LaGrange, for without their generous support and constant encouragement, Mika would never have reached the level she has today," said Mr. Suzuki when relating the story to me.

Although this is the story of just one Japanese family, I think it highlights the potential for the kinds of reciprocal contributions that are possible when companies establish facilities in the United States. Japanese investment in America is still growing. It will be interesting to see what other good works come out of future activity. ●