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# Japanese Business and Tennessee: A Look at the Past, Present, and Future

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**Japanese Business and Tennessee: A Look at the Past, Present, and Future**

By Paul Weiler

Senior Honors Thesis at the University of Tennessee

Completed December 7, 2010

## **Introduction**

Tennessee is home to one of the largest collections of Japanese corporate investment anywhere in the United States, yet many Tennesseans may not realize it. In fact, 149 Japanese companies currently do business in Tennessee, with investment totaling over \$11 billion in 2009. Foreign companies hold a commanding share in Tennessee's two largest industries, automotive manufacturing and energy, and Japan as a country is responsible for over half of all international investment into Tennessee. Nissan North America moved its headquarters out of California and into Tennessee in 2008. In that same year, the Japanese Consulate serving our five state region, having recognized the commanding trend of Japanese involvement in Tennessee, moved its office from New Orleans to Nashville. Yet, for the Tennesseans who aren't among the 40,000 employed by Japanese companies, who aren't living in a community economically bolstered by new Japanese jobs and industry, or who simply haven't been curious as to the presence of Japanese cultural events and a plethora of new sushi bars, the influx of Japanese business in Tennessee may still be an unknown. When I began research for this topic, I knew I would find some interesting trends, but the true scope was still surprising.

This paper's purpose is any inquiry into the business relationship between Japan and Tennessee. Japanese business investment in Tennessee goes back over thirty years. I will explain both *what* has happened and *why* it has happened. By understanding the framework of international business and relations that has served the state so well, the reader may find the Japan-Tennessee relationship to be a guide to the secrets of success that can be applied elsewhere.

This paper attempts to put together all the elements that have made Tennessee so appealing as a business destination, particularly for Japanese corporations. I will discuss the pieces of that puzzle in four sections:

- 1) The courting of Japanese businesses as far back as the late 1970s
- 2) The edges that make Tennessee uniquely appealing
- 3) The social and political infrastructure for Japan-Tennessee relations
- 4) The cultural climate that Japanese business has created

### **An Inside Perspective**

To better tell the story of Japan and Tennessee, I sought out the wisdom of three men who have made their careers in the Japanese international business environment: they are Patrick Higgins, Jim Hollingshad, and Robert Arnette. I interviewed each of them on their perspectives and thoughts on the Japan-Tennessee relationship.

#### *Patrick Higgins:*

Mr. Higgins is the Managing Director for Marsh Risk Management in the southern region, with his office in Nashville. Marsh is the largest insurance broker in the world—with international offices in Japan, China, Korea, and many other countries. Both as a professional and as a friend, Patrick is a go-to guy among Japanese bosses looking for stability, security, and peace of mind for their business ventures. Patrick insists that the Consulate General choosing its new Nashville location only a few floors from his own office was merely a coincidence.

*Jim Hollingshad:*

Mr. Hollingshad works behind the scenes at the Consulate in Nashville. His title reads Senior Advisor for Economic and Business Affairs. He serves as an aide to Consul General Hiroshi Sato in a variety of ways. Mr. Hollingshad is well-versed in the exchange of knowledge and ideas between the U.S. and Japan. This is less visible relationship, but one just as important as the exchange of goods and services.

*Robert Arnette:*

Mr. Arnette has an extensive history with Japanese business from the executive standpoint. Among his many titles, he was formerly the President of Toshiba North America. Mr. Arnette still serves as president of the Japan-America Society of Tennessee. He has seen the ins and outs of the Japanese business style, and he holds a commanding knowledge of the differences and similarities between Japanese and U.S. management; he knows what it takes to get the job done.

I asked each of these men a variety of related questions on Japanese business in the state. All the questions boiled down to one general point of inquiry—why is there so much Japanese business in Tennessee? I also asked about their own personal thoughts and considerations, and here some of the more subtle but powerful factors that have sculpted the Japan-Tennessee relationship began to emerge. Throughout my discussion in this paper, the perspectives and ideas that these gentlemen have shown me will illuminate, guide, and clarify my answer to that simple question—why Japanese business, and why Tennessee?

## **United States – Japan Political/Economic Relations**

The U.S. and Japan have a very good economic relationship. In 2008, the total value of goods and services traded between Japan and the U.S. was around \$270 billion. In goods exchange, Japan maintains the position of America's 4<sup>th</sup> largest trade partner for both imports and exports. The U.S. has a trade deficit with Japan of around \$50 billion yearly ("Japan").

Japan's specific goods and services exchanged are unique to its situation. As a country with only limited natural resources and land, it has come to rely on its technological and manufacturing prowess for trade on the international stage. Many of Japan's imports are raw materials, food stuffs, and the like. Technologies ranging from electronics to automobiles are some of the most common goods that Japan can export, and these are the products that Americans will most readily associate with Japan. The five largest import categories in 2009 for the U.S. from Japan were vehicles, machinery, electrical machinery, optic and medical instruments, and organic chemicals. The vehicle imports alone valued just over \$31 billion ("Japan").

Thirty or more years ago, the trade relationship that the United States had with Japan was not so different, and it is that trade relationship that served as a catalyst for the business relationship of today.

Patrick Higgins points to the trade deficit in the 1970s as the initializing factor for Japan's foreign direct investment. In a way, the ideal business relationship would be aimed to make Japan the "unofficial 51<sup>st</sup> state" in terms of how closely it operated with the U.S. in business exchange.

1)

### **Seeking Japanese Investment**

The story of Japan and Tennessee begins most vigorously in the late 1970s, over thirty years ago. Though some Japanese corporations had businesses in Tennessee well before that time, this was when interest really began to pick up. This story of Tennessee's elected leadership actively courting Japanese business begins with Lamar Alexander, Governor from 1978 to 1987.

Upon his election, Governor Alexander made it a priority to bring Japanese business investment into the state of Tennessee. It was in the very same year that he and his delegation made their first trip to Japan to meet with prospective corporations.

Why did Lamar Alexander immediately and enthusiastically pursue Japan? Alexander discusses his ventures seeking Japanese business as well as the relationships and legacy that followed in his book, *Friends, Japanese and Tennesseans*, published in 1986. In this book, he discusses the reasons for his interest in Japan. For one, foreign direct investment from any country would be a boon for the economy of Tennessee. Helping his state thrive was his obligation as governor. Alexander courted Japan in particular, though, because it was the subject of the times.

In the late 1970s, the trade deficit that the United States had with Japan reached a level that was considered "embarrassing" for both sides (Alexander, Lamar). Congress and the President agreed that something needed to be done. Producing goods in the United States that would be sold in the United States would offer economic benefits, and ease of transport for the manufacturers, to the nation that had been buying Japan's goods

without being able to sell proportional quantities of anything in return. Lamar Alexander notes that President Jimmy Carter had said:

“Governors: go to Japan. Persuade them to make in the United States what they sell in the United States. Bring their plants and those jobs to your states. And while you’re there, persuade those Japanese to buy more of what we sell” (Alexander, Lamar).

Yet, Alexander’s campaign platform for governor had made no mention of this endeavor that he had now chosen to undergo. Popular backlash sought to sully the governor’s efforts for several reasons. Alexander enumerates several complaints, or rather several “misconceptions”, that led to criticism well into the 1980s. These issues ranged from the imbalanced trade numbers, trade barriers, and fear of foreign influence. Indeed, many were skeptical of welcoming Japanese business to Tennessee when it had been those same businesses that had been on the favorable end of the trade deficit (Alexander, Lamar).

In the years to follow, Lamar Alexander disregarded critics and was overwhelmingly successful in his efforts to court Japanese businesses to set up operations in Tennessee. Later in the 1990s, and reflective of Alexander’s enthusiasm and direction, he was quoted as saying “I spent more time in Japan than Washington, D.C., because it would help our state more,” (“Lamar Alexander”) and he was likely right.



## **Key Events**

During the foundational years, there were several lynchpin events, or more specifically there were several key corporate investment decisions, that formed the backbone of Japan's commanding presence in Tennessee today.

Even before Lamar Alexander was elected governor, Sharp Corporation chose to build what would be its largest U.S. manufacturing plant in Memphis in 1978. In that same year, Toshiba also established its largest U.S. plant in Lebanon (Alexander, Lamar). These two massive Japanese electronics companies would serve as a beachhead for future investment projects.

Nissan's initial decision to invest heavily in Tennessee served as a defining step for automotive manufacturing investment in the state. In 1980 and much to the delight of Governor Alexander, after a great deal of effort on his part, Nissan chose Smyrna, Tennessee to house its first automotive manufacturing plant in North America, totaling over \$300 million (Alexander, Lamar). This was another catalyst for future investment: Nissan's suppliers and support organizations would also benefit from relocating into the region.

## **The Result of Ten Years**

Lamar Alexander readily admits that he went into the negotiations process with minimal knowledge of Japan and its culture, and yet he was able to learn, adapt, and ultimately convince Japanese businesses that Tennessee was worth their effort. As a result, by 1985 the number of Japanese companies investing in Tennessee had more than doubled, from 14 in 1980 to 32 in 1985. Furthermore, in that year Tennessee held 10% of

the Japanese investment in the entire United States, totaling more than \$1.2 billion dollars invested. Residents of Tennessee were pleased as well, as Japanese corporations were now providing over 8000 jobs for Tennesseans (Alexander, Lamar). Lamar Alexander spent the vast majority of his energy as Governor spearheading the Tennessee-Japan effort, and his work paid off. This is a noteworthy example of what can be accomplished when the right resources are channeled in the right way.

### **The Result of Thirty Years**

The standard of dedication and interest that Lamar Alexander showed to Japan during his time as Governor did not leave the state when he left office. Jim Hollingshad considers the governorship as a whole over the past decades to have been a great asset to the Japan-Tennessee relationship, in part because these men have all been “business people”. With strong business backgrounds, Tennessee’s governors have been able to deftly deal with and accommodate the nuances and needs of corporations looking to invest in the state. The results speak for themselves.

At present, Japan’s relationship with Tennessee is looking stronger than ever. In 2009, 149 Japanese companies have combined invested over \$11 billion dollars in the state of Tennessee. In fact, over 60% of all direct foreign investment in Tennessee is Japanese, and over 60% of those companies do manufacturing for the auto industry. Almost 40,000 Tennesseans are employed by Japanese companies, with nearly half of those jobs being offered by Nissan, Bridgestone, and Denso, Tennessee’s largest employers (Odom, Lori).

Tennessee is not the only state Japan is investing in; Japanese corporations have seen opportunities all across the United States. Tennessee, though, seems to have piqued a unique level of interest among Japanese businesses looking to locate to the U.S.

As a point of reference for Tennessee's position, the Consulate-General of Japan in Chicago, serving much of the Midwest, reported that over 1200 Japanese businesses provided 94,000 jobs combined across the *ten* different states in their region in 2009 ("Reports on Economic Development").

Kentucky, Tennessee's neighbor, shares a success with Japanese business investment. Its economic and geographic advantages are very similar to those of Tennessee, and companies setting up in either state would have little difficulty cooperating with one another in terms of supplies and manufacturing transportation needs. As of 2010, Kentucky has the business of 146 Japanese corporations with a total employment of over 32,000 (NeCamp, Mary).

During Lamar Alexander's trip to Tokyo in 1979, as he laments in *Friends*, Georgia's Japanese corporations threw their Governor a reception while Alexander was still merely "practicing [his] new manners" (Alexander, Lamar). At present, Georgia has 235 Japanese companies investing in facilities in its state employing in total just over 21,000 individuals ("International Businesses Located in Georgia"). Though well ahead at the get-go, the employment that Japan offers to Georgia is now barely half of what Tennessee enjoys.

Now, in 2010, I feel that Tennessee is still what Patrick Higgins calls it—Japan's first really successful connection to the States.

2)

### **Why Tennessee?**

Given the success that Tennessee has achieved in courting Japanese business investment in the past thirty years, one might ask exactly what has made Tennessee so successful? Tennessee certainly wasn't the first state to send delegations to Japan, and it was certainly not alone in its enthusiasm to attract investment. So what has made Tennessee so attractive for all this time? Tennessee's place at the negotiating table was strengthened by its economic edge, its personal edge, and its social edge.

### **The Economic Edge**

Japanese business enterprises certainly have no shortage of options for international expansion. Yet as a state, Tennessee has proven to be a disproportionately appealing destination. Why exactly is that? The answer lies firstly in what Tennessee has to offer a business's bottom line.

When I asked Robert Arnette, Jim Hollingshad, and Patrick Higgins why Japanese businesses were setting up in Tennessee, none of them hesitated in listing the many economic benefits of our state—the location, the workforce, and the financial/tax advantages.

From a logistics perspective, Tennessee is in an ideal geographic position. 75% of the entire U.S. market, which is about 50% of the entire U.S. population, can be reached within one day by ground transportation from Tennessee. The Memphis International Airport, easily accessible, is the largest freight transportation hub in the world (*Tennessee at a Glance*).

Tennessee is also a central point for rail: the major CSX, Norfolk-Southern, and Illinois-Central railroad networks all pass through parts of the state. The Tennessee Department of Economic and Community Development would also cite the benefits of having several major highways and waterways, allowing for easy transportation of goods and materials (*Tennessee at a Glance*).

The Tennessee workforce is an appealing element all of its own, though exactly what makes it so is interpreted differently from person to person. The Tennessee Department of Economic Development praises the Tennessee workforce as “world-class” because of its high volume of well-educated and trained individuals (*Tennessee at a Glance*). Jim Hollingshad described the Tennessee workforce as “flexible”, an asset in adapting to whatever a company needs. Tennessee’s workforce has been routinely described as both superbly skilled and dedicated.

Businesses setting up in Tennessee have not been disappointed with their local employees. Lamar Alexander points out that by 1984, the trucks produced in Nissan’s Tennessee plant had on average 11% fewer defects than those that were being produced in Japan at the time (Alexander, Lamar).

The issue of unions is another factor that large companies will take into consideration when looking at the workforce. Tennessee is a right-to-work state. Unionization in general has been very low in Tennessee.

Financial burdens beyond planned investment costs are another challenge for interested international businesses that Tennessee has tried to alleviate. Tennessee has encouraged international direct investment through its mild regulations and favorable incentives. Indeed, the state offers a variety of competitive incentives and available grants

and funds to make locating into Tennessee as easy as possible. These will range from additional funds for training employees to the extension of utilities to the site of a new facility (“International Business”). Land is relatively inexpensive in Tennessee as well.

The state tax laws are just as favorable: Tennessee has no state property tax or personal income tax. Robert Arnette thinks that this may be one of the single most important factors. He believes that the moment someone puts income tax in Tennessee, the state will lose all of its business advantages.

It is important to consider that the economic edge is not in any way limited to Japanese business interests. Corporations within the United States also stand to benefit from the conditions that Tennessee offers. This revelation, if it can be called that, has carried over from the early years of Japanese investment all the way to present day. It seemed to Lamar Alexander that many manufacturing companies in the northern United States actually followed *Japan's* lead in moving into Tennessee.

Site Selection Magazine named Tennessee's economic development infrastructure the recipient of their Competitiveness Award for 2007, on measures of business expansion and activity. Matthew Kisber, head of the Tennessee Department of Economic and Community Development, commented on then-Governor Phil Bredesen's involvement in expanding business accessibility:

"Governor Bredesen is the former CEO of a publicly traded company, and he has taken his successful private-sector practices and put them to work for Tennessee," he explains. "CEOs looking to do business in Tennessee understand they are working with a governor who understands their needs and their challenges and can work creatively to develop unique solutions in order to make projects happen, instead of taking a 'one-size-fits-all' approach." (Arend, Mark)

In an earlier article from 2004, Site Selection magazine discusses Tennessee's magnetism for business projects. Many businesses have a difficult time letting go of Tennessee as their base of operations or even in expanding outside of the state after reaping the benefits of everything it has to offer (Starner, Ron).

### **The Personal Edge**

Considering the personal needs of each international employee as an individual, several new appealing qualities of Tennessee emerge. Establishing a production facility and sending employees to manage it is one step, but businesses also must ensure that their employees on international assignment are taken care of. Living in a foreign nation, adapting to a new culture, and communicating in a new language are challenges that international assignees from any country face. Tennessee has a personal edge because it is uniquely able to ease many of these difficulties.

The climate and culture are two edges that Patrick Higgins thought Japan saw in Tennessee, advantages that one might not initially associate with a business venture.

Consider the relative climates of Tennessee and that of central Japan. The weather is very similar—temperate and pleasant throughout most of the year. As a matter of fact, Nashville and Tokyo are on the same latitude! Not having to adapt one's behavior or wardrobe to a new climate is a small but nonetheless welcome boon. The lush greenery of Tennessee has also been compared to that of Japan, another welcome sight.

To many Japanese businessmen, Tennessee would become what Lamar Alexander praised as a "home away from home". Though these points may seem minor to the point

of being trivial, Mr. Alexander and others believe that they certainly make an impact. In fact, much of *Friends* goes to lengths to discuss why the distinction between Japan and Tennessee does not have to be a massive culture shock (Alexander, Lamar).

The personal edge extends also to the reception that foreign employees receive. Lamar Alexander in *Friends* makes note of the traditional, good-mannered values that permeate the residents of Tennessee. He believes that the hospitality and empathy shown toward Japanese business folk and their families has gone a great length toward easing the stresses of international placement (Alexander, Lamar). The concept of ‘good southern hospitality’ is certainly a nice trait to attribute to the entire state, but are its presence and its value particularly measurable? Though having kind and thoughtful neighbors will make anyone feel more at home, this value is hard to track and harder to replicate. How would a governor feel if in response to a question as to why his state was having difficulty attracting foreign business, he was told that the residents of his state just weren’t nice enough people?

Ultimately, the personal edge plays to a simple theme: If Japan corporations’ foreign assignees are happy and able to get by well in their international position, their business itself will surely thrive.

### **The Social Edge**

Having a compelling presentation has always been a necessary step to woo foreign investment, but without a liaison with whom the audience can empathize, that presentation may fall on deaf ears . The social edge refers not to the people of Tennessee at large, but rather to the behavior and thoughtfulness of the state’s legislative officials.



Showing empathy and consideration toward Japanese customs has gone a long way toward making company executives eager to hear what they have to say.

Robert Arnette describes the Japanese business style in general as something different than what most American managers are accustomed to. The norm would appear to be a special emphasis on review, certainty, and confidence. Mr. Arnette acknowledges that the Japanese process may be slow going, but the decision will be decisive and committed. Individuals seeking to promote Tennessee as a business site need to understand this methodology, and respect it among Japanese businessmen. Jim Hollingshad believes that Tennesseans at large acknowledge this. He claims that unlike many states seeking foreign investment, Tennessee is past the “gimmie-gimmie” stage and has adopted a degree of sincere cultural empathy.

3)

### **Infrastructure for Business Exchange and Support**

Despite these edges that Tennessee may have over alternative destinations, they would have been useless if not channeled through a sturdy communication infrastructure. A great variety of organizations exist today to not only continue fueling the economic exchange between Japan and Tennessee but also to provide for and assist internationally involved businesses and individuals from either side of the Pacific.

Among the very long and ever-growing list of relevant institutions are the Japanese Consulates, the Japan/US Southeast and Southeast US-Japan Associations, the Japan-America Society of Tennessee, the Middle Tennessee Japan Society, and the Japan External Trade Organization.

The Japanese Embassy in Washington D.C. manages over a dozen Consulate-General offices in the United States, each serving a specific region of states. Tennessee is served in the region including Kentucky, Arkansas, Louisiana, and Mississippi (“Japanese Consulate Guide”). Formerly located in New Orleans, this jurisdiction’s Consulate-General’s office was moved to Nashville in 2008. According to the Consulate, 38% of the Japanese population in the states that it serves reside in Tennessee (Odom, Lori). As an added point of interest, Japan is the first foreign country to have a Consulate-General in Tennessee.

Jim Hollingshad explained exactly what the Consulate does. The Consulate’s primary role is to assist Japanese nationals living in the U.S. While the Embassy in Washington D.C. works at the federal level, each of the Consulates are responsible for working with local officials on local issues, seeing to the day-to-day operations and needs of the people they support. Jim Hollingshad points out that though the Consulate works with local political figures, it stays out of politics and avoids the likes of lobbying.

The Consulate performs a variety of functions beyond taking care of Japanese residents in its region. Jim Hollingshad is pleased that Tennessee’s “threshold of Japanese engagement” has become strong enough that the Consulate can foster greater exchange between Tennessee and Japan. Constantly in contact with Tokyo, Japan, the Consulate serves as a conduit for idea exchange; political and economic topics for growth and improvement are regularly relayed back and forth. So called “best practice issues” serve as a means for both Japan and Tennessee to grow through their close ties. For example, in the future, should Tennessee choose to build a more developed rail system,

the Consulate would be able to connect state legislators with options to acquire some of Japan's world-famous rail technology.

The Japan-America Society of Tennessee, established in 2000, is an American business-driven organization aimed at Japanese cultural empathy and cooperation. Former Governor Phil Bredesen, Ambassador Howard Baker, Jr., and Consul General Hiroshi Sato serve as honorary co-chairs of the organization. Robert Arnette currently serves as the JAST's President. The organization's goals statement reads as follows:

“Providing to the citizens of Tennessee accurate information about the people of Japan and their culture.; Promoting social, cultural, scientific and educational interchange between Tennessee and Japan; and Encouraging appreciation and respect for the differences and similarities of the cultures of the peoples of Japan and Tennessee.” (“About Us”, JAST).

The JAST's membership consists largely of American corporations in Tennessee. Its base of operations is in Memphis. The JAST has an impressive network of local and regional businesses with interest in Japanese economic relations. The society arranges a variety of gatherings throughout the year with an emphasis on business or culture. The Nashville Cherry Blossom Festival is one of the cultural events supported by the JAST.

Robert Arnette points out that in addition promoting good relations with companies, there are also a variety of personal concerns that the Japan America Society attends to. For example, the JAST has tackled several challenges involving identification for Japanese residents of Tennessee. Whether in hiring for a job or acquiring a drivers license, certain documentation requirements have been a hassle for Japanese residents. Without a U.S. driver's license, some Japanese even had incredible difficulty just trying

to buy beer! The JAST has worked both with individuals and with the state legislature to ensure that these difficulties are resolved and not unduly tedious for the state's international residents. Other forms of necessary aid, such as translators for doctor visits by Japanese family members, have also been supported by the JAST. Robert Arnette is pleased that the JAST has been able to support economic development and aid Japanese businessmen and their families without any conservative/liberal political squabbling.

As an interesting point of note, the Japan-America Society name is not exclusive to the JAST; rather, many states have their own versions of this organization.

The Middle Tennessee Japan Society is another support institution, this one based in Murfreesboro. Unlike the business-centric JAST, its mission and activities are directed more close to home, and guided by Japanese natives and speakers. The aim of the MTJS is in supporting Japanese businessmen and their families who are living in Tennessee. When it comes to taking care of Tennessee's Japanese residents, in comparison to the JAST, Patrick Higgins calls the Middle Tennessee Japan Society "the real deal". This organization operates such institutions as a school for the children of Japanese families. Due to the noteworthy gap in U.S. college admission standards compared to those of Japan, such a school is helpful to ensure that the children of Japanese citizens will not find themselves behind academically upon returning home. The MTJS also does such things as arranging golf tournaments for the community. I have been assured by many different individuals that Japanese businessmen love golf. Maintaining a strong Japanese network and support structure ensures that cultural exchange will continue to thrive.

The infrastructure to facilitate international exchange is not limited to Tennessee. Japanese investment and business interests are not looking exclusively at the Volunteer

State, nor has Tennessee been the only state in its region looking to attract Japanese corporations. The Japan-U.S. Southeast Association and the Southeast U.S./Japan Association are two of the oldest networks that have guided the business and political relationships between Japan and many states of the Southeast for over thirty years.

The Japan-U.S. Southeast Association was formed in 1975 with the goal of fostering and maintaining business contacts for individuals in both the public and private sectors of Japan with interest in the Southeast United States. This association was established in Japan and has an array of Japanese business leaders and political figures among its members.

The Southeast U.S./Japan Association was established in the United States in 1976, shortly after its Japanese counterpart. The names are extremely similar and somewhat ambiguous, but in each case it is the home country that is listed first. The SEUS/Japan Association is made up of American businessmen and state legislators. The member states of the SEUS/Japan Association are Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee, and as of 2007, Mississippi (*SEUS/Japan*).

These two organizations have worked together for over three decades to support the regional relationship between the southeastern United States and Japan. The most noteworthy and longest lasting tradition of these two organizations is their annual meeting. These meetings take place alternately in Japan and in the United States every year. The most recent of these events, the 34<sup>th</sup> annual meeting, took place in Nashville for several days in October of 2010. At present, these meetings draw attendance of over five hundred individuals, including key business and political leaders from Japan and the member states (*SEUS/Japan*).

All this cooperation and exchange infrastructure does not point exclusively from Japan to the United States. Japan is also interested in receiving international investment from abroad inward. JETRO is a Japanese government-sponsored organization to aid foreign businesses in establishing offices in Japan and easily networking and adapting. This organization has become a multifaceted resource for corporations seeking to invest in Japan or Japanese resources. JETRO introduces itself as:

...a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world... JETRO's core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential.

( "About Us", JETRO)

All of these organizations are focal points of networking infrastructure to ensure the ongoing strength and stability of the Tennessee-Japan business relationship. Without the conduits of communication and discussion, the compelling opportunities that Tennessee brings to the table would not be heard. Without support systems for Japanese residents, many business ventures would crumble and many others would dismiss Tennessee as a destination.

**4)**

### **A Cultural Infusion**

Economic stimulation has not been the only thing that Japan has brought to Tennessee. With all the Japanese businesses and individuals entering Tennessee over the past decades, it should come as no surprise that Japanese culture has followed. In his

introduction displayed online, Consul General Hiroshi Sato makes mention of the promotion of “cultural and grassroots exchange” as an additional mission of the Consulate. Culture and personal, heartfelt, relations are part of the reason that Tennessee enjoys such prestige as a host for Japanese businesses today. Patrick Higgins looks at the cultural outreach made by Tennessee so far as a “genuine appreciation attempt”, something sincere that goes beyond a display of culture and art.

The Japan-Tennessee relationship has been welcoming and generous to the state’s Japanese residents. Robert Arnette notes that many Japanese believed that they should try to assimilate into American society as best they can, but Tennessee as a whole has not demanded that. Rather, opportunities to preserve the Japanese lifestyle have been offered when possible and the social infrastructure has been helpful and supportive.

Events such as the Cherry Blossom Festival held annually in Nashville are a good example of outreach and cultural events that serve a twofold purpose: one, to welcome and honor the state’s Japanese residents and their culture, and two, to display Japanese culture to Americans in a favorable, informative, and interesting way. The presence of the Consulate General in Nashville has undoubtedly been a strong factor toward the enthusiasm and effort put into making cultural programs possible. I feel it is fair to say that the Japanese cultural presence in Tennessee is still on the rise and will likely become even more visible in years to come. Even the growth of authentic sushi bars and the development of new golf courses can be attributed to the interests of Japanese businessmen, Patrick Higgins says. One of the biggest challenges in understanding the Japanese cultural infusion is discerning the true causal factor. Are new small businesses that cater to Japanese tastes opening to accommodate a new cultural wave, or simply to

profit from the increase in target customers? I would answer that consideration by asking if both the Tennesseans and the Japanese are well-served by the outcome, does it actually matter?

### **The Issue of Language**

The issue of language has and will likely continue to be a cultural stumbling block for Japan and Tennessee. The language barrier is a major challenge that is so immediate it might be completely forgotten about. As a foreign language in the United States, Japanese is very uncommon. Though English is arguably *the* foreign language taught in Japanese schools, there is no reason to believe that all Japanese natives are fluent enough in English to conduct business. For negotiations and presentations such as those carried out by Lamar Alexander during his time as governor, translators were a necessity.

Jim Hollingshad discussed the difficulties that the language barrier can present in bringing Japanese businessmen and their families that know very little English to Tennessee. A support structure is needed to ensure that they can get by even at home, and additional support is needed to ensure that the employees can communicate with their local counterparts. Mr. Hollingshad notes that in particular, many top executives flown over from Japan speak no English at all.

Japanese companies are aware of the importance of the local language though; as Robert Arnette brings up in talking about his experiences with Toshiba, many Japanese companies are trying use English as their primary language of business. Strict language requirements can be a blessing or a curse depending on how they are applied, though. Jim



Hollingshad notes that using no Japanese at all could cause communication to be more difficult than necessary.

Efforts to reconcile the language barrier have been modest at best, and for legitimate reasons. For the near future, both the Japanese and Tennesseans will have to be patient with one another; it is unrealistic to expect all of the businessmen and state officials involved in this relationship to become completely bi-lingual.

### **On The Horizon**

Whether or not the privileged relationship that Japan now holds with Tennessee, and more broadly with the entire U.S., will continue into the future is something to debate. U.S. goods exported to Japan in 2009 were down around 21% from 2008. U.S. imports from Japan have decreased almost 20% over the last 15 years as well. Further, the goods trade deficit with Japan in 2009 has improved to just under 9% of the total U.S. goods trade deficit, down from around 43% 15 years ago (“Japan”). The short term declines can easily be dismissed as part of the global recession in the later part of 2008, but the longer term declines suggest a more stable trend.

It is safe to assume that the future of Tennessee’s economy will continue to involve Japanese business and investment. The direction that this economy takes, though, is up for debate.

Through the later half of the twentieth century, Japan has learned much of what it knows about international business from the United States. Among that knowledge is the fact that setting up production near the market is a profitable tool. On that note, China in particular has become an attractive market and destination for international businesses in

the twenty-first century. The growing economic powerhouse that is today's China may well become more enticing a destination than the United States for eager investors such as Japan. Though economic incentives are always a valid and enticing reason to move business, Tennessee's praiseworthy cultural and support infrastructure for Japanese businesses is something that will be hard to match anywhere else in the world.

Jim Hollingshad thinks that if Tennessee is going to maintain a strong economic position in the future, that position will be in the field of energy. Energy is already Tennessee's second largest industry behind automotive manufacturing, and it may provide opportunities for international business projects to continue in the state for many years to come. The Tennessee Department of Economic and Community Development lauds its future with energy:

Additionally, global giants in clean and renewable energy, including Wacker Chemie AG, Hemlock Semiconductor Corp., Sharp Solar, and Aerisyn are located in Tennessee, testifying to the state's leadership in clean technology ("International Business")

It is here that I, and all Tennesseans, should offer a nod to Tennessee's second largest foreign direct investor, Germany. Indeed, in 2009 Germany invested over \$2 billion in the state (Odom, Lori). The German automotive giant Volkswagen also has a manufacturing plant in Tennessee ("International Business"). This is far from a competition though; many of the largest companies in Tennessee from both Germany and Japan enjoy mutually beneficial business relationships. This case presents itself wonderfully in the clean energy technology companies touted by the Department of Economic and Community Development above.

The German international chemical giant Wacker purchased property in 2009 in Bradley County to begin construction on a new polysilicon production plant. This material is fundamental for the production of solar panels and similar devices in the energy field (“Wacker Plans to Set Up...”). Wacker cites all the economic factors enumerated earlier for reasons to locate in Tennessee, along with “abundant and low cost energy”, referencing advantages of the TVA power grid and its pricing (“Wacker-Tennessee: Frequently Asked Questions”).

Hemlock Semiconductor Corporation’s production, like Wacker’s, is aimed at producing material necessary for building solar panels. Hemlock is a joint venture of Dow Corning Co, Shin-Etsu Handotai Co, and Mitsubishi Materials Co; the later two being companies based in Japan. Hemlock hopes to have its Clarksville, TN plant operational by 2012 (“Clarksville-Montgomery County Welcomes...”).

Lastly, Sharp could be considered the grandfather of Tennessee’s solar energy business. Sharp Electronics Co., a Japanese company, established a solar panel manufacturing facility in Memphis in 2003. This was the first solar panel facility it set up outside of Japan (“Sharp Opens Memphis Plant for Solar Energy Products”).

At that time, the Sharp Memphis facility used solar cells produced within Sharp in Japan for its panels, but the facilities listed above provide a closer, more viable supply of these vital components for the manufacturing in Tennessee.

Aerisyn is a producer of wind energy towers. This company located its manufacturing operation in Chattanooga in 2005. (“Aerisyn Locates Manufacturing Operation in Chattanooga”). Wind power is yet another asset to the diverse clean energy options that are growing in and out of Tennessee.

The energy industry is a practical example of how the international business relationships forged with Tennessee have been beneficial beyond economic growth. Tennessee's largest solar power array, still being erected in Jackson as of late 2010, is a prime example. Spearheaded by Efficient Energy of Tennessee, this one megawatt solar array will provide a powerful source of clean energy. The grid itself is made up of almost 5,000 solar units manufactured by Sharp in its Memphis facility. Sharp was also pleased to have this opportunity:

"Tennessee is becoming a regional leader in clean, efficient solar power," said Eric Hafter, Senior Vice President, Sharp Solar Energy Solutions Group. "Sharp is delighted to contribute to the growth of Tennessee's solar industry with our Memphis plant and with our ongoing involvement in solar projects such as this one in Jackson. ("Tennessee's Largest Solar Array...")

With uncertain economic conditions and the ongoing need for alternative, more environmentally-friendly energy sources, the future of the energy industry looks strong. If the energy industry continues to expand, Tennessee is equipped to handle it. I would not be surprised to see Japanese investment taking advantage of this growing field in coming years.

### **Useful Lessons**

In conclusion, I would reiterate the factors and events that have helped Japan bring Tennessee to where it is today.

The trade deficit between the United States and Japan proved to be powerful motivator to begin talks on international business investment. Though no longer the

burning issue it was decades ago, the U.S. still runs a trade deficit with Japan, and local production can still ease distribution of manufactured goods.

State or regional legislators next needed a framework for communication—a way to network with the Japanese business managers that they want to appeal to. The Japan-US/SE and SEUS/Japan Associations were one readily available regional option.

Tennessee's geographic position and favorable business laws made it stand out among options that Japanese executives considered in the internationalizing process, and diplomatic consideration for the Japanese style and culture didn't hurt, either.

Once in Tennessee, legislators and local organizers helped ensure that Japanese businessmen and their families were able to settle in and adapt.

Realizing that several massive corporations were successful and content with their move to Tennessee, others followed. In particular were corporations that manufactured components or materials that the existing manufacturing network could make use of.

With the right diplomatic tools and economic opportunities, I believe that any state could begin and maintain a constant influx of Japanese business like Tennessee has seen. Of course, not every state can enjoy the logistics infrastructure that Tennessee has. Business-friendly laws and financial incentives on the other hand, are not always set in stone. But most interesting of all is the consensus of Patrick Higgins, Jim Hollingshad, and Robert Arnette, saying that even an attempt at cultural understanding and empathy will go a long way toward gaining the trust, respect, and business of these international corporations. Good-will and cultural outreach require some sincere effort, but they are a manageable and worthwhile endeavor.

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