

Japan invests in America; why can't we?

One of the hottest public issues today is the increasing Japanese industrial and commercial presence in this country. With high national unemployment rates, even reaching unheard-of levels of 7.7 percent in formerly job-rich California, someone obviously is at fault.

American car workers in Detroit, for example, have put sledgehammers to Japanese cars and relegated foreign cars to the farthest spaces in the parking lots. American car dealers have put on a pitch to "Buy American," while some employers have offered bonuses to employees if they purchase American-built cars. Most serious of all is the cry that we should reduce our trade with our second-largest foreign market and buy less from the Japanese.

These emotional outbursts come on the heels of the recent commemoration of the 50th anniversary of Pearl Harbor, which stirred up justifiable harsh memories on the part of an older generation that remembered too well the four years that followed that attack. For some, it is an easy transition to vent such feelings on the current generation of Japanese and the products they make and we buy.

But for many who do not have those memories, the ubiquitous Japanese car is a reminder of a foreign product that has cut to the heart of American industry and, the auto workers say, has taken their jobs away. And to add insult to

injury, Japanese car makers are doing this on American soil. Today, one of every four cars produced in this nation now comes from a Japanese transplant.

The numbers certainly indicate this Japanese presence. In 1990, according to the US Commerce Department, Japan became the largest foreign direct buyer of property in the country, replacing the United Kingdom. Its purchase of \$20.5 billion worth of American assets represented 32 percent of total foreign purchase in 1990.

Not only do the Japanese own or control properties ranging from golf courses to office buildings, such as Pebble Beach and Rockefeller Center, but now they have gone even so far as to make a bid for the Seattle Mariners. How un-American can they get?

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The Japanese have made their greatest inroads in the US industrial sector. During the 1980s and into the '90s, more than 1000 Japanese transplants established plants in this country. Chief among these is the automobile sector, which has created the most furor and has had the greatest impact.

The eight transplant automobile assembly complexes, for example, represent an \$8.9 billion investment, employ nearly 31,000 workers and have an annual capacity of 2.4 million vehicles. In addition, there are in excess of 250 transplant parts suppliers and 66 steel producers, liners and service centers. The remaining production parts of an automobile, tires and rubber, are found in the 20 plants that are Japanese-owned and which represent an investment of \$5.4 billion.

Critics of the Japanese presence in the automobile sector fail to mention the \$25 billion that these new producers have invested in the steel, rubber and auto assembly areas, the local jobs created and community financial impact.

In just one decade, for example, the first auto assembly plant, started in Honda-producing Marysville, Ohio, has grown to be the largest Japanese auto producer, with a one-half million car capacity. Its employment capacity of 8000 also makes it the largest of the transplants and twice as large as the number of Rhode Islanders currently employed by Electric Boat at Quonset.

The community financial impact is best revealed by the state of Kentucky, whose median household income increased by 6 percent from 1988 to 1990, only one of two states to register an increase of more than 5 percent. Kentucky's answer to its rising income is the 13,000 new automotive jobs created in supplier plants established to feed the new Toyota

plant in Georgetown.

Harshest of the critics, of course, are the CEOs of the Big Three American automakers. They criticize the transplants in general and decry the restrictive trade policies that make it difficult to sell American cars in Japan. Their answer to these problems is to close plants and fire employees, but at no time do any of these leaders set a good example by saying they will cut their own salaries. In Japan, auto CEOs receive salaries 16 times that of the average worker; in this country that figure goes as high as 160 times that of the average worker's salary.

These Big Three spokesmen are quick to criticize the current intrusion of the Japanese here, especially in the six Midwestern states that contain these eight assembly plants, but what they fail to note is that their own previous policies moved these jobs out of the Midwest.

As a result of policies designed to reduce wages and avoid unions, plants were moved to the non-union South, into cross-border enterprises called maquiladoras in Mexico, and to other parts of the world. Starting here in 1979, with the first closing of auto plants that came up to 66 by 1990, the result of these policies was the loss of up to 300,000 jobs. And ask Rhode Islanders who formerly worked at GM's Framingham, Mass., plant what impact this has on a worker and his or her family.

The irony of the Japanese investment in the Midwest is that this is the part of the country from which the Big Three had withdrawn and decentralized. A decade earlier the Midwest was in decline and suffering from disinvestment. Only now are the Big Three again concentrating their efforts into the same area, using the Japanese transplants as their model.

The same thing happened with the production of steel. While American firms have closed more than 100 steel plants in the past three decades in their efforts to decentralize and diversify into new areas, the Japanese have taken over old mills and turned them around as Japanese-owned and Japanese-US joint ventures.

A similar pattern took place with the rubber and tire business, with American firms closing more than 30 of their unionized plants to expand into the non-union South and outside of the country. The \$5.4 billion dollar investment by four of the five major tire and rubber Japanese firms represents both purchase of old plants as well as new construction. Currently, 21,000 Americans are employed in these plants located largely east of the Mississippi River.

One of the best stories to appear recently on Japanese manufacturing in this country, "The Japanese Transplants," was written by Martin Kenney and Richard Florida for the winter issue of the Journal of the American Planning Association.

Kenney and Florida leave little doubt as to where blame should be laid: "The success of the Japanese transplant punctuates the myth that high wages, unions and a poor business climate are responsible for the decline of US manufacturing. Instead, the causes are short-term, myopic investments; casino-like financial speculation; little reinvestment in manufacturing plants, equipment and technology; and most significantly, an outmoded Fordist production organization that considers workers a necessary nuisance."

The mark of a demagogue is to single out some group on which to vent its biases and prejudices in order to gain some power. The Big Three should stop these demagogic practices and look to their own plants for guidance. The German GM-assembled Opel is a big seller in that country, to the tune of a \$700 million profit for GM last year from these German operations. If they can do it there, why can't they do it here?

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