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I. Introduction

After a three-week trade and industry mission to Japan and China, I am convinced that Mike Mansfield is right.

For the long run, our economic relations with Japan are more important to us than our relations with any other single country in the world. Japanese companies now have about $4 billion in plant investments in the United States. Ambassador Mansfield estimates that will increase to $20 billion by 1985. North Carolina should be competing aggressively for that investment.

In China, our talks with top economic officials persuaded me that we will be selling tobacco to China in the not-too-distant future. Ours was the first tobacco mission to China in over thirty years, and I believe we laid the foundation for future trade.

Accompanying me on this mission were Lt. Gov. James C. Green, State Treasurer Harlan Boyles, Secretary of Commerce Lauch Faircloth, Secretary of Natural Resources and Community Development Howard Lee and more than forty North Carolina business leaders.

The initial results of the mission were very encouraging. Four Japanese companies announced plans to build plants worth a total of $57 million in North Carolina, and two other companies said they are considering North Carolina as the site for plants worth a total of about $45 million. We also explored new markets for North Carolina products, including tobacco, corn, soybeans, poultry, wood and seafood. We contacted more than 250 Japanese business executives to make them aware of what North Carolina can offer to Japan. Based on my conversations and experiences, I concluded that North Carolina should open an economic-development office in Tokyo, which we have now done. This will enable us to take advantage of Japan's growing economy. Furthermore,
we must learn more about Japan, the Japanese and Japanese business. I
have asked the Japan External Trade Organization (JETRO), a govern-
ment trade-information group, to sponsor seminars on Japan for North
Carolina business leaders in the coming months. We will also be pursu-
ing student and travel exchanges with Japan. For too long, we have
looked only to Europe for trade and investment. Economic reality now
requires us to look to the Pacific. For North Carolina, this is the future.

This paper is an effort to report to the people of North Carolina on
what we learned in Japan and China and what it means for our future.
Also, I hope to give the reader the flavor of the people and places in that
part of the world. I hope more North Carolinians will see it for them-
selves.

II. Japan

A. Economic Prospects

Four industries announced they will build plants in North Carolina.
Ajinomoto Co., Inc., one of Japan’s largest food and chemical compa-
nies, will build its first U.S. manufacturing plant in North Carolina. The
$37 million plant will be built in Raleigh and will produce amino acids
for pharmaceutical and food products. Operation of the Ajinomoto
U.S.A., Inc. plant should begin in early 1982. A manufacturer of heavy
electrical machinery will announce next spring the site for the $10 mil-
lion plant that will be built in our state. Another company will build a
seafood processing plant worth $5 million on North Carolina’s coast. It
will buy eighty-two tons of fish a day from our fishermen, primarily
croakers and other fish for which there is now little demand. The fourth
company, Saito Wood Craft Co. of Shizuoka (the other two companies
requested that they not be identified yet) will build a $5 million plant in
North Carolina. It will manufacture either wooden ice buckets and trays
or plywood and other finished wood products. It will buy a substantial
amount of wood from North Carolina tree farmers.

Two other companies say they are considering North Carolina as
the location for manufacturing facilities they plan to build in the United
States. They include a $15 million steel-fabrication plant, whose presi-
dent told us, “your state is one of the most eligible candidates” for the
plant and a $30 million plant planned by another major manufacturer.

In all, our delegation called on twenty Japanese companies repre-
senting industries including electronics, food and seafood processing,
wood products, heavy machinery, chemicals, metal working, steel and
automobile parts. These are all high-technology, high-skill companies.
As I told the fourth annual meeting of the Japan-Southeast U.S. Associa-
tion, “we are looking for jobs that will require workers to have higher
skills. We are looking for jobs that will pay a higher wage. We are look-
ing for jobs that will improve the lives of our people.”

The Japanese executives whom we met were particularly concerned
about the productivity of labor. Japanese workers are among the most productive in the world. Their companies believe in the concept of "lifetime employment," that is, an employee stays with the same company throughout his career. That breeds loyalty and productivity, and the Japanese business leaders look for the same thing in the United States. This is a strong selling point for North Carolina.

During the course of the mission we also made a number of other useful contacts. The Chamber of Commerce in Osaka, Japan's leading industrial city, sponsored a seminar on North Carolina that more than fifty industrial executives attended. Yasuhiro Oshima, a Japanese business executive and president of Meiwa Gravure Chemical Co., which has a plant in Charlotte, spoke in praise of North Carolina. He said productivity is higher in his plant here than in the plants in Japan. Over 150 business leaders also attended a reception hosted by the North Carolina delegation in Tokyo. This gave the members of our delegation a chance to meet and talk with the Japanese.

In addition, North Carolina had the largest delegation at the meeting of the Japan-Southeast U.S. Association, which attracted about 100 Japanese business leaders. Next year, the association will meet in Pinehurst. We paid courtesy calls on Ambassador Mansfield and on the Japan External Trade Organization. The president of JETRO agreed to sponsor seminars on Japan in North Carolina for our business people. We urged officials of Japan Tobacco and Salt Corp., a government-owned corporation, to resume their former high levels of purchases of North Carolina tobacco. JTS reduced its tobacco purchases by twenty per cent this year, to $120 million. Sixty per cent of the amount sold comes from North Carolina. We met with the agricultural attache to the U.S. Embassy in Tokyo, Dudley Williams, and urged that the U.S. government continue its strong emphasis on sales of soybean and corn to Japan. Japan is the world's leading market for agricultural products, and there is tremendous potential for increasing our exports to Japan. We met with officials of a community college in Japan to discuss technical training and the possibility of student exchanges. We explored with officials of Shizuoka Prefecture (state) the establishment of sister-state and sister-city relationships, which would include economic trade, investments, tourist exchanges and student exchanges. Shizuoka, located about 100 miles south of Tokyo, is the home of Mt. Fuji. It is an industrial and agricultural center.

B. General Observations

We spent our time in the industrial heart of Japan, the 360-mile belt between Tokyo and Osaka. That area is densely populated, highly urbanized and heavily industrialized. No land goes to waste; even steep hillsides are terraced with rows of green tea. Despite the crowding and the industrialization, the cities are neat and clean. Scrap heaps and piles
of junk are nowhere to be seen. The orderliness of the Japanese and their appreciation for beauty stand out. Even in busy Tokyo, they maintain beautiful tea houses and carefully designed gardens.

The Japanese are extremely polite, hard-working and business-like. They hustle up and down the city streets. They take their jobs seriously, work six days a week and have a high degree of loyalty to their companies. As I noted before, they usually spend their entire career with one company, working up the ladder. They look on "job-hopping" with suspicion. A warning for anyone doing business with them: they are patient and cautious, and it can be hard for Americans to adjust to that. The exchange of business cards is an important ritual, so take a healthy supply of cards with the Japanese translation on the back.

The climate in Tokyo is similar to ours, and it is slightly warmer to the south. Temperatures were in the seventies throughout our stay, and the leaves in the Imperial Gardens in Tokyo had not begun to change when we left November 8. Every day, office workers were in the park, playing volleyball and badminton and throwing baseballs and frisbees. Most people in these cities dress Western-style, although a few kimonos are seen on older people. You can buy a Big Mac in downtown Tokyo.

The traffic invariably resembles the start of a stock-car race. Cars zip up and down at all hours, changing lanes suddenly and missing each other by inches. Traffic jams clog the major cities at rush hour. But there are few accidents (that we could see), and the Japanese are compulsive about keeping their cars clean and shiny. Taxi drivers clean their cars with long feather dusters while they wait for fares.

The Japanese have made great progress against air and water pollution in recent years. Not too long ago, the air in Osaka was so polluted you could not see more than a few blocks and fish couldn't live in Tokyo's rivers. Tough governmental regulations have improved the situation.

III. China

A. Tobacco Prospects

The People's Republic of China is a striking contrast to Japan. It is poor, crowded, and, in many ways, a backward country.

The Chinese government has recently begun a program of "Four Modernizations"—in agriculture, industry, defense and science and technology—designed to make China a modern economic nation by the end of the century. That would be a remarkable achievement.

The tobacco industry (under the Ministry of Light Industry) is receiving more emphasis as an industry to be modernized. Chinese cigarettes are harsh-tasting. Members of our delegation who visited a cigarette factory in Shanghai reported that the plant used much the same equipment and processes that British American Tobacco left there fifty years ago. Much of the tobacco being used was immature.
Our talks with the Chinese on tobacco trade were the first in thirty years. They were tentative and preliminary. But Vice Premier Kang Shien, who oversees various economic activities, told us that, in the long run, there would be a market in China for our tobacco.

The Chinese were particularly interested in gaining most-favored-nation (MFN) status as a trading partner with the United States, which would lower tariffs on their goods. In discussing that possibility, I told the Vice Premier, and other officials, that our tobacco farmers would probably support that bill if they had some indication that China's market of almost one billion people would be open to them in the future. Vice Premier Kang replied: "I fully agree with you. This is a very large market for you. This matter has a very bright future." At a separate meeting, Cheng Jie, vice minister of foreign trade, told us: "We expect trade in tobacco between the United States and China to develop in the near future. North Carolina is very famous for its tobacco and cigarettes." Since our return, Congress has approved most-favored-nation status for China.

B. General Observations

China, again, is a very poor country, with little currency to buy foreign goods. It became clear to me that they will have to sell their products on the world market and generate some hard currency before they can be in a position to buy North Carolina tobacco. The Chinese are particularly interested in exporting coal, oil, metals, carpets, porcelain, silk and arts and crafts. The oil industry, however, requires substantial development. Oil intended for export must now be shipped from the southern coastal areas by train to the major cities, because there are not adequate deep-water ports. There are relatively few miles of railroad track, and steam engines are still heavily depended on.

This is, in short, a largely undeveloped country. We heard of some factories that can operate only four hours a day because there is not enough power. China badly needs hydroelectric projects. Agriculture and industry depend heavily on hand labor. Manufacturing processes are decades behind ours. Factory workers make an average of $35 a month. Peasants make even less, though they grow much of their own food.

While we were there, the government raised prices on many consumer goods by thirty-three per cent. Meat, generally poultry and lamb, appeared to be available in Peking and Shanghai markets. We went to a department store in Shanghai that offered clothing, sporting goods, televisions and similar goods. Although the store was crowded, few Chinese were buying anything.

Peking (or Beijing) is a bleak, crowded city. At all hours of the day, thousands of Chinese walk or ride their bicycles up and down the broad central avenues and the narrow side streets. Peking is a city of three
million bicycles and 30,000 cars. Cars, trucks and buses are required by law to drive at night with only their parking lights, to avoid blinding bicyclists.

Cranes dot the skyline. High-rise apartments are replacing the crowded brick huts surrounding courtyards where most urban Chinese live. Even the best hotels and governmental buildings are austere and frequently drafty. Our last day in Peking, ferociously cold winds blew down from the Mongolian desert. Yellow dust, from the city and from the desert, covers everything during the winter, when these winds prevail.

Shanghai, a port city far to the south, is warm and muggy. It retains the old world flavor of British occupation, although the British-built skyscrapers along the waterfront, which once housed banks and government offices, now hold dozens of families, and laundry hangs from the windows.

The people are friendly, but curious. They obviously are not accustomed to seeing Westerners. I did a television interview on a Peking street-corner, and within five minutes over 100 curious Chinese surrounded us. They all wear green or blue Mao-type uniforms. Only the tailoring and quality of material distinguish the top officials. Television is still in its infancy there. On the way into Shanghai from the airport one evening, we saw about forty peasants gathered around watching a small black-and-white television set in the village square.

The poverty and drabness of life make a strong impression, but we did not see the kind of abject poverty and disease that exists in many other developing nations. Not too long ago, millions of Chinese died in famines like the one now plaguing Cambodia. The Chinese seem to have lifted themselves up from that point, and that in itself is quite an achievement. It is difficult to conceive of the task they now have set out for themselves: modernizing a vast nation that is home for one out of every five people in the world.

We must remember, too, that China is subject to sudden instability, such as the Great Proletarian Cultural Revolution that, in many ways, apparently shattered the country and the people in the last decade. The government now seems to have reached a balance between China’s modernization and revolutionary forces, but we cannot be certain what will happen in the years to come.

As it stands now, the Chinese are clearly friendly to the United States and clearly interested in developing better economic relations. This is of tremendous importance to our nation’s future, and we should continue to nurture this relationship.