

The Indiana-Japan Partnership: Telling the Story

By Larry Ingraham

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INTRODUCTION

As I write this in the late summer of 2006, Indiana is experiencing a banner year in its relationship with Japan.

In March of this year Toyota announced that it will invest \$230 million and employ 1,000 new associates to produce 100,000 Camry vehicles each year—all from inside the Subaru of Indiana Automotive, Inc. (SIA) plant in Lafayette, Indiana. This will be done in a joint venture with Fuji Heavy Industries (FHI), the parent company of the Subaru brand of cars.

The SIA plant was originally the “Subaru-Isuzu Automotive, Inc.” plant, where both Subaru and Isuzu operated their own lines within the factory to produce their own vehicles. However, several years ago Isuzu sold its share of the plant to Subaru and ceased to make cars there. That left an empty area inside the plant that Isuzu had formally occupied. Then, in October of 2005, GM sold its shares of Fuji Heavy Industries to Toyota, making Toyota the largest shareholder of FHI stock. As Toyota has been registering solid growth in sales in the U.S. marketplace, it has had a need to expand manufacturing capacity in the U.S. Thus, with its new ownership position in FHI, Toyota decided to move into the empty space in the SIA plant that had formerly been Isuzu’s production area.

This will be Toyota’s third manufacturing plant in Indiana, along with the two factories it already operates on its Princeton, Indiana, site. Toyota employs about 5,000 associates total at these two factories currently. Toyota’s in-state employment will rise to 6,000 workers in Indiana with the start of its new Camry manufacturing line in the SIA plant next year.

The week of June 19, 2006, Governor Mitch Daniels made his second business trip to Japan (the first was in 2005, his first year in office). Once again, he took with him a Hoosier delegation of over 60 leaders from communities and corporations throughout the state. I was pleased to participate again and to have responsibility for arranging the schedule of a Muncie, Indiana, delegation led by Mayor Dan Canan and Delaware County Commissioner Larry Crouch.

During his week in Japan, Governor Daniels announced three new expansion investments by Japanese firms that are already located in Indiana: Keihn IPT in Greenfield, Indiana, will invest \$60 million and hire 70 new associates to produce a new variable cylinder management system; NTN Driveshaft in Columbus, Indiana, will invest \$45 million and hire 140

new employees; and Indiana Packers in Delphi, Indiana, will invest \$43 million and add 125 new jobs.

Immediately after the Governor’s return to Indiana, Honda announced that it will construct a new \$550-million auto assembly plant in Greensburg, Indiana. This factory, slated for start-up in 2008, will employ 2000 associates initially to produce 200,000 vehicles of a 4-cylinder car that is yet to be identified. (And since the announcement, Honda is now saying it will quickly increase employment at its Greensburg factory to 4,000 associates.)

All of these big announcements have been welcomed news in Indiana. Yet the average Hoosier has no idea that, before these 2006 banner headlines, Indiana was already home to some 230 Japanese companies, which collectively have already invested \$7 billion in our state—and employ over 40,000 of our citizens.

The typical response of Hoosiers upon hearing this is, “You’re kidding.” Then they usually ask, “How did all this Japanese investment come to Indiana? And where did it all start?”

This paper will help answer those questions and record some of the history of how this Indiana-Japan partnership came to be formed. It all began with Governor Bob Orr and Lt. Governor John Mutz. This effort is dedicated to them, not only capable and visionary leaders, but also the best and most inspirational bosses I have ever worked with.

THE AD

On September 20, 1982 the following ad appeared in *The Japan Times* English-language newspaper in Tokyo:

HELP WANTED – U.S. State Government wants Japanese speaking U.S. citizen to promote investments and trade in Asia. Successful candidate will spend initial six months as assistant to current director, and thereafter take over as director. Position is Tokyo-based and begins January 1983. All applications held in strictest confidence. Please reply to Classified Ad No. 198, Japan Times, Tokyo.

As an American expatriate living in Japan, this ad immediately caught my attention and interest, even though it didn’t say *which* state. I had fallen in love with Japan while serving there in the U.S. Air Force. After earning a degree from the University of Michigan, I returned to Japan to teach English at schools and in business settings. Through my participation in the very active University of Michigan

Alumni Club of Tokyo, I had met Nancy Hennigar (a graduate of Michigan State), who was Director of the State of Michigan's Tokyo office. So I knew Michigan was represented in Japan, but I didn't know of any other states that also had offices there.

My assumption was that this must be a West Coast state where I had never traveled before. Nevertheless, I thought I would enjoy this type of work, mainly because it would place me right in the middle of the bridge between the U.S. and Japan. So I quickly sent off my resume and cover letter to the address indicated.

After a week or so I was very surprised to receive a letter with a big, red "Indiana" stamped on the envelope above a Tokyo return address. On October 19, I went to the Indiana Tokyo office for my first interview with Charles Dodson, director of the office, and Jeff Bloch, who was visiting Japan from the International Trade Department of the Indiana Department of Commerce.

This began a very long series of meetings and interviews over the next months. When the state's selection process had narrowed down the applicants to me and one other man, we both had final interviews in Tokyo in February 1983 with Alan Kimbell, Deputy Director of the Indiana Department of Commerce, and Dave Richmond, President of the Columbus, Indiana, Economic Development Board. Richmond happened to be in Japan with an investment-seeking group from Columbus.

Kimbell was kind enough to tell me that the state could only guarantee me the job through the end of 1984, given that Governor Orr and Lt. Governor Mutz would be running for re-election in November of 1984. If they were to lose, that could mean that the new administration would place its own new people in jobs of importance in the Department of Commerce. I thanked Kimbell for telling me that, but told him that I really wanted the job and would be happy to have it if only through the end of 1984.

Richmond was the first Indiana community representative that I met. At the time, he was perhaps the only professional economic development director in the state of Indiana. That is why Lt. Governor Mutz asked him if he would help interview the two finalists for the Indiana East Asian Office position.

I should add that at no time in the whole interview process was I asked what my politics were.

Finally, on the evening of March 22, 1983, I was offered the job. I went into the Indiana office the very next day and began the planning with Kimbell and Dodson about my responsibilities. I was about to embark on the most exciting and rewarding period of my life—and the beginning of a new chapter in Indiana's economic life.

THE EAO

It was then-Lt. Governor Bob Orr who had the vision of opening Indiana offices overseas to promote trade to, and investment from, Asia and Europe. He took this proposal to the Indiana legislature during the second Bowen-Orr administration and received the funding necessary to open an

East Asian Office (EAO) of the Indiana Department of Commerce in Tokyo as well as an Amsterdam office of the Indiana Department of Commerce.

Initially, a U.S.-managed trading firm in Tokyo had been selected to represent Indiana's interests. However, that arrangement had not proved satisfactory to Governor Orr and Lt. Governor Mutz, who came into office in 1981. Lt. Governor Mutz traveled to Tokyo to initiate the transition to Indiana's own full-time office, and he hired Dodson to set it up and operate it. Dodson's original staff of Indiana's EAO included him and Yoko Kamiryo, who served as secretary.

Dodson had lived in Japan a number of years and had worked previously as a Japan representative for several U.S. firms wishing to penetrate the Japanese marketplace. Fluent in Japanese and comfortable in the Japanese culture, Dodson was the perfect first representative for Indiana in Japan. Kamiryo had great secretarial skills and a very strong command of the English language. She also had a very good sense of humor, which was important, since she often received calls at the Indiana trade office from Japanese who were looking for the "Indian Embassy."

GOALS OF THE EAO

The goals of the East Asian Office of the Indiana Department of Commerce in Tokyo were to: attract Japanese (and Asian) investment to Indiana, promote Hoosier trade to and from Japan and Asia, and foster cultural ties between Indiana and Japan and Asia. In essence, the EAO was Indiana's embassy in Japan—I always made sure that U.S. Ambassador to Japan Mike Mansfield was not around when I told our Japanese guests that I was Indiana's Ambassador to Japan—and through our doors came all kinds of people, projects, requests and needs.

While there were many responsibilities for the office, Governor Orr and Lt. Governor Mutz made it very clear to me that their top priority was to attract Japanese investment to our state. The three chief reasons for this were to provide new job opportunities for Hoosiers, to increase the tax base of Indiana communities, and to bring new technology to our state. They offered me their full cooperation in this endeavor.

By the time I took over at EAO in April of 1983, there were at least 12 other states that also had offices in Tokyo—Michigan, Ohio, Illinois, Kentucky, Alabama, South Carolina, North Carolina, Washington, Oregon, Virginia, Georgia and Florida. Together with Indiana, these thirteen original states formed the American State Offices Association or ASOA.

Every month these U.S. state office representatives met for lunch at the U.S. Embassy in Tokyo to hold an ASOA meeting and discuss items of mutual interest with Embassy representatives. But since no one wanted to give any advantage or information to a competing state, especially relating to investment, I always joked that we state reps actually got together at the Embassy to fib about what we were doing.

Attending these monthly meetings and getting to know the other state reps and overhearing various conversations, it became clear to me that I probably had the best situation of

all of them. That is because I had the direct support of Governor Orr and Lt. Governor Mutz in my efforts. It seemed that the other state reps were limited to passing their messages to persons in their state's trade bureaucracy, where it might or might not be processed quickly or might or might not be passed up to the Governor's attention.

This highlights a crucial point: The home support a state trade office based in Japan has is critical to the success of the overall mission. It is even more important than the talents and actions of the state's representative in Japan. No matter how good a representative is or what he or she may accomplish, it is for naught if the home state government is not responsive, supportive and proactive.

I was Director of the East Asian Office of the Indiana Department of Commerce for the three full fiscal years of 1983-84, 1984-85 and 1985-86. The fiscal year for the state was from July 1 of one year to June 30 of the next year. Our budget for my first year at EAO was \$145,000. This was split amongst the following categories: Salaries and Benefits, Office Operating Expenses, Entertainment Expenses, Dues and Subscriptions, Printing and P.R., Travel and Transportation, and Equipment Purchase and Lease.

In the 1984-85 fiscal year, the EAO's operating budget was \$178,992, which enabled us to hire Toshi Tomioka of ING Enterprises in Tokyo on a part-time basis to assist the office with translations of marketing materials and to help out in busy times with visiting delegations. Due to the successes we were achieving, the 1985-86 budget for the EAO was raised to \$231,532.

By the third year, our activity level had increased to the point that we needed more staff assistance on a daily basis. I asked the state to assign Todd Wynn from the International Trade Office of the Indiana Department of Commerce. I also hired Hiromi Hemuki of Marketing Dynamics to work in our office on a full-time basis in January of 1986 to assist us with Japanese marketing, translations and program development. (Hemuki has been a vital member of the staff of the EAO since then, and today, he is Director of the East Asian Office of the Indiana Economic Development Corporation in Tokyo.)

Looking back, \$145,000 seems like a small amount, but at that period of time the dollar was twice as strong against the yen as it is today. In the 1983-84 period, one dollar purchased 220 yen. Today one dollar in 2006 purchases around 110 yen.

During my tenure, the fiscal-year budget was used to buy future yen contracts ahead of time, so that we knew precisely how much yen we would have each month. These contracts were made in 12 monthly installments. AFNB Bank (American Fletcher National Bank) in Indianapolis always handled these transactions for us. This helped us avoid sudden changes in the yen/dollar exchange rate that might occur in the coming year.

There was one major glitch in this system, however: The state operated under an accounting system that made payments in arrears. That meant that our office submitted monthly expense reports back to Indiana budget officials

before we received the wire reimbursements in yen. As a result, at the start of each fiscal year (in July), EAO did not have funds to operate. The first payments of the new fiscal year did not reach us until August. The solution to this dilemma was less than perfect, but it got the job done: the EAO's director would go to Mitsubishi Bank and take out a personal loan of 2 million yen (then about \$10,000) to "float" the EAO until the first payments of the fiscal year arrived from Indiana.

When this convoluted system was explained to me, I was stunned that I would have to take out my own personal loan in order to work for the state of Indiana. However, I wanted the job badly enough that I quickly got over it and proceeded to Mitsubishi Bank with my predecessor to finish the paperwork necessary to give our office its floating capital.

THE IDOC

One of the unique things about Indiana's trade posture in the 1980s was that the Lt. Governor served, by law, as head of the Indiana Department of Commerce (IDOC), with full responsibility for economic development matters for the state. The Lt. Governor was also Commissioner of Agriculture and head of the Department of Tourism. In other words, John Mutz was a busy man.

Two deputy directors—Alan Kimbell and Brian Bosworth—carried some of Lt. Governor Mutz's burdens at IDOC. Kimbell had responsibility for industrial development, agriculture and sales. Bosworth had responsibility for policy, financial aid and energy.

My direct contact for the EAO in Tokyo with the Indiana Department of Commerce was Phil Grebe, who was Director of the International Trade Division. Grebe understood international business and provided the Tokyo office with all the support and backup we could ever need.

As Director of the EAO in Tokyo, I also worked closely with Mark Akers, Director of the Industrial Development Division. It was Akers' responsibility, and that of his staff, to work to promote corporate retention in Indiana, as well as corporate attraction to Indiana. Akers and I would spend a great deal of time working together.

Related to industrial development, I also worked very closely with Chuck Preston, who was Director of the Business and Financial Services Division. It was Preston and his staff who prepared the incentive packages that were offered to U.S. and foreign investment projects considering expansions or new investments in Indiana.

I also worked closely with Gary Swaim, who was Director of the Agricultural Division. We devoted countless hours on exports of Indiana meat, grain, popcorn and wine to Japan and other Asian countries.

Many of these individuals helped familiarize me, as a son of Michigan, with the government, industries, agriculture and communities that made Indiana so unique. By leading me from county to county, they enabled me to promote Indiana with firsthand knowledge and confidence when I returned to Japan.

Looking back on all of this, I think one of the main reasons that Indiana became so successful in attracting domestic and international companies in the 1980s was the strong fellowship that existed within the staff of the Indiana Department of Commerce. People were committed and motivated to do their best for the Governor and Lt. Governor, who both granted young people tremendous amounts of responsibility. Turnover was very low, and loyalty and morale were very high.

This was definitely the result of Governor Bob Orr and Lt. Governor John Mutz forming a true partnership together to run the affairs of the state.

THE “STATE” OF INDIANA

The so-called Rust Belt of the Midwest was hit hard by the recession of the early 1980s. Governor Orr and Lt. Governor John Mutz were faced with double-digit inflation, double-digit interest rates, and double-digit unemployment when they came into office in 1981. “People were scared,” Mutz recalls. “There were gasoline shortages and high prices. The world had turned upside down.”

Kimbell remembers waking up one morning and turning on the national news to learn that the highest unemployment rate in the U.S. was in Anderson, Indiana—with 20 percent of the city out of work

The recession was so bad that many leaders acted as if the problem was too large to solve. But Mutz, Kimbell and Bosworth decided to approach the dilemma at two levels.

First, on the local level, they asked, “How can state government give people hope?” Hope is essential because from it comes the energy, resources and drive on which economic success so often depends. They decided that one way to offer hope was to create LEDOs, or Local Economic Development Organizations, in Indiana. In those years, there were perhaps only six communities in Indiana that had their own economic development organizations responsible for retaining companies in their area and attracting new companies to invest. Columbus and Indianapolis were two of the Indiana communities that had such an effort.

The LEDOs needed to be based on a partnership of education, government and social services. Mutz points to Columbus as the model at that time. “Columbus had the key—enlightened local leadership” Mutz says. He credits Dave Richmond for much of the success. For example, he learned from Dave Richmond that it is the little things that make a difference. When Columbus was courting the German company CLAAS to build a factory there, Richmond found German speaking women in the community who served dinner to the CLAAS German executives on a visit to Columbus. He also made extraordinary arrangements to have a CLAAS combine brought to Columbus in advance of the arrival of the CLAAS executives. The CLAAS president was flabbergasted to see one of his company’s large combines parked there as a “welcome” to Columbus. Those little touches resulted in CLAAS deciding that Columbus was the ideal community.

Second, Mutz, Kimbell and Bosworth determined that they had to attract and invite new industry to Indiana. But where

would they search for it? Mutz and the team concluded that foreign investment was the only choice, since there few opportunities with U.S. firms at that time. That invited another question: Where was the investment cash overseas? The obvious answer was Japan.

Japan, at that period of time, had a cash glut. The Japanese people are famous for their enormous savings rate. And by fate and timing, Japanese companies were ready to begin investing in the U.S. market by the early 1980s.

The main objectives of this drive for new investment were to provide new jobs to Hoosiers, to increase the tax base of Indiana communities, and to bring new technology to our state and not lose it to our surrounding neighbors.

Pursuing Japanese investment, according to Mutz, helped Indiana improve its information base and to be extra precise about how the state calculated the cost of establishing factories here. This is because Japanese projects in the 1980s usually considered multiple sites in multiple states. Japanese investors then asked for extreme amounts of information from the state and local officials on the cost of doing business in that state and locale. Namely, they wanted to know precisely the taxes they would incur based on their investment and projected hiring, the tax abatement incentives offered for buildings and equipment, the average hourly wages in different areas, as well as the cost of workmen’s compensation and unemployment insurance rates and so on. They demanded this in order to construct their elaborate comparison charts that would help them choose a final state and site. It was not unusual to be asked the same question multiple times by different persons in the same company. The reason for this was to confirm that the answer was always the same.

In the early 1980s, Indiana had one of the lowest workers’ compensation rates and the lowest unemployment insurance in the nation. As a result, Indiana had a large buildup of funds in those accounts.

In addition, thanks to the state’s constitution, Indiana cannot go into debt. State government runs on a two-year budget, and it must stay within the budget. This helps Indiana prevent building up the sort of huge debt with the federal government that neighboring states have accrued over the years—debt that has to be repaid. It also made Indiana very attractive to Japanese investment.

The payoff was that Indiana could offer lower taxes and a better business climate to its corporate citizens and prospective investors. As we put it at the time, when a company invested in Indiana they were investing in the future—they were not being asked to pay for past mistakes, as they would in neighboring states.

On top of this, Governor Orr’s party controlled both houses of the General Assembly, which meant that any economic development programs the Governor asked for would be passed.

“THE BEST OF MEN”

I borrowed the subheading for this section from the front-page article in *The Indianapolis Star* on March 12, 2004,

which reported the passing of Robert D. Orr. He had served as Lt. Governor, Governor and U.S. Ambassador to Singapore. He distinguished himself in his years as Governor, especially in the area of economic development—and especially in building the bridge to Japan.

Governor Orr was fascinated with Japan in particular, and this was to prove instrumental in the positive approach he took in successfully wooing Japanese companies to invest in Indiana. He told me two stories over the years which I think help to explain this fascination.

In the first, his grandfather gave his father the task of going out to seek payment of outstanding debts that were owed to the family business, the Orr Iron Company in Evansville, Indiana. This was in the early 1900s.

His father successfully secured these monies for the company and returned to Evansville triumphant. In gratitude for his efforts, the grandfather gave his father a large portion of this recovered money as a reward. The young Orr then decided to use this unexpected wealth to travel to Asia with one of his buddies. They went to Japan by boat, rented a home there and lived there for some six months. While there the two men climbed Mt. Fuji and had many other interesting escapades.

The Governor told me how much he enjoyed hearing his father's tales about his many adventures in Japan as he was growing up. This helped him form a strong positive image of Japan from his childhood.

The second story concerns Governor Orr's experience in the Second World War. He had graduated from Yale University in 1940 and then attended Harvard Business School. He enlisted in the Army in 1942, and was a member of the Quartermasters Corps. He served in the Pacific Theater and found himself in Kyoto, Japan, in September of 1945 as part of the U.S. occupation force.

One Sunday, he and some of his Army friends left their base of operations to sightsee and shop in downtown Kyoto. Somehow the would-be Governor of Indiana became separated from his group of friends, and he found himself alone standing on a large street corner surrounded by hundreds of Japanese people. At 6-3, and wearing a U.S. Army uniform, he certainly stood out in a crowd. He looked around and realized that he was the only American amongst a sea of Japanese in a country that weeks before had been a sworn enemy of the United States. Yet no Japanese person threatened him or in any way gestured menacingly towards him. Every time I heard him tell this story, Governor Orr always marveled at the fact that he was accepted in Japan so soon after the war.

It would be the first of many times that Bob Orr was to be "accepted" in Japan.

Of course, Japan would have to be accepted in Indiana, too. Governor Orr was not only an international visionary; he was someone who had the ability to persuade Hoosiers into sharing that vision. It was not an easy task in those early days. Governor Orr was a great proponent of international trade. "The problem is," as I heard him say so many times,

"that the word export to Hoosiers means that you send your products from Indiana to...Iowa!" He worked very hard to emphasize to Hoosier manufacturers the importance and benefits of seeking markets and business opportunities overseas.

As I entered the East Asian Office in Tokyo in April of 1983, I remember that Phil Grebe told me that I was about to do something that no one else in the IDOC had ever done—namely, to make back-to-back overseas trips with the Lt. Governor and then with the Governor. I was to accompany Lt. Governor Mutz to Korea and Hong Kong in May of 1983. Then I was to accompany Governor Orr to Taiwan and Japan in June of that year. There would be no other staff, no State Police security detail, no Hoosier legislative, community or corporate leaders, and no press.

My first meeting with Lt. Governor Mutz took place at Narita airport in Tokyo. The next day we flew to Seoul, South Korea, and then we went on to Hong Kong. Over the course of the trips to Korea and Hong Kong, I got to see the Lt. Governor in action. He brought the mind and passions of a successful businessman to the office of Lt. Governor. He knew what he was talking about when he met with his counterparts in Asia—and they recognized this.

Titles aside, the reality was that John Mutz was something akin to CEO of the State of Indiana, and Bob Orr was Chairman of the Board. That is how they described their working relationship to businessmen from Japan and elsewhere; and it always resonated with our overseas counterparts.

MARKETING CHALLENGES

It became apparent to me very quickly after entering the EAO that most Japanese corporate leaders did not know where Indiana was located, nor did they know what it had to offer.

Most Japanese are familiar with the "Indy 500," but they do not know that "Indy" stands for Indianapolis—capital of Indiana. Further complicating things, "Indianapolis" is hard for Japanese to say; and it sounds a lot like "Minneapolis."

This "identity" problem for Indiana is caused in part by the fact that Indiana is the only state in the Midwest region where the largest city and the state capital are the same. Think about it. In Michigan, the state capital is Lansing, but the largest city is Detroit. The capital of Illinois is Springfield, but the largest city is Chicago. Frankfort is the capital of Kentucky, but non-Kentuckians know about Lexington and Louisville. Columbus is the capital of Ohio, but Cleveland and Cincinnati are perhaps more well-known.

In other words, in the early 1980s, there was really only one point of interest in Indiana, which means many foreign firms thought there was only one point of access, one point of investment. Nothing could be further from the truth, of course, and Governor Orr and Lt. Governor Mutz made that clear in their years at the helm.

It would not be an easy task. When Japanese site selection teams first visited our EAO in Tokyo, for instance, they would most often tell me that they were interested in looking at southern Indiana. When I asked why, they replied that

northern Indiana had “too many unions and it must be colder there in winter.” These rock-hard perceptions didn’t start to subside until after Subaru-Isuzu Automotive, Inc. located in Lafayette, in the late 1980s.

Even today, I recommend that when dealing with Japanese firms, Hoosier leaders should have a map at the ready. I always start with a U.S. map. I spread it out and indicate where L.A. and San Francisco are, then where Washington, D.C., New York and Chicago are. Then I point out Indiana, highlighting its prime location, its transportation and logistics advantages as “Crossroads of America,” the proximity to America’s south and east and to Canada.

One thing the Japanese always pointed out when looking at the Indiana state map—in the 1980s and today—is the large clusters of “green” areas in southern Indiana where the state parks and forests are. The Japanese like nature and they have always been attracted to rural areas with lots of trees and scenery. In fact, many Japanese companies build and locate their headquarters plants in the Japanese countryside. Thus, Indiana’s rural settings have a nostalgic appeal for Japanese investors.

Perhaps not coincidentally, I found that Japanese investors were very taken with communities that have “green” in their name. In Indiana, for example, we have Greenfield, Greensburg, Greencastle and Greenwood in Indiana—all of them are home to Japanese factories. Plus, Honda just selected Greensburg as the site for its new auto assembly plant.

EARLY JAPANESE CORPORATE CITIZENS

When I entered Indiana’s EAO in Tokyo in April of 1983 there were only 18 Japanese companies operating in Indiana. They had all been in the state for some time—some since the 1960s. Half were manufacturing, and half were sales and distribution offices.

Two of these companies proved very helpful to our efforts to lure new Japanese investment to Indiana. George Gima of Alps Automotive and Alpine Electronics, for instance, was always available to us to meet with prospective Japanese investors who visited Indianapolis. Gima had lots of stories and could sell the virtues of any Indiana location.

Another helpful Japanese business leader was Shinji Yoko of TDK’s sales office in Indianapolis. Like Alps and Alpine, TDK was a distributor for its automotive electronic parts. Yoko and his staffer, Terry Kusachi, were eager to help the state when we brought prospective Japanese investors here to visit. (Kusachi is now the owner/operator of the “New Japan” Japanese restaurant in Columbus, Indiana and Yoko is a senior executive with TDK’s Tokyo headquarters.)

As I entered the EAO in April 1983, Charles Dodson had been working on what he termed “a big project.” It turned out to be a joint venture between Sony and CBS (called CBS-Sony) to build a facility to manufacture compact discs, or CDs, as they came to be known. (Frankly, in 1983, we did not have any idea what a CD was, but we figured if Sony was involved it must be okay.)

After conducting a search of 48 states (all but Hawaii and Alaska), CBS-Sony announced in June of 1983 that it was choosing Terre Haute, Indiana, as the site for its first-ever CD plant in the U.S. I am sure this was partly influenced by the fact that CBS Records and Columbia House had their record distribution center in Terre Haute.

In any event, this was indeed a big project and big news. It would help to put Indiana on the map in Japan. The fact that Sony had chosen Indiana as the site for this important first factory turned the light “green” for other Japanese companies to consider Indiana. In a sense, Sony had vouched for Indiana. Many other Japanese firms would follow.

I happened to be in Indiana on my Indiana familiarization tour for the announcement ceremony that was held at the Terre Haute Country Club. Akio Morita, Chairman of Sony in Japan, and Norio Ohga, President of Sony in Japan, flew in by helicopter, as did the Chairman of CBS to join Governor Orr, Lt. Governor Mutz and Terre Haute Mayor Pete Chalos for the official announcement. Their presence underscored just how big a deal this was for Indiana. The “Digital Audio Disc Corporation,” or DADC, was the first of the modern Japanese investment efforts in our state.

ORR’S FIRST JAPAN TRIP AS GOVERNOR

Governor Orr was originally scheduled to make his first official business trip to Japan as Governor in 1982. Dodson had worked hard on planning and preparation. However, because of the state’s budget crisis, the Governor had to call a special session of the Indiana General Assembly to deal with it, and this prevented him from traveling to Japan as planned. I can remember Dodson describing how difficult it was for him to explain to Japanese business and political leaders—who are far more sensitive to protocol and plans than are their American counterparts—why the Governor had been forced to postpone his trip.

There were no such obstacles in 1983, and the Governor made an Asian business trip to Taipei and then to Tokyo. One of the calls I arranged for him in Tokyo was at Mitsubishi Motors. It was our sense that Mitsubishi would be interested in building a plant in the U.S. in the future, and I thought it would be good to have an introductory meeting. We met with the Chairman and President of the company. The Chairman looked quite familiar to me, and when I looked at his business card I understood why. The Chairman’s name was Tojo. He was the son of Hideki Tojo, Japan’s wartime prime minister. He bore a striking resemblance to his father—but only in physical appearance. Governor Orr and I were astonished at how much the world had changed. In the span of less than four decades, the son of one Japan’s imperial leaders and a soldier who fought against that regime were shaking hands and forging an economic partnership.

Another day, as we were riding to appointments in Tokyo, Governor Orr asked me where the Tennessee state office was. I told him Tennessee didn’t have an office in Tokyo. “Ah, come on!” the Governor replied. “Then how come so many Japanese firms seem to be going there recently?” I explained to him that Governor Lamar Alexander was making personal visits to Japan several times each year, and that he was creating strong personal relationships with many leaders of Japanese industry by doing so. This seemed to make a strong

impression on Governor Orr, and thereafter he increased the frequency of his visits to Japan.

Ambassador Mansfield hosted us at the Embassy during that first trip. President Jimmy Carter had appointed Mansfield, the former Speaker of the U.S. House of Representatives, to be U.S. Ambassador to Japan. When President Ronald Reagan came into office, he created a lot of good will amongst the Japanese when he asked Mansfield to remain on as Ambassador. In all, Mansfield spent some twelve years in Tokyo as the U.S. Ambassador.

The Governor's trip to Japan came soon after the big announcement of Sony's decision to build the Digital Audio Disc Corporation plant in Terre Haute. The Governor visited Sony Chairman Akio Morita and with Sony President Norio Ohga in a sign of appreciation and friendship.

This new friendship was about to be sorely tested.

DEATH SENTENCE

The memory of the morning is still quite vivid. I had made my customary 90-minute commute to the Indiana EAO from my Japanese apartment in Kawasaki, and I had settled down at my desk with my tea to look at the morning newspapers and Telex messages that had arrived during the night from Indiana.

Upon picking up the *Nihon Keizai Shimbun*, Japan's *Wall Street Journal*, my eyes were immediately drawn to a very large headline on the front page with a caption about the "unitary tax" and a map of the U.S. on which Indiana was prominently featured as one of ten or so states that had this form of tax. I just started moaning, "NO, NO, NO, NO."

"Unitary tax" was the system of taxation whereby a company could be taxed not only on its earnings in a particular U.S. state, but also on its worldwide earnings. California was the main culprit in imposing this tax, soaking Indiana's new good friend, the Sony Corporation.

Needless to say, this was most disturbing to Morita, and he began a personal campaign against this form of taxation and against California and the other states that had the unitary tax wording on their books. Morita was a high profile member of Keidanren, a federation of economic organizations akin to our Chamber of Commerce, Japan's most prestigious business organization. He used this organization to lobby against this tax, which to them was very unfair.

I was dumbfounded that Indiana was lumped together with the other unitary-tax states. I had never heard of the unitary tax in relation to Indiana, and it had never been an issue in Indiana before. "Where did this come from?" I thought.

No matter its origins, the bottom line was that this designation of Indiana as a unitary-tax state would be the kiss of death to our efforts to attract any other Japanese companies to Indiana. We would be written off of every Japanese company's list of prospects.

I spent the rest of that day writing long Telexes back to the Indiana Department of Commerce to inform Governor Orr and Lt. Governor Mutz about this major problem. It took a

while for our state tax experts to confirm that, yes indeed, Indiana's tax codes did have wordings to the effect that it was up to the Governor's discretion to impose unitary taxation on a firm's earnings in Indiana. The Indiana Governor could do this without the approval of the legislature. However, no Governor had ever taken such action to date.

When we discovered this, I contacted Morita's staff to explain our situation, but it was not satisfactory to Morita. He said he believed Governor Orr would not impose it on his DADC plant in Terre Haute, but what about future Governors of Indiana? He wanted Indiana to eliminate this wording from our state tax codes. So I dutifully relayed this message back to Governor Orr and Lt. Governor Mutz.

It was very fortunate for Indiana that it had a Tokyo office at this time. If we had not, we might not have found out that we had been given this "death sentence" identification as a unitary-tax state. And we would not have been in a position to act on it.

It was also fortunate for Indiana that I could interact directly with Morita and his staffs at Sony and at Keidanren about Indiana's situation. As a member of the ASOA organization I also was positioned to meet Morita at Keidanren the day when he announced that he would be leading a mission to the U.S. in early 1984 to address this unitary tax issue. I quickly offered an invitation to Morita to visit Indiana. I then suggested that Governor Orr personally invite Morita and his group to visit Indiana. Morita and Keidanren agreed to include Indiana as a stop on their U.S. tour as a result of these actions, giving Indiana and the Governor a chance to defuse this landmine.

THE KEIDANREN MISSION

In May of 1984, a Keidanren mission of some 15 prominent Japanese businessmen, led by Chairman Morita of Sony, visited Indianapolis. It would be one of the most important visits to Indiana by any Japanese group ever.

In advance of the visit, Morita and Sony had informed us that they were considering to put additional investment into their Terre Haute DADC plant for a new laser disc line, but only if Indiana could solve this perplexing unitary-tax problem.

Governor Orr and Lt. Governor Mutz worked hard behind the scenes in advance of the Japanese mission's arrival to mold a bipartisan pledge that the unitary-tax wording in Indiana's tax codes would be eradicated in the next legislative session of 1985.

Indiana did its part, and so did Sony. When the Keidanren mission arrived in Indianapolis a large press conference was held, and at it Governor Orr and Lt. Governor Mutz announced Indiana's pledge to do away with Indiana's unitary tax. Morita, in turn, announced that Sony, out of gratitude, would make additional investments in Terre Haute to build laser discs. It was a very positive and upbeat press conference that was satisfying to all.

In fact, Morita was so pleased that Indiana had been the first state to repudiate its unitary-tax wording that he became an even stronger advocate for other Japanese companies moving to Indiana. Word of mouth is indeed sometimes the best form

of advertising, and as Morita's good name stood behind the good news from Indiana, Japanese business leaders grew more interested in Indiana and all it had to offer to Japanese firms wishing to set up shop in the U.S. Governor Orr and Lt. Governor Mutz became quite famous in Japan for having settled this perplexing issue, and this greatly aided our subsequent efforts to attract Japanese companies to locate in Indiana.

This success was a byproduct of bipartisan cooperation to do what's best for the state. Without farsighted leadership and good-faith partnership in state government, Indiana could have thrown it all away in 1984. Instead, state leaders from both parties and multiple levels of government worked together to fix a problem. In the process, not only was Indiana's "death sentence" lifted, but the state was given new life and greater promotion as a place that welcomed Japanese investment.

CAR CHASES

Even as the Orr-Mutz team added planks in the bridge to Japan, Indiana's neighbors were not standing still. Indeed, many of them were luring Japanese automakers.

Honda moved to the U.S. long before other Japanese auto companies, and in this way was truly a trendsetter and trailblazer. Investing in Ohio to build a motorcycle plant in the late 1970s, Honda was the first Japanese car company to move a production line to the U.S. Honda soon invested in an automobile factory in Marysville, Ohio, giving the Buckeye State a huge head start on Japanese auto manufacturing. As Indiana's own record with Sony underscores, first impressions mean everything in international trade relationships—especially with Japanese firms, which value and reward loyalty.

Nissan was the second Japanese car company to build in the U.S., choosing Smyrna, Tennessee, thanks in large measure to a proactive Governor who made trade with Japan a personal priority.

Soon after joining Indiana's Tokyo office, I made a visit to Mazda, which was rumored to be conducting a survey of several sites in the U.S. Midwest. We had good, productive meetings. I supplied Mazda officials with reams of information on our state's business climate and communities and available sites. Yet I had the very strong impression that Mazda's leadership was leaning towards another state. When it was announced that Mazda's new U.S.-based project would be a joint venture with Ford, it was obvious which state would win the Mazda Sweepstakes. Ford "encouraged" Mazda to invest in Flat Rock, Michigan, at which point Mazda threw out its own site-search study and went with Flat Rock.

As mentioned above, Governor Orr visited the Chairman and President of Mitsubishi Motors when he made his first business trip to Japan as Governor in June of 1983. Although there was no specific indication at the time that Mitsubishi was interested in building a plant in Indiana, I stayed in touch with them. This is a crucial element to attracting Japanese investment. Those long hours of cultivation pay off. Slow and steady does win the race.

About a year after Governor Orr's courtesy call, Mitsubishi Motors began to conduct a site survey of various states and locales. The lead Mitsubishi representative on the site-selection team was Shoichi "George" Osakatani. Osakatani was a sophisticated Japanese businessman with a command of English and a very sharp sense of humor. He was a pleasure to work with at all times. He would often call me at the EAO and ask for pieces of information about locations and cities. Other times he would call or stop by to offer direction on what Indiana should be doing to further its chances to meet his company's expectations.

Working on the Indianapolis staff of Mark Akers' Industrial Development Division at the Indiana Department of Commerce at the time was Jana Madden. She was assigned to the Mitsubishi project and did an excellent job providing both the EAO and our Japanese counterparts with information from Indiana.

The Diamond Star project, as it came to be known, was to be a joint venture between Mitsubishi and Chrysler. So when the first site selection mission visited Indiana it was composed of both Mitsubishi and Chrysler representatives. The project team was adamant about secrecy and maintaining confidentiality, so project meetings were held at the Governor's residence on Meridian Street in Indianapolis to insure privacy.

After showing them various "green field" sites around the state, they quickly focused in on a beautiful tract of land along the corner of State Road 38 and I-65 near Lafayette. Then discussions began in earnest on how that parcel of land could be molded to meet their needs.

Two organizations were particularly helpful in this project—PSI Energy and Norfolk Southern Railroad. Eager to protect the secrecy of the project, the Mitsubishi-Chrysler team did not want to acquire the land themselves, thus revealing their names and their intentions. Norfolk Southern Railroad's Dave Cox, along with Roscoe Beverly from the Industrial Development Division, understood this. Cox was able to persuade his team at Norfolk to take out the rights to the property in Norfolk's name, preserving the anonymity of the project's developers.

PSI Energy was the state's largest electric utility at the time. Steve Biggerstaff, who headed up PSI's Economic Development Division, was especially helpful in leading his team's assessment of the power needs of this project, as well as facilitating the negotiations on the electricity rates the new plant would receive. His attitude, like that of everyone in the project, was always, "Let's get it done."

Mark Davis was then the President of Greater Lafayette Progress, Inc., the economic development organization for the area. He worked extremely hard on this project, so did Dr. Leroy Silva of the Business and Industry Development Center of Purdue University.

Indiana's main competition was Illinois, and we were neck-and-neck as we came to the finish line in early 1985. On the day the final decision was to be reached, the Indiana team assembled at the Governor's residence to answer any last minute questions the project might have. When the call

finally came, Governor Orr took it and was the first to hear the crushing news: Mitsubishi and Chrysler had chosen the Bloomington-Normal, Illinois site as their new home. Our state team had worked on the project for close to a year, and this was very bitter news to us all.

A day or two after this final decision had been set in stone, Osakatani came to Indianapolis to meet with all of us who had been so involved in the project. After a year of working together, we had all become friends. He thanked us sincerely for our efforts, and it was apparent that he had hoped the project would have chosen Indiana and Lafayette. We learned that what swayed the project's final decision was that Illinois at the last moment offered Chrysler additional incentives for an existing Chrysler plant in Illinois if this new Diamond Star Project located in Bloomington-Normal. As Osakatani described it to us, "Mitsubishi was driving the bus, but Chrysler sat in the back telling us where to go!" Knowing that did not lessen the hurt that our Indiana team felt at the time.

On the heels of the Diamond Star project's decision to locate in Illinois in 1985, Toyota announced plans to build a Camry factory in the U.S. And our Indiana team girded up once again to throw the best pitch our state could muster to attract this exciting project.

After meetings with the Toyota team at its Toyota City headquarters in the Nagoya area, I flew to Indianapolis in advance of the visit by the Toyota site selection team to Indiana. The Toyota team had a limited amount of time to spend in Indiana so it was arranged that the Governor's plane would fly Toyota officials around the state to speed the search process. This would also leave more time on the ground for meetings. I flew with them as did others from our Indiana team. We went to all four corners of our state.

In trade negotiations, one learns to expect the unexpected. But sometimes the unexpected is totally unpredictable. On our stop in the Evansville area to look at sites there and in nearby Princeton, the entire Toyota site team and the Indiana state representatives were taken to a nice lunch with local dignitaries. Afterwards we were to re-board a bus that would take us back to the airport. The first person to get on the bus was the Toyota team leader, and I followed him on. The leader only got a short way into the bus, however, when he stopped. I couldn't guess what was wrong so I peered around him to look into the bus. There, sitting in the aisle in the middle of the bus, was a huge black dog. It was something like Cujo from the Steven King novel and film.

As our guest from Toyota stood frozen, I immediately told the bus driver that there was a problem. "Oh?" he replied. "Bart," he yelled, "did you get on the bus?" Then the driver promptly led the dog off of the bus. Everyone, including the Toyota team leader, was able to laugh about the episode.

I doubt it had anything to do with the "Cujo incident," but Toyota ultimately chose Georgetown, Kentucky, as the site for its first Camry factory in the U.S. What no one knew at the time in Indiana is that the Princeton site finished second to Georgetown in Toyota's evaluation of sites for the project. Indiana was once again the bridesmaid, and it hurt even more than it did when Mitsubishi-Chrysler went to Illinois.

Looking back on it now, it appears that Toyota wanted to go to Kentucky from the start. But the Toyota team did a far-reaching survey of many Midwestern states. Perhaps that was to put additional pressure on Kentucky to offer more incentives.

To paraphrase Paul Harvey, the rest of the story about the Toyota project was that the leader of the site-selection team was an up-and-coming director at Toyota. He would later become the first non-Toyota family member to become President of Toyota Motor Corporation. His name is Hiroshi Okuda. In the last several years he has been Chairman of Toyota.

Two times in a row in 1985, Indiana made an all-out, top-to-bottom effort to land first Mitsubishi-Chrysler and then Toyota, but to no avail. We knew we had done our best, but for whatever reason those projects went elsewhere.

I was in Indiana the day of the Toyota announcement in Georgetown, Kentucky. The mood was predictably somber at the Department of Commerce. That afternoon, I received a call from one of the Toyota officials on the site selection team. He and one other executive from Toyota wished to visit our team to thank us for our efforts on behalf of their project. He told me what time they would arrive the next day to do so.

When I relayed this to the various Department of Commerce officials, there was almost a unanimous sentiment that this was a waste of our time. "Why should we spend more time in hearing from them that we finished second?" was the common reaction. I carefully explained that this was Japanese protocol and etiquette, and that Toyota sincerely wanted to thank us for the effort that Indiana had expended on its behalf. Grudgingly, everyone agreed to meet with the Toyota officials and to be polite, and the meeting took place the next day in a very positive and upbeat way.

The main messages conveyed to Toyota then by Governor Orr and Lt. Governor Mutz were that Indiana greatly appreciated Toyota's consideration of our state, that we would welcome Toyota suppliers to the Georgetown plant to locate here, and that we hoped Toyota would once again consider Indiana in the future as a location to build a manufacturing plant.

Given everything that has developed between Toyota and Indiana since then, I often think how pivotal that day back in 1985 was. Had we not been gracious in defeat, the Indiana landscape might look very different than it does today.

A UNIQUE SITUATION

By the end of 1985, the U.S. Midwest was dotted with new Japanese plants: Mazda was in Michigan, Honda was in Ohio, Mitsubishi-Chrysler was in Illinois, Toyota was in Kentucky, and Nissan was in Tennessee.

Indiana sat in the middle with no Japanese auto assembly plant.

The "heat" that Governor Orr and Lt. Governor took over this reality was considerable. I recall the Governor's political foes and some in the press using maps of the Midwest showing all

the successes our neighboring states had in attracting Japanese car plants. “What is wrong with Indiana’s state government?” some asked.

The political cartoonists rubbed salt in the wound. One of the more effective cartoons showed all the Midwest governors in different fishing boats. There was the Illinois Governor catching a Mitsubishi; the Ohio Governor catching a Honda; the Kentucky Governor catching a Toyota; the Michigan Governor catching a Mazda; and Bob Orr and John Mutz pulling up an old rubber boot.

However, there was one positive thing that resulted from the twin failures with Toyota and Mitsubishi-Chrysler: Indiana was perceived as “neutral” territory in the Midwest by *all* Japanese parts suppliers. This is because there were no Japanese auto plants located here making Indiana their exclusive territory. Indiana presented an ideal location to the parts suppliers of all the Japanese auto plants. A parts supplier could locate in Indiana and be close (within a day’s trucking time), yet comfortably far enough away from its primary customer, be it Mazda in Michigan, or Honda in Ohio, or Mitsubishi-Chrysler in Illinois or Toyota in Kentucky.

Japanese parts suppliers were interested in establishing plants in the U.S. to service their main customer, but all of them had designs to expand their business with the Big Three and possibly other Japanese auto manufacturers in the future. They felt they would be denied this “freedom” to explore other auto business if they were located too close to their main, original customer.

This unique attraction Indiana offered to the Japanese parts suppliers for not having succeeded in wooing a Japanese car plant to our state would soon begin paying dividends.

INCENTIVES

Incentives are the monies that are given by state and local governments to projects for infrastructure improvements (such as new roads and highways, extensions of water and sewer lines, utility connections, etc.), tax abatement for buildings and machinery, and training funds for developing new employees. The amount of incentives depends upon the dollars to be invested by the company in the new factory, as well as the number of new employees that will be hired by the company. Contrary to popular misconceptions, incentives are offered to all companies, domestic and foreign. They are not only for Japanese firms.

When I became Director of EAO, I remember Governor Orr and Lt. Governor Mutz telling me that Indiana would be competitive with any new factory project that came along, but that Indiana would *not* try to outbid any of our neighboring states in the competition. The goal was to offer any new project an incentive package commensurate with the investments the company would be making; a package that both parties, the state of Indiana and the investing company, could live with; a package that would not generate controversy.

Indiana is a small state in comparison to its neighbors. In most cases Indiana could not offer an incentive package as large as an Illinois or Ohio. What we always tried to stress to

all new investment prospects, but especially those from Japan, was that while the short-term, up-front incentive monies from Indiana might not match those of another state, we were confident that the long-term costs of doing business in Indiana were much lower and would eventually save the company money. This was due to Indiana’s low worker-compensation rates, unemployment insurance and the overall lower cost of doing business in Indiana.

This was not an easy argument to make to our Japanese counterparts. After all, Japanese prefectures in Japan are carbon copies of one another in terms of their governance, tax policies, administration and connection to the Japanese government. In contrast, as I always explain to Japanese businessmen, the United States is like 50 different countries when it comes to governance and tax policy and administration. U.S. states, even neighboring ones, are very different from one another.

Thus, Japanese firms must carefully examine each state’s own, unique government, tax system and business climate during their site-selection searches, and take nothing for granted.

HOOSIER SUCCESSES

No matter what the cartoonists in the newspaper or opportunists in politics were saying, there were more successes than failures for Indiana’s efforts to attract Japanese investment in the 1980s. Allow me to highlight just a few.

Enkei

The Enkei project proves precisely how important personal connections are in Japan, and how important it is for a U.S. state to have representation in Japan.

Before I entered Indiana’s Tokyo office, my close Japanese friend, Tsune Nakatsuji, President of Nakatsuji Limited in the Osaka area, had introduced me to Henry Sakamoto. Sakamoto was working for Mitsubishi Corporation, the world’s largest trading company, and he was stationed at Mitsubishi’s Osaka branch.

By the end of 1983, Sakamoto was re-assigned to Mitsubishi Corporation’s Tokyo headquarters office, where he went to work in the Aluminum Department. Early in 1984 I invited him to lunch at the Foreign Correspondents Club in Tokyo so we could catch up on things. During the course of the conversation, he mentioned that he was working on a new investment project for the U.S. It was a joint venture between his firm and a company called “Enkei” in Hamamatsu, Japan, to build aluminum automobile wheels in the U.S.

I asked him what part of the U.S. he was considering. Sakamoto replied that he was looking at the West Coast. When I asked why, he said it was because that area of the U.S. is close to Japan. “Yes,” I replied. “But where are your customers?” His answer was just what I expected it to be: the Midwest. That gave me an opportunity to pitch the Hoosier state, with all of its logistics and transportation advantages. He was interested enough to meet with a delegation from the City of Columbus, which was planning to visit Japan weeks later. I was responsible for arranging all their two-week itinerary of appointments in Japan.

As it turned out, Columbus Mayor Robert Stewart and Dave Richmond, the economic development director for Columbus, would hold their very first meeting of that two-week period at Mitsubishi to discuss this joint venture concept with Enkei. (I should note that Mayor Stewart made 17 business trips to Japan in his 12 years in office. That's the main reason why there are at least 18 Japanese companies that call Columbus home today—the largest cluster of Japanese companies in Indiana.)

According to Stewart, that meeting is still vivid in his memory. When we arrived at Mitsubishi's headquarters that Monday morning in March of 1984, we met with the Director of Mitsubishi's Aluminum Department, Sakamoto and a few other Mitsubishi staff. Also in attendance were two executives from Enkei. "The very first question that the Mitsubishi Director asked Dave Richmond," Stewart recalls, "was 'Why *shouldn't* we invest in your city?'"

According to Stewart, Richmond offered a very solid answer. He explained that Columbus was perhaps not a city for single persons, especially for single Japanese persons who might be moving to Columbus to work as engineers and temporary staff as the plant was being built and was in the start-up phase. In a sign of his grasp of the situation, Richmond thought that single Japanese men might be lonely there, and this could be a hardship for them. In contrast, however, he explained that Japanese families would enjoy the quality of life that Columbus had to offer. The Japanese accepted this explanation, and the meeting went on to be a very productive one.

Indiana and Columbus hosted several visits by the Mitsubishi-Enkei group. By the final visit, Enkei officials were convinced that Columbus was where they wanted to be. I joined Stewart's team and the Mitsubishi-Enkei representatives in the celebration that final night in Indiana. But tragedy struck a day later, when Enkei's senior managing director, head of the site selection team, collapsed inside the Detroit Metro airport en route from Indiana to Japan. He had a stroke and was in a coma. He died several days later in Detroit.

We stayed in close contact with the Enkei staff to learn of the funeral arrangements for the Enkei executive in Japan. Due to the circumstances of his death overseas it was decided that the memorial service for him would be held several weeks later in Hamamatus. I suggested to Mayor Stewart that he should attend this man's memorial service in Japan. Thanks to the efforts of Henry Schacht, President of Cummins Engine, Cummins agreed to pay the cost for the mayor's trip.

Mayor Stewart and I were the only American representatives from any U.S. state at the memorial service. When we entered the auditorium hall we were given a commemorative booklet of the Enkei senior managing director's life that contained pictures. One of the pictures in that book was of the Enkei executive with Mayor Stewart. It had been taken on his last visit to Columbus, just a few weeks before. Seeing that only confirmed that the mayor had made the right decision to pay his respects to his friend and partner in person.

A short time later, when the Enkei/Mitsubishi project officially announced that it had chosen Columbus, Indiana, as its site for the new aluminum automobile wheel factory, it was a momentous step for Indiana. This would be the first "modern" (post-1980) auto-related Japanese firm to choose Indiana as its U.S. base. As such, it would blaze the trail for many other Japanese prospects.

This is not the end of the tale, however. When Enkei conducted its groundbreaking ceremony at Woodside Industrial Park along I-65, just south of the Columbus exit, the company brought in a Japanese Shinto priest for a traditional Japanese ceremony to "cleanse" the site and pray for the success of the new company. The Japanese priest wore the formal kimono garments of a Shinto priest for the ceremony, and prayed at a small Shinto table altar that was put up on the site. As expected, Governor Orr, Lt. Governor Mutz, and Mayor Stewart participated in the groundbreaking ceremony.

The next day, when *The Columbus Republic* published a photo of the ceremony, various calls and letters of "protest" began to bubble up, criticizing Mayor Stewart and Governor Orr and Lt. Governor Mutz for participating in such a "heathen" ceremony.

These negative reactions caught Stewart and his wife by surprise. It made them begin to wonder how such cultural insensitivity in their community could be addressed. This led Barbara Stewart to conceive of and plan an annual "Ethnic Expo" that Columbus would host in order to showcase the ethnic backgrounds of all persons living in Columbus and Bartholomew County. It would be held over a three-day weekend in early October each year on the streets of downtown Columbus, near City Hall. There would be cultural booths of different countries on display, singers, dancers, and performances throughout the weekend that would highlight different cultures, and there would be many food booths selling dishes from around the world. There would also be a major parade held on Saturday morning that would pass through the main streets of Columbus, featuring floats depicting different countries and cultures.

To top it off, each year a different country would be chosen as the "host" culture for that year's Ethnic Expo. The Ethnic Expo has grown over the years to become one of the featured events not only for Columbus but also for southern Indiana as thousands attend each year.

Predictably, out of all the myriad food booths that are to be found each year at Columbus' Ethnic Expo, one of the most popular is the Japanese booth, which features "Yakitori" or grilled chicken on a stick and other delicacies. This particular booth is unique because all the Japanese firms operating in Columbus take turns year to year in raising the budget necessary, staffing the booth, and preparing and cooking the food. All proceeds the Japanese food booth makes each year are then donated to a local charity. How's that for good corporate citizenship?

Alpine

The first I heard of the Alpine project came when a representative of the large Japanese construction firm, Takenaka Corporation, visited the EAO to introduce himself.

He told me he was working on a project for one of Takenaka's traditional Japanese clients that wanted to build a factory in the U.S. Midwest. Takenaka was assisting the client by compiling information on different states, communities and sites. The Takenaka representative asked me for all the information I had on Indiana communities and their available sites. He also wanted data on our state government and Indiana's attractions and potential incentive programs.

This man became a frequent visitor to my office, and I ultimately learned that his client was Alpine Electronics, a subsidiary of the large Japanese electronics firm, Alps Electric. Alpine was looking to build a U.S. factory to manufacture car radio and stereo systems for Honda and others. When the time came for an Alpine site-selection team to visit Indiana, I accompanied Alpine officials on their rounds of different Hoosier communities. They quickly singled out a site in Greenwood as the one that interested them because of its close proximity to Indianapolis and good visibility from I-65.

There was one "problem" with the site, however. On it sat a Knights of Columbus hall. To the Alpine site selection team members, this was perceived as a "church," and they couldn't see how they could ask it to move despite the assurances of Greenwood and state officials that it would probably be workable.

The mayor of Greenwood at the time was Jeanette Surina, a dynamic leader with a fiery, outgoing personality to match her head of red hair. The Japanese loved her direct, straight-forward approach to things. Mayor Surina was aware of the misgivings that the Japanese had about the Knights of Columbus facility. When we got to the site on a second visit with the Alpine team, she jumped out of the van, grabbed the hand of the leader of the Alpine team, Mr. Ishiguro, and proceeded to lead him into the K of C hall. After a long while, the two emerged from the hall and walked back to our group. Mr. Ishiguro announced to his team that it would not be a problem for the project to ask the hall to relocate to another area. Everyone, Japanese and American, was happy to hear the good news.

When I had the chance to ask Mayor Surina what had changed Mr. Ishiguro's mind, her response was priceless: "I just took him inside and bought him a beer at the bar," she said. "Then he knew it was definitely *not* a church!"

Diamet

Today, the company located at 1751 Arcadia Drive in Columbus, Indiana, is known as "PMG Indiana Corporation," but the original company name was Diamet. It was a subsidiary of Mitsubishi Metals (later to be called Mitsubishi Materials), which made auto components out of powdered metal.

Diamet was another investment coup for Columbus and the state of Indiana. First, it was another Mitsubishi company, which meant Indiana was gaining the confidence and trust of that prestigious business group. Second, with its exciting powdered-metal technology, Diamet would serve as another high-tech addition to Indiana's changing industrial landscape.

Again, we learned to expect the unexpected. During the announcement ceremony at City Hall the President of Mitsubishi Metal's U.S. headquarters in New York began to experience loss of vision in one of his eyes. He made this known right away, and Brooke Tuttle, the economic development director for Columbus who succeeded Dave Richmond, took him to a local eye doctor. We later learned that the diagnosis was not good. The doctor told the Mitsubishi leader that he was suffering from a detached retina, and that he was going to lose sight in the eye from it.

J. Irwin Miller, Honorary Chairman of Cummins Engine Company and Irwin Management Company and Director of the Irwin Financial Corporation, overheard the news about the plight of our Mitsubishi guest and immediately offered to help. He called his personal physician at the Mayo Clinic in Rochester, Minnesota, explained the situation to him, and asked him to have the Mayo Clinic's best eye doctor standing by. Then, he ordered his personal jet in Columbus to prepare for the journey to the Mayo Clinic in Minnesota. The President was promptly taken to the Columbus airport and put on Miller's jet for the journey. As a result of Miller's generosity and the special treatment that the Mitsubishi President received at the Mayo Clinic, his retina was re-attached and his eye sight was saved.

It goes without saying that the Mitsubishi team was deeply grateful. There is no better grapevine in the world than the "Japanese grapevine," and this story would be spread far and wide by all of the Japanese who were in attendance that day. Mitsubishi was not the only benefactor of Miller's kindness that day. The City of Columbus—and the State of Indiana—also benefited from the very positive image generated by this episode. We always said that Indiana was a place that welcomed and took care of its guests; on that day, J. Irwin Miller showed it.

Fujitsu Ten

The day Fujitsu Ten announced it had selected Rushville, Indiana, as the location for its first U.S. factory to assemble car radio and stereo systems for Toyota was remarkable because of the energy and enthusiasm of the people of Rushville, who were hungry for jobs and opportunities. I went to Rushville with Governor Orr, Lt. Governor Mutz and the President of Fujitsu Ten, who had flown in from Kobe, Japan. The press conference took place in the County Courthouse in the middle of town. The response of the Rushville citizens was the greatest I have ever seen before or since. People clapped their hands. People stamped their feet. People shouted out welcomes. It was the most enthusiastic outpouring of joy and happiness that any community has shown in my experience. None of us who were there that day will ever forget it.

Aisin Seiki

After the bitter outcome of the Toyota Camry project, we were determined to do everything possible to attract Toyota suppliers to Indiana. The company at the top of the target list was Aisin Seiki, the second-largest auto parts supplier in Japan to Toyota (after Nippondenso, which is now known as Denso).

After we at the EAO made initial contacts with Aisin's headquarters in Kariya City, Governor Orr and Senator

Robert Garton, Speaker Pro Tem of the Indiana Senate, included Aisin on their itinerary during a swing through Japan in October of 1985. The three of us met with Takashi Sugimoto, Managing Director and General Manager of the International Division for Aisin, and members of his staff, including Sam Hattori.

Sugimoto wore an exceptionally stern face that day and sat with his arms folded during most of the meeting. He listened quietly while Governor Orr and Senator Garton spoke about Indiana, what separated it from other Midwestern states, and their interest in personally welcoming Aisin to come for a visit. Sugimoto, in response, told Governor Orr and Senator Garton that Aisin had no plans to move to the U.S., and he asked them to understand his position. Governor Orr's response was to say that Indiana would welcome Aisin at any time in the future, should their plans may change—the perfect posture to take, as we had learned several times before.

As disappointing as the meeting was, I told the Governor and Senator Garton that Aisin would have to go to the U.S. to supply Toyota at some point. The timing was not right for Aisin to begin a site search—not yet.

Sure enough, in early 1986 our office began working with Sugimoto and his site-selection team to provide them with specific information on Indiana and its communities. When the Aisin site-selection team visited Indiana, they became most interested in Seymour, Indiana, and its location along I-65, just an hour north of Louisville, Kentucky. Executive Director of the Jackson County Economic Development Corporation Jim Plump did an outstanding job of welcoming the Aisin site team and providing them with all the information they requested. Talks progressed smoothly and things began looking very good for Seymour.

Aisin's plans were to initially invest some \$15 million to build a factory on a 70-acre site, hire some 200 workers and produce auto components for Toyota's plant in Georgetown, Kentucky. Plump kept me informed of developments on his end, and I coordinated messages to the Aisin staff in Japan. All seemed to be going very well until we hit the "604" issue. Yet again, we were learning to expect the unexpected.

This time, however, it had nothing to do with guard dogs or detached retinas.

The east fork of the White River is two miles to the north of the site at an elevation of 558 feet above sea level. Despite the fact that a 100-year flood plan of the area showed that there were no flooding issues with the site that Aisin was interested in, Aisin officials were adamant that they wanted the state to provide extra incentives to raise the pad of their factory (which was originally at about 598 feet above sea level) to 604 feet above sea level. Aisin's reasoning? The 604-foot mark is the elevation of the Ben Franklin Distribution Center that was located just across from the proposed Aisin site.

One of the Aisin staff called me at my Tokyo office and asked me to visit Aisin's headquarters in Kariya the next day. I traveled there and met with Sugimoto and his staff. Sugimoto told me that he would not make a final decision on Seymour until either Governor Orr or Lt. Governor Mutz

would travel to Japan and meet with him to finalize things. He was very determined about this. I understood and relayed the urgent message back to the Governor and Lt. Governor.

It is a testament to the commitment of Bob Orr and John Mutz to bring new investment to Indiana that they decided one of them had to travel to Japan to allay Aisin's concerns. Governor Orr had some scheduled events he could not get out of, so Lt. Governor Mutz would make the unexpected trip, even though the Indiana legislature was in session and the Lt. Governor presides over the Senate.

It was also a testament to the trust that Governor Orr and Lt. Governor Mutz gave to their staff. They both asked me one important question: "Larry, is it worth it?" In other words, should the state go these extra steps and provide extra incentives to meet the company's demands? Considering that Aisin was planning to invest around \$15 million and hire 200 workers (about the average figures for Japanese projects at the time), I was sure that this project would continue to grow in the future. So I replied emphatically, "Yes!"

The Lt. Governor departed Indiana the very next Saturday and arrived in Tokyo on Sunday afternoon. When we met with Sugimoto on Monday, he made it clear that Aisin wanted the state to increase its proposed incentives in order to raise the elevation of the factory pad to the same height that the Ben Franklin facility in Seymour had. This would cost the state an additional \$100,000 or so in infrastructure improvements.

The Lt. Governor told Sugimoto that he would have an answer for him the next morning. That night, in a call back to Indianapolis, Lt. Governor Mutz worked out the extra financial arrangements with Chuck Preston, who was Director of the Business and Financial Services Division of the Department of Commerce. When the Aisin site-selection team members met us at the EAO the next day, the Lt. Governor announced that Indiana was ready to meet their requests and seal the deal. Four months later, Aisin was breaking ground in Seymour. While the factory was being built, Hattori was the only Aisin representative in Indiana, and he opened a small liaison office for the project in southern Indianapolis. He always referred to himself as "a small potato" in the Aisin hierarchy. This "small potato" is now the president and CEO of the Seymour facility.

Our predictions about Aisin and its growth potential were realized. Not only did the Aisin U.S.A. plant in Seymour expand multiple times, growing its number of associates to some 1,800 today, the company also facilitated other Aisin group investments in Indiana, as *The Indianapolis Star* detailed in June of 2006. Aisin-related firms now operating in Indiana include:

- Aisin Drivetrain in Crothersville, which employs 386 associates and makes industrial drive-trains, automotive brakes and chassis;
- Aisin Brake & Chassis in Terre Haute, which employs 358 associates and makes brake drums and cylinders;
- INTAT Precision in Rushville, which is owned by Aisin Takaoka and is a foundry making brake

drums, rotors, and engine bearing caps with a workforce of 371;

- ATTC Manufacturing in Tell City, which is a subsidiary of Aisin Takaoka and makes ductile and gray iron castings and employs 200;
- Aisin Holdings of America, which is located in Franklin and operates a logistics center for distribution and process control that employs 50; and
- Aisin Chemical in Crothersville, which is expected to open in 2007 with 30 employees.

In short, the extra steps that Governor Orr and Lt. Governor Mutz took in 1986 to accommodate Aisin on its initial site requirements certainly did pay off.

SUBARU-ISUZU AUTOMOTIVE, INC.

In early 1986, I arranged an appointment with the Tokyo office of the International Division of Fuji Heavy Industries (FHI), the maker of the Subaru brand of cars. FHI was rumored to be considering a move to the U.S. I won't forget that meeting because I was grilled for several hours by the head of the International Division as to why Indiana had not been successful in attracting one of the previous Japanese auto firms that moved to the U.S. I spent the appointment explaining about each of the earlier auto plant projects and the special circumstances, beyond Indiana's control, that opened the way for neighboring states and closed the door on Indiana.

I supplied FHI with books of information on Indiana's advantages, communities and sites. It was our understanding that we were dealing solely with an FHI project to build Subaru cars in the U.S. But a few months later I learned that FHI and Isuzu Motors Limited would form a joint venture to manufacture cars and trucks in the United States. Fuji Heavy Industries was to have 50 percent of the venture, and Isuzu was to have 50 percent. That was big news to us in Indiana.

My colleagues in Indianapolis and I began discussions with a site-selection team consisting of Subaru and Isuzu representatives. After looking at a number of candidate areas, the combined Subaru-Isuzu team focused in on the Lafayette, Indiana, site north of state road 38 and bordering on the western side of I-65. This was the same site of some 869 acres that Mitsubishi Motors had been so enthused about a year before.

Due to the experience our state team had accrued in showing Mitsubishi that site, Indiana was ready to answer any question the Subaru-Isuzu team had about it. Norfolk Southern Railroad still held the option on this site which was very helpful. Mark Davis, the President of Greater Lafayette Progress, Inc., was again extremely cooperative and helpful in facilitating the best community response possible to the project's requests and needs.

The name of the new auto assembly plant was to be Subaru-Isuzu Automotive, Inc. or SIA. There would be two separate assembly lines inside the factory. Subaru would produce a four-door sedan and station wagon on one, and Isuzu would produce pickup trucks and utility vehicles on the other. During the first stage of the plant, the company was projected

to make 120,000 vehicles a year, and in the second stage 240,000 vehicles. The planned employment was 1,700 at start-up and an additional 1,500 employees in the second stage. The projected start of the plant's production was late 1989.

The dollar investment by FHI and Isuzu in SIA was to be \$500 million in stage one and \$390 million in stage two.

The joint venture team identified four individuals who would serve as the top executives of the new joint venture company: Tamon Yamamoto of FHI was to be the President and Chief Executive Officer of SIA; Masaharu Masumitsu of FHI was to be Executive Vice President and Chief Financial Officer of SIA; Motoyuki Shinoda of Isuzu was to be Executive Vice President and Chief Operating Officer of Manufacturing and Engineering for SIA; and Tadasu Ejiri of Isuzu was to be Senior Vice President of Finance for SIA.

Indiana was committed to success on this project. This was a full team effort, which involved the Department of Commerce's Industrial Development Division, Business and Financial Services Division, Community Development Division and many others. All of us, after the previous auto projects went elsewhere, were completely focused and determined to bring the SIA plant to Indiana.

Vital to that effort was a strong working relationship on the local level with the following persons: Mark Davis of Greater Lafayette Progress; Mayor Jim Riehle of Lafayette; Mayor Sonya Margerum of West Lafayette; Dr. Steven Beering, President of Purdue University; Dr. Leroy Silva, Director of the Business and Industry Development Center (BIDC) for Purdue University; Sue Scholer, Eugene Moore, and Bruce Osborn (the three county commissioners of Tippecanoe County); and Kenny Yost, Town Board President and other officials of the Town of Dayton, which is located near the SIA site. And as usual, we had the full support and leadership of Governor Orr and Lt. Governor Mutz.

On one of the visits to Lafayette by the Subaru-Isuzu selection team Eugene Moore was asked to make some introductory remarks at a luncheon that was held in honor of the visitors. A 75-year-old farmer, Moore didn't waste our guests' time with some flowery speech. "Welcome," he began. "Please come back." And with that, he was finished. At first the local and state officials in attendance were aghast that he did not say more to welcome the visitors and encourage them to locate their manufacturing plant there. However, his brevity seemed to have the opposite effect. Mark Davis told me how Masumitsu leaned over to him, smiled, slapped him on the knee, and said, "That was the best speech yet!" Indeed, Moore had said all that really mattered: The SIA team was a welcomed guest, and we wanted it to return for good. I'm not surprised the Japanese appreciated Moore's Hoosier candor and brevity.

Due to the size of the combined Subaru and Isuzu site selection team (perhaps 20 members), it was arranged for them to be transported around the Lafayette area in a large motor home. (Try to keep that inconspicuous and confidential!) The team wanted to visit the Lafayette Mall for some shopping one day. The Japanese visitors were given an hour to look around the mall before they had to return to the

bus in time for the next destination. Davis recalls how, soon after the Japanese disappeared into the mall, Yamamoto, the designated President of SIA, returned to the bus with a small, brown paper bag. Davis was standing outside the bus and told Yamamoto that there was still a lot of time left for him to look around the mall if he wanted to. At that point Yamamoto opened up the bag and pulled out a bottle of Jack Daniels and said, "Shopping done!"

We learned later that on a site visit to Kentucky, Yamamoto had been very surprised when he went to order a beer with his dinner only to find out that they were in a "dry" county that did not serve alcohol. Davis then realized that Yamamoto's main goal on that stop at the Lafayette Mall was to confirm that Lafayette and the surrounding area were not "dry."

Fortunately, all of the state and local efforts to woo the SIA automotive plant project to Lafayette and Indiana were successful, and a Memorandum of Understanding was signed on December 1, 1986, by Lt. Governor Mutz, Akira Soejima, Senior Managing Director of FHI, and Yasuo Yamamoto, Executive Director of Isuzu Motors Limited.

It was a turning point: Indiana had finally been successful in attracting a Japanese car plant to set up shop in the Hoosier State.

CONCLUSION

The investment by Subaru-Isuzu Automotive, Inc. in Lafayette was perhaps the highlight of the Orr-Mutz administration's economic development efforts. Now we had a Japanese assembly plant to go along with the many Japanese suppliers that began to locate in our state. No longer were we the state without a car plant from Japan. The SIA project was especially valuable because it brought with it its own additional parts-supplier investments, including Elsa Corporation in Elwood, Heartland Automotive in Greencastle, HAPICO in Greencastle, Moriden in

Indianapolis, Fuji Component Parts in Indianapolis, General Seating in Frankfort, and later investments by Austin Tri-Hawk in Austin, TOA in Mooresville, and Chiyoda in Greencastle.

By the end of the Orr-Mutz administration in 1989, Indiana had built up so much momentum and success in its attraction efforts with Japanese companies that neighboring states were begging for mercy.

On the 2005 Indiana Mission to Japan, which was led by Governor Daniels, the state handed out booklets titled "Japanese Investments in Indiana." The booklet contains the names and addresses of 230 Japanese companies that now call Indiana home. Going through that book and subtracting the 18 Japanese companies that were located in Indiana in 1981, I was surprised to find that roughly half of the remaining total number of Japanese firms with operations in Indiana today came here during the Orr-Mutz administration, which lasted eight years. The other half have come to Indiana in the 16 years between 1989 and 2005. In other words, the Orr-Mutz partnership really did build a solid bridge between Indiana and Japan—one that future administrations and future generations could count on for opportunity, jobs and investment.

That is perhaps the greatest legacy the Orr-Mutz team has left to Indiana. I am very proud to have been one member of that effort. The multiple successes of the Indiana-Japan partnership today have been built upon the strong foundation of Japanese investment that the Orr-Mutz team and their administrations first brought to Indiana in the 1980s.

Larry Ingraham is a senior fellow and director of international trade at Sagamore Institute for Policy Research. He also serves as president of Ingraham & Associates.