



JAPAN-AMERICA
SOCIETY OF
TENNESSEE, INC.



TENNESSEE
WORLD
AFFAIRS
COUNCIL

Japan-America Society of Tennessee Public Awareness Initiative

Impact: Japanese Business Investment in Tennessee

In association with the Tennessee World Affairs Council

Verbatim Transcript

A Conversation with John Scannapieco

Former Chairman, Japan-America Society of Tennessee
Partner, Womble Bond Dickson (US) LLP

Video Recording on the JAST YouTube Channel

Patrick Ryan [00:01:36] Hello, I'm Patrick Ryan from the Tennessee World Affairs Council. I'm speaking today with John Scannapieco about the Japan America Society of Tennessee project on the impact of Japanese business in Tennessee. John Scannapieco is a former chairman of the Japan America Society of Tennessee for three years from 2016 to 2019, also a board member starting back in 2013. And his professional career, John is an attorney. His focus has been as a lawyer in cross-border activities, transactions developing U.S. Japan business. He's also worked with the public and private sector, overlapped with the government to help promote foreign direct investment in Tennessee, and has worked with Japanese businesses who are looking to invest in the state of Tennessee. You can find a complete bio for John Scannapieco in the program notes. John, welcome, and thanks for taking time to talk to us today.

John Scannapieco [00:02:41] Oh, thank you Pat for inviting me.

Patrick Ryan [00:02:43] Let's start out with just an overview of your experiences. I outlined that briefly, but give us a little more background on what you have experienced in your professional life and also as a volunteer chairman of JAST and your understanding of the impact of Japanese business in Tennessee.

John Scannapieco [00:03:05] Sure. So when I arrived in Tennessee in 1989, Japanese investment at that point was still, I would say, fairly new. Many of the communities throughout Tennessee had never really interacted with folks from Japan, but they saw some of the success that other communities were having courting Japanese investment and then the impact that investment would have on their communities. And so I got involved early on in helping these communities attract this, this investment, because if you look at when a Japanese business would come to, say, a community, whether in the automotive sector, to some other technology, food production, whatever it was, it really had a significant impact on that community. And it's just been something that I have really

been very interested in in terms of doing cross-border business because of just the, I guess, the level of investment from Japan. In Tennessee, it's our largest investor and it really has had such a significant impact across the state. So where I would get involved is I would maybe either help, say, the state of Tennessee or maybe even Nashville and help promoting this region to Japanese companies or just in my role as a cross-border attorney with experience working with non-U.S. companies, investing in the United States, Japanese companies would contact us and we would help them maybe explore different areas for their investment. And then ultimately, maybe they would settle on Tennessee, and we would help them navigate that process of incentives that, say, the state level setting up the right corporate structure for them and then helping them get their facility built, hiring employees, working through immigration issues, and the like.

Patrick Ryan [00:05:01] So, John, when you came in to look at this, the phenomenon, the development of business here, what would you say was the climate in terms of the evolution of business? We saw in the mid to late 1970s, the first businesses come in and Japanese investment was about two percent of the total FDI. And then, you know, now now we're looking at I think it's 50, 60 percent of the foreign direct investment in Tennessee. Where was - what was the climate overall in terms of the scope of the investment, the types of businesses that had come to Tennessee and the communities in which they were locating?

John Scannapieco [00:05:47] Well, early on, and I really need to give all the credit to former governor now former Senator Lamar Alexander and then his whole team in courting Nissan to make their significant investment in the Smyrna area for the first manufacturing facility here in North America. That really served as a catalyst for further Japanese investment because, as you know, just in time inventory method, they set up their manufacturing facility. So it required all of their suppliers to move from Japan to this area. And it couldn't be - well, Nissan is here in Middle Tennessee. I can't then build the supplier down in Mississippi. I need to be close by. And so that really spurred significant investment initially around the automobile sector. But as is true, I find it in most cases where certain companies have success then other businesses from that country, regardless whether the same industry or not, they will then follow. And so I think we've seen now a progression of investment not only in auto and auto related industries like Bridgestone Americas, for example, but in other industries, whether in the printing. I've seen health, health tech investment, food and beverage, printing, really, you name - chemical, you name, you name the industry, and I think you'll find some Japanese investment. But then they followed and that investment spread in the Middle Tennessee area really throughout now, the whole state. I don't know any part of the state that doesn't have some Japanese investment.

Patrick Ryan [00:07:30] So there's a certain level of business magnetism. I guess you could call it, that if you build it, they will come. And if one comes others will follow.

John Scannapieco [00:07:41] Well, what also, I think another important factor that I think sometimes gets overlooked is the responsiveness of the Tennessee communities themselves because, you know, for example, I can be, I could put like a Nissan in the Smyrna area. But if the community itself is not welcoming to that, we'll say non-U.S. investor that comes and maybe their employees are not made to feel welcome in that community, then I think you really won't see much follow-on investment because really, at the end of the day, yes, these companies want to go where it makes sense economically. Say where there is a good workforce, there's good infrastructure, maybe access to raw materials, you know, maybe access to ports, whatever they may need from a business

perspective. But I think the other key component, this is something that I've seen time and time again is will the community welcome me from Japan to this place? And will they make my, my spouse feel welcome, my children feel welcome? And I think that is a component where I give high marks to not only the state of Tennessee at the government level, but also to all those individual communities and the people in those communities really making the Japanese businesses feel welcome right from the get go. I mean, I don't really, I don't recall many, really hearing any stories where there was friction between the, say, the Japanese management or ownership in the communities that really they were able to work so well together right from the get go. And I think Japan American Society played also an integral role in helping those communities understand the Japanese culture and just how doing business in Japan is different from the United States. Not good, not bad, just different. And how maybe they could make their communities more welcoming to that investment.

Patrick Ryan [00:09:36] And we've heard from others we've talked to in this series about the impact of that welcoming and that hospitality, that there were some CEOs who were looking at all the numbers and the numbers pointed towards Mississippi or Georgia or someplace else. But the CEO overrode the decision of a panel and said Tennessee was the place that he or she wanted to go to.

John Scannapieco [00:10:01] Yeah, exactly, exactly. And I think it does serve the state really well, and that's why if you if you look, I mean, really as long as I can remember the state of Tennessee, it's been number one, two, three. I mean, it's been in the top ranking in terms of attracting foreign direct investment. And that welcoming attitude and the collaborative attitude of these communities really is one of the high points. It is listed as why I came to Tennessee versus any one of the other number of states here.

Patrick Ryan [00:10:35] So that that leads into the conversation about the nature of relationships. And we've been told that relationships rule when it comes to the bringing of FDI in general, but the relationship with Japanese businesses in particular. Can you talk a little bit about how JAST and others in the Tennessee Economic and Community Development Department and communities, what sorts of relationship building elements have gone into attracting businesses? What sort of activities have the businesses themselves engaged in? I know we can look around and see foundations of various corporations that support communities. We see that right here in Nashville, we've got the Nissan Stadium and the Bridgestone Arena. So clearly, these businesses are getting involved in the community in many ways. Can you talk a little bit about that?

John Scannapieco [00:11:34] So, sure. So Japan America Society really came out of the need in terms of economic development of helping not only the state of Tennessee, but also the various communities throughout the state understand what it meant to do business with Japanese companies. Because again, you know, you have to think about it. Many of us just had never really experienced or had any interaction with someone from Asia. That was literally the other side of the world. And so - but at the same time, they wanted to learn more about the culture. They wanted to learn more about Japan and Japanese businesses and how they do business. And so the Japan America society was kind of that bridge between the Japanese businesses and what I'll call the economic development organization at both the state level and the local community level. And so they provided all sorts of resources, translation services, how to maybe even - what food to serve. All these little things again that I think go a long way. The same time, JAST served as the lead agency on behalf of the state in the Southeast U.S. Japan Organization. And there is a corresponding organization on the other side - Japan

Southeast U.S. and we have a conference every other - I guess it's every year alternating between a southeastern U.S. state that's a member and in Japan, and it is all geared around promoting both the southeast to Japanese businesses and at the same time, thanking the Japanese businesses for their existing investment in the region and getting a better understanding of, okay, you're here, what can we do to help you continue to be successful in our region? And so it's been a really good conference that they have, like I said, every year, just alternating locations where we get together and really talk about this investment in the region and what we can do to make it better. And we'll have governors participate will have, I say, commissioner of economic development, whatever the different states call that role, as well as sometimes tourism will be there representing the state and then other local economic development organizations from all the different states will also be there and participating in that conference. We also will facilitate other types of events. So the Cherry Blossom Festival here in Nashville, it's the largest cherry blossom festival, I think, in the United States now. We average about forty-five to fifty thousand attendees. That led to celebrate the anniversary, where the Japanese government planted a thousand cherry blossom trees around Nashville community. We have a Memphis Japan Festival in the fall that's now growing also in popularity. Again, one of the things that we find is if we can educate the local community on not only Japanese culture, but also the impact the businesses have that that leads to a better relationship, a more collaborative relationship. So we're doing these events in Memphis, here in Nashville, and then also the Asia Festival in Knoxville that has a component that represents Japan as well. We'll participate in that. And then we work with different businesses that may want to participate more in the community, helping them identify some of these opportunities where they can participate. Now again, Nissan's investment in the naming rights at Nissan Stadium is something they've done on their own. But in terms of the smaller scale of supporting different events that the community may have. We'll host different business delegations from Japan here in the region, again, bringing the business community together here in the U.S. with the Japanese business community, again, to create an environment where they can have a dialog about opportunities, challenges, best practices, and really, again, share some business ideas, which we hope that will lead to actual business being done by these businesses.

Patrick Ryan [00:16:03] Well, we've we talked about a lot of the elements that go into building the relationship and what the experiences have been. But tell us just in a brief description, if you would what you would tell a Chamber of Commerce in an area in Tennessee that didn't have a Japanese investment yet or some other group that was interested in knowing why is it important that we cultivate a positive business relationship and what the impact has been? So I guess the question is what has the impact been to the state of Tennessee from Japanese FDI?

John Scannapieco [00:16:40] Right. I mean, so I think that current numbers are Japanese investment in Tennessee, we're either number one. I get different numbers, we're either number one in terms of total foreign direct investment of all the states in the United States, I also hear, and maybe this is coming from the California people, so they're a little biased. They say they're number one, we're number two. But regardless, it's significant investment here in Tennessee by Japanese companies. They have chosen Tennessee to be one of the leading areas where they're going to invest their resources. And what that has led to is the direct employment of over 50,000 Tennesseans. And then what I call the follow on employment, the indirect jobs - it's in the hundreds of thousands. So I mean if you really think about the impact across the state - it's significant. There are over 200 Japanese invested businesses scattered throughout our state in a variety of different industries. So you think of the impact to the tax base in the community and what

that can mean to the services which we're able to offer in the community. They're building more schools, fire stations, police stations, providing more social services, and at the same time, you're bringing a more diverse population into the community, which you know, again, diversity is such a good thing in terms of it provides some different thoughts and different ideas. And we all think of the old Silk Road and what that did in terms of bringing different foods and thought and inventions to, you know, to the to the western world. Well, it's the same thing, I think, on a much smaller scale, obviously, but what it can do to a community, it really opens up that community to understand that, you know, there are people out there in the world that are different for me, but that difference is not something to be fearful of. It's something to celebrate. And it makes my community a better place. And then, of course, just the follow-on investment that can come and in the the economic impact that can come from that. So to me, any time a foreign company is looking to invest in the state, I mean, whether it's Japanese or otherwise. I mean, I really do promote it because I think it really does add value to that, that community, economically and also socially, culturally in terms of what they bring to the community.

Patrick Ryan [00:19:10] Well, you touched previously on business magnetism of the fellow businesses coming in behind you. But let's listen just briefly about the impact downtown Nashville and the Bridgestone tower. You know, we had the headquarters of Nissan move from California to Tennessee, the Bridgestone headquarters coming to the region and then building a tower downtown. And all of a sudden, businesses large - some global, some not - but major businesses investing in downtown - Nashville Yards and elsewhere. Touch a little bit on the magnetism in the downtown Nashville area.

John Scannapieco [00:19:50] Yeah, sure. So if you look at, well, I'm going to talk about two different areas, so the Cool Springs area of, say, Williamson County and then downtown, because I think if you look at Nissan North American headquarters, that was the first major development there. And now you look at all the development around it. There are many non-U.S. companies that are putting their either U.S. headquarters, North America, U.S. or regional headquarters in that area. And I also say it attracted Mitsubishi. They moved their North American headquarters directly across the highway from Nissan, I guess. I think they can look in each other's windows with telescopes. Maybe I don't know - to see what the other's doing. But again, that investment then spurred the significant investment in the Williamson County area of really large corporate relocation to that area. And just as you mentioned with Bridgestone Americas downtown, you look at now all the development that's coming - Alliance Bernstein moving, UBS moving. These are all, you know, UBS is Swiss coming obviously, they're from New York, so we'll call them a foreign company to down south. But the fact that, you know, New York companies that have come, you know, Mitsui has as a major investment here as well. I mean, you're really starting to see Nashville being recognized as a center for global business, and it really started with the investment of Japanese businesses here. The large investment so the Bridgestone Americas investment. Remember, they used to be out by the Opryland area and then decided to come consolidate their operations, their management operations here in downtown and the same thing with Nissan. But it all started with that, with that initial investment, and then of course because of that investment, it's the same thing with the jobs. You know, you have the direct jobs, then it's the indirect jobs. So you look at when I'm building that, that tower, Bridgestone tower. Well, what are they going to need? They're going to need food. They're going to need housing in order to support that. And so you look around now downtown Nashville and you have grocery stores, you have more and more residential units, whether they're apartments or condominiums or even houses, you know, small houses, they are in Germantown and other parts of East Nashville and other parts of downtown. All of that is due directly because of that business investment. I mean,

you're not going to build, you're not going to build houses where there are no jobs, right? So you're going to - the jobs have to be there and now you're getting the entertainment investment, you're getting the food investment, you're getting the housing investment. I mean, it really is significant. Lipscomb now has a campus downtown as well to provide educational opportunities in the downtown area. I mean, it really, I was just down there yesterday, and I'm just amazed every time I look around at just what I see and what I recall from when I got here in 1989, it really is significant, and I attribute a lot of that to the foreign investment that's come. But then again, that all was triggered, the catalyst for all of that was the Nissan investment.

Patrick Ryan [00:23:11] Well, John, we're closing in on the end here, and I just have one one last question. And your final observations, let's start, touch a little bit on where we're going in the future. What do you see as Japanese investments that might be coming? You know, we have major automotive industry investments. We have an investment - NTT data is a new arrival on the scene here. So there are non automotive businesses that have come. There are other countries. South Korea is investing heavily and in the Clarksville area, but talk to us about FDI in particular in Japan. What do you see happening in the next five to 10 years?

John Scannapieco [00:23:52] Yeah, sure. So, you know, if you think about it, the Japanese investment in Tennessee is fairly mature. So, you know, all these communities now have been dealing with Japanese businesses. They've been - so they have a good sense of what that's all about. So I will provide a warning that we don't take it for granted because I feel like to some extent we're taking this investment for granted and we shouldn't because other states have recognized our success and how that success was driven by the Japanese investment. And there is significant investment to come as technology continues to advance. There are more and more companies that are going to want to come to the United States. And if we don't focus on the relationships that we have and thank our - these companies for making that choice of Tennessee then my fear is other states are going to be able to steal that investment. I mean, you look at a lot of investment, Japanese investment going into Kentucky. I see a lot going into Georgia. And I wonder, you know, are we doing all that we need to do to ensure that we are maintaining those relationships, that our Japanese investors understand that we care and that we really appreciate that investment? I feel like it at some of those high government level that we are now taking it for granted. And so my suggestion or recommendation would be that we again focus more time and attention on our Japanese partners because they are so important to the state and we don't want to risk losing that investment. As you've already pointed out in not just automobile investment, it's now in more advanced technologies, that whole layer of investment. We don't want to lose that to our neighboring state simply because we, like I said, took it for granted.

Patrick Ryan [00:25:56] OK, we've been talking with John Scannapieco. John, thanks so much for your time. John is an attorney who focuses on cross-border transactions. He has helped Japanese businesses develop investments in Tennessee. He's helped U.S. businesses in trade with Japanese businesses, and he has been the chairman of the American Society of Tennessee, which promotes the relationship between Japanese businesses and the community. And John, thanks so much for being with us today.

John Scannapieco [00:26:30] No, thank you very much for having me, I appreciate it.