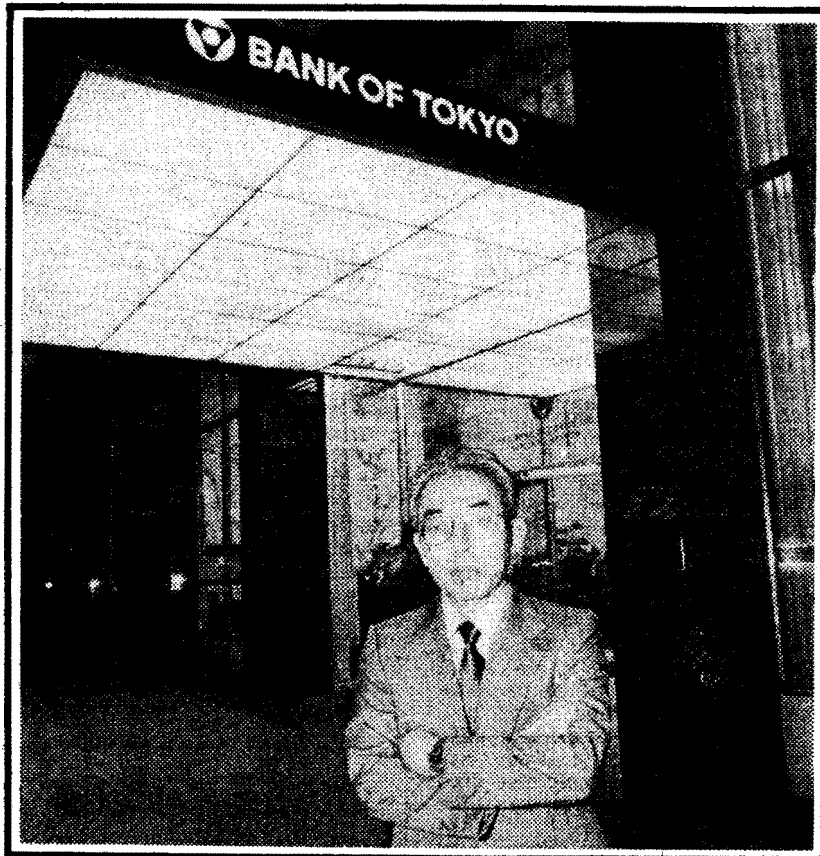


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Foreign Investors Plant Oregon's 'Silicon Forest'

By NICHOLAS D. KRISTOF

Special to The New York Times

SALEM, Ore. — Only eight years ago, Oregon's newly elected Secretary of State jokingly proposed that Oregonians line up on the southern border and hurl rocks at incoming cars with California license plates.

"Those were the days when we were so arrogant," Secretary of State Norma Paulus said recently when reminded of her earlier suggestion. "There's nothing like poverty to change your attitude. Now we're like brazen hussies throwing ourselves on anybody with a shekel in his pocket."

But if Oregonians have been embarrassed about selling themselves, they have nonetheless been spectacularly successful in their efforts. In a highly competitive environment, Oregon has managed to lure a host of companies from Japan and elsewhere. This investment, coupled with a home-grown technological boom as several local concerns have sprung up, has already nurtured what is being called a "silicon forest." The

state hopes it will be a better performer than the Douglas fir forests that have been the backbone of Oregon's economy, but have faltered with the rest of the timber industry over the last few years.

To woo outside investors, Oregon officials have made the usual sales tours to promote their state. But what was most critical, officials said, was the decision in July, at a special session of the Legislature, to repeal the state's global unitary tax, effective Jan. 1, 1986.

Oregon was one of more than 15 states that sought to raise revenues by adopting such a tax, which is assessed on a fraction of the company's worldwide operations, not just those that are located within the state or the country. Foreign investors have protested the tax, and recently many have said that they would not invest in states that use it.

Indeed, there now appears to be an effort to turn back these taxes. Several states, including California, are considering repealing them, and Ore-

gon's success in recruiting international business is expected to bolster the arguments of those seeking repeal.

Even before Oregon officially rolled back its unitary tax, it succeeded in attracting a major Japanese electronics company, the NEC Corporation, by agreeing to waive the tax. NEC became the state's first significant Japanese investor when it announced last May that it would build a \$25 million factory for fiber optics equipment on a 210-acre site near Hillsboro, 15 miles west of Portland.

After the global unitary tax had been repealed, three more Japanese concerns, Epson America, Fujitsu America and Fujitsu Microelectronics, also announced plans to invest in Oregon. In addition, the West German-owned Wacker Siltronic Corporation announced plans to build the largest polysilicon plant in the world in Oregon.

Gov. Victor Atiyeh, who sells Oregon as vigorously as he once sold the carpets in his store when he was a Portland businessman, said in an interview that the state would recoup through stimulation of the economy far more than the \$15 million a year it had lost by dropping the global unitary tax. The state said the foreign investment announced in 1984 would total \$690 million over the next several years and provide employment for 4,600 people.

Glowing Terms

Foreign investors who are newcomers to Oregon certainly speak in glowing terms of the state. "In the frontier era, people came here by the Oregon Trail," said Masakatu Tomita, project manager in Oregon for Epson America. "I think many people are following the Oregon Trail now, from Japan and other countries. We love Oregon."

Terry Kuzumaki, general manager of the Bank of Tokyo branch in Portland, said his bank is advising many other potential Japanese investors about Oregon. He said that in addition to no longer having the unitary tax, Oregon's advantages included help from the government, a supply of skilled and stable labor, cheap land, a low cost of living and a very hospitable local population.

Less Attractive

Not everyone is so enthusiastic about the state. R. Willard deWeese, founder and chairman of the Synetron Corporation and a prominent Portland businessman, said Oregon's taxes and contributions for workers' compensation and unemployment insurance still make it much less attractive than many other states.

"We've repealed the unitary tax, and it's a flamboyant gesture to Japanese industry," he said. "But that's only the tip of the iceberg because

Oregon suffers from many, many other problems."

Determined to address some of these problems, the Governor late last month proposed a major tax restructuring that he said would make Oregon even more attractive to business. Most important, he proposed that the state's steep property taxes be reduced by introduction of a 5 percent sales tax. If the voters approve the change in a statewide election next year, corporations are expected to find Oregon still more appealing.

Educational Centers

The Governor also proposed establishing a center for biological and advanced sciences at the University of Oregon in Eugene, a center for electrical and computer engineering at Oregon State University in Corvallis and a center for international trade and business at Portland State University.

Although other high-tech centers, such as Silicon Valley and Boston, were nurtured near the campuses of some of the finest science universities in the world, Oregon was somewhat unusual in that its high-tech boom came in what one scholar called "a comparative educational vacuum."

The influx of Japanese investment has convinced many Oregonians that the state should look westward in planning its future. With such traditional industries as timber and agriculture in tatters, it is chic to speak of the Pacific century and the common interests of the Pacific rim countries — those from the United States to Asia that abut the Pacific Ocean. Already the United States trades more with these nations than with Europe.

This fall Oregon opened its first foreign office in Tokyo. There is talk of opening another in Singapore. Japanese is an increasingly popular subject in colleges, high schools and even elementary schools. The good will that Oregonians feel for the Japanese seems to be reciprocated. Japanese television last month began airing a show called "From Oregon with Love."

A concern of development officials has been that so far the new investment has focused on the Portland area, with little extending to the farming or logging areas that have been suffering the most.

Moreover, some Oregonians said they would want to make sure that new investment does not provoke the congestion, soaring land prices and loss of agricultural land that have occurred in some areas of California.

Major Proponent

"Every time I get into the traffic out here, I wonder if we're doing the right thing," joked Earl Wantland, president and chief executive of Tektronix Inc., by far Oregon's largest high-tech company.

Japanese businessmen said that they are attracted by the relatively bucolic setting that Oregon wanted to preserve when a decade ago it started its half-serious campaign to keep businesses and foreigners, including Californians, at arm's length.

"Oregon is a very good place to live," Kuninori Kawakami, general manager of NEC's operations in the state, said. "The community is small, but people are very friendly and warm."

States Repeal Unitary Tax

Some four decades ago, California legislators, looking for a way to raise revenues, put in place a global unitary tax. The new tax used an accounting method to assess companies on a fraction of their international operations — not just those located in the state or country. Other states gradually followed suit.

Last summer, Oregon repealed its global unitary tax, effective Jan. 1, 1986. Florida followed in a special session of its Legislature 10 days ago. And the Massachusetts Supreme Court last week struck down the global method as inconsistent with state law.

In addition, Indiana's legislative leaders and Governor have signed a pact to repeal that state's global unitary tax when the Legislature meets next year. Powerful lobbying for repeal is also expected in California and North Dakota.

Six other states that have a unitary tax are Alaska, Colorado, Idaho, Montana, New Hampshire and Utah. With the exception of Alaska, repeal efforts are expected to eventually get under way in these states. In Alaska, at least so far, there is little opposition to the tax.