



U.S. mill leaps Japan hurdles

By Ronald E. Yates
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TOKYO—Like many American executives, Robert N. Gurnitz had heard the horror stories of Japan's seemingly impregnable trade barriers, and he was well aware of the formidable array of non-tariff obstacles that possibly awaited his company's products in the Japanese marketplace.

For example, he knew his 112-year-old Northwestern Steel and Wire Co. of Sterling, Ill., would have to contend with Japan's notoriously clubbish *keiretsu* system of industrial groupings in which member corporations buy and sell to one another while excluding "outsiders."

He knew Northwestern would have to earn the tough Japanese Industrial Standards (JIS) stamp of approval issued by Japan's Ministry of International Trade and Industry—something that only one other American steel company—Chaparral Steel—had ever managed to do.

And like many of America's steel mills still recovering from the industry's devastating 1981-82 depression, Northwestern had only recently undergone drastic but life-sustaining financial surgery. The operative "R" words in the industry were "Recuperation" and "Revitalization"—not "Risk."

So why, then, did chief executive Gurnitz and other members of Northwestern management decide a year ago to go ahead with the arduous process of establishing a beachhead in Japan for the firm's structural rolled steel?

After all, Japan is not only the world's biggest exporter of steel products, but its domestic steel plants are perhaps the most modern and efficient in the world. To some, the idea of an Illinois steel company hoping to market 100,000 metric tons of angles, beams, channels and flats to Japan per year may seem a bit like carrying shamrocks to Ireland or peddling sushi in Yokohama.

But not to Gurnitz.

"We elected to go on the offensive," said Gurnitz, who along with three other Northwestern officials, was in Tokyo Monday to receive official word that the Japanese government had given its products Japanese Industrial Standards certification.

The certification is not only a legal requirement for all steel used



Photos for the Tribune by Fred Hutcherson III/AP

A steelworker at Northwestern Steel and Wire Co., Sterling, Ill. Northwestern has received the Japanese Industrial Standards certification.

in Japanese construction projects, but it also is considered a badge of quality by potential Asian customers such as China, Taiwan, Korea, Thailand, Indonesia and the Philippines—all of whom tailor their steel specifications to rigid Japanese standards.

"We saw a window of opportunity here, and we decided to take advantage of it," Gurnitz.

That "window" not only includes such vital factors as a weak dollar, which makes American goods such as steel less expensive and therefore more attractive to foreign buyers, but also the fact that the annual domestic Japanese market for rolled structural steel products is twice the size of the U.S. market—some 6.8 million metric tons to about 3.5 million tons in the U.S.

And there also is the relative strengths of the Japanese and U.S. economies. While the U.S. economy is struggling with recession, the economic pulse of Japan remains

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Mike Naftzger adjusts beams at Northwestern Steel.

Steel mill

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vigorous.

"There were 1.6 million housing starts in Japan last year, while the figure fell to below 1 million in the U.S.," said Mark Foster, a Portland, Ore., attorney specializing in international business transactions retained by Northwestern to represent the company in its certification negotiations with the Japanese government.

"There are clearly opportunities in Japan for companies like Northwestern, but incredibly, no other American steel company is showing the kind of initiative that Northwestern is demonstrating," said Foster, who is well-known in the warrens of Japan's government ministries as a tenacious Japanese-speaking lobbyist for U.S. business interests.

Many American firms, added Foster, give up without trying when confronted with Japanese

specifications and regulations that seem at first like insurmountable non-tariff barriers.

The fact is, said Foster, Japanese steel manufacturers must conform to the industrial standards, too.

Nevertheless, those with experience watching the bureaucrats of the trade ministry are astonished that it took Northwestern just seven months to receive certification from the time it initiated the process in July 1990.

"Northwestern was truly impressive... it did its homework and it was serious about getting JIS certification," said a trade industry official.

Unlike U.S. certification procedures, Japanese Industrial Standards certification often requires a comprehensive overhaul not only of production procedures, but also of quality assurance systems, vendor quality policies, management methods, accounting procedures and even ongoing employee training programs.

In January, a team of trade industry officials was dispatched to

Northwestern's Sterling plant for an exhaustive evaluation of the firm's manufacturing and business methods. (A new \$100 million Houston plant is not yet ready for certification).

Northwestern passed inspection with flying colors.

"It's a mind-set issue," Gurnitz said. "We could have taken the position that the Japanese had no business telling us how to manage our quality. We could have looked at the JIS process as a kind of unnecessary intrusion, as another form of Japanese red tape.

"But we didn't see it as a trade barrier," he continued. "Not only was it the same system Japanese firms have to go through, but since we have conformed to Japanese standards, we are already seeing benefits in our rolling mills. Not only has there been a reduction in the variability of the steel we are producing, but we are doing a better job of collecting receivables than we have ever done before."

Gurnitz and other Northwestern

managers also have been pleasantly surprised by the spinoff benefits of Japanese certification. For example, they have cultivated a new respect for Japanese business concepts and have found they are even compatible with the company's business philosophy.

"The Japanese have the idea that everyday you can do better than the day before," said Gurnitz. "In the U.S., we are more concerned with meeting objectives and goals—not necessarily improving every day. It's really a matter of taking the long-term view."

That open-minded attitude has won the Illinois steelmaker a lot of admirers in the meandering halls of the trade ministry.

"A lot of American companies come to Japan with the attitude that they have nothing to learn and that every rule and regulation is a trade barrier," said a trade industry official.

"It's satisfying to see a company from America's Midwest making such an enlightened, internationally minded decision."