

# POSITION OF JAPANESE AUTOMOBILE INDUSTRY IN THE WORLD

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*World automobile output in 1979 was 41,590,000 vehicles. Although the final 1980 figure is not available yet, output is believed to have been slightly below 40 million.*

*By region, output in 1979 was broken down into 11,480,000 vehicles produced in the United States, an aggregate of 11,400,000 vehicles in the E.C. countries, 10,040,000 vehicles in Japan and an aggregate of 8,670,000 vehicles in other regions. In other words, the world's car production was almost equally divided among these four major regions.*





Los Angeles' Freeway

## World Automobile Industry Today

In 1980, the U.S. auto industry suffered an extremely serious slump, whereas the Japanese auto industry enjoyed good business. As a result, Japan overtook the U.S. for the first time, with its output reaching 11,040,000 against 8,010,000 U.S. vehicles.

The breakdown of world auto production by manufacturers shows that GM topped the list with 4,750,000 vehicles, followed by Toyota Motor Co. with 3,290,000 and Nissan Motor Co. with 2,640,000. Ford and Renault were in fourth and fifth position.

The auto industry embraces a wide range of related industries.

In the production stage, it is associated with a large number of basic materials industries, such as auto parts, steel, aluminum, copper and plastics. There is also a wide range of associated industries in the marketing, distribution and utilization stages. Having such a wide base, the auto industry provides many jobs.

In view of these facts, auto manufacturing is an important key industry in industrially advanced countries. It is no exaggeration to say that because of its scale and the range of its ripple effects, the trend of the automobile industry determines the trend of each country's economy. When developing countries try

to evolve into industrialized nations, many of them try to develop the auto industry by positioning it as a vital key industry.

## Past Development of Japanese Car Industry and its Position in the Japanese Economy

The Japanese car industry, which was practically nonexistent immediately after World War II, achieved astonishing development and progress in the period of the country's high economic growth in the 1960s and early 1970s. Japan's car production (passenger cars, trucks and buses) which totalled only about 70,000 vehicles in 1955 multiplied about 160 times and reached 11 million in 1980. (Incidentally, U.S. car production in 1955 was 9,190,000 vehicles and that of EC countries 3,160,000 vehicles.)

The astonishing growth attained by the Japanese car industry is attributable to the rapid expansion of the domestic car market consequent to the progress of motorization thanks to high economic growth and the rising income level of the Japanese. It is also attributable to the untiring efforts made by the auto industry and its related industries for improvement and development as well as the high quality of Japanese labor.

The total output in value of automobile manufacturing industries (auto industry, auto parts industry, and auto body industry) in 1979 reached ¥18,300 billion, which accounted for 10% of the aggregate output (¥183,000 billion) of all manufacturing industries. As was stated before, automobile manufacture requires a huge amount of steel and other industrial materials. If the production of industrial materials used for car manufacture is taken into account, the weight of the Japanese car-related industries in Japan's total industrial production is of considerable significance.

Japanese car exports in value in 1980 reached approximately \$26,100 million which accounted for as much as 20.1% of Japan's total exports. Automobile exports have occupied the top position since 1976 in the list of exports broken down by the type of industry.

## Trend of Domestic Car Market

Japan's domestic car market attained rapid growth in parallel with the progress of motorization made possible by high economic growth and the rising income level of the Japanese people. The expansion of the domestic car market became one of the basic factors which contributed to the development of the Japanese auto industry. The number of cars sold rose from about 410,000 in 1960 to about



Table 1: Automobile Production of Major Countries

	U.S.A.	Japan	W. Germany	U. Kingdom	France	Italy
1965	11,137,830	1,875,614	2,976,477	2,177,261	1,641,696	1,175,548
1970	8,283,949	5,289,157	3,842,247	2,098,498	2,750,086	1,854,252
1974	10,072,662	6,551,840	3,099,777	1,936,685	3,462,847	1,772,515
1975	8,986,513	6,941,591	3,186,208	1,648,399	3,299,620	1,458,629
1976	11,497,596	7,841,447	3,868,089	1,705,506	3,842,244	1,590,677
1977	12,702,782	8,514,522	4,104,216	1,714,240	4,005,725	1,583,917
1978	12,899,202	8,934,560	4,186,364	1,607,467	3,507,930	1,656,564
1979	11,479,993	9,635,546	4,249,725	1,478,512	3,613,458	1,632,289
1980	8,008,342 (69.8)	11,042,884 (114.6)	3,878,415 (91.3)	1,312,914 (88.8)	3,378,433 (93.5)	1,611,856 (98.7)

Note: Figures in brackets represent percentage comparison with the preceding year's figures. Production figures for Japan and France from 1978 and afterwards exclude the number of knock-down sets.

Source: Data furnished by automobile manufacturers' associations of the countries listed in the table.

4,100,000 in 1970 (annual growth rate between 1960 and 1970 being 26%). It further rose to about 4,950,000 in 1973 (the annual average growth rate between 1960 and 1973 being 21%). However, in 1974 immediately after the oil crisis, the number of cars sold dropped sharply to 3,860,000 due to the impact of the oil crisis and the aggravation of the economic recession. Subsequently, sales gradually returned to the pre-oil crisis level. The speed of recovery, however, was slow, and it was only in 1979 that the 1973 level was regained (5,150,000 vehicles). With 1973 as the turning-point, domestic car

sales entered a period of moderate growth. This was largely due to the fact that the diffusion rate of automobiles within Japan reached a considerably high level just as the economy as a whole entered a period of moderate growth.

The level of car ownership in Japan as of December 31, 1980, was 37,900,000 (326 cars for every 1,000 people), compared to 154,400,000 in the U.S. (700 cars for every 1,000 people), 24,200,000 in West Germany (394 cars for every 1,000 people), and 21,000,000 in France (394 cars for every 1,000 people). As the rate of diffusion rose, the general economic trend

began to affect automobile sales to a greater degree. The number of cars sold in 1980, for example, was less than the preceding year's figure (a drop of 2.7%) for the first time in four years since 1976.

A number of projections have been made as regards the future outlook for the domestic car market. It is generally projected that over the medium and long term, the number of new cars sold will register a growth of about 2% annually. Naturally, these growth projections will have to be modified, depending on such factors as the improvement of road conditions, particularly expressways, and changes in the energy situation.

Car assembly line of Toyota Motor Co.



## Overseas Market Trends and Emergence of Trade Friction

From around 1970, Japan's automobile exports expanded substantially, as the domestic car market entered a period of moderate growth. Exports expanded from 1,090,000 vehicles in 1970 to 2,070,000 in 1973 and further to 5,970,000 in 1980. The ratio of exports to car production which was 20% in 1970 rose to 29% in 1973 and further to 54% in 1980. There are quite a number of major auto-producing countries whose export ratios exceed 50% (54% in the case of West Germany and 51% in the case of France, etc.), but Japan is the only country in the world





Toyota cars awaiting shipment at Nagoya Port

whose exports have reached the 5-million level. (Comparative figures are: West Germany 2,100,000 vehicles and France 1,700,000.)

The rapid growth of Japan's car exports is attributable to the following factors:

Firstly, the quality and performance of Japanese cars have improved conspicuously their reputation among foreign consumers. Intense competition among enterprises is a common phenomenon in every industrial sector in Japan, and the auto industry is no exception. As many as 10

manufacturers are engaged in fierce competition. Each manufacturer has made efforts to develop new products and improve quality by accurately assessing the needs of consumers. The fact that the Japanese consumer is very particular when he buys a car, because he regards the automobile as an important asset, has intensified competition among auto makers.

Secondly, for many years since the start of the 1960s, Japanese car manufacturers

have been making utmost efforts to increase their exports.

Thirdly, restricted by physical conditions (road conditions, etc.) and the energy situation, most Japanese demand is for compact cars. This made it possible for the Japanese auto manufacturers to respond quickly to the rapid worldwide switchover of consumers' preference to compact cars, accelerated by the unstable petroleum supply situation and skyrocketing oil prices particularly after the Iranian revolution.

However, rapid expansion of Japan's car exports caused trade friction with the U.S. and Europe.

### Japan-U.S. Auto Issue

Japanese car exports to the U.S. remained at the 600,000 to 700,000 level in the period between 1971 and 1975. However, they topped the 1-million mark in 1976 and continued to grow to reach the 1,800,000 level in 1980. From around the time Japanese car exports exceeded the 1-million level, criticism against Japan began to be raised by some quarters in the U.S. From around the autumn of 1979 when Japanese car sales in the U.S. began to increase markedly, this criticism intensified.

Blessed with a stable supply of low-cost



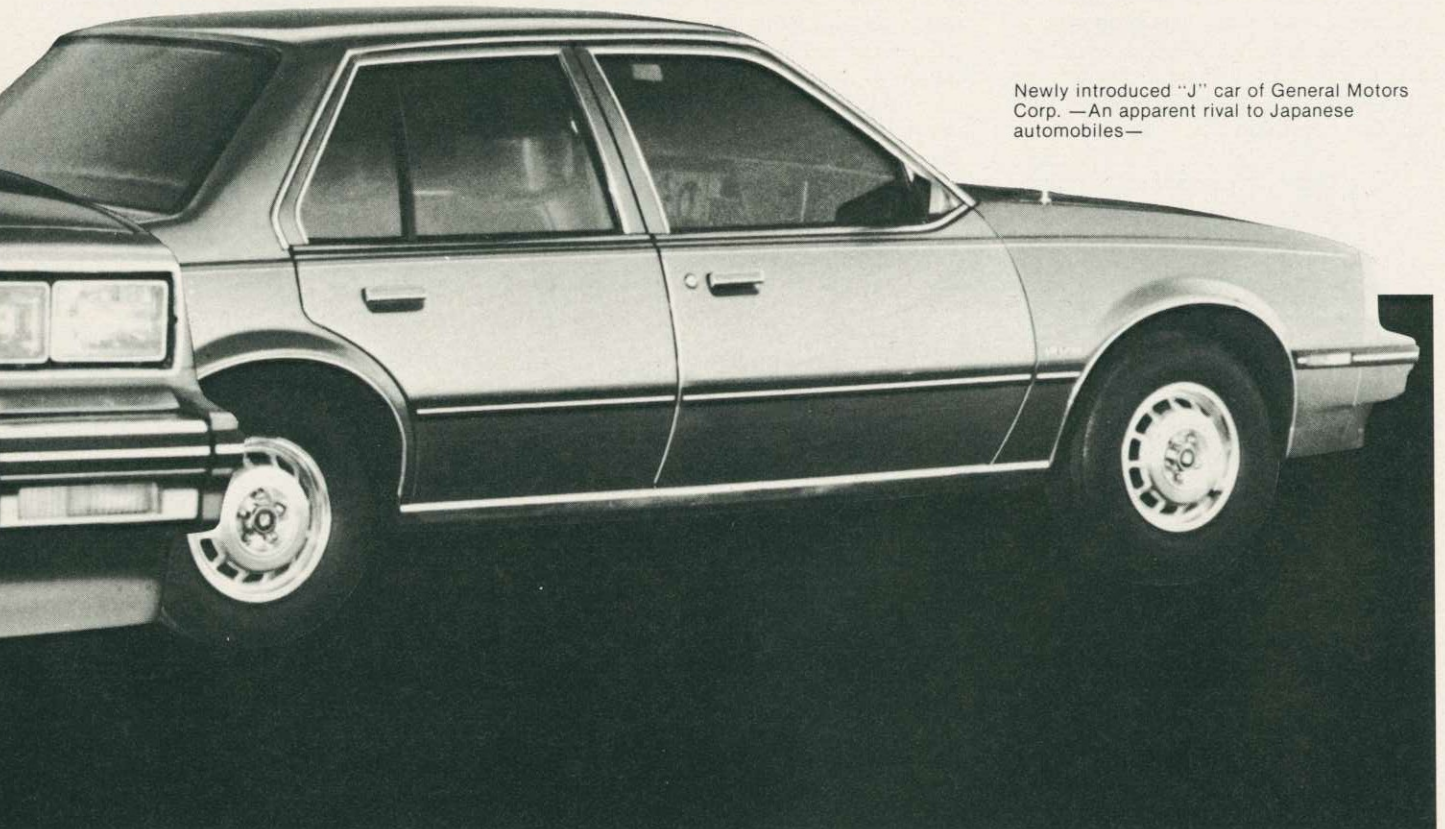


Table 2: Automobile Output, Exports and Ratio of Export to Production of Major Countries

		1979			1980		
		Passenger Cars	Truck, Buses	Total	Passenger Cars	Truck, Buses	Total
<b>Japan</b>	A	6,175,771	3,459,775	9,635,546	7,038,108	4,004,776	11,042,884
	B	3,101,990	1,460,791	4,562,781	3,947,160	2,019,801	5,966,961
	C	50.2	42.2	47.4	56.1	50.4	54.0
<b>U.S.A.</b>	A	8,434,150	3,046,586	11,480,736	6,375,506	1,634,335	8,009,841
	B	741,088	295,625	1,036,713	559,721	203,475	763,010
	C	8.8	9.7	9.0	8.8	12.5	9.5
<b>W. Germany</b>	A	3,932,556	317,169	4,249,725	3,520,934	357,619	3,878,553
	B	1,997,331	178,170	2,175,501	1,873,494	210,760	2,084,254
	C	50.8	56.2	51.2	53.2	58.9	53.7
<b>France</b>	A	3,220,394	396,393	3,616,787	2,938,581	439,852	3,378,433
	B	1,697,904	162,041	1,859,945	1,529,652	178,126	1,707,778
	C	52.7	40.9	51.4	52.1	40.5	50.5
<b>Italy</b>	A	1,480,991	151,298	1,632,289	1,445,221	166,635	1,611,856
	B	647,215	78,045	725,260	511,239	80,387	591,626
	C	43.7	51.6	44.4	35.4	48.2	36.7
<b>Canada</b>	A	989,022	634,469	1,623,491	844,973	522,891	1,367,864
	B	675,114	392,092	1,067,206	625,537	337,757	963,293
	C	68.3	61.8	65.7	74.0	64.6	70.4
<b>U. Kingdom</b>	A	1,070,452	408,060	1,478,512	923,744	389,170	1,312,914
	B	410,118	140,838	550,956	359,145	121,882	481,027
	C	38.3	34.5	37.3	38.9	31.3	36.6
<b>Spain</b>	A	1,040,234	82,684	1,122,918	1,028,813	152,846	1,181,659
	B	424,295	37,578	461,873	470,248	43,067	513,315
	C	40.8	45.4	41.1	45.7	28.2	43.4
<b>Sweden</b>	A	296,540	58,280	354,820	235,320	63,080	298,400
	B	187,556	41,220	228,776	154,554	40,768	195,322
	C	63.2	70.7	64.5	65.7	64.6	65.5

Surveyed by automobile manufacturers' associations of the countries listed in the table.

A = Output  
 B = Exports  
 C = Export Ratio



Newly introduced "J" car of General Motors Corp. —An apparent rival to Japanese automobiles—