

petroleum, the American auto industry, since the end of World War II, had concentrated on the production of big cars, which provide larger profit margins. After the first oil crisis of 1973, the U.S. auto industry began switching to smaller cars. The American industry planned to switch gradually to the small car over a considerable period of time. However, the Iranian revolution which occurred in the autumn of 1978 and skyrocketing gasoline prices resulting from the decontrol of domestically produced oil, as well as psychological panic over the supply of gasoline, spurred the changeover of consumer demand to small cars. The American car industry could not respond promptly to this sudden change. To make the situation worse, the general demand for automobiles shrank drastically consequent to the economic recession, and the U.S. auto industry suffered a major decline with many workers losing their jobs.

Because the U.S. auto industry lacked the ability to meet the swift change in consumers' demand to small cars, the demand for fuel-economizing Japanese small cars expanded sharply, with the result that exports of Japanese cars to the U.S. increased appreciably.

To cope with the mounting criticism against Japanese car imports in the U.S., the Japanese Government in May 1980 announced a package of relief measures which proposed the promotion of investment in the U.S. and the stepping up of the liberalization of the Japanese market. Even after the announcement of the package of relief measures, the condition of the U.S. auto industry continued to deteriorate, and many bills proposing to restrain Japanese car imports were submitted to the U.S. Congress. The Reagan Administration announced in April 1981 measures to revitalize the U.S. auto industry.

Seeing these developments, the Japa-



Saudi Arabian Oil Minister Ahamed Zaki Yamani

nese Government set a relief period to help the U.S. auto industry achieve revitalization. In May 1981, it announced measures to restrain Japanese auto exports to the U.S. in order to maintain the free trade system. As a result, it was decided that Japanese car exports to the U.S. between April 1981 and March 1982 would be restricted to 1,680,000 vehicles.

Japan-Canada Auto Issue

Japan began exporting passenger cars to Canada in full force from around the middle of the 1970s. After a temporary setback in 1979 consequent to the appreciation of the yen's exchange value, Japanese car exports to Canada increased sharply in 1980 because the demand for small cars expanded remarkably.

From around May 1981 when the Japa-

nese Government announced a package of measures to restrict Japanese car exports to the U.S., the Canadian authorities began expressing apprehension about the possibility of Japanese cars being diverted to the Canadian market after being shut out of the American market. Therefore, the Japanese Government in May 1981 informed the Canadian Government of its forecast of Japanese car exports to Canada between April 1981 and March 1982.

Japan-EC Auto Issue

The first trade friction with EC countries arose with the United Kingdom in 1975. On the pretext that British Leyland UK, Ltd. was in financial crisis while Japanese cars' market share was threatening to exceed 10%, the British Government asked the Japanese Government to restrain exports to the United Kingdom during BL's rehabilitation. As a result of talks between the governments of the two countries, it was agreed that the auto industries of the two countries would talk with each other. Through biannual exchange of opinions between the Japanese and British auto industries, orderly Japanese car exports to the United Kingdom are being maintained. While the Japanese cars' market share in the United Kingdom has been constantly at a moderate level, the market share of European cars has expanded sharply, with the result that the British cars' market share has shrunk drastically. This means that despite Japan's efforts to maintain orderly exports, the rehabilitation of the British auto industry has made little progress.

Because Japanese car exports to West Germany and Belgium became an issue from around the summer of 1980, the Japanese auto industry has been trying to maintain orderly exports to these countries and informed them of its passenger



Volkswagen's "Rabbit"



"Metro," the successor to British Leyland's "Mini"

car export outlook for 1981.

The primary cause of difficulties plaguing the auto industries of European countries, as is the case with the U.S. auto industry, lies in the fact that the demand for cars has dwindled consequent to the economic slowdown in the European countries. Compared with the Japanese auto industry, the European industries are hindered by such fundamental problems as the sluggishness of investment and low productivity.

Orderly exports by Japan have been of little help in the rehabilitation of the British auto industry. It is, therefore, considered essential that the British auto industry should promote investment and positively try to raise its productivity.

Future of Japanese Auto Industry (With Emphasis on Its International Aspects)

The International Environment

Various projections have been made as regards global demand for cars in the future. According to forecasts made in December 1980, demand for all types of cars, including trucks and passenger cars, is predicted to reach 50,800,000 in 1985 and 59,400,000 in 1990 as against the 41,720,000 vehicles actually sold in 1979. The annual growth rate in the first five years until 1985 is projected at 3.3% and that in the next five years until 1990 at 3.2%. Euro Finance Company's projection on passenger cars sets the annual growth in the industrially advanced countries at 2.1% in the first five years until 1985 and at 1.4% in the next five years, while forecasting for other regions a much higher annual growth of 7.3% in the first five years and 7.2% in the succeeding five years.

As for the future outlook of the U.S.

auto industry, some quarters are skeptical about the revitalization of the U.S. auto industry in view of the slow recovery of American domestic demand and the sluggish sales of J cars, while other quarters air an optimistic view that the American auto industry, which is a super-industry, will respond to the revitalization measures being taken by the government as well as the private sector, particularly now that the American economy is improving. The vigorous efforts being made by GM and other auto companies in the way of production management and quality control merit particular attention. If these efforts bear fruit, the American auto industry will, no doubt, once again become the leader of the world auto industry.

At any rate, the future of the American auto industry will have a far-reaching effect on the future of the world auto industry.

Japanese Auto Industry's Competitive Edge

As explained above, there is no denying the fact that the Japanese auto industry owes its relatively favorable performance so far to the coincidence that it was concentrating on the production of small cars.

However, it is true that the Japanese auto industry has a competitive edge over the auto industries of other countries not only in manufacturing technology but also in the plant management system, and that this has contributed to bringing down production costs.

Automobile manufacturing technologies today are changing rapidly, with the importance of new materials and electronics technology increasing. The Japanese auto industry's competitive power in these technological fields is still unknown. Moreover, if GM's world car strategy is taken into account, it may be said that there is not much possibility of the Japa-

nese auto industry being able to maintain its present competitive power.

Japanese Auto Industry's Future Response

The Japanese auto industry has grown so much that its weight in the world auto market is increasing and its export ratio has exceeded 50%. Considering the fact that the automobile industry is a key industry extremely important to every country, the view is gaining ground that Japan's exports of finished cars has reached its limit. The Japanese auto industry, therefore, is destined to make efforts to expand its overseas production by giving greater thought to international collaboration.

Moves in this direction have already become brisk among the leading auto makers.

Various forms of tie-up and collaboration between Japanese car manufacturers and foreign auto makers are being established not only from the standpoint of international collaboration but also from the need to respond effectively to intensifying global competition in compact cars. Such tie-ups and collaboration will increase in the future. In concrete terms, cooperative relations that were not observed in the past, such as technological cooperation, production, marketing and capital tie-ups, and cooperation in the supply of car parts will increase. The current of the times being such, reorganization of the alignment of auto makers not only within Japan but also in the world is expected to progress.

"Search for an effective way to collaborate while engaging in competition" is the aim of the Japanese auto industry. I think this is the way in which the Japanese auto industry will be able to contribute to the development and progress of the world economy. ●

"Corolla" of Toyota Motor Co.,
for years the bestseller



Nissan's "Sunny"