

The Contemporary Significance of Strategic Alliances in the World Automobile Industry

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Introduction

Large-scale reorganizations among the world's major automobile manufacturers came to a head at the end of the 1990s. In November of 1998, Daimler-Benz, a company with a firmly established reputation for the development, production and sale of luxury automobiles, merged with Chrysler, ranked third among America's Big Three manufacturers, to launch the new company DaimlerChrysler. Subsequently, in January of 1999, America's number two manufacturer Ford decided to acquire the automotive division of Sweden's Volvo, world-renowned for its sophisticated automotive safety technology. Then in March of 1999, Nissan, ranked second in Japan, arrived at a capital alliance agreement with France's representative automobile manufacturer, Renault.

As opposed to previous small-scale alliances, these large-scale automobile industry reorganizations not only included alliances that crossed borders, it is an undeniable truth that the post-merger birth of new companies and new international enterprise consortiums significantly impacted the mass of competition among global automobile enterprises. The author believes that it is indeed these large-scale reorganizations currently underway that must be seen as the apodosis of strategic alliances among the major Japanese, European and American automobile manufacturers as they approach their maturity and,

consequently, reserve capacity for growth begins to wane. This text is based upon such an awareness of the issues. Chapter I surveys the context of large-scale reorganizations in the automobile industry. Building upon this, Chapter II analyzes the factors contributing to the large-scale merger of DaimlerChrysler. Through dissertation on the contemporary significance of the Nissan/Renault capital alliance, Chapter III clarifies the point that strategic alliances form the base of the fundamental factors contributing to large-scale reorganizations in the automobile industry that are advancing on a global scale in our day.

I. The Context of Large-Scale Reorganizations

1. Developmental and Environmental Changes in the Automobile Industry

In order to understand the background of these large-scale reorganizations, it is best to clarify the kinds of industry movements and various environmental changes that have evolved by first tracing the developmental process of the world automobile industry.

Table 1 classifies movements in the history of the world automobile industry into five periods according to (1) innovation in production technology and product technology, (2) areas of rapid market growth, and (3) national and regional leaders of the global automobile industry.¹⁾ However, the author has added the fifth movement as it is not described in the cited literature. The question mark of the fourth period remains as presented in the cited literature.

The first period covers the early 20th century through the 1920s. At this time America led the world automobile industry, particularly Ford, which succeeded in the establishment

Table 1 Movements throughout the History of the Automobile Industry

Movement	Period	Production technology or product technology innovation	Areas of rapid market growth	Countries or regions to lead the world automobile industry
1	1902–1920s	Product standardization. The mass production system.	USA	USA
2	1950–1960s	Product diversification Emphasis on product technology.	Europe	Europe
3	1960s–1970s	The “ <i>Kanban</i> ” system as a new system of production, TQC, enterprise groups.	Japan	Japan
4	Late 1980s–1990s	Concentrated production in low-productivity component regions.	Developing nations such as South Korea, Mexico and Brazil	?
5	Late 1990s–Early 21st Century	Intensification of competition for next-generation technologies, full-scale process of “strategic alliances”.	Asia, particularly China	Japan, Europe, USA

Note: The “Fifth Movement” has been added by the author.
 Source: A. Altshuler & D. Roos, *The Future of the Automobile*, p. 26.

of standardization and mass production systems with its “Model T”. The fact that this resulted in production sites not only in Europe and in the United States, but throughout countries around the world as well, remains common knowledge.²⁾ In the second period of the 1950s and 1960s, Europe led the world automobile industry. At that time, Europe’s major automobile-producing countries thoroughly pursued the diversification of specialized products for compact cars and a line of emphasis on product technology that won such high acclaim from consumers around the globe that “compact car” came to be synonymous with “European car”. For example, Volkswagen (VW) of West Germany (currently Germany) mass-produced its “Beetle” compact car and exported large quantities not only to the European market, but to America as well. It is known for contributing greatly to the miraculous recovery of the German economy after World War II.

Japan is the central player of the third period, which covers the late 1960s through the 1970s. Rapid growth in the domestic automobile market accompanied the approach of an era of spectacular economic growth. With the two oil shocks of 1973 and 1974 presenting an opportunity, Japan developed fuel-efficient compact economy cars and demonstrated enough momentum to erode or even invade the European and American automobile markets. While establishing an efficient production system that would come to represent the Toyota production method renowned as the “*Kanban*” system domestically and abroad, Japanese manufacturers instituted Total Quality Control (TQC), placed themselves at the apex of production and interlocked parts manufacturers into business groupings, thereby lowering costs, improving quality, and bringing about the world’s largest automobile production system in one fell swoop.³⁾

The fourth period extends from the late 1980s through the 1990s. In contrast to the resulting saturation of the automobile markets in the developed nations of Japan, the United States and Europe, markets expanded in countries that could be called semi-advanced nations, such as South Korea, Mexico and Brazil, as a result of the momentum of nationalization. In response to this, European and American manufacturers intensified the transfer of automobile technologies with respect to these semi-advanced nations as low-productivity component regions. However, Japan had already achieved penetration into these countries and developed large-scale local production in the US and some European countries. In addition to this, Japan was operating at the forefront of improving efficiencies in automobile engine fuel consumption as well as technologies for emission controls, car electronics and such. Although a question mark appears in Table 1, the author believes that the leader of world automobile production in the fourth period was Japan.

The fifth period extends from the late 1990s through the early 21st century, a time when Asia is poised to become a region of high marketability. The most may be expected from China, in particular, as it has been exhibiting a high rate of economic growth and a low automobile dissemination rate per capita. Furthermore, rather than a specific country appearing as the leader of the world automobile industry in the foreseeable future, there

will be a full-scale process of “strategic alliances” through the progression of intensified competition for next-generation technologies among the major automobile manufacturers of Japan, Europe and the US as described later in this text.

We have seen a broad overview detailing the movements faced by the world automobile industry in the above five periods. If we limit an enumeration of the environmental changes that surrounded automobile production to the third and fourth periods, we can list them as follows:⁴⁾

- 1) the emergence of oil crises;
- 2) growing concern over safety and environmental problems;
- 3) global stagnation in automobile demand;
- 4) the protraction of automobile trade friction;
- 5) the decline of European and US automobile manufacturers;
- 6) the come-from-behind achieved by automobile manufacturers of semi-advanced nations;
- 7) the advance of Japanese automobile manufacturers;
- 8) the innovation of automobile technology (the evolution of high tech); and
- 9) the progress of internationalization.

Each item listed among the environmental changes above is intricately tied to the others and has fomented large-scale reorganization at the underpinnings of today’s world automobile industry.

What is important is that internationalization has developed in line with a continued orientation on “strategic alliances” among the major automobile manufacturers of Japan, Europe and the US.

Table 2 displays a transition in the number of passenger car manufacturers throughout the world from the 1960s to the 1990s. While one may observe that the number of manufacturers by region has tended to decline, Japan exhibits almost no change with ten companies in the 1960s to nine. The number of companies in the United States has been halved from six to three, resulting in the establishment of the current Big Three system. The number of Western European companies dropped drastically from 32 to twelve. On the other hand, the number of South Korean companies has increased in total from one in 1980 to three in 1990. As Table 2 makes clear, the decrease in the number of passenger car makers in Japan, Europe and the US (but not in South Korea) has resulted from absorption by other enterprises and the reorganization processes of enterprises with unprofitable operations, or reflect the result of shake-outs in the market. The fundamental characteristic of these reorganizations is that, different from the continuing large-scale strategic and capital alliances that have crossed borders, whether domestic or international, those related to small-scale operational alliances are the majority. It is not a question of the rapid oligopolization of international markets through the appearance of giant enterprise

consortiums with large mass-production scales. To put it another way, while the systems of European countries and the US have each converged into the Big Two and Big Three, Japan, on the other hand, has not shown remarkable oligopolization. Either way it cannot be asserted that the international oligopolization of automobile production was realized throughout the 1990s.

2. Types of Reorganization

While viewing the future of global competition in the automobile industry, Takahiro Fujimoto theorizes in his collaboration with Akira Takeishi (published in 1994) that critical examination of (1) the international oligopolization scenario and (2) the bloc scenario through (3) the global multi-tiered network scenario will continue and such competition will develop more and more.⁵⁾

Namely, Fumijoto states that in the first international oligopolization scenario, “(1) Domestic and international competition intensify, (2) the burden of investment in facilities and research and development increases, (3) the shake-out of weak enterprises noncompetitive in development occurs, and (4) only eight to ten companies survive the 1980s. The reality is that, international oligopolization has progressed without a decrease in the number of world

Table 2 Transitions in the Number of World Automobile Manufacturers (1960–1990)

(Enterprises Producing Passenger Cars and RVs)	1960	1970	1980	1990
Toyota				
Nissan				
Mazda				
Honda				
Mitsubishi				
Daihatsu				
Suzuki				
Fuji Heavy Industries				
Isuzu				
Prince				
Hino				
Total Number of Japanese Enterprises	10	9	9	9
GM				
Ford				
Chrysler				
AMC				
Jeep				
Studebaker/Packard				
Total Number of U.S. Enterprises	6	4	4	3
Ford				
Opel				
BMW				
MercedesBenz				
VW/Audi				
Porsche				
NSU				
Renault				
Citroen				
Peugeot				
Simca/Talbot				
Alpine				
Fiat				
Ferrari				
Abarth				
Autobianchi				
Lancia				
Alfa Romeo				
Maserati/De Tomaso				
Innocenti				
Lamborghini				
Austin/Morris/BL				
AEC				
Jaguar				
Gai				
Conventry Climax				
Leyland				
Triumph				
Rover				
Rolls-Royce				
Roots				
Lotus				
Aston Martin				
Volvo				
Saab				
Western Europe Total	32	21	16	12
Hyundai Motor				
Daewoo Motors				
Kia Motors				
Other Totals	0	0	1	3
World Total	48	34	30	27

Source: Takahiro Fujimoto & Akira Takeishi, “The Automobile Industry: Scenarios for the 21st Century, p. 296.

automobile manufacturers to the extent predicted.” (Refer to Table 2 of this essay, cited above).

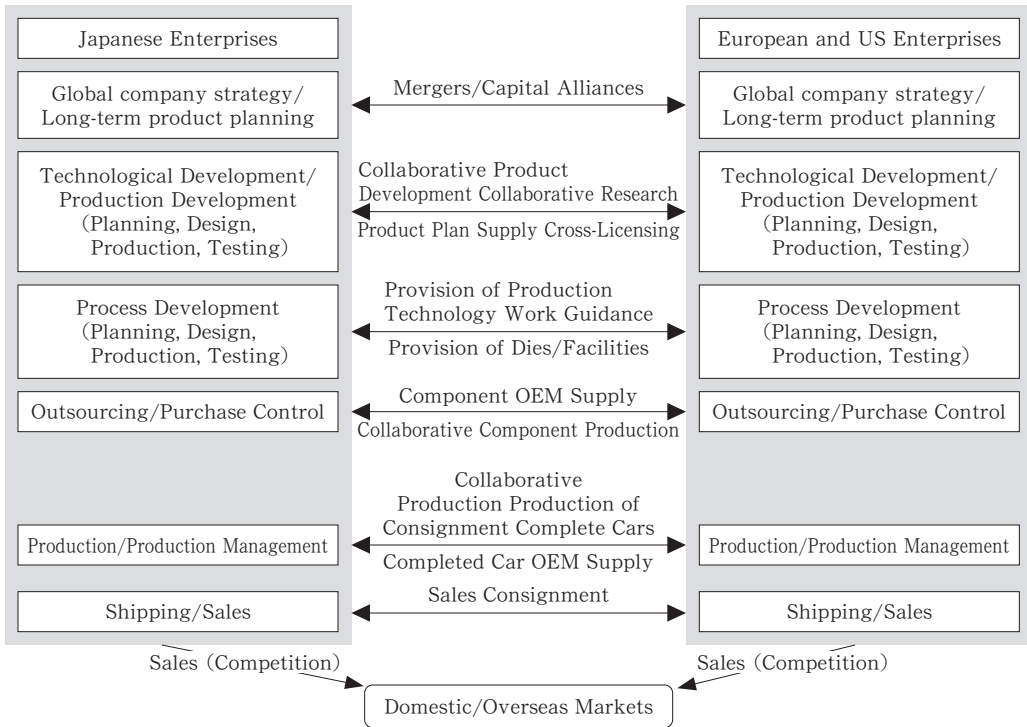
In the second bloc scenario, he indicates that, “the idea is that (1) international competition intensifies, (2) protectionism and trade friction arise through export limitations and the creation of international blocs, (3) trade is regulated internationally, competition limited and domestic markets oligopolized, (4) commodity prices increase and technological advances stagnate, and (5) a market orientation of balanced equilibrium is achieved. In reality, however, rather than say that each region has created a bloc and become independent, most international automobile manufacturers tied together capital and operational alliances (mostly operational alliances) from 1985 through 1994.” He then asserts the validity of the global multi-tiered network scenario below.

In the third global multi-tiered network outline,

(1) the multilateralization and formation of the multi-tiered international alliance network among enterprises (the supplementation of management resources, the leveling and regulation of competitive power through exchange) leads to (2) the emergence of short-term trade friction among nations, and the suppression of enterprise shake-outs through the transfer of management resources in the long term; however, (3) competition will intensify at the commodity level. In short, it is a view that conflict at the governmental level, collaboration at the enterprise level and competition at the level of individual commodities will be accompanied by the birth and evolution of competition.” In particular, collaboration at the enterprise level (networking) occurred primarily between Japan and the US and within Europe in 1985, which was stepped up significantly between 1990 and 1994 along with an increase among Japanese/European and European/American manufacturers, as well as among domestic Japanese manufacturers. In this context of strong international competition, Japanese manufacturers formed a diverse network throughout the world automobile industry and became the central figure in the leveling and harmonization of international competition. The author displays approval of this global multi-tiered network theory and believes, as seen previously in Table 1, that Japan was the country to guide the world automobile industry on all fronts from the late 1980s through the 1990s (the fourth period). However, from the late 1990s through the early 21st century this kind of multi-tiered networking among Japan, Europe and the US deepened significantly. The reason is that the world automobile industry is presently facing unprecedented competition for acquiring the global market as well as competition in commodity development. In particular, as long as both domestic and foreign automobile manufacturers do not advance networking through every kind of mutual alliance to establish safety, environmental and next-generation technologies, the continued existence of individual manufacturers will be judged as fragile.

Diagram 1 charts Fujimoto’s conception of the global multi-tiered network. It also comprises a charting of reorganization in the world automobile industry, from the most

Diagram 1 The Global Network of the Automobile Industry



Source: Fujimoto & Takeishi. *Ibid.*, p. 295.

close-knit (1) mergers and capital alliances, to the progressively looser alliances of (2) cooperative commodity development and research, (3) the provision of production technologies and operational guidance, (4) OEM supply of components, (5) manufacturing consignments and the joint production of finished automobiles, and (6) sales consignment, among others.

II. The Birth of DaimlerChrysler

1. The Progression of Large-Scale Mergers

In May of 1998, Daimler-Benz announced its commitment to merge with Chrysler. This major alliance between the influential German and American enterprises became global news as having a great impact on future movements of reorganization in the world automobile industry. Half a year later in November, both companies formally inaugurated the “DaimlerChrysler” merger according to plan. The new company was listed on both the Frankfurt and New York stock exchanges in Germany and the US.⁶⁾

The new company DaimlerChrysler was established as a German holding company. It is remarkable that the seat of headquarters and administrative structures were allotted uniformly between both countries and both companies. That is to say that the head-

quarters would be located in both Stuttgart, Germany and Auburn Hills, Michigan, USA. Daimler-Benz chairman Schrempp and Chrysler chairman Eaton both collaboratively assumed the office of CEO.

Upon the inauguration of this kind of new company, both men gave the impression domestically and abroad that operations would be developed uniformly to the letter of the merger agreement, and this was underlined in conversations with CEOs Schrempp and Eaton at the debut.⁷⁾

It was announced, "This glorious partnership begins today. We, as one organization, will strive toward one goal, which is to lead the world in automobile manufacturing and exports as well as service." In essence, the automobile company newly born of the German-American consortium declared to the world that it would strive toward one goal as one organization.

In that case, why was it necessary to insist upon the unity of the organization through the merger of the two companies? Certainly, there are a number of cases where the parties concerned assert the equality of organizational unity and fundamental characteristics even in ordinary case study mergers. However, in the context of the large-scale DaimlerChrysler merger, there existed a reason that necessitated the statement, namely that the passage leading up to this merger had been so complicated and unexpected.

In fact, during the initial phases Daimler-Benz was rushed into plans to acquire Nissan Diesel Industries and inject capital into Nissan, and the truth seems to be that the target of the tie-up switched from the Nissan Group to Chrysler. The details of the Daimler-Benz trend that led to the birth of DaimlerChrysler are cited from a treatise by Masaaki Satoh below.⁸⁾

"September, 1997: Former Daimler-Benz proposes the acquisition of Nissan Diesel Industries. Spring of 1998: Nissan agrees in principle to dispose of Nissan Diesel shares. May 6: Daimler-Benz announces a merger with former Chrysler. Plans to acquire Nissan Diesel shares have been shelved. July 27: Nissan and Nissan Diesel agree to collaborate on the development of small-size trucks. November 11: DaimlerChrysler is born. Co-CEO Schrempp proposes a capital injection for Nissan to Nissan president Hanawa. January 21, 1999. Co-CEO Schrempp asserts, "Tie-up negotiations continue, including the capital injection for Nissan." February 16. CEOs Schrempp and Eaton speak with Nissan president Hanawa and request that "the tie-up be postponed slightly." March 10. Co-CEO Schrempp announces the abandonment of the capital investment tie-up after arriving in Japan and speaking with Nissan president Hanawa." As should be clear from the above process, DaimlerChrysler consistently attempted a strategic tie-up with the Nissan Group from the beginning and indeed continued to seek it out after the birth of DaimlerChrysler, but it did not come to fruition.

2. Factors Contributing to Large-Scale Mergers

The merger of Daimler-Benz and Chrysler expanded the scale of the new company significantly. According to the 1997 results of both companies' consolidated financial statements, total sales revenue was recorded at 132 billion dollars and the total number of passenger cars and trucks sold reached four million.⁹⁾ The number of employees in Germany was 228,000, with 137,000 in North America and 56,000 in other regions, for a total of 421,000 employees in all. Production sites were located in 34 countries and the companies' markets grew to include 200 countries. As a result, DaimlerChrysler achieved 8.4% of the world's market share by the end of 1998 as it jumped to the position of sixth largest manufacturer, behind (1) GM (14.9%) (2) Ford (14.9%) (3) Toyota (10%) (2) Nissan-Renault (9.1%) and (5) VW (9%) (**Table 3**).

Table 3 World Market Share of Leading
Automobile Manufacturers (December 1998)
Unit: %

GM (+Isuzu)	14.9
Ford (+Volvo+Mazda)	14.9
Toyota (+Daihatsu)	10.0
Nissan (+Renault)	9.1
VW Group	9.0
DaimlerChrysler	8.4
Fiat	5.0
Honda	4.3
Peugeot/Citroen	4.3
Mitsubishi Motors Corp.	2.9

Reference: CCF A 1998 Production Results
Source: *Nihon Keizai Shimbun*, March 28, 1999.

Looking at their automobile product line, there is no room to doubt that the addition of utility vehicles such as Chrysler's cash cows, the Voyager minivan and Cherokee Jeep, to Daimler-Benz's specialty, the Mercedes-Benz luxury car, significantly raised international competitiveness for the new company. In addition to this improved product competitiveness, an important merit for DaimlerChrysler was that it had created a foothold in North America, a mass consumption market for automobiles. On the other hand, it was a number one priority for Chrysler to absorb the latest technologies from Daimler-Benz, which was a global forerunner with regard to the research and development of automobile safety, pollution control and next-generation technologies, so that both companies could survive in the world market. In this way, a contributing factor to the Daimler-Benz merger was that it was born as a result of competition to acquire global market share as well as competition in product development. It is incorrect, therefore, to judge that the large-scale merger was preceded and realized only by international oligopolization.

III. The Contemporary Significance of the Nissan/Renault Merger

1. The Purpose of Large-Scale Mergers

On March 27, 1998, Nissan announced an agreement to a capital alliance with Renault. As stated previously, not only had Nissan been planning an alliance with Daimler-Benz since 1997, but it also received attention for this course of action because it had also been conducting alliance negotiations in parallel with Renault and Ford. Against the background of Nissan's search for a means of survival through an alliance with a major European or American automobile manufacturer, it improved the poor business results of recent years, most notably a vulnerable financial position symbolized by more than two trillion yen in interest-bearing debt, in order to achieve the rebuilding of its management structure (some believe that this figure surpasses four trillion yen on a consolidated basis). The company was approaching a situation where the foundation of its existence would be threatened if it did not immediately receive a considerable amount of foreign investment.

According to this alliance agreement, Renault would invest 643 billion yen in the Nissan Group and acquire 36.8% of Nissan stock and 22.5% of Nissan Diesel stock. By doing so, Nissan was seen as unhitching itself from its capital problem that had become a great concern for its immediate future.¹⁰⁾

However, looking at 1998 market capitalization as listed in **Table 4**, it is an undeniable fact that Nissan-Renault, which had approached a global scale of five million in automobile sales through the large-scale alliance, was far outnumbered when compared to the major world automobile groups. This is reflected in that, as a result, the American rating company Moody's attributed uncommonly severe corporate bond ratings to Nissan, which did not reduce its interest-bearing debt between 1995 and 1999.¹¹⁾ Regardless, the large-scale capital tie-up between Nissan and Renault is heavily tinged by the aspect of a capital bailout by Renault, but at the same time, the merits of constructing a cooperative relationship regarding production for the world market must not be forgotten.

Table 4 A Comparison of Accomplishments between Nissan-Renault and the World's Primary Automobile Groups

	Market Capitalization	Consolidated Sales	Global Sales	Primary Group Enterprises
Nissan + Renault	180	908	474	
Toyota Motors	1076	953	532	Daihatsu, Hino Motors
DaimlerChrysler	886	1546	450	
Ford Motors	691	1740	822	Mazda, Volvo
General Motors	646	1733	980	Suzuki, Isuzu, Opel
Volkswagen	254	749	474	Audi, Rolls-Royce

Source: Based on Masaaki Fujimoto's "Document: The Lowdown on the Nissan-Renault Alliance", *Nikkei Business*, March 22, 1999 issue, p. 12.

Table 5 shows Nissan and Renault's overseas production sites for 1998. Using the same table for a relative comparison of Nissan to Renault makes it clear that they have developed an aggressive overseas strategy not only for North America, Asia and Oceania, but for African territories as well. Conversely, Renault maintains a strong production base in South America and Europe. From this as well, it can be said that this is the ideal global strategic alliance, where the capital tie-ups of both companies compensate each other on the production side. While the specific objective of the production side of both companies is to aim for the standardization of an auto body (platform) and parts on a global scale, they are planning to achieve the idealistic result of the sum total of 390 billion yen over three years, starting in 2000, because they can make use of each other's plant and sales networks.¹²⁾

Above all, the fact that both companies have asserted that they plan to integrate and standardize the number of compact cars from the present 34 to ten, combined with the

Table 5 Nissan and Renault Overseas Production Sites (1998)

	Nissan	Renault	Total
North America	Smyrna (Tennessee, U.S) Decherd (Tennessee, U.S) Mexico City (Mexico)	Mexico	4
South America	Quito (Ecuador)	Columbia Brazil Uruguay Argentina	5
Asia Oceania	Taipei (Taiwan) Manila (Philippines) Kuala Lumpur (Malaysia) Jakarta (Indonesia) Samutpralarn (Thailand) Auckland (New Zealand) Karachi (Pakistan) Tehran (Iran)	Taiwan Malaysia Turkey	11
Europe	Sunderland (England) Avila (Spain) Barcelona (Spain)	Belgium Spain Slovenia Portugal	7
Africa	Thika (Kenya) Pretoria (South Africa)	Morocco	3
Total	17	13	30

Origin : Including joint factories and assembly plants. Excluding domestic production sites for both companies.

Source: Created based on Masaaki Satoh, "Document: the Lowdown on the Nissan-Renault Alliance", *NIKKEI BUSINESS*, March 22, 1999 issue, page 16.

alliance objective of standardizing major parts such as engines and transmissions, is not only contributing to the improvement of the Nissan Group's financial position, it is in turn promoting collaborative research and development and global production, which is extremely important in order to make the objective of the strategic alliance more practically effective.

2. The Significance of Large-Scale Mergers

As has become clear through the preceding analysis, the 1998 large-scale merger of Daimler-Benz and Chrysler, and the 1999 large-scale capital alliance between Nissan and Renault thereafter, can both be considered nothing other than the product of strategic alliances based on Takahiro Fujimoto's conception of the global multi-tiered network. However, the reigning theory is that as long as a production scale of four million or higher is not established, development costs cannot be funded and that such companies will be shaken out of the market. Indeed, the assertion that world automobile production will conglomerate into approximately ten groups based on the international oligopolization scenario is currently mainstream.¹³⁾

In regard to this view, Fujimoto recently voiced his objection in the *Nikkei Shimbun*.¹⁴⁾

(1) The world automobile industry has experienced back-to-back giant mergers, and the tendency toward and emphasis on scale expansion has strengthened, but the important thing is the pursuit of quality through product and organizational competitiveness. This scale expansion is, in the end, a result and not a goal.

(2) It is necessary for Nissan Auto and France's Renault to work towards improved quality through alliances such as the 'mutual learning' of technologies." As such, the necessity for each company to produce at least four million automobiles proclaims the prevailing notion of emphasis on quantitative scales. The author sympathizes with the Fujimoto theory. Having said that, by emphasizing a quantitative scale or alternatively the carrying out of the international oligopolization scenario, how would the realization of the eleven-company system in Japan's automobile industry be explained? As indicated in Table 4 previously, only Toyota has achieved global sales of over four million automobiles among Japanese manufacturers. Although Nissan-Renault would arrive at a sales volume of over four million automobiles if it were viewed as a group enterprise as well, the root cause of this large-scale capital alliance is not the objective of expanded quantitative scale, but instead a global strategic alliance where the companies compensate mutually for the world market on the production side as stated previously.

In the same way, whether taking Ford Group's Mazda or the GM Group's Suzuki and Isuzu as an example, it is incorrect to view Japanese manufacturers as all entering into capital tie-ups with US manufacturers in pursuit of quantitative scales. To the contrary, it must be seen that US manufacturers are injecting capital in order to bring in the high technologies of Japanese manufacturers that established development and production

technologies for compact cars when the oil crises of the 1970s presented the opportunity.

As the needs focus of the world automobile market has rapidly shifted to low fuel-consumption, environmentally friendly compact economy cars, GM and Ford have recently increased their controlling shares in Suzuki and Mazda because they have recognized that the transfer of technologies from Japanese manufacturers to the US and the supply of completed automobiles (even more so the supply of parts such as chassis) are indispensable. This is why such heightened investment must be seen as a part of global strategic alliances.

Conclusion

According to a recent announcement by Nissan, "February 28, 2002. Renault to Increase Nissan Stock Holdings to 44.4% Based on Alliance Agreement. Based on the Nissan-Renault alliance agreement concluded in 1999, Renault has announced that it will exercise its preemptive rights for the 539,750,000 shares it has come to control. The exercise date is March 1 and the exercise price will be 400 yen per share of the alliance agreement, which translates to a capital investment of 215.9 billion yen (1.85 billion euros or 1.62 billion dollars). By doing so, Renault stock ownership will increase from 36.8% to 44.4% and the number of Nissan outstanding shares will come to 4.5 billion. This exercise of preemptive rights will be the first action of the alliance-strengthening strategy announced in October of last year, and will occur one year ahead of schedule according the original plan. Nissan will subsequently acquire Renault stock. Both companies are planning to establish a collaborative administration framework with the objective of strengthening common mid-term strategies."¹⁵⁾

In addition, according to recent newspaper reports, Toyota plans to develop a significantly more close-knit tie-up relationship with Germany's Volkswagen in addition to GM.¹⁶⁾ Until now, Toyota has been conducting sales tie-ups, recycling and technological exchange for ITS (Intelligent Transport Systems) for VW compact cars domestically in Japan. However, they will not only pursue the collaborative development of environmental and safety parts in the future, but are also examining a forward-looking range of operational alliances for the standardization of compact car chassis.

Coming to this type of development of low fuel-consumption, environmentally friendly compact economy car and next-generation automobile technologies (fuel-cell vehicles and ITS), it is believed that strategic alliances will go on to increase drastically from now through the beginning of the 21st century.

Notes

- 1) A. Altshuler & D. Roos, translated by Nakamura & Ooyama. *The Future of the Automobile*. NHK Shuppan Kyokai, 1984, p. 26. This text brings together the results of the first international collaboration (1980–1984) of the Massachusetts Institute of Technology International Motor Vehicle Program, in which the author participated as a Japanese Research Affiliate.
- 2) In the 1920s, US manufacturers such as Ford and GM achieved inroads into Japan. In 1925, Ford established Ford Japan in Yokohama, and in 1926, GM established GM Japan in Osaka. Both companies imported parts from the US and assembled the automobiles in Japan.
- 3) Taku Oshima & Shigeki Yamaoka. “Automobiles (in Japanese, Jidousha)”, Nihon Keizai Hyouronsha, 1987, p. 204. During the 15 years of high growth from the 1960s to the 1970s, production increased from 480,000 automobiles to 5,290,000, realizing a significant increase of 1100%.
- 4) *Ibid.*, p. 215.
- 5) Takahiro Fujimoto & Akira Takeishi. “Automobile Industry: 21st Century Scenarios, the Turn-Around from Growth Systems to Balance Systems (in Japanese, Jidousha Sangyou Nijuuiseiki he no Shinario – Seichougata Shisutemu kara Baransugata Shisutemu he no Tenkan)”, Seisansei Shuppan, 1994, pp. 294–309.
- 6) “Mercedes-Benz in Japan NEWS” (January/February 1999, Vol. 10, No. 1), Mercedes-Benz Japan, Editor’s Desk, 1999, p. 6.
- 7) *Ibid.*, p. 6.
- 8) Masaaki Satou. “Document: The Lowdown on the Nissan-Renault Alliance”, Nikkei Business (March 22, 1999 issue). Nikkei Business Publications, Inc., 1999, p. 9.
- 9) “Mercedes-Benz in Japan NEWS”. *Ibid.*, pp. 6–7.
- 10) According to the March 28, 1999 *Nikkei Shimbun*, Nissan had to repay long-term debt of 641.6 billion yen in fiscal year 1998, 446 billion yen in fiscal year 1999 and 403.4 billion yen in fiscal year 2000.
- 11) See Masaaki Satoh. *Ibid.*, p. 14–16.
- 12) *Nihon Keizai Shimbun*, March 28, 1999.
- 13) This kind of representative theory is detailed in the December 2, 1998 Nikkei Shimbun article “Automobile Industry Global Strategies for the Approaching Turnaround, Interim, and Turning Point – International Mass-Production through Chassis Integration” (in Japanese, “Jidousha Sangyou Semarareru Kouzou Tenkan~Chuu~Tenki wo Mukaeta Sekai Senryaku Shadai Touitsu de Kokusai Ryouzan”).
- 14) Takahiro Fujimoto theorizes this under the title “Automobile Industry Prioritizes Quality, Polishes Product and Organizational Competitiveness within Scale and Results” in the “Keizai Kyoshitsu (Economics Classroom)” column of the May 19, 1999 *Nihon Keizai Shimbun*.
- 15) Nissan Motor Company, Ltd. reference material, February 28, 2002.
- 16) *Nihon Keizai Shimbun*, May 18, 1999.