

## In Toyota's back yard, a long decline accelerates

Chico Harlan



TOYOTA CITY, Japan — Kiyohito Okuda is a businessman and an optimist, and so he's found at least one redeeming angle to Japan's slow-motion economic decline: Never has the pain felt too acute to bear.

Even after years of shrinking sales and curtailed ambitions, he can still handle a little more bad news. When the Toyota Motor Corp. recently urged its suppliers — Okuda's auto parts manufacturing company among them — to cut prices 3 percent, Okuda said okay; indeed the request sounded fair. Okuda's profits will wither, but he won't need to take out loans, he said, and he won't lay off any of his 130 workers. The company will still throw its end-of-the-year drinking party.

For two decades now, Japan has endured its economic downturn largely because the slope felt so gentle. But in recent months, with a record-strong yen cutting profits of Japan's major exporters, the world's third-largest economy is seeing the first signs of a nastier drop.

Toyota President Akio Toyoda warned recently that auto manufacturing in Japan will be "destroyed" if business conditions don't improve. Companies are racing to build factories in bigger and cheaper markets — notably China — and once they leave, Toyoda said, they won't return.

Okuda sees reason for concern in his city, some 175 miles southwest of Tokyo, which once teemed with migrant workers who had their pick of jobs with Toyota subsidiaries and suppliers. Now, apartment buildings are empty. And the famous automaker no longer sustains the town: Toyota's tax revenue once provided 30 percent of the city's budget, but because the company is now losing money domestically, its tax obligations have dropped to near zero. Toyota City is now living off its once-substantial savings, with enough money to last only until 2013.

Okuda took it as a sign of Toyota's allegiance to the country when the automaker recently set a target to build 3 million cars — some 40 percent of its total — annually in Japan. That's a quarter-million less than what it produced in 2010 and a million less than what it produced before the global financial crisis. But given that Toyota loses money on every compact car it manufactures in Japan and sends overseas, the target reflects something of a last stand. Three of every five Toyotas built here gets shipped overseas.

"I'm very concerned that Toyota will shift more and more to China," Okuda said. "The 3 million target — I think it's a very hard thing to achieve. They are basically bleeding while trying to protect us."

Eventually, Okuda says, his own company, which manufactures aluminum parts for engines and brake systems, will face a choice: It can move overseas, feeding the major exporters that have shifted there, or it can "stubbornly fight in the domestic market." Seventy percent of the aluminum parts made at Okuda's factory wind up in Toyotas, and because he's an optimist, he's willing to hold off for years before giving up on Toyota or Japan itself. But Honda and Nissan, he notes, have shifted production bases to foreign markets far more rapidly. "I'd like to survive domestically," Okuda said. "But I am 57. I will probably retire in 10 years. The decision on whether to stay or go, it will probably be up to my successor — my son."

### **The boom and the bubble**

Toyota City serves as a proxy for Japan's economy because it followed the same cycle as the country itself, booming for decades, now reckoning with its lost stature.

Okuda's father, Toshiichi, started the Okuda Industrial Co. in 1954 — just in time for a monumental postwar rise. As Toyota grew from the verge of bankruptcy into the world's foremost automaker, Toshiichi found a place as one of the company's myriad suppliers, and for several years, he stayed so busy that he bathed only two or three times per week, unable to make it home before the communal baths closed.

"He fought in Manchuria in the war," Okuda said. "He was always facing life or death. Working overnight and shipping parts for cars — that was nothing."

Okuda worked for his father during the boom and inherited the business in 1994, just after the bubble economy's collapse. Like many in his generation, Okuda lives in one kind of Japan and tells stories of another.

His company once sold \$32 million worth of products every year; now it sells \$22 million. Companies in Toyota City were once so desperate for able-bodied workers that Okuda had to recruit Vietnamese and Peruvians, bringing them to Japan along with their families. Now, the company has its pick of local college graduates. For its latest hiring, Okuda received 30 applications. He interviewed eight people and hired one.

A couple of years ago, one city official said, jobs outnumbered people two to one. Now, the city has created a committee to discuss a shift away from traditional manufacturing, thinking it can no longer support the region's economy. Members have talked about smart grids and new research parks.

"We need something more than Toyota," said Isao Nagata, managing director of the Toyota City Chamber of Commerce and Industry. "The younger generation is really worried about our viability for the future."

### **An uncertain future**

Okuda's eldest son, Keigo, is 27, and like many in his generation, he thinks the future will be more difficult than the past. He doesn't yet work at Okuda Industries, because he's trying to prove himself on his own. But he just started a job at a Toyota subsidiary, designing engine parts. His boss often tells him, "Foreign engineers are very hungry. You must work harder than them."

"I don't think my dad's generation ever had to think so much about foreign competition," Keigo said.

Keigo talks about the future of his father's company only with the warning that it's all speculative. If and when Keigo takes over, maybe he will someday look to China, he said. Or Brazil. But who knows. It depends on the global economy. It depends on Toyota.

His family has always sworn itself to Toyota. Because Toyota did such brisk business with the family company, Keigo went to private school as a teenager, then to a strong university. His dad drives a Lexus LX, part of the Toyota line. Even now that he works, Keigo lives at home, allowing him to save money for a new car. He has his heart set on the GT 86 coupe, developed jointly with Subaru.

Toyota says it will release the car next spring, as part of a plan to modernize its image and boost competitiveness.

The sports car will be manufactured in Japan.

**Fonte: The Washington Post, Washington, 15 Dec. 2011, Internacional, online.**