# Toyota losses highlight global auto collapse

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Toyota's announcement on Monday of a projected operating loss for the current financial year—its first in more than half a century—has sent shockwaves through the auto industry, not only in Japan but internationally. The Japanese carmaker has long been regarded as the international benchmark for manufacturing efficiency, so its losses are a clear demonstration that no one is immune from the worsening global recession.

The company is forecasting an operating loss of 150 billion yen ($US1.6 billion) for fiscal year to March 2009 reversing its previous forecast of a 600 billion yen profit. The figure is a dramatic fall from last year's record profit of 2.27 trillion yen or $25 billion. Toyota has not made a loss since it first started publishing results in the 1940-41 fiscal year. Its internal records showed a small loss in its first year of operation in 1937.

Toyota President Katsuaki Watanabe painted a bleak picture of the corporation's prospects, saying: "It's a kind of emergency that we've never experienced before. The environment surrounding us is extremely harsh... The change in the world economy is of a magnitude that comes once every hundred years... The tough times are hitting us far faster, wider and deeper than expected. This is an unprecedented crisis requiring urgent action."

Toyota has shelved virtually all its expansion plans and cut production at 16 of its 75 global assembly lines to a single shift. In the US, where the company had been expanding rapidly, it has postponed completion of its eighth North American plant in Mississippi. Its San Antonio plant is running a single shift and temporary workers have lost their jobs. In Britain, up to 800 workers are expected to lose their jobs and the Burnaston plant will close for four weeks over the next four months.

Last year Toyota sold 8.9 million vehicles worldwide and was seeking to become the first automaker to top 10 million in sales. It has now cut its forecast for the year ending March 31 to 7.54 million—15 percent below last year's figure. Next year is likely to be worse. Watanabe warned: "Unfortunately, I cannot see now where the bottom will be."

The turnaround in Toyota's fortunes is another demonstration of the depth and rapidity of the global economic slump. Kirk Kohler, a manager at Toyota's San Antonio plant, told the *New York Times*: "It tells you how drastic is the change in the economy and the auto industry. Even Toyota, which typically is very conservative and deliberative and makes decisions for the long term, even we did not see the change that was coming in the market."

The plunge in Toyota sales is part of a broader global trend. Consumer spending has collapsed amid an avalanche of job cuts, declining incomes and the drying up of credit. Auto sales in Japan are expected to hit a 31-year low next year. Western and Central European sales fell 26 percent in November and overall are down 7 percent so far this year. Auto sales have also been falling in the so-called emerging economies China, Russia and Brazil, which until recently had been viewed as potential growth markets.

According to research firm CSM Worldwide, worldwide vehicle production has been growing at an average of 3 percent annually since the beginning of the decade. Now that has been thrown into reverse. CSM estimates that there are enough factories to build 90 million vehicles a year, but only 66 million will be produced in 2008 and even less next year. CSM vice-president Michael Robinet told the *New York Times*: "The sales decline has been so precipitous that production has to be reduced to catch up."

Auto workers around the world are being compelled to bear the brunt of the crisis through layoffs and pay cuts. Assembly lines and plants are being shut in

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country after country as corporations scramble to cut costs and keep their head above water. Last week Fiat extended its program of temporary plant closures in Italy for two months and PSA Peugeot Citroen has temporarily halted production in dozens of factories in France. In Russia, Ford has halted production at its St Petersburg plant and Renault SA has shut its Moscow plant for two weeks this month.

In the US, the Bush administration has made its $17.4 billion bailout for General Motors and Chrysler, announced last week, contingent on drastic restructuring of their operations. Chrysler has also shut all 30 of its North American plants for a month and GM will permanently close two of its assembly plants in Wisconsin and Ohio this week.

The Toyota loss, coming on top of Honda's announcement last week slashing projected earnings by two thirds for the current financial year, has only heightened the mood of pessimism in Japan. Trade figures for November released this week showed that the world's second largest economy suffered its sharpest fall in exports on record—down by 26.7 percent year-on-year. Imports were down by 14.4 percent, leaving Japan with its second consecutive monthly trade deficit for the first time since 1980.

Japanese car exports were down 34.5 percent, and by 40 percent to the US. But of particular concern in Tokyo was a 24.5 percent fall in exports to China. Over the past decade, Japan has relied heavily on China's booming economy to pull it out of the stagnation that following the collapse of the Japanese share and property bubbles in the early 1990s. The rapid economic contraction in China, however, is already making itself felt in the shrinking demand for Japanese capital goods and parts.

Japan is now officially in recession, having recorded economic contractions in the second and third quarters. And the outlook for next year is grim. Bank of Japan (BoJ) governor Masaaki Shirakawa warned this week that exports were likely to fall further because of the rise of the yen, which reached 13-year highs against the US dollar this month. The central bank last Friday cut its overnight lending rate to just 0.1 percent in a bid to stimulate the economy.

On Monday, the Cabinet Office revised its forecast for the economy, using the word "worsening" for the first time since 2002. In a speech to the business group Keidaren, Prime Minister Taro Aso attempted to put the best possible face on the economic downturn by declaring that Japan would be the first country to recover because it had no structural problems. "Japan has always risen like the phoenix," he declared optimistically. Aso is staring political oblivion in the face after his approval ratings sank below 20 percent for the first time last Friday.

The recession is already beginning to hit the working class in Japan. A labour ministry survey late last month reported that 10,000 temporary workers were dismissed in October and predicted that the figure would be more than 30,000 by next March. The figure is likely to be a gross underestimate as Toyota, Mazda, Isuzu, Mitsubishi and other major corporations are all shedding temporary and casual workers.

There has been a dramatic increase in poorly-paid casual and temporary jobs over the past two decades as Japan's lifelong employment system has been steadily eroded. Non-permanent employees now account for 35 percent of the workforce, up from 24 percent in 1998 and 18 percent in 1988. Many of the temporary staff now being thrown out of work are young people who face a marginal existence, relying on family, friends and the country's limited welfare system.

The economic downturn and the devastation in the auto industry are an indictment of the perspective advanced by union leaders that workers could secure their future by sacrificing to boost the competitiveness of "their" company. Toyota, which was always held up as the shining example of efficiency, has been hit by the anarchy of the capitalist market like its rivals. The only way out for auto workers is to unify their struggles internationally on the basis of a socialist program to transform the auto giants into publicly owned utilities and to reorganise production as part of a world planned economy.

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