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Foreign CarMakers To Take U.S. Lead

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Toyota Motor Corp.'s announcement Wednesday of Alabama as the home for a shared factory with Mazda Motor Corp. highlights a major shift in U.S. vehicle manufacturing: Foreign auto companies soon will build more cars and trucks in America than the Detroit giants.

In the first quarter of 2018, foreign makers are expected to produce 1.4 million vehicles in the U.S., WardsAuto.com projects, equaling their American rivals for the first time. That's a leap from the same period last year, when foreign companies trailed Detroit auto makers by more than 100,000 vehicles, or roughly 10%.

In coming years, General Motors Co., Ford Motor Co., and Fiat Chrysler Automobiles NV are likely see their dominance in vehicle production entirely evaporate as rivals such as Toyota and Mercedes-Benz boost their American workforces and add new factories.

in Alabama, Toyota President Akio Toyoda said Alabama laid the groundwork to create "another made-in-America success story," although specific financial incentives weren't disclosed.

Four of the most-recent foreign commitments alone are expected to add 10,000 jobs and hundreds of thousands of units of U.S. production by 2021. Nissan Motor Co. and other foreign makers have said they are considering expanding their U.S. footprint. Several companies, including big players in China and India, have said they could start building cars in America within a half decade.

"Any resurgence in the automotive space, or in any other space, is driven by the ability to attract" foreign companies to the U.S., Nancy McLernon, president of the Organization for International Investment trade association, said Wednesday. Since the financial crisis, hundreds of thousands of automotive jobs have opened, many provided by foreign car makers or parts suppliers.

Already, the Big 3 are being outsold by non-U.S. rivals, as their share of American sales dwindled to 44% in 2017.

A series of developments have fueled the shift. Japanese and other foreign companies—unencumbered by unions and decades of financial obligations

to retired workers, and lured by U.S. states offering incentives—see an opportunity to bulk up their market share and localize production to mitigate risk. Meanwhile, executives at Ford, GM and Chrysler are prioritizing profits over revenue, scaling back production of low-margin compact cars and sedans in favor of pricier and profit-rich trucks and sport-utility vehicles.

Detroit makers, which once had considerable political sway because they employed the bulk of the nation's auto workers, are losing influence when state and national lawmakers consider legislation that will affect fuel economy, autonomous vehicles and the way cars have been bought and sold for a century.

President Donald Trump has intensified the spotlight on American manufacturing. During the 2016 campaign and the early days of his administration, car makers were routinely challenged by Mr. Trump to boost U.S. output and back away from

Meanwhile, Detroit's car makers—long stung by costly overhead and a capacity glut—will become more reliant on lower-cost countries in coming years as executives seek to avoid being overly exposed to their American workforce. Once nearly entirely dependent on Midwestern plants, GM and Ford are boosting the share of vehicles they import from China, Mexico or even India.

While the three companies have made commitments to update certain U.S. factories to accommodate product redesigns or market-segment changes, executives say the days of domestic car companies building new plants in the Rust Belt or elsewhere are over. GM, Ford and Chrysler are retooling certain factories to replace slow-selling sedans or compact cars with trucks and SUVs that are expected to help shore up market share.

But it will be hard for them to offset the hundreds of thousands of additional units planned by Toyota, the German auto makers and others. Even though factory downtime burns cash, executives at domestic car companies have been pulling back on production to boost near-term profits and keep inventories in check.

Many of the investments by foreign players are long in the making, and are a confirmation that auto executives see

shipping in so many cars from Mexico.

In a Twitter post on Wednesday night, Mr. Trump cited the two auto makers' new Alabama factory as a sign that "companies are coming back to the U.S. in a very big way."

Toyota's and Mazda's \$1.6 billion plant investment, outlined at a news conference Wednesday, is the latest in a series of big-dollar expansions by Asian and European car companies in Southern states. The investment also is the first allnew auto factory announced since Mr. Trump took office. Meantime, Volvo Cars is set to open a \$1.1 billion factory in South Carolina this year, while BMW AG and Daimler AG are expanding existing plants in the region.

States from Tennessee to Georgia to Texas have lured vehicle makers from Japan, Germany and South Korea in recent decades with their willingness to offer attractive tax-incentive packages, cheaper labor and a lack of threats by labor unions such as the United Auto Workers. In a speech Wednesday

the U.S. market remaining a profitable place to build and sell.

"We have been in the U.S. for 60 years and we need to make a very clear signal towards our retailers and towards our customers that the U.S. is our market," said Lex Kerssemakers, former head of Volvo's U.S. operations, in an interview in 2017 at the location where the company will soon build cars. "You can't make a stronger statement towards our retailers—we're not going to disappear."

In June, BMW said it would add 1,000 jobs at its plant in South Carolina by 2021, part of a \$600 million investment to produce more SUVs at the factory. The SUVs are shipped globally.

"The U.S. is still the second biggest market for us in the world. It will only grow in the future, so that's why having a plant in the U.S. is strategic for us," said Harald Krüger, chairman of the board of management of BMW.

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