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Ownership Matters: French Governments and Automotive Industrialists Facing the Japanese Challenge, 1974–1986

Between 1974 and 1986, the intervention of various French governments on both the right and the left—in addition to corporate maneuvering and increased focus on competitiveness and lean production—resulted in foreign direct investment, mergers, plant closures, and bankruptcies among struggling French automotive suppliers. This article will explore why these efforts were unsuccessful by revisiting the first Japanese attempts to enter the European automobile industry. It does so not only through the case of Nissan in the United Kingdom in 1984 but also through the essentially unfamiliar and contemporaneous example of French automotive suppliers.

Keywords: Automotive industry, suppliers, globalization, Japanese FDI, interventionist policy, liberalism

In a radio interview in 1991, Alain Carré, the director of the central purchasing service of Peugeot Société Anonyme (PSA), rejected the notion of a "witch hunt" against French suppliers, but he indicated that he had selected approximately 725 of the best suppliers on the market from the nearly 1,800 that existed in 1984.[1] Carmaker purchasing policy reflected the challenges faced by Renault and PSA's hundreds of suppliers: the internationalization of the automotive sector and the second oil shock were particularly hard on French suppliers, who were dependent on orders from Renault and PSA.[2] Many of them did not survive or were bought out, although a limited number of suppliers,

[1] Alain Carré, interview on France-Inter radio, 5 Jan. 1991.

[2] Patrick Fridenson and Kazuo Wada, "Automobiles," in *The Routledge Companion to the Makers of Global Business*, ed. Teresa da Silva Lopes, Christina Lubinski, and Heidi J. S. Tworek (Abingdon, 2019), 392–409.

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like Valeo, successfully established themselves as leaders.[3] They nevertheless had to contend with increasingly strong Japanese exports to Europe and the United States. Bolstered by the value of the yen, Japanese car manufacturers and suppliers sought new commercial avenues and tried to establish themselves in Europe in the early 1980s to bypass the trade restrictions put in place by EU member states.[4]

As the Japanese extended their competitive advantage from exports to foreign direct investment (FDI), why did the massive aid and efforts provided by the French government and banks over a dozen years—as well as the managerial strategies of companies—not lead to renewed competitiveness for struggling automotive suppliers in the international economy? In a context where the Japanese production model aroused both fascination and fear, how did left-wing governments deal with Japanese takeover proposals, which were perceived as both a threat and an opportunity?

The French automotive companies unable to recover included both automobile parts manufacturers and producers of machine tools for the automotive industry.[5] While the industrial, technological, and commercial logic was not of the same nature for each of these activities, they both shared the same clientele, namely Renault and PSA.[6] They were also subject to the same sectorial dynamics of internationalization, production automation, and Japanese pressure. Finally, both received particular attention from successive governments on both the right and the left. This study focuses on a small fraction of French automobile suppliers: those that were struggling and received financial support from the government and banks and were also willing to be bought out by foreign investors, Japanese in particular.

From a historiographical point of view, this article is in keeping with the many studies that have explored Japanese FDI in the United States

[3] Lydie Laigle, "The Internationalisation of the French Automobile Component Industry and the Case of Valeo," in *Globalization or Regionalization of the European Car Industry?*, ed. Michel Freyssenet, Koïchi Shimizu, and Giuseppe Volpato (Basingstoke, 2003), 198–222.

[4] Frédérique Sachwald, *Japanese Firms in Europe: A Global Perspective* (Paris, 1993); Ken-ichi Ando, *Japanese Multinationals in Europe: A Comparison of the Automobile and Pharmaceutical Industries* (Northampton, 2005); Roger Farrell, "Globalisation of the Automotive Industry," in *Japanese Investment in the World Economy: A Study of Strategic Themes in the Internationalisation of Japanese Industry* (Northampton, 2008), 286–317; Takeshi Abe, "The 'Japan Problem': The Trade Conflict between the European Countries and Japan in the Last Quarter of the 20th Century," *Entreprises et histoire*, no. 80 (2015): 13–35.

[5] Serge Benoit, Alain Michel, and Régis Boulat, eds., *Le monde du génie industriel au XXe siècle: autour de Pierre Bézier et des machines-outils* (Belfort, 2015); J. Nicholas Ziegler, "Retooling the Industrial Plant: Machine Tools," in *Governing Ideas: Strategies for Innovation in France and Germany* (Ithaca, 1997), 91–156.

[6] Étienne de Banville and Jean-Jacques Chanaron, *Vers un système automobile européen* (Paris, 1991).

and Europe, beginning with Mark Mason's essential work in the 1990s.[7] This study will highlight the less familiar aspects of Japan's entry into the European Economic Community (EEC), taking a dual approach that focuses on suppliers and France—an approach that cuts against the grain of much of the research into Nissan's canonical establishment in the United Kingdom in 1984.[8] Indeed, historians have devoted much more attention to carmakers than automotive suppliers, and the literature on Japanese FDI in Europe is largely dominated by the study of Great Britain.[9] This is particularly true of automobiles, with the United Kingdom serving as a bridgehead for the Japanese in Europe in 1984.[10] However, Toyota did not wait until Valenciennes (1998) before investing in France; in 1984 it invested in machine tool companies. This sector was struggling because of a lack of competitiveness and had received support from conservative governments since the 1970s. Although it occurred at the same time as Nissan's establishment in the United Kingdom, the Japanese entry into the French automobile industry by way of suppliers is largely unfamiliar. This article will deconstruct the common preconception of a supposed opposition between a highly liberal United Kingdom and a highly protectionist France in the early 1980s. Both countries implemented measures to protect their national automobile market but simultaneously opened up to Japanese investment.

Unlike the United Kingdom, France of course seemed to be a protectionist bastion of Europe in many ways. While the right-wing parties in power from 1974 to 1981 under the presidency of Valéry Giscard

[7] Mark Mason, "The Origins and Evolution of Japanese Direct Investment in Europe," *Business History Review* 66, no. 3 (1992): 435–74; Mason, "The Political Economy of Japanese Automobile Investment in Europe," in *Does Ownership Matter? Japanese Multinationals in Europe*, ed. Mark Mason and Dennis Encarnation (Oxford, 1994), 411–34; Mason, *Europe and the Japanese Challenge: The Regulation of Multinationals in Comparative Perspective* (Oxford, 1997); Timothy Sturgeon and Richard Florida, "Globalization, Deverticalization, and Employment in the Motor Vehicle Industry," in *Locating Global Advantage: Industry Dynamics in the International Economy*, ed. Martin Kenney with Richard Florida (Stanford, 2004), 52–81.

[8] Henry Bernard Loewendahl, *Bargaining with Multinationals: The Investment of Siemens and Nissan in North-East England* (Basingstoke, 2001); Tommaso Pardi, "La Révolution qui n'a pas eu lieu: Les constructeurs japonais en Europe (1970–2010)" (PhD diss., EHESS, 2011); Hitoshi Suzuki, *Japanese Investment and British Trade Unionism: Thatcher and Nissan Revisited in the Wake of Brexit* (Basingstoke, 2020).

[9] Roger Strange, *Japanese Manufacturing Investment in Europe: Its Impact on the UK Economy* (New York, 1993). About France, see Bernadette Andreosso, "The Spatial Impact of Japanese Direct Investment in France," in *Japan and the European Periphery*, ed. Darby James (London, 1996), 111–31; for a broader perspective, see Patrick Fridenson, "Japanese-French Business Encounters since 1952: Two Opposite Relations," *Entreprises et histoire*, no. 80 (2015): 36–56.

[10] Young-Chan Kim, *Japanese Inward Investment in UK Car Manufacturing* (London, 2002).

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d'Estaing agreed to the closure of a certain number of industrial sites, they willingly took measures to protect the French automobile market from foreign competition and boost its competitiveness. The election of François Mitterrand as president in 1981 was supposed to mark a departure from this policy: all production units should now be saved by a highly interventionist state. Various left-wing socialist-communist governments mobilized tools for public action—nationalization, planning, state aid—in the hopes of saving factories without resorting to Japanese investment. However, in the face of a protracted crisis, the French government hesitated to pursue this option. The Japanese simultaneously embodied the industrial enemy setting out to conquer Europe—and the danger of the henceforth global competition that led to the collapse of French suppliers—and the largely imaginary "one best way," a foreign paradigm whose transplantation to France could provide a socioeconomic opportunity.[11] Allowing the Japanese to enter the national space could endanger French industry, but it could also help industry to learn about lean production and save jobs in regions struck by crisis.[12] Faced with the limits of an interventionist policy that failed to save dozens of struggling companies, the country took a more free-market approach starting in March 1983, commonly referred to as the *tournant de la rigueur* (shift toward austerity), a notion that is being challenged today by the historiography.[13] This change led to the departure of the Communists from the government in July 1984 and opened the way for Japanese investors, who were seen as a last resort. The policy was continued by the new right-wing government in 1986.

From a methodological point of view, this study is mainly based on public archives, namely company files prepared by the Interministerial Committee for the Adaptation of Industrial Structures (CIASI), which was created in 1974 and reorganized in 1982 as the Interministerial Committee for Industrial Restructuring (CIRI).[14] In the early 1980s, this interventionist state committee took charge of some sixty struggling automotive suppliers, providing them with financial assistance and

[11] Michel Freyssenet, Andrew Mair, Kiochi Shimizu, and Giuseppe Volpato, eds., *One Best Way? Trajectories and Industrial Models of the World's Automobile Producers* (Oxford, 1998).

[12] Lean production, whose goal is to operate as tightly as possible, is characterized notably by local production networks and the reduction of stock. The term "just in time" is also used to refer to this model of production.

[13] Florence Descamps and Laure Quennouëlle-Corre, "1983, un tournant libéral?," *Vingtième siècle: Revue d'histoire*, no. 138 (2018).

[14] Ministry of Industry, Company files investigated by CIRI, 1978-1987, 19910541/1-19910541/22, French National Archives (NA). The archives consulted are those of the Ministry of Industry located at the National Archives in Pierrefitte-sur-Seine. The CIRI archives are kept at the Centre des archives économiques et financières, in Savigny-le-Temple.

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searching for buyers.[15] These public archives include a wide range of documentation by virtue of their diverse sources: local and national press, communication between ministries, and correspondence between the government, companies, and banks. I will also make occasional use of other French and European public archives, along with private archives such as those of consumer associations and the industry.[16]

Industrialists and Conservative Politicians Face the Pressure of Japanese Exports (1974–1981)

In the 1970s, European automotive actors had to deal with what historians have called "the shock of the global," that is, the rise of crucial challenges following the collapse of the postwar economic order.[17] These challenges included a new phase of globalization that saw societies connected as part of networks, the end of the Bretton-Woods system, the search for European and global monetary stability, successive rounds of General Agreement on Tariffs and Trade (GATT) negotiations, the rise of emerging countries, and oil shocks. In the automobile sector, the 1973 oil crisis led to a precipitous drop in world demand. The right-wing government under Giscard d'Estaing, who was elected in 1974, was quickly confronted with rising unemployment and stagflation, in a context where the Japanese challenge in Europe gradually surpassed the one posed by America.[18]

Japanese automakers and suppliers had considerably increased their competitiveness, based on an effective trio of price, quality, and technology. With these strengths, Japanese suppliers were looking for new business opportunities, such as in machine tools with numerically controlled (NC) lathes, or in automotive parts. In the late 1970s, after domestic demand in Japan had declined, manufacturers began to massively export their NC lathes to the United States and, later, Europe

[15] Élie Cohen, *L'État brancardier: Politiques du déclin industriel, 1974–1984* (Paris, 1989); Cohen, "Le CIRI ou l'ingénierie sociale du déclin industriel," in *Politiques industrielles d'hier et d'aujourd'hui en France et en Europe*, ed. Ivan Kharaba, Anne Dalmasso, Philippe Mioche, Philippe Raulin, and Denis Woronoff (Dijon, 2009), 169–88.

[16] These other archives include the following: Permanent representation of France to the European Union (RPUE), Historical Archives of the European Union (HAEU), European Bureau of Consumers' Unions (BEUC), Peugeot Société Anonyme (PSA), FIEV (French Automotive Equipment Industry Federation), and French Chamber of Commerce and Industry in Japan (CCIFJ).

[17] Niall Ferguson, Erez Manela, and Daniel J. Sargent, eds., *The Shock of the Global: The 1970s in Perspective* (Cambridge, MA, 2010).

[18] Bernard Jullien and Andy Smith, eds., *The EU's Government of Industries. Markets, Institutions and Politics* (London, 2014); Robert Boyer, Elsie Charron, Ulrich Jürgens, and Steven Tolliday, eds., *Between Imitation and Innovation: The Transfer and Hybridization of Productive Models in the International Automobile Industry* (Oxford, 1988).

instead of exporting them to Asia as they had done previously. By 1980, the Japanese had secured 30 percent of the German market and 50 percent of the European market, despite a shrinking market.[19] The major Japanese companies Yamazaki and Toyoda, a Toyota subsidiary, were at the forefront of this conquest. Japanese competition also affected automotive components, like roller bearings. Founded in 1951, the Japanese manufacturer Minebea frightened European decision makers with its highly aggressive pricing strategy, as the following statement from a Ministry of Industry representative in 1983 demonstrates: "A highly standardized product internationally, as well as an export product par excellence, roller bearings have sparked offensive actions and sometimes even unfair trading on the part of many countries, notably Japan and those in Eastern Europe."[20]

Unlike the US bearing company Timken, which withstood Japanese pressure through modernization and diversification strategies, the Normandy-based French company Nadella, which was the world's third-largest producer of needle roller bearings, continued to struggle financially.[21] Its situation was somewhat different from that of other French equipment manufacturers, as it was among the handful of suppliers, including Jaeger and Valeo, that were able to develop products and business strategies to diversify their markets and ensure some independence from manufacturers, in contrast to the many smaller companies that were totally dependent on Renault and PSA purchasing policy, in terms of both price and quantity. This was the case for Nadella in automotive parts and for Henry Ernault-Somua, known as H. Ernault-Somua (or HES), in machine tools. In the late 1970s, HES was the leading French manufacturer of NC lathes, but it was fairly small globally. Japan controlled 25 percent of the European market, 50 percent of the French market, and 60 percent of the US market. The product was widely available, and primary markets were growing increasingly saturated.

In response to the growing difficulties of its automobile industry, the conservative government employed a strategy defending against heightened international competition. In 1974, it set up a new interministerial committee, CIASI, to rescue companies in the automotive sector as well as the textile, aeronautics, and home appliance industries. The committee was made up of delegates from various government departments, the Banque de France, and several ministries, especially the Ministry of Finance, which controlled the entire system, and the Ministry of

[19] Strange, *Japanese Manufacturing Investment*, 216.

[20] Official Journal of the French Republic, parliamentary debates, 14 Oct. 1983.

[21] Bettye Hobbs Pruitt, *Timken: From Missouri to Mars; A Century of Leadership in Manufacturing* (Boston, 1998).

Industry, which fulfilled a technical advisory function. At a time when public finances were suffering, CIASI strove to revive the automotive sector by helping suppliers, mainly through financial allocations and the search for buyers. It used audits (Mazars, McKinsey) in this effort, as well as advice from PSA and Renault, which served as informal auditors. The machine tool sector occupied a special place in the committee's work.

Considered by political decision makers as an "industrializing industry"—an industry that generates more industry—this sector was surrounded by intense and lasting tension. Therefore, the government set up a first machine tool plan in 1977 to boost activity and encourage the modernization of manufacturing processes. The plan promoted concentration and granted financial advances to companies, the repayment of which would evolve based on their revenues.[22] But the expected gains in competitiveness remained limited, and the plan did not prevent the bankruptcy of two companies outside the automotive sector: Forest, which employed more than a thousand people, in 1979, followed by Liné in 1981. The situation of HES, which specialized in the automotive sector, was increasingly alarming.

To protect its automotive industry, the government also introduced measures in 1977 to restrict Japanese car exports, following the example of Italy, Spain, Portugal, and the United Kingdom. However, while the literature has often grouped these restrictions under the heading of voluntary export restraints (VERs), the quotas that member states put in place were not all VERs; instead, they were based on a variety of control mechanisms. Falling under the "gray area" of the GATT, VERs were agreements negotiated directly with Japan, which "voluntarily" agreed to limit its exports.[23] Although reluctant to do so, the country agreed because doing so would avoid the implementation of a formal safeguard measure. The United States concluded agreements of this type with Japan in 1969 in the steel sector and in 1972 in the synthetic textiles sector.[24]

In Italy and Spain, national restrictions on Japanese automobile exports began even before the Treaty of Rome was signed, probably around 1952 for Italy.[25] The Italian quota was relatively low, at around two thousand units, or less than 1 percent of the market, similar to

[22] Michel Hau, "Les grands naufrages industriels français," in *1974–1984, une décennie de désindustrialisation?*, ed. Pierre Lamard (Paris, 2009), 19.

[23] Sabina Nüesch, *Voluntary Export Restraints in WTO and EU Law: Consumers, Trade Regulation and Competition Policy* (Brussels, 2010).

[24] John G. Glenn, *China's Challenge to US Supremacy: Economic Superpower versus Rising Star* (London, 2016), 68–69.

[25] "New Motor Cars," 1992, Cm 1808, Monopolies and Mergers Commission (MMC), BEUC.

Spain. In the early 1980s, Portugal also set a quota of around 8 percent. The three countries relied on Article 115 of the EEC Treaty, which provided for blocking "parallel imports" from another EEC member country such as Germany or Belgium. Indeed, Japan could use these countries as bases for entering the EEC's protected markets, thereby circumventing the existing national restrictions. The United Kingdom also introduced a quota in the mid-1970s, but one that was based on a very different model. At that time the Japanese had increased their share of the British market from 1 percent in 1971 to over 9 percent in 1975, at a time when the competitiveness of British Leyland (BLMC) was at its lowest, undermined by the oil shock and repeated strikes.[26] Following BLMC's nationalization in 1975, the government encouraged the Society of Motor Manufacturers and Traders (SMMT), which represented the British automotive industry, to negotiate a VER directly with Japanese industry. A deal was struck in December 1975 between the SMMT and its Japanese counterpart, the Japan Automobile Manufacturers Association (JAMA). The Japanese agreed to maintain 1976 exports at the 1975 level. Under this agreement, the Japanese penetration rate in the United Kingdom remained almost unchanged between 1975 and 1990, ranging between 10.61 percent and 11.90 percent. These protectionist measures enraged French manufacturers, which accused the country of trying to protect its national champion British Leyland all while proclaiming itself "the apostle of free trade."[27] The British were seen as particularly hypocritical, advocating the virtues of free trade while introducing export quotas.

At the same time, the French government and carmakers were also considering how to limit the pressure of exports. In 1977, with no improvement to the economic situation and unemployment rising sharply, the right-wing government—prompted by the socialist and communist political parties, car manufacturers, and the press—decreed that Japanese cars should not exceed 3 percent of the French market. President Giscard d'Estaing saw this limit as a way to protect the interests of Renault and PSA in their domestic market, of which they held about 80 percent. To control the number of Japanese vehicles registered in France, the government wanted to monitor both imports from Japan and parallel imports, that is, Japanese cars arriving in France from

[26] Karel Williams, John Williams, and Colin Haslam, *The Breakdown of Austin Rover: A Case-Study in the Failure of Business Strategy and Industrial Policy* (New York, 1987); Karel Williams, Colin Haslam, Sukhdev Johal, and John Williams, *Cars: Analysis, History, Cases* (Providence, 1994), 134–65.

[27] Chambre Syndicale des Constructeurs d'Automobile (CSCA), "À propos des déclarations protectionnistes de British Leyland [Regarding British Leyland's protectionist statements]," press release, 1976, PSA. The CSCA represented the interests of French manufacturers.

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another member state within the framework of the Community Customs Union (1968). In its effort to do so, the government deliberately orchestrated administrative delays. It required motorists to obtain a registration certificate for their vehicle at the local prefecture. To obtain this document, one needed a certificate of conformity issued by the French center for vehicle approval, which was controlled by the engineers of the Mines. Unofficially, the government tasked these services with ensuring that Japanese brands did not exceed 3 percent of the market. In concrete terms, they could block certain registrations: "The French government used its authority to have Japanese manufacturers limit their exports to 3% of the national market, and to technically discourage parallel imports."[28] The central objective was to "discourage" motorists from buying Japanese cars to save money by erecting technical and administrative obstacles. In short, contrary to what one often reads, the 3 percent quota was not a VER, as this was not a "voluntary" measure on the part of Japanese exporters. Nor was it based on Article 115 of the EEC Treaty, unlike the quotas put in place in Italy, Spain, and Portugal. This is why several actors denied the legality of the 3 percent quota, especially consumer associations and companies whose activity was based on importing Japanese vehicles to France.

Despite the measures taken by the government to protect the sector —CIASI aid, the machine tool plan, and the 3 percent quota—the automotive suppliers struggling the most were unable to recover. For trade unions, the right-wing responses to stagflation and deindustrialization were insufficient. In 1980, union representatives from Maglum, an auto component manufacturer located near PSA in Franche-Comté, accused the Ministry of Industry of letting the Japanese take 3.5 percent of the market. This figure was explained by the fact that the 3 percent rate was spread over a reference period, so fluctuations were possible.[29] Moreover, trade unions severely criticized the financial aid dedicated to automating production; they deplored the fact that the government "is helping implement technologies without calculating their social repercussions. In a word, technology takes precedence over social considerations, and workers lose their jobs to ensure greater profits."[30] This was a long-standing debate: Should productivity gains

[28] Frans Andriessen and Martin Bangemann, "Un grand marché intérieur de l'automobile dans un environnement ouvert [A large internal automotive market in an open environment]," 27 Apr. 1989, 25POI.2.204, RPUE.

[29] Ministry of Industry, note on the Maglum case, Maglum company file, 31 Oct. 1980–1982, 19910541/13, NA. In the early 1980s, Maglum was a struggling company based in Ronchamp, in Franche-Comté, and supplied PSA.

[30] Minutes from meeting between representatives from the Fédération des Travailleurs de la Métallurgie (CGT) trade union and the services of the Ministry of Industry, Maglum company file, 31 Oct. 1980, 19910541/13, NA.

resulting from machines be encouraged such that the need for manpower decreases, especially on the part of a so-called welfare state? At the beginning of the crisis in 1980, the right, which was in power at the time, provided a clear response: "the automobile industry would no longer create large numbers of jobs as it had in the past."[31] The government asserted that the automobile industry would no longer create jobs or even maintain existing ones. This explains why the French right, which held power in France during the 1970s, conducted a policy of adapting French production to globalization, which notably resulted in the closure of less profitable units. In opposition to this, the socialists based their election campaign in 1981 on the battle against unemployment. Mitterrand's electoral victory brought a change in approach in the form of strengthened state interventionism.[32]

Rejection of Japanese FDI by the Socialist-Communist Government (1981–1984)

In 1981, Pierre Mauroy's new socialist-communist government focused on increasing competitiveness and implementing a sector-based policy. France had to control the entire chain of automobile production in order to remain independent from external factors such as Japanese investment. But in the aftermath of the second oil shock, the European automobile industry underwent a major crisis in 1980, with failed strategies for external growth, a lack of expected economies of scale because of internationalization, too many employees, social conflict, and pressure from Japanese exports.[33] The government had to deal with a protracted crisis and adopted a series of more proactive decisions and principles such as nationalizations, economic patriotism, public-sector growth, reorganization of industrial sectors to avoid internal competition (chemicals, information technology, telecommunications), and the return of a planning policy to support struggling sectors, at a cost of 10 billion francs (the machine tool plan, wood furniture plan, leather shoe plan, electronics plan). However, this interventionism should not overshadow earlier precedents during the presidencies of Pompidou and Giscard d'Estaing.

The industrial revival tried to promote concentration in an effort to increase the productivity and financial capacity of suppliers. The

[31] Ministry of Industry, note on the Maglum case, Maglum company file, 31 Oct. 1980, 19910541/13, NA.

[32] Serge Berstein, Pierre Milza, and Jean-Louis Bianco, eds., *François Mitterrand. Les années du changement, 1981–1984* (Paris, 2019).

[33] Patrick Fridenson, "Stratégies des groupes automobiles et structures du marché en Europe 1979–1992," in *Milieux économiques et intégration européenne au XXe siècle: La relance des années quatre-vingt (1979–1992)*, ed. Éric Bussière, Michel Dumoulin, and Sylvain Schirmann (Paris, 2007), 333–47.

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government counted on the second machine tool plan developed in 1981 to bring struggling French companies together. Unlike the policies of the right in the 1970s, concentration as promoted by the left in 1981–1982 would not entail a reduction in the number of suppliers, as the government did not want to condemn a particular sector or company to disappearance. Public authorities wanted to concentrate an overly fragmented supplier network unable to achieve size effect. For instance, the grouping of the Gendron company and the Renault subsidiary Constructions de Clichy (SRCF) in April 1982 would "make SRCF-Gendron into a hub for recapturing the internal market for cylindrical grinding machines."[34] Similarly, the machine tool plan brought together HES with two other companies in the sector, Huré and Graffenstaden, as part of the Intelautomatisme cluster.[35] The idea was to help HES become price-competitive by providing the minimal size needed to be profitable.

These different plans were central to the efforts pursued by CIASI, which was reformed in July 1982 to become the CIRI. The purpose of this change was to strengthen its capacity to intervene in companies' economic affairs by detailing its methods: development and implementation of industrial measures, recovery, job preservation, and reconversion. To this end, the CIRI reform reinforced the decision-making role of the Ministry of Industry, which gradually became more of an expert in industry and management. The committee slowly abandoned its one-time financial intervention strategy in favor of allocating massive, long-term financial aid. The government used a wide range of state aid mechanisms to help companies stay afloat. In 1981, there were over one hundred different forms of intervention, including subsidies, loans, and exonerations, with these arrangements often involving makeshift solutions to arrive at the desired amount. This aid helped maintain activity and jobs, as well as financing plans to diversify beyond the automobile industry. The government counted on the financial support of banks, which were encouraged to invest against a backdrop of economic patriotism, to put together the financial arrangements: the government invested up to a third of the amount, shareholders another third, and banks the final third. The nationalization of banks, such as Paribas in 1982, was intended to facilitate these investments. The idea was not just to nationalize the capital of these economic actors but also, and especially, to nationalize their interests.[36]

[34] District Council for Seine-Saint-Denis to Laurent Fabius, Letter to the Minister for Industry and Research, Constructions de Clichy company file, 17 May 1984, 19910541/6, NA.

[35] Luc Jeanvoine, "Le dépérissement de l'usine de Graffenstaden," *Entreprises et histoire*, no. 27 (2001): 44–54.

[36] Laure Quennouëlle-Corre, "Paribas et le monde: Les enjeux de la nationalisation de 1982," in *Banque et société XIXe–XXIe siècle: Identités croisées*, ed. Florence Descamps, Roger Nougaret, and Laure Quennouëlle-Corre (Bruxelles, 2016), 97–117.

In addition to providing aid, CIRI looked for buyers, with the idea of promoting French solutions to the problems faced by French suppliers. But finding a French investor for Nadella and H. Ernault-Somua at a time when the automotive sector was being hit hard by the crisis proved extremely complicated. At the same time, Japanese carmakers saw struggling French automotive companies as an opportunity. Taking over the factories of French suppliers could help circumvent the 3 percent protectionist barrier, thereby allowing entry into the French automobile industry. Should Japanese takeovers be allowed in order to save jobs, or should highly dangerous investors be rejected, even if it meant the closure of production units?

Japanese FDI in Europe was nothing new in the 1980s. Beginning in the 1960s, car manufacturers such as Toyota and Nissan invested in marketing organizations across Europe. In the early 1970s, they established assembly and production activities, which were limited in scope and chiefly located in countries with low salaries such as Portugal, Greece, and Ireland.[37] The increase in export barriers at the end of the 1970s reinforced their determination to directly establish themselves in the markets they were seeking to win. Following measures in Italy, Spain, Portugal, the United Kingdom, and France, two new VERs were introduced for the American and European markets in 1981, and the European Commission implemented monitoring for Japanese machine tool exports. To bypass the quotas, Honda opened a first automobile factory in Ohio (Marysville) in 1982, while negotiations continued between Nissan and Margaret Thatcher's government regarding the company's establishment in the United Kingdom.[38] Japanese investors identified France as having "the weakest domestic machine tool manufacturing base among the major European manufacturing nations" and therefore as an "easy" target, a bulwark that ultimately proved fairly fragile.[39] In contrast, Germany offered greater resistance by mobilizing cutting-edge technologies, and the Italian machine tool sector had been protected by tax measures since 1965.[40]

[37] Mason, "Origins and Evolution," 455–56, 464.

[38] Masanori Hanada, "Nissan: Restructuring to Regain Competitiveness," and Andrew Mair, "The Globalization of Honda's Product-Led Flexible Mass Production System," in Freyssenet et al., *One Best Way?*; Yannick Lung and Marie-Claude Bélis-Bergouignan, "Le mythe de la variété originelle: L'internationalisation dans la trajectoire du modèle productif japonais," *Annales: Histoire, Sciences Sociales* 49 (1994): 541–67; Tommaso Pardi, "A Model to Follow? The Impact of Neoliberal Policies on the British Automobile Market and Industry," in *Global Automobile Demand*, ed. Bruno Jetin (London, 2015), 97–71.

[39] Strange, *Japanese Manufacturing Investment*, 216.

[40] The Sabatini Law (1965) encouraged the takeover of machine tool manufacturers by deferring payment up to five years and offered genuine support to Italian MSB networks. On Japanese FDI in Italy, see Corrado Molteni, "Japanese Manufacturing Investment in Italy," in *Japan and the European Periphery*, ed. Darby James (London, 1996), 132–48.

The arrival of Japanese carmakers and parts manufacturers in Europe prompted both concern and interest among member states. The establishment of Japanese companies within the EEC raised fears of a Trojan horse within the national territory, one that could wipe out local industries already weakened by the crisis. Yet it could also enable European industrial actors to "learn from Japan" and thereby improve their economic performance in the context of globalization.[41] Japanese industrial actors prompted equal parts fear and fascination. Aside from the attractive argument of productivity gains that the Japanese would make possible, the government also saw Japanese takeovers as a way to contain unemployment and especially to avoid additional factory closings in France, which drew media attention. With unemployment numbers surpassing two million in 1982, could Japanese takeovers represent an industrial and social opportunity?

Two offers were made by Japanese companies in 1982: Toyoda's takeover of the NC lathe manufacturer H. Ernault-Somua, and Minebea's takeover of the needle bearing specialist Nadella. In the early 1980s Toyoda already owned 35 percent of HES Toyoda, an H. Ernault-Somua subsidiary specializing in machining centers. Toyoda wanted to broaden its presence in Europe and intended to enter the field of automated production (robots, flexible workshops). Toyoda's offers were attractive for the government, as the purchase of HES would lower its prices and help develop software—areas in which the Japanese had proven their worth. What's more, HES was located in an isolated rural area near Moulins and was "one of the primary units within a fragile and little-developed industrial network," in the words of local authorities, who pressured the government to find a way to save jobs.[42] Moreover, the Japanese knew how to emphasize the advantages they offered to French suppliers, in an effort to convince the government to accept their takeover bids. For example, Minebea executives submitted an attractive offer to CIRI: "We plan to send a maintenance team consisting of our Japanese and Singaporean engineers to Nadella . . . We would receive several young Nadella engineers at our factory in Japan for training, so that they can develop their machine maintenance capability."[43] Could the Japanese be of help in industrial transformation? It was a tempting promise for the

[41] Colin Haslam and Karel Williams, "Learning from Japan: The Yeast for Britain's Manufacturing Regeneration?," in *Japan and the European Periphery*, ed. Darby James (London, 1996), 69–85; Hiroshi Kumon and Tetsuo Abo, eds., *The Hybrid Factory in Europe: The Japanese Management and Production System Transferred* (New York, 2004).

[42] Prefect for the Allier Department to the Minister for Industry and Research, HES company file, June 1984, 19910541/8, NA.

[43] Minebea to the Ministry of Industry, Nadella company file, 9 May 1983, 19910541/15, NA.

government, carmakers, and French suppliers, one that offered training for engineers as well as automation, and hence a transfer in skills and technical tools. As Minebea sought to go global (United States in 1971, Singapore in 1972, Thailand in 1982), Nadella's struggles represented a real opportunity in Europe.[44]

But rather than selling to the Japanese, the government and industrialists had other means in mind for adopting the principles underpinning Japanese success, namely an increase in observation missions in Japan. Renault made its first visit to Japan with Toyota in 1974, followed by another observation from 1978 to 1980.[45] In the summer of 1980, Peugeot also organized an industrial mission to Japan.[46] While the historiography on lean production and transcontinental transfers is abundant, the role played by European suppliers in constituting the Japanese model—seen by all stakeholders as one to be imitated in contending with the crisis and globalization—is less well known.[47] Upon his return from Japan in June 1981, the deputy director of Jaeger, Frédéric Girardot, shared his experience with the Ministry of Industry. A comparative grid between France and Japan was created, focusing on five areas: staff work time, salary, production equipment and manufacturing robots, investment, and finally carmaker-supplier relations.[48] This type of comparative approach was broadly challenged in the early 1990s, with Jean-Jacques Chanaron calling for a "comparison of what is comparable."[49] A few months after Jaeger's mission, the French Automotive Equipment Industry Federation (FIEV)—the representative of suppliers—planned a first six-month mission to Japan with a number of French manufacturers including Valeo, Jaeger, Précision Mécanique Labinal, and Renault. FIEV organized six missions to Japan between

[44] Hiroshi Shimizu, "Rise of Minebea as a Global Firm," in *Japanese Firms in Contemporary Singapore* (Singapore, 2008), 88–108.

[45] Jean-Louis Loubet, "L'industrie automobile française d'une crise à l'autre," *Vingtième siècle: Revue d'histoire*, no. 52 (1996): 73; Arthur Gilodi, "Renault et les méthodes japonaises," *Renault Histoire*, no. 32, (2015): 19.

[46] Nicolas Hatzfeld, *Les gens d'usine: 50 ans d'histoire à Peugeot-Sochaux* (Paris, 2002), 489.

[47] Yvon Pesqueux and Jean-Pierre Tyberghein, "L'école japonaise d'organisation," *Innovations* 31 (2010): 11–31; Kumon and Abo, *Hybrid Factory*; Freyssenet et al., *One Best Way?*; Boyer et al., *Between Imitation and Innovation*; Martin Kenney and Richard Florida, *Beyond Mass Production: The Japanese System and Its Transfer to the U.S.* (Oxford, 1993).

[48] Ministry of Industry, note on Jaeger, 18 June 1981, 19910541/11, NA. On this subject, see James P. Womack, Daniel Jones, and Daniel Roos, *The Machine That Changed the World* (New York, 1990).

[49] Jean-Jacques Chanaron, "Rapport du M.I.T.: Comparer ce qui est comparable," *Journal de l'Automobile*, no. 328 (1991): 18–25; Karel Williams, Colin Haslam, John Williams, Tony Cultler, Andy Adcroft, and Sukhdev Johal, "Against Lean Production," *Economy and Society* 21, no. 3 (1992): 321–54; Christian Berggren, *Alternatives to Lean Production: Work Organization in the Swedish Auto Industry* (Ithaca, 1992); Jean-Philippe Neuville, *Le modèle japonais à l'épreuve des faits* (Paris, 1997).

1981 and 1993 and estimated that one-third of its member companies had gone there.[50] In 1981, the government considered these missions an opportunity to produce a "bible" for the French sector.[51] The Japanese model was being sanctified, alongside efforts to rationalize the Japanese economic miracle.[52] The government hoped that the missions to Japan organized by industrial actors would help convert French factories to the Japanese model, which had taken on a quasi-religious status, without conceding French companies.

Japanese offers in 1982 ran into a wall erected by French carmakers and the government, especially as trade relations grew increasingly tense between France and Japan. While Mitterrand's visit to Tokyo in 1982 marked a resumption of diplomatic relations between the two countries, it was followed by heightened economic tensions at the end of the year. Indeed, to slow exports, the government forced Japanese manufacturers of video recorders to clear their products through customs in Poitiers, which was located in central France, rather than in a port city. This episode, which the press dubbed the "Battle of Poitiers," crystallized tensions. "If the French are convinced that Japan is protectionist, the Japanese will respond with one word: 'Poitiers,'" stated the French Chamber of Commerce in Tokyo, regretting the "ping-pong" polemic that had taken hold between the two countries over protectionism.[53]

Given the ambitions of Japanese investors, French manufacturers feared that the entire sector would fall under Japanese domination if they were allowed to acquire French suppliers. In the fall of 1982, Renault CEO Bernard Hanon and PSA CEO Jacques Calvet indicated to the Minister of Industry, Jean-Pierre Chevènement, that they "fear [ed] Japanese equity stakes in French suppliers, which could serve as new Japanese bridgeheads in Europe."[54] According to the newspaper *Libération*, "the Japanese are looking for a Trojan horse," and struggling French suppliers could be "a new breach in the French machine tool industry through which the Japanese could rush in."[55] Stereotypes depicted dangerous predators approaching unseen—cunning like the ancient warriors before the city of Troy, or starving like the wolf from fairy tales—who would make short work of struggling European industry.[56]

[50] FIEV president to the European Commission, 1 Feb. 1993, FIEV.

[51] Ministry of Industry, Jaeger company file, note, 18 June 1981, 19910541/11, NA.

[52] Dave Lyddon, "The Myth of Mass Production and the Mass Production of Myth," *Historical Studies in Industrial Relations* 1 (1996): 77–105; Dan Coffey, *The Myth of Japanese Efficiency: The World Car Industry in a Globalizing Age* (Cheltenham, 2006).

[53] CCIFJ, "Japon: images et réalités," *France Eco Japon*, no. 21 (1984): 7, CCIFJ.

[54] Minutes from meeting at the Ministry of Industry, 9 Oct. 1982, PSA.

[55] *Libération*, 15 Sep. 1984.

[56] *Le Figaro*, 12 Oct. 1984.

This is why the government rejected Japanese proposals between 1981 and 1983. When Nadella was put up for sale in 1983, two offers were made: one from Minebea, and the other from the Renault subsidiary Société Nouvelle de Roulements (SNR), which was the largest bearing manufacturer in France and the eleventh-largest worldwide. In its report analyzing and comparing the two options, the Ministry of Industry listed all of the reasons why it preferred the Renault subsidiary, without explicitly stating that it was because the other option was Japanese. The ministry went to great rhetorical lengths to demonstrate that the two proposals were equivalent. However, while the offer from the Japanese company Minebea was more favorable for employees and the company, it was out of the question not to choose the offer made by the national champion, even though it was less advantageous: "While the Japanese offer initially appears to be better for Nadella (slightly higher investment, job creation, exports), the French solution is more positive on the national level (decreased risk for miniature bearings, increased purchases by Groupe Renault in France, and hence less imports)."[57] The country's economic interest had to take precedence over the company's economic interest. Finally, Minebea's prices in the United States and Europe were so aggressive that France ultimately accused Minebea of seeking to purchase Nadella to avoid legal proceedings and EEC anti-dumping regulations (filing a complaint on 28 February 1983). In the summer of 1983, it was decided that Renault would contribute to Nadella's capital through its subsidiary SNR, thereby setting the good example expected of a nationalized company.

The change in policy in March 1983, commonly known as the *tournant de la rigueur* (shift toward austerity), did not change the government's position in the following months. Toyoda's offers were refused *en bloc* for two years, between 1982 and 1984. In the spring of 1984, the Ministry of Industry decided to assess the question of Japan and the automobile sector, raising the following questions: "Was the French stance toward Japan in the automobile sector not paralyzing for the industry? Would it be better to cooperate with Japanese industrial actors, as in the U.S. and Great Britain?" The argument concluded by rejecting the Japanese presence in Europe, for "over the last fifteen years Japan has conducted a strategy of winning external markets, which threatens the very survival of automobile industries in Western countries."[58]

Trade and budgetary deficits had a greater impact on the government's industrial policy and agenda, and justified its intervention in

[57] Ministry of Industry, Nadella company file, note, 4 July 1983, 19910541/15, NA.
[58] Ministry of Industry, HES company file, note, Spring 1984, 19910541/8, NA.

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the economy, as did the exchange problems arising in 1982 and the successive devaluations of the franc starting in 1983. The socialist-communist government expanded the number of companies receiving state aid, increased the amount of aid, and extended its duration. While a former manager pointed out in 1982 that "it is not a matter of public authorities replacing the company's natural partners," certain companies, including HES, were quite simply passively dependent on such artificial aid.[59] Due to a lack of synergies, many diversification plans did not bring about a genuine conversion of factories. Aid ultimately allowed struggling companies to settle in for the long term, under the cover of viability. H. Ernault-Somua thus became a symbol in the press for both the stagnant French machine tool sector and persistent unemployment despite electoral promises, as well as for the appetite of Japan's largest carmaker, Toyota (via its subsidiary Toyoda). The year 1984 was one of stocktaking and changing strategies.

Japanese Rescue of the French Machine Tool Industry: Concessions of the Socialist Government (1984–1986)

While automobile production had picked up very slowly over the previous two years, and the economic context was slightly more favorable, French companies remained weak. Renault was heavily indebted and had lost 4 billion francs between 1981 and 1983, with the PSA group losing twice as much. The failure of the 1981–1982 policy led to awareness among the political class and public opinion that the crisis was beyond the responsibility of the previous right-wing government and that France was dependent on its foreign economic competitors and partners (growth rate, inflation, interest rates) despite being insufficiently open to the world. There was mounting criticism of the priority given to industry, the crowding out of other sectors, the artificial support of the economy, the heavy burden of compulsory taxes on companies, the neglect of small and medium-sized companies, and the increase in the hourly wage by switching to a thirty-nine-hour week. The left's policy did not stand up to the new "external constraint." A new policy emerged, involving wage moderation to slow inflation and encourage investment, in addition to the development of financial markets, less supervision of large, nationalized groups, and an end to nationalizations and massive public aid.[60] In response to the new, more liberal orientations, which placed the company and its performance at the heart of a

[59] Alain Faucon, "L'approche des affaires en difficulté par le CIASI," *Gestion et technique bancaires*, no. 413 (1982): 63–73.

[60] Claude Beaud, "Le drame de Creusot-Loire: Echec industriel ou fiasco politico-financier?," *Entreprises et histoire*, no. 27 (2001): 7–22.

new rhetoric, the communists left the government in the summer of 1984.

At the European level, in 1984 the EEC broke the deadlock with the Thatcher government regarding the agriculture budget, and the socialist government came out more actively in favor of European integration.[61] The Japanese had officially entered the European Community space that same year, with carmaker Nissan setting up a plant in Sunderland and machine tool manufacturer Yamasaki doing the same in Worcester. The newspaper *Les Echos* pointed out that "Yamasaki's establishment in Great Britain has been strongly criticized by European carmakers, which do not want a 'Trojan horse.'"[62] A few years later, at the Frankfurt Motor Show, PSA CEO Calvet deplored the "painful manifestations of national egoism shown recently and above all by authorities in the United Kingdom . . . , even if it means selling off Europe's industrial future. You cannot build a community if everyone thinks only of themselves."[63] Governments and carmakers looked disapprovingly upon the investments in Great Britain, all the more so as they were accompanied by substantial aid from the British government. With Yamasaki in England, the entire European machine tool sector was exposed to an increasingly close Japanese threat, as noted by the newspaper *Le Monde*: "The establishment of Yamazaki in Great Britain has reshuffled the deck for the sector: the wolf is now among the sheep."[64]

The situation with HES had not changed since 1981, as noted by the press: "H. Ernault-Somua, whose employees work between 24 and 32 hours, has been looking for a French buyer for over two years, even though Toyoda was there waiting."[65] The Intelautomatisme grouping provided for under the machine tool plan was continually postponed, with its constituent companies experiencing major difficulties. According to *Libération*, HES "is sponging off the government, which has regularly been plugging holes" since 1981.[66] *Le Figaro* blamed it on the blindness and "vanity" of the socialist-communist government, which had hyped up the Intelautomatisme grouping to bolster the machine tool plan: "At the time [April 1982], public authorities still believed in the machine tool plan, and turned a deaf ear: Ernault-Somua, which was entirely supported by government subsidies, absolutely had to be

[61] Georges Saunier, "De la Communauté à l'Union européenne: L'action européenne de François Mitterrand (1981–1995)," *Matériaux pour l'histoire de notre temps*, no. 101–2 (2011): 20–28.

[62] *Les Échos*, 14 Sep. 1984.

[63] Jacques Calvet, statements made at press conference at Frankfurt Motor Show, 13 Sep. 1989, PSA.

[64] *Le Monde*, 15 Sep. 1984.

[65] *Le Figaro*, 12 Oct. 1984.

[66] *Libération*, 15 Sep. 1984.

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a part of Intelautomatisme. . . . The vanity of public authorities has lasted a long time."[67] The government was forced to accept that HES had survived solely "thanks to the massive injection of public support," to the tune of 421 billion francs in three years.[68]

The government decided that "artificial financial support" for HES would not be renewed in late 1984. While Toyoda had been "there waiting" for two years for this company, this was not true of all the companies that the machine tool plan could not save: many had no buyers, even foreign ones. In 1986, the government and banks stopped subsidizing Graffenstaden, which was supposed to be a part of the Intelautomatisme grouping, along with H. Ernault-Somua and Huré. Graffenstaden had to file for bankruptcy. As the number of "major industrial shipwrecks" increased, the Japanese ultimately presented a way out in late 1984, with their offers now being received in a different light.[69] In this respect, this study contributes to the current historiographical revision surrounding the French shift toward austerity in March 1983.[70] If a major shift occurred, it more likely came in late 1984; it therefore appears more accurate to speak of a transition, for the closing of a number of foundries and forges in the early 1980s marked the beginning of a vast concentration effort among French and European suppliers.[71]

A Japanese takeover ultimately emerged as a lesser evil. Since an exclusively French solution for a takeover did not materialize, the government sought to bring Toyoda together with a French industrial partner. The Intelautomatisme grouping was clearly a failure, but the government did not give up, as indicated in its statement from October 1984 that "public authorities are committed to finding a successful French solution" for HES.[72] Who would join Toyoda in taking over? H. Ernault-Somua had gradually become a symbol for the abandonment of the machine tool sector to the Japanese, as well as the failure of a costly and ineffective state interventionism. The appeal to the national company Renault in the fall looked like a desperate attempt. But Renault's hands were tied, as the carmaker was in the process of disengaging from another machine tool company (the grinding machine specialist SRCF) that had emerged from the 1981 plan: "on the social level, it

[67] *Le Figaro*, 12 Oct. 1984.

[68] Minutes from an interministerial meeting, HES company file, Sep. 1984, 19910541/8, NA.

[69] Hau, "Les grands naufrages industriels," 15–35.

[70] Descamps and Quennouëlle-Corre, "1983, un tournant libéral?"

[71] Laurent Warlouzet, *Governing Europe in a Globalizing World: Neoliberalism and Its Alternatives following the 1973 Oil Crisis* (New York, 2018), 165. The author identifies a break in Mitterrand's policy in March 1984 and revisits the decline of state aid in 1985–1986.

[72] Minutes from an interministerial meeting, HES company file, 19 Oct. 1984, 19910541/8, NA.

is difficult for management to explain that the company is planning a major participation in another company in the sector while disengaging from the machine tool company Constructions de Clichy," concluded the Ministry of Industry in early December 1984.[73] The ideal of solidarity promoted in the industry since the early 1980s, with national companies being duty bound to act as bulwarks, was rendered ineffective by the increasing number of industrial bankruptcies. In the end, the government quickly gave up on Renault's participation in HES and accepted Toyoda's takeover proposal in December 1984. Exceptionally, it even committed up to 80 million francs of public support, despite plans for deep cutbacks in staff.

Choosing Toyoda was seen as a lesser evil, as well as an industrial and social opportunity that the government believed it could avoid up through October 1984. In April 1985, HES was officially taken over by Toyoda and took the name Ernault Toyoda Automation. With the 80 million francs the state provided to this Toyota subsidiary, France not only allowed "the wolf among the sheep"—to repeat the metaphor commonly used in the press—but also subsidized it. Nissan had also received substantial support from the British government to settle in Sunderland, to the tune of 25 percent of the invested amount. In 1990, when new aid was being offered to the Japanese to set up shop, an adviser to European Commission president Jacques Delors wondered, "the political question that the European taxpayer could rightly ask is for an explanation as to why and how we came to give our money to provide 'the fox better access to the chicken coop.'"[74] At the same time, the wave of Japanese investment in the EEC intensified: Japanese FDI in Europe totaled $30 billion in 1986 and $83 billion in 1993.[75] After HES, the Japanese proceeded with new investments in France in the field of NC lathes (Mitsui Seiki opened a factory in 1987) and presses (Amada bought the press manufacturer Promecam in 1986). The giant Yamazaki, whose first parts shipped from the Worcester factory in 1987, announced in 1989 that it wanted to set up a factory in France as well (1992), while Toyota set up in Valenciennes in 1998.[76]

[73] Minutes from an interministerial meeting, HES company file, 3 Dec. 1984, 19910541/8, NA.

[74] Jean-Charles Leygues, note, Dec. 1990, HAEU.

[75] Strange, *Japanese Manufacturing Investment*, 216. See also Thomas Bourke, *Japan and the Globalisation of European Integration* (Aldershot, 1996).

[76] Tommaso Pardi, "Crise et rejet de la greffe Toyota à Valenciennes?," *Le journal de l'école de Paris du management* 99 (2013): 29–36.

Conclusion

Between 1974 and 1986, the intervention of various governments on both the right and the left—in addition to increased interest in competitiveness and lean production, as well as corporate tactics—resulted in FDI, mergers, plant closures, and bankruptcies among struggling French automotive suppliers. As international competition intensified, the solutions put in place by governments proved unsuccessful. This study emphasizes the need to resituate carmakers and their suppliers within a broader institutional context.[77] The government's impact on the economy in the early 1980s limited the leeway that carmakers and suppliers had over the social, political, and financial aspects of the automobile market. Finally, by revisiting the revival of liberalism in 1984, this study is in keeping with recent historical research on the complex and nonlinear revival of free enterprise in Europe during the 1980s, as well as the distinctive features of a French capitalism that grew out of relatively unstable sociopolitical compromise.[78] While France at first glance appears as a bastion of protectionism, Japanese investors ultimately had a dual opportunity. First, the crisis in the automobile industry left the particularly fragmented French small and medium-sized businesses (SMB) fabric in a critical state, at a time when the government had made unemployment its top priority. Second, the highly interventionist public policies implemented in 1981 quickly proved unsuccessful in restructuring the sector without a change in paradigm.

This explains why the protectionist impulses in Europe of the late 1970s and early 1980s, such as export restrictions, were not incompatible with a more liberal drive to open up markets. While Mark Mason's work has demonstrated that European policies toward Japanese FDI were more restrictive than American ones, approaching the topic from the standpoint of suppliers provides nuance to the idea of a fortress Europe.[79] It is important to reconsider a schematic view of Europe opposing British ultra-liberalism and French ultra-protectionism.[80] This study shows that this comparison does not capture the full picture, partly owing to the lack of attention historians have devoted to

[77] Marie-Claude Bélis-Bergouignan, Bernard Jullien, Yannick Lung, and Murat Yildizoglu, eds., *Industrie, innovation, institution: Eléments de dynamique industrielle* (Bordeaux, 2011).

[78] Bruno Amable, *Structural Crisis and Institutional Change in Modern Capitalism: French Capitalism in Transition* (Oxford, 2017).

[79] Mason, *Europe and the Japanese Challenge*.

[80] Christian Sautter, *La France au miroir du Japon: Croissance ou déclin* (Paris, 1996). This high-ranking civil servant and professor of Japanese economics at a Paris research university (EHESS) wrote the following: "the sharpest division opposed France and Great Britain. The first refused with horror the transplants that were the logical consequence of barriers to entry, whereas the second, spurred on by Mrs. Thatcher, who apparently had little confidence in the capacities of British entrepreneurs, welcomed them with open arms."

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suppliers. At essentially the same moment in 1984, both France and the United Kingdom implemented automobile quotas while also welcoming and even subsidizing Japanese industrial giants. In the mid-1980s, the two European countries combined protectionist policies with a more liberal logic of welcoming Japanese investments to save the automotive sector. They deployed what Laurent Warlouzet has called a neomercantilist policy, which is to say measures favoring national industry within a global free trade framework, but with much hesitation and tension.[81]

Takeovers were long postponed thanks to massive public aid, which financed diversification plans that were poorly controlled on both an industrial and financial level. They nevertheless embodied some hope for independence among suppliers vis-à-vis a sector in crisis, to which they felt entirely prisoner. New activities were meant to serve as a variable adjustment in relation to orders from car manufacturers.[82] In 1984, when the automotive economy was slightly more favorable, it became clear that the industrial and financial difficulties of the most precarious companies had been underestimated. The inconsistencies of diversification plans and failed synergies came clearly into focus. Initiatives to reduce the role of unprofitable diversification activities multiplied, and this did not spare the most solid equipment manufacturers. For instance, Jaeger's recovery plan sought to withdraw from unprofitable diversification activities such as aeronautics (sold to Thomson in late 1983) and watchmaking. The company was finally bought by the Italian group Magneti Marelli. For its part, Valeo decided to sell its subsidiary Soma, which was acquired in 1979 and designed bridges for military trucks. While these large French groups were able to withstand the crisis, the failure of diversification plans, confirmed by the drying up of public aid, led to the collapse of smaller companies unable to adapt to the sector's internationalization.

In comparison, other countries and major equipment manufacturers weathered the crisis more successfully, deploying modernization and multinationalization strategies.[83] For example, the US company Timken, a manufacturer of tapered roller bearing axles for carriages, modernized its existing plants and increased its production capacity by creating new installations in South Carolina (1971) and North Carolina (1979).[84] The company also successfully diversified its steel products

[81] Warlouzet, *Governing Europe*.

[82] Armelle Gorgeu and René Mathieu, "Les liens de Renault avec ses fournisseurs: Equipementiers et sous-traitants," *Actes du Gerpisa* 14 (1995): 41–58.

[83] Fridenson and Wada, "Automobiles," 398.

[84] Pruitt, *Timken*. On the United States, see Laurie Graham, "How Does the Japanese Model Transfer to the United States? A View from the Line," in *Global Japanization? The Transnational Transformation of the Labour Process*, ed. Tony Elger and Chris Smith (London, 1994), 123–151.

beyond the highly competitive bearings business. However, the failure of the diversification plans was not specific to French equipment manufacturers. While the German multinational Bosch had organized its activity partway "between Americanization and Japanization," "indiscriminate diversification" also led to difficulties for the German leader, just as it had for Valeo and Jaeger.[85] But it managed to recover more quickly from the crisis, as early as 1984, thanks especially to a new leadership culture. Lastly, in the United Kingdom, suppliers benefited from the installation of Nissan in 1984, which was forced by Thatcher's government to assemble Bluebirds in Sunderland that consisted of at least 80 percent locally designed components.[86] The leading British parts manufacturer Lucas also made a successful bet on automation, technology, and internationalization, before it was forced to close manufacturing facilities in Japan and California in 1996.[87]

In France, despite the arrival of Japanese companies and the deployment of a more modest industrial policy by ensuing governments—at a time when the process of European integration was deepening—a few French entrepreneurs learned from Japanese determination and, like Valeo and Ecia-Faurecia, found that there was some room in France for a much more specialized and considerably restructured automotive supplier industry. These equipment manufacturers also succeeded in becoming key partners for automakers in Japan. Following in the footsteps of Michelin, which opened a branch in Japan in 1978, Valeo opened a sales office in Tokyo in 1984, before creating the subsidiary Valeo Japan in 1985, soon followed by Bertrand Faure in 1992.[88]

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[85] Johannes Bähr and Paul Erker, *Bosch: History of a Global Enterprise* (Munich, 2015).

[86] Tommaso Pardi, "Industrial Policy and the British Automotive Industry under Margaret Thatcher," *Business History* 59, no. 1 (2017): 75–100.

[87] Harold Nockolds, *Lucas: The First Hundred Years*, 2 vols. (Newton Abbot, 1976–1978). Paul Cheeseright, *Lucas: The Sunset Years* (London, 2005).

[88] Christian Polak, *1918–2018, Un siècle d'histoires d'entreprises au Japon* (Tokyo, 2018).