Ask consumers why Toyota may soon be the largest automaker in the world, and they will point to the Camry. Or the Prius. Or the rav4. (It's the cars, stupid.) Ask manufacturing geeks, and they'll tell you it's about just-in-time production and a maniacal focus on constant improvement. (It's the engineering, dummy.)

But there's another drama behind the carmaker's tire-squealing momentum. It's a story that might be called: How Toyota is winning the hearts and minds of America.

With a deft combination of marketing, public relations, and lobbying, Toyota has done a remarkable job over the past 20 years of selling itself as an American company. That drives the Big Three to distraction. Here's Chrysler communications chief Jason Vines: "The thing I resent is Toyota wrapping themselves in the American flag," he says. "We still employ more people and contribute more to the economy."

Who cares what Detroit thinks? Well, strange as it sounds, Toyota does. Its executives may privately relish victory at the expense of General Motors (GM), Ford (F), and Chrysler (DCX), but here's the truth: Toyota is afraid to be No. 1—or at least what that implies. And not just because one of its slogans is "Run scared." It's because the extra scrutiny could undo much of the hard work of the past 20 years. "We constantly need to think about the potential backlash against us," Toyota CEO Katsuaki Watanabe tells BusinessWeek in an exclusive interview. "It's very important for our company and products to earn citizenship in the U.S. We need to make sure we are accepted."

A 17.4% retail market share should signal acceptance. But Toyota is not admired from sea to shining sea. Yes, the company has won the coasts. But one-third of car buyers are biased against imports, says Harris Interactive. And most of those Ford- and Chevy-loving holdouts live in the Midwest and Texas. In those precincts, Toyota still has a lot of persuading to do. Which explains why it launched the full-size Tundra pickup—a red state vehicle from its aggressive hood to its brawny haunches—and is building it in San Antonio.

Here's the thing: The Tundra amounts to an assault on the last redoubt of Big Three profits. But Toyota doesn't want to be seen as the one that pushes Detroit over the edge. So to prevent a backlash, the company is amping up the charm—launching literacy programs in San Antonio, vowing to share technology with Ford, and pouring money into lobbying, more than doubling since 2002 the amount it spends each year, to $5.1 million. Says Jim San Fillippo, an analyst with Automotive Marketing Consultants Inc.: "Toyota is the best at going native."

In the early '80s, Toyota sold nine models and had 6% of the market. But the company was winning converts with fuel-efficient, reasonably priced cars like the Toyota Corolla. Detroit, meanwhile, was beginning to endure the agonies that continue to this day. Japan was ascendant, and xenophobia was in full cry.

Toyota scion Shoichiro Toyoda needed to boost sales in the U.S. but feared angering consumers and Washington pols. So in 1984, he hired a Ford pr guy named James Olson. Dr. Toyoda summoned Olson to Nagoya and exhorted him to undertake genchi genbutsu ("go and see").

What Olson found wasn't terribly surprising: With just one U.S. factory—and a joint venture with GM, at that—Toyota was widely viewed as a foreign interloper. At Olson's urging, the company began playing to local sentiment. In 1986, Toyota announced a new plant in Kentucky. In the same year, it hired many of the 3,000 laid-off GM workers to staff the joint-venture plant in Fremont, Calif. George Nano ran the United Auto Workers local at the time, and recalls company executives and plant bosses eating in the same cafeteria as the rank and file. That never happened when GM was running the factory.
That same year, a Ron Howard comedy called *Gung Ho* appeared; it contrasted the American and Japanese work ethic at a car plant operated by an Asian company called Assan Motors. (Toyota later used the film as an example of how not to manage Americans.)

Toyota escalated the pr offensive. In 1991, it started funding the National Center for Family Literacy and other do-good works. It was textbook corporate philanthropy. But Toyota also did something few American corporations would consider: dispatching efficiency gurus to companies like Viking Range Corp. and Boeing Co. (BA) and to local hospitals. All this was an effort to help make these places work smarter—and build goodwill.

**BEATING THE TAX**

But even the savviest gestures were of little use against rising trade tensions. In 1993, Big Three executives won a sit-down with President Bill Clinton. Why, they wanted to know, could the likes of Toyota flood the U.S. with cars, while domestic automakers were mostly locked out of Japan? "It was clear Detroit was having trouble," recalls Mickey Kantor, who was then Commerce Secretary. So Clinton threatened a 100% tax on luxury car imports.

That would have mauled Toyota's five-year-old Lexus brand. It was time for some Kabuki. In those days, Toyota had no game in Washington. But Toyoda was a friend of Walter F. Mondale, then ambassador to Japan. They made a deal: Toyota would build three plants in the U.S. if Clinton nixed the tax. It seemed like a concession at the time. But one Toyota executive says the company planned to open the factories all along.

Detroit's lobbying had come to naught. Toyota was about to establish a beachhead from which it would double U.S. market share over the next decade. With each new plant, Toyota won friends in Congress, where it began building clout.

Toyota executives have a name for politicians they deem friendly: the Toyota Caucus. These are people who represent the states—California, Indiana, Kentucky, Texas, and West Virginia—where Toyota builds cars and trucks. One of the club's charter members, if you will, is Jay Rockefeller, the junior Democratic senator from West Virginia. The Rockefellers and the Toyodas go way back; Jay studied in Japan and speaks the language.

While most states set up their lobbying offices in Tokyo, West Virginia's headquarters is in Nagoya, near Toyota's headquarters. Few have worked harder than Rockefeller to persuade Toyota to build a plant in his state. In 1996, not long after the Clinton luxury tax was quashed, the state got a $400 million engine plant in Buffalo, W.Va. Today 1,000 people work there, and the investment has swelled to $1 billion.

In 2001 Toyota gave $1 million to the Blanchette Rockefeller Neurosciences Institute at West Virginia University, a medical research center named after the senator's mother. About the same time, Toyota and Honda Motor Co. (HMC) began backing a push for tax credits for consumers who bought hybrids. The Prius was selling at a premium over conventional cars and Toyota wanted a marketing tailwind. Four years later, Congress passed a credit for up to $3,150. One of the bill's sponsors was Rockefeller. He denies Toyota directly lobbied him over the hybrid sweetener. But Toyota did talk to his staff about the bill, and Rockefeller acknowledges that "maybe I learned something from Toyota" about automotive technology.

Few automakers have a more unassailable environmental pedigree than Toyota (its closest rival is Honda). And no car better represents the company's green cred than the Prius. To hear Toyota tell it, the hybrid was simply so trendy and well-engineered it practically sold itself. There's more to the story than that.

Just before Toyota was about to launch the Prius in 1999, it called Dan Becker, director of global warming initiatives at the Sierra Club. The company wanted the group's seal of approval for the Prius. Becker persuaded his superiors to create an award for the best hybrid technology. The idea was controversial, and Becker says some Sierra Clubbers called him a "whore for the auto industry." In the end, Honda's hybrid Insight won the Sierra Club Award for Excellence in Environmental Engineering; the Prius won the following year.

The Toyota-Sierra Club dance didn't end there. In 2001, the group borrowed a half-dozen Priuses and drove them from Maine to Florida, stopping in cities along the way and letting people drive them. The group also held a cross-country trek along Route 66, hitting towns and cities from Chicago to Los Angeles. The drive-and-tell seemed to work wonders. Says Becker: "Someone at Toyota told me that a phenomenal percentage of people who tested the car bought one." By 2004, Toyota had passed Honda and had the greenest image. "They just blew past us in the surveys," says John German, manager for environment and energy analysis for American Honda Motor Co. "They're in first place now."

Meanwhile Toyota turned to its point man in celebrity-ville: Mike Sullivan, who owns Toyota of Hollywood. Sullivan got hold of 26 Priuses and took them to the 2003 Oscars. Before long, such stars as Cameron Diaz and Leonardo DiCaprio were being photographed ("Look, we're so green!") with their Priuses. "It became the cool thing to do," says Sullivan. Now, every November, Toyota sponsors the annual Environmental Media Assn. Awards in Los Angeles. TV shows and movies that feature environmental causes get a trophy. Celebrities enter the ceremony along a green carpet, Sullivan is a sponsor, and the Toyota image is omnipresent.

**HEADING FOR THE HEARTLAND**

Today, Toyota is the most respected car company in America. And yet to become the biggest-selling carmaker in the U.S., it needs to
make serious inroads into the heartland, where imports are often considered un-American and the pickup truck rules the road. Nationally, Toyota has a 17.4% retail share. But once you break down the numbers by region, a more nuanced picture emerges. In the Midwest Toyota has just 11%, according to R.L. Polk & Co., which tracks car registrations. And in Texas, Toyota has a meager 5% share of the pickup market. Mike Foster will proudly tell you why. A 50-year-old homebuilder from San Antonio, he has 195,000 miles on his Ford F-150. "I've never owned a Japanese car of any kind," says Foster. "I believe in supporting American jobs. I know Toyota creates jobs here, but the money goes back to Japan."

Knowing what it's up against, Toyota has rolled out a $300 million marketing campaign for the Tundra. It is sponsoring livestock shows, bass-fishing tournaments. and made its NASCAR debut on Feb. 18. Toyota has a campaign, internally dubbed "Prove It," involving free test drives at Bass Pro Shops, a national chain of outdoor sports shops, and 84 Lumber stores. Its TV ads feature a narrator, complete with Texas drawl, promoting the Tundra as "the all-new, built-in-America, Toyota truck."

Meanwhile, Toyota is out winning hearts and minds in San Antonio's south side, where the factory is. In late January, the company brought its 16-year-old literacy program to Sky Harbor Elementary School. There, in the Toyota Family Literacy Program Room, Hispanic families are learning to read and write English. "The south side had not been receiving much attention," says Jada Pitman, who runs the program. "But now you have homes and roads being built to accommodate Toyota. Their presence is really being felt in the community."

In Washington, too. Toyota's chief lobbyist, Josephine Cooper, who formerly told Detroit's story on the Hill, has been busy. At her behest, Toyota has amped up its advertising efforts inside the Beltway. Its latest campaign has been running on TV and in such publications as Roll Call, Washingtonian, Congress Daily, and Congressional Quarterly. It reminds politicians that Toyota has spent $17 billion over 20 years on new plants and that it directly employs 38,000 Americans.

Five decades after selling its first cars in America, Toyota still feels the need to apologize for—or at least justify—its success. Now, the company's relentless expansion is bringing unwanted attention. A series of recalls has hurt Toyota's reputation for quality. Environmentalists complain that the automaker's move into the big-truck market makes it look more and more like the Big Three all the time. And James E. Press, who runs the North American operations, acknowledges that Toyota is under greater scrutiny now that it's closing in on GM as the world's No. 1 automaker. Yet among Toyota's U.S. leaders, at least, there is the feeling that the humility has gone far enough. During a recent meeting at the North American headquarters in Torrance, Calif., executives agreed Toyota should stop worrying about being loved and learn to accept industry leadership. Are you listening, Watanabe-san?

By David Welch, with Ian Rowley and David Kiley