



AUTOMOTIVE & MANUFACTURING

CHAIR

Alex Newbigging,
Group Managing Director,
Jardine Cycle &
Carriage LTD

CO-CHAIR

Yeap Swee Chuan,
President & CEO,
AAPICO

RESEARCH PARTNER

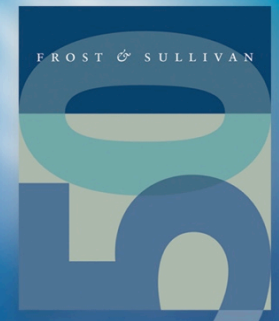
Frost & Sullivan

F R O S T  S U L L I V A N

Lifting The Barriers of Trade in AEC for Automotive

ABC Forum 2014

8th September 2014



ASEAN region rivals BRIC countries in market size and growth rates

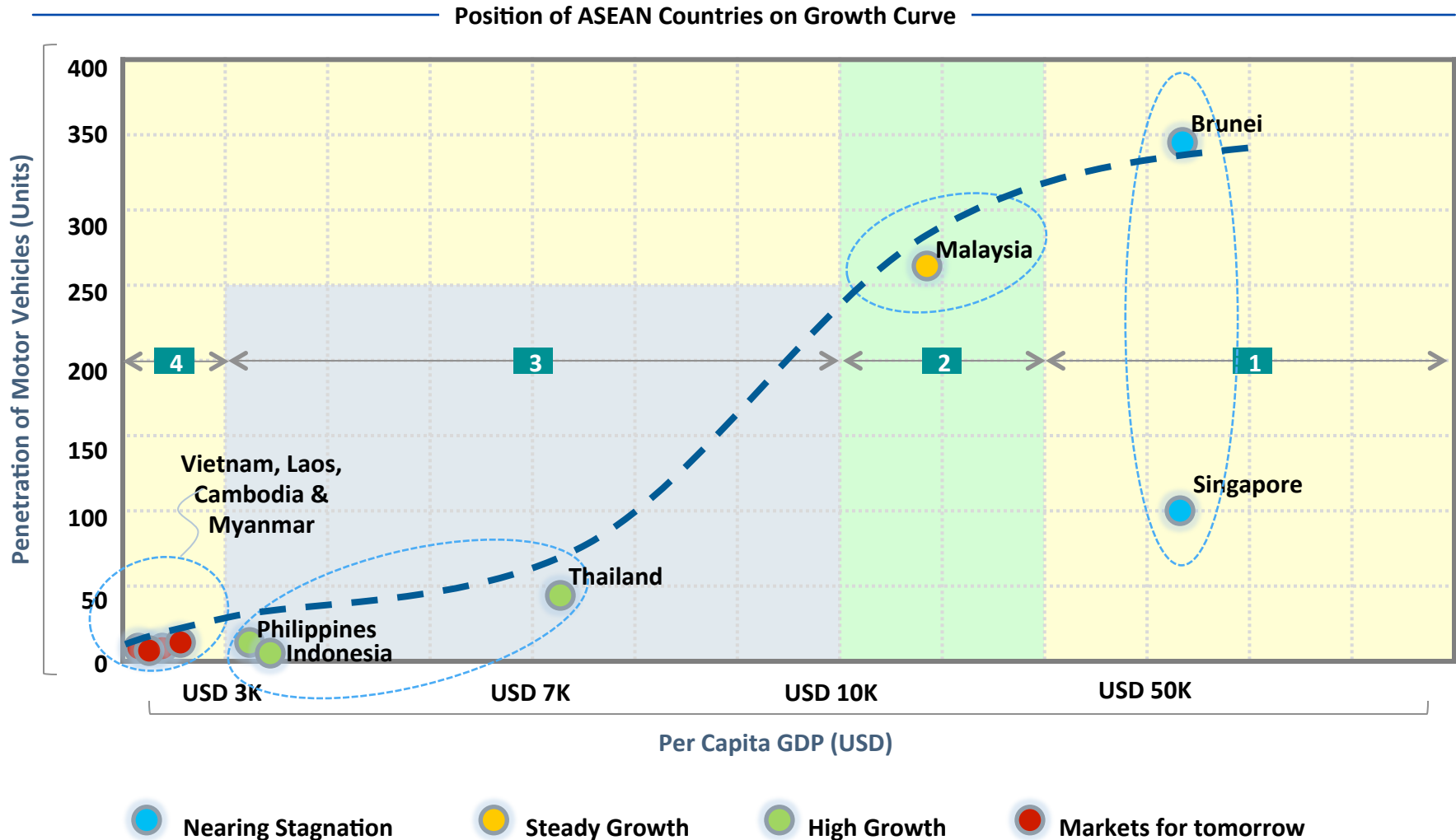
GLOBAL SALES		
Rank	Country	Sales 2013
1	China	21.9
2	USA	15.6
3	Japan	5.3
4	Brazil	3.6
5	ASEAN	3.5
6	Germany	3.2
7	India	2.9
8	Russia	2.8
9	UK	2.5
10	France	2.2

GLOBAL PRODUCTION		
Rank	Country	Production 2013
1	China	22.1
2	USA	11.0
3	Japan	9.6
4	Germany	5.7
5	South Korea	4.5
6	ASEAN	4.4
7	India	3.9
8	Brazil	3.7
9	Mexico	3.1
10	Canada	2.4

Figures in million units

Double digit growth rates make the ASEAN region extremely attractive for both investors and automakers, as they look for better returns on their investment

However, all member countries are different stages of evolution, that poses a challenge for lifting the barriers



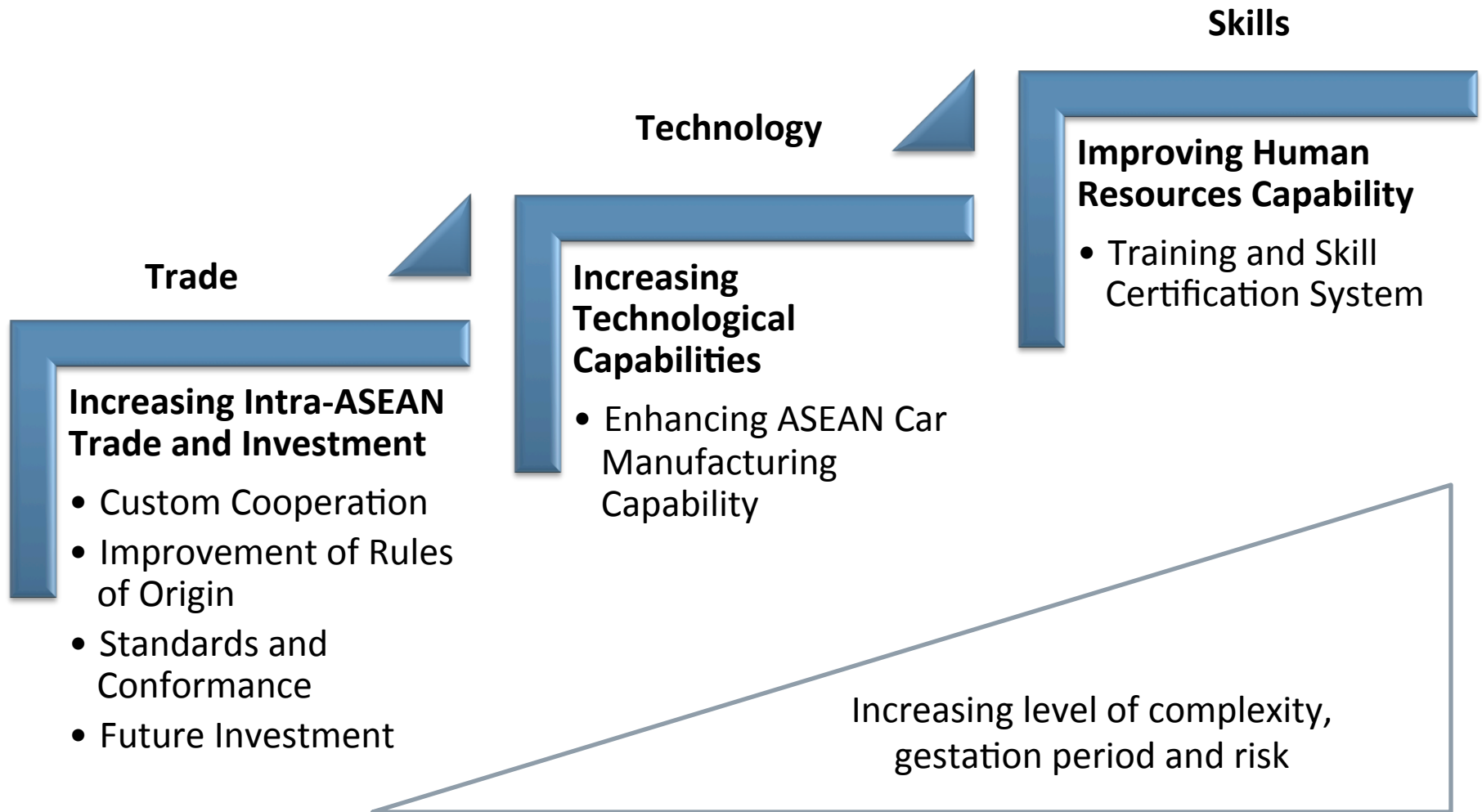
Source: Frost & Sullivan analysis

AEC Vision : Economic integration not just trade liberalization

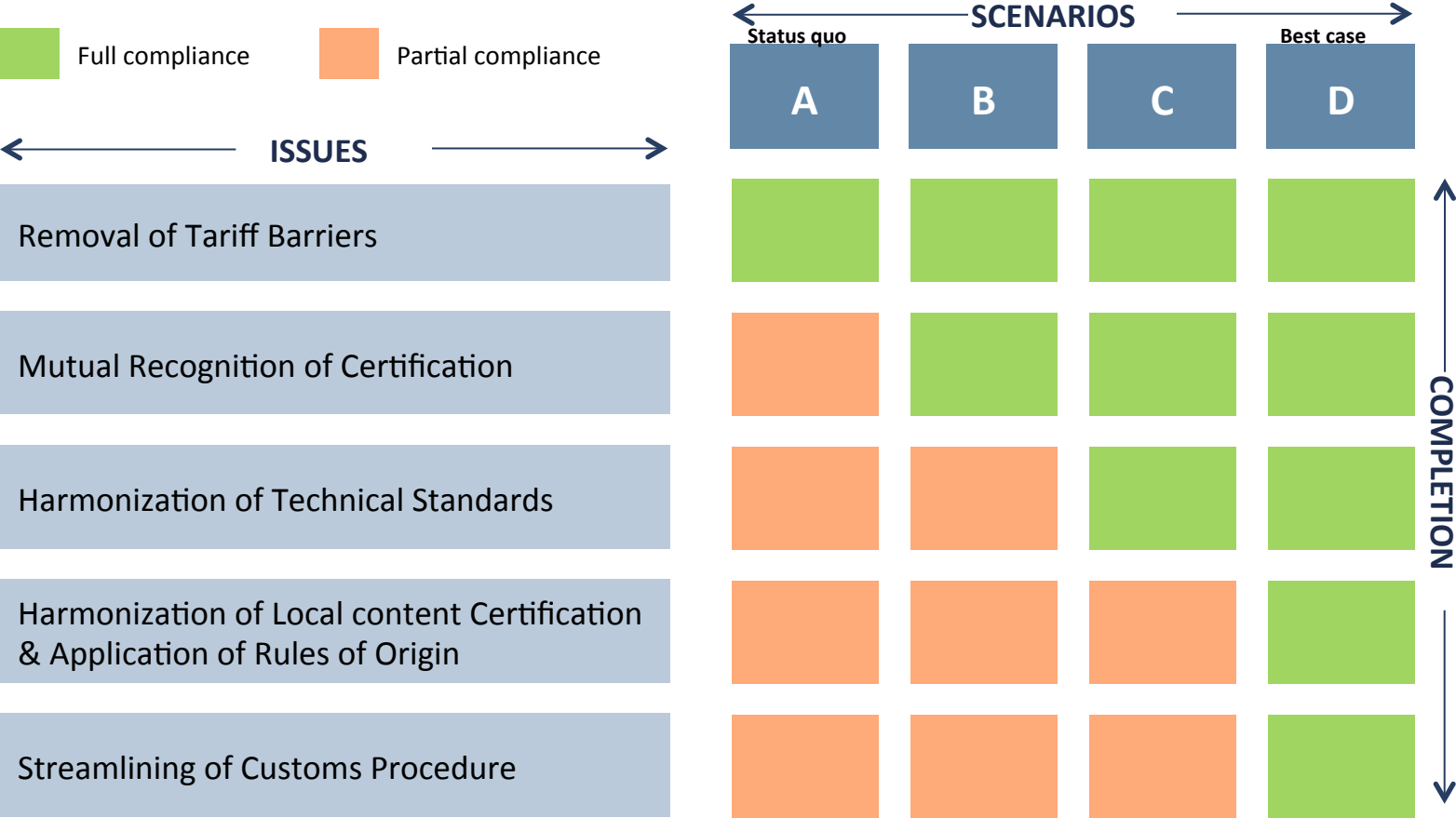
The framework comprises 4 key areas of integration



AEC to Mission : From developing trade to inculcate skills

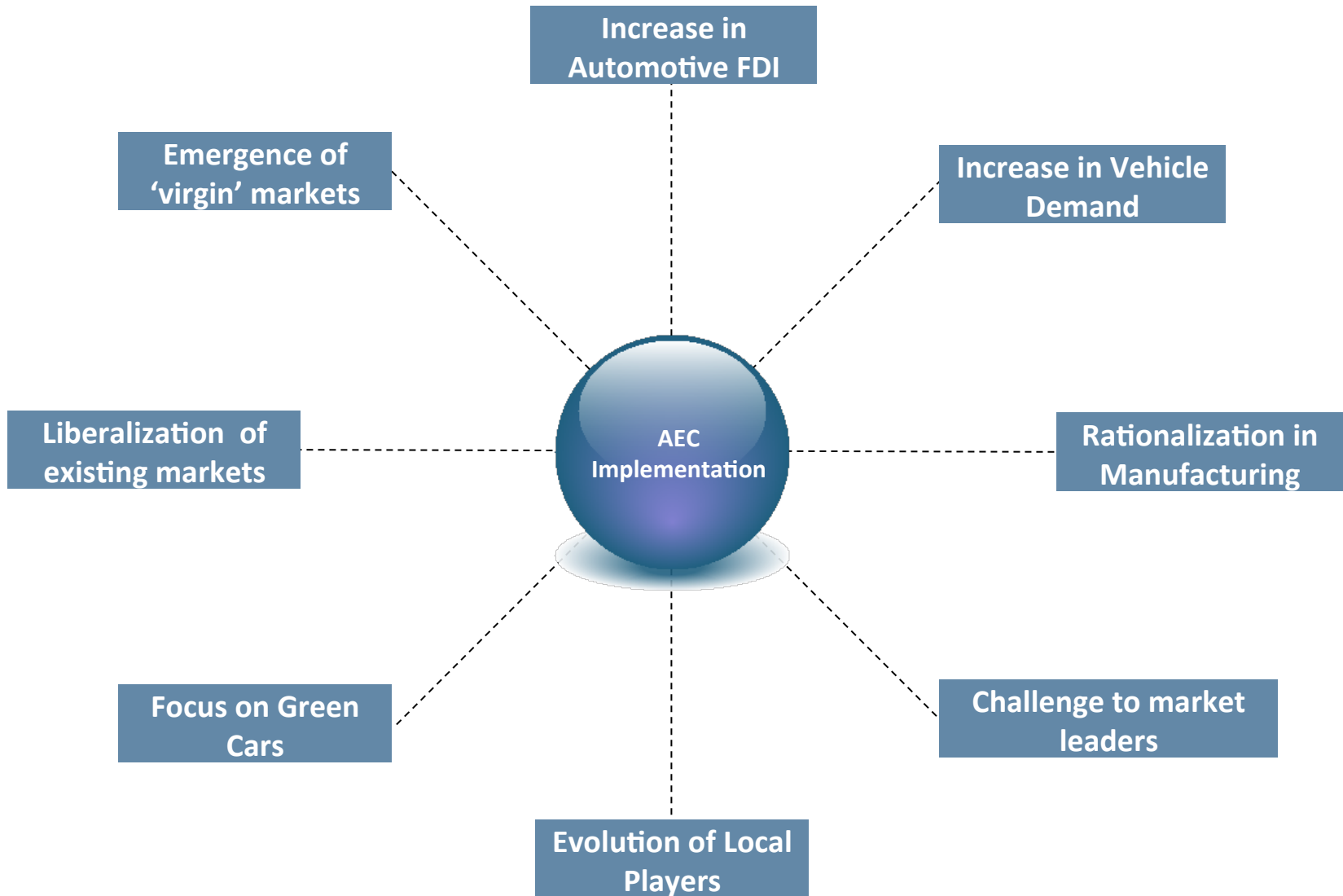


AEC Implementation filled with challenges and multiple scenarios



While **Scenario A** is the “worst-case” scenario reflecting *status quo*, **Scenario D** defines the most optimistic situation with all issues resolved and complete integration of the regional automotive sector a reality

The interaction between these variables is likely to shape the automotive sector's future in ASEAN



However, there are significant challenges along the way, accentuated by the sheer scope and complexities of various outstanding issues ...

Existential threat to the local industry culminating in backlash from 'nationalistic' agendas

- Heavy capital investment made over time
- Strong linkages to other industries and supply eco-system, and
- Significant employment 'impact'

The Non Tariff Barriers (NTBs) with significant protectionist effects

- Import quotas; anti dumping actions ; technical, administrative, health and safety regulations
- Difficulties in identifying and compiling non-tariff measures
- Considerable variation between countries

Wide Development gap within ASEAN and lack of a supra-national authority

- Non-uniform progress and differences in pace of adoption
- Resource crunch
- Legal inadequacies

As efforts to integrate progress further, a few key questions merit debate ...

1. To what extent will member countries be able to set aside Protectionist policies and overcome domestic political agenda in their efforts to promote free trade?

2. Given each country is at different stages of economic development, how effective will be the integration of automotive sector across ASEAN? How is polarization of issues likely to be resolved?

3. With Indonesia and Thailand taking centre stage as producers and markets, what is the future for local manufacturing in Malaysia, Vietnam and the Philippines?

4. With AEC's 2015 implementation timeline closing in, how are key non-tariff barriers likely to get resolved?

Integration of the Automotive Sector under AEC and the Barriers to Trade

Q & A





THANK YOU