

## **ASEAN and the Auto Supporting Industry - Part 2 of 2**

The [first part of this article](#) in the previous issue looked at the interdependence between the automobile and auto supporting industries. Continuing with the second and last part, News from JAMA Asia introduces the new challenges facing the industries, brought about by new trends in the operating environment.

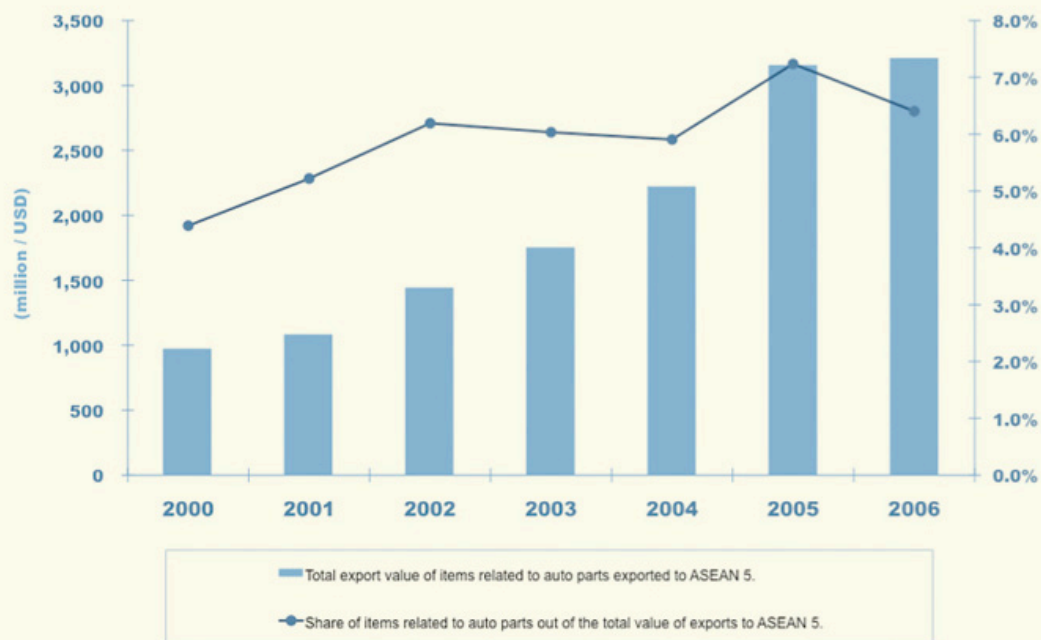
### **The Auto Supporting Industry in ASEAN**

There were three important events in January 2010 with regard to trade movements in Asia. Firstly, import duties were abolished in the six of the ASEAN countries under the AFTA. Secondly, ASEAN-India FTA came into force and thirdly, import duties between China and six ASEAN countries are abolished under the ASEAN-China FTA.

Since AFTA started in 1993, the abolishment of import duties within ASEAN region has been awaited. While this has been limited to the six ASEAN countries, the abolishment of import duties is a major progress and a symbolic outcome.

Amidst the global trade liberalization trend and the emergence of China, ASEAN countries recognized the importance of the formation of an integrated ASEAN market, and pushed for the mutual complementation of auto parts through advancing AFTA. This trend can be seen clearly in Graph 1. The share of items related to auto parts out of the total value of exports for ASEAN countries has grown to almost 7%.

**Graph 1: Export value and share of items related to auto parts out of the total export value to ASEAN 5 (Indonesia, Malaysia, Philippines, Thailand, Vietnam)<sup>1</sup>**



With the completion of AFTA, it is expected that such mutual complementation of auto parts would accelerate further. The resulting economies of scale are expected to lead to the strengthening of their global competitiveness.

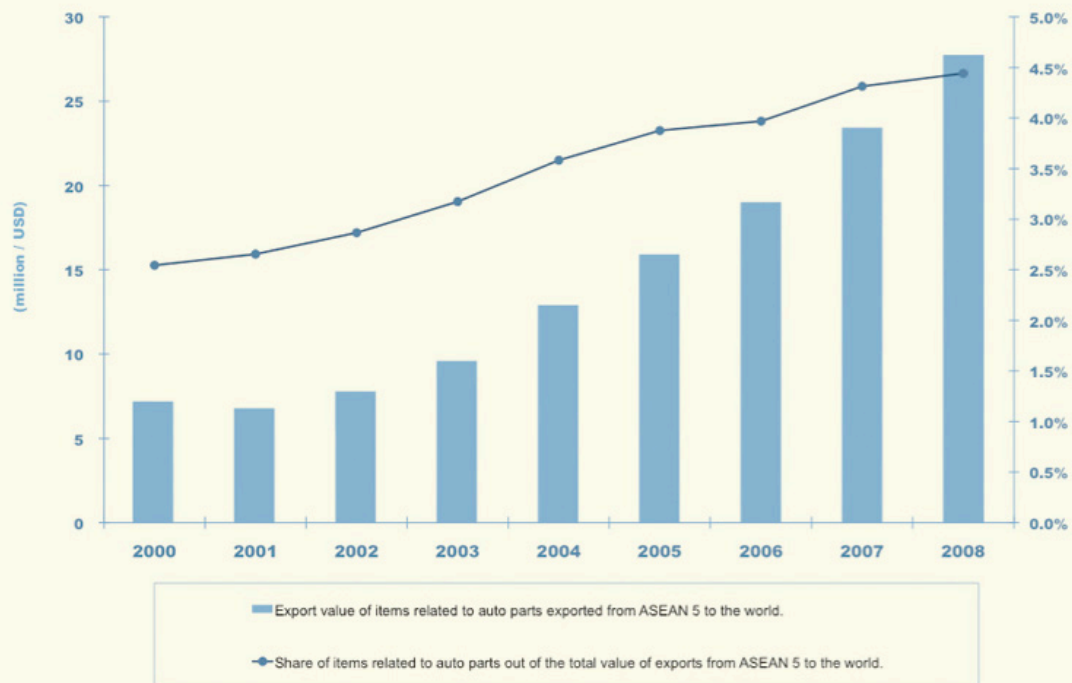
The ASEAN-India and ASEAN-China FTAs also have a big impact on the automobile and parts supporting industries, bringing about revitalization of trade within ASEAN and providing variety and expansion to the procurement routes of parts. They also give more opportunities to export for the parts makers who are globally competitive. At any rate, we await to see the formation of a new trade structure in the Asia region with ASEAN at the center.

In addition, as seen in Graph 2, exports of auto parts from five ASEAN countries (Indonesia, Malaysia, Philippines, Thailand, Vietnam) are expanding in recent years, increasing the share of the total export value from 2.5% in 2000 to 4.4% in 2008.

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<sup>1</sup>Source : UN comtrade

**Graph 2: Export value and share of items related to auto parts out of the total export value from ASEAN5 (Indonesia, Malaysia, Philippines, Thailand, Vietnam) to the world<sup>1</sup>**



## New challenges

In recent years, there are two major characteristics involving trends in the global automobile and auto supporting industries. One of them is the development and popularization of next-generation vehicles or environmentally-friendly vehicles from the viewpoint of prevention of global warming as well as energy conservation. The other one is the trend of price reduction of automobiles.

Auto makers are actively involved in the research and development of next-generation vehicles or environmentally-friendly vehicles such as hybrid vehicles, electric vehicles and fuel-cell vehicles. Moreover, with the strengthening in environmental regulations such as those on emissions or fuel properties, there is also a demand on ASEAN part makers to respond to this trend by putting more efforts into their research and development, and technological capabilities.

On the other hand, low-cost vehicles are emerging on the markets in countries like India, contributing to the development of new demand. Part makers may be further requested to keep costs down by, for instance, reviewing the use of materials or standardizing parts.

Under such changes in the environment, it is a challenge for the auto supporting industry in ASEAN to further bolster its global competitiveness.

Aiming for the completion of the AEC (ASEAN Economic Community) by 2015, ASEAN has seen progress in many aspects of economic integration, not only in the abolishment of tariffs, but also in the removal of non-tariff barriers, the promotion of trade, streamlining of customs procedures, advancement of the Single Window, and harmonization of technical regulations.

At the ASEAN Summit held in Thailand in October 2009, the AAF (ASEAN Automotive Federation) presented its recommendations on aspects of harmonization of regulations,

customs procedures, non-tariff barriers, ASEAN integration, strengthening of competitiveness, promotion of trade, in order to promote the distribution of automobile, parts and components<sup>2</sup>.

It is hoped that by working together, the ASEAN governments and the auto industries could deepen ASEAN integration and contribute to the sound development of the automobile and auto supporting industry.

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<sup>2</sup> [“The Road Ahead for ASEAN Auto Industry”, ASEAN Bulletin \(October 2009\)](#)