

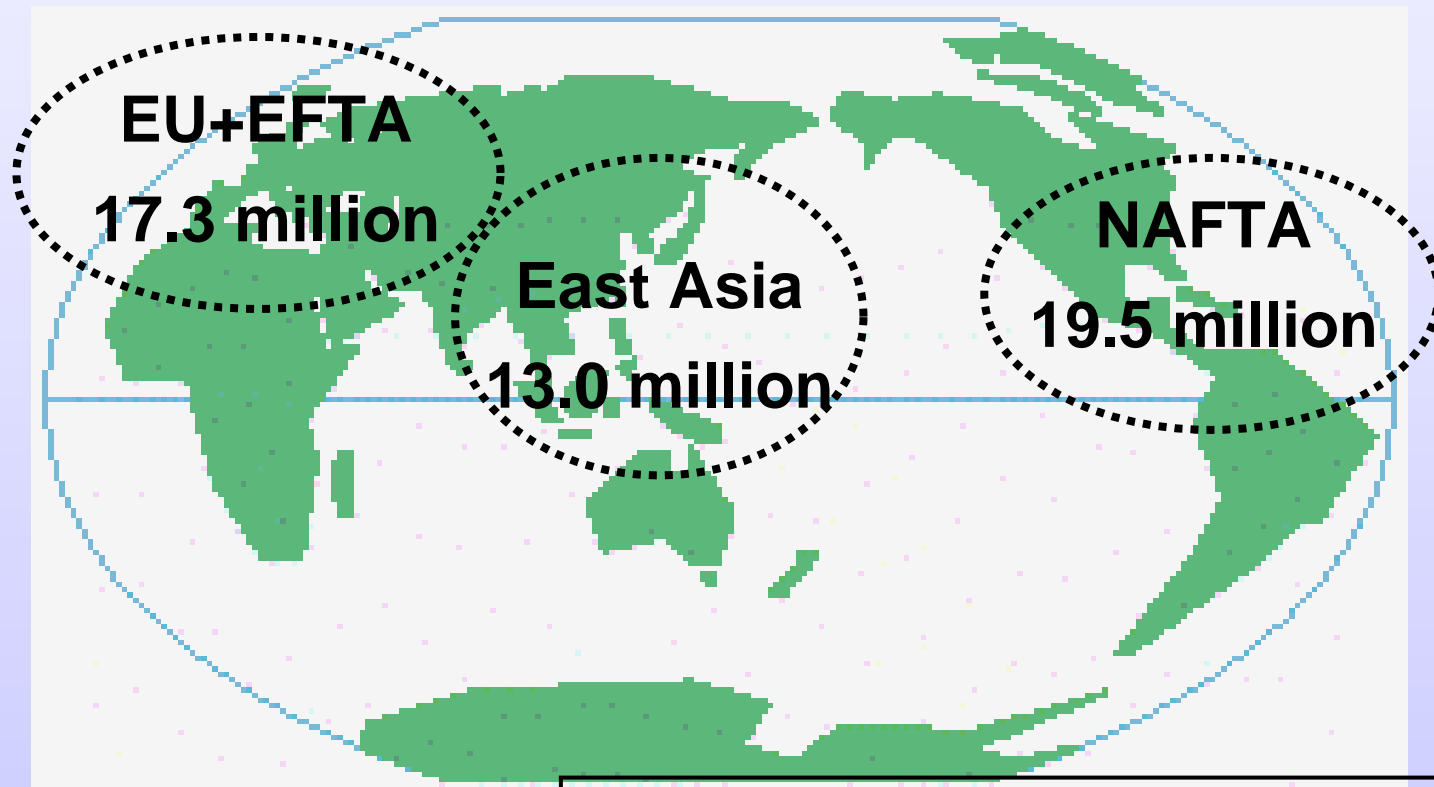
The Future of the ASEAN Automobile Industry in the Era of Free Trade Agreement

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Current Status of the Automobile Industry Worldwide (1/2)

(1) East Asia countries have great market potential



(Source: ACEA, JAMA; In 2003; Units)

Current Status of the Automobile Industry Worldwide (2/2)

(2) The move towards free trade is gaining ground

<Formation of Japan's FTA with ASEAN>

	2003	2004	2005	2006
J-Malaysia				
J-Philippines				
J-Thailand				
J-ASEAN				

Consultation (Green arrow pointing right from 2003 to 2004)

Negotiation (Red arrow pointing right from 2004 to 2005)

Negotiation (Red arrow pointing right from 2005 to 2006)

(Implementation by 2012) (Blue arrow pointing right from 2006 onwards)

The Need for AFTA/ASEAN Auto Integration (1/3)

(1) Further ASEAN auto industry integration

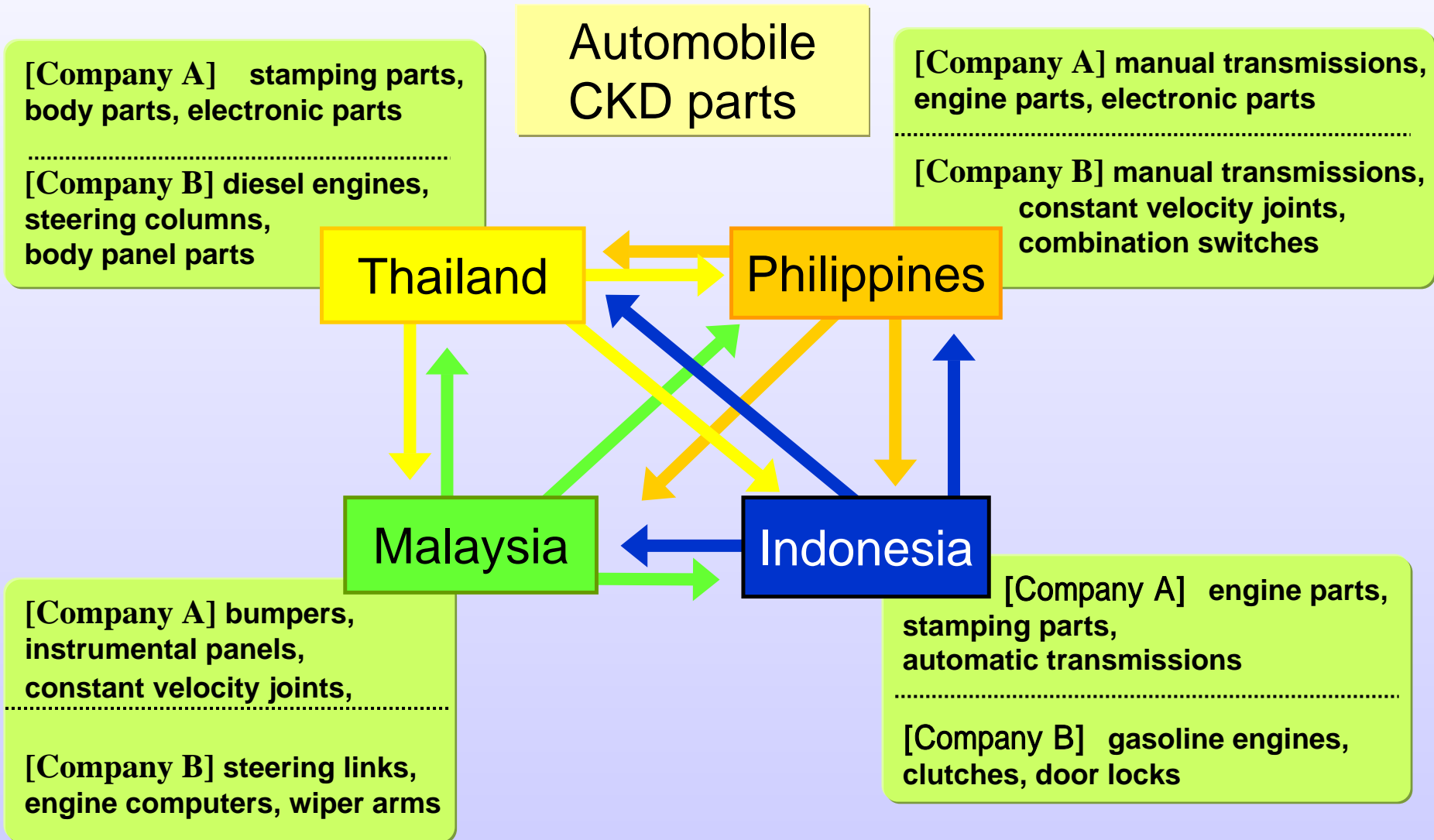
<Observations>

- ◆ **Relatively small markets by individual country**
- ◆ **Different environmental and safety measures**
- ◆ **Unharmonized technical regulations**



- Mass production-supported cost-cutting**
- Early realization of industry integration**

[Example] ASEAN Intraregional AIC O/C E P T Mutual Complementation Parts



The Need for AFTA/ASEAN Auto Integration

(2/3)

(2) Towards further integration

- ◆ **AICO/CEPT improvements in application and acquisition procedures**
- ◆ **Countermeasures for differences in technical regulations and fuel quality**
- ◆ **Development on logistics-related fronts**

The Need for AFTA/ASEAN Auto Integration

(3/3)

(3) Effects of ASEAN auto industry integration

Price changes for imported materials

 **automobile prices**

More efficient supply chain

 **automobile prices**

 **improvement in services**

Free intraregional distribution

 **broader choice of vehicles**



New demand and expansion of the market

Japan-ASEAN Economic Cooperation Trends

Effects of J-ASEAN economic cooperation

- ◆ Removal of trade barriers
- ◆ Deepening of economic ties
- ◆ Reduction of costs for business
- ◆ Increase in intraregional trade and investment



Creation of a larger-scale economic zone

We should strongly support the FTA

(1) Early realization of industry integration

- ◆ ***“Liberalizing product distribution within the ASEAN region by 2010”*** (last year’s WGAI) as a member of the global automobile industry
- ◆ **Efforts in promoting J-ASEAN economic cooperation**
- ◆ **ASEAN Automotive Industry Integration Initiative** as a key role

(2) The further development and strengthening of the supporting industries

- ◆ **Policies and measures by government and industry sectors**
 - **To expand scale advantages**
 - **To bolster engineering capacities of the supporting industries**

(3) Removal of barriers to market expansion

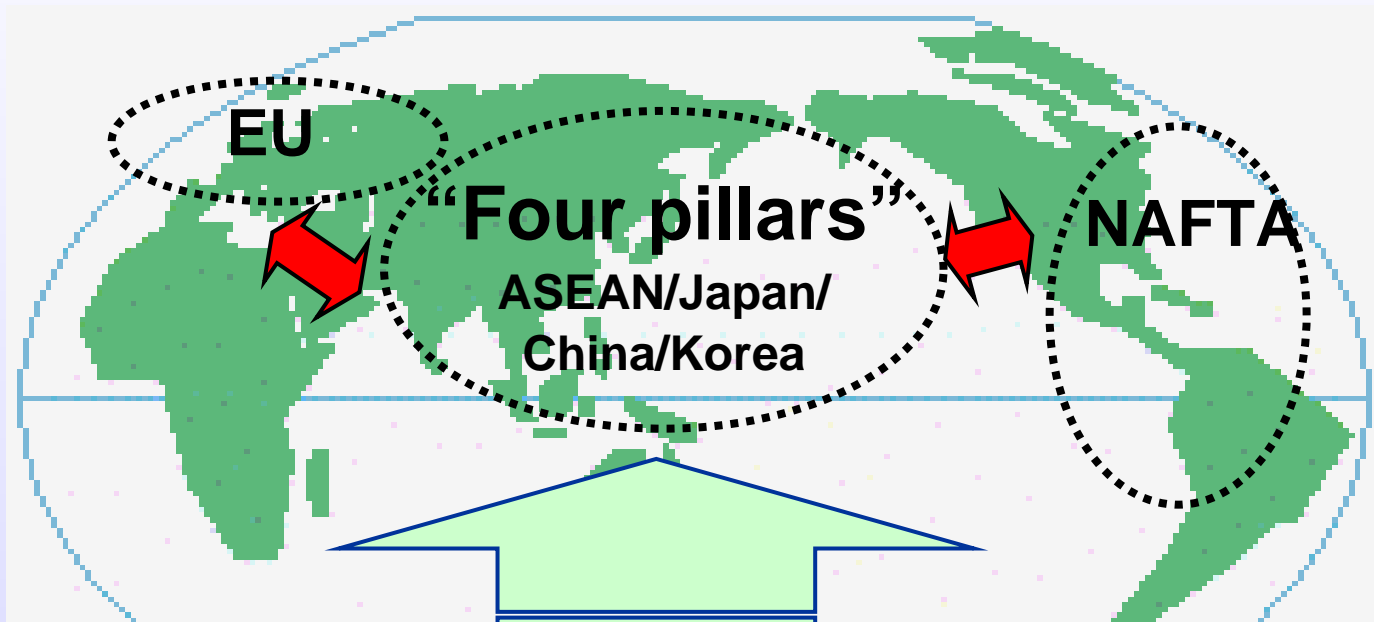
◆ Social issues

- **Environment**
- **Traffic safety**

◆ Tax and other measures that counteract the effects of cost-cutting

- Comprehensive policy measures to remove all factors detrimental to market growth**

Conclusion



[ASEAN]

- Integration and expansion of auto industry
- Balanced growth among the region's auto industries through principles of economic rationalization

[Japan]

- Local manufacturing and marketing operations in ASEAN
- Support and cooperation at the corporate and industry levels