ASEAN the New Chapter in Global Automotive Industry

June 19, 2014

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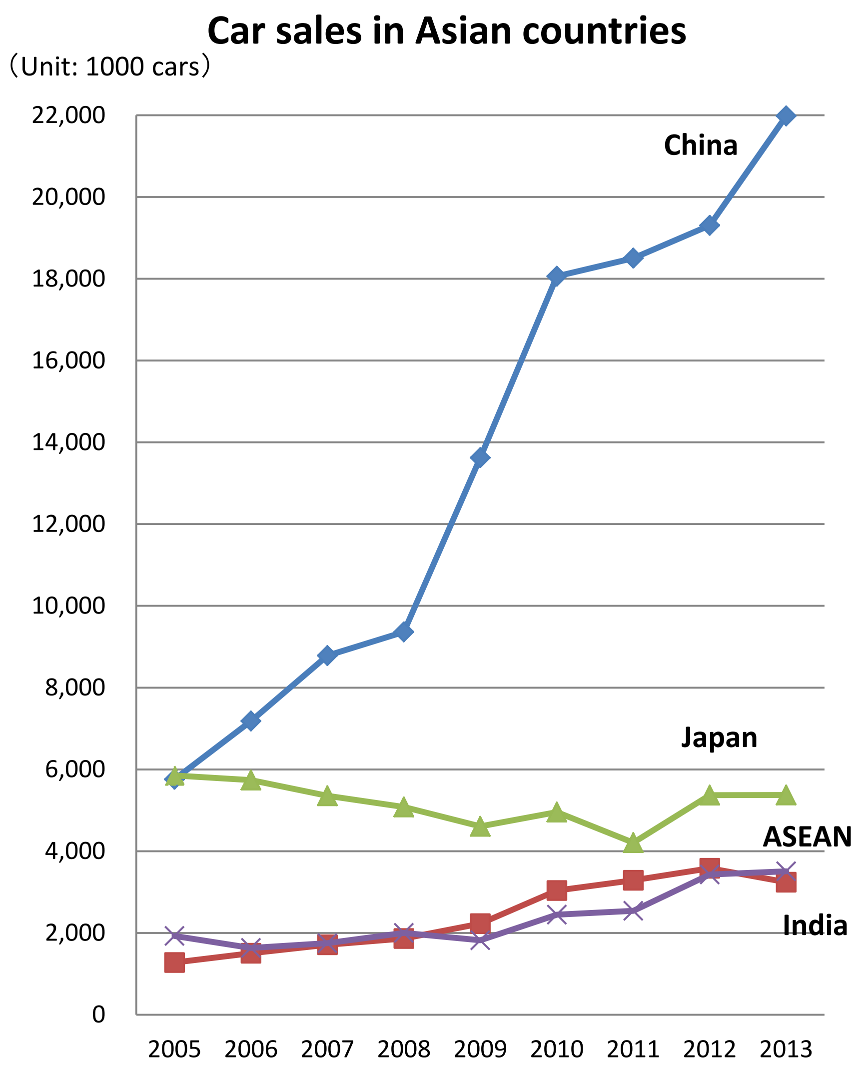
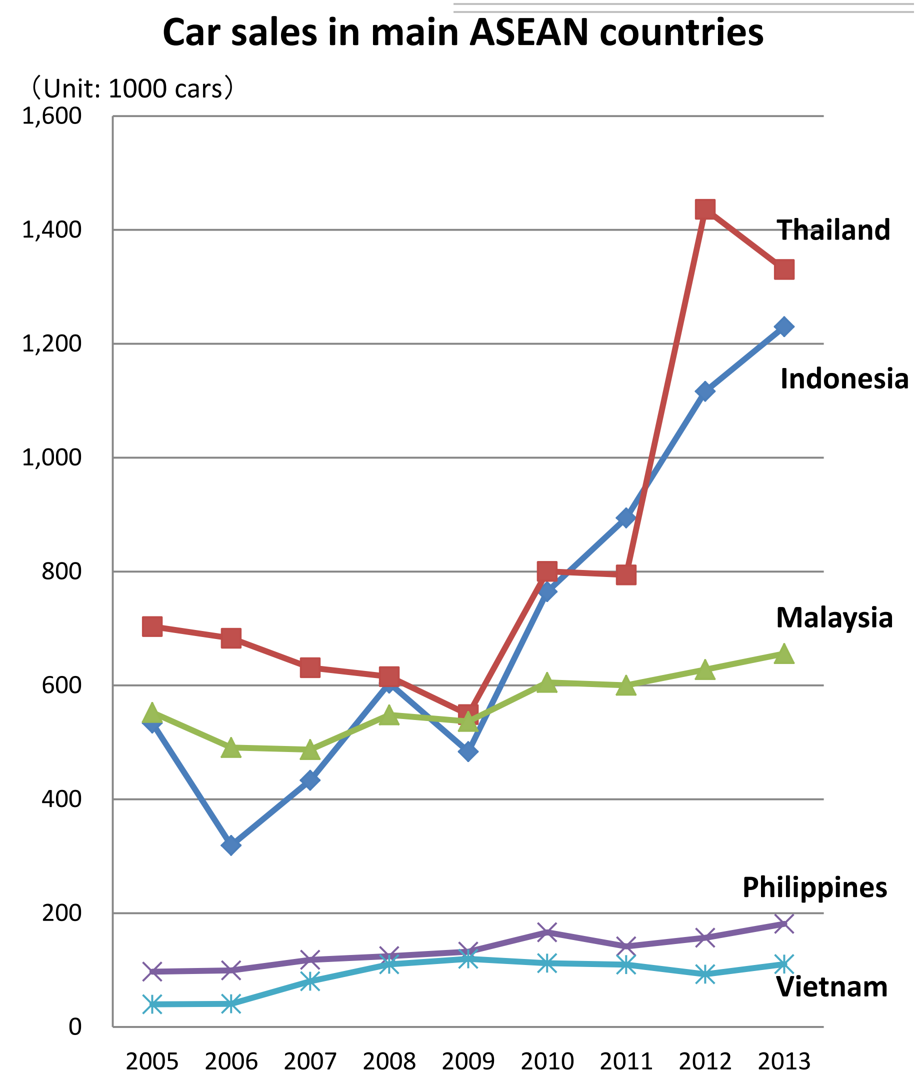
Japan External Trade Organization (JETRO)

Car sales in Asian countries





(Source：Data of government and association of industry in each country)

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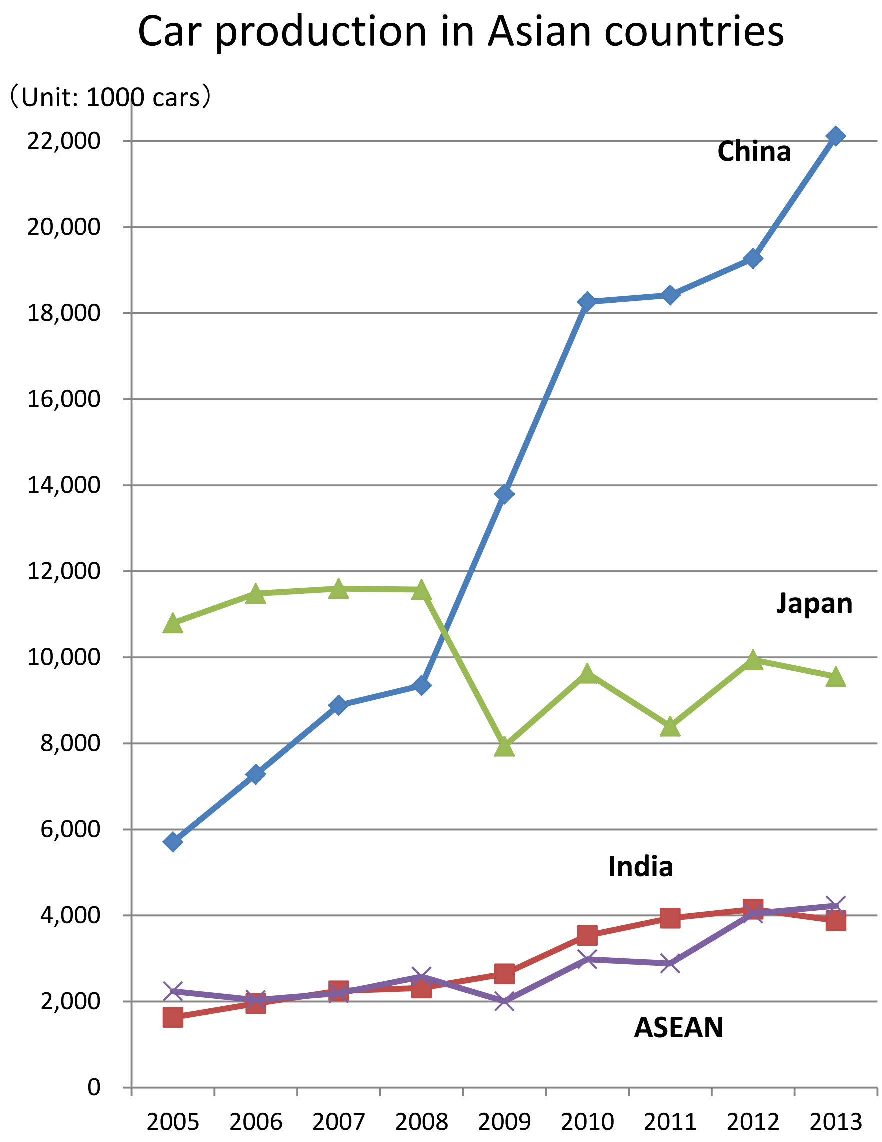
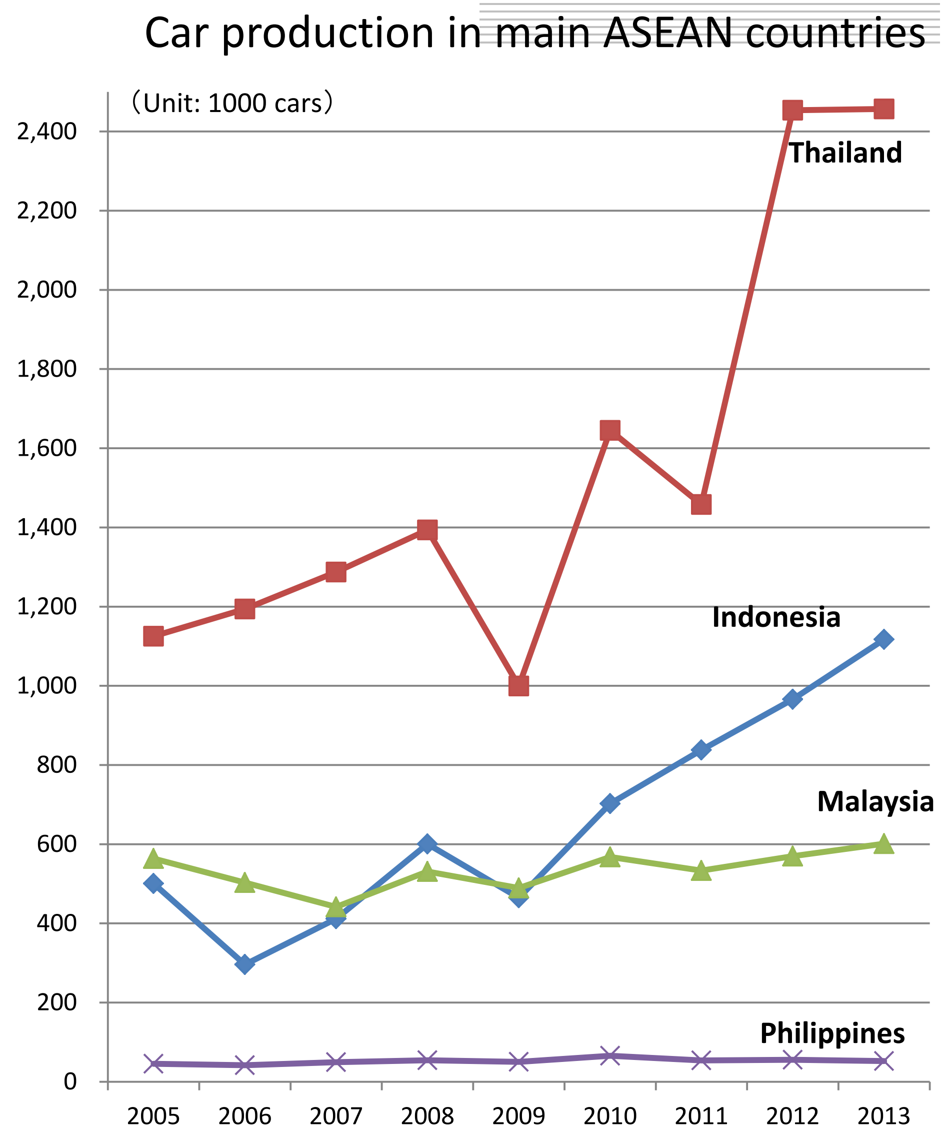
Car Production in Asian countries





（Source：Data of government and association of industry in each country）

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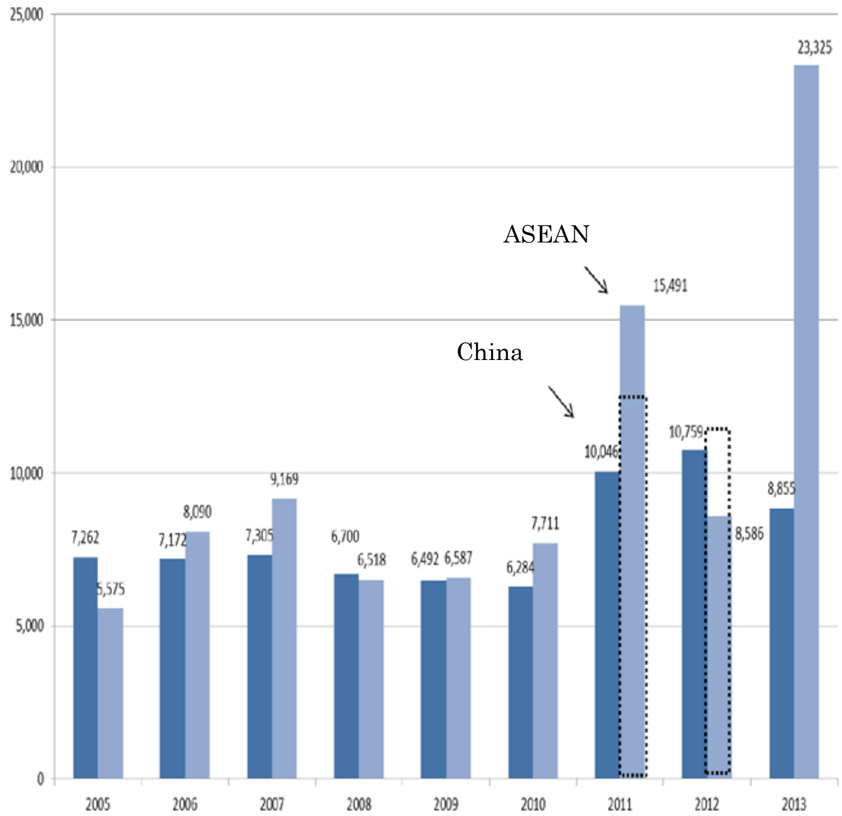
Japanese Investment in China and ASEAN countries

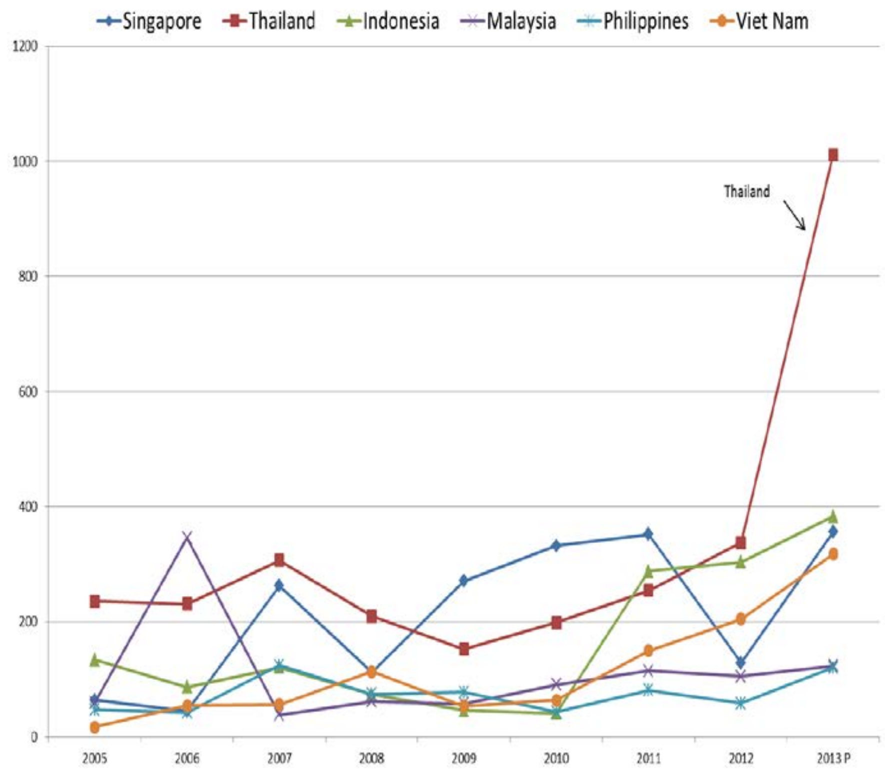
Japan's outward FDIs (flow, net): Comparison of China and ASEAN

(Unit: Brillion yen)



Japan's FDIs to ASEAN Countries

(Unit: Brillion yen)



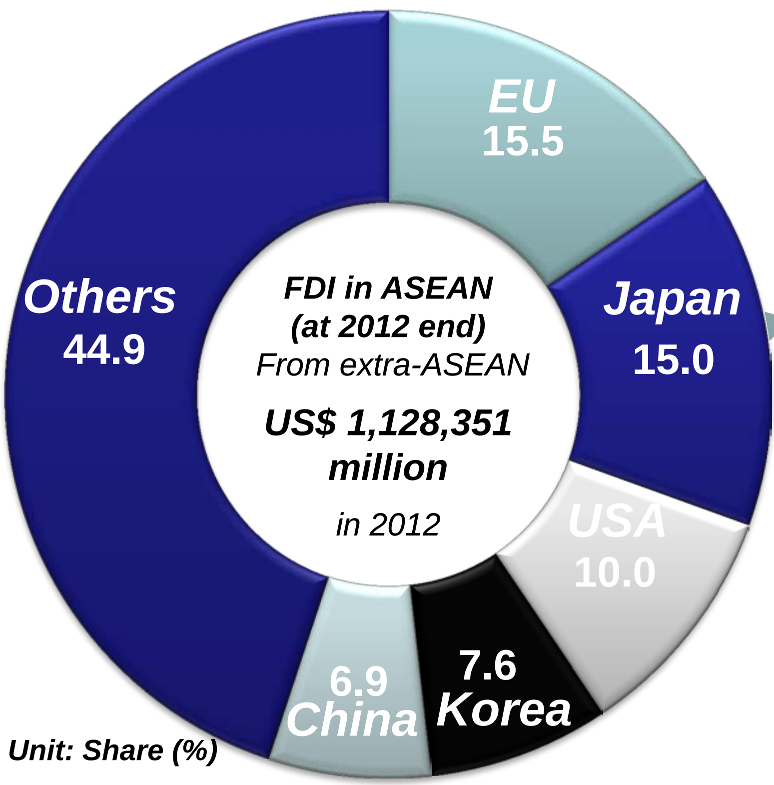
Source: These charts were made by JETRO based on the statistics data issued by Japan's Ministry of Finance.
Note: The figures exclude the amount invested in the finance and insurance sectors of Thailand in the wake of the country's floods. (4Q in FY2011: 303.7 billion yen, 1Q in FY2012: Minus 291.3 billion yen)

Economic Relations between ASEAN & JAPAN

JETRO

❖**Japan is the principal investor in ASEAN**, account for 15% of total FDI in ASEAN.
❖Increasing number of FJCCIA members (**more than 5,500** as of June 2013) shows Japanese companies' strong commitments in ASEAN.

ASEAN Foreign Direct Investments net Inflow from extra-ASEAN (2012)



Unit: Share (%)

The number of member companies of FJCCIA

Country	June 2013	June 2012
Brunei	3	3
Cambodia	144	91
Indonesia	631	594
Lao PDR	56	41
Malaysia	568	556
Myanmar	107	56
Philippines	674	604
Singapore	772	675
Thailand	1,479	1,379
Viet Nam	1,213	1,035
Total	5,647	5,034

The outstanding position of Japanese investment in each ASEAN members by ranking in 2012(*3)

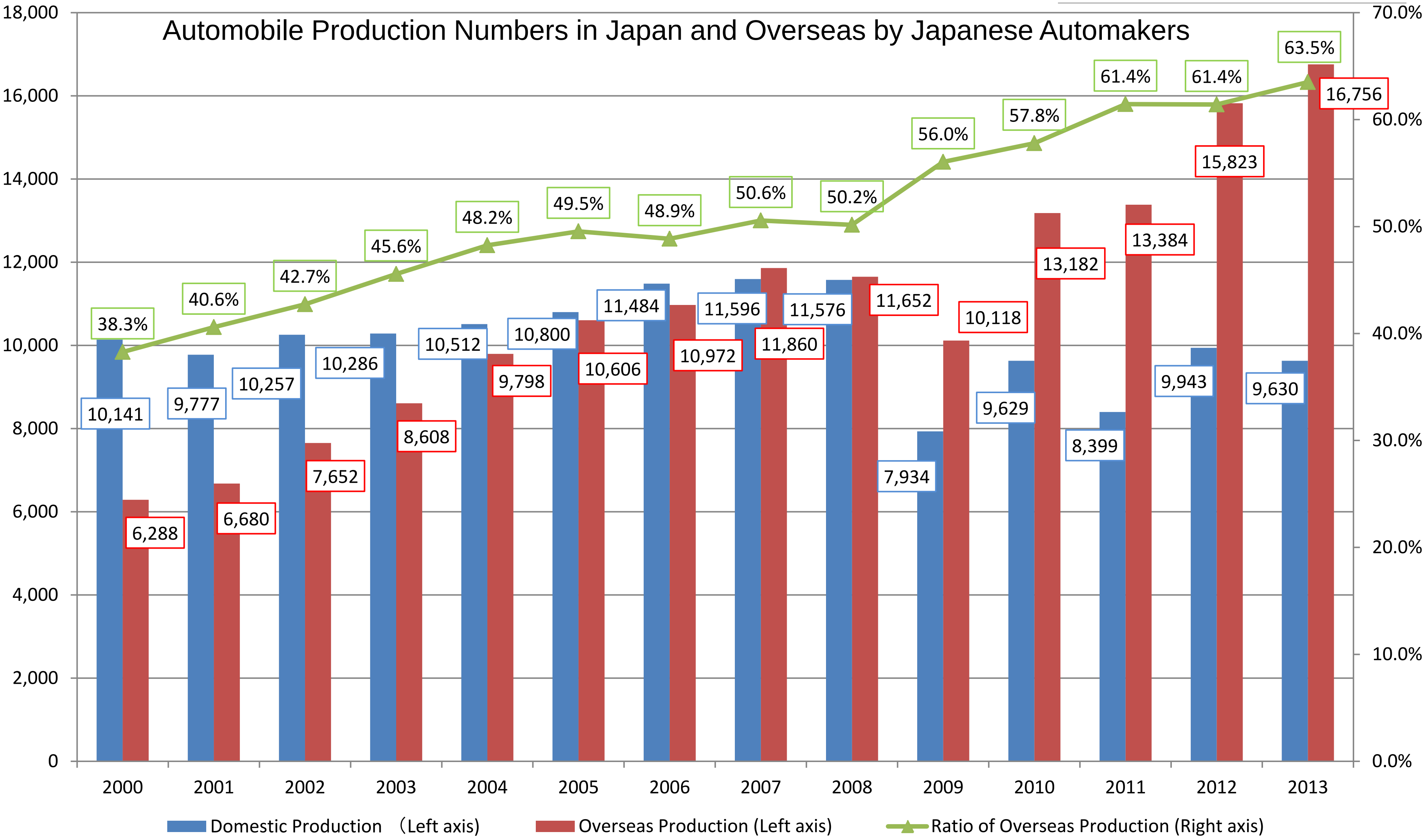
Country	Rank	Share
Thailand	1	63.5%
Vietnam	1	51.0%
Malaysia	1	13.4%
Philippines	2	23.9%
Cambodia	3	18.5%
Indonesia	3	10.0%

Note
1: Total numbers include regional chambers(e.g,Cebu in the Philippines, Danan in Vietnam, East Java, Bandon and Bali in Indonesia). The member companies of FJCCIA was 4,447 In 2010., 4944 in 2011.
2: FDI data is based on BOP (excluding intra-ASEAN FDI)

***(Source)** Prepared by JETRO based data from IMF*

***(Source)** Prepared by JETRO based data from JCC in ASEAN countries.*

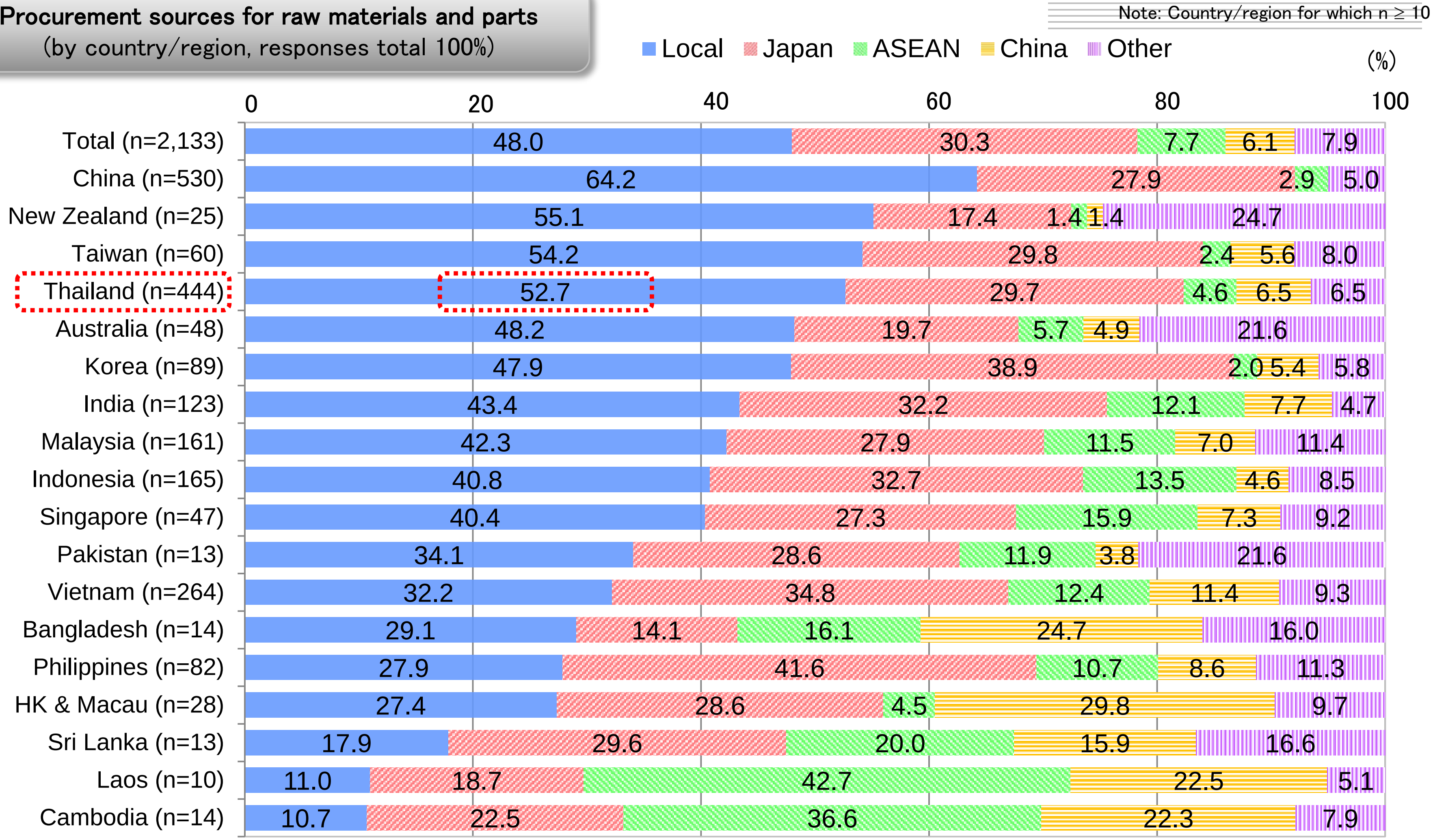
Shift to optimized production by Japanese automakers



Source: Japan Automotive Manufacturers Association (JAMA)

Procurement of Raw Materials and Parts

Procurement sources for raw materials and parts
(by country/region, responses total 100%)

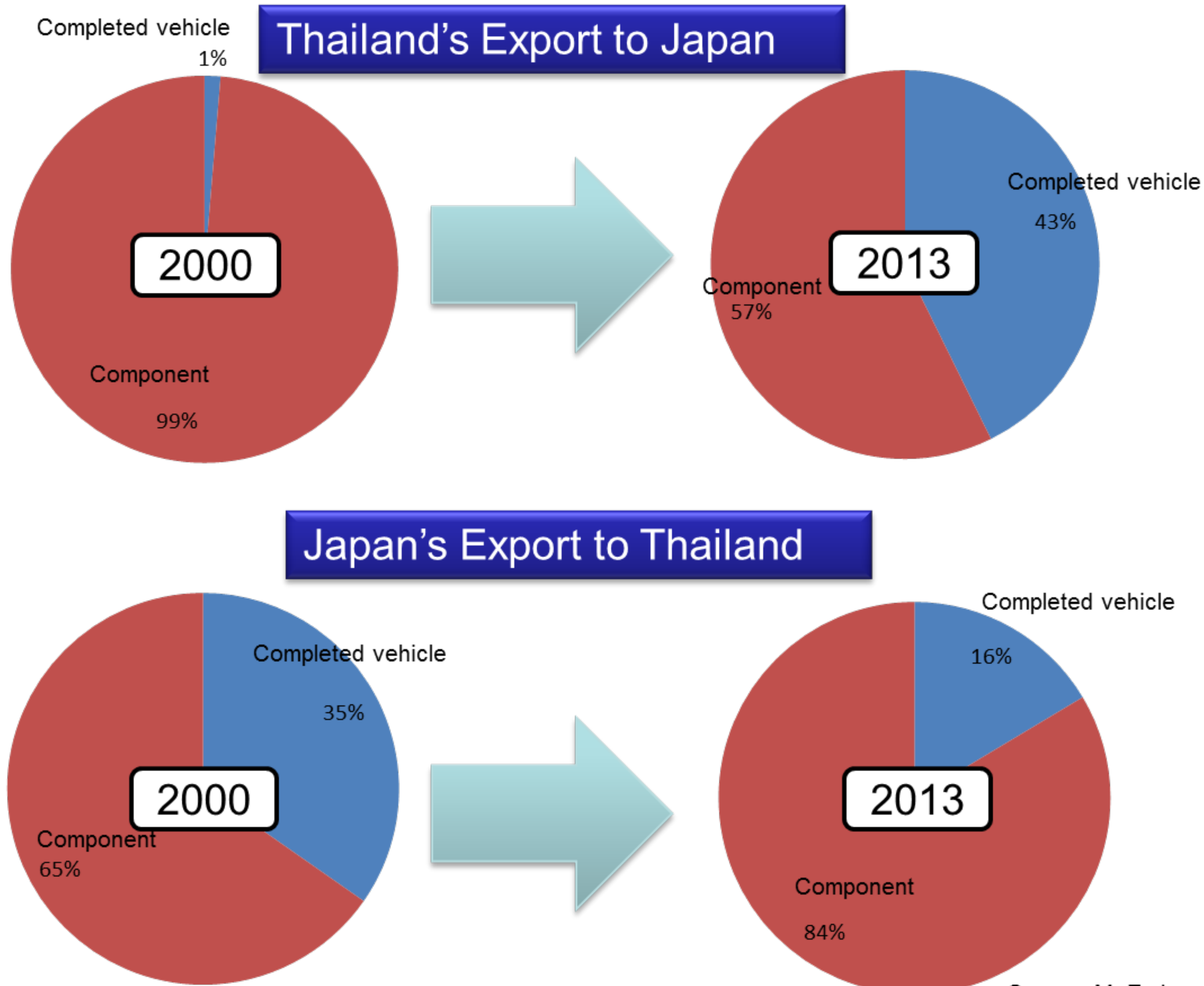


- The largest sources of raw materials and parts for Japanese affiliated-companies are “local” (48.0%), followed by “Japan” (30.3%) and “ASEAN” (7.7%). The local procurement rate slightly increased from that in 2012 (47.8%). The procurement rate from Japan in 2013 decreased from the previous year (31.8%).
- The local procurement rate is high in China, which has been increasing for four straight years from 2009 (45.8%).
- The procurement rate from Japan is relatively high in the Philippines (41.6%), Korea (38.9%), Vietnam (34.8%), Indonesia(32.7%) and India (32.2%).

(Source) Survey of Japanese-Affiliated Firms in Asia and Oceania 2013

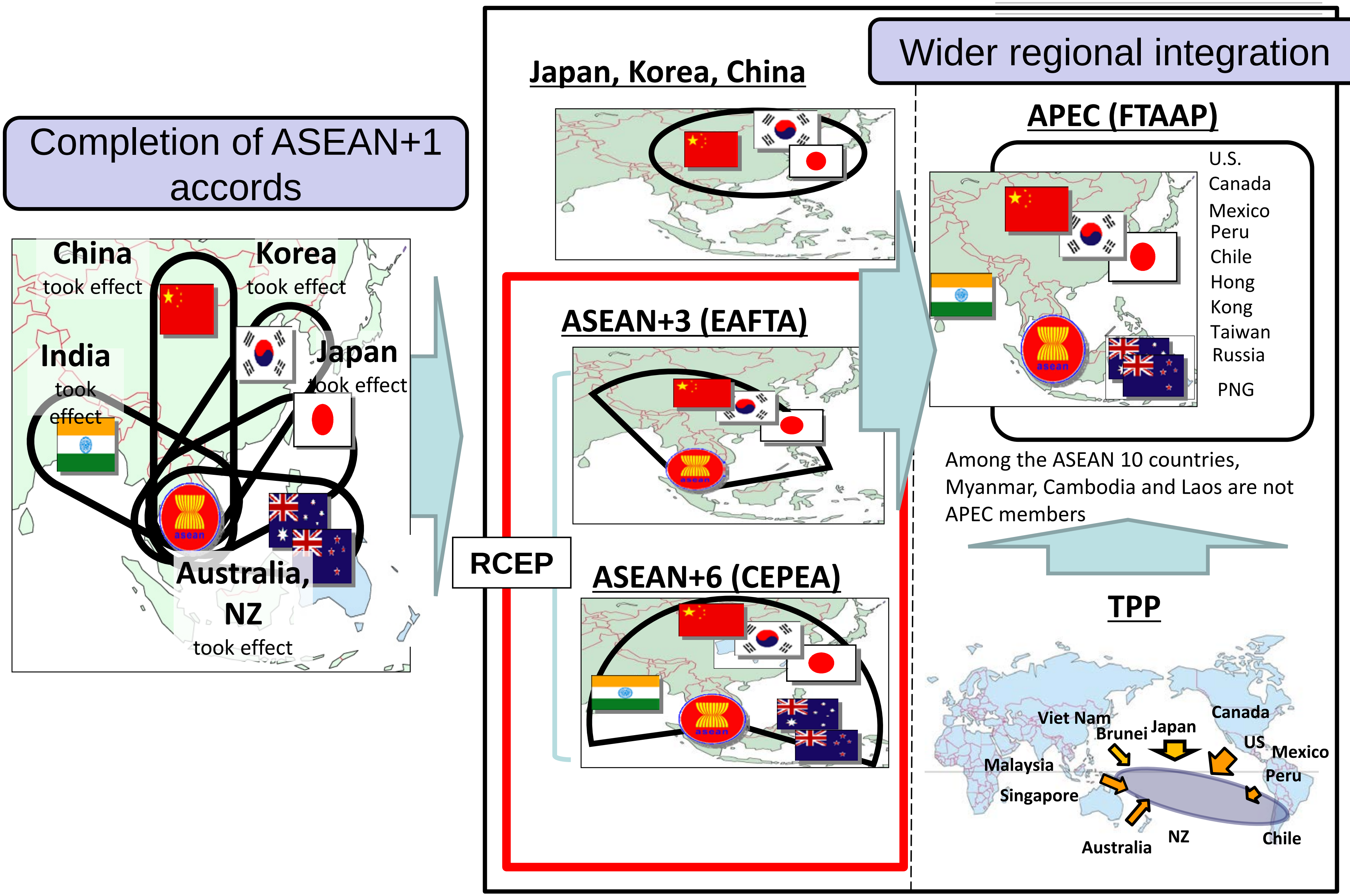
Structure Change in Thailand-Japan Trade

A Case of Automobile Industry



Source: MoF, Japan

Future of FTA Network



ASEAN's Efforts against Non-Tariff Barriers and Measures

Non-Tariff Barriers and Measures List

- ◆Member states are required to report
- ◆The list is to be cross-checked

→ Visualizing Barriers and Measures

Red box	Amber box	Green box
•Non-transparent •Discriminatory in application •Without scientific basis •Where an alternative less restrictive measure is available	•Transparent •Non-discriminatory in application which nullify or impair some benefits or obligations of the country •That affect highly traded products in the region •That can not be clearly justify or identify as a barrier	•Transparent •Non-discriminatory in application •Have no alternative measure •Have scientific basis •Imposed for public health, safety or religious or national security reasons •WTO-consistent •Reasonable such as sanitary and phytosanitary and environmental regulations
→ It would require immediate elimination	→ It would be subject to negotiation	→ It would be justified and could be maintained

Principles

- ◆Standstill: No introduction of additional restrictive measures
- ◆Roll Back: Phase-out of existing restrictive measures

Deadline for removal of non-tariff barriers and measures	<2010> Thailand, Singapore, Malaysia, Indonesia, Brunei	<2012> Philippines	<2015-18(flexible)> Cambodia, Lao, Myanmar, Vietnam

Non-Tariff Barriers reported by Thailand

Number of NTBs	Red Box	Amber Box	Green Box	Total
Classified by Thailand	30	0	182	212
Reviewed by Asean Secretariat	31	56	125	212

Example of Difference of Views

Item	Issue	Thailand's View	Asean Secretariat's View
Propylene, Butane and Butadiene	Import license	Green (for making a statistical data of information)	Amber (for protecting domestic industry)
Fish meal, Meal and Pellet	Import license	Green (for consumer safety)	Red (discriminatory in application)

Current Status of Liberalization of Service Trade

JETRO

	Required number of liberalized sectors In 2015	Required number of liberalized sectors In 8th package	Current number of liberalized sectors In 8th package					
				All sub-sectors liberalized	100%	99-70%	69-51%	Part of sub-sectors liberalized
Thailand	128	80	81	12	0	11	1	69
Indonesia	128	80	57	25	0	9	16	32
Malaysia	128	80	88	40	7	13	20	48
Vietnam	128	80	62	62	34	1	27	19
Lao	128	80	86	59	57	2	0	27

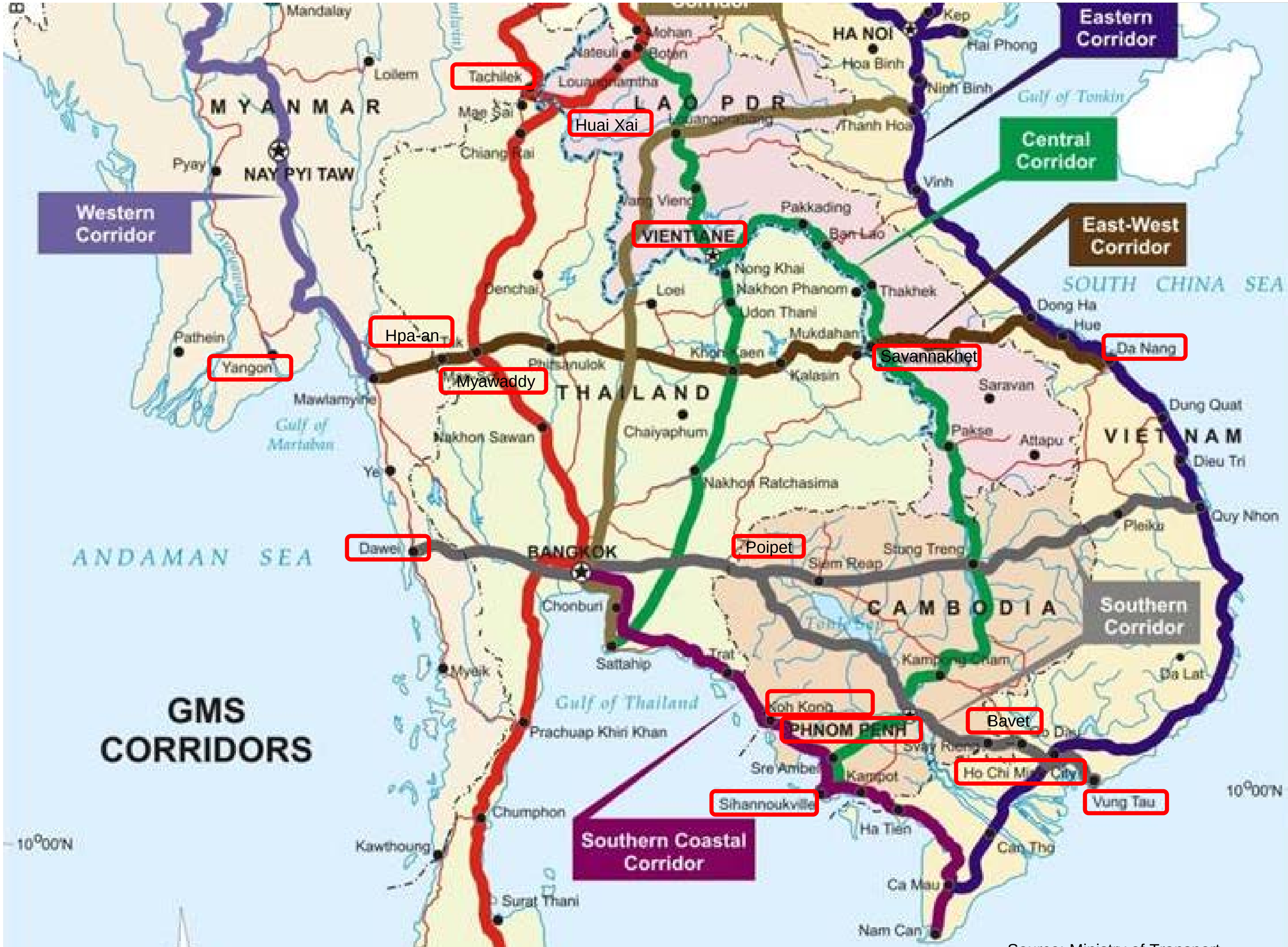
AHRDIP (Automotive Human Resources Development Institute Project)

- AHRDIP is one of the cooperation projects agreed between Thai and Japanese government in 2007.
- Based on the needs from Thai automotive industry, the trainings of the following 5 areas have been carried out since 2012 in order to increase the competitiveness of Thai automotive industry. This project will continue until 2016.

(1) R&D [VA/VE]
(2) Testing [Strength Evaluation]
(3) Manufacturing [Production Preparation]
(4) Manufacturing [New Toyota Production System]
(5) Manufacturing [Mold & Die]

- AHRDIP is managed by both <u>Thai side (Ministry of Industry/TAI)</u> and <u>Japanese side (Ministry of Economy, Trade and Industry/JETRO)</u>.
- <u>Every year, Japanese government dispatches experts of each training area from Japan. More than 15 Japanese car makers and Tier 1 companies are also intensively involved in this project.</u>

GMS Economic Corridors



Source: Ministry of Transport

Population Structure by Country (2012)

Thailand

Population: 66.403M
Under 20 y/o: 25.7%
65 y/o and over: 8.6%
***Growth Rates: 0.3%**

Philippines

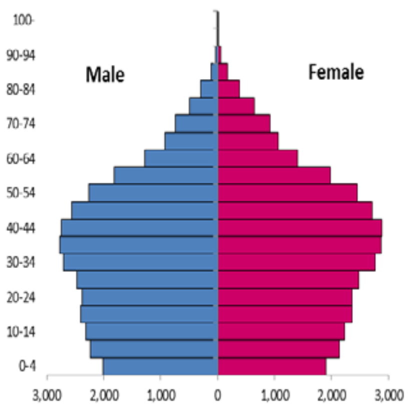
Population: 93.444M
Under 20 y/o : 44.7%
65 y/o and over : 3.6%
Growth Rates: 1.7%

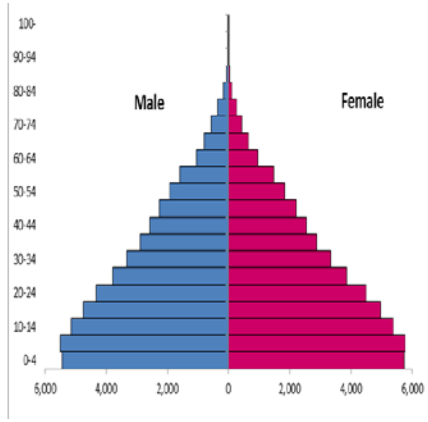
Indonesia

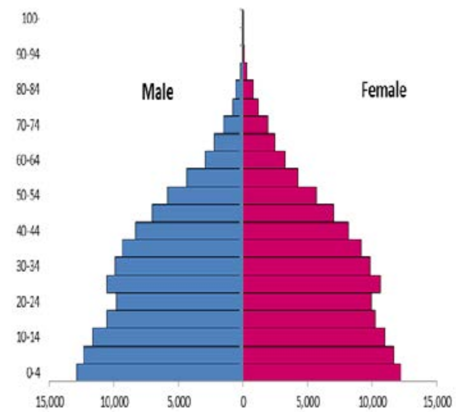
Population: 240.676M
Under 20 y/o: 38.1%
65 y/o and over: 5.0%
Growth Rates: 1.4%

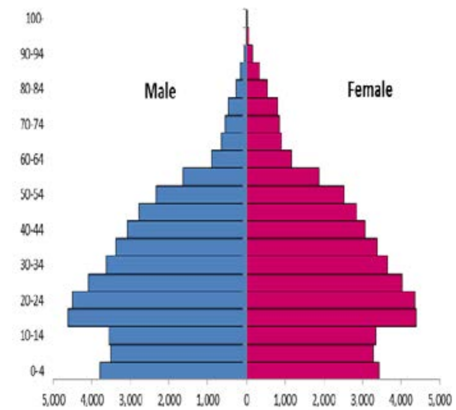
Vietnam

Population: 89.047M
Under 20 y/o: 32.9%
65 y/o and over: 6.4%
Growth Rates:1.2%



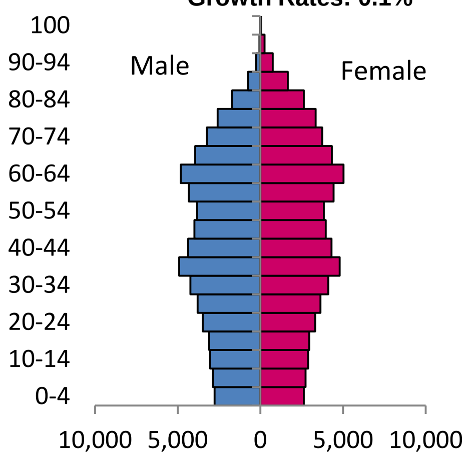






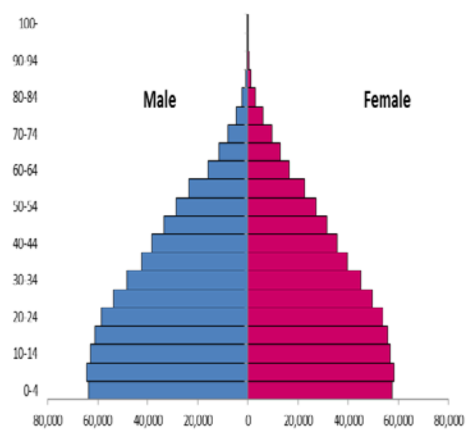
Japan

Population: 127.353M
Under 20 y/o: 17.8%
65 y/o and over: 22.6%
Growth Rates: 0.1%



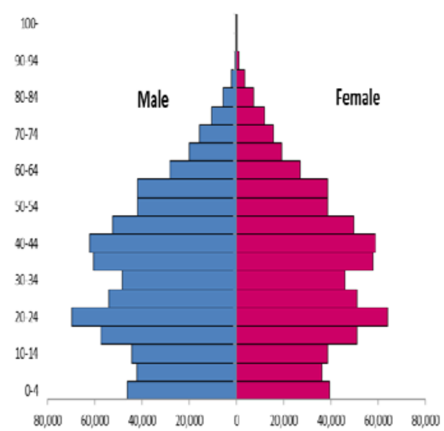
India

Population: 1,205.625M
Under 20 y/o: 39.8%
65 y/o and over: 5.1%
Growth Rates: 1.3%



China

Population:1,359.821M
Under 20 y/o: 26.1%
65 y/o and over: 8.3%
Growth Rates: 0.6%

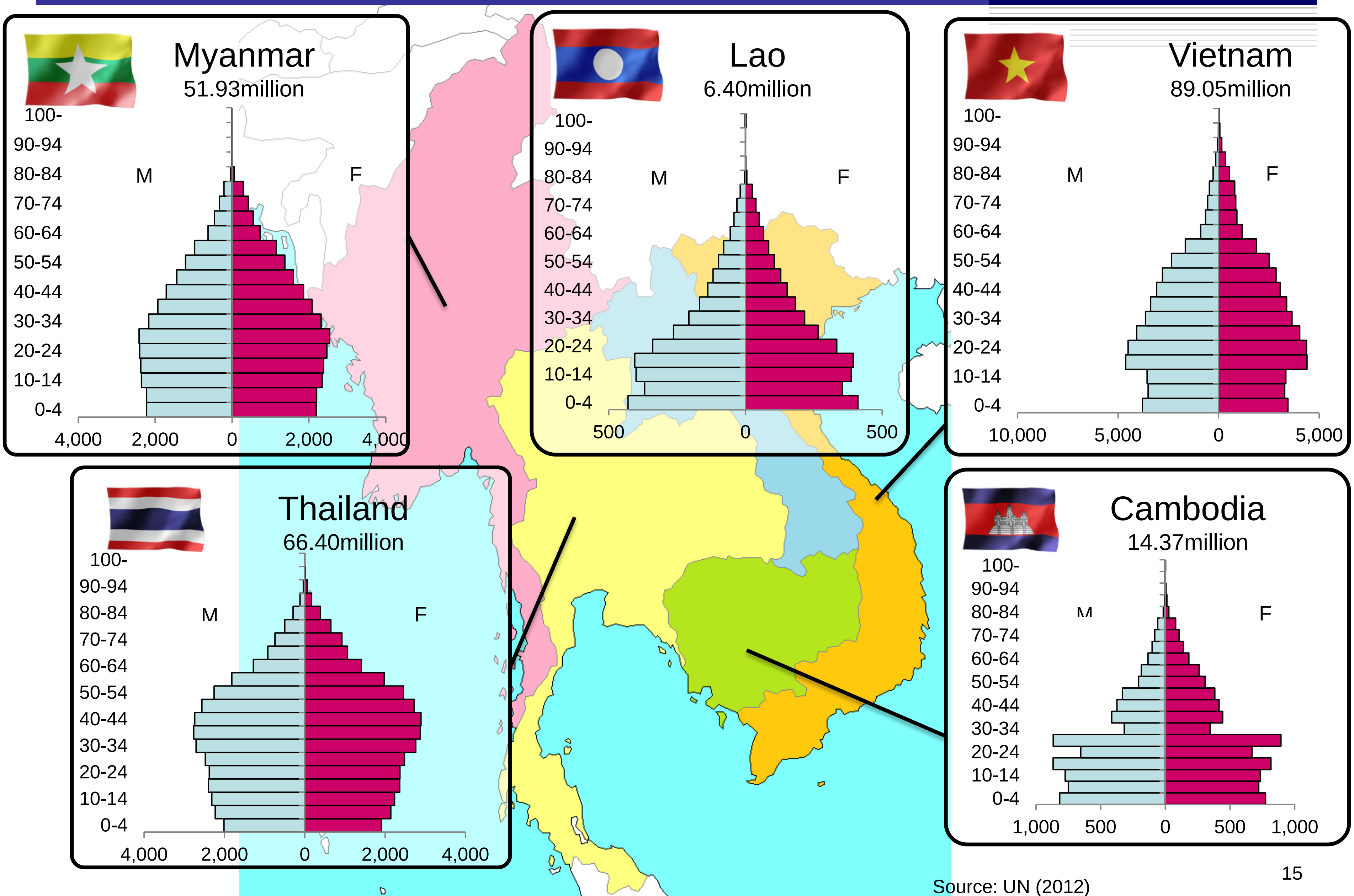


Thailand/China:
Ratio of younger population is low, e.g. rate of young population under 20 y/o is less than 30%. The both countries have already entered an aging society in which elder population aged 65 and over has accounted for 7% of their totals separately.
Vietnam, Malaysia, Indonesia, Philippines, India:
Ratio of younger population is high, e.g. rate of young population under 20 y/o is more than 30%. India and Philippines have a triangle-shaped population pyramid featuring a high proportion of young people.

Note: Population Growth Rate is the annually averaged increasing rate for the past 5 years. The data is based on the rate of 2005 and 2010. Unit: Thousand people

Source: World Population Prospects: The 2012 Revision

Population Structures in Mekong sub-region



Source: UN (2012)