

5. Conclusion

Trade liberalization, along with investment by automakers and increasing trade facilitation and logistics development, has been the cause of the recent transformation in the automotive industry in the Mekong subregion. The automakers have looked for opportunities for greater market and resources access as well as for cost reduction. As a result, less developed countries in the Mekong subregion are increasingly integrated into the global automotive value chains, and a number of suppliers, particularly those producing labour-intensive goods, are increasingly moving to Cambodia, Lao People's Democratic Republic and Myanmar. Integration into global automotive value chains, which typically comprise standardizers, material suppliers, components specialists, integrators, assemblers and distributors, has made it possible for the subregion to establish strong manufacturing bases and benefit from increased exports and further FDI inflows. Diversified and growing division of labour also is being developed among the countries in the subregion.

However, a number of constraints still exist preventing full achievement of the growth potential of cross-border automotive production linkages within the subregion. Collective actions among governments, business and international agencies are required in various fields, including: trade liberalization; trade facilitation and logistics; infrastructure; policy and regulatory framework; labour market; and business strategies.

For further research, two approaches are recommended. First, more reliable trade and investment data must be collected directly from the countries in the Mekong subregion. With growing membership among the countries of the subregion to the WTO (most recently, Lao People's Democratic Republic accession in 2012), it is expected that more reliable and comprehensive trade statistics will become more available in the subregion. Second, a small number of representative automotive value chains should be selected for detailed mapping, in close consultation with governments and automotive industry in the Mekong subregion. Diagnosing specific bottlenecks that constrain growth and efficiency in the selected automotive value chains will then provide the basis for recommendations with more general implications for the automotive industry in the subregion.