

2. COUNTRY ANALYSIS

2.1. Australia

- ◆ Country name: Conventional long form: Commonwealth of Australia
Conventional short form: Australia
- ◆ Government type: democratic, federal-state system recognizing the British monarch as sovereign
- ◆ Capital: Canberra
- ◆ Population: 19,357,594 (estimated in July 2001)
- ◆ Languages: English, native languages

Geography

- ◆ Location: Oceania, continent between the Indian Ocean and the South Pacific Ocean
- ◆ Area: total: 7,686,850 sq km; land: 7,617,930 sq km; water: 68,920 sq km; note: includes Lord Howe Island and Macquarie Island
- ◆ Land boundaries: 0 km
- ◆ Climate: generally arid to semiarid; temperate in south and east; tropical in north
- ◆ Terrain: mostly low plateau with deserts; fertile plain in southeast
- ◆ Elevation extremes: lowest point: Lake Eyre -15 m; highest point: Mount Kosciuszko 2,229 m
- ◆ Natural resources: bauxite, coal, iron ore, copper, tin, silver, uranium, nickel, tungsten, mineral sands, lead, zinc, diamonds, natural gas, petroleum

Infrastructure

- ◆ Railways: total: 33,819 km (2,540 km electrified); broad gauge: 3,719 km 1.600-m gauge; standard gauge: 15,422 km 1.435-m gauge; narrow gauge: 14,506 km 1.067-m gauge; dual gauge: 172 km not available (n/a) gauges (1999)
- ◆ Highways: total: 913,000 km; paved: 353,331 km (including 1,363 km of expressways); unpaved: 559,669 km (1996)

- ◆ Waterways: 8,368 km (mainly used by small, shallow-draft craft)
- ◆ Pipelines: crude oil 2,500 km; petroleum products 500 km; natural gas 5,600 km
- ◆ Ports and harbors: Adelaide, Brisbane, Cairns, Darwin, Devonport (Tasmania), Fremantle, Geelong, Hobart (Tasmania), Launceston (Tasmania), Mackay, Melbourne, Sydney, Townsville
- ◆ Merchant marine: total: 54 ships (1,000 gross registered tons [GRT] or over) totaling 1,558,371 GRT/2,038,776 deadweight tons [DWT]; ships by type: bulk 26, cargo 3, chemical tanker 5, container 1, liquefied gas 4, passenger 2, petroleum tanker 7, roll on/roll off 6 (estimated in 2000)
- ◆ Airports: 411 (estimated in 2000)
- ◆ Airports – with paved runways: total: 271; over 3,047 m: 10; 2,438 to 3,047 m: 12; 1,524 to 2,437 m: 118; 914 to 1,523 m: 122; under 914 m: 9 (estimated in 2000)

Economy – basic facts

- ◆ Overview

Australia has a prosperous Western-style capitalist economy, with a per capita GDP at the level of the four dominant West European economies. Rich in natural resources, Australia is a major exporter of agricultural products, minerals, metals, and fossil fuels. Commodities account for 57 per cent of the value of total exports, so that a downturn in world commodity prices can have a big impact on the economy. The government is pushing for increased exports of manufactured goods, but competition in international markets continues to be severe. While Australia has suffered from the low growth and high unemployment characterizing the Organisation for Economic Cooperation and Development (OECD) countries in the early 1990s and during the recent financial problems in East Asia, the economy has expanded at a solid 4 per cent annual growth pace in the last five years. Canberra's emphasis on reforms is a key factor behind the economy's resilience to the regional crisis and its stronger than expected growth rate. Growth in 2001 will depend on key international commodity prices, the extent of recovery in nearby Asian economies, and the strength of the United States and European markets.

- ◆ GDP: purchasing power parity – US\$ 445.8 billion (estimated in 2000)
- ◆ GDP – real growth rate: 4.7% (estimated in 2000)
GDP – per capita: purchasing power parity – US\$ 23,200 (estimated in 2000)
- ◆ GDP – composition by sector: agriculture: 3%; industry: 26%; services: 71% (estimated in 1999)
- ◆ Inflation rate (consumer prices): 1.4% (estimated in 2000)

- ◆ Unemployment rate: 6.4% (2000)
- ◆ Budget: revenues: US\$ 94 billion; expenditures: US\$ 103 billion, including capital expenditures of US\$ n/a (estimated in 1999)
- ◆ Industries: mining, industrial and transportation equipment, food processing, chemicals, steel
- ◆ Industrial production growth rate: 1.5% (estimated in 1999)
- ◆ Exports: US\$ 69 billion (f.o.b., estimated in 2000)
- ◆ Exports – commodities: coal, gold, meat, wool, alumina, iron ore, wheat, machinery and transport equipment
- ◆ Exports – partners: Japan 19%; EU 14%; ASEAN 12%; United States 9%; Republic of Korea; New Zealand; Taiwan Province of China; Hong Kong, China; China (1999)
- ◆ Imports: US\$ 77 billion (f.o.b., estimated in 2000)
- ◆ Imports – commodities: machinery and transport equipment, computers and office machines, telecommunication equipment and parts; crude oil and petroleum products
- ◆ Imports – partners: EU 24%, United States 22%, Japan 14%, ASEAN 13% (1999)
- ◆ Debt – external: US\$ 220.6 billion (2000)
- ◆ Economic aid – donor: Organisation Development Australia (ODA), US\$ 1.43 billion (fiscal year 1997/1998)

1998 vs. 1999 automotive summary

- ◆ Passenger car production fell by 34,500 units or 11%
- ◆ Commercial vehicle production increased by 871 units or 5%
- ◆ Overall production fell by 33,700 units or 11%
- ◆ Passenger car sales fell by 36,000 units or 6%
- ◆ Commercial vehicle sales increased by 15,900 units or 7%
- ◆ Overall sales dropped by 20,800 units or 3%

Motor vehicle industry/market snapshot

Overview

The Australian automotive industry is centered on the local subsidiaries of Ford, General Motors, Mitsubishi and Toyota. Together these companies produce five models of passenger

motor vehicles in four factories. In the 1980s, under the government-sponsored Button Plan, the number of models was reduced from 13 to 6, based on the notion that 40,000 vehicles per year was an economic number. Production is concentrated in the upper/medium size vehicle category. In addition to cars there is a significant commercial vehicle sector. Production is concentrated on light commercial vehicles – utility and van variants of cars – but there is also a substantial heavy vehicle industry (low volume/high value product).

Total production in 1998 was more than 361,000 units. Manufacturing capacity is building up to around 400,000 units per annum. Plants need to reach 150,000-200,000 vehicles per year to be competitive.

There are almost 200 firms producing automotive components in Australia. Of these, 35 firms produce 75 per cent of the value of Australian component production. The Australian component sector is able to manufacture across the full range of automotive components, a capability recently demonstrated in the aXcess Australia concept car, which was completely designed and built in Australia. The industry is fully QS-9000 (automotive quality standard) rated – a supply requirement of all the Australian based automotive manufacturers. The car and component manufacturers are well supported by a number of internationally competitive design and tool making firms.

The Australian market has been growing strongly, reaching a record level of 807,000 vehicles in 1998. Australia is a right hand drive market (vehicles drive on the left hand side of the road).

Production

Australia's four domestic manufacturers of passenger motor vehicles – Ford; General Motors (Holden); Toyota and Mitsubishi – produced personal mobility vehicles (PMVs) and derivatives with a value of over \$A 7.7 billion last year. Heavy trucks are assembled in Australia, but there is presently no local production in the light truck segment of the automotive market. Local manufacture is confined to large PMVs, with 97 per cent of this segment supplied by Australian-made vehicles.

The dominance of the large PMV sector is principally due to the characteristics of the Australian car market – consumers displaying greater preference for locally-produced vehicles in the large PMV sector given the long distances between major cities, a road infrastructure well-suited to larger vehicles, and relatively inexpensive fuel prices. Furthermore, these cars have climate control and safety features suitable for the Australian environment.

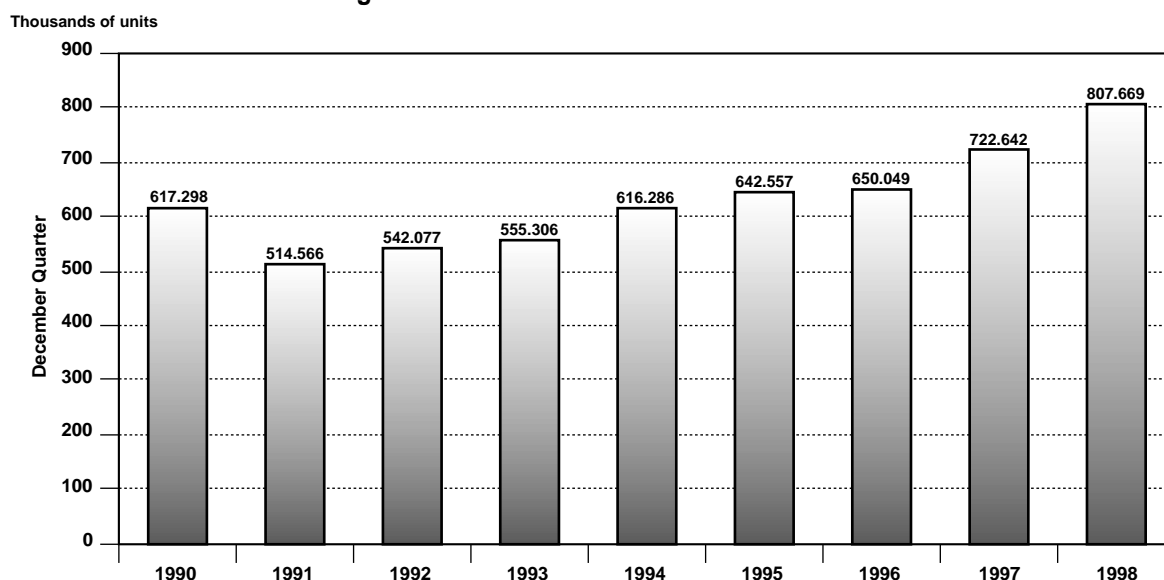
Table 2.1. Production in 1990-1999

Year	Passenger cars	Commercial vehicles	Total
1999	302 925	17 940	320 865
1998	337 500	17 069	354 569
1997	325 957	16 983	342 940
1996	328 827	16 056	344 883
1995	314 142	29 709	343 851
1994	328 909	9 159	338 068
1993	294 070	7 015	301 085
1992	269 496	26 326	295 822
1991	310 660	22 110	332 770
1990	386 031	26 645	412 676

Source: Ward's World Motor Vehicle Data Book 2000 (WardsAuto.com).

Sales

Diagram 2.2. Total retail sales of vehicles



Source: Key Automotive Statistics Australia (Industry Science Resources).

Table 2.3. New motor vehicle registrations/retail sales – market share by market sectors

	Passenger units		Light commercial units		Heavy commercial units		Total vehicle units	
		(%)		(%)		(%)		(%)
1990	464 630	75.27	132 406	21.45	20 262	3.28	617 298	100.00
1991	391 529	76.09	109 894	21.36	13 143	2.55	514 566	100.00
1992	406 427	74.98	121 089	22.34	14 561	2.69	542 077	100.00
1993	414 425	74.63	125 978	22.69	14 903	2.68	555 306	100.00
1994	460 698	74.75	137 252	22.27	18 336	2.98	616 286	100.00
1995	448 372	74.41	136 449	22.64	17 736	2.94	602 557	100.00
1996	492 058	75.70	142 830	21.97	15 161	2.33	650 049	100.00
1997	540 353	74.77	165 711	22.93	16 578	2.29	722 642	100.00
1998	584 360	72.35	203 941	25.25	19 368	2.40	807 669	100.00

Source: Vehicle Retail Sales (VFACTS).

2. COUNTRY ANALYSIS

Table 2.4. PMV market share of local vehicle producers

	Market share (%)							
	1991	1992	1993	1994	1995	1996	1997	1998
Holden	18.2	19.5	19.8	21.5	21.3	20.9	19.6	20.5
Ford	23.3	22.9	24.4	22.9	24.3	22.8	17.7	18.0
Toyota	17.9	16.1	17.0	15.7	14.2	13.8	13.4	15.3
Mitsubishi	10.2	11.6	13.0	11.9	9.6	9.3	11.9	10.9
Other	30.4	29.9	25.8	28.0	30.6	33.2	37.4	35.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Vehicle Retail Sales (VFACTS).

Note: PMV – personal mobility vehicle.

Table 2.5. Sales volume and market share of locally produced and imported CVs

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Local	26 347	21 332	24 042	24 851	27 896	27 630	25 273	23 829	24 034
Share (%)	99.69	99.61	99.66	99.67	99.71	99.70	99.67	99.64	99.63
Imported	128 445	104 965	114 457	116 030	127 692	126 555	132 718	158 245	199 275
Share (%)	82.98	83.11	82.64	82.36	82.07	82.08	84.00	86.91	89.24

Source: Vehicle Retail Sales (VFACTS).

Note: CVs – commercial vehicles.

Table 2.6. Sales of components by FAPA member companies
(million US dollars)

	1994	1995	1996	1997	1998
Domestic sales	4 138 670	4 722 004	4 880 751	4 977 462	5 102 341
Exports	484 627	506 698	671 182	723 768	748 649
Total	4 623 297	5 228 702	5 551 933	5 701 230	5 850 990

Source: FAPA – Finance and Public Administration Committee, Australia.

Table 2.7. Australian export of components
(million US dollars)

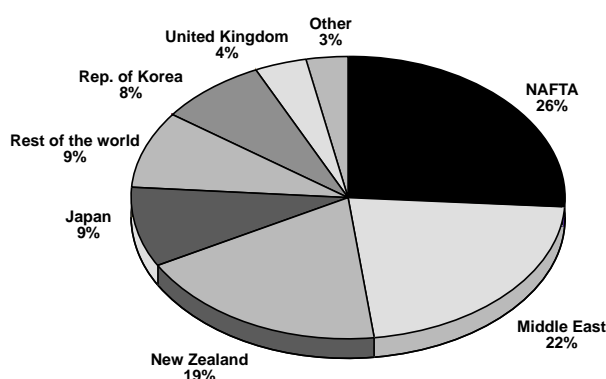
	1990	1991	1992	1993	1994	1995	1996	1997	1998
Other components	334.5	385.7	455.2	540.3	579.1	599.7	674.6	806.6	827.7
Engines	196.1	242.4	223.7	211.0	225.9	320.5	274.1	395.7	282.7
Engine parts	87.8	108.2	118.9	138.2	138.2	191.7	205.6	182.6	111.3
Total	618.4	736.3	797.8	889.5	943.3	1 111.9	1 154.3	1 384.9	1 221.7

Source: Australian Bureau of Statistics, unpublished data.

Import/Export

While exports of complete vehicles, except to New Zealand, have been few, the export of components has been substantial, and has a potential to increase. Between 1990-1998, the value of components exported doubled.

Diagram 2.8. Share of value of automotive exports by country



Source: *Key Automotive Statistics Australia*;
NAFTA – North American Free Trade Agreement.

Table 2.9. Australia's top ten export markets, 2000-2001

Market	Vehicles (Thousands of \$A)	Components (Thousands of \$A)	Total (Thousands of \$A)	Change on 1999-2000
Saudi Arabia	1 208 675	25 028	1 233 702	73.9%
United States	498 729	488 143	986 872	31.3%
New Zealand	363 204	147 083	510 286	-8.7%
Republic of Korea	2 041	386 107	388 148	-4.1%
United Arab Emirates	230 393	11 587	241 980	100.5%
Japan	34 139	194 836	228 976	-1.8%
Kuwait	170 756	6 795	177 051	36.0%
Indonesia	93 000	58 955	151 955	11.1%
United Kingdom	11 233	54 216	65 449	-32.2%
Oman	59 668	2 490	62 158	31.9%

Automotive policy/government policies and programmes

Australian automotive policy comprises three key elements:

a) The Automotive Competitiveness and Investment Scheme (ACIS)

ACIS began on 1 January 2001, and will run for 5 years. It provides transitional assistance to encourage competitive investment and innovation in the automotive industry. The objective of the scheme is to achieve sustainable growth, both in the Australian market and internationally, in the context of trade liberalization. ACIS provides benefits in the form of duty credits to offset customs duty on eligible imports to eligible production, strategic investment and R&D.

b) Trade Liberalization

Greater import competition through significant tariff reductions and the lifting of quota restrictions has seen the Australian market restructure, becoming more closely integrated into the global market. Tariffs on passenger motor vehicles and related components have been phased down to 15 per cent and will remain at this level until 1 January 2005, when they will be further reduced to 10 per cent. Tariffs on commercial vehicles and four-wheel drive vehicles are 5 per cent.

c) Automotive Market Access and Development Strategy

This is a four-year programme that will expire in June 2002. The aim of the programme is to encourage the development of a sustainable, profitable and internationally competitive automotive manufacturing industry in Australia. The Strategy was designed to help Australia realize export targets, facilitate greater two-way investment between Australian and overseas companies, and support greater collaborative activity in design, engineering, R&D and manufacturing between Australian and overseas companies.

Table 2.10 shows how the tariff rates of automotive components and finished vehicles has been falling and will by 2005 reach the upper limits of developed countries of 10 per cent.

Table 2.10. Value of production and duty forgone under the duty free allowance (DFA) and export facilitation scheme (EFS)
(million US dollars)

	Value of production	Duty foregone under DFA	Duty foregone under EFS	Tariff (%)
1991	4 762.1	267.9	161.1	37.5
1992	4 894.7	257.0	418.1	35.0
1993	5 927.9	289.0	275.4	32.5
1994	7 016.4	315.7	209.0	30.0
1995	7 095.0	292.7	186.9	27.5
1996	7 111.3	266.7	220.5	25.0
1997	6 956.9	234.8	250.6	22.5
1998	7 760.9	232.8	280.4	20.0
1999	-	-	-	17.5
2000	-	-	-	15.0
2001	-	-	-	15.0
2002	-	-	-	15.0
2003	-	-	-	15.0
2004	-	-	-	15.0
2005	-	-	-	10.0

Source: Australian Customs Service.

2.2. China

- ◆ Country name: conventional long form: People's Republic of China
conventional short form: China
local long form: Zhonghua Renmin Gongheguo
local short form: Zhong Guo
abbreviation: PRC
- ◆ Government type: Communist state
- ◆ Capital: Beijing
- ◆ Ethnic groups: Han Chinese 91.9%; Zhuang, Uygur, Hui, Yi, Tibetan, Miao, Manchu, Mongol, Buyi, Korean, and other nationalities 8.1%
- ◆ Population: 1,273,111,290 (estimated in July 2001)
- ◆ Languages: Standard Chinese or Mandarin (Putonghua, based on the Beijing dialect), Yue (Cantonese), Wu (Shanghaiese), Minbei (Fuzhou), Minnan (Hokkien-Taiwanese), Xiang, Gan, Hakka dialects, minority languages (see Ethnic groups entry)

Geography

- ◆ Location: Eastern Asia, bordering the East China Sea, Korea Bay, Yellow Sea, and South China Sea, between the Democratic People's Republic of Korea and Viet Nam
- ◆ Area: total: 9,596,960 sq km; land: 9,326,410 sq km; water: 270,550 sq km
- ◆ Land boundaries: total: 22,147.24 km; border countries: Afghanistan 76 km; Bhutan 470 km; Myanmar 2,185 km; Hong Kong, China 30 km; India 3,380 km; Kazakhstan 1,533 km; Democratic People's Republic of Korea 1,416 km; Kyrgyzstan 858 km; Lao People's Democratic Republic 423 km; Macao, China 0.34 km; Mongolia 4,676.9 km; Nepal 1,236 km; Pakistan 523 km; Russian Federation (northeast) 3,605 km; Russian Federation (northwest) 40 km; Tajikistan 414 km; Viet Nam 1,281 km
- ◆ Climate: extremely diverse; tropical in south to subarctic in north
- ◆ Terrain: mostly mountains, high plateaus, deserts in west; plains, deltas, and hills in east
- ◆ Elevation extremes: lowest point: Turpan Pendi -154 m; highest point: Mount Everest 8,850 m (estimated in 1999)
- ◆ Natural resources: coal, iron ore, petroleum, natural gas, mercury, tin, tungsten, antimony, manganese, molybdenum, vanadium, magnetite, aluminum, lead, zinc, uranium, hydropower potential (world's largest)

Infrastructure

- ◆ Railways: total: 67,524 km (including 5,400 km of provincial “local” rails); standard gauge: 63,924 km 1.435-m gauge (13,362 km electrified; 20,250 km double track); narrow gauge: 3,600 km 0.750-m and 1.000-m gauge local industrial lines (estimated in 1998); note: a new total of 68,000 km was estimated for early 1999 to take new construction programmes into account (1999)
- ◆ Highways: total: 1.4 million km; paved: 271,300 km (with at least 16,000 km of expressways); unpaved: 1,128,700 km (1999)
- ◆ Waterways: 110,000 km (1999)
- ◆ Pipelines: crude oil 9,070 km; petroleum products 560 km; natural gas 9,383 km (1998)
- ◆ Ports and harbors: Dalian, Fuzhou, Guangzhou, Haikou, Huangpu, Lianyungang, Nanjing, Nantong, Ningbo, Qingdao, Qinhuangdao, Shanghai, Shantou, Tianjin, Xiamen, Xingang, Yantai, Zhanjiang
- ◆ Merchant marine: total: 1,745 ships (1,000 GRT or over) totaling 16,533,521 GRT/24,746,859 DWT; ships by type: barge carrier 2, bulk 324, cargo 825, chemical tanker 21, combination bulk 11, combination ore/oil 1, container 132, liquefied gas 24, multi-functional large-load carrier 5, passenger 7, passenger/cargo 45, petroleum tanker 258, refrigerated cargo 22, roll on/roll off 23, short-sea passenger 41, specialized tanker 3, vehicle carrier 1 (estimated in 2000)
- ◆ Airports: 489 (estimated in 2000)
- ◆ Airports – with paved runways: total: 324; over 3,047 m: 27; 2,438 to 3,047 m: 88; 1,524 to 2,437 m: 147; 914 to 1,523 m: 30; under 914 m: 32 (estimated in 2000)
- ◆ Airports – with unpaved runways: total: 165; over 3,047 m: 1; 2,438 to 3,047 m: 1; 1,524 to 2,437 m: 29; 914 to 1,523 m: 56; under 914 m: 78 (estimated in 2000)

Economy – basic facts

◆ Overview

In late 1978 the Chinese leadership began moving the economy from a sluggish Soviet-style centrally planned economy to a more market-oriented system. Whereas the system operates within a political framework of strict Communist control, the economic influence of non-state managers and enterprises has been steadily increasing. The authorities have switched to a system of household responsibility in agriculture in place of the old collectivization, increased the authority of local officials and plant managers in industry, permitted a wide variety of small-scale enterprise in services and light manufacturing, and opened the economy to

increased foreign trade and investment. The result has been a quadrupling of GDP since 1978. In 2000, with its 1.26 billion people but a GDP of just US\$ 3,600 per capita, China stood as the second largest economy in the world after the United States (measured on a purchasing power parity basis). Agricultural output doubled in the 1980s, and industry also posted major gains, especially in coastal areas near Hong Kong, China and opposite Taiwan Province of China, where foreign investment helped spur output of both domestic and export goods. On the darker side, the leadership has often experienced in its hybrid system the worst results of socialism (bureaucracy and lassitude) and of capitalism (windfall gains and stepped-up inflation). Beijing thus has periodically backtracked, retightening central controls at intervals. The government has struggled to (a) collect revenues due from provinces, businesses, and individuals; (b) reduce corruption and other economic crimes; and (c) keep afloat the large state-owned enterprises many of which had been shielded from competition by subsidies and had been losing the ability to pay full wages and pensions. From 80 to 120 million surplus rural workers are adrift between the villages and the cities, many subsisting through part-time low-paying jobs. Popular resistance, changes in central policy, and loss of authority by rural cadres have weakened China's population control programme, which is essential to maintaining growth in living standards. Another long-term threat to continued rapid economic growth is the deterioration in the environment, notably air pollution, soil erosion, and the steady fall of the water table especially in the north. China continues to lose arable land because of erosion and economic development. Weakness in the global economy in 2001 could hamper growth in exports. Beijing will intensify efforts to stimulate growth through spending on infrastructure – such as water control and power grids – and poverty relief and through rural tax reform aimed at eliminating arbitrary local levies on farmers.

- ◆ GDP: purchasing power parity – US\$ 4.5 trillion (estimated in 2000)
- ◆ GDP – real growth rate: 8% (estimated in 2000)
- ◆ GDP – per capita: purchasing power parity – US\$ 3,600 (estimated in 2000)
- ◆ GDP – composition by sector: agriculture: 15%; industry: 50%; services: 35% (estimated in 2000)
- ◆ Inflation rate (consumer prices): 0.4% (estimated in 2000)
- ◆ Unemployment rate: urban unemployment roughly 10%; substantial unemployment and underemployment in rural areas (estimated in 2000)
- ◆ Budget: revenues: US\$ n/a; expenditures: US\$ n/a, including capital expenditures of US\$ n/a
- ◆ Industries: iron and steel, coal, machine building, armaments, textiles and apparel, petroleum, cement, chemical fertilizers, footwear, toys, food processing, automobiles, consumer electronics, telecommunications

- ◆ Industrial production growth rate: 10% (estimated in 2000)
- ◆ Exports: US\$ 232 billion (f.o.b., 2000)
- ◆ Exports – commodities: machinery and equipment, textiles and clothing, footwear, toys and sporting goods, mineral fuels
- ◆ Exports – partners: United States 21%; Hong Kong, China 18%; Japan 17%; Republic of Korea; Germany; Netherlands; United Kingdom; Singapore; Taiwan Province of China (2000)
- ◆ Imports: US\$ 197 billion (f.o.b., 2000)
- ◆ Imports – commodities: machinery and equipment, mineral fuels, plastics, iron and steel, chemicals
- ◆ Imports – partners: Japan 18%; Taiwan Province of China 11%; United States 10%; Republic of Korea 10%; Germany; Hong Kong, China; Russian Federation; Malaysia (2000)
- ◆ Debt – external: US\$ 162 billion (estimated in 2000)
- ◆ Economic aid – recipient: US\$ n/a

1998 vs. 1999 automotive summary

- ◆ Passenger car production increased by 58,200 units or 11.5%.
- ◆ Commercial vehicle production increased by 138,500 units or 12.3%.
- ◆ Overall motor vehicle production increased by 196,800 units or 12%.
- ◆ Commercial vehicle sales increased by almost 162,300 units or 14%.
- ◆ Passenger car sales increased by 24,600 units or 4%.
- ◆ Overall motor vehicle sales increased by almost 186,900 units or 10%.

Motor vehicle industry/market snapshot

Despite the expectations that the China market will explode, vehicle sales have been flat. In 1994-1996 the Chinese government restricted new investment in the automotive industry to try to build manufacturing scale. The aim was to produce 2 to 3 large-scale manufacturing groups, six to seven smaller producers and nine to ten motorcycle producers. In Chinese style, this policy was neither enacted as law nor legislation. The support was through the withholding or granting of licenses to invest, a zero tax rate, preferences for the issue of stock and both favourable loans and the creation of internal financial corporations.

In 1998, the country produced only 1.6 million vehicles, 92 per cent made by the top 13 manufacturers. This is only 10 per cent of GM's global production. This rose to 2 million vehicles in 2000, of which 620,000 were cars.

The Chinese market is heavily protected by import duties making legally imported cars almost unaffordable, but encouraging the illegal entry of vehicles – consequently no reliable information on Chinese imports can be given. Tariffs are to fall from 100 per cent to 25 per cent in five years, and those tariffs under 25 per cent should fall to 9.4 per cent according to the terms of China’s entry into the World Trade Organization (WTO).

Negotiated issues liberalize investment in the automotive industry four years after entry, allowing 100 per cent foreign-owned companies from that date, including engine manufacturing. SOEs (state-owned enterprises) are under extreme pressure to incur no further losses and loss making SOEs should receive no more loans, officially indicating that the automotive industry should consolidate.

The Chinese Auto Manufacturers Association has 1,300 members, which make up the bulk of the automotive and component manufacturers in China. There are also 607 joint ventures out of which 444 attempt to assemble vehicles.

Table 2.13, listing the auto manufacturers, illustrates the dominance of foreign partnerships in the major passenger car manufacturing companies and the continued national importance in commercial vehicle manufacturing. Between 1998 and 1999 production of commercial vehicles rose rapidly, and the production volumes of FAG, Changan and Dongfeng place them high in the world scale of commercial vehicle manufacturing.

Production

Table 2.11. Production, 1990-1999

Year	Passenger cars	Trucks	Buses	Others	Total
1990	42 409	269 098	23 148	174 587	509 242
1991	81 055	361 310	42 756	223 699	708 820
1992	162 725	460 274	84 551	354 171	1 061 721
1993	229 697	623 184	142 774	301 123	1 296 778
1994	247 639	781 266	322 085	*	1 350 990
1995	320 578	737 035	377 175	*	1 434 788
1996	381 510	684 369	390 321	*	1 456 200
1997	487 695	659 318	435 615	*	1 582 628
1998	507 103	661 701	459 025	*	1 627 829
1999	565 366	756 277	508 680	*	1 830 323

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Note: * Included with trucks and buses.

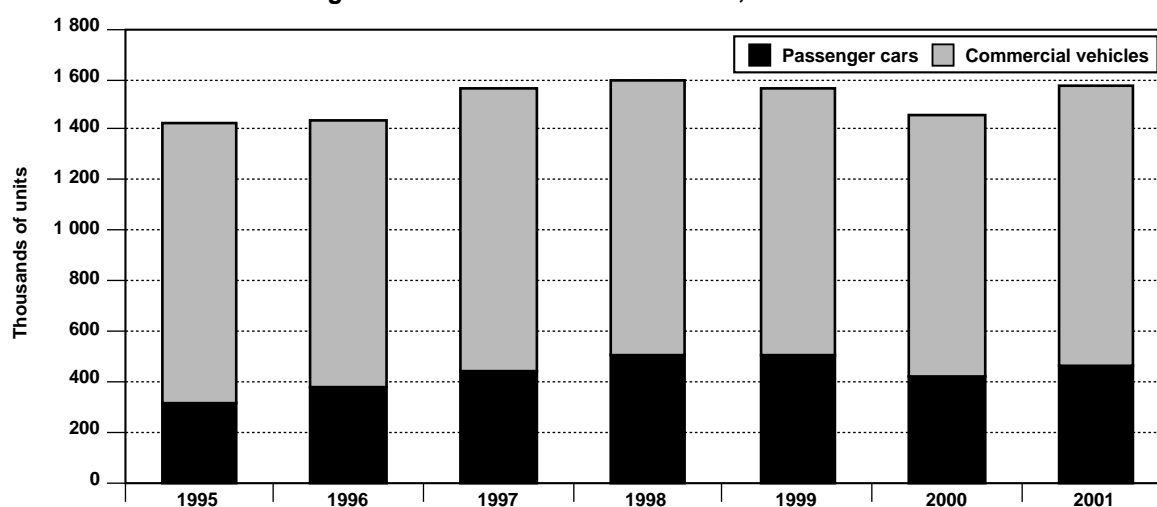
Sales

Table 2.12. Production by manufacturer, 1998-1999

Manufacturer	1998	1999	Manufacturer	1998	1999
Passenger cars			Commercial vehicles		
Beijing Automotive Inc. Jeep	8 344	9 294	Beijing Automotive Group	73 415	112 041
Chang'an Auto Suzuki	35 555	44 583	Changan Automobile	79 773	126 429
Dongfeng Auto Citroen	36 240	40 200	Changhe	100 031	90 079
First Auto VW Audi	6 223	5 898	China First Auto Group	153 325	176 946
Volkswagen	60 085	75 566	China National Heavy Truck	3 488	9 121
Total	66 308	81 464	Dongfeng Motor	79 693	165 570
Guangzhou Honda	344	10 008	Harbin Hefei	58 322	86 017
Guangzhou Peugeot	2 246	0	Jiangling Motor	18 527	25 485
Shanghai GM GM	0	23 290	Liuzhou-Wuling Auto	103 529	81 018
Shanghai VW Volkswagen	235 000	230 946	Qingling Motor	34 384	40 871
Tianjin Auto Daihatsu	100 021	101 828	Tianjin Auto	55 299	26 958
Others	23 045	23 753	Yuejin Auto	68 062	71 446
Total cars	507 103	565 366	Others	292 608	253 003
			Total CVs	1 120 726	1 264 957
			Total vehicles	1 627 829	1 830 323

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Diagram 2.13. Chinese vehicle sales, 1995-2001



Source: Economist Intelligence Unit (EIU).

Table 2.14. Sales by manufacturer, 1998-1999

Manufacturer	1998	1999	Manufacturer	1998	1999
Passenger cars			Commercial vehicles		
Beijing Automotive Inc. Jeep	8 344	9 294	Beijing Automotive Group	73 415	112 041
Chang'an Auto Suzuki	33 364	43 735	Changan Automobile	73 831	124 462
Dongfeng Auto Citroen	33 364	43 850	Changhe	90 098	92 198
First Auto VW Volkswagen	60 328	76 868	China First Auto Group	211 594	241 127
Audi	5 912	6 411	China National Heavy Truck	11 719	11 019
Total	66 240	83 279	Dongfeng Motor	161 456	169 700
Guangzhou Honda	2 829	10 003	Harbin Hefei	57 306	85 586
Guangzhou Peugeot	2 567	0	Jiangling Motor	20 580	24 070
Shanghai GM GM	0	19 826	Liuzhou-Wuling Auto	101 792	84 212
Shanghai VW Volkswagen	235 200	230 836	Qingling Motor	35 050	40 002
Tianjin Auto Daihatsu	99 668	105 530	Tianjin Auto	45 351	34 399
Others	104 110	64 338	Yuejin Auto	66 177	71 409
Total cars	586 207	610 814	Others	204 157	224 945
			Total CVs	1 151 994	1 314 282
			Total vehicles	1 738 201	1 925 096

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Vehicles in use

Table 2.15. Vehicles in use (for private and public use) in all of China

Year	Vehicles for private use						Tractor for transport	Truck trailers
	Total	Trucks	Special trucks	Buses	Special vehicles	Others		
1990	816 173	574 757		240 684	437	296	3 709 264	114 453
1991	960 400	654 166		303 601	208	2 425	3 817 541	122 914
1992	1 182 009	758 213		418 736	324	4 736	4 636 752	125 691
1993	1 557 672	931 823		598 469	547	26 833	4 483 768	127 657
1994	2 054 196	1 226 171	786 226	513	34 976	4 792 066	149 766	149 766
1995	2 499 641	1 310 070	1 141 547	2 410	37 453	5 026 669	146 341	146 341
1996	2 896 738	1 420 654	1 430 385	1 987	36 556	5 901 607	128 430	128 430
1997	3 583 543	1 619 423	1 912 739	2 831	36 049	6 305 596	117 150	117 150
1998	4 236 481	1 907 684	2 306 480	3 880	5 808	6 517 432	131 495	131 495
1999	5 338 833	2 269 076	3 040 914	4 925	6 259	6 393 179	119 518	119 518
2000	6 253 304	2 571 236	3 650 905	4 275	7 250	7 357 499	133 752	133 752

Import/Export

Auto demand in the Chinese domestic market has grown rapidly over the years, due to increased economic reform policies and opening-up of the domestic market. Auto imports, as shown in table 2.16, reached peak periods in 1985 and 1993. Passenger cars rank at the top of imported cars, followed by buses, trucks, special vehicles and chassis. The import sources are mostly Japan, Germany, United States, Republic of Korea, Sweden, etc.

The export of Chinese auto products, started in 1957, was boosted a great deal in the 1990s as the Chinese auto industry introduced substantial amounts of advanced technologies and equipment. Table 2.17 illustrates the growth in export volume and value over the last decade.

Table 2.16. Volume and value of the imported automobiles, 1980-1999

Year	Total	Truck	Passenger car	Total value (Millions of US\$)	Auto parts (Millions of US\$)
1980	51 083	26 100	19 570	616.12	62.99
1981	41 575	20 770	1 401	305.36	35.94
1982	16 077	7 730	1 101	225.12	60.80
1983	25 156	8 445	5 806	432.59	135.76
1984	88 743	28 047	21 651	1 048.21	166.52
1985	353 992	111 492	105 775	2 936.90	288.48
1986	150 052	64 570	48 276	1 954.60	277.09
1987	67 182	17 554	30 536	1 214.31	418.85
1988	99 233 (26 907)	14 201	57 433 (24 407)	1 612.40	339.13
1989	85 554 (31 034)	12 587	45 000 (20 560)	1 327.32	347.50
1990	65 430 (24 176)	18 395	34 063 (18 136)	1 202.93	437.40
1991	98 454 (56 466)	18 578	54 009 (40 004)	1 659.92	582.63
1992	210 087 (127 222)	42 005	115 641 (88 114)	3 535.24	870.72
1993	310 099 (136 402)	72 935	180 717 (111 059)	5 351.43	970.66
1994	283 060 (144 981)	68 269	169 995 (135 580)	4 714.83	687.94
1995	158 115 (116 783)	12 037	129 176 (105 497)	2 575.50	854.69
1996	75 863	6 256	57 942	2 500.19	1 077.57
1997	49 039	7 077	32 019	2 078.21	928.00
1998	40 216	4 373	18 016	2 057.89	804.92
1999	35 192	2 685	19 953	2 580.18	1 004.25

Note: The figures in parentheses refer to the import of parts.

Table 2.17. Volume and value of exported automobiles, 1980-1999

Year	Total	Truck	Passenger car	Total value (Millions of US\$)	Auto parts (Millions of US\$)
1990	4 431	3 254	73	81.70	127.84
1991	4 108	2 253	789	101.38	152.84
1992	6 375	2 243	914	123.95	306.15
1993	11 116	4 534	2 866	171.65	424.22
1994	18 648	10 234	784	245.80	515.20
1995	17 747	9 070	1 413	376.09	721.38
1996	15 112	6 525	635	382.08	816.50
1997	14 868	8 297	1 073	447.18	987.84
1998	13 627	8 176	653	489.60	883.43
1999	22 717	3 868	326	705.99	1 187.27
2000	39 327	7 093	523	1 524.00	2 479.00

Automotive policy/government policies and programmes

Programmes and policies for the automotive sector in China are divided into several categories: product policies; joint venture (JV) and cooperation policies; tariff policies; consumption policies.

◆ *Product policies*

Product policy covers three main aspects: 1) Adjustment of the product structure; 2) Adoption of new technologies; 3) Key content.

◆ *Joint venture and cooperation policies*

A major requirement of the Chinese “Industrial Policy of Motor Industry” is that when directly using foreign currencies, the auto enterprises shall select partners having their own independent patent and trademark right, product development and manufacturing technology, independent international sales channel (or network) and adequate financing ability.

◆ *Tariff policies*

In order to protect the domestic auto industry from foreign competition, China has been limiting the imports of foreign vehicles, especially passenger cars through high tariff barriers. Since the 1990s, as the number of JVs began to increase and a gradual internationalization of the auto industry began to set in, the Chinese government began to loosen the high-tariff restrictions on auto imports (see tables 2.18 and 2.19).

Table 2.18. Major tariff-reductions in China

Year	Tariff items		
	General average tariff	Auto product average tariff	Passenger car tariff
1994 (before 1 January)	43.2	–	180–220
1994 (on 1 January)	35.9	57.36	110–150
1996 (on 1 April)	23.0	44.43	100–120

Table 2.19. Tax rate for some imported vehicle types

Displacement of cars	< 1,000 ml	1,000–2,500 ml	2,500–3,000 ml	> 3,000 ml
Import tariff	80	80	80	100
Value-added tax	17	17	17	17
Consumption tax	5	5/8/01	8	8
Comprehensive income tax	121.68	121.68/128.90	128.91	154.35

2.3. India

- ◆ Country name: conventional long form: Republic of India
conventional short form: India
- ◆ Government type: federal republic
- ◆ Capital: New Delhi
- ◆ Ethnic groups: Indo-Aryan 72%, Dravidian 25%, Mongoloid and other 3% (2000)
- ◆ Population: 1,029,991,145 (estimated in July 2001)
- ◆ Languages: English enjoys associate status but is the most important language for national, political, and commercial communication, Hindi the national language and primary tongue of 30% of the people, Bengali (official), Telugu (official), Marathi (official), Tamil (official), Urdu (official), Gujarati (official), Malayalam (official), Kannada (official), Oriya (official), Punjabi (official), Assamese (official), Kashmiri (official), Sindhi (official), Sanskrit (official), Hindustani (a popular variant of Hindi/Urdu spoken widely throughout northern India)

Geography

- ◆ Location: Southern Asia, bordering the Arabian Sea and the Bay of Bengal, between Myanmar and Pakistan
- ◆ Area: total: 3,287,590 sq km; land: 2,973,190 sq km; water: 314,400 sq km
- ◆ Land boundaries: total: 14,103 km; border countries: Bangladesh 4,053 km, Bhutan 605 km, Myanmar 1,463 km, China 3,380 km, Nepal 1,690 km, Pakistan 2,912 km
- ◆ Climate: varies from tropical monsoon in south to temperate in north
- ◆ Terrain: upland plain (Deccan Plateau) in south, flat to rolling plain along the Ganges, deserts in west, Himalayas in north
- ◆ Elevation extremes: lowest point: Indian Ocean 0 m; highest point: Kanchenjunga 8,598 m
- ◆ Natural resources: coal (fourth-largest reserves in the world), iron ore, manganese, mica, bauxite, titanium ore, chromite, natural gas, diamonds, petroleum, limestone, arable land

Infrastructure

- ◆ Railways: total: 62,915 km (12,307 km electrified; 12,617 km double track); broad gauge: 40,620 km 1.676-m gauge; narrow gauge: 18,501 km 1.000-m gauge; 3,794 km 0.762-m and 0.610-m gauge (estimated in 1998)

- ◆ Highways: total: 3,319,644 km; paved: 1,517,077 km; unpaved: 1,802,567 km (1996)
- ◆ Waterways: 16,180 km; note: 3,631 km navigable by large vessels
- ◆ Pipelines: crude oil 3,005 km; petroleum products 2,687 km; natural gas 1,700 km (1995)
- ◆ Ports and harbors: Chennai (Madras), Cochin, Jawaharal Nehru, Kandla, Kolkata (Calcutta), Mumbai (Bombay), Vishakhapatnam
- ◆ Merchant marine: total: 315 ships (1,000 GRT or over) totaling 6,433,831 GRT/10,691,973 DWT; ships by type: bulk 117, cargo 70, chemical tanker 15, combination bulk 1, combination ore/oil 3, container 15, liquefied gas 9, passenger/cargo 5, petroleum tanker 76, short-sea passenger 2, specialized tanker 2 (estimated in 2000)
- ◆ Airports: 337 (estimated in 2000)
- ◆ Airports – with paved runways: total: 235; over 3,047 m: 13; 2,438 to 3,047 m: 48; 1,524 to 2,437 m: 81; 914 to 1,523 m: 77; under 914 m: 16 (estimated in 2000)
- ◆ Airports – with unpaved runways: total: 102; 2,438 to 3,047 m: 1; 1,524 to 2,437 m: 6; 914 to 1,523 m: 40; under 914 m: 55 (estimated in 2000)
- ◆ Heliports: 16 (estimated in 2000)

Economy – basic facts

- ◆ Overview

India's economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of support services. More than a third of the population is too poor to be able to afford an adequate diet. India's international payments position remained strong in 2000 with adequate foreign exchange reserves, moderately depreciating nominal exchange rates, and booming exports of software services. Growth in manufacturing output slowed, and electricity shortages continue in many regions.

- ◆ GDP: purchasing power parity – US\$ 2.2 trillion (estimated in 2000)
- ◆ GDP – real growth rate: 6% (estimated in 2000)
- ◆ GDP – per capita: purchasing power parity – US\$ 2,200 (estimated in 2000)
- ◆ GDP – composition by sector: agriculture: 25%; industry: 24%; services: 51% (2000)
- ◆ Inflation rate (consumer prices): 5.4% (estimated in 2000)
- ◆ Unemployment rate: n/a%

- ◆ Budget: revenues: US\$ 44.3 billion; expenditures: US\$ 73.6 billion, including capital expenditures of US\$ n/a (estimated in fiscal year 2000/2001)
- ◆ Industries: textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software
- ◆ Industrial production growth rate: 7.5% (estimated in 2000)
- ◆ Exports: US\$ 43.1 billion (f.o.b., 2000)
- ◆ Exports – commodities: textile goods, gems and jewelry, engineering goods, chemicals, leather manufactures
- ◆ Exports – partners: United States 22%; United Kingdom 6%; Germany 5%; Japan 5%; Hong Kong, China 5%; United Arab Emirates 4% (1999)
- ◆ Imports: US\$ 60.8 billion (f.o.b., 2000)
- ◆ Imports – commodities: crude oil, machinery, gems, fertilizer, chemicals
- ◆ Imports – partners: United States 9%, Benelux 8%, United Kingdom 6%, Saudi Arabia 6%, Japan 6%, Germany 5% (1999)
- ◆ Debt – external: US\$ 99.6 billion (2000)
- ◆ Economic aid – recipient: US\$ 2.9 billion (fiscal year 1998/1999)

1998 vs. 1999 automotive summary

- ◆ Passenger car production increased by over 149,300 units or 39%
- ◆ Commercial vehicle production increased by 40,600 units or 16.7%
- ◆ Overall motor vehicle production increased by over 190,000 units or 30%
- ◆ Commercial vehicle sales increased by 34,200 units or 14%
- ◆ Passenger car sales increased by 171,000 units or 42%
- ◆ Overall motor vehicle sales increased by 205,200 units or 31%

Motor vehicle industry/market snapshot

The Indian automotive industry is dominated by two-wheel vehicles. Of a total production of 5 million vehicles per year, only about 700,000 are cars and commercial vehicles. India is unusual for a market of this level of development in that commercial four- and six-wheel vehicles do not predominate. This is largely the result of the free availability of two and three wheel vehicles.

After a fallback in 1998, sales of four-wheel vehicles grew at the historic rate of 12 per cent, driven by heavy discounts, sales incentives, the end of waiting lists and too many manufacturers, before falling back to 5.8 per cent in the face of higher oil prices in 2000. Controls on the auto industry were largely dismantled, and the first batch of foreign-owned

subsidiaries have come into being. In the component sector too, the family-owned manufacturers have lost ground to multinational players in the context of 20 per cent per annum. Component manufacturers are highly competitive and have an opportunity to become part of major regional and global sourcing networks.

The more open environment of India, with more consumer finance available and the growth of dual-income families, suggests that the demand for vehicles should increase rapidly. This dramatic increase has been constantly forecasted, but never achieved so that overcapacity in the sector remains.

Table 2.20. The India automotive industry – a profile

	Vehicle industry	Auto component industry	Total
Production			
Vehicle (in number)			
1995-1996	3 685 669		3 685 669
1996-1997	4 206 894		4 206 894
1997-1998	4 260 453		4 260 453
1998-1999	4 476 531		4 476 531
1999-2000	5 115 683		5 115 683
Vehicle (in millions of Rs)			
1994-1995	221 406	67 274	288 680
1995-1996	313 849	90 851	404 700
1996-1997	364 450	114 754	479 204
1997-1998	365 411	120 318	485 729
1998-1999	368 262	129 968	498 230
1999-2000	n/a	163 560	–
Exports (in millions of Rs)			
1994-1995	13 500	6 640	20 140
1995-1996	16 706	8 930	25 636
1996-1997	20 040	10 330	30 370
1997-1998	17 928	12 273	30 201
1998-1999	14 536	13 990	28 526
1999-2000	n/a	16 650	–
Vehicle Population as of 31 March 2001 (in millions of number)			
Four-/Six-wheelers			
1996	9.20	–	9.20
1997	10.18	–	10.18
1998	11.00	–	11.00
2000	14.68*	–	14.68*
Two-/Three-wheelers			
1996	24.36	–	24.36
1997	27.40	–	27.40
1998	30.00	–	30.00
2000	33.32*	–	33.32*
Employment (in numbers)			
Direct	200 000	250 000	450 000
Indirect	10 000 000	–	10 000 000

Source: Automotive Component Manufacturers Association of India (ACMA).

Note: * Estimated.

2. COUNTRY ANALYSIS

Production

Table 2.21. Production, 1990-1999

Year	Passenger cars	Trucks	Buses	Others	Total
1990	176 821	167 251	20 321	20 321	364 393
1991	178 927	154 151	21 955	21 955	355 033
1992	153 867	143 164	23 133	23 133	320 164
1993	199 571	150 167	21 892	21 892	371 630
1994	237 280	210 383	27 487	27 487	475 150
1995	329 676	278 887	27 453	27 453	636 016
1996	396 456	339 592	26 074	26 074	762 122
1997	409 896	293 701	32 419	32 419	736 016
1998	383 798	218 987	24 874	24 894	627 679
1999	533 177	259 916	24 641	24 641	817 734

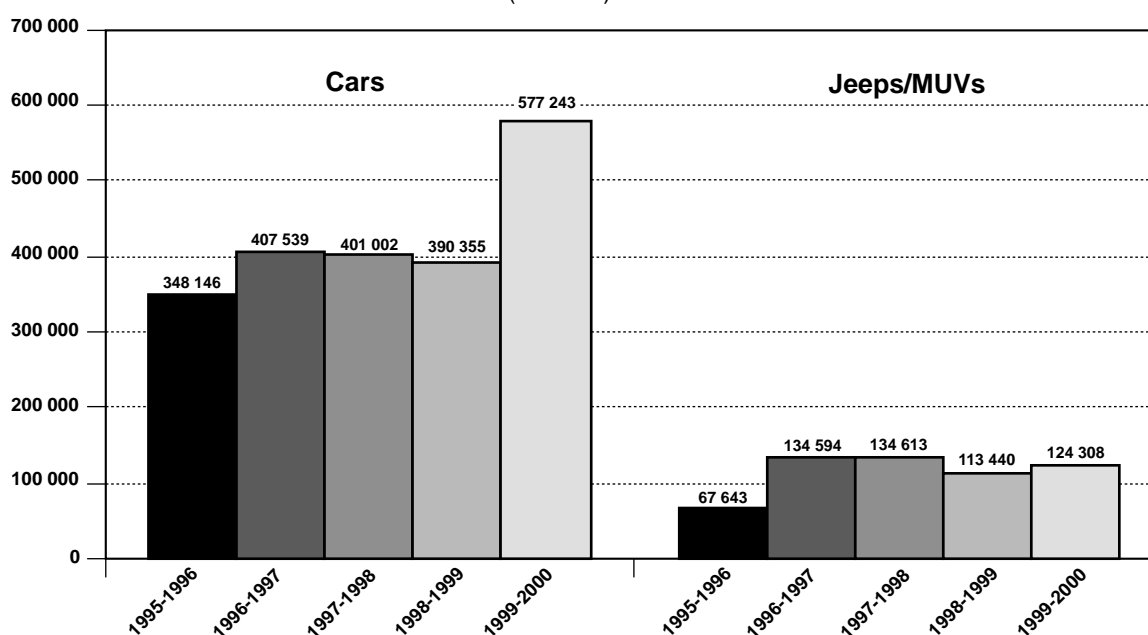
Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Table 2.22. Production by manufacturer, 1998-1999

Manufacturer	1998	1999	Manufacturer	1998	1999
Passenger cars			Light trucks		
Fiat	8 090	19 165	Ashok Leyland	482	522
GM/Opel	3 279	2 388	Bajaj	9 216	10 137
Hindustan Motors	20 322	23 306	Eicher	5 379	6 399
Hyundai	8 676	61 813	Hindustan	3 168	2 421
Maruti	335 759	385 699	Mahindra	72 150	75 269
Mercedes Benz	1 355	414	Maruti (Suzuki)	7 589	8 138
Peugeot	613	32	Mazda	3 040	3 374
Premier	3 494	329	Telco	70 944	67 283
Telco	2 210	40 031	Total light trucks	171 968	173 543
Total cars	383 798	533 177			
Medium/Heavy trucks			Buses		
Ashok Leyland	14 601	25 151	Ashok Leyland	11 505	11 006
Hindustan	396	206	Telco	13 389	13 635
Telco	32 022	61 016	Total buses	24 894	24 641
Total medium/heavy trucks	47 019	86 373	Total CVs	243 881	284 557
			Total vehicles	627 679	817 734

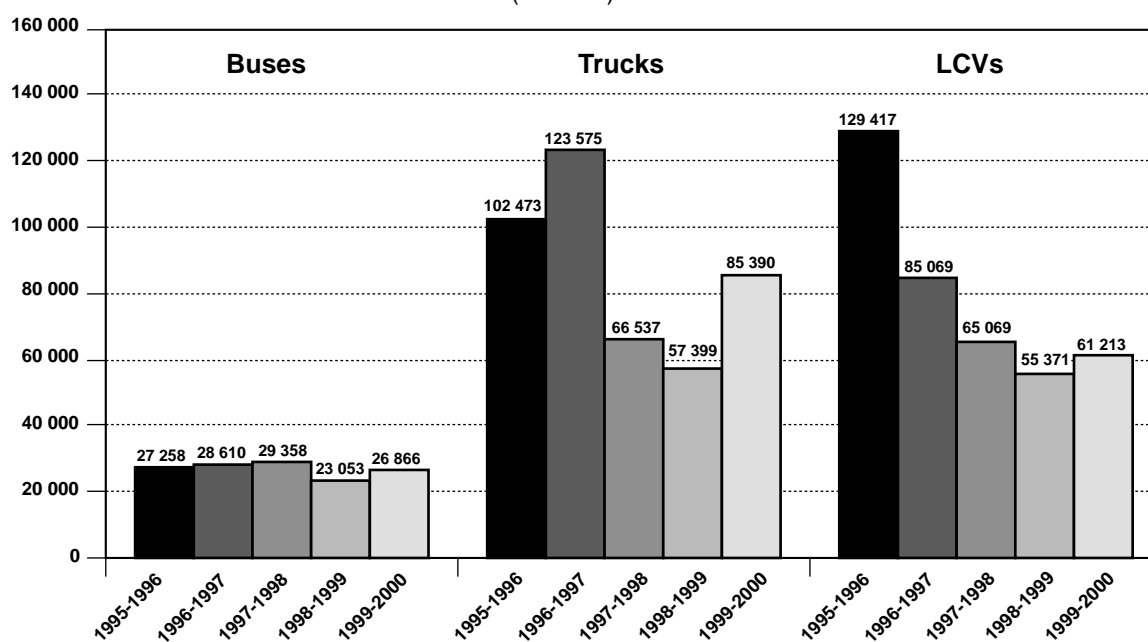
Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Diagram 2.23. Vehicle production, four-wheelers
(number)



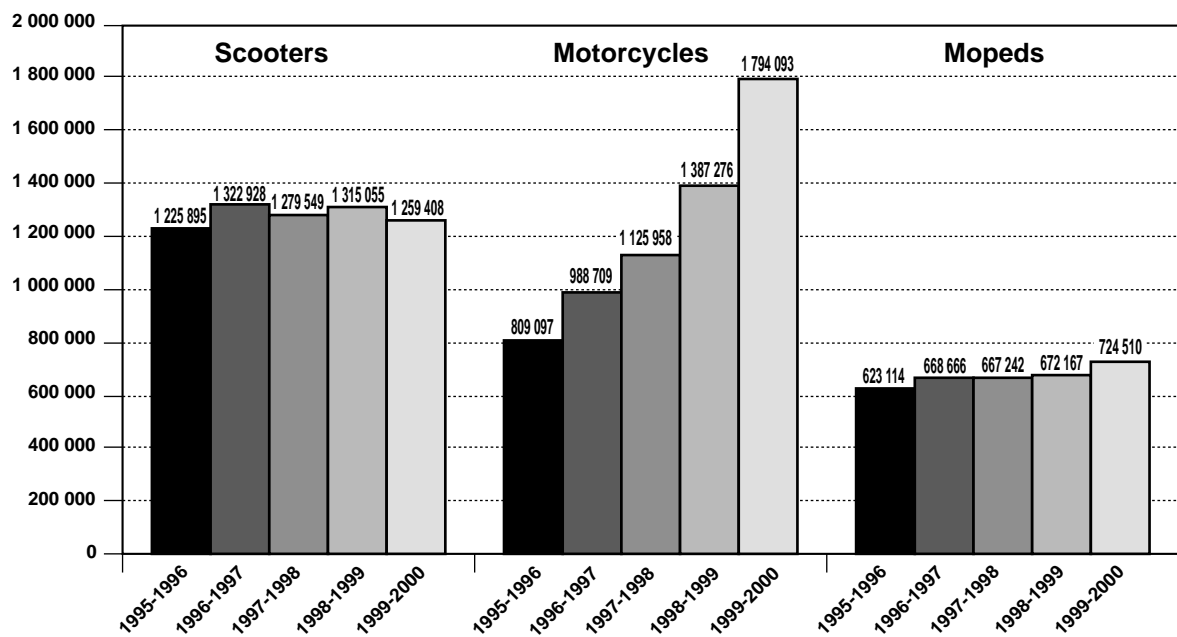
Despite India's steady growth, its commercial vehicle production remains static, or is even falling. This is an unusual trend and very different from that in many other Asian countries. It is as though between the dramatic increase in motorcycles and passenger cars, all additional growth in transport demand is being siphoned off. This would seem to reflect the concentration of economic activity and the strong survival of the autonomous rural economy over large parts of the country.

Diagram 2.24. Commercial vehicle production
(number)



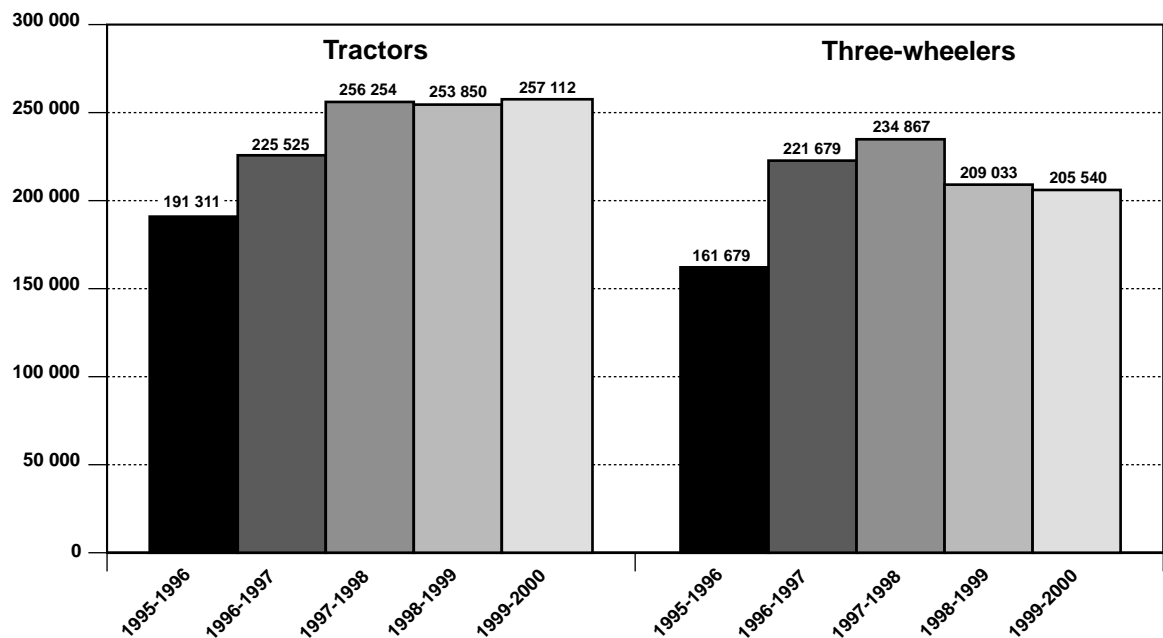
Source: *Facts & Figures* (Automobile Industry of India, 1999-2000).

Diagram 2.25. Vehicle production, two-wheelers
(number)



Source: Facts & Figures (Automobile Industry of India, 1999-2000).

Diagram 2.26. Vehicle production, tractors and three-wheelers
(number)



Source: Facts & Figures (Automobile Industry of India, 1999-2000).

Sales

Table 2.27. Vehicle sales, 1990-1999

Year	Passenger cars	Trucks	Buses	Total
1999	574 338	257 917	24 551	856 806
1998	403 326	222 338	25 899	651 563
1997	431 483	289 518	31 112	752 113
1996	389 659	335 177	25 528	750 364
1995	330 500	280 374	27 920	638 794
1994	232 798	236 671		469 469
1993	199 969	181 229		381 198
1992	164 581	165 409		329 990
1991	172 485	172 462		344 947
1990	174 633	168 206	14 313	357 152

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Table 2.28. Sales by manufacturer, 1998-1999

Manufacturer	1998	1999	Manufacturer	1998	1999
Passenger cars			Light trucks		
Daewoo	10 250	28 140	Ashok Leyland	722	452
Fiat	7 408	19 814	Bajaj	9 538	10 502
Ford	3 542	4 020	Eicher	5 075	6 486
GM/Opel	3 573	2 557	Hindustan	3 052	2 531
Hindustan Motors	19 781	24 431	Mahindra	70 864	74 725
Honda	8 258	9 093	Maruti (Suzuki)	6 996	8 272
Hyundai	8 448	60 338	Mazda	3 038	3 416
Maruti	333 636	384 612	Telco	71 165	66 740
Mercedes Benz	1 349	865	Total light trucks	170 450	173 124
Peugeot	1 083	47			
Premier	3 438	330	Medium/Heavy trucks		
Telco	2 560	40 091	Ashok Leyland	16 915	24 902
Total cars	403 326	574 338	Hindustan	312	264
			Telco	34 661	59 627
			Total medium/heavy trucks	51 888	84 793
			Buses		
			Ashok Leyland	11 773	10 876
			Telco	14 126	13 675
			Total buses	25 899	24 551
			Total CVs	248 237	282 468
			Total vehicles	651 563	856 806

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Exports

Table 2.29. Indian car exports, 1996-2001
(number)

	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
Cars	37 161	29 705	25 468	23 271	22 913
MUVs	2 484	3 288	2 654	5 148	4 122
Medium HCVs	6 606	5 872	4 544	5 089	5 517
LCVs	7 230	8 212	5 564	4 823	8 262
Two-wheelers	124 728	125 504	100 002	83 237	111 138
Three-wheelers	21 973	18 595	21 138	17 725	16 263
Total	200 182	191 176	159 370	139 293	168 215

Table 2.30. Main export destinations

Cars	Egypt, Kenya, Nigeria, Somalia, Tanzania, Afghanistan, Nepal, Turkey, Hungary, Greece, Italy, the Netherlands, Spain, Austria, Malta, etc.
CVs	Egypt, African countries, Nepal, Sri Lanka, Jordan, Kuwait, Hungary, Russian Federation, France, and Brazil
Two-wheelers	African countries; Bangladesh; Sri Lanka; Turkey; United Arab Emirates; Paraguay; UK; Germany; Argentina; Mexico; Australia; and Hong Kong, China

2.4. Indonesia

<ul style="list-style-type: none"> ◆ Country name: conventional long form: Republic of Indonesia conventional short form: Indonesia local long form: Republik Indonesia local short form: Indonesia former: Netherlands East Indies; Dutch East Indies ◆ Government type: republic ◆ Capital: Jakarta ◆ Ethnic groups: Javanese 45%, Sundanese 14%, Madurese 7.5%, coastal Malays 7.5%, other 26% ◆ Population: 228,437,870 (estimated in July 2001) ◆ Languages: Bahasa Indonesia (official, modified form of Malay), English, Dutch, local dialects, the most widely spoken of which is Javanese

<p>Geography</p> <ul style="list-style-type: none"> ◆ Location: Southeastern Asia, archipelago between the Indian Ocean and the Pacific Ocean ◆ Area: total: 1,919,440 sq km; land: 1,826,440 sq km; water: 93,000 sq km ◆ Land boundaries: total: 2,602 km; border countries: Malaysia 1,782 km, Papua New Guinea 820 km

- ◆ Climate: tropical; hot, humid; more moderate in highlands
- ◆ Terrain: mostly coastal lowlands; larger islands have interior mountains
- ◆ Elevation extremes: lowest point: Indian Ocean 0 m; highest point: Puncak Jaya 5,030 m
- ◆ Natural resources: petroleum, tin, natural gas, nickel, timber, bauxite, copper, fertile soils, coal, gold, silver

Infrastructure priorities

- ◆ Railways: total: 6,458 km; narrow gauge: 5,961 km 1.067-m gauge (101 km electrified; 101 km double track); 497 km 0.750-m gauge (1995)
- ◆ Highways: total: 342,700 km; paved: 158,670 km; unpaved: 184,030 km (1997)
- ◆ Waterways: 21,579 km total; note: Sumatra 5,471 km, Java and Madura 820 km, Kalimantan 10,460 km, Sulawesi (Celebes) 241 km, Irian Jaya 4,587 km
- ◆ Pipelines: crude oil 2,505 km; petroleum products 456 km; natural gas 1,703 km (1989)
- ◆ Ports and harbors: Cilacap, Cirebon, Jakarta, Kupang, Makassar, Palembang, Semarang, Surabaya
- ◆ Merchant marine: total: 609 ships (1,000 GRT or over) totaling 2,698,157 GRT/3,723,933 DWT; ships by type: bulk 36, cargo 357, chemical tanker 10, container 25, liquefied gas 3, livestock carrier 1, passenger 7, passenger/cargo 14, petroleum tanker 117, refrigerated cargo 1, roll on/roll off 15, short-sea passenger 8, specialized tanker 10, vehicle carrier 5 (estimated in 2000)
- ◆ Airports: 453 (estimated in 2000)
- ◆ Airports – with paved runways: total: 136; over 3,047 m: 4; 2,438 to 3,047 m: 12; 1,524 to 2,437 m: 39; 914 to 1,523 m: 44; under 914 m: 37 (estimated in 2000)
- ◆ Airports – with unpaved runways: total: 317; 1,524 to 2,437 m: 6; 914 to 1,523 m: 28; under 914 m: 283 (estimated in 2000)
- ◆ Heliports: 4 (estimated in 2000)

Economic summary

◆ Overview

Indonesia, a vast polyglot nation, faces severe economic problems, stemming from secessionist movements and the low level of security in the regions, the lack of reliable legal recourse in contract disputes, corruption, weaknesses in the banking system, and strained relations with the International Monetary Fund (IMF). Investor confidence will remain low and few new jobs will be created

under these circumstances. Growth of 4.8 per cent in 2000 is not sustainable, being attributable to favourable short-term factors, including high world oil prices, a surge in non-oil exports, and increased domestic demand for consumer durables.

- ◆ GDP: purchasing power parity – US\$ 654 billion (estimated in 2000)
- ◆ GDP – real growth rate: 4.8% (estimated in 2000)
- ◆ GDP – per capita: purchasing power parity – US\$ 2,900 (estimated in 2000)
- ◆ GDP – composition by sector: agriculture: 21%; industry: 35%; services: 44% (estimated in 1999)
- ◆ Inflation rate (consumer prices): 9% (estimated in 2000)
- ◆ Unemployment rate: 15%-20% (estimated in 1998)
- ◆ Budget: revenues: US\$ 26 billion; expenditures: US\$ 30 billion, including capital expenditures of US\$ n/a (estimated in 2000)
- ◆ Industries: petroleum and natural gas, textiles, apparel, and footwear, mining, cement, chemical fertilizers, plywood, rubber, food, tourism
- ◆ Industrial production growth rate: 7.5% (estimated in 2000)
- ◆ Exports: US\$ 64.7 billion (f.o.b., estimated in 2000)
- ◆ Exports – commodities: oil and gas, plywood, textiles, rubber
- ◆ Exports – partners: Japan 21%; United States 14%; Singapore 10%; Republic of Korea 7%; Netherlands 3%; Australia 3%; Hong Kong, China; China; Taiwan Province of China (estimated in 1999)
- ◆ Imports: US\$ 40.4 billion (c.i.f., estimated in 2000)
- ◆ Imports – commodities: machinery and equipment, chemicals, fuels, foodstuffs
- ◆ Imports – partners: Japan 12%, United States 12%, Singapore 10%, Germany 6%, Australia 6%, Republic of Korea 6%, Taiwan Province of China, China (estimated in 1999)
- ◆ Debt – external: US\$ 144 billion (estimated in 2000)
- ◆ Economic aid – recipient: US\$ 43 billion from the IMF programme and other official external financing (1997-2000)

1998 vs. 1999 automotive summary

- ◆ Passenger car assembly increased by 68,300 units or 81%
- ◆ Commercial car assembly increased by 390 units
- ◆ Overall assembly increased by 68,700 units or 34%
- ◆ Passenger car sales fell by 900 units
- ◆ Commercial vehicle sales increased by 36,400 units or 8%
- ◆ Overall sales increased by 35,500 units or 6%

Motor vehicle industry/market snapshot

Indonesia, which like Thailand has a commercial vehicle rather than a car market, has seen its industry upset by the recent political turmoil. But import duty is down from 200 per cent to 60 per cent and 1996 sales will be repeated in 2004. In Malaysia, which has a state-driven car market, sales are expected to grow on a par with Thailand. The government takes its home-grown industry very seriously and even subsidizes people to buy national cars. Used cars will continue to flood the market now that the cost of a car-import license has fallen.

Production

Table 2.31. Assembly by manufacturer, 1998-1999

Manufacturer	1998	1999	Manufacturer	1998	1999
Passenger cars			Trucks		
BMW	619	331	Isuzu	7 092	1 379
Daewoo	77	18	Mercedes	2 186	223
Mercedes	580	354	Mitsubishi	1 846	7 738
Ford	769	258	Nissan	192	72
Volvo	232	0	Daihatsu	60	60
Total Ford	1 001	258	Hino	0	444
GM/Opel	17	1 770	Toyota	397	1 988
Honda	1 081	717	Total Toyota	457	2 492
Hyundai	142	993	Total trucks	11 773	11 904
Isuzu	0	10 555			
Mazda	1 155	416	Buses		
Mitsubishi	930	15 536	Hino	12	149
Nissan	390	80	Mercedes	107	184
Peugeot	340	196	Mitsubishi	18	63
Suzuki	985	10 656	Total buses	137	396
Daihatsu	20	10 001	Total vehicles	20 311	89 027
Toyota	920	24 750			
Total Toyota	940	34 751			
Audi	144	0			
Volkswagen	0	96			
Total Volkswagen	144	96			
Total cars	8 401	76 727			

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Sales

Table 2.32. Sales, 1990-1999

Year	Passenger cars	Commercial vehicles	Total
1990	56 510	219 014	275 524
1991	45 774	217 299	263 073
1992	30 341	141 557	171 898
1993	32 686	181 611	214 297
1994	40 412	286 059	326 471
1995	37 921	346 528	384 449
1996	43 914	293 485	337 399
1997	73 200	313 500	386 700
1998	11 900	46 400	58 300
1999	11 128	82 800	93 928

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Diagram 2.33. Vehicle sales in Indonesia

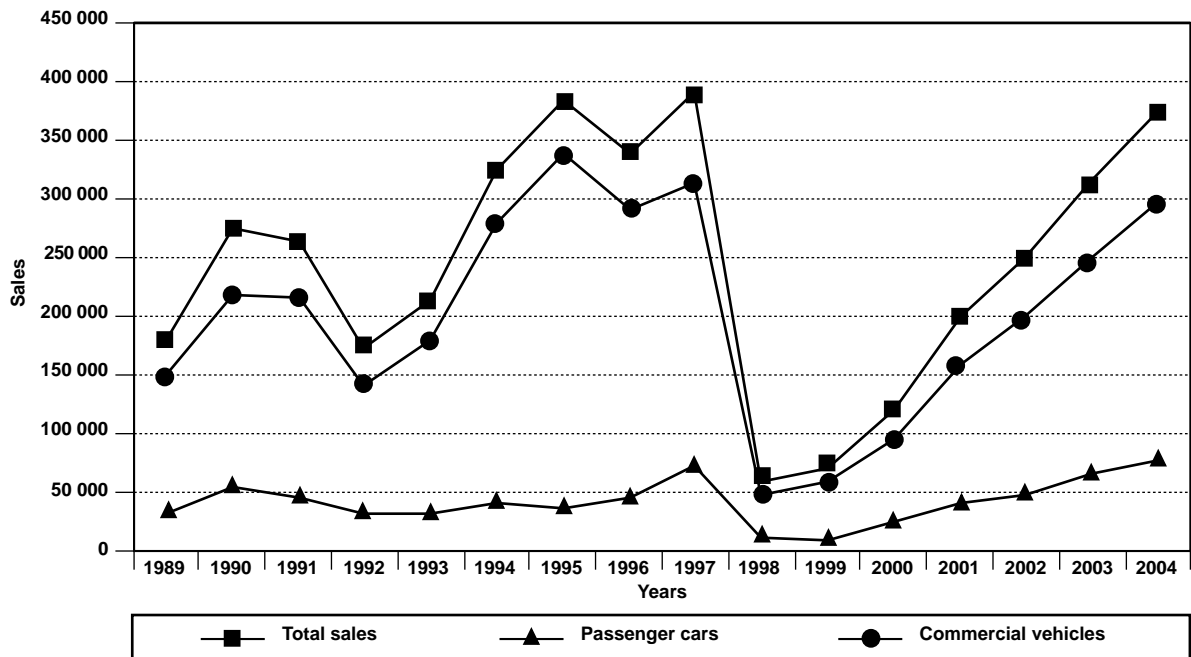


Table 2.34. Sales by manufacturer, 1999

Manufacturer	1999	Manufacturer	1999
Passenger cars		Commercial vehicles	
Audi	94	Chrysler	103
BMW	515	GM/Opel	2 013
Daewoo	163	Isuzu	10 496
Ford	373	Mazda	273
Volvo	44	Mercedes	462
Total Ford	418	Mitsubishi	24 245
Honda	1 585	Nissan	1 121
Hyundai	558	Suzuki	11 397
Mazda	435	Daihatsu	8 017
Mercedes	405	Toyota	23 144
Mitsubishi	1 345	Total Toyota	31 160
Nissan	52	Others	1 530
Peugeot	432	Total CVs	82 800
Suzuki	409	Total vehicles	93 928
Timor	3 346		
Toyota	1 372		
Total cars	11 128		

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Import/Export

Table 2.35. Indonesia to the world (CBU and CKD)
(US dollars)

Year	CBU		CKD	
	Export	Import	Export	Import
2000*	47 952 511	111 744 801	875 721	29 011 404
1999	54 030 186	206 295 619	10 579 623	29 461 327
1998	34 344 144	186 288 242	6 539 325	77 430 550
1997	33 785 886	398 401 166	3 847 387	127 038 893
1996	33 679 886	402 577 872	1 562 038	124 392 169

Notes: CBU – completely built-up; CKD – completely knocked-down;

* From January to September 2000.

Table 2.36. Indonesia to Asia-Pacific Economic Cooperation (APEC)
(US dollars)

Year	CBU		CKD	
	Export	Import	Export	Import
2000*	28 257 921	157 381 140	68 538	144 605 857
1999	31 712 961	184 885 068	2 462 261	20 254 281
1998	12 083 089	162 094 612	1 326 842	69 654 013
1997	30 772 637	256 805 809	1 191 430	93 672 776
1996	32 102 718	273 799 620	1 397 632	84 148 885

Note: * From January to September 2000.

Table 2.37. To APEC and the world (component)
(US dollars)

Year	CBU		CKD	
	Export	Import	Export	Import
2000*	291 735 463	709 913 326	350 693 765	1 840 100 052
1999	457 191 190	766 122 520	386 578 742	709 880 552
1998	376 327 156	881 374 135	337 210 351	944 969 789
1997	282 750 299	2 954 974 156	266 700 972	2 711 568 978
1996	343 913 620	2 907 562 397	243 057 070	2 677 498 039

Note: * From January to September 2000.

Automotive policy/government policies and programmes

On June 1999, the Government of Indonesia launched a new policy of automotive development where import duty is not linked to the achievement of local content. The new policy basically is relaxing Bonded Zone Company and Bonded Warehouse regulations, introducing Fiscal Depot and Indirect export concepts, restructuring import duty and luxury tax tariffs, and eliminating import barriers.

Under this policy, which took effect on 1 July 1999, import duties for vehicles and components are as follows:

Table 2.38. Import duties for vehicles and components

Item	HS* number	Highest (%)	Lowest (%)
PMV	87.03	80	45
Trucks	87.04	45	5
Buses	87.02	40	5
Engines	84.07 and 84.08	15	15
Body	87.08.29	70	40
Transmission	87.08.50	15	15
Remainder of 87.08		15	0

Note: * Harmonized system code.

2.5. Japan

- ◆ Country name: conventional long form: none
conventional short form: Japan
- ◆ Government type: constitutional monarchy with a parliamentary government
- ◆ Capital: Tokyo
- ◆ Ethnic groups: Japanese 99.4%, Korean 0.6% (1999)
- ◆ Population: 126,771,662 (estimated in July 2001)
- ◆ Languages: Japanese

Geography

- ◆ Location: Eastern Asia, island chain between the North Pacific Ocean and the Sea of Japan, east of the Korean Peninsula
- ◆ Land boundaries: 0 km
- ◆ Climate: varies from tropical in south to cool temperate in north
- ◆ Terrain: mostly rugged and mountainous
- ◆ Elevation extremes: lowest point: Hachiro-gata -4 m; highest point: Fujiyama 3,776 m
- ◆ Natural resources: negligible mineral resources, fish

Infrastructure

- ◆ Railways: total: 23,670.7 km; standard gauge: 2,893.1 km 1.435-m gauge (entirely electrified); narrow gauge: 89.8 km 1.372-m gauge (89.8 km electrified); 20,656.8 km 1.067-m gauge (10,383.6 km electrified); 31 km 0.762-m gauge (3.6 km electrified) (1994)
- ◆ Highways: total: 1,152,207 km; paved: 863,003 km (including 6,114 km of expressways); unpaved: 289,204 km (estimated in 1997)

- ◆ Waterways: 1,770 km approximately; note: seagoing craft ply all coastal inland seas
- ◆ Pipelines: crude oil 84 km; petroleum products 322 km; natural gas 1,800 km
- ◆ Ports and harbors: Akita, Amagasaki, Chiba, Hachinohe, Hakodate, Higashi-Harima, Himeji, Hiroshima, Kawasaki, Kinuura, Kobe, Kushiro, Mizushima, Moji, Nagoya, Osaka, Sakai, Sakaide, Shimizu, Tokyo, Tomakomai
- ◆ Merchant marine: total: 630 ships (1,000 GRT or over) totaling 11,691,174 GRT/15,484,848 DWT; ships by type: bulk 137, cargo 51, chemical tanker 15, combination bulk 22, combination ore/oil 3, container 22, liquefied gas 49, passenger 9, passenger/cargo 2, petroleum tanker 194, refrigerated cargo 15, roll on/roll off 49, short-sea passenger 6, vehicle carrier 56 (estimated in 2000)
- ◆ Airports: 173 (estimated in 2000)
- ◆ Airports – with paved runways: total: 142; over 3,047 m: 8; 2,438 to 3,047 m: 36; 1,524 to 2,437 m: 38; 914 to 1,523 m: 30; under 914 m: 30 (estimated in 2000)
- ◆ Airports – with unpaved runways: total: 31; 914 to 1,523 m: 4; under 914 m: 27 (estimated in 2000)
- ◆ Heliports: 16 (estimated in 2000)

Economy – basic facts

- ◆ Overview

Government-industry cooperation, a strong work ethic, mastery of high technology, and a comparatively small defense allocation (1 per cent of GDP) have helped Japan advance with extraordinary rapidity to the rank of second most technologically powerful economy in the world after the United States and third largest economy in the world after the United States and China. One notable characteristic of the economy is the working together of manufacturers, suppliers, and distributors in closely-knit groups called keiretsu. A second basic feature has been the guarantee of lifetime employment for a substantial portion of the urban labour force. Both features are now eroding. Industry, the most important sector of the economy, is heavily dependent on imported raw materials and fuels. The much smaller agricultural sector is highly subsidized and protected, with crop yields among the highest in the world. Usually self-sufficient in rice, Japan must import about 50 per cent of its requirements of other grain and fodder crops. Japan maintains one of the world's largest fishing fleets and accounts for nearly 15 per cent of the global catch. For three decades overall real economic growth had been spectacular: a 10 per cent average in the 1960s, a 5 per cent average in the 1970s, and a 4 per cent average in the 1980s. Growth slowed markedly in the 1990s largely because of the aftereffects of overinvestment during

the late 1980s and contractionary domestic policies intended to wring speculative excesses from the stock and real estate markets. Government efforts to revive economic growth have met little success and were further hampered in late 2000 by the slowing of the United States and Asian economies. The crowding of habitable land area and the aging of the population are two major long-run problems. Robotics constitutes a key long-term economic strength, with Japan possessing 410,000 of the world's 720,000 "working robots".

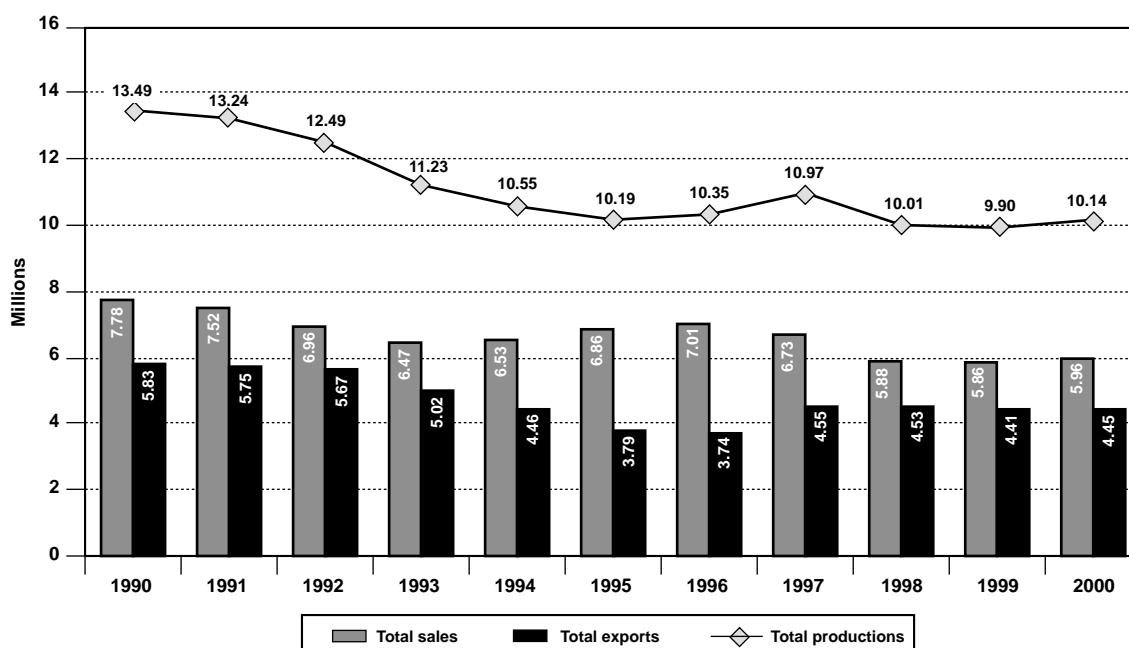
- ◆ GDP: purchasing power parity – US\$ 3.15 trillion (estimated in 2000)
- ◆ GDP – real growth rate: 1.3% (estimated in 2000)
- ◆ GDP – per capita: purchasing power parity – US\$ 24,900 (estimated in 2000)
- ◆ GDP – composition by sector: agriculture: 2%; industry: 35%; services: 63% (estimated in 1999)
- ◆ Inflation rate (consumer prices): -0.7% (estimated in 2000)
- ◆ Unemployment rate: 4.7% (2000)
- ◆ Budget: revenues: US\$ 441 billion; expenditures: US\$ 718 billion, including capital expenditures (public works only) of about US\$ 84 billion (estimated in fiscal year 2001/2002)
- ◆ Industries: among world's largest and technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals; textiles, processed foods
- ◆ Industrial production growth rate: 5.3% (estimated in 2000)
- ◆ Exports: US\$ 450 billion (f.o.b., 2000)
- ◆ Exports – commodities: motor vehicles, semiconductors, office machinery, chemicals
- ◆ Exports – partners: United States 30%; Taiwan Province of China 7%; Republic of Korea 6.4%; China 6.2%; Hong Kong, China 5.6% (estimated in 2000)
- ◆ Imports: US\$ 355 billion (c.i.f., 2000)
- ◆ Imports – commodities: fuels, foodstuffs, chemicals, textiles, office machinery
- ◆ Imports – partners: United States 19%, China 14.5%, Republic of Korea 5.4%, Taiwan Province of China 4.8%, Indonesia 4.3%, Australia 3.9% (estimated in 2000)
- ◆ Debt – external: US\$ n/a
- ◆ Economic aid – donor: Organisation of Development Assistance (ODA), US\$ 9.1 billion (1999)

1998 vs. 1999 automotive summary

- ◆ Passenger car production decreased by 539,000 units or 0.16%
- ◆ Commercial vehicle production also decreased by over 198,700 units or 0.11%
- ◆ Overall motor vehicle production dropped by just over 154,300 units or 0.02%
- ◆ Commercial vehicle sales dropped by 79,145 units or 0.05%
- ◆ Passenger car sales increased by 60,900 units or 0.02%
- ◆ Overall motor vehicle sales dropped slightly from 5,879,425 to 5,861,216 units

Motor vehicle industry/market snapshot**Japanese automotive industry: a brief overview****Overview**

Diagram 2.39 provides an overview of the main statistical facts regarding the Japanese Automotive Industry.

Diagram 2.39. Japanese motor vehicle production, sales and export trends**Number of vehicles and their annual growth rate:**

According to the statistical data provided by JAMA, the number of motor vehicles in use on Japanese roads totaled 72,652,926 units, as of year-end 2000.

The following table contains the figures representing the total number of motor vehicles in use (by vehicle type) for each of the last 6 years (1995-2000), with percentage figures

2. COUNTRY ANALYSIS

reflecting the change from the preceding year. Japan is a mature market with little growth in the number of vehicles.

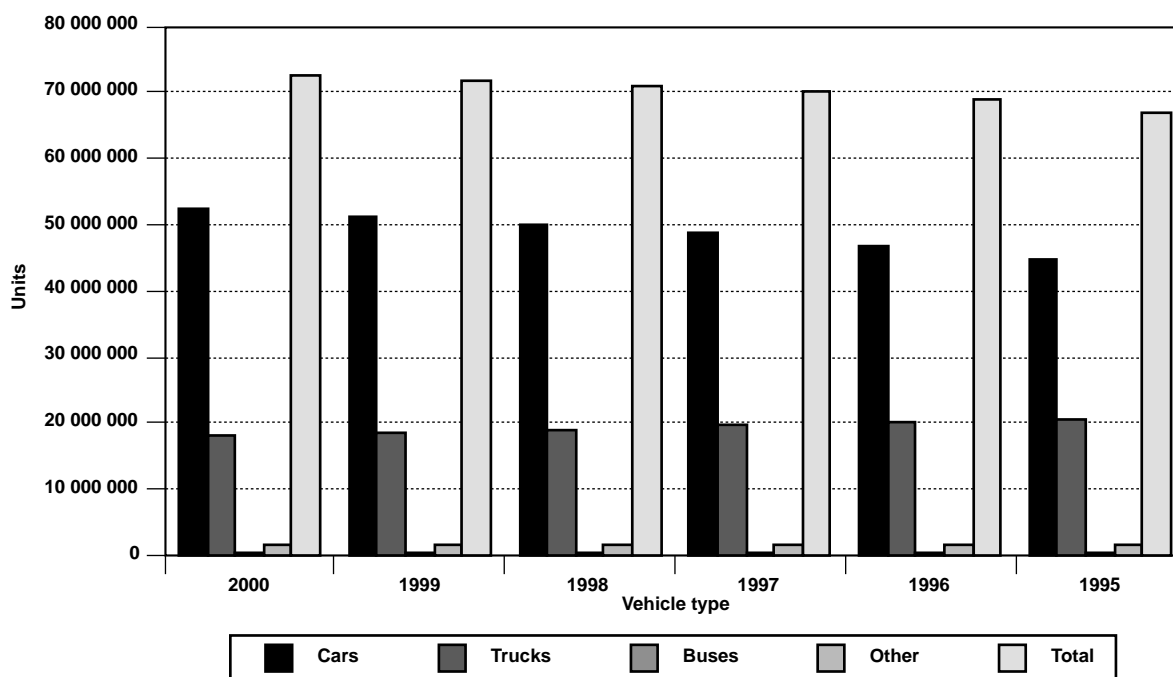
Table 2.40. Motor vehicles in use, 1995-2000
(as of the end of each year)

Year	Cars	Trucks	Buses	Other	Total	Change (%)
2000	52 438 083	18 228 108	235 483	1 751 252	72 652 926	1.3
1999	51 164 901	18 763 891	235 676	1 693 012	71 857 480	1.5
1998	49 896 326	19 083 546	237 701	1 600 791	70 818 364	1.2
1997	48 611 230	19 654 917	240 354	1 500 548	70 007 049	1.7
1996	46 868 712	20 092 120	242 243	1 601 444	68 805 073	2.9
1995	44 680 254	20 432 988	243 095	1 500 784	66 857 121	2.8

Source: Ministry of Land, Infrastructure and Transport.

Diagram 2.41 is a graphical rendition of this data.

Diagram 2.41. Motor vehicles in use, 1995-2000



In terms of production, the number of cars has increased while that of commercial vehicles has decreased.

Production

(a) Vehicles

Table 2.42. Motor vehicle production, 1995-2000

Year	Cars	Change (%)	Trucks	Change (%)	Buses	Change (%)	Total	Change (%)
2000	8 363 485	3.3	1 726 818	-1.2	54 544	12.7	10 144 847	2.5
1999	8 100 169	0.6	1 746 912	-9.8	48 395	15.0	9 895 476	-1.5
1998	8 055 763	-5.1	1 937 076	-20.0	56 953	-8.5	10 049 792	-8.4
1997	8 491 440	8.0	2 421 413	-0.3	62 234	17.1	10 985 087	6.1
1996	7 864 676	3.3	2 428 897	-4.3	53 126	12.4	10 346 699	1.5
1995	7 610 533	-2.5	2 537 737	-6.1	47 266	-3.8	10 195 536	-3.4

Table 2.43. Domestic production by manufacturer, 2000

Manufacturer	Cars	Change (%)	Trucks	Change (%)	Buses	Change (%)	Total	Change (%)
Daihatsu	509 836	6.5	169 547	-7.4			679 383	2.7
Fuji Heavy Ind.	389 164	-1.5	79 916	-7.3			469 080	-2.5
Hino			44 353	22.1	3 625	13.5	47 978	21.4
Honda	1 165 347	1.9	58 577	-24.4			1 223 924	0.2
Isuzu	35 111	-6.7	224 346	1.4	2 133	2.6	261 590	0.2
Mazda	697 686	-1.1	80 454	5.4			778 140	-0.4
Mitsubishi	727 515	-3.4	263 233	3.5	6 522	-1.8	997 270	-1.6
Nissan	1 141 461	-5.6	175 293	3.1	7 673	40.5	1 324 427	-4.4
Nissan Diesel			24 549	13.9	1 032	-3.5	25 581	13.1
Suzuki	704 462	3.7	203 443	-11.6			907 905	-0.2
Toyota	2 992 889	10.9	402 761	3.3	33 559	12.1	3 429 209	10.0
Other	14	-22.2	346	-21.0			360	21.1
Total	8 363 485	3.0	1 726 818	-1.2	54 544	12.7	10 144 847	2.5

Overseas production amounted to 6,288,330 units in 2000.

(b) Automotive parts industry:

According to the Japan Auto Parts Industry Association, auto parts production during Japan's fiscal year 1998 (April 1998 through March 1999) was yen 12.46 trillion (US\$ 118.7 billion at yen 105/US\$), down 5.8 per cent from yen 13.22 trillion (US\$ 125.9 billion at 109 yen/US\$) the previous year. This decline reflects Japan's stagnant economy and reduced automobile production.

Since Japan enjoys the status of the world's second largest auto producing country, and the world's second largest market for automobiles, the auto parts industry is one of Japan's largest and most important. Automobile parts and equipment imports make up only about 2.8 per cent of the total market, but the United States' auto parts manufacturers do have a dominant share of the Japanese imported auto parts market (about 36 per cent in 1998). Deregulation of Japan's auto parts market resulting from the United States government pressure, competitive market forces and the measures

2. COUNTRY ANALYSIS

called for in the United States-Japan 1995 “Framework Agreement”, are opening up opportunities for the United States’ auto parts and equipment suppliers in both the original equipment manufacture (OEM) and after-market sectors. However, stiff competition and other significant barriers still remain. Japan’s current economic slump has also slowed the sales of both domestic and foreign auto parts.

Sales

Table 2.44. Motor vehicle sales, 1995-2000

Year	Cars	Change (%)	Trucks	Change (%)	Buses	Change (%)	Total	Change (%)
2000	4 259 872	2.5	1 686 599	-0.4	16 571	14.5	5 963 042	1.7
1999	4 154 084	1.5	1 692 654	-4.5	14 478	2.4	5 861 216	-0.3
1998	4 093 148	-8.9	1 772 136	-20.1	14 141	-10.3	5 879 425	-12.6
1997	4 492 006	-3.8	2 217 257	-7.3	15 763	-8.5	6 725 026	-5.0
1996	4 668 728	5.1	2 391 790	-0.5	17 227	-0.4	7 077 745	3.1
1995	4 443 906	5.6	2 403 825	4.6	17 303	-3.0	6 865 034	5.2

Source: Japan Automobile Dealers Association, Japan Mini-Vehicles Association.

Notes: 1. Figures include imported vehicles; 2. Percentage figures represent the change from the preceding year.

Table 2.45. Domestic sales by manufacturer, 2000

Manufacturer	Cars	Change (%)	Trucks	Change (%)	Buses	Change (%)	Total	Change (%)
Daihatsu	385 553	12.9	163 618	-9.6			549 171	5.1
Fuji Heavy Ind.	221 282	0.6	79 532	-3.1			300 814	-0.4
Hino			30 300	6.7	2 055	-3.6	32 355	6.0
Honda	690 945	13.1	63 882	-16.3			754 827	9.8
Isuzu	1 196	-33.6	67 391	-6.9	1 262	2.9	69 849	-7.5
Mazda	253 513	0.7	59 791	-5.8			313 304	-0.6
Mitsubishi	296 108	-8.8	242 989	-4.8	4 272	0.3	543 369	-7.0
Nissan	502 911	-11.5	225 037	10.3	1 789	30.2	729 737	-5.7
Nissan Diesel			15 923	2.3	571	-3.2	16 494	2.1
Suzuki	424 518	3.5	189 557	-9.3			614 075	-0.8
Toyota	1 216 079	5.4	540 904	8.5	6 612	35.5	1 763 595	6.5
Importers	267 767	-1.4	7 675	13.3	10	-41.2	275 452	-1.0
Total	4 259 872	2.5	1 686 599	-0.4	16 571	14.5	5 963 042	1.7

Source: Japan Automobile Dealers Association, Japan Automobile Importers Association.

Note: Percentage figures represent the change from the preceding year.

Trade – imports and exports

(a) Exports:

Exports of motor vehicles in 2000 reversed a negative trend for the first time in three years, registering a gain of 1.0 per cent to stand at 4,454,885 units. By destination, exports to Asia demonstrated a remarkable rise of 41.4 per cent, with exports to Europe and Africa dropping by 14.5 per cent and 16.5 per cent respectively. By

country, exports to the United States, which remains Japan's dominant export destination with a share of 37.5 per cent, have increased by 7.2 per cent.

The tables given below summarize the statistics on exports by vehicle type and destination for the last 5 years.

Table 2.46. Motor vehicle exports by type, 1995-2000

Year	Cars	Change (%)	Trucks	Change (%)	Buses	Change (%)	Total	Change (%)
2000	37 953 852	1.0	617 870	0.8	41 163	7.3	4 454 885	1.0
1999	3 757 460	2.0	613 113	-28.4	38 380	-17.7	4 408 953	-9.3
1998	3 684 430	2.9	795 528	-13.5	48 917	-10.4	4 528 875	-0.5
1997	3 579 131	25.1	919 469	13.8	54 602	24.5	4 553 202	22.7
1996	2 860 080	-1.2	807 772	-5.0	43 866	-2.0	3 771 718	-2.1
1995	2 896 216	-13.8	849 859	-17.2	44 734	-39.2	3 790 809	-15.0

Table 2.47. Exports by destination, 1995-2000

Destination	1995	1997	1998	1999	2000
Asia	616 027	606 389	264 987	290 436	410 590
Middle East	206 446	346 154	455 159	308 114	295 176
Europe	918 831	1 254 879	1 370 931	1 329 206	1 136 083
(EU)	(792 058)	(1 025 688)	(1 132 535)	(1 155 082)	(973 076)
North America	1 301 218	1 412 055	1 459 338	1 723 598	1 836 941
(USA)	(1 228 096)	(1 271 095)	(1 313 583)	(1 556 419)	(1 669 047)
Latin America	329 064	437 848	450 128	277 825	298 801
Africa	137 718	174 325	170 836	131 489	110 218
Oceania	274 828	310 776	374 194	337 288	357 739
Other	6 676	10 776	10 302	10 302	9 337
Total	3 790 809	4 553 202	4 528 875	4 408 943	4 454 885

Table 2.48. Automotive exports in value terms, 1995-2000 (f.o.b.)
(billion yen)

Year	Cars, trucks, buses	Parts and components	Motorcycles	Subtotal	Change (%)	Merchandise export total
2000	6 903.1	1 864.2	660.3	9 454.6	1.2	51 654.2
1999	7 094.8	1 636.7	613.9	9 345.4	-7.5	47 547.6
1998	7 795.2	1 637.4	670.0	10 102.6	6.3	50 645.0
1997	7 112.3	1 789.5	604.6	9 506.4	20.3	50 938.0
1996	5 513.8	1 840.5	548.9	7 903.2	9.1	44 731.3
1995	4 979.7	1 781.5	480.7	7 241.9	-10.9	41 530.9

Source: *The Summary Report on Trade of Japan* (Ministry of Finance).

(b) Imports

In 2000, sales of imported vehicles (including commercial vehicles) registered a drop of 1.0 per cent down to 275,452 units – a first decline in two years. Sales of

2. COUNTRY ANALYSIS

imported passenger cars plunged by 1.4 per cent to total 267,767 units. The figures presented below include the sales of imported passenger cars manufactured at the overseas facilities. In 2000, sales of these cars dropped by 23 per cent to 19,968 units, representing a first decline in two years. European-made vehicles maintained their domination of the import market, raising their share by 3 per cent to amount for 219,943 units, or 82.1 per cent of total imports.

Table 2.49. Imports by destination, 1995-2000
(number)

Country of origin	1995	1996	1997	1998	1999	2000
European nations (German cars)	236 307 (156 216)	268 700 (184 133)	256 485 (177 075)	210 888 (148 607)	213 534 (157 645)	219 943 (167 808)
USA (US-made Japanese cars)	122 872 (84 722)	122 559 (69 534)	83 344 (36 206)	53 462 (17 664)	53 636 (21 737)	42 196 (15 534)
Other	3 086	2 133	1 666	1 498	4 266	5 628
Total	362 265	393 392	341 495	265 848	271 436	267 767
Change (%)	31.2	8.6	-13.2	-22.2	2.1	-1.4

Table 2.50. Automotive imports in value terms, 1995-2000 (c.i.f.)
(billion yen)

Year	Cars, trucks, buses	Parts and components	Subtotal	Change (%)	Merchandise export total
2000	767.9	220.0	988.0	8.8	40 938.4
1999	722.6	185.4	908.0	-4.8	35 268.0
1998	746.5	207.6	954.1	-19.8	36 653.6
1997	974.0	215.6	1 189.6	-10.5	40 956.2
1996	1 152.1	177.4	1 329.5	21.4	37 993.4
1995	958.5	136.4	1 094.9	28.2	31 548.8

Source: *The Summary Report on Trade of Japan* (Ministry of Finance).

Foreign investment in the auto-industry

Japan is the second largest motor vehicle market in the world, but the persistent recession has adversely affected Japan's market for automobiles, and has dealt a serious sales blow to Japan's domestic automakers to varying degrees. Thanks to strong overseas demand for their products, Toyota and Honda have weathered the storm relatively well, while most of the rest have been forced to restructure their operations and seek foreign equity participation in their companies. For years, Ford has owned a significant stake in Mazda Motors (33.4 per cent, as of 2000), while GM has invested in Isuzu (49 per cent equity stake) and Suzuki (20 per cent equity stake from September 2000). Recently, there has been a wave of mergers and tie-ups between the global automakers, including Renault's investment in Nissan (36.8 per cent), Daimler-Chrysler's purchase of a stake in Mitsubishi (34 per cent) and GM's investment in Fuji Heavy, maker of Subaru (20 per cent equity stake).

In just a few years (mainly in the period since 1997) Japan's automotive sector has transformed itself from a closed and domestic-oriented industry to an international player with links to the world's largest groups, as recent events have shown.

With these changes has come a gradual recognition by the more conservative carmakers that being globally competitive means pooling resources and knowledge with foreign companies.

According to the Financial Times, the economic slump has been one of the factors that has driven carmakers like Nissan into the arms of foreign companies in recent months: their financial situation made a capital alliance a necessity.

Many analysts say the shift towards modularization, where car parts are grouped into modules for easy installment and low-cost manufacturing will force the components sector to consolidate. Already, Nissan has merged Calsonic and Kansei, two of its largest suppliers, and has been talking to Valeo, the French components group, about further tie-ups. Renault also holds a 22.5 per cent equity stake in Nissan Diesel.

In 1999 Robert Bosch bought a majority control of Zexel, the maker of pumps for diesel engines. And Visteon has purchased Naldec, a Mazda group electronic parts maker.

Mitsubishi Motors had tied up with Volvo on trucks and Fiat on building a sports utility vehicle before Chrysler bought the majority share.

In the tire sector, Goodyear has signed an alliance with Sumitomo Tire and Rubber, and analysts say more consolidation is inevitable to compete with the big global brands.

Automotive policy/government policies and programmes

Non-tariff trade barriers:

Japan no longer imposes tariffs or quotas on automobile imports, but there are a number of regulatory restrictions on imports as well as differences in language, culture, business practices, and legal systems that have been recognized as non-tariff barriers. Foreign car companies continue to face severe challenges in the Japanese automobile market. In 1999, more than half of America's US\$ 73 billion bilateral trade deficit with Japan was due to the imbalance in trade in autos and auto parts. In vehicles alone, the trade deficit was US\$ 28.2 billion in 1999, up 17 per cent from US\$ 24.1 billion in 1998. Total market size of the automotive industry in 2000 was US\$ 107 billion versus US\$ 100.314 billion during 1999.

Vehicle taxes: a brief summary:

- (1) At importation: No import tariffs/duties on motor vehicles
- (2) At purchase: Consumption tax of 5%
Acquisition tax of 5%
- (3) Upon use: Tonnage tax (yen 6,300/year per $\frac{1}{2}$ ton)

Engine tax:

The following table provides the annual engine tax rates:

2. COUNTRY ANALYSIS

Engine size (cc)	Tax (yen)	Engine size (cc)	Tax (yen)
Under 661	7 200	3001-3500	58 000
661-1000	29 500	3501-4000	66 500
1001-1500	34 500	4001-4500	76 500
1501-2000	39 500	4501-6000	88 000
2001-2500	45 000	Over 6001	110 000
2500-3000	51 000	Gasoline tax	53.8 yen/liter

Asian manufacturing operations:

More than thirty years have passed since Japanese automakers began production operations in Asian countries. Local production in Asia has steadily expanded since then.

While Japanese automakers are accelerating the pace of their localization activities in Asia, they are also making comprehensive efforts to contribute to regional economies. Millions of US dollars have already been invested and 50,000 new jobs have been created in sales and production operations throughout the region. In addition, technological expertise and technical agreements are transferred through establishment of joint ventures, not to mention the training provided to local personnel as well as support given to peripheral sectors, such as metal and electronics industries.

Japanese automakers continue to increase the number of model lines manufactured in Asia and parts exports from the region in an effort to maintain the operating rate at local plants, so as to offset the slump in internal demand that Asia has been experiencing in the wake of the 1997 financial crisis and recent destabilization of the global economy due to the September 11 events and their aftermath. Japanese automakers have enthusiastically supported the brand-to-brand complementation (BBC) programme launched by ASEAN more than a decade ago. As a result, Toyota's production of vehicles for ASEAN domestic markets, for example, concentrated the production of steering gears in Malaysia, gasoline engines in Indonesia, transmission in the Philippines, and diesel engines in Thailand.

Alert to the wave of trade and investment liberalization sweeping the world, the ASEAN nations are trying to strengthen their economic power through the formation of the ASEAN Free Trade Area (AFTA), which aims to achieve cross-ASEAN trade liberalization by significantly cutting the tariff rates. Japanese automakers endorse the ASEAN Industrial Cooperation scheme (AICO), designed to facilitate cooperative industrial production in the region on a larger scale than does the BBC programme, which is limited to the automotive industry.

Presented below is the table summarizing Japanese automakers' manufacturing activities Asia-wide.

Table 2.51. Japanese automotive industry – Asian manufacturing operations

	Daihatsu	Fuji H.I.	Hino	Honda	Isuzu	Mazda	Mitsub.	Nissan	ND	Suzuki	Toyota
Bangladesh			CVs		CVs		CVs				CVs
China	Cars CVs	Cars		Cars	CVs	Cars CVs	CVs	CVs	CVs	Cars CVs	CVs
India				Cars		CVs	CVs			Cars CVs	CVs
Indonesia	Cars CVs		CVs	Cars	CVs	Cars CVs	Cars CVs	Cars CVs	CVs	Cars CVs	Cars CVs
Malaysia	Cars CVs			Cars	CVs	Cars CVs	Cars CVs	Cars CVs	CVs	Cars CVs	Cars CVs
Myanmar										Cars CVs	
Pakistan	Cars		CVs	Cars	CVs	CVs		Cars	CVs	Cars CVs	Cars CVs
Philippines	Cars CVs		CVs	Cars	CVs	Cars CVs	Cars CVs	Cars CVs	CVs	Cars CVs	Cars CVs
Republic of Korea	CVs						Cars CVs			Cars CVs	
Taiwan Province of China			CVs	Cars	CVs	Cars CVs	Cars CVs	Cars CVs		Cars CVs	Cars CVs
Thailand	Cars CVs			Cars	CVs	Cars CVs	Cars CVs	Cars CVs	CVs	Cars CVs	Cars CVs
Turkey			CVs	Cars	CVs		CVs				Cars
Viet Nam	CVs		CVs		CVs	Cars CVs	Cars CVs			CVs	Cars CVs

Notes: Includes assembly operations;
 ND – Nissan Diesel;
 CVs – Commercial vehicles.

2.6. Republic of Korea

- ◆ Country name: conventional long form: Republic of Korea
 conventional short form: South Korea
 local long form: Taehan-min'guk
 local short form: none

Note: people of the Republic of Korea generally use the term “Han-guk” to refer to their country abbreviation: ROK

- ◆ Government type: republic
- ◆ Capital: Seoul
- ◆ Ethnic groups: homogeneous (except for about 20,000 Chinese)
- ◆ Population: 47,904,370 (estimated in July 2001)
- ◆ Languages: Korean, English widely taught in junior high and high school

Geography

- ◆ Location: Eastern Asia, southern half of the Korean Peninsula bordering the Sea of Japan and the Yellow Sea
- ◆ Area: total: 98,480 sq km; land: 98,190 sq km; water: 290 sq km
- ◆ Land boundaries: total: 238 km; border countries: Democratic People's Republic of Korea 238 km
- ◆ Climate: temperate, with rainfall heavier in summer than winter
- ◆ Terrain: mostly hills and mountains; wide coastal plains in west and south
- ◆ Elevation extremes: lowest point: Sea of Japan 0 m; highest point: Halla-san 1,950 m
- ◆ Natural resources: coal, tungsten, graphite, molybdenum, lead, hydropower potential

Infrastructure

- ◆ Railways: total: 6,240 km; standard gauge: 6,240 km 1.435-m gauge (525 km electrified) (estimated in 1998)
- ◆ Highways: total: 87,534 km; paved: 65,388 km (including 1,996 km of expressways); unpaved: 22,146 km (1999)
- ◆ Waterways: 1,609 km; note: restricted to small native craft
- ◆ Pipelines: petroleum products 455 km; note: additionally, there is a parallel petroleum, oils, and lubricants (POL) pipeline being completed
- ◆ Ports and harbors: Chinhae, Inch'on, Kunsan, Masan, Mokp'o, P'ohang, Pusan, Tonghae-hang, Ulsan, Yosu
- ◆ Merchant marine: total: 496 ships (1,000 GRT or over) totaling 5,421,993 GRT/ 8,757,034 DWT; ships by type: bulk 105, cargo 168, chemical tanker 38, combination bulk 5, container 49, liquefied gas 16, multi-functional large-load carrier 1, passenger 3, petroleum tanker 70, refrigerated cargo 27, roll on/roll off 4, short-sea passenger 1, specialized tanker 4, vehicle carrier 5 (estimated in 2000)
- ◆ Airports: 102 (estimated in 2000)
- ◆ Airports – with paved runways: total: 68; over 3,047 m: 2; 2,438 to 3,047 m: 18; 1,524 to 2,437 m: 16; 914 to 1,523 m: 11; under 914 m: 21 (estimated in 2000)
- ◆ Airports – with unpaved runways: total: 34; 914 to 1,523 m: 2; under 914 m: 32 (estimated in 2000)
- ◆ Heliports: 203 (estimated in 2000)

Economy – basic facts

◆ Overview

As one of the Four Dragons of East Asia, the Republic of Korea has achieved an incredible record of growth. Three decades ago GDP per capita was comparable with levels in the poorer countries of Africa and Asia. Today its GDP per capita is seven times India's, 16 times the Democratic People's Republic of Korea's, and comparable to the lesser economies of the European Union. This success through the late 1980s was achieved by a system of close government/business ties, including directed credit, import restrictions, sponsorship of specific industries, and a strong labour effort. The government promoted the import of raw materials and technology at the expense of consumer goods and encouraged savings and investment over consumption. The Asian financial crisis of 1997-1999 exposed certain longstanding weaknesses in the Republic of Korea's development model, including high debt/equity ratios, massive foreign borrowing, and an undisciplined financial sector. By 1999 GDP growth had recovered, reversing the substantial decline of 1998. Seoul has pressed the country's largest business groups to restructure and to strengthen their financial base. Growth in 2001 likely will be a more sustainable rate of 5 per cent.

- ◆ GDP: purchasing power parity – US\$ 764.6 billion (estimated in 2000)
- ◆ GDP – real growth rate: 9% (estimated in 2000)
- ◆ GDP – per capita: purchasing power parity – US\$ 16,100 (estimated in 2000)
- ◆ GDP – composition by sector: agriculture: 5.6%; industry: 41.4%; services: 53% (estimated in 1999)
- ◆ Inflation rate (consumer prices): 2.3% (2000)
- ◆ Unemployment rate: 4.1% (estimated in 2000)
- ◆ Budget: revenues: US\$ 81.8 billion; expenditures: US\$ 94.9 billion, including capital expenditures of US\$ 6.1 billion (1999)
- ◆ Industries: electronics, automobile production, chemicals, shipbuilding, steel, textiles, clothing, footwear, food processing
- ◆ Industrial production growth rate: 17% (2000)
- ◆ Exports: US\$ 172.6 billion (f.o.b., 2000)
- ◆ Exports – commodities: electronic products, machinery and equipment, motor vehicles, steel, ships, textiles, clothing, footwear, fish
- ◆ Exports – partners: United States 20.5%; Japan 11%; China 9.5%; Hong Kong, China 6.3%; Taiwan Province of China 4.4% (1999)
- ◆ Imports: US\$ 160.5 billion (f.o.b., 2000)

- ◆ Imports – commodities: machinery, electronics and electronic equipment, oil, steel, transport equipment, textiles, organic chemicals, grains
- ◆ Imports – partners: United States 20.8%, Japan 20.2%, China 7.4%, Saudi Arabia 4.7%, Australia 3.9% (1999)
- ◆ Debt – external: US\$ 137 billion (November 2000)
- ◆ Economic aid – recipient: US\$ n/a

1998 vs. 1999 automotive summary

- ◆ Passenger car production increased by 737,000 units 10.3%
- ◆ Commercial vehicle production increased by over 152,000 units or 5%
- ◆ Overall motor vehicle production increased by 888,600 units or 5%
- ◆ Commercial vehicle sales increased by almost 150,000 units or 6%
- ◆ Passenger car sales increased by 343,000 units or 6%
- ◆ Overall motor vehicle sales increased by almost 493,000 units or 6%

Motor vehicle industry/market snapshot

Korean automotive industry: an overview

Number of vehicles registered and their annual growth rate:

As of mid-2001, the number of vehicles registered in the Republic of Korea reached 12.5 million, or one vehicle for every 3.8 persons, compared to the value of 4.3 at the end of 1999. The ratio of passenger cars was one vehicle for every 5.6 persons (5.9 persons, as of 2000, year end), which is still considerably lower than the 1 to 2~3 ratio for advanced countries. This demonstrates that the potential for market development remains high in the Republic of Korea.

It is expected that ownership will increase only moderately due to insufficient infrastructure and saturation in major cities. Nearly 47 per cent of vehicles are concentrated in the major cities, where increased traffic raises concerns related to congestion and the environment.

By type of automobile, passenger car ownership stood at 8.08 million units, and buses, trucks and special-purpose vehicles (SPVs) at 3.9 million, by the end of 2000.

It is noteworthy that the growth rate has been sluggish since 1997 at one-digit increase rate.

The chart below gives a visual representation of the statistical data summarized in table 2.52.

Table 2.52. Motor vehicles in use , 1995-2001
(as of the end of each year)

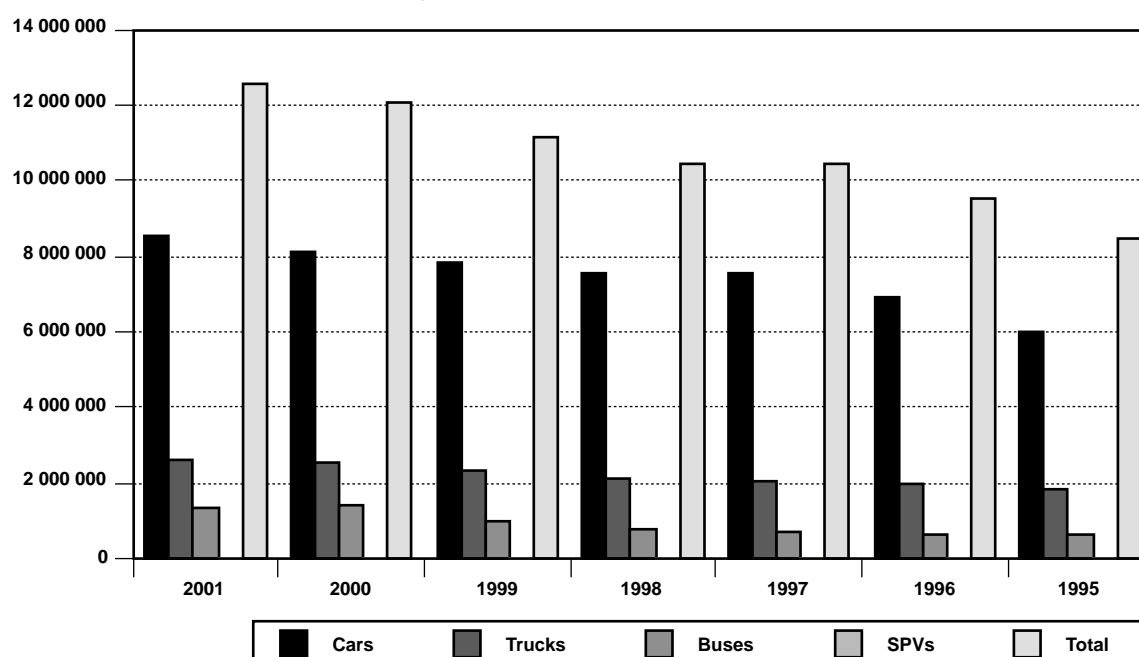
Year	Cars	Trucks	Buses	SPVs	Total	Change (%)
2001	8 537 166	2 646 122	1 342 957	38 346	12 564 591	-
2000	8 084 005	2 511 005	1 427 003	37 138	12 059 861	8.02
1999	7 837 251	2 298 189	993 641	35 238	11 164 319	6.6
1998	7 580 926	2 104 683	749 320	34 670	10 469 599	0.5
1997	7 586 474	2 072 256	719 127	35 570	10 413 427	9.0
1996	6 893 633	1 962 564	663 011	33 884	9 553 092	12.8
1995	6 006 290	1 816 582	612 584	33 445	8 468 901	14.4

Source: Korean Automobile Manufacturers Association, 2000. Registration figures include imported vehicles.

Note: * All 2001 figures in this report refer to the period between January-July 2001, unless stated otherwise.

Diagram 2.53 is a graphical rendition of this data.

Chart 2.53. Motor vehicles in use, 1995-2001
(Number of registered vehicles in the Republic of Korea)



Production

(a) Vehicles

From the tables presented below one can see that after the 1997 Asian financial crisis total production numbers plunged dramatically to reach the lowest annual increase rate of -30.6 per cent by the end of 1998. In the following year the automobile sector experienced a steep leap upwards in terms of total production volumes (45.5 per cent) in all vehicle categories, especially MPVs (138.2 per cent increase comparing to the contraction of 9.5 per cent at the end of 1998). In 2000 less dramatic results could be seen, as total production grew by a modest 9.6 per cent. In the SPV and passenger car sectors there was a minor decrease in production.

2. COUNTRY ANALYSIS

Table 2.54. Motor vehicle production, 1995-2001

Year	Passenger cars	Change (%)	Trucks	Change (%)	Buses	Change (%)
2001	1 008 729	–	131 294	–	146 588	–
2000	1 880 790	-0.75	256 370	5.8	246 288	7.9
1999	1 895 030	32.6	242 234	49.9	228 282	43.0
1998	1 429 230	-31.7	161 594	-34.9	159 687	-34.3
1997	2 091 924	1.9	248 200	-12.9	242 871	2.7
1996	2 053 832	10.4	284 993	-1.2	236 516	12.3
1995	1 861 082	9.9	288 541	2.3	210 549	6.3

Table 2.55. Motor vehicle production, 1995-2001

Year	MPVs	Change (%)	SPVs	Change (%)	Total	Change (%)
2001	401 817	–	6 440	–	1 694 156	–
2000	721 218	54.5	10 332	-4.9	3 114 998	9.6
1999	466 705	138.2	10 863	34.3	2 843 114	45.5
1998	195 895	-9.5	8 088	-56.8	1 954 494	-30.6
1997	216 552	2.7	18 728	-29.3	2 818 275	0.2
1996	210 877	48.4	26 496	9.7	2 812 714	11.3
1995	142 064	25.8	24 164	-5.9	2 526 400	9.3

Looking at the breakdown of exports by vehicle type for the two previous years, it may be concluded that passenger cars (MPVs included) dominate the total export volume, with a similar share of about 92 per cent. There has been a slight decrease in the bus category, and some insignificant rise in the share occupied by trucks. (See table 2.56.)

Table 2.56. Export volumes by vehicle type, 1999-2001

Year	Passenger cars	Change (%)	MPVs	Change (%)	Trucks	Change (%)	Buses	Change (%)
2001	760 976	–	67 835	–	21 162	–	46 204	–
2000	1 412 504	12.35	131 969	-0.7	47 848	21.7	83 585	6.4
1999	1 257 167	7.5	132 905	125.8	39 320	-8.7	78 522	-12.5
1998	1 169 282	7.0	58 862	-6.6	43 080	-19.7	89 726	-16.2
1997	1 092 838	8.3	63 055	32.8	53 640	6.4	107 067	4.2
1996	1 008 929	23.9	47 471	12.9	50 409	21.3	102 773	29.6
1995	814 327	29.3	42 041	125.9	41 555	38.1	79 322	35.5

Year	SPVs	Change (%)	Total	Change (%)
2001	469	–	896 646	–
2000	536	-69.3	1 676 442	11.0
1999	1 746	43.8	1 509 660	10.8
1998	1 214	317.2	1 362 164	3.4
1997	291	-49.4	1 316 891	8.8
1996	575	-60.2	1 210 157	23.7
1995	1 443	58.6	978 688	32.6

Table 2.57. Exports by destination, 1997-1999

Destination	1997			1998			1999			
	Cars	CVs	Total	Cars	CVs	Total	Cars	CVs	Total	
Grand Total	1 155 893	160 998	1 316 891	1 228 144	134 020	1 362 164	1 390 072	119 588	1 509 660	
Asia	Total	42 689	14 132	56 821	7 161	2 498	9 659	24 504	7 113	31 617
	Malaysia	3 755	3	3 758	322	6	328	13 768	108	13 876
	Singapore	750	246	996	1 797	721	2 518	3 336	1 091	4 427
	Taiwan Province of China	7 372	416	7 788	4 050	93	4 143	3 561	276	3 837
	China	230	691	921	82	955	1 037	310	1 205	1 515
	Indonesia	23 108	800	23 908	1	10	11	1 214	861	2 075
	Philippines	731	10 866	11 597	47	116	163	231	2 170	2 401
	Hong Kong, China	1 333	191	1 524	160	65	225	576	100	676
	Others	5 410	919	6 329	702	532	1 234	1 508	1 302	2 810
Europe	521 813	27 879	549 692	615 507	37 374	652 881	638 032	35 231	673 273	
Middle East	57 136	45 150	102 286	51 947	39 761	91 708	60 505	31 865	92 370	
North America	237 688	2	237 690	254 832	55	254 887	450 706	2 404	453 110	
Central & South America	139 178	61 570	200 748	125 636	43 329	168 965	65 337	26 454	91 791	
Africa	42 378	10 449	52 827	55 305	9 898	65 203	57 246	13 736	70 982	
Pacific & Oceania	115 011	1 816	116 827	117 756	1 105	118 861	93 742	2 785	96 527	

(b) *Automotive Parts Industry:**Exports*

The following table provides data on auto parts exports for the 1995-2000 period. It can be concluded that in the given period there has been a gradual increase in the export volumes, in terms of the dollar equivalent, with the lowest point being 1998, which is also a turning point. Thereafter, exports rebounded, reaching a double-digit growth rate in 2000 for the first time since 1998.

Table 2.58. Automotive parts exports, 1995-2000

Year	Amount (Thousands US\$)	Change (%)	Exporting manufacturers	Export items	Number of importing countries
1995	887 517	22.4	131	134	174
1996	1 006 793	13.4	130	143	174
1997	1 124 589	11.7	124	144	188
1998	1 185 429	5.4	119	156	190
1999	1 292 831	9.0	131	162	181
2000	1 491 567	15.4	n/a	n/a	n/a

Automotive parts exports by geographic region

The following table summarizes the export figures of automotive parts by geographic area (1999-2000). The total export volumes have been exhibiting a steady upward trend, reaching

US\$ 1.49 billions by the end of 2000. 1998 has seen the lowest growth rate of (5.4 per cent), as a result of the 1997 financial crisis. However, since 1999, as the export figures show, there has been an ongoing recovery of the auto parts export sector in terms of percentage increase rate.

Speaking of exports by destination, it is worth noticing that exports to the Asian market rose by a remarkable rate in 2000 (36.2 per cent), compared to the preceding year's negative figure of -10.3 per cent. The Asian automotive market (including the auto parts industries) potential is enormous and gradually increasing, however it is too early to give an optimistic forecast, as the economy on a global scale has been going through an uneasy period, characterized by overall instability and fall in consumer confidence in the aftermath of the events of 11 September 2001.

Export growth rates in 2000 for other areas are: Middle East (29.3 per cent), North America (10.9 per cent), South America (13.6 per cent), Europe (6.5 per cent), Oceania (24.0 per cent), with exports to African countries contracting by a remarkable 35.4 per cent compared to 1999.

Table 2.59. Exports of automotive parts by geographic area, 1999-2000
(thousands US dollars)

Year	Asia	Middle East	North America	South America	Europe	Africa	Oceania	Total	Total Change (%)
1995	274 325	40 863	282 577	62 517	155 873	22 875	48 486	887 516	22.4
1996	290 005	48 080	299 144	80 228	202 049	35 545	51 742	1 006 793	13.4
1997	282 390	65 131	337 420	108 125	239 597	34 189	57 737	1 124 589	11.7
1998	306 381	65 918	358 103	81 932	280 360	39 137	53 598	1 185 429	5.4
1999	274 695	61 485	493 225	74 812	293 668	41 638	53 306	1 292 831	9.0
2000	374 291	79 485	547 039	85 018	312 705	26 905	66 124	1 491 567	15.4

Auto parts Industry in Transition

Restructuring is proceeding rapidly in the Republic of Korea's automotive parts sector. Before the recent financial crisis, there were some 1,400 parts manufacturers supplying to OEMs directly and indirectly, but this number has fallen to about 1,100 component companies currently, and it could be further reduced to 500-600 by the end of this year.

The overwhelming majority (about 95 per cent) of parts manufacturers are Small and Medium-Sized Enterprises (SMEs), many affiliated directly with OEMs, and only about 55 firms are considered to be large firms by Korean standards. Some 400 parts manufacturers supply Daewoo, while Kia has 385 parts suppliers. Hyundai has about 350 and Ssangyong has 221. (See tables 2.60 and 2.61.)

Following the OEM restructuring, the component industry is now the main focus of the structural reform. In Hyundai's case, the current 750 tier 1 suppliers (for Hyundai and Kia) are being re-organized and will be reduced to 200 tier 1 suppliers by the end of 2001 by encouraging them to consolidate. Hyundai seeks to enlarge part-modularization to optimize

Table 2.60. Number of suppliers by size and employees, 1999

Size (%)	Small (42.7%)	Medium (52.2%)		Large (5.1%)	Total (100%)	
Number of employees	Less than 50	51-500	501-1000	Over 1000		
Number of suppliers	473	230	25	25*	32	1,109

Note: * The 25 companies had been classified into large groups as the excess of the limit, won 80 billion, in their total assets.

Table 2.61. Number of suppliers by size and employees, 1999

Automakers				Motorcycle makers		Aftermarket seller	Others
Hyundai	Kia	Daewoo	Ssangyong	Daelim	Hyosung	Hyundai Precision	
346	385	402	221	120	132	299	61*
1 354 (865)							
1 606 (1 015)							
1 905 (1 048)							
1 966 (1 109)							

Notes: a) Figures appearing in parenthesis stand for actual number of suppliers;
b) * Non-OEM suppliers producing the parts for the aftermarket.

the cost and quality of components. Daewoo is also considering such restructuring, but is unable to move to implementation until its own future is resolved.

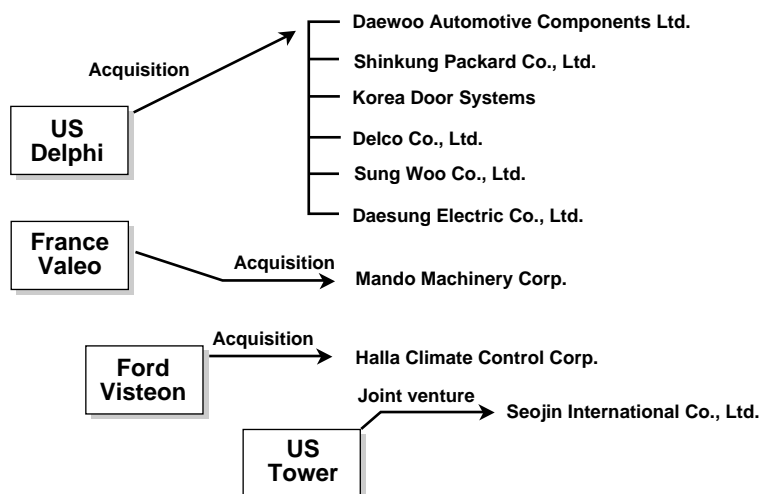
OEM affiliation with local suppliers has been changing rapidly since the crisis to enhance the competitiveness of supplied components in quality (technology) and prices. Many of Hyundai's directly or indirectly owned makers have already come under foreign management control through investments by overseas companies. Korean makers are being encouraged to induce foreign investment. As a result, more than 100 suppliers have had to transfer 50 per cent or more of their total equities to foreign firms during last 2 years. The Republic of Korea's biggest parts supplier, Mando, sold 3 of its 6 plants to overseas firms. Visteon has already taken over 70 per cent of the total equity of Halla Climate Control and 50 per cent of Duck Yang Ltd. Britax Australia acquired 70 per cent of Poong Jeong Ind. – a mirror producer.

Many Korean component makers have production sites outside of the Republic of Korea (India, Turkey, Poland, Romania, Uzbekistan, and soon in China for Hyundai) accompanying their OEMs.

Korean automotive components market becoming more open for foreign participation

A noteworthy development in the local auto market is the increasing number of foreign parts and components makers that acquire Korean counterparts. (See table 2.62.) Foreign parts manufacturers including Delco, Delphi, Visteon, GKN and Valeo have expanded investment in Korean auto parts and components companies, many of which are facing serious liquidity problems. The number of new investments had reached 60 as of the end of 1999. The increased foreign participation in parts supply offers additional means of

Major foreign advances into Korean auto parts industry



accomplishing restructuring in the auto sector, as it will lead eventually to the enhancement of cost competitiveness through the improvement of subcontracting systems. Along with the restructuring and reorganization of the domestic industry, they are dealing with a briskly changing global paradigm in the parts sector due to the trend toward global sourcing and modular parts supply.

Table 2.62. Major foreign advances into Korean auto parts industry

Foreign corporation	Nationality	Korean companies	Major products	Investment amount (Thousands of US\$)	Investment ratio (%)
Valeo	France	Valeo Electric System Korea	Electric Parts	165 000	100
FAG	Germany	FAG Hanwha Bearing Co., Ltd.	Bearlings	130 036	70
Ford	USA	Halla Climate Control Co.	Air-Conditioners, Heaters	126 000	70
UBS	Switzerland	Mando Climate Control Co.	Air-Conditioner Systems	196 000	100
Delphi	USA	Korea Delphi Automotive System	General Parts & Components	58 201	50
Bosch	Germany	KAMCO	DC Motors	52 961	100
Visteon	USA	Duck Yang Industry Co., Ltd.	Crash Pads	24 083	51
GKN	UK	GKN Drivershafts Korea Ltd.	C.V. Joints	23 520	100
Tower	USA	Seojin Industry Co., Ltd.	Frames	40 000	49
Gibbs	USA	Gibbs Korea Diecasting Ltd.	Aluminum Die-casting	18 120	100
TRW	USA	TRW Control & Fasteners Inc.	Air Vents	17 171	100
Omron	Japan	Automotive Electronics Korea Co., Ltd.	Power Relays	13 296	100
Nissinbo	Japan	Saerom Automotive Co., Ltd.	Brake Pads	11 833	67.2

Source: Korea Auto Industries Coop. Association (KAICA).

Tariffs and import restrictions on auto parts

There are no official restrictions except the structural situation (OEM's own and local industry). Import duty is 8 per cent for most of parts.

Vehicle trade – exports and imports

(a) Exports overview:

Korean total auto exports reached 1.67 million units in 2000, which marks an increase of 11 per cent compared to the preceding year. The double-digit growth rate in 1999 may be attributed to the improvement of the Korean brand image, (higher quality products), aggressive marketing campaigns launched by Korean manufacturers and higher price competitiveness, encouraged by a stronger Japanese yen.

By vehicle type, exports of Korean-made passenger cars (including MPVs) reached 1.54 million units in 2000; compared to 1.39 million in the previous year, a double-digit increase (12.35 per cent) for the first time since 1996. On a long-term basis, exports of passenger cars demonstrated a positive growth trend in terms of absolute numbers. Exports of MPVs skyrocketed in 1999 to 132.9 thousand units, up from 58.9 thousand vehicles in the preceding year, which represents a 125.8 per cent leap for the first time since 1996. In 2000 there has been a slight negative change in the MPV export sector (-0.7 per cent), compared to 1999 figures. Exports of trucks grew remarkably by 21.7 per cent, as did those of buses, breaking a downward trend in 1999. In the SPVs sector, the numbers point to an abrupt decrease of export volumes by a significant value (-69.3 per cent).

(b) Imports

The following table summarizes data on vehicle imports for the 1997-1999 period:

Table 2.63. Imports of foreign-made vehicles, 1995-1999

Year	1995	1996	1997	1998	1999
Passenger cars	9 066	15 787	11 231	763	2 921
Commercial vehicles	9 518	9 361	8 900	2 222	2 754
Total	18 584	25 148	20 131	2 985	5 675

Source: Korea Automobile Manufacturers Association (KAMA), 2000.

Since the mid-1980s, the Republic of Korea has continuously opened its auto market to foreign imports in line with demands from its major trading partners.

In the mid-1990s, the Republic of Korea implemented additional measures to liberalize its domestic auto market, which included reducing the tariff rate for passenger cars to 8 per cent, simplifying acquisition taxes without regard to purchase price, and eliminating various restrictions on the retail sales activities of foreign automakers.

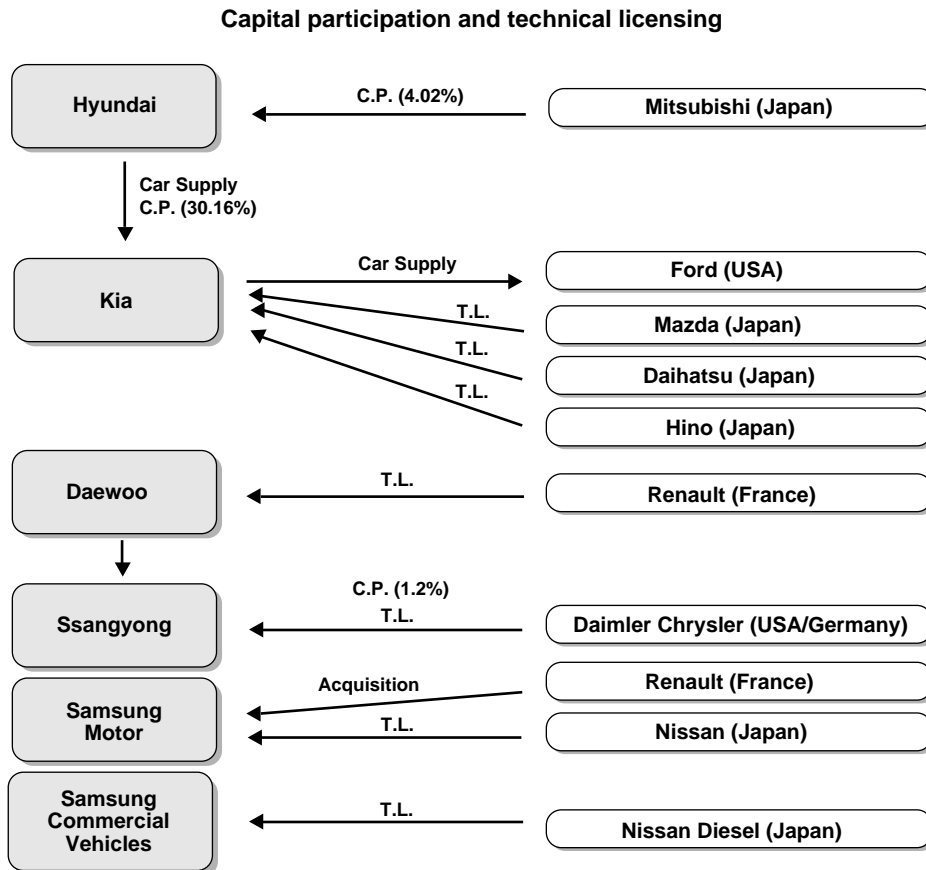
In September 1995, the Republic of Korea and the United States entered into a Memorandum of Understanding, which documented further actions to be undertaken in an effort to enhance the accessibility of foreign autos to Korean consumers.

Auto imports shrank significantly in 1998 due to the economic crisis, but in 1999 they bounced back. However, imported car market share has been very small, accounting for just 0.44 per cent of the domestic market.

Foreign investment in the auto industry

International cooperation

The diagram presented below summarizes the ties between the Korean automotive industry and its overseas counterparts.



Source: Korea Automobile Manufacturers Association (KAMA), 2000.

Notes: C.P. – Capital Participation;
T.L. – Technical Licensing.

Environmental concerns

Towards an environment-friendly society

With the increase of auto ownership, public awareness of automobiles as the major cause of air pollution grows. Accordingly, the government raised automobile emission standards in pursuit of creating a pleasant living environment for Korean citizens.

The government has tightened standards on the emission of carbon monoxide and nitrogen oxide, extended the emission useful life, and encourages the supply of low-emission vehicles. The government also promotes technology development in preparation for stricter emission control standards in advanced countries.

Of particular note is the revision of the Clean Air Act decree in October 1999. The highlights of the changes include the doubling (to 10 years or 160,000 km) of the emission useful life for cars from July 2000 and stricter standards imposed on all kinds of vehicles including mini cars, passenger cars, light duty trucks and heavy duty vehicles.

From the beginning of 2000, new standards for gasoline production have been adopted, and also the allowable content of olefin in fuel and three other related standards are included to improve fuel quality.

2.7. Malaysia

- ◆ Country name: conventional long form: none
conventional short form: Malaysia
former: Federation of Malaysia
- ◆ Government type: constitutional monarchy
- ◆ Capital: Kuala Lumpur
- ◆ Ethnic groups: Malay and other indigenous 58%, Chinese 27%, Indian 8%, others 7% (2000)
- ◆ Population: 22,229,040 (estimated in July 2001)
- ◆ Languages: Bahasa Melayu (official), English, Chinese dialects (Cantonese, Mandarin, Hokkien, Hakka, Hainan, Foochow), Tamil, Telugu, Malayalam, Panjabi, Thai; note – in addition, in East Malaysia several indigenous languages are spoken, the largest of which are Iban and Kadazan

Geography

- ◆ Location: South-eastern Asia, peninsula and northern one-third of the island of Borneo, bordering Indonesia and the South China Sea, south of Viet Nam
- ◆ Area: total: 329,750 sq km; land: 328,550 sq km; water: 1,200 sq km
- ◆ Land boundaries: total: 2,669 km; border countries: Brunei 381 km, Indonesia 1,782 km, Thailand 506 km
- ◆ Climate: tropical; annual southwest (April to October) and northeast (October to February) monsoons
- ◆ Terrain: coastal plains rising to hills and mountains
- ◆ Elevation extremes: lowest point: Indian Ocean 0 m; highest point: Gunung Kinabalu 4,100 m
- ◆ Natural resources: tin, petroleum, timber, copper, iron ore, natural gas, bauxite

Infrastructure

- ◆ Railways: total: 1,801 km; narrow gauge: 1,801 km 1,000-m gauge (148 km electrified) (2000)

- ◆ Highways: total: 64,672 km; paved: 48,707 km (including 1,192 km of expressways); unpaved: 15,965 km; note: in addition to these national and main regional roads, Malaysia has thousands of kilometers of local roads that are maintained by local jurisdictions (1999)
- ◆ Waterways: 7,296 km; note: Peninsular Malaysia 3,209 km, Sabah 1,569 km, Sarawak 2,518 km
- ◆ Pipelines: crude oil 1,307 km; natural gas 379 km
- ◆ Ports and harbors: Bintulu, Kota Kinabalu, Kuantan, Kuching, Kudat, Labuan, Lahad Datu, Lumut, Miri, Pasir Gudang, Penang, Port Dickson, Port Kelang, Sandakan, Sibul, Tanjung Berhala, Tanjung Kidurong, Tawau
- ◆ Merchant marine: total: 362 ships (1,000 GRT or over) totaling 5,103,657 GRT/7,574,999 DWT; ships by type: bulk 62, cargo 110, chemical tanker 35, container 60, liquefied gas 20, livestock carrier 1, passenger 2, petroleum tanker 58, refrigerated cargo 1, roll on/roll off 6, specialized tanker 1, vehicle carrier 6 (estimated in 2000)
- ◆ Airports: 115 (estimated in 2000)
- ◆ Airports – with paved runways: total: 33; over 3,047 m: 5; 2,438 to 3,047 m: 4; 1,524 to 2,437 m: 11; 914 to 1,523 m: 6; under 914 m: 7 (estimated in 2000)
- ◆ Airports – with unpaved runways: total: 82; 1,524 to 2,437 m: 1; 914 to 1,523 m: 8; under 914 m: 73 (estimated in 2000)
- ◆ Heliports: 1 (estimated in 2000)

Economy – basic facts

◆ Overview

GDP grew at 8.6 per cent in 2000, mainly on the strength of double-digit export growth and continued government fiscal stimulus. As an oil exporter, Malaysia also benefited from higher petroleum prices. Higher export revenues allowed the country to register a current account surplus, but foreign exchange reserves have been declining – from a peak of US\$ 34.5 billion in April 2000 to US\$ 29.7 billion by December – as foreign investors pulled money out of the country. Despite this development, Kuala Lumpur is unlikely to abandon its currency peg soon. An economic slowdown in key western markets, especially the United States, and lower world demand for electronics products will slow GDP growth to 3 per cent – 6 per cent in 2001, according to private forecasters. Over the longer term, Malaysia's failure to make substantial progress on key reforms of the corporate and financial sectors clouds prospects for sustained growth and the return of critical foreign investment.

- ◆ GDP: purchasing power parity – US\$ 223.7 billion (estimated in 2000)

- ◆ GDP – real growth rate: 8.6% (estimated in 2000)
- ◆ GDP – per capita: purchasing power parity – US\$ 10,300 (estimated in 2000)
- ◆ GDP – composition by sector: agriculture: 14%; industry: 44%; services: 42% (2000)
- ◆ Inflation rate (consumer prices): 1.7% (2000)
- ◆ Unemployment rate: 2.8% (estimated in 2000)
- ◆ Budget: revenues: US\$ 16.4 billion; expenditures: US\$ 17.8 billion, including capital expenditures of US\$ 43 billion (estimated in 2000)
- ◆ Industries: Peninsular Malaysia – rubber and oil palm processing and manufacturing, light manufacturing industry, electronics, tin mining and smelting, logging and processing timber; Sabah – logging, petroleum production; Sarawak – agriculture processing, petroleum production and refining, logging
- ◆ Industrial production growth rate: 12.1% (estimated in 2000)
- ◆ Exports: US\$ 97.9 billion (estimated in 2000)
- ◆ Exports – commodities: electronic equipment, petroleum and liquefied natural gas, chemicals, palm oil, wood and wood products, rubber, textiles
- ◆ Exports – partners: United States 21%; Singapore 18%; Japan 13%; Hong Kong, China 5%; Netherlands 4%; Taiwan Province of China 4%; Thailand 3% (estimated in 2000)
- ◆ Imports: US\$ 82.6 billion (estimated in 2000)
- ◆ Imports – commodities: machinery and transport equipment, chemicals, food, fuel and lubricants
- ◆ Imports – partners: Japan 21%, United States 17%, Singapore 14%, Taiwan Province of China 6%, Republic of Korea 5%, Thailand 4%, China 4% (estimated in 2000)
- ◆ Debt – external: US\$ 41.8 billion (estimated in 2000)

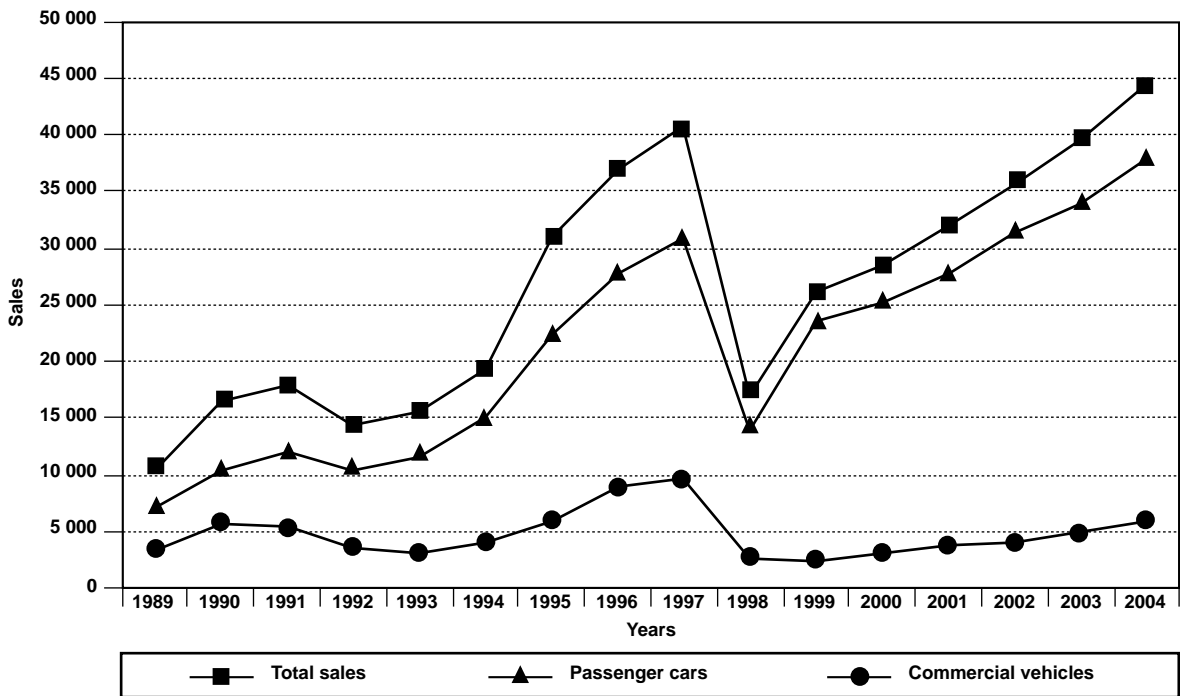
1998 vs. 1999 automotive summary

- ◆ Passenger car sales increased by 101,900 units or 7%
- ◆ Commercial vehicles increased by 22,700 units or 9%
- ◆ Overall sales increased by 124,600 units or 8%
- ◆ Passenger car production increased by 105,700 units 7%
- ◆ Commercial vehicle production increased by 31,700 units or 23%
- ◆ Overall production increased by 137,400 units or 8%

Motor vehicle industry/market snapshot

Malaysia is a passenger car market, driven partly by the state car company producing the Proton. The Malaysian government has taken the car market very seriously and has subsidized consumers, rather than the car company to buy the national car.

Diagram 2.64. Malaysian car market



Despite this, Malaysia has also been forced reluctantly to reduce barriers, especially by reducing the cost of car import licenses, which encourages the growth of second hand imports.

In 2000 domestic vehicle demand almost doubled to 300,000. The government while being last in line to lower tariffs, offered 30 per cent of the equity in Proton to foreigners for investment. This is seen as the simplest way to drive exports, induce new technology and preserve the company as the market is finally liberalized.

Table 2.65. Assembly by manufacturer, 1998-1999

Manufacturer	1998	1999	Manufacturer	1998	1999
Passenger cars			Commercial vehicles		
Audi	47	217	Ford	1 198	3 007
BMW	718	640	Hino	40	276
Ford	283	305	Isuzu	1 894	2 016
Volvo	587	645	Iveco	81	2
Total Ford	870	950	Kia	50	51
Honda	1 995	4 778	Mazda	222	341
Mazda	292	18	Mercedes	102	80
Mercedes	1 089	805	Mitsubishi	1 253	3 092
Nissan	552	2 699	Nissan	1 656	7 143
Citroen	98	334	Perodua	2 454	16 418
Peugeot	149	248	Rover	197	185
Total PSA	247	582	Scania	31	95
Toyota	1 558	4 779	Subaru	27	51
Perodua	36 478	68 978	Suzuki	570	746
Proton	106 887	172 045	Total	9	184
Total cars	150 733	256 491	Daihatsu	0	457
			Toyota	4 000	9 187
			Total Toyota	4 000	9 644
			Volvo	82	105
			Other	157	2 317
			Total CVs	14 023	45 753
			Total vehicles	164 756	302 244

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Table 2.66. Production – passenger cars, 1999-2000

	2000	1999	Variance	
	Units	Units	Units	(%)
National makers	275 315	242 045	33 270	14
Non-national makers	20 003	15 562	4 441	29
Grand total	295 318	257 607	37 711	15

Table 2.67. Production – commercial vehicles, 1999-2000

	2000	1999	Variance	
	Units	Units	Units	(%)
National makers	6 572	4 052	2 520	62
Non-national makers	30 070	21 733	8 337	38
Grand total	36 642	25 785	10 857	42

Table 2.68. Production – four-wheel drive vehicles, 1999-2000

	2000	1999	Variance	
	Units	Units	Units	(%)
National makers	12 329	14 635	-2 306	-16
Non-national makers	14 906	5 956	8 950	150
Grand total	27 235	20 591	6 644	32

2. COUNTRY ANALYSIS

Table 2.69. Production – total production, 1999-2000

	2000	1999	Variance	
	Units	Units	Units	(%)
National makers	294 216	260 732	33 484	13
Non-national makers	64 979	43 251	21 728	50
Grand total	359 195	303 983	55 212	18

Table 2.70. Sales by manufacturer, 1998-1999

Manufacturer	1998	1999	Manufacturer	1998	1999
Passenger cars			Commercial vehicles		
Audi	228	318	Ford	1 945	2 733
BMW	672	1 219	Volvo	116	197
Ford	298	466	Total Ford	2 061	2 930
Volvo	422	642	Honda	62	143
Total Ford	720	1 108	Isuzu	1 809	2 057
Honda	4 100	4 606	Mazda	315	735
Mazda	100	139	Mercedes	322	133
Mercedes	1 160	1 163	Mitsubishi	1 376	2 893
Mitsubishi	18	37	Nissan	3 903	6 911
Nissan	1 407	2 970	Suzuki	583	1 602
Citroen	327	703	Toyota	6 332	9 229
Peugeot	350	325	Daihatsu	1 142	2 365
Total PSA	677	1 028	Total Toyota	7 474	11 594
Toyota	1 930	4 556	Perodua	6 016	16 092
Daihatsu	269	169	Others	2 240	3 810
Total Toyota	2 199	4 725	Total CVs	26 161	48 900
Perodua	38 921	66 499	Total vehicles	163 852	288 547
Proton	87 489	155 720			
Others	0	115			
Total cars	137 691	239 647			

Table 2.71. Sales – passenger cars, 1999-2000

	2000	1999	Variance	
	Units	Units	Units	(%)
Proton	125 860	112 899	12 961	11
Proton-DRB	53 100	42 821	10 279	24
Perodua	82 484	66 499	15 985	24
Total national makers	261 444	222 219	39 225	18
Non-national makers	20 659	17 428	3 231	19
Grand total	282 103	239 647	42 456	18

Table 2.72. Sales – commercial vehicles, 1999-2000

	2000	1999	Variance	
	Units	Units	Units	(%)
Proton	2 392	1 589	803	51
Proton-DRB	3 208	2 545	663	26
Perodua	16	64	-48	-75
Total national makers	5 616	4 198	1 418	34
Non-national makers	28 136	21 973	6 163	28
Grand total	33 752	26 171	7 581	29

Table 2.73. Sales – four-wheel drive vehicles, 1999-2000

	2000	1999	Variance	
	Units	Units	Units	(%)
Proton	12 109	14 503	-2 394	-17
Total national maker	12 109	14 503	-2 394	-17
Non-national makers	15 209	8 226	6 983	85
Grand total	27 318	22 729	4 589	20

Table 2.74. Sales – total industry volume (TIV), 1999-2000

	2000	1999	Variance	
	Units	Units	Units	(%)
Total national makers	279 169	240 920	38 249	16
Non-national makers	64 004	47 627	16 377	34
Grand total	343 173	288 547	54 626	19

Import/Export

Malaysia began exporting in 1986 with its PROTON Saga. In 1993, the volume of exports has increased to 20,226 units but dipped down again to around 15,000 units in 1994. Malaysian exports have shown a steady increase from that year onwards until 1998 when the economic slump triggered a drop in exports. The automotive industry is basically domestic-oriented. Between 85-90 per cent of motor vehicle production by PROTON and PERODUA are sold locally, while only 10 per cent of commercial vehicles (assembled and manufactured) are exported.

Table 2.75. Exports of the automobile industry, 1996-2001
(million Malaysian dollars)

Category	1996	1997	1998	1999	2000	2001 (Jan.-Jun.)
Passenger cars	479.4	566.7	734.2	539.0	321.5	86.9
Commercial vehicles	19.4	283.1	512.1	87.7	56.8	14.6
Component parts	192.9	225.7	298.2	396.6	465.9	256.2
Total	691.7	1 075.5	1 544.5	1 023.3	844.2	3 527.7

Source: Department of Statistics, Malaysia.

Malaysian manufacturers faced difficulties in exporting their products. In addition to the difficulty in export penetration, low production caused by high prices of imported components and parts also contributed to the low export figures.

According to the industry, the export market is increasingly competitive due to the following reasons:

- ◆ existence of global over-capacity of 20 million units
- ◆ consumer preference for cars that meet increasingly stringent standards on ergonomics, safety, pollution and performance
- ◆ increasing trend towards vehicles using environmentally-friendly materials such as recyclable and biodegradable plastic materials
- ◆ increased frequency of new model introduction and product enhancement
- ◆ high cost of local production

Import

A majority of the imported automotive products are in the form of CKDs and parts. CBU vehicle imports are low due to the high tariff that is imposed, especially on luxury cars (more than 2,500 cc).

Although local content requirements have somewhat reduced imports of parts and accessories, a sizable portion of intermediate inputs and automotive child parts are still imported by component manufacturers for local production and value-added activities. Along with the increase in vehicle production, the imports of CKDs and parts has increased accordingly.

Table 2.76. Imports of the automotive industry, 1996-2001
(million Malaysian dollars)

Category	1996	1997	1998	1999	2000	2001 (Jan.-Jun.)
Passenger cars	4 279.6	3 084.3	1 314.5	3 371.8	3 755.8	1 762.6
Commercial vehicles	1 680.5	2 820.8	767.2	424.8	770.4	463.6
Component parts	956.1	1 416.8	815.8	773.2	1 034.4	551.8
Total	6 916.2	7 321.9	2 897.5	4 569.8	5 560.6	2 778.0

Source: Department of Statistics, Malaysia.

Automotive policy/government policies and programmes

Tariff barriers

In 1998, tariff rates were increased on a range of motor vehicles and these rates continue to apply.

Although the specific tariff depends on engine capacity, in general, the currently-applied tariff rates for completely built-up (CBU) and completely knocked-down (CKD) vehicles are as follows:

- ◆ 140 to 300 per cent for automobiles (CBU)
- ◆ 80 per cent for automobiles (CKD)
- ◆ 42 to 140 per cent for vans (CBU)
- ◆ 40 per cent for vans (CKD)
- ◆ 60 to 200 per cent for four-wheel drive/multi-purpose vehicles (CBU)
- ◆ 40 per cent for four-wheel drive/multi-purpose vehicles (CKD)

Based on its commitment under the ASEAN Free Trade Area (AFTA), Malaysia will be phasing out all the deferred 218 automotive products into the Common Effective Preferential Tariff (CEPT) Scheme on 1 January 2005. This means that all imported products from the ASEAN countries that comply with the 40 per cent ASEAN content will have duty rates of at most 20 per cent. Currently, 210 products in the automotive industry are already in CEPT. The policy and the modality of deferment are still being formulated.

Non-tariff barriers:

Trade-related investment measures (TRIMs) is one of the mechanisms used to achieve trading and liberalization that is developing under WTO. Under TRIMs, participating countries are required to abolish unfair trading practices, including abolishment of rules and policies by government in the compulsory usage of locally produced inputs for manufacturing of traded goods.

As a signatory to TRIMs, Malaysia is required to phase out several measures that are considered unfair trading practices to protect the local automobile industry, including the Local Material Content Policy (LMCP) and Mandatory Deleted Items (MDI).

As a result of the 1997/1998 financial crisis, the national car industry required additional time to become competitive internationally. Thus, Malaysia has requested additional time before reducing or abolishing these measures.

Malaysia has received an extension of the phase-out period for local content requirements in selected auto industry sectors that is inconsistent with its obligations under the WTO Agreement on TRIMs until 31 December 2001.

In requesting another 2-year extension – until 31 December 2003 – Malaysia has agreed to abolish the LMCP Programme and remove 11 products for which the local manufacturers have achieved international competitiveness from MDI, beginning 1 January 2002. The remaining 19 items from the MDI list will be removed on 1 January 2004.

2.8. Pakistan

- ◆ Country name: conventional long form: Islamic Republic of Pakistan
conventional short form: Pakistan
former: West Pakistan
- ◆ Government type: federal republic
- ◆ Capital: Islamabad
- ◆ Ethnic groups: Punjabi, Sindhi, Pashtun (Pathan), Baloch, Muhajir (immigrants from India at the time of partition and their descendants)
- ◆ Population: 144,616,639 (estimated in July 2001)
- ◆ Languages: Punjabi 48%; Sindhi 12%; Siraiki (a Punjabi variant) 10%; Pashtu 8%; Urdu (official) 8%; Balochi 3%; Hindko 2%; Brahui 1%; English (official and lingua franca of Pakistani elite and most government ministries), Burushaski, and other, 8%

Geography

- ◆ Location: Southern Asia, bordering the Arabian Sea, between India on the east and Iran and Afghanistan on the west and China in the north
- ◆ Area: total: 803,940 sq km; land: 778,720 sq km; water: 25,220 sq km
- ◆ Land boundaries: total: 6,774 km; border countries: Afghanistan 2,430 km, China 523 km, India 2,912 km, Iran 909 km
- ◆ Climate: mostly hot, dry desert; temperate in northwest; arctic in north
- ◆ Terrain: flat Indus plain in east; mountains in north and northwest; Balochistan plateau in west
- ◆ Elevation extremes: lowest point: Indian Ocean 0 m; highest point: K2 (Mt. Godwin-Austen) 8,611 m
- ◆ Natural resources: land, extensive natural gas reserves, limited petroleum, poor quality coal, iron ore, copper, salt, limestone

Infrastructure

- ◆ Railways: total: 8,163 km; broad gauge: 7,718 km 1.676-m gauge (293 km electrified; 1,037 km double track); narrow gauge: 445 km 1.000-m gauge (estimated in 1996)
- ◆ Highways: total: 247,811 km; paved: 141,252 km (including 339 km of expressways); unpaved: 106,559 km (1998)
- ◆ Waterways: none

- ◆ Pipelines: crude oil 250 km; petroleum products 885 km; natural gas 4,044 km (1987)
- ◆ Ports and harbors: Karachi, Port Muhammad bin Qasim
- ◆ Merchant marine: total: 17 ships (1,000 GRT or over) totaling 240,605 GRT/367,040 DWT; ships by type: cargo 13, container 3, petroleum tanker 1 (estimated in 2000)
- ◆ Airports: 117 (estimated in 2000)
- ◆ Airports – with paved runways: total: 82; over 3,047 m: 12; 2,438 to 3,047 m: 21; 1,524 to 2,437 m: 32; 914 to 1,523 m: 14; under 914 m: 3 (estimated in 2000)
- ◆ Airports – with unpaved runways: total: 35; 1,524 to 2,437 m: 7; 914 to 1,523 m: 11; under 914 m: 17 (estimated in 2000)
- ◆ Heliports: 8 (estimated in 2000)

Economy – basic facts

- ◆ Overview

Pakistan is a poor, heavily populated country, suffering from internal political disputes, lack of foreign investment, and a costly confrontation with neighbouring India. Pakistan's economic outlook continues to be marred by its weak foreign exchange position, which relies on international creditors for hard currency inflows. The MUSHARRAF government will face an estimated US\$ 21 billion in foreign debt coming due in 2000-2003, despite having rescheduled nearly US\$ 2 billion in debt with Paris Club members. Foreign loans and grants provide approximately 25 per cent of government revenue, but debt service obligations total nearly 50 per cent of government expenditure. Although Pakistan successfully negotiated a US\$ 600 million IMF Stand-By Arrangement, future loan installments will be jeopardized if Pakistan misses critical IMF benchmarks on revenue collection and the fiscal deficit. MUSHARRAF has complied largely with IMF recommendations to raise petroleum prices, widen the tax net, privatize public sector assets, and improve the balance of trade. However, Pakistan's economic prospects remain uncertain; too little has changed despite the new administration's intentions. Foreign exchange reserves hover at roughly US\$ 1 billion, GDP growth hinges on crop performance, the import bill has been hammered by high oil prices, and both foreign and domestic investors remain wary of committing to projects in Pakistan.

- ◆ GDP: purchasing power parity – US\$ 282 billion (estimated in 2000)
- ◆ GDP – real growth rate: 4.8% (estimated in 2000)
- ◆ GDP – per capita: purchasing power parity – US\$ 2,000 (estimated in 2000)

- ◆ GDP – composition by sector: agriculture: 25.4%; industry: 24.9%; services: 49.7% (estimated in 1999)
- ◆ Inflation rate (consumer prices): 5.2% (estimated in 2000)
- ◆ Unemployment rate: 6% (estimated in fiscal year 1999/2000)
- ◆ Budget: revenues: US\$ 8.9 billion; expenditures: US\$ 11.6 billion, including capital expenditures of US\$ n/a (estimated in fiscal year 2000/2001)
- ◆ Industries: textiles, food processing, beverages, construction materials, clothing, paper products, shrimp
- ◆ Industrial production growth rate: 3.8% (estimated in 1999)
- ◆ Exports: US\$ 8.6 billion (f.o.b., fiscal year 1999/2000)
- ◆ Exports – commodities: textiles (garments, cotton cloth, and yarn), rice, other agricultural products
- ◆ Exports – partners: United States 24%; Hong Kong, China 7%; United Kingdom 7%; Germany 6%; United Arab Emirates 6% (fiscal year 1999/2000)
- ◆ Imports: US\$ 9.6 billion (f.o.b., fiscal year 1999/2000)
- ◆ Imports – commodities: machinery, petroleum, petroleum products, chemicals, transportation equipment, edible oils, grains, pulses, flour
- ◆ Imports – partners: Saudi Arabia 8%, United Arab Emirates 8%, United States 6%, Japan 6%, Malaysia 4% (fiscal year 1999/2000)
- ◆ Debt – external: US\$ 38 billion (estimated in 2000)
- ◆ Economic aid – recipient: US\$ 2 billion (fiscal year 1999/2000)

Motor vehicle industry/market snapshot

Table 2.77. Market of Japanese brands being assembled in Pakistan

Cars	Motorcycles	Trucks/Buses	Tractors	LCVs
90%	90%	100%	0%	50%
1. Suzuki	Honda	Nissan		Suzuki
2. Toyota	Yamaha	Hino		Toyota
3. Honda	Suzuki	Mazda		
4. Nissan				
5. Daihatsu				

Source: Pakistan Automotive Manufacturers Association (PAMA).

Table 2.78. Market share of Non-Japanese brands being assembled in Pakistan

Cars	Motorcycles	Trucks/Buses	Tractors	LCVs
10%	10%	0%	100%	50%
Hyundai	Chinese	Volvo (presently not operational)	Massey Ferguson	Hyundai
Kia			Fiat	
Fiat				

Source: Pakistan Automotive Manufacturers Association (PAMA).

Market Share of Cars (Source: Pakistan Automotive Manufacturers Association [PAMA])

Suzuki (Pak Suzuki Co.):	40.2 %
Toyota (Indus Motors):	29.8 %
Honda (Honda Atlas):	14.7 %
Kia-Hyundai (Dewan Farooq Motors):	14.5 %
Nissan (Ghandara Nissan):	0.8 %

Market Share of Motorcycles (Source: PAMA)

Honda (Honda Atlas):	65.7 %	
Rustam and Sohrab:	2.9 %	(Chinese brands)
Chinese Brand (Saigol Qingqi):	3.7 %	
Yamaha (Dawood Yamaha):	19.3 %	
Suzuki (Suzuki Motorcycle):	6.2 %	
Hero (Fateh Motors):	2.2 %	(Chinese brands)

Market Share of LCVs (Source: PAMA)

Suzuki Pick-up/Van (Pak Suzuki):	50.0 %
Kia Pick-up (Dewan Farooq Motors):	37.5 %
Toyota Hilux (Indus Motors Co.):	12.5 %

Market Share of Tractors (Source: PAMA)

Fiat (Al-Ghazi Tractors Ltd.):	50.9 %
Massey Ferguson (Millat Tractors Ltd.):	48.1 %
Universal (GM Tractors Ltd.):	1.0 %

Market Share of Trucks (Source: PAMA)

Mazda (Sind Engineering):	46.1 %
Hino (Hinopak Motors):	32.2 %
Nissan (Ghandara Nissan):	21.7 %

Market Share of Buses (Source: PAMA)

Mazda (Sind Engineering):	58.8 %
Hino (Hinopak Motors):	33.5 %
Nissan (Ghandara Nissan):	7.7 %

The automobile industry in Pakistan comprises a number of local companies that, under a franchise and technical collaboration arrangements with foreign manufacturers, assemble their own brand of vehicles under a progressive manufacturing programme prescribed by the Government of Pakistan. Every assembler has to submit a detailed substitution plan, known in Pakistan as a ‘deletion’ plan, to the Government proposing to manufacture 75 per cent of the vehicle parts locally over a period of five years. After examination and approval of this plan by the Government, the manufacturer/assembler is permitted to import completely knocked-down (CKD) kits at concessional rate of custom duty excluding such parts which may be readily available in this country and which can be easily manufactured here.

The contribution of the automotive sector towards Pakistan’s growth:

- 1) The part-manufacturing industries play a vital role and contribute immensely in the supply of components, sub-components for the defense, electronic, textile and other important sectors of Pakistan.
- 2) It is the most accurately documented sector in Pakistan.
- 3) It is paying the heaviest taxes in true spirit.
- 4) It is contributing sizably to the manufacturing growth of Pakistan. During the Fiscal year 1998-1999 the automobile sector’s contribution helped achieve the highest growth level and pushed the GDP growth to over 5 per cent.
- 5) It is providing heavy employment opportunities and a major contribution to the development of human resources and good management practices.
- 6) It is saving huge amount of foreign exchanges by making available cars and parts locally.
- 7) It is contributing well in the build-up of local technical skills and import substitution.
- 8) 90 per cent of the vending industry constitute SMEs, out of which nearly 95 per cent are self-finances.

Table 2.79. An over view of the performance of the automobile parts manufacturing and assembly sector of Pakistan

Sr. No.	Nomenclature	Assemblers	Vendors	Total
1	Import substitution	US\$ 210 000 000	US\$ 699 164 000	US\$ 909 164 000
2	Foreign exchange saving	US\$ 84 000 000	US\$ 279 600 000	US\$ 369 000 000
3	Contribution to the GDP of Pakistan	PRs 24 945 900 000	PRs 23 305 467 000	PRs 48 251 367 000
4	Contribution to the National Exchequer	PRs 6 938 000 000	PRs 5 327 156 000	PRs 12 265 156 000
5	Exports of vehicles or auto parts	US\$ 650 000	US\$ 8 600 000	US\$ 9 250 000

Table 2.80. Detail of vehicles manufactured in Pakistan

Sr. No.	Product	Models	Models	Assembler	Local parts deletion %
1	Cars	a. Up to 800cc	800cc Mehran	Pak Suzuki Motor Co.	60
		b. Above 800 up to 1200cc	1100cc Khyber	Pak Suzuki Motor Co.	42
			1100cc Kia	Naya Daur Motor Co.	25
		c. Above 1200cc	1300cc Margallah	Pak Suzuki Motor Co.	32
			1300cc Corolla	Indus Motor Co.	30
			1600cc Corolla	Indus Motor Co.	30
			2000cc Corolla	Indus Motor Co.	30
			1300cc City	Honda Atlas Car Co.	28
			1500cc Civic	Honda Atlas Car Co.	30
			1600cc Civic	Honda Atlas Car Co.	30
1400cc Sunny	Nissan Ghandhara		30		
2000cc Sunny	Nissan Ghandhara	30			
2	Light commercial vehicles	Up to 1500cc	800cc Pick-up	Pak Suzuki Motor Co.	50
		Above 1500 up to 2999cc	2200cc Kia Ceres	Naya Daur Motor Co.	22
		Above 2 ton up to 5 ton	2400cc Hilux	Indus Motor Co.	18
3	Heavy commercial vehicles	a. 4x2 GCW exceeding 8 ton	CPA87	Ghandhara Nissan	50
		b. 6x2 GLW exceeding 8 ton	CPB12	Ghandhara Nissan	50
			FF174	Hinopak Motors Ltd.	50
			FTR12	Isuzu	50
		c. 6x2 GLW	CDA12	Ghandhara Nissan	50
			FL177	Hinopak Motors Ltd.	50
		YF62C2433H52EBR	Yasoob	50	
d. Prime Mover GCW up to 40 ton	CPC14	Ghandhara Nissan	45		
	SG221	Hinopak Motors Ltd.	45		
e. Prime Mover GCW above 40 ton	FL10	Volvo (New Model)	30		
	YE42C2432A35ERRX	Yasoob	30		
4	Vans/Buses	a. Up to 10 Passengers	Pick-up	Pak Suzuki Motor Co.	47
		b. Above 11 up to 30 Passengers	SP210L	Nissan Ghandhara	50
			AK174	Hinopak Motors Ltd.	50
			MT112	Isuzu	50
c. Above 30 Passengers	SP210P	Nissan Ghandhara	50		
	AK174	Hinopak Motors Ltd.	50		
	MT112	Isuzu	50		
5	Tractors	a. Up to 40hp (DIN)			
		b. Above 40 up to 55hp (DIN)	Massey MF240	Millat Tractors Ltd.	82
			Fiat 480S	Al-Ghazi Tractors Ltd.	82
		c. Above 55hp (DIN)	Massey MF260, MF375E, MF385	Millat Tractors Ltd.	72
Fiat 640	Al-Ghazi Tractors Ltd.		72		
d. 4x4 above 55hp (DIN)					
6	Jeeps/Recreational Vehicles	a. Up to 1000cc	1000cc Photohar	Pak Suzuki Motor Co.	40
		b. Above 1000cc			
7	Auto Rickshaws	a. 175cc	P401 Delux	Raja Autocars Ltd.	62
8	Motorcycles/ Scooters	a. Up to 100cc	A80 & A100	Suzuki M/C	68
			CD-70	Alias Honda Ltd.	70
			CB-100	Dawood Yamaha Ltd.	71
			Vespa	Raja Autocars Ltd.	65
			SS-70	Sohrab Motorcycle Ltd.	68
			JS-70 KM	Sohrab Motorcycle Ltd.	68
			110 Spark	Kohinoor Motor Ltd.	68
		A100xSR	Suzuki M/C	68	
b. Above 100cc up to 175cc	CG-125	Atlas Honda Ltd.	65		
9	Mopeds	a. Up to 50cc	50cc Mobike	Agriauto Ltd.	50
		b. Above 50cc	70cc Mobike	Agriauto Ltd.	50

2. COUNTRY ANALYSIS

Table 2.81. Production of vehicles

Car

	1995-1996	1996-1997	1997-1998	1998-1999
Honda (Civic)	4 666	3 922	4 071	3 928
Suzuki (Margalla)	6 028	3 174	3 074	–
Suzuki (Baleno)	–	–	–	2 349
Suzuki (Khyber)	5 720	6 280	5 019	6 991
Suzuki (Mehran)	8 986	13 482	14 936	16 501
Toyota (Corolla)	4 731	5 164	5 651	8 369
Nissan (Sunny)	–	599	933	481
Naya Daur (Kia Pride)	948	1 120	0	0
Total	31 079	33 741	33 684	38 619

LCV

	1995-1996	1996-1997	1997-1998	1998-1999
Suzuki (Potohar) Jeep	2 274	792	657	622
Suzuki (Bolan) Van	3 288	4 411	4 992	4 245
Suzuki (Ravi) Pick-up	1 743	2 376	2 602	2 034
Indus (Hilux 4x4) Pick-up	163	113	30	119
Hilux (4x2) Pick-up	766	2 064	2 193	1 681
Naya Daur (Kia Ceres)	864	853	51	0
Total	9 108	10 609	10 543	8 701

Truck

	1995-1996	1996-1997	1997-1998	1998-1999
Hinopak (Hino)	1 533	1 164	240	261
Ghandhara (Nissan)	383	795	483	251
Sindh Engg (Mazda)	825	737	784	486
Trans Mobile (Yasoob)	124	179	5	0
Volvo (Volvo)	–	4	112	85
National Motors (Isuzu)	165	79	59	n/a
Total	3 030	2 958	1 683	1 083

Bus

	1995-1996	1996-1997	1997-1998	1998-1999
Hinopak (Hino)	186	206	186	258
Ghandhara (Nissan)	50	79	108	266
Sindh Engg (Mazda)	118	33	220	600
National Motors (Isuzu)	84	101	77	n/a
Total	438	419	591	1 124

Tractor

	1995-1996	1996-1997	1997-1998	1998-1999
Al-Ghazi (Fiat)	6 503	4 939	2 288	12 198
Millat (MF)	9 590	5 478	7 856	14 446
Total	16 093	10 417	14 144	26 644

Motorcycle

	1995-1996	1996-1997	1997-1998	1998-1999
Atlas (Honda)	–	68 637	63 463	59 639
Dawood (Yamaha)	–	38 160	25 040	23 435
Suzuki (Suzuki)	–	n/a	4 475	4 430
Total	n/a	106 697	92 978	87 504

1) *Passenger Cars*

- (a) The total market for locally-manufactured passenger cars per year in Pakistan: 50,000 units
- (b) Highest substitution level in cars up to 1000cc: 60 per cent
- (c) Highest substitution level in cars up to 1300-1500cc: 35 per cent

Sr. No.	Make and model	Market share (%)
1	Honda Civic 1300/1600cc petrol	15
2	Suzuki Margalla/Baleno 1300cc petrol	19
3	Toyota Corolla 1300cc, 1600cc petrol, 2000cc diesel	22
4	Suzuki Khyber 1000cc petrol	18
5	Suzuki Mehran 800cc petrol	29
6	Nissan 1400cc petrol, 2000cc diesel	New entrant

2) *Light Commercial Vehicles*

- (a) Total market for locally manufactured light commercial vehicles per year in Pakistan: 10,000 units
- (b) Highest substitution level: 80 per cent

Sr. No.	Make and model	Market share (%)
1	Suzuki	70
2	Toyota Hilux	12
3	Kia	18

3) *Trucks/Buses*

- (a) Total market for locally manufactured trucks/buses per year in Pakistan: 2,500 units
- (b) Highest substitution level: 51 per cent

Sr. No.	Make and model	Market share (%)
1	Hino	50
2	Nissan	35
3	Mazda	15

4) *Tractors*

- (a) Total market for locally manufactured tractor per year in Pakistan: 25,000 units
- (b) Pakistan highest substitution level: 85 per cent

2. COUNTRY ANALYSIS

Sr. No.	Make and model	Market share (%)
1	Massey Ferguson 55hp, 70hp	55
2	Fiat 55hp, 70hp	35
3	Belarus/Ford	10

5) Motorcycles

- (a) Total market for locally manufactured motorcycles per year in Pakistan: 100,000 units
- (b) Highest substitution level: 80 per cent

Sr. No.	Make and model	Market share (%)
1	Honda	64
2	Yamaha	24
3	Suzuki	5
4	Vespa	0
5	Qingqi	2
6	Sohrab	3
7	Hero	2

Import/Export

Automotive exports have been quite sporadic. Exports of some tractors and a few thousand vehicles on an irregular basis do not qualify the country as an exporter of automotive vehicles. However, exports of auto parts have registered a continuous growth over the years. The local manufacture of OEM parts has encouraged Pakistani vendors to enter the export market. With Europe, the United States and Japan as the main export destinations, the credibility of Pakistan's auto parts manufacturing operations has received a good boost.

Table 2.82. Import of CKD and CBU vehicles

Commodities	1998-1999		1999-2000		2000-2001	
	Quantity (Number)	Value (Thousands of US\$)	Quantity (Number)	Value (Thousands of US\$)	Quantity (Number)	Value (Thousands of US\$)
CKD	51 290	176 051	39 044	174 277	16 251	175 657
CBU	3 553	31 860	4 753	35 067	1 716	18 013
Total	54 843	207 911	43 797	209 344	67 967	193 670

Source: Ministry of Commerce, Pakistan.

Table 2.83. Export of auto parts

1998-1999	1999-2000	2000-2001	2001-2002 (Target)
7	12	23	32

Source: Pakistan Automotive Manufacturers Association (PAMA).

Automotive policy/government policies and programmes

Table 2.84. Tariff structure for automotive sector

Vehicles	Engine capacity	Custom duty	
		CKD	CBU
Cars	Up to 1000cc	35%	100%
	Above 1000cc; up to 1300cc	35%	120%
	Above 1300cc; not exceeding 1800cc	35%	150%
	Above 1800cc	35%	250%
LCVs		20%	60%
Trucks		20%	60%
Buses		20%	20%
Tractors		0%	30%
Motorcycles		30%	105%

Source: Central Board of Revenue, Government of Pakistan.

Local content scheme

Pakistan has been pursuing a useful local content scheme which has done some good to the technological base of the automotive sector and improved its design development capabilities. The methodology adopted is that the manufacturers are offered tariff incentives for progressive local manufacture of automobiles and other engineering goods. Under this programme, the achieved levels of local content are as follows:

Table 2.85. Maximum local content levels achieved

Sr. No.	Automobile	Percentage
1	Cars	68
2	Tractors	85
3	Motorcycles	82
4	Light commercial vehicles	43
5	Buses/Trucks	50

Source: Engineering Development Board, Government of Pakistan.

Government investment policies

The Pakistan Government has liberalized the investment policy environment for domestic as well as foreign private investment in the industrial sector. There is no upper limit on foreign equity or foreign ownership of industrial projects. There is also no restriction on remittance of profit, dividends, payment of royalty and technical fees. The government is also encouraging joint ventures, technology tie-ups, co-manufacturing and co-exporting arrangements with foreign investors. Even relocation of projects is being encouraged in view of the transformation of developed economies into hi-tech areas. Major advantages for investment in Pakistan are as follows:

- ◆ Abundant land and natural resources
- ◆ Vast human resource

- ◆ Growing domestic market
- ◆ Well-established infrastructure
- ◆ Strategic geographical location

Fundamental problems in the automotive sector include:

- ◆ Low volumes/under-utilization of capacity
- ◆ High prices
- ◆ Slow transfer of technology

2.9. Philippines

- ◆ Country name: conventional long form: Republic of the Philippines
conventional short form: Philippines
local long form: Republikang Pilipinas
local short form: Pilipinas
- ◆ Government type: republic
- ◆ Capital: Manila
- ◆ Ethnic groups: Christian Malay 91.5%, Muslim Malay 4%, Chinese 1.5%, other 3%
- ◆ Population: 82,841,518 (estimated in July 2001)
- ◆ Languages: two official languages – Filipino (based on Tagalog) and English; eight major dialects – Tagalog, Cebuano, Ilocan, Hiligaynon or Ilonggo, Bicol, Waray, Pampango, and Pangasinense

Geography

- ◆ Location: Southeastern Asia, archipelago between the Philippine Sea and the South China Sea, east of Viet Nam
- ◆ Area: total: 300,000 sq km; land: 298,170 sq km; water: 1,830 sq km
- ◆ Land boundaries: 0 km
- ◆ Climate: tropical marine; northeast monsoon (November to April); southwest monsoon (May to October)
- ◆ Terrain: mostly mountains with narrow to extensive coastal lowlands
- ◆ Elevation extremes: lowest point: Philippine Sea 0 m; highest point: Mount Apo 2,954 m
- ◆ Natural resources: timber, petroleum, nickel, cobalt, silver, gold, salt, copper

Infrastructure

- ◆ Railways: total: 492 km (an additional 405 km are not in operation); narrow gauge: 492 km 1.067-m gauge (estimated in 1996)
- ◆ Highways: total: 199,950 km; paved: 39,590 km; unpaved: 160,360 km (1998)
- ◆ Waterways: 3,219 km; note: limited to vessels with a draft of less than 1.5 m
- ◆ Pipelines: petroleum products 357 km
- ◆ Ports and harbors: Batangas, Cagayan de Oro, Cebu, Davao, Guimaras Island, Iligan, Iloilo, Jolo, Legaspi, Manila, Masao, Puerto Princesa, San Fernando, Subic Bay, Zamboanga
- ◆ Merchant marine: total: 459 ships (1,000 GRT or over) totaling 5,653,062 GRT/8,512,326 DWT; ships by type: bulk 149, cargo 123, chemical tanker 4, combination bulk 10, container 5, liquefied gas 13, livestock carrier 10, passenger 4, passenger/cargo 12, petroleum tanker 42, refrigerated cargo 21, roll on/roll off 17, short-sea passenger 31, specialized tanker 2, vehicle carrier 16; note: includes some foreign-owned ships registered here as a flag of convenience: Cyprus 1; Denmark 1; Hong Kong, China 5; Japan 14; Netherlands 1; Singapore 1; United Kingdom 1 (estimated in 2000)
- ◆ Airports: 288 (estimated in 2000)
- ◆ Airports – with paved runways: total: 76; over 3,047 m: 4; 2,438 to 3,047 m: 5; 1,524 to 2,437 m: 28; 914 to 1,523 m: 28; under 914 m: 11 (estimated in 2000)
- ◆ Airports – with unpaved runways: total: 212; 2,438 to 3,047 m: 1; 1,524 to 2,437 m: 1; 914 to 1,523 m: 81; under 914 m: 129 (estimated in 2000)
- ◆ Heliports: 1 (estimated in 2000)

Economy – basic facts

◆ Overview

In 1998 the Philippine economy – a mixture of agriculture, light industry, and supporting services – deteriorated as a result of spillover from the Asian financial crisis and poor weather conditions. Growth fell to about -0.5 per cent in 1998 from 5 per cent in 1997, but recovered to about 3 per cent in 1999 and 3.6 per cent in 2000. The government has promised to continue its economic reforms to help the Philippines match the pace of development in the newly industrialized countries of East Asia. The strategy includes improving infrastructure, overhauling the tax system to bolster government revenues, moving toward further deregulation and privatization of the economy, and increasing trade integration with the region.

- ◆ GDP: purchasing power parity – US\$ 310 billion (estimated in 2000)

- ◆ GDP – real growth rate: 3.6% (estimated in 2000)
- ◆ GDP – per capita: purchasing power parity – US\$ 3,800 (estimated in 2000)
- ◆ GDP – composition by sector: agriculture: 20%; industry: 32%; services: 48% (estimated in 1997)
- ◆ Inflation rate (consumer prices): 5% (estimated in 2000)
- ◆ Unemployment rate: 10% (2000)
- ◆ Budget: revenues: US\$ 14.5 billion; expenditures: US\$ 12.6 billion, including capital expenditures of US\$ n/a (estimated in 1998)
- ◆ Industries: textiles, pharmaceuticals, chemicals, wood products, food processing, electronics assembly, petroleum refining, fishing
- ◆ Industrial production growth rate: 4% (estimated in 2000)
- ◆ Exports: US\$ 38 billion (f.o.b., estimated in 2000)
- ◆ Exports – commodities: electronic equipment, machinery and transport equipment, garments, coconut products
- ◆ Exports – partners: United States 34%; Japan 14%; Netherlands 8%; Singapore 6%; United Kingdom 6%; Hong Kong, China 4% (1998)
- ◆ Imports: US\$ 35 billion (f.o.b., estimated in 2000)
- ◆ Imports – commodities: raw materials and intermediate goods, capital goods, consumer goods, fuels
- ◆ Imports – partners: United States 22%; Japan 20%; Republic of Korea 8%; Singapore 6%; Taiwan Province of China 5%; Hong Kong, China 4% (estimated in 1998)
- ◆ Debt – external: US\$ 52 billion (1999)
- ◆ Economic aid – recipient: ODA, US\$ 1.1 billion (1998)

Motor vehicle industry/market snapshot

The Philippines market is considered small and shaky, although it survived the Asian crisis quite well. Until 1996 car sales exceeded commercial vehicles, but were overtaken from 1996 onwards. Although sales recovered well in 1999, with growth of 14 per cent, production levels are well below pre-crisis levels.

Political uncertainty has placed many needed reforms on hold including tax reviews and liberalization of the manufacturing sector. These are too many manufacturers to survive without consolidation.

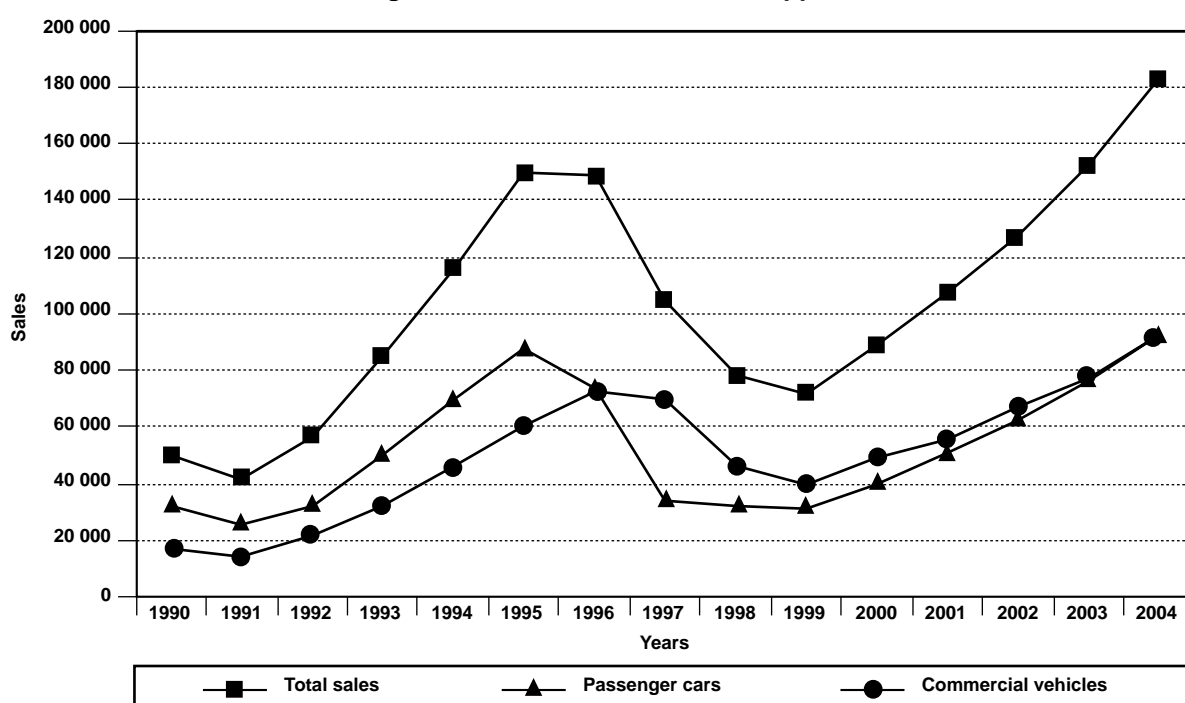
The Philippines also has a well-developed Motorcycle Development Programme (MDP).

Table 2.86. Motor vehicle registrations, 1997-2000

	1997	1998	1999	2000
Cars	743 299	749 204	773 835	767 948
Utility vehicles	1 191 392	1 244 019	1 310 865	1 388 117
Trucks	242 842	231 342	243 443	248 369
Buses	31 950	31 806	33 193	33 886
Motorcycles/Tricycles	952 044	1 032 594	1 144 666	1 236 241
Trailers	32 022	27 852	27 730	26 612
Total	3 193 549	3 316 817	3 533 732	3 701 173

Sales

Diagram 2.87. Vehicle sales in Philippines



Automotive policy/government policies and programmes

Import restrictions:

Since the Philippines uses left-hand drive vehicles, the importation of right-hand drive vehicles is banned for safety reasons. Importation of used passenger cars, light commercial vehicles (LCVs) and motorcycles is regulated in general for health and safety reasons. It is allowed under the “Balikbayan” (Returning Residents)/No Dollar Importation Programme.

The importation of CKDs by participants of the Motor Vehicle Development Program (MVDP) under preferential tariff rates is allowed, with prior authorization of the Board of Investment (BOI).

Tariff rates

Table 2.88. MFN tariff rates for motor vehicles and parts

	Motor vehicles	HS code	Duty
	CBU	Passenger cars	8703.10 00 to 33
Commercial vehicles:			
Buses		8702.10 20	15%
		8702.10 20 to 30	15-20%
Trucks		8704.21 90	30%
		8704.21 19 8704.31 90 8704.32 19	
	Motor vehicles	HS Code	Duty
	CKD	Passenger cars	8703.90 10
Commercial vehicles:			
Buses		8702.90 10	3%
Trucks		8704.90 10	3%
Motorcycles		8711.90 10	3%
Selected auto parts	Engine	84.07	3-10%
	Body stamping	87.08 29	3-10%
	Transmissions	87.08 20	3-10%

Notes: MFN – most-favoured-nation;
HS – Harmonized System.

Investment Requirements

Participation under the MVDP and parts and components manufacturing sectors is open to both foreign and local investors. One of the requirements of participation applicable to foreign and local investors is the magnitude of investments, i.e. US\$ 10 million for passenger car participants, US\$ 8 million for commercial vehicle participants and US\$ 2 million for motorcycle participants and component manufacturing.

Export incentives

Export-oriented companies registered with investment agencies such as the BOI, Philippine Economic Zone Authority, Clark Development Corporation and Subic Bay Metropolitan Authority are entitled to incentive packages such as income tax holiday, tax and duty-free importation of capital equipment and raw materials.

Table 2.89. Number of companies producing vehicles, including components as of October 2001

I. Manufacturers/Assemblers:

A. Car Development Programme (CDP): 14

Name of company	Brand name
1. Asian Carmakers Corp.	Charade, BMW
2. Auto Prominence Corp.	Audi, Volkswagen
3. Columbian Auto Car Corp.	Kia Pride, Mazda Cars
4. Commercial Motors Corp.	Mercedes Benz
5. Ford Motors Co. Phils., Inc.	Lynx
6. Honda Cars Phils., Inc.	Civic, Accord, City
7. ITALCAR Pilipinas, Inc.	Hyundai, Excel
8. Nissan Motor Phils. Corp.	Cefiro, Sentra, Altima
9. NORKIS Automotive Resources Corp.	Chrysler Vehicles, Dodge Durango, Grand Caravan, Voyager, Dodge Dakota
10. Mitsubishi Motors Phils. Corp.	Galant, Lancer
11. Proton Pilipinas Corp.	Wira
12. Scandinavian Motors Corp.	Volvo
13. Toyota Motor Phils. Corp	Camry, Corolla, Corona
14. Transfarm & Co., Inc.	Daewoo Matiz

B. Commercial Vehicle Development Programme (CVDP): 20

Name of company	Brand name
1. Columbian Motors Corp.	Nissan Diesel Bus, MAN Bus Chassis
2. Commercial Motors Corp.	Mercedes Benz
3. Filipinas Daewoo Industries	Bus Chassis
4. Ford Motors Co. Phils., Inc.	Econovan/Ranger
5. Francisco Motors Corp.	Mazda Pick-up
6. Honda Cars Phils., Inc.	CR-V
7. ISUZU Phils. Corp.	Highlander, Trooper, Fuego, Cab Chassis, Bus
8. MAN Automotive Concessionaires	Bus
9. Mitsubishi Motors Phils. Corp.	Adventure, Pajero, L200, L300
10. NISSAN Motor Phils. Corp.	AD-Resort, Bida, Vannete
11. NORKIS Automotive Resources Corp.	Jeep Grand Cherokee
12. Pasajero Motors Corp.	Supercab, Asia, Towner, Rocksta
13. Pilipinas Daeyang Heavy Ind's Corp.	Booster Trucks
14. Pilipinas Transport Ind's Inc.	Bayan Cab, Samurai, Super Carry Vitara
15. Philippine Beijing Motors Corp.	Beijing Jeep
16. Philippine China Automotive Services, Inc.	Ever I
17. Pilipinas Hino, Inc.	Trucks, Buses
18. Porta Coeli Industrial Co., Inc.	MPC Suzuki
19. Toyota Motors Corp.	Tamaraw FX
20. Universal Motors Corp.	Nissan Patrol, Urban Micro Bus, Frontier, Pick-up Truck

2. COUNTRY ANALYSIS

Table 2.89. Number of companies producing vehicles, including components as of October 2001 (continued)

C. Motorcycle Development Programme (MDP): 21

Name of company	Brand name
1. Consumer Professional Innovation Motors Corp.	Mars
2. Ever Automotive Center Corp.	Changqi
3. Francisco Motor Corp.	Daye
4. Goking Motors Corp.	Jialing
5. Honda Philippines, Inc.	Honda
6. Horex Motorcycle Phils., Inc.	Horex
7. Jieda Motors Phils., Inc.	Civet Feature
8. Jianshe Motorcycle Industries Philippines Corp.	Jianshe
9. Kawasaki Motors (Phils.) Corp.	Kawasaki
10. Mitsukoshi Motors Phils., Inc.	Mitsukoshi LIFAN
11. NIPPON Automotive Corp.	Nippon Cyclo Jeep PU-Cycle Cyclovan
12. NITO's International Venture, Inc.	Skygo
13. Norkis Trading Co., Inc.	Yamaha
14. Norkis Industrial & Eng'g. Co.	Yamaha
15. Philippine Beijing Motor Corp.	Bamied Dong Feng Hero
16. REMCOR Ind'l & Mfg. Corp.	Beta Herchee
17. SC KYMCO Pilipinas, Inc.	Top Boy
18. SILVERTRAX Phils., Corp.	Jeepsikel Jeepnicabs
19. SUZUKI Phils., Inc.	Suzuki
20. VELOCI Motors Corp.	Piaggio
21. Victoria Motors Corp.	Geely Trio

Source: Board of Investments (BOI).

II. Automotive parts and components manufacturers: 256

A. Metals sectors	123
B. Rubber sector	26
C. Chemicals sector	15
D. Plastics sector	39
E. Others	53

Sources: Board of Investments (BOI); Motor Vehicle Parts Manufacturers Association of the Philippines (MVPMPA).

Table 2.90. The Philippines has well-developed cross-border investment programmes

ASEAN Industrial Cooperation (AICO) projects – Approved

Company	Co-participating countries	Nominated products
1. Philippine Auto Components Inc. (PAC)	Thailand (Denso [Thailand] Co., Ltd.)	Instrument clusters and dials for motorcycles, motorcycle meters and light fittings (bulbs) for instrument clusters
2. Honda Cars Philippines, Inc.	Malaysia (Oriental Assemblers Sdn. Bhd.) Thailand (Honda Cars Manufacturing (Thailand) Co., Ltd.)	Completely-knocked down (CKD) components parts for original equipment manufacture (OEM) of Honda Accord, City, and Civic passenger car
3. Toyota Motor Philippines Corp.	Malaysia (Assembly Services Sdn. Bhd.) Thailand (Toyota Motor Thailand Co., Ltd.)	CKD component parts for OEM of Toyota utility vehicle (TUV), public-transport type passenger motor vehicle and Corolla
4. Isuzu Philippines Corp.	Thailand (Isuzu Motors Co., Ltd.)	CKD component parts for EOM of commercial vehicle (Hi-Lander model)
5. Laguna Auto-Parts Manufacturing Corp. (LAMCOR)	Thailand (Mitsubishi Electric Thai Auto-Parts Co., Ltd.)	Yoke assembly and bracket for starter motor; rotor assemble and vacuum pump for alternator
6. Mitsubishi Motors Philippines Corp.	Thailand (MMC Sittipol Co., Ltd.)	CKD component parts for the OEM of Mitsubishi Model L200 light commercial vehicle and Lancer passenger car
7. Toyota Motor Philippines Corp. and Toyota Autoparts Philippines	Malaysia (Assembly Services Sdn. Bhd. and T&K Autoparts Sdn. Bhd.) Thailand (Toyota Motor Thailand Co., Ltd.)	Automotive parts/components for the OEM of TUV, Corolla and Camry passenger cars
	Indonesia (P.T. Toyota Astra Motor)	CKD component parts for the OEM of transmission and TUV light commercial vehicles
8. Ford Motor Company Philippines, Inc.	Thailand (Auto Alliance Thailand Co., Ltd.)	CKD component parts for OEM of Ford Laser Lynx passenger cars and Ford Ranger pick-ups
9. Honda Cars Philippines, Inc. (HCPI)	Indonesia (P.T. Honda Prospect Motor Indonesia) Malaysia (Honda Autoparts Manufacturing (M) Sdh. Bhd.)	Various component parts for the OEM of Honda models Civic, City, and Accord passenger cars
10. Toyota Motor Philippines Corp.	Indonesia (P.T. Toyota Astra Motor) Malaysia (Assembly Services Sdh. Bhd.) Thailand (Siam Toyota Manufacturing Co., Ltd.)	CKD component parts for OEM of Corolla, Camry cars

AICO projects – For approval of participating countries

Company	Co-participating countries	Nominated products
1. Laguna Auto-Parts Manufacturing Corp. (LAMCOR)	Indonesia (P.T. Lippo MELCO Auto-Parts)	Brush holder assembly; Overrunning clutch assembly for starter motor
2. Mitsubishi Motor Philippines Corp.	Indonesia (P.T. Krama Yudha Tiga Berlian Motors)	CKD component parts for OEM of L200, L300 and Adventure/Kuda
3. Nissan Motor Philippines, Inc.	Thailand (Siam Nissan Automobile Co., Ltd.) Malaysia (Tan Chong & Son Motor Co., Sdh. Bhd.)	Automotive component parts in CKD pack for the OEM of Sentra passenger car and AD Resort pick-up in the Philippines and Malaysia and of Sunny passenger car and NV pick-up in Thailand
4. Republic Asahi Glass Corp. (RAGC)	Thailand (Thai Safety Glass Co., Ltd.)	Safety glass for motor vehicles

2. COUNTRY ANALYSIS

Table 2.90. The Philippines has well-developed cross-border investment programmes (continued)

AICO projects – For approval of participating countries (continued)

Company	Co-Participating countries	Nominated products
5. Honda Cars Philippines, Inc.	Thailand (Honda Cars Manufacturing (Thailand) Co., Ltd.) Indonesia (P.T. Honda Prospect Motor) Malaysia (Oriental Assemblers Sdn. Bhd. and Honda Auto Parts Manufacturing (M) Sdh. Bhd.)	Various vehicle component parts in CKD pack for OEM of Honda cars
6. Mitsuba Philippines Corp.	Thailand (Thai Summit Mitsuba Electric Manufacturing Co., Ltd.)	Components and links units for the manufacture of wiper assembly
7. Nissan Motor Philippines, Inc.	Malaysia (Tan Chong Motor Assemblies Sdh. Bhd.) Thailand (Siam Nissan Automobile Co., Ltd.)	Automotive parts of CKD pack for the OEM of Nissan Sentra Model (N16)
8. Toyota Motor Philippines Corp.	Indonesia (P.T. Toyota Astra Motor) Malaysia (Assembly Services Sdh. Bhd. and T&K Autoparts Sdh. Bhd.) Thailand (Siam Toyota Manufacturing Co., Ltd. and Toyota Motor Thailand Co., Ltd.)	CKD component parts for OEM of Corolla passenger car
9. Honda Cars Philippines Inc.	Indonesia (P.T. Honda Prospect Motor Indonesia) Thailand (Honda Cars Manufacturing (Thailand) Co., Ltd.)	Various vehicle component parts/CKD pack of Honda Civic and Accord for assembly into CBU
10. Ford Motor Company Philippines, Inc.	Thailand (Auto Alliance Thailand Co., Ltd.)	CBU vehicles and automotive parts and components

Source: Philippines Tariff Commission.

2.10. Thailand

<ul style="list-style-type: none"> ◆ Country name: conventional long form: Kingdom of Thailand conventional short form: Thailand former: Siam ◆ Government type: constitutional monarchy ◆ Capital: Bangkok ◆ Ethnic groups: Thai 75%, Chinese 14%, other 11% ◆ Population: 61,797,751 ◆ Languages: Thai, English (secondary language of the elite), ethnic and regional dialects
<p>Geography</p> <ul style="list-style-type: none"> ◆ Location: Southeastern Asia, bordering the Andaman Sea and the Gulf of Thailand, south-east of Myanmar ◆ Area: total: 514,000 sq km; land: 511,770 sq km; water: 2,230 sq km

- ◆ Land boundaries: total: 4,863 km; border countries: Myanmar 1,800 km, Cambodia 803 km, Lao People's Democratic Republic 1,754 km, Malaysia 506 km
- ◆ Climate: tropical; rainy, warm, cloudy southwest monsoon (mid-May to September); dry, cool northeast monsoon (November to mid-March); southern isthmus always hot and humid
- ◆ Terrain: central plain; Khorat Plateau in the east; mountains elsewhere
- ◆ Elevation extremes: lowest point: Gulf of Thailand 0 m; highest point: Doi Inthanon 2,576 m
- ◆ Natural resources: tin, rubber, natural gas, tungsten, tantalum, timber, lead, fish, gypsum, lignite, fluorite, arable land

Infrastructure

- ◆ Railways: total: 3,940 km; narrow gauge: 3,940 km 1.000-m gauge (99 km double track)
- ◆ Highways: total: 64,600 km; paved: 62,985 km; unpaved: 1,615 km (1996)
- ◆ Waterways: 4,000 km; note: 3,701 km are navigable throughout the year by boats with drafts up to 0.9 meters; numerous minor waterways serve shallow-draft native craft
- ◆ Pipelines: petroleum products 67 km; natural gas 350 km
- ◆ Ports and harbors: Bangkok, Laem Chabang, Pattani, Phuket, Sattahip, Si Racha, Songkhla
- ◆ Merchant marine: total: 294 ships (1,000 GRT or over) totaling 1,845,972 GRT/2,923,914 DWT; ships by type: bulk 36, cargo 133, chemical tanker 3, combination bulk 1, container 14, liquefied gas 20, multi-functional large-load carrier 3, passenger 1, petroleum tanker 61, refrigerated cargo 13, roll on/roll off 2, short-sea passenger 2, specialized tanker 5 (estimated in 2000)
- ◆ Airports: 110 (estimated in 2000)
- ◆ Airports – with paved runways: total: 59; over 3,047 m: 6; 2,438 to 3,047 m: 11; 1,524 to 2,437 m: 21; 914 to 1,523 m: 17; under 914 m: 4 (estimated in 2000)
- ◆ Airports – with unpaved runways: total: 51; 1,524 to 2,437 m: 1; 914 to 1,523 m: 16; under 914 m: 34 (estimated in 2000)
- ◆ Heliports: 2 (estimated in 2000)

Economy – basic facts

◆ Overview

After enjoying the world's highest growth rate from 1985 to 1995 – averaging almost 9 per cent annually – increased speculative pressure on Thailand's currency in 1997 led to a crisis that uncovered financial sector weaknesses and forced the government to float the baht. Long pegged at 25 to the dollar, the baht reached its lowest point of 56 to the dollar in January 1998 and the economy contracted by 10.2 per cent that same year. Thailand entered a recovery stage in 1999, expanding 4.2 per cent and grew about the same amount in 2000, largely due to strong exports – which increased about 20 per cent in 2000. An ailing financial sector and the slow pace of corporate debt restructuring, combined with a softening of global demand, is likely to slow growth in 2001.

- ◆ GDP: purchasing power parity – US\$ 413 billion (estimated in 2000)
- ◆ GDP – real growth rate: 4.2% (estimated in 2000)
- ◆ GDP – per capita: purchasing power parity – US\$ 6,700 (estimated in 2000)
- ◆ GDP – composition by sector: agriculture: 13%; industry: 40%; services: 47% (1999)
- ◆ Inflation rate (consumer prices): 2.1% (estimated in 2000)
- ◆ Unemployment rate: 3.7% (estimated in 2000)
- ◆ Budget: revenues: US\$ 19 billion; expenditures: US\$ 21 billion, including capital expenditures of US\$ n/a (estimated in 2000)
- ◆ Industries: tourism; textiles and garments, agricultural processing, beverages, tobacco, cement, light manufacturing, such as jewelry; electric appliances and components, computers and parts, integrated circuits, furniture, plastics; world's second-largest tungsten producer and third-largest tin producer
- ◆ Industrial production growth rate: 3% (estimated in 2000)
- ◆ Exports: US\$ 68.2 billion (f.o.b., estimated in 2000)
- ◆ Exports – commodities: computers and parts, textiles, integrated circuits, rice
- ◆ Exports – partners: United States 22%; Japan 14%; Singapore 9%; Hong Kong, China 5%; Netherlands 4%; Malaysia 4%; United Kingdom 4% (1999)
- ◆ Imports: US\$ 61.8 billion (f.o.b., estimated in 2000)
- ◆ Imports – commodities: capital goods, intermediate goods and raw materials, consumer goods, fuels
- ◆ Imports – partners: Japan 26%, United States 14%, Singapore 6%, China 5%, Malaysia 5%, Taiwan Province of China 5% (1999)
- ◆ Debt – external: US\$ 90 billion (estimated in 2000)
- ◆ Economic aid – recipient: US\$ 131.5 million (estimated in 1998)

1998 vs. 1999 automotive summary

- ◆ Passenger car production/assembly increased by 44,500 units or 13%
- ◆ Commercial vehicles production/assembly increased by 124,500 units or 10%
- ◆ Overall production/assembly increased by 169,100 units or 11%

Motor vehicle industry/market snapshot

Thailand's reforms have been described in chapter 1 as a model case in South-East Asia. However this has not greatly assisted the local market. Like other South-East Asian markets, Thailand is a commercial vehicle market more than a car market. Current projections put the total market even in 2004 at less than pre-crisis levels. However, the drop in value of the baht has made Thailand an ideal center for manufacturing for export. Thailand and the companies that have invested there have been unable to fully exploit this because of depressed automotive markets in the neighbouring countries.

Production

Table 2.91. Automobile production trend (fiscal year)
(number)

Category	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999
MCVs and HCVs	65 975	102 002	129 651	155 696	95 854	80 528
LCVs	75 461	92 997	87 786	84 855	65 040	55 363
Total CVs	141 436	194 999	217 437	240 551	160 894	135 891
Cars	209 695	264 368	348 240	407 539	401 002	390 709
MUVs	49 896	49 371	106 251	134 583	134 653	113 328
Total cars and MUVs	259 591	313 739	454 491	542 122	535 655	504 037
Total four-wheelers	401 027	508 738	671 928	782 673	696 549	639 928
Scooters	833 802	1 030 803	1 224 889	1 312 920	1 279 467	1 315 055
Motorcycles	461 955	647 521	809 087	988 233	1 125 958	1 387 286
Mopeds	460 398	516 936	622 041	678 074	667 242	672 167
Total two-wheelers	1 756 155	2 195 260	2 656 017	2 979 227	3 072 667	3 374 508
Three-wheelers	91 608	133 193	176 413	221 619	234 867	209 033
Grand Total	2 248 790	2 837 191	3 504 358	3 983 519	4 004 083	4 223 469

Notes: MCVs – medium commercial vehicles;
LCVs – light commercial vehicles;
MUVs – multi-utility vehicles.

HCVs – heavy commercial vehicles;
CVs – commercial vehicles;

Sales

Diagram 2.92. Vehicle sales in Thailand

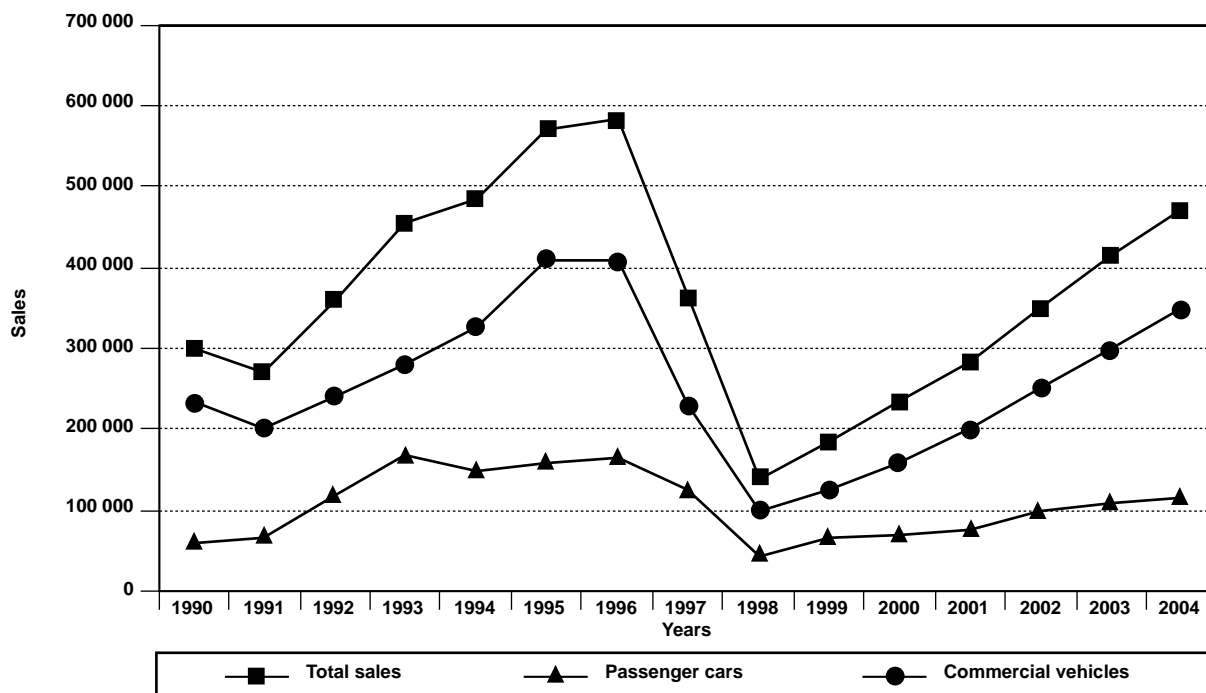
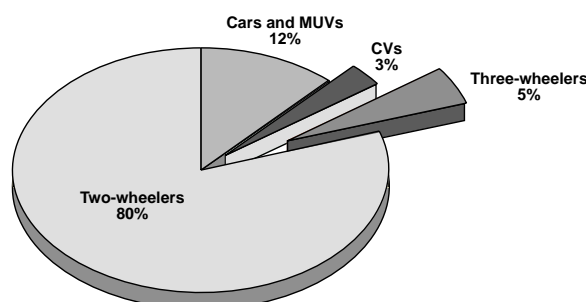


Table 2.93. Sales by manufacturer, 1999

Manufacturer	1999	Manufacturer	1999
Passenger cars		Commercial vehicles	
BMW	2 156	Chrysler	672
Daewoo	772	Ford	7 657
Ford	2	GM/Opel	147
Volvo	932	Honda	3 941
Total Ford	934	Kia	701
GM/Opel	149	Isuzu	50 272
Honda	20 983	Mazda	3 927
Hyundai	1 834	Mitsubishi	15 860
Kia	14	Nissan	13 672
Total Hyundai	1 848	Suzuki	993
Isuzu	530	Hino	2 788
Mazda	633	Toyota	50 501
Mercedes	909	Total Toyota	53 289
Mitsubishi	4 490	Other	971
Nissan	7 895	Total CVs	152 102
Peugeot	1 775	Total vehicles	219 024
Toyota	22 905		
Volkswagen	342		
Other	901		
Total cars	66 922		

Source: Ward's World Motor Vehicle Data 2000 (WardsAuto.com).

Diagram 2.94. Market share of sales (1998-1999)

Table 2.95. Automobile sales trend (inclusive of exports) (fiscal year)
(number)

Category	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999
MCVs and HCVs	76 245	103 717	128 341	151 117	94 131	83 234
LCVs	74 534	94 863	87 297	84 626	63 767	56 331
Total CVs	150 779	198 580	215 638	235 743	157 898	139 565
Cars	210 672	264 803	345 340	411 375	417 720	409 966
MUVs	49 478	51 072	104 260	134 360	133 302	111 710
Total cars and MUVs	260 150	315 875	449 600	545 735	551 022	521 676
Total four-wheelers	410 929	514 455	665 238	781 478	708 920	661 241
Scooters	833 321	1 033 538	1 222 649	1 301 051	1 262 699	1 325 868
Motorcycles	469 009	652 032	809 527	978 682	1 131 314	1 395 657
Mopeds	461 228	523 700	626 112	683 756	648 842	681 902
Total two-wheelers	1 763 558	2 209 270	2 658 288	2 963 489	3 042 855	3 403 427
Three-wheelers	90 704	133 288	177 055	220 436	233 733	210 220
Grand total	2 265 191	2 857 013	3 500 581	3 965 403	3 985 508	4 274 888

Table 2.96. Market share of sales
(percentage)

Category	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999
MCVs and HCVs	3.37	3.63	3.67	3.81	2.36	1.95
LCVs	3.29	3.32	2.49	2.13	1.60	1.32
Total CVs	6.66	6.95	6.16	5.94	3.96	3.27
Cars	9.30	9.27	9.87	10.37	10.48	9.59
MUVs	2.18	1.79	2.98	3.40	3.34	2.61
Total cars and MUVs	11.48	11.06	12.85	13.77	13.82	12.20
Total four-wheelers	18.14	18.01	19.01	19.71	17.78	15.47
Scooters	36.79	36.18	34.93	32.81	31.68	31.02
Motorcycles	20.71	22.82	23.13	24.68	28.39	32.65
Mopeds	20.36	18.33	17.89	17.24	16.28	15.95
Total two-wheelers	77.86	77.33	75.95	74.73	76.35	79.62
Three-wheelers	4.00	4.67	5.06	5.56	5.86	4.92
Grand Total	100.00	100.00	100.00	100.00	100.00	100.00

Import/Export

Table 2.97. Automobile exports (fiscal year)
(number)

Category	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999
MCVs and HCVs	5 884	7 813	8 560	7 194	5 872	4 544
LCVs	6 509	8 069	6 995	7 054	8 212	5 564
Total CVs	12 393	15 882	15 555	14 248	14 084	10 108
Cars	16 067	20 406	28 851	37 232	29 705	25 464
MUVs	2 853	3 736	2 987	2 473	3 288	2 654
Total cars and MUVs	18 920	24 142	31 838	39 705	32 993	28 118
Total four-wheelers	31 313	40 024	47 393	53 953	47 077	38 226
Scooters	16 538	23 197	23 106	26 236	30 267	28 753
Motorcycles	16 273	31 569	48 596	50 353	45 338	35 461
Mopeds	44 298	62 863	42 269	48 542	49 899	35 788
Total two-wheelers	77 109	117 629	113 971	125 131	125 504	100 002
Three-wheelers	11 085	24 941	32 214	21 973	18 595	21 138
Grand Total	119 507	182 594	193 578	201 057	191 176	159 366

Automotive policy/government policies and programmes

Current automotive policies are as follows:

1. The limitation of a number of automotive firms was abolished. Consequently, new automotive companies enjoy free entry into the automotive industry.
2. The Board of Investment may grant rights and privileges for the production of automotive assemblies, and automotive parts.
3. Incentive measures for automotive exports are as follows:
 - ◆ Tax reimbursements on imported materials for export production, as regulated in article 19 of the Customs Act
 - ◆ Tax redemption on exported parts and vehicles, as announced by the Ministry of Finance
 - ◆ Tax reduction on imported materials, as regulated in article 30 of the Investment Promotion Act, by redemption of import duty
 - ◆ Permission given in order to establish stock warehouse and import-tax exemption for imported materials
 - ◆ Export Promotion Zone (EPZ) was founded, in order to help exporters on governmental procedures, including financial matters.
 - ◆ Cooperation among ASEAN countries was encouraged, especially on industrial matters, such as ASEAN Industrial Cooperation scheme (AICO) and brand-to-brand complementation (BBC).
 - ◆ Free Trade Zone Area (FTZ) was established in order to support export-related investments in terms of customs procedures, including production, trade and services. Import and export tax exemption was also introduced.