Deutsche Bank Research

ASEAN auto market

Growing in the shadow of China and India

September 29, 2011

The member countries of ASEAN (Association of Southeast Asian Nations) are characterised by strong economic growth. In both 2011 and 2012 these countries are set to post real GDP growth rates of more than 5%, following an 8% increase in 2010.

Three countries dominate the ASEAN auto market: Thailand, Indonesia and Malaysia. They account for more than 90% of motor vehicle output, for example. Their share of unit sales in 2010 came to 86%. The average car density in the ASEAN countries is 44 cars per 1,000 inhabitants (by way of comparison: Germany: 509; China: 30; India: 12). This indicates the grand scale of pent-up demand in the region.

Since the Asian crisis of 1997/98 the auto industry in the ASEAN region has built up a huge head of steam. Unit vehicle production in the ASEAN countries (cars and trucks) expanded by an average of more than 18% per year between 1998 and 2010; unit vehicle sales averaged annual growth of no less than 14%. In absolute terms, the ASEAN group of nations thus ranks above the UK and Russia and not far behind India.

Car ownership in the ASEAN market could rise from some 26 million vehicles at last count to nearly 40 million by 2015. Annual sales would then be in the region of 2.7 million cars. Annual growth in unit car sales would thus average more than 10% between 2010 and 2015. By 2020 the number of cars on ASEAN roads may have risen to about 55 million. Average car density in the ASEAN countries would then exceed 80 cars per 1,000 inhabitants. More than 3.7 million cars would be sold each year on average. Output of cars and trucks in the ASEAN region will double to over 6 million units by 2020.

German automakers currently account for just 1% of unit sales in the ASEAN countries. This is due in part to the high import tariffs of up to 80%. By training a stronger strategic focus on the region – accompanied by a liberalisation of trade – German firms could benefit more handsomely from the growth in the ASEAN auto market than has hitherto been the case. The EU should therefore push hard to boost free trade with the region. Since the countries with their own vehicle manufacturing facilities will continue endeavouring to protect their local industry, one answer could be for foreign automakers to expand their own local factories.

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Introduction

Developments in the world's biggest auto markets ...

The automobile markets in China, the US and the EU have been the focus of industry attention in recent times: China has developed into the biggest automobile market in the world and recorded high growth rates even during the global recession. In the US, by contrast, the crisis in the auto industry, which automakers partly brought upon themselves by giving rebates and misjudging car buyers' tastes, threatened the sector's very existence. In the meantime the US auto market has returned to the growth track. Furthermore, the European auto market has been marked of late by contrasting fortunes, which are the consequence of, among other things, the differing economic conditions and stimulus packages that take effect with different time lags.

... put growth in the ASEAN states in the shade

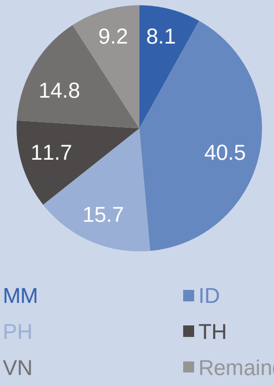
Masked by these developments in the major auto markets, the automobile industry in the ASEAN countries has expanded rapidly over the last few years. The growth potential of the ASEAN auto market and its now very major absolute importance for the industry warrant a more detailed analysis. In the following report we examine which opportunities the ASEAN nations harbour for the automobile industry and in particular German automakers.

ASEAN: Varied group of countries with high growth rates

When ASEAN was founded in 1967 one of its stated objectives was to promote closer economic and political cooperation. The five founding members were Indonesia, Malaysia, the Philippines, Singapore and Thailand (ASEAN-5). Over the years five other nations joined them as ASEAN members: Brunei (1984), Vietnam (1995), Laos and Myanmar (both in 1997) and Cambodia (1999). Today the ASEAN nations have a combined population of nearly 600 million. By establishing AFTA (ASEAN Free Trade Area) it has succeeded in reducing the tariffs on the overwhelming majority of goods traded within AFTA to a level of between 0% and 5%.

Indonesia is the biggest country within ASEAN

Breakdown of ASEAN population* (%), 2010



* Total population: 592.3 million

* * Brunei, Cambodia, Laos, Malaysia, Singapore.

Sources: UN World Population Prospects 1

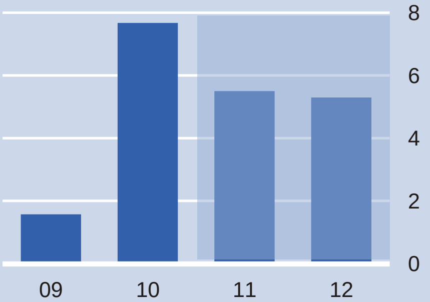
The ASEAN nations are a very diverse group with regard to their levels of prosperity, country size, and political and economic structures. The city-state of Singapore, for example, is one of the wealthiest nations on Earth in terms of GDP per capita. At the lower end of the scale come Myanmar and Cambodia, which are among the poorest nations in Asia. ASEAN's four most populous countries are home to over 80% of all the grouping's inhabitants. Finally, there are also considerable differences between the economic and political systems in the ASEAN states: they range from open, democratic, market economies with a service sector that accounts for a high share of activity to predominantly agricultural nations run by military governments and then on to "socialist market economies" in which elements of central planning play an important role.

Rapid economic growth in common

ASEAN countries are currently characterised by quite strong economic growth. Even in 2009, the year of the global recession, the ASEAN economies grew by 1.6% in real terms, although individual countries (such as Thailand, Malaysia and Singapore) were forced to swallow a contraction in their economic output. In 2010 real GDP of the ASEAN countries increased nearly 8%. And in 2011 and 2012 we expect annual increases of more than 5%, with individual countries posting growth rates ranging between some 3% and 7% this year and next year.

ASEAN growing fast

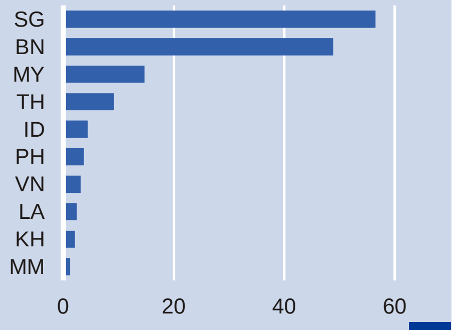
Change in real GDP in ASEAN nations (%), yoy



Source: DB Research 2

Prosperity in ASEAN region varies widely

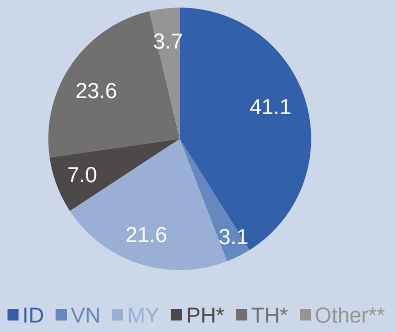
GDP per capita at PPP (USD '000), 2010



Source: IMF **3**

Car ownership is highest in Indonesia

Cars on the road*** in ASEAN countries, 2009

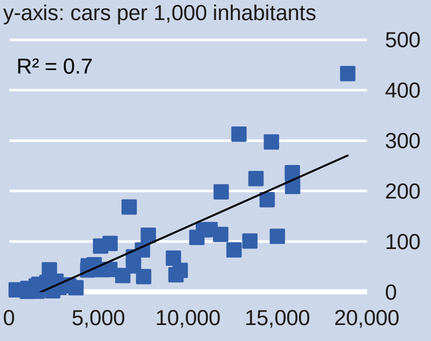


* As of 2010
** Brunei, Cabodia, Laos, Myanmar, Singapore
*** Total number of vehicles: 42.8 million

Source: VDA **4**

More cars in rich countries*

x-axis: GDP per capita at PPP (USD '000)
y-axis: cars per 1,000 inhabitants



* Calculation based on 50 developing countries and emerging markets including ASEAN states (excluding Singapore and Brunei).

Sources: IMF, VDA, DB Research **5**

Auto markets in the individual ASEAN nations also vary

The diversity of the ASEAN countries is reflected in the size of the individual markets and in the importance of cars as a means of transport. In 2010 over 90% of vehicles (cars and trucks) produced in the ASEAN states came from just three countries: Thailand, Indonesia and Malaysia. They generated unit sales representing 86% of the entire market. The remaining countries, which are home to no less than 43% of ASEAN's residents, have hitherto been largely irrelevant. What is striking is that trucks are very important in the ASEAN countries compared with the established motoring nations. In 2010 trucks constituted around 46% of vehicle production and 36% of unit sales (by comparison in Germany the respective figures were 6% and 8%). In Thailand the corresponding figures were both above 50%: pick-ups, which are classified as trucks, are traditionally taxed more favourably than conventional passenger cars in Thailand.[1] Overall, cars continue to play only a minor role as an everyday mode of transport.

Malaysia is the country with the highest car density in the ASEAN group. However, the car density there is still lower than in Eastern Europe's EU member states and is vastly different from the levels in Western industrialised nations. Singapore follows a long way behind in second place.[2] This very low figure for the rich city-state comes as a surprise at first glance. It can, however, be explained by the fact that both purchasing and using cars in Singapore are made more costly and hindered by the cost of licences, taxes and road usage tolls, for example. Since the public transport system in Singapore also operates smoothly, there is little incentive to own a car. If Singapore is excluded from the calculations, car density is closely correlated with the respective GDP per capita. Moreover, this even applies if this correlation is calculated for a larger group of developing countries and emerging markets (see chart). In the poorer ASEAN nations the car density is roughly as high as that in China or India; this indicates the huge pent-up demand across the whole region. Average car density in the ASEAN countries at last count was around 44 cars per 1,000 inhabitants (Germany: 509). Car density in the ASEAN states thus tallies very closely with that in countries with similar income levels, as the above-mentioned correlation has already indicated.

ASEAN auto market is growing fast …

The Asian crisis of 1997/98 led to significant declines in the production and sales of new vehicles in the ASEAN nations; the lows of 1998 are the measurable outcome of this crisis. Since then the industry in the region has been booming: unit vehicle production in the ASEAN countries (cars and trucks) expanded between 1998 and 2010 by an average of more than 18% per year; unit motor vehicle sales grew by an average of no less than 14% per year.[3]

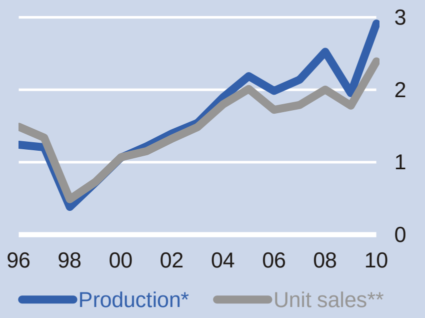
The automobile industry in the region did, though, feel the effects of the economic crisis of 2009, with marked declines in vehicle output

[1] See International Trade Administration (2010). ASEAN Automotive Market. Washington.

[2] The reported car density for the Sultanate of Brunei at the start of 2009 was 670 per 1,000 inhabitants; in the preceding years, however, levels of close to 400 were reported. The jump by around 300 cars per 1,000 inhabitants in the space of one year is something we cannot explain based on the available data, which is why we have omitted Brunei from these statistics.

[3] The long-term view is based only on those ASEAN countries for which the required data has been recorded since the mid-1990s (see chart).

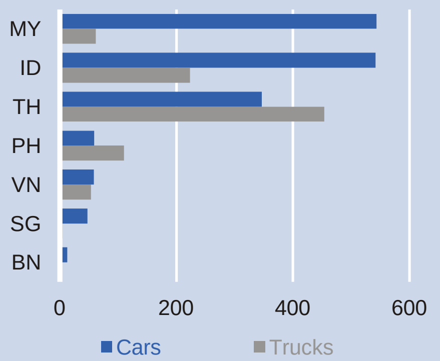
Production and unit sales at record levels
Vehicle production and unit sales in ASEAN nations (million)



* Indonesia, Malaysia, Thailand
** Indonesia, Malaysia, Philippines, Singapore, Thailand

Sources: AAF, JAMA, VDA 6

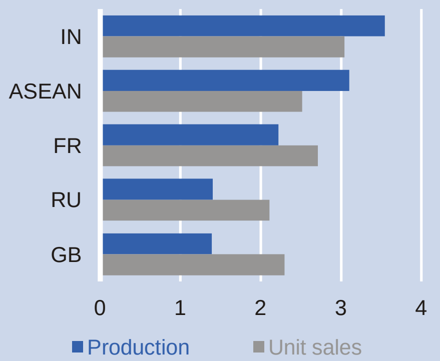
Three dominant markets
Unit vehicle sales in ASEAN nations* ('000), 2010



* For the other states there are no data available.

Source: AAF 7

ASEAN auto market respectably sized
Vehicle production and unit sales in selected countries (million), 2010



Sources: AAF, VDA 8

(down 22.6%) and sales (down 11%). The upturn that followed this recession was, however, so strong that in 2010 the previous records had already been bettered by 15% (production) and 19% (unit sales). The boom was partly stimulated by government incentives to buy cars.

The success story is likely to continue in 2011: in the first seven months of 2011 production was 4% higher and unit sales were 8% higher than during the corresponding period in 2010. From April to June of the current year, though, the ASEAN region saw production hit hardest, but also saw sales dampened by the impact of the catastrophic earthquake that struck Japan in March 2011. Japanese manufacturers do, after all, have many production facilities in the region (see below). The earthquake partly disrupted the supply of intermediate products from Japan to these factories, which resulted in some lost production. Assuming that the delivery difficulties are only temporary in nature, output and unit sales of new vehicles in the ASEAN countries could grow by a double-digit amount in 2011; the big markets Indonesia and Thailand should do better than Malaysia and the Philippines. In 2012 production and sales can be expected to increase by a high single-digit percentage amount thanks to the generally positive economic environment in the ASEAN region. Those countries hit harder in 2011 by supply issues resulting from the earthquake (for example Malaysia and the Philippines) could post stronger growth again next year.

… and is almost as important as the Indian auto market

The continuing rapid growth of the ASEAN auto market has resulted in the region becoming a significant player in the global automobile industry in absolute terms. More motor vehicles were sold in ASEAN countries in 2010 than in Russia or the UK, for instance. Vehicle production in the region is also higher than in the UK or Russia as well as outshining France. The ground to make up to match the Indian auto market, which has also expanded rapidly in recent years, is relatively small. Within the ASEAN group Thailand produces the largest number of vehicles, whereby a major share of domestic output (around 40%) is exported.

Of course such a comparison of markets purely according to unit size is only of limited meaning since the vehicles that are sold in France or the UK, for instance, are on average more costly than those in the ASEAN nations; also the figures above include both cars and trucks. In the end, however, what does become clear is that the region already plays an important role for the auto industry.

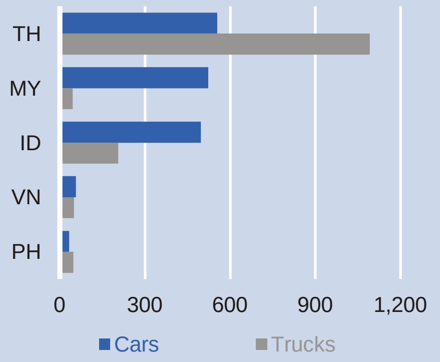
Japanese firms dominate

The ASEAN auto market has been dominated by Japanese automakers up until now. Their shares of local auto production and also of unit sales of new vehicles in Indonesia and Thailand were both over 80%. In the smaller ASEAN countries, too, it is mostly Japanese firms that top the production and unit sales rankings. Among the primary reasons for this are a series of bilateral trade relations between Japan and individual ASEAN states that have facilitated Japanese firms' entry into these respective markets.[4] Malaysia is the only ASEAN country in which the dominance of Japanese manufacturers has been broken by domestic manufacturers. In Malaysia the two domestic marques (Perodua and

[4] See Verband der Automobilindustrie (publ., 2009). Perspektiven für die Automobilindustrie in den ASEAN-Staaten. Materialien zur Automobilindustrie 41. Frankfurt am Main.

Production highest in Thailand

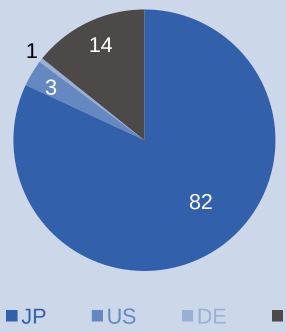
Vehicle production in ASEAN nations ('000), 2010



Source: AAF **9**

Japanese companies dominant in Thailand

Companies' share of car production* in Thailand by country of origin, 2010, %

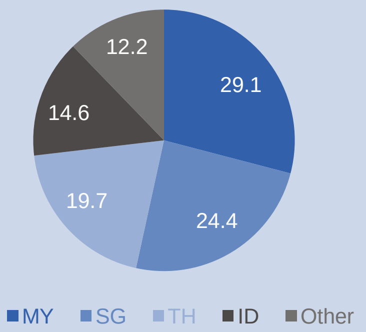


* Total output: 554,387

Source: VDA **10**

Malaysia is biggest export market

Exports of factory-new cars from Germany to ASEAN countries, 2010



Total exports to ASEAN: 42,620 units

Source: VDA **11**

Proton) accounted for 60% of local production and unit sales in 2010. The establishment of these brands was supported by the Malaysian government, and to this day the companies enjoy protection from foreign competition thanks to high import tariffs. Outside Malaysia the brands are largely unknown.

Korean manufacturers have significant market share in terms of unit sales in certain countries (Singapore, Vietnam and the Philippines), but as producers are still thin on the ground. German (European) and also US automakers have hitherto been minor players in the ASEAN car market. Their market shares of auto production and unit sales in the region are mostly in the low single-digit percentage range, even though German automakers are managing to register successes in the currently still small luxury segment. For instance, the German brands' share of unit auto sales in rich Singapore is considerably higher than in other ASEAN nations.

German carmakers own a few smallish assembly plants in the region. The work carried out at these plants includes the reassembly of vehicle kits prefabricated in Germany into finished automobiles (so-called CKD production; CKD = completely knocked down). This enables them to avoid what are in some cases high import tariffs or to satisfy the local content requirements of the respective governments (part of the value chain has to be located in the foreign market where the vehicle is sold). US carmakers are represented in the region both with their own brands as well as via joint ventures with other automakers (e.g. between Isuzu and General Motors).

In tandem with the growth of the automakers, the autoparts makers have managed to expand their own production in the ASEAN region over recent years. Both local suppliers and companies from traditional carmaking nations like Japan, Germany or the US have a local presence. The low labour costs in the region constitute one major advantage for the ASEAN area. Also, the proximity to the customer is a factor, especially as the size of the market justifies local manufacturing.

ASEAN: Small export market for German manufacturers

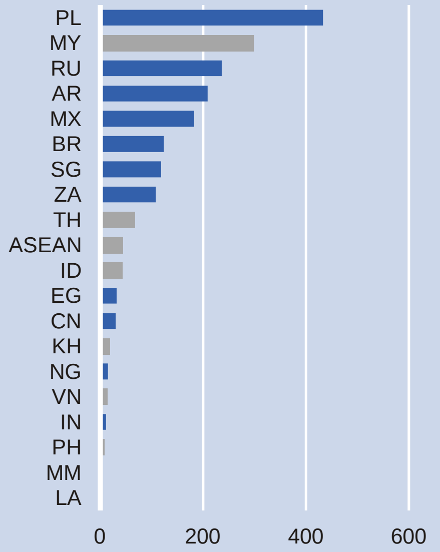
The ASEAN states have hitherto been of little significance for German automakers as export markets. In 2010 just 1% of all exported German passenger cars went to those countries.[5] The high import tariffs and taxes imposed on foreign vendors in the ASEAN countries are key reasons why this is the case. In addition, the region is evidently not yet really a focal market in the strategy of the German automotive industry. Among other things, this is probably because other aspiring economies (e.g. China, India) are regarded as offering even greater growth potential and that penetrating these markets ties up a great deal of management capacity. In 2010 nearly 75% of all car exports from Germany to the ASEAN region went to Malaysia, Singapore and Thailand.

ASEAN offers good growth opportunities

Unit auto sales in the ASEAN region will continue growing in the coming years. This is suggested by the favourable economic environment, which goes hand in hand with rising disposable household incomes, the growing population in the region and the huge pent-up demand with regard to individual mobility that is documented by the low car density. In emerging markets cars are

5 The figure is based on statistics provided by the German Association of the Automotive Industry (VDA). The export figures include CKD deliveries, but not German-badged vehicles manufactured in foreign locations using German parts.

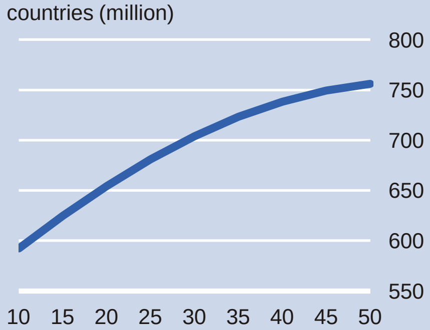
Car density indicates pent-up demand
Cars per 1,000 inhabitants in selected countries (2009 or 2010 data)



ASEAN states (excluding Brunei) shown in grey.

Source: VDA 12

Population growing
Population development in the ASEAN countries (million)



Sources: UN World Population Prospects 13

Indonesia, Thailand and Malaysia to remain the biggest auto markets over long term as well

typically among the products that people are more inclined to purchase as they become more prosperous. In addition, the region is making efforts to expand its road infrastructure, which could allow private transport to truly press home its advantages. For instance, the ASEAN Highway Network Project comprises a total of 23 priority projects spanning more than 38,000 kilometres of highways that are to be modernised by 2020.[6]

The car density in the ASEAN countries was 44 cars per 1,000 inhabitants at last count. In the middle of the last decade it was just 27 cars; the car density has thus increased by an average of around 10% per year during this period. Based on various scenarios and assumptions about the development of car density, the average lifespan of the cars and population growth in the ASEAN states we have made projections of the number of cars on the road in these countries for the years 2015 and 2020 and derived average annual sales figures for new vehicles in the region. We have only looked at the passenger car segment since it benefits more strongly from rising consumption and the vast pent-up demand and is more relevant for German automakers. We have also investigated the plausibility of the outlined car density development with our medium-term GDP growth forecast for the ASEAN countries: the ratio of expected car density to future GDP per capita tallies well with the correlation between the two variables calculated in chart 5.

Car ownership to rise to nearly 40 million by 2015 – sales growth of more than 10% per year

According to what we regard as the most probable scenario, the total number of cars on ASEAN roads should climb from around 26 million at last count to slightly below 40 million by 2015 – i.e. by nearly 50%. This would correspond to an average annual growth in unit car sales between 2010 and 2015 of more than 10%. Annual car sales would then be of the order of 2.7 million units.

By 2020 – the ASEAN countries would then be home to over 50 million more people than today – the number of cars in use could have risen to around 55 million. The average car density in ASEAN countries would then be over 80 cars per 1,000 inhabitants – and thus twice as high as today, but still a long way away from the level of the industrial countries. Average annual unit car sales would come to a good 3.7 million. Between 2015 and 2020 the average growth rate in car sales compared with the first half of the decade would decline to around 7% p.a. In this scenario the ASEAN auto market would overtake the German car market in the second half of the current decade in terms of unit car sales and the number of cars on the road.[7]

On a regional perspective it is to be expected that average growth rates in unit car sales will be higher than the ASEAN average in those states where economic growth is highest, the pent-up demand is particularly high and/or where economic liberalisation will give the national economy an additional boost (e.g. Vietnam and Indonesia). Also the young and still very poor ASEAN countries (e.g. Cambodia, Laos) may achieve above-average growth rates in vehicle sales, but in volume terms they are relatively insignificant. In any case in ten

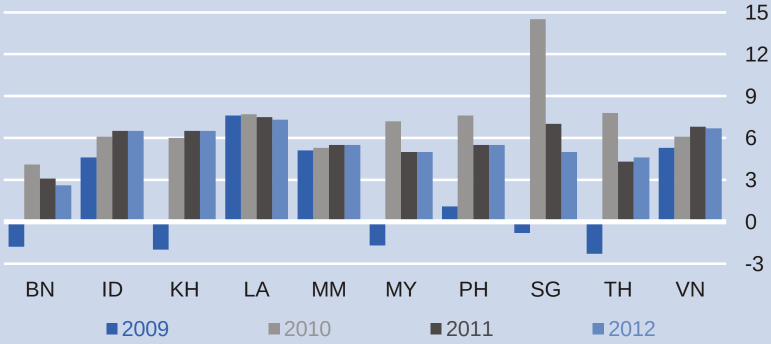
[6] See Asian Development Bank Institute (2009). Infrastructure Development for ASEAN Economic Integration. ADBI Working Paper 138. Tokyo.

[7] The projected development will not occur in a linear fashion; instead, cyclical influences will lead to deviations from the projected average annual growth rate to the upside and the downside. In any case “young” markets are more volatile than markets where vehicle ownership is already high.

years' time Indonesia, Thailand and Malaysia will still be the biggest auto markets in the ASEAN group in absolute terms.

Relatively uniform growth

Change in real GDP yoy (%)



Source: DB Research

14

Demand is mainly for small and midsize vehicles

Expanding local production and joint ventures with local firms are potentially successful strategies

Small and midsize vehicles are likely to constitute the overwhelming share of the cars sold in the ASEAN countries since most customers – including many first-time buyers – cannot afford high-priced vehicles. German companies could also become bigger players in these segments than they have been to date, if they bolster their own local manufacturing, cooperate more closely with local suppliers or firms from "third countries" (e.g. China) and/or adapt the offering to local consumer preferences, for example in terms of the equipment or body shape of the cars. It is, however, unlikely to be a promising strategy to enter the fiercely contested market for low-budget cars with established (German) brands. That is because in this segment it is normal for compromises to be made on vehicle comfort or safety; brand dilution would be inevitable. Besides, many ASEAN nations have large markets for pick-ups (e.g. Thailand) or minibuses that are used for private or commercial purposes (e.g. Indonesia).

At the other end of the scale there will be a small but also fast-growing market for vehicles in the executive and luxury segment where German carmakers can capitalise on their preeminence. For the companies concerned in this segment cooperating with local partners could make sense, primarily to facilitate market entry and less for technological reasons.

Assuming that German manufacturers succeed in boosting their share of the ASEAN market (via their own brands or joint ventures) to 5% by 2020, potential sales would amount to around 185,000 cars per year; in 2010 only a good 40,000 such cars were sold there. By comparison, German automakers exported around 200,000 cars to Spain in 2010. In the Indian auto market, too, German manufacturers have taken just a few years to boost their share of unit passenger car sales from 1.5% (2008) to around 5% at last count.

Motor vehicle production in ASEAN states to double by 2020

Vietnam has good prospects

Auto production in the ASEAN countries will also rise sharply over the next few years, with the three nations that already account for the largest shares of production (Thailand, Indonesia, Malaysia) also retaining their leading positions in the long term. Vietnam's low wage costs, favourable geographical location and economic opening provide the country with a good chance of closing the gap to the leading nations, as it will become more interesting for foreign direct investments. There are three main reasons why auto production is expected to grow in the ASEAN countries:

1. Local demand is rising.
2. High import tariffs (e.g. 80% in Thailand, 40% in Indonesia), additional taxes on imported vehicles or local content requirements make local production more lucrative for foreign automakers.[8] The import tariffs on CKD kits in Indonesia for instance are just 10%.
3. Wage costs are low primarily in the young ASEAN countries (e.g. Vietnam). In the medium term (under a liberal trade regime) the facilities could be used to service non-ASEAN markets and/or to operate as a facility in the regionally and globally interconnected automotive value chain; this would also be of great significance for autoparts suppliers.

Auto production to climb above 6 million vehicles by 2020

By the end of the current decade unit auto production (cars and trucks combined) in the ASEAN states may well have doubled to more than 6 million. The increase in output in the ASEAN nations will benefit the autoparts industry. Whether German companies expand their own capacities locally will also depend on how quickly import tariffs and any non-tariff trade barriers are dismantled.

Obstacles: Trade barriers, infrastructure, energy prices

Import tariffs being dismantled only slowly

The ASEAN group as a whole is the third most important trading partner for the EU after the US and China. In turn, the EU is the second most important trading partner for the ASEAN nations after China. And the EU is the biggest foreign investor in the ASEAN countries. Despite their major significance for each other limited progress has been made towards liberalising trade between the two regions. The negotiations about a free trade agreement which commenced in the middle of the last decade were suspended in 2009. Instead, the EU is now focusing more on bilateral agreements with individual ASEAN states (first Singapore, then Malaysia and Vietnam).[9] A reduction in import tariffs on autos in the ASEAN countries would benefit the German automotive industry including suppliers. This is, however, unlikely in the short term as countries with their own automaking facilities will seek to protect their local industries; the free trade agreement with China also contains exemption clauses for automobiles, for instance. This constitutues a barrier to market entry for German automakers. Liberalising the trade in motor vehicles between the EU and the ASEAN countries will take many years. Expanding production locally could be one approach. The EU should campaign for more free trade with the ASEAN states, not least in order to bolster domestic value creation.

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[8] The stated import tariffs apply to imports from the EU, according to the EU's Market Access Database. In 2010 a free trade agreement was concluded between China and six ASEAN states (ACFTA), which among other things included a reduction in the tariff level as well as the easing of investment conditions. Exemptions apply to motor vehicles, however, for the time being, i.e. high import tariffs still apply to cars made in China. See Matthes, Jürgen et al. (2010). ASEAN plus China: Verliert die EU den Anschluss? Bilaterale Handelsabkommen der EU auf dem Prüfstand. DGAP Analyse. Berlin.

[9] This is also occurring in an environment where there is the impression that trade has been liberalised between China and six ASEAN countries and that negotiations have not been successful at the WTO level (Doha Round). See Deutsch, Klaus (2011). Doha or Dada: The world trade regime at an historic crossroads. Deutsche Bank Research. Current Issues. Frankfurt am Main.

Regardless of trade barriers there are other factors that can stifle growth in the automotive industry in the ASEAN nations. They include bottlenecks in expanding the (urban) road infrastructure: many cities in the region are already chronically overcrowded – although car density is low. If two-wheelers are increasingly replaced by cars, the situation will become even more acute without corrective action; in 2010 sales of two-wheeled motor vehicles were more than six times higher than car sales in the ASEAN countries. In order to limit traffic jams tolls could be imposed more frequently in future especially in cities, or else a restrictive parking regime or even temporary driving bans could be introduced. Outside the cities many of the road surfaces are poor, which explains the large share of pick-ups and all-wheel-drive vehicles. Financing newer and better roads and other infrastructure represents a major challenge for governments. Another obstacle to increasing motorisation in the ASEAN countries could be rising fuel prices. Although in some countries in the region the prices of petrol and diesel are low, due in part to low taxes and/or because the country has its own oil deposits (e.g. Malaysia, Brunei), oil prices will continue to climb in future. Especially for households with low incomes this can mean having to do without their own car or delaying the purchase.

Expanding the infrastructure is a major challenge

Conclusion: ASEAN is gaining importance as a manufacturing location and as a market for auto sales

Training a stronger strategic focus on the ASEAN countries enables German companies to derive more benefit from growth there

The ASEAN countries offer major opportunities for the global automotive industry on account of their high population growth, rising incomes and huge pent-up demand. German companies still barely have a presence there. By training a stronger strategic focus on the region – accompanied by a liberalisation of trade – German firms could benefit more handsomely from the growth in the ASEAN auto market. Distinctions should be drawn when looking at the region. If German companies primarily wish to service local demand and avoid import tariffs, then it is worth carrying out local manufacturing primarily in the heavily populated and/or already important auto markets among the ASEAN countries (i.e. Thailand, Indonesia and Malaysia). With increasing trade liberalisation these markets could be more easily served via factories in Germany or also China. If the objective, by contrast, is to exploit the low local wage costs in order to serve third countries, then Vietnam and the Philippines could be lucrative locations in the medium to longer term. Singapore and also Brunei are interesting markets for selling executive-class vehicles, primarily on account of the sizeable purchasing power of their inhabitants, but are less suitable as locations for manufacturing. Regardless of the involvement of the German industry the ASEAN region will become more important as a location for the manufacturing and sale of motor vehicles.

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