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Auto Parts Trade of Major Asean Countries

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ABSTRACT

Background: Transport is one of the greatest essential marketable assets in the contemporary world. A real technique of transport protections is the undertaking of persons and produce delivery could be focussed in a harmless and well-timed system. To encounter this responsibility, abundant groups and symbols of automobiles were moulded by automotive corporations to achieve the supplies of consumers especially in the upbringing of passenger vehicles. ASEAN province and the ASEAN Free Trade Agreement (AFTA) have been involved in providing a foundation for occupation and collaboration amongst not only the associate states, but between partitions of the identical corporation in diverse nations. The financial incorporation of ASEAN assistances the United States since it makes ASEAN more modest, hopeful economies of scale, lower prices, augmented competence, and financial improvements. This is particularly correct in the automotive segment. **Objective:** the study has been conducted to examine Import and Export Trade of Auto Parts Product and localisation of major models in major ASEAN countries. **Results:** finding out the research study revealed that Thailand has the highest Export of auto parts products and at the same time it has the highest model of local vehicles compared to other major ASEAN countries. **Conclusion:** Large companies in vehicle manufacturing do not obligate objective one large plant which exports its products to all additional nations. In accumulation, the goods are not matching in separately diverse marketplace. It may have the identical practical stage, but the strategy and the choices and geographies fluctuate between nations. They are diverse because the demands of consumers fluctuate amongst nations

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INTRODUCTION

Automotive Industry means “all those companies and undertakings extravagant in the production of motor vehicles, including greatest equipment, such as engines and procedures, but apart from tires, batteries, and petroleum. The manufacturing's foremost products are customer cars and light vans, as well as pickups, vans, and sport usefulness vehicles. Commercial vehicles (i.e., delivery trucks and enormous transportation Trucks, often called semis), however imperative to the industry, are subsidiary”. Automotive manufacturing is a symbol of motorised phenomenon through human compassionate. Being one of the remotest increasing sections in the area its vital expansion sections are progressive through setting of competition, produce survival arrangement and consumer request. International production systems play an important part in East Asian monetary prudence. Most developed manufacture in East Asia

is particularly in autos and auto parts, to augment the local attractiveness; FDI advancement process is usually available for certain industries which require knowledge distribution and dimensions building. Because Transport is one of the greatest essential profitable assets in the current world. A real process of transport protections the undertaking of persons and creation delivery could be directed in a harmless and well-timed system. To meet this responsibility, several types and symbols of vehicles were formed by automotive corporations to achieve the supplies of consumers particularly in the circumstantial of customer vehicles. ASEAN automotive manufacture remains to encourage on the back of growing inside demand and increasing development of export basics. In the great of financial development markets of ASEAN, parts manufacturers are vigorously enhancing outlay to encounter intensifying vehicle production. The Association of Southeast Asian Nations is a geo-political and monetary association of ten countries situated in Southeast Asia, which

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was molded on 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Since then, association has lengthened to embrace Brunei, Burma (Myanmar), Cambodia, Laos, and Vietnam. Its aims consist of to speed up economic growth, social progress, and ethnic extension among its associates, protection of regional agreement and determination, and forecasts for subordinate countries to cautious modifications calmly. The financial integration of ASEAN welfares the United States since it makes ASEAN extra inexpensive, hopeful economies of scale, lesser prices, augmented competence, and financial improvements. This is especially true in the automotive sector. In fact, according to Business Monitor “the ASEAN region and the ASEAN Free Trade Agreement (AFTA) have been contributory in providing a basis for trade and collaboration between not only the associate states, but between separations of the identical corporation in dissimilar nations. The Thai auto marketplace, for instance, has replied favorably to tax inducements provided by the administration for manufacturers of “eco-cars.” In circumstance, the top three auto markets in ASEAN: Thailand, Malaysia, and Indonesia, have all taken benefit of numerous administration systems to encourage a prosperous auto manufacturing. AFTA offers for local tariff discounts, removal of non-tariff barricades, coordinated taxes terms, intra-regional liberalization of trade in services, and provincial collaboration.

Need and Significance of the Study:

The automotive industry is having a strong multiplier consequence on the development of a nation and henceforth is accomplished of being the driver of financial development. It plays a main important part in emerging transportation segment in one hand and benefit manufacturing sector on the other to produce sooner and thereby create a important employment openings. Also as ASEAN countries are opening the land boundary for trade and emerging global road links, the influence of automotive sector in growing exports and imports will be significantly extraordinary. As automotive industry is attractive extra and additional consistent, the level of competition is growing and manufacture base of furthestmost of auto-giant corporations are being lifted from the industrialized countries to emerging nations to take the benefit of low price of manufacture. It is need and significant to study about automotive industry in serious efforts to know about auto parts trade of Major ASEAN countries.

Objectives of the Study:

- (i) To Scrutinize Average Sales of Auto Parts Product per Employee in major ASEAN countries
- (ii) To Examine Import and Export Trade of Auto Parts Product in ASEAN

- (iii) To Analyse the import and Export of Localisation of Major Models of Vehicle in Major ASEAN countries.

Period of the Study:

Period of the study is from 2010 to 2014 year.

Scope of the Study:

The study covers the ASEAN republics to the level of automotive trades, with singular importance on knowledge of automotive of only ASEAN states.

Limitations of the Study:

The study of Auto Parts Trade of Major ASEAN countries is equipped grounded on secondary data and the secondary sources was inadequate to the amount of the ASEAN automotive industry only.

2. Previous Studies:

1. Athukorala (2010)¹, deals three issues to describe the growth of manufacture systems: progressive know-how permits trades to discontinuity the extended manufacture sequence into a smaller one; communication technology and the growth in transport structures decreases prices while enlightening the rapidity and competence in organizing the disjointed manufacture procedures; and deregulation in trade and investment strategies that decrease the price of cross-border commercial events.
2. According to Abonyi (2006)² the growth of global manufacture systems rises from knowledge in a specific manufacture procedure of a nation. Once the manufacture procedures are situated across nations, foreign direct investment (FDI) progresses. Multinational enterprises (MNEs) play vital parts in FDI and high knowledge industries, or industries with extended worth chains, such as autos and auto parts, computers and computer parts, electronics and electrical appliances, machineries, and textiles and garments.
3. ADB (2007)³ indicates that more than 70% of intraregional occupation in East Asia is in portions and machineries that will be additional accumulated and exported external the area.
4. According to Yusuf (2004)⁴ ASEAN countries stimulated to expedient abundant reassurances to captivate foreign expenditure from completely finished the world from the late 1980s. In conversation for monetary reassurances, administration and monetary segments with employment preparations, these nations essential know-how distribution from advanced nations; and secure boundaries for original contented and assignment manufacture from the foreign administrations.
5. According to Najmuddin (2008)⁵ enumerated that, the shortage of raw possessions and increased responsibility of service in Japan itself promoted to

the predominant part of Japanese international organizations in Southeast Asia.

6. Kohpaiboon (2006)⁶ also determined that, the reason to this propensity was worldwide corporations in Thailand have to restrained the extra capability of shaped vehicles that rose from the tragedy. Imported automotive portions and devices sponsored to the enlarged cost of production and, with little demand from original market, these features have imposed automakers to take simple events, such as ultimate ineffective workshops, reorganization group employees and gaining provision from foreign companies.

7. Sandberg (2007)⁷ indicated that, top group contribution also displays a important portion in achieving high-performance logistics suggestion between the section provider and the manufacturer.

8. According to ASEAN Statistics (2010)⁸, described that in 2009, total ASEAN produce trade was \$1.5 trillion, a slight decline from \$1.71 trillion in 2008, and U.S.-ASEAN trade was nearly \$146 billion and 18 percent decrease from 2008.

9. According to Go Auto News Market Insight report (2009)⁹, Thailand has been mainly positive in pleasing benefit of little tariff rates throughout the region. All of the top marketing marketable vehicles, including the Toyota HiLux, Mitsubishi Triton, most Nissan Navaras, the Holden Colorado, Isuzu D-Max, Ford Ranger and Mazda BT-50, derived from Thailand.

10. According to Industry forecast report (2010)¹⁰, demand for motor vehicles in Indonesia selected up abruptly between 2003 and 2005, improving from a fall source by the Asian Financial Crisis in 1997-98. However, considerably advanced fuel prices, a high-pitched point in inflation and advanced interest rates all donated to another breakdown in 2006. Demand has since improved, with a predictable sales rise of at least five percent in 2010, as well as an improvement in manufacture (which fell by 22 percent in 2009).

3. Research Methodology:

Sources of Data:

The strength of any research reliant on the organized method of information assortment sources and its analysis. The study is equipped grounded on primary information's and secondary information's. The primary facts have collected through oral interview from stalwarts of automotive industry. The secondary facts is composed from the information of OECD (Organisation for Economic Co-operation and Development) Transport Out Look of automotive industry and all existing literature has obtained from internet automotive websites, auto business magazines, and e-auto journals.

Exploration of Data:

In examination of data, to show the incidence or absence of exact features and to associate and associate facts values or features midst associated

substances with abundant combined features or variables, facts have been prepared and figures are powerful communication tools—it delivers text the attentiveness of readers, and professionally existent abundant volumes of merged indication.

RESULTS AND DISCUSSION:

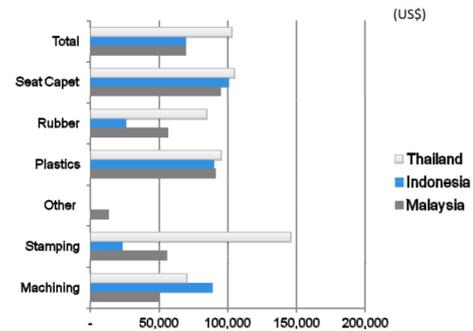


Fig. 1: Average Sales of Auto Parts Product per Employee in major ASEAN countries. Source: IHS Global Insight Automotive.

Above Figure.1. displays about the total average sales of Auto Parts Product per Employee in Major ASEAN countries. Vertical line represent about average sales of auto parts product and horizontal line represent about the total number of employees ranging from 50,000 to 2, 00,000. Out of total of three major ASEAN countries, Thailand has the highest total of average sales of Auto parts product per employee compared to other ASEAN countries, i.e. average sales of auto product per employee is between 1, 00,000 to 1, 50,000. Both Indonesia and Malaysia have equal average sales of auto parts product per employee i.e. between the ranges of 50,000 to 1, 00,000 respectively.

Consequently, it can be determined that, Thailand has the highest average sales of Auto Parts Product per Employee compared to other ASEAN major countries.

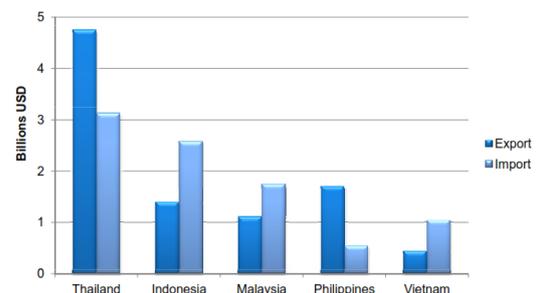


Fig. 2: Auto Parts Trade of major ASEAN Countries. Source: IHS Global Insight Automotive.

Above figure.2. indicates Auto Parts Trade of major ASEAN countries. Horizontal line shows major ASEAN countries and vertical line shows Export and Import trades in billions U.S. dollars.

Out of total of five major ASEAN export and import trades, Thailand has the highest Export of auto parts product compared to other major ASEAN countries and imports are less than exports i.e. more than 4 billion U.S. dollars .

Similarly in Philippines Exports of Auto parts are more than Imports i.e. more than one billion U.S. dollar. But in Indonesia, Malaysia and Vietnam countries Imports of Auto Parts are more than the Export respectively due to low production of auto Parts product. Henceforth, Thailand has the highest Exports of Auto parts product compared to other ASEAN countries due to high production of Auto Parts Product.

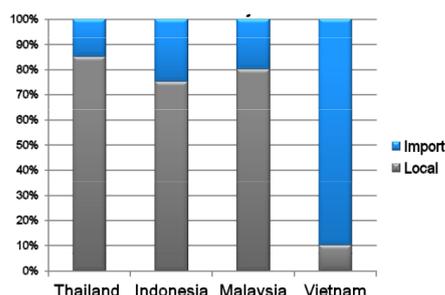


Fig. 3: Import and Export of Localisation of Major Models of Vehicle in major ASEAN Countries. Source: IHS Global Insight Automotive.

Above figure.3. Specifies Import and Export of localisation of major models of vehicle in Major ASEAN countries. Horizontal line represents four major ASEAN countries and vertical line represents percentage of Local and Import Models of Vehicles.

Out of total four countries, Thailand has the 85 percent of local model vehicles and remaining 15 percent are imported model of vehicles.

Similarly, Malaysia and Indonesia have 80 percent and 75 percent of model of vehicles are local and 20 percent and 25 percent are imported model of vehicles respectively.

Ultimately, Vietnam has 10 percent which has less percentage of model of vehicles are local and 90 percent are imported model of vehicles.

As a result, Thailand has the highest local model vehicles compared to other ASEAN countries.

Suggestions: the following are the suggestions for the findings of the research study of Auto Parts Trade of major ASEAN countries.

1. Outcome of the research study reveals that among major countries of ASEAN, Thailand has the highest of Export of Auto parts products and at the same time highest local model vehicles compared to other countries, this is because of extensive supporting network of auto parts manufacturer of other Asian countries which is contributing to the auto industry's strength. Besides that the Board of Investment of Thailand Automotive Institute gives maximum incentives to activities that support the

development of target auto sectors which includes activities of Research and Development, design of auto activities, skilled human resources development, reduction in the cost of auto production and logistics.

2. Ultimately, Keeping in view of increasing global trade, ASEAN should act as a major factor for rising growth in world commercial auto distribution systems, which has also increased the global auto competition amongst the auto mobile manufacturers. Besides that, many auto companies of ASEAN should take strategy of different pricing policies for different auto product segments to develop innovative strategies to maximise profits without hurting the customers and pricing should be adjusted according to the qualities, purchase volume, development potential, loyalty and profitability factors.

5. Conclusion:

Therefore the enormous car producers has a manufacture capacity in the diverse marketplaces and from individually stage a car is manufactured for that marketplace as well as for transfers to additional marketplaces. Large companies in vehicle manufacturing do not obligate objective one large plant which exports its products to all additional nations. In accumulation, the goods are not matching in separately diverse marketplace. It may have the identical practical stage, but the strategy and the choices and geographies fluctuate between nations. They are diverse because the demands of consumers fluctuate amongst nations. Thus globalization of the motorized manufacturing has significantly enhanced owing to the creation of significant foreign facilities and establishment of mergers between giant multinational automobile producers. Over the years, it is being experiential that South East Asia is developing as a worldwide automotive centre. Exports of autos with apparatuses from South East Asia are also snowballing by dives and limits. Asia has become the main customer as well as provider of autos.

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