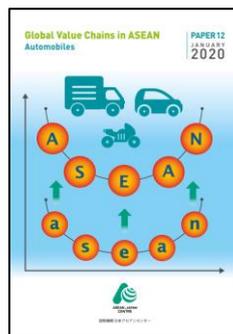


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ASEAN-Japan Centre

**Only 56 cents per dollar of exports is generated as domestic value added,  
AJC says in a new study on global value chains (GVCs)  
in ASEAN automobile industry**



The ASEAN-Japan Centre (AJC), an intergovernmental organization of ASEAN and Japan based in Tokyo, just issued a paper on GVCs in ASEAN automobile industry. The paper provides an in-depth analysis on GVCs in ASEAN automobile industry and some practical advice for relevant government policymakers on how to maximize the benefits and minimize the risks associated with GVCs in a more sustainable development manner.

AJC found that only 56 cents out of each dollar of automobile exports from ASEAN are created locally, leaving 44 cents belonging to foreign countries. This is below the all-industry average of ASEAN (64 cents). Similarly, as auto parts manufacturing and final assembly are labour intensive, the creation of value added per unit of production is small and lower than the industry average. In the ASEAN automobile industry, only 30 cents per dollar of output is generated as value added. At the country level, the ratio of value added to output is particularly small in Malaysia, the Philippines, Thailand and Viet Nam, according to a study on GVCs in ASEAN automobile industry by AJC.

The paper, entitled as “Global Value Chains in ASEAN: Automobiles”, is one of a 16-paper series on ASEAN GVCs. The AJC has already issued the paper on ASEAN as a whole, the country papers for Brunei Darussalam, Cambodia, the Philippines, Singapore, and Thailand and the paper focused on the tourism industry since it started the study in 2016, and other 8 papers will be produced subsequently.<sup>1</sup> These papers are based on data on value added trade that AJC has been creating in cooperation with Eora<sup>2</sup> and the United Nations Conference on Trade and Development (UNCTAD).

<sup>1</sup> This is a multiyear and first-phase research effort, producing and updating value chain data for individual countries of ASEAN and analytical papers based on the results of these data.

<sup>2</sup> Eora, or the Eora project, is based at the University of Sydney and comprises an international team of researchers who developed the “multi-region input-output database” ([www.worldmrio.com](http://www.worldmrio.com)). This database is the basis for value added trade estimates and their database was used in the AJC project on GVCs.

Major findings of the study on ASEAN automobile industry include the following:

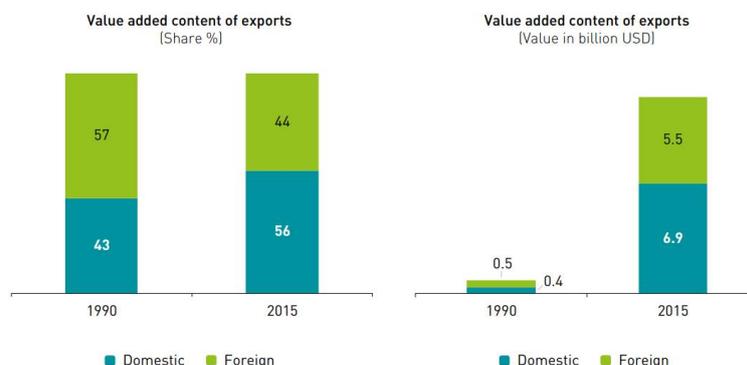
**To download the paper and the database, please visit the AJC website at**

[https://www.asean.or.jp/en/centre-wide/centrewide\\_en/](https://www.asean.or.jp/en/centre-wide/centrewide_en/)

- ◆ The automobile industry has been an important driving force in Association of Southeast Asian Nations (ASEAN) economies, contributing at least \$177 billion to ASEAN's gross domestic product and creating 2.4 million jobs in the region. ASEAN is considered an important production hub for the entire automobile sector, including automobiles, motorcycles, trucks, and their parts and components.
- ◆ Although the automobile industry is complex and multi-layered, its production has been internationally fragmented and is well-integrated in regional and global production networks through GVCs.
- ◆ Overall, the automobile industry in ASEAN is still characterized by low value added in its output and a limited multiplier effect. However, depending on the country's position in the automobile value chain, value added in exports varies across ASEAN countries.
- ◆ While Japan, China and the United States are the three largest foreign contributors to ASEAN automobile exports, intraregional trade integrated in other ASEAN countries' exports also accounts for a large share (15 per cent or \$809 million in 2015), even larger than that of the United States (8 per cent or \$424 million).
- ◆ Over the years, because of greater value added created locally, GVC participation has been slightly decreasing, while regional value chain (RVC) participation has been gradually increasing in the ASEAN automobile industry. Both GVC and RVC participation are marked by intensive backward linkage participation (high foreign value added (FVA)) and gradually increasing forward linkage participation (rising value added incorporated in other countries' exports (DVX)).
- ◆ The importance of ASEAN countries for "Factory Asia" and automobile GVCs has been growing substantially. Each ASEAN country has developed its own specialization, is well established in regional and global automobile value chains and, therefore, possesses the necessary qualities for upgrading.
- ◆ ASEAN and Japan are important partners for the automobile industry, as shown by estimations that a \$1 million increase in Japanese exports in the automobile industry attracts \$19,000 of inputs from ASEAN.
- ◆ ASEAN needs a general policy framework for promoting ASEAN GVCs in the automobile industry. The policy framework should emphasize the role of domestic firms in the value chain,

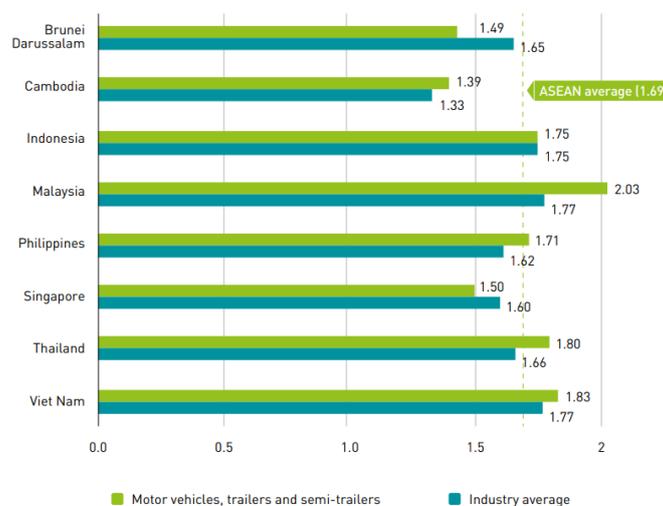
especially that of small and medium-sized enterprises, by enhancing their capacity development through research and development and technological innovation so they can smoothly participate in the value chain or upgrade their activities to a higher position (higher tier) on the value chain. Moreover, greater efforts to promote regional cooperation, such as a joint database of parts suppliers or regional certification of human resources, among others, are necessary.

### Value added content of exports (Per cent and billions of dollars)



Source: AJC-UNCTAD-Eora database on ASEAN GVCs.

### Multiplier effects of motor vehicles, trailers and semi-trailers compared with the industry average, 2015



Source: AJC, based on OECD Input-Output table database.  
Note: The Lao PDR and Myanmar are not covered in the OECD database.

#### <<ASEAN-Japan Centre>>

The ASEAN-Japan Centre is an intergovernmental organization established by the ASEAN Member States and Japan in 1981. It has been promoting exports from ASEAN to Japan while revitalizing investment, tourism as well as people-to-people exchanges between the ASEAN Member States and Japan.

URL : <https://www.asean.or.jp/en/>

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