

ASEAN FOR BUSINESS

Monthly Bulletin

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In Focus: ASEAN as Market and Regional Manufacturing Hub for Electric Vehicle



About the Bulletin

ASEAN for Business is a bulletin published by the Enterprise and Stakeholder Engagement Division of the ASEAN Secretariat.

This monthly bulletin provides quick updates on specific topics related to the ASEAN Economic Community (AEC) for businesses operating in the region.

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Transforming the transportation sector to be more sustainable becomes indispensable as ASEAN is gearing toward further economic development while remaining committed to the Paris Agreement. In ASEAN, the demand for transport is estimated to increase by 60% from 2013 to 2040 due to the region's rapid development. Nonetheless, this growth becomes a double-edged sword as over 90% of the ASEAN transport sector remains dependent on fossil fuel. The growth of transportation is expected to increase annual energy consumption by 2,6% in a business-as-usual scenario and reach 238 million tonnes of oil equivalent (Mtoe) by 2035. The 6th ASEAN Energy Outlook 2017-2040, by the ASEAN Centre for Energy, reported that ASEAN's energy related greenhouse gas (GHG) emissions will increase by 34-147% between 2017 and 2040.

Meanwhile, All ASEAN Member States (AMS) have committed to reduce carbon and GHG emission and accelerate energy transition efforts by setting a more aggressive Energy Intensity (EI) reduction target of 32% by 2025 based on 2005 level. To this end, AMS agreed to actively pursue sustainable transport and include the issue in the Kuala Lumpur ASEAN Transport Strategic Plan 2016-2025 to support an environmental-friendly transport system. The strategy focuses on formulating a regional policy framework to support sustainable transport toward cleaner fuels, vehicles, and vessels;

and adopting a Regional Strategy on Sustainable Land Transport toward an equitable, efficient, safe, and clean transport system. Consequently, Electric Vehicle (EV), as one option for sustainable transport, will gain more importance in ASEAN's discussion and policymaking in the near future.

ASEAN's huge potential as a market for EV

ASEAN holds huge market potential for EVs, particularly as the region's current car ownership rate remains below 20 percent. Mordor Intelligence reported that the ASEAN EV Market was valued at USD 498.93 million in 2021, and is expected to reach USD 2,665.3 million by 2027, registering a CAGR of 32.73% from 2022 to 2027.

Challenges remain to hinder the adoption of EV by consumers. However, with strong government support, the growth of EV is expected to become prominent in the future. Several AMS have announced their plans to encourage the expansion of EV adoption through the provision of fiscal and non-fiscal incentives, as well as preparing the infrastructure to create an enabling environment for EVs. For example, Singapore will stop new diesel car registration by 2025, only allow registration for cars with cleaner energy models, and aim to expand the EV charging network to 60,000 points by 2030. While Malaysia is looking to set up 10,000 charging stations for EV by 2025.

ASEAN as the regional manufacturing hub for EV

Beyond its potential as a market, ASEAN is a promising regional manufacturing hub for EVs. At present, ASEAN automotive industry has already been characterised by its regionally integrated supply chain and is home to the world's largest automotive manufacturers. To remain strong and resilient, ASEAN is advancing on several trade facilitation initiatives

which eliminate tariffs for automotive components from countries within ASEAN and Free Trade Agreements (FTAs) partner countries. The competitiveness presented in these FTAs, among others, is exemplified in the facilitation offered in the Regional Comprehensive Economic Partnership (RCEP). The RCEP, with its 40 percent Regional Value Content Requirement (RVC), enables easier access to the preferential tariffs. Thus, it will create a freer circulation of automotive parts within the region that will create a strong synergy and strengthen the regional supply chain.

The regional trade facilitation initiatives are supported with further incentives by individual AMS. Thailand, for example, introduced an EV incentive package in February 2022, which includes significant exemption in import duty and excise tax for a wide range of EV models. Indonesia provides fiscal and non-fiscal incentives for the battery-based EV automakers, such as the incentive of import duty on the importation of machinery, goods, and materials. These incentives also apply to battery manufacturing because Indonesia also made battery manufacturing one of its core EV strategies.

These trade facilitation initiatives and incentives attracted some world's automakers to shift their production base and establish a new assembly plant in ASEAN. **The ASEAN Secretariat (ASEC)** spoke with **Heo Junheang**, the Vice President of Sales Group Asia Pacific Headquarters of **Hyundai Motor Manufacturing Indonesia (HMMI)**, to capture the voice of EV manufacturers about their experience of doing business in ASEAN and their aspiration for the future business environment in ASEAN.

In Conversation with Hyundai Motor Manufacturing Indonesia (HMMI)

ASEC: What are Hyundai's strategy and vision in expanding its business in the midst of the ongoing challenging global macroeconomic situation while also contributing to the transformation to be more sustainable?

HMMI: Hyundai Motor will achieve carbon neutrality in 2045 if 100 percent electrification is implemented in the main vehicle market; by 2030.

Hyundai's goal is to sell 1,87 million vehicles under the Hyundai and Genesis brands, with a global market share of 12 percent and 840,000 EV sales in 2026.

Hyundai Motor Group announced on Monday, 25 May 2022 that four major companies (Hyundai, Kia, Hyundai Mobis, and Hyundai Wea) have been approved to join the RE100 initiative.

RE 100, which stands for '100% Renewable Energy', is a campaign that the global non-profit The Climate Group and the global environmental management certification body Carbon Disclosure Project (CDP). have run since 2014 with the goal of covering 100% of a company's electricity use from renewable energy by 2050.

RE100 is significant in that it is carried out with the voluntary participation of global companies rather than by forced participation by governments or international organizations, with more than 350 companies from all over the world participating.

ASEC: How does Hyundai see ASEAN as a market and region to operate and expand its business?

HMMI: ASEAN is currently very appealing to investors, particularly in terms of market opportunity, because the car ownership ratio is still low. According to Gaikindo for 2020, the car ownership ratio is as follows: Indonesia (99 units/1000), Singapore (211 units/1000), Malaysia (490 units/1000), and Brunei (805 units/1000).

ASEC: How does Hyundai see the ASEAN Economic Community (AEC)? Are any initiatives under the AEC directly impacting Hyundai's business in the region?

HMMI: Hyundai believes that the car market, particularly electric vehicles, will shift from other regions to ASEAN in the future

With the passage of both the ASEAN Trade in Goods Agreement (ATIGA) framework and the ASEAN Korea Free Trade Agreement (AKFTA), access to the industrialization of vehicles and supply chain components will be provided, as measured by the competitiveness of import duty rates.

Furthermore, Hyundai envisions ASEAN to continue to follow the growth of vehicle technology. Electric Vehicles are beginning to be produced, and we aim to be a solution to air pollution and fossil fuel shortages in the ASEAN region and worldwide.

ASEC: What are your hopes for the future economic integration and business environment in ASEAN?

HMMI: We expect that the ASEAN region will be a global leader in the field of electrification in the automotive industry. The adoption of standards and testing of electric cars (both hardware and software), as well as human resources, must continue to be added and enhanced so that the ASEAN region matures and solidifies its position as the Asia Pacific hub for the EV and automotive industries.*



Photo by: Hyundai Motor Manufacturing Indonesia

Recent Updates

The ASEAN Economic Ministers' Special Meeting 2022

The ASEAN Economic Ministers' (AEM) Special Meeting 2022 was held on 18 May 2022, chaired by Cambodia under its chairmanship theme "ASEAN A.C.T.: Addressing Challenges Together". The Meeting expressed optimism that ASEAN's economic growth would return to the pre-pandemic level, with GDP growth in the region expected to reach 4.9 percent in 2022 and 5.2 percent in 2023. The Meeting also recognized current geopolitical headwinds, which are causing supply chain disruptions, shortages in key commodities, and inflationary pressures that may impact economic growth in the region. The Meeting also noted the importance of the implementation of the ASEAN Comprehensive Recovery Framework (ACRF) to navigate these global challenges. The full Joint Media Statement of the Meeting is available at this [link](#).

The 31st Meeting of the ASEAN Director-General of Customs

The 31st Meeting of the ASEAN Customs Director-General (DG) was held in hybrid format on 7-9 June 2022 in Singapore. The Meeting welcomed the live operation of the ASEAN Customs Declaration Document (ACDD) among eight ASEAN Member States, namely: Brunei Darussalam, Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, and Thailand; and looked forward to the live operation in the rest of AMS. The Meeting also looked forward to the live exchange of the electronic Phyto Certificate among Indonesia, Malaysia, and Thailand in 2022 and noted the progress of the discussion with several ASEAN Dialogue Partners, namely China, Japan, the Republic of Korea, and the United States on the exchange of electronic documents. The full joint media statement is available at this [link](#).

Multi-Stakeholder Policy Dialogue on Empowering ASEAN for Circular Economy

[The ASEAN Secretariat, in collaboration with the Economic Research Institute for ASEAN and East Asia \(ERIA\), held the Multi-stakeholder Policy Dialogue on Empowering ASEAN for Circular Economy](#) on 17 June 2022 virtually. The policy dialogue brought together stakeholders from various sectors across the region to share ASEAN's work on the circular economy, assess existing practices in the region, and determine expectations. The outcomes of the policy dialogue will inform the development of the Work Programme to Support the Implementation of the Framework for Circular Economy for the ASEAN Economic Community.

ASEAN won WSIS Prize 2022 Top Prize for International and Regional Cooperation

ASEAN progress in the digital area has a new recognition of its achievement. The ASEAN Data Management Framework (DMF) and Model Contractual Clauses (MCCs) won the UN World Summit on Information Society (WSIS) Top Prize 2022 in the category "International and Regional Cooperation" among 1,000 nominations across categories. The DMF and MCCs are essential building blocks as ASEAN works towards implementing the ASEAN Digital Masterplan 2025, the Bandar Seri Begawan Roadmap on ASEAN Digital Transformation, and developing an ASEAN Digital Economy Framework Agreement. Read more about the initiatives:

- [ASEAN Data Management Framework \(DMF\)](#)
- [ASEAN Model Contractual Clauses \(MCCs\)](#)
- [ASEAN Deputy Secretary-General for the ASEAN Economic Community \(AEC\) Opinion Editorial about the Prize.](#)

Upcoming Events

Senior Economic Officials Meeting (SEOM) 3/53 and Related Meetings

Siem Reap,
29 July – 7 August 2022

ASEAN Notional Calendar

Full ASEAN Notional Calendar 2022 as of June 2022 can be accessed in this [link](#).