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Research on China's Automobile Industry Export Trade to ASEAN under the Background of the Belt and Road Initiative

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Abstract

The global COVID-19 has been in a repeating phase from 2019 to 2022, which has had a significant negative influence on commerce and the economy worldwide. The impact of the automotive industry has also altered significantly throughout this time. Several nations are scurrying to take advantage of the chance to revive the industrial sector. In an effort to help China's automotive industry overcome the challenges posed by COVID-19 and actively integrate into the ASEAN market, this project will combine The Belt and Road initiative with an analysis of the current situation and development potential for exporting Chinese automobiles to ASEAN. In light of this, this study's suggestions and strategies will be formulated to promote the export of Chinese automobiles to ASEAN, ultimately injecting new growth impetus into the industry's development.

Subject Areas

International Business

Keywords

Chinese Automobile Industry, ASEAN, The Belt and Road Initiative

1. Introduction

In recent years, Chinese automobiles have increasingly entered the ASEAN and international markets due to growing export commerce [1] [2] [3]. Between 2015 and 2018, China's exports of automobiles showed an increasing trend.

However, the global pandemic that started in 2019-2020 has significantly impacted commerce and the world economy, causing a decline in China's automobile exports. Despite the challenges, in 2021, Chinese vehicle exports exceeded 2.138 million units, experiencing a 102% year-over-year increase. Chinese exports of new energy cars also reached 588,000 units this year, with the upward trend persisting (as shown in **Figure 1**). In terms of sales, exports from 2017 to 2021 have gradually increased. The export volume of Chinese automobiles in Asia heavily relies on the ASEAN market's contribution (**Table 1**). It is worth mentioning that, as the economy and people's living conditions have improved in recent years, there has been a significant increase in the demand for vehicles in ASEAN nations [4]. Additionally, the ASEAN area has also started paying more attention to the automobile sector. Given the considerable auto market in ASEAN today, China should seize this golden opportunity, capitalize on its competitive edge, and use ASEAN as a springboard to actively enter the ASEAN auto market.

2. Economic Environments in the ASEAN Region

Automobile ownership in each country is influenced by factors such as national income level, population size and infrastructure, and GDP per capita. Among these factors, GDP per capita has the most significant impact on automobile demand. Hence, it can be deduced that the volume of demand for automobiles in different ASEAN nations varies based on the economic development, demographic distribution, and national policies of the ten ASEAN member countries. For instance, the Philippines, Thailand, Vietnam, Malaysia, and Indonesia have relatively high per capita GDPs and intense economic levels, resulting in higher demand and better automobile purchasing power [5]. Therefore, these countries have the significant market potential for China's auto sector in the South Asian market. According to survey data, automobile sales in eight countries, including the Philippines and Vietnam, exceeded 40,000 units in 2021. Additionally, Saudi Arabia had an import volume of more than 130,000 units that same year (As shown in **Table 1**).

On the other hand, Laos, Myanmar, and Cambodia have low per capita GDPs due to their low population densities and limited access to land resources, which makes it challenging for their vehicle markets to meet demand. Singapore and Brunei are the only developed nations among the ten ASEAN countries. Despite Singapore's small land area and dense population, it boasts a well-developed public transportation system and has no local automotive manufacturing industry. Thus, most cars in Singapore rely on imports. Additionally, due to inflation, vehicles in Singapore can be relatively expensive. To regulate car ownership, Singapore has implemented a policy requiring license plate quotas to be vacated for new cars only when old cars are scrapped [6]. In contrast, Brunei has a high car ownership rate, but its total population of just over 400,000 means that despite high national income and social prosperity, the automobile market is relatively small.

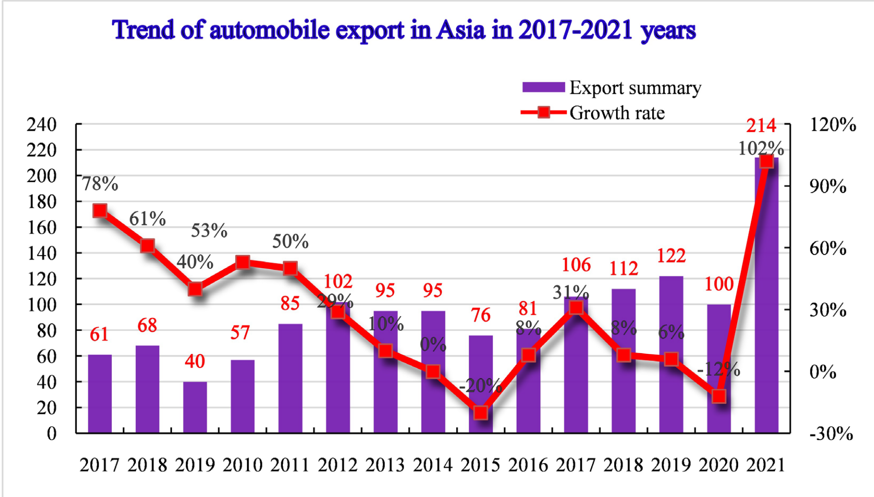

Figure 1. Trend of automobile export in Asia in 2017-2021 years.

Table 1. From 2018-2021 the automobile exports volume in Asia.

From 2018-2021 the automobile exports volume in Asia									
	Automobile exports	2018	2019	2020	2021 Summary	2021			
						1 season	2 season	3 season	4 season
	Total	1,146,064	1,215,580	1,058,913	2,137,977	434,718	513,985	556,403	632,871
	Saudi Arabia	20,793	57,790	97,768	132,997	28,600	35,542	34,801	34,054
	Bengal	104,741	146,262	79,793	86,465	20,546	10,548	21,049	34,322
	Philippines	26,004	42,927	31,431	60,692	11,557	14,629	18,733	15,773
	India	45,420	83,144	49,515	55,396	12,154	8914	13,890	20,438
	Thailand	1979	5801	4112	48,752	1796	6608	18,166	22182
	Viet Nam	36,639	35,093	33,904	48,511	10,998	17,973	9299	10,241
	Malaysia	8650	41,188	37,746	43,708	16,898	11,628	2293	12,889
Asia	Pakistan	9061	5393	9225	43,151	8086	14,979	10,598	9488
	The United Arab Emirates	4730	8864	9706	24,070	5246	4440	6327	8057
	Kuwait	4752	7671	9950	17,825	4550	5008	4319	3948
	Uzbekistan	2701	3653	7592	16,590	2457	2463	5020	6650
	Korea	4167	4578	6215	13,803	2224	4792	3594	3193
	Japan	717	964	996	11,688	2156	3119	2522	3891
	Indonesia	4971	5134	2861	10,424	1360	3315	2736	3013
	Israel	2371	2852	1824	10,369	1992	2354	2708	3315
Asia Aggregate		514,280	523,350	449,281	715,580	153,047	167,987	177,077	217,469

The ASEAN region, with a population exceeding 600 million, currently has a low number of automobiles, demonstrating the significant potential for Chinese-made vehicles to enter the ASEAN market [7]. Additionally, ASEAN countries have shown a growing interest in the automotive industry, recognizing its role in promoting economic development and improving living standards. As such, the demand for automobiles in the ASEAN market is expected to increase further. Despite this, the current trade volume between China and ASEAN remains low. To address this issue, China should capitalize on this opportunity to export Chinese automobiles to the ASEAN market, promoting automobile trade exchanges between the two parties and achieving mutual development.

3. Challenges for the Export of Chinese Automobile to ASEAN

3.1. The Overcapacity of China's Automobile

Chinese automobiles are currently facing many problems, such as overcapacity, weak export growth and strong competitiveness in overseas markets. "Overcapacity" has always been a pain for the automotive industry. According to statistics, about 20% of the production capacity of China's automotive industry cannot be utilized. Affected by many factors such as the global epidemic, policies and the international market, in the first half of 2019, domestic automobile production and sales both recorded negative year-on-year growth, and the export growth of China's automotive industry was weak. All these have exacerbated the negative impact of overcapacity in automobiles. According to data from the Passenger Car Association, the total passenger car production capacity in China in 2021 was 40.89 million units, and the capacity utilization rate was 52.47%; the capacity utilization rate in 2020 was 48.45%. In contrast, the capacity utilization rate of passenger cars increased by 4% in 2021, but it is still in the range of severe overcapacity [8]. These macroeconomic factors, combined with weak global economic growth, sluggish global trade, and ongoing trade conflicts between China and the US, have significantly impacted China's automobile export market. Against this backdrop of intense competition in the international market, China's automotive industry must urgently expand and capture new markets to inject new vitality into its automobile exports, particularly in the ASEAN region.

3.2. Low Visibility and Credibility of Car Brands

The ASEAN region has established free trade agreements with many countries globally, including developed countries such as Japan, Australia, and New Zealand, in addition to working on trade relations with China. As a result, Chinese automobile exports face intense competition in the ASEAN market. To further complicate matters, Chinese cars currently lag behind other national brands due to the late development of Chinese independent brands and a lack of consumer trust in their quality [9]. This weak brand building and marketing overseas has negatively impacted the competitiveness of Chinese automobile enterprises, which continue to have a narrow single product structure and limited brand awareness. As a result, China's automobile development of the ASEAN market has been hampered. In terms of competitive positioning, Japan leads the ASEAN automobile market due to its early arrival in the region during the 20th century. Japanese cars have gained a reputation and hold a preconceived advantage and brand advantage in ASEAN, aided by their suitability for the region's traffic conditions. All of these factors create significant challenges for Chinese automobile exports to gain a strong foothold in the increasingly competitive ASEAN market.

3.3. Increased Resistance to Auto Trade under the Influence of the Epidemic

China's automobile trade with ASEAN is currently experiencing challenges due to declining business flow, which is further amplified by the impact of epidemic prevention control measures on China's foreign trade operations. The global pandemic has led to shrinking demand for Chinese automobiles in foreign markets, while epidemic prevention policy barriers have increased the risk of uncertainty for domestic small and medium-sized foreign trade enterprises. What makes matters worse is that China's internal circulation policy also seeks to reduce dependence on exports in the automotive sector.

Cross-border e-commerce has also been impacted by negative sentiments towards the overseas epidemic, which has significantly reduced people's willingness to export Chinese automobiles. Additionally, logistics delays have significantly impeded the support of business flows, which has led to decreased speed in foreign trade capital turnover [9]. To address this issue, it may be necessary to increase the liquidity stock and lower the capital efficiency target for export auto companies, but this puts automobile foreign trade enterprises under severe financial pressure. Furthermore, as the flow of import and export businesses shrinks, the cost of regulating business flows for automobile enterprises has risen.

The combination of rising regulatory costs, logistics delays, and uncertainties of epidemic prevention policies has led to significant financial pressure on foreign trade. These challenges pose a severe hindrance to the growth of China-ASEAN automobile trade in the long run.

3.4. Single Category in Exported Automobile in China

As the automotive industry continues to develop, China's automotive industry exports have been increasing. In the past, passenger cars have been the bulk of international new consumption, which has prompted many companies to focus on this category. Many foreign passenger car production companies have explored overseas development to tap into the passenger car market, with remarkable results in opening up and developing markets in developed countries. However, China's exported cars still carry their previous characteristics, and a large part of China's automotive sales are still commercial vehicles. As a result, China's automobile exports are facing the challenge of a single category.

3.5. Imperfect After-Sales Service Network

In the modern business environment, service is a crucial tool for enterprises to succeed and expand their customer base. After-sales network service is an integral part of an automobile sales strategy. A well-designed after-sales service system is essential for China's automobile export industry to prosper. Unfortunately, many challenges exist that undermine the image of Chinese auto products. For example, many auto export traders use small-batch auto export trade modes that result in less concentrated exports. This can hinder the expansion of sales channels for auto parts, the supply of spare parts, and maintenance services, thus negatively affecting the acceptance of the local auto market.

4. Opportunities for China's Automobile Export to ASEAN Market

4.1. The Prosperity and Development of Chinese Automobile under the "Belt and Road" Initiative

China's automobile industry still faces the challenge of overcapacity, which has become a top priority task for Chinese auto enterprises and the government. To address this issue, China has adopted the strategic plan of "Belt and Road," which promotes economic and trade cooperation with ASEAN countries, meets the needs of ASEAN countries in foreign trade, and receives support from many ASEAN countries.

The Belt and Road initiative focuses on regional connectivity, optimal allocation of resources, and industrial upgrading. With the Regional Comprehensive Economic Partnership Agreement (RCEP) coming into effect in 2022, the economic and trade cooperation between China and ASEAN is expected to become more robust, providing more opportunities for the Chinese automobile industry. RCEP has also promoted complementary advantages and deep integration of the industrial and supply chains, creating more vigorous economic and trade cooperation [10].

Cross-border e-commerce has become a new mode of rapid growth in China-ASEAN cooperation, effectively mitigating the negative impact of the pandemic on trade. The implementation of The Belt and Road concept, RCEP, and other free trade agreement frameworks can improve the overall competitiveness of Chinese automobile in ASEAN, provide a good development platform for Chinese automobile to expand abroad, realize the "China Dream, Car Dream" and demonstrate the broad market prospects and potential of China's trade with ASEAN.

These policies not only address the problem of overcapacity in China's automobile industry but also provide sustainable profits and benefits for Chinese automobile enterprises. Through collaboration with ASEAN countries, China's automobile industry can continue to expand its market share and establish itself as a major player in the global automotive industry.

4.2. ASEAN Market with High-Cost Performance

The demand for high-cost performance has made Chinese automobiles more competitive in the ASEAN market. Compared to other markets, the low price of

Chinese automobiles is more in line with the consumption demand of the ASEAN region. As such, Chinese automobile manufacturers have been actively developing more high-quality and low-cost vehicles to meet the needs of the ASEAN automobile market. Economic automobiles have a significant comparative advantage in the ASEAN automobile market, making them the choice for many consumers in the region.

The Belt and Road initiative and RCEP have accelerated the promotion of the market layout along the line, thereby driving cooperation between China's automobile industry and the ASEAN market [11]. As part of this, China Auto is committed to becoming the "king of cost performance" in the Middle East auto market to improve its competitiveness and solve the problem of overcapacity and export growth sluggishness in China's automotive sector.

Overall, Chinese automobile manufacturers have focused on meeting the demand for high-cost performance in the ASEAN market by actively developing high-quality and low-cost vehicles. Through The Belt and Road initiative and RCEP, China's automobile industry has improved its collaboration with the ASEAN market to drive more vigorous economic and trade cooperation. As the demand for economic automobiles continues to grow in the ASEAN market, China Auto is poised to further expand its presence and strengthen its position as a key player in the industry.

4.3. Outstanding and Highly Competitive in the Field of New Energy

The fiercely competitive nature of the global automotive industry has made it difficult for weak brands to thrive, especially in the ASEAN market where established foreign players dominate. To remain competitive, China's automotive industry must adopt a strategy of independent innovation, which will accelerate the process of new modernizations and optimize the industry structure, ultimately benefiting countries along the Belt and Road.

As the world becomes more environmentally conscious, sustainable development strategies have become a priority. The ASEAN region has already set electrification targets for the future, and the transition to new energy vehicles is inevitable. China's new energy vehicle field is mature and at the forefront of research and development, which provides opportunities for greater cooperation with ASEAN's automobile market. The implementation of The Belt and Road initiative creates new and exciting possibilities for China's automotive industry to enhance its international market strength, particularly in the ASEAN region. Embracing this opportunity means China's automotive industry can further develop sustainably in the Middle East automobile market, while also staying ahead of the curve by leading the charge towards electrification, networking, intelligence, and sharing initiatives. China's automotive industry has a unique opportunity to shape the future of the industry with the "the Belt and Road" initiative. The industry must embrace independent innovation at home and seek cooperation with ASEAN's automobile market to compete with established foreign auto brands. By doing so, China's automotive industry can develop steadily and sustainably, establishing its presence in the global automotive market for years to come.

5. Countermeasures for China's Automobile Export to ASEAN

China's automotive industry can undertake several measures to enhance its competitiveness in the ASEAN market.

Firstly, the industry should actively promote the establishment of a regional automobile industry cooperation system, deepen regional international industry cooperation mechanism, and take advantage of the benefits of the free trade zone. It should explore the ASEAN market actively and utilize the region's transit potential to develop cooperatively and explore overseas markets jointly. Free trade zones can significantly reduce operational costs for China's automotive industry and promote cooperation in the automobile field.

Secondly, it is imperative that Chinese enterprises prioritize scientific and technological innovation, focusing on independent innovation. The industry can accelerate the process of new modernizations and establish it as the core competitiveness of China's automobile export. Furthermore, China's automotive industry should continue to invest heavily in the new energy sector to establish the future's new heights. Being ASEAN's largest trading partner provides opportunities for enterprises to expand international market cooperation and take advantage of opportunities.

Thirdly, Chinese automobile foreign trade enterprises should establish a sound management and after-sales operation mode, breaking away from the outdated single and unchanging trade mode [11]. Marketing strategies should prioritize after-sales service as an essential promotion method. Reliable after-sales service can enhance the reputation and credit of enterprises, attracting more foreign investment. Therefore, Chinese automobile foreign trade enterprises should establish perfect after-sales service, provide timely consultation and service for consumers to meet their needs, gradually improve the quality of automobile products, and retain customers.

Fourthly, China's independent brands should form a group when going overseas. Just like Huawei, Chinese automobile enterprises should also seek to establish an international presence. To succeed in foreign markets, Chinese automotive brands need to establish distinctive brand identities and values that appeal to customers. This is the critical key to differentiation, allowing them to stand out from their competitors. Therefore, when going overseas, Chinese brands should work together to establish themselves in the market, jointly promote their brands, and build a positive image overseas.

In conclusion, the Chinese automotive industry needs to prioritize the establishment of a regional automobile industry cooperation system, remoting independent branding, prioritizing independent innovation and establishing new modernizations as core competitiveness, and enhancing after-sales operations, to expand in the ASEAN market. By doing so, China's automotive industry can climb higher on the international ladder while enhancing the country's overall economic standing.

6. Conclusions and Implication

The automotive industry is one of the key pillars of China's manufacturing sector and plays a significant role in economic development, creating employment opportunities, and driving industrial transformation. However, the global economic downturn from 2019 to 2020 had a severe impact on China's automobile exports, resulting in a sharp decline in export trade and presenting new challenges to the industry. To overcome the challenges and adapt to changing market conditions, automobile export enterprises must continuously optimize their export structure, improve their research and development capabilities, enhance brand influence, and overcome technological barriers. Through these efforts, Chinese automobile export enterprises can continue to grow and truly enter the international market.

Exporting China's automobile industry to ASEAN countries faces unknown opportunities and challenges, both advantages and disadvantages [12]. In order to develop and grow in the ASEAN market, China Automotive should combine the Belt and Road initiative and implement corresponding cooperation strategies according to the needs of different ASEAN countries' markets to solve the problems faced by China Automotive in developing the ASEAN market. As a result, China Auto will increase its exports to the ASEAN market, open up a new pattern of competition in the ASEAN market, further strengthen its competitiveness in the ASEAN market, and promote Chinese auto brands to enter the ASEAN market and go global.

To ensure long-term success, the industry must also overcome technological hurdles to compete with global players continually. By focusing on innovation and investing in technology, Chinese automobile export enterprises can maintain their competitiveness and establish themselves as key players in the international market. In conclusion, by staying ahead of the curve and improving their adaptability in a dynamic global market, the Chinese automotive industry can rise to new heights and contribute to China's further economic growth.

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Conflicts of Interest

The authors declare no conflicts of interest.

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