



US Commercial
Service

Auto Team

Exporting Automotive Products to China and Thailand Webinar

January 10, 2007



Agenda

Welcome - Eduard Roytberg, International Trade Specialist, U.S. Commercial Service

U.S. Commercial Service's Automotive Team Overview

- Brian Miller, Deputy Team Leader, U.S. Commercial Service Automotive Team

Thailand's Automotive Industry 2007

- James Golsen, Commercial Attache, and Wanwemol Charukultharvatch, Sr. Commercial Specialist, U.S. Commercial Service, U.S. Embassy Bangkok.

Shanghai/East China and Automotive Highlights

- Yu-Chien Chen, Sr. Commercial Specialist, U.S. Commercial Service, American Consulate General, Shanghai.

Guangzhou/Southern China and Automotive Highlights

- Liu Ying, Commercial Specialist, U.S. Commercial Service, American Consulate General, Guangzhou

Tips on Doing Business in China

- Yu-Chien Chen

**Automotive Trade Mission to S. China and Thailand
and USA Pavilion at Auto Shanghai 2007**

- Brian Miller, James Golsen, Yu-Chien Chen

Q&A - all of the above speakers plus Merry Cao, Commercial Specialist, U.S. Commercial Service, U.S. Embassy Beijing.



**U.S. Automotive Trade Mission
to
Southern China & Thailand
March 25 - April 1, 2007**



- **Who should participate? Aftermarket, OEM suppliers, Garage/Repair, Service providers, all interested parties. Customize schedules will fit your company's interests.**
- **Join the U.S. Commercial Service's 2007 Southern China-Thailand Automotive Trade Mission.**
- **March 25 - April 1, 2007 – Guangzhou, Bangkok**
- **Participation Fee: \$1400 (Fee includes: Matchmaking meetings, briefings, local transportation, interpreters and welcome receptions in both stops)**



Thailand's Automotive Industry 2007

Jim Golsen

Commercial Attaché

Wanwemol Charukultharvatch

Senior Commercial Specialist

U.S. Embassy, Commercial Service, Bangkok





Thailand: Vibrant Market in the Heart of ASEAN



- 10 Country members
- Population > 550 million
- Combined GDP of US\$750 billion
- \$88 billion US direct investment
- 5th largest US export market
- Total 2-way trade over \$155 billion



Thailand Outlook : Economy

- GDP: \$176.38 billion
- Per capita GDP: \$ 2,724 (05)
- GDP Growth rate: 6.1% (04), 4.5% (05)
- Inflation Rate: 2.7% (04) 4.6% (05)
- Unemployment rate: 2.0% of total labor force
- Key Industries: tourism, textiles, garments, agricultural products, automotive, manufacturing, services



Market Strengths

- Strong domestic consumption
- Increase in exports
- Friendly to foreign businesses
- Low-cost skilled workers
- Stabilized currency
- Low inflation
- Good infrastructure
- Government support & incentives
- Location

The Automotive Industry in Thailand



U.S.
COMMERCIAL
SERVICE
United States of America
Department of Commerce

Industry Overview

Detroit of the ASEAN Region

Thailand hosts assembling operations for Ford, GM, Toyota, Isuzu, Honda, Nissan, Mitsubishi, BMW, Daimler Chrysler, Mazda etc.

ASEAN largest vehicle assembling capacity

Annual assembling capacity of 1 million units

Assembling industry of double-digits growth

2006 vehicle production increases 16% from last year to exceed 1.3 million units

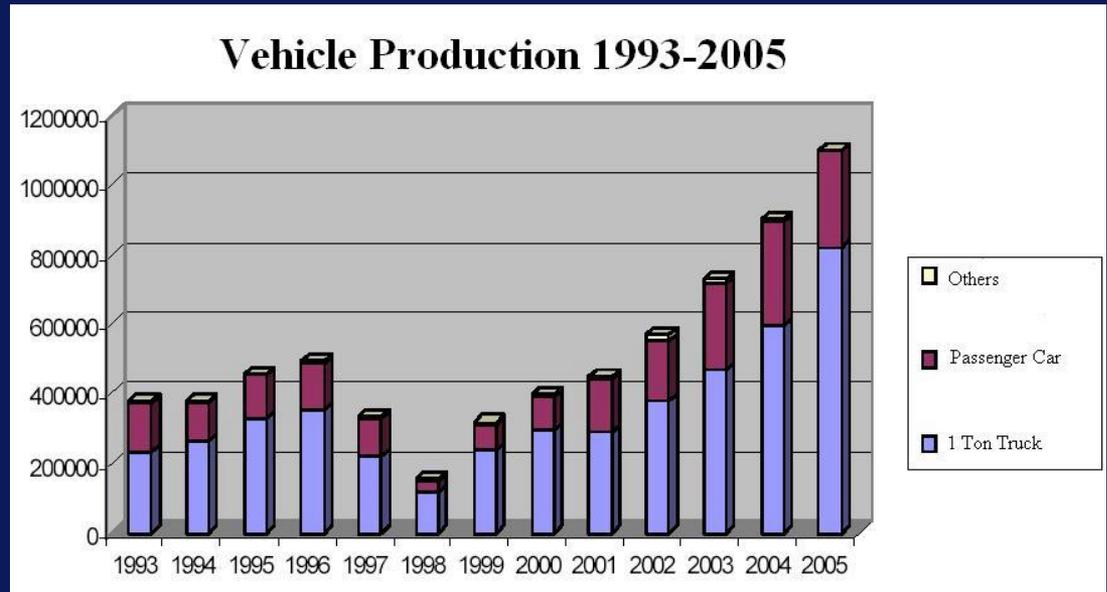
Parts manufacturing of highest quality

Most competitive in manufacturing of casting & forging parts, stamping body parts, plastic & rubber parts and glass



Automobile Production Capacity 2006

Company	PC	PU	Truck	Total	Share%
Toyota & Hino	200,000	300,000	28,800	528,800	36.86
Mitsubishi	50,000	150,000	8,000	208,000	14.50
Isuzu		180,000	20,000	200,000	13.94
General Motors	40,000	120,000		160,000	11.15
Ford & Mazda		135,000		135,000	9.41
Nissan	36,000	96,000	2,400	134,400	9.37
Honda	120,000			120,000	8.37
Mercedes Benze	16,300			16,300	1.14
BMW	10,000			10,000	0.70
Volvo	10,000			10,000	0.70
Other	12,000			12,000	0.84
Total Production	494,300	981,000	59,200	1,534,500	



Largest domestic market in ASEAN

Vehicles sales in 2006 is expected to conclude about 703,000 units

One-ton pickup trucks share 62%

Passenger cars share 28%

Domestic market of double-digits growth

Domestic sales grew at double digit annually since 1999

Exports market of double-digits growth

Account for 43% (560,000 units) of overall vehicle production in 2006

Industry target exports to increase to 50% of the industry output by 2010

Best Prospects

After Market Accessories & Performance Parts

-suspension systems, wheels and tires for SUVs and pickups

Automotive service equipment & tools

-Tire (wheel) & brake service equipment

-Body and paint repair service equipment

Opportunities with OEM Manufacturers

-Opportunities for U.S. Tier 1, 2 parts manufacturers

Market Entry & Trends

- Market Entry- Most successful method utilizes local agent/distributor (our office can help with introductions) or utilize existing relationships with U.S. based customers, i.e. Ford Asia's HQ in Bangkok
- Market trends- new investment in small fuel efficient auto production, for domestic and export market.



Thank you





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**U.S. Automotive Trade Mission
to
Southern China & Thailand
March 25 - April 1, 2007**



Don't Forget to Sign Up for the Automotive Trade Mission

<http://www.buyusa.gov/thailand/en/automission.html>



China Automotive Briefing

**Mr. Yu-Chien Chen and Ms. Liu Ying
Commercial Specialists
U.S. Commercial Service, China**



OVERVIEW

I. Shanghai & East China

II. Automotive Highlights

III. Guangzhou Automotive Highlights

IV. Tips on doing business in China

I. Shanghai & East China

Shanghai

Commercial Capital of China"



Statistical Overview (2005)

Population:	17.5 million
Area:	6,340.5 km ²
GDP:	\$109 billion
GDP Growth:	11.1%
Per Capita GDP:	\$6200-8100
Realized FDI:	\$6.8 billion
U.S. Invested Projects:	4800
U.S. Long term Residents:	15,000

Shanghai's Advantages

Concentrated Resources

- Manufacturing activity
- 20 industry parks and trade zones
- Rich human resources
- MNC Regional HQs

Business Environment

- Provincial status
- Showcase city for reforms
- Relative transparency
- Less risk (but higher costs)

Geography

- Ideal location
- Infrastructure
(ports, airports, railway, highways)

East China

"An Economic Powerhouse"



Statistical Overview (2005)

Population:	202 million (16% of total)
GDP:	25% of total
Exports:	37% of total
Imports:	34% of total
FDI:	45% of total
Largest Auto parts manufacturing center in China:	
Shanghai:	21%
Zhejiang:	16%
Jiangsu:	7%

Challenges

Macro

challenges/risks

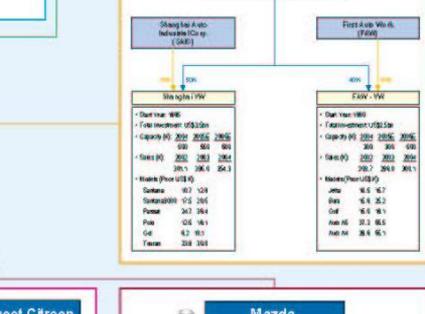
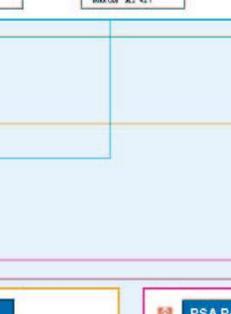
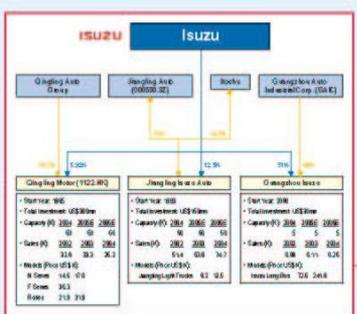
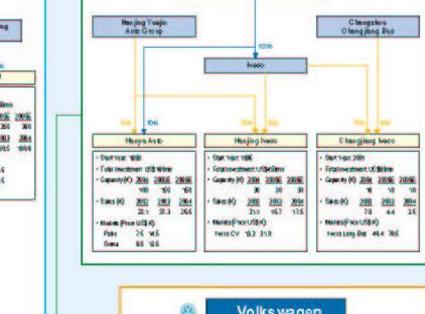
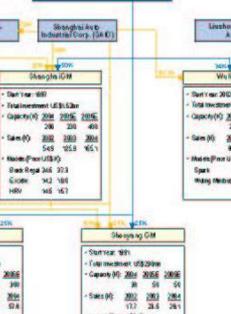
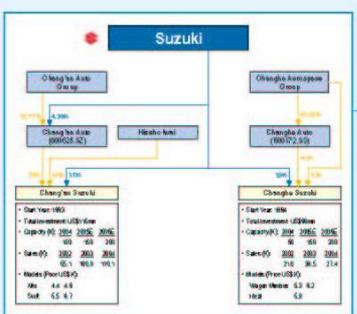
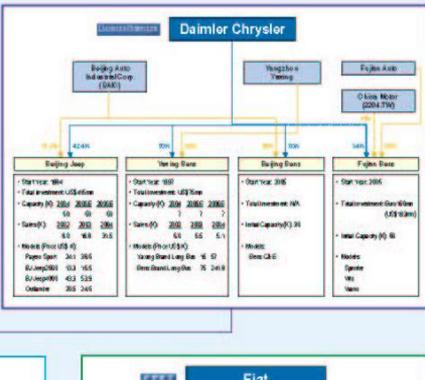
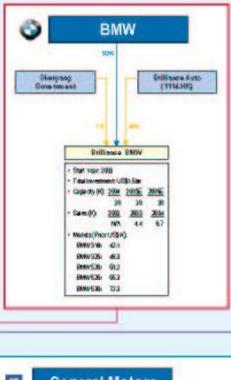
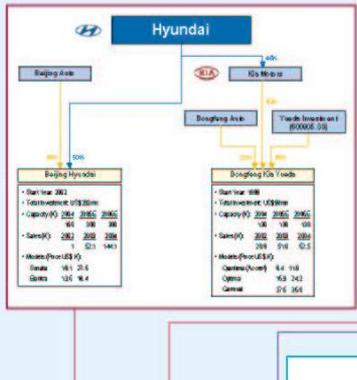
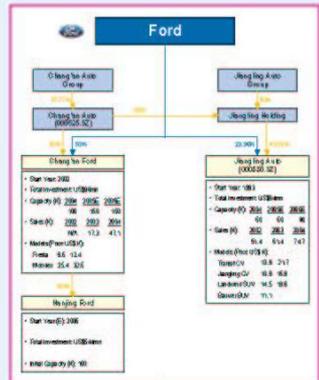
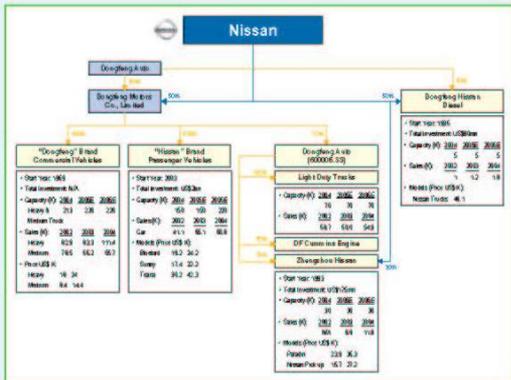
- Lack of transparency, corruption and rule of law
- Regulatory changes/unpredictability
- Wealth gaps (urban/rural; coast/interior; etc)
- Domestic political environment
- International political environment
- Pollution
- transportation infrastructure

Micro

challenges/risks

- IPR infringement
- staff recruiting and retention
- information (eg, internet problems)
- power outages
- traffic congestion

II. Automotive Highlights



China Auto Team

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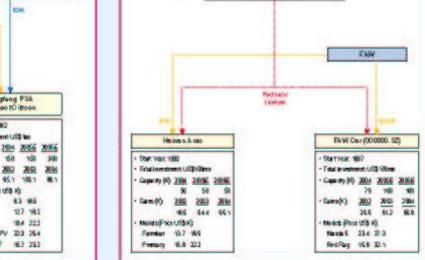
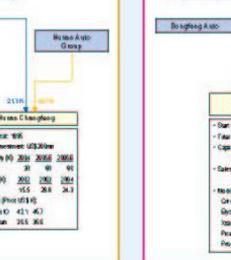
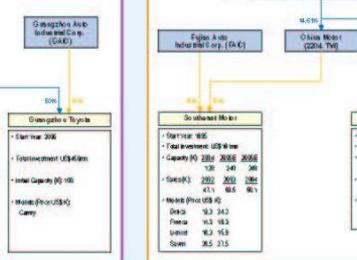
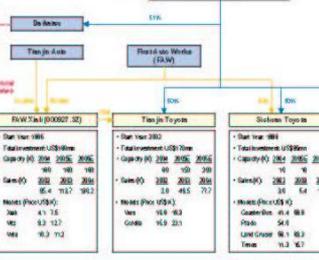
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© Morgan Stanley Research Estimate
N/A = Not Available
Source: Company Data, China Auto Info, Morgan Stanley Research

Ending Investment	Foreign	Local
Planned Investment	Foreign	Local
Technical Lease	Foreign	Local



Automotive Highlights

TRENDS

- **STRONG NEW VEHICLE GROWTH (as of Nov 2006)**
 - 6.43 million vehicles sold, up 25% from 2005
 - Passenger vehicles: 58.5% of new vehicles sold
 - Commercial Vehicles: Trucks – 24.6%
Buses – 16.9%
- **LARGELY DOMESTIC MARKET (Q3 Data)**
 - 2.2% manufactured are for export
 - 1.2% of total sales are imports



Automotive Highlights

TRENDS

- Income rise = increase in car purchases
 - Still only 0.5 cars per 100 people ... (US: 80, Ger: 55)
- Increase in new models
- Shrinking profit margins with increased competition and increase in raw material costs
 - 22% in 2001 → 5-6% in 2005 → 2-3% 2008 (est.)

Automotive Highlights

BRAND LEADERS



: 16% (1);



: 11% (2);



: 7% (3);



: 3% (13);

OEM Info

- About 100 Auto OEMs;
- 48 passenger vehicle OEMs
- 10 Major JVs – led by SVW and SGM
- 20 Major Locals – FAW, Geely, Chery

Segment Sales:

- Midsize segment up 53%
- Subcompact + compact up 58%
- (61% of PV market; 36% total)



Automotive Highlights

AUTO PARTS IN CHINA

- 1/5 of industry sales, up 31% in 2004; \$43.66 billion dollars revenue
- OEM accounts for 80% of market; Export 13%; Aftermarket 7%
- Est. growth of 25%/yr, to reach \$180 by 2010

OVER 4447 AUTO PARTS OPERATIONS

- Top 5 = 20% of market; 40 JVs in top 100 have 30% of share



Automotive Highlights

2005 CHINA AUTO PARTS IMPORTS/EXPORTS

- 2005 1st time exports (\$8.9 bn) exceed imports (\$8.3 bn)
- Exports increase 51.5%, imports only 5.7%
- 56.35% of exports by fgn owned/partnered companies

DEMAND FOR U.S. PRODUCTS

- Environmental Technology
- Electronics Integration

Automotive Aftermarket Highlights

Boom in auto after-sales and maintenance sector, especially for foreign firms

In 2005:

- \$5.25 billion revenue for auto related products reached
- \$5 billion revenue for maintenance industry
- 300,000 registered auto maintenance enterprises
- Over 9,000 auto decoration companies in China

Automotive Aftermarket Highlights

Recent survey shows:

- More than 60% of high-end sedan owners take their cars for regular maintenance and decoration
- Over 30 percent of economy car owners bring their cars in for services

Foreign players profiting from growth!

- VW, Ford, Mercedes-Benz, Honda, and Toyota
 - Authorized distribution and maintenance to local partners by launching 4S stores, (sales, spare parts, services, and surveys)
- U.S. products used in most Chinese maintenance factories and some 4S stores
 - Especially auto glass adhesives, sealants and accessories

III. Guangzhou Automotive Highlights

Guangzhou Automotive Highlights

Highlights

- Guangzhou (GZ) is China's 2nd largest auto-production bases
- GZ occupies a dominant position due primarily to its geographic advantages
- OEM car production has stimulated all facets of the auto sector!

Guangzhou Automotive Highlights

Since 1997:

- GZ Auto Sector has implemented strategic structural adjustments
- Guangzhou Honda Automobile Co., Ltd., Guangzhou Toyota Motor Co., Ltd., Guangzhou Aeolus Automobile Co., Ltd. all established
- JVs: Guangzhou Isuzu Bus Co., Ltd. and Guangzhou Junwei Bus Co., Ltd.
- Attracted nearly 50 foreign auto parts corporations including Showa, Delphi etc.

Guangzhou Automotive Highlights

2005 Highlights:

- GZ's auto industry reached \$10.6 billion in total revenue, 34.2% increase over 2004
- 400,000 automobiles manufactured
 - 6.7% of the national car output
 - 2nd largest car manufacturing base in China, after Shanghai
- GZ's auto parts: \$1.18 billion revenue in 2005, 61.5% increase over 2004

Guangzhou Automotive Highlights

In 2005 (cont.):

- GZ imported \$864 million in auto parts and accessories (up 15.8% over 2004)
- #2 importer of auto parts and accessories in China

By 2010:

- GZ car output predicted to surpass one million
- Total revenues of entire car manufacturing industry...\$25.5 billion
- and auto parts industry...\$15 billion

IV. TIPS ON DOING BUSINESS IN CHINA

Practical Tips to Remember

UNDERSTANDING THE MARKET

- Visit China to understand opportunities
- Know and sell what the market demands
- Develop Chinese language literature

MANAGING REALISTIC EXPECTATIONS

- Balance between market “hype” & doomsday
- Conduct due diligence before entering China
- Have a market strategy/systematic plan

Practical Tips to Remember

PROTECTING YOUR INTERESTS

- Safeguard and register your IP
(<http://www.usembassy-china.org.cn/ipr/>)
- Contracts must be reviewed by legal counsel
- Have an exit strategy; be prepared to “bail”
- Mind the store; Business endeavors require constant oversight



For More Information

Please visit our websites:

www.usautoteam.org

www.buyusa.gov/china/en

Auto Shanghai 2007

Shanghai, April 22nd – 28th

Auto Shanghai Highlights

- China's premier automotive event!!!
- 12-year track record
- 1,036 exhibitors from 26 countries
- Over 390,000 visitors from 113 countries and regions

2007 show is expected to have over 500,000 visitors and 140,000 m² of exhibition space.

U.S. Exhibitors Will Receive:

- A fully furnished, 9 m² booth in a prime location
- Pre-show, Asia-wide marketing campaign to regional buyers
- One-on-one briefing with U.S. Commercial Service reps from Asia
- On-site counseling & matchmaking throughout the show
- Free networking event hosted by the U.S. Commercial Service
- All for a reasonable fee of \$2,650 per booth



Join our U.S. Pavilion!!!



**U.S. Automotive Trade Mission
to
Southern China & Thailand
March 25 - April 1, 2007**



This two-stop matchmaking mission offers a unique and cost-effective opportunity to establish relationships with ideal local partners while learning first-hand the local market trends and conditions.

For a participation fee of only \$1,400, the U.S. Commercial Service is offering:

- Individual matchmaking meetings with pre-qualified local companies in each market;
- U.S. Embassy briefings on doing business in China and Thailand;
- Industry expert overview of automotive markets in China and Thailand;
- Welcome receptions with opportunities for networking at both stops;
- In **Guangzhou**: Site visits to meet individual company needs, including auto repair workshops of major market players, such as Ford, Honda, Toyota, Land Rover or Jaguar;
- In **Bangkok**: Attend International Motor Show 2007¹ (one of the top⁴³ three motor shows in Asia) to gain exposure to market trends and

Questions?