Emerging Markets Penetration Strategy in the Deglobalization Era - A Case Study of the NEV Industry in Southeast Asia

By

Ningxin Huang

Submitted to the MIT Sloan School of Management in Partial Fulfillment of the Requirements of the Degree of

Master of Science in Management Studies

at the

Massachusetts Institute of Technology

June 2023

Authored by: Ningxin Huang
MIT Sloan School of Management
May 7th, 2023

Certified by: Simon Johnson
Ronald A. Kurtz (1954) Professor of Entrepreneurship
Thesis Supervisor

Accepted by: Jacob Cohen
Senior Associate Dean for Undergraduate & Master's Program
MIT Sloan School of Management

Emerging Markets Penetration Strategy in the Deglobalization Era

— A Case Study of the NEV Industry in Southeast Asia

By
Ningxin Huang

Submitted to MIT Sloan School of Management
on May 7, 2023, in Partial Fulfillment of the
requirements for the Degree of Master of Science in
Management Studies.

ABSTRACT

In recent years, due to the slowdown in global economic development and shifts in the balance of national strength, the trend of deglobalization has arisen. This trend has introduced various risks to multinational enterprises, including political instability, trade protectionism, and supply chain disruptions. Despite these challenges, there is an enduring need for businesses to explore new markets, particularly during the period when emerging markets are experiencing rapid growth. Among these emerging markets, Southeast Asia represents a market of significant potential, especially within the burgeoning new energy vehicles (NEV) industry. This paper uses the NEV industry in Southeast Asia as a case study to explore the challenges that companies may face when penetrating emerging markets. These challenges range from unstable political environments, export-oriented economies, underdeveloped infrastructure, scarcity of skilled talent, to cultural and religious diversity. In addition, the paper also discusses the opportunities that come with these challenges in the current era.

This study draws on an analysis of market data, reviews of Southeast Asian policies, and interviews with industry practitioners. Utilizing real-world examples, the paper aims to synthesize a strategic framework to guide companies in navigating emerging markets.

Thesis Supervisor: Simon Johnson
Title: Ronald A. Kurtz (1954) Professor of Entrepreneurship

Acknowledgment

I would like to express my deepest gratitude to Professor Simon Johnson for his unwavering guidance and support as my supervisor throughout my academic journey. His thought-provoking courses have not only broadened my understanding of global markets and national policies but also ignited a curiosity for frontier industries. I am deeply inspired by his extensive knowledge, inquisitive approach to understanding the world, and boundless energy that permeates his every endeavor. His mentorship has been invaluable, and I am honored to have had the opportunity to learn from such a remarkable individual.

I am immensely grateful to both MIT and Tsinghua University for offering the exceptional two-year joint program that has served as a cornerstone in my educational experience. This unique collaboration has allowed me to explore diverse perspectives, expand my horizons, and engage in an interdisciplinary learning environment. I am truly indebted to the dedicated faculty and staff at both institutions who have facilitated this enriching experience.

My heartfelt thanks go out to my friends, who have made this two-year journey feel like a dream. They have provided me with countless moments of joy, laughter, and camaraderie, making my academic pursuits all the more enjoyable. I would also like to extend my profound appreciation to my family for their unwavering support and encouragement. Their love and belief in me have been the bedrock that keeps me going.

Lastly, I would like to acknowledge my previous work experience in market development across various countries. This exposure has been instrumental in shaping my worldview and understanding of the interconnectedness of today's global society. I eagerly look forward to applying the knowledge and skills I have acquired during these two transformative years, and I am excited to embark on the next chapter of my life, striving for greater achievements and making a meaningful impact in the world.

In conclusion, I am deeply grateful for the many individuals and institutions that have contributed to my growth and development. This journey has been a remarkable and fulfilling one, and I am truly appreciative of everyone who has played a part in shaping the person I have become.

Content

Acronyms

NEV = New Energy Vehicle
EV = Electric Vehicle
SEA = Southeast Asia
ASEAN = the Association of Southeast Asian Nations
AAF = ASEAN Automotive Federation

Emerging Markets Penetration Strategy in the Deglobalization Era — A Case Study of the NEV Industry in Southeast Asia

I. Introduction

1.1 Background and Purpose

In the eight decades of relative global peace since World War II, globalization has prospered with the spread of electrification and advancements in computer and Internet technologies, catalyzing substantial global economic growth. Globalization has allowed for an integrated worldwide production system, leading to an almost global division of labor, which in turn significantly boosts social productivity. However, there is an increasing debate over the heightened inequality perceived as a byproduct of globalization. Populism and illiberalism are on the rise in both developed and developing economies, as countries grapple with the perception that they have not reaped the dividends of globalization. This sentiment fuels the emergent trend of anti-globalization, and geopolitical risks are escalating. According to the Kondratiev Wave, we might be at the threshold of a new era of turmoil.

25,000 or more · 10,000 - 25,000 · 2,500 - 10,000 · 500 - 2,500 · under 500
no data

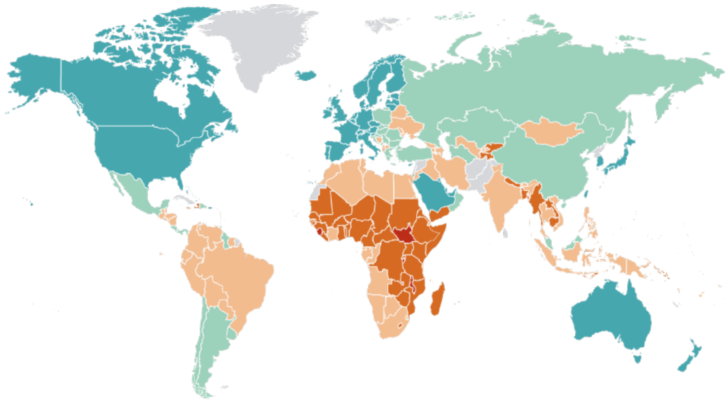

Fig 1. GDP per capita across the world in 2023
Source: IMF, World Economic Outlook (April.2023), https://www.imf.org/external/datamapper

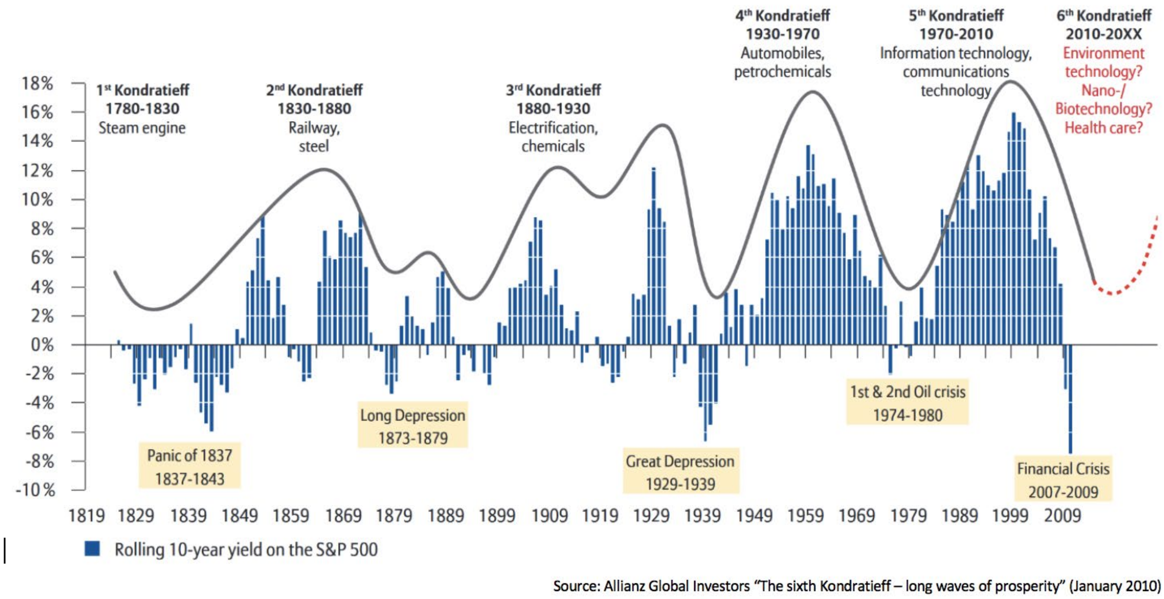

Fig 2. The sixth Kondrtieff Wave

Despite the challenges, business owners naturally seek continual market expansion. Emerging markets are projected to reap significant demographic dividends in the next two decades, presenting a unique opportunity for multinational corporations. As per the World Bank, the global population is estimated to reach nine billion by 2030, with 90% residing in emerging market nations (Holt, Quelch, & Taylor, 2004). By 2025, annual consumption in emerging market economies is expected to rise to $30 trillion. Therefore, understanding how to seamlessly enter emerging markets while mitigating the risks and uncertainties posed by geopolitics is a topic worthy of exploration. Southeast Asia, a highly representative emerging market with a population of 687 million set to benefit from significant demographic dividends in the upcoming wave, is a key battleground for multinational corporations. ASEAN is already the fifth-largest economy globally. This article will concentrate on this region for a competitive analysis.

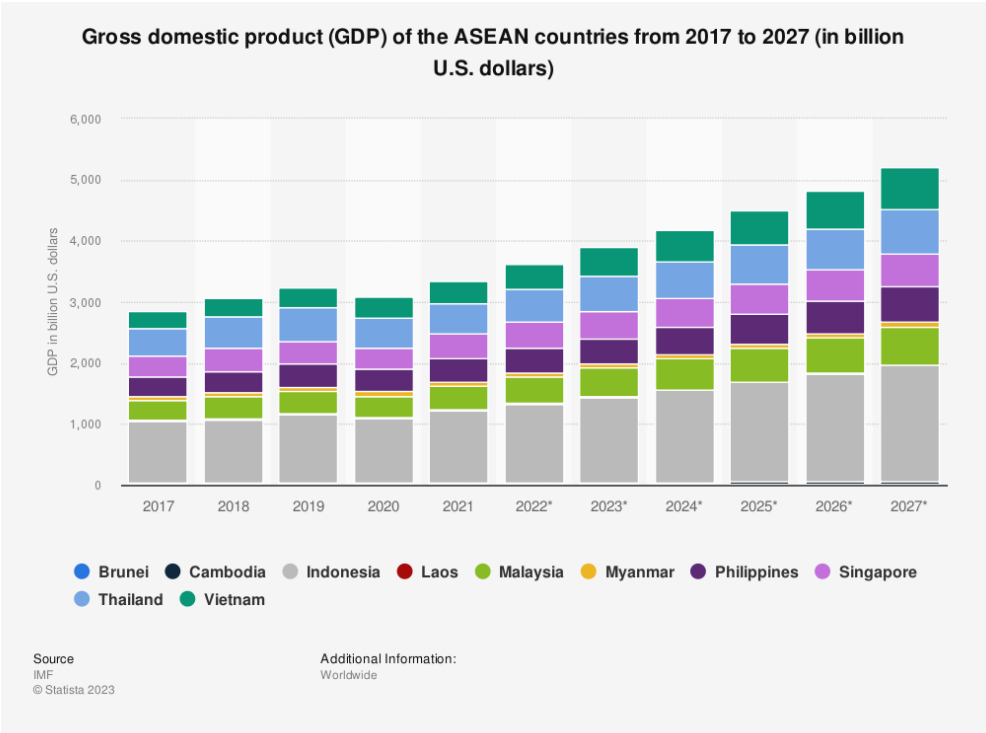

Fig 3. GDP of ASEAN in 2017-2027
Source: "ASEAN Countries GDP 2027 | Statista." Statista, 2023, www.statista.com/statistics/796245/gdp-of-the-asean-countries/.

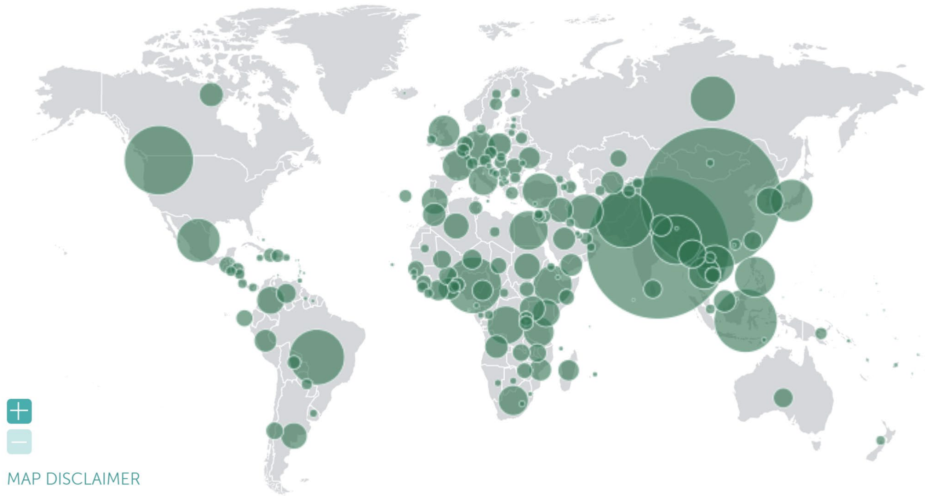

Fig 4. Worldwide population distribution in 2023. 6.77 billion in emerging markets
Source: IMF, World Economic Outlook (April.2023),
https://www.imf.org/external/datamapper/LP@WEO/SSA/EDE/OEMDC/DA

The new energy industry, currently a focal point for both developed and developing countries, is poised to inject new momentum into global economic growth. New energy vehicles (NEVs), as one of the most representative sectors within the new energy industry, are experiencing a period of market boom. Therefore, this paper aims to use the NEV industry as a case study to analyze the challenges and opportunities in emerging markets, and to discuss the strategic framework and action plans that companies need to consider when exploring these markets. We will focus on how companies can mitigate risks in business development, including policy risks, human resource risks, cultural risks, and other operational risks, to effectively manage factors such as geopolitics and power dynamics among major players."

1.2 Literature Review

With the advent of globalization since the 1970s, many scholars have embarked on theoretical research concerning corporate globalization and transnational operations. For instance, Johanson (1977) pioneered the theory of enterprise internationalization stages, categorizing the path to internationalization into four progressive stages according to the varying resources invested by enterprises: commodity exportation, direct enterprise exportation, establishment of business departments in the host country, and the creation of enterprise subsidiaries in the host country. Robinson (2006) delineated the global operation of enterprises into six steps: founding a company in the home country, normal domestic operation of the company, high domestic market competition, seeking foreign markets, selling goods overseas, and setting up business departments and corporations abroad. Hollensen (2011) proposed that the primary factors stimulating the onset of internationalization include: knowledgeable talent, abundant capital, comprehensive understanding of foreign markets, distribution channels in the international market, and a robust management system, among others.

There is also research targeting individual automotive companies to aid them in conducting SWOT analyses for specific overseas market development. For instance, Yongseung Lee, Chongman Kim, and Juneseuk (2016) aimed to suggest a Hybrid Electric Vehicle (HEV) market penetration strategy through consumer ownership model analysis; Shin Reddy (2021) endeavored to examine traditional and digital advertising conducted by Hyundai Motors Company to enhance the company's success in brand creation and user engagement. However, there is a noticeable lack of research seeking to consolidate a generalized framework of actions that a company could implement based on real case studies when attempting to penetrate an emerging market. This article aims to address this gap.

1.3 Methodology

This paper first employs literature review in conjunction with data analysis to examine the causes and effects of deglobalization. It then surveys the data and policies of the New Energy Vehicles (NEV) market in Southeast Asia (SEA), synthesizes common challenges and solutions through interviews with practitioners, and outlines the actionable steps that can be taken for market development in the era of deglobalization.

II. Trend of Deglobalization

2.1 Phenomenon

Deglobalization is a trend opposing globalization, emphasizing national competition, and retreating from international or inter-regional cooperation, which leads to a more isolated and protectionist world order. This phenomenon manifests in various areas such as trade, finance, investment, and technology, and is increasingly becoming a prominent ideology that encourages nations to prioritize national interests over global cooperation.

Fig 5. Global Trade openness index – the sum of world exports and imports divided by world GDP. Source: The World Bank, World Bank Open Data, 2023, data.worldbank.org/indicator/NE.TRD.GNFS.ZS?end=2021&start=1960&view=chart.

In terms of international investment and trade, global trade growth has decelerated, and capital flows have slowed, with the ratio of cross-border financial assets to global output declining from 57% in 2007 to 36% in 2015. Nations are endeavoring to reduce their reliance on the international division of labor, keeping supply chains within their own countries to mitigate the risk of declining employment rates and restricting market access. They protect domestic industries through tariffs, trade wars, and other measures. These trade barriers have contributed to a decrease in international trade volumes and international investment, resulting in a decline in the global trade openness index.

2.2 Key Drivers Contributing to Deglobalization Trend

From a historical point of view, globalization and deglobalization are cyclical phenomena that alternate with each other. Generally, only a few major powers leading the globalization hierarchy can determine the trajectory of this "cyclical movement". The deglobalization phenomenon primarily stems from the reaction of the dominant country during an economic crisis, resorting to trade protectionism and nationalism to safeguard its vested interests and international status, and to prevent emerging countries from catching up. This trend can be traced back to the shift of hegemony from Britain to the USA in the first half of the 20th century. In response to the "Great Depression" and to protect its interests, Britain abandoned the Gold Standard and adopted trade protectionism. Currently, the trade protection strategy of the U.S. government has a similar backdrop: the global influence of the United States has been waning as emerging markets rise, leading to deglobalization methods such as trade wars becoming a strategic choice for the U.S. government to maintain its hegemony.

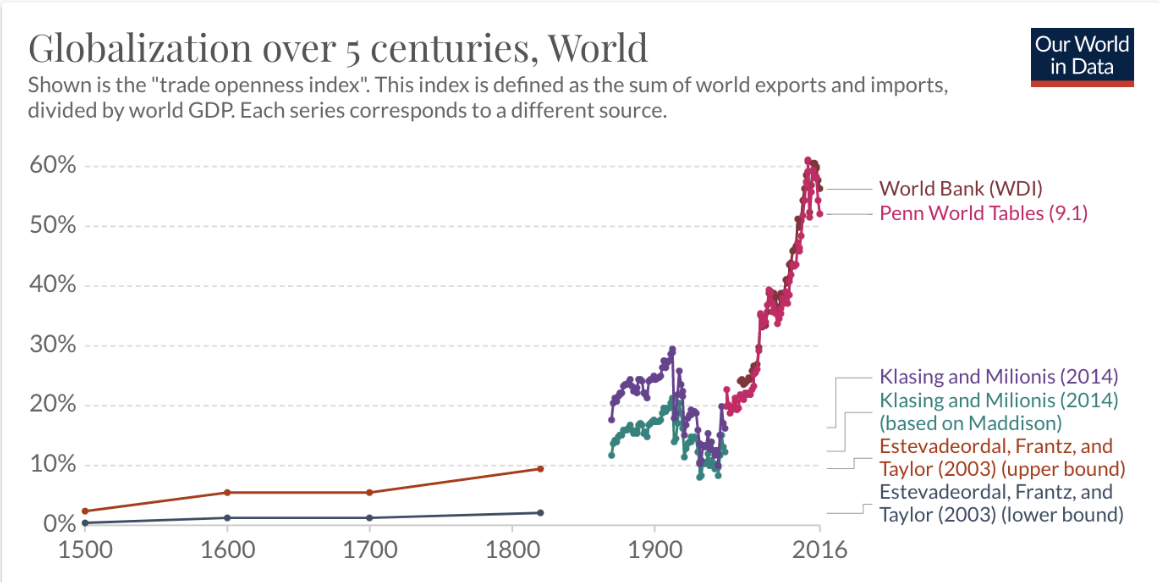

Fig 6. The global trend went up and down in the past 5 centuries.

Source: Source: Feenstra et al. (2015), Penn World Table (2021), Estevadeordal, Frantz, and Taylor (2003), Klasing and Milionis (2014) [*https://ourworldindata.org/trade-and-globalization*](https://ourworldindata.org/trade-and-globalization)

There are several key factors contributing to the current trend of de-globalization:

a) Political factors

Politically, geopolitical tensions and political and social crises around the world have continued, with various "black swan" events occurring. The turbulent environment of society leads to the rise of populism and illiberalism.

For instance, in Eastern Europe, Ukraine abandoned a political and free trade agreement with the European Union in 2013, went to war with Russia, and sought to join the bloc in 2022. In June 2016, the British referendum resulted in the decision to "Brexit". Due to war threats and the ravages of regional terrorism, refugees from West Asia, North Africa, and the Middle East have migrated in large numbers to Germany and other Western European countries. This influx has presented these countries with issues such as refugee resettlement and border management and has profoundly influenced their domestic social environment. The widespread border blockade measures triggered by the global COVID-19 pandemic have significantly accelerated the anti-globalization trend.

b) Economic factors

Economically, there’s heavy inequity in the distribution of interests among countries, and the gap between the rich and the poor continues to widen.

The fundamental driving force of globalization lies in the development interests of all countries in the world. However, amidst economic growth slowdown, the Matthew effect is pervasive. The World Inequality Report 2018, published by the World Inequality Lab, found that the top 10% of earners captured 37% of global income in 2016, up from 31% in 1980. Conversely, the share of global income held by the bottom 50% of earners declined from 20.4% in 1980 to 17.6% in 2016. At the national level, clear that the US and China are the ones who indeed gained the benefits of globalization. In Figure 7, among the selected 23 countries, only the top countries exhibited outstanding performance. Beginning with the data of the mid-range country, Jordan, these nations now contribute even less to the global economy.

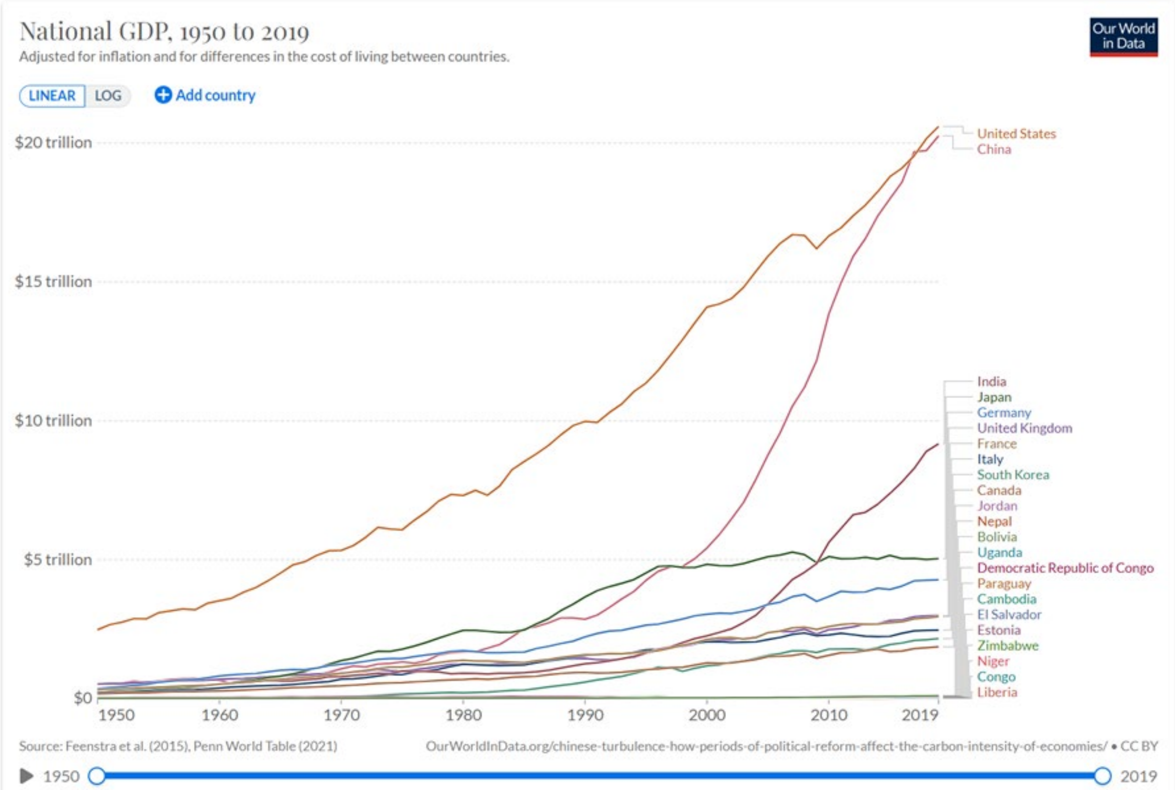

Fig 7. GDP from 1950-2019 in selected 23 countries– the top 10, mid-rangers.
Source: The World Bank, World Bank Open Data, 2023, data.worldbank.org/indicator/NE.TRD.GNFS.ZS?end=2021&start=1960&view=chart.

According to Dani Rodrick, a country's position in the world economy, the relationship between its trade policy and its social and political struggles determines whether free trade promotes the country's progress or makes the country regress. As the balance of economic power shifts among countries, the proportion of developed countries in global GDP has been on a downward trend. Consequently, major developed powers have chosen to promote anti-globalization measures to preserve their interests. Simultaneously, other countries that have reaped fewer benefits from globalization have been swept up in the wave of deglobalization.

c) Profound reason

Fundamentally, global economic growth is sluggish. The deeper cause for deglobalization lies in the conflict between the current economic development driven by capital and the impediments to global development caused by technological stagnation.

As mentioned in Global Economy Prospects Report from the World Bank, "*Our latest forecasts indicate a sharp, long-lasting slowdown, with global growth declining to 1.7 percent in 2023 from 3.0 percent expected just six months ago. The deterioration is broad-based: in virtually all regions of the world, per-capita income growth will be slower than it was during the decade before COVID-19*." Under such circumstances, the world economic situation is more likely to be regarded as a "zero-sum game" that creates a confrontation between "winners" and "losers", while globalization is criticized as an unfair means of resource allocation and resisted. However, the world economy is a closed system, and the phenomenon of de-globalization often has no simple perpetrators or victims, but "cooperation" among multilateral countries. As a result, the deglobalization phenomenon gets a self-reinforcing effect[i].

2.3 Influence on Market Penetration

Countries are implementing various measures to safeguard their domestic industries and attempt to retain the industrial chain domestically. This has a pronounced and direct impact on international trade and investment, primarily in the following aspects:

a) Political risk

The rise of "anti-globalization" has translated public "xenophobia" into national policy, using state power to hinder foreign capital influx. Historical cases reveal that host countries have been suspicious of multinational companies seizing the host country's strategic resources for noncommercial purposes. As a result, they prevent these companies from acquiring local high-tech firms, or prohibit investment in bulk commodity industries[ii]. At times, they even confiscate foreign property or disrupt business operations under ostensibly legitimate pretexts, thereby increasing the likelihood of failure in multinational companies' outward foreign direct investment (OFDI). [iii]

b) New trade protectionism

This wave of anti-globalization has seen the use of two types of trade protection methods: tariff barriers and non-tariff trade barriers, with anti-dumping and countervailing measures at the forefront. Compared with traditional trade protectionism, new methods are being widely adopted:

- "Green Barrier", where some developed countries leverage their economic and technological monopoly to enact stringent environmental protection measures and quality standards, thus restricting market access. They justify anti-dumping actions by citing "Environmental Cost".
- Complex and frequently changing technical and patent review processes, along with conformity assessment procedures.
- Labor standards and human rights issues are used to defame foreign industries.
- Administering international trade in accordance with national laws.
- Exploiting loopholes in WTO rules
- The rise of bilateralism and regionalism, to exclude countries outside the organization.

c) Technology and supply chain risk

In the face of deglobalization, nations regularly issue policies, leading to significant uncertainties in international trade rules. For an industry with a global division of labor, any link in the chain could be subjected to review or embargo, posing a substantial risk of disrupting the entire supply chain. Developed countries seek to address unemployment through "re-industrialization", while developing countries aim for industrial advancement. It's expected that the global supply chain will undergo restructuring, leading to a period of turbulence. To maximize their interests, developed countries impose embargoes or quota sales on key technologies, equipment, and components. Countries controlling raw materials such as minerals attempt to maintain their influence in global trade systems by raising prices of their monopoly products. This could weaken the global supply chain and lead to resource shortages, ultimately affecting every consumer and global trade prosperity.

d) Culture risk

With the rise of populism under deglobalization, multinational companies must be increasingly mindful of their corporate conduct in both their home countries and overseas markets, particularly in terms of corporate publicity and spokesperson speeches. Any inappropriate wording or actions in foreign markets or a perceived "hostile" market can be over-interpreted, potentially affecting the company's image or creating operational risks. Conduct in foreign markets could even influence the brand image in the company's home country.

III. Characteristics of Emerging Markets and their Impact on Market Penetration

3.1 The Definition of Emerging Markets

Over the past three decades, another wave of globalization, driven by the computer industry and informatization, has prompted a growing number of countries to join the global stage, leveraging their population or geographical advantages to gain substantial growth potential. Antoine Van Agtmael, a World Bank economist, first coined the term "emerging markets" in 1981 to describe countries transitioning between "developed" and "developing" status. This term became common parlance in the 1990s, and the Clinton White House's National Export Strategy highlighted emerging markets as a high priority. The U.S. Department of Commerce's Big Emerging Market Strategies in the early 1990s spotlighted ten emerging economies: Mexico, Argentina, Brazil, the Chinese Economic Area, India, Indonesia, South Korea, Poland, Turkey, and South Africa, due to their significant geographic size, substantial populations, rapid growth, and vast market potential for various products.[iv].

Since then, scholars and institutions have put forth various definitions of "emerging markets". As global economic circumstances evolve, the definition and scope of emerging markets also change. According to the International Finance Corporation, an emerging market is defined as a country or region whose per capita Gross National Product (GNP) has not reached the high-income country level as defined by the World Bank (US$ 13205 for FY2023). The MSCI Emerging Markets (EM) Index, launched in 1988, initially included 10 countries, representing about 0.9% of the MSCI ACWI Index. It now captures 24 countries worldwide, accounting for 12% of the MSCI ACWI Index.[v]

3.2 Main Characteristics of Emerging Markets

Scholars have identified various characteristics of emerging markets. According to Miller (1998), there are common characteristics like inadequate commercial infrastructure, inadequate political stability, inadequate legal framework, weak social discipline, limited personal income, and most importantly, the influential role of government in economic life[vi]. Dawar and Chattopadhyay (2000) identify the characteristics of emerging markets and made recommendations like “In emerging markets, products need to be functional, built to last and basic"[vii]. Besides what was mentioned above, Sheth (2011) highlights the relatively high influence of sociopolitical institutions and the high level of unbranded competition[viii]. Thus, Sheth suggests putting the focus on market aggregation, standardization, and development.

Taking into account the aforementioned characteristics, emerging markets can be defined by five common features:

a) Resources: A large population base with a demographic dividend, often possessing indispensable natural resources.
b) Economic status: Starting from a lower level but with a high growth rate, characterized by continuous per capita income growth, an increasing middle-class proportion, and a consumer market with substantial potential.
c) Political economy: Policy factors heavily influence economic activities. Governments tend to attract and utilize international capital and advanced technology to stimulate the domestic economy and are often willing to offer preferential policies

for foreign investors. However, as they gradually increase openness, governments also tend to protect domestic emerging and core industries, leading to certain protectionist behaviors.

d) Operating environments: Physical infrastructure such as transportation/logistics is often relatively underdeveloped, but rapidly improving. Systemic laws and regulations are somewhat incomplete, and the financial market is less mature, but these aspects are gradually improving. These markets are undergoing liberalization and reforms, including liberalizing trade and investment policies, and privatizing state-owned enterprises.

e) External environment: Emerging markets' internal economic state is highly susceptible to the external environment. For instance, exchange rate and financial stability are greatly influenced by the financial policies and stability of American and European markets. Furthermore, the external environment can change due to competition and cooperation among major powers.

In addition to the common characteristics previously mentioned, it is essential to recognize that each emerging market exhibits considerable variances in geographical conditions, language, culture, and traditional customs. Furthermore, differences exist in political and economic systems and policies regarding globalization and anti-globalization. Due to these vast differences, market penetration strategies need to be localized for each market.

3.3 Challenges of Market Penetration in Emerging Markets

Given the aforementioned characteristics, multinational companies face several challenges when attempting to penetrate emerging markets.

a) Cultural differences: There are significant cultural disparities among various emerging markets, and between the host and home markets. These cultural differences, influencing communication styles, business etiquette, and consumer behavior, necessitate extra effort from companies to understand and adapt.

b) Product preference: Emerging markets, being at different stages of development, exhibit a wide range of income levels and aesthetic preferences, resulting in diverse product preferences. Therefore, companies may need a broader range of products and corresponding supply chain management capabilities to cater to different regional needs.

c) Regulatory and legal barriers: Navigating the complex regulatory and legal systems of emerging markets can be challenging, with additional unwritten rules. Multinational companies must understand the laws and regulations governing their operations.

d) Political instability: Emerging markets may exhibit political instability, creating uncertainty and risk for multinational companies. Political unrest, government corruption, and leadership changes can all affect business operations in these markets.

e) Economic volatility: Economic volatility, another characteristic of emerging markets, can pose challenges for multinational companies. Fluctuations in currency exchange rates, inflation, and economic downturns can all affect business operations and profitability. These volatilities are often triggered by changes in the international environment or actions taken by major countries.

f) Infrastructure challenges: Underdeveloped infrastructure, such as inadequate transportation systems or limited access to technology, can influence operational practices. For instance, the production and shipment of products might take longer than expected.

g) Weak intellectual property protection: The lack of strong intellectual property rights can pose challenges for companies entering these markets.

h) Competition from local firms and nationalist sentiment: Emerging markets often harbor rapidly growing local firms that possess a deeper knowledge of the local market and lower operating costs. Some countries exhibit high levels of nationalism, which can result in resistance to foreign investment, enabling local companies to play the patriotism card. In certain markets, monopoly family groups may exist, leveraging local privileges to establish entry barriers for competitors and thus gain a competitive advantage. Multinational companies may struggle to compete with these firms, which can limit their ability to gain market share.

i) Low credibility of partners and lack of talent: Owing to the late development of certain industries, finding sufficient talent in emerging markets can often be challenging.

j) Low contract enforcement: This can create significant uncertainty in daily business operations.

IV.Challenges and Opportunities in the Deglobalization Era: NEV Companies in SEA Context

4.1 Economic Challenges: A bumpy road to recovery-Inflation, Currency fluctuation, Supply-chain disruptions, and weak consumption

According to Asian Development Bank, the Growth in real gross domestic product (GDP) is 5.5% for the Association of Southeast Asian Nations (ASEAN) in 2022 and is forecast to be 5.2% in 2023[ix]. After the pandemic, most economies in Southeast Asia show strong recovery momentum. At the same time, with the prominent status of the value chain in Southeast Asia, its internal value-added share continued to rise, and the global value chain's epicenter has begun to shift to Southeast Asia. The region is currently the most dynamic and diversified segment of the global economy.

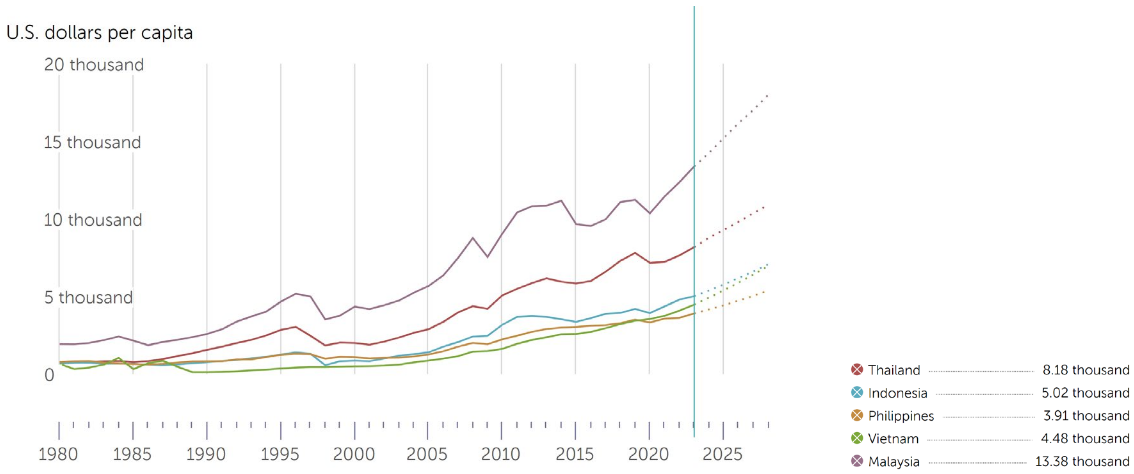

Fig 8. The trend of GDP per capita in SEA
Source: IMF, World Economic Outlook (April.2023), https://www.imf.org/external/datamapper

However, the economies in SEA are characterized by openness and vulnerability, indicating their susceptibility to global market influences. Amid the recent global economic cycle of recession-recovery-second recession and the aggressive interest rate hikes by major central banks such as the Federal Reserve, Southeast Asian countries have confronted the risk of an imported inflation crisis and a potential secondary recession during recovery. These economies, therefore, need to strike a balance between protecting people's livelihoods (curbing inflation) and stimulating economic recovery.

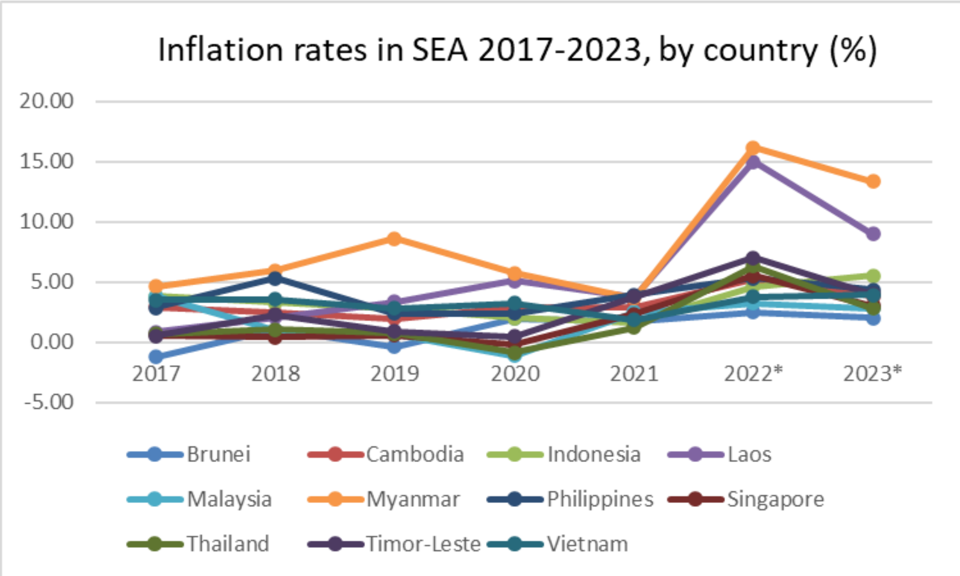

Fig 9. Inflation rates in SEA from 2017 to 2021 with forecasts to 2023, by country
Source: "SEA: Inflation Rate by Country 2023 | Statista." Statista, 2023,
www.statista.com/statistics/626023/forecasted-inflation-rates-in-southeast-Asia-by-country/

In recent years, black swan events such as the Sino-US trade war, the COVID-19 pandemic, and the Russia-Ukraine conflict have continuously disrupted the global supply chain, intensified the food and energy crisis, and triggered restructuring and rebalancing of the global economy, particularly the energy supply and demand structure. The region's tie to the U.S. dollar makes it susceptible to the Federal Reserve's quantitative easing and subsequent aggressive interest rate hikes, leading to capital outflows and currency depreciation in Southeast Asian countries, escalating the prices of imported goods, and triggering secondary inflation. The inflation rate is at its highest this century in many countries. Across the region, household debt pressures have surged, consumers have significantly scaled back non-essential spending, and corporate profits are under intense pressure. Moreover, the development of an export-oriented economy is significantly influenced by the global market. Recession risks from stagnating external demand growth could transmit to the region through the value chain, affecting economic growth in this region.

For NEV companies looking to penetrate this region's market, supply chain risks, currency fluctuations, and the urgent need to revitalize local consumption power are all challenges that warrant attention. In the current environment, the instability of economic policy is likely to increase, making predictions more challenging. NEV manufacturers may rely on importing key components, such as batteries and charging equipment, exposing them to fluctuations in global commodity prices, currency exchange rates, and supply chain disruptions. Furthermore, although NEVs often have lower operating costs, the initial cost of purchasing an NEV can be relatively high. This can make them less attractive to price-sensitive consumers in SEA markets.

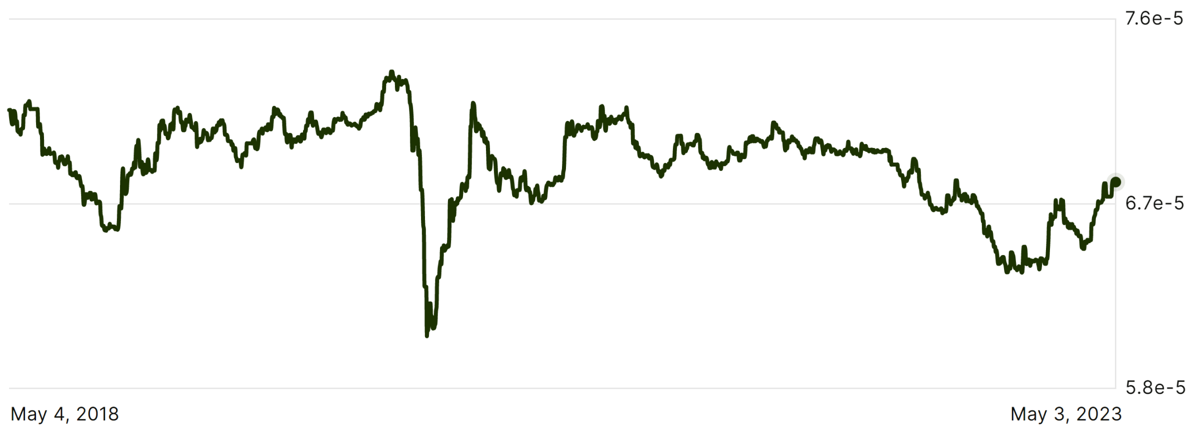

Fig 10. IDR to USD Conversion Chart
Source: "IDR/USD - Wise." Wise, 2023, wise.com /currency-converter/idr-to-usd-rate

4.2 Political Challenges: Geopolitical tensions and domestic instability

Towards the end of 2022, a series of important regional and international conferences - the ASEAN Summit and East Asia Cooperation Leaders' Meetings, the Group of Twenty (G20) Leaders' Meeting, and the Asia-Pacific Economic Cooperation (APEC) Leaders' Informal Meeting were intensively held in Southeast Asian countries, bringing the region into global focus. Furthermore, with Timor-Leste's accession, all 11 countries in Southeast Asia have become ASEAN members.

As the trade war between China and the United States intensifies, Southeast Asia has emerged as a pivotal region that both countries are vying for. The increasing external environmental uncertainty has concurrently created more opportunities for the region's development. Additionally, the region is becoming more integrated to bolster its own strength.

Several maritime and territorial disputes exist in the SEA region, particularly in the South China Sea. These disputes, involving competing claims by multiple countries, are fueled by nationalism, resource competition, and strategic considerations. These tensions can precipitate regional instability and strain diplomatic relations. For businesses, these are sensitive issues that require careful handling, as any oversight could potentially incite public resistance against both the parent and host companies. These disputes may also disrupt companies' supply chains and compromise employees' safety.

In addition to international tensions, domestic political instability is another significant factor. Some SEA countries have experienced political upheaval due to frequent changes in government, military coups, and civil unrest. This instability can erode investor confidence, impede economic growth, and amplify social tensions. For companies, frequent shifts in government or policy—like regulations on vehicle emissions, safety standards, import duties, and subsidies—can create a volatile business environment, making it challenging for companies to formulate and execute long-term strategies.

Furthermore, widespread corruption, weak governance, and a lack of transparency in many SEA countries can obstruct political accountability, undermine public trust in institutions, and limit the effectiveness of public spending. These issues can also negatively impact the business environment, as companies may incur additional costs in obtaining permits and licenses. They may also face demands for bribes or kickbacks, which can escalate operational costs and pose ethical dilemmas. Given that government incentives and subsidies greatly influence the affordability and attractiveness of NEVs for consumers, companies may seek closer relationships with the government, necessitating additional costs and effort.

4.3 Operational Challenges: Diversity, imbalance, infrastructure deficit, and severe competition

The SEA region's diverse cultural, ethnic, linguistic, and religious landscape can sometimes lead to tensions and conflicts. These divisions can manifest in communal violence, discrimination, and exclusionary policies, further undermining social cohesion. For businesses, this diversity signifies a more complex consumer base to understand and serve, even within a single market. Considering the entire region, the need for distinct strategies in each country implies an expanded product matrix, a diminished scale effect, heightened operational costs, and increased management difficulties. In essence, businesses cannot treat Southeast Asia as a unified market, but rather as a series of fragmented markets.

Inadequate infrastructure, such as underdeveloped transportation networks, limited access to electricity, and rudimentary communication systems, can pose challenges for companies attempting to establish and expand their operations. Diverse regulations, insufficient transportation infrastructure, and varying levels of logistical development across countries can further complicate the establishment and maintenance of an efficient supply chain. Additionally, climate-related issues like typhoons and floods can exacerbate the impact of inadequate infrastructure. For NEVs, the lack of infrastructure not only implies manufacturing difficulties, but also hinges on the widespread installation of charging stations and the stability of the network environment, which are crucial for the normal usage of these vehicles and their selection by consumers.

Companies entering SEA markets may struggle to find and retain skilled local talent, especially in emerging industries like NEVs. Navigating language barriers, cultural differences, and varying labor regulations also pose challenges in managing a diverse workforce.

Moreover, in the Southeast Asian market, long-established Japanese brands such as Toyota, Suzuki, and Honda, which once command over 80% of the market share in the era of fuel vehicles, pose significant competition. Thriving local brands, like Vinfast in Vietnam, also present competitive challenges. Any NEV company planning to enter the market will face fierce competition in terms of product, price, branding, and after-sales services.

4.4 Opportunities:

a) Demographic dividend: Growing middle class, large and young population

According to a recent report jointly published by Bain and Monk's Hill Ventures, the

Southeast Asian (SEA) economy is projected to grow at an annual rate of 4 to 5 percent over the next decade, with ASEAN anticipated to become the world's fourth-largest economy by 2030. Boasting a combined population exceeding 680 million, the SEA region presents a vast and diverse consumer base. Countries such as Indonesia, Vietnam, and the Philippines have maintained relatively high population growth rates. The expanding middle class and increasing disposable incomes afford companies opportunities to market their products and services to a larger consumer base.

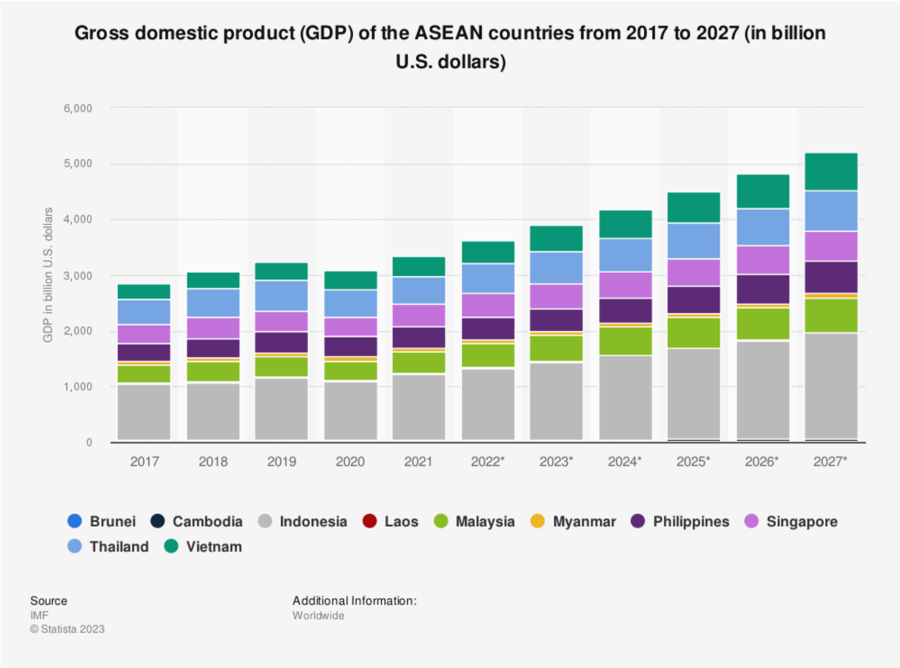

Fig. GDP of ASEAN from 2017-2027
Source: "ASEAN Countries GDP 2027 | Statista." Statista, 2023, www.statista.com/statistics/796245/gdp-of-the-ASEAN-countries

Furthermore, considering the population structure, SEA societies are predominantly young, with individuals under 20 years accounting for 34.5%, and the labor force between the ages of 20 and 54 representing 50.0%. As illustrated in the preceding charts, the working-age population is substantial and continues to grow. This abundant labor resource fosters the development of the manufacturing industry. Many SEA countries offer competitive labor costs, making them attractive manufacturing and production locations. Companies can leverage these lower operational costs while accessing a skilled and productive workforce.

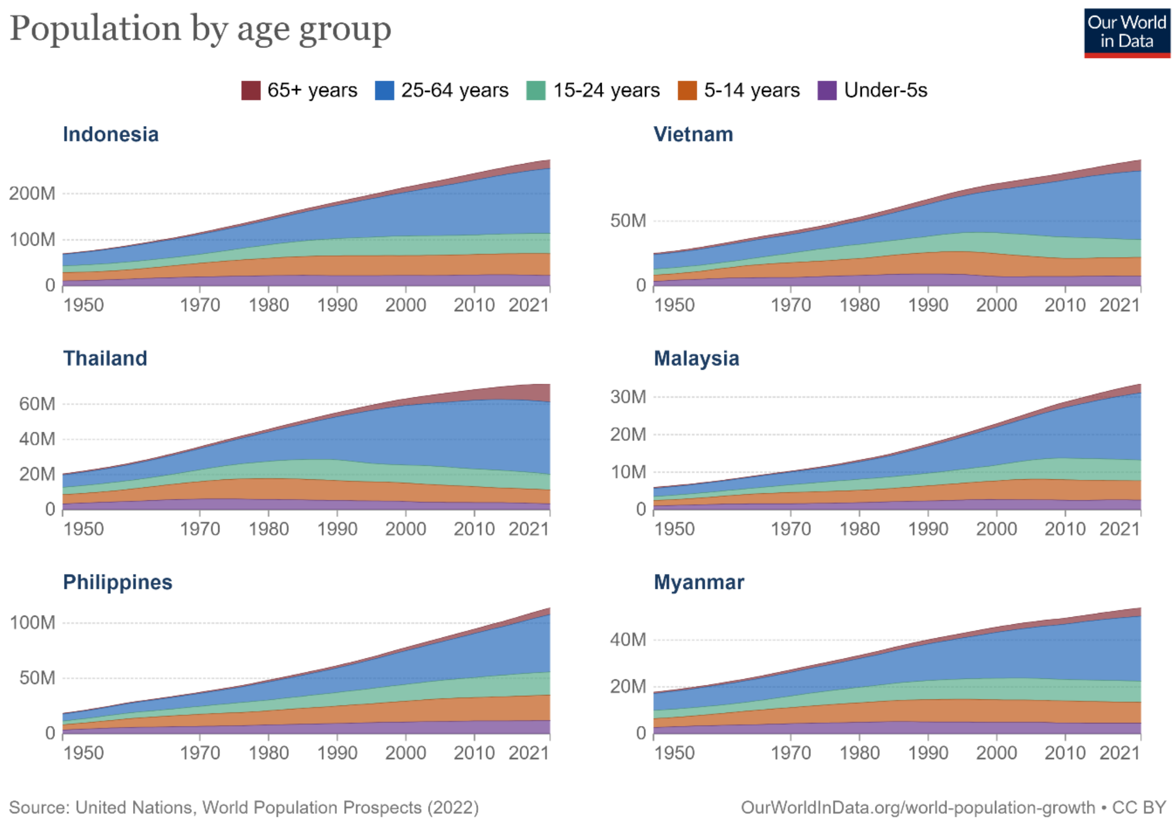

Fig. Population by age group in SEA six countries.
Source: United Nations, World Population Prospects (2022), https://ourworldindata.org/age-structure

b) Natural resources: Pressure from traditional energy, rich new energy resources

The current crude oil shortage in Southeast Asia is as high as 40%, with cars alone consuming 114 million tons annually. The relentless rise of international crude oil prices imposes substantial import inflationary pressures on these countries, which also grapple with significant environmental concerns. Therefore, Southeast Asian countries have a profound need for the adoption of new energy.

There is enormous potential for various types of clean energy in Southeast Asia, which is rich in hydropower, geothermal energy, solar energy, wind energy, and tidal energy. Additionally, the region possesses key metal resources essential for the development of new energy vehicles, with the countries reaping benefits from these natural resources. For instance, Indonesia, a leading producer of nickel ore globally, is transitioning from extensive mineral mining to the development of the entire new energy vehicle industry chain. Since January 2020, the Indonesian government has entirely prohibited the export of nickel ore, fostering the entire industrial chain encompassing the production of electric vehicle batteries and the entire ecosystem, including electric vehicle manufacturing.

In the future, this region may benefit from deep-sea mining, which yields nodules abundant in copper, nickel, manganese, and cobalt—elements critical for constructing batteries for electric vehicles.

c) Integration and trade agreements

Despite the tense international climate, both China and the United States regard Southeast Asia as a crucial battleground, introducing political risks to the region but also delivering numerous trade advantages. The SEA region has increasingly integrated through initiatives such as the ASEAN Economic Community (AEC) and trade agreements like the Regional Comprehensive Economic Partnership (RCEP). Singapore, Brunei, Malaysia, and Vietnam have also joined the Trans-Pacific Partnership (TPP). These agreements can facilitate trade, reduce tariffs, and provide easier market access for companies.

d) Technological advancements and digitalization

The rapid transformation of Southeast Asia from a producer and exporter of primary products to a significant manufacturer has elevated the region's position in global value chains. Simultaneously, the region is experiencing rapid digital transformation. According to a data report jointly published by Google, Temasek, and Bain, by 2025, Southeast Asia's digital economy is projected to grow from US$174 billion in 2021 to US$363 billion.

e) Government incentives for the automotive industry, especially the NEV industry:

As an advanced equipment manufacturing sector, the automotive industry is characterized by its technology-intensive nature, high added value, and potent driving effect. Countries aiming to upgrade their manufacturing industries often enact policies to bolster industrial development. Thailand and Indonesia consistently support automotive growth through fiscal incentives for top-performing vehicles, irrespective of whether they are locally produced or multinational. Similarly, in Malaysia, tax breaks exist in the form of excise duties levied under the WTO or the ASEAN Free Trade Agreement (AFTA), replacing the previously withdrawn import duties.

Data from the ASEAN Automotive Federation (AAF) indicates that passenger vehicle sales have seen a year-on-year growth of 23%, with New Energy Vehicles (NEVs) being a significant area of growth. Currently, Southeast Asian governments are shifting towards clean energy, with nine countries having set net-zero targets for 2060 and collectively working to phase out coal and other fossil fuels. Consequently, new energy industries, including NEVs, receive robust government support and are in a favorable phase for development. The NEV market in SEA is experiencing promising growth: according to the AAF, the new energy vehicle market in Southeast Asia is projected to expand from approximately US$500 million in 2021 to US$2.67 billion in 2027.

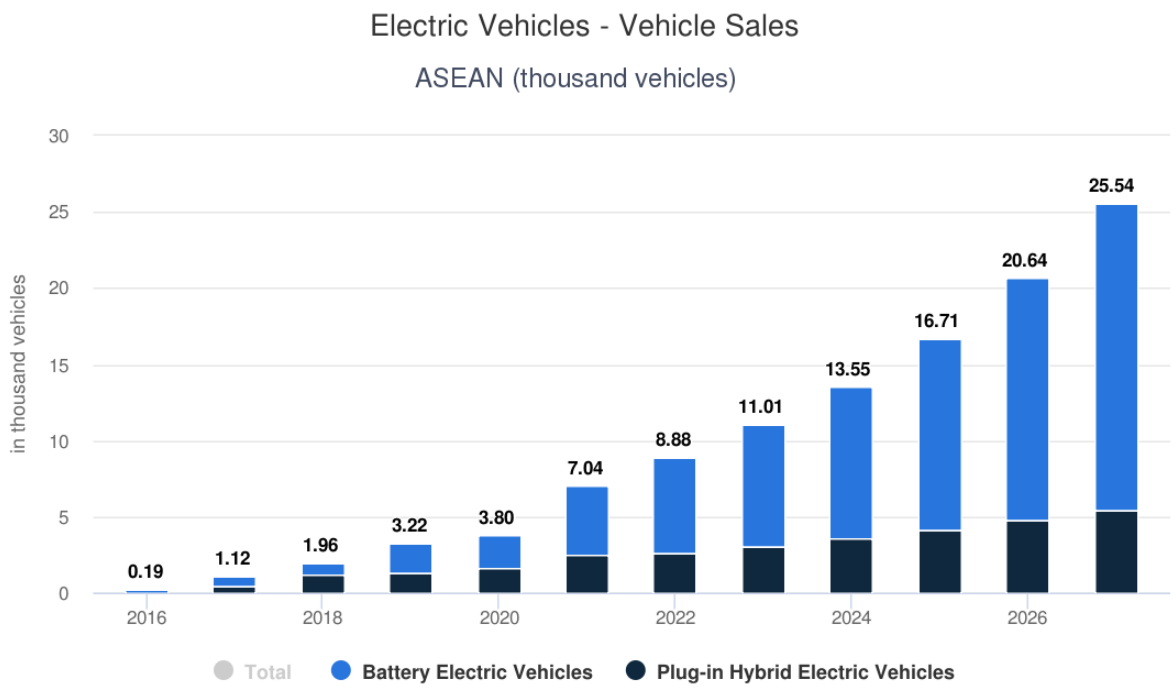

Fig 11. EV sales forecast in SEA
Source: "Electric Vehicles - ASEAN | Statista Market Forecast." Statista, Statista, 2023, www.statista.com/outlook/mmo/electric-vehicles/asean#unit-sales. Accessed 4 May 2023.

Governments are initiating policies to encourage the adoption of electric vehicles (EVs), develop charging infrastructure, and secure supply chains. They are adopting measures to promote electric mobility, driving EV sales through demand-side incentives and corporate income tax incentives for EV manufacturers. For instance, Thailand and Indonesia are striving to secure leadership positions in the regional EV market and meet the escalating demand in other Asian countries.

Below is a list of Net Zero Emission targets, NEV Targets, related infrastructure targets, and preferential policies in major markets in Southeast Asia::

Thailand	
NZE	Achieve carbon neutrality by 2065-2070
NEV Target	An EV roadmap by National Electric Vehicle Policy Committee (NEVPC) aims to make the country a hub of electrified vehicles in the ASEAN region—targeting 250,000 EVs, 3,000 electric public buses, and 53,000 electric motorcycles by 2025, and 750,000 units (30% of production) by 2030. 30% zero-emission vehicle (ZEV) production by 2030 and 100% ZEVs in new vehicle registrations by 2035.100% ZEVs in new vehicle registrations by 2035.
Related Infrastructure	In 2030, the public fast-charging network can provide 12,000 charging piles, The number of motorcycle swapping stations increased to 1,450.
Preferential Policies	The Board of Investment (BOI) issued tax incentives for the EVs industry, including import duty exemptions for machinery, and deductions on infrastructure costs. 8-year corporate income tax exemption for pure electric vehicle manufacturing with a total investment of not less than 5 billion baht (USD 146.3 million). If a vehicle manufacturer plans to produce in Thailand within three years, the government will provide an additional subsidy of 70,000-150,000 baht per vehicle (USD 2060-4416). "First Car" program, which offers tax incentives to first-time car buyers who purchase NEVs.
Access Requirement	The manufacture is not within the scope of foreign investment prohibition stipulated in the "Foreign Business Law", and the sale of the products produced by the company is also an extension of the manufacturing business. The wholesale/retail/and after-sales activities of new energy vehicles are all included in the foreign investment restriction list, and foreign investors need to apply for a business license

Indonesia	
NZE	Plan for NZE by 2060
NEV Target	In August 2019, Indonesian President Joko Widodo signed Presidential Decree No. 55 and Government Decree No. 73 and No. 74 to encourage the cultivation of the local EV industry. As mentioned in the *Electric Vehicle Production Roadmap* released in July 2021, it is planned to produce 400,000 four-wheeler and 1.76 million two-wheeler electric vehicles by 2025, 13 million electric motorcycles, and 2.2 million electric cars by 2030.
Related Infrastructure	Indonesia plans to build 1,000 DC fast charging stations in 2025 and install charging equipment every 2km on roads in the capital circle by 2029. In addition, the Indonesian national power company plans to build 24,720 charging piles in 2030. Indonesia has also set up a government-owned battery corporation to build 140 GWh of battery capacity by 2030, with 50 GWh intended for export, out of today's global battery manufacturing production capacity of approximately 871 GWh.

Preferential Policies	Tax: Reduction of Customs Duty, Luxury Tax, and VAT; VAT incentives up to 10% for EV purchase. Indonesia has listed the production of new energy vehicles as a priority development industry, and taxpayers with an investment of not less than 500 billion rupiahs can receive a 100% corporate income tax reduction, with a minimum period of 5 years and a maximum period of 20 years. An incentive plan starting March 20, 2023, covering 285900 electric motorcycles and cars, stated that 7 million rupiahs ($457.82) would be paid to manufacturers and retailers for each new EV. In 2030, the localization rate of parts and components must reach at least 80% to receive subsidies.
Access Requirement	Automobile manufacturing belongs to the "priority development industry" stipulated in PR 10/2021. This business is fully open to foreign investors and can enjoy several tax incentives. The wholesale business of complete vehicles and components is 100% open to foreign-invested enterprises, but a foreign-invested enterprise cannot participate in the wholesale and retail business at the same time, and foreign-invested enterprises engaged in wholesale business must sell products to Indonesian local distributors, who will sell their products to the end user. The retail business of automobiles, motorcycles, and commercial vehicles (corresponding to KBLI codes 45103, 45104, 45403, and 45404) is open to foreign investment, but the goods sold by foreign-invested enterprises under this retail business are not allowed to be imported from overseas, including CBU, Imports in the form of CKD and IKD, etc.

Malaysia	
NZE	Achieve carbon neutrality by 2050
NEV Target	National Electric Mobility Blueprint set a 2020 target of 100,000 units each for electric cars and motorcycles, 2,000 electric buses, and 125,000 EVCS.
Related Infrastructure	MITI has set the goal of 10,000 electric vehicle public charging stations by 2025.
Preferential Policies	Before December 31, 2023, 100% of import and consumption tax exemption; CBU will be exempt from road tax; 100% sales tax exemption for assembled imported electric vehicles (CKD) until December 31, 2025.
Access Requirement	Manufacture is not restricted. Foreign investors can hold 100% of the equity of Malaysian companies engaged in automobile wholesale and retail, but non-Malaysian investors own more than 50% of the company's shares and must apply for a wholesale and retail trade license (Wholesale Retail Trade, WRT)

Source: Southeast Asia Energy Outlook(2022), IEA

f) Other opportunities:

Other Energy: In August 2021, the ASEAN Energy Center published the report "ASEAN

Hydrogen Energy - Economic Prospects, Development, and Application", identifying hydrogen energy as a viable option for green energy supply. Compared to electric vehicles, hydrogen energy vehicles are better suited to meet the demands of long battery life, high temperature, and cold environments. Heavy-duty trucks, with their large loads and high-efficiency requirements, may serve as a breakthrough in the commercial application of hydrogen energy vehicles, thereby competing with electric passenger vehicles and complementing each other. This also represents a relatively unexplored market with minimal competition.

Two-wheelers: Given Southeast Asia's level of economic development and road traffic facilities, motorcycles are considerably more prevalent than cars. In 2023, the motorcycle market in Southeast Asia is projected to reach US$8.53 billion, growing at an annual rate of 400%.

V. Penetration Strategies for NEV Companies in the Southeast Asia Market

5.1. Southeast NEV Market Overview (Four wheelers)

EV[x] sales in 2022 exceeded 10.2 million units worldwide, marking a 65% YoY growth. Although the Southeast Asia market for NEVs is still in the early stages compared to more mature markets like China, Europe, and the U.S., it has demonstrated substantial growth and promise in recent years.

According to the latest data from Counterpoint's Global Passenger Electric Vehicle Model Sales Tracker, passenger electric vehicle sales in Southeast Asia accounted for just under 2% of the region's total passenger vehicle sales in 2022. This constituted a mere 0.5% of the global total for 2022. However, the total sales volume climbed to 51,000 in 2022, more than doubling from the volume of 16,000 in 2021. Nearly two out of three EVs sold in 2022 were Battery EVs (BEVs). Thailand led the region's passenger EV sales in 2022 with a 58% share, followed by Indonesia and Vietnam. Sales are projected to surpass 3.5 million units by 2030, at a CAGR of 124%.

Incentive policies have attracted numerous automakers, including Wuling Motors, Great Wall Motors, BYD, Hyundai Motor, and Tesla, to begin selling pure electric vehicles in these markets. In 2022, the Volkswagen Group (China), CATL, and LG Energy entered Indonesia's nickel mining and battery production sector. From March to August 2022, automotive companies such as Hyundai and Wuling initiated the production of EVs in Indonesia. Toyota, Honda, and Mitsubishi have also expressed plans to manufacture NEVs in Indonesia. Thailand is determined to become a manufacturing hub and export base for electric vehicles in Southeast Asia. Wuling's Air EV was the region's top-selling model in 2022, presenting one of the most affordable EV options. In terms of automotive groups, Vingroup led the SEA EV sales, followed closely by Wuling (part of the SAIC-GM-Wuling group) and Volvo (a subsidiary of Geely Holdings). The Vietnamese automaker, Vinfast, is accelerating deliveries in 2022 while preparing to expand into the global market.

Below are some examples of new NEV players who have found success in SEA markets:

- Great Wall Motors established a smart factory in Rayong, Thailand, which was officially put into production in June 2021. The Haval H6 PHEV was officially produced in November 2021, successfully opening up the market with new energy products.
- BYD chose to sell cars through export first, but at the same time, it is also preparing for the construction of factories. In September 2021, BYD Auto Thailand Co., Ltd. signed a contract with WHA Weihua Group Volkswagen Co., Ltd., and officially signed an agreement on land subscription and factory construction. In October, BYD signed a formal contract with Sime Darby Motors Import Co., Ltd., a leading auto dealer group in the Asia-Pacific region, representing sales of more than 40 brands, to enter the Malaysian market. BYD Atto 3 topped the Thailand market in February 2023.
- At the beginning of 2023, Tesla announced multiple movements to aggressively deploy in SEA markets: starting order delivery and setting up the largest supercharging station in Thailand; being approved by the Ministry of International

Trade and Industry of Malaysia to enter the BEV market in Malaysia; planning to set the third overseas production facility in Indonesia to make better use of the metal resources like nickel, manganese, cobalt, and other key battery raw materials.

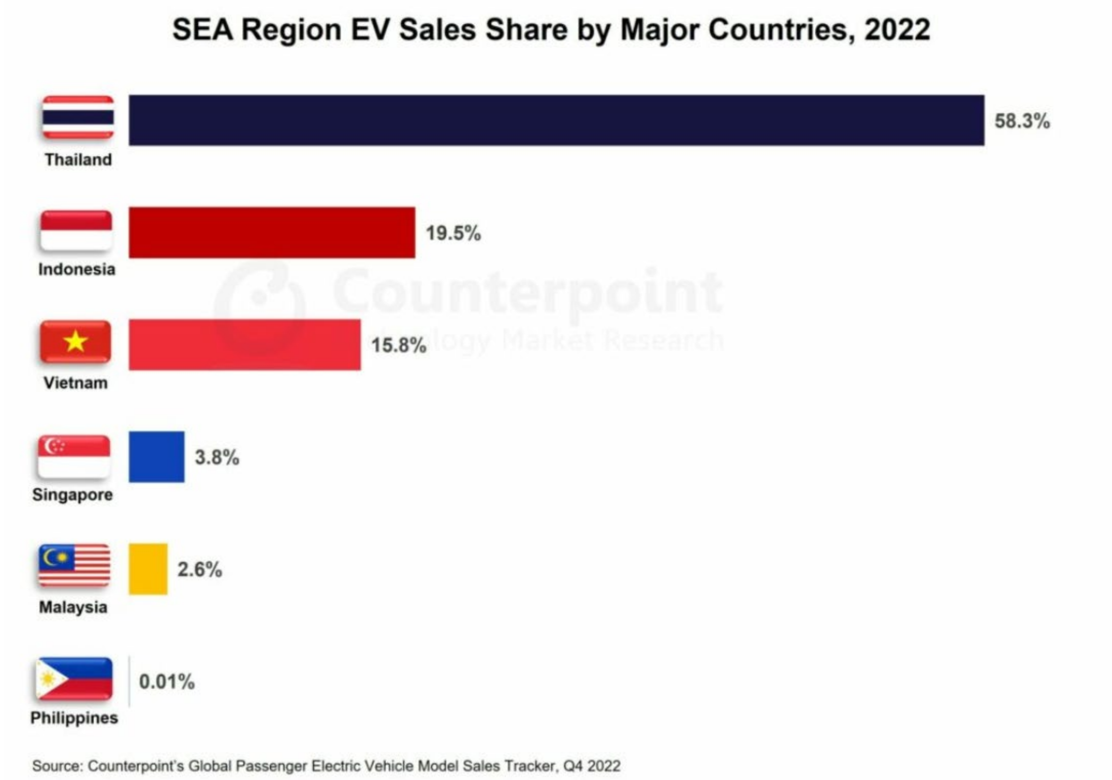

Fig 12. EV sales share by major countries in SEA, 2022
Source: Counterpoint's Global Passenger Electric Vehicle Model Sales Tracker, Q4 2022

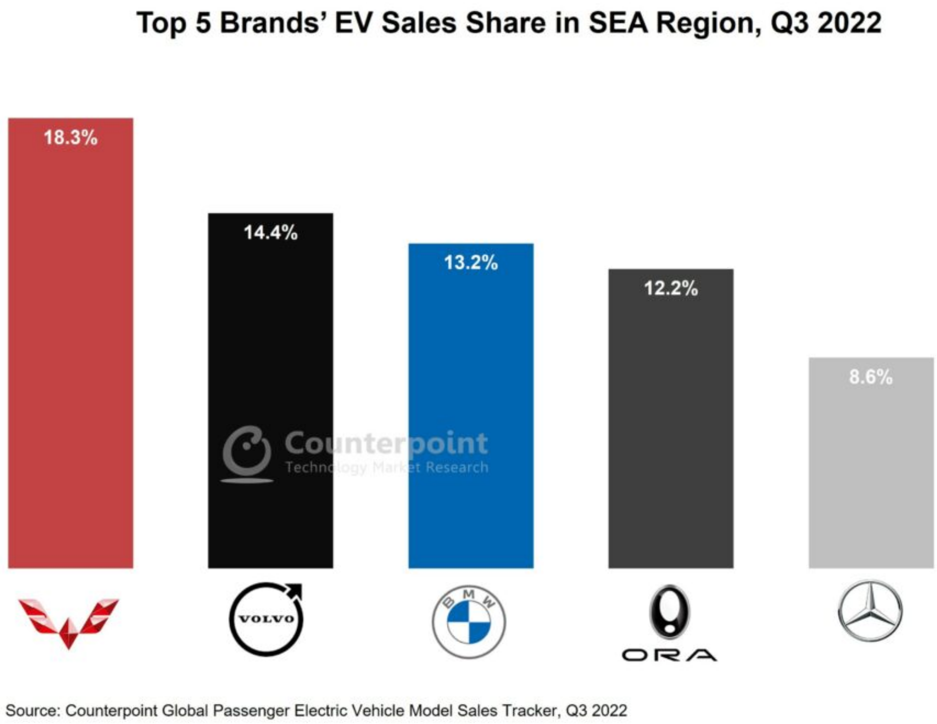

Fig 13 Top 5 Brands'. EV sales share in SEA, Q3 2022
Source: Counterpoint's Global Passenger Electric Vehicle Model Sales Tracker, Q3 2022

5.2. Strategic Preparation: Target confirmation, market research

For any enterprise, breaking into a new market presents a significant challenge. Therefore, the chosen entry strategy should align with the desired market position and objectives the enterprise hopes to achieve in the target market. The company must first clarify its intentions for entering the target market: whether it's to obtain inexpensive raw materials or labor, reduce production costs and improve production efficiency, or simply increase sales to gain a larger global market share.

Common market entry modes typically include the following types:

- **Export mode**: This often involves either a direct method of establishing sales offices in overseas markets or selling to foreign distributors, or an indirect method of selling to an agent responsible for handling subsequent sales issues. Utilizing the export mode, particularly the indirect method, allows a company to control costs and risks, offering a flexible approach to testing the market. However, such a model is often susceptible to issues such as tariffs and quotas. In addition to exporting complete vehicles, an export method based on parts and components (KD-Knock Down, including CKD, SKD, DKD) can be used, establishing component production lines in the target market to benefit from lower tariffs and inexpensive local labor, thereby gaining price advantages.

- **Licensing mode:** This strategy can help the licensor maintain technological superiority and quickly access foreign markets without substantial investment in overseas production facilities. It also helps overcome import restrictions and maintain high profits in financial reports. However, this approach may lead to brand dilution or knowledge spillover.
- **Joint Venture mode:** In this approach, the company partners with a local entity that has complementary technology, management skills, local manufacturing resources, or sales networks. It typically occurs in emerging markets with protective stances towards domestic industries. The advantage of this method is that it often garners the maximum preferential policies from the local government. However, it frequently results in more complex management.
- **Sole Proprietorship mode:** This strategy involves the establishment of overseas subsidiaries. This type of presence considers the long-term benefits of setting up production facilities abroad. Historically, this approach was adopted by Japanese automotive companies that established a presence in Europe early on and waited for

the market to mature.

- **Acquisition:** This strategy allows companies to swiftly enter a new market and simultaneously gain access to distribution channels, an existing customer base, and brand reputation.

In addition to the operational goal, the choice of which market to enter and which entry mode to adopt also depends on the analysis of the market, the resources and advantages owned by the enterprise itself. Hence, the initial step usually involves PEST (political, economic, social, technological environment) analysis, as mentioned in previous chapters, and CAGE analysis to compare the target market to the home market in terms of culture, administration, geography, and economy. Moreover, mapping competitors to analyze market purchasing power, product preferences, and identifying potential opportunities is also crucial. Based on the information gathered, companies can categorize markets into different tiers according to the assessed market potential. In SEA markets, Thailand and Indonesia may currently be the two most significant markets for NEV companies.

With these analyses in hand, the company can decide on the basic strategy to adopt in specific markets – whether it's low cost, differentiation, or market focus. Based on the analysis of the SEA market, EV companies could opt to initially establish assembly factories in this region to first gain tax benefits and policy support, making the cost and price more competitive while controlling the scale of investment. Simultaneously, these enterprises also need to prepare enough production capacity to meet market growth and consider gradually localizing the supply chain to meet government policy requirements as the local industrial chain develops.

5.3. Framework of Actions

When a business is prepared to enter a new market, there are certain steps that must be taken:

a) Identify target customers

Typically, companies conduct research to segment consumers into distinct groups within a specific market. By pairing this data with existing consumer profiles from their home market or similar markets, the company can determine the purchasing power of these groups and select the target consumer segments. Subsequently, the product portfolio and marketing strategy should be tailored to these selected segments.

In the case of NEVs, early adopters are often technology enthusiasts, upper-middle-class individuals, and those open to trying new things. Therefore, marketing, sales, and service strategies should be designed around the behaviors and preferences of this consumer group to facilitate market entry.

b) Confirm product portfolio & roadmap

Companies often begin by introducing mid-to-high-end electric vehicles and gradually expand their product line to include lower-end options. This strategy enhances brand image and circumvents the issues of high production costs and low profit margins in the low-end market. It also allows companies to focus on selling high-end products as the market evolves, given that upgrading a brand from low-end to high-end is often challenging. In the early stages, however, companies can allocate more production and sales resources to mid-range products to gain market share. This approach has proven effective in various countries' automotive industries. For instance, Tesla initially launched the Model S for the premium market before expanding its market share with the Model 3 and Model Y. The production and manufacturing of high-end products often signify robust research and development capabilities, especially crucial in the environmentally friendly and intelligent NEV industry.

Simultaneously, companies should offer both BEV and PHEV (also known as Range Extender Electric Vehicle). Current market data indicate that BEVs are more popular due to company and government subsidies. However, consumer concerns about battery life and cost are still prominent during the popularization of electric vehicles. PHEVs can alleviate consumer worries about charging convenience, especially in areas where charging stations are not readily available.

In countries where the new energy vehicle retail market is in its infancy, companies can consider starting with commercial vehicles to secure government projects. An example is the electric tricycle replacement program and public vehicle modernization program launched jointly by the Philippine government and the Asian Development Bank.

c) Brand positioning

Currently, numerous automotive brands worldwide are vying for a share in the SEA markets. A wide selection of brands and models is undoubtedly beneficial for consumers but poses a significant challenge for automotive companies, especially new entrants. These companies should explore brand repositioning strategies, establishing their brands in consumers' minds from various angles such as intelligence, sustainability, and customer experience. This approach capitalizes on the timing of market entry to create a strong initial impression on consumers.

It's important to note that while a brand's global image needs to be consistent, its positioning in each country can be adjusted locally based on the main products and consumers' aesthetic preferences.

d) Sales & marketing strategy

In first-tier markets, companies should aim to establish their own long-term sales networks to better understand and serve consumers while ensuring sufficient profit margins. They may need to set up a branch for a fully controlled operation. Companies could also consider setting up manufacturing centers to meet local demands and get policy support. However, they could start with cooperation with local distributors or local brand/distributor acquisition to get fast market access. For new brands entering a specific market, the Direct-to-Consumer (DTC) approach presents an opportunity. This could involve setting up experiential stores in high traffic shopping centers, leveraging e-commerce platforms for online sales, and engaging Key Opinion Leaders (KOLs) for live streaming. These methods could be used as complementary to the traditional 4S shops, with the purpose of expanding brand and product awareness rather than the purpose of immediate sales. Auto exhibitions at all levels are also a good touch point to increase consumer contacts and are even one of the main sources of sales in some countries.

In the second-tier markets, with less market potential, companies could choose to cooperate with experienced distributors for all sales, marketing, logistics, and sales work, to control the investment and test the market, while waiting for the market to grow up.

In the third-tier markets, it is best to radiate through the larger surrounding markets. For example, the Brunei market can be radiated through the Malaysian market, and the Cambodian market can be covered by the Vietnam team. Companies could even choose to use a grey market strategy in such markets.

In terms of sales & operation model innovation, companies can consider the use of long-term leasing instead of a direct sale, to attract consumers to experience the NEVs first and discourage them from choosing new energy vehicles at the beginning because of insufficient charging piles and other reasons.

In order to achieve better sales and marketing effects, the localization of the team is essential, so as to better understand the local consumers. Especially in the SEA market, the languages and customs of different countries and of different nationalities are different. Only a sufficiently diverse team can take care of the needs of each ethnic group, and more importantly, avoid any taboos that may cause risks. In the beginning phase, it could be an effective way to cooperate with local well-known agencies and gradually build the in-house team.

e) Service & CRM strategy

Providing exceptional service is a means of establishing a differentiated advantage and building a strong reputation. This is extremely important in the beginning phase for consumer accumulation, as the NEVs are usually at a relatively higher price, and brand loyalty is higher in the automotive industry. In the pre-sales stage, enterprises should try to increase contact points, keep the contact information of interested users and provide as convenient a test drive service as possible. This is integral for new brands to gain user trust. A common way for new brands to win the trust of customers that can be learned from traditional car companies is to provide users with a longer/longer mileage warranty at the beginning of the brand entering the market, thereby building trust in the quality.

In the digital age, consumers are investing in a comprehensive package: hardware, software, and service. Therefore, the aim of car companies should be to create the ultimate product experience for their users. If the pre-sales service is to facilitate transactions, the after-sales service is the key to building word-of-mouth and maintaining long-term customer relationships, and this is the key factor to help companies maintain sustainable market competitiveness. The trend in the automotive industry is to provide customers with complex, customized services that go beyond the product itself. This can also become another source of profit for off-car companies in the new era.

Another important part of the aftersales services is the number of charging piles. NEV companies could consider cooperating with government and energy companies to participate in the formulation of charging pile standards and accelerate its construction.

f) Prepare HR, administration, finance, logistics, and legal affairs

While this section is presented last, the preparation of HR, administration, finance, logistics, and legal affairs is an essential foundation for entering new markets. The specific implementation content is not expanded here, but only a few points can be noted:

- Find reliable local partners to help with operations such as human resources and legal affairs. Especially in matters such as the need to obtain local certification and product access, as the policies and rules in emerging markets and the government's service awareness are still immature, suitable local partners will be able to help greatly accelerate this process.
- Project time management should be based on local conditions, rather than the company's experience in other countries, given that logistics can vary greatly between emerging markets.

5.4. Risk Control in the Deglobalization era

Along with the typical market development strategies, NEV companies should consider the following significant risks when entering the Southeast Asian (SEA) market:

a) Brand boycotts and trade protection caused by political conflicts: Due to issues such as sovereignty disputes in the South China Sea, political conflicts have emerged in the markets among Asian countries, which could lead to conflicts such as demonstrations, brand boycotts, and even factory strikes or smashing. Governments might also leverage this as a pretext for enforcing trade protection measures. To fundamentally avoid the occurrence of this situation, car companies can consider entering into joint ventures with local partners. In a market with local brands, companies can consider acquiring local brands. For example, Geely acquired the Malaysian brand Proton and continued to achieve market success. Even if the above two points cannot be achieved, it is still possible to use local faces as much as possible in the selection of spokespersons and spokespersons, and to strike a balance between "international high-end brands" and "serving the local society".

b) The crisis caused by serious product quality problems: For car companies, any quality problem may be fatal. Especially for NEV models that use batteries and are equipped with automatic driving assistance, if the related issues are not handled properly, consumers may distrust the entire category. The only way to mitigate this risk is by enhancing the company's quality control across all facets of research, development, and production.

c) Supply chain risks: The supply chain system involved in NEVs is extremely large, and even for companies that have built factories in SEA, components are still almost sourced from other markets. As companies grow stronger, they can consider assisting supply chain partners in entering new markets together, thereby mitigating the risk of shifting import and export regulations amid trade wars and logistics uncertainties. Companies could also consider vertical integration in the long term.

d) Currency changes: Given the increasing frequency and severity of exchange rate fluctuations due to recent 'black swan' events, businesses should carefully select their settlement currency. They can mitigate foreign exchange risks through methods such as locking the exchange rate, natural hedging, and using foreign exchange derivatives..

e) The public relations crisis caused by HR & communication problems: As mentioned above, the customs and cultures of countries/ethnicities in the Southeast Asian market are very different, and employee management methods or communication content used in marketing work that do not adapt to the local conditions are likely to accidentally touch taboos and cause crises. Therefore, the prerequisite is to abide by the local labor laws and treat employees well. And car companies need to build a diverse local team from the point of entry, and fully respect the opinions of the local team and agency. For HR problems, enterprises can also consider attaching employees to trusted third-party human resources companies to isolate risks. A strong legal team or agency is also a must.

VI.Conclusion-Keep agility and adaptability in the deglobalization era

This article explores the trend of deglobalization, potential challenges businesses may encounter when penetrating emerging markets, and the strategic approaches they could consider. However, a key feature of deglobalization is the frequent occurrence of 'black swan' events, which often exceed expectations. This necessitates businesses to conduct thorough market research and detailed preparatory work in the early stages, allowing them to consider all potential scenarios and formulate comprehensive plans. Moreover, by continually nurturing their 'internal strength', businesses can ensure they retain sufficient agility to respond to emergencies.

The development of history repeats itself. Given the advances in science and technology, there is reason to believe that the trend of globalization will eventually prevail over deglobalization. Companies that have proactively established a global presence today are likely to flourish with even greater success in the future.

---

[i] Ruettimann B G. World Trade and Associated Systems Risk of Global Inequality： Empirical Study of Globalization Evolution between 2003 ～ 2011 and Regional Pattern Analysis［J］. Procedia Economics and Finance，2013 （5）：647 ～ 656.

[ii] Mukherjee A， Suetrong K. Trade cost reduction and foreign direct investment［J］. Economic modeling，2012 （5）：1938 ～1945.

[iii] 王碧珺，肖河. 哪些中国对外直接投资更容易遭受政治阻力？［J］.世界经济与政治，2017（4）：106 ～ 128

[iv] https://clintonwhitehouse4.archives.gov/WH/EOP/OSTP/nssts/html/chapt5.html

[v] Index Solutions: Emerging Markets Index - MSCI

[vi] Miller, R. R. (1998). Selling to newly emerging markets. New York, NY: Quorum Books.

[vii] Dawar, N., & Chattopadhyay, A. (2000). Rethinking marketing programs for emerging markets. William Davidson Institute, Working Paper Number 320.

[viii] Sheth, J. N. (2011). Impact of emerging markets on marketing: Rethinking existing perspectives and practices. Journal of Marketing, 75, 166–182. doi:10.1509/jmkg.75.4.166

[ix] "Home." Oecd-Ilibrary.org, 2022, www.oecd-ilibrary.org/sites/f4fab965-en/index.html?itemId=/content/component/f4fab965-en. Accessed 26 Apr. 2023.

Tham Siew Yean. "BOOK REVIEW: Automotive Industrialisation: Industrial Policy and Development in Southeast Asia, by Kaoru Natsuda and John Thoburn." Journal of Southeast Asian Economies, Institute of Southeast Asian Studies, Jan. 2021, https://doi.org/10.1355/ae38-1h.

[x] Here consider only BEVs and PHEVs. Hybrid EVs and fuel cell vehicles (FCVs) are not included in this study.

References

“EVs Gain Ground in Southeast Asia; Thailand Dominates Volumes.” Counterpoint Research, 31 Mar. 2023, https://www.counterpointresearch.com/sea-ev-sales-q4-2022/.

“ValueWalk: Emerging Markets: Reconsidering Emerging Definitions.” Newstex Global Business Blogs, Aug. 2015. ProQuest, https://www.proquest.com/docview/1705830019/citation/98080BC76E9E4061PQ/1.

Andreas F. Grein; C. Samuel Craig; Hirokazu Takada; “Integration and Responsiveness: Marketing Strategies of Japanese and European Automobile Manufacturers”, JOURNAL OF INTERNATIONAL MARKETING, 2001.

Douglas Dow; “The Adaptation of Host Market Positioning Strategies: Empirical Evidence on Australian Exporters”, JOURNAL OF INTERNATIONAL MARKETING, 2001.

García-Herrero, Alicia. "From globalization to deglobalization: Zooming into trade." Las claves de la globalizacion 4 (2019).

Godlevskaja, O, JD van Iwaarden, and A Wiele. "Moving from Product-Based to Service-Based Business Strategies: Services Categorization Schemes for the Automotive Industry." The International Journal of Quality & reliability management 28.1 (2011): 62–94. Web.

Irwin, Douglas A. "The pandemic adds momentum to the deglobalization trend." Peterson Institute for International Economics. https://www. piie. com/blogs/realtime-economic-issues-watch/pandemic-adds-momentum-deglobalization-trend (2020).

Jamaludin Nabila Farhana, et al. “Electric Vehicle Adoption in ASEAN; Prospect and Challenges.” Chemical Engineering Transactions, vol. 89, Dec. 2021, pp. 625–30. DOI.org (CSL JSON), https://doi.org/10.3303/CET2189105.

Jamaludin, N, et al. “CHEMICAL ENGINEERING TRANSACTIONS Electric Vehicle Adoption in ASEAN; Prospect and Challenges.” Chemical Engineering Transactions, vol. 89, 2021, pp. 625–630

Jamaludin, Nabila Farhana, et al. "Electric Vehicle Adoption in ASEAN; Prospect and Challenges." Chemical Engineering Transactions 89 (2021): 625-630.

James, Harold. "Deglobalization as a global challenge." (2017).

James, Harold. "Deglobalization: The rise of disembedded unilateralism." Annual Review of Financial Economics 10 (2018): 219-237.

Kim, Hag-Min, Ping Li, and Yea Rim Lee. “Observations of deglobalization against globalization and impacts on global business.” International Trade, Politics, and Development 4.2 (2020): 83-103.

King, et al. “新能源汽车出海东南亚新机遇——投资篇.” Lexology, 31 Aug. 2022, https://www.lexology.com/library/detail.aspx?g=f873e27f-c647-4838-9b18-67ab91f7be6f.

Kornprobst, Markus, and Thazha V. Paul. "Globalization, deglobalization and the liberal international order." International Affairs 97.5 (2021): 1305-1316.

Kresnawan, Muhammad Rizki, et al. “Electric Vehicle Readiness in Southeast Asia: A PEST Policy Review.” IOP Conference Series: Earth and Environmental Science, vol. 997, no. 1, Feb. 2022, p. 012001, https://doi.org/10.1088/1755-1315/997/1/012001.

Lim, Guan H., Khai S. Lee, and Soo J. Tan. "Gray marketing as an alternative market penetration strategy for entrepreneurs: Conceptual model and case evidence." Journal of Business Venturing 16.4 (2001): 405-427.

Maggie Chuoyan Dong; David K. Tse; Kineta Hung; “Effective Distributor Governance in Emerging Markets: The Salience of Distributor Role, Relationship Stages, and Market Uncertainty”, JOURNAL OF INTERNATIONAL MARKETING, 2010.

Meyer, Klaus E., and Yen Thi Thu Tran. "Market penetration and acquisition strategies for emerging economies." Long range planning 39.2 (2006): 177-197.

Nakata, Cheryl, and K. Sivakumar. “Emerging Market Conditions and Their Impact on First Mover Advantages An Integrative Review.” International Marketing Review, vol. 14, no. 6, 1997, pp. 461–85. ProQuest, https://doi.org/10.1108/02651339710192993.

Osland G E, Taylor C R, Zou S. Selecting international modes of entry and expansion[J]. Marketing Intelligence & Planning, 2001, 19(3):153-161

Peter G.P. Walters; Saeed Samiee; “Executive Insights: Marketing Strategy in Emerging Markets: The Case of China”, JOURNAL OF INTERNATIONAL MARKETING, 2003.

Renewable Energy Outlook for ASEAN: Towards a Regional Energy Transition (2nd Edition). 15 Sept. 2022, https://www.irena.org/publications/2022/Sep/Renewable-Energy-Outlook-for-ASEAN-2nd-edition.

Sabbagh, Omar et al. “Methodology Implications in Automotive Product-Service Systems: A Systematic Literature Review.” Total Quality Management & Business Excellence 28.13-14 (2017): 1632–1668. Web.

Saeed Samiee; Suthawan Chirapanda; “International Marketing Strategy in Emerging-Market Exporting Firms”, JOURNAL OF INTERNATIONAL MARKETING, 2019.

Schröder, Martin, Fusanori Iwasaki, and Hideo Kobayashi. "Current Situation of Electric Vehicles in ASEAN." Promotion of Electromobility in ASEAN: States, Carmakers, and International Production Networks. ERIA Research Project Report FY2021 03 (2021): 1-32.

Suehiro, Shigeru, and Alloysius Joko Purwanto. "Study on electric vehicle penetrations’ influence on 3Es in ASEAN." (2019).

Tien, Nguyen Hoang. "Analysis of Lotte’s Market Penetration Strategy in Vietnam FMCG Industry." International journal of educational research and studies 2.2 (2020): 20-23.

Understanding Entry Modes in International Marketing – 440 Industries. https://440industries.com/entry-modes-in-international-marketing/. Accessed 30 Apr. 2023.

Veza, Ibham, et al. "Electric vehicles in Malaysia and Indonesia: opportunities and challenges." Energies 15.7 (2022): 2564.

东南亚可再生能源发展思考-《中国能源》杂志社 ENERGY OF CHINA. http://www.zhgny.org.cn/Detail.aspx?newsId=7126&TId=351..

新能源汽车出海东南亚新机遇——投资篇 - 金杜律师事务所. https://www.kwm.com/content/kwm/cn/zh/insights/latest-thinking/new-opportunities-for-new-energy-automotive-enterprises-to-go-to-southeast-asia-investment-policies.html.

"新兴市场本身具有的优势（即为什么选择投资新兴市场），跨国投资新兴市场的风险挑战以及应对策略." 知乎专栏, https://zhuanlan.zhihu.com/p/382336639.

刘卓聪. "员工国际外派管理中的问题及对策建议." 人力资源管理, no. 5, Jan. 2014, pp. 21–23.

刘洪序. 中国新能源汽车出口研究. 天津商业大学, 2019.

刘琦, et al. "中国—东盟新能源汽车产业合作现状及建议." 中国经贸导刊, no. 1, Jan. 2023, pp. 58–61.

宋德勇 and 刘涵. "我国新能源汽车企业出口面临的问题及对策." 对外经贸实务, no. 8, Jan. 2018, pp. 26–28.

尚慧. "跨国企业的跨文化管理实例研究–法国图卢兹 Rockwell Collins 公司." 中外企业家, no. 28, Jan. 2013, pp. 270–71.

张帅. "新能源汽车:东南亚经济的新风口." 世界知识, no. 23, Nov. 2022, pp. 23–25.

李息襟. "跨国公司外派人员绩效管理对策研究." 黄河水利职业技术学院学报, vol. 33, no. 1, Jan. 2021, pp. 102–04.

栾政宣. "五菱新能源汽车出海印尼的 SWOT 分析." 商业经济, no. 2, Feb. 2023, pp. 101–03.

王鑫. "让宝腾更快发展,让吉利扎根东南亚揭密吉利宝腾新能源合作的幕后." 中国汽车市场, no. 20, Jan. 2018, pp. 6–7.

管金喜. "企业外派人员人力资源管理." 现代商业, no. 4, Jan. 2013, pp. 153–54.

苏可. "乘风破浪、政企协同,助力新能源出海"一带一路"-新能源出海"一带一路"现状研究." 中国战略新兴产业, no. 29, Jan. 2017.

赵子旺. "自主品牌"出海"驶入快车道." 智能网联汽车, no. 4, July 2022, pp. 81–83.

郑雪芹. "车企和供应商"掘金"印尼新能源市场." 汽车纵横, no. 9, Sept. 2022, pp. 90–93.

陈俊廷. "中国占据新世纪汽车产业竞争制高点——基于新能源汽车出海的分析." 文化纵横, no. 1, Feb. 2023, pp. 8–11.

陈晨. "哪吒闯南洋." 光彩, no. 1, Jan. 2023, pp. 24–28.

雷丽. "比亚迪新能源'出海.'" 时代汽车, no. 3, Jan. 2016, pp. 70–71.

高思航. "新能源汽车带来出海新风口." 中国远洋海运, no. 11, Nov. 2022, pp. 66–69.