



BRI Pulse

China-Thailand 2022-2023 Investment NEV Leadership – First Mover

Overview

In a recent presentation, we theorised that BRI growth over next decade would be driven by China exporting its domestic/global product superiority to facilitate GDP growth in partner countries. This Pulse examines recent developments in the Thai NEV market as a test case for our theory.

Historically, Japan and Singapore have been the largest country investors in Thailand, and, to a lesser extent Hong Kong, the USA, the Netherlands, China and Mauritius. Manufacturing and financial services represented the majority of FDI, followed by real estate and TMT.

Chinese Investment into Thailand

Investment from China into Thailand began to increase around 2015 and continued to do so even through the pandemic. Not surprisingly, a significant portion of this Chinese investment has been made in SMART manufacturing in Thailand's high tech EEC area. By 2022, China had become Thailand's main source of foreign investment applications (continuing through H1 2023), mostly due to investment in NEV and electronics.⁽¹⁾

Thailand NEV/e-mobility Market

The automotive sector plays a crucial role in Thailand's economy, accounting for approximately 10% of its GDP. In 2015, a cabinet resolution acknowledged that "next generation" automotive industry is one of the ten key industries moving towards the future. In 2017, the government approved measures to promote EV production in Thailand. In February 2020, the National Electric Vehicle Policy Committee was launched. It set a clear target stipulating at least 30% of the cars made in Thailand are EVs by 2030.

Thailand was also the 1st country in Southeast Asia to offer special incentives to the whole supply side as well as the demand side. Thailand is now the top automotive producer in ASEAN and ranks 11th in the world for automotive production and total auto exports.

Chinese NEV Investment

China leads the world in NEVs. In 2022, China produced almost 60% of the world's EVs — both battery electric vehicles and plug-in hybrid vehicles. In 2023, production is expected to reach 8 million units, 25% of all cars sold in China compared with 22% in the EU, 6% in the USA and just 3% in Japan.⁽²⁾

Early Movers

In 2013, SAIC Motors signed a JV (51%) with Charoen Pokphand Group (CP Group), which has operated in China since the 1970s⁽³⁾. MG brand vehicles, which began production in 2014 in Thailand, became the top-selling EV company in Thailand by October 2020.

Also in October 2020, SAIC Motor announced the opening of its first EV battery plant in Thailand in the EEC Special Zone, Rayong Province.

In 2020, Great Wall Motors (GWM) acquired the General Motors Thailand plant located in Rayong province⁽⁴⁾, for \$634 million. Upon the announcement, GWM announced that plans to expand through the entire ASEAN region with Thailand as the centre and export its products to other ASEAN countries as well as Australia. By November 2022, GWM had invested an additional \$334 million and had employed over 3,000 people. In May 2023, GWM announced plans to invest up to \$30 million to build a new battery pack assembly plant in Thailand.

Footnotes:

1. We are addressing in a separate note in February.
2. <https://www.eastasiaforum.org/2023/11/21/chinas-electric-vehicle-surge-will-shock-global-markets/>
3. CP Group, a Bangkok based conglomerate, is Thailand's largest company.
4. The deal included the vehicle assembly and power train. In January 2020, GWM agreed buy the Talegaon plant owned by General Motors India as part of its aim to manufacture and sell cars in India.



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More Recent Entrants

In September 2022, BYD announced plans to build a vehicle manufacturing facility to start producing 150,000 passenger cars/year from 2024 in the EEC special zone. BYD Auto (Thailand) partnered with WHA Corporation, one of Thailand's leading developer of industrial estates, for the land purchase and construction of the \$490 million project. This plant will produce NEVs and will be the first overseas passenger vehicle factory wholly owned by BYD. Construction began in March 2023.

In Q3 2022, Hozon New Energy (Neta Auto) officially entered the Thai market via a partnership with Bangchan General Assembly, an auto assembly company based in Bangkok. By mid-November 2023, Neta Auto's Thai sales exceeded 12,000 units. On November 2023, NETA Auto's first overseas factory officially commenced production in Thailand.

In April 2023, Chongqing based Chang'an Automobile, China's 4th largest automaker, announced it will invest \$285 million in Thailand to set up its first right-hand drive EV production base outside of China. The factory will have an initial production capacity of 100,000 vehicles for both domestic and export markets.

In November 2023, GAC Aion, EV subsidiary of the China's GAC Group, announced a plant in Thailand with an annual capacity of 50,000 vehicles. The \$65.9 million production facility will be built in the Rayong EEC in two phases with the first phase expected to be completed by July 2024.

Battery Projects

In July, Energy Absolute Plc (Thailand) announced that it had signed MoUs with two major Chinese battery manufacturers, Eve Energy Co Ltd (Eve), and Sunwoda Mobility Energy Technology Co Ltd (Sunwoda), to conduct a feasibility study on establishing battery cell production plants in Thailand with a capacity of 6 GWh. Both Chinese companies are keen to expand into the Thai market.

Also in July, Svolt Energy, a spin-off from GWM, began construction of its \$30 million its EV battery module and pack assembly facility in Thailand. Svolt's Thailand-based battery plant is projected to have an annual production capacity of 60,000 battery packs⁽⁵⁾.

In December Thailand's first domestic EV battery pack production plant, managed jointly by Gotion High-tech and Nuovo Plus (Thailand) commenced operations. The plant will produce lithium ion batteries with an initial production capacity of 2 GWh/year increasing to 8 GWh/year in the future, providing power for circa 200,000 EVs.⁽⁶⁾

Previously, in May 2023, Gotion High-Tech agreed to supply Volkswagen, its largest shareholder since 2021, with LFP cells outside China.

Conclusion

Chinese global leadership in NEV, combined with its ability to read the potential offered by numerous Thailand's EV policy changes, provided the opening. Its first mover planning (as early as 2013), followed by carefully selected domestic Thai partners (led by CP Group) built the launch pad.⁽⁷⁾

According to the Federation of Thai Industries, and for all of the above reasons, by the end of H1 2023, Chinese NEVs made up more than 70% of Thailand's electric vehicle sales⁽⁸⁾. This strong market share is also a great base for expansion into other ASEAN markets, as GWM stated when acquiring the GM plant only 3 years ago.

Footnotes:

5. <https://autotechinsight.ihsmarkit.com/news/5271455/svolt-energy-begins-construction-of-ev-battery-assembly-facility-in-thailand>
6. <https://www.chinadaily.com.cn/a/202312/08/WS65725280a31090682a5f20b5.html>
7. <https://www.globaltimes.cn/page/202308/1295635.shtml#:~:text=Four%20Chinese%20carmakers%20are%20already,of%20their%20international%20expansion%20plans>
8. <https://www.yicaglobal.com/news/maker-of-chinese-mg-cars-opens-first-battery-plant-in-thailand>

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