

## **Book Review**

Global Automobile Demand: Major Trends in Emerging Economies, Volume 2, by Bruno Jetin (Ed.), New York: Palgrave Macmillan, 2015, 214 pp.

The Global Automobile Demand book reveals the key trends of the global automotive industry and its great transformation stories particularly in the emerging economies. Generally, this book discusses the shifting trend in term of automobile demand from developed economies to the emerging economies as well as the role of crisis in the transition and how income distribution and other structural factors play a role in the automobile demand at the respective countries. The book covers seven emerging countries with respective country authors providing detailed information about the automobile demand. The countries include Russia (Elena Starostenkova and Bruno Jetin), Turkey (Lale Duruiz and Orhan Erdem), Brazil (Mario Sergio Salerno, Glauco Arbix and Demétrio G.C. de Toledo), Mexico (Maria de Lourdes Alvarez Medina), China (Hua Wang), India (Biswajit Nag), Thailand (Kriengkrai Techakanont and Sittisak Leelahanon) and Malaysia (VGR Chandran). A summary and an overview of the main content and arguments are provided in this review. The latter will not be based on chapters but based on themes and trends that emerged within the emerging economies under study especially with respect to the demand for the automobile industry and its structural context.

The global automotive market has changed dramatically over the last two decades. Surprisingly, the highest share of vehicles manufacturing was recorded in emerging markets compared with the developed countries. As a matter of fact, the automotive industry plays a very significant role in emerging markets such as Malaysia, Turkey, Brazil, China and India in providing job opportunities as well as increasing automobile export shares. The automotive sector in the emerging economies market was badly affected during the 2009 global financial crisis. The automobile industry especially in Russia and Malaysia recorded negative annual growth. In other words, the massive imports of second hand cars and dumping effects on car sales are the key reasons behind the severe hit in most emerging markets such as Mexico and Brazil despite Malaysia and Russia. It is different from China whereby the automotive industry recorded 6.2% annual growth due to its huge domestic market advantage.

This book also discusses the action plans carried out by the government in emerging economies to boost demand for cars. For this reason, 'scrappage' programme was devised and introduced in Russia and

Malaysia to encourage people to purchase new locally manufactured national cars. In reality, this programme has not yielded successful result due to the fact it did not favour low-income group in addition to the lack of inexpensive car makes in the market. There was a direct government intervention in Malaysia whereby the automotive industry received government assistance of US\$ 8.3 billion to minimise the effects of the 2009 global financial crisis. However, such assistance did not have a positive effect on the Malaysian automotive industry. In short, such action plans to protect the automotive industry in respective emerging economies from going bankrupt did not produce any good outcome.

Malaysian car ownership per 1000 people is still higher than the other emerging economies. Furthermore, car ownership among urban households is 1.4 times greater than those in the rural areas. In other words, total car ownership among poor households is 3.5 times lower than national level car ownership. This is unlike in India whereby two-or three wheeler vehicles are more affordable for majority of Indian households compared with cars. This is primarily because 70% of the Indian population reside in rural areas which lack basic infrastructure such as paved road system. Even though the proportion of vehicles per household has increased steadily over the years in India, urban households dominated the purchasing trend compared with the rural households. Majority of the vehicle buyers in India are from middle-income group and consequently many of the foreign car producers in India target middle-income households to increase their market share.

In terms of car production, Chinese carmakers are now capable of producing cars after almost three decades of learning experience. Today, Chinese car manufacturers are able to compete with other foreign car manufacturers at the international market level. Indeed, the key reason behind the Chinese success story is foreign technology transfer. In contrast, the Malaysian national automotive industry is operating under diseconomy of scale whereby resources are not utilised at optimum level. Moreover, the oversupply of cars in Malaysia has led to lower profit margins. Over supply has also raised the national car producers' overhead costs such as warehouse storage fee to keep the unsold cars.

There are several factors that drive the demand for cars in emerging economies revealed in this book. In the first place, the limited availability and access to public transport in most of the emerging economies nation is a key factor that drives high demand for cars. The public transport system particularly in Malaysia is less attractive among Malaysian because of the implementation of fuel subsidy policy resulting in cars becoming the preferred mode of transportation. For example in Malaysia, the demand for car increased dramatically due to easy access to hire purchase loan. It should be noted that in Malaysia, one can easily avail up to 90% loan to

finance car purchases. In other emerging markets like Thailand, households are tending to purchase merely one particular type of vehicle such as one-ton pickup trucks. An underdeveloped road system in Thailand is a root cause which drives the demand for one-ton pickup trucks. In fact, such vehicles are appropriate for the Thai people since majority of them are engaged in the agriculture sector.

There are other vibrant issues such as environment friendly vehicles discussed in the book. In reality, the transformation of the automotive sector by producing environmental friendly vehicles is still at an initial stage in most of the emerging economies. Lack of attractive tax incentives and underdeveloped infrastructures are the main obstacles to boost the demand for 'green' cars. In some emerging economies like Mexico, production of environmental friendly vehicles have failed due to lack of investment from internal and external investors. In China, the government has supported the green technology plan by providing environmental-friendly car manufacturers a huge allocation from the national budget. Nevertheless, most of the Chinese car manufacturers and their collaborator companies need sufficient time to enhance the technology competency. Moreover, car manufacturers need to persuade and build trust among consumers with transparent proposals in order to re-shape their attitude towards environment friendly vehicles. In India, electric vehicles are already on the roads. Indeed, the Indian government worked closely with Governing Council for Electric Vehicles (GCEV) to further develop and improve the electric vehicle mobility despite promoting foreign technology transfer and foreign joint ventures. Similarly, in Malaysia, the sale of fuel-efficient and environment friendly vehicles is encouraged by the government. Various incentives are provided such as 100% exemption of import duty and 50% exemption of excise duty especially on imported hybrid car provided that the engine capacity is below 2000cc.

It is important emerging economies to devise a holistic strategy among emerging economies for a sustainable development for the benefit of future generation. For this reason, rather than relying on fuel subsidies, generous tax exemption for green vehicles should be provided extensively to boost their demand. Thus, the government, car manufacturers, and consumers are the prime players in determining the future of national automobile industry as a whole. This book is an excellent compilation of Bruno Jetin that is both enriching and rewarding to readers interested in automobile development in emerging markets.

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