OFFICE OF THE ECONOMIC ADVISER TO THE PRESIDENT
Republic of the Philippines

PHILIPPINE AUTOMOTIVE INDUSTRIAL POLICY

Structural Analysis, FDI Barriers, Domestic Industry Constraints, Entry Points & Legislative-Executive Policy Roadmap

ASEAN-6 Comparative Framework

Prepared for the Office of the President | Strategic Industrial Policy Analysis | March 2026

1. Evolution of the Automotive Industry in Each ASEAN-6 Country

The automotive sectors of the ASEAN-6 economies — Thailand, Indonesia, Malaysia, Vietnam, the Philippines, and Singapore — evolved along distinct trajectories shaped by geography, colonial industrial legacies, natural resource endowments, domestic market scale, and divergent policy architectures. Understanding these trajectories in depth is the prerequisite to designing a Philippine automotive industrial policy that is grounded in regional reality rather than aspiration.

1.1 Thailand: From Detroit of Asia to Electric Vehicle Hub

Thailand's automotive history begins in earnest in the 1960s when the Thai government, recognising the country's growing domestic market and central continental geography, began offering BOI investment incentives to foreign OEMs to establish local assembly. Ford, GM, and Nissan arrived first; Toyota and Honda followed in the early 1970s. The Thanon Mitrsamphan period (1973-1976) saw the first coherent automotive industrial policy — local content requirements and tariff walls — that transformed raw assembly into embryonic manufacturing. By the 1980s, Thailand had codified a tiered local content scheme that forced OEMs to develop domestic supply chains, seeding a Tier 1 and Tier 2 supplier network that now numbers over 2,500 firms.

The 1997 Asian Financial Crisis proved unexpectedly constructive for Thai automotive development: the devaluation of the baht made Thai-manufactured vehicles highly cost-competitive for export, and the government responded with the 1997 Automotive Policy abolishing local content requirements in exchange for binding export commitments. Toyota, in particular, used Thailand as the launch platform for its IMV (Innovative International Multipurpose Vehicle) global programme in 2004 — a decision that cemented Thailand as the world's primary production base for the HiLux pickup, Fortuner SUV, and Innova MPV. By 2012, Thailand produced over 2.4 million vehicles per year — the highest in Southeast Asia and 10th globally.

The EV transition era, beginning with the BOI's first EV-specific incentive package in 2017 and accelerating dramatically through EV 3.0 (2022-2023) and EV 3.5 (2024-2027), represents the second structural reinvention of Thai automotive industry. Thailand's 30@30 target (30 percent zero-emission vehicle production by 2030, equating to approximately 725,000 BEVs plus 675,000 electric motorcycles annually) frames a policy environment in which Chinese OEMs — attracted by zero-tariff import windows coupled with binding domestic production offset requirements — have constructed a 600,000-unit prospective BEV manufacturing cluster in the Eastern Economic Corridor. As of mid-2025, total BOI-approved EV supply chain investment exceeded THB 137 billion (approximately USD 3.8 billion). Thailand's automotive ecosystem supports a workforce of approximately 850,000 direct employees and 700,000 indirect employees. The EV Board's July 2025 adjustment — crediting each export unit at 1.5 units toward production offset obligations — signals Thailand's deliberate pivot to becoming an EV export hub rather than solely a domestic market.

1.2 Indonesia: Sovereign Resources as Industrial Leverage

Indonesia's automotive industry developed under a more explicitly nationalist industrial policy than any other ASEAN economy. Astra International, founded in 1957, grew into the dominant conglomerate anchor of Indonesian automotive by establishing exclusive OEM partnerships — initially with Toyota and Daihatsu — that gave Japan preferential access to Southeast Asia's largest automotive market in exchange for progressive localisation. Presidential Decree No. 21/1973 imposed 40 percent local content requirements; subsequent decrees escalated these to 60 percent by the late 1990s. The Timor national car project (1996-1999) — a USD 700 million Kia-licensed venture under Hutomo Mandala Putra — was eventually ruled WTO-incompatible but demonstrated both the ambition and the political complexity of Indonesian domestic automotive strategy.

The 1998-2002 IMF-linked liberalisation dismantled the most overtly protectionist elements of Indonesian automotive policy, leading to rapid market share gains for Japanese OEMs — particularly Toyota's Kijang (later Avanza) and Honda's Jazz/Brio. Indonesia remained the second-largest ASEAN automotive market (typically 900,000-1,100,000 units per year) through the 2010s but attracted limited greenfield investment owing to labour relations complexity, logistics costs across an archipelagic geography, and raw materials nationalism that discouraged deep supply chain localisation.

The EV era brought a transformative policy innovation: Presidential Regulation 55/2019 mandated Indonesia's domestic EV industry development as a national priority, while the nickel ore export ban (reimposed in 2020 after the 2017 relaxation) weaponised Indonesia's 54 percent share of global nickel mine production as an upstream forcing function for EV battery investment. The carrot-and-stick combination — banning nickel ore exports to force in-country processing investment, while offering luxury tax exemptions, VAT reductions to 1 percent (for EVs with 40 percent local content), and 0 percent import duty on CKD/CBU EVs for factories committing to local production by 2026 — attracted the Hyundai-LG Energy Solution battery gigafactory (10 GWh initial capacity), the CATL-IBC battery ecosystem (targeting 140 GWh by 2030), and the BYD USD 1 billion vehicle factory. As of end-2024, Indonesia's EV car sales reached 43,188 units (151 percent year-on-year growth) and electric two-wheeler sales surpassed 100,000 units for the first time, confirming that the demand-side stimulus was working. Total EV ecosystem investment from 2020-2023 alone reached USD 42 billion per BKPM. The challenge for 2025 onward is the global pivot toward LFP battery chemistry (which does not require nickel), which threatens to undermine Indonesia's core strategic leverage.

1.3 Malaysia: Protectionist National Champions Meets Geely Transformation

Malaysia is unique in ASEAN-6 for having established not one but two domestically branded national automakers — Proton (1983) and Perodua (1993) — under deliberate import-substitution industrial policy. Proton's genesis was deeply political: Prime Minister Dr. Mahathir Mohamad, inspired by South Korea's Hyundai and POSCO model, used Mitsubishi technology and government equity to create a car that would symbolise Malaysian industrial modernity. Protected by high tariffs on CBU imports, non-automatic import licensing (Approved Permit or AP system), and manufacturing licences that restricted foreign OEM full-vehicle production, Proton captured 73 percent of the Malaysian market by 1988.

The AP system, while widely criticised for creating rent-seeking and limiting consumer choice, had the unintended consequence of forcing foreign OEMs to either establish Malaysian CKD assembly (Honda, Toyota, Nissan, Ford) or cede the market entirely — building the assembly capability base that now underpins Malaysia's EV transition ambitions. Perodua, established in 1993 with Daihatsu as technology partner, eventually displaced Proton as Malaysia's largest-selling brand in 2006 and has maintained that position since, selling over 358,000 units in 2024 (approximately 38-40 percent market share).

The Geely Holdings 49.9 percent acquisition of Proton in 2017 represents the most consequential single strategic investment in Malaysian automotive history. By 2019, Proton had returned to profitability for the first time in over a decade, launching the X70 SUV (a re-engineered Geely Boyue) to immediate commercial success. The Proton City plant in Tanjung Malim became the production base for Malaysia-made Geely platform vehicles under the Proton brand, establishing a de facto Chinese technology transfer via a national champion — precisely the model that Geely designed to maximise political acceptability while maximising technology access. Under Malaysia's New Industrial Master Plan 2030 (NIMP 2030, launched September 2023), EV development is designated as one of four mission-based priorities, with Perodua selected as the national champion for domestically manufactured affordable EVs. The RM100,000 import price cap on CBU EVs (protecting Proton and Perodua from sub-RM100,000 Chinese competitors) was designed to expire in 2025, creating a critical transition moment for the two national carmakers to deliver affordable domestic EVs before the market is opened to full Chinese competition.

1.4 Vietnam: Rapid Industrialisation and the VinFast Bet

Vietnam's automotive industry is the youngest and most dynamically evolving in ASEAN-6. The doi moi economic renovation (1986) and subsequent foreign investment liberalisation created the enabling conditions for OEM entry: Toyota (1995), Honda (1996), Ford (1997), and Mitsubishi (1997) all established assembly operations in the 1990s under Vietnam's OEM licensing regime, which mandated CKD assembly and imposed local content targets. Hyundai entered through its Thanh Cong joint venture in 2009, initially assembling trucks, then progressively adding passenger vehicles.

The structural constraint on Vietnam's automotive industry through the 2000s was market size: annual vehicle sales remained below 200,000 units through most of the decade, insufficient to justify full-scale manufacture and making Vietnam dependent on CKD assembly from Thailand and Indonesia for content. The ASEAN Free Trade Agreement's progressive tariff reduction — culminating in 0 percent ASEAN automotive tariffs from 2018 — initially devastated Vietnamese OEM assembly economics, as CBU imports from Thailand flooded the market at prices below what Vietnamese-assembled vehicles could achieve. Vehicle sales crashed from 304,000 (2017) to 288,000 (2018) as consumers delayed purchases awaiting cheaper CBU imports.

The government's policy response — a 50 percent registration fee reduction for domestically manufactured vehicles plus a 3 percent special consumption tax cap for CKD EVs through 2027 — successfully stimulated domestic production and catalysed VinFast's strategic entry. VinFast, Vingroup's automotive arm, launched in 2017 with the USD 1.5 billion Hai Phong factory (300,000-unit capacity), initially producing ICE vehicles under BMW licensing. The strategic pivot to full-EV from 2022 — combined with an aggressive global expansion (US market entry, Philippines launch 2024, multiple ASEAN markets) — transformed VinFast into ASEAN's first credible indigenous EV brand. VinFast delivered 87,000 vehicles in Vietnam alone in 2024 (44.4 percent year-on-year growth), capturing approximately 18 percent domestic market share. THACO's Chu Lai complex (assembling Kia, Peugeot, Mazda) and TC Motor's (Hyundai Thanh Cong) Ninh Binh second factory have collectively made Vietnam the first ASEAN country outside Thailand and Indonesia to achieve meaningful intra-ASEAN automotive exports — Hyundai Palisade exports to Thailand from October 2024 represent a milestone.

1.5 Philippines: Arrested Development and the Assembly-Only Trap

The Philippines' automotive industry began contemporaneously with Thailand's — Ford, GM, Chrysler, and Japanese OEMs all established assembly operations in the 1960s and 1970s under progressive protection. The Philippine Automotive Development Programme (PADP, 1973) imposed local content requirements and restricted imports — a framework structurally similar to Thailand's, Indonesia's, and Malaysia's. The critical divergence occurred in the 1980s: while Thailand doubled down on export-oriented manufacturing and Malaysia on protectionist national champions, the Philippines suffered the economic and political instability of the Marcos debt crisis, the Aquino transition, and a succession of policy reversals that gave OEM investors insufficient confidence to commit deep capital.

By the 1990s, when ASEAN tariff reduction began, the Philippines had not developed either the supply chain depth (Thailand route) or the national champion protection (Malaysia route) to insulate its automotive sector. The ASEAN Free Trade Agreement's implementation from 2000 exposed Philippine assembly plants — which had never developed genuine manufacturing depth — to price competition from Thai-made vehicles. Plant closures accelerated through the 2000s: GM, Ford, Chrysler, and eventually Nissan (2021) all exited Philippine production, leaving Toyota and Mitsubishi as the only OEMs with active CARS Program commitments. Over 80 percent of vehicles sold in the Philippines today are imported, compared to less than 10 percent in Thailand and 20 percent in Indonesia.

The 2016 Philippine National Automotive Industry Roadmap (PNAIR) and the CARS Program (enacted 2015, commenced 2017) represent the most recent serious attempt to reverse this trajectory. CARS offers BOI incentives including fiscal support (tax payment certificates redeemable against customs duties) to OEMs committing to 200,000 units minimum over six years in eligible model categories. Only Toyota (Vios/Yaris, PHP ~9 billion commitment) and Mitsubishi (Mirage and Mirage G4, subsequently shifted to L300 commercial vehicles) enrolled. The L300's ASEAN export commencement from April 2022 is a meaningful milestone — but it is an ICE-era commercial vehicle, not an indicator of EV manufacturing ambition. The market grew from 352,696 vehicles (2022) to 475,000 (2024) at an 8.5 percent CAGR, with Toyota holding approximately 46 percent market share. However, over 80 percent of this market is served by imports — a structural vulnerability that makes the Philippines a consumption market, not a production hub.

1.6 Singapore: Policy-Setter, Not Producer

Singapore has never aspired to automotive manufacturing: its land area (728 sq km), Certificate of Entitlement vehicle population control system, and economic model (finance, logistics, high-tech services) make domestic OEM

production strategically irrational. Singapore's role in the ASEAN automotive landscape is threefold: (1) a premium consumer market that provides brand credibility signals for OEMs — BYD surpassing Toyota as Singapore's top-selling brand in 2024 (6,191 units, 14.39 percent market share) sent a powerful regional signal; (2) a policy and regulatory bellwether — Singapore's progressive EV infrastructure mandates, EV Early Adoption Initiative incentives, diesel ban from January 2025, and commitment to a 100 percent clean energy vehicle fleet by 2030 set the regional standard toward which other ASEAN governments feel competitive pressure; and (3) an R&D and logistics hub for EV supply chains, with battery recycling, digital mobility, and EV financing innovation all concentrated in Singapore's economic zones. Singapore's automotive market of approximately 100,000 new registrations per year (constrained by COE) is too small to anchor regional manufacturing strategy, but its regulatory model and EV adoption rate (the highest in ASEAN at approximately 19 percent of new car sales in 2023) remain directly relevant to Philippine policy design.

2. What Attracts Japanese, South Korean, and Chinese Automotive Investment to ASEAN-6?

Automotive FDI in ASEAN is not randomly distributed. An analysis of Q1 2021 through Q4 2025 investment decisions reveals a consistent set of investment attraction factors across investor cohorts, mediated by each country's specific policy architecture, resource base, and market scale. The following sub-sections identify the principal determinants for each investor group.

2.1 Japanese OEM Investment: Stability, Infrastructure, and Incremental Commitment

Japanese OEMs — Toyota, Honda, Mitsubishi, Isuzu, Suzuki, Nissan, Daihatsu — have historically prioritised four factors in ASEAN investment decisions:

- Policy and regulatory stability over long investment horizons. Toyota's IMV investment in Thailand in 2004 was premised on a 20-year planning horizon. Japanese OEMs require confidence that tax regimes, tariff structures, and local content rules will remain stable or evolve predictably. Thailand's BOI has consistently delivered this; the Philippines' CARS Program funding instability in 2025-2026 directly triggered the reputational damage that the Marcos administration's January 2026 joint statement was designed to repair.
- Existing Tier 1 and Tier 2 supplier ecosystems. Japanese OEMs deploy keiretsu-style supply chain management: preferred Japanese Tier 1 suppliers follow OEM investment, but they do so only where the host country already has a functional base of Tier 2 and Tier 3 manufacturers. Thailand's Eastern Economic Corridor hosts over 2,500 automotive parts firms; Indonesia's Cikarang-Karawang corridor hosts over 600; Malaysia's Selangor-Perak corridor over 300. The Philippines has fewer than 80 meaningful automotive parts manufacturers, a threshold that creates supply chain insecurity for Japanese OEMs contemplating deeper investment.
- Market access — domestic and regional. Japanese OEMs use ASEAN production bases as export platforms under AFTA zero-tariff rules. Thailand's export to 130+ countries (900,000+ vehicles in 2023) demonstrates the export multiplier that makes Japanese investment economically rational beyond domestic sales. Indonesia's 1.1 million unit domestic market provides scale. The Philippines' 475,000 unit domestic market approaches viability for Japanese OEM manufacturing, but the 1,200+ km maritime fragmentation of the archipelago adds logistics complexity that continental Thailand and peninsular Malaysia do not face.
- Skilled but cost-competitive labour. Japanese OEMs require precision manufacturing capability at cost points that justify ASEAN production over Japanese domestic manufacturing. The Philippines' manufacturing workforce — English-proficient, technically trainable, with daily wages of PHP 570-610 in Metro Manila (approximately USD 10-11) — is competitive on labour cost. The constraint is not labour cost but rather the density of automotive-skilled workers and the availability of vocational training infrastructure specifically calibrated to automotive manufacturing needs.
- Infrastructure quality: power reliability, road and port logistics, industrial water. Thailand's EEC zone provides near-first-world utilities infrastructure. Indonesia's Cikarang industrial corridor has industrial-grade power. The Philippines' power costs — among the highest in ASEAN (approximately USD 0.18-0.22/kWh for industrial users compared to USD 0.08-0.12 in Thailand and Vietnam) — are a persistent competitive disadvantage cited by Japanese OEMs in plant location decisions.

2.2 South Korean OEM Investment: First-Mover EV Positioning and Integrated Battery Strategy

Hyundai Motor Group's ASEAN investment in 2021-2025 was driven by a specific strategic logic distinct from the incremental Japanese model:

- Integrated vehicle-battery strategy. Hyundai's partnership with LG Energy Solution (LGES) for the Indonesia battery gigafactory was not incidental — it reflected Hyundai's corporate decision to control battery supply chain in growth markets. The Indonesian nickel resource base, combined with LGES's NCMA (90 percent nickel) cell chemistry, created a vertically integrated ASEAN EV strategy that no Japanese OEM has replicated. South Korean investment decisions are therefore most powerfully attracted by host countries that can offer integrated battery raw material, cell production, and vehicle assembly in a single industrial ecosystem.
- Greenfield market opportunity unconstrained by Japanese legacy relationships. In Indonesia, Hyundai's decision to build a wholly-owned factory rather than a joint venture with an existing conglomerate — unlike Toyota-Astra or Honda-Prospect — gave Hyundai full control of its ASEAN EV pricing and technology strategy, unconstrained by the profit-sharing obligations and production mandates of a JV structure.

- Government-to-government industrial diplomacy. Hyundai's Indonesia HMMI factory was anchored by a state-level partnership between the Korean and Indonesian governments, with sovereign guarantee elements for the battery ecosystem investment. This G2G architecture reduces political risk for large-scale Korean manufacturing commitment and is a model the Philippines has yet to deploy with the Hyundai Motor Group.
- Market recovery potential. Hyundai Philippines' restructuring from HARI to direct OEM distribution in June 2022 signalled that HMG sees the Philippine market as strategically important enough to absorb distribution directly — but the USD investment threshold required to trigger a Philippine manufacturing commitment has not yet been met because the market and policy conditions have not yet converged.

2.3 Chinese OEM and Battery Investment: Speed, Incentive Response, and Export Arbitrage

Chinese OEM investment in ASEAN-6 in 2021-2025 followed a distinctive pattern driven by the following factors:

- Aggressive government-linked incentive response. BYD's Thailand factory decision was directly catalysed by EV 3.0's 1-to-2 production offset mechanism, which guaranteed BYD a subsidised CBU import window during factory construction. This carrots-and-sticks architecture — temporary import privileges conditional on binding domestic production commitment — is precisely the policy mechanism that triggers Chinese OEM factory decisions. The Philippines' EVIDA zero-tariff framework provides the tariff element but has not yet constructed the binding production offset obligation that would convert import advantage into manufacturing commitment.
- First-mover market entry via distribution, then manufacturing. BYD's path in every ASEAN-6 market follows the same sequence: distribution partner establishment, rapid market share accumulation at competitive pricing, followed by local assembly where government policy creates a production incentive. In the Philippines, BYD reached 69 percent of the BEV market by early 2025 from a pure import/distribution model — the prerequisite stage for a manufacturing conversation, if the policy architecture to trigger it is constructed.
- Export platform creation under AFTA. Chinese OEMs, locked out of the US and EU markets by tariffs, are increasingly using ASEAN manufacturing as an export arbitrage route: Thailand-made BYDs were the first batch to export to Europe (959 Dolphin units from Rayong, 2025). Indonesia and Vietnam are being positioned similarly. A Philippine manufacturing base, if constructed with competitive incentives, would offer Chinese OEMs a sixth ASEAN country export platform.
- Labour arbitrage and raw material proximity. Chinese OEMs have demonstrated a preference for host countries where local labour costs are competitive and where there is proximity to key raw materials (nickel, copper, rubber). Indonesia's nickel strategy is the dominant example. The Philippines, despite limited nickel production (relative to Indonesia), has strategic nickel laterite deposits in Palawan, Mindanao, and Surigao that could be leveraged in a battery materials negotiation with Chinese battery investors.

2.4 Supporting Infrastructure: The Non-Negotiable Foundation

Across all three investor cohorts — Japanese, Korean, and Chinese — the following infrastructure elements are prerequisite rather than differentiating:

- Industrial power: reliable, competitively priced. Average industrial power cost in the Philippines (USD 0.18-0.22/kWh) is approximately double Thailand (USD 0.08-0.10/kWh) and Vietnam (USD 0.07-0.09/kWh). An automotive stamping plant requires approximately 15-20 MVA of dedicated industrial power. Power cost is explicitly cited by Thai automotive industry representatives as a differentiating advantage over Philippine sites.
- Port and logistics connectivity. Thailand's Laem Chabang deep-water port (approximately 12 million TEU capacity) provides world-class CBU and parts export logistics. Indonesia's Tanjung Priok (8.5 million TEU), Malaysia's Port Klang (15 million TEU), and Vietnam's Cat Lai (8 million TEU) are all sufficient. The Philippines' Manila International Container Terminal handles approximately 4.5 million TEU but is constrained by road access, dwell times, and the archipelagic fragmentation that requires inter-island shipping for domestic distribution — adding logistics cost that is not incurred by continental ASEAN competitors.
- Industrial estate availability with utilities pre-provisioned. Thailand's EEC industrial estates (Amata, WHA) provide turnkey factory sites with industrial water, gas, power, and road-to-port logistics. The Philippines' PEZA zones in CALABARZON provide a functional framework, but industrial land availability, pre-provisioned utilities at scale, and site readiness comparable to Thai EEC standards require significant investment to reach parity.
- Testing, certification and technical standards infrastructure. Thailand's Automotive and Tire Testing Research and Innovation Center (ATTRIC) provides on-site international certification capability. South Korea's KAI (Korea Automotive Research Institute) and China's MIIT certification infrastructure are deeply embedded in their respective export supply chains. The Philippines lacks an equivalent automotive testing and certification centre, requiring OEMs to conduct certification testing offshore at additional cost and time.

2.5 Labour Environment

Labour considerations are nuanced across ASEAN-6. All six countries offer cost-competitive labour relative to Japan and South Korea. The differentiating factors are:

- Skill density. Thailand's 40-year history of automotive manufacturing has produced a skilled workforce of approximately 850,000 direct automotive employees with embedded institutional knowledge of precision manufacturing, just-in-time systems, and kaizen methodology. The Philippines' automotive manufacturing workforce is a fraction of this — concentrated in the CALABARZON corridor — and is largely calibrated to electronics/semiconductor assembly rather than automotive.
- Vocational training alignment. Indonesia's BKPM-linked vocational training programme specifically prepares workers for automotive manufacturing demand. Vietnam's TVET (Technical and Vocational Education and Training) system has been systematically aligned with foreign OEM manufacturing requirements. The Philippines' TESDA has begun developing EV-specific training curricula but lacks the scale and OEM co-investment in training infrastructure that characterises Thailand and Vietnam.
- Labour relations stability. PEZA zones in the Philippines have generally stable labour relations with lower unionisation rates than non-PEZA facilities. This is a competitive advantage the Philippines should preserve and market.
- English proficiency. The Philippines' workforce English proficiency — the highest in ASEAN — is a genuine competitive advantage for multinational OEM management operations, quality assurance, and export customer service functions.

3. What the Philippines Lacks Compared to ASEAN-6 Peers: FDI Disincentives

A frank structural diagnostic is essential before prescribing policy solutions. The following analysis identifies the specific gaps — policy, infrastructure, institutional, and structural — that disincentivise Japanese, South Korean, and Chinese automotive manufacturing FDI in the Philippines.

3.1 Absence of a Binding EV Manufacturing Production Offset Mechanism

This is the single most impactful structural gap. Thailand's EV 3.0 and EV 3.5 packages worked because they were not merely tax incentive frameworks — they were legally binding production offset contracts: OEMs that imported subsidised CBUs were contractually obligated to produce locally at a 1:2 (then 1:3) ratio, with bank guarantees lodged and certifications required. This mechanism converted OEM import advantage into factory construction decisions. The Philippines' EVIDA zero-tariff framework eliminates import duties but creates no binding production offset mechanism — so Chinese OEMs (and potentially Korean and Japanese OEMs) can access the Philippine market through imports without any manufacturing commitment obligation. A Thai-style EV manufacturing production offset regime — the most actionable single legislative fix — does not yet exist in Philippine law.

3.2 CARS Program Structural Limitations

The Comprehensive Automotive Resurgence Strategy has four structural deficiencies that limit its FDI catalytic effect:

- ICE-era focus: CARS was designed around ICE and hybrid models (Vios, Mirage G4, L300). It has no BEV-specific production incentive track. An OEM considering a greenfield BEV manufacturing commitment in the Philippines cannot access CARS support for EV-specific production, creating a structural incentive gap versus Thailand's BOI (which has BEV-specific corporate income tax exemptions of up to 13 years) and Indonesia's BEV-specific luxury tax exemption.
- Only two enrolled participants: CARS' structural design — requiring a minimum 200,000 unit commitment over six years — is calibrated to large-volume ICE sedans and MPVs. This threshold is prohibitive for commercial vehicles, motorcycles, scooters, or lower-volume EV models, excluding a large portion of the OEM universe from access.
- Funding mechanism dependence on annual Congressional appropriation: No other ASEAN government's primary automotive manufacturing incentive program is subject to annual budget appropriation risk of the type that caused the 2025-2026 CARS crisis. Thailand's BOI incentives are tax-expenditure-based (corporate income tax holidays) — they do not require annual legislative reappropriation. This structural difference creates a persistent investor confidence risk for the Philippines that does not exist in Thailand or Vietnam.
- Absence of a local content escalator: CARS does not mandate progressive increases in local parts content from enrolled OEMs. Thailand's 40 percent local content threshold for EV BEVs (required for certain BOI benefit packages) actively drives supply chain development in-country. Without an equivalent Philippine mechanism, even enrolled CARS OEMs source the majority of their parts from abroad.

3.3 High Industrial Power Costs

The Philippines' industrial electricity cost of USD 0.18-0.22/kWh — approximately double Thailand and Vietnam — is a persistent structural barrier. An automotive stamping and assembly plant with 50,000 units per year capacity consumes approximately 80-100 GWh of electricity annually. At Philippine rates versus Thai rates, this differential represents approximately USD 8-12 million in additional annual operating cost per mid-size plant — a material factor in OEM site selection decisions. The Renewable Energy Act and Green Energy Auction Programme are reducing power costs at the margin, but industrial power cost parity with Thailand requires fundamental electricity market reform and transmission infrastructure investment that is a multi-year undertaking.

3.4 60 Percent Foreign Equity Cap and Retail Trade Restrictions

The Philippines' 60/40 foreign equity rule in certain sectors creates structural constraints for automotive OEMs seeking full operational control over their Philippine manufacturing and distribution entities. While automotive manufacturing per se is not covered by the negative list, the interaction with retail distribution rules (the Retail Trade Liberalisation Act of 2000, amended 2021, now allows 100 percent foreign retail equity above PHP 25 million — a positive reform) creates complexity in integrated OEM manufacturing-distribution structures. Hyundai Motor Group's restructuring of Philippine distribution in June 2022 was partly motivated by navigating these constraints. For a

Chinese OEM contemplating a greenfield Philippine factory, the legal pathway to wholly-owned manufacturing operations (analogous to Hyundai's wholly-owned HMMI in Indonesia) needs to be unambiguous and administratively straightforward.

3.5 Limited Automotive Supplier Ecosystem

The Philippines has fewer than 80 meaningful automotive-grade parts manufacturers — compared to over 2,500 in Thailand and over 600 in Indonesia's Cikarang corridor. For a Japanese or Korean OEM conducting a Philippine site assessment, the absence of a proximate Tier 1 supplier network means either (a) importing the majority of parts (negating cost advantage and adding supply chain risk), or (b) requiring the OEM to actively develop local suppliers (a 5-10 year programme requiring capital and management bandwidth that OEMs are not incentivised to deploy in a country without a binding production offset obligation). The CALABARZON corridor hosts automotive parts manufacturers in First Philippine Industrial Park, but their scale and automotive specificity are insufficient to support an OEM committing to 100,000+ units per year.

3.6 Infrastructure Quality and Logistics Cost

Beyond power costs, the Philippines faces three logistics disadvantages versus continental ASEAN competitors:

- Port congestion and dwell times. The Manila International Container Terminal has chronic congestion issues. Average container dwell time in Manila ports (approximately 4-7 days) exceeds Laem Chabang (2-3 days) and Tanjung Priok (3-4 days), adding cost and unpredictability to both parts inbound logistics and finished vehicle exports.
- Archipelagic logistics premium. Vehicle distribution from a single Philippine manufacturing hub (most likely Laguna, Batangas, or Pampanga) to the Visayas and Mindanao markets requires Roll-on/Roll-off (RoRo) shipping — adding USD 300-600 per vehicle in domestic distribution cost that a Thai OEM exporting the same vehicle to Luzon from Bangkok does not incur. This cost is real but manageable through RoRo port development and is not unique to the Philippines among archipelagic economies (Indonesia faces a similar but larger-scale challenge).
- Absence of an automotive-specific testing centre. Thailand's ATTRIC, Indonesia's BPPT automotive testing laboratory, Malaysia's MIROS, and Vietnam's RQCD all provide in-country vehicle type approval and certification testing. The Philippines lacks an equivalent facility, requiring OEMs to conduct certification testing in Thailand, Japan, or Germany — adding cost, time, and logistical friction that OEMs cite in site selection assessments.

3.7 Summary Comparative Barrier Matrix

Barrier	Thailand	Indonesia	Vietnam	Philippines
Binding EV production offset	EV 3.5: 1:2 then 1:3 ratio	0% luxury tax + local content VAT	3% SCT on CKD EV	Absent — EVIDA provides tariff relief only
Industrial power cost	~USD 0.08-0.10/kWh	~USD 0.09-0.12/kWh	~USD 0.07-0.09/kWh	~USD 0.18-0.22/kWh (2× peers)
Supplier density (Tier 1-2)	2,500+ firms	600+ (Cikarang)	400+ (Chu Lai + Hai Phong)	<80 automotive-grade
Auto testing centre	ATTRIC (full cert)	BPPT lab	RQCD lab	None — offshore testing required
Manufacturing incentive duration	CIT exempt up to 13 years	10-yr CIT holiday + 2yr 50%	SCT 0-3% through 2027	CARS: fiscal support, annual re-appropriation risk
Foreign equity in mfg	100% permitted	100% permitted	Up to 100% (sector-specific)	100% in mfg; distribution complexities remain
G2G automotive diplomacy	Multi-OEM BOI programme	Indonesia-Korea battery deal	JV/FTA-linked	No major G2G auto manufacturing agreement

4. What Prevents a Domestic Philippine Automaker from Emerging?

The Philippines is the only ASEAN-6 economy (excluding Singapore, which by design has no domestic automotive industry) without a domestic OEM at any stage of the production-to-brand value chain. Understanding the structural reasons for this absence is prerequisite to designing a policy environment that could produce a domestic champion.

4.1 Absence of a Conglomerate-Scale Capital Commitment

Every successful ASEAN-5 domestic automotive brand emerged from a conglomerate with the capital, political connections, and long time horizon required for a USD 500 million-plus industrial commitment: VinFast from Vingroup (Vietnam's largest conglomerate, with diversified real estate and retail businesses providing cross-subsidy capacity); Proton from DRB-HICOM and initially direct government equity; Perodua from a consortium including Daihatsu and the government's UMW Holdings; Astra International (Indonesia) from Jardine Matheson's Astra Group. The Philippines has several conglomerates with comparable financial scale — Ayala Corporation, SM Investments, San Miguel Corporation, JG Summit Holdings — but none has committed to automotive OEM investment at the scale required. San Miguel Corporation's diversification into infrastructure (NAIA, TPLEX, CCLEX) demonstrates its capacity for large capital deployment; a San Miguel or Ayala-anchored automotive JV with a Chinese EV platform licensor (BYD, Chery, Wuling) is structurally feasible but has not been pursued.

4.2 The Policy Vacuum Between CARS and Indigenous OEM Development

The CARS Program was designed to incentivise foreign OEMs to produce in the Philippines — not to develop a domestic OEM. Malaysia's Proton and Perodua emerged under a fundamentally different policy architecture: explicit government equity, tariff protection, AP system restrictions, and mandatory technology transfer from foreign OEMs to domestic entities. The Philippines, having committed to WTO liberalisation and ASEAN tariff parity, cannot replicate the blunt protectionism of the 1983-2000 Malaysian model. However, it can replicate the VinFast model: creating a government-linked investment fund or public-private partnership vehicle that co-invests with a domestic conglomerate in an EV brand built on licensed Chinese platform technology (as VinFast was initially built on BMW 5 Series and then shifted to its own EV platform). Vietnam's 50 percent registration fee reduction and 3 percent SCT created the demand environment that made VinFast commercially viable; the Philippines has not yet constructed the demand-side stimulus equivalent.

4.3 Market Size and Geographic Fragmentation

A domestic OEM requires a minimum domestic market volume to achieve production economics. Industry consensus places the minimum viable scale for single-model production at approximately 50,000-70,000 units per year for a standard automotive plant. Vietnam's market reached approximately 387,957 units in 2024; the Philippines' at approximately 467,000-475,000 units. Both markets are technically large enough to support domestic production economics — but the Philippine market is distributed across three major island groups (Luzon, Visayas, Mindanao) with a logistics cost penalty for inter-island distribution that Vietnamese, Thai, and Indonesian domestic manufacturers do not face. This geographic premium reduces the effective economic viability of a single-hub Philippine manufacturing operation.

4.4 Motorcycle and Two-Wheeler Market: The Underexplored Domestic Opportunity

The Philippines had approximately 8.4 million registered motorcycles in 2020, with approximately 1.4 million new units sold per year — the fourth-largest motorcycle market in ASEAN after Vietnam, Indonesia, and Thailand. Honda and Yamaha dominate through their respective Philippine manufacturing operations. The transition to electric two-wheelers represents the most viable entry point for a domestic Philippine OEM: the capital requirement for an electric motorcycle manufacturing plant is approximately USD 30-80 million (versus USD 500 million-plus for a four-wheel OEM), the technology is available through Chinese platform licensing at accessible cost, and the domestic market is already the primary personal mobility solution for the majority of Filipinos. Cirtek Holdings' Laguna Technopark facility producing electric motorcycles and lithium-ion battery packs represents a nascent domestic entry — but it operates at artisanal scale without the conglomerate backing required for commercial viability at industrial volumes.

4.5 Electric Tricycle and Jeepney: A Policy-Created Domestic Market

The Philippines' unique vehicle segments — the tricycle (motorcycle-sidecar combination used as the primary rural and peri-urban transport across 80,000+ tricycles nationally) and the jeepney (converted military surplus vehicle, now a cultural icon, used as the primary urban mass transit in approximately 40,000 routes) — represent a captive domestic demand for electrification that no other ASEAN-6 economy has. The Public Utility Vehicle Modernisation Programme (PUVMP) mandates the replacement of old-model jeepneys with modern PUV models, many of which now include electric drivetrain options. The BEMAC e-trike deployment in Metro Manila demonstrated commercial viability. A domestic OEM focused exclusively on electric tricycles and electric jeepneys — leveraging Chinese drivetrain and battery technology with Philippine-specific bodywork — could be commercially viable at 20,000-30,000 units per year, well within the capital capacity of a mid-sized Filipino conglomerate.

5. Automotive Industry Entry Points for the Philippines

The Philippines does not need to compete with Thailand for large-scale passenger car OEM manufacturing investment in the near term. The more strategically sound approach is to identify entry points where: (a) capital requirements are manageable; (b) existing Philippine strengths (English-speaking workforce, electronics manufacturing base, archipelagic mobility needs, specific vehicle segments) create genuine competitive differentiation; and (c) policy action can create market pull and investment incentives within 24-36 months. The following entry points are assessed in order of strategic priority.

5.1 Electric Two-Wheelers (E2W): Motorcycles and Scooters

Market Opportunity

The Philippines' 1.4 million annual motorcycle market — dominated by Honda (approximately 50 percent) and Yamaha (approximately 30 percent) — is the fourth-largest in ASEAN. Vietnam recorded 99.2 percent growth in electric motorcycle volumes in H1 2025. Indonesia's electric two-wheeler sales surpassed 100,000 units in 2024 for the first time, with Yadea committing to a 300,000-unit annual production facility in West Java. The Philippine LTO's administrative order suspending light electric vehicle registration (AO 39-2021) — flagged by the Electric Vehicle Association of the Philippines as misaligned with EVIDA — creates a regulatory friction that, if resolved, would unlock this market segment's growth.

Competitive Differentiation

Chinese E2W brands — Yadea, Aima, NIU, TAILG — are manufacturing profitably at factory gate prices of USD 400-900 per unit, making electric motorcycles and scooters affordable for the Philippine mass market at a price point unavailable in four-wheel EVs. A Philippine assembly operation for E2W using Chinese CKD kits and progressive localisation of plastics, wiring harnesses, and seat assemblies — all areas where the Philippine parts industry already has competency — is achievable within 18-24 months at a capital commitment of USD 20-40 million.

Market Pull from Delivery Ecosystem

The rapid growth of e-commerce logistics and food delivery platforms (Grab, Lalamove, Ninja Van, J&T) in the Philippines creates a captive fleet customer for electric motorcycles. DHL Express Philippines and Mober have already commenced EV fleet transitions. Fleet purchasers at 500-5,000 unit volumes are the ideal launch customer for a Philippine E2W manufacturer — predictable volume, maintenance contracts, and energy cost savings that make the TCO argument straightforward.

5.2 Electric Three-Wheelers (E3W): Tricycles and E-Trikes

Market Opportunity and Social Impact

The Philippines' estimated 3.3 million registered tricycles — the primary first-last mile transport in the barangay system — represent a captive electrification demand of enormous scale. The Asian Development Bank's 2012 e-trike programme (100,000 units) demonstrated the policy template and supply chain basics. The BEMAC e-trike model in Metro Manila and the DOE electric tricycle project in various provinces confirm commercial viability. At a 10 percent annual replacement rate of the existing fleet, the potential domestic market is approximately 330,000 e-trikes per year — a larger annual production volume than most ASEAN passenger car platforms. LGU franchise regulation (LGUs issue tricycle operating permits and set franchise areas) means that e-trike mandates can be implemented through coordinated executive action (LGU partnership + national government subsidy) without requiring new legislation.

5.3 Electric Jeepneys and Modern PUVs

Policy-Created Market

The PUVMP's mandate to replace pre-2007 jeepneys (approximately 40,000 units) with modern PUVs — of which approximately 5,000-8,000 are targeted to be electric — creates a direct government procurement-linked demand for electric public utility vehicles. The challenge is capital: modern e-jeepney units cost PHP 2.5-3.5 million (USD 44,000-62,000) versus old-model jeepneys at PHP 800,000-1,200,000, making operator financing the binding constraint. A Philippine development bank (DBP or Land Bank) loan facility specifically designed for e-jeepney operators, combined with an EVIDA-compliant duty-free import of drivetrain components, could unlock this market

segment at scale. The fabrication of e-jeepney bodywork — which is already done domestically by hundreds of bodybuilding shops in Laguna, Pampanga, and Cebu — can serve as the foundation for a Philippine domestic commercial EV industry with minimal additional capital.

5.4 Commercial Vehicles: Light Trucks and Cargo Vans

CARS-Adjacent Opportunity

Mitsubishi's L300 light commercial vehicle — already produced in the Philippines and exported to other ASEAN markets from April 2022 — demonstrates that Philippine automotive manufacturing can achieve export-quality commercial vehicles. An expanded CARS Program (or CARS successor programme) specifically targeting light commercial vehicles — including electric cargo vans and last-mile delivery vehicles — would attract Chinese OEM interest (BYD, SAIC-Wuling, and Changan all have competitive electric LCV ranges) and could position the Philippines as an ASEAN production hub for the electric delivery vehicle segment, which is projected to be the fastest-growing commercial vehicle category in Southeast Asia through 2030 as e-commerce logistics expands.

5.5 Automotive Parts and Components: EV Supply Chain Integration

Leveraging Existing Strengths

The Philippines' electronics manufacturing sector — the world's largest DSP chip producer (Texas Instruments Baguio), aerospace parts manufacturer (Moog), and medical devices hub — provides a directly transferable manufacturing competency base for automotive electronics, sensors, battery management systems, and EV motor controllers. The wiring harness manufacturing sector in CALABARZON already produces for Toyota and Mitsubishi; expansion into EV-specific wiring harnesses for Asian EV manufacturers is a logical extension. The ABS systems produced in the Philippines for Mercedes-Benz, BMW, and Volvo are a proof-of-concept for Philippine high-precision automotive parts export capability.

The specific EV supply chain components where the Philippines can build competitive advantage within 3-5 years are:

- Wiring harnesses and electrical distribution systems for EVs (building on existing Toyota/Mitsubishi wiring harness production)
- Battery management system (BMS) electronics (leveraging semiconductor assembly capability)
- Plastic and composite EV body components (existing automotive plastics capability in CALABARZON)
- Seat assemblies and interior components (existing Toyota/Mitsubishi seat supplier base)
- EV motor windings and stator assemblies (directly adjacent to electric motor production for industrial applications)

5.6 Motorcycle CKD Assembly Hub: Strategic Priority

Given the above analysis, motorcycle CKD assembly — with progressive local content escalation toward domestic manufacture — represents the single most actionable and lowest-risk entry point for the Philippines' automotive industrial policy. The template is: (a) invite Chinese E2W manufacturers (Yadea, Aima, NIU, or similar) to establish CKD assembly operations in PEZA/BOI-registered zones with a 5-year local content escalation roadmap; (b) anchor the supply chain development in CALABARZON plastic, wiring, and seat-assembly manufacturers; (c) use the EVIDA zero-tariff framework for CKD components and add a local content tax credit incentive to drive supply chain investment; (d) create a Government procurement commitment (LGU tricycle fleet electrification, DOE e-trike programme) to provide volume certainty during the market development phase.

6. Legislative and Executive Policy Actions Required

The following policy roadmap identifies specific legislative and executive actions required to enable each entry point and remove the structural barriers identified in Section 3. Actions are classified by instrument type, lead agency, and target timeline.

6.1 Immediate Executive Actions (0-12 Months)

Policy Action	Description & Mechanism	Lead Agency	Timeline
EO: LTO LEV Registration Resumption	Issue Executive Order directing LTO to revise AO 39-2021 and resume registration of light electric vehicles (e-bikes, e-scooters, e-motorcycles) under updated safety and type approval standards aligned with EVIDA categories	DOE / LTFRB / LTO	Q2 2026
EO: EV Manufacturing Production Offset	Issue Executive Order establishing a binding EV Manufacturing Production Offset scheme modelled on Thailand EV 3.0/3.5: OEMs importing BEV and E2W under zero-tariff must commit to domestic production at 1:2 ratio within 3 years, with BOI-registered bank guarantees	DTI-BOI / DOF / NEDA	Q3 2026
EO: E-Trike Fleet Mandate	Issue EO mandating all LGUs to transition a minimum 20% of new tricycle franchise grants to electric tricycles, with DBP/Land Bank concessional financing facility of PHP 5 billion established	DOE / DILG / DOF	Q2 2026
Presidential Directive: G2G Auto Diplomacy	Presidential directive to DFA and DTI to initiate Government-to-Government automotive investment dialogues with Hyundai (South Korea), BYD and Chery (China), and Isuzu/Mitsubishi (Japan) focused on Philippine manufacturing feasibility	Office of the President / DFA / DTI	Q2 2026
EO: EVIDA CREVI Update	Direct DOE to update the Comprehensive Roadmap for the Electric Vehicle Industry (CREVI) to include 2026-2030 manufacturing targets with specific E2W, E3W, and commercial EV production volume commitments	DOE / DTI-BOI	Q3 2026
Administrative Order: CARS Continuity	Issue Administrative Order confirming CARS Program funding continuity through 2027 from DOF certified savings, eliminating annual appropriation risk and restoring OEM investor confidence	DBM / DTI / DOF	Q2 2026

6.2 Short-Term Legislative Actions (12-24 Months)

Policy Action	Description & Mechanism	Lead Agency	Timeline
CARS Program Amendment	Amend the CARS Program to: (a) add a BEV-specific production incentive track with minimum volume of 50,000 units over 5 years (lower threshold	Congress (DTI as proponent) / NEDA	H1 2027

	than current 200,000/6yr); (b) change funding mechanism from annual appropriation to tax expenditure (BOI income tax holiday); (c) add E2W and commercial EV as eligible vehicle categories		
EV Manufacturing Investment Act	Enact standalone EV Manufacturing Investment Act providing: (a) 8-13 year corporate income tax holiday for BEV, PHEV, and E2W manufacturers establishing production in the Philippines; (b) duty-free import of BEV manufacturing equipment and CKD components for first 5 years; (c) duty-free import of battery cells and modules for locally assembled EVs until domestic cell production is established	Congress / DTI-BOI / DOF	H2 2027
Local Content Incentive Scheme	Enact a local content tax credit (analogous to Thailand's 40% local content rule for CIT reduction extension) providing an additional 2-3 year CIT reduction for EV manufacturers achieving 40% Philippine-sourced content within 5 years of production commencement	Congress / DTI-BOI	H2 2027
Industrial Power Cost Act	Amend the Electric Power Industry Reform Act (EPIRA) to establish a Special Automotive Manufacturing Power Rate for BOI-registered automotive manufacturers, targeting a rate equivalent to 110% of Thailand's industrial rate (approximately USD 0.11-0.13/kWh) through direct NPC/PSALM cross-subsidy or Green Energy Auction set-asides	Congress / DOE / ERC	H1 2027
Automotive Testing Centre Act	Mandate DOTr/DTI to establish a Philippine Automotive Testing and Certification Centre (PATCC) in CALABARZON, modelled on Thailand's ATTRIC, with type approval capability for E2W, E3W, and commercial EVs under UN Regulations R75, R78, R94/95, and ASEAN MRA standards	Congress / DTI / DOTr	H2 2027
E-Trike and E-Jeepney Financing Act	Establish a dedicated PHP 20-30 billion Green Public Transport Fund (GPTF) through DBP capitalisation, providing concessional loans at 3-5% per annum for PUV operators transitioning to electric jeepneys and e-trikes, with credit guarantee from PhilGuarantee	Congress / DBP / DOF / LTFRB	H1 2027

6.3 Medium-Term Structural Reforms (24-48 Months)

Policy Action	Description & Mechanism	Lead Agency	Timeline
National EV Industrial Policy (NEVI)	Enact a comprehensive National EV Industrial Policy analogous to Malaysia's NIMP 2030 EV mission or Vietnam's SCT framework,	Congress / NEDA / DTI	2028

	designating: (a) a lead domestic OEM champion for affordable EVs; (b) mission-based production targets with annual reporting; (c) a dedicated National EV Investment Board with deputy-PM-level chairmanship		
Philippine Automotive Supply Chain Development Fund	Establish a PHP 10-15 billion supply chain development fund administered by DTI-DOST, providing matching grants to Philippine SME parts manufacturers qualifying as Tier 1 or Tier 2 suppliers to BOI-registered automotive OEMs, with a specific fast-track window for EV supply chain components	Congress / DTI / DOST	2028
Archipelagic Logistics Premium Offset	Establish a Visayas-Mindanao Distribution Logistics Subsidy for Philippine-manufactured vehicles distributed inter-island by RoRo — partially offsetting the archipelagic logistics premium versus continental ASEAN competitors, funded from BOI automotive sector revenues	Congress / DOF / DOTr	2028
Domestic EV Brand SPV	Establish a Special Purpose Vehicle (SPV) under CHED and DOST with equity participation from two or three Philippine conglomerates (Ayala, San Miguel, JG Summit) and a Chinese platform technology licensor to develop a Philippine-branded electric motorcycle and e-trike range targeting the domestic mass market at PHP 50,000-80,000 price point	NEDA / DTI / DOF	2028-2029
Battery Materials Strategy	Establish a Philippine Critical Minerals and Battery Materials Strategy, mapping domestic nickel laterite reserves (Palawan, Mindanao, Surigao) and coordinating with DENR, MGB, and BOI to offer battery materials access as a negotiating incentive in Korean and Chinese battery manufacturer G2G investment discussions	NEDA / DENR / DTI	2027-2028

6.4 Flagship Priority: The Philippine E-Mobility Manufacturing Hub (PEMMH) Initiative

The single most impactful policy architecture the Marcos administration can deploy in the 2026-2028 window is a comprehensive, multi-agency Philippine E-Mobility Manufacturing Hub (PEMMH) initiative combining the above elements into a coherent investor proposition. The PEMMH should designate one or two specific PEZA/BOI-registered industrial zones (recommended: First Philippine Industrial Park in Sto. Tomas, Batangas and the LISP III industrial estate in Calamba, Laguna) as dedicated E-Mobility Manufacturing Zones with:

- Pre-provisioned industrial power at special EV manufacturing rate (target: USD 0.12/kWh)
- On-site EV type approval testing facility (PATCC sub-station)
- Dedicated RoRo terminal access for CKD parts inbound and CBU export via Batangas port
- Fast-tracked BOI and PEZA one-stop-shop processing with a 30-day investment approval commitment
- Anchor tenant agreement with at least one Chinese E2W manufacturer (Yadea, NIU, or Aima) with binding local content escalation schedule
- Associated vocational training centre (TESDA) co-located within the zone for automotive EV technician training

This PEMMH architecture — announced at a Presidential Investment Forum with foreign OEM participation and backed by signed Presidential support letters — would constitute a credible and internationally visible signal that the Philippines has moved from automotive import dependence to a genuine manufacturing investment destination.

7. Conclusion

The Philippine automotive sector stands at a structural inflection point. The domestic market is growing robustly (8.5 percent CAGR, 475,000 units in 2024, projected 1 million units by 2033). The global EV transition is creating new manufacturing investment opportunities that are less dependent on legacy OEM-supplier keiretsu relationships than the ICE era was. The archipelagic geography — long cited as a constraint — can be reframed as an asset: it creates structural demand for the electric two- and three-wheelers, light commercial EVs, and electric public transport vehicles that represent the most accessible entry points for a new ASEAN manufacturing hub.

The comparison with ASEAN-6 peers is sobering but not deterministic. Thailand's dominance was built over four decades of consistent, coherent policy. Indonesia's EV investment leadership rests on a unique natural resource endowment. Malaysia's national champions were created by deliberate protectionist intervention that WTO commitments now preclude. Vietnam's VinFast emerged from conglomerate-scale capital deployed under government-backed demand stimulus. None of these models is directly replicable by the Philippines — but all contain transferable elements that a Philippine industrial policy architecture can selectively adapt.

The most important lesson from the ASEAN-6 peer review is this: automotive manufacturing investment follows policy clarity, not market size alone. The Philippines has the market, the workforce, the geographic position, and the ASEAN trade access. What it has lacked — and what this policy roadmap is designed to construct — is the institutional architecture that converts those endowments into binding investment commitments. The EVIDA framework provides the zero-tariff foundation. The CARS Program provides the manufacturing incentive template. The PUVMP provides the public transport demand stimulus. What remains is the integration of these instruments into a coherent, binding, and adequately resourced national EV manufacturing policy — one that tells Japanese, Korean, and Chinese OEMs not just that they are welcome to sell in the Philippines, but that if they manufacture here, they will be rewarded with the policy certainty and cost competitiveness that makes the Philippines the preferred site for their next ASEAN factory.

The window is 24-36 months. Thailand's EV manufacturing cluster is consolidating. Indonesia's battery ecosystem is deepening. Vietnam's Chery JV factory will be online in 2026. If the Philippines moves decisively in 2026-2027 — with the Executive Orders on production offsets and LTO registration resumption, the legislative agenda for CARS reform and the EV Manufacturing Investment Act, and the G2G diplomatic offensive with Hyundai, BYD, and Isuzu-Mitsubishi — it can claim the role of ASEAN's sixth EV manufacturing hub. If it waits, it will remain the sixth consumer.

— END OF REPORT —

Office of the Economic Adviser to the President | Republic of the Philippines | March 2026

Principal sources: Thailand BOI/EV Board (2022-2025); BKPM Indonesia investment reports; MIDA Malaysia NIMP 2030 analysis; Vietnam VAMA and VinFast filings; DTI-BOI Philippines CARS Program records; LTO vehicle registration data; CAMPI/TMA sales statistics; EVAP Philippines; ICCT ASEAN E2W market analysis; UNCTAD World Investment Reports 2022-2025; ISEAS-Yusof Ishak Institute ASEAN automotive reports (Tham Siew Yean, 2023-2024); CSIS Indonesia Battery Industrial Strategy analysis; Lowy Institute Indonesia green industrial policy report; APEC Services in Global Value Chains automotive chapter; Clean Air Asia EV Policy Philippines; MDPI EVIDA implementation review (2025); PwC ASEAN Automotive Centre of Excellence; Arthur D. Little Indonesia EV analysis; EY Thailand EV tax alerts; Power Philippines EV sector analysis (2025); Philippine National Statistics Authority; Asian Development Bank ADB working papers on Philippine manufacturing competitiveness.