



## What is China's next industrial engine?

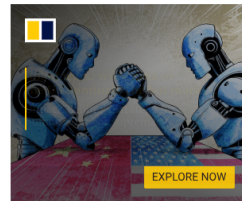
Malaysia This Week in Asia / Economics

### As Trump tariffs hit, Chinese EVs threaten Malaysia's auto industry with price war tactics

Chinese EV makers, facing US tariffs, are targeting Southeast Asia, threatening Malaysia's auto industry with steep discounts and potential job losses

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Warnings are mounting over the vulnerability of [Malaysia's](#) auto industry to a price war driven by Chinese electric vehicle ([EV](#)) makers.

With [US tariffs](#) poised to bite into [China's economy](#), experts suggest that Chinese EV manufacturers are likely to start shifting excess capacity into [Southeast Asia](#).

That spells trouble for Malaysia's home-grown car sector.

"Chinese OEMs (original equipment manufacturers), especially BYD, Nio and Xpeng, will divert production to markets where regulatory resistance is minimal, national competition is nil and growth is unfulfilled – Asean fits this picture perfectly," Damien Duhamel said, managing partner and automotive industry expert with management and strategy firm Eurogroup Consulting.

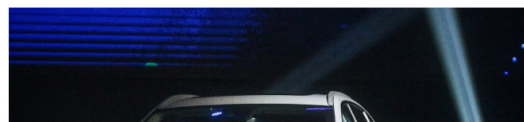
[Asean](#) is the 10-member bloc of Southeast Asian nations.

Last month Chinese EV giant [BYD](#) offered steep discounts of up to 26,000 ringgit (US\$5,900) for its top-line version of the Atto 3 electric SUV, lowering its price to 123,800 ringgit (US\$28,000) – the same price range as the premium version of Malaysia's Proton e. Mas 7, its first EV offering.

Proton delivered 1,853 units of the e. Mas 7 EV in the first quarter of the year, securing a leading market share of 30 per cent among EV models in Malaysia.

But the company has said the local industry is facing significant pressure from low-cost strategies employed by Chinese manufacturers.

Proton's deputy chief executive Roslan Abdullah said the price wars could risk tens of thousands of local jobs as the domestic industry lacks the scale to match the steep discounts offered by Chinese carmakers.



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Malaysia's first locally produced electric vehicle, the e.MAS 7, is seen during its launch event in Kuala Lumpur on December 16, 2024. Photo: AFP

A similar situation occurred in neighbouring [Thailand](#), Southeast Asia's automotive hub and the region's largest EV market.

Last year, Thai authorities launched an investigation following numerous complaints that customers were misled into buying cars before Chinese brands announced new discounts, leaving early EV adopters with costlier loans and decreased resale values.

Chinese EV manufacturers hold about 80 per cent of Thailand's EV market, where zero emission electric cars account for 10 per cent of the kingdom's total vehicle sales, Yuma Yano said, Asia-Pacific automotive and mobility head for global management consulting firm Bain & Company.

"While Chinese OEMs enjoy strong price competitiveness, their quality has improved dramatically over the past few years, which indicates that factors other than price are also playing a role," Yuma said.

Chinese EV makers BYD and Chery saw exponential growth over the past two years in the region.

BYD's market share grew to 1.8 per cent of total passenger automotive sales in Asean's six largest economies in 2024 while Chery expanded its footprint to 1.0 per cent that same year, according to an industry report by "Big Four" accounting firm PwC.

The combined market share of BYD and Chery was only 0.1 per cent in 2022, the report said.

The sharp spike in Chinese EV market share in the region came as the [US](#) imposed earlier tariffs of 100 per cent and 38 per cent by the [European Union](#), which would have drained profitability for Chinese EV makers.



Trump pauses US tariffs on most nations for 90 days but raises levies on China to 125%

Trump's latest tariffs are only expected to accelerate the march by Chinese EVs towards dominance of Southeast Asia, Duhamel of Eurogroup Consulting said.

"With [China](#)'s domestic EV overcapacity (capacity utilisation rates below 60 per cent for some OEMs), Southeast Asia is becoming a strategic pressure valve," Duhamel added.

"Entry-level EVs priced below 100,000 ringgit (US\$22,700) are already being tested, and when these models scale, the local and Japanese mid-tier segments will be eviscerated."

 **Joseph Sipalan** [+ FOLLOW](#)  
Joseph Sipalan has done extensive reporting of Malaysia, specialising in politics and more recently macro-economics. An alumnus of Reuters and several major Malaysian news...

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