

# Dragoman Digest

## Japanese carmakers make belated EV push into Southeast Asia

*Chinese and Korean rivals dominate emerging Thai and Indonesian markets*

**Japanese** automakers are set to launch a suite of new EV models in **Indonesia** and **Thailand** in an effort to catch-up with East Asian competitors. Honda plans to mass produce its new SUV e:Prototype in Thailand next year, making it the first major Japanese company to assemble EVs there. In November, Toyota put the bZ4X, its first mass production EV, [on sale in Thailand](#). Toyota also plans to invest [US\\$1.8 billion](#) in EV manufacturing in Indonesia over the next five years.

Japanese automakers face a herculean task in catching up. Japan Inc's prioritisation of hybrids and traditional internal combustion vehicles over EVs has enabled **Chinese** and **South Korean** companies to snap up the market share. In Thailand for example, though Toyota has a 30 percent share of its total auto market, it has only released one EV in the country. By comparison, China's Great Wall Motor and SAIC accounted for 73 percent of the EVs sold in Thailand from January to October. Chinese companies are also moving to localise manufacturing in Thailand. BYD has chosen to make Thailand its first manufacturing base outside of China. Hyundai dominates the EV market in Indonesia, accounting for [80 percent](#) of EV sales in the first 7 months of this year. Hyundai will soon break ground on a battery plant with its partner, LG. For Japan, it is better late than never. In an early encouraging sign, Toyota's bZ4X EV sold out following its launch in Thailand in November.

## Russia cobbles together shadow fleet to counter Western price cap

*How useful the ageing fleet will be in practice remains to be seen*

On December 2, the Group of Seven's price cap on **Russian** oil came into effect. From now on, tankers loading Russian crude will only be able to access Western maritime insurance services if they adhere to the [US\\$60/barrel price cap](#). Western companies, particularly those based in London, dominate the provision of this type of insurance. The cap is an **EU-US** compromise designed to limit the Kremlin's revenue whilst keeping Russian oil flowing.

Russia has not been idle. Over the past six months, it has added 103 tankers to its fleet. Most of these vessels are 12-15 years old. 29 of the 103 ships are reportedly supertankers with capacity of 2 million barrels. This shadow fleet will do little to ease the impact of sanctions. Rystad Energy [estimates](#) Russia's fleet will be 60-70 tankers short of the size needed to ship all of its oil. This means that Russia will rely on foreign ships to move approximately 700,000-1.5 million barrels a day. This figure will increase in February when the EU ban extends to Russian *refined* fuels. There are also safety concerns. Many ships in Russia's shadow fleet are due to be retired in a few years. Ultimately, while Russia's oil revenues are likely to decrease marginally – it will not be by as much as the West would hope.

## Iranian official claims the abolition of morality police

*The official was later contradicted by state media*

In what appeared to be an attempt to mollify protestors, Iran's Attorney General Mohammad Jafar Montazeri last week [claimed](#) that the Government had permanently suspended its so-called 'morality police'. The unit, known officially as Guidance Patrol, enforces strict Islamic dress codes, including the requirement for women to wear the hijab. Although the change was only acknowledged by Montazeri on Saturday, the morality police have effectively been disbanded since protests began in mid-September. Officials have signalled that further reforms could follow. Montazeri said that the mandatory hijab law is "under review", while President **Ebrahim Raisi** indicated that the implementation of Iran's Islamic constitution is "flexible". Grossly overzealous enforcement of the laws led to the death of 22-year-old Mahsa Amini, precipitating the largest wave of protests since the Iranian Revolution in 1978-79.

The overall situation remains ambiguous. Somewhat confusingly, Montazeri vowed that the judiciary would continue to monitor "public behaviour", including dress codes. Subsequent remarks from official sources have been even more opaque. Iran's Islamist-dominated parliament has declined to confirm whether Guidance Patrol's disbandment will be permanent, while state media has outright [denied](#) the morality police's dissolution. None of these supposed changes will be likely to placate protestors who are calling for much more systemic and far-reaching reforms. That the morality police's disbandment was publicly floated in the first place is evidence of a regime that is alarmed.

## WTO rules against Indonesia's nickel ore export ban

*Indonesia plans to apply export bans to other key battery materials*

Last week, the World Trade Organisation (WTO) [ruled](#) that **Indonesia's** export ban on nickel ore violates international trade laws. The ban, first implemented in 2014, before being revoked and later re-imposed in full in 2020, is intended to incentivise foreign investment into Indonesia's downstream nickel industry. The strategy has been a roaring success from Jakarta's perspective, with Indonesia attracting over US\$30 billion in foreign investment into nickel smelting and processing since 2014. **Chinese** companies have been particularly active in this investment. Announced on the sidelines of the G20, Chinese battery producer CATL, and Indonesia's sovereign wealth fund INA will establish a US\$2 billion fund focused on nickel mining and EV battery development.

Indonesia is likely to appeal the WTO ruling. At the same time, President **Joko Widodo** vowed [that](#) he would push ahead with plans to ban the export of raw copper, bauxite, and tin. Indonesia is also [exploring](#) an "OPEC-style cartel" in a bid to gain greater control over the supply and pricing of key battery metals, including lithium, cobalt and manganese. These types of non-market measures are central to Indonesia's strategy to create a fully-fledged EV supply chain. Indonesia's industrial strategy imperatives appear to be trumping the desire to be perceived as compliant with WTO rules.

## China's regulators intervene to shore up lithium supply chains

*Global lithium market fundamentals may limit the efficacy of Beijing's intervention*

Surging lithium prices have prompted intervention from Beijing. Prices of lithium carbonate in **China** reached a record high in mid-November, US\$85,380 a tonne – up 55 percent from February this year. This has added a degree of volatility to China's battery, EV, and energy storage industries. Fearing market imbalances could push prices even higher, the Chinese Government has called on local regulators to create a unified lithium market – cracking down on hoarding and price-gouging at both the upstream and downstream levels.

China's move on lithium is only the latest example of market intervention to shore up supply chains for energy transition-related goods and commodities. In August 2022, the Ministry of Industry, and Information Technology (MIIT), State Administration for Market Regulation (SAMR) and National Energy Administration (NEA) issued a similar notice calling for the coordinated development of the solar photovoltaic industry supply chain. State intervention to lower polysilicon prices may be more straightforward as compared to lithium. Whilst China is essentially self-sufficient for polysilicon, it imports 80 percent of its lithium. As long as global demand for lithium outstrips supply, Beijing will naturally be constrained in what it can achieve. The intervention is nonetheless significant as an indicator of the lengths to which Beijing will go to influence prices.