



# AAAM

African Association of  
Automotive Manufacturers

14 April 2021

## **A proposal on developing the automotive manufacturing sector in Africa**

The role of Rules of Origin and  
industrial partnerships

# The African Association of Automotive Manufacturers

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- Founded in November 2015 by global OEMs.
- AAAM is an automotive association focused on the continent of Africa.

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## AAAM Vision

- To expand and deepen the automotive industry across the continent by working with African governments to shape and implement policies and ecosystems that will attract investors and unlock the economic potential of the continent.

# AAAM membership

## Current OEM Members



## Current Non-OEM Members



## Current Affiliate Members



# The automotive sector in Africa at present

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*The situation is suboptimal and economically and environmentally inefficient:*



**Vehicle fleet essentially built up from pre-owned vehicles from the EU, USA and Japan.**  
*\*Such a fleet is detrimental to road safety and has a negative environmental impact.*



**Very diverse, old fleet, with a wide variety of standards, therefore difficult to build a supplier base or efficient distribution and aftermarket systems.**



**Such a fleet not amenable to affordable vehicle financing and insurance products – hence dependence on cheap imports.**



**Very low volumes of new vehicle sales in Africa.**



**Major drain on foreign exchange; places pressure on balance of payments.**

# The challenge of developing an automotive sector in Africa

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*Presently only Morocco and South Africa have effective programmes, integrated in the global automotive manufacturing sector, producing around 1 million vehicles annually.*

*Ghana and Kenya have recently launched automotive programmes and the first investments have taken place.*



**Unless specific policy interventions are created in Africa, the position will remain sub-optimal.**

**AAAM Position  
Paper outlines the  
detailed context  
and programmes  
including:**

- Specific challenges that emerge in the development of the auto sector. These arise from its advanced manufacturing requirements and the importance of economies of scale and exacting standards.
- Recognising and accommodating the legitimate, yet distinct, national interests of the member states in Africa.
- Only feasible path to automotive development are programmes based on TRIMS, which encourage volume production, preferential two-way trade within assembling countries and balance of payment neutrality.

# Basic approach to RoO and auto sector development

*The AAAM proposals are located within the logic of developing automotive development programmes.*



## Clear rules that:

- Promote manufacturing and industrialisation.
- Prevent dependence on pre-owned vehicles.
- Avoid stagnation in light assembly processes at a sub-optimal level.

Will not change variegated fleet or improve balance of payments



## Develop an Industrial Partnership Agreement – Auto Pact

- To develop auto manufacturing in Africa over coming decades.
- As a component of AfCFTA.
- To encourage the development of a mature automotive sector which provides for:
  - Manufacturing and trading of both new and pre-owned vehicles;
  - Efficient afterservice;
  - Internationally accepted standards;
  - Affordable finance and insurance products.

# Basics of RoO

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1

**The 40/60 rule.**

2

**Definition of processes conferring originating and non-originating status.**

3

**No SKD definitions in the main agreement.**

4

**Cumulation within Africa but no diagonal cumulation.**

5

**An effective certification of origin system.**



# An Industrial Partnership – Auto Pact

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- A strict approach to rules of origin will support industrialisation where it exists, but would make it very difficult for new entrants in Africa.
- Given the specific requirements in developing an auto sector the developmental project is best dealt with in a detailed Industrial Partnership that would form a plurilateral agreement within the AfCFTA.

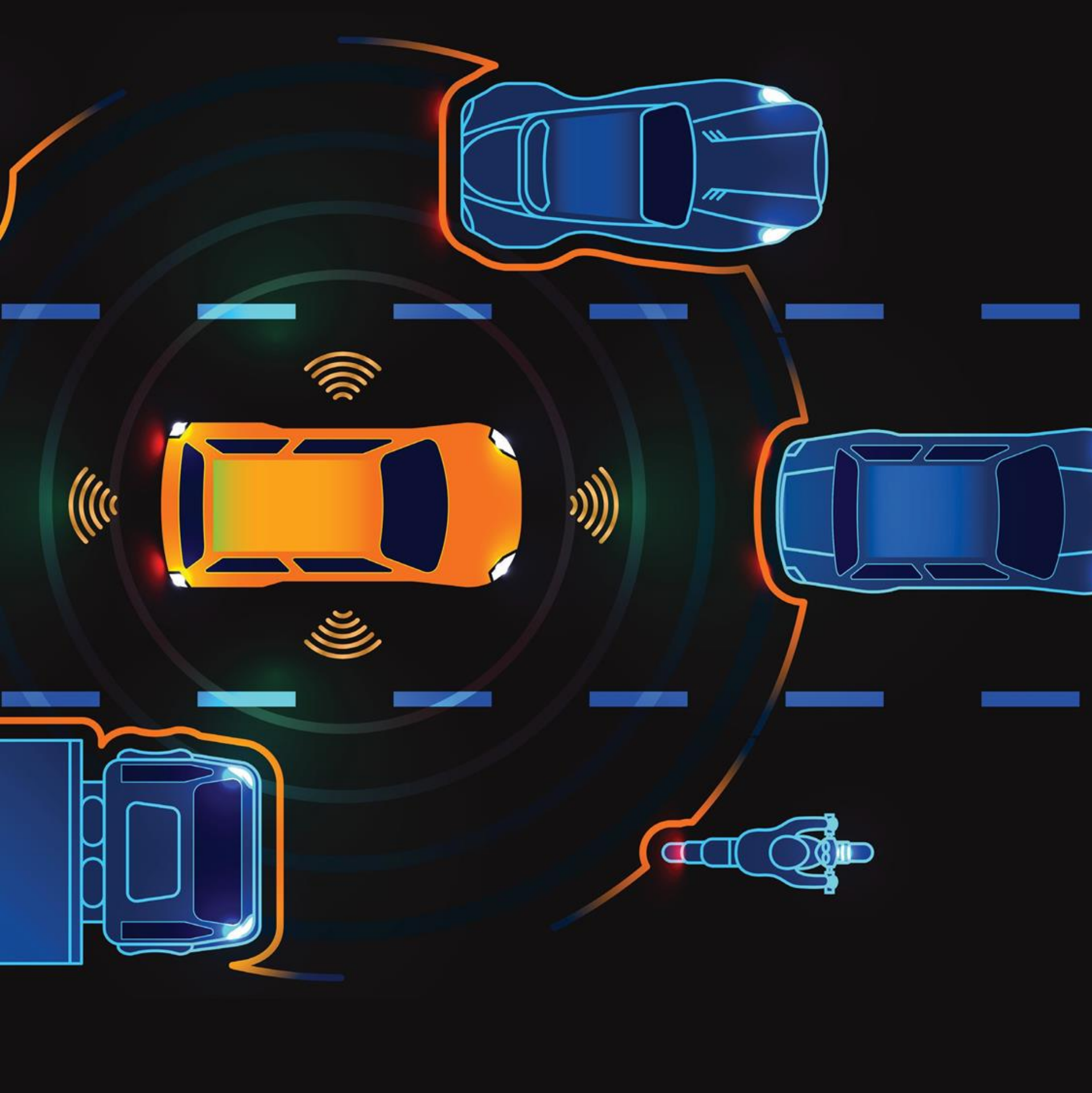
**Plurilateral  
agreement  
would:**

- Allow for the progression from SKD to CKD to integrated manufacturing.
- Be a preferential trade and production system leading to a free trade system between the members.
- Benefit assembling economies and their regional partners through opportunities for component production.
- Lead to an affordable, harmonised, safer and more efficient vehicle fleet.



# Possible negotiation positions

<b>Manufacturers</b>	Economies with significant industrial capacity and the ability to export manufactured products into Africa.
<b>Aspirant Manufacturers</b>	Economies with significant potential for industrialisation because of their resource base, population and economic size.
<b>Manufacturing Importers</b>	Economies dependent on primary product production and services as they don't have the economic size or resource diversity to compete at the scale demanded by modern manufacturing competitiveness. Manufactured products are predominantly imported.



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