

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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**Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)**

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**FINAL REPORT**

**The Arab Mediterranean Free Trade Agreement**



**ATU**

Agadir Technical Unit

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## GLOSSARY :

- **Arab Mediterranean countries or MEDA Region:** Algeria, Egypt, Israel, Morocco, Tunisia, Turkey, Cyprus, Malta, Jordan, Syria and Lebanon
- **Made in:** designation Label of a product origin
- **WTO:** World Trade Organization
- **DIE:** Department of Foreign Investment
- **Learning curves:** gains in costs and in productivity increase as experience accumulates
- **Economies of scale:** gains in costs and in productivity increase as the quantity produced increases
- **FTA:** Free Trade Agreement
- **NAFTA:** North American Free Trade Agreement
- **PCs:** Passenger cars
- **LDV:** Light-duty vehicles
- **LDCV:** Light-duty commercial vehicles
- **HDT:** Heavy-duty trucks
- **NV:** New Vehicles
- **ROW:** Rest of the World
- **JIT:** Just in time or lean manufacturing
- **Core competencies:** core business, basic skills
- **Outsourcing:** Outsourcing of supply
- **Sourcing:** Supply
- **SUV:** Sport utility vehicles 4X4
- **BPW:** Building Public Works
- **CBUs:** Completely built up vehicles, new imported vehicles
- **CKD:** Completely knocked down utility vehicles assembled locally
- **IUC:** imported used cars

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- **Station:** A subsidiary of an international or multinational
- **Bn:** Billions
- **USD:** US dollars
- **API:** Agency for the Promotion of Industry (Tunisia)
- **Amica:** Moroccan Association of Automotive Industries Construction
- **Anima:** Euro-Mediterranean Network of Investment Promotion Agencies.
- **EAMA:** Egyptian Automobile Manufacturers Association
- **ASEAN:** Association of Southeast Asian Nations
- **AFTA:** Asean Free Trade Agreement
- **MCC:** Most Competitive Country
- **LCC:** Low Cost Country
- **VAT:** Value Added Tax
- **Multi-brand:** Several brands for one single product
- **EDI:** Electronic Data Interface
- **R & D:** Research and Development
- **VA:** Value Added
- **MCI:** Ministry of trade and Industry
- **PSA:** Peugeot Citroen Ltd Company.
- **INS:** National Institute of Statistics
- **EEB:** Entirely exports-based company
- **FCR:** Change of residence exception for expatriates
- **FOB:** Incoterm cargo on board (including transportation costs)
- **IDA:** Industrial Development Authority
- **CEPEX:** Tunisian Centre for Exports Promotion
- **EU:** The European Union

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## PREAMBLE

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## GOALS :

- **Boosting trade** between the Agadir agreement countries in terms of components & spare parts (SP) and locally assembled vehicles;
- Creating **cooperation** areas among countries in order to take advantage of the opportunities of cumulation of origin;
- **Developing exports** of automotive equipment and spare parts to Europe and other destinations offering potential opportunities;
- Providing development scenarios for equipment and SP industries in the Agadir countries to in order **boost their competitiveness** and their ability to penetrate the European market;
- Promoting **complementarities** and the concept of comparative advantages within the quartet, thus reinforcing the competitiveness of the assembly and car components sector;
- Attracting further foreign direct investment in the sector of car components as well as assembly in the Agadir Agreement member countries;
- **Working out pragmatic strategies that enable the four Agadir agreement member countries to integrate their activities in terms of vehicles assembly, equipment and car components and spare parts into the international market and take advantage of the opportunities offered by their respective domestic markets.**

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## STAKES AND CHALLENGES RELATED TO THE STUDY:

The present investigation is meant to provide some answers to the following questions:

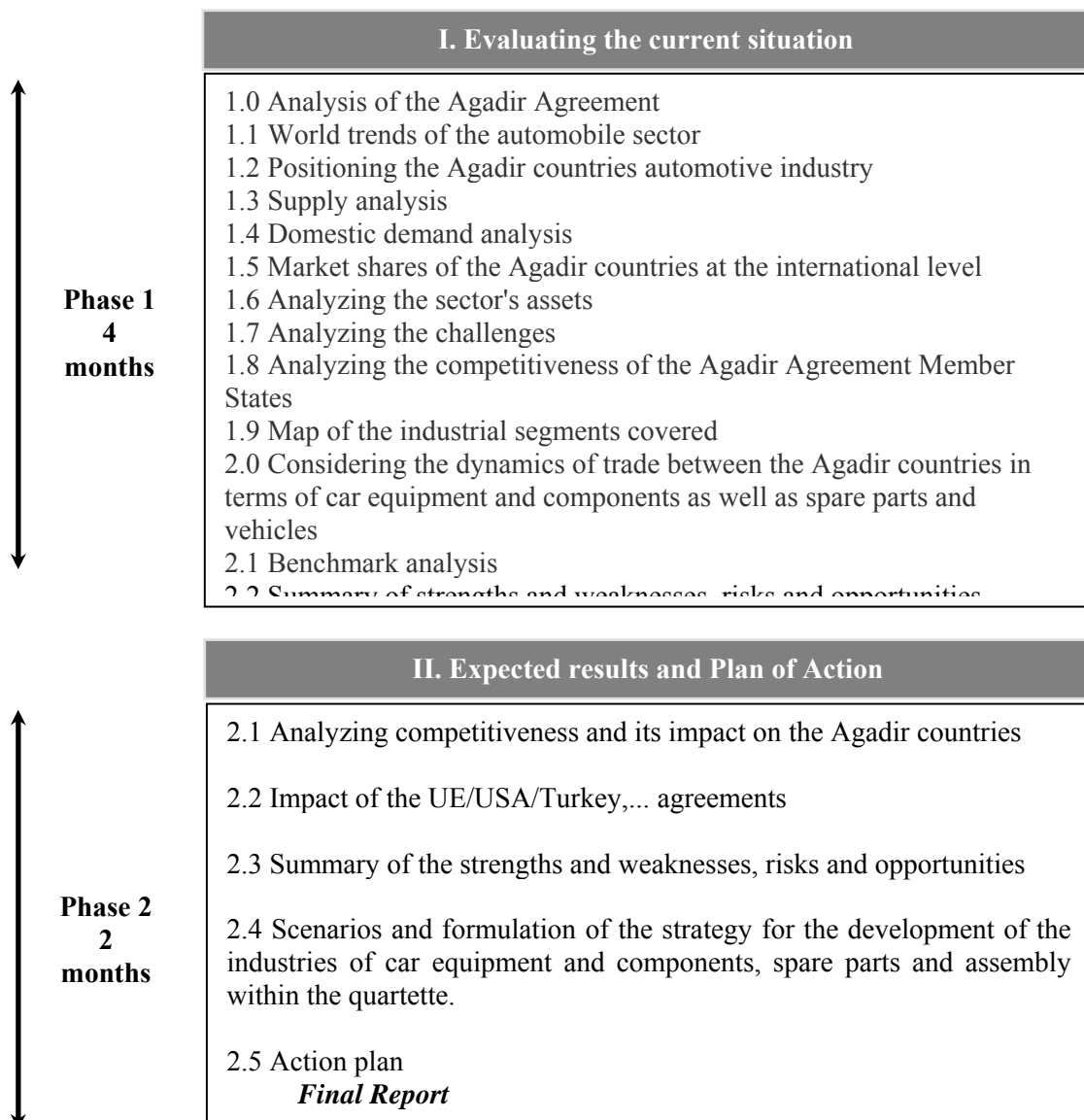
- How to ensure that each of the Agadir Agreement countries switches from a purely nationalist logic to a **common market** and common interest logic?
- What is the orientation to be taken **to generate** within the quartet countries an automobile **supply** that is **taken into account** in the strategy of world manufacturers and higher rank equipment suppliers?
- Is it possible to create a **common (made in) label** for the Agadir agreement member countries, as regards the assembly activity and car components and spare parts?
- How can we **raise car components and spare parts exports** from Agadir countries; and beyond these, is it possible to market modules or entire car functions intended for the EU or the U.S automotive markets?
- Through which mechanism could we achieve a **relevant specialization** for each of the Agadir Agreement country and enhance their complementarities in terms of assembly and car components & SP industry?
- Moreover, what are the common **incentive policies** to be adopted in order to increase foreign direct investment flows of car assembly industries and car components & SP industries within the 4 countries?
- Finally, how can we ensure that the private sector manages **to appropriate strategies and action plans** emanating from this study, which will have won the support of the representatives of the four member countries to the agreement?

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## METHODOLOGY

A twofold step method aiming at defining a strategy for the development of the sectors of car equipments and components, spare parts and assembly activities, based on synergies and complementarities between the Agadir Agreement Member States:

- **Stage 1: evaluating the current situation**
- **Stage 2: expected results and action plan**

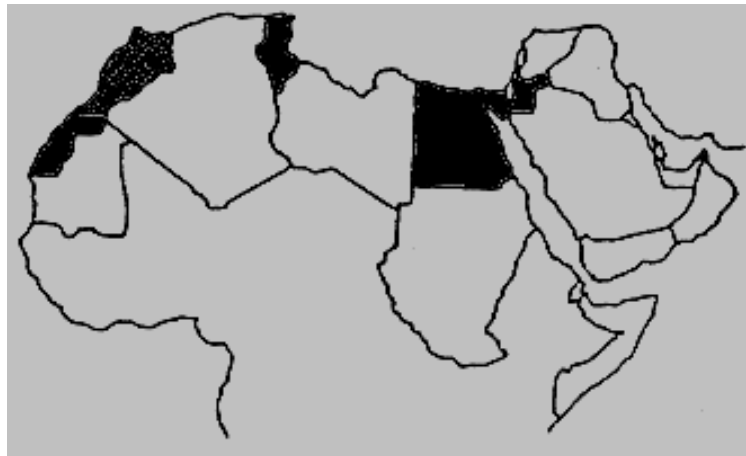


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## ANALYSIS OF THE AGADIR AGREEMENT

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## MAP OF THE AGADIR AGREEMENT COUNTRIES:



### I- GENERAL BACKGROUND:

The Agadir agreement is a Free Trade Agreement among four countries: Morocco, Jordan, Tunisia and Egypt. This Agreement aims at creating a free trade area among the Arab countries of the Mediterranean rim, and which begins with the four countries. It comes within the framework of the Barcelona process.

The Agadir agreement was signed in February 2004 and came into effect on July 06, 2006. The four countries had signed beforehand a Free Trade Agreement with one another within the framework of bilateral cooperation.

The Agadir Agreement comes as part of the Barcelona Process. It governs the relations between the European Union and the MEDA countries.

This agreement includes members of the European union and: Tunisia (1995), Israel (1995), Morocco (1996), the Palestinian territories (1997), Jordan (1997), Egypt (2001), Lebanon (2002) and Algeria (2002).

The Barcelona Agreement aims at setting a free trade area, namely concluding bilateral and regional association and free trade agreements. Between 1995 and 2003, eight association agreements have been signed with the MEDA countries.

On the sector-based level, trade of manufactured goods will be gradually liberalized between the European Union and its partners.

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The automotive sector, considered as sensitive, is of particular importance in regional trade agreements, which are in general favorable to the development automobile trade. On the medium term, these agreements shall favor new areas or countries that are still protectionist, and will allow them while opening up, to draw many benefits in terms of subcontracting.

However, some countries signatories of the MEDA area free trade agreements have set up measures to protect their industry by initiating systems of quotas or integration-compensation pertaining to the purchase of local spare parts intended for the importation of reduced-duty vehicles.

In this respect, the Agadir Agreement could remove some of the structural obstacles to the expansion of the Mediterranean market and would make it possible to improve the attractiveness of the signatories for foreign investments.

This agreement is aimed at better positioning the Arab-Mediterranean member countries into global economy by:

- Stimulating trade and reinforcing the industrial fabric of the Member States;
- Improving the competitiveness of companies and increasing their productivity;
- Allowing the coordination of economic, sector-based, tax-related and financial policies;
- Harmonizing legislations of Member States as regards foreign trade.

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## II- SPECIFICITIES OF THE AGADIR AGREEMENT:

### II-1- Provisions of the Agreement:

The Agadir Agreement provides for:

- Total and immediate exemption as of the entry into force of the Agreement on industrial products;
- Tariff Elimination in conformity with The executive program of the Convention on the Facilitation and Development of Trade among the Arab league Member States other than the Agadir Agreement Member States for whom the exemption is total;
- The liberalization of services in accordance with the WTO General Agreement on Trade in Services (GATS);
- Commitment of the Agadir Area Member States to remove all non-tariff measures;
- The adoption of pan-Euro-Mediterranean rules of origin, in accordance with the European protocol in its current version and with the amendments which will be brought to it later.

The other Arab countries, that have concluded agreements with the EU, are invited to join the Agadir Agreement members, in order to widen the sphere of activity of this agreement.

The agreement covers all trade transactions among the four countries: industrial products (including automobile transactions) or agricultural products

### II-2- the Barcelona process:

The Agadir agreement, which lies within the scope of the Barcelona process, is one of the preferential regional agreements of the Pan-Euro-Mediterranean system.

Indeed, the Euro Mediterranean partnership was launched by a Joint Declaration of Foreign Ministers of the European Union and Mediterranean partners, in Barcelona in 1995. Its objective is to provide a framework of reinforced dialogue and comprehensive cooperation in the Mediterranean area.

The partners agreed on a strategy aiming at creating a shared zone of peace, stability and prosperity by progressively establishing free trade between the European Union and its Mediterranean partners and among the partners themselves by 2010.

The first step towards the creation of this free trade area is the conclusion of a complete package of Euro Mediterranean association agreements between the European Union and its partners of the Mediterranean, granting reciprocal trade preferences.

While looking forward to concluding agreements between all the countries, the system will be gradually set up, according to a rule known as variable geometry. Therefore, the Agadir Agreement is one of the first south-south cooperation agreements to be signed.

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### **II-3- the Agadir Agreement and the Pan-Euro-Mediterranean system of cumulation of origin:**

In the EuroMed area, the implementation of the diagonal cumulation of origin is governed by the rule known as "variable geometry". This rule stipulates that the countries of this area cannot cumulate the origin unless the free trade agreements including a Pan-Euro-Mediterranean protocol of origin are applicable to them.

Consequently, if a country of the Pan-Euro-Mediterranean area is not bound to the other countries of the area by free trade agreements, it cannot in practice, profit from the cumulation of origin.

Prerequisites to the implementation of the cumulation of origin:

- existence of a free trade agreement;
- signed between the country of manufacture, the materials supplying countries and the country of destination;
- comprising identical rules of origin.

Thus, the Agadir Agreement comprises rules of origin identical to those of the Euro-Mediterranean protocol.

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### **III- OPPORTUNITIES OF THE AGADIR AGREEMENT:**

#### **III-1- Creating a Euro-Mediterranean Free Trade Area:**

The European Union is a first rank partner and customer of the Agadir Agreement countries. It is at the same time the first supplier and the first destination of exports for the Agadir agreement member countries.

Thus, the European Union represents 80 % of the exports of the Agadir countries area, mainly in terms of car components.

If the countries manage to overcome the difficulties related to similarities between their productions and engage in a process of complementarity and consolidation of the industrial fabric, this Agreement could bring about gains in competitiveness and productivity.

The European Union may position as a hub, while the Agadir countries : Morocco, Tunisia, Egypt and Jordan, would position as a "spoke", a subcontracting area, a pole of competitiveness whose objective is to attract investments by cumulating the forces of the four countries.

On the one hand, the Agadir countries could therefore integrate the international value chain, by constituting themselves as low cost production platforms.

On the other hand, the Agadir Agreement market represents 125 million inhabitants, the motorization rate of the countries is weak while the demand is growing very fast.

Thus, the Agadir Agreement through setting up the rules of origin cumulation between the European Union and the Mediterranean partners could strengthen the economic co-operation between the European Union and the 4 countries, thus:

- Possibilities are extended for producers, so as to gain in competitiveness by organizing activities on a broader scale;
- An improved access of the products of the Mediterranean countries to the Community market;
- increased dynamic for trade among Mediterranean countries;
- As well as a greater attractiveness of foreign direct investments in these countries.

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### **III-2-Revitalizing trade between the Agadir Agreement countries and the European Union:**

#### **III-2-1-Trade with the European Union:**

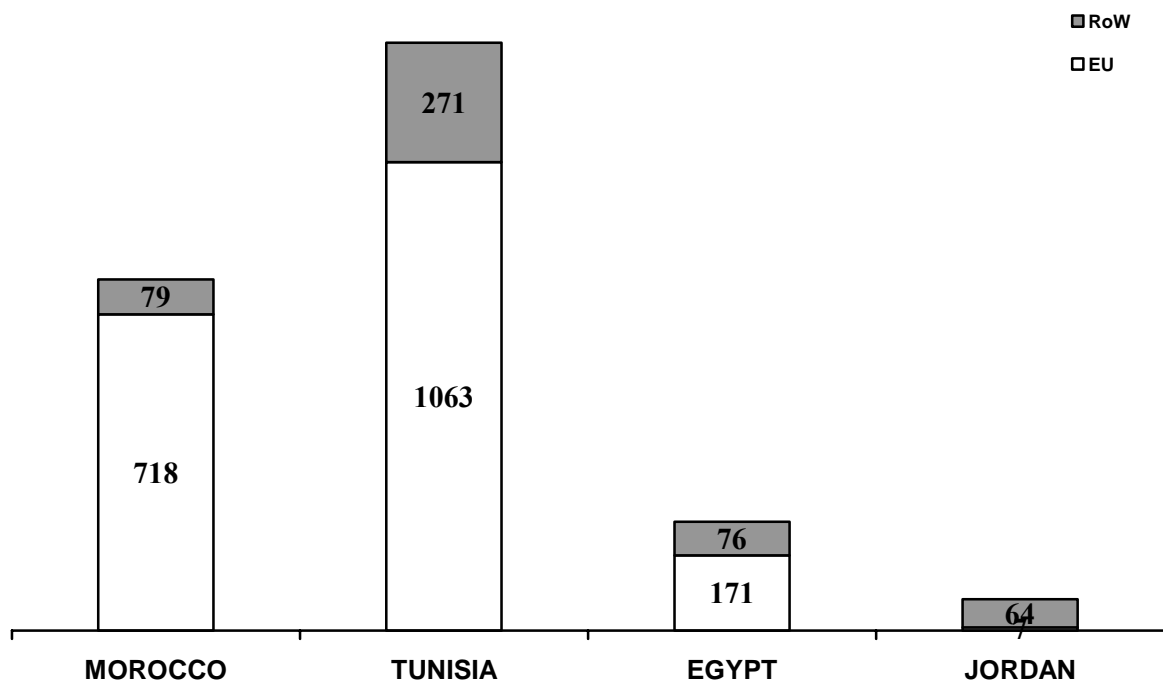
##### **• The European Union, the first export destination for the Agadir countries:**

The European Union is the largest market for three out of the four member countries of the Agadir Agreement in 2006:

- Morocco's exports to the European Union account for 90% of Morocco total exports of vehicles and automotive components. They mainly include cables and wiring harnesses, which account for 81% of the exports to the European Union, components for steering 8%, 6% for batteries and components for ignition and engine 3%.
- Tunisia's exports to the European Union account for 80% of total exports of Tunisia's automotive components. They are composed of cables and wiring harnesses which represent 78% of the exports to the EU, steering components 11%, engine components 4% and accessories with 3% of the exports to the European Union.
- And finally, with 69% of shares, the European Union is the largest market of the automotive industry in Egypt. Exports from Egypt into the European Union are made of cables and wiring harnesses (70%), accessories (11%), rubber (9%), control components (4%) and steering components (3%).

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### Agadir countries exports, in thousands of USD

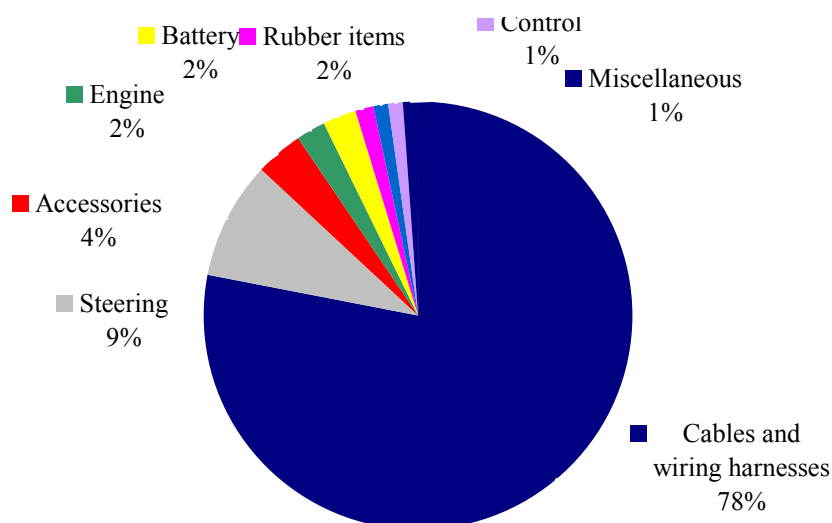


- Major products exported by The Agadir member countries:

Exports to the European Union	Morocco	Tunisia	Egypt	Jordan	Agadir
Cables and wiring Harnesses	571 667,00	833 238,00	120 167,00	-	1 525 072,00
Steering	53 282,00	116 573,00	4 454,00	262,00	174 571,00
Accessories	15 889,00	33 578,00	19 043,00	-	68 510,00
Engine	5 368,00	38 334,00	1 283,00	39,00	45 024,00
Battery	40 775,00	86,00	2 213,00	1 180,00	44 254,00
Rubber items	5 967,00	8 388,00	15 132,00	-	29 487,00
Ignition	12 219,00	10 789,00	224,00	-	23 232,00
Control	814,00	14 234,00	7 460,00	16,00	22 524,00
Miscellaneous	12 183,00	6 499,00	628,00	17,00	19 327,00
<b>Total Parts</b>	<b>718 164,00</b>	<b>1 061 719,00</b>	<b>170 604,00</b>	<b>1 514,00</b>	<b>1 952 001,00</b>

In thousands of USD, Trademap statistics 2006

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The main products exported to the European Union are cables and wiring harnesses, which represent 79% of the exports from the Agadir countries to the European Union. They are provided by Tunisia with up to 55% and Morocco with 37%.

Steering components account for 9% of the exports from the Agadir countries to the European Union and are provided with up to 67% by Tunisia and with 31% by Morocco.

Accessories represent 4% and are provided by Tunisia with up to 49% of accessories exports from the Agadir countries, Morocco up to 23% and Egypt up to 28%.

Engines parts are mainly supplied by Tunisia, while batteries are provided by Morocco alone.

**A huge similarity between the exports of the Agadir countries into the European Union which leads to the intensification of competitiveness among member countries of the agreement of Agadir**


- **The Agadir countries, a marginal supplier of the European Union**

	Morocco	Tunisia	Egypt	Jordan	Total Agadir	Total EU Imports	Share
Parts	705 305	1 061 719	170 604	1 514	1 939 142	183 684 384	1,06%
Vehicles	583	1 932	913	5 769	9 197	276 945 063	0,00%
<b>Total</b>	<b>705 888</b>	<b>1 063 651</b>	<b>171 517</b>	<b>7 283</b>	<b>1 948 339</b>	<b>460 629 447</b>	<b>0,42%</b>
<b>Countries share/ EU Imports</b>	<b>0,2%</b>	<b>0,2%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,4%</b>		

In thousands of USD, Trademap statistics 2006

Indeed, the market share of Agadir countries on imports from the European Union is very low and represents only 0.4% of imports from the European Union.

### III-2-2-Trade between the Agadir Agreement countries:

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Trade between the Agadir Agreement countries is extremely low. This weakness of trade may be due to the similarity of products from the Agadir Agreement member countries on the one hand, and to the fact that components and automotive equipment industries of the Agadir countries are mainly oriented to export, and that Tunisia, Morocco and Egypt are targeting the same market.

Regarding vehicles, trade is almost zero. The countries remain very protectionist in terms of import of vehicles.

#### Table of trade between Morocco and the other Agadir countries

Morocco's exports towards the Agadir countries represent less than 1% of Moroccan exports.

	Egypt	Jordan Imports	Tunisia	Total
Parts	8 421	30	15 386	<b>23 837</b>
Vehicles	-	-	-	-
<b>Total</b>	<b>8 421</b>	<b>30</b>	<b>15 386</b>	<b>23 837</b>
	Exports			
Parts	716	-	2 555	<b>3 271</b>
Vehicles	-	-	-	-
<b>Total</b>	<b>716</b>	<b>-</b>	<b>2 555</b>	<b>3 271</b>

In thousands of USD, Trademap statistics 2006

#### Exchanged products

Morocco	Total Exports	Towards the 3 Agadir countries	Market share	Towards the EU	Market share
Cables and wiring Harnesses	618 308	109	0%	571 667	92%
Steering	53 968	-	0%	53 282	99%
Battery	50 085	1 617	3%	40 775	81%
Rubber items	18 024	564	3%	5 967	33%
Accessories	15 889	-	0%	15 889	100%
Ignition	13 331	156	1%	12 219	92%
Engine	6 231	149	2%	5 368	86%
Clutch	5 988	654	11%	3 063	51%
Cooling system	4 320	-	0%	3 321	77%
Paints and varnishes	3 893	-	0%	43	1%
Bodyshell	3 066	-	0%	3 030	99%
Glass	2 728	-	0%	2 726	100%
Control	1 396	22	2%	814	58%
<b>Total Parties</b>	<b>797 227</b>	<b>3 271</b>	<b>0%</b>	<b>718 164</b>	<b>90%</b>

In thousands of USD, Trademap statistics 2006

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### Table of trade between Tunisia and the other Agadir Agreement countries

	Morocco	Egypt Imports	Jordan	Total
Parts	2 555	Nc	Nc	2 555
Vehicles	-	Nc	Nc	-
<b>Total</b>	<b>2 555</b>			<b>2 555</b>
	Exports			
Parts	15 386	1 029	761	17 176
Vehicles	-	-	-	-
<b>Total</b>	<b>15 386</b>	<b>1 029</b>	<b>761</b>	<b>17 176</b>

In thousands of USD, Trademap statistics 2006

### Exchanged products

Tunisia	Total Exports	Towards the 3 Agadir countries	Market share	Towards the EU	Market share
Cables and wiring Harnesses	897 978	834	0%	833 238	93%
Accessories	144 435	1 499	1%	33 578	23%
Steering	117 488	381	0%	116 573	99%
Engine	85 606	587	1%	38 334	45%
Control	45 567	923	2%	14 234	31%
Rubber items	23 920	11 444	48%	8 388	35%
Ignition	10 805	1 470	14%	10 789	100%
Bodyshell	6 785	38	1%	6 488	96%
<b>Total Parts</b>	<b>1 332 851</b>	17 176	1%	1 061 719	80%

In thousands of USD, Trademap statistics 2006

### Table of trade between Egypt and the other Agadir Agreement countries

	Morocco	Jordan	Tunisia	Total
<b>Imports</b>				
Parts	716	381	1 029	2 126
Vehicles	-	2 945	-	2 945
<b>Total</b>	<b>716</b>	<b>3 326</b>	<b>1029</b>	<b>5 071</b>
	Exports			
Parts	8 421	3 473	-	11 894
Vehicles	-	-	-	-
<b>Total</b>	<b>8 421</b>	<b>3 473</b>	-	<b>11 894</b>

In thousands of USD, Trademap statistics 2006

### Exchanged products

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Egypt	Total Exports	Towards the 3 Agadir countries	Market shares	Towards the EU	Market shares
Cables and wiring harnesses	141 754	32	0%	120 167	85%
Rubber items	36 677	8 360	23%	15 132	41%
Accessories	23 650	1 308	6%	19 043	81%
Control	21 685	159	1%	7 460	34%
Steering	5 379	205	4%	4 454	83%
Engine	4 543	904	20%	1 283	28%
Paints and varnishes	2 698	205	8%	123	5%
Battery	2 213	-	0%	2 213	100%
<b>Total Parts</b>	<b>241 697</b>	<b>11 894</b>	<b>5%</b>	<b>170 604</b>	<b>71%</b>

In thousands of USD, Trademap statistics 2006

#### Table of trade between Jordan and other Agadir Agreement countries

	Morocco	Egypt Imports	Tunisia	Total
Parts	-	3 473	761	<b>4 234</b>
Vehicles	-	-	-	-
<b>Total</b>	<b>-</b>	<b>3 473</b>	<b>761</b>	<b>4 234</b>
Exports				
Parts	30	381	-	<b>411</b>
Vehicles	-	2 945	-	<b>2 945</b>
<b>Total</b>	<b>30</b>	<b>3 326</b>	<b>-</b>	<b>3 356</b>

In thousands of USD, Trademap statistics 2006

#### Exchanged products

Jordan	Total Exports	Towards the 3 Agadir countries	Market share	Towards the EU	Market share
Steering	24 527	40	0%	-	0%
Engine	4 275	73	2%	39	1%
Paints and varnishes	4 069	74	2%	17	0%
Battery	4 047	-	0%	1 180	29%
Rubber items	3 590	-	0%	-	0%
Body	2 058	-	0%	-	0%
Control	927	-	0%	16	2%
Ignition	783	-	0%	-	0%
Cables and wiring harnesses	797	-	0%	-	0%
Cooling system	692	264	38%	262	38%
<b>Total Parts</b>	<b>45 765</b>	<b>411</b>	<b>1%</b>	<b>1 514</b>	<b>3%</b>
Passenger cars	3 050	169	6%	319	10%
Light duty vehicles	23 291	2 776	12%	5 450	23%
<b>Total Vehicles</b>	<b>26 341</b>	<b>2 945</b>	<b>11%</b>	<b>5 769</b>	<b>22%</b>
<b>Total</b>	<b>72 106</b>	<b>3 356</b>	<b>5%</b>	<b>7 283</b>	<b>10%</b>

In thousands of USD, Trademap statistics 2006

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### **III-3-The opportunities offered by the rules of origin:**

- **Determining the preferential origin:**

The rules of origin are a tool that serves a trade policy. This system aims to promote economic integration between partners in the same preferential area.

The origin is the economic nationality of traded goods in international trade. Determining the nationality of a product is essential to know whether it can benefit from tariff advantages (reduction or exemption of customs duties) or not. This is known as preferential origin or non-preferential origin.

Regarding the Agadir Agreement, it is part of the Barcelona Process which governs relations between the European Union and countries of the MEDA region and which provides for the gradual establishment of a Free Trade area, particularly through the establishment of bilateral and regional partnership and free trade agreements.

The Agadir Agreement is one of the first south-south agreements to be concluded in view of this economic integration. It incorporates the same rules of origin contained in the Pan-European Agreement.

Determining the origin of a commodity enables it to benefit from custom duties exemption. For example, a commodity which has acquired the "Morocco" origin, may be exported to the other three partner countries, duty free.

Similarly, goods of Egyptian origin may be exported to the European Union, Tunisia, Morocco and Jordan free of customs duties. This is known as the preferential origin.

- **Criteria for determining the preferential origin in the Agadir Agreement:**

The preferential origin is conferred to goods coming from certain given countries when these goods meet some specific criteria. Appendix 2 of the Agreement includes the protocol of acquisition of origin: the operations to carry out to obtain the origin indicate therefore what a product must undergo to benefit from the preferential origin. The principle contained in the Agadir Agreement according to article 2 is that the products, considered as originating from a given country, are obtained in this country either entirely, or after sufficient processing of the imported products.

This principle uses the rules of origin and cumulation contained in the Pan-Euromed Agreement.

Article 4 of the Agreement includes a definition and a list of products entirely obtained.

As for the products obtained from raw materials imported from third countries, a certain number of criteria are used to know if these products are eligible or not to the preference, i.e. whether they have undergone a sufficient processing or not. These criteria are defined in article 5 of appendix 2 of the Agreement.

To measure the sufficient degree of processing, three criteria are used:

- The criterion of the change of tariff heading;
- The criterion of the added value which is mainly used to determine the origin of industrial products. The value of the imported products, incorporated in the final product, in order to

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benefit from the preferential origin, should not exceed a specific percentage of the value of this product;

- The criterion of the specific processing. Some goods are subject to particular rules of processing in order to obtain the origin. It is, in particular, the case for many textile products.

The criterion of change in tariff heading is taken into consideration, whenever it is regarded as reflecting a sufficient processing.

The two other criteria can complement the criterion of change of tariff heading.

Example: a turbine classified under heading 8411 manufactured in Tunisia using goods imported of India, will not be able to acquire the Tunisian origin unless it meets the following criteria of sufficient processing:

- Either all materials and all products incorporated to produce the turbine must be classified in a tariff heading different from heading 8411 AND the share of these products and non-originating materials should not exceed 40% of the ex-works price,
- Or the share of the non-originating products should not exceed 25% of the ex-works.

Another example: the same turbine classified under position 8411 manufactured in Tunisia using goods imported from Egypt could be re-exported into Morocco with the "Tunisia" preferential origin duty free.

In the case of a product of the position 8408, that is the case of diesel engines: in order to acquire the origin, the criterion selected is that of the added value: Thus the share of the non-originating products should not exceed 40% of the ex-works.

- **Exemption from customs duties under the Agadir Agreement**

Appendix 1 of the Agadir Agreement provides a list of all the products completely exonerated from customs duties as of the entry into force of the Agreement. There is a list for each country; for example, a first list includes and determines according to the HS nomenclature all products of Jordanian, Egyptian and Tunisian origin, which are imported to Morocco completely duty free. In the same way, one second list determines all products of Moroccan, Egyptian and Jordanian origin completely imported to Tunisia completely duty free.

- **Protocol on the cumulation of origin**

While considering a production process, it is rather common that two or several companies located in different countries take part in the production of goods.

When two or several countries apply the same rules of origin and when they have concluded Free Trade Agreements, they can cumulate the origin. This means that the products having obtained the originating character in a country can be associated to originating products in another country without damaging the preferential status of the product.

Article 3 of the PanEuroMed Protocol stipulates that "products are regarded as originating in the Community if they were obtained there by incorporating materials originating in Bulgaria, Switzerland, Iceland, Norway, Romania, Turkey or the Community, provided that these materials have been subject within the community to workings or processing beyond the operations mentioned in

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article 7. It is not required that these materials should have been subject there to sufficient workings or processing.

Thus, in the case of cumulation, the working or the processing carried out in a partner country on originating products does not need to be a sufficient working to confer on the end product the origin of the partner country, but it must absolutely go beyond the minimal operations of article 7. This article of the PanEuroMed protocol indicates the insufficient operations, which are included in article 6 of the Agadir Agreement.

Consequently, the rules of cumulation make the sufficient processing principle more flexible: They allow the increased use, in a given country, of materials imported from other partner countries, by excepting the imported materials originating in these partner countries from the obligation of sufficient processing.

Under the terms of articles 3 and 4 of the Protocol, in order to acquire the status of "originating product", for a product obtained in one of the Agadir countries :

- the processing undergone by the used products originating in the other Agadir countries should not necessarily be sufficient
- While the working or the transformation undergone by a third country products implemented must, however, be sufficient.

Thus, the flexibility of the rules of origin applies only to the products originating in the Member countries. Whereas all the products considered as third according to the rules of the agreement in question, whatever their origin, are subjected to the obligation of sufficient processing. The non-originating materials or components must be sufficiently worked to acquire the origin and to take advantage of the provisions of cumulation defined in the Agreements in question.

The Agadir Agreement allows for diagonal cumulation among the 4 Member Countries of the Agreement. These rules of cumulation are:

- The materials "originating" in the partner countries are not subjected to the obligation of being sufficiently processed;
  - The product obtained by cumulation acquires the origin of the country where the last processing beyond the insufficient operations took place or, failing this, the origin of the country which provided the highest value in terms of originating materials;
  - The products which do not undergo any working in a partner country preserve their origin when they are re-exported towards another partner country.
- **Possibilities to exploit the cumulation of the rules of origin:**
    - Bilateral cumulation with the European Union: for each of the 4 Member States having concluded a bilateral preferential agreement with the European Union, the products originating in one of the parties, which are subject to processing in the other party, are assimilated to the products originating in the other party. In other words, the processing undergone by the raw materials originating in the partner country does not need to be "sufficient" under the basic rules. The effect of bilateral cumulation is to increase economic integration between each country with the European Union, and also between each Member State of the Agadir Agreement and another Member State.

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- The diagonal cumulation among the 4 countries: It is a bilateral cumulation extended to the 4 countries bound by the Agadir Agreement. This cumulation will make it possible to boost trade among the Agadir Agreement Member States.
- The diagonal cumulation between the 4 countries, the European Union and EFTA: this cumulation is applicable since August 01, 2007: in this particular case, the 4 Agadir Agreement Member States can play the role of subcontractors on behalf of the European Union and EFTA.
- A diagonal cumulation can be applied between the European Union, Morocco, Tunisia, Egypt and Turkey as from July 1, 2006.

#### **Clause of no drawback of customs duties**

It is applied to materials "non-originating" in the area which, in addition to having been sufficiently worked or processed, must imperatively have discharged the required customs duties in the country where the proof of the preferential origin is emitted.

#### **Proofs of the origin**

The originating character of a product continues to be proven by the EUR.1 movement certificate, delivered by the customs authorities of the export country, or failing this, a declaration on invoice.

However, the need to know under which conditions the materials and/or the products have acquired their originating character has justified the creation and the use of a specific proof of origin: the EURMED certificate or the EURMED declaration on invoice.

These documents must be used, when there is acquisition of the origin:

- With cumulation, with a Mediterranean country or the Faroe Islands;
- Without cumulation, with a Mediterranean country or the Faroe Islands, but with the intention of re-exporting or using this product in the area.

The EURMED certificate states, in its section 7, the conditions to acquire the origin, with respect to the PanEuroMed cumulation rules, by affixing one of the two following declarations:

- If the origin has been obtained by implementation of the cumulation with materials originating in one or several countries mentioned in articles 3 and 4 of the PanEuroMed Protocol: "cumulation applied with... (Name of the country)"
- If the origin has been obtained without implementation of the cumulation with materials originating in one or several countries in articles 3 and 4 of the PanEuroMed Protocol: "No cumulation applied". The rule of sufficient processing applies only to the products non-originating in the area.

Thus, the creation of a link by setting up the provisions of cumulation in the rules of origin has many positive repercussions for economic actors, namely:

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- A better market access for the products of all partners in the area;
- An increased incentive to investments;
- A reinforcement of economic cooperation and trade among all partners;
- Larger possibilities of sourcing for materials and products to the benefit of all partners;
- Better possibilities for the producers to achieve economies of scale by organizing their activities on a greater scale.

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#### **IV- CONSTRAINTS PERTAINING TO THE AGADIR AGREEMENT:**

Two types of constraints are associated with the setting up of the Agadir Agreement:

- Constraints related to the adoption of the Protocol;
- Constraints related to competition.

##### **Constraints related to the adoption of the protocol:**

- The weight of customs and administrative procedures for the implementation of the rules of origin and of preferential treatments as well as non-refund clauses;
- The necessary rationalization of the regional productive space, of the coherence of its institutional framework, of its perception by the international community and thus of its attractiveness.

##### **Constraints related to competition:**

Setting up the provisions of the Agadir Agreement according to article 8 of the Convention assumes that all tariff and non-tariff barriers to importation should be removed. The Agadir Agreement member countries must remove all barriers import: quotas as well as quantitative, tariff, administrative and technical barriers.

#### **V- ARTICULATION OF THE AGADIR AGREEMENT WITH OTHER FREE TRADE AGREEMENTS**

Within the framework of the current development affecting bilateral agreements, Arab countries have expressed the need to come together in order to improve territorial competitiveness, social welfare and economic development. Thus the Arab countries wish to create a free trade area in the average long-term. This ambition was born with creation of **the Arab League in 1945** by: Saudi Arabia, Egypt, Iraq, Jordan, Lebanon, Syria and Northern Yemen. The league is currently made up of 22 States. The organization of the Arab League rests on four principal organizations: the Heads of States Summit, the Council of Ministers, the Standing Committees and the Secretariat-General headed by Amr Moussa since 2001. In order to achieve this goal, the countries have come together in agreements like the Agadir Agreement, as **a transitory stage towards a larger market**.

**Turkey** is a country with whom three Member countries of the Agadir Agreement have concluded bilateral agreements, **except Jordan**. Turkey is also member of the Barcelona Agreement. According to the Barcelona Agreement, Turkey can benefit from the oblique cumulation with the other countries. In the automobile sector, Turkey emerges as a model and a competitor.

This country attracts the greatest number of investments in cars, and its production is the most significant in the **MEDA area**. These realities are due to the fact that this country is bordering on Europe, is trying to join the European Union, and is a transit area between Europe, the Middle-East and Asia.

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Another Free Trade Agreement is noteworthy: the one **between Morocco and the United States and between Jordan and the United States**. This makes it possible to obtain additional customers for these two countries. But this agreement does not give the right for cumulation like the Barcelona Agreement. The only constraint for the countries that have signed this Agreement is that the USA often requires, as part of its competition with Europe, preferential conditions similar to those given to Europe.

Jordan signed a Free Trade Agreement with **Singapore**.

Finally, **Egypt** as member of the COMESA has signed free trade agreements with 12 members of the COMESA which grant to Egypt access to 12 high population density markets.

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## WORLD AUTOMOTIVE INDUSTRY

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## **INTRODUCTION:**

The car industry is a highly value added industry, which achieved in 2006, a sales turnover of 1612 billion Euros including 500 billion Euros carried out in Europe in 2006.

Indeed, in 2006, 69 million vehicles were produced worldwide, (and 31% were manufactured in Europe). Thus, the world production witnessed a progression of about 40% in 15 years.

With 914 billion USD, it represents more than 9% of the world trade in 2005.

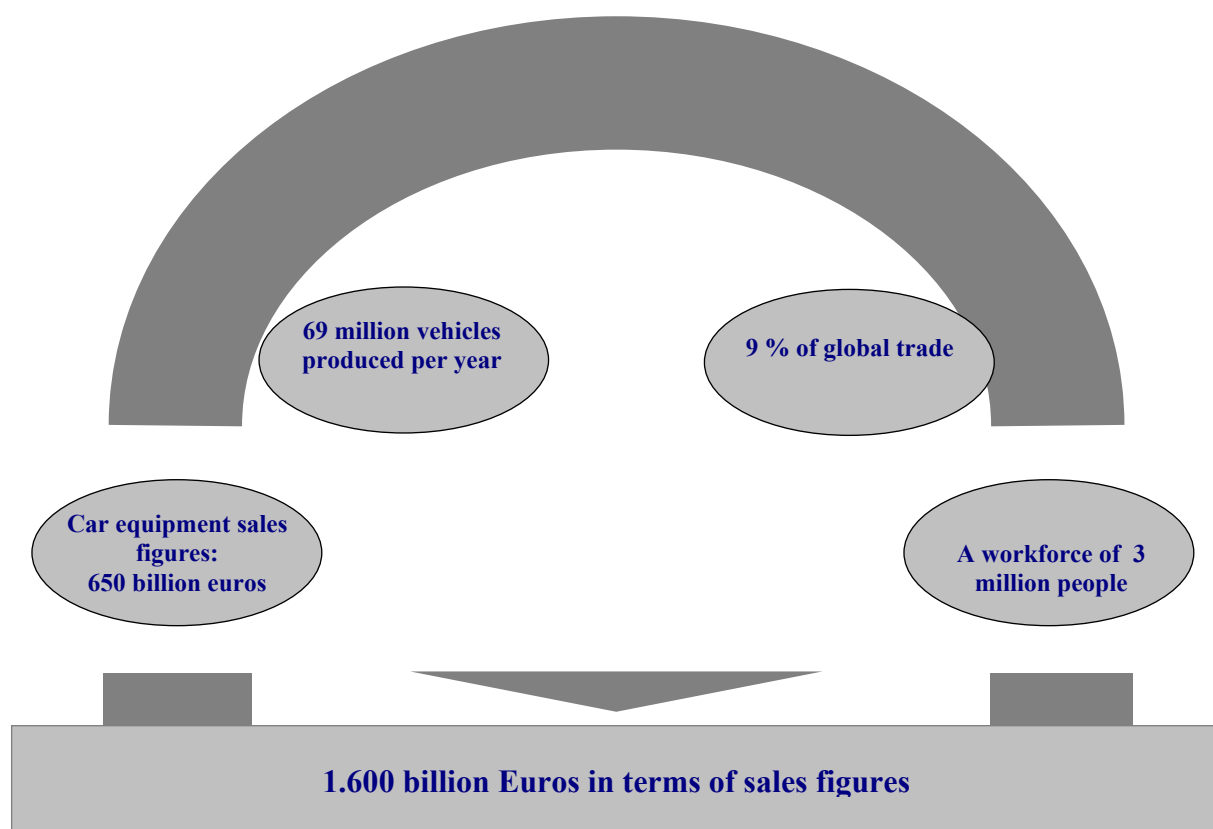
In Europe, more than one million persons are employed in the European car industry in 2006.

The contribution of the Agadir Agreement member countries at the international level is very insignificant insofar as they represent less than 0,5% of the world trade related to the automotive sector in 2006, and as the vehicles ownership of these countries is still too weak and total exports to Europe do not exceed 24 billion \$ in 2006. Nevertheless, we are witnessing a development of the automotive industrial fabric within the countries of the Agreement.

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## I – GLOBAL AUTOMOTIVE MARKET

**Diagram: World Automotive Industry in 2006 :**



The world production of motorized vehicles increased by 4% in 2006, to add up 69,1 million units.

The strongest progressions were recorded on the passengers cars market (6,3%) as well as on the industrial vehicles market (6%). Overall, the world production of vehicles progressed at more constant intervals than in 2005.

Thousands of vehicles	2000	2001	2002	2003	2004	2005	2006	AAGR
Passenger cars	41 216	39 826	41 358	41 969	44 554	46 863	49 887	<b>3,2%</b>
Industrial vehicles	17 159	16 479	17 636	18 695	19 942	19 619	19 241	<b>1,9%</b>
<b>Total</b>	<b>58 374</b>	<b>56 305</b>	<b>58 994</b>	<b>60 663</b>	<b>64 496</b>	<b>66 482</b>	<b>69 127</b>	<b>2,9%</b>

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### I-1- Geographical distribution of demand:

The world automotive market represents 67,8 million vehicles, including 25% in western Europe.

In thousands of vehicles	Passenger Cars (PCs)	Commercial Vehicles (CVs)	TOTAL
<b>Europe</b>	<b>18 624</b>	<b>3 228</b>	<b>21 852</b>
Western Europe	14 746	2 345	17 091
Central and Eastern Europe	3 878	883	4 761
<b>America</b>	<b>12 138</b>	<b>11 286</b>	<b>23 424</b>
NAFTA	9 316	10 579	19 895
America	2 822	707	3 529
<b>Asia Oceania</b>	<b>14 369</b>	<b>6 826</b>	<b>21 195</b>
South Korea	976	244	1 220
Japan	4 612	1 127	5 739
Other Asia Oceania	8 781	5 455	14 236
<b>Africa</b>	<b>895</b>	<b>417</b>	<b>1 312</b>
<b>TOTAL</b>	<b>46 026</b>	<b>21 757</b>	<b>67 783</b>

### I-2- Low or no-growth in American, Western European and Japanese markets:

Consumption by geographical area shows a strong concentration in the Western countries and in Japan (63% of world consumption). The ALENA constitutes the first market with a share of 29%, followed by Western Europe (25%) then Japan with 8%.

The growth rate on these three markets is around 0. These are mature and saturated markets where the equipment of the households is almost completely assured.

Thus, the demand on these markets is drawn by the renewal of vehicles and the population growth. This tendency obliges the manufacturers with unceasingly innovating and being different without reflecting this increase in costs on the prices, to cause consumption.

However, these markets represent a stable base of consumption for the manufacturers.

### I-3- A significant surge of the demand in emerging countries:

The emerging markets that are South America, Eastern Europe, South Asia and finally Africa constitute, on the contrary, significant reserves of growth for the car industry, insofar as the vehicles ownership is weak.

The car density by country synthesized in the following diagram shows:

- the maturity of the developed markets having a stable rate of household equipment;
- the potential of emergent countries.

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Countries	Car-ownership level	Car-ownership level	Average Annual Growth Rate (AAGR)
	2002	2006	
<b>European Union</b>	560	586	<b>1%</b>
<b>France</b>	585	595	<b>0%</b>
<b>USA</b>	785	813	<b>1%</b>
<b>Japan</b>	576	593	<b>1%</b>
<b>South Korea</b>	273	322	<b>4%</b>
<b>China</b>	12	23	<b>18%</b>
<b>India</b>	8	12	<b>11%</b>
<b>Brazil</b>	117	124	<b>1%</b>
<b>Turkey</b>	89	115	<b>7%</b>
<b>Egypt</b>	30	41	<b>8%</b>
<b>Morocco</b>	51	70	<b>8%</b>
<b>Tunisia</b>	100	125	<b>6%</b>
<b>Jordan</b>	68	135	<b>19%</b>

These areas have registered a growth ranging between 7% and 15%. This growth remains unequal throughout areas.


The Asia-Oceania area currently represents 21% of the global market and constitutes a high potential for manufacturers, insofar as it showed substantial growth. It attracts many Japanese manufacturers in particular.

Central and Eastern Europe rank second, accounting for 7% of the global market. With a growth rate of 11% per annum over the last six years, this area represents a real growth opportunity for manufacturers, especially Europe.

In terms of sales in 2006, the Agadir countries represent, a market of 400 000 vehicles, that is 0.6% of the global automotive market and 31% of the African market. The market recorded strong growth in recent years: 11% for Morocco, 6% for Tunisia and more than 28% for Egypt (whose sales have grown by over 40% between 2005 and 2006). This dynamism in sales, coupled with a growing car-density rate denotes the growth potential and the attractiveness of this new area for car manufacturers and equipment suppliers .

Thus, car manufacturers seek to take advantage of growth opportunities in emerging countries, while playing on innovation and differentiation on the mature markets of developed countries.

In thousands of vehicles	PC	CV	TOTA	% of the total	AAGR 00-06
Central and Eastern Europe	3 878	883	4 761	<b>7,0%</b>	<b>11%</b>
South America	2 822	707	3 529	<b>5,2%</b>	<b>7%</b>
Other Asia Oceania	8 781	5 455	14 236	<b>21,0%</b>	<b>15%</b>
Afric	895	417	1 312	<b>1,9%</b>	<b>14%</b>
<b>Worl</b>	<b>46 026</b>	<b>21 757</b>	<b>67 783</b>		

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## II – PRESENTING MAJOR MANUFACTURERS AND THEIR TRENDS

### II-1- Presenting major manufacturers:

The automotive market is highly concentrated and dominated by a limited number of manufacturers: 50 manufacturers. Thus, the first 12 manufacturers account for 80% of world production of vehicles and market a large number of brands.

	<b>Manufacturers</b>	<b>All vehicles</b>	<b>Dt PCs</b>	<b>Labels</b>
1	General Motors	8 926	5 708	Opel, Vauxhall, Saab, Chevrolet, Daewoo
2	Toyota	8 036	6 800	Toyota, Daihatsu, Hino
3	Ford	6 268	3 801	Ford, Jaguar, MG, Volvo, Land Rover
4	Alliance Renault Nissan	5 716	4 598	Renault, Dacia, Samsung
5	Volkswagen Group	5 685	5 430	Volkswagen, Audi, Seat, Skoda
6	Hyundai Kia	3 844	3 413	Hyundai Kia
7	Honda	3 670	3 550	Honda
8	PSA Peugeot Citroën	3 357	2 961	Peugeot, Citroën
9	Chrysler	2 545	710	Chrysler
10	Fiat	2 318	1 754	Fiat, Alfa Romeo, Lancia, Ferrari
11	Suzuki	2 297	2 004	Suzuki
12	Daimler Chrysler	2 045	1 275	Mercedes, Chrysler, Jeep, Smart
	Other manufacturers	14 551	7 978	
<b>50</b>	<b>Total</b>	<b>69 258</b>	<b>49 982</b>	

- **The internationalization of manufacturers has led to their concentration in large groups:**

Indeed, subject to intensified competition and to the stagnant growth in their markets, car manufacturers have sought for internationalization and tried to be present on new markets.

Thus, the globalization of competition has led to a globalization of groups and production.

The internationalization of major automotive groups was carried out through internal growth processes (creation of new production capacities) and through external growth processes (acquisitions, merger with existing manufacturers) or even through cooperation or partnerships (Ford with Mazda, Renault with Nissan...).

These processes are aimed at:

- Seeking new markets;
- Expanding the range of products;
- Reducing the costs of production per unit;
- Achieving synergies with existing groups in terms of joint research, complementary lines, grouping of purchases and distribution network...

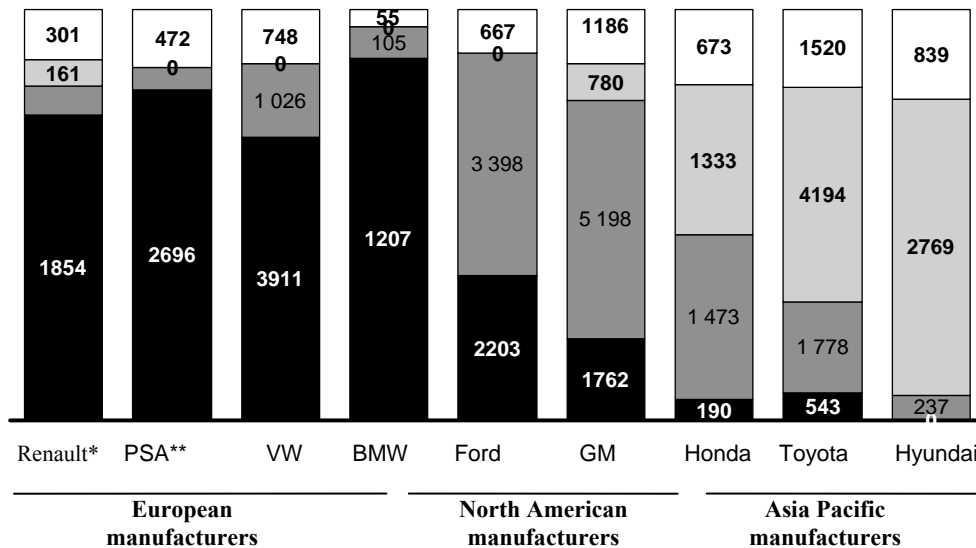
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- **Focus on areas of origin:**

Despite this internationalization, the main players still make most of their turnover in their regions of origin.

**Turnover of the major players by geographical area**

	ROW
	Japan Korea
	North America
	Western Europe



Manufacturers are currently focused on their domestic markets while the competition is intense in these markets

In this regard, world manufacturers have adopted the following strategies:

- Seeking new markets with high growth potential;
- Intensifying low cost strategies: In order to accompany their international growth and their settlements onto new markets, to preserve satisfactory margins levels by improving their cost structure and to maintain the competitiveness of European plants by lowering the cost of components, manufacturers have developed the low cost car and have accelerated the sourcing in emerging countries;
- Streamlining production.

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## **II-2- Manufacturers' global trends:**

### **II-2-1- Seeking new markets and relocating assembly sites in Eastern Europe:**

In Europe, the growth of the groups took place through the creation of new manufacturing units. First of all, Spain and Portugal have been the major poles of outputs expansion in the Eighties.

Since the Nineties, European groups are turning to Eastern Europe, taking into account:

- The competitiveness of production costs,
- The existence of a suppliers fabric
- And the existence of a significant and growing demand.

Thus the group VW is very present on the Czech Republic, Hungary, Slovakia and Poland. The Renault group is present in Slovakia, Russia and Romania, while PSA is present in Slovakia and in the Czech Republic in partnership with Toyota.

This relocation towards Eastern Europe is accounted for by the conquest of new markets having a growth potential due to the emergence of a demand for Low Cost products.

### **II-2-2- Increasingly confirmed low cost strategies:**


- **Alternative assembly projects: the economical car:**

Being in a dead end on their markets, the car giants are attracted by the high growth of emerging countries. Each one of them has adopted a conquest strategy in these new territories. The evolution also involves products. The example of Logan attests to the evolution of the products marketed in emerging countries.

Logan targets emerging markets that are relatively closed to imports and that are affected by difficult climatic conditions and road infrastructures. Its intensive labor force assembly process makes it possible to profit from the reduced cost of labor. Moreover, being assembled in the countries at low cost, the car with 5000 Euros proves very profitable. By selling the same vehicle everywhere, the manufacturers lengthen the series in the factories and decrease costs.

Logan opened a segment in which the majority of the manufacturers wish to position. Since 2008, FIAT plans to produce in Turkey a new D200 vehicle to compete with Logan.

Since 2004, Toyota launched out in project IMV (Innovative International Multi-purpose Vehicle) to produce in low cost countries (Thailand, Indonesia, South Africa and Argentina) a pickup intended for the international markets. Toyota will also launch two low cost vehicles by 2010. Even Tata Motors launches out in the under-bidding, by announcing its project of development of a car that costs less than 2000 Euros.

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- **New national car manufacturers are born in the emergent countries**

The expansion atomized on the markets under development, which, taken overall, should account for 87% of the growth of the assembly at horizon 2011, gave rise to new national car manufacturers.

The ten principal national manufacturers in China and India post an annual growth rate of 25% during the last 5 years.

Chery and Tata are well positioned to benefit from the advantages in terms costs to attract consumers, thus playing an increasingly significant role on the international scene.

Russia should occupy the third place in terms of contribution to the world growth of the assembly (9, 3%) during five next years followed by China and India. The solid sales of the international brands involved significant investments in capacities which will probably result in a rise of the assembled vehicles to 2,3 million units per year by 2011.

### **II-2-3- Streamlining the production and sourcing in emerging countries:**

In order to preserve their profit margins, manufacturers prospect more and more actively these low cost labor markets.

According to a ten-year foresight study undertaken by the McKinsey firm, Chinese production could quickly hustle Western markets. The firm estimates that vehicles manufacturing costs in China are expected to decrease by half by 2015: the differential of production cost between China and Europe is likely to increase the pressure on the sector by leaving the doors open to Chinese imports.

Thus, the only solution for manufacturers would consist in drastically accelerating the rate of gain in productivity in their factories. According to McKinsey, the necessary gain in productivity by 2015 is around 15%. Sourcing constitutes therefore a choice catalyst, taking into account the fact that purchases represent around 65 and 70% of a vehicle's cost price.

Manufacturers already have important assets to develop their base of suppliers in low cost countries. Indeed, given the fact that they are already present at the international level, they are already outsourcing in these countries.

This sourcing movement in low cost countries is expected to accelerate. According to McKinsey, the sourcing of machine elements with high labor rate as well as electronic parts is expected to intensify. The still high costs of logistics will be largely compensated by the improvement in the productivity of these countries. Eventually, between 40% and 50 % of a car components could be manufactured in low cost countries like China and India.

Many manufacturers announced the increase in purchases shares to be carried out in low cost countries.

Thus, PSA intends to carry out 47% of its total purchases in low cost countries during the five next years. The share of purchases in the low cost countries shall then increase by 17% to 47% (out of a total figure of purchases amounting 29 billion Euros). Purchase offices will be established in China, Slovakia, Turkey, Iran, Brazil, India and South Africa.

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The Renault group, via Dacia, relied highly on local sourcing for the production of Logan, an experiment which will be useful to produce its other models. Renault intends to carry out 40% of its purchases in low cost countries, to achieve 80% local integration rates and to improve accordingly the productivity of worldwide purchases by 5% per annum.

#### **II-2-4- The strategies of manufacturers have a significant impact on equipment suppliers**

Manufacturers concentrate on their core activities and externalize the lowest margin activities.

These strategies constitute important market opportunities for equipment suppliers but represent many constraints:

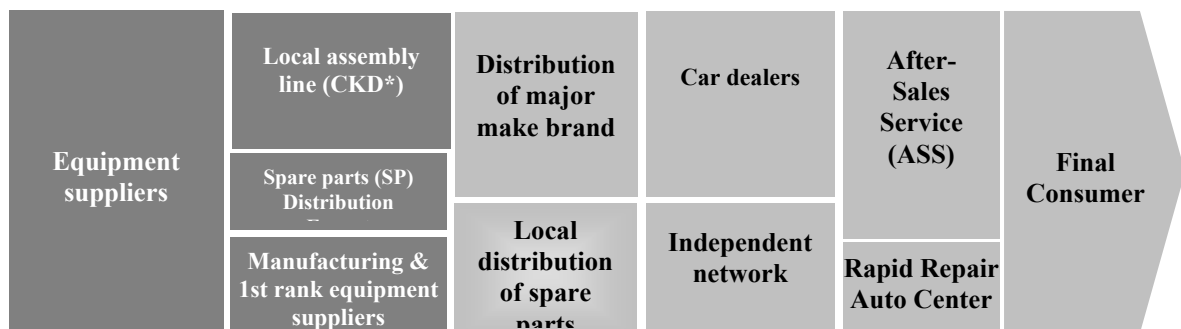
- An increased responsabilization and a greater implication of the equipment suppliers in the products design phase ;
- The supply of more and more complete equipment to manufacturers, thus leading to an increasing complexity of products and industrial processes as well as to the rise of research and development costs related both to the rise of the technological contents of products and to the shortening of vehicles lifespan;
- The increased requirements from equipment suppliers in terms of deadlines and quality, induce an increased technicality and the improvement of internal organizations;
- The pressure on the costs pushes equipment suppliers to engage in global sourcing projects.

#### **II-2-5- Reminder of value chain of car industry:**

The chain of value of the car industry includes all the activities that contribute immediately to the design and production of motor vehicles.

Thus, four sets of actors share the chain of value of the car industry:

- The suppliers and subcontractors include:
  - Semi-finished products manufacturers (glass, plastic, metallurgical products) used for the manufacturing of vehicles;
  - And equipment suppliers producing big equipment constituting vehicles, such as tires, body, components, parts and systems.
- Car manufacturers carrying out the assembly of the vehicle;
- Distribution and finance institutions;
- After market companies.



The manufacturers are powerful international groups with a structuring influence on the branch; they are at the top of the production chain and were at the origin of car industry in their respective countries.

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Despite the trend to outsourcing the functions, they still hold the central role in the branch: design, engineering, marketing and assembly.

Car parts suppliers are used to work almost exclusively for the car industry. They differ from other suppliers by the technical and commercial responsibility for main components of motor vehicles and have the capacity to deal directly with manufacturers and to organize and animate their suppliers networks.

### **II-2-6- Structuring the equipment suppliers markets:**

Car parts supplying companies can be classified in three categories according to their size:

- The large integrating equipment known as rank 1: they operate in direct contact with manufacturers and provide them with a broad line of goods and systems. They can be divided into three major segments:
  - General equipment suppliers such as Delphi, Visteon, Denso;
  - Car parts suppliers specialized in modules centered on the style for a specific vehicle such as Faurecia and Johnson Controls;
  - Car parts suppliers specialized in multi-vehicle modules and systems such as Bosch, Valeo, Magna.
- Rank 2 equipment suppliers ;
- Rank 3 equipment suppliers ;
- Rank N equipment suppliers.

Car parts suppliers are structured in cascades: rank 2 suppliers are in contact with rank 1, rank 3 suppliers supply rank 2.

- **Equipment suppliers markets:**

Car parts suppliers supply two markets: Original equipment manufacturers market and spare parts market.

- **Original Equipment Manufacturing :**

The main outlet of equipment suppliers is the manufacturing of the passenger and industrial vehicles. This Original equipment manufacturing market is cyclic and depends on the car market growth. Sales on this market involve an industrial approach, with the integration of components in functions and modules positioning on high volumes.

In parallel, the upselling of the vehicles involves an increase in the equipment of differentiation.

The growth of the sales turnover of equipment suppliers on the one hand is boosted by more significant volumes and on the other hand slowed down by the pressure on prices imposed by manufacturers.

Since the industrial logic of manufacturers consists in outsourcing certain integrated activities, the equipment market increases. Even in fields reserved to manufacturers such as the frame, equipment suppliers have become real technology partners.

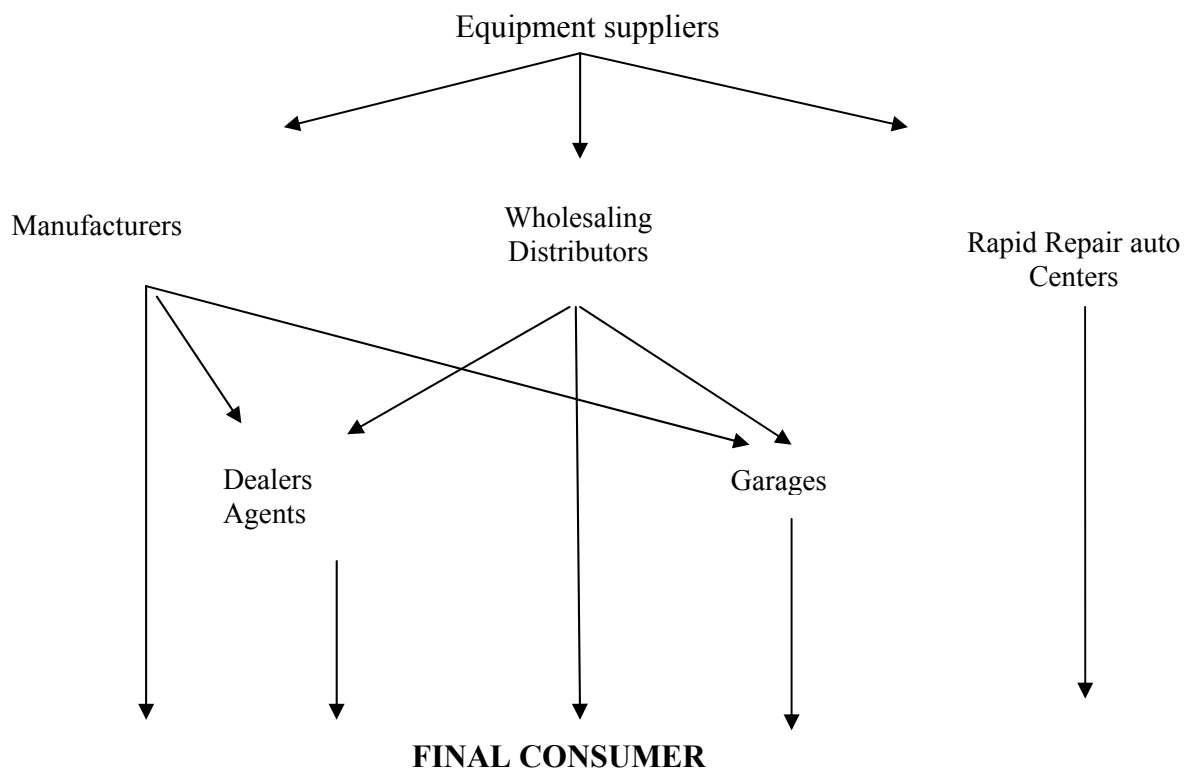
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- **The spare parts market :**

In contrast, the spare parts market is much more stable. On this market, customers of equipment suppliers are car manufacturers, car distribution centers, specialized stores and retailers. Despite the increasing number of vehicles in circulation, the growth of this market is slowed down by the lengthening of the lifespan and the increased reliability of the equipment assembled on new vehicles.

- **Spare parts distribution:**

The spare parts market constitutes a **complex market** including a very large number of companies, broad lines of products, average or small volumes.



While the Original equipment manufacturing market is growing more and more global, the spare parts market is evolving, from a local market to a continental market.

In the case of the Agadir countries, the concept of continent is to be understood in the broad sense. It is about the development area of the vehicles known as "European" or "Asian".

There is a distinction to make between spare parts manufacturers and the independent spare parts (aftermarket).

The **manufacturer** spare parts industry has historically been the prolongation of the Original equipment manufacturing activity. Trade exchanges are generally carried out with the actors present in

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Original equipment manufacturing. Products, except the parts at the end of their lifetime, were Original equipment manufacturing products.

More recently, manufacturers adopted a new policy that tends to differentiate the sourcing of Original equipment and spare parts. This came mainly from the need for differentiating the production tools according to volumes but also according to the constraints pertaining to the complete and homogeneous lines as well as the introduction of the multi-brand into manufacturers' distribution networks. This will offer new opportunities for flexible industrial tools.

As for the **independent** spare parts industry, it gathers different types of actors:

- The wholesalers whose vocation can be local, national or international and represents the essence of what is called the traditional spare parts industry. This branch includes one or two intermediate levels to reach the ultimate consumer.
- Specialists have appeared on the market through a specific product line within the framework of fast repair and more particularly: exhaust, braking and pneumatic. They now tend to evolve towards achieving a multi-product positioning, but preserve repair as a vector of direct access to the final consumer. These lines (Midas, Speedy, Euromaster...) generally have a continental vocation even if their development has been carried out initially at the level of the most industrialized countries.
- Car centers whose vocation is direct selling of maintenance parts and accessories, generally with possibilities to intervene on the spot.

The sharing of market between "manufacturer" car parts industry and independent car parts industry varies quite largely according to the countries (around 55/45 % in Europe) and also according to the age of the vehicle, the first 3 years more strongly concentrate on the "manufacturer" car parts industry. The age of the car fleet is thus a data to be studied in particular.

Moreover, the independent car parts industry strongly concentrates on a number of limited parts known as "wear parts" offering more significant opportunities in terms of volume:

- Braking
- Filtration
- Wiping
- Lighting
- Exhaust
- Batteries
- Shock absorbers

In addition to these parts, there are also some products in strong development like accessories, tuning and the embarked electronics, which are distributed by the same networks and are undergoing strong development.

Access to globalization can be effectively made possible in many cases through international spare parts markets, for which entry barriers will be less significant than they are in original equipment manufacturing markets.

## **II-2-7- Structure of the car equipment and car components market:**

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Car equipment can be classified into 3 categories according to the increasing complexity of manufactured products:

- Components: are elementary parts included in the constitution of a vehicle. Glass, steel and rubber are raw materials; whereas tires and shock absorbers are components.... They are in general provided by equipment suppliers of rank 2 and more (3 or 4)
- Modules: are groups of components geometrically connected, and delivered to manufacturers in one single block for final assembly (e.g. door covering, instrument panel, seats...). Modules are related to a sequence of assembly and are provided by rank 1 equipment suppliers.
- And finally, the systems are groups of components having a functional bond and used to insure a comprehensive function of the vehicle (e.g. brake system, safety system...). They are provided by rank 1 equipment suppliers.

The following diagram presents 4 functional groupings: the Outside, the Inside, the Engine and the Frame, and inside each function, modules are presented as an example.


<b>Outside</b>	<b>Inside</b>
Bodyshell Bumper/ Mudguard Complementary parts Lighting system	Cockpit/ instrument panel Seats Electronics Inside covering
<b>Engine</b>	<b>Steel frame</b>
Engine unit Auxiliary engine Engine control Exhaust system Gearbox Other (Cables)	Braking system Steering system Suspension Axle/wheel Other (Cables)

- **Connected industries:**

If the equipment suppliers are the major actors of the chain of suppliers for car manufacturing, other market makers coming from different fields are involved and are either direct interlocutors of manufacturers, or partners of equipment suppliers. They operate mainly in the field of plastics processing, industrial rubber, metal work industrial services, foundry, tires, glass and electronic electricity.

Although the evolution of their activity is the same as the manufacturers and equipment suppliers evolution, it is however less sensitive to the domestic economic situation of their customer industry. Indeed, in the event of reversal of situation or decline in the demand, these industries may convert easily to supply other markets.

### **II-3- Presentation of the world's major equipment suppliers:**

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The world market of car equipment is estimated at approximately 800 billion dollars. Lying within the scope of the internationalization of markets and capital, the sector of equipment is made up of large groups, some of which are subsidiary companies or old subsidiary companies of car manufacturers.

Indeed, the manufacturers' outsourcing strategies have given rise to groups that are specialized in car equipment stemming from the manufacturers (Faurecia stemming from Peugeot, Visteon stemming from GM, Delphi stemming from Ford) or have allowed groups that were already present and specialized in car equipment to be reinforced like Valeo.

The weight of the most important of them exceeds that of some world level car manufacturers.

Rank	Equipment suppliers	Turnover (in Bn Euros)
1	Bosch	27,2
2	Denso	23,9
3	Delphi	19,4
4	Magna	19,3
5	Bridgestone	16,4
6	Michelin	16,4
7	Goodyear	16,1
8	Aisin Saikai	16,0
9	Johnson Controls	14,6
10	Lear	14,2
11	Faurecia	11,7
12	TRW	10,5
13	ZF	10,1
14	Valeo	10,1
15	Siemens VDO	10,0

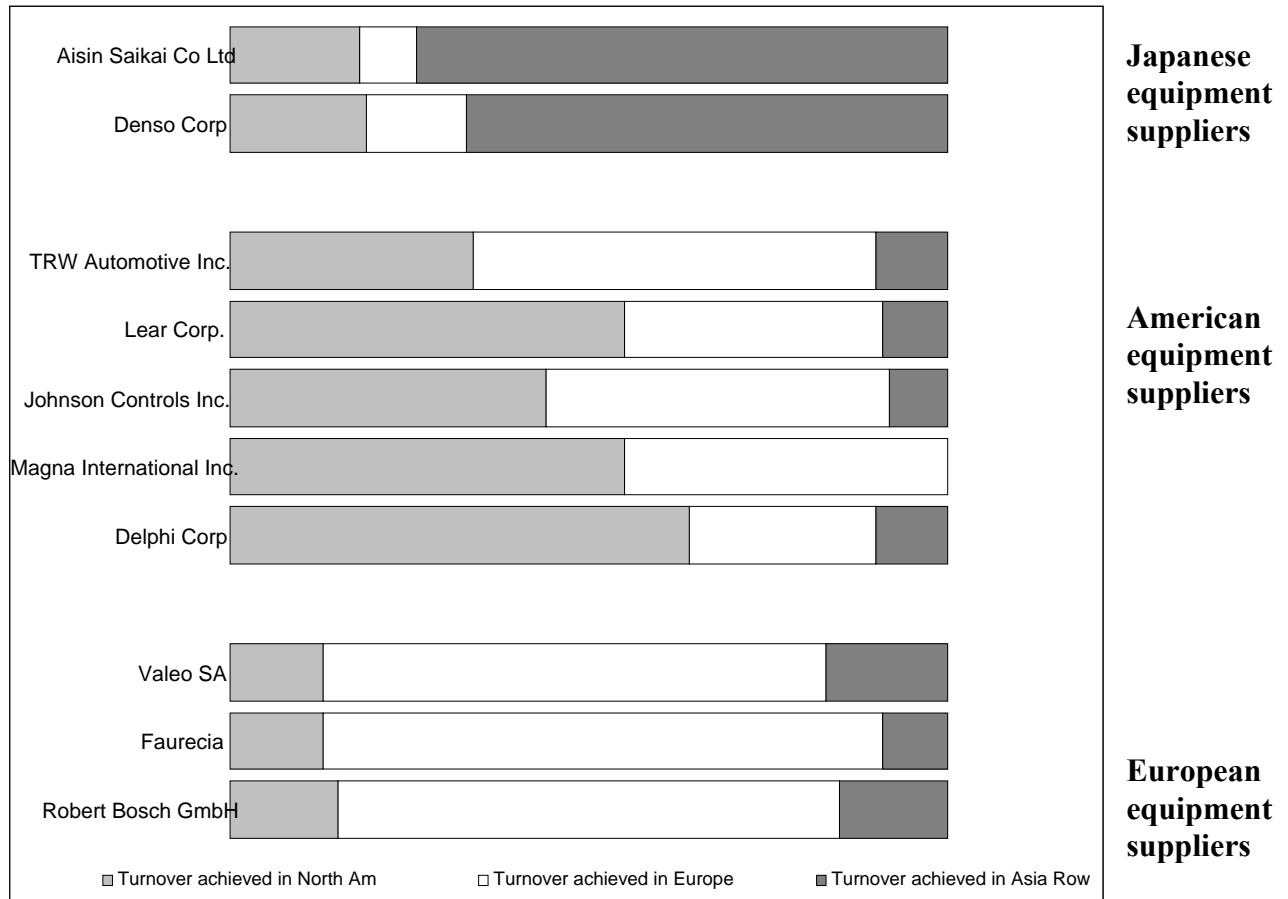
Following the example of the manufacturers, the concentration of equipment suppliers accelerates: the first 100 world groups achieved a sales turnover of 530 billion dollars.

Manufacturers have initiated this movement insofar as they have reduced the number of their suppliers to 300 suppliers. And just like for manufacturers, equipment suppliers cut the number of their suppliers, thus imposing a concentration of the whole line.

- **A market that remains regionalized:**

Despite an increasing internationalization, the market remains relatively regionalized from a global point of view: The great majority of the sales turnover of the major equipment suppliers is achieved in their continent of origin.

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Indeed, equipment suppliers are still very focused on their domestic market:

- Japanese equipment suppliers supply mainly Asian manufacturers: The fabric of Japanese suppliers is extremely captive as they maintain an exclusive relation to manufacturers;
- European equipment suppliers remain focused for more than 70% of their sales turnover on their market of origin;
- While the American achieve more than 50% of their sales turnover in North America.

Taking into account this regional concentration, European groups are not very present in Asia, in particular China and India, which have a strong growth potential. However relations with important Chinese partners and Indians are being developed.

- **The relocation of equipment suppliers towards emerging countries:**

More than 90% of the demand for equipment is made of the orders of car manufacturers; while the remainder is dependent on the demand for spare parts and car parts. Moreover, the geographical structure of the demand for equipment is strongly related to that of car production.

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The internationalization of equipment suppliers was therefore carried out in the wake of the manufacturers who incited the equipment suppliers to follow them in their internationalization. Indeed, in order to meet the demand of client manufacturers and so as to optimize the manufacture and transport purchase costs, the major equipment suppliers have redeployed themselves industrially and commercially in new geographical areas, mainly in Eastern Europe to the detriment of the more traditional areas.

As regards Faurecia for example, in order to accompany the client manufacturers' internationalization, it has 180 factories present in 28 countries which produce modules and components. 40% of these factories function in JIT mode. The modules factories are located in the industrial park of manufacturers.

As for the sites of components, their establishment depends on the purchase and production costs of raw materials, on the routing methods and on the transportation capacity of finished products towards the assembly lines of the manufacturers.

In this respect, equipment suppliers have to create production sites next to the assembly platforms or to create alliances with local partners. From the point of view of control of the costs of purchases, manufacture and transport, equipment suppliers organize their sourcing so that it comprises a share of about 25% of the products manufactured on the spot.

- **Supplying manufacturers with increasingly complete equipment :**

The focalization of manufacturers on their key competences has resulted in:

- An increased outsourcing of functions/equipment "buy rather than make";
- A modular approach required by manufacturers.

Equipment suppliers are being entrusted more responsibilities in the process of outsourcing impelled by manufacturers. 70 to 80% of the total cost of manufacture of a vehicle is ensured by the services of the external suppliers.

Equipment suppliers become therefore organizers and assemblers of subsets within the framework of the development of the platforms policy by manufacturers.

To fulfill the growing requirements of car manufacturers in terms of costs, deadlines and quality, equipment suppliers have developed strategic partnerships with all other suppliers, coming from different fields.

- **The need for innovation:**

In a highly fragmented market, where models multiply while selling prices to consumers decline, equipment suppliers must propose to manufacturers:

- Innovative and differentiating products, focused on the priorities of the consumer: safety, reduction of consumption, basic and reliable equipment, comfort and environment;
- Standardized products where they are not directly perceptible by the users in order to meet the economic equations of the market.

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Hence, they are incited to invest intensively in research and development expenditure so as to face the accelerated renewal of car ranges and the reduction of vehicles design and manufacture cycle.

- **Very strong pressure on the costs implying a globalization of sourcing**

Between 65% and 70% of the cost price of the vehicles comes from the purchases of components and modules.

In this respect, manufacturers exert a strong pressure as concerns the purchase prices on equipment suppliers who engage therefore in global sourcing projects.

The search for a reduction of the costs results either in direct establishments in low cost labor countries, or in an increase in subcontracting towards these countries.

Examples of modules outsourced by the manufacturers:

- **Inside:** integration of inside systems, integration of the doors, development and integration of air-conditioning systems;
- **Engine:** assembly and development of the engine;
- **Frame:** integration of steering blocks and shock absorbers;
- **Body:** manufacture of aluminum and plastic parts and added on the body.

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## POSITIONING OF THE AGADIR COUNTRIES

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## INTRODUCTION:

Data 2006	Egypt	Jordan	Morocco	Tunisia	Agadir countries
Population (millions)	79	5	31	10	<b>125</b>
GDP (USD Billion)	108	15	63	30	<b>216</b>
Exports (USD Billion)	21	5	11	12	<b>49</b>
Imports (USD Billion)	33	10	21	14	<b>78</b>
<b>Demand</b>					
Car fleet (millions)	3,2	0,7	2,1	1,2	<b>7,2</b>
Average age of the car fleet (years)	20		16	15	<b>16</b>
<b>Car ownership level</b>	<b>41</b>	<b>128</b>	<b>68</b>	<b>120</b>	<b>57</b>
PCs (millions)	2,4	0,6	1,5	0,7	<b>5,2</b>
CVs+HDTs(millions)	0,8	0,1	0,6	0,5	<b>2,0</b>
NVs sales (thousands)	172	60	100	50	<b>382</b>

The Agadir Agreement countries represent a market of 125 million inhabitants. Considering the population and the car ownership of 57 vehicles for 1000 inhabitants, the market is relatively little developed but conceals an unquestionable growth potential.

The car fleet amounts 7 million vehicles, including 72% of passenger cars.

The annual sales amounted in 2006 approximately 382 000 new vehicles and recorded a significant evolution in the Agadir countries this last year.

The average age of the car fleet is relatively high, a little more than 16 years should support the demand for spare parts.

Supply 2006	Egypt	Jordan	Morocco	Tunisia	Agadir countries
Nber of assembly units	16	2	7	4	<b>28</b>
Workorce	17 000	800	2 000	1 350	<b>21 150</b>
Production (units)	89 000	500	30 000	3 400	<b>122 900</b>
Production (million Euros)	1200	40	410	120	<b>1 770</b>
Nber of Equipment suppliers	93	24	100	200	<b>417</b>
Workforce	27 000	800	30 000	43 500	<b>101 300</b>
Production (million Euros)	350	40	820	1 100	<b>2 310</b>
Exports (million Euros)	150	22	684	680	<b>1 536</b>
<b>Automotive sector</b>					
Number of companies	108	26	107	204	<b>445</b>
Total number of personnel	44 000	1 600	32 000	44 850	<b>122 450</b>
Production (million Euros)	1 550	80	1 230	1 220	<b>4 080</b>
Exports (million Euros)	150	22	684	680	<b>1 536</b>


Source : AMICA, API, EAFA

The automotive supply of the Agadir countries is represented by 445 companies which employ 122 000 worker and produce for 4 billion Euros and export for 1.5 billion euros.

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There are 28 assembly companies for more than 40 assemblies lines and mainly intend their production for the local market.

The supply of equipment suppliers represents 417 companies that produce 57% of the production of the car industry in the Agadir countries.

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## I –MOROCCO

### I-1- Data sheet:

Demand	Morocco	Agadir countries	In % of countries of the area
Car fleet (millions)	2,1	7,2	29%
Average age of the car fleet (years)	16	16	-
Car ownership rate	68	57	-
PCs (millions)	1,5	5,2	29%
CVs+HDTs(millions)	0,6	2,0	30%
NVs sales (thousands)	100	382	26%
Supply			
Nber of assembly units	7	28	25%
Workforce	2 000	21 150	9%
Production (units)	30 000	122 900	24%
Production (million Euros)	410	1 770	23%
Number of equipment suppliers	100	417	24%
Workforce	30 000	101 300	30%
Production (million Euros)	820	2 310	35%
Exports (million Euros)	684	1 536	29%

### I-2- Analysis of domestic demand:

#### I-2-1- Evolution of the car fleet:

The Moroccan car fleet includes 2 109 410 motor vehicles and was multiplied by 1,5 during the last decade, rising from approximately 1 400 000 vehicles in 1996 to 2 100 000 vehicles in 2006.

	2 000	2 001	2 002	2 003	2 004	2 005	2 006	AAGR 00/06
<b>PCs</b>	1 230 068	1 278 262	1 326 108	1 372 274	1 402 775	1 477 330	1 548 006	3,9%
	74%	74%	74%	74%	73%	73%	73%	
<b>LDVs</b>	424 992	441 050	460 101	480 708	507 723	535 772	561 404	4,7%
	26%	26%	26%	26%	27%	27%	27%	
<b>Total</b>	<b>1 655 060</b>	<b>1 719 312</b>	<b>1 786 209</b>	<b>1 852 982</b>	<b>1 910 498</b>	<b>2 013 102</b>	<b>2 109 410</b>	<b>4,1%</b>

Source : Ministry of transportation

Despite this growth, the car ownership remains weak since it hardly reaches 70 vehicles for 1000 people. Taking into consideration these statistics, the potential of development of the car fleet in Morocco is considerable.

Passenger cars account for 73% of the vehicles, while the sales of Heavy-duty trucks and commercial vehicles are relatively stable and contribute to a total value of 27% of the sales of vehicles in Morocco in 2006.

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- **Used vehicles sales:**

The following table states that the used vehicles sales are recovering after a significant recess between 2000 and 2003, despite taxes and expensive duties. The recess between 2000 and 2003 can be accounted for by the marketing of FIAT Uno, Punto and Siena that are locally assembled by FIAT.

In 2007, the number of vehicles imported of Europe and cleared is estimated at more than 20 000 units. According to the Somaca managers, they generally include recent luxury cars aged between 2 and 3 years old, top-of-the-range Mercedes saloon cars or SUVs, or even industrial vehicles and other BPW Heavy-duty vehicles.

	2 000	2 001	2 002	2 003	2 004	2 005	2 006	AAGR 06/00
NV <sup>1</sup>	42 227	46 542	47 859	48 769	48 557	56 183	77 560	11%
% total	62%	76%	83%	84%	81%	79%	81%	
Variation		10%	3%	2%	0%	16%	38%	
IUC <sup>2</sup>	25 584	14 530	9 478	9 251	11 362	14 488	18 749	-5%
% total	38%	24%	17%	16%	19%	21%	19%	
Variation		-43%	-35%	-2%	23%	28%	29%	
<b>TOTAL SALES</b>	<b>67 811</b>	<b>61 072</b>	<b>57 337</b>	<b>58 020</b>	<b>59 919</b>	<b>70 671</b>	<b>96 309</b>	<b>6%</b>

Source : Ministry of Trade and Industry

Thus, the market of used vehicles is subject to a recess of 5% per annum.

- **New vehicles sales:**

As for the sales of new vehicles, there is a relatively significant progression of the sales of new motor vehicles of all origins, in Morocco, between 2000 and 2006.

Indeed, this progression has been net in 2005 and in 2006; that is of 16% and 38%, boosted by the sales of Logan which is assembled locally and marketed since July 2005.

	2 000	2 001	2 002	2 003	2 004	2 005	2 006	AAGR 06/00
CKD	18 709	21 231	19 640	18 270	15 020	14 622	29 881	8%
% NV	44%	46%	41%	37%	31%	26%	39%	
variation		13%	-7%	-7%	-18%	-3%	104%	
CBU	23 518	25 311	28 219	30 499	33 537	41 561	47 678	13%
% VN	56%	54%	59%	63%	69%	74%	61%	
variation		8%	11%	8%	10%	24%	15%	
<b>VN</b>	<b>42 227</b>	<b>46 542</b>	<b>47 859</b>	<b>48 769</b>	<b>48 557</b>	<b>56 183</b>	<b>77 559</b>	<b>11%</b>

<sup>1</sup> New Vehicles

<sup>2</sup> Imported Used cars

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However, it is noteworthy that:

- Between 2000 and 2006, the sales of new vehicles have increased at the rate of 11% per annum. These sales increased to the detriment of the used cars sales which decreased by 5% per annum.
- Between 2000 and 2006, the number of new imported vehicles (CBU) accounts for 62% of the total number of passenger cars and commercial vehicles in 2006. The CBU sales have been multiplied by 2 in six years because of the liberalization of imports. Throughout the same years, the number of vehicles assembled locally and sold on the domestic market regressed by 20% between 2000 and 2005, before being again on the mend in 2006 in a spectacular way. The decrease until 2005 is due to the end of the FIAT contract.
- The recovery in 2006 is due to the local assembly of Logan and other commercial vehicles.

- **CBUs sales :**

The segment of the assembled imported cars in addition benefitted from the rise of the sales on the Moroccan market, and obviously recovered certain shares of market of FIAT, whose sales of cars assembled locally Uno Palio and Siena ranged between 9 000 and 10 000 cars per annum and who stopped producing on the chains of SOMACA at the end of 2003.

- **CKDs sales:**

The year 2007 constitutes a turning point in the Moroccan car market, since for the first time, the annual sales of new vehicles reached 100 000 vehicles. According to Aivam, the mark of 100 000 vehicles sold per year was to be attained by 2010.


These significant annual sales are explained by the conjunction of several factors:

- The introduction of the low cost car and the arrival of new comers on the car market (Mahindra and Chery);
- An increasingly diversified supply that meets the demand of all the CSP;
- The supported effort on prices;
- The development of the consumer credit and in particular the zero interest credit.

However, these figures remain limited as the car ownership amounts 70 vehicles for 1000 inhabitants, compared to the rate in force in the developed countries.

Thus, the Moroccan market presents significant development prospects.

The average age of the car fleet is estimated at 16 years but the prevalence of the new vehicles assembled locally or imported is expected to contribute to the future renovation of the car fleet in circulation.

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### I-2-2- Distribution channels:

- **Vehicles:**

Motor vehicles are distributed by 22 exclusive importing dealers.

Their offer is very diversified and competition is intense with the strong progression of Japanese and Korean manufacturers and the arrival of Chinese and Indian manufacturers in 2007.

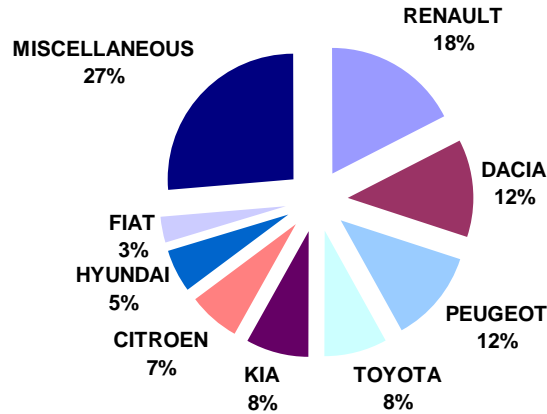
Exclusive Importers	Trademarks represented
ASIAN HALL	Wuling
ATLAS VEHICULES INDUSTRIELS	Iveco
AUTO NEJMA MOROCCO	Mercedes/Chrysler/Jeep/Dodge/SsangYong/FAW
BAVARIA MOTORS	Seat/Chery
CAC	Volkswagen/Audi/Skoda/Porsche
CFAO MORTORS MOROCCO	Opel/Chevrolet/Hummer/ Isuzu
DIAMOND MOTORS	Mitsubishi Motors
FIAT AUTO MOROCCO	Fiat/Lancia/Alfa Romeo
GLOBAL ENGINES	Hyundai
JAGUAR MOROCCO Ltd	Jaguar
JAMA AUTO	Mazda
KIA MOTORS MOROCCO	Kia
MADIVA & MAHINDRA	Hafei/Landwind/JAC
MONDIAL MOTORS	Changan
PACIFIC MOTORS	Yangzi/Changhe
RENAULT MOROCCO	Renault/Dacia
SCAMA	Ford
SCANDINAVIAN AUTO MOROCCO	Volvo
SIAB	Nissan
SMEIA	BMW/LandRover/Mini
SOPRIAM	Peugeot/Citroen
SUZUKI MOROCCO	Suzuki
TOYOTA MOROCCO	Toyota/Daihatsu/Lexus
UNIVERS MOTORS	Honda

### I-2-3- marketed brands:

However, the French manufacturers dominate the market with more than 52% of the sales of vehicles in 2007. The following figure shows the shares of markets of the various manufacturers.

The Renault Group is a leader on the Moroccan market with 40% of the market including 18% of market shares under the Renault brand and 12% of market shares under the Logan brand. The French brands preserve their leadership though during these last years, Japanese and Korean brands have reinforced their presence on the Moroccan market.

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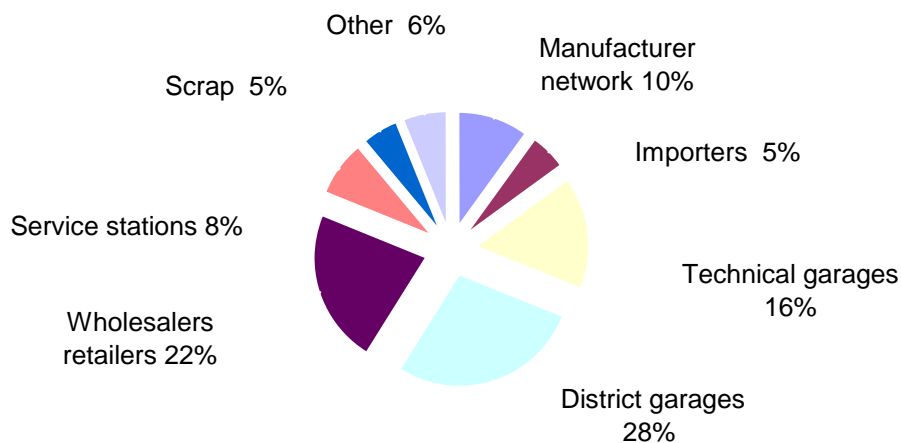


#### I-2-4- Evolution of the demand for spare parts:

The distribution channel of spare parts includes the mechanics, the service stations and breakages which provide used parts in a more or less structured way.

The number of sale points is estimated at approximately 15 000 on the Moroccan territory.

#### Distribution of the demand in spare parts



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- **The non-official industry:**

According to estimates, the share of the non official channel in the distribution of the spare parts in Morocco amounts 40% of the total volume. It includes 15% of smuggling, 20% of non declaration and finally 5% of counterfeit.

#### **I-2-5- Distribution channels of spare parts:**

- **Manufacturers networks:**

The sites are of limited numbers (approximately 100 to 150) but account for approximately **12% of the volume of the parts** introduced in the Moroccan market.

The recipients of their parts are mainly the vehicles in repair in the networks (80%).

The distributed parts are supplied almost exclusively at the "spare parts" departments of the the manufacturers' head office.

The quality of the parts corresponds to **"origin" quality** and meets the Original Equipment Manufacturing specifications of manufacturers.

- **Importers/distributors focused on the parts of large international equipment suppliers:**

This category of importers is also very few (approximately 20). They account for approximately 13% of the volume of the parts offered for sales in Morocco.

More than 90% of their **sourcing is done in Europe or marginally in the USA and Japan**. The local purchases remain weak.

The customers are primarily the wholesalers but also, for a weaker share, retailers, direct mechanics or companies and fleets.

The quality of the parts provided by the large world equipment suppliers corresponds primarily to origin quality.

- **Importers/distributors distributing mainly parts known as "adaptable":**

This category represents a significant share of the entries into Morocco and of the number of actors of the branch.

One can estimate at **46% the share of the parts** marketed in Morocco by this category roughly made up of 200 companies.

The suppliers are localized in Europe and Asia (70%) but also in Morocco.

The customers are the same ones as those of the preceding category with however a more significant share of sale to the final prescribers and to the counter (10%).

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They generally distribute a share of parts of famous make brands which correspond then to the criteria described above; however, **a majority of parts known as "quality and adaptable"** fulfilling the normally required safety requirements, but do not meet necessarily all the specifications of manufacturers.

Nevertheless, this category also gathers many other types of actors, in particular some which are marketing parts of dubious quality.

- **Networks of local parts manufacturers:**

A certain number of product lines are **manufactured in Morocco and are distributed directly by their manufacturers.**

These manufacturers are suppliers of the large distributors but also have, for a majority share, their own network which competes with the distributors.

The quality of the parts generally corresponds to "the quality and adaptable" with some cases of "quality origin equivalent".

The share of the parts marketed by this category can be considered at slightly **more than 20% of the market**, concentrated on some product lines.

The various categories which we reviewed constitute the branches of marketing of the spare parts. Then, a final complex channel of wholesalers, retailers and prescribers shares the distribution of these parts.

- **Wholesalers and retailers:**

The number of these actors is extremely significant and can be **estimated at more than 1500**. The majority are general practitioners and others are specialized on a certain type of products.

The customers are mainly the mechanics for 70% of volume but also the companies and the private individuals.

- **Peddlers:**

They are retailers that are mainly active in the areas with low density of population and difficult to reach. The share of the non official trades is sometimes significant.

- **Scrap:**

About fifty scrapyards are listed in Morocco from which two more significant are in Casablanca. Their structure is light or non-existent.

The share of the parts marketed by scrapyards can reach **7% of the total of the market**.

Customers are made up of mechanics or final prescribers as well as private individuals.

The reasons of purchase by this channel are the price but often also the availability.

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## I-2-6- Regulation and operation of the Moroccan domestic market:

In 2003, the Integration- compensation law was repealed for passenger cars only.

With respect to the light commercial vehicles, a 25% integration rate and a 75% compensation rate were maintained. Today, these rates are largely achieved by the assemblers.

The customs duties for the CKD components are 0%.

For the CBU and spare parts, the customs system in force is 35% on products coming from countries other than the UE and 22,5% on products coming from the UE with an objective of exemption from customs duties by 2012.

Indeed, the Association Agreement between the European Union and Morocco, which was signed in February 1996, and which came into effect on March 1, 2000, provides for a tariff phasing out schedule over 12 years. The importation of used commercial vehicles is subjected to authorization (which is granted only to the public transportation bodies).

As concerns the imports of used vehicles that represent around 20% of the sales, the customs duties pertaining to it are 35%.

## An emerging domestic market

### I-3- Analysis of the supply in Morocco:

The automotive branch in Morocco includes three specialized areas:

- The manufacture of passenger cars, derived commercial vehicles, intercity buses, buses, minibuses, frames for motor vehicles
- The manufacture of trailers and semitrailers, body for motor vehicles, containers equipped for transportation
- The manufacture of components: braking units, suspension, steering, transmission, axles, wheels, radiators, electric components and harnesses, outside and inside body, painting...

#### I-3-1- Places of the car industry as compared to the entire industry of the country:

In Morocco, the car industry includes 107 companies and employs around 30 000 people.

	Production	Value added	Exports	Jobs	Investment
<b>Automotive</b>	1 143	324	837	30 000	144
<b>all industries</b>	18 860	6 041	4 928	573 866	1 177
<b>A/TI</b>	6%	5%	17%	5%	12%

Source : Amica & Ministry of Trade and Industry

The Moroccan car industry is turned to export insofar as it accounts for 6% of the entire industrial sector in Morocco and 17% of exports.

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**I-3-2- Assembly: the manufacture of motor vehicles, the manufacture of passenger cars, derived commercial vehicles, intercity buses, buses, minibuses, frames for motor vehicles:**

In Morocco, there is only one assembly unit of passenger cars and light-duty commercial vehicles, which is SOMACA.

The other assembly units assemble buses and HDTs.

The SOMACA Company (Moroccan Company of Automotive Engineering) was created in 1959. It is owned by 80% by Renault and 20% by PSA and dominates the assembly activity of passenger cars and light-duty commercial vehicles.

with an output of 60 000 vehicles per annum, SOMACA has been producing annually between 15000 and 30000 vehicles for 10 years. It has 2 lines of final assembly.

The assembly activity at the SOMACA has evolved in the following way:

- 1995: Production of the FIAT Uno, Palio and Siena;
- 1996: Production of the Renault LDCV, Peugeot and Citroen (Kangoo models, Partner and Berlingo);
- May 2003: Signature of an agreement for the production of Logan since 2005 with Renault;
- December 2003: Non renewal of the convention between FIAT and the Moroccan State and end of the activities of the FIAT assembly;
- January 2004: Signature of an agreement between Renault, Peugeot, Citroen and the Moroccan Government for the assembly of the LDTs version PC;
- July 2005: Renault is consolidated in the capital of the SOMACA and becomes majority holder by taking over the shares of the State. Assembly and marketing of Logan;
- 2007: First exports of Logan produced in Morocco and intended for the French and Spanish markets: 5000 Logan.

The heavy-duty trucks market amounts to 7000 vehicles per annum. The assembly of these vehicles is carried out in 7 assembly units. The existing brands are: Volvo, Mitsubishi, Scania, AVI IVECO, DAF, Mercedes, Isuzu...


In 2005, a convention was signed between the Indian group Tata Motors and the Moroccan Government to build a factory for the production of buses and intercity buses. This unit is expected to produce 2500 vehicles per annum with a total investment of 20,25 million Euros.

The bodysHELLS and trailers market is a very narrow market because of the weakness of the production.

Moreover, it is very fragmented and includes 34 heterogeneous production lines, that is to say 10 structured industrial bodysHELL-manufacturers and the remainder is composed of very artisanal productions.

The main actors are: SEFAMAR, MECOMAR, Bennes Marrel Maroc, Europa Bennes and SI MOUN. The major recipient countries are Spain, Egypt, France and Germany.

- **Projects underway:**

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- **Extending the capacity of Somaca in 2008 :**

This project consists in extending the capacity of the SOMACA from 60 000 vehicles to 100 000 vehicles. This extension will enable the assembly of Logan and Kangoo vehicles at their end-of-life cycle, intended for export in particular to Europe.

The current rate of integration for the Logan is around 35%.

- **The Renault Nissan Alliance Project in Tangier:**

This project is about the establishment of a huge industrial complex car manufacturing, in the new industrial free area of Melloussa, appended to the Tangier Med port and part of the special Tangier-Mediterranean development area.

The total amount of investment of the project is a billion Euros distributed between 600 million Euros of capacity investment and approximately 400 million Euros of specific investment.

This industrial complex of 280 ha will be equipped to produce 400.000 vehicles per annum making it one of the largest centers of car production in the Mediterranean basin.

The project of establishment will be carried out in two phases: the first phase, with an output of 200 000 vehicles, will be operational at the latest on December 31st, 2011; while the second phase, with a total output of 400 000 vehicles, will be operational at the latest on December 31st, 2014.

The production of this site is intended for international markets, knowing that 90% of the production is intended for export with a total amount of 4 billion Euros. This site of production will manufacture the Logan vehicles and by-products as well as the Kangoo and the latest generation of Nissan's commercial vehicles.


In this project, the targeted rate of local integration is 60%. Thus, the equipment suppliers accompanying the Renault Nissan Alliance are expected to achieve an investment estimated at 1 billion Euros.

This project will contribute to the creation of 6 000 direct jobs and 30 000 indirect jobs, created mainly by the establishment of the equipment suppliers accompanying the Renault Nissan Alliance.

### **I-3-3- Equipment suppliers:**

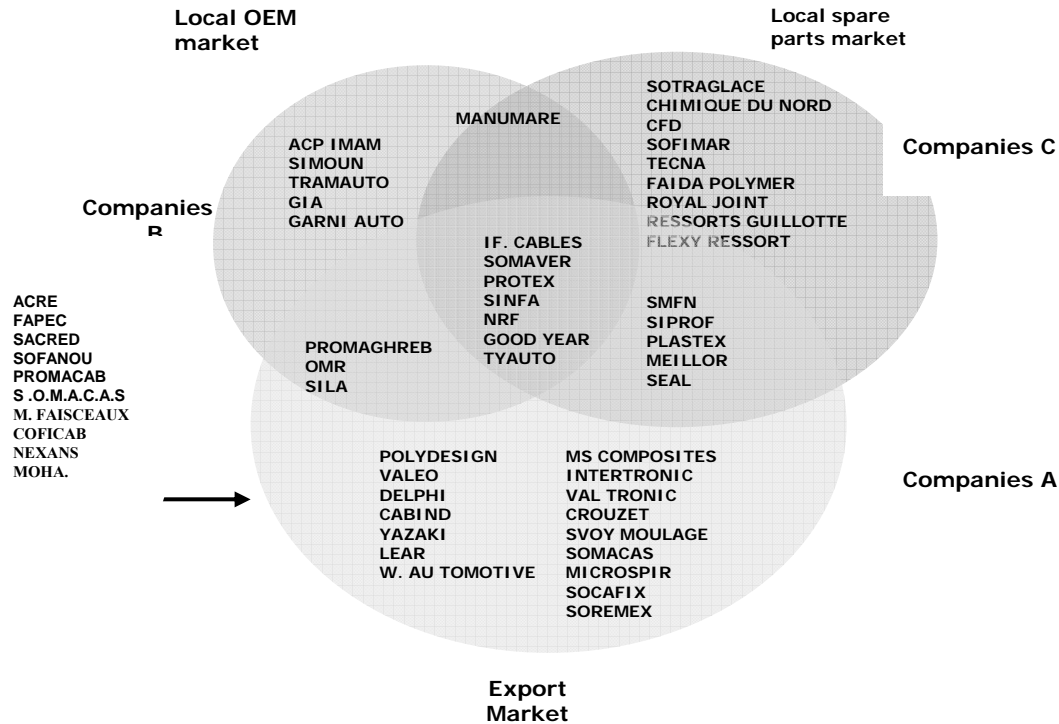
- **Actors and positioning :**

In Morocco there are three categories of companies, as demonstrated by the study of the existing fabric.

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- **Companies A:** These are companies turned towards the **European and international markets** having an industrial tool comparable to their European counterparts and working with significant volumes on a limited number of products and technologies. They are generally bonded in capitalist terms to first rank developer partners. Wiring illustrates this industry very well but other products are - or will be - involved. The targeted markets can be the OEM as much as the spare parts markets.
  
- **Companies B:** These are **average size companies but technically developed**. They have a flexible industrial instrument directed towards the local OEM and spare parts market as well as towards European market niches such as the independent spare parts industry, or sometimes the manufacturer spare parts. Technologies used are generally of the "mature" type, which enables them to profit fully from opportunities of delocalization and concentration of products considered as end-of-life but having in fact of many years ahead. They meet the required quality criteria and currently reflect on the next stages of their development. They can conclude trade and technological agreements with foreign partners, but wish to consolidate their situation before considering other types of cooperation.  
This type of companies includes manufacturers of brake pads and brake linings, textile and seats, filters, radiators, glazing and plastic parts. Shock absorbers can be included in this category although historically the companies operating in this field did not develop for various reasons.
  
- **Companies C:** These are companies of modest size focused on the local or regional market. Their technologies are mature and sometimes obsolete. They do not necessarily meet the required criteria of excellence. Their investments are generally quite low, but their profitability can sometimes be good.

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The manufacture of car equipment in Morocco integrates the braking units, suspension, steering, transmission, axles, wheels, the radiators, plastic components, precision machining, etc. It includes about fifty companies, the most significant of which are SINFA, NRF, Siprof, Plastex, Ifriquia Plastic, Promaghreb, Africa Câbles, Nexans Morocco...

In addition to these branches, there is also the manufacture of material for engines, vehicles and other electric materials: lighting or starter electric devices, windscreen wipers, lighting harnesses and other wire sets for vehicles.

A score of companies of international fame are present in Morocco today: Yazaki, Volkswagen, Lear Automotive, Delphi, Maroc Aviation, Acre, Cabelec, Cabind, Sumitomo, Cablea, CFCA, Valeo, Matis Aerospace, Maroc Faisceaux, Polydesign, Sun viauto, Sacred...

Besides, other companies are also subcontracting with multinational firms established in Morocco: Fapec, Itissal, Capauto, Cica, Telerans, Coficab...

**Out of the 100 equipment suppliers listed in Morocco, ten companies are OEM suppliers up on behalf of SOMACA. It is worth mentioning that Logan integrates more than 35% of value added at the local and regional level; 5% comes from Tunisian equipment suppliers.**

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### **I-3-4- The products:**

#### **A production centered on 9 families of equipments:**

- Cables and wiring harnesses;
- Engine parts (filters, radiators, clutches, joints...);
- Electronics, Electrics (batteries, connectors...);
- Steel frames (braking, exhaust, springs...);
- Bodyshells (glazing...);
- Passenger cell (Inside cover, textile, seats, safety...);
- Plastic processing (Bumper, instrument panels, hub caps...);
- Rubber (insulation, silent bloc...);
- Metal parts (foundry parts, flanging...);
- Paints and lubricants.

#### **Cross-cutting technologies**

- **Plastics processing** : In progression despite the need for innovation and conformity to the requirements of the clients;
- **Metal processing** : Raw material shortage;
- **Textile (seats)** : Decline subsequent to the end of the multi-fiber agreements, but a rebound in 2006 owing to the repositioning of the branch;
- **Electronics**: One of the pillars of the Emergence strategy; it is affected by the high cost of production factors.

- **Strong growth of the equipment industry in Morocco stimulated by the starting of Logan and by the exports of wiring.**
- **Nevertheless, the contribution of the wiring activity remains dominant (70% of the production)**
- **Growing cross-cutting technologies, namely as regards plastic processing and textile.**

### **I-3-5- Free Trade Agreement and policy of support for export and investment:**

Since its entry into effect on January the 1st in 2005, the Arab free trade area sets a total elimination of customs duties among the countries signatories of the Agreement.

Morocco finally concluded several conventions for the opening of trade with the United States, the United Arab Emirates, Turkey and the European Free Trade Association.

The investments achieved sustained growth owing to the establishment of new 1st rank equipment suppliers that have been supported by the Hassan II funds intended to promote investment in the sector. These funds support the expenses of acquisition of land and buildings respectively of a total value of 30% and 50% of their costs.

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Morocco is therefore capable to offer to the equipment suppliers a competitive platform so as to supply the international markets in general, and European markets in particular, despite the expensiveness of the energy bill and the high cost of transportation to accompany export-oriented investments.

The export-oriented transactions are exonerated from corporate taxes during the first 5 years of exploitation, and then the exemption is 50%.

#### **I-4- Major strengths and weaknesses:**

##### **Strengths:**

- Geographical Position and logistics facilities with Europe;
- Renault Tangier Project;
- Tangier-MED Platform;
- Quality and cost of labor;
- Flexibility;
- An increased number of companies meeting the criteria of excellence;
- Evolution to globalization in progress;
- Commitment of the Government to the upgrading of the sector.

##### **Weaknesses:**

- Hard Currency;
- Technological delay;
- Insufficient and not targeted enough Investment;
- Fragmentation of productions;
- Incompatibility of small and large volumes at the industrial level;
- Tendency to concentrate on short-term captive markets with significant margins;
- Not always proven competitiveness;
- Low R&D capacity;
- Reserve to conclude partnerships.

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## II – TUNISIA

### II-1- Data sheet:

Demand	Tunisia	Agadir Countries	In % of countries of the area
Car fleet (millions)	1,2	7,2	17%
Average Car fleet age (years)	15	16	-
Car ownership level	120	57	-
PCs (millions)	0,7	5,2	13%
CVs+HDTs (millions)	0,5	2,0	25%
NVs sales (thousands)	50	382	13%
<b>Supply</b>			
Nber of assembly units	4	28	14%
Personnel	1 350	21 150	6%
Production (units)	3 400	122 900	3%
Production (million Euros)	120	1 770	7%
Number of equipment suppliers	200	417	48%
Personnel	43 500	101 300	43%
Production (million Euros)	1 100	2 310	48%
Exports (million Euros)	680	1 536	44%

### II-2- Analysis of domestic demand:

#### II-2-1- Market size:

The Tunisian automotive market is relatively limited, mainly because of the small size of the country: 10 million inhabitants for 165 000 km<sup>2</sup>.

In 2006, the number of vehicles composing the Tunisian car fleet amounted to 1 205 000 including 700 000 passenger cars. The average annual growth rate of the car fleet is 4,76% over the period 2000-2006.

	2000	2001	2002	2003	2004	2005	2006	AAGR
<b>Number of vehicles</b>	911 540	956 540	1 002 934	1 044 072	1 089 620	1 147 360	1 205 099	4,76%

Source : General Direction of land Transportation

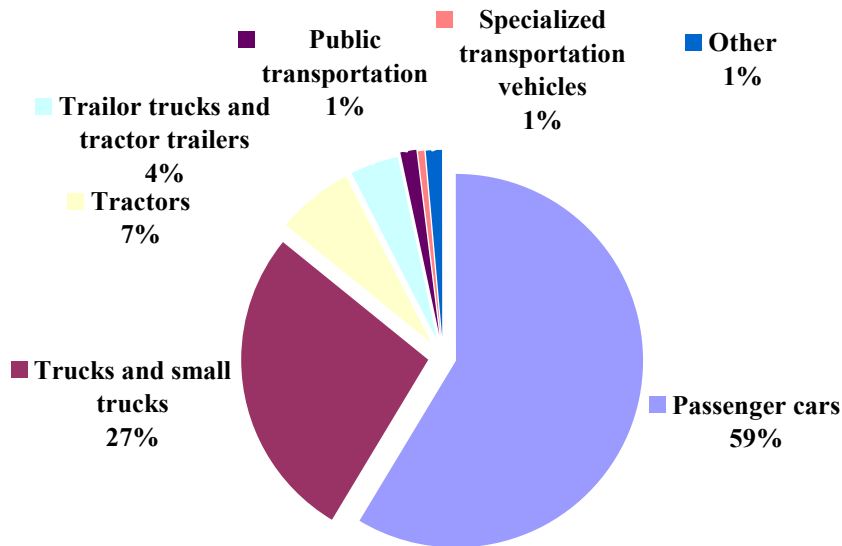
The car ownership in Tunisia in 2006 is of 125 vehicles for 1000 inhabitants and constitutes the highest car ownership rate in the Agadir area countries.

The age of the Tunisian car fleet is 15 years.

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### II-2-2- Structure of the car fleet:

The structure of the Tunisian car fleet is as follows:



Thus, the car fleet is primarily composed of passenger cars, trucks and vans.

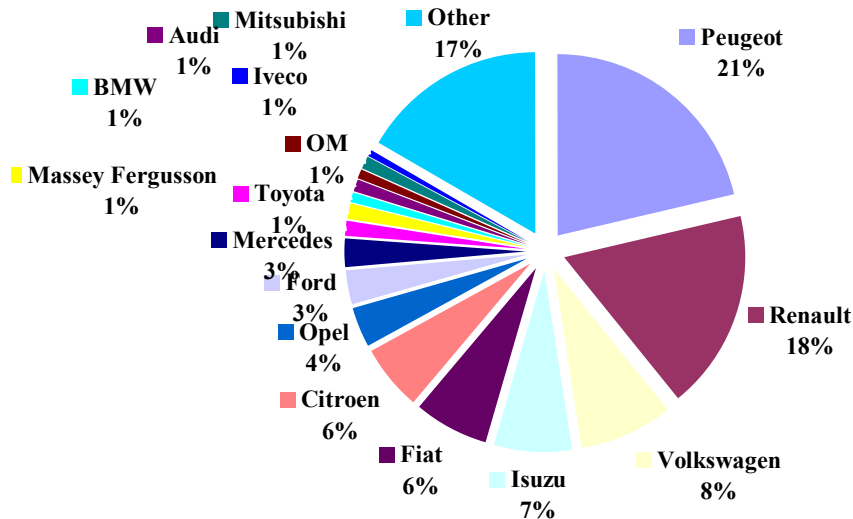
### II-2-3- Marketed brands:

On the market of passenger cars and light utilities, the French brands Peugeot and Renault are ranked first and second with respectively 21% and 18% of market shares. The German group Volkswagen is ranked third with 8% of market shares, preceding FIAT, Isuzu, Citroen and Opel.

With the exception of the Japanese group Isuzu, Asian manufacturers are still in withdrawal on the Tunisian market.

The models that are most present in Tunisia are the CLIO for Renault and the 206 and Partner for Peugeot. The automotive market is still in its takeoff phase, where the price aspect prevails.

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The structure of the Tunisian car fleet in 2007 is very fragmented, and many brands are present on the market. However, Peugeot is prevailing with 21% of market shares, followed by Renault and Volkswagen. The French brands represent more than 45% of market shares in 2006.

The remaining 17% represent other brands that are present on the Tunisian market but constitute less than 1% of market shares each. They include tractors as well as buses or farming devices PW vehicles which are included in the calculation of the car fleet.

#### II-2-4- Distribution channels:

- **The distribution channels of the vehicles:**

6 exclusive importing dealers distribute all the brands present on the Tunisian market.

The major manufacturers are not necessarily shareholders of the company in charge of the distribution of their products in Tunisia, but they collaborate closely with the distributors in order to develop their market share.

Most of them have a network ranging from ten to about thirty agents and branches, distributed all over the entire Tunisian territory. Some of them are only sale points, the after sales service being carried out by the dealership. Each year, the status of dealer is subjected to an approval delivered by the Ministry of Trade.

Concurrently to this distribution network, a market has been created in parallel with that of the approved dealers; that is the market of CRE (Change of Residence Exemption) which is supplied by the vehicles of Tunisian expatriates. However, the outspoken will of the Tunisian State is to limit its weight in the sector.

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- **The distribution channel of spare parts:**

The spare parts market is a very competitive market which is not subject to a strict regulation, contrary to the vehicles market.

The great majority of car spare parts (70% of the references) is free for importation and accounts for approximately 90% of the total sales turnover of the sector. In addition to the dealers, there is more or less a significant number of independent retailers. The counterfeit of car parts (coming from Asia) is one of the recurring problems of this sector. The number of importers is estimated at a hundred, supplying more than 1500 distributors and some 8000 mechanics. The market share of the approved dealers in the sale of spare parts is estimated at 30%.

#### II-2-5- Regulation and operation of the domestic market:

In 1987, the Tunisian authorities decided to stop the assembly of light-duty vehicles to direct itself towards the development of an industry of components and equipment. The modification of the investment law in August 1987 has therefore put an end to the productions of passenger cars in Tunisia.

There are no customs duties, to be strictly accurate, on the quotas of light-duty vehicles. However, consumer taxes are applied to them. Those taxes increase according to the power of the car, as well as a 10% VAT.

Consumption tax on gasoline passenger cars		Consumption tax on diesel passenger cars	
Engine size (cm3)	Rate	Engine size (cm3)	Rate
<1300	16%	<1700	38%
1300-1500	30%	1700-1900	40%
1500-1700	38%	1900-2100	55%
1700-2000	52%	2100-2300	63%
2000-2200	100%	2300-2500	70%
2200-2300	120%	2500-2700	150%
2300-2400	140%	2700-2800	160%
>2400	155%	>2800	190%

Source : Tunisia's ME

The consumer taxes are lower on the small-engined cars.

Any quota-free importation undergoes customs duties that increase according to the category of the vehicle and a VAT of 18%, and even higher in case of luxury vehicles.

And finally, a special system exists for Tunisian expatriates. Those latter can profit, only once in a lifetime, from:

- A total exemption from taxes and duties, subject to a provision of unlimited non transferability;

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- Or a partial exemption with the possibility of transfer in counterpart for the payment of 25% of the duties and taxes due for the vehicles whose engine size does not exceed 2000cm<sup>3</sup> for gasoline engines and 2500cm<sup>3</sup> for diesel engines;
- Or a partial exemption with the possibility of transfer in counterpart for the payment of 50% of the duties and taxes due for the vehicles whose engine size is higher than 2000cm<sup>3</sup> for gasoline engines and 2500cm<sup>3</sup> for diesel engines.

### A restricted domestic market

#### II-3- Analysis of the supply in Tunisia:

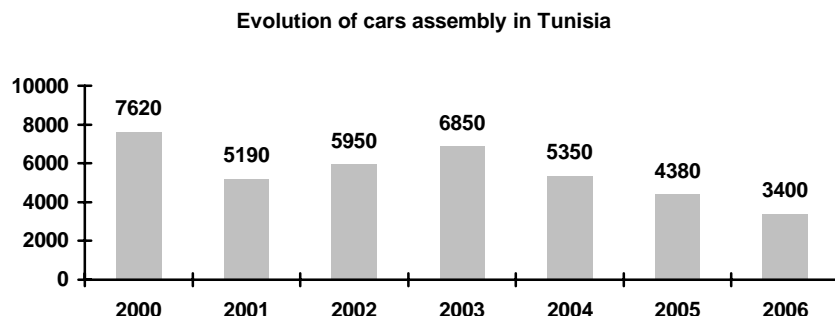
The perimeter of this study includes 3 branches which are:

- The assembly of industrial vehicles. Indeed, since 1987 and the modification of the Investment Law, the local production of passenger cars ended on the Tunisian territory. There remain nevertheless, a few assembly units of commercial vehicles and public transport vehicles (buses and intercity buses).
- The branch of mechanical components and their accessories: highly centered on bearing and suspension units, engine-related parts and exhaust parts, the branch of mechanical car components and their accessories has been starting to diversify during the last five years in such a way as to integrate non-metal materials parts and components, such as plastic and by-products: mudguards, bumpers, polycarbonate light units etc.
- And finally, we include within the perimeter of this study, the electric branch of cables and wiring harnesses.

##### II-3-1- Assembly of motor vehicles:

There are **4 assembly companies** in Tunisia. They mainly assemble trucks, vans and buses. Assembly industries employ 1350 people.

In 2006, 3400 vehicles were assembled, with a sales turnover of approximately 114 million Euros; that is 200 million Tunisian Dinars.

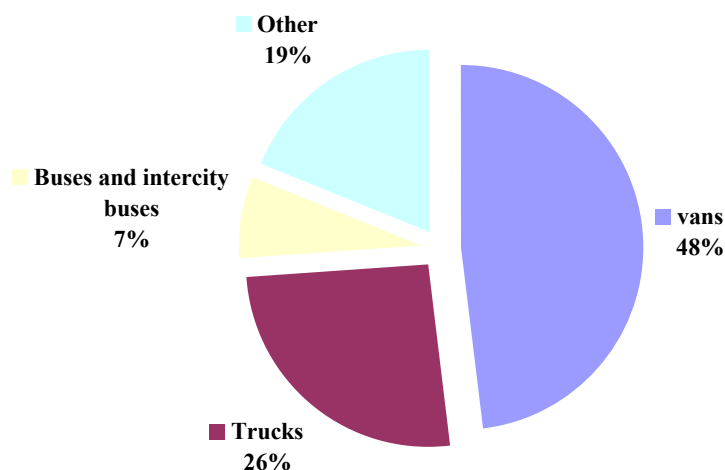


With 3400 produced units, Tunisia is not competitive enough nor productive to export. The vehicles manufactured are primarily intended for the domestic market.

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In 2004, vans represent the majority share of the production with 48% of the vehicles produced in Tunisia.

#### Distribution of assembled vehicles in 2004



4 assembly companies assemble industrial vehicles intended for the local market:

- SETCAR assembles buses and intercity buses for Volvo.
- STIA: assembly of heavy-duty vehicles in partnership with IVECO and SCANIA and vehicles for Renault Trucks.
- Three manufacturers own pickup assembly lines: ISUZU, FORD, MITSUBISHI.

#### **STIA :**

- Since its foundation in 1961, the company went through 3 major development phases:
- From 1964 to 1973, the assembly of intercity buses and urban buses was made out of imported components, and therefore, it was of not fairly producing value added;
- From 1974 to 1986, the production of bodyshells came to supplement local industry. Finally since 1987, the STIA started to produce its own bodyshells, thus fitting in the niche of manufacturing bodyshells for luxury intercity buses;
- Since 1998, the STIA contracted partnerships of assembly and manufacture of travelling frames or car components with four world manufacturers: IVECO, RVI, IKARUS and Mercedes;
- In 1998, STIA committed itself to modernize its production tool and to carry out an upgrading, within the framework of the national upgrading program. This modernization lies within the scope of the Pan-Euro-Mediterranean agreement signed with the UE, which provides for a tariff phasing out over 12 years. Thus, STIA tried to adapt to the requirements of the European clients and finally obtained an ISO 9001 certification version 2000.

ISUZU is the leader in terms of market share on the Tunisian territory. These vehicles are particularly well adapted to the local needs (in particular intended for the transport of agricultural produce).

The only manufacturer having an independent assembly line in Tunisia is the Japanese firm Daihatsu, which assembles pickup in a restricted number. All these locally assembled commercial and semi-

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heavy vehicles are intended to supply the Tunisian market; and the non sold off surplus in the country is exported in the Euro-Mediterranean area, particularly Isuzu buses or trucks to Algeria.

The assembly of vehicles in Tunisia did not achieve a great rise. This activity remained marginal. Tariff and customs protection of the Tunisian market of commercial vehicles and buses and intercity buses has nevertheless supported the creation of these interior designers and allowed the technology transfer from manufacturers.

### II-3-2- Equipment suppliers:

Tunisia made the choice to become a manufacturing low cost center. Its geographical proximity with Europe and the cost of the production factors/Rentability ratio, favorable to Tunisia supported the rise of this industrial export sector.

In 2006, the branch of car components consists of 200 companies (including 126 exporting companies) that employ 43 523 workers. Thus, in 6 years, the number of companies operating in the sector evolved from 124 to 200 companies, while the total staff evolved from 16 000 to 43 000 wagers.

Activities	Nber of companies	workers
Cables and wiring harnesses	48	22 422
Other electrical components	33	7 077
Tires and rubber and plastic art	34	3 412
Accessories	25	5 511
Steel frame and bodyshell	13	1 514
Transmissions and gears	13	645
Paints et lubricants	10	739
Other	24	2 203
<b>Total</b>	<b>200</b>	<b>43 523</b>

In parallel, the production of the branch achieved a notable progression of its production from 450 million Euros to 1032 million Euros, over the period extending from 2000 to 2006, at an annual growth rate of 15%.

The branch of equipment and components includes three sub-branches:

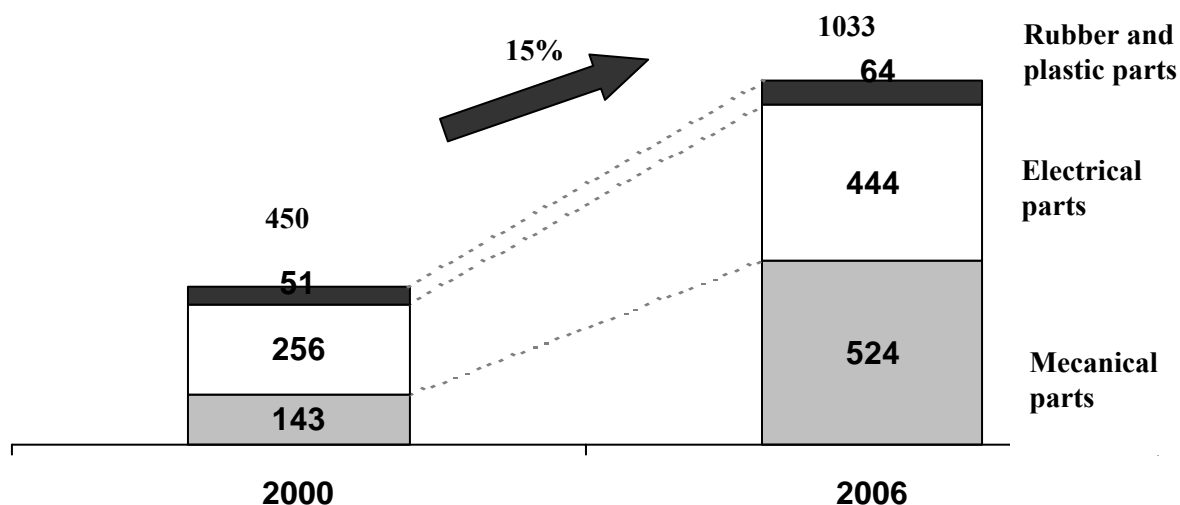
- The activity of production of mechanical parts;
- The activity of production of electric parts intended for the car industry;
- And finally the activity of rubber parts.

The activity of production of the mechanical parts have recorded spectacular strides with an average annual growth of 24% per annum representing in 2006 more than 50% of the total production of car components against 32% in 2000, thus surpassing the electric parts activity, traditionally majority.

Production in M Euros	2000	%	2006	%	AAGR
Mechanical parts	143	32%	524	51%	24%
Electrical parts	256	57%	444	43%	10%
Rubber parts	51	11%	64	6%	4%
<b>Total</b>	<b>450</b>	<b>100%</b>	<b>1 033</b>	<b>100%</b>	<b>15%</b>

Source : API & MDCI

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### II-3-3- Products:

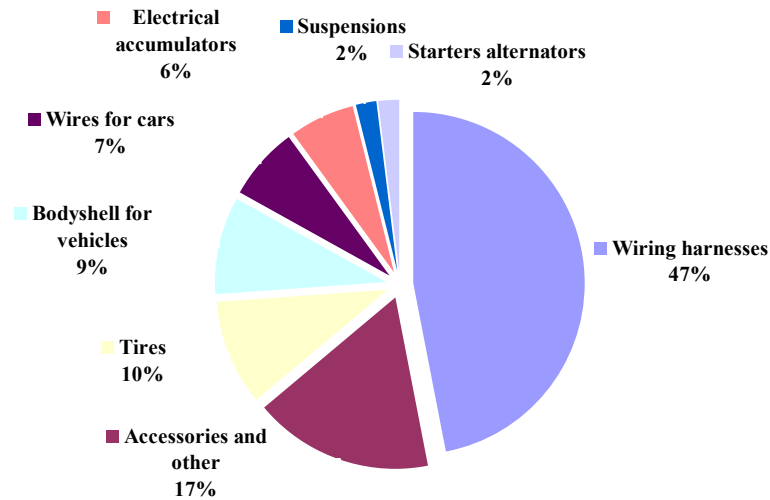
- A production centered on 10 families of equipments :

The Tunisian supply in terms of components and equipments is centered on 10 families of equipment in three Sub-branches.

Family	Products
<b>Electrical Sub-branch</b>	
<b>Wires, cables and wiring harnesses</b>	Wires, cables and wiring harnesses
<b>Other components and electrical systems for cars</b>	Optical units, lamps, batteries, switch, connectors, ignition plug, Electronic cards, loudspeakers, cigar lighter, switches, etc.
<b>Mechanical Sub-branch</b>	
<b>Accessories</b>	Seat covers, leather cover for steering wheel, gear lever boots and handbrake, seats, lock assembly, instrument panel, seat belts, airbags, locking straps, etc.
<b>Steel frame and bodyshell</b>	<b>Windscreens, bumpers, mudguards, bonnets, tanks, radiators...</b>
<b>Exhausts and boxes</b>	Mufflers, exhaust pipes...
<b>Engines and engine parts</b>	Valves, pumps, filters, joints, engine steering...
<b>Suspension and brakes</b>	Shock absorbers, laminated springs, wire springs, brake pads...
<b>Transmissions and Trains</b>	Remote control cables, steering racks, cardans (renovation)...
<b>Paint et Lubricants</b>	Oil, grease, paint...
<b>Rubber items Sub-branch</b>	
<b>Wheels, tires and rubber items</b>	wheel rims, tires, silent blocs, weatherstrips, inner tubes ...

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- **Distribution of the production in 2006 :**



- **Mechanical parts production activity:**

The mechanical car components branch achieved a considerable and sustained growth these last six years. The average annual growth rate is 24%. In 2006, the production reached 524 Million Euros, thus outrunning the electrical branch.

- **The activity of production of electric parts intended for the car industry:**

Tunisia belongs to the first ten suppliers of the European Union in terms of cables and wiring harnesses. At a world level, its market share is 2,2%. Practically all suppliers of cables and wiring harnesses operate in Tunisia.

With 81 entirely exports-based companies, and employing 29 500 worker, this activity is prevalent in Tunisia. The main customers of Tunisia are: Germany, France and Italy, which represents more than 90% of exports of this branch.

- **Exports:**

The Tunisian components and car equipment industry is resolutely turned to export. Indeed, the number of entirely exports-based companies amounts to 126 companies; thus accounting for 63% of the companies operating in the sector and employ 86% of the workforce in the industry. The number of exporting companies has increased from 33 in 1999 to 126 in 2006, and the number of jobs has increased from 11 200 in 1999 to 37 500 in 2006.

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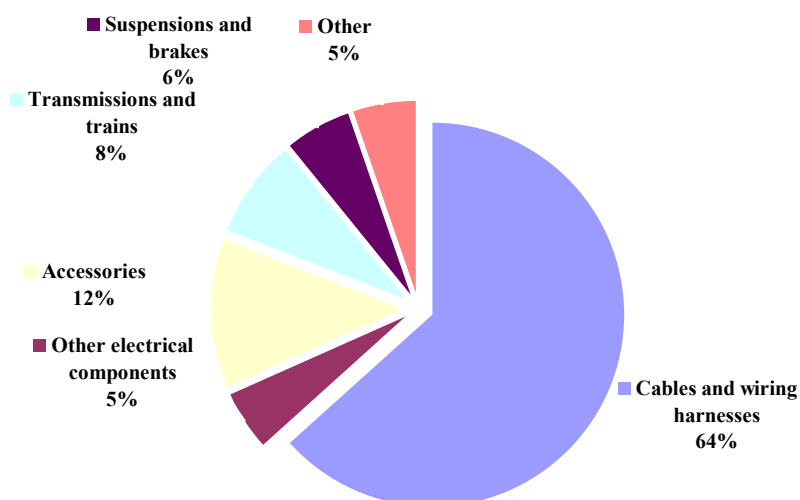
	Products families	Total Nbr	IEB * Nbr	% IEB in terms of Sectors	Total jobs	Jobs of the IEB	% TE in terms of Sectors	Exports MEuros	Exported products
1	Cables et and wiring harnesses	48	47	98%	22 422	22 377	100%	410	63%
2	Accessories	25	21	84%	5 511	5 388	98%	80	12%
3	Other components Electrics	33	25	76%	7 077	6 117	86%	33	5%
4	Frame and bodyshell	13	5	38%	1 514	1 050	69%	11	2%
5	Transmissions and trains	13	4	31%	645	412	64%	54	8%
6	Suspensions et brakes	10	3	30%	894	413	46%	36	6%
7	Tires and rubber and plastics items	34	17	50%	3 412	1 388	41%	11	2%
8	Engines and engine part	9	4	44%	1 190	320	27%	11	2%
9	Paints and lubricants	10	0	0%	739	-	0%	-	0%
10	Other	5	0	0%	119	-	0%	-	0%
<b>Total</b>		<b>200</b>	<b>126</b>	<b>63%</b>	<b>43 523</b>	<b>37 465</b>		<b>649</b>	<b>100%</b>


\*IEB: Entirely exports-based

Thus, the branch which witnessed a deficit in the 90s is in surplus today, with a cover rate of the imports by exports reaching 116% in 2000 and 152% in 2006. In 2006, Tunisia's exports of car parts and car components amounted 650 million Euros.

The average annual growth of exports is 19% between 1998 and 2003 and it is 13% from 2000 to 2006. Thus, they moved from 203,85 million Euros to **459,99 Million Euros** in 2003, to reach ultimately 650 Million Euros.

The major exported products are:



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The major recipient countries of Tunisian exports are France with 39%, Germany 23%, Italy 15% and Spain 7%.

Currently, 10 to 15% of the Tunisian production is intended for the OEM as original spare parts and the remainder as spare parts of the after sales service.

### **Upgrading and certifications of components supply companies:**

This development of the Tunisian car equipment and components industry in terms of production and exports was made possible thanks to the upgrading of companies. Indeed, the branch was structured in order to become in line with the standards of quality of the European customers and to position itself as a manufacturing center for Europe.

Thus, the number of companies approved within the framework of the upgrading program reached 70 companies in 2006, that is 35% of the files against 25 files in 1999 or 20% of the files. In addition, 76 Tunisian companies among the 200 companies of the branch are certified either ISO 9001, ISO 14001 or TS 16949, while there were only 33 certified companies out of 124 in 1999.

Indicators	Situation in 1999	Situation in 2006
Total Nb of firms	124 firms including 33 TE	200 firms including 126 TE
Upgrading	25 approved applications (20%)	70 approved applications (35%)
Certifications ISO 9001, 14001, TS 16949	20	76

Source : API et BMN

The following table sums up Tunisia's foreign trade transactions:

Products family	Exports MEuros	Exported products	Imports MEuros	Imported products
Cables et and wiring harnesses	4 10,14	63%	140,79	33%
Accessories	80,32	12%	45,60	11%
Other components Electrics	33,61	5%	33,06	8%
Frame and bodyshell	11,34	2%	49,59	12%
Transmissions and trains	54,12	8%	38,76	9%
Engines and engine parts	11,15	2%	97,47	23%
Suspensions et brakes	36,46	6%		
Tires and rubber and plastics items	11,34	2%	22,23	5%
Paints and lubricants	-	0%		0%
Other	-	0%		0%
<b>Total</b>	<b>648,48</b>	<b>100%</b>	<b>427,50</b>	<b>100%</b>

- **Important growth and constant dynamism of the Tunisian equipments industry during the last 6 years**
- **An exports driven growth**
- **135 companies out of 200 equipment companies are joint-ventures**

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## II-4- Major strengths and weaknesses:

### Strengths:

- Proximity of Europe;
- modernized production tool;
- Conformity with international standards;
- Voluntarist trade action in terms of export;
- Capacity of adaptation to the new markets;
- Competitiveness of the workforce;
- favorable institutional Environment providing support to the sector;
- Monetary policy favorable to exports.

### Weaknesses:

- limited Activity of the assembly lines;
- Limited size companies (except the sector of cables);  
Too much diversification in terms of ATE \*;
- Technological Delay of the ATE \*;
- Competitiveness not always proven ;
- Problems of training (exploitation of methods and tools);

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### III – EGYPT

#### III-1- Data sheet:

Demand	Egypt	Agadir countries	In % of countries of the area
Car fleet (millions)	3,2	7,2	44%
Average age of the car fleet (years)	20	16	-
Car ownership rate	41	57	-
PCs (millions)	2,4	5,2	46%
CVs+HDTs(millions)	0,8	2,0	40%
NVs sales (thousands)	172	382	45%
Supply			
Nber of assembly units	16	28	57%
Workforce	17 000	21 150	80%
Production (units)	89 000	122 900	72%
Production (million Euros)	1200	1 770	68%
Number of equipment suppliers	93	417	22%
Workforce	27 000	101 300	27%
Production (million Euros)	350	2 310	15%
Exports (million Euros)	150	1 536	10%

#### III-2- Analysis of domestic demand:

##### III-2-1- Market size:

The Egyptian automobile market counts 79 million inhabitants and thus conceals an unquestionable potential. However, the demand is slowed down by the low income per capita.

In 2006, the number of vehicles composing the Egyptian car fleet reached 3.223.260 vehicles in circulation.

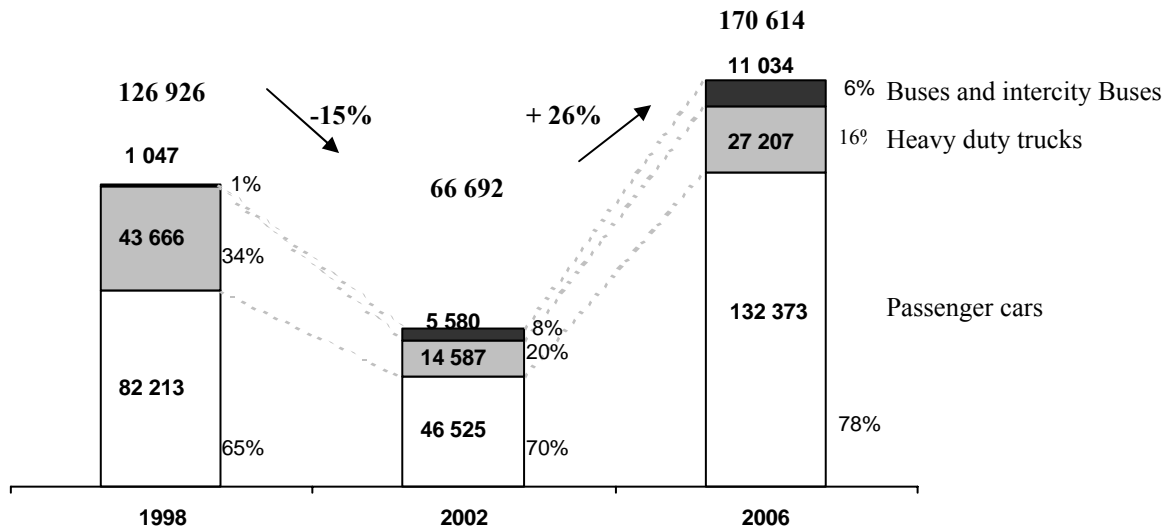
Units	2002	2003	2004	2005	2006	TCAM
Passenger cars	2 023 725	2 043 404	2 101 974	2 224 461	2 398 856	4%
Buses	60 181	65 750	71 804	75 968	83 118	8%
Heavy-duty trucks	628 905	660 144	678 038	700 714	741 286	4%
<b>Car fleet</b>	<b>2 712 811</b>	<b>2 769 298</b>	<b>2 851 816</b>	<b>3 001 143</b>	<b>3 223 260</b>	<b>4%</b>

The Egyptian car fleet grows at a weak average rhythm of 4% over the 4 last years, and the car ownership is the weakest among the Agadir countries, since it amounts 40 vehicles for 1000 inhabitants.

Indeed, in an economic situation of deceleration and depreciation of the Egyptian Pound, volumes of sales dropped considerably between 1998 and 2002. Since 2003, the automobile market achieved a significant rebound. In 1998, the total of the sales had reached 127 000 units against 66 000 in 2002 and 73 000 units in 2003.

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In 2006, the volume of sales of new vehicles reached 170 614 units against 121 437 in 2005, that is to say a growth of 40%.



In 2006, the sales of new vehicles are distributed on the following segments:

- The sales of passenger cars account for 78% of the total of the sales of motor vehicles;
- The sales of heavy-duty trucks account for 16% of the total of the sales of motor vehicles;
- And finally, buses and intercity buses represent 6% of the total of the sales of new vehicles.

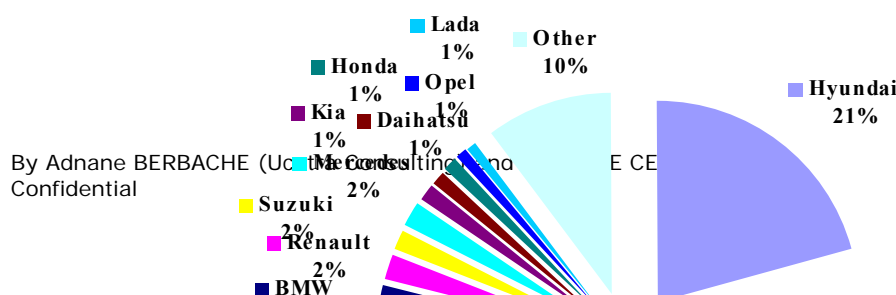
The sales coming from the local assembly account for 52% of the total sales of vehicles. However, it is worth mentioning that this growth is lower than that of the sales of imported vehicles. Indeed, the share of the CBU increases from 33% of the total of the sales in 2002 to 48% of the sales in 2006.

This evolution is explained by the low elasticity in the prices of the segments of high purchasing power customers, who prefer to acquire imported vehicles, considered of higher quality than the national production.

	2 002	Share	2 006	Share
CKD	44 430	67%	88 791	52%
CBU	22 262	33%	81 823	48%
<b>TOTAL</b>	<b>66 692</b>	<b>100%</b>	<b>170 614</b>	<b>100%</b>

### III-2-2- Marketed brands:

The Egyptian automobile market is very competitive. More than 30 brands are present locally, built on the country's potential in the medium and long term.



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The most sold passenger cars brands are Asian trademarks Hyundai, Daewoo, Toyota and Mitsubishi, which represent more than 55% of the sold brands.

Toyota and Mitsubishi do not produce locally, they are only importers, while Hyundai and Daewoo produce most of their sales in Egypt.

As regards the heavy-duty trucks, Chevrolet ranks first with 67% of market shares, Toyota represents 10%, Nissan 10% and Mitsubishi 7%.

As for buses and intercity buses, Toyota represents 34%, Suzuki 14% and Hashim Bus 13%.

### **III-2-3- The spare parts market:**

The volume of the Egyptian spare parts market (replacement primarily) is estimated at 500 M USD per annum, comprising the parts intended for local assembly and the after-sales services. It is a very dynamic market, due to the aging car fleet. Indeed, the average age of the car fleet is estimated at 20 years.

### **III-2-4- Distribution channels:**

- **Vehicles:**

With respect to the distribution of vehicles, a great number of distributors and car brands are active on the Egyptian market. They are integrated, in their majority, into the assemblers.

- **Spare parts:**

The distribution of spare parts is divided between a very structured sector and a parallel sector of importation of adaptable or used parts. Import duties range between 10 and 40% depending on the products. The consumption of spare parts is supported by the old age of the Egyptian car fleet 20ans.

### **III-2-5- Regulation and operation of the domestic market:**

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In 1973, Egypt has opened its automobile market to imports. But these latter remained very framed by quotas so that the only local assembler of VP, NASCO is ensured to run out the integrality of its production.

In 1993, the prohibition to import complete vehicles was raised, the market opened and the authorities encouraged foreign assemblers to install lines of production in Egypt.

Customs taxation on imported vehicles is, however, still very high, and increases along with the cubic capacity of the vehicle. They vary from 10 to 135% according to the type of use of the vehicle and its cubic capacity. If one adds the inland duties, the total taxation on the purchase of vehicles lies between 30 and 184%.

In 2004, a change in customs tariffs pertaining to the imported vehicles (CBU) has taken place in the direction of a reduction of import duties. Indeed, the customs duties for vehicles whose motorization is lower than 1,6 liters has decreased from 100% to 40%. As regards the other vehicles, the rates were maintained, for the passenger cars whose motorization is higher than 1,6 liters at 135% and for the heavy -duty trucks and light commercial vehicles at 40%.

In this context, the creation of the assembly factories by foreign manufacturers was mainly justified by a strategy of skirting tariff barriers applied to the importation of finished vehicles. However these tariffs should decrease as of 2005 under the terms of the commitments entered into under WTO. Nevertheless, Egypt undertook negotiations to prolong the period of exemption. Also, noteworthy that according to the Association Agreement with the European Union that came into effect on January 1, 2004, the customs duties on the PCs will be liberalized in 2019.

**Table: Taxes on imports and on sales in Egypt**

Capacity of the vehicle	Import duties		Consumption duties	
	CBU	CKD	CBU	CKD
<b>PCs</b>				
Less than 1600 cc	40%	26%	15%	15%
More than 1600 cc et Less than 2000 cc	135%	26%	30%	30%
More than 2000 cc	135%	26%	45%	30%
<b>Buses</b>	40%	Entre 4 à 7%	10%	-
<b>HDT</b>	40%	Entre 8 à 12%	10%	-

Source: KPMG

A Ministerial decree provides for the application of a minimal integration rate of 45% for the assembled passenger cars and of 60% for commercial vehicles.

In order to promote the development of local subcontracting and the significant increase in Egyptian value added, a minimum local integration rate is imposed on assemblers known as CKD. It reaches 45% for the PCs, 60% for the LDVs and 70% for buses and heavy-duty trucks. The customs tariffs on CKD collections are calculated based on those which involve complete vehicles. They profit from a growing rebate with the local integration rate and spread out from 22 to 28% depending on the components.

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Article 6 of decree 39/2007 provides for two options for the reduction of customs duties on CKD components:

- The first option consists of a reduction calculated on all the parts integrated in a vehicle. Indeed, exemptions are applied in favor of CKD vehicles assembly lines. They generally consist of a 10% reduction. When the integration rate is higher than 30%, the reduction applied to the integration rate varies gradually from 110 to 120%.
- The second option consists in the implementation of rates specific to each item in accordance with pre-established lists. The average rate on all the countries amounts then to 6,8%. Certain parts such as engines, gearboxes and bodyshell, can go below 3%.

Percentage of local content	Percentage of customs duties reduction
0%	10% on customs duties applied to CBUs
Between 30% et 40%	110% of the local integration percentage
Between 40% et 60%	115% of the local integration percentage
More than 60%	120% of the local integration percentage while setting a ceiling of 90% of the customs duties applied to CBUs

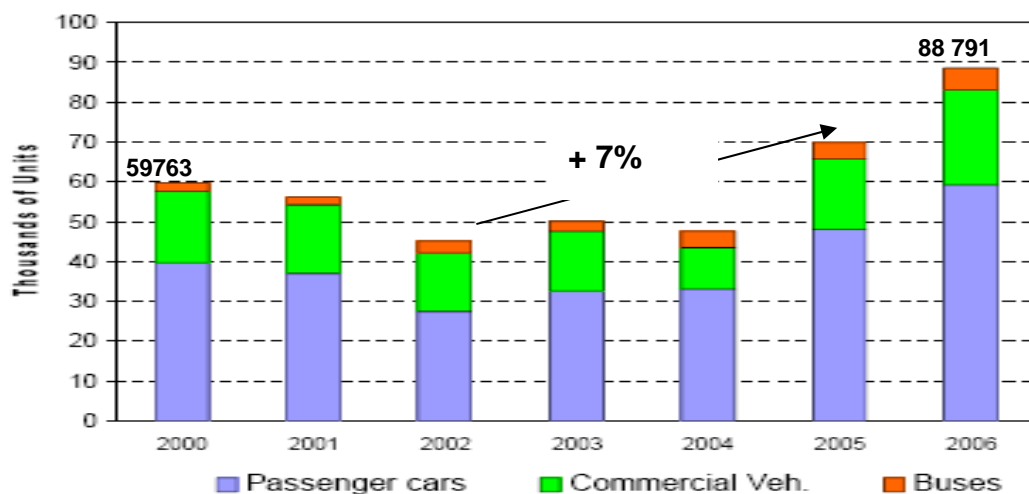
An aid to exports of 10% on the sales paid in to equipment suppliers. This latter is caused to decrease gradually over 5 years.

### A market achieving substantial progression

### III-3- Analysis of the supply in Egypt:

#### III-3-1- Assembly:

In 2006, the production of assembly companies reached approximately 89000 vehicles; that is to say an average growth rate of 7% over the last six years.



In 2006, the assembly supply in Egypt includes 15 assembly companies which have 26 assembly lines: 11 assembly lines for passenger cars, 9 assembly lines of light-duty and heavy-duty commercial vehicles and 6 assembly lines of buses. The assembly branch employs 17000 worker.

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These companies are classified into three categories depending on their structure in terms of capital:

- 8 companies with Egyptian capital only;
- 1 foreign company Nissan;
- And finally, 7 joint-ventures.

Egyptian firms	100% foreign	Joint Ventures
- Automotive Eng Co	- Nissan	- Arab American Vehicles (AAV)/Daimler Chrysler – Jeep
- Bavarian Auto Group		- Daewoo Motor Egypt
- Ghabbour Group		- Egyptian German Automotive
- Gorica Egypt		- General Motors Egypt
- JAC		- Peugeot Egypt
- Lada Egypt		- Suzuki Egypt
- Manuf. Comm. Vehicles		
- Nasr Automotive Manuf Co		

The various assembly lines assemble various and diversified models.

- **Passenger cars and light-duty commercial vehicles:**

With respect to passenger cars, the vehicles assembled in 2006, are summed up in the following table:

PCs in units / make brands	CKD
Hyundai	21 080,00
Daewoo	16 850,00
Tofas	7 198,00
Nissan	4 348,00
BMW	1 640,00
Mercedes	1 232,00
Opel	1 138,00
Lada	1 020,00
Autres	5 062,00
	<b>59 568,00</b>

Thus, eleven assembly lines allow the production of approximately 60000 units per annum; that is 5000 units per assembly line. Thus, the production in Egypt is very fragmented and the utilization ratio of capacities is very weak. Consequently, this surplus of capacity does not allow the achievement of economies of scale, and should impact the cost of the assembled vehicles and the selling price of the vehicles.

This production is mainly intended for the local market insofar as the production cost is high.

- **Heavy-duty trucks:**

9 assembly lines allow the production of approximately 24000 units in 2006, entirely intended for the Egyptian domestic market. Thus the sales of CKDs amounted 24000 units in 2006 and CBUs amounted 3400 units.

- **Buses and intercity buses:**

The local production of intercity buses and buses is ensured by 6 local assembly lines.

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In 2006, the production of buses and intercity buses amounted to more than 5000 units. This production is intended for the local market only, since the sales of CKD buses amounted 5 330 units in 2006 and since the sales of CBU buses amounted 5695 units. In fact, the increase in the domestic demand for intercity buses and buses in 2006, were covered by the imports of CBU and there was no increase in output.

Whereas in 2003, the local production of buses amounted to 2400 units while the total installed capacity is around 5000 units and exports amounted 874 units; i.e. 36% of the total production. 90% of these vehicles were intended for the Gulf countries and Iraq in particular, which accounted for 51% of exports of buses and intercity buses.

### III-3-2- Equipment suppliers:

The production of Egyptian car components is estimated in 2006 at 500 million USD and records a growth of 25% compared to the production in 2005. 75% of this production is intended for the local market; that is 375 million USD. This production is intended to serve the market of local assembly companies and the market of spare parts.

The production intended for export amounts 125 million USD, while the market of spare parts of European origin accounts for 90%.

Thus, the industry of Egyptian car components produces mainly products with low value added and is very labor-consuming. Very little design is carried out in Egyptian industry. The few sophisticated products which are produced in Egypt consist on assembling of imported parts according to specifications established in advance by the customers.

The companies producing car components and spare parts are very dependent on the local market. Contrary to Tunisia, the sector is not exporting much, even if it recorded a favorable progression these last years. Indeed, in 2006, the rate of export is 25% against 13% in 2003.

Moreover, the sector is characterized by its lack of maturity compared to other countries like Turkey, India and China. Foreign investments are practically non-existent on the Egyptian market.

Furthermore, in addition to the strong downstream dependence of the local assembly market, the Egyptian equipment suppliers are strongly dependent upstream on raw materials. Indeed, between 80% and 100% of the components are imported, which affects in a negative way the prices and the productivity of local manufacturers.

In 2006, there are 93 companies of car components members of the trade association EAFA, 25 of which are certified either ISO 9001, 9002, QS 9000 or ISO 14001.

As in the Moroccan market three categories of manufacturers exist on the Egyptian market;

- **Class A companies:** these companies have standards of production which conform to international requirements. 3 or 4 companies can be classified in this category. These companies are mainly subsidiary companies of multinationals with exclusively foreign capital and whose production is intended for export. (e.g.: Leoni)

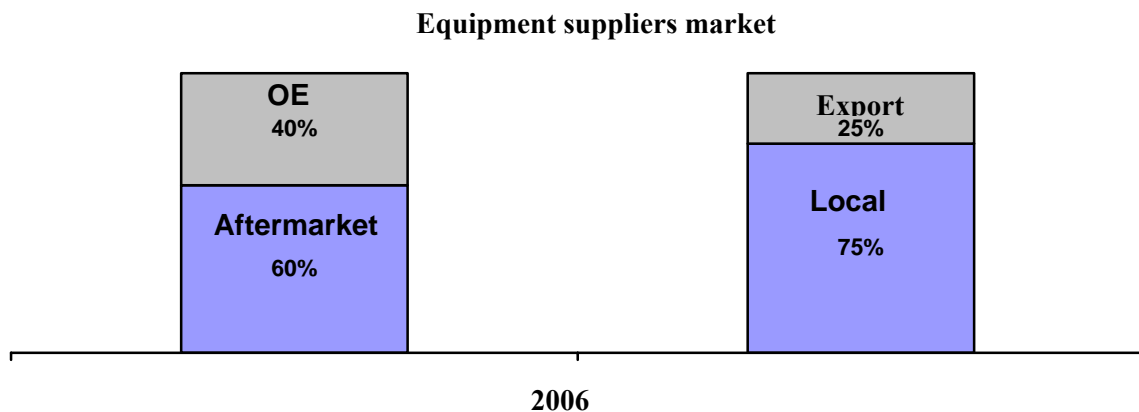
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- **Class B companies:** these companies are leaders in the sector of car components in Egypt. They have assets in terms of techniques of production and management worthy of international standards, through the conclusion of trade agreements with international market makers, such as Auto cool which has concluded agreements with Valeo and Diavia.

Most of them are certified or standardized with international standards. Held by locals, these companies constitute the majority of components companies in Egypt.

However, even if export opportunities exist for these companies, they are not always exporting.

- **Class C companies:** these companies are local manufacturers who sell on the local market. They are not as performing as class B companies and do not export.



### III-3-3- The products:

#### The main parts produced:

- Cables and wiring harnesses;
- Tires ;
- Glass (windcreens, lateral windows, etc.) ;
- Exhaust ;
- Seats (other than braces), foam, covering... ;
- Batteries ;
- Lighting;
- Wheels;
- Braking;
- Filters ;
- Air conditioning and radiator ;
- Wheel rims ;
- Laminated springs;
- Paints.

### III-4- Major strengths and weaknesses:

#### Strengths:

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- The presence of world car manufacturers partners;
- A highly growing demand;
- A strategic position between Europe and Asia on the one hand, and proximity from the Gulf countries on the other hand;
- A very high potential of renewal of the current car fleet in circulation;
- The quality and cost of the labor and their fluency in English, also spoken by Asian partners;
- The costs of factors of production (energy);
- An access to several markets COMESA \* and PAFTA \*\*;
- The Government support in the upgrading of the sector and incentives granted to export.

#### **Weaknesses:**

- The dispersion of the assembly units, thus limiting the volumes;
- The decrease of customs duties related to the UE agreement will negatively impact the activity of certain assemblers;
- The equipment suppliers' fabric is just starting its structuring (lack of data, sector-based objectives...);
- A production with relatively low technology;
- Very little export of vehicles;
- The equipment suppliers fabric is not exporting much, except for companies with international capital;
- Joint-venture companies are very few among equipment suppliers.

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## IV – JORDAN

### IV-1- Data sheet:

Demand	Jordan	Agadir countries	In % of countries of the area
Car fleet (millions)	2	28	7%
Average Car fleet age (years)		16	-
Car ownership level	128	57	-
PCs (millions)	0,6	5,2	12%
CVs+HDTs (millions)	0,1	2,0	5%
NVs sales (thousands)	60	382	16%
<b>Supply</b>			
Nber of assembly units			
Workforce	800	21 150	4%
Production (units)	500	122 900	0%
Production (million Euros)	40	1 770	2%
Number of equipment suppliers	24	417	6%
Workforce	800	101 300	1%
Production (million Euros)	40	2 310	2%
Exports (million Euros)	22	1 536	1%

### IV-2- Analysis of domestic demand:

A car fleet in circulation estimated at 700.000, mainly of Asian origin (Japan and Korea).

Sales of new vehicles are estimated at 60.000 per annum, recording substantial growth.

Buses are sold on the local market and exported in the area mainly to the Gulf countries.

The equipment suppliers market is mainly local with a share of exports also towards the Gulf countries.

A market characterized by aftermarket sales intended for old vehicles.

Competitiveness is made difficult by the logistics costs of the products intended for the markets of the UE and the Maghreb.

### IV-3- Analysis of the supply in Jordan:

2 main assembly units in Jordan:

- A factory of buses (ELBA) producing 400 units per annum on Mercedes bases provided by Brazil;
- A unit for the processing of vehicles for military appliance, producing a hundred units per annum.

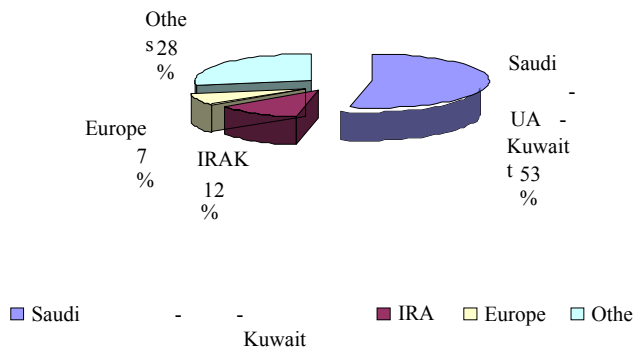
There are 24 equipment suppliers in Jordan positioned on the main families of the following products of wear:

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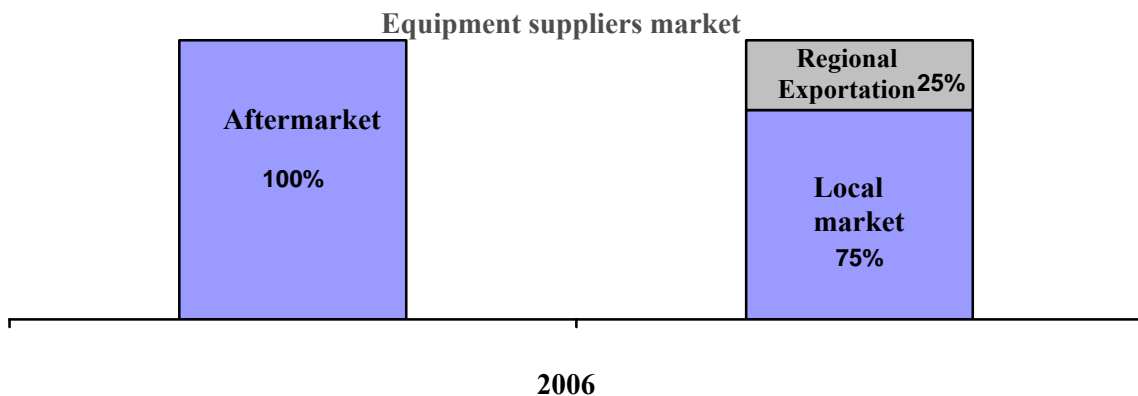
- Radiators ;
- Filters ;
- Batteries ;
- Exhaust;
- Electrical wiring ;
- Plastic injection;
- Inside covering.

The Fabric of equipment suppliers is made of modest-size companies with family capital.

### Breakdown of exports of this sector



Source : Jordan Investment



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- **Growth of the assembly and equipment industry in Jordan**
- **Equipment suppliers using mainly old technologies**
- **Two projects of investments with Chinese technology for the assembly of passenger cars and SUV are scheduled the next months. The amount of the investment is estimated between 30 to 150 million USD**
- **Studies in progress for the establishment of multinational firms in the sector**


#### **IV-4- Major strengths and weaknesses:**

##### **Strengths:**

- A car market knowing substantial growth (cf evolution of car ownership);
- A geographical position favorable for the access to Gulf countries markets ;
- Iraq seems to constitute a privileged market undergoing a development process;
- Openness towards the industry of Asian origin, opening up partnership opportunities, namely with Japan, Korea and China;
- The automobile, being from now on part of the strategic sectors for the Jordanian government;
- Bilateral agreements signed with regional countries, namely Arab countries, the USA...

##### **Weaknesses:**

- A geographical distance from the European market;
- a still embryonic fabric as regards the assembly activity;
- Small size equipment suppliers resorting to often old technologies;
- Shortage of labor and technicians;
- Limited local market.

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## BENCHMARK ANALYSIS

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## **INTRODUCTION:**

- **Benchmark of comparable free trade area:**


For the analysis of the rule of origin, we have selected:

- **The Free Trade Agreement among the Asean countries : AFTA**

- **Benchmark countries :**

For this study, we have selected a country in direct competition with the Agadir countries vis-à-vis European Union:

- **Turkey**

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## **I –THE ASEAN AGREEMENT:**

### **I-1- Context of the ASEAN Agreement:**

More than a free trade agreement, the ASEAN is a geopolitical, socio-cultural and economic bilateral collaboration agreement. It is the will of the Member States to create a political stability in the area.

The signatory countries of the Charter are: Thailand, Singapore, the Philippines, Malaysia and Brunei followed by Vietnam, Laos, Myanmar and Kampuchea. The first ones intend to establish a free trade area among them by 2010, while Vietnam, Laos, Myanmar and Kampuchea will join gradually in the term of 2015.

This charter aims at creating a free trade area by 2015 with free movement of goods, services, investments, capital and labor. A full integration in the same style as the euro area is however not considered.

Discussions are underway on free trade with China, Japan, South Korea, India, Australia and New Zealand.

The market thus created represents 500 million inhabitants in 2006 over a surface of 4,5 Million km<sup>2</sup>. The countries have a common GDP of \$700 Billion, and a weight in exchanges amounting \$850 Billion.

### **I-2- Sectors involved:**

Priorities have been set out for the area by 2010. The sectors involved are:

- Air transportation;
- The agro food industry;
- The automotive industry;
- E-trade;
- Electronics;
- Fishery products;
- Health;
- Plastics and rubber;
- Textile and clothing;
- Tourism;
- Wood products.

### **I-3- Customs duties:**

Customs duties have a total value of 0 to 5% since 2003 per 80% of the products, the objective in the long term is to completely remove customs duties on the products traded between the countries of the area. Thus, until January 1, 2006, the duties of the products contained in the inclusion list of the 6 members ASEAN (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) are lower than 5% while more than 60% of the products of these lists are exempted from customs duties.

For the new Member States: Kampuchea, Laos, Burma, Vietnam, the customs duties on 81% of the products included in the inclusion lists range between 0 and 5%.

### **I-4- Rules of origin:**

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The ASEAN Agreement is characterized by simplicity of its procedures. The principle contained in the AFTA is that the products, considered originating from a given country, are obtained in this country either entirely, or after sufficient processing of the products which are imported there.

A precise list of the products entirely obtained is defined in the Agreement.

The sufficient processing is resented according to one criterion the value added criterion: a product is originating from a Member State if at least 40% of the built-in products and materials are originating from the Member States.

Thus, the value of the products non-originating from the ASEAN area should not exceed 60% of the FOB value of the end product and the last processing must have been carried out in a country of ASEAN area.

The formula of the 40% is as follows:

$$\frac{\text{Value of the imported products other than from Asean} + \text{Value of the incorporated products of undetermined origin}}{\text{FOB price}} \times 100\% \leq 60\%$$

### **I-5- Cumulation:**

Cumulation within the ASEAN Agreement Member Countries is carried out in the following way: Products originating in a Member Country of the ASEAN; that is to say either obtained entirely in that country or underwent 40% of processing in this country and used as input in a finished product eligible to the preferential treatment in another Member Country will be regarded as a product originating from the Member Country where the final processing was carried out and provided that the cumulation of the processing undergone is equal to or higher than 40%.

### **I-6- Procedures:**

When the cumulation is carried out between the ASEAN countries, in order to be eligible to the preferential treatment of customs duties, a certificate of origin is issued: D certificate. Procedures for granting the D certificate are almost uniform.

The ASEAN has set up a one-stop service system as regards the customs procedures in order to simplify them to the maximum and to avoid waste of time at the level of customs.

### **I-7- The car industry:**

The car industry has a dominating place in the ASEAN agreement, insofar as the ASEAN countries try to position as workshop countries, namely with respect to Japan and Japanese car manufacturers. The ASEAN countries wish, therefore, to increase their production from 1,8 million units in 2004 to 2,6 million in 2010.

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China can potentially become a client for the equipment, components and car parts industry, with its 7 million units produced in 2006.

Furthermore, the rise of the Indian car industry can be beneficial to the ASEAN member countries, which try to position as suppliers and research centers.

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## II - TURKEY :

### II-1- Data sheet:

Data 2006	Turkey	Agadir countries
Population (millions)	69,5	125
<b>Demand</b>		
Car fleet (millions)	8,4	7,2
Average Car fleet age (years)	9	16
Car ownership rate	115	57
PCs (millions)	5	5,2
CVs+HDTs (millions)	3,4	2,0
NVs sales (thousands)	670	382
<b>Supply</b>		
Nber of assembly units	15	28
Workforce	130 000	21 150
Production (units)	1 100 000	122 900
Production (million Euros)		1 770
Exports (units)	800 000	
Exports (million Euros)	7 460	
Number of equipment suppliers	1 100	417
Workforce	120 000	101 300
Production (million Euros)		2 310
Exports (million Euros)	3 250	1 536

### II-2- Description of the automotive and equipment supply sector:

The car industry is a significant and dynamic sector in Turkey that gathers 15 manufacturers and more than one thousand of equipment suppliers. This activity represents the second exporting industry in the country (after the textile/clothing) and the first in terms of transactions between France and Turkey.

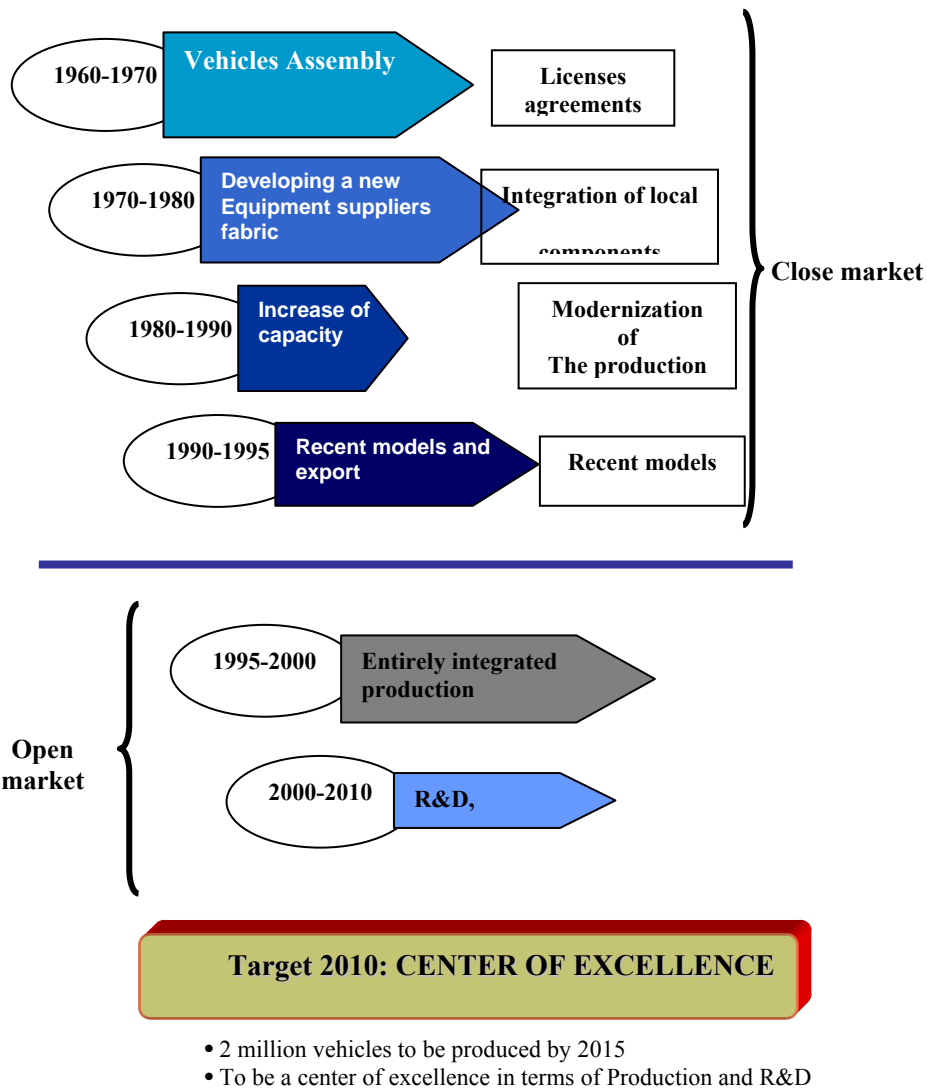
The car equipment suppliers industry has developed since 1970s, because of establishment of the car manufacturers - mainly Renault and FIAT - which attracted in their wake several world equipment suppliers. It was then an assembly industry, directed only towards the local market and protected by tariff barriers.

The entry into force, in January 1996, of the customs Agreement with the European Union gave impetus to the development of that sector: Several manufacturers (Renault and FIAT, then Toyota, Ford...) chose Turkey as a platform of export towards markets of Western Europe.

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These last years, the production strongly increased, and quality improved: The majority of the Turkish equipment suppliers have a certification quality of the type ISO 9000, ISO 14000, QS 9000 or ISO TS 16949, which enables them to export either directly towards external markets, or indirectly as suppliers of car parts made in Turkey and intended for export.

In this respect, the « global sourcing » policy adopted by some manufacturers is beneficial to the equipment suppliers based in Turkey.

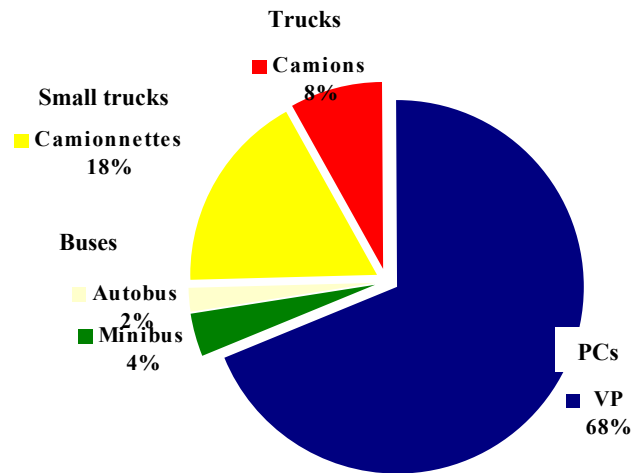


### II-3- Analysis of demand:

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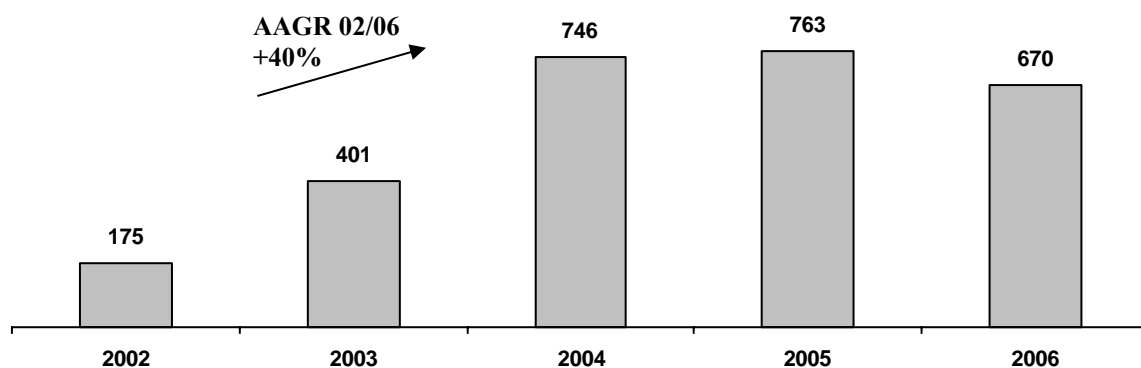
- **Car fleet: 8,4 million vehicles:**

In 2005, the Turkish car fleet amounted 8,4 million vehicles and includes 5 million particular vehicles. The average age of the car fleet is 9 years.



The demand for vehicles is characterized by a cyclic evolution according to economic cycles. Between 2002 and 2005, the sales were multiplied by 4 and reached 763 000 units.

In 2006, 670 000 vehicles were sold on the Turkish market, achieving a 40% annual progression over the 4 last years.



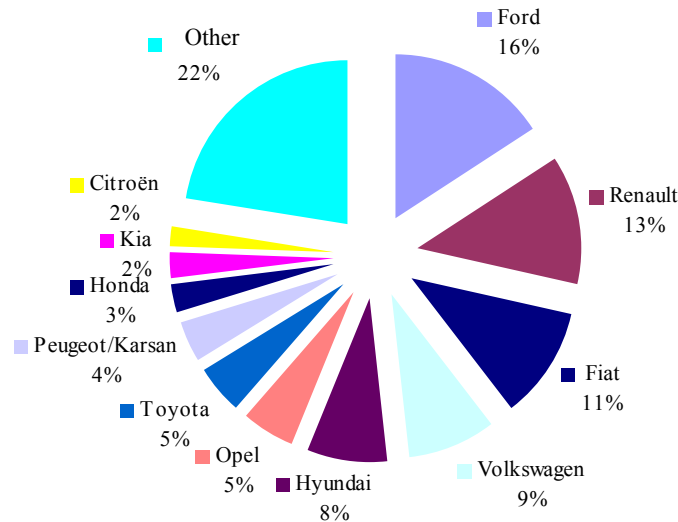
The car ownership is 115 vehicles per 1000 inhabitants.

### Marketed brands:

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The market is dominated by 11 brands which achieve approximately 80% of the annual total sales. Imports represent 60% of local sales.

Make brands	CKD	CBU	Sales 2006
Ford	64 597	42 075	106 672
Renault	51 567	33 443	85 010
Fiat	57 464	14 919	72 383
Volkswagen	-	59 249	59 249
Hyundai	26 427	27 052	53 479
Opel	-	34 947	34 947
Toyota	16 436	15 126	31 562
Peugeot/Karsan	9 169	18 831	28 000
Honda	12 632	6 259	18 891
Kia	-	15 180	15 180
Citroën	-	14 748	14 748
Other	29 708	120 171	149 879
<b>Total</b>	<b>268 000</b>	<b>402 000</b>	<b>670 000</b>
	40%	60%	



## II-4- Analysis of the supply:

### II-4-1- Assembly:

The assembly activity includes 15 manufacturers 5 of which manufacture passenger vehicles. In 2006, Turkey manufactured 1 Million vehicles more than half of which are passenger vehicles, with an output of 1,5 million vehicles. In 2007, the production is estimated at 1,1 million vehicles, that is to say a growth of 7% compared to 2006.

The growth is drawn by passenger vehicles, in particular of small trucks (vans/minivans/pickups), which accounted for 84% of the production of CVs. Turkey is therefore the first manufacturer of buses in Europe.

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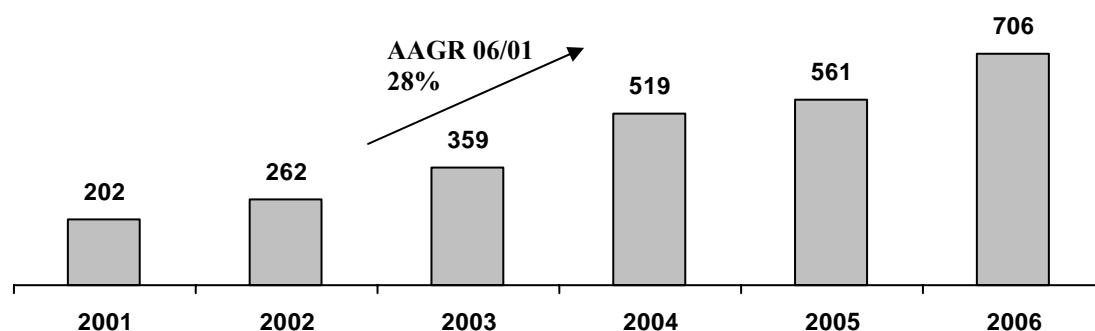
**Table: car production in Turkey**

	2006		2007e	Var	
	PC	CV			PC+CV
Ford Otosan	0	258 126	258 126	260 000	1%
Oyak Renault	228 593	0	228 593	255 000	12%
Tofas Fiat	79 729	98 705	178 434	190 000	6%
Toyota	176 688	0	176 688	185 000	5%
Hyundai	42 350	18 545	60 895	69 500	14%
Honda	18 322	0	18 322	40 000	118%
Mercedes Benz	0	15 209	15 209	15 000	0%
Karsan Peugeot	0	12 524	12 524	12 500	0%
Other	0	76 196	76 196	72 800	-4%
<b>Total</b>	<b>545 682</b>	<b>479 305</b>	<b>1 024 987</b>	<b>1 099 800</b>	<b>7%</b>

Source: Economic Mission and Taysad

Until the end of the Nineties, the Turkish car industry has been supplying the local market almost exclusively. Since 2001, the manufacturers' strategy was clearly directed towards exports. Between 2001 and 2006, exports have been multiplied by 3, thus passing from 200 000 vehicles to 700 000 vehicles.

In 2006, Turkey exported 706 000 vehicles, that is a growth of +35% as compared to 2005. The major manufacturers are: Ford, Oyak Renault, Tofas (FIAT), Toyota, Hyundai and Honda.



#### **II-4-2- Equipment suppliers:**

Car manufacturers resort to a network of more than 1100 suppliers, able to produce 80% of the equipment necessary to the Turkish car industry.

The first rank equipment suppliers' panel in Turkey is rich and of quality, namely due to the establishment of the major world equipment suppliers. In 2006, the rank 1 equipment suppliers active in Turkey include 300 companies. In addition, the Turkish association of car equipment "Taysad" counts 185 partnerships between local and foreign companies in Turkey.

Thus, the industrial fabric in Turkey is made of 3 categories of suppliers:

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- Companies of foreign origin: subsidiary companies, joint-ventures, licenses. They are official suppliers of original equipment manufacturing and original spare part. The quality of their products is identical to that of other products manufactured worldwide. Moreover they have advanced technologies.
- Independent manufacturers: They can be considered as OEM suppliers and are present in the second equipment manufacturing as well on the independent spare parts market. They may develop specific parts intended mainly for commercial vehicles.
- Artisanal companies: they produce low added value parts intended only for the local spare parts market. They can supply the informal and the counterfeit markets.

In 2006, components and car parts exports reached 3,3 Billion Euros.

The range of the equipment produced by car equipment suppliers in Turkey is much diversified:

- Complete Systems of motorization;
- Brakes and components;
- Suspension parts;
- Plastic Parts;
- Accumulators;
- Glass for car;
- Seats and components;
- Electric Components;
- Lighting Systems;
- Tires;
- Batteries;
- Bodyshell;
- Frame.

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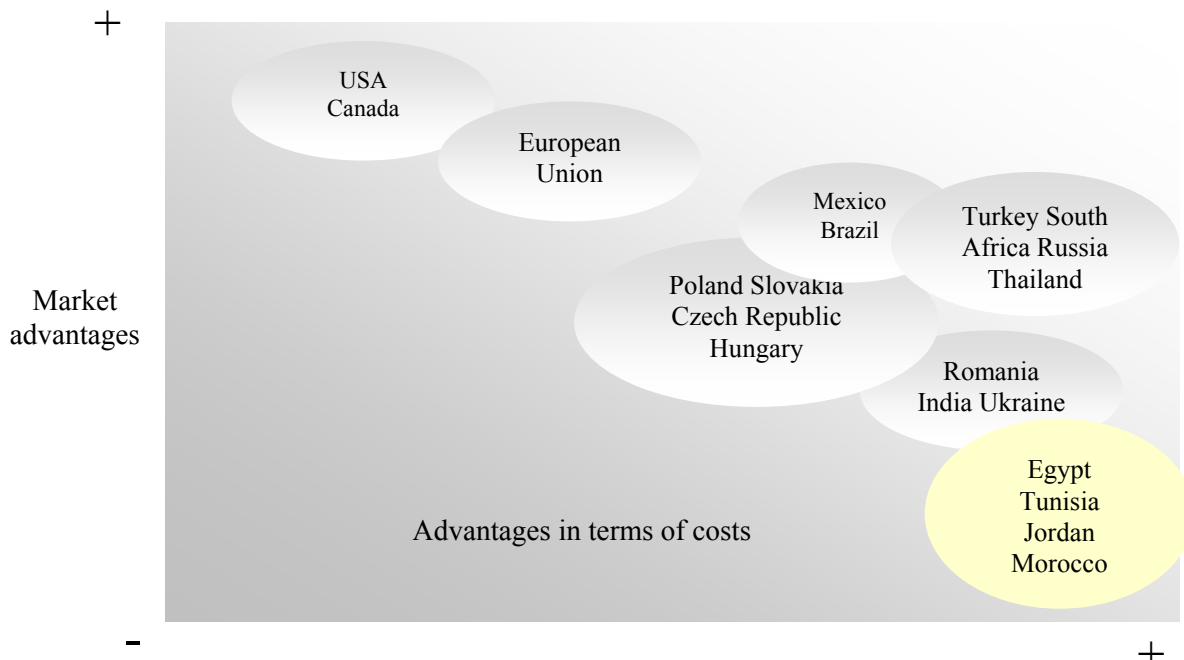
## POSITIONING OF THE AGADIR AREA COUNTRIES

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## I – THE POSITION OF THE AUTOMOTIVE INDUSTRY OF THE AGADIR AGREEMENT MEMBER COUNTRIES AT THE INTERNATIONAL LEVEL:

The positioning of the countries of the Agadir area is carried out by taking into account two significant criteria for the development of the automobile industrial fabric in a country:

- Market advantage: size of the domestic market of vehicles measured by the car fleet in circulation and the annual sales of new vehicles;
- Cost Advantage: production factors costs including the cost/qualification ratio of labor (executives, technicians, and workmen), energy, transportation, telecommunication means...



The prices surge in Eastern Europe countries under the effect of the upgrading of living standards, following their accession to the UE, is beneficial to the industrialization of the automotive sector within Agadir countries.

Indeed, the countries of the Agadir area have an undeniable advantage in terms of factors cost, as compared to other countries with automobile tradition. Nevertheless, they remain handicapped by the narrowness of their domestic markets.


However, the development of the of living standard associated with the liberalization of the economies of the Agadir countries is expected to accelerate the vehicle ownership, which carries on already a fast trend within the 4 markets. This is likely to improve the attractiveness of the area, in particular in terms of directing manufacturers and equipment suppliers of higher row.

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## II- MAP OF THE COMPONENTS MANUFACTURED IN THE AGADIR COUNTRIES:

The following table synthesizes the major products manufactured within the countries of the Agadir area. Due to reasons pertaining to representativeness, only the equipment suppliers whose manpower is beyond 100 people have been considered within the framework of this analysis.

	<b>Product</b>	<b>Egyp</b>	<b>Jordan</b>	<b>Morocco</b>	<b>Tunisia</b>
1	Airbags				x
2	Alternators starters				x
3	Aluminum engine parts			x	
4	Battery	x	x	x	x
5	Wiring	x		x	x
6	Control cables			x	
7	Rubber items			x	x
8	Connectors			x	x
9	Exhaust	x		x	
10	Lighting	x			x
11	Electronics			x	x
12	Clutch			x	x
13	Electrical equipment	x		x	x
14	Engine equipment			x	
15	Filters	x	x	x	x
16	Braking system	x		x	x
17	Inside cover	x		x	x
18	Joints			x	x
19	Window regulator				x
20	Equipment			x	

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	Products	Egypt	Jordan	Morocco	Tunisia
21	Plastic components	x		x	x
22	Tires	x			x
23	Radiators A/C	x	x	x	
24	Springs	x		x	x
25	Safety			x	x
26	Seats	x		x	
27	Suspension				x
28	Textile (covers and threads)	x		x	
29	Metal components	x		x	x
30	Wheel rims	x			
31	Glazing	x		x	x
32	Steering wheel			x	x

Apart from the multinational firms whose equipments are solely intended for export, the main characteristics of equipment suppliers' fabric can be summed up hereafter:

- Components with high intensity of labor and intended mainly for the Aftermarket (spare parts market);
- Moderated Investments, adapted to small series;
- Absence of offer in terms of modules or systems.

The cross-cutting trades such as foundry, the plastic processing, stamping and forging are often intended for various applications not always fulfilling the requirements of the automobile market.

Moreover, the equipment suppliers' fabric existing in the Agadir area countries presents similarities with real complementarities opportunities:

- Airbags;
- Alternators/starters;
- Aluminum components;
- Engine equipment;
- Window regulators;
- Suspension;
- Wheel rims;
- etc.

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### III – TYPOLOGY OF EQUIPMENT SUPPLIERS WITHIN THE AGADIR AGREEMENT:

		Morocco	Tunisia	Egypt	Jordan
Segment	Definition				
<b>A</b>	Recent technology and OE market at the international level	x x	xxx	x	
<b>B</b>	Mature technologies, regional OE markets, rank 2 at the international level, international aftermarket	x	xxx	xx	x
<b>C</b>	Old technologies, local and regional aftermarket	x	x	xx	xxx

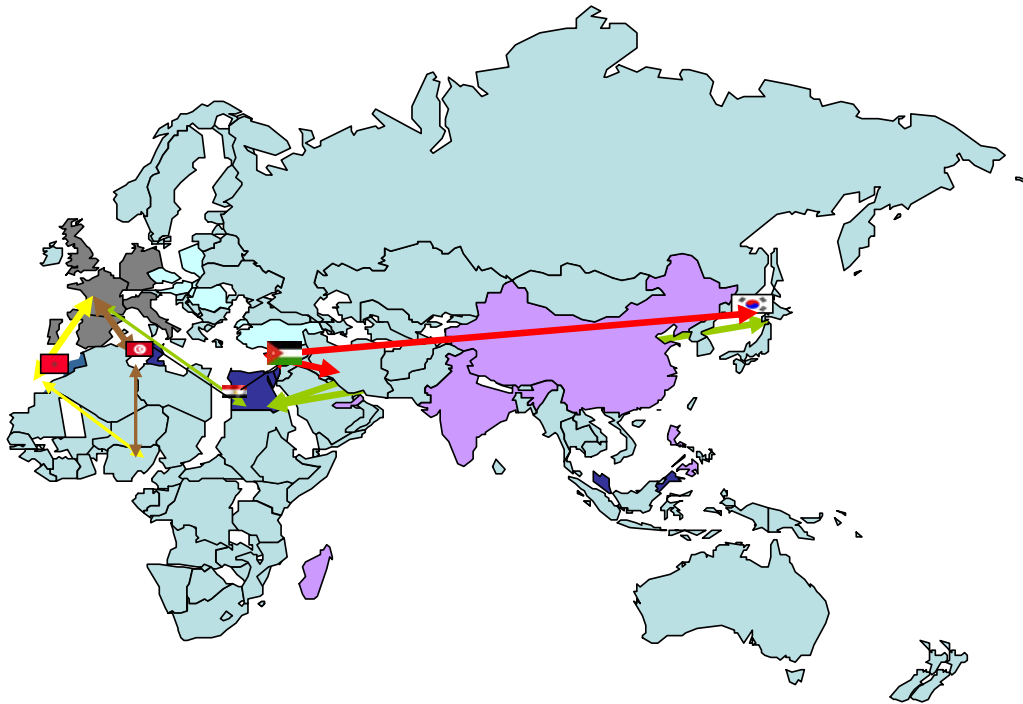
The above table shows a coexistence of several types of actors in each country of the Agadir area:

- Tunisia has a dense fabric lead by multinational firms directing their production to export, relayed by local equipment suppliers or in structured joint-venture serving, in addition to the domestic market, the European and Maghreban spare parts market;
- Egypt has a heterogeneous fabric with the presence of some offshore international equipment suppliers delivering Europe, structured national equipment suppliers with relatively recent technologies (known as mature) addressing the local OEM and to a lesser extent the international and regional spare parts market;
- Jordan has a still embryonic fabric essentially depending on old technologies;
- Morocco hosts a diversified fabric with prevalence of the international equipment suppliers working in subcontracting with Europe and of structured local actors serving the local OEM as well as the export Aftermarket in Europe, the Maghreb and in Sub-Saharan Africa.

In spite of the similarities between various industrial fabrics, each of the 4 countries preserves its specificities.

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#### IV –PRIVILEGED MARKETS OF THE AGADIR COUNTRIES:



\* The thickness of the arrows refers to the nature of trade volumes

Thanks to geographic proximity, the Agadir Area countries benefit from a privileged access to certain markets:

- Morocco and Tunisia trade with Europe, the Maghreb and Sub-Saharan Africa; The technology transfers are carried out mainly from Europe.
- Egypt has an exchange flow with Europe and the Gulf countries, in particular Saudi Arabia and more recently with Israel and the Maghreb countries; involved technology is of European and Asian inspiration.
- Jordan is more directed towards the markets of the Gulf and Egypt. The technology transfer is predominantly Asian. Only low volumes are carried out with the European Union.

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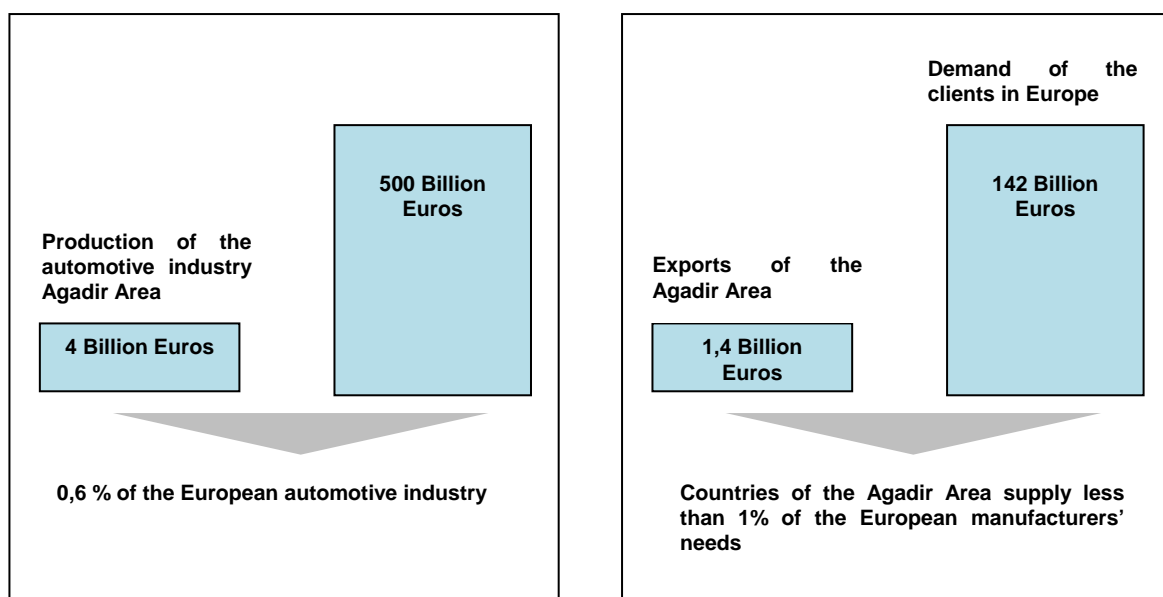
#### IV-1- Major market segments addressed by the Agadir countries:

	OEM	Equipment suppliers Rank 1 (OE)	OES	Aftermarket	Catalyst
EU	xx	xx	x	x	Agadir Agreement
Gulf Countries				x	Arab League Agreement
North Africa (Outside The Agadir area)	x			x	Arab League Agreement
Sub-Saharan Africa				x	Bilateral Agreements
Local Markets Agadir countries	Xx	xx	x x	x	Agadir Agreement

- With their respective local and regional markets, the UE constitutes the main market for the Agadir area companies;
- Asia, not being present on the current markets of the countries of the area, can prove to be a new strategic partner (in terms of technology transfers and trade alliances) for the countries of the area, and in particular for Egypt and Jordan, given their geographical position;
- One of the objectives of the countries of the area would be to rebalance OE activities as regards the aftermarket that remains prevalent today.

#### IV-2- The Agadir Agreement:

##### A catalyst to reach more quickly the critical size with respect to the clients



The figures above show that:

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- The supply of the Agadir area countries remains embryonic as compared to European volumes;
- Such weak exports denote a large growth potential on the European market;
- The Agadir Agreement may constitute an asset for the countries of the area in order to reinforce their visibility and their weight with respect to rank-1 manufacturers and equipment suppliers. Indeed, manufacturers and equipment suppliers will be all the more interested to delocalize or sub-contract part of their production if their interlocutor is of significant size (in terms of means and resources granted, domestic market...).

### **IV-3- Cumulation of origin:**

#### **An instrument supporting the industrialization of the automotive sector within the member Countries**

The cumulation of origin, as specified previously, is a tool that allows the addition of the value added related to the processing of a component or a unit in several countries of the Agadir area, according to the same rules adopted at the Pan-European level. Nevertheless, the cumulation of origin is more or less attractive dependently of the typology of equipment suppliers and of the existence of some key factors:

#### **IV-3-1- Perimeter of the cumulation of origin by typology of equipment supplier:**

##### **Equipment suppliers A:**

- Companies fairly concerned since they are assimilated to decentralized production areas on behalf of international equipment suppliers, profiting from the start from advantages and specific incentives;
- Some possibilities exist in terms of sourcing of input produced in the Agadir area.

##### **Equipment suppliers B:**

- This category of actors concentrates the main cumulation of origin opportunities.

##### **Equipment suppliers C:**

- Companies that not very inclined to export, and not offering many possibilities to the cumulation of origin.

For the cumulation of origin, the true stake for the countries of the Agadir area remains centered on the B category equipment suppliers, having competitive technologies and able to export on regional and international markets.

#### **IV-3-2- Factors supporting the cumulation of origin:**

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Main factors	Examples
<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>Complementarities of products/technologies among equipment suppliers</b> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>Structure of the market in ranks of equipment suppliers (N and N+1)</b> </div> <div style="border: 1px solid black; padding: 5px;"> <b>Intra-area purchases of components to supply assembly units located in the same area</b> </div>	<p>Integrating input from the Agadir area non available in the country.</p> <p>Use of subcontracting among category B equipment suppliers of Agadir countries for manufacturing components integrated within the sets intended for OE. E.g.: safety system, wiring harnesses.</p> <p>Sourcing of shock absorbers and seat belts ... from Tunisian manufacturers for the assembly of Logan made in Morocco.</p>

To exploit the cumulation of origin device in an optimal way, it is necessary to explore various scenarios of cooperation between the Agadir countries.

## V - STRENGTHS, WEAKNESSES, OPPORTUNITES AND RISKS:

### V-1- Strengths and weaknesses of the Agadir countries:

#### Strengths:

- The global stakes affecting the sector are effectively taking into account while working out the strategies (observatories, studies, Government actions...);
- Establishment of international manufacturers in the Agadir Agreement member countries;
- Structuring and upgrading of the equipment suppliers' industrial fabric;
- Quality and cost of the labor;
- Significant Government support for the sector;
- Development of industrial parks dedicated to the car industry;
- New generation of contractors familiar with new management techniques.

#### Weaknesses:

- Low-volumes fragmented markets;
- Atomization of the actors of the production (few companies of more than 500 people);
- Except subsidiary companies of multinationals, exports of the countries of the area remain marginal;
- A limited number of Joint-venture agreements with international companies vs Turkey;
- Technological Delay in certain fields.
- Low R&D capacity;

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- Non-developed productivity culture;
- Lack of raw materials;
- Weakness of inter-States infrastructures.

## **V-2- Opportunities and risks for the Agadir countries:**

### **Opportunities:**

- Since the living standards of Eastern European countries is catching up with that of the rest of Europe, this grants again a cost competitive advantage to the Agadir area;
- The domestic market of the 4 countries is achieving an important growth;
- Growing interest of manufacturers for the Agadir area (China, Korea, India...);
- An increased establishment of international equipment suppliers in the area;
- Strategic position of the Agadir countries at the crossroads of Europe, the Middle-East and Africa;
- Favorable trend for low costs vehicles;
- Outright will of international clients to increase their share of sourcing from LOW COST COUNTRIES (from 15% to 40% over 5 years);
- Significant need to renew the old car fleet.

### **Threats:**

- Insularity of the industrial policies conducted by the 4 countries;
- Individual and non-concerted Marketing and trade approaches towards Europe;
- Disparate regulations and logics of operation among the countries;
- A non-unified standards system;
- Competitiveness of some assembly and equipment actors protected up till now by high customs duties;
- Increasingly high technologies and increasingly short technological cycles;
- Increasingly strong constraints related to the environment: ecological vehicle (specific technology);
- The Competitiveness of China, be it directly or via other countries, is resented.

## **V-3- Strengths and weaknesses related to the implementation of the Agadir Agreement:**

### **Strengths:**


- Private actors as a whole are not aware of the holding and outcomes of the Agadir Agreement;
- Similarities between the products manufactured by the countries of the area;
- Sometimes difficult synergies related to divergent interests;
- A displayed will that trade should be balanced between the countries;
- The implementation of the Agreement is sometimes conditioned by preliminary impact studies;
- The operation of the domestic markets for vehicles can constitute a constraint to trade exchanges;
- Lack of information on the potentialities offered by each country;
- Superposition between bilateral agreements, the Arab League, Europe and Agadir;

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- Disguised protectionism by heavy test of conformity procedures.

**Weaknesses:**

- The Agadir Agreement is already in force and does not include any restrictions;
- Interest shown for the cumulation of origin brought by the Agreement be it for the assembly lines or for the equipment suppliers themselves;
- Instrument that may support the emergence of a regional industry recognized by the main partners of the area;
- Potential mutualization of the technological contributions capitalized in each country namely through the presence of world equipment suppliers;
- The Agadir Agreement: a potential accelerator for the harmonization of:
  - Trade regulations and legislation;
  - Standards and reference frames;
  - Incentives.
- A tool which can create a true flow of semi-finished products subcontracting between the countries of the area;
- Possible emergence of products/technology centers of excellence through common policies.

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# FORMULATION OF THE STRATEGY

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**REMINDER OF THE AUTOMOTIVE  
INDUSTRY ANALYSIS  
IN THE AGADIR AREA**

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## Preamble

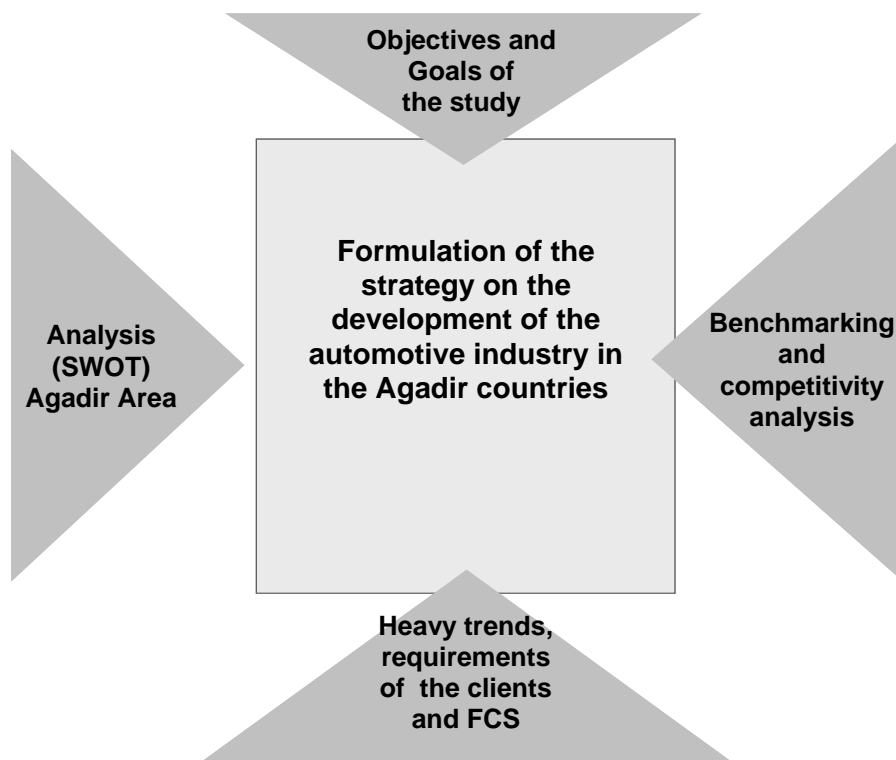
The objective of this phase consists in the formulation of the strategy for the development of the sector of the components and the assembly activity within the Agadir area, relayed by an action plan operational and actionable in the short and medium term.

The formulation of the automotive development strategy within the Agadir Agreement Member States results from:

1. Results of the car industry and market analysis in the countries of the area defined by the Agadir Agreement ;
2. Analysis of the heavy tendencies of the car industry on a world level and requirements of the clients;
3. A benchmarking study and competitiveness analysis.

It makes it possible to lead both to an ambitious and pragmatic vision for the development of the sector in the area.

Based on this vision, strategic themes will be formulated and will be at the base of the action plan which will be suggested.



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## Reminder of the objectives of the Agadir Agreement

The Agadir Agreement is a free trade agreement between four countries: Morocco, Jordan, Tunisia and Egypt. This Agreement aims at creating a free trade area between the Arab countries of the Mediterranean rim and starts up with the four countries. It lies within the scope of the Barcelona process: an agreement which governs the relations between the European Union and the countries of the MEDA area.

One of the strategic goals of Europe's Mediterranean policy is to promote the integration and the regional co-operation between the countries of southern bank of the Mediterranean.

The Agadir Agreement constitutes one of the first south-south agreements to be concluded to achieve this economic integration. It includes the same rules of origin contained in the PanEuropean Agreement.

This type of south-south integration is of utmost importance at the level of the countries which are engaged in it, by allowing them:

- to profit from vast export markets and significant economies of scale. This Agadir Agreement will make it possible to create a market of more than 125 million inhabitants
- to reinforce the competitiveness of domestic production fabrics, by enabling the domestic production networks to measure up to sub-regional competition before letting them expose themselves to Mediterranean - then international - competition
- to promote foreign investments flows. Those flows could take advantage from transnational markets which increasingly constitute one of the main keys of localization of these investments. The creation of a large market would increase the growth potential of these four countries and would support the development of direct investments.

All in all, the success of this south-south integration constitutes a key to success for the whole area, namely because it would be likely to create economies of scale which would make up for the small size of local markets and which would therefore support the flow of investments to this area.

## The automotive industry in the Agadir area

### 1- A niche market of automobile

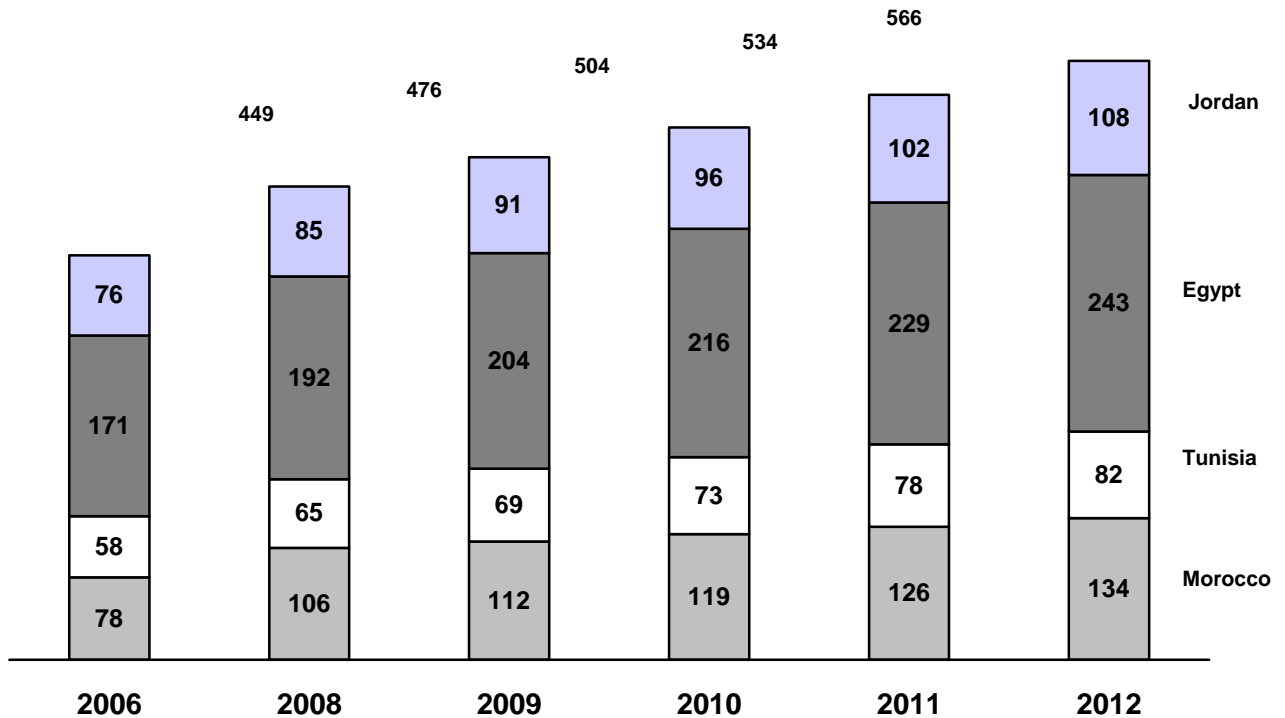
The market defined by the Agadir Agreement represents 125 million inhabitants. Considering the population and car ownership rate of 57 vehicles for 1000 inhabitants, the market is relatively narrow, and not very developed.

Demand	Egypt	Jordan	Morocco	Tunisia	Total
Car fleet (millions)	3,2	0,7	2,1	1,2	<b>7,2</b>
<b>Car ownership rate</b>	<b>41</b>	<b>128</b>	<b>68</b>	<b>120</b>	<b>57</b>
Sales NV (thousands)	172	60	100	50	<b>382</b>

Indeed, the car fleet amounts 7 million vehicles, 72% of which are passenger cars. The annual sales amounted approximately 382 000 new vehicle in 2006 and achieved a substantial growth in the Agadir countries in 2006.

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Projections on the growth of demand in new vehicle over the next five years are summarized in the following graphic:



The annualized average growth rate taken into account to measure the evolution of demand is 6% and corresponds to the historical AAGR calculated between 2002 and 2006.

By way of comparison, in 2006, these are 670 000 vehicles which were sold on the Turkish market and the vehicle ownership is 115 vehicles for 1000 inhabitants.

**Thus, the automotive market of each country of the area, considered separately, is too narrow to attract the establishment of manufacturers in one or another country of the area.**

**A policy consisting in opening the borders and in economic integration of the area is necessary to form a sufficiently significant automotive market to attract the world manufacturers and car equipment suppliers and make the equipment supply of the Agadir area countries competitive.**

## 2- Non-tariff barriers that have substituted for customs duties

Since the entry into effect of the Agadir Agreement, on 06 July 2006, trade between the countries of the zone Agadir are exempt from customs duties. However, the removal of tariff barriers has not had the desired effect and has not yet produced enough impact on boosting trade between the countries in the area of Agadir.

Nontariff barriers have replaced the customs duties and are restricting imports in the Agadir countries such as:

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- The tariff system
- Compensation and domestic taxation policies;
- Minimum local content;
- Controls of conformity with the standards in force;
- Heavy administrative procedures;
- Too long times of control which restrict imports in the Agadir countries.

On the one hand, these nontariff barriers make it possible to protect the local car industry from the countries of Agadir. On the other hand, they contribute to the bulk-heading and narrowness of markets.

**The car industry development strategy at the level of the Agadir area cannot take place in the absence of an integration of the national markets and the constitution of one single large open market**

**3- A highly significant industry for the area in terms of contribution to job creation and exports**

The automotive supply of the Agadir countries is represented by 445 companies which employ 122000 workers and produce for 4 billion euros and export for 1,5 billion.

<b>Automotive sector</b>	<b>Agadir Countries</b>
Number of companies	<b>445</b>
Total number of workforce	<b>122 450</b>
Production (million Euros)	<b>4 080</b>
Exports (million Euros)	<b>1 536</b>

Source : AMICA, API, EAFA

It has therefore an utmost importance in terms of job creation and exports: They account for 6% of exports of the Agadir area, knowing that it remains however turned towards the local markets.

□ **An embryonic assembly activity**

There are 28 assembly companies for more than 40 assembly lines and mainly intend their production for the local market:

- In Morocco, there is only one assembly unit of passenger cars and light-duty commercial vehicles; whereas the other assembly units involve buses and the heavy-duty trucks;
- In Tunisia: since 1987, 4 assembly units of commercial vehicles and public transport (buses and intercity buses) exist;
- Egypt has 16 assembly units for 60 000 PCs units and 24000 LDV units entirely intended for the domestic market. The production in Egypt is therefore very fragmented and the utilization ratio of the capacities is very weak. Consequently, this surplus of capacity does not allow the achievement of economies of scale and must impact the cost of the assembled vehicles and the selling price of vehicles;
- Finally in Jordan: 2 main assembly units in Jordan, one of which is specialized in the processing of vehicles for military application and a bus plant producing 400 units per annum on Mercedes bases provided by Brazil.

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Assembly remains marginal in the countries of the Agadir area. Taking into account the narrowness of the markets, the outputs are not used in such a way as to carry out economies of scale; thus the level of productivity of the assembly units is low and the production costs are high.

**The situation of the assembly activity in the countries of the area is mainly ascribable to the policies adopted by the countries of Agadir, at the origin of the bulk-heading of markets.**

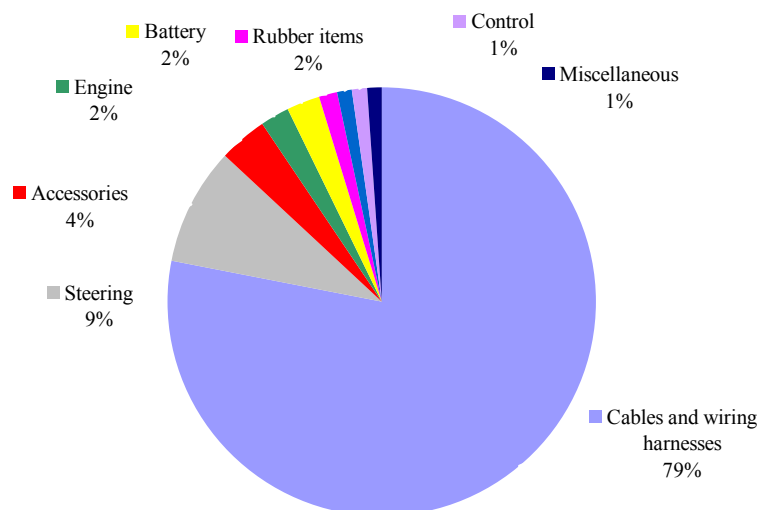
□ **An activity of equipment suppliers specialized in highly labor consuming activities**

The supply of equipment suppliers represents 417 companies that produce 57% of the production of the car industry in the Agadir countries.

Hence, there exist in the Agadir countries 3 categories of companies of equipment suppliers:

- **'A class companies'**: these companies have standards of production which conform to the international requirements. These companies are mainly subsidiary companies of multinationals with exclusively foreign capital and whose production is intended for export. They are localized in the offshore areas. Essentially, they position in highly labor-consuming activities. They are for the majority companies of wiring harnesses (e.g.: Leoni, Yazaki...). They are established in Tunisia, in Morocco and to a lesser extent in Egypt.
- **'B class companies'**: these companies are leaders in the automotive components sector. They acquired production and management techniques worthy of international standards through the conclusion of trade agreements with international actors. The majority are certified or standardized with international standards. However, even if export opportunities exist for these companies, they are not always exporting.
- **'C class companies'**: these companies are local manufacturers who sell at the local market. They are not as performing as the B class companies and do not export.

▪ **One single solid couple products/markets: wiring harnesses/European Union**



The main market for the components and equipment activities of the Agadir area is the European Union which represents more than 70% of the area's of the car industry exports.

The wiring harnesses account for 79% of exports of the Agadir area towards the European Union.

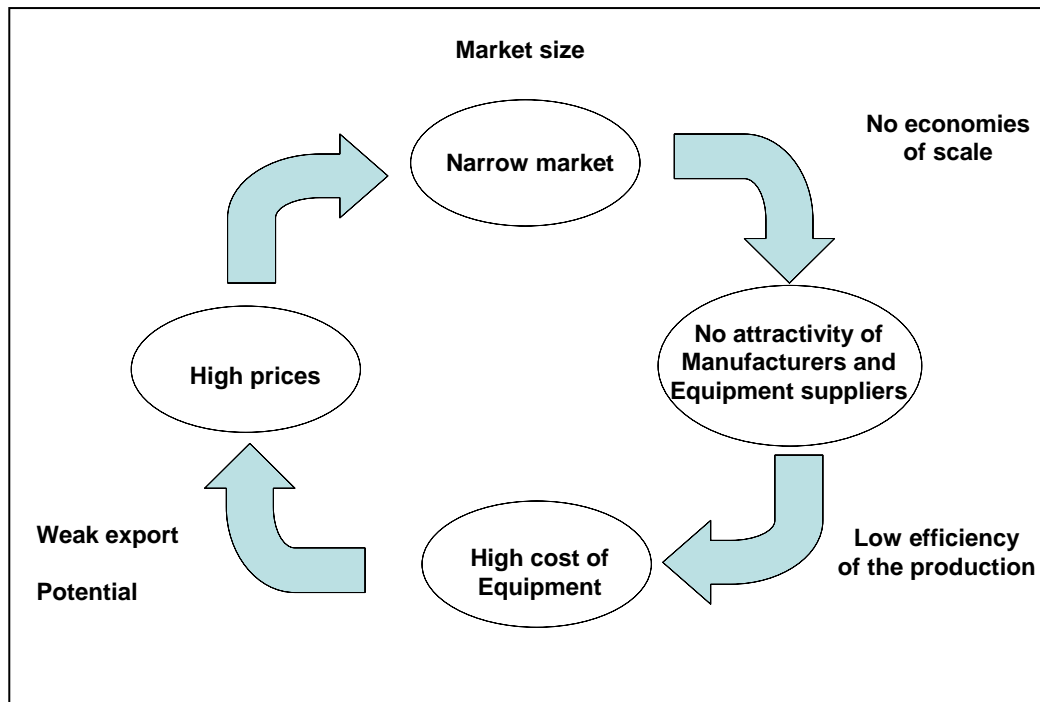
In conclusion, the equipment activities are specialized in highly labor-consuming segments, not requiring advanced technologies.

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The majority of foreign companies present in the Agadir area are generalist tier 1 equipment suppliers such as Delphi, Leoni, Yazaki etc... most of whom are specialized in cables and wiring harnesses.

Thus, the main weaknesses of the production fabric (assembly and equipment suppliers) of the area can be summed up:


- Narrowness of the market and limited series (does not allow carrying out economies of scale)
- High cost of input
- Difficulty of exploiting properly the production tool (Overcapacity of production tools, low investment in training, council...)
- Delay in the homologation of equipment
- Low control of costs
- Lack of understanding of the importance of R&D and technological delay
- Inertias in partnership approaches with tier 1 manufacturers/equipment suppliers




#### 4- Existence of opportunities

Nevertheless, the international context is favorable to the development of the car industry in the area defined by the Agadir Agreement:

- Widening the market with the Agadir Agreement: Integrating the market of the Agadir area makes it possible to attract tier 1 manufacturers and equipment suppliers with a market of 125 million inhabitants and showing growth rates that have accelerated these last years.
- Customs dismantling with the European Union: concluding free trade agreements with the EU shows the desire to continue the insertion of the countries onto international markets.
- Delocalization opportunities of European equipment suppliers exist with the wave of Global Sourcing.
- And finally, the success of the low cost car.

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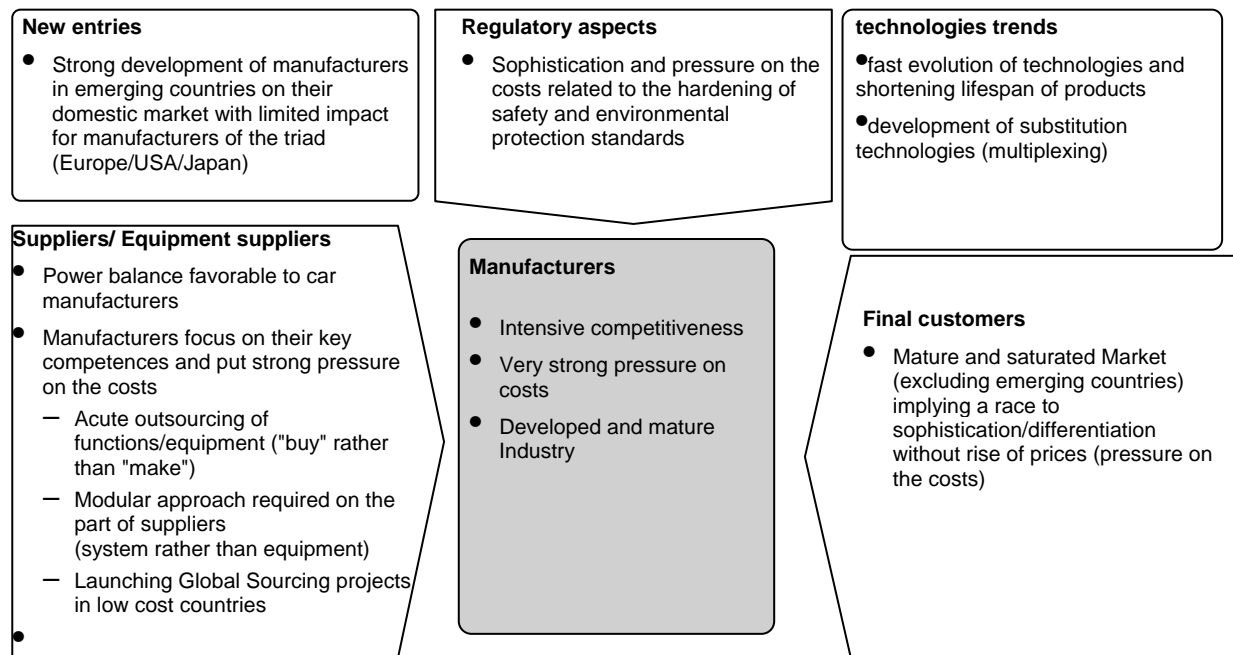
**INTERNATIONAL CONTEXT  
COMPETITIVENESS ANALYSIS  
POSITIONNING OF THE AGADIR AREA**

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## International context

The development of the car industry in the Agadir area countries depends on the delocalization strategies of industrial actors.

The following diagram places the manufacturers at the core of the car industry dynamics.



## Trends of car manufacturers

### **1. Sleeking new markets and delocalizing assembly sites towards emerging countries**

Subjected to an intense competition on their traditional markets, manufacturers have sought to internationalize themselves and to be present on the emerging markets that constitute significant growth opportunities.

This internationalization took place by the creation of new assembly units in the emerging countries.

### **2. Increasingly confirmed low cost strategy with the development of the low cost car**

The conquest of the emerging markets is carried out by the development of the low cost cars. The success of Logan has opened a market segment in which the majority of the manufacturers wish to position. FIAT-Tofas thus intends to produce in Turkey and to launch as in 2008 a low cost vehicle. Tata Motors announced its project to develop a vehicle that costs less than 2000 euros, in India.

Toyota intends to produce its low cost vehicle in ASEAN countries.

The development of the low cost cars constitutes a great opportunity for the emerging countries: as the assembly process of the low cost cars is labour consuming, these cars are automatically assembled in low cost countries.

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### **3. Streamlining the production and sourcing in the emerging countries**

In order to preserve their margins, the manufacturers prospect more and more actively on these low-cost labor markets. Global sourcing strategies constitute an important asset, taking into account the fact that the purchases constitute between 65 and 70% of the cost price of a vehicle. Many manufacturers announced the increase of the share of purchases to be carried out in low cost countries.

Thus, PSA intends to carry out 47% of its total purchases in low cost countries during the next five years. The share of the purchases in the low cost countries should then increase by 17% to 47% (on a total figure of purchases of 29 billion Euros). Offices of purchases will be established in China, Slovakia, Turkey, Iran, Brazil, India and South Africa.

The Renault group, via Dacia, largely rested on the local sourcing for the production of Logan. This experiment will be useful to group for its other models. Renault intends to carry out 40% of its purchases in low cost countries, carry out 80% local integration rates and improve, accordingly, the productivity of the purchases worldwide by 5% per annum.

#### **Trends of the equipment suppliers**

The car equipment suppliers are confronted today with a certain number of major stakes:

- A strong pressure on the costs exerted by the manufacturers on the price level of sale and sourcing conditions coupled with an increase in raw materials prices;
- Geographical evolution of the world demand and the movement of internationalization of their client manufacturers;
- The increase in the costs of research and development, related at the same time to an increasing externalization of some market segments of manufacturers towards equipment suppliers, the supply of increasingly complete equipment inducing more complex industrial processes and the rise of the products' technological contents, and finally, to the acceleration of the rhythm of the innovation.

These stakes resulted in an internationalization of equipment suppliers with a double aim:

- **To reduce the production costs through global sourcing projects:**

The search for a reduction of the costs resulted in direct establishment in low-cost labor countries and in an increase in terms of subcontracting into these countries.

- **To reach growth markets**

The search for new markets was initially carried out in the wake of the manufacturers' strategies of internationalization, which incited their principal equipment suppliers - of which they constitute historically the main customer- to follow them abroad in order to enhance the safety and the quality of their sourcing while reconstituting on the spot their entire branch.

Then, tier 1 equipment suppliers have implemented autonomous strategies as long as the link with their main client distended (diversification of suppliers, sales of the participations of the manufacturer in the equipment supply sector) and that they have even sought to diversify their markets by finding new customers, particularly abroad.

#### **Trends of the technologies**

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The automotive branch is currently confronted with extremely fast technological developments, as regards production processes as well as the vehicles' characteristics.

By transforming the very nature of the activity, these developments are likely to have a major impact on the determinants of its geographical localization.

Indeed, the evolution towards more evolved technologies of production, by reducing the role of the non qualified labor, can constitute a barrier to the movement of delocalization, related to the search for low production costs.

### **1. Fast evolution of technologies, and increasingly shorter products life cycles**

The rise of the technological contents of these activities involves growing requirements as regards quality of labor, industrial environment and logistic networks.

Among the most significant innovations, it is worth mentioning the development of new materials, new types of engines with increased effectiveness, automotive electronics and technologies related to safety and to the environment.

### **2. Growth of substitution technologies (the plastic replaces metal (e.g.: bumpers, tanks...), multiplexing could supplant the beams...)**

As an example, the development of **multiplexing** is a major evolution of the mid 90s. It is a device making it possible to pass various pieces of information on the same line or on the same channel and to make several electronic systems function in network. This make is possible to save wiring, divisions of sensor-actuators or calculators, which represent a threat to the present activities of the Agadir area.

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## Competitiveness analysis

### Criteria of attractiveness of territories

The attractiveness of a territory should be analyzed according to two stages. Initially, it is based on a series of prerequisites necessary to be mentioned, in a first phase, on the "long list" of potential investors.

They are mainly socio-political conditions which concern the good governance and which characterize an appropriate climate for investments:

- The political and economic stability which allows to draw up a business plan in the medium term and which reduces the risk factor;
- A liberal, transparent, nondiscriminatory and stable legal and regulatory framework;
- The absence or the minimization of bureaucracy-related obstacles;
- The liberalization of trade and transfers of capital and the movement of persons;
- A fair and efficient legal system which admits the clause of arbitration.

These criteria make it possible to carry out a first selection of the competitor territories.

Then, in order to appear in a second phase on the "shorts list" of investors, the territories must present another series of technical characteristics.

Among these characteristics, the most frequently mentioned are the following:

- The size and the anticipated growth of the market: it can be the national market or the regional market;
- The communication system: land, air and maritime transportation, telecommunications;
- the costs of factors: energy, raw materials of the ground or the underground, cost of work. This latter is not limited to the standard of wages but has to be balanced by the productivity;
- A qualified labor supply on a flexible market;
- An industrial fabric of powerful SMEs whose vocation is to become partners on the basis of their competence.

### Competitor zones

At the level of the automotive industry, the countries of the Agadir area are in strong competition with respect to the European Union with the countries of Eastern Europe (Romania, Slovakia, Czech Republic, Poland) and Turkey.

Asian countries, materialized primarily by India and China, are from now on part of the majors of car industry worldwide.

And finally, South American countries (Brazil and Mexico) represent a model to be followed rather than a competitor, knowing that Mexico and Brazil positioned as a platform of production and export towards the United States and Canada.

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More particularly with respect to the supply for the equipment suppliers, these concurrent areas are analyzed taking into consideration their degree of control of the following key factors of success :

- **Controlled costs** (labor, raw materials, energy...)
- **High standards of quality** (Quality of products, standards systems...)
- **An excellent reactivity** (proximity of the markets, performance of the means of transportation, logistic platform...)
- **A strong tendency to innovation** (products/processes, R&D center, RH competences...)
- **A capacity to design modules and sets**
- **A good financial standing** (Capitalization and capacity to give a visibility to the clients, Mergers and Acquisition and internationalization of the companies)

**The degree of control of these key factors of success allows a differentiation between the low cost countries and the Most Competitive Countries.**

## 1. CEECs

The automotive branch is one of the sectors that brought about the most significant flow of international investments in Europe during the last years. About half of them were in the Eastern European countries. German and Scandinavian investors, in particular, have massively reorganized their production branches by relocating them towards Eastern Europe.

This movement does not cease gaining intensity and geographical extension. On the one hand, the countries that are best equipped with skilled labor, such as the Czech Republic or Hungary, are hosting activities on an increasingly high technical level (e.g.: small development and design centers), inducing the progressive constitution of complete branches which bring together manufacturers and equipment suppliers in powerful industrial districts.

In addition, these countries of the first generation are now followed by other low wage countries (Romania, Bulgaria...) where projects of establishment of labor activities multiply.

All in all, the CEECs profit from a favorable economic environment. Their markets are in full growth, with a strong mechanical tradition industry. The labor is skilled and the infrastructures are of a good level.

The competitiveness of the European East is based on six major factors:

- o a good image as regards political, economic and social stability, notably related to the prospect of access to the European Union
- o proximity compared to the main Western-European demand centers and a local market in fast growth
- o a favorable technical and industrial environment, with the presence of many upstream and very competitive connected industries (plastics, metals, electronics) and tying increasingly strong co-operation relations
- o a skilled labor at a relatively weak cost (especially for the CEECs known as second generation)
- o a dynamics of development of the whole branch (establishment of equipment suppliers near the assembly sites to equip the latter)
- o Lastly, an active industrial policy: the governments support for investors, especially as regards training, active attractiveness policy, seeking the improvement of businesses environment.

Equipment suppliers were established there with car manufacturers, well before the adhesion of some of them in May 2004, in order to be present on these markets in full growth. More than half of the first

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100 world equipment suppliers produce in these countries, with a significant share of American equipment suppliers.

The establishment does not only relate to manufacturing units but also henceforth the creation of technical centers. However, within the European Union, the great majority of the added value remains generated by four countries: Germany, France, Italy and Spain.

- **A significant domestic market in strong growth**

Thus, registrations are expected to triple between 2002 and 2010, passing from 870 000 passenger cars registered per annum in the CEECs to 2 600 000 passenger cars in 2010. The registrations would then account for 15% of the registrations of the 15 members-UE.

- **A long tradition of automotive engineering**

**In the Czech Republic:** the first SKODA car dates back to 1898. The Czech car industry constitutes an industrial sector of excellence and exception.

In 2006, the largest industrial Czech company SKODA CAR had achieved pre-tax profits amounting to approximately 507 million Euros with a of 7,3 billion Euros turnover and 5,9 billion Euros exports (550 000 vehicles).

In 2002, Toyota Peugeot and Citroen, carried out one of the most significant foreign investments in the Czech Republic for a total amount of 1,5 billion Euros, including 700 million Euros at the local level. The series production of the models of the three manufacturers began in March 2005 and the commercial launching of the three models was concretized in June 2005. TPCA has reached its full output, and produced 293 537 vehicles in 2006, achieving a turnover of 1,8 billion Euros. The manufacturer exported 99.5% of his production to Western markets in 2006.

At the beginning of 2007, South Korean manufacturer HYUNDAI undertook the construction of his new factory in Nosovice, in the area of North Moravia. With an investment of approximately 800 million Euros, it plans to produce approximately 300 000 vehicles annually. The launching of this production is scheduled for the beginning of 2009.

In order to win the decision against other potentially candidate countries, several incentives to investment were granted by the Czech authorities (CZECHINVEST). Among them, the Government plans to finance the construction of a motorway between Nosovice and the Slovak border, which will allow a better cooperation of the Czech plant with that of KIA Zilina (Slovakia), which also belongs to the group HYUNDAI.

Since the Sixties, **Romania** made the decision to manufacture its own car for the Rumanian population. The choice was that of taking a contractual license of Renault, over 8 years and providing for a total integration of the manufacture in Romania.

**Slovakia** is a country of manufacturing tradition. Before the transition, the Slovak industry was sub-contracting the Czech manufacturer, Skoda. This tradition was reinforced with the establishment of Volkswagen (Devinska Nova Ves, suburbs of Bratislava) since 1991, followed by that of PSA-Peugeot-Citroen (Trnava, 50km in the North of Bratislava) in 2003 and KIA Motors (near Zilina, in the North-West of Slovakia) in 2004.

- **A very dense industrial fabric of equipment suppliers, getting reinforced**

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Approximately 300 equipment suppliers, of which more than two thirds of foreign origin, are established in the **Czech Republic** and approximately 40% of the 100 principal world equipment suppliers are present on the Czech market, the geographical proximity with manufacturers of the neighboring countries (Germany, Slovakia, Hungary, Poland, Slovenia) being favorable to the development of the sector. After the major European equipment suppliers (the Czech Republic counts in particular a dozen sites of production of French groups) and American during the Nineties and at the beginning of the years 2000. In fact, from now on the Asian companies are settling massively in the country, following therefore the establishment of the group HYUNDAI.

In 2006, the presence of the automotive equipment suppliers in the Czech Republic has been reinforced again (new establishments and extensions of the capacities of existing factories). Even if the number of new establishments is expected to slow down compared to 2006, this tendency should continue in 2007, namely due to the construction of the new factory of the South Korean group HYUNDAI (launching of the production scheduled for 2009). In 2007, approximately 10 new subcontractors of HYUNDAI were established in the country.

**In Slovakia**, approximately 200 automotive equipment suppliers (20% of which are 1st tier) operate in this sector. The share of foreign capital accounts for 2/3 of the shareholding of automotive equipment suppliers in Slovakia. Naturally, on account of the historical context, of the geographical proximity of the two countries and the presence of Volkswagen in Slovakia since 1991, the German investors (Brose, Hella, Ina, Leoni, Magna, Osram, Sachs...) prevail with 19% of shares. The French (Arcelor, Fabi Bourbon, Faurecia, Heuliez, Trier, Valeo...) are ranked in second position with 18% of shares (compared to less than 5% in 2004), just before the Americans (9% of shares - Delphi, Johnson Controls, Lear Corporation, Molex, Teleflex, US Steel...).

## 2. India

The ambitious strategies of manufacturers prove that India can be described as a regional platform of production and outsourcing. The programs of manufacturers sourcing are ambitious, be it Toyota, Ford or Volvo, not to mention GM, Daimler-Chrysler, iTEC and Renault-Nissan (creation of an office of liaison Renault-Nissan Purchasing Organization and antennas for vehicle engineering and the direction of the Renault design)

India's assets, as compared to other emerging countries, reside in its capacity of design, engineering and machining, as well as in its strong availability of low wages, qualified and English-speaking engineers. The skills recently developed by India in terms of information technologies also constitute an undeniable advantage.

These trade exchanges are facilitated by existing regional and bilateral agreements (SAPTA, Bangkok Agreement, Bimst-EC., India-Sri Lanka, India-Thailand). One of the most dynamic is that between India with Sri Lanka. Other agreements are being negotiated (India-ASEAN, India-Mercosur, India-China and India - Singapore).

The establishment of the majority of the world manufacturers (Daimler Chrysler, FIAT, Ford, General Motors, Honda, Hyundai, Volkswagen, Toyota, Volvo and Renault) in India since the middle of the 90's then the progressive takeover of the local leader Maruti by Suzuki, have constrained the Indian industry of the automotive components to set up management and production procedures in conformity with the international standards enacted in terms of environment, of quality and safety.

In addition, the increasing internationalization of the Indian car industry - more than 175 000 passenger vehicles were exported in 2005-06 - has constrained local equipment suppliers to conform

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to the world standards. This step forms an integral part of the development strategy of equipment suppliers.

Professional federations (SIAM and ACMA) also encourage the Indian government to gradually adjust Indian standards with international standards, especially concerning pollutant emissions. Since April 1st, 2005, the regulation "Bharat Training course III", i.e. the equivalent of the standard "Euro III", came into effect in eleven Indian metropolises, and will apply to all the country by 2010.

With regard to technical regulations, India has since April 2006 the status of member of the committee of the 1998 agreement "Working group WP29". This committee particularly endeavors to suggest harmonization measures at the international level in the field of safety.

The Indian Government will invest more than 400 M USD in the 5 years to come for the installation of an unprecedented project in the Indian automotive homologation: the National Automotive Testing and R&D Infrastructure Project (NATRIP). This project includes the creation and/or the extension of: 3 centers of homologation, the Centers of Excellences (CoEs) specialized on automotive research and of the largest test-track in the world. It seems that many companies at the total level are already interested in outsourcing their tests towards NATRIP.

### 3. Mexico

The car industry in Mexico registered a considerable development, in particular because of the privileged geographical situation of the country, the various investments authorized in this sector as well as the use of advanced technologies in the production process. Mexico, 10th automotive producer at the international level, mainly specialized in the production of small cars and medium models, as well as light-duty trucks, spare parts and engines.

- **Automotive engineering**

Currently, Mexico produces nearly 2 million motor vehicles and recorded a substantial growth of the production of spare parts.

The Mexican automotive sector achieved in 2006 historic records: 23,2% increase of the production, totaling 1,98 M vehicles. At the same time, exports reached a total of 1,54 M vehicles, whereas the sales on the domestic market amounted to 1,14 M units.

The figures for the next six years (Calderón Government from January 2007 to December 2012) involve nearly 8 Bln USD of investment and the establishment of new brands (Chinese in particular), accompanied by the construction of factories.

- DaimlerChrysler announces an investment of more than one billion USD devoted to building a new assembly line in his factory of Mexico City, within the framework of its program "Way Forward Plan".

- General Motors, for its part, counts on 2,3 Bln USD of investments over three years: new factory with San Shine Potosi for the construction of small vehicles intended mainly for the Mexican market and enlarging the factory of Silao (Guanajuato)

- Honda will transfer in 2007 the production from its SUV Cr-V to Mexico (until now manufactured in Japan), injecting 80 million USD in its factory of Jalisco.

- Renault confirms the local manufacture of the CLIO until 2010 and the launching of three new models.

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- Volkswagen, announces the manufacture of the Variable Golf (70 000/an), for the whole world, in its factory of Puebla which should reach an annual aggregate output of 400 000 vehicles. The rise in the investments between 2003 to 2008 is worth 2 Bln USD.

- **Spare parts**

The sector of spare parts is made up of more than 1000 companies including 70% with foreign capital. The total value of the production in 2006 is nearly 25 Bln USD. Spare parts are exported mainly to the United States (76%), Canada and Germany (3% each one);

The field of components is a particularly significant element of the Mexican automotive sector. The production covers mainly the original equipment market, intended both for manufacturers established in Mexico as well as for export, mainly towards the USA.

The equipment suppliers' fabric is therefore dense. It is made up of more than one hundred companies of foreign origin. About twenty French equipment suppliers are established in Mexico.

#### **4. Brazil:**

- **Manufacturers: A developed and modern industry**

Today, Brazil is the 9th world automotive producer and the 1st in South America. Moreover, it is particularly powerful on certain categories of vehicles: the country is indeed the 2nd world producer of buses and the 6th producer of trucks. In 2005, the automotive production, all vehicles included, reached a historic record of 2,5 M vehicles due to a significant rise of automotive exports in 2005 and a resumption of domestic consumption.

Eleven manufacturers produce today light-duty vehicles in Brazil, the majority of which being established industrially after 1995, in order to dispute a promising market with the four "historical" manufacturers: FIAT, Volkswagen, General Motors and Ford. Among the new comers, appear in particular the French manufacturers:

- Renault: industrially present in Brazil since 1995, the group has an industrial complex there including a vehicles assembly factory, an engine factory, a stamping factory and a commercial vehicles factory;

- Peugeot-Citroen: established industrially in Brazil since 1999, PSA has a vehicle assembly plant, as well as a factory of engines.

It also should be noted that 7 manufacturers produce heavy-duty trucks (trucks and/or buses).

Car manufacturers invested in Brazil nearly 18,3 Bln USD between 1994 and 2005. These investments correspond to the wave of establishment of manufacturers, as well as with the modernization of manufacturing units of older manufacturers, with the launching of new models and the development of research and technology centers.

Exports of vehicles are, for their part, amounted 9,1 Bln USD in 2005, which represents a volume of 897.079 units.

The still too limited size of the Brazilian market and the necessary profitability of investments carried out by manufacturers and equipment suppliers indeed made exports development a priority for the majority of companies of the sector. Out of the total of these exports, nearly 55% are carried out towards Argentina and Mexico, supported by the Brazil-Mexico and Brazil-Argentina automotive

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agreements. Last November, the Brazilian Government signed with Mexico an automotive free trade agreement for light-duty vehicles, which will come into effect as from January 2007.

In order to reinforce their competitiveness on international markets and to increase the attractiveness of Brazil vis-à-vis the foreign investors, the local subsidiary companies of car manufacturers set up plans of reorganization and reduction of the costs and announced a series of new investments, in particular for the launching of new products.

- **Automotive equipment suppliers in Brazil**

Factory constructions of new car manufacturers after 1995 were accompanied by a deep change of the sector of automotive equipment. Manufacturers were indeed followed by several of their traditional suppliers and developed strategies of modular "Just in Time" production, which the local equipment suppliers were not used to. Many local companies were thus caused to disappear, to come together, or to join a foreign partner.

The share of foreign capital in the Brazilian equipment supply industry thus passed from 48% in 1994 to 76,9% in 2005, and the share of equipment suppliers having a capital at 100% or foreigner majority passed from 19,5% to 40% during the same period.

478 companies having 657 production facilities in Brazil are associated today to Sindipeças (national Trade union of equipment suppliers). Among these companies associated with Sindipeças, 141 are certified 14001, 176 are ISO 9001, 244 are ISO TS 16949 and 71 are certified QS 9000.

The sector benefited, in 1997 and 1998, from a strong flow of investment, corresponding to the establishment of new equipment suppliers and the reorganization of the sector. Financial difficulties encountered locally by various suppliers, especially of tier 2, 3 and 4 and the development of the national automotive market below the expectations of professionals of the sector then generated a reduction of investments until 2003. Since then, the Brazilian economic revival was accompanied by a certain restarting of investments, but many equipment suppliers still condition their investments with the evolution capacity of the Brazilian market for the years to come (evolution of the exchange rate and interest rates, measures adopted to develop the automotive market, etc). Also, in order to facilitate investments in the sector, the BNDES (National Bank of Economic and Social Development) currently studies the opening of a specific credit line for the sector.

Exports of equipment supply industry amounted to 7,5 Bln USD. The USA represents the first outlet for the Brazilian equipment industry, with nearly 30,7% of total exports, followed by Argentina (14,9%) and Mexico (8,9%).

## 5. Turkey

The car industry is a significant and dynamic sector in Turkey, which brings together 15 manufacturers and more than one thousand equipment suppliers, and represents the second exporting industry in the country (after the textile/clothing).

The automotive equipment suppliers industry developed starting from the 1970s, because of the establishment of car manufacturers - mainly Renault and FIAT which attracted in their wake several world equipment suppliers.

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It was then an assembly industry, directed only towards the local market and protected by tariff barriers.

The entry into effect, in January 1996, of the customs Agreement with the European Union gave impetus to the development of the sector: Many manufacturers (Renault and FIAT, then Toyota, Ford...) chose Turkey as a platform of export to the markets of Western Europe.

The car manufacturers are based on a network of more than 1100 suppliers, who would be able to produce 80% of the equipment necessary to the Turkish car industry. The panel of equipment suppliers of first tier is rich and of quality in Turkey, due to the establishment of the large international equipment suppliers.

At the geographical level, the car equipment suppliers concentrate mainly in the area of Marmara, in particular in Bursa where two car manufacturing units (FIAT, Renault) and two dedicated industrial areas were established.

The Turkish association of automobile equipment suppliers TAYSAD manages, since 1999, an industrial park specifically dedicated to the car industry (surface: 2500 m<sup>2</sup>).

A first wave of establishment took place in the Seventies in Bursa (Valeo, Faurecia), followed by a second wave in the Nineties (MGI Coutier, Mecaplast, Plastic Omnium, Sofanou, Unifil..) at the request of Renault. Today, these companies have diversified their customers. Other French equipment suppliers are interested today in Turkey.

These last years, the production strongly increased, and quality improved: the majority of Turkish equipment suppliers have a quality certification of the type ISO 9000, ISO 14000, QS 9000 or ISO TS 16949, which enables them to export either directly to international markets, or indirectly as suppliers of parts for vehicles made in Turkey and intended for export. In this respect, the policy of "global sourcing" adopted by certain manufacturers benefit the equipment suppliers based in Turkey.

The range of equipment produced by car equipment suppliers in Turkey is very diversified: complete systems of motorization, brakes and components, suspension devices, plastic items, accumulators, car glass, seats and their components, electric components, lighting systems.

The industrial fabric of equipment suppliers in Turkey is diversified. One can distinguish 3 categories:

- companies of foreign origin, subsidiary companies established in the form of joint venture (JV) or manufacturer under license (European, American, Japanese or Korean). They profit from an adapted technology and are official suppliers of equipment in original equipment and spare parts of origin. The quality of the finished product which leaves their factories is similar to that of the same product manufactured in the other factories in the world. The Turkish association of car equipment suppliers TAYSAD counts 185 partnerships between local and foreign companies in Turkey.

- The independent manufacturers who can also be retained in original equipment by the manufacturers and are present on the market of the second equipment and that of the independent replacement. They are able to develop and propose standard parts of their own design, especially intended for the market of commercial vehicles and trucks.

- Artisanal companies producing low value-added parts only intended for the replacement market. These companies equip sometimes the local market of the spare parts of counterfeit.

The local car equipment suppliers do not limit themselves to the local market: they develop their sales, and even invest abroad, mainly towards European countries. Investment in the R&D, still weak, is

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developing. However, only the most powerful equipment suppliers are concerned. Thus, a caesura is being established between those which are able to tie a partnership with a foreign firm or to be directly approved by the manufacturer and those which do not have the means to do so.

The prospects for the car equipment suppliers are good in Turkey because, according to all forecasts, the automotive production, drawn by export, will be accentuated in the years to come.

Exports of components and car equipment increased these last years appreciably, reaching 3 Bln USD in 2004 (+31%/2003) and 3,6 Bln USD in 2005 (+20%/2004). More than 60% of these exports are intended for the European Union countries.

As for exportation, the main markets recipients of the Turkish equipment suppliers are Germany (25%), Italy (10%), France (9%), the United Kingdom (6%), Belgium (7%) and Spain (3%).

- **The market**

- **Assets of the market**

Turkey has several advantages which make it possible to the Turkish equipment suppliers to benefit from a good positioning on the world market:

- A labor that is relatively cheap (2 to 4 times less than in France), qualified and highly productive,
- Following the agreement on the Customs union, the products are exempted from customs duties between Turkey and the UE,
- The Turkish market is significant, with a strong growth potential,
- The geographical situation facilitates exports towards the neighboring countries,
- The fabric of car suppliers is dense and profits from a true know-how, because of the importance of the investments carried out in the sector.

- **Weaknesses of the market**

Turkey also presents disadvantages, in particular: high price of electricity, significant taxation upon the purchase of a vehicle, emergence of new competitors (Eastern European countries, Iran), R&D insufficiency, administrative bureaucracy and heaviness, existence of counterfeits on standard automobile parts.

- **The supply**

The local offer is broad and diversified. Certain technologies and equipment are however absent.

- **Assets of the supply**

- Metal processing and mechanics: manufacture of castings (castings and molded); existence of foundries - 100 % Turkish capital ownership- that fulfill the requirements of the manufacturers; significant activity of cutting-stamping, a certain know-how in the design and production of tools. The forging sector is well represented but technology is still insufficient for the most exigent manufacturers,
- Plastic processing: many equipment suppliers (foreign and local firms) but that lack sometimes a know-how in the processing,
- Electric and electronic Components: presence of the large world equipment suppliers, even in electric wiring (Delphi, Yazaki...).

- **Weaknesses of the supply**

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- Machining - undercutting: still insufficiently developed, because this activity was previously carried out by the manufacturers themselves. Metal processing by removal of matter is less developed than the deformation of metal;
- Tools for plastic: the manufacture of moulds for the transformation of the plastic is weak (whereas the manufacture of tools for stamping is well developed);
- Surface treatment: multiple local companies in this field, but the level of quality generally does not fulfill the requirements of the car;
- Insufficiency in particular in cataphoresis and galvanization;
- Connector industry;
- Automatism and robots;

## Positioning of the Agadir area as compared to competitors

### Assets and handicaps of the different groups of countries for the attraction of investments automobiles

Region	Assets	Handicaps	threats	Opportunities
<b>Southern</b>	- Important market	Wage costs	- Risk of delocalizations	of

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<b>Europe</b>	<ul style="list-style-type: none"> <li>- Industrial basis</li> <li>- Know-how</li> </ul>	<ul style="list-style-type: none"> <li>equipment suppliers</li> </ul>	
<b>CEEC</b>	<ul style="list-style-type: none"> <li>- beginning of establishment of poles of competences</li> <li>- Members in the EU</li> </ul>	<ul style="list-style-type: none"> <li>Strong wage-related demands</li> <li>(General strike of wage earners of the DACIA plant)</li> </ul>	<ul style="list-style-type: none"> <li>- Rise of wage costs</li> <li>- Competitiveness of the other low cost countries</li> <li>- Upselling of the manufactured products</li> </ul>
<b>China /India</b>	<ul style="list-style-type: none"> <li>- Huge local market achieving substantial growth</li> <li>- Capacity of design and innovation</li> <li>- International standards</li> <li>- a developed automotive industry</li> </ul>	<ul style="list-style-type: none"> <li>Logistic costs</li> <li>Rise of the Yuan vs the US dollar</li> </ul>	
<b>Turkey</b>	<ul style="list-style-type: none"> <li>- Maturity of the industrial fabric: presence of subcontractors and suppliers</li> <li>- Qualified labor</li> <li>- Customs union with the EU : facilitated access to the European market</li> <li>- Important investments</li> <li>- Important local market achieving rapid growth</li> </ul>	<ul style="list-style-type: none"> <li>- Not member of the EU</li> </ul>	<ul style="list-style-type: none"> <li>- Increasing wage costs</li> </ul>
<b>Agadir</b>	<ul style="list-style-type: none"> <li>- Association agreements with the EU</li> <li>- French and English speaking labor</li> <li>- wage costs</li> <li>- Geographic and cultural proximity</li> </ul>	<ul style="list-style-type: none"> <li>- Fragmentation of the market</li> <li>- Limited local market and insufficient integration</li> <li>- Weak effort of investment</li> <li>- Weakness of the logistics and efficient communication networks</li> <li>- Industrial Base</li> </ul>	<ul style="list-style-type: none"> <li>- Competitiveness of China and India</li> </ul>

### Countries of the Agadir area

Among the most important comparative advantages is the low labor costs in comparison with those of Western Europe, with wages that are in average five times lower than those in Europe. Payroll taxes are relatively low.

This advantage is nevertheless to be qualified as compared to the CEECs, and particularly those of the second generation (Romania, Bulgaria etc.), which also offer attractive wage costs.

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In this competition with the CEECs and the Asian countries (cost of labor) and presenting no strong advantage against competitors in terms of labor costs, or in terms of qualifications, the Agadir area countries should seek to exploit the advantage of proximity available to them vis-à-vis Asia, in the direction of the European market. This implies that this potential asset is concretizing in terms of costs and transportation deadline by creating dense networks of direct sea, air or land lines among the countries of the area and with the European Union.

### Assessment according to the key factors of success

#### Cost

- Competitive workforce in the East; however, inflation is expected in terms of wage costs in view of their accession to the European Union.
- Labor is becoming less competitive in Turkey.
- Very low labor costs in China and India
- In Turkey, the cover ratio for energy is particularly low while it remains relatively high in East European countries (Romania, Poland).
- Tunisia and Egypt have an advantage in terms of the cost of energy.

#### Quality

- Experience curve of East European countries and Turkey in the assembly and manufacture of automotive components: quality level meets the industry standards.
- A majority of manufacturers from the ISO TS 16949 certified countries (+ 4000 companies in china, + 1000 in Eastern Europe, and 400 in Turkey)
- In the countries of the Agadir area, a relatively recent automotive history and a new trend towards certifications. (less than one hundred companies for the entire region of Agadir)

#### Reactivity

- Remoteness of Asia as compared to the European market.
- The geographical situation of the countries of Eastern Europe stimulates them vis-à-vis the Northern European market, while the Agadir area countries are more advantaged on Southeastern Europe.

#### Innovation

- Upselling of automotive equipment within the countries of Eastern Europe, particularly in the Czech Republic with the creation of more and more R & D platforms.
- The range of equipment produced in Turkey is very diverse: Engine complete system, braking system and components, suspension parts, batteries, glass for automobile, seats and components, electrical equipment and lighting systems.
- Except a few research outsourced centers (e.g. Matra in Morocco), the Agadir area countries are lagging behind in terms of innovation.

#### Capability to design sets and modules

- Presence of major global suppliers in Turkey (Delphi, Yazaki...).
- 70% of companies of the top 100 global automotive suppliers are located in China. There are a total of more than 1,200 foreign car manufacturers in China: Delphi, Bosch, Valeo...
- In India, presence of the 9 largest international suppliers: Delphi, Visteon, Lear...

























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- Outside firms relocated dedicating 100% of their production to export, the presence of small-size equipment suppliers, resorting to often old technology at the level of the Agadir area countries.

#### Financial surface

- In Turkey, presence of numerous joint ventures, and structures of significant size.
- Reforms undertaken in China since 1997 in order to reduce the lack of efficiency in the sector of equipment supply: closure of companies in loss of earnings and merger of non-productive companies with profitable businesses in the South.
- The movement of mergers and acquisitions in the quest for critical size have not yet begun in the space of Agadir.

#### Competitiveness analysis as regards the key factors of success (KFS)

	Eastern countries	Turkey	Asian countries	Countries of the Agadir area
Cost				
Quality				
Reactivity				
Innovation				
Capacity to design and sets				
Financial surface				

The aim is to integrate by 2012 all these key success factors at the level of the fabric of equipment suppliers of the Agadir area.

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## Mapping the major opportunities for the Agadir area

### Opportunities of the Agadir area for the assembly activity

There exists a potential for the Agadir area:

1. The installation of mega sites;
2. The assembly of end of life series and of small series;
3. Assembling specialties: Assembling heavy-duty trucks, assembling buses and intercity buses, bodyshell, other niches;
4. An important opportunity: to position on the assembly of low cost vehicles like Logan for Somaca in Morocco.

#### **1. The installation of mega sites**

It is about attracting, into the Agadir area, the installation of important sites for assembling between 100 000 and 300 000 vehicles per year so as to serve Southern and Western Europe, southern markets (Agadir countries, sub-Saharan Africa) and possibly the Middle East.

This installation makes it possible to develop rapidly a complete fabric of tier-1 OEMs and suppliers. Indeed, those latter accompany the manufacturers in their internationalization: "follow sourcing." Moreover, it also leads to the rapid emergence of clusters of auto production through the installation by these international firms of the main elements of the automotive branch.

The main selection criteria for the installation of a new site (mega-site) are:

##### **- Securing investment**

- Important investments (500-700 million €) which need to be secured with:
- Micro-economic and political stability
- Important regional demand
- Total commitment of the government to support such a project

##### **- Firm will of the country to develop a solid fabric of suppliers**

- On average thirty tier 1 equipment suppliers
- 100 to 150 tier 2 and 3 suppliers
- Other suppliers of lower tier

##### **- Competitiveness of cost factors**

- Competitiveness of the entire cost factors
- Initial investment (land / construction, BPW,...)
- Operation of the Site (labor, taxes, logistics cost, water, electricity, gas,...)

##### **- Pool of skilled manpower**

- Absolute need for an important and skilled pool of manpower (automotive techniques / quality, dexterity...)

The **Renault Nissan Alliance project in Tangier** comes in this context: The industrial complex will have a production capacity of 400.000 vehicles per year making it the largest automotive production centre in the Mediterranean banks.

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Given the weakness of Moroccan domestic demand and the geographical proximity to the European Union, 90% of the production of this site will be intended to international markets.

The opening of domestic markets of the Agadir area countries and their integration into a common market (as regards the automotive demand) represents an interesting potential for the installation of mega-sites and would improve the position of the Agadir area as compared to Western Europe. Indeed, the Agadir area would then represent a market of 125 million inhabitants characterized by a low rate of car ownership. It would then be likely to attract both European and Asian manufacturers that are not positioned yet in direct competitor areas on the European market (CEECs or Turkey).

## **2. End of life series and small series**

It is about the relocation of the production of end of life vehicles or small batches towards the Agadir area, either to re-export them to Europe or intended to be marketed in the Agadir area. Generally, they are assembled in existing plants and allow an increase in the utilization rate of the installed assembly capacities.

The small series can expand the existing fabric of suppliers but do not develop it significantly insofar as most end of life products and small series correspond to assembly out of CKD.

These include for instance projects such as the extension of the capacity of Somaca in 2008 from 30 000 vehicles to 100 000 vehicles. This extension will enable to assemble Logan and the end of life Kangoo, intended for export to Europe.

## **3. Specialties**

It is about the assembly of specialties:

- Assembly of Heavy-Duty Trucks;
- Mounting buses and intercity buses;
- Other bodyshell (vans, refrigerated box...);
- Other niches (recreational vehicles, cars without licenses).

Assembly sites of specialties are less mechanized and are high labor consuming and allow job creation on assembly lines.

The logistical and geographical proximity allows the Agadir area to produce trucks, buses and intercity buses with a view to export them to Southeast Europe,.

The assembly of specialties is a good opportunity for the Agadir area. The Moroccan-Spanish company, Irisar, a subsidiary of TATA is building a factory near Rabat to produce 3 to 4 vehicles per day. 70% of the production is intended for export onto the European market.

## **4. The low cost car**

Other manufacturers could position themselves in the Agadir area and develop the CKD assembly of economical cars intended for southern Europe, North Africa (Algeria, Mauritania, Libya...) and sub-Saharan Africa as well as the "Mashrek".

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## Opportunities for the equipment supply industry of the Agadir area

The car equipment suppliers supply two markets: the original equipment market and the spare parts market.

The major market for equipment suppliers is the manufacture of passenger cars and industrial vehicles. Thus, the variation of the car manufacture market has direct impact on the original equipment market.

As for the spare parts market, it remains stable. Despite the increase in the number of vehicles in circulation, the growth of this market is hampered. Indeed, the reliability of equipment assembled on new vehicles is improving, and their life expectancy is increasing.

As part of this study we have identified four market segments:

- The original equipment and original spare parts market: export and regional
- The independent spare parts market: export and regional

### 1. The export markets

- **The process and criteria for clients' sourcing**

The sourcing process of tier 1 manufacturers and equipment suppliers to carry out sourcing outside their countries of origin is made of 3 stages:

- **Stage 1: Identifying equipment candidates for sourcing outside Western Europe**

It consists in identifying equipment candidates for sourcing outside Western Europe by reasoning in terms of gains achievements on the full costs, in terms of intensity of use of manpower, volumes to be produced and technical feasibility: complexity of operations, required technical know-how.

- **Step 2: Selecting the sourcing area**

It consists in selecting the sourcing country. The process of selecting the sourcing country consists on an arbitrage between sourcing in Asia or sourcing in the CEECs. As their know-how is virtually equivalent, the decision making is based on potential gain on the cost of labor vs additional charges due to logistic costs.

In order to be considered as potential sourcing area and represent a sourcing alternative, Agadir area must convince that a favorable arbitrage is possible. Given the geographical proximity of clients (to be qualified in the light of transport infrastructure), the trade-off will be carried out in terms of manpower cost and know-how.

- **Step 3: sourcing terms**

It consists in choosing the terms of sourcing and their implementation:

- Buying from local suppliers of the target country;
- Shopping from sites of suppliers of reference settled in the target country;
- Opening a site on its own in the target country;
- Creating new equipment suppliers in the target country;
- Acquisition and upgrading of local suppliers.

- **The European original equipment and original spare parts market**

The growth of this market has a direct relationship with that of car manufacturing. Since the industrial logic of car manufacturers is outsourcing more and more certain integrated activities, the volume of the equipment market is growing.

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A strong correlation exists between the original equipment and original replacement equipment insofar as the same companies buy the two categories of equipment.

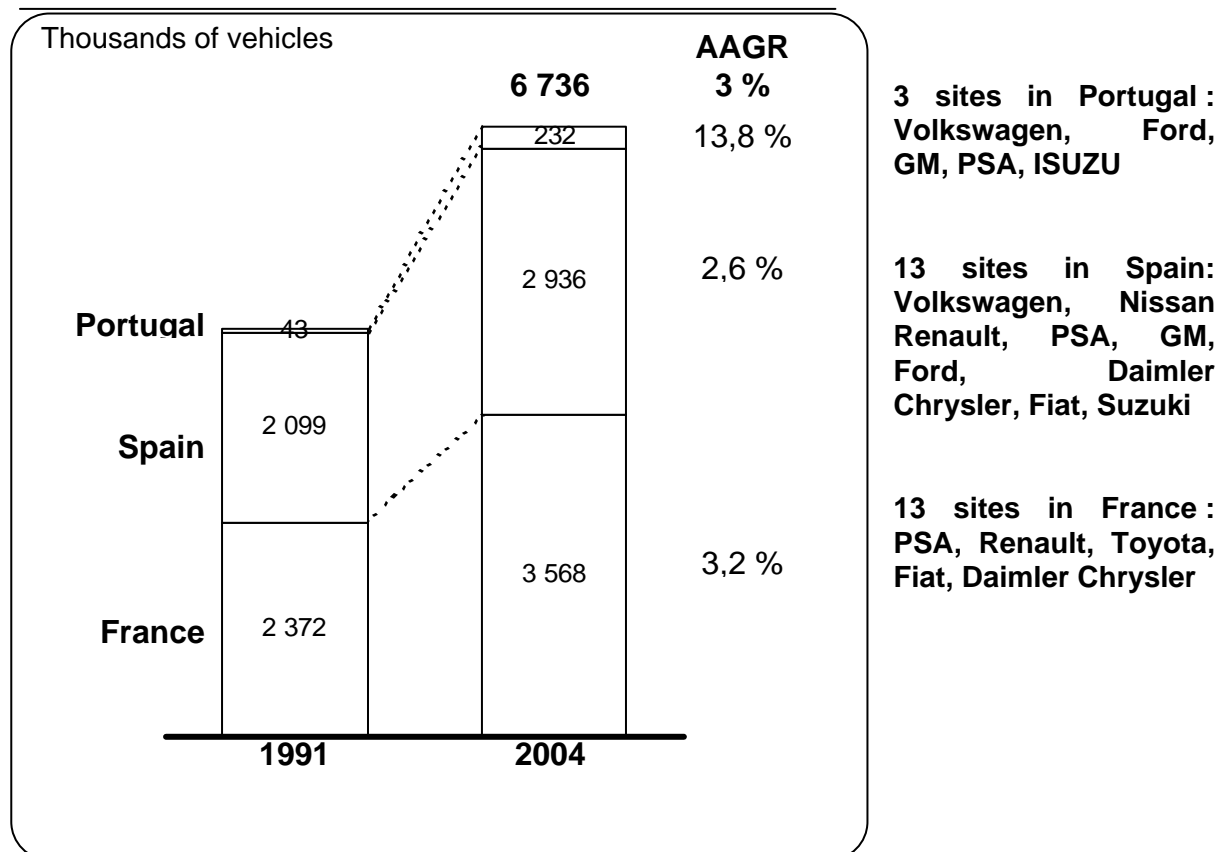
- **The European original equipment and original spare parts market**

This segment represents a major potential for the countries of the Agadir area: it consists of the manufacture of original equipment and original spare parts for assembly sites located in Southern Europe.

Indeed, Southern Europe includes 28 assembly sites/equipment suppliers in France, Spain and Portugal, which make annually 6.7 million vehicles and which constitutes an accessible market for the countries of the Agadir area, in order to create an industrial fabric of equipment suppliers: motivation to invest in production capacities, research and development...

This is justifiable especially as the pressure on costs in Europe pushes manufacturers and equipment suppliers in their wake to source in low costs countries.

### Number of vehicles produced

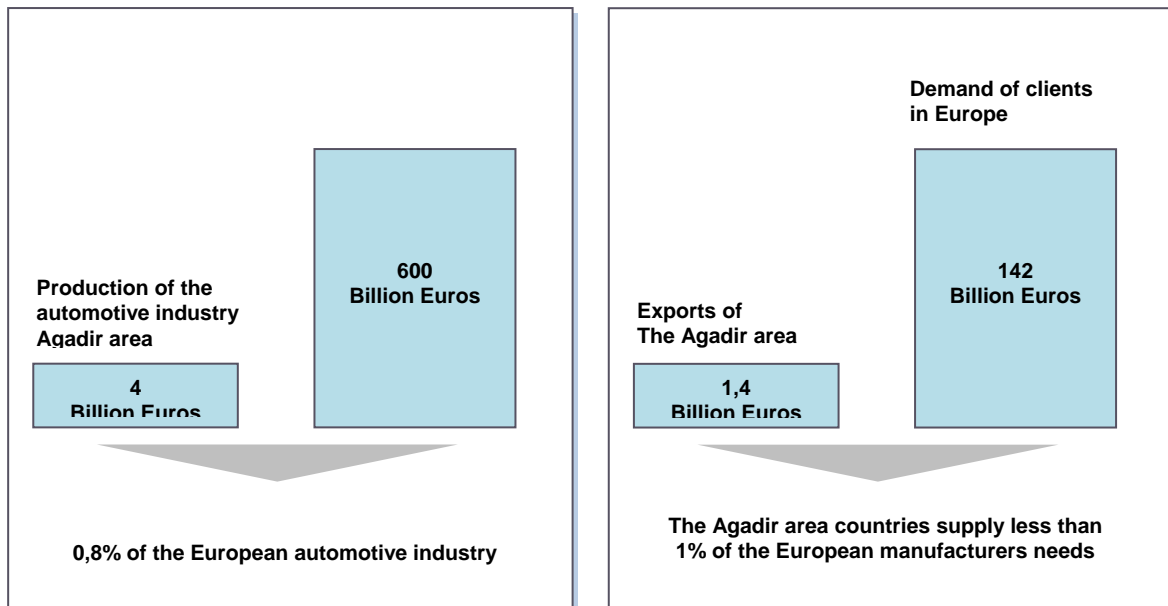


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- **Original spare parts market**

The purchases of the manufacturers represent a market of 142 billion Euros in Western Europe (France, Germany, Italy, Spain and the United Kingdom).

The figures above show that:



- **The European market of independent spare parts**

The market of the spare parts is a relatively stable market. Contrary to the sales of the original equipment, which are rather part of an industrial approach with integration of components in functions and modules positioning on high volumes, the spare parts market comes within the framework of a commercial logic with quite diffuse customers.

The customers of the equipment suppliers for this market are car manufacturers, automotive distribution centers, specialized chains and retailers.

However, the growth of this market is slowed down by the lengthening of the lifespan and the reliability of the equipment assembled on the new vehicles.

The equipment suppliers distinguish three types of spare parts:

- New parts: They are made up either of original parts manufactured by the equipment suppliers supplying manufacturers in original equipment, or of equivalent parts which have the same specifications as that of the original, but which are manufactured by another equipment supplier, or of adaptable parts without specification of the manufacturers.
- Renovated parts: They can be either a standard exchange, with a return in factory, or repaired parts.
- Re-employment parts, recovered by the network of the demolition contractors on out of use vehicles.

**This market is primarily price-driven, which would put the Agadir area in frontal competition with very low cost countries like China.**

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## 2. The regional market (Agadir area)

The market of the Agadir area is also distributed between:

- The original equipment and original spare parts market:
- Independent spare parts.

Currently, the market of the original equipment includes 28 assembly companies which produce 123.000 vehicles, mainly intended for the local market. The potential of this market (original equipment and original spare parts market) for the equipment suppliers would be carried out with the establishment of new manufacturers. It is strongly correlated with the strategy which will be deployed to attract the international manufacturers.

With respect to the independent spare parts market, just as for the European independent spare parts market, it is a prices-driven market, which supposes a strong efficiency of the production, economies of scale... On this market, the equipment suppliers of the Agadir area are faced to the frontal competition of countries like China.

## 3. Conclusion

Currently exports of the zone of Agadir amount to 1,4 billion Euros.

	<b>OEM</b>	<b>Spare parts Manufacturer</b>	<b>Spare parts independent</b>
<b>Inside of the Agadir area</b>	<b>Potential related to the installation of new manufacturers</b>	<b>Limited potential</b>	<b>Frontal competitiveness of China</b>
<b>Exports : European Union</b>	<b>Important potential</b>	<b>Important potential</b>	<b>Frontal competitiveness of Asian countries, particularly China</b>

Formidable opportunities exist pertaining to:

- The wave of global sourcing;

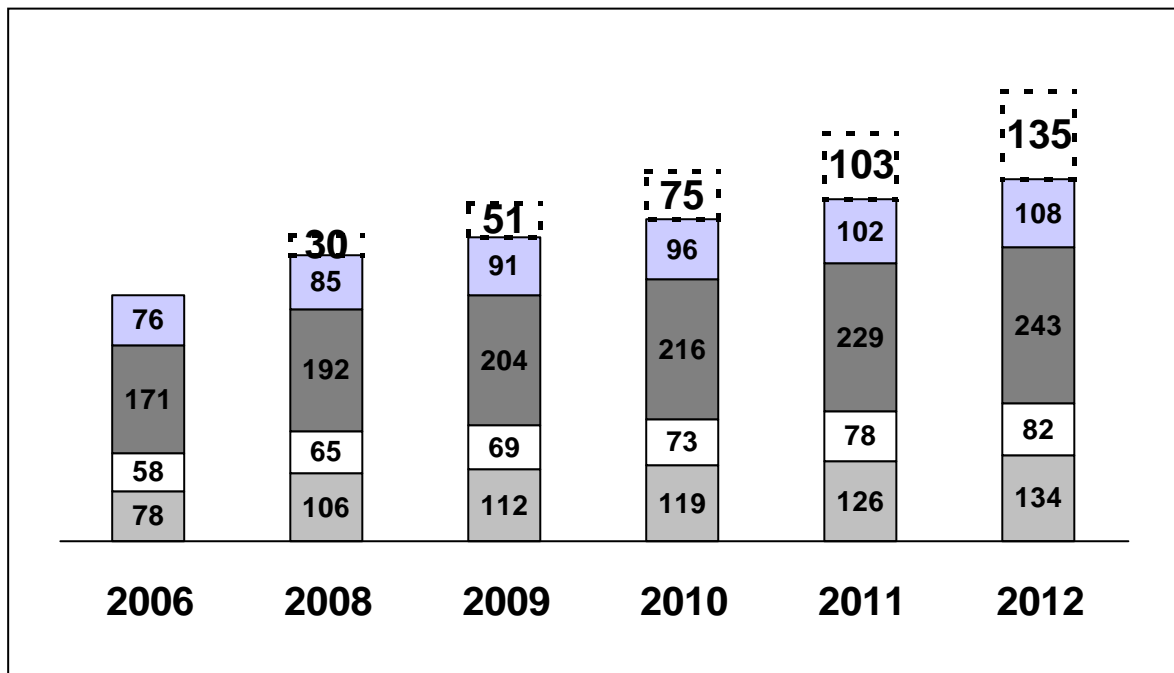
The development of the demand in emerging countries and the development of the economical car with the provision of adapting the supply to the requirements of international manufacturers and tier 1 equipment suppliers.

In addition to stable macroeconomic and political environment, the Agadir area must offer the following conditions:

- A sufficient market and in growth: which supposes an integration of the domestic markets of the area into a Common Market, which means an effective liberalization of trade exchanges and the removal of nontariff barriers;

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- An efficient communication system: Indeed, in spite of the opening of the borders within the Agadir area, we cannot speak about regional market without the installation of infrastructures (maritime, land and air transportation) between the countries and towards the European Union: the duration of transportation should not exceed 3 days; without efficient infrastructures, the countries of the Agadir area cannot claim a real proximity with the European Union;
- Reduced factor costs;
- Qualified labor;
- And finally, a fabric of powerful SMEs in the local car industry which would become the tier 2, 3 equipment suppliers...



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## A STRATEGY FOR THE DEVELOPMENT OF AUTOMOTIVE INDUSTRY IN THE AGADIR AREA

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## Strategic vision for the development of the automotive industry among the countries of the Agadir area

### A uniting vision in the long term : VISION 2017

Henceforth, the Automotive sector within the Agadir area has a clear and voluntarist vision, "Vision 2017"; It is about an integrated strategic approach making it possible to have an action plan in the medium and long term and therefore to go beyond the policies of the economic situation.

<b>Agadir area</b>	
<b>New automotive platform at the international level by 2017</b>	
<b>1.</b>	<b>To become a partner recognized by the European and world car industry</b>
<b>2.</b>	<b>To become an inevitable actor for the countries of the Middle-East and Africa</b>
<b>3.</b>	<b>To pass from the status of LOW COST area to a status of MOST COMPETITIVE area</b>
<b>4.</b>	<b>To turn the area into a true space of industrial and commercial co-operation</b>

Objectives of this strategy:

- To conquer the European original equipment and spare parts markets: The achievement of these objective results in the attraction of investments of the European Tier 1 manufacturers and equipment suppliers of rang1 in the Agadir area;
- To develop the market of vehicles and equipment of the Agadir area and the regional market: Africa and Middle-East: it results in the development of trade and exports of vehicles, components and car equipment between the Agadir Agreement Member States.

Thus this strategy comprises two aspects:

- An aspect related to the attraction of foreign investments in the car industry of the Agadir area;
- An aspect related to the development of exports and trade of vehicles and car components and equipment between the Agadir Agreement Member States.

It is articulated in 2 main phases:

- A first phase going from 2008 to 2012: consists in the creation and promotion of an AGADIR AREA supply.

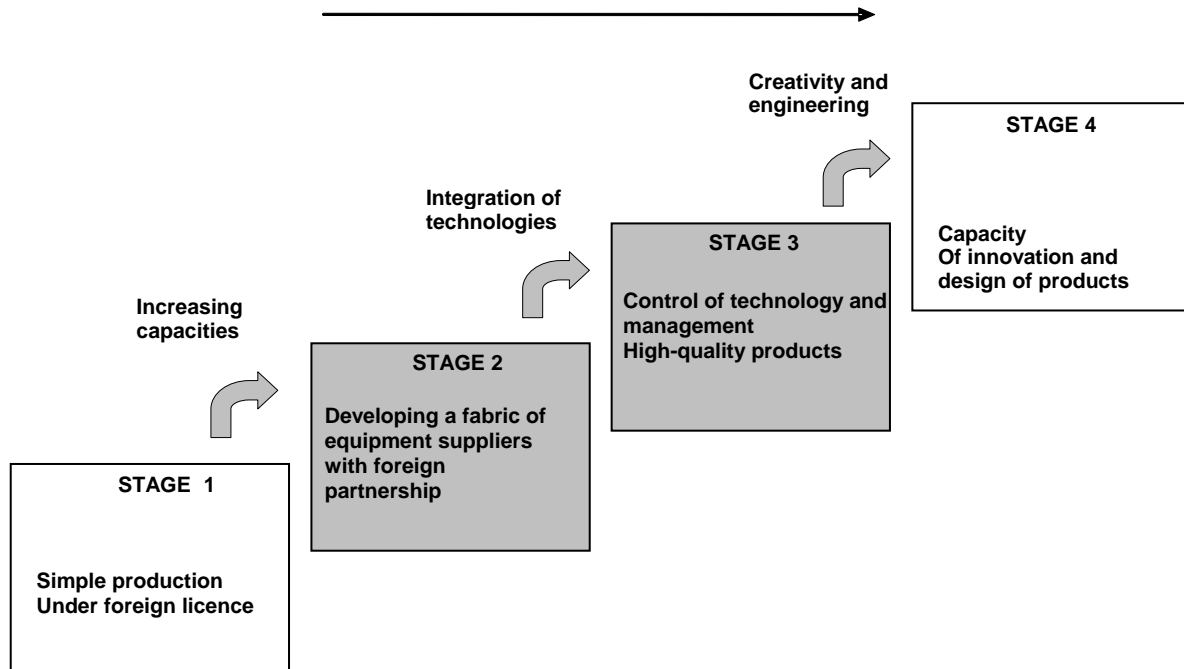
It is based on:

- The upgrading of the fabric
- The diversification of the supply
- The increase in the capacity
- Promotion

- The second phase starts in 2012 until 2017: It consists in the development of the autonomy and the centers of excellence and is based on:

- Innovation
- specialization
- Expertise

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#### A voluntarist policy which stands out from the existing situation

Indeed, a proposition from the Agadir area will have more impact as the member State act in concert and coordinate their policies in order to suggest a common and concerted vision for the development of the industry of components, equipment and motor vehicles and an integrated market.

This policy is at the opposite of the current situation which is actually marked by isolated actions made on protected narrow markets, small size companies with primary know-how and producing low-competitiveness products.

**It suggests that the EU will to reiterate with the countries of the Agadir area the success garnered by the industrial cooperation of the CEECs countries and Turkey.**

	Continuity of the existing	Strategy 2012
<b>Type of Cooperation</b>	Vision isolated from the development of the automotive sector of each country Scattered initiatives	Concerted vision for the development of the sector in the area Coordinated approaches
<b>Size of the supply</b>	Limited critical size effect	Critical size
<b>Market</b>	4 restricted respective Markets	1 attractive and integrated automotive Market
<b>Consequences</b>	Contrasted attractivity of manufacturers Limited fabric of equipment suppliers Primary automotive Know-how Limited riches created	Growing interest of manufacturers Effect of training on Tier 1 equipment suppliers Consolidation of the fabric of Tier 2&3 equipment suppliers Increased Transfer of know-how Significant increase in the incomes (establishment of manufacturers and equipment suppliers of higher tier)

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## Figures

The model of simulation presented below makes it possible to display the results of the strategy between 2006 and 2012. It also makes it possible to estimate the development of the sales turnover of the equipment suppliers of the Agadir area and exports. This model does not claim, in any case, perfect exactitude.

The sales turnover of the equipment suppliers of the Agadir area is made of three parts which represent the three main ones targeted by the countries of the Agadir area:

- Subcontracting for the European clients;
- OEM domestic market ;
- Domestic market spare parts.

The strategy on these markets is directed towards:

- The development of exports towards the clients of the European Union
- The attraction of foreign investments
- The development of trade between the countries of the area

### Subcontracting for European outsourcers

From the achievements of 2006, the model proposes hypothesis of evolution for the various parameters and calculates the sales turnover of 2012.

#### 1. Achievements in 2006:

- The total demand of European outsourcers is estimated at 142 billion Euros.
- The share of low cost sourcing in the total of the purchases of equipment and components of the clients amounts to 17%, according to declarations' of PSA and Renault manufacturers.
- Exports of the Agadir area amount 1,4 billion Euros, and thus account for 6% of the purchases of the European clients carried out in the low cost countries.

#### 2. Hypothesis 2012

- In 2012, the European total demand should be maintained to 142 Bln euros taking into account the stagnation of West European markets and their maturity
- According to the press conferences of the major customers from Western Europe: PSA, Renault, Faurecia, they project to increase the share of low cost sourcing from 17% to 47% over the next five years.
- We also considered maintaining the market share of the Agadir countries in the low cost sourcing at 6%. Nevertheless, this maintenance does not mean stagnation insofar as the share of the sourcing of the manufacturers passes from an average ranging from 17% to 47% over the period. This would bring about a significant increase in exported volumes (+300%).

This scenario is:

- Ambitious, taking into account the current fabric and of the nature of exports of the Agadir area primarily made up of cables and wiring harnesses: It supposes before all, a whole diversification of the automotive components produced by the equipment suppliers of the Agadir area and the alignment of the standards of production on the international standards.
- Pragmatic, taking into account the maintenance of market share of the Agadir area at 6% in the low cost sourcing of the European clients.

#### 3. Results

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Exports of the Agadir area would reach 3,6 billion Euros in 2012, thus achieving an average annual growth of 16% per annum. In terms of value, exports are multiplied by 2,4 in the next 5 years.

<b>LOW COST SUBCONTRACTING MARKET WITH EUROPE</b>	<b>2006</b>	<b>Continuity 2012</b>	<b>Strategy 2 012</b>
<b>Demand for clients (manufacturers/ tier 1 equipment suppliers) in Europe (Bln Euros)</b>	<b>142</b>	<b>142</b>	<b>142</b>
Share of low cost sourcing (manufacturers and main equipment suppliers)*in %	17%	42%	42%
Share of low cost sourcing (manufacturers and main equipment suppliers)*in absolute value Bln Euros)	24,1	60	60
<b>Distribution of low cost sourcing in Europe between the various sourcing areas</b>	<b>24,14</b>		
<b>Eastern countries</b> (Poland, Hungary, Czech Republic, Slovakia, Romania)	12,0		
<b>Turkey</b>	4,0		
<b>Other</b> (Mexico, Brazil, Argentina, China, India)	6,64		
	<b>1,5</b>	<b>1,5</b>	<b>3,6</b>
<b>Agadir area</b>	<b>6%</b>	<b>3%</b>	<b>6%</b>

The growth of low cost sourcing thus constitutes an opportunity for equipment suppliers of the Agadir area. Indeed, the majority of tier 1 manufacturers and equipment suppliers have announced in their wake the development of the share of low cost purchases of equipment: on average, this share should progress to 40% and 47% depending on the manufacturers.

The stake for the equipment suppliers of the Agadir area lies in their capacity to attract a share in ascending value of these purchases:

- Currently, the supply in terms of equipment of the Agadir area is mainly made up of cables and wiring harnesses.
- In order to exploit fully the wave of low cost sourcing, equipment suppliers of the Agadir area must diversify their range of products, following the example of Turkish equipment suppliers.

The Agadir Agreement should support the creation of a competitive supply through:

- The development of regional synergies;
- The mutualization of the costs of research and development;
- The emergence of actors of significant size.

**The development of low cost sourcing constitutes a formidable opportunity for the equipment suppliers of the Agadir area with the provision of developing a fabric of developed equipment suppliers and a broad and diversified supply.**

## OEM Domestic market

Based on the achievements of 2006, the model proposes hypotheses of evolution for the various parameters and calculates the sales turnover of 2012.

### 1. Achievements in 2006:

- The production of vehicles in the Agadir area amounted 123 000 vehicles (all standards);

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- The current sales turnover of the equipment industries of the Agadir area recorded with industries local assembly is estimated at 100 million Euros;
- The average rate of integration is 35%, according to the example of Logan currently assembled in Morocco.

## 2. Hypothesis 2012

- We estimated that the production of vehicles of the Agadir area would reach 600 000 vehicles distributed as follows:
  - 250 000 vehicles will be produced by the Renault Nissan project in Tangier;
  - 100 000 vehicles will be produced by Somaca in Casablanca: these first volumes are ensured and were announced within the framework of the projects.
  - We also envisaged within the framework of this strategy, the creation of a supply base which would attract a new project of assembly in the Agadir area and estimated that in 2012, the production of this assembly site would reach 200 000 vehicles;
  - And finally, the capacities currently installed and the level of demand would enable to produce and market 150 000 vehicles.
- In addition, with the development and the upgrading of the fabric of equipment suppliers, we prospect the increase in the rate of local integration from 35% to 60%;
- Thus, the value of the equipment produced locally and used by the local sites of assembly in euros amounts 1950 euros/vehicle.

This scenario is realistic and supposes that the Agadir Agreement will function in an optimal way:

- trade exchanges of vehicles and equipment among the Agadir countries will be supported and facilitated;
- complementarities in terms of production will be carried out, thus making it possible to reach a high rate of local contents (Agadir), for the development of new products: These complementarities will be facilitated by the rules of cumulation of origin, allowing the reduction of costs.

## 3. Results

The sales turnover of equipment suppliers (Original equipment and original spare parts) would increase from 100 million Euros in 2006 to 1,2 billion Euros in 2012.

<b>DOMESTIC OE MARKET AGADIR AREA</b>	<b>2 006</b>	<b>Strategy 2 012</b>
<b>Production of equipment in the Agadir area in Bln Euros</b>	<b>2,3</b>	
Share intended for export in Bln Euros	<b>1,5</b>	
Share intended for the local market in Bln Euros	<b>0,8</b>	
- Original equipment	0,1	
- Spare parts	0,7	
<b>Production of vehicles</b>	<b>123 000</b>	<b>600 000</b>
Unit cost of production in Euros		6 500,00
Share of the components in the total production cost		50%
Share of equipment in the total production cost in Euros		3 250,00
Share of equipment purchased locally in %		60%
Share of equipment purchased locally in Euros		1 950,00
<b>Turnover of equipment in the Agadir area in Bln Euros</b>	<b>0,1</b>	<b>1,2</b>

### Domestic market of independent spare parts

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Based on the achievements of 2006, the model proposes hypotheses of evolution for the various parameters and calculates the sales turnover of 2012.

### 1. Achievements 2006

- The spare parts market in 2006 in the Agadir area amounted 2,8 million Euros for a car fleet of 7,2 million vehicles.
- The share of the components produced locally in the total sales of the spare parts in the countries of the Agadir area according to the Morocco benchmark accounts for 25% of the total sales.

### 2. Hypothesis 2012

Taking into account the strong correlation between the car fleet and the spare parts market, the sales turnover of the spare parts market evolves according to the same rhythm of evolution as the car fleet. The same AAGR is applied as that of car fleet during the previous years at the market of the car spare parts; that is 5%.

In addition, we forecast that the share of the components produced locally in the total sales of spare parts in the countries of the Agadir area will evolve by 25% in 2006 to account for 40% of the total sales of spare parts; while making the assumption that with the development of the production fabric of equipment suppliers, the local components of the area will be more competitive, thus gaining several points of markets shares.

This scenario supposes a diversification of the supply in spare parts and a greater competitiveness of this supply in terms of costs and a fluidity of trade exchanges between the countries.

### 3. Results

The sales turnover of the equipment suppliers doubles in a 5-year period.

<b>DOMESTIC MARKET AGADIR AREA SPARE PARTS (OES + IAM)</b>	<b>2 006</b>	<b>Strategy 2 012</b>
Agadir car fleet	7,2	9,6
Average annual growth rate of the car fleet in the Agadir area	5%	5%
Spare parts turnover Agadir area in 2006	2,8	3,8
Growth rate of the sales turnover of the spare parts market in the Agadir area	5%	5%
Percentage of sales of spare parts produced locally on the total sales of spare parts	25%	40%
<b>Sales of spare parts produced locally in Bln EUR</b>	<b>0,7</b>	<b>1,5</b>

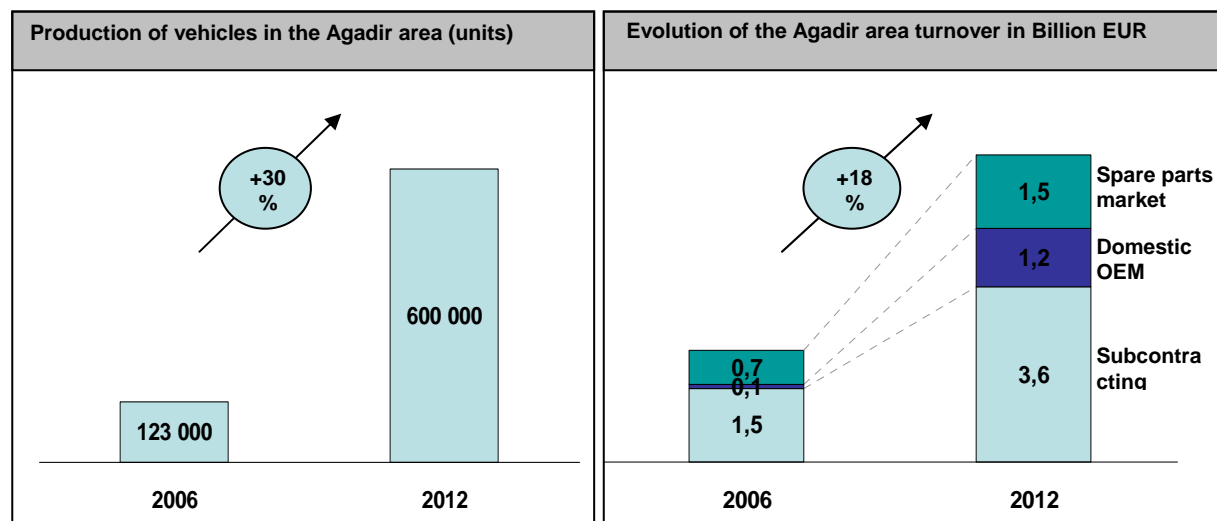
### Conclusion:

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The development of the strategy will alter since the first phase in 2012, the configuration of the automotive industry in the Agadir area.

	2006	2012	AAGR
<b>Subcontracting for European clients</b>	1,5	3,6	16%
<b>OEM domestic market</b>	0,1	1,2	51%
<b>Spare parts domestic market</b>	0,7	1,5	14%
<b>Total</b>	<b>2,3</b>	<b>6,25</b>	<b>18%</b>

**Strong progression of the quantified achievements of the Agadir area countries within the framework of the new strategic vision under the effect of the reinforced establishment of car manufacturers and the development of a diversified and competitive fabric of equipment suppliers.**



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## Line of development of the strategy

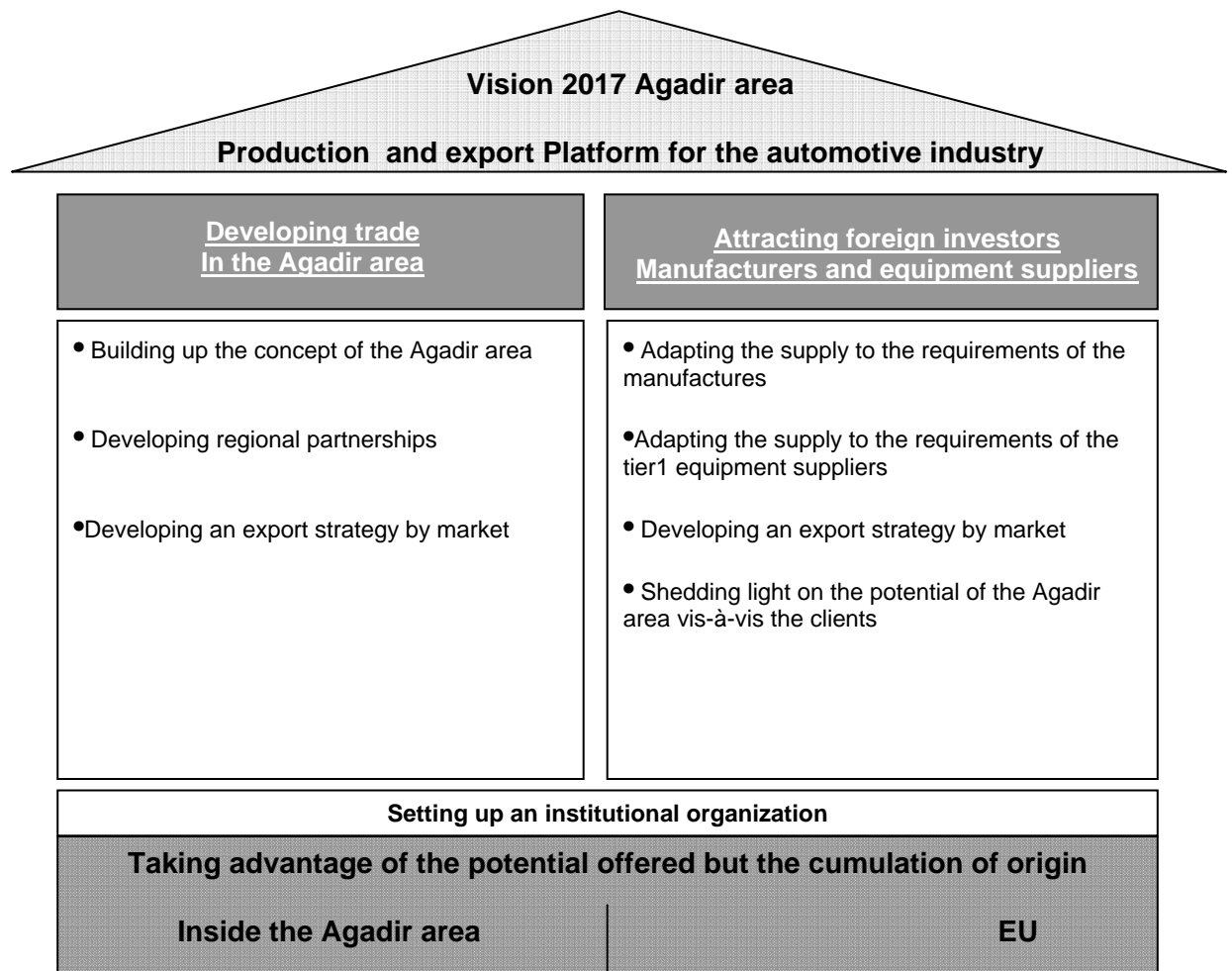
### Preamble:

In this part, we will concentrate on the lines of development which can be implemented through common actions among the countries of the area and requiring the participation of the actors of the 4 countries.

The specific actions which can be undertaken in each country in an independent way will not be treated.

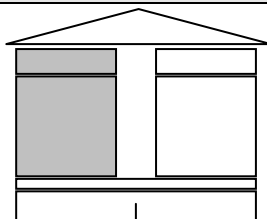
**The vision 2017 is conditioned by the implementation of 7 lines of development for the countries of the area**

- To build the concept of the Agadir area for the car industry;
- To build a supply for manufacturers;
- To build a competitive offer for Tier 1 equipment suppliers;
- To develop regional partnerships;
- To develop an export strategy by market and geographical area;
- To shed light on the potential of the Agadir area at the level of the clients;
- To set up an institutional organization.



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## Developing trade in the Agadir area



### **LINE 1: PROMOTING THE CONCEPT OF THE AGADIR AREA FOR THE AUTOMOTIVE INDUSTRY**

The objective is to offer an integrated market. Indeed, on the one hand, a reciprocal opening of the markets of the countries of Agadir would make it possible to guarantee more significant local markets to the industrialists of the area.

In addition, this opening would make it possible to constitute a new emergent market characterized by an interesting growth of the demand for vehicles, thus inciting manufacturers to move their assembly sites towards the area and Tier 1 equipment suppliers to follow them in their establishments in the area.

Thus, this first line aims to:

- To raise awareness and inform all the public actors, trade associations and private actors as to the advantages related to the Agadir Agreement;
- To incite public actors to adopt a policy of opening and liberalization of the markets by standardizing the automotive industrial policies in the Agadir area and finding solutions to the obstacles hindering the opening of the markets: It is about removing all the nontariff barriers and particularly the technical obstacles (conformity to the domestic standards and regulations) which restrict the trade inside the area. In order to mitigate these handicaps, it is advisable to build a system of mutual recognition of standards, payments, procedures and test laboratories, and to adopt the quality and safety requirements in effect in the European Union,

So that all the relevant parties adopt this vision, communication campaigns centered on the advantages and the quantified ambitions of the 2012 strategy should be launched in direction of the government departments, the trade associations and the private sector.

The objective is to make the Agadir Agreement evolve, from a simple free trade agreement to an industrial and trade cooperation agreement.

### **LINE 2: DEVELOPING REGIONAL PARTNERSHIPS**

- **A condition: To solve the logistic problems**

The development of trade in the Agadir area and the regional integration of markets cannot be carried out in the absence of a dense network of maritime, air or land direct connections between the countries of the area.

Thus, the achievement of this line is conditioned by the development of logistics between the 4 countries of the area and the installation of regular and frequent sea links.

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Logistics also conditions trade with the European Union markets. Indeed, the countries of the area are more and more in frontal competition with Eastern European countries and Asian countries for the supply of the European market. As they do not present any strong advantage neither in terms of costs of labor, nor in terms of qualifications, in comparison with the competitors: the Agadir area members try to qu seek to develop the advantage of proximity they have with Europe vs Asia. Still it is necessary that this potential asset become concrete in terms of costs and time of transportation.

The actions contained in this line aim to support the conclusion of the capital intensive partnerships between the industrialists of the Agadir area and to accelerate the movement of concentration of the industrialists of the area by trades in order to constitute significant actors having an important capitalization.

It is then important to:

- Identify the companies having a potential for M&A or partnership: companies with complementary activities in order to develop complete kits, wide ranges or complete modules by exploiting the possibilities of cumulation of origin: Example of companies producing radiators: out of aluminum in Egypt and copper in the other countries of the area;
- Encourage industrial partnerships between countries of the area:
  - Licenses or technological agreements for a mutualization of the investment costs in research and development;
  - Or action of merger and acquisitions in order to reach a critical size;
- Initiate partnerships for the raw materials and the semi-finished products sourcing between countries of the area by exploiting the possibilities of cumulation of origin.

### **LINE 3: DEVELOPING A STRATEGY OF EXPORT BY NETWORK BY TYPE OF CLIENT AND BY GEOGRAPHICAL AREA**

Strategies will be developed depending on the two following categories of products:

- Vehicles;
- Equipment.

#### **- Trade of vehicles**

As regards vehicles, the actions recommended will aim at facilitating the trade of vehicles between the countries. The search for new markets for the actors could be done through:

- The establishment of dealerships for example from Iveco/Nasr or MCV in Morocco, in Tunisia, in Jordan to supply transportation companies with buses;
- In the same vein, the marketing of Logan (assembled in Morocco) in Jordan, Tunisia or Egypt.

The trade of vehicles cannot be done without:

- The liberalization of the markets: removal of nontariff barriers;
- The contribution to bring logistic solutions;
- And finally, a stimulation of the demand in the countries of the area: financing...

#### **- Trade of equipment**

Thus, 4 target markets have been identified:

- The manufacturers' original equipment market;
- The original equipment market of tier 1 equipment suppliers;
- The original spare parts market of manufacturers and Tier 1 equipment suppliers;
- And finally, the independent spare parts market.

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These markets are different due to the nature of their requirements and expectancies with respect to industrialists.

- **The manufacturers' original equipment market**

To address this market, the industrialist must be an equipment supplier of row 1 and answer all the key factors of successes evoked before:

- Cost: competitive in terms of wage costs and the raw materials and energy;
- Quality: certified and in conformity with the international standards;
- Reactivity: JAT, a powerful logistics allowing to deliver the industrial parks in less 36h;
- Innovation: able to conceive new design and to innovate;
- Capacity to design modules and sets: able to assemble modules and to provide complete functions;
- Financial capacity and structure: have a significant financial capacity in order to follow the manufacturers in their establishments in foreign markets.

Also, to address this market, it is necessary to conclude at least a technological partnership with suppliers of row 1, usual suppliers of the manufacturer in order to conform to specifications including the products, the processes, quality, logistics, the structures of costs and the potential of productivity.

- **The market of the first assembles equipment suppliers of row 1**

In order to address this market, it is not necessary to meet all the key factors of success. Indeed, the specifications relate to the products, the required quality and respect of deadlines.

The industrialists of the Agadir area have to conclude, with tier 1 suppliers, technological partnerships as well as partnerships on assistance to the development of components, equipment and modules.

The objective is in this case, to make the supply of the areas' industrialists visible and convincing.

- **The original spare parts market of manufacturers and Tier 1 equipment suppliers**

This market is more accessible than the original equipment market because it does not incorporate the requirement of internationalization, and the specifications are for some lines of goods, except for the criteria of safety, less severe than for the first two segments.

This market is gradually opening up to actors who are not themselves original equipment suppliers. Nevertheless, origin quality meets the same specifications as the original parts.

It is about integrating the requirements of the customers.

- **The independent spare parts market**

To address this segment, and in order to reduce and mutualize marketing costs, it is necessary to conclude distribution and marketing partnerships in order to market complete ranges of products, directly to retailers suppressing intermediaries

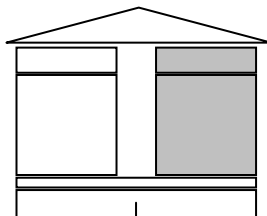
The industrialists from the Agadir area can benefit from the complementarities in terms of ranges of products, knowing that Egypt and Jordan can be more specialized in the Asian models and Morocco and Tunisia in the European models.

Three options are possible:

- The sale of brands specific to an independent retailer,
- The sale under the brand of the client manufacturers; example: Valéo, Bosch, etc.
- The sale under a retailer's brand such as Auto distribution, Speedy, Norauto...

<b>Attraction of foreign investments: Manufacturers and Tier 1 Equipment suppliers</b>
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#### **LINE 4: ADAPTING THE AGADIR AREA VALUE PROPOSITION TO THE REQUIREMENTS OF MANUFACTURERS**

It consists on integrating the Agadir area in the shortlist of international manufacturers by presenting a series of operational characteristics going beyond the improvement of the macroeconomic, political and legal environment.

- **Setting up infrastructures**

It is about setting up the infrastructures necessary to the establishment of manufacturers' sites:

- Harbor infrastructures,
- Land transportation (TIR and railway lines),
- a pool of trained and qualified labor.

In particular, the actions will aim at supporting the creation of an association of engineers of the car industry in the Agadir area such as SIA in France or the SAE in the USA. Those actions aim at drawing a cartography of college training and vocational training in the area supporting the emergence of centers of competences by country.

- **Developing a logistic proposition**

In addition to the creation of offshore areas, logistic platforms and actions likely to support the development of cluster, actions will aim at mutualizing the expertise in terms of logistics and offshore platforms and taking advantage from the best practices in this respect (Best Practices e.g.: India Pune Area/Mexico - Maquilladoras)

- **The establishment of laboratories of tests with automotive vocation using homogeneous technical standards in partnership with manufacturers, equipment suppliers and trade associations**

- **Coordinating incentives**

- Coordinating marketing actions vis-à-vis the manufacturers, while taking into account the geographical position of the countries.
- Supporting the establishment of a fabric of efficient subcontractors around the centers of production and contributing to the establishment of industrial centers of excellence according to the natural assets of the country (raw material) and experience capitalized in each country.

#### **LINE 5: BUILDING UP A COMPETITIVE PROPOSITION TO ATTRACT EQUIPMENT SUPPLIERS**

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This line consists in aligning the performance of the current industrial fabric to the international standards in order to move from a differentiation based only on the costs of labor and a single product (cables and wiring harnesses) to a differentiation on the entire the chain of value.

Hence, it aims at constituting a base of tier 2 and higher equipment suppliers.

- **Building competences**

- Making use of the training opportunities within the framework of technological agreements with partner manufacturers or foreign equipment suppliers;
- Inciting the companies of the sector to invest in training;
- Financing training programs.

- **Launching actions of upgrading and incentive to certification**

- Mutualizing specialized expertise (ISO TS, Methods, R&D department...);
- Optimizing the funds of upgrading assistance;
- Capitalizing on the successful experiences (Forum of exchange).

- **Developing research and development**

- Developing the co-operation between tests centers and existing R&D centers;
- Creating a regional fund to stimulate cooperation between the Agadir countries as regards R&D open to companies, universities and technical centers.
- Encouraging companies to develop research and development by setting up devices of tax research credit;
- Allocating specific resources for R&D and industrialization within the companies;
- Studying the possibility of a mutualization of R&D so as to prepare the autonomy and the development of centers of excellence within the area.

- **Supporting the development of a fabric of significant-size actors**

- Supporting the movements of concentration and merger acquisitions through the installation of a Fund of industrial Reorganization (Private);
- Working out incentive policies for investment for companies in particular tax measures in the case of investments to increase the outputs and to publicize them;
- Supporting the emergence of joint-ventures in the sector of the car equipment (EU/countries of the area);
- Supporting the emergence of the basic trades: stamping, foundry, plastic processing.... as a vector facilitating the implementation the rule of cumulation of origin.
- Supporting the evolution of the technologies used by the industries of the area towards more recent technologies.

These products could be manufactured in the countries of the Agadir area through the conclusion of technological or trade partnerships.

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PRODUCTS	ONLY IF OLD TECH	PARTNERSHIP S IF NEW TECH	OLD TECHNOLOGY	NEW TECHNOLOGY	LABOUR INTENSITY	MARKET SEGMENT
CARBURETTORS	X	X	TECH ON THE VERGE OF DISAPPEARANCE	PROCESSED METAL	MEDIUM	OE
WATER RADIATOR+ COOLER	X	X	COPPER AND BRASS	BRAZE ALUMINUM	COPPER HIGH/ ALU MED	OE/IAM
FUEL FILTER	X		LOW TECH	METAL AND PAPER	HIGH	IAM
OUTSIDE MIRRORS	X	X	SIMPLE LOW TECH	MEDIUM TECH COMPLEX	HIGH IF SIMPLE MED IF COMPLEX	OE/IAM
CONDENSORS		X	TUBES AND FANS	BRAZE ALUMINUM	MEDIUM	OE
EVAPORATOR		X	TUBES AND FANS	BRAZE ALUMINUM	MEDIUM	
AIR FILTERS FOR PASSENGER CELL	X	X COMMERCIAL	FOAM AND PAPER PARTICLES FILTER	ACTIVE COAL FILTER	MEDIUM	OE/IAM
WHEELS	X	X	STEEL	BRAZE ALUMINUM	MEDIUM	OE
BATTERIES	X	X	ANTIMONY LEAD	CALCIUM	MEDIUM	IAM PREDOMINANCE
PNEUMATICS	X	X IF EXPORTS	MED TECH	HIGH TECH	HIGH	IAM PREDOMINANCE

- Diversifying products:
  - Investing in the means to reinforce competitiveness costs;
  - Increasing the output;
  - Selecting the products to be developed, while avoiding the products exposed to substitution technologies.

The creation of a competitive supply supposes the rise in technicality and subcontracting more complex products.

Products	Partnership necessary	Type of technology	Not manufactured	Labour intensity	Market segment
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			<b>in the area</b>		
Pumps	X	Medium Tech		Medium	OE
Tanks	X	Medium Tech		Medium	OE
Filling	X	Medium Tech	X	High	OE
Spark plugs	X	Medium Tech		Low	IAM
Glow plugs	X	Medium Tech	X	Low	IAM
Injectors	X	High Tech	X	Medium	OE
Injection pipe	X	High Tech	X	Medium	OE
Common ramp system	X	Medium Tech	X	Low	OE
EGR systems	X	Medium Tech	X	Medium	OE
Catalysts	X	Medium Tech	X	Medium	IAM
Turbo compressors	X	High Tech	X	Medium	OE
Alternators	X	Medium Tech	X	Medium	OE/IAM
Metal-plastic joints	X	Medium Tech	X	Medium	OE and IAM
Cardan shaft	X	Medium Tech	X	Medium	OE
Front optics	X	Medium/High Tech	X	Medium	OE / OES
Beams	X	Low Tech		High	OE
Connectors	X	Medium Tech		High	OE
Complete seats	X	Medium Tech	X	High	OE
Seats brace	X	Medium Tech	X	High	OE
Seats mechanism	X	Medium Tech	X	High	OE
Instrument panel	X	Medium Tech		Medium	OE
Compressors	X	High Tech	X	Medium	OE
Airbags	X	Medium/High Tech	X	Medium	OE
Braking systems	X	Medium/High Tech	X	Medium	OE
Shock absorber	X	Medium Tech	X	Medium	OE / IAM
Bearing paliers	X	High Tech	X	Medium to low	OE

## **LINE 6: SHEDDING LIGHT ON THE POTENTIAL OF THE AGADIR AREA VIS-A-VIS THE CLIENTS**

In order to ensure the achievement of the 2012 strategy, it is necessary to promote efficiently the potential of the Agadir area vis-à-vis the clients, in the major identified markets.

This promotion is important to integrate the Agadir area in the shortlist of investors and to assess it as a credible outsourcing area.

To this end, a promotion campaign should be launched by the ATU and concentrate on the following themes:

- **The development of a common automotive Web Portal**

The development of this Web portal will make it possible to count and communicate on a common site on the supply of the Agadir area.

This Web portal will include economic and institutional information, such as the plants establishment areas, the incentives offered, as well as information pertaining to the companies of the area and their products.

- **Coordination between the existing exhibitions in the countries of the area**

It is important to coordinate the organization of these existing exhibitions in order to develop trade between the countries of the area.

These exhibitions are domestic events at the level of exhibitors and target investors and international clients. However, they remain small exhibitions with little fame at the international level and do not interest international exhibitors.

<b>Country</b>	<b>Tunisia</b>
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<b>Name</b>	<b>SIAT TUNIS INTERNATIONAL AUTOMOTIVE EXHIBITION</b>
<b>Venue</b>	Exhibitions Park and International Trade Center of Tunis
<b>Frequency</b>	Biannual
<b>Sectors represented</b>	Major manufacturers of cars, Commercial vehicles, trucks and buses as well as manufacturers of car components, spare parts and accessories, garage equipment and gas stations suppliers and subsidiary service providers
<b>Number of exhibitors</b>	174 in 2005
<b>Number of visitors</b>	82 451 in 2005
<b>Organizers</b>	Tunis International Fairs Company

<b>Country</b>	<b>Egypt</b>
<b>Name</b>	<b>AUTOPARTS</b>
<b>Venue</b>	Cairo
<b>Frequency</b>	Biannual
<b>Sectors represented</b>	Car parts, components and accessories
<b>Number of exhibitors</b>	Nc
<b>Number of visitors</b>	Nc
<b>Organizers</b>	Al Forsan for Exhibitions and International Fairs

<b>Country</b>	<b>Egypt</b>
<b>Name</b>	<b>AUTOMECH</b>
<b>Venue</b>	Cairo International Fair Ground
<b>Frequency</b>	Annual June 4 <sup>th</sup> to 9 <sup>th</sup> 2008
<b>Sectors represented</b>	Exhibition of cars, buses, garage equipment, spare parts and accessories
<b>Number of exhibitors</b>	345 (2007) 380 (scheduled for 2008)
<b>Number of visitors</b>	420 135 (2007)
<b>Organizers</b>	<a href="#">ACG ITF</a>

<b>Country</b>	<b>Morocco</b>
<b>Name</b>	<b>TEC'AUTO MAROC</b>
<b>Venue</b>	Casablanca's Office of Fairs and Exhibitions
<b>Frequency</b>	Biannual
<b>Sectors represented</b>	Car assembly, Original Equipment manufacturing (OEM),

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spare parts and accessories for vehicles, petroleum products, garage equipments and devices, automotive services..

**Number of exhibitors** 80 (in 2007)

**Number of visitors** 8 000 (in 2007)

**Organizers** Moroccan Association for the Automotive Industry and Trade « AMICA »

<b>Country</b>	<b>Morocco</b>
<b>Name</b>	<b>AUTO'EXPO MAROC</b>
<b>Venue</b>	Casablanca's Office of Fairs and Exhibitions
<b>Frequency</b>	Biannual, May 10 <sup>th</sup> to 18 <sup>th</sup> 2008
<b>Sectors represented</b>	Import and marketing of new vehicles and motorcycles
<b>Number of exhibitors</b>	Nc
<b>Number of visitors</b>	Nc
<b>Organizers</b>	Association of Importers of assembled motor vehicles « AIVAM »

Coordination can be carried out at the level of:

- Timing to hold exhibitions on the one hand;
- Positioning the exhibition: For a B to C exhibition, like AutoExpo Morocco, companies such as MCV (Egypt) or IVECO/NASR (Egypt) could showcase and seek clients in Morocco (urban transportation companies);
- For a B to B exhibition: Inviting exhibitors of the Agadir area: manufacturers and equipment suppliers of the area in order to conclude partnerships etc. It is necessary to develop business and partnership relations between the various actors of the car industry in the area.

• **Organizing a professional exhibition of scale: International Agadir Automotive Exhibition**

It would be an international exhibition dedicated to the car industry, organized in turn in one of the countries of the Agadir area.

It would target mainly the European manufacturers and equipment suppliers and would aim at:

- Promoting the future development opportunities of the car industry in the area;
- Promoting the industrial potential of Agadir countries as competitive sites.

Potential visitors and exhibitors:

- Car manufacturers;
- Tier 1 and 2 equipment suppliers;
- Subcontractors;
- Raw material suppliers;
- Foreign laboratories and research and development centers;
- Engineers schools and training centers etc;

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### Examples:

- Malaysia**      **AUTOMECHANIKA ASIA :**  
International exhibition of automotive equipment suppliers and components and accessories suppliers.  
Organized every two years in Kuala Lumpur  
Organized by: Mass Dusseldorf GMBH
- Malaysia**      **Johor International Automobile parts & accessories show**  
Automotive exhibition International exhibition for manufacturers and components and accessories suppliers  
Tradenet Exhibition Organizers Sdn Bhd
- Turkey**      **Annual Otomotiv show of equipment, spare parts and services**  
Organizer: ITF/CNR
- Turkey**      **Automechanika (biennial)**  
Show of equipment, spare parts and services  
Organizer: Hanover Messe

#### • Organizing concerted actions of promotion at the level of the major customers

- By directly approaching the major customers;
- By organizing the participation of the companies of the industry to the customers purchasing forums;
- By editing a directory of the professionals of the automotive sector in the Agadir area, organized by categories of products;
- By creating a magazine of the car industry in the Agadir area.

#### • Participating in professional exhibitions of scale

- Coordinating the participation in professional exhibitions and shows abroad,
- Supporting the companies of the sector in order to take part in the main international shows.

#### • Creating an Agadir Label

This point appears essential to us in order to guarantee a level of quality and a certain degree of competitiveness of the supply with respect to the purchasers of the main customers (Tier 1 manufacturers and equipment suppliers).

It is also necessary to encourage the automotive sector companies of the area to align themselves to the international standards and to motivate them to upgrade (at the financial level, certification of equipment and techniques, staff training, technological innovations...) in order to penetrate the targeted markets in a sustainable way.

To this end, conducting a study appears necessary to define specifications and a charter centered on:

- The quality of the products and certification of equipment and techniques;
- Ethics;
- Economic and financial criteria.

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- **Participating in international exhibitions under the Agadir label.**

#### **LINE 7: INSTITUTIONAL ACCOMPANIMENT MEASURES**

- **Creating a union comprising the associations of the automotive sector in the area**
- **Setting up a follow-up committee on the progress of the development strategy of the automotive industry in the Agadir area (ATU/union/public representatives)**

This follow-up committee shall bring together all the partners involved: public, trade associations... It will be in charge of:

- controlling the setting up of the 2012 strategy and its progress report,
- Identifying the blockage points and raising them,
- Suggesting adequate solutions aiming at advancing the works according to the scheduled calendar,
- Validating and communicating the general indicators on the progress of the implementation of the strategy.

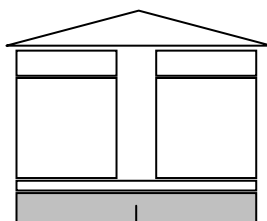
- **Creating an automotive observatory in the Agadir area**

Its missions will consist of:

- Automotive market analysis and follow-up in the Agadir countries: registrations;
- Analysis and follow-up of the supply of the Agadir countries;
- Analysis and follow-up of the world trends of the car industry: markets watch, technological and regulatory developments in the exportation countries;
- Analysis and follow-up of the projects of establishment at the international level.

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## Contribution of the Agadir Agreement to the success of this strategy



### Reminder of the preferential origin rule

Within the framework of the Agadir Agreement and the bilateral agreements signed with the European Union, the concept of origin or "originating products" is defined in an origin protocol identical to that of the Barcelona process.

In order to be regarded as originating in the Agadir area, the goods must be entirely obtained in one of the Agadir countries, either entirely, or through "sufficient processing" of non-originating products.

- The concept of "entirely obtained products": The protocol defines the concept of "originating products" in an article that lists exhaustively all the products considered as "entirely obtained" in the countries of the area.
- The concept of "sufficient processing": All the products non-originating in the country of processing must undergo a sufficient processing or must be sufficiently worked so that the end product is considered originating in the country of manufacture.

For the majority of vehicles, automotive components and equipment, the rule of sufficient processing is as follows:

**The share of the non-originating products should not exceed 40% of the ex-works price**

Thus, the minimum processing rate required for goods to acquire the preferential origin is 60%.

### Cumulating of the rules of origin

**The cumulation is a tool that enables to add the added value related to the processing of a component or module in several countries of the Agadir area.**

2 types of cumulation may be used:

**Cumulation inside the Agadir area:** within the framework of the Agadir Agreement, a third origin product undergoing successive manufacturing in two or three countries of the Agadir area, acquires the character of "originating product" since the processing it underwent in the countries of the area account for 60% of the ex-works price. It can then be exported duty-free to another country of the area.

This cumulation will make it possible to instigate trade between the Agadir area Member States.

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**Cumulating with the European Union:** Within the framework of the bilateral agreements concluded between each country of the Agadir area and the European Union, a third origin product undergoing successive manufacturing in two or three countries of the Agadir area, acquires the character of "originating product" since the processing it underwent in the countries of the area accounts for 60% of the ex-works price. It can then be exported towards the European Union duty-free.

In order to acquire the preferential origin and to be exported to the European Union duty-free, it is possible to command the processing undergone inside the Agadir area for a third product, which then acquires the origin of the country of Agadir where the most significant processing took place and can be exported to the European Union.

On the other hand, the transformation undergone by a product originating in a country of the Agadir area does not need to be sufficient to export the product duty-free towards the European Union.

#### **Potential of the cumulation of the rules of origin**

It is necessary to measure the impact of the implementation of the Agadir Agreement at two levels:

- Increase in trade between the signatory countries;
- Consolidation of exports of each country towards the European Union thanks to the cumulative rule of origin.

That supposes that the exemption from customs duties on the goods will contribute to supporting competitiveness of the products of the area, as compared to third origin products outside the Agadir area and towards the European Union.

#### **1. Increase in trade between the member countries**

- **Agadir area spare parts market**

Market	Size	Characteristics	Conditions
<b>Independent spare parts market Agadir area</b>	2,8 Bln EUR	Price market	<ul style="list-style-type: none"> <li>▪ Competitiveness by the price : Economies of scale</li> <li>▪ Frontal competitiveness with China</li> <li>▪ Solving logistic problems</li> </ul>

The spare parts market of the Agadir area is estimated at 2,8 Bln EUR in 2006 and should reach 3,8 Bln EUR in 2012.

It is a prices-driven market: Industries supplying this market must be price competitive, which puts them in frontal competition with countries like China.

In the short and medium term, the potential of this market is very low: Profits in terms of costs due to the achievement of economies of scale in China for example, make more than compensate for the additional cost related to the application of customs duties on the products imported from China.

Unless an efficient productive fabric is developed and a large-scale production is organized, the cumulative rules of origin within the area would not contribute to the development of trade.

- **Original equipment and original spare parts market of the Agadir area**

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Currently, the main car assembly sites are located in Egypt and in Morocco:

Market	Size	Characteristics	Conditions
<b>Original equipment market</b>	0,1 Bln EUR	Quality requirements	Local content requirements curbs the trade intended for Egypt in the event of the installation of a site in Egypt
	High potential	Cost	Prerequisites : Removing those non-customs barriers and opening markets
	Renault Tangier	Reactivity	
	+ Other sites		
			<ul style="list-style-type: none"> <li>• Modernizing production fabrics</li> <li>• Migration with the Middle Tech</li> <li>• Solving logistic problems</li> </ul>

#### Examples:

Renault Tangier or Somaca can integrate components of Tunisia or Egypt imported duty-free in the vehicles which will be exported duty-free to Jordan or Egypt (provided that the processing rate cumulated in Morocco-Tunisia or Morocco-Egypt reaches 60%).

The following Tunisian and Egyptian companies could for example supply the Renault site in Tangier. The following list is given as an example and is not meant to be exhaustive. Indeed, other Tunisian and Egyptian companies could provide products other than those which are indexed in this list:

Categories of products	Tunisian companies
<b>Airbags</b>	ARIANA CONFECTION, ZODIAC AIRBAGS TUNISIE
<b>Transmission parts</b>	VALEO EMBRAYAGES ET TRANSMISSION, SIM
<b>Steering wheels</b>	ASF, ASW, DALPHIMETAL TUNISIE, SELLERIE AUTOMOBILE TUNISIENNE, SWTF, UNION DES ATELIERS TECHNIQUES DE SOUSS
<b>Braking parts</b>	ATI, ITCV, SOTUFIA, SATURNO TUNISIE
<b>Seatbelts</b>	AUTOLIV TUNISIE
<b>Covers, seats and upholstery</b>	COMPAGNIE TUNISIENNE DE CONFECTION AUTOMOBILE, CONFORT AUTOCAR, SRARFI ELYES, STEA, UNITE TUNISIENNE DE SELLERIE , SIFAMOS
<b>Suspensions</b>	CIE TUNISIENNE DE RESSORTS A LAMES, COLMAR, SIA
<b>Various equipment</b>	MGI GOUTIER, DFF, STE IND DES ACCESSOIRES DE LA VOITURE
<b>Filters</b>	GLE IND DE FILTRATION
<b>Rubber items</b>	SOMA

The category A & B Egyptian companies could supply the site of Tangier: Autocool, Leoni, Matraxx (brake pads and brake linings, rims...), FAC filter (filters), AKL for Autofeeding industries (mirrors,

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ventilators, hub caps, lamps and lighting)... Chloride Egypt (batteries), Get Hamenz (pistons, compressors...), Egyptian German Automotive Co...

The fluidity of trade constitutes a precondition so that the "cumulative origin " instrument could promote exports of these countries in the whole of the Euro-Mediterranean area.

### **Actionable potentialities of cumulation of origin immediately between the current industrialists**

Since at the level of the Agadir area, the main assembly centers are located in Egypt and in Morocco, the assembly sites could import, from Morocco and Tunisia, the following components duty-free:

	EGYPT	MOROCCO	TUNISIA
Airbags			X
Alternators starters			X
Aluminum engine parts		X	
Control cables		X	
Rubber items		X	X
Connectors		X	X
Electronics		X	X
Clutch		X	X
Engine equipment		X	
Joints		X	X
Window regulators			X
Tools		X	
Sécurité		X	X
Suspension			X
Steering wheels		X	X

Likewise, assembly sites in Morocco could import, from Tunisia and Egypt, the following components:

	MOROCCO	EGYPT	TUNISIA
Airbags			X
Alternators starters			X
Lighting		X	X
Window regulators			X
Pneumatics		X	X
Suspension			X
Rims		X	

This is the case for the buses assembly plant in Jordan ELBA, producing 400 units per annum on Mercedes bases provided by factories in Brazil. This factory could integrate components of the various aforementioned Tunisian, Egyptian and Moroccan companies. It could then export its buses duty-free towards Tunisia and Morocco.

### **1. Consolidating exports of each country towards the European Union by taking advantage from the cumulative rule of origin**

- The European Union's independent spare parts market

Market	Characteristics	Conditions
--------	-----------------	------------

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**Independent spare parts market European Union**

Price market

- Competitiveness by the price: Economies of scale
- Frontal competitiveness with China

• **Original Equipment and original spare parts market of the European Union**

Market	Size	Characteristics	Conditions
<b>Original Equipment and original spare parts</b>	~142 Bln Eur	Quality, cost, proximity/ reactivity	<ul style="list-style-type: none"> <li>▪ Attracting tier 1 equipment suppliers</li> <li>▪ Concluding joint-ventures with tier 2 equipment suppliers for the diversification of the products</li> </ul>

**Actionable potentialities of the cumulative origin immediately between the current industrialists**

• **Raw materials**

Among the raw materials which could be used as a basis to observe the rule of the cumulative origin, is steel, which is the source of manufacture of various metal components.

E.g.: Maghreb Steel, steel manufacturer in Morocco, could supply the other countries of the area. Certain markets have already been initiated by actors. It is the case of the Tunisian rims manufacturer CENTREX, who imports steel from Maghreb Steel to profit from the cumulation of origin and to export towards Europe and countries of the area.

SEKURID of the Cobain Company which invested in a fleet to manufacture glass in Egypt, and which could be processed in Morocco and in Tunisia....

• **Processing and semi-finished products**

An industrial collaboration on the basis of "cumulation of origin" could benefit the industrialists through subcontracting and/or sourcing relations of semi-finished products.


Example: The clutch disk is composed of a cast iron disc, is machined, and then furnished by a composite. The rough or machined disc can be imported from a country of the Quad to undergo the garnishing in another one. It is the case of Plastex Morocco, which imports its discs from Turkey, China and other countries.

Another case of the company FIM, which imports cast iron shirts for machining and surface treatment operations, then exports them.

• **Complement of kit**

A second level of collaboration could be between the industrialists so as to manufacture the elements of a kit.

The example of the copper asbestos joints for engines which are composed of several elements, of rubber, metal and composite, and which are bought from various origins.

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## PLAN OF ACTIONS

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**N° of the action** 1

**Heading** **Launching a vast campaign of information and raising awareness among political authorities, trade associations and the private sector on the automotive vision of the countries of the area, within the framework of specialized events organized in each country of the area and in Europe**

**Content** **Stage 1:** Ensuring a broad diffusion of the printed study on car components and assembly activities in its final version. Target: Private sector of the 4 countries, and representatives of the public sector (Foreign Trade, Industry, Finances, Customs, Investments and exports Promotion...)

**Stage 2:** Organizing a conference to restate the conclusions of the study within the 4 member countries of the area and the main client countries (France, Spain, Italy, Germany), within the framework of professional exhibitions and specialized events (cf. annexes on the schedule of car equipment professional exhibitions in Europe and within the countries of the area)

**Body In charge** ATU

**Contributor (s)** Trade associations and representatives of foreign trade in the 4 countries

**Result expected** Shared vision by the main economic actors and those belonging to the public sector in the 4 countries

Marketing action intended for the major European clients in order to give the new impetus to the assembly and car equipment sector within the Agadir area

**Startup** September 2008

**Due date** September 2009

**Duration** 1 month

**Financing** 8000 Euros/ATU on average per event

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**N° of the action** 2

**Heading** **Organizing a mission of professional actors (Egyptian, Jordanian, Tunisian) in Morocco – Meeting with decision makers of the assembly sector and Renault**

**Content**

Constituting a short list of Category A and B equipment suppliers in the 3 countries

Organizing the mission over 2 days

- Meeting with the Somaca decision-makers
- Meeting with the persons in charge of sourcing at Renault in Morocco
- Visit to the assembly site in Casablanca (SOMACA)
- Visit to Tangier MED where the Renault Assembly Unit will be established

Organizing one on one meetings with the companies preselected by Renault in order to carry out deeper presentations and to identify specific needs, ratings, etc. to be treated by equipment suppliers

Preparing a visit report mentioning the collaboration potential figured out at the end of the present mission

Ensuring the follow up of contacts and their results.

Other visits can be organized, namely in Egypt at the Buses Assembly Units

**Body In charge** ATU

**Contributor (s)** Possibly an independent experts report (organization, follow up, report, etc.)

**Result expected** Initiating collaboration projects between equipment suppliers of the area and the Renault-Nissan manufacturer established in Morocco (by making use of the cumulation of origin)

**Startup** November 2008

**Due date** -

**Duration** 2 to 4 days

**Financing** **20.000 Euros Covering the organization and the follow up of the event / ATU?**

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<b>N° of the action</b>	<b>3</b>
<b>Heading</b>	<b>Coordinating the control and the standardization</b>

**Content**

**1. Harmonizing standardization and control procedures**



Ensuring a mutual recognition of the standards applied in each one of the Agadir Agreement countries, and of the certificates originating from the test and control laboratories present in each respective country

- Harmonizing the control procedures
- Sampling
- Fixing the control deadlines
- Control minutes
- Generalizing the harmonization experience of procedure of implementation of the normative control adopted recently between Morocco and Tunisia (edifying experiment)

**2. Launching, in parallel, a project for aligning** the norm system related to the car equipment sector in the 4 member countries, in accordance with the UE Agreement signed in Geneva on March 20th, 1958, and known under the name 'UNECE Agreement', which specifies the standards specific to the car components and equipments sector as well as the conditions of mutual recognition of control certificates based on these standards.

- Organizing a workshop bringing together the representatives of the private sector and the public sector of the 4 respective countries in order to examine officially the possibility of adopting the UE standard resulting from the 1958 Agreement "UNECE" (Tunisia has more likely already taken some measures to align the standardization system of its car equipment sector to the aforementioned standard)

<b>Body In charge</b>	ATU may be given the responsibility to organize a workshop bringing together a technical commission made up of representatives of the public and private sector of each member country of the Agadir Agreement.
<b>Contributor (s)</b>	The relevant Government Departments, in unison with Associations and the technical centers of the countries of the area
<b>Result expected</b>	Facilitating and fluxing trade exchanges
<b>Startup</b>	Dec 2008 (Organizing a workshop)
<b>Due date</b>	Due date 1 - January 2009: mutual recognition of the standardization and control procedures at the level of the 4 countries (benchmark Morocco - Tunisia)  Due date 2 - January 2010: Adopting the EU standard specific to the car equipment sector resulting from the 1958 Agreement "UNECE"
<b>Duration</b>	15 months
<b>Financing</b>	ATU / EU?

	<b>Unité Technique de l'Accord d'Agadir</b>	 <b>ATU</b> Agadir Technical Unit
	<b>Etude sur le secteur des composants et des pièces de rechange et des activités d'assemblage des véhicules automobiles dans les pays membres de l'Accord Arabo-Méditerranéen de Libre Echange dit Accord d'Agadir (JORDANIE, TUNISIE, EGYPTE, MAROC)</b>	
<b>Objet :</b>	<b>RAPPORT FINAL : PHASE 2</b>	

<b>N° of the action</b>	<b>4</b>
<b>Heading</b>	<b><u>Developing and displaying a training KIT 'equipment suppliers package' in favor of equipment suppliers in the area</u></b>
<b>Content</b>	<p>This 15-day training KIT could be provided depending on the maturity of each equipment supplier over several sessions (~5 sessions of 3 days).</p> <p>In order to optimize their effectiveness, These trainings will have to be addressed to a maximum of 16 persons; that is 4 representatives of distinctive companies for each country.</p> <p>The companies benefiting from this action will have to account for the flow of trade exchange or investments conducted within the framework of the Agadir Agreement.</p> <p>Le training KIT could include the following topics:</p> <ul style="list-style-type: none"> <li>• Project management according to equipment supply standards (Project Management Institute) with the preliminaries of a PMP certification (Project Management Professional)</li> <li>• Standardization and quality (Iso 9001V2000)</li> <li>• Standardization and performance (Iso Ts 16949)</li> <li>• Control of costs and margins management (Target Cost)</li> <li>• Performance of the supply chain (concepts developed by Toyota, the KANBAN system)</li> <li>• Be able to respond to a consultation of manufacturers or equipment suppliers of rank 1 (Request for quotation)</li> </ul>
<b>Body In charge</b>	ATU
<b>Contributor (s)</b>	Independent experts for the preparation of the KIT and its implementation in favor of companies
<b>Result expected</b>	Equipment suppliers of the area aligned to international standards in terms of requirements, management method, and trade/development approach namely towards rank 1 and 2 European manufacturing and equipment supplying clients.
<b>Startup</b>	February 2009 : recruiting consultants – trainers and launching the conception of the KIT
<b>Due date</b>	June 2009 : startup of the first training cycle September 2009 : finalizing the first training cycle Other cycles could be organized later on, by 2012
<b>Duration</b>	47 months
<b>Financing</b>	Module conception (50.000 Euros) Rolling out according to the number of cycles to be provided to the companies of the Agadir area ATU
<b>N° of the action</b>	<b>5</b>
<b>Heading</b>	<b>Solving logistic problems</b>

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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## Content

**Stage 1 :** Conducting a feasibility study on the logistics among the Agadir countries and between the Agadir countries and the European Union exploring :

- The maritime axis connecting the 4 countries
  - Port infrastructures
  - Frequency
  - Goods transporting time
  - Transportation costs
  - Goods transporting conditions
  - Transportation capacity...
- The trunk road connecting the countries
  - Infrastructures
  - Frequency and covering by transporters
  - Costs
- The railroad (Idem)

The study that will be conducted will have to look further into the Moroccan-Tunisian experience mainly through the recent installation of a direct sea link supported by joint private structures of the two countries

**Stage 2:** Setting up the conditions rising from the study in order to make logistics functional, particularly the maritime axis connecting countries of the area and connecting them to the European Union.

## Body In charge

Stage 1 : ATU

Stage 2 : Ministries of transportation of the respective countries

Ministries of foreign trade of the respective countries

## Contributor (s)

Private sector (Employers in the countries concerned)

## Result expected

Putting into operation sea roads connecting the 4 countries

Optimizing the sea roads connecting each country of the area to the major cities of Southern Europe

## Startup

April 2009

## Due date

November 2009

## Duration

A 5 months feasibility study, 7 months implementation

## Financing

Estimated budget: 85.000 Euros (120 H.J) - EU / countries concerned Study

Among the solutions which could be carried out, there is a mechanism of temporary subsidies during two years so as to start the development of the traffic. This solution would be temporary, would target the navigation companies which would connect the ports of the countries of the Agadir area, while waiting that trade in goods between the countries of the Agadir area develop.

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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**N° of the action**

**6**

**Heading**

**Creating a Union bringing together automotive professional associations of the Agadir area**

Just like the Association of South East Asian Nations : [www.Aseansec.org](http://www.Aseansec.org)

**Content**

**Stage 1 :** preparing the statutes (blank slate in annex) while supporting an expert report (ATU)

- Main missions :
  - Implementing the automotive vision of the countries in the area
  - Communication and sensitization actions intended for private actors
  - Identifying the obstacles and suggesting solutions
  - Validating and communicating general indicators on the progression of the implementation of the strategy

**Stage 2 :** Adopting the statutes and constituting the bureau of the Union

**Stage 3 :** Short-term and mid-term plan of actions (on the basis of the conclusion of the ATU automotive study)

PS: while waiting for the formal creation of the Union, an ad hoc working group can be created, including representatives of the private sector of assembly and car components of each of the 4 countries of the area. This committee will be supervised by the ATU and will be invited to convene if need be.

**Body In charge**

Professional Associations the Agadir Agreement member countries

**Contributor (s)**

ATU

**Result expected**

Union created and operational

**Startup**

June 2009

**Due date**

December 2009

**Duration**

7 months

**Financing**

Budget of the Union corresponds to the program of action approved for the first financial year of the Association

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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<b>N° of the action</b>	<b>7</b>
<b>Heading</b>	<b>Defining a Label for the membership of the Agadir area (Communicating on a common trademark that brings together companies of the region)</b>
<b>Content</b>	<p>Goal: making the supply of the countries of the area visible to clients in Europe</p> <p><b>Stage 1 :</b> Conducting a study for the design of the charter and the logo</p> <ul style="list-style-type: none"> <li>Designating the depositary</li> <li>Defining the content of the charter (values, technicality, certification, markets addressed...)</li> <li>Fixing the eligibility criteria</li> <li>Structuring the attribution and the control</li> </ul> <p><b>Stage 2 :</b> Recruiting companies eligible to the Agadir Label</p> <p><b>Stage 3:</b> Organizing communications around the Agadir Label (within the framework of events, exhibitions, forums...etc.)</p>
<b>Body In charge</b>	Union of the Agadir Automotive Professional Associations
<b>Contributor (s)</b>	Institutions in charge of the standardization Companies manufacturing equipments in the Agadir area
<b>Result expected</b>	Promoting trade with international clients and encouraging trade in the area
<b>Startup</b>	2010
<b>Due date</b>	2011
<b>Duration</b>	24 months
<b>Financing</b>	<b><u>20.000 Euros (For the design part only)</u></b>

The Label will reinforce the visibility of the supply of car equipment suppliers in the Agadir area, in particular in international events (specialized shows and forums). It is not a label of vehicles coming from the Agadir area, but a common identity bringing together the structured car equipment suppliers, and having the quality standards required by this trade.

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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**N° of the action**

**8**

**Heading**

**Coordinating the participation of the countries of the area in international exhibitions ‘Agadir countries Pavilion’**

**Content**

Scheduling the participation of equipment suppliers of the area in the major European exhibitions: e.g. Equip’AUTO, AUTOMECHANIKA, etc.

Preparing statements on the potentials offered by the Agadir area within the framework of targeted exhibitions

**Body In charge**

Union of the Agadir Automotive Professional Associations

**Contributor (s)**

Liaison Bureau of the ATU in Europe/ Ministry of Foreign Trade in each country

**Result expected**

Promoting the Agadir countries car equipments supply

**Startup**

December 2010 (Since the creation of the Union of Professional Associations)

**Due date**

October 2008

**Duration**

-

**Financing**

Union of the Agadir automotive Professional Associations / Foreign Trade in the different countries of the area.

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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<b>N° of the action</b>	<b>9</b>
<b>Heading</b>	<b><u>Creating the automobile observatory of the Agadir area</u></b>
<b>Content</b>	<p><b>Stage 0 :</b> Developing a data base of assembly and car equipment companies at the level of the 4 Agadir member countries (This action will be carried out while waiting for the creation of the Union of Professional Associations in charge of supervising the design of the observatory)</p> <p><b>Stage 1 :</b> Launching the design of the <b><u>requirement specifications</u></b> of the data base on a short, mid-term and long term</p> <ul style="list-style-type: none"> <li>• Functional requirement specifications</li> <li>• Method of information acquisition</li> <li>• Processing and updating information</li> <li>• Responsibilities</li> <li>• Diffusion method (eventually charged service)</li> </ul> <p><b>Stage 2 :</b> Designing and building a data base on:</p> <ul style="list-style-type: none"> <li>• <b>The automotive supply of the region</b> CBU, CKD, SKD be it as regards: <ul style="list-style-type: none"> <li>○ Light duty and commercial vehicles or buses and heavy-duty trucks.</li> <li>○ Equipments and components manufactured in the area</li> </ul> </li> <li>• <b>Companies</b> active in the sectors of <b>assembly</b>, components and equipments manufacturing, distribution of spare parts and in the end of reparation..</li> <li>• The spectrum of components and <b>equipments</b> manufactured in the area by associating it to the relevant technology</li> <li>• The <b>main markets</b> addressed by the equipment suppliers of the region (OEM, OES, IAM, local/export, ...)</li> </ul> <p><b>Stage 3 :</b> Designing and developing a data base of the main <b><u>European clients</u></b> :</p> <ul style="list-style-type: none"> <li>• Listing of the assembly sites (and models) by geographical area in Europe (Spain, Portugal, Italy, France, Germany, ...)</li> <li>• Listing of rank 1 and 2 equipment suppliers established in that same regions</li> <li>• Identifying potential markets (size, nature, level of requirements, operation method for low cost sourcing, etc.</li> </ul> <p><b>Stage 4 :</b> Designing and developing a data base of <b>the supply of the major competitive countries</b> of the Agadir area (PECO countries, Turkey)</p> <ul style="list-style-type: none"> <li>• Listing of assembly sites and manufactured models, ...</li> <li>• Identifying established Rank-1 equipment suppliers</li> <li>• Identifying Rank 2 and 3 equipment suppliers</li> </ul>
<b>Body In charge</b>	<b>Stage 0 : ATU</b>

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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**Stages 1 to 4 : Union of the Agadir Automotive Professional Associations**

<b>Contributor (s)</b>	ATU
<b>Result expected</b>	Updated and exploitable data base
<b>Startup</b>	November 2008
<b>Due date</b>	<b>Stage 0</b> : January 2009 <b>Stage 1</b> : January 2010 <b>Stage 2</b> : May 2011 <b>Stage 3</b> : September 2011 <b>Stage 4</b> : February 2012
<b>Duration</b>	15 months
<b>Financing</b>	<b>Stage 0 : 15.000 Euros for the development of the database / ATU financing</b>  <b>Stage 1to 4: 200.000 Euros for the design of an observatory / ATU Co-financing? EU? Member countries?</b>

**N° of the action**                    **10**

**Heading**                                **Creating a financing fund for industrial projects In the automotive**

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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### sector within the Agadir area

#### **Content**

- Defining the architecture business model of the Funds (nature of investment, maturity, expected profitability, governance system, shareholding...etc.)
- Fixing the perimeter of the projects eligible to a financing within the framework of the fund. Example :
  - Financial restructuring projects (capitalization)
  - Research and development projects
  - Mergers and acquisitions - projects
  - Industrial, technological or commercial joining up projects (joint-venture)
- Raising awareness among companies benefiting from this financing tool available to them.
- Identifying eligible projects in the region
- Financing programs of company search and industrial development of the sector.

This fund is expected to encourage all initiatives to bring closer the companies within the Agadir area, and also to incite joint-ventures between companies of the area and those located in Europe

#### **Body In charge**

ATU

#### **Contributor (s)**

External expert report /Banks / Insurance companies / guarantee funds

#### **Result expected**

Financing the growth of M&A and R&D within the automotive industries of the Agadir countries

#### **Startup**

May 2009 : designing the fund and fund raising

#### **Due date**

December 2009 : Closing the fund and starting up operations

#### **Duration**

7 months for the creation of funds and the operational startup of the fund

#### **Financing**


20 million Euros in its initial phase (3 years), extensible if the funds are consumed at the end of this period / BEI, BAD, Private Sector of the beneficiary country.

#### **N° of the action**

11

#### **Heading**

Creating a web portal « Agadir Automotive »

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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## Content

**Stage 0 :** Creating a section on the automotive assembly and equipment sector within the present ATU Website; while waiting for the constitution of the Union that will be in charge of developing a web portal dedicated to the sector within the area. This section will highlight the supply of equipment suppliers of the area.

**Stage:** Designing the content and the graphic charter of the web portal

- Presentation of the ‘Agadir Automotive’
- Presentation of the supply in terms of automotive assembly and equipment in the region
- Presentation of the event scheduled for the ongoing year.
- Presentation of the major current events pertaining to the automotive sector in the region.
- Summary of the needs voiced by industries in terms of semi-finished products or in terms of complement parts
- Synthesis of the search for industrial/ technological or trade partnerships
- ...etc.

**Stage 2 :** Developing the web portal’s interactivity

- Putting online des services subject to charges. E.g. :
  - Information and statistics
  - Market studies on the region
  - Etc.

## Body in charge

**Stage 0 :** ATU

**Stage 1 to2 :** Union of the Agadir Automotive Professional Associations

## Contributor (s)

-

## Result expected

An operational web portal on the automotive industry in the Agadir region

## Startup

Stage 0 : March 2009

## Due date

Stage 1 and 2: March 2010

## Duration

3 months for Stage 1

## Financing

**15.000 Euros (web agency) / Associations Union // ATU ?**

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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<b>N° of the action</b>	<b>12</b>
<b>Heading</b>	<b><u>Developing the arrival of new comers in the car equipment sector</u></b>
<b>Content</b>	<p><b>Stage 1</b> : Identifying in each Agadir country the industries active in cross-cutting technologies LIKELY to integrate the equipment suppliers “B” category.</p> <ul style="list-style-type: none"> <li>• Metal processing</li> <li>• Plastic injection (special parts)</li> <li>• Glazing</li> <li>• Rubber</li> <li>• Textile</li> <li>• ...etc.</li> </ul> <p><b>Stage 2</b> : Organizing an awareness campaign for shortlisted companies in order to present to them the potentials of the automotive sector and the prerequisites pertaining to it</p> <p><b>Stage 3</b> : Organizing for the companies interested a targeted assistance so as to integrate the automotive sector</p> <ul style="list-style-type: none"> <li>• Organizing the implementation of the ‘Efficient equipment suppliers’ training package</li> </ul> <p>Organizing tours to visit international manufacturers (e.g. : Renault, ...) and rank 1 equipment suppliers in order to raise awareness among the Agadir countries as to their requirements.</p>
<b>Body In charge</b>	Union of the Agadir Automotive Professional Associations
<b>Contributor (s)</b>	Ministries of Industry of the countries of the Agadir area
<b>Result expected</b>	<p>Diversifying the fabric of car equipment suppliers within the countries of the Agadir area</p> <p>Developing the production of semi-products in the automotive industry</p> <p>Developing possibilities for taking advantage of the cumulation of origin (semi-finished products in one of the Agadir countries whose la finishing is carried out in a third country)</p>
<b>Startup</b>	January 2011
<b>Due date</b>	January 2012
<b>Duration</b>	24 months
<b>Financing</b>	Associations Union /ATU/ Ministries of Industry of the 4countries <b>100.000 Euros (100 days. Expert men) Stage 1</b>

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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<b>N° of the action</b>	<b>13</b>		
<b>Heading</b>	<b><u>Launching a car equipment and assembly exhibition within the Agadir countries</u></b>		
<b>Content</b>	<p><b>Stage 0 : Convening a committee made of the persons in charge of the trade exhibitions of car equipments</b> within each country of the Agadir area in order to share and to validate the opportunity to create an exhibition dedicated to the sector in the area in conformity with the plan of actions below. This exhibition would be held at regular frequency (the timing and the venue can be decided upon by common agreement before each edition)</p> <p><b>Stage 1 : Defining the concept of the exhibition</b></p> <ul style="list-style-type: none"> <li>• Finding a name for the exhibition</li> <li>• Setting the goals, the target in terms of exhibitors and visitors, the budget, and the methods to hold the first edition</li> <li>• Determining the exhibition's management and governance bodies</li> <li>• Determining the periodicity of the exhibition</li> </ul> <p><b>Stage 2 : Preparing the first edition of the exhibition</b></p> <ul style="list-style-type: none"> <li>• Choosing the venue of the first edition (Europe ?/ Agadir area?)</li> <li>• Choosing the theme of the exhibition</li> <li>• Preparing and marketing the event</li> <li>• Launching the operations</li> </ul> <p><b>Stage 3 : Launching the first edition of the exhibition</b></p> <p>Suggestion : holding the first exhibition in Tangier, along with the scheduled launching of the Renault assembly factory. Key factors of success: presence of a world manufacturer surrounded by a dense fabric of international equipment suppliers.</p>		
<b>Body In charge</b>	<b>Union of the Agadir Automotive Professional Associations</b>		
<b>Contributor (s)</b>	Ministries of Industry and Foreign Trade of the 4 respective countries		
<b>Result expected</b>	<ul style="list-style-type: none"> <li>• Making the supply of each country known to other members of the Agreement</li> <li>• Promoting the equipments supply of the Agadir countries vis-à-vis the European clients</li> <li>• Enhancing trade between the Agadir countries</li> <li>• Encouraging industrial, technological and trade connections within the countries of the area</li> </ul>		
<b>Startup</b>	<b>Stage 0</b> : November 2008 February 2009		
<b>Due date</b>	February 2010 : holding the first edition of the exhibition		
<b>Duration</b>	-		
<b>Financing</b>	<b>400.000 Euros / Respective countries / ATU / EU / SPONSOR Renault ?</b>		
<b>N° of the action</b>	<b>14</b>		

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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**Heading** Creating commissions within the union of associations working together on specific topics pertaining to the automotive sector in the Agadir area

**Content**

**Stage 1 :** Creating 5 commissions within the Union :

- Productivity Commission (Production, standardization, performance)
- HR and Training Commission
- Engineering and industrialization Commission (R &D)
- Marketing et Communication Commission
- Cross-cutting issues Commissions

**Stage 2 :** Equipping Commissions with programs and means to ensure namely:

- The organization of events
- Experience sharing
- Communication and diffusion of information
- Sharing expertise
- Mutualization of means, ...

**Body In charge** Union of the Agadir countries automotive associations

**Contributor (s)**

**Result expected** Promoting trade in the area and at the international level and encouraging an approach of continuous progress.

**Startup** June 2010

**Due date** September 2011

**Duration** 4 months

**Financing** =

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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**N° of the action**            **15**

**Heading**                    **Creating a database on industrial investment projects in the automotive sector within the area**

**Content**                    **Stage 1:** Based on the existing industrial fabric in the region and the needs of the clients, setting up a database of investment projects in the automotive sector.

- By vehicle module:
  - Outside (e.g. : Bodyshell)
  - Inside (e.g.: cockpit, instrument panel)
  - Engine (e.g.: engine unit)
  - Frame (suspension system)
- By trade/ Cross-cutting technology
  - Plastics processing
  - Metal processing
  - Textile
  - Rubber
  - Electronics
  - ...etc.
- By car parts

**Stage 2 :** developing concise business plans for modules, parts for which demand is recurrent (Charged service) with the possible support of and external expert report

**Body In charge**            Union of the Agadir Automotive Professional Associations

**Contributor (s)**            ATU

**Result expected**            Providing industrials of the area with a database of achievable and highly attractive projects in the region.

**Startup**                      June 2011

**Due date**                    July 2012

**Duration**                    25 months

**Financing**                    Associations Union /ATU/ Ministries of Industry of the 4 countries


**100.000 Euros (100 days. Expert men) Stage 1**

**Stage 2 : to be identified based on the terms of reference of the business plan**

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b>Version: 01</b> January 2008
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<b>N° of the action</b>	<b>16</b>
<b>Heading</b>	<b><u>Creating an annual knowledge sharing forum on issues pertaining to the car industry at the level of the countries of the area</u></b>
<b>Content</b>	<p>Setting up a committee for the regular (annual ?) organization of a forum :</p> <ul style="list-style-type: none"> <li>• Market analysis</li> <li>• Benchmarking</li> <li>• Experience sharing</li> <li>• Trainings</li> <li>• Industrial, technological and commercial partnership potential</li> </ul> <p>Organizing the first edition</p> <p>This forum can be held within the framework of the Agadir Exhibition</p>
<b>Body In charge</b>	<b>Union of the Agadir automotive professional associations</b>
<b>Contributor (s)</b>	ATU
<b>Result expected</b>	<p>Experience sharing</p> <p>Developing partnership between countries of the area</p> <p>Developing the market/competitiveness watch</p>
<b>Startup</b>	October 2009
<b>Due date</b>	-
<b>Duration</b>	-
<b>Financing</b>	

	<b>Agadir Technical Unit</b>		Code : rap_etat_lieux
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	<b>Agadir Technical Unit</b>		<u>Code</u> : rap_etat_lieux
	<b>Study on the components and spare parts industry and motor vehicles assembly activities in the Arab-Mediterranean Free Trade Agreement Member Countries, known as the Agadir Agreement (JORDAN, TUNISIA, EGYPT, MOROCCO)</b>		<b><u>Version</u>: 01</b> January 2008
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	<b>Unité Technique de l'Accord d'Agadir</b>	The Arab Mediterranean Free Trade Agreement  <b>ATU</b> Agadir Technical Unit
	<b>Etude sur le secteur des composants et des pièces de rechange et des activités d'assemblage des véhicules automobiles dans les pays membres de l'Accord Arabo-Méditerranéen de Libre Echange dit Accord d'Agadir (JORDANIE, TUNISIE, EGYPTE, MAROC)</b>	
<b>Objet :</b>	<b>RAPPORT FINAL : PHASE 2</b>	

## APPENDIX

	<b>Unité Technique de l'Accord d'Agadir</b>	
	<b>Etude sur le secteur des composants et des pièces de rechange et des activités d'assemblage des véhicules automobiles dans les pays membres de l'Accord Arabo-Méditerranéen de Libre Echange dit Accord d'Agadir (JORDANIE, TUNISIE, EGYPTE, MAROC)</b>	
<b>Objet :</b>	<b>RAPPORT FINAL : PHASE 2</b>	

## APPE NDIX -1

<b>EQUIP'AUTO PARIS</b>	
<b>Venue</b>	Exhibition Park Paris Nord - France
<b>Frequency</b>	Biannual
<b>Sectors represented</b>	Equipment for vehicles, garage equipment
<b>Number of exhibitors</b>	-
<b>Number of visitors</b>	104 137
<b>Organizers</b>	COM'EXPO PARIS

<b>AUTOMECHANIKA FRANKFURT GERMANY</b>	
<b>Venue</b>	Exhibition Park Paris Nord
<b>Frequency</b>	From September 16 <sup>th</sup> to 21 <sup>st</sup> , 2008
<b>Sectors represented</b>	Biannual
<b>Number of exhibitors</b>	components, car parts and accessories, garage equipment, repair et maintenance, Gas stations
<b>Number of visitors</b>	-
<b>Organizers</b>	-
<b>Venue</b>	<b>Messe Frankfurt</b>

<b>AUTOPROMOTEC ITALY</b>	
<b>Venue</b>	Bologna Trade Fair Center- Italy
<b>Dates :</b>	From May 20 <sup>th</sup> to 24 <sup>th</sup> , 2009
<b>Frequency</b>	Biannual
<b>Sectors represented</b>	Car equipment and devices, Components and parts, car-related repair services
<b>Number of exhibitors</b>	-
<b>Number of visitors</b>	-
<b>Organizers</b>	PROMOTEC S.p.A v. A.G. Ragazzi, 9 - I-40011 Anzola Emilia (BO) – ITALY C.F. 01169290374 Tel. +39 051 6424000 Fax. +39 051 731886 - +39 051 733008 E-mail: info@autopromotec.it

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<b>MOTORTEC</b>	
<b>Venue</b>	Feria de Madrid - Spain
<b>Dates :</b>	From March 10 <sup>th</sup> to 14 <sup>th</sup> , 2009
<b>Frequency</b>	Biannual
<b>Sectors represented</b>	Equipment et components for vehicles
<b>Number of exhibitors</b>	-
<b>Number of visitors</b>	-
<b>Organizers</b>	Ifema - Parque Ferial Juan Carlos I Feria de Madrid 28042 Madrid Spain

<b>COMMERCIAL VEHICLE SHOW ENGLAND</b>	
<b>Venue</b>	NEC – Birmingham, Grande Bretagne
<b>Dates :</b>	From April 15 <sup>th</sup> to 17 <sup>th</sup> 2008
<b>Frequency</b>	Biannual
<b>Sectors represented</b>	Transportation, vehicles equipment and components Industry
<b>Number of exhibitors</b>	-
<b>Number of visitors</b>	-
<b>Organizers</b>	Crystal Communications Crystal House 14 London Road Rainham – Kent ME8 6YX Tel : +44 (0)1634 261262 / Fax : +44 (0)1634 360514

<b>SIAT TUNISIA - TUNIS INTERNATIONAL AUTOMOTIVE EXHIBITION, SIAT</b>	
<b>Venue</b>	Exhibitions Park and International Trade Center of Tunis
<b>Dates :</b>	
<b>Frequency</b>	Biennial
<b>Sectors represented</b>	Major manufacturers of cars, Commercial vehicles, trucks and buses as well as manufacturers of car components, spare parts and accessories, garage equipment and gas stations suppliers and subsidiary service providers
<b>Number of exhibitors</b>	174 in 2005
<b>Number of visitors</b>	82 451 in 2005
<b>Organizers</b>	Tunis International Fairs Company

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<b>AUTOPARTS EGYPT</b>	
<b>Venue</b>	Cairo
<b>Dates :</b>	
<b>Frequency</b>	Biennial
<b>Sectors represented</b>	Car parts, components and accessories
<b>Number of exhibitors</b>	
<b>Number of visitors</b>	
<b>Organizers</b>	Al Frosan for Exhibitions and International Fairs Tel : +202 - 010 38 36 108 Fax +202 -02 40 54 54 9

<b>AUTOMECH EGYPT</b>	
<b>Venue</b>	Cairo International Fair Ground Mamdouh Salem Street Cairo – Egypt
<b>Dates :</b>	From June 4 <sup>th</sup> to 9 <sup>th</sup> , 2008
<b>Frequency</b>	Biennial
<b>Sectors represented</b>	Exhibition of cars, buses, garage equipments, spare parts and accessories
<b>Number of exhibitors</b>	345 (2007) 380 (scheduled for 2008)
<b>Number of visitors</b>	420,135 (2007) 440,000 (scheduled for 2008)
<b>Organizers</b>	ACG - ITF41 St. No. 269 New Maadi- Cairo -Egypt Tel +20 2 75 38 401 Fax +20 2 75 38 323

<b>EQUIP'AUTO ALGERIA</b>	
<b>Venue</b>	Alger Exhibitions Park - Algeria
<b>Dates :</b>	From Monday 31 March 2008 to Thursday 3 April 2008
<b>Frequency</b>	Biannual
<b>Sectors represented</b>	Exhibition of vehicle equipment, garage equipment, and outfitter
<b>Number of exhibitors</b>	157 (2007)
<b>Number of visitors</b>	4680 (2007)
<b>Organizers</b>	COM'EXPO PARIS

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<b>TEC'AUTO MOROCCO EXHIBITION- MEDITERRANEAN EXHIBITION OF AUTOMOTIVE TECHNOLOGIES AND SERVICES</b>	
<b>Venue</b>	Casablanca's Office of Fairs and Exhibitions
<b>Dates :</b>	From November 21 <sup>st</sup> to 25 <sup>th</sup> , 2007
<b>Frequency</b>	Biannual
<b>Sectors represented</b>	Car assembly, Original Equipment manufacturing (OEM), spare parts and accessories for vehicles, petroleum products, garage equipments and devices, automotive services..
<b>Organizers</b>	Moroccan Association for the Automotive Industry and Trade « AMICA » Tel : + 212 (0) 22 24 28 82 Fax : + 212 (0) 22 24 85 81 <a href="mailto:amica@amica.org.ma">amica@amica.org.ma</a> <a href="http://www.tecautomaroc.com">www.tecautomaroc.com</a> <a href="http://www.tecautomorocco.com">www.tecautomorocco.com</a>

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#### APPENDIX : LIST OF PEOPLE MET

CORPORATE NAME	REPRESENTATIVE
<b>AKZO NOBEL</b>	<b>Hassan ELABED</b>
<b>IFPLAST AUTOMOBILE</b>	<b>Hakim RIHANE</b>
<b>SIPROF / PLASTEX</b>	<b>Etienne BILTGEN</b>
<b>AFRIQUE CABLES</b>	<b>Mohamed BENHAMZA</b>
<b>MINISTRY OF INDUSTRY, TRADE AND NEW TECHNOLOGIES</b>	<b>Hanaa ERRABI</b>
<b>MINISTRY OF FOREIGN TRADE</b>	<b>Kouider LAHOUAL</b>
<b>MINISTRY OF FOREIGN TRADE</b>	<b>Zahreddine BELBACHIR</b>

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## APPENDIX : LIST OF TUNISIAN COMPANIES


Companies	Products
TUDOR Tunisie	Electrical accumulators
L'accumulateur tunisien assad	Electrical accumulators
STE Tunisienne de l'accumulateur nour	Electrical accumulators
Saphir Tunisie	Electrical accumulators
Nortex	Shock absorbers
SIA	Shock absorbers
STE Schlemmer Tunisie	Wiring harnesses
CNT	Wiring harnesses
EPITRONIC Tunisie	Wiring harnesses
SIE	Wiring harnesses
LTN	Wiring harnesses
AET	Wiring harnesses
BISMA Câbletechnic	Wiring harnesses
BUTITEC	Wiring harnesses
COFAT	Wiring harnesses
CMRT	Wiring harnesses
CYLADIDE	Wiring harnesses
FEEZ	Wiring harnesses
INTER CABLES	Wiring harnesses
KABELKO SARL	Wiring harnesses
LEAR automotive eeds	Wiring harnesses
METS	Wiring harnesses
SIDILEC INTERNATIONAL	Wiring harnesses
STARZ ELECTRONIC	Wiring harnesses
SYSMOTRONIC	Wiring harnesses
TELCAM	Wiring harnesses
ZET	Wiring harnesses
PEC	Wiring harnesses
ICA	Wiring harnesses
STC	Wiring harnesses
SYLEA	Wiring harnesses
AUTOCABLES TUNISIE	Car wires
CIFICAB Tunisie	Car wires
SBA	Car wires
COELEC TUNISIA	Car cables
BKS CABLES	Car cables
ITAC	Car cables
SAMELEC	Car cables

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Companies	Products
TTE INTERNATIONAL	Wiring harnesses
KILOWATT	Wiring harnesses
TEKNE Tunisie	Wiring harnesses
AEV	Wiring harnesses
CABLAGE INTER	Wiring harnesses
COFITEL	Electronic cards
CONNECT	Wiring harnesses
CTT	Wiring harnesses
EUROCAVI	Wiring harnesses
FAHS CABLAGES	Wiring harnesses
LECTRIC	Wiring harnesses
MTC	Wiring harnesses
SCEET	Wiring harnesses
SCV	Wiring harnesses
SICOR	Wiring harnesses
STAC	Wiring harnesses
TCE	Wiring harnesses
TUN CONTACT	Wiring harnesses
KBE Tunisie	Wires for cars
STE Automotive Tunisie	Wiring harnesses
ACT	Wiring harnesses
COGEF	Wiring harnesses
ICC	Wiring harnesses
STE LES PROJECTEURS MAGHREBINS	Headlights, optical units and headlamps for cars
MAD	Headlights, optical units and headlamps for cars
STEA-FARBA	Headlights, optical units and headlamps for cars
AUTO 7	Car cables
MACOFLEX	Car cables
SOPRECAB	Car cables
ACEM	Body
GAI	Body
POLYCARGO	Body
BOUAZIZ JAMEL	Body
COGIFAA	Body
SCCM	Body
SNCM	Body
CEM	Body
ATZ	Seat belts
SIBEC	Exhaust silencer
ERECA	Exhaust silencer
BISA	Exhaust silencer
SIPA	Exhaust silencer
GIF FILTER	Filters
MISFAT	Filters
SOFIMA FILTRES	Filters
AR FILTER	Filters
SOTUFCA	Filters

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Companies	Products
SIVEF	Windscreen
GLAMIVER	Windscreen
SOTUFIA	Brake livings
ITCV	Brake pads
SIPAF	Brake pads
MIM	Hoses, brake units, suspension
TGF	Brake livings
SIM	Transmission units
SOTUFRA	Radiators
STE EL MOUBARED	Radiators
COTREL	Laminated springs
COLMAR	Laminated springs
STIP	Car tires
MAGHREB Transmissions	Rubber Belts and tread chape
SCM	Inner tubes, rubber plates
SOGICA	Hoses
Recopneu	Tires remolding
SIOC	Inner tubes, rubber tires
Le joint industriel	Car joints
JMS	Flexibles for cars
TPS	Plastic technical parts
PIC	Plastic technical parts
LI Connectique	Plastic technical parts
SIAME	Plastic technical parts
CONTACT	Assembly of connectors
TUNILUX	Interrupters
CENTRAX	Wheel rims, Coolant pumps
ROTFIL	Resistor for cars
STE MICRON	Electronic components for vehicles
TERMAX	Electrical equipment for vehicles
ERT	Starters, alternators, wiper motors
STE KARMEX	Steering units
MGI COUTIER TUNISIE	Fuel line, car ventilators, Non heating resistor transition, car lock, pump
SOFAMEC	Cardan shafts, ball bearing, needle bearing
STE DEFONTAINE	Steering wheels, engines, pulleys
DFE	Car fuel pipes
Valeo embrayages et transmission tunisie	Transmission units
Intercolor	Paints
Astral	Paints
Cap valentine	Paints
SIFAMOS	Car seats
HOSECO	Car covers
Confort autocar	Car covers
STEA	Car covers
STIVEL	Velvet fabric
Leader plastic industrie	Car mats

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Companies	Products
POLYCARGO	Refrigerating boxes
Alpha Bus Tunisie	Bodyshell trailer truck
Coreme	Bodyshell trailer truck
COMET	Garbage trucks, metal manufacturing Transport equipment
IMM	Trucks and small trucks
MAGRIMEX	Bodyshell trailer truck
SINPAR	Cabs and plates building
STE de carrosserie et de constructions metalliques	Bodyshell trailer truck
COMECAB	Garbage trucks, metal manufacturing Transport equipment
SICAME	Garbage trucks, metal manufacturing Transport equipment
STE LE MOTEUR	Transportation and handling materials
SNCM	Tamping trucks, yard and isotherm cabs, road signs, pedalos, mechanical spare parts
SETCAR	Bodyshell, trailer truck and bus
STIA	Buses, Industrial vehicles
TUNICOM	Tanks and similar containers, transport equipment and accessories, Metal tanks
MFGT	Passenger cars and wagons

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Companies	Products
10th. Of Ramadan Co. For Glass Products	Glass
Abou Youssef Eng. OFFICE	Metal sheet – fuel tank
Abu El Ela Co. For Weaving Knitting Dying	Weaving and knitting & coating
Afico Filters	Filters (fuel, oil and air filters)
Air Craft Factory	Diesel - Gauges and accessories – Working sheet iron
Akl Factories for Auto Spare Parts	Main lamps with high and low beams, front and rear lamps, locking lamps, lateral signal lamps, lamp lens, Wheel covers, inside and outside mirrors, fans etc.
Alex. Automotive Casting	Brake disc/ drums and calipers
Alex. Co. for Rubber , Plastic & Metal Production	Rubber, plastics, Production of metal
Aliaa for seat covers	Seat covers- sun visors – flat or modeled mats - isolation - mats- door panels – car roof alignment and back shelf
Amreya Metal company	Brake disc, drums, the Centre, the Articulation, the complete suspension
Arab British Dynamics ABD	Design, manufacturing electronic, electrical and mechanical control systems.
ASCOM	High pressure assembled hoses and pipes
AUTOCOOL	A/C (HVAC) unit, engine coolers for cooling modules (Condenser-Radiators – vaporizers and heaters) Refrigerating lines (HOSES*PIPES) Buses A/C
Autotek Valves	Valve engines
Cablex Engineering Industries	Cables and wires control
Casting For Feeding Industries Co. ( CFI )	Alloy wheels & Aluminum parts (low pressure) Aluminum parts (high pressure) Thermal processing of Aluminum parts
Central Spring CO.	Laminated spring
Chloride Egypt SAE	Batteries
City Glass	Glass lamps
Comex Industrial Co.	Door handles and spare parts

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Companies	Products
Development Projects	Scaling main car roof- door panel, trunk molded mats and scaling, sun visor- tangled trunk, Healthy sealing and insulation materials.
Ebeid Engineering Company	Producing workshops and tool-machines
EGYPTIAN ABRASIVES CO.	Abrasives
Egyptian Aluminum Products Co. (ALUMISR)	Milled, anodized and electrostatic aluminum profiles coated with finish powder - Aluminum profile – Aluminum accessories
Egyptian Axles Co	Brake discs, drums, hub, fist scraping, suspension, complete axle.
Egyptian Co. for Cars Manufacturing	Car bodies for specific uses, for e.g., fire fighting, riot fighting, rescue
Egyptian CO. For Light Industries ( MISRIAT )	Metal sheet
Egyptian German Automotive Co. ( EGA)	Brake discs
El Gammal Co. For Paints , Chemical Industries & Spray Products	Paints and paints materials
El Magmoua Design & Printing	Bumper stickers and car tracing
El Teriak industrial group	Condensers -vaporizers- Radiators – radiator flap – cooling radiators
El Zaharna Co. for sheet metal forming & exhaust systems	Exhaust systems
ELkady For Hoses & Pipes	Assembling hoses and pipes - hydraulic and tire lay out- Industrial hoses for all applications and goals
ElOmara for Industries	Automatic hooters
E-MAK Braking Systems Co.	Brake livings- brake pads
Engineering Co. For Automotive Trim Parts (Aliaa)	Inside lay out and inside parts for balance engine vehicles
Engineering Co. For Exhaust Systems	Exhaust system – Bodyshell components – Metal frame and spare parts- modeled wire
Engineering for Industries (ENGIN)	Suspensions
Faik Industrial Co. Private Free zone	Suspension brake disk, brake drum, engines and gearboxes hub support- axle, bolts, nuts, rubber parts
Falcon Electronic & Electrical ind. ( FALCON )	Light inside livings for the vehicles’ electronic ballast for the fluorescent lamp
FERCON	Wiring harnesses

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Companies	Products
Filtrac	Filters (oil, fuel and air filters)
Friendship Factory for Plastic	Plastic parts
Hamenz Co. For German Technological Industries.	Piston segments
Helwan Diesel Engies CO. (HDC)	Shrubs and cushions- white alloy cases- bearing cases- red alloy cases- release bearings- distorted shrubs. Bus technologies, trucks, natural gas vehicles.
Helwan Engineering Industries ( Factory 99 )	Covers for pistons, cylinders, roll pins, piston segments and snap rings.
Helwan Iron Foundries ( Factory 9 )	Iron foundry - steel cast parts
Industrial CONTROL CO.	Frame and its components – shaped and molded sheet iron
Industrial Development of Automotive Co. ( IDACO )	Wiring harnesses
Industrial Engineering Co. ( INDE )	Bodyshell and frame
International Co. For Developed Industry ( ICDI )	Rubber, plastics, and metal production
International Co. For Electronic Devices	Radio
International Group Ind. ( I G I )	Automatic hooters - Automatic bulbs- Automatic electrical switches
International supplementary industries ( ISI )	Lamps combined with fore and aft wheel covers, license lamps
Kapci Coating	Paints and paint materials
Landmark Mechanical Works	Exhaust system - Propellers pin balljoints - U bolt - Coil spring stabilizer - Bar - Srag link - Size control - Arms - Torsion bar
Magef – Manufacture for Head Lamp Glass	Main lamp glass
Mak Brake Lining Company (TRAXX)	Brake pads
Mena Fiber Glass	Fiberglass car engine and tuned car foam
Misr Engineering Co. S.A.E.	Rear axle for manifold steel frame
Modern Building Carpentry Co. ( MOBICA )	Car seats: Foam - metal brace and balance cover.
Mousa El Zaghal co.	Mirrors for all types of trucks, trailer trucks and buses – Processing metals for mirrors equipped with hooks – stems for trucks and trailer trucks.
Nile Metallic Industries Co. ( FRANKE SAMI )	Gas tank and body in metal sheet

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Companies	Products
Nour El Hoadia For Car SUPPLEMENTED IND.	Metal sheet
Qualitat Egypt (QUALITAT)	Fuel filter- Fuel filter ignition- air filter
Ramis Key	Locks, inside and outside handles, doors, hinges and makes
Ranio Car Misr	Rubber
Sakr Factory for developed industries	Car assembly - Producing vehicles and spare parts
SPARE CAR	Seat covers
Spring & Transport Needs Manufacturing Co.	Coil spring, Hot and cold, laminated spring
Star For Autofeeding Industries	Rubber
Taki Vita	Car seats: foam - metal framework and balance cover.
Termar for trading and manufacturing	Engine cooler products – radiators
The Arab Co. for Petroleum Industries.	Oil
The Arab Co. Manufacturing of Filter ( FAC )	Filters (petroleum, fuel, air, hydraulic-engine vehicles filters and gas turbine filters)
The Arab Company for special steel	Carbon steel – easy to cut steel - spring steel- stainless steel- alloy steel
The British Co. For Manufacturing & Assemblage Of Hydraulic Hoses	Has assembled hydraulic and industrial pipes- Tire seals for all applications and objectives
The Engineering Company for Specialized Industries (MOTACO)	Assembled pipes - universal joint- shank end - balljoint row
Trust for Engineering Industries	Car seats
United Co. for Engineering Industries	Brake drums – water pumps
United Co. for feeding Industries ( FIMCO )	Bumpers and Plastic Parts Paint and assembly- Metal shaping and manufacturing
WHS Plastics Processing Egypt	Plastic molding through injection - rendant tool

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## APPENDIX : LIST OF MOROCCAN COMPANIES

Companies	Segment	Turnover in €	Export Turnover in €	Capital in €	Personnel	Target markets	Standards
<b>Afrique Câbles</b>	Car spare parts	6 744 000	52 400	1 004 000	180	France, Spain, Portugal, Belgium, Italy, West Africa	ISO 9001v2000, ISO/TS 16949
<b>A2S</b>	Other services related to the automobile	nd	nd	nd	210	Europe	ISO 9001v2000
<b>A2ME</b>	Other services related to the automobile	420 000	nd	100 000	20	France	Underway
<b>Aluminium du Maroc</b>	Other services related to the automobile	27 000 000	7 290 000	4 659 540	240	Europe, Africa, USA	ISO 9001v2000, ISO 14001 et OHSAS 18001
<b>AMC plastic</b>	Plastics processing	nd	nd	nd	105	Europe	N/A
<b>Antolin</b>	Car seat covers	nd	nd	nd	105	Europe	N/A
<b>Avl d'estampage</b>	Working metals	nd	nd	121 740	40	Morocco	N/A
<b>Cablerie auto luso marocaine</b>	Electrical wiring looms	2 712 310	nd	300 000	360	France, Usa, Germany, Spain, Portugal...	N/A
<b>Capelem</b>	Plastics processing						
<b>CFD</b>	Car spare parts	nd	nd	400 000	100	Europe USA	ISO 9001v2000 TS Underway
<b>CIEA</b>	Other services related to the automobile						
<b>Coficab</b>	Electrical wiring looms	nd	nd	3 000 000	180	Europe	N/A
<b>Cover car</b>	Car seat covers						
<b>Cva silicone</b>	Processing rubber	nd	56 304	1 000 000	15	Europe USA	ISO 9001v2000
<b>Demicron</b>	Other services related to the automobile	nd	nd	20 000	38	Europe	N/A
<b>EC2M</b>	Other services related to the automobile	nd	nd	10 000	30	Europe	N/A
<b>Ettel Maroc</b>	Studies, conception et	nd	nd	nd	nd	Europe	N/A

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Companies	Segment	Turnover in €	Export Turnover in €	Capital in €	Personnel	Target markets	Standards
	Engineering						
<b>Faida Polymer</b>	Processing rubber	900 000	nd	4 000 000	36	Morocco	N/A
<b>Fam</b>	Fonderie	nd	nd	910 000	130	Europe	N/A
<b>Famab</b>	Fonderie						
<b>Fapec</b>	Electrical wiring looms	700 000	600 300	140 000	80	Europe	N/A
<b>Flexi ressorts</b>	Car spare parts						
<b>Fli Maroc</b>	Working metals	nd	nd	1 024 000	120	Europe	N/A
<b>Fmi et SMFN</b>	Working metals	4 850 000	4 260 000	100		Europe, Africa, Middle East	ISO 9001v 2000 ISO TS 16949, PSA
<b>Fontec</b>	Foundry	nd	nd	450 000	42	Europe	N/A
<b>Galaplast</b>	Plastics processing	2 000 000	nd	50 000	100	Europe	ISO 9001v2000
<b>Gecam</b>	Processing rubber	1 381 807	1 052 369	135 000	70	West Europe	ISO TS 16949
<b>Ifplast automobile</b>	Plastics processing	12 000 000	1 000 000	2 850 000	371	Europe	ISO 840-1/2/3/4/5/6 Renault, Nissan Faurecia ISO 9001 v 2000 ISO TS 16949
<b>Induver</b>	Car spare parts	9 100 000	400 000	nd	280	Europe	ISO 9001 v 2001 ISO TS 16949
<b>Imaplast</b>	Rubber processing	9 200 000	276 000	520 000	51	Europe	N/A
<b>Laser tolerie plus</b>	Other services related to the automobile						
<b>Le plastique</b>	Plastics processing	8 545 850	nd	500 000	100	All	ISO TS Underway
<b>Maghreb steel</b>	Working metals	nd	nd	12 000 000	900	Europe	ISO 9001 v 2001 ISO 14001
<b>Maroc cablage</b>	Electrical wiring looms						
<b>Mafoder</b>	Foundry	nd	nd	1 100 000	100	Europe	N/A
<b>Matra automobile engineering</b>	Other services related to the automobile	nd	nd	nd	28	Europe	ISO 9001 Underway
<b>Meillor seal</b>	Car spare parts	nd	nd	nd	nd	Europe	N/A
<b>Meri</b>	Working metals	550 000	nd	250 000	19	Mediterranean Basin	N/A

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Companies	Segment	Turnover in €	Export Turnover in €	Capital in €	Personnel	Target markets	Standards
Nexans	Car spare parts	nd	nd	22 435 200	499	NM	ISP 9001 v 2000 ISO TS 16949
NRF Maroc	Car spare parts						
OB Electronique	Other services related to the automobile	nd	nd	1 200 000	100	Europe	N/A
OMR Morocco	Other services related to the automobile	500 000	2 600 000	250 000	40	France Italy	ISO TS 16949, Fiat, Peugeot, Renault, ACI
Plastima	Car seat covers	nd	nd	nd	400	Europe	N/A
Polyfil	Car seat covers						
Polydesign	Plastics processing	4 500 000	4 500 000	1 000 000	500	Europe	ISO TS 16949, Q1 Ford, ISO 14000, VDA
Polytech	Car parts	1 300 000	nd	600 000	25	Europe, Mediterranean Basin	N/A
prevent	Car seat covers	nd	nd	300 000	120	Europe USA	MV SS 302
process&Assembly	Car seat covers	nd	nd	nd	120	Europe	N/A
Promacab	Car seat covers	1 000 000	1 000 000	150 000	180	Morocco and Europe	ISO TS 16949
Promaghreb	Electrical wiring looms	6 900 000	800 000	3 067 500	140	Europe	ISO TS 16949
Ressorts gagnebins	Covering	nd	nd	3 067 500	140	Europe	ISO 9002 ISO TS 16949
Sacred Maroc	Processing rubber	nd	nd	nd	210	Europe	N/A
Segaplast Maroc	Plastics processing	220 000	55 000	350 000	43	France, Argentina, Brazil, Morocco	ISO 9001 v 2000
Sila Maroc	Covering	1 279 070	1 279 900	644 100	70	All	ISO 9001 v2000 ISO TS Underway Fiat, Renault, Valéo
Simoun	Electrical wiring looms	2 859 000	20 500	300 000	120	Europe, USA	MV SS 302
Sinfa	Car parts	12 000 000	4 000 000	2 500 000	300	Africa, Europe, Australia, Middle East	ISO TS 16949 V2002
Siprof	Car parts	7 200 000	nd	nd	197	Europe Middle East, West Africa, Maghreb	ISO 9001 V 2000 Underway ECE B90

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<b>Socafix</b>	Electrical wiring looms	nd	nd	1 500 000	165	Europe USA	ISO TS 16949
<b>Sofanou</b>	Electrical wiring looms	nd	nd	nd	nd	Europe	N/A
<b>Somaver</b>	Car spare parts						
<b>Sotraglace</b>	Car spare parts						
<b>Stequal</b>	Plastics processing	280 000	112 000	30 000	15	France, Spain, Italy, Morocco	ISO 9001 V 2000
<b>Tanger shoes</b>	Electrical wiring looms	2 500 000	nd	800 000	200	Europe	N/A
<b>Tecmoule</b>	Working metals	nd	nd	nd	18	Europe, Maghreb, USA	N/A
<b>Tuyauto</b>	Working metals	3 380 000	830 000	1 000 000	126	Europe, Africa	ISO 9001 V 2000 ISO TS 16949