EAC COMMON MARKET IMPLEMENTATION

IMPACT OF NON-IMPLEMENTATION OF REVISED EAC RULES OF ORIGIN 2015

The Case of Motor Vehicle Assemblers in Kenya

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CONTENTS

ACRONYMS AND ABBREVIATIONS

AVA	Associated Vehicle Assemblers
CKD	Completely Knocked Down
CMP	Common Market Protocol
CoO	Certificate of Origin
CUP	Customs Union Protocol
EAC	East African Community
FBU	Fully Built Unit
GMEA	General Motors East Africa
GOK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
KVM	Kenya Vehicle Assemblers
NTB	Non-Tariff Barrier
RoO	Rules of Origin
TTC	Toyota Tshusho Corporation
USAID	United States Agency for International Development

ABOUT THE STUDY

This study reviews the impact that non-implementation of the East African Community (EAC) Revised Rules of Origin (RoO) 2015 by other EAC Partner States has had on the Kenyan Motor Vehicle Assembly Sector. Rules of origin are the criteria needed to determine the national source of a product. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports.[1]

RoO affect market access opportunities and can act as a Non-Tariff Barrier (NTB) in terms of the rules defining specific processing requirements. They also influence the ability of firms to fully exploit available preferences under the EAC Common Market Protocol (CMP) and the EAC Customs Union Protocol (CUP) as they affect the cost of producing goods and in turn impact firm competitiveness and trade opportunities.

The Council of Ministers revised the EAC RoO in 2014; they took effect in 2015. Under the revised RoO various products which did not qualify for the Preferential Community Tariff Treatment under the old RoO now qualify. Such products include models of motor vehicles assembled in Partner States. It was intended that such preferential community tariff treatment will increase the price attractiveness of the locally assembled motor vehicles and therefore increase their market share.

This case study analyses the impact of non-implementation of the EAC RoO and highlights the specific experience of private sector companies compared to the general performance of the Motor Vehicle Assembly Industry in the region. It illustrates how two large private sector companies have not been able to take advantage of the revised RoO which require that locally assembled motor vehicles be given preferential treatment in other Partner States. The study reveals continued violation of commitments undertaken by EAC Partner States in terms of non-implementation of RoO. It identifies five significant negative impacts: (i) underutilized assembly capacity; (ii) further investment disincentive as a result of low capacity utilization; (iii) fewer jobs created as a result of less market; (iv) high prices for consumers; and (v) negligible regional sales/loss of a regional industrialization opportunity.

The study recommends effective implementation and enforcement of RoO to improve the market opportunities through reduction in operational costs and to enable market players to optimize their assembly capacity and create jobs. It also recommends intervention by EAC Organs including sensitization on the crucial role the Rules of Origin have in the realisation of the EAC Industrialization Policy and instituting modalities to promote the local motor vehicle assembly industry.

OVERVIEW

The automotive industry in sub-Saharan Africa is growing rapidly, albeit from a low base[2]. Besides South Africa, production of motor vehicles is nearly non-existent, and demand is being met by imports. Vehicle imports amounted to 1.5 million vehicles in 2013 and have grown at 14% per annum since 2003. Africa as a whole accounted for less than 1% of global vehicle production (831,000) units in 2014.[3] South Africa accounted for the bulk of this output, followed by Morocco & Egypt.

The local motor vehicle assembly in Kenya is growing but still quite small compared to African peers such as the Republic of South Africa and Egypt[4]. In the Republic of South Africa, the local automotive

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[1] World Trade Organization definition https://www.wto.org/english/tratop_e/roi_e/roi_info_e.htm

[2] Black, A., Makundi, B. and McLennan T. (2017), Africa's Automotive Industry: Potential and Challenges, Working Paper Series No 282, African Development Bank, Abidjan, Cote d'Ivoire.

[3] AIEC – Automotive Industry Export Council (2015) South Africa: Automotive Expert Manual 2015, Arcadia: AIEC

[4] Deloite Africa Automotive Insights, Navigating the African Automotive Sector: Ethiopia, Kenya & Nigeria, 2016.

assembly industry provides for up to 112,300 jobs from an estimated yearly total output of 600,000 units (600 times the local production in Kenya). The assembly operations of trucks and buses are characterized by the duty-free importation of all the drive-line components, which include the engines, transmissions, drive-axles and gearboxes. The automotive industry of Egypt is the third largest vehicle production and assembly in Africa, after South Africa and Morocco**.** The industry produced 332,100 units in 2015, with 73,200 employees for its 15 car assembly factories and 75 support facilities. In comparison, Kenya assembled 9,524 vehicles in 2015. According to the Kenya National Bureau of Statistics (KNBS)[5] total number of employees in the manufacture of motor vehicles industry stood at 3,040 in 2016.

In comparison to other EAC Partner States, Kenya's motor vehicle assembly industry is relatively well developed. Some of the key challenges that hinder the growth of the industry include the policy and regulatory environment surrounding access to the EAC market.

EAC Partner States have, under the EAC Industrialisation Policy,[6] recognised motor vehicle assembly as one of the industries that holds significant potential for the region's industrialisation efforts. Like many developing countries, EAC Partner States aspire to transform their economies to a modern and industrialised status that can sustainably generate sufficient outputs to satisfy both domestic and export markets and rapidly increase per capita incomes to improve the living standards of their people. Local motor vehicle assembly provides an opportunity for such transformation. With hindsight, the EAC Council of Ministers revised the EAC RoO[7] and brought into the exemption bracket locally assembled motor vehicles.

The key provisions of the revised RoO are the two criteria under Rule 4, which provide that goods shall be accepted as originating in the Partner State where goods are wholly produced in the Partner State as read with Rule 5; or produced in the Partner State incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the Partner State as read with Rule 6. Partner States issue Certificates of Origin (CoO) to certify that the goods are eligible for Community Preferential Tariff Treatment. Motor vehicles assembled in a Partner State in the region qualify under rule 4 1(b) as read with Rule 6.

Rule 4, EAC Customs Union (Rules of Origin) Rules, 2015
Origin criteria

1. Goods shall be accepted as originating in a Partner State where the goods are-

   a) Wholly produced in the Partner State as provided for in rule 5; or

   b) Produced in the Partner State incorporating materials which have not been, wholly obtained there, provided that such materials have undergone sufficient working or processing in the Partner State as provided for in rule 6.

2. For the purposes of implementing these Rules, the Partner States shall be considered as one territory.

[5] Kenya National Bureau of Statistics, Statistical Abstract, 2017

[6] East African Community Industrialization Strategy 2012-2032.

[7] The EAC Rules of Origin 2015 came into force in January 2015 vide Legal Notice EAC/3/2015 of 23rd January 2015. The purpose of these Rules was to implement the provisions of Article 14 of the Customs Union Protocol which provides that: - *"1. For purposes of this Protocol, goods shall be accepted as eligible for Community tariff treatment if they originate in the Partner States. 2. Goods shall be considered to originate in the Partner States if they meet the criteria set out in the Rules of Origin adopted under this Article. 3. The Partner States hereby adopt the East African Community Rules of Origin specified in Annex III to this Protocol."*

THE CASE OF MOTOR VEHICLE ASSEMBLERS IN KENYA

Kenya's automotive market is largely focused on retail and distribution of vehicles and after-sales support in servicing and spare parts sales. Small-scale assembly of motor vehicles is done at three assembly plants, the General Motors East Africa (GMEA)[8] plant in Nairobi, the Associated Vehicle Assemblers (AVA) plant in Mombasa and the Kenya Vehicle Manufacturers (KVM) plant in Thika.[9] The local motor vehicle assemblers work under the umbrella of the Kenya Motor Industry Association[10].

Locally produced vehicles are assembled from Complete Knocked-Down (CKD) kits[11] with minimal locally produced inputs.[12] Commercial vehicles dominate Kenya's domestic production. In 2015 Kenya sold 9,295 locally assembled vehicles (CKDs), of which 921 (close to 10% of assembly) were light commercial vehicles such as pick-up trucks, and the rest of the 8,374 were heavy commercial vehicles such as trucks and buses.[13]In 2016, vehicle sales of CKDs and FBUs were 6163 and 7371 units respectively. The assemblers that formed part of this study contend that the assembly plants' capacity utilization would increase significantly (to at least 40%) if the regional markets accepted locally assembled units from Kenya.

Rule 6, EAC Customs Union (Rules of Origin) Rules, 2015
Goods produced using materials not wholly obtained from a Partner State

1. For the purposes of rule 4(b), a product is considered to be sufficiently worked or processed when the product listed in the second column of Part I of the First Schedule fulfils the corresponding origin criteria in the third column.

First Schedule

Part I: List of Products & Working or Processing Operations which confer Originating Status (Under Rule 6(1))

HS Heading No	Description of the Products	Origin criteria/working or processing carried out on non-originating materials that confers originating status
ex Chapter 87	Vehicles other than railway or tramway rolling-stock, individual parts and accessories thereof, except for;	Manufacturing to start from Completely Knocked Down Kits.
87.16	Trailers and semi-trailers, other vehicles, not mechanically propelled; parts thereof	Manufacture from materials of any heading except that of the product.

8 By the time of conducting this study, Isuzu East Africa Ltd had not yet taken over General Motors East Africa (GMEA), however at the time of publication of this study, Isuzu East Africa Ltd had acquired General Motors East Africa.

9 Supra n.3.

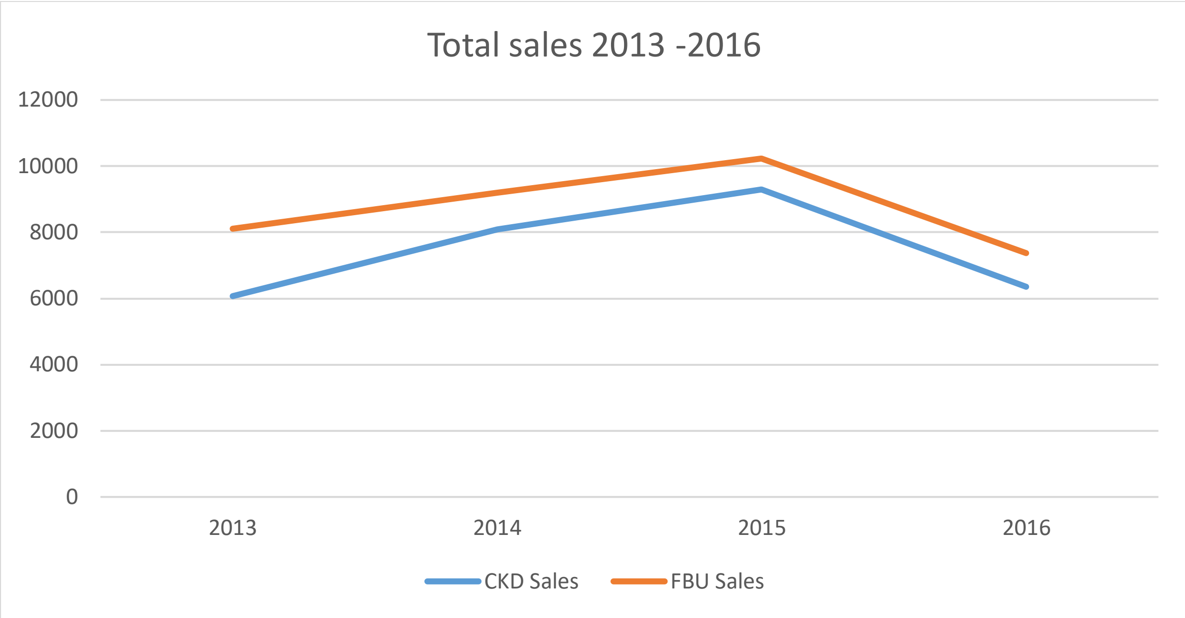
10 The association champions the interest of players in the motor vehicle industry and has a mandate to co-ordinate industry response to national policies and to provide a high-level forum within the industry can engage with various public and private stakeholders.

11 Kenya Motor Industry (KMI) defines CKDs as a package of most or all of the individual parts of a vehicle, as separate pieces. All of the pieces are brand new from their country of origin.

12 Ministry of Industrialization, GOK 2010

13 Based on interviews with Kenya Motor Industry Association in 2017

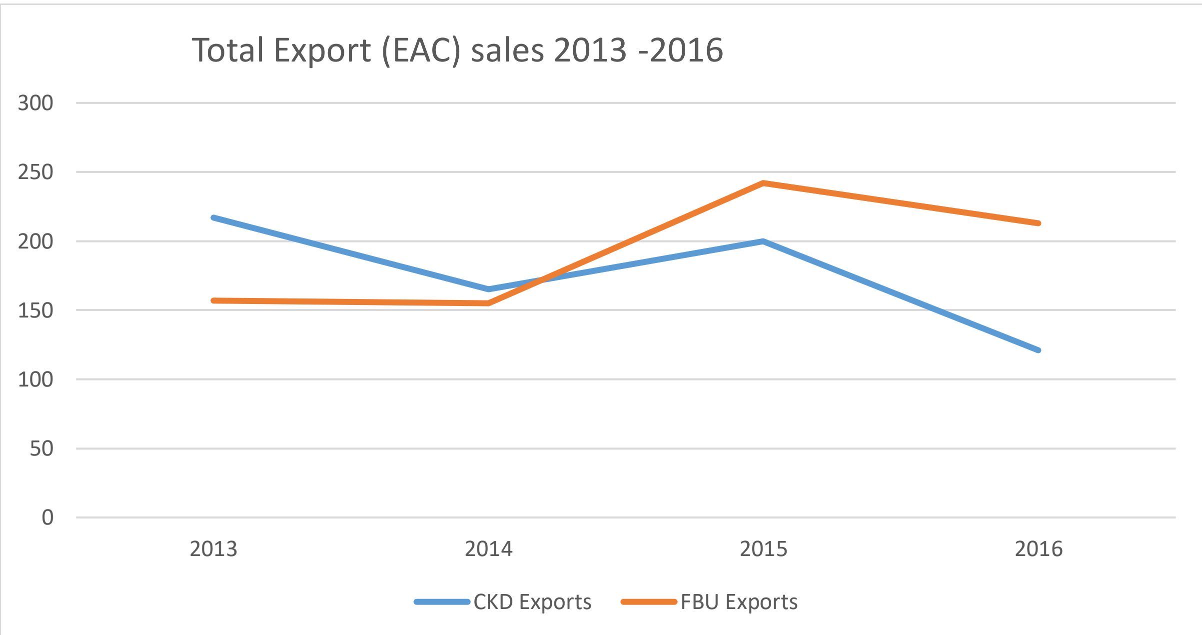
Total sales for Assembled Vehicles 2013 -2016



Source: Kenya Motor Industry Association

The figures below represent the performance of the sector in the period 2013 to 2016 based on sales figures for CKDs and FBUs. All the three motor vehicle assemblers mainly sold their units in Kenya with negligible export to other Partner States. According to the companies forming part of this study, about 90% of all locally assembled vehicle sales were concentrated in the Kenyan market due to non-implementation of the EAC RoO. The total export sales to the region for 2015 and 2016 were only 321 CKD units and 455 FBUs accounting for less than 10% of total sales of locally assembled units.

Total Export (EAC) sales for Assembled Vehicles 2013 -2016



Source: Kenya Motor Industry Association

CASE STUDY 1: TOYOTA TSHUSHO EAST AFRICA LTD.

Toyota Tshusho East Africa, through its trading arm Toyota Kenya Limited (TKL), is the sole distributor and service provider of Toyota, Yamaha, Hino and Case IH brands in Kenya. TKL is owned 100% by Toyota Tshusho Corporation the trading arm of Toyota Motor Group. Toyota currently assembles three models: Toyota Land cruiser 79 single cab pick-ups, the Hino 300 series and the Hino 500 series. It established its assembly plant in 2013. *"In 2013, Toyota Kenya opened a bus assembly plant in Changamwe – a Ksh 500 million investment that is expected to produce 40 units a month initially, rising to 200. This was the first plant of its kind opened by the Toyota subsidiary in Africa."* [14]

In spite of the EAC RoO revisions, Toyota has not been able to export any of its Kenyan assembled Units (both Hino and Toyota) on a duty-free basis to Uganda or Tanzania (based on interviews with company officials)[15]. Uganda and Tanzania rejected the assembled units on grounds that the assembly did not meet the RoO criteria despite having been issued with CoO by Kenya Revenue Authority. Toyota has noted that the non-implementation of the EAC RoO has hurt its regional prospects for sale of locally assembled motor vehicles. It expected a substantial increase in demand from EAC Partner States and total exports to triple to approximately 900 units per year; it has met neither of these expectations.[16] Its current exports are approximately 300 units to the EAC countries. The figure below is a representation of actual sales figures for Toyota in the years 2014 - 2016. These units were exported under normal export conditions i.e. they either paid full taxes (Import/excise/VAT) as per country requirement, or in the case that taxes were not paid, it is only because the customer in question was tax exempt.

Toyota Regional Sales[17]

Year	Hino	Toyota L/C
2014	0	0
2015	4	102*
2016	16	0

Source: Toyota Tsusho EA Ltd
**The units sold are significantly more since the bulk order for 100 units was for the Tanzanian Government which is tax exempt.*

Furthermore, the company projected a substantial reduction in Retail Selling Price (RSP) for buyers of new cars in the Partner States of Uganda and Tanzania if the RoO were to be fully implemented. The decrease in price by percentage for each country from the current RSP[18] would be: by 20% in Tanzania and by 14% in Uganda. To illustrate this, the duty inclusive RSP for a Land cruiser in Tanzania is USD 71,047.00 (depending on the prevailing exchange rate), however, if there is no import duty it would retail for USD 57,247.00.

[14] http://www.capitalfm.co.ke/business/2015/03/toyota-to-expand-vehicle-assembling-plant-in-kenya/

[15] Interviews held in 2017

[16] Due to general tough macro-economic environment, the assemblers noted a significant drop in sales in the domestic market as well.

[17] It should be noted that, at the moment Toyota only manufactures Right Hand Vehicles in Kenya and hence can only export to Uganda and Tanzania. In the above figures, Rwanda, Burundi and South Sudan are excluded since they are all Left-Hand Drive countries

[18] RSP is not the only factor but also other market forces which would influence the final price. However, the figures given reflect a straight cost reduction without considering any other factors.

CASE STUDY 2: GENERAL MOTORS EAST AFRICA

GMEA (now Isuzu East Africa Ltd) assembles and distributes vehicles, parts and services for Isuzu, Chevrolet, Opel, Hummer and Acdelco brands. The company has a local assembly plant based in Nairobi with an installed annual capacity of 8,000 units; it only assembled 1,671 units in 2016. GMEA worked with local enterprises to produce automotive components. Based on interviews with company officials, in 2017, it produced 30% of its components for trucks and 50% of its components for in Kenya. In 2016, the company recorded its biggest drop in total sales units among major vehicle dealers,when the industry's total order book closed at a four-year low of 13,869 units.[19] GMEA saw its sales drop to 4,858 units in 2016 from 6,690 units in 2015.[20]

Prior to the revision of RoO in 2015, the following models assembled by the company did not qualify for origin under all criteria of EAC RoO, 2004: TFR32 (1190); TFR 32 (1190) VAN; TFR 54(1190); TFR 54 (1190) Van; TFS 85 S/C(1190); TFS 85 S/C (1190)VAN; TFS 85 (1190) D/C; NKR 66LU Tanker(Water); NPR 66 Cab Tanker(Water); FRS 33H; NQR 66RU Cabtanker (Water); FVR23M; FVZ23S Tanker(Water); NQR 66CAB; FRR 33L; FVR23M Tanker Water & FVX 23S Tanker Water. Following the coming into force of the revised RoO, the above models meet the criteria as specified in Rule 6 of the EAC RoO and should therefore be accorded Community Preferential Tariff Treatment.

The company noted however that there has been minimal growth in exports and indicated that:

a) it faced resistance from some of the Partner States, such as Tanzania, in giving duty-free market access to the locally produced vehicles. The issue took almost one and a half years to resolve and only from the second half of 2016 were locally assembled vehicles allowed into Tanzania duty-free;
b) since the EAC markets are somewhat new markets for the purposes of the locally assembled vehicle units from Kenya, the local vehicle franchise holders in the Partner States are yet to develop proper dealership networks to help in supply of vehicles and aftersales support;
c) the introduction by Kenya of excise duty on locally produced vehicles in December 2015 resulted in increased costs and consequently higher retail prices;
d) limited availability of vehicle financing facilities in EAC countries is also a significant challenge.

CONTINUED REPORTS OF NON-RECOGNITION OF CERTIFICATES OF ORIGIN FOR MOTOR VEHICLES IN THE EAC TIME BOUND PROGRAM ON ELIMINATION OF NTBS

The EAC Common Market Scorecard 2014[21] revealed that issues related to RoO accounted for nearly a quarter of the NTBs reported in the region between 2008 and June 2013. One of the examples included the non-recognition of CoO for motor vehicles assembled in Kenya. This study also followed reports in the EAC Time Bound Program Matrix on Elimination of NTBs.[22] Prior to the revision of the EAC RoO, reports of non-recognition of CoO for motor vehicles as complained about to the Time Bound Committee on Elimination of NTBs regarded *Change in Tariff Heading* to warrant preferential treatment in the region[23].

[19] http://www.nation.co.ke/business/General-Motors-tops-rivals-despite-plunge-in-car-sales-/996-3521628-a3kkq4/

[20] ibid

[21] World Bank. East African Community Secretariat. 2014. EAC Common Market Scorecard 2014: Tracking EAC Compliance in Movement of Capital, Services and Goods.

[22] An inter-governmental complaints mechanism for reporting and monitoring removal of NTBs.

[23] A review of the EAC Time Bound Program Reports since 2008 indicates the continued non-recognition of Certificates of Origin in respect to motor vehicles assembled from Kenya.

In June 2014 the EAC Time Bound Program Report indicated that:

"… by Legal Notice No EAC/6/2009, the Council lifted the stay of application of the criteria on Change of Tariff Heading (CTH) under the EAC Rules of Origin. This implies that the CTH criterion was to apply. With respect to Motor Vehicles the criteria is that it must start from the level of CKD kits. Rule 4 (1) (b) (iii) applies and provides for this criteria. The challenge is that under the Common External Tariff, unassembled motor vehicles are classified under the same heading in chapter 87 and therefore the CTH criteria does not apply. This matter has been addressed in the Revised RoO..."

Following the operationalization of the revised EAC RoO in 2015, the EAC Time Bound Program Report of December 2016 noted that Tanzania does not provide preferential treatment of automotive products manufactured in Kenya by Toyota Tsusho East Africa Ltd., examples include the Toyota Land cruiser 79 pickups and Hino trucks and buses.

The latest EAC Time Bound Program Report of April 2018 indicates:
"… In February 2018: Kenya reported that she still experiences challenges accessing Tanzania market on automotive products. Kenya requests URT to consider allowing market access. Tanzania reported that she observed EAC RoO on Motor vehicles which grants preferential treatment for automotive products assembled in EAC Partner States. Tanzania and Kenya agreed to undertake a verification mission by 31st March 2018. Kenya reported during the Forum that this issue was resolved."

IMPACT OF NON-IMPLEMENTATION OF THE EAC ROO

The RoO affect market access opportunities and stimulate exports in the Partner States by setting the conditions of importation into the national markets. They also influence the ability of firms to benefit from the EAC CMP and the EAC CUP. This is so because the RoO have a significant impact on the cost of producing goods and in turn affect a firms' competitiveness and trade opportunities.

Because RoO are an essential part of applying trading group-specific trade preferences or restrictions, they have had a significant impact on the strategic planning of profit-maximizing firms. For this reason, profit-maximizing firms usually analyze the RoO, quantify their cost, and treat them as a factor of production in determining where to source their investments, purchase their raw materials, produce or purchase intermediate materials, and assemble their final products.[24]

This study identifies five significant negative impacts of the continued non-implementation of the revised RoO with respect to Kenyan locally assembled motor vehicles exported to other EAC Partner States.

UNDERUTILISED ASSEMBLY CAPACITY

Kenya, as noted above, has three local motor vehicle assembly plants. All three assembly plants continue to produce below capacity partially due to limited demand for locally assembled motor vehicles because of the continued lack of preferential tariff treatment for them.

[24] The Impact of Rules of Origin on Trade – A comparison of the EU's & the US's Rules for the Textile and Clothing Sector, Kommerskollegium National Board of Trade, March 2012.

Assembly Plant Capacity Utilization

Plant	Installed Capacity	2012		2013		2014		2015	
		Volume Assembled	Capacity Utilization	Volume Assembled	Capacity Utilization	Volume Assembled	Capacity Utilization	Volume Assembled	Capacity Utilization
AVA (Mombasa)	9,600	2304	24%	3259	34%	4525	47%	4206	44%
GMEA (Nairobi)	8,000	2,616	33%	3,138	39%	4,176	52%	5,347	67%
KVM (Thika)	12,000	930	8%	292	2%	444	4%	216	2%
TOTAL	**29,600**	**5850**	**20%**	**6689**	**23%**	**9145**	**31%**	**9769**	**33%**

Source: Kenya Association of Manufacturers

FURTHER INVESTMENT DISINCENTIVE

The local assemblers in the study estimate that the current investment in the local assembly plants is approximately USD 30 Million. Unfortunately, the full capacity of the assembly units has not been utilised and therefore there is no immediate need for further investment. It is instructive that in the years 2015 & 2016 Volkswagen[25], Peugeot[26], Daimler trucks[27] and Toyota announced plans for assembly of motor vehicles but without corresponding increase in assembly line capacity because of the current underutilised capacity.

FEWER JOBS IN THE SECTOR

Based on interviews, direct assembly line in the sector stood at approximately 500 jobs in 2017. According to KNBS,[28] the total number of employees in the manufacture of motor vehicles industry stood at 3,040 in 2016. This is very small compared to South Africa where local assembly has employed over 110,000 persons. The assemblers project that they can progressively increase assembly line jobs by 1,000 in the short term (2017-2019) with additional markets in the region. In addition, as of 2017, the parts manufacturers/suppliers to assembly plants employed about 3,000 staff. The knock-on effect of increased demand would increase their employment level to approximately 6,000 as parts suppliers' business is directly affected by changes in the assembly plants. The cumulative job increase would therefore be between 3,500 – 7,000 jobs if regional markets are opened up.

LOSS OF AN INDUSTRIALISATION OPPORTUNITY

Industrialisation in the context of EAC depends on how the region strategically leverages the market created by the Common Market as a source or stimulus for demand, while simultaneously capitalising on opportunities created by the fast-growing global and emerging markets for manufactures.

Failure to implement the EAC RoO to the benefit of Kenyan motor vehicle assemblers negates the industrialisation aims of the EAC as encapsulated in the EAC Industrialisation Policy 2012 -2032.

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[25] Volkswagen has already joined in the current line of production. It has been using the Thika based KVM plant to produce the Polo Vivo line of automobiles, launched in the markets of Kenya in December, 2016. The company has aimed to step up the production to 1000 units per year. The German manufacturer exited the local industry back in 1977 and now seems determined to provide quality and affordable brand new automobiles for the locals. The first production of Volkswagen assembled cars in Kenya is set to hit DT Dobie show rooms in February 2017.

[26] The French car maker closed its assembly plant in Kenya, back in 2002. The company has recently announced re-opening its car assembly facility and aims to assist the objectives of Kenyan government of producing 10,000 locally assembled cars per year by the end of 2019.

[27] In March 2016, Daimler Trucks Asia began assembly of its Fuso range of commercial vehicles at a plant in Mombasa, Kenya, with its local partners Simba Colt and Associated Vehicle Assemblers.

[28] Kenya National Bureau of Statistics, Statistical Abstract, 2017

Implementation of the RoO will ensure that the regional market is optimally utilised as a platform for invigorating industrialisation in the region by enforcing an appropriate regulatory mechanism to manage unfair trade practices affecting growth of industries as well as developing the market for manufactured products such as locally assembled motor vehicles.

HIGH MOTOR VEHICLE PRICES FOR CONSUMERS

The assemblers acknowledged that they determine final price of assembled local vehicle units by a number of factors, including market strategies, distributorship arrangements, competition, tax and tariff treatments. The assemblers are clear that implementation of the RoO will have a lowering effect on the Retail Selling Price for locally assembled motor vehicles in the Partner States. Toyota, for instance, reckons that the duty-inclusive RSP for a Land Cruiser in Tanzania is USD 71,047.00 (depending on the prevailing exchange rate); if there is no import duty it would retail for USD 57,247.00. There would be a straight-line RSP reduction of between 14% and 20% if the RoO was implemented.

CONCLUSIONS & RECOMMENDATIONS

This study has noted the severe negative impact that failure to implement the EAC RoO continues to have on Kenyan Motor Vehicle Assemblers. The failure to implement the EAC RoO is a violation of Partner States' commitment under Article 14 of the EAC Customs Union Protocol and frustrates the realization of EAC Industrialization Strategy.

This study finds that the implementation of the zero-import duty provided for by the RoO will in turn reduce the Retail Selling Price of Kenyan assembled motor vehicles in the Partner States by 14-20%. In addition, industry players will be able to optimize their industry capacity utilization to at least 30,000 units per annum. The assemblers project that they can progressively increase assembly line jobs by 1,000, with the additional knock-on effect of increasing the parts manufacturers/suppliers to assembly plants employees to approximately 6,000.

This study makes the following recommendations:

a) The revised EAC Rules of Origin 2015, with respect to locally assembled motor vehicles in Kenya, should be strictly implemented by all Partner States.

b) Partner States should be sensitized on the regional benefits of implementation of the EAC RoO, so that it is no longer seen as only benefiting Kenyan assemblers. The EAC Secretariat should urgently undertake sensitization of stakeholders on the crucial role of the EAC RoO in the realization of the EAC Industrialisation Policy 2012 -2032.

c) Assemblers should consider all options for implementation of the EAC RoO; these would include invoking the dispute resolution mechanisms under the Treaty, including the East Africa Court of Justice.

d) The draft East African Community Customs Management (Unassembled Motor Vehicles/Trailers) Regulations, 2014 ('CKD Regulations'), that have been under negotiation since 2014, should be passed to better address the ambiguities of the local assembly industry[29].

[29] Kenya has Regulations for motor Vehicle assembly under LN 363 and 489 however these will not apply once the EAC Regulations are finalized.

e) EAC Partner States under the leadership of the Secretariat should develop a regional policy on the automotive industry

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