

# The global value chain of second-hand cars and scraps

An ethnographic account of on-the-ground practices, labour and regulations in Ghana<sup>1</sup>

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## Introduction

This article uses ethnographic research in Ghana to analyse the articulations between new, second-hand and car scraps's market. It is part of a broader research on how value chains and the creation of markets shape new forms of political coalitions and social organisation.

The article articulates three contributions. The first relates to used cars, spare parts and scraps discussed in this issue. I question the idea that there is such an object as a “global car” that circulates easily between continents. In contrast to authors who tend to speak of a global market for second-hand cars (Clerides, 2005), or of second-hand cars exported to Africa as a global commodity (Chalfin, 2008; Brooks, 2011), I follow Callon's (2017) idea that what we call markets are actually unstable arrangements of trade relations and social processes that allow objects to circulate. Along the article I analyse the work of auctioneers, websites, intermediaries and insurance companies in the North American and European markets who engage indirectly with brokers, middlemen, mechanics and traders in Ghana to make these objects circulate.

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Second, this connects with theoretical discussions about how prices are negotiated in different contexts and through specific interactions. In particular, I draw on the work of Boltanski and Esquerre (2017) and their analysis of the relationships between price and value. Along the article, I use these empirical data to show that even when cars circulate and sellers in the US or Europe and buyers in West Africa agree to trade, criteria which shapes the acceptability of the price and the value of the car are actually different. The value and price of a car or a waste is embedded in the West African market. It is shaped by deeply rooted and unique local practices. This explains why these goods are not viewed in the same way. It also explains why they do not generate the same economic benefits in Ghana. This contributes to our understanding of global value chains structured around devalued goods and materials that change status. To this regard I follow Greeson, Laser and Pyyhtinen (2020) who argue that the study of waste allows important insights to understand valuation. I hypothesise that, in the case of cars, scraps are key element of markets as they economically sustain production cycles. Paradoxically, North American and European wastes see their prices increase thanks to West African market. The transatlantic trade increases the price of wastes and avoid externalities that relate to the destruction of the good or to the cost of its dismantling. In a context of a highly financialized market, it also produce a small amount of money that may be generating entry to borrow money to buy another car.

My last contribution has to do with the emergence of a transatlantic industry of second-hand cars, wrecks and spare part since the 1980s and its current evolution. These trade arrangements are now fully embedded in North American and Ghanaian realities. To describe this transatlantic industry, I use Xiang's distinction between taxonomical and emergent scales. Xiang follows Delaney and Leitner (1997) and defines taxonomical scales as "the nested hierarchy of bounded spaces of differing size, such as the local, regional, national, and global" which is mostly vertical and "central to bureaucracy of the nation-state" (Xiang, 2013, p. 284), and here consists of global conventions on exports of wastes, Ghanaian laws and custom regulations. On the other hand, the emergent scale is "the scope of coordination and mobilization that arises from collective actions, which in turn generates new capacity for the actors" (*Idem*). In Ghana, this emergent scale was shaped by the interactions between cars and spare parts importers, their associations, workers of the informal sector such as mechanics, and politicians. The industry relies on existing legislation and its selective enforcement. Yet, it is challenged by the influence of car manufacturers who seek to create a new market thanks to taxonomical devices, and mostly of state and custom regulation.

Methodologically, the research uses global value chain analysis and governance as a method of investigation rather than a theory (Gibbon *et al.*, 2008), taking an ethno-

graphic approach. The data used for this article were collected during two fieldworks in Accra and its area (including Tema)<sup>2</sup>. I mostly observed a family of traders working in a market located on Accra's outskirts. This included observation of the working of the shop and the relationship between sellers and employees, and during my second trip, the observation of interactions between the sellers and clients sometimes accompanied by their mechanics, and of the shop owner with other spare parts sellers. In addition I draw on semi-direct interviews and informal discussions with mechanics, traders and shop owners, importers, executives of manufacturers companies, associations which regulate the trade, along with individuals working in law enforcement and Ghanaian institutions and the port of Tema. Other interviews explored the history of the neighbourhood, issues of urban planning and the role of segregation and nationalist discourses in the car and parts trade. The data presented here is drawn from my personal notes and fieldwork notebook. All data has been anonymised.

The first part of the paper introduces the trade of second-hand cars in Ghana and on-the-ground views towards it. I look at the way the goods from the European and North American market circulate and show that despite a common “price” that buyers in West Africa agree to pay to get cars and spare parts, what makes the value of cars for traders and customers is embedded in the local market. It has to do with car's *fixability* and the local *availability* of spare parts. This is why cars that are more attractive in North America can be less sought after. In the second part of the paper I hypothesize that although distinct from the North American market, the scraps and second-hand market in Ghana and West Africa sustains car industry and sales in rich counties. I show that it increases the price of cars and scraps with no user value, limited potential rentability and indirectly encourages the buying of other second-hand cars. In the third and fourth parts of the paper I look at two key features of the transatlantic trade of cars now threatened by the double game of the government: the existing practices of selective regulation and absence of technical standards, and the availability of highly skilled and cheap labour that renders viable many operations that would be impossible elsewhere.

### On-the-ground views towards cars as a source of wealth

Matthew is a second-hand car and engine seller in Accra. As we talk in front of his shop on this warm and humid day in October 2021, the neighbourhood is thriving

2. Both fieldworks have been supported by the Globalcar project funded by Fapesp in Brazil and ANR in France. The first in 2021 involved some observations and interviews both with Gabriel Feltran and alone. The second in 2022 involved observations alone and few interviews with John Moti Amoah.

with thousands of clients, mechanics and sellers who run through the main avenue and the black oily streets around it. Matthew is not worried about the shortage of electronic components and raw materials which is affecting the availability of cars all over the world. A few months before, the *Financial Times* reported that “with lead times of six to nine months, the semiconductor industry has not been able to scale up fast enough to meet this unexpected growth in automotive demand” (Miller, Keohane and Inagaki, 2021) and for this reason manufacturers found themselves dealing with shortages, which meant that North American, European or Brazilian consumers had to wait months to receive their vehicles, leading to a decrease in manufacturers’ profits. Of course, Matthew’s clients and his business operations have been affected by the two-digit inflation brought on by the covid-19 pandemic, Ghana’s indebtedness and the Russian invasion of Ukraine. But there is no issue of supply here. On the contrary, Matthew is quite optimistic and his view is that the market and reservoir of cars in the world is nearly unlimited. Cars are like wealth, he says in another discussion, and the second-hand car and spare part business is a thriving market. By the time I meet him again, nine months later, Matthew will have gone to Dubai three times. If necessary, Matthew envisions turning to countries which he regards as potential reservoirs of second-hand cars for more stock. On the other side of the Atlantic Ocean, Brazil and Mexico seem to have an untapped potential that Matthew would like to explore. Brazilian civil engineering companies have been working in Ghana for a while and have even built some of the highways of the city I use every day to meet him, adding another economic layer of complexity to a centuries-old relationship marked by slavery, circulation of people, ideas and cultures between the continents. But despite his optimism, Matthew knows that he does not have enough liquidity to engage in these long-term investments.

In 2017 there were more than 2 million cars in operation in Ghana, an increase “of 300% [over] 20 years” (Ayetor Quansah *et al.*, 2020 p. 2). Matthew’s views reflect the dynamics of a growing market: according to Ghana’s Driver and Vehicle Licensing Authority, between 2005 and 2016 more than 1 million cars were imported (Ackom, 2016). Out of the 90,000 to 100,000 cars sold in the country in 2021, my interviewees considered that more than 90% consisted of imported second-hand models. As with most of the cars Matthew buys, large numbers of cars imported to Ghana come from the US and Canada, sometimes through Dubai. Yet, does it mean that there is a global market for second-hand cars, and if so how what are the specificities of this market?

Most of my interviewees think of cars as a global commodity and object that concentrates and creates wealth, as an asset. Some rich Ghanaians even prefer to

hoard their wealth in the informal car trade as they can do it with real estate instead of depositing money at banks they don't trust. But there are different concurrent processes at stake regarding this object: some wealthy individuals I interviewed invest in importing cars. This can be to resell it and pocket the difference, but also to dismantle it and sell its spare parts. Another option is to loan these cars to aspiring Uber drivers who will pay for them by the day or week of use. This new form of investment has become popular over the last few years with the development of applications and platforms which provide mobility services. I have met many young graduates from Accra's middle class who pay a weekly or monthly rent to the owners of their cars. Some companies are also investing in this market and lease cars to the drivers who will then provide services to Uber. Yet, my interviewees' understating of what makes the value of cars and spare parts is shaped by Ghana's context. The first questions that car sellers and spare parts traders have asked when trying to understand my request to discuss their businesses regard existing markets and the kind of vehicles on the roads of France or Brazil. Is the driver's seat on the left or right? Are there Japanese brands and what are the most common models there? Are they diesel or unleaded fuel motors? These questions that try to gauge my potential as an intermediary or even a future business partner also reflect the dynamics of the market in which they operate.

Car's value is embedded in a specific context. What justify to pay a certain price for Mathew has nothing to do with criteria that are used in Europe or North America. For most clients I observed, the difference between brand new or second-hand is not particularly relevant, nor is the authenticity of parts. Instead, one of the key issues both for buyers and resellers is the local availability of spare parts and the fixability of cars which draw interest of buyers. As my interviewees' questions show, much of the demand is driven by the availability of spare parts, and the ability to rely on pre-existing stocks of cars for these. In Accra, car sellers and their clients do not consider genuineness or second-hand condition as an issue, an observation which also seems to be true of other traders on the continent<sup>3</sup>. All cars, even sometimes those sold and repaired by manufacturers, are reassembled and repaired with many different parts that come from the informal market. Informal sellers I interviewed in 2022 claim they regularly provide pieces for the formal market and official garages who look for parts unavailable through official distribution networks. A pick-up of a certain year can be assembled with pieces from other years, with both non-manufacturer and original parts, and it is a common practice to change chassis, motor and any second-hand and sometimes counterfeit copies of parts.

3. Correspondence with Sébastien Jacquot, October 2022, after his observations in Cameroon.

This means that car sellers also determine the value of second-hand cars and spare parts by taking into account the local frequency of the model. As in other African metropolises, most of the population cannot afford a fancy SUV or even to own personally a car (Diaz Olvera, Plat and Pochet, 2020), and turn to the second-hand market for economic reasons. Knowing that most cars in Ghana are Japanese brands (Toyota, Nissan, Honda, Mitsubishi and Suzuki) or Korean (Hyundai and Kia), car importers and parts dealers look for models and parts from these manufacturers. More specifically, most cars are Japanese brands but imported from North America. Experienced dealers and sellers know that models produced in Japan are similar, but sometimes do not use exactly the same parts as those from Canada and the USA, or do not have exactly the same types of clips and settings. As in other countries of the region (Beuving, 2015), the trade of cars in Ghana has been marked by periods of transformations and important variations of volumes. In the 1990s, European brands (mostly French and German) were challenged by imports of Japanese brands. In the mid 2000s trade of American branded cars shipped from ports of the East Coast such as Baltimore and Jacksonville intensified. Second-hand car sellers consider that their clients turn to certain models and brands because they know that they will be able to fix the car and easily find spare parts. This concern over *fixability* is also reflected in preference for cars that have fewer electronic and more mechanical components, especially those that are not locked because of their software. Cars with more electronics require very specialised workers and diagnostic tools that need to be kept up to date and sometimes borrowed from garages that are recognised as official resellers or are accredited by the manufacturer. Some mechanics can hack or disable systems, but this limits access to the car's functions.

The benefits generated by cars are defined by these conditions. Models and parts that are not in fashion in the US may have higher rentability in Ghana. For instance, one of the key features of certain Toyota or Nissan engines is that they can be relatively easily adapted to other models of cars of the same brand. This is why they are more looked for than the original pieces. This means that *availability*, *fixability* and *rarity* in a market already saturated by many existing and easily available pieces are key for the definition of retail prices that are not necessarily the same as those in North America or Europe. These categories shape the commercial strategies of most spare-part sellers. When buying spare parts of cars in Dubai – where no taxes are collected as price is generally under declared – Matthew balances his stock and selection between the pieces that are well-researched because of the existing stock of cars – his “best-sellers” which have a higher turnaround – and more expensive and less researched pieces. These pieces can remain in stock for a year but put him

in a position to negotiate higher margins when required by despairing and generally wealthier clients who have bought a rarer model.

In this context, the effective condition of spare parts is important but not key, as some parts are widely available and regularly changed. This also means that the *standard* of the piece, in the sense of fitting and being designed as adapted or adaptable to the car (or to various cars), can be more important than the *authenticity* of a piece (being a fake or a non-authorized copy of a manufacturer's) or it being of lower *quality*. Of course, some parts and origins are associated with ideas of quality. Pieces from Japanese and US car manufacturers, but also genuine parts produced by equipment manufacturers in Germany, have a reputation of quality, even if they are second-hand. Chinese parts, whether bodywork, brakes or windshield wipers, are seen as of lower quality, "unable to last", whether new or second-hand. Some resellers in Accra specialise in particular products and fields of activity, but these reputations reflect more a set of cost options for customers than a hierarchy of products. One of the few exceptions to the general lack of discrimination between brand new and second-hand parts and the lack of concern with quality regards tires. Most sellers and buyers seem to consider that buying imported retreated tires is not economically viable and more and more are turning to cheap or medium-range brand new tires.

A consequence of the workings of this market is that, as opposed to the situation in Latin America (Schuster, 2019; Zambon and Feltran, 2022), for our interviewees, the question of the origins of some of the cars that can be smuggled or stolen; or their status in relation to international conventions and prohibitions of exporting waste, is not regarded as an issue. Most cars imported in Ghana are registered and freed from duty legally. This is true of cars stolen in North America, as was the case for instance with a criminal network operating in Canada which used to export SUVs to Ghana and Nigeria (Baafi, 2015). The network has been shown to be structured around members of the Black Axe, a Nigerian confraternity that connects elites with members of lower social strata and street gangs (Cohen, 2021). These cars were exported from Canada with genuine documents provided by agents of the network in Toronto's state administration. The same applies to cars stolen in the South of France and exported with forged French documents. However, according to interviewees, because of the wide availability of all cars and the many challenges that have to be overcome, the illegal trade has no relevance and brings very few benefits<sup>4</sup>.

4. Interviews in Accra in 2021 and 2022.

## Scraps and “ghost cars” sustain production cycles

There are elements that suggest that despite its embeddedness, Ghana’s (and more broadly West Africa’s) market’s dynamics sustain the market of new and second-hand vehicles in North America and Europe. This is a missing dimension of most analyses which do not take this second-hand and foreign wrecks market into consideration and ignore this process. It seems key to understand the perpetuation of the automotive industry and would deserve more empirical and theoretical research.

Most of the vehicles imported to Ghana are shipped to West Africa as they do not satisfy European or North American safety, technical and environmental standards. As has been noted in the case of Japanese cars in Mozambique (Brooks, 2011), they are exported to Africa as regulation, technical controls, daily use and accidents have completely degraded the value of the cars. This is also true of wrecks and accidented cars which might not even be allowed to drive on North American and European roads and would only be sold as scrap metal. In the case of wrecks, many were removed from the manufacturer’s electronic databases and hence do not “exist” anymore, creating what can be called “ghost cars” which arrive in Africa without a technical register nor any data accessible to manufacturers, even when their chassis numbers are identified<sup>5</sup>.

The narrative that manufacturers’ executives put forward regarding the global circulation of these cars is that the new and second-hand markets of cars are completely disconnected. This substandard second-hand market is described as a threat to customers, emphasising the accidents and pollution these cars engender<sup>6</sup>. They insist that manufacturers and their garages have standardised practices which protect customers from defaults or risks arising from second-hand and non-original pieces and informal sectors’ practices. This narrative is supposed to explain the high costs of production and repair in their networks as compared to the local informal markets that exist in West Africa. Yet, exports to Ghana seems to fuel the first and second-hand markets in North America and Europe.

Many second-hand cars get a new life in West Africa. Scrapyards, insurance companies and individuals who export their vehicles and generate an income. This is done through the withdrawal of the object from the North American or European market and its export to other spaces where the goods can find a new utilitarian and economic value. The value chain that is understood as a mostly “Northern” one, and is looked upon as the step between production and buying of the car, in

5. Interview with official reseller and garage of different brands.

6. Interviews with retailer and distributors of global brands, September/October 2021 and August 2022.

fact integrates West Africa as part of its business model. This second-hand and de-regulated market in West Africa sustains the generation of profits from the market for brand new vehicles.

The existence of this value chain guarantees that insurance companies and individuals will be able to sell for a few thousands euros or dollars a car that was legally banned from North American and European roads and has completely lost its value. There are many reasons why a car may have lost its value: it may not be roadworthy, it may have failed technical controls required by law, it may have been involved in too many accidents, or it may simply not meet environmental standards. In all cases, this means that these goods are no longer tradable and that instead of the car being valued at zero euros or dollars because it cannot be used or sold on the North American and European markets, this trade generates an income. The income can be pocketed by the individual who sold the car, but it is most likely that those who benefit the most are scrapyards or intermediaries who have sufficient knowledge to send the cars abroad<sup>7</sup>. More research needs to be done on these actors. criteria they apply to define value of wastes seem to include mileage, second-hand value of the model, and if it is considered as altered or salvaged according to the insurance.

These profits may sustain the first and second-hand market in North America and Europe, as this sum is generally re-invested in the buying of a car, or serves as a levy to borrow money to buy one. This artificially lowers the price of the car. And it encourages some customers to regularly change the cars they bought brand new, increasing manufacturer's turnover as it sustain second hand and third hand markets. Together with government incentives in Europe to buy new, cleaner cars, this income is boosting sales by helping to integrate people with lower incomes. This process is taking place in a context where car manufacturers have also developed their own banks to facilitate access to credit and leasing solutions for their customers.

In this view, the Brazilian market where most cars are produced locally is much more comparable with the EU and North America than with West Africa. Brazil is a key automobile producer with a gigantic market similar to those of North America and Europe. Its legislation limits the import of second-hand cars, a situation that reflects the lobby and interests of local carmakers. Brazil exports very few brand-new cars, mostly to other countries in the region such as Argentina, Mexico and Colombia. The divide between Global North and South is not relevant here. This suggests a different analytical approach to the car's trade is needed. Ghana's position in this value chain should rather be compared to the position of Brazil's neighbours

7. See the ongoing researches of Deborah Fromm in Brazil and Luana Dias Motta in the United States.

such as Paraguay, Peru or Bolivia, where stolen or rebuffed second-hand cars can be legalised or enter a sub second-hand market.

The history of cars' value chain is only partially known. Value chains of the same good can have very different structures that reflect their histories (Freidberg, 2001) and in the case of cars, trade networks that have been shaped by colonisation and migration. Ghana has long imported cars from the UK and Germany. Since the 1970s its large diaspora in the US has also been exporting cars. On the other hand, cars in the neighbouring capitals of Abidjan or Lomé are shipped from the ports of Antwerp or Rotterdam. They are from different brands and also come from francophone countries such as Switzerland, Belgium and France. After 2002, the political crisis in Ivory Coast between led to a report of trade from the port of Abidjan to those of the region (Bidi, 2005). The existence of local industries and long-established networks of sellers, along with trade practices and expertise, contribute to challenging or reshuffling these flows. An example of this has been the buying of CFAO (*Compagnie Française de l'Afrique Occidentale*, renamed Corporation for Africa and Overseas) by Toyota in 2010. A former colonial French company that had long commercialised Ford model Ts in Africa (Bonin, 2008), CFAO has large network of distributors, but now relies on this century-old network to distribute cars produced by Japanese brands.

In this outlook, cars' price and value vary according to the actors who trade. The value chain takes many different directions and pathways (from the US or Canada to Dubai, or directly to West African countries), it can be connect directly online the American reseller to individuals importing cars to Ghana, go from insurance companies to brokers and then small buyers in US auctions, with intermediaries who work for wholesalers in Ghana, or sometimes pass through the hands of Benin or Togolese intermediaries to ship cars through the free ports of these countries before bringing them to Ghana by road. There are many different routes and possible segmentations.

In Ghana, most cars and spare parts arrive in the port of Tema near Accra, from where they sometimes directly head to the Ivory Coast or Burkina Faso. In the ports of Lomé and Cotonou in Togo and Benin, many cars are then exported to Nigeria and the rest of the region, Lomé being a hub for cars going to Niger (Beuving, 2006). Despite these similar situations, each country in the region has developed specific regulations which tend to regulate imports of second-hand cars depending on their age, model and spare parts, along with different fiscal regimes. This means that the importance of these chokepoints, "sites that constrict or 'choke' the flows of resources, information, and bodies upon which contemporary life depends" (Carse *et al.*, 2020, p. 2) is relational and contextual, and depends on the strategies of traders and importers.

In the following sections, I consider two key features of the embeddedness of the Ghanaian market that explain its uniqueness as an emergent scale and shape the price and value of objects. I focus on legislation and the political alliances that underpin it, and on the importance of labour costs and informal work. As I will show, this arrangement and emergent scale is unstable and appears to be threatened by a new coalition of actors.

### Legislations, institutions and the alliances that sustain the transatlantic industry

Like other countries of West Africa, the position of Ghana in the car value chain is one of an offshore space where wastes are outsourced. The car's value chain relies on the fact that Ghana has selective regulation and customs norms (Chalfin, 2008) which, as I will show, officials do not enforce or enforce selectively (Dewey and Di Carlo, 2022). Ghana is disconnected from global databases of spare parts and forms of management dominated by manufacturers, which in addition to technical operations that are prohibited elsewhere but legal in Ghana. This creates new possibilities and value for cars. It also guarantees important margins for traders. They work together with the state to organize this market.

The formation of the Ghanaian market and its separation from the global market is produced by an intense work of regulation. The Ghanaian State has a specific role in this organisation but this process relies on a stable alliance with importers of second-hand cars and resellers who were until recently interested in maintaining Ghana's position in the value chain. This alliance is in need of permanent maintenance as it is contested from the bottom and the top. The key actors of this alliance are hard to observe empirically. It was possible to access traders, second-hand market players who import hundreds of cars and street mechanics. But even with the support of brokers such as members of associations of sellers and importers, it is very hard to access importers and what most interviewees regard as the "big men" who benefit from and shape these relations. Research undertaken by Dany Franck Tiwa in Cotonou faced a similar challenge and difficulty in accessing the small group of licensed second-hand importers who are officially recognised and monetise their right to import to hundreds of smaller importers and traders<sup>8</sup>.

In contrast to the governments of Benin and Togo which have adopted strategies of free ports, the Ghanaian government imposes taxes on imported cars that aim at limiting import from these two countries and reinforcing the position of Tema. Even

8. It is noteworthy that the most important traders of cars in Benin are reported to be Lebanese, while this is not the case in Ghana. Correspondence with Dany Franck Tiwa in March 2022.

so, taxes only range from 5 to 10% of the price of the vehicles depending on the power of the engine and age. What determines the taxation is the national “Harmonized commodity good” framework that defines 87 categories and types of vehicles and their prices. Ghanaian customs also rely on a professional codebook produced by the US National Automobile Dealers Association (Nada) – *Suggested Retail Prices* – which corroborates the idea that manufacturers contribute to the definition of the second-hand market and indirectly set prices of exportation. For cars imported from Europe, customs rely on Eurotax’s and Autovista Group’s products<sup>9</sup>.

In principle customs should not use the auction prices as references, and the import of wrecks is prohibited both by national regulations and international conventions. Actually, various traders reported that customs do not check if spare parts are waste or functioning parts, and if cars should be regarded as wrecks or not providing they can be driven out of the port. Duty taxes on cars represent a decisive share of the state’s income which explains why it has an interest in perpetuating this trade despite its effects. According to importers and shippers, cars and spare parts account for between 20 and 30% of the total containers shipped at Tema’s port, which itself accounts for 60 to 70% of the tax raised by the state and its budget<sup>10</sup>. A customs officer reported that cars and spare parts represent 60% of the duties collected in Ghana. This explains the government’s selective enforcement of its regulation to avoid social tension and increase profit.

The application of the law is a delicate balance between the various parties who earn from this trade. On the one hand, associations of traders and importers, mostly informal businesses, need to ensure that cars in all shapes get into Ghana. These cars are sources of income, either to be repaired or dismantled and sold in pieces. This value chain structures a large and predominantly informal sector which would become a political issue if it were to be in crisis. Some of the importers and sellers of parts and cars are directly linked to and support Ghana’s main political force, the New Patriotic Party. They have organised lobbying capacities against Parliament and ministers’ attempt to strengthen regulation. Interviewees even claim that Ministers of Transport have already been sacked for trying to regulate the imports without sufficient negotiating with traders association. These associations and lobbies are said to act as vote brokers at election times. And indeed, the members of the associations and lobbies interviewed did not hide that they were members, or even that they were local barons of the political party in power, as part of their efforts to show that they were big men.

9. Interviews with customs officer and car importers, 2021-2022.

10. Online interview November 2022.

However, brand new car importers and manufacturers are also trying to create new markets for their products. As in Europe, they do this by developing technical standards (Klebaner and Ramírez Pérez, 2019). They want to lower tariffs on new cars, tighten regulation on imports, or even ban old cars and spare parts. Whether in interviews, in negotiations with the state<sup>11</sup> or in media, they use narratives on national industrialisation and the supposed benefits it will bring to the continent. Manufacturers highlight examples of countries such as South Africa or Egypt who have banned the import of second hand cars and have successfully developed a local industry. The African Association of Automotive Manufacturers (AAAM) established in 2015 is instrumental to this. It brings together the major players in the industry. This lobby has used the services of Deloitte's automotive team to set up forums, events, to influence local, African regional and European policies (Berthelot *et al.*, 2020). Its aim is to enable car makers to seize opportunities to “jump-start the industry” (Whitehouse, 2020), as “Africa has the potential to become the world's next automotive powerhouse” (AAAM, 2020). This is being done in partnership with global car manufacturers' associations (Venter, 2022) and with the support of the German government (Alade, 2021). Manufacturers are promising to address the lack of industrialization (Black, Makundi and McLennan, 2017), by setting up local assembly chains that will create jobs and new formal businesses around the car industry and services (Ewuzie, 2020). These efforts have been successful in many countries such as Kenya (Ayetor and Quansah, 2020) and Côte d'Ivoire, which has introduced restrictions to limit imports of cars older than ten years.

The AAAM and carmakers have also been successful in Ghana, where they have contributed to shape a new industrial policy with the support of the German GIZ and Deloitte. Thomas Schäfer head of Volkswagen Group South Africa and president of the AAAM declared that he approached Ghana's president on the occasion of a visit to Germany to talk “about getting the supportive policy right and about looking at second-hand car importation, which really kills off any opportunity to develop an automotive assembly industry” and then set up a team of experts to design and implement such a policy (Venter, 2020). In exchange for the ban, manufacturers are supposed to relocate their factories so that the cars can be “produced” – assembled – locally. On 30 April 2020 new laws introduced tax rebates for automotive manufacturers importing knocked-down kits and members of the Ghana Automotive Manufacturing Development Program (Ghana amends customs act, 2020). This is part of the “Ghana Automobile Development Policy” shaped by the AAAM that aims at creating an industrial hub, generating jobs, but also “To establish an asset-based

11. Interview August 2022.

vehicle financing scheme for locally manufactured vehicles to ensure affordability for vehicle buyers”<sup>12</sup>. It defines the basic requirement for Semi Knocked Down Kits and Completely Knocked Down Kits in terms of the number of lines and tools used, and states that the policy stabilised the “rate of 65% differentiation in favour of locally assembled vehicles under the Auto Programme to sufficiently differentiate tariffs for locally assembled vehicles from tariffs for imported vehicles”<sup>13</sup>. The same law that introduced the tax rebates also banned the import of cars older than 10 years and of wrecks. Although importers seemed to simply ignore this, it highlights the fragile equilibrium of the transatlantic trade and its arrangements. It also highlights what informants refer to as a “double game of the government”. It could derail the informal value chain and its alliance with importers and the second-hand sector.

In 2020, Volkswagen opened assembly lines near Tema to assemble about 5,000 cars per year. A local Volkswagen subsidiary imports CKD (completely knocked down) and semi-knocked down kits of five different car models, which are then assembled by a company that has been a licensed importer of the brand in Ghana since 2005 (Gillham, 2020). Volkswagen was soon followed by Toyota, and Renault-Nissan is about to open an assemblage line<sup>14</sup>.

### The central role of skilled cheap labour and informality

In addition to coalitions which manage the regulations of the market, the profit generated by cars in Ghana depends on the low costs of local labour and access to an highly skilled workforce. This combination allows for the tapping of new benefits and activities which could never have been undertaken in Europe or North America for both legal and financial reasons and allow the goods to get a new price. This means that the generation of profits is done in a very different way and happens in sometimes unexpected operations. This also means that this “informality” is in fact institutionalised.

Ghana’s second hand cars value chain is driven by importers and repairers, rather than by the producers of the goods, as in the case of new cars, or by the consumers, as in the case of textiles (Freidberg, 2001). For example, unlike in the US, where electric saws are used to cut engines out of cars, car wrecks arriving in Ghana can be dismantled by hand into as many parts as they contain over a period of weeks. This structures a market of spare parts that has no comparison, stocks and numbers of

12. Ghana Automotive Development Policy (GADP), Ministry of Trade and Industry, Republic of Ghana

13. Ghana Automotive Development Policy (GADP), Ministry of Trade and Industry, Republic of Ghana.

14. Interview with executive, Accra, 2022.

pieces that are unmatched and have been growing since the beginning of the trade in the 1970s. This stock is localised but unlisted, unstructured and not organised, each country of the region being a sort of warehouse (particularly Nigeria from which spare part are exported to the region). This unlocks unlimited possibilities for the repair of cars, which sustains the work of thousands of highly professional mechanics who have no formal or legal existence but are partially aware of this catalogue and of the possibilities of this warehouse. Interviewee from a global brand of cars reported that one of the top global executives of this company could not believe he had found in the Kumasi market some pieces he had struggled to find for years inter country of origin<sup>15</sup>. He would not believe it was genuine until he brought it to the company's laboratory.

In this context, some repairs that would have been impossible or non-viable economically become financially appealing. For instance, a wreck of a Toyota Hilux 2010 that is considered as having structural damage and cannot be driven in the US can be bought for less than USD 10,000 and shipped to Ghana for a few thousand dollars including taxes. Once there, its bodywork and interior are completely reworked, along with some pieces changed for a maximum cost of USD 5000 with recent copies of bodywork imported legally from Taiwan or China. After 2-3 weeks of work by operatives paid 10 US dollars a day, the car can be sold and exported in the region as a used 2021 model for a price that can reach USD 30,000 or 40,000, easily making USD 10,000 in profit.<sup>16</sup> This is because chassis, motors and parts can be changed without constraints. This creates completely different cars and repairing services which cannot be compared to those in the EU or North America. Research in Brazil and ongoing work in the US highlight a similar situation with the cost of labour and rentability being a key parameter in the decision to withdraw certain spare parts or not<sup>17</sup>.

Such a business model relies on the low cost of labour and the large availability of both skilled and informal labour. For example, Mathew knows every model of engine in the Japanese brands he sells. He knows their peculiarities and differences for each year of production. Some car salesmen and engine dealers can tell the condition of an engine by hearing it running and do not need to examine it. Some mechanics know exactly how to dismantle a car and take out a part to adapt it to another model. Regarding the status of labour, many shops hire workers monthly but also rely on staff contracted for a week or a day, sometimes for a single task.

15. Interview, Accra, 2022.

16. Interviews and observations in Accra and Tema, 2022.

17. Mail correspondence with Luana Dias Motta, October 2022.

This includes polytechnic students and technical trainees along with apprentices and interns who can remain in sometimes unpaid positions for years, but become extremely competent. This can be for maintenance and heavy handling, but also for very qualified operations, such as changing engines or setting the electronics of a car. I have seen shops where a third or half of the staff are permanent and the rest are temporary. This also means that mechanics are key figures of the trade, they are like magicians as they decide of the spare part their client will buy. For this reason, they can ask for a share of what their clients. The services of the most skilled ones are in high demand, as they can do “miracles”.

Informality and the cost of work are also reflected in the way many traders operate and develop specific logistics. Some traders observed in Accra regularly travel to Dubai to buy spare parts or cars, but in a context in which financial capital is very expensive with an interest rate that can reach 20% in major banks, traders develop their own cooperative models with informal links of trusts. They sometimes co-invest with other Ghanaian sellers and borrow some money from relatives and “investors” in the business. When shipping the merchandise, they divide containers with other traders if they do not have enough capital to fill them<sup>18</sup>.

As customers have less money and are affected by inflation, business slows. This is leading traders and sellers to find new political and logistical solutions to increase their margins. They try to establish direct partnerships with sellers in the US, or to turn to the internet and auction sites to buy cars directly. On the internet, there are fewer intermediaries, but the main challenge is that buyers are not able to see the pieces and the cars beforehand, an issue they can compensate for by having someone they trust in North America or Europe. This means that depending on the cars and models, the regime of access to profits remains shaped by the questions of mobility, currency costs (which implies having an account or an intermediary to be able to operate in other countries) and challenges in obtaining a visa to do business in North America or Europe. In this outlook, Dubai is a hub that allows all circulations, not only of cars and parts which are re-routed to West Africa, but also of the traders and intermediaries who shop in this market, as they are allowed to travel to the city without a visa. Another way traders use to make up for their losses is to resort to nationalist discourses to exclude Nigerians and other cars and spare part sellers who compete with their businesses.

18. Observations and interviews, Accra, 2022.

## Conclusion

Second hand cars and spare parts do not circulate in a global market regulated by supply and demand: their prices and value to the user or seller remain embedded in different contexts. In West Africa, the fixability of the car and the availability of spare parts are key features that determine prices. Together with regulatory flexibility, limited technical standards and the existence of a highly skilled and cheap labour force, often described as informal, these specificities allow for more creativity, the use of different parts of cars and shape original forms of profit generation. My findings suggest that the re-evaluation of waste in North America and Europe in other contexts sustains the cycle of production and manufacturing of automobiles, or at least contributes to maintaining a market with a high turnover rate by compensating for price degradation. However, this transatlantic industry and Ghana's position in this global value chain is challenged by the double game of the government as manufacturers attempt to create a market for brand new cars.

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### **Abstract**

*The global value chain of second-hand cars and scraps: an ethnographic account of on-the-ground practices, labour and regulations in Ghana*

The article draws on ethnographic observations of second-hand car and spare-parts traders in Ghana to analyse how these goods are traded over continents and how the value of a car is shaped by grounded practices and categories that I describe. The position of Ghana in this global value chain relies on regulations forged by the alliance between politicians, traders and mechanics of the informal sector, now challenged by manufacturers who promise to contribute to the country's industrialisation; and the availability of skilled and cheap labour. This renders viable operations impossible elsewhere. I hypothesise that as these wastes are revalued in West Africa, they sustain the production cycle and automotive industry in rich countries.

Keywords: Value chain; Car; Embeddedness; Regulation; Ghana.

### **Resumo**

*A cadeia de valor global de carros usados e sucatas: um relato etnográfico de práticas locais, trabalho e regulamentações em Gana*

O artigo se baseia em observações etnográficas de comerciantes de carros usados e peças de reposição em Gana para analisar como essas mercadorias são comercializadas nos continentes e como o valor de um carro é moldado por práticas e categorias que descrevo. A posição de Gana nesta cadeia de valor depende das regulamentações forjadas pela aliança entre políticos, comerciantes e mecânicos do setor informal, agora desafiados pelos fabricantes que prometem contribuir para a industrialização do país; e a disponibilidade de mão de obra qualificada e barata. Isso torna viáveis operações impossíveis em outros lugares. Eu suponho que, à medida que estes carros são reavaliados na África Ocidental, eles sustentam o ciclo de produção e a indústria automotiva nos países ricos.

Palavras-chave: Cadeia de valor; Carro; Incorporação; Regulamentação; Gana.

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