

CBC talks to KAM about Kenya's swift response on matters related to Preferential Treatment of Goods Originating from COMESA



Ms. Phyllis Wakiaga, CEO, KAM

“The prosperity of any nation no longer depends on a country’s productivity but on the strategic choice of trading partners, export products and policies that promote trade. Trade contributes towards industrialization and structural transformation. Kenya is one of the leading importers of raw materials and intermediate inputs for manufacturing within the COMESA region. This makes COMESA an important Free Trade Area (FTA) for Kenya.” These remarks were made by Ms. Phyllis Wakiaga, Chief Executive Officer, Kenya Association of Manufacturers (KAM), during a meeting held between CBC and the Kenya Association of Manufacturers, to discuss the status of trade at the port of entries in Kenya, following the country’s swift response to resolve a situation where non preferential customs duties were applied on COMESA origin goods by the Kenyan customs authorities.

One month later, CBC’s Business Facilitation Lead, Mr. Hopewell Musundire, speaks to Ms. Phyllis Wakiaga on how business is faring in Kenya.

In 2019 Kenya’s total trade with COMESA was worth US\$ 2.8 billion. Exports to COMESA were worth US\$1.6 billion, which constitutes 27% of Kenya’s total exports; imports stood at US\$1.2 billion and COMESA has a market share of 7%. In fact, Kenya is ranked the second exporter and third importer in terms of COMESA intra trade. Kenya’s key trading partners in COMESA are Uganda, Rwanda, Egypt, DRC, Kingdom of Eswatini, Mauritius and Zambia.

The reader may recall that on the 8th of September 2020, the COMESA business community awoke to a situation where non preferential customs duties were applied on COMESA origin goods by the Kenyan customs authorities. This affected the imports of goods, that were stuck at the various ports of entry in Kenya. Through various advocacy efforts, CBC engaged with Kenya Association of Manufacturers (KAM) on the matter. KAM is the National Focal Point and Vice Chair of Board of Directors. Following this, among other engagements between COMESA and Government of Kenya, the matter was swiftly resolved. By the 18th September 2020, Kenya

government instructed all cargo release processes to effectively and expeditiously implement the EAC legal notice No. EAC/180/2020 published on 15th September, to grant preferential treatment on goods meeting the criteria of the COMESA rules of Origin. The instructions further guided that all goods from COMESA member states shall continue enjoying preferential treatment as per pre-existing arrangements. The Government of Kenya remains committed as a member of COMESA.

Ms. Phyllis Wakiaga explained how KAM effectively dealt with the above business challenge. *“As I mentioned earlier, trade is a critical component, contributing towards industrialization. The application of the non-preferential custom duties on goods originating from COMESA by the Government of Kenya, following the lapse of the 31st December 2019 deadline, dealt a huge blow to local industries who depend on the FTA for industrial inputs. We laud the speedy intervention on the matter by the Government of Kenya and the Partner States, which resulted in the extension provided by the EAC Secretariat. Since the gazettelement of the extension, local industries have managed to get back to business.”* Ms. Wakiaga further highlighted that the Government of Kenya has continuously demonstrated its commitment to implement existing trade agreements. This is demonstrated through the government’s swift action to resolve the matter by giving a formal communication to EAC Secretariat on the extension of preferential market access to goods coming from COMESA. To date, The Kenyan government has continued to grant preferential market access to goods originating from COMESA.

CBC and KAM further reviewed important lessons from the recent situation that highlighted the necessity for consultation with industry, through constant public-private engagement. Mr. Musundire queried on how KAM views Public Private Dialogues, as a key tool to addressing business and trade related issues. Ms. Wakiaga responded that KAM has over the years continued to advocate for a conducive business environment for local industries. *She highlighted the above situation as a case in point, “As part of this initiative, the Association lobbied the government to reverse its decision by demonstrating the impact of applying non-preferential custom duties on goods originating from COMESA to the sector and the environment at large.”* Ms. Wakiaga further noted that one of the critical lessons from this situation is the need for public-private sector dialogue on new and existing frameworks that touch on the private sector. This will ensure that any foreseen challenges are addressed at an early stage, in turn, promote business competitiveness. When asked about the government’s position on commitments to pre-existing trade agreements, Ms. Wakiaga responded that Kenya has continuously demonstrated its commitment to implement existing trade agreements. This is demonstrated through the government’s initiative to resolve the matter within a matter of days, by giving a formal communication to EAC Secretariat on the extension of preferential market access to goods coming from COMESA.

Kenya is a key player in the regional and continental agendas. KAM highlighted some of the key opportunities of Kenya’s participation in COMESA, TFTA, and African Continental Free Trade Area trade agendas. *“COMESA, TFTA and AfCTFA provide huge markets that Kenya can tap into. This has a potential to enhance local and regional value chains as Kenya promotes the sectors it has competitive advantage in these markets in comparison to other Partner States.”* Ms. Wakiaga further emphasized that Kenya is likely to benefit from regional infrastructure development initiatives that come with movement of goods, services and persons in these markets as well as technological advancements in the region.”

At the close of the meeting, Mr. Musundire inquired on how the manufacturing industry has fared and how will it continually participate in regional trade agendas. *“The regional integration initiatives have enhanced markets and value chains across various sectors. The manufacturing sector will continue to seek ways through which product and market diversification can be achieved to reduce overreliance on traditional markets.”* said Ms. Wakiaga. In her final comments, she concluded that the COVID-19 pandemic period has emphasized the need of strengthening regional supply chains, increasing the momentum for regional and continental integration.

About the COMESA Business Council

The COMESA Business Council (CBC) is a business member organization bringing together a diverse group of businesses and associations in the region from 34 sectors in 21 countries of COMESA. CBC is the recognized regional apex body of the private sector in the region. CBC as the key advocacy driver for business, provides a link between the private sector and organs of the Common market. We seek to improve the competitiveness and deepen the participation of the private sector in regional and global trade, through advocacy, business facilitation and enterprise development. This includes prioritizing and taking specific advocacy strategies to address key business impediments and measures that affect our industries and have a direct bearing on the participation of our businesses in trading in the COMESA region.

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About the Kenya Association of Manufacturers

Kenya Association of Manufacturers (KAM) is a dynamic, vibrant, credible and respected business Membership association that represents members from Kenya's manufacturing industry. Established in 1959 as a private sector body, KAM exists to advance the advocacy interests of industrialists and serves as a common voice for manufacturing and other value add sectors in Kenya. KAM provides an essential link for co-operation, dialogue and understanding with the Government by representing the views and concerns of its members to the relevant authorities. In pursuit of its core mandate of policy advocacy, KAM promotes trade and investment, upholds standards, encourages the formulation, enactment and administration of sound policies that facilitate a competitive business environment and reduce the cost of doing business.

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