



U.S. TO BEGIN BILATERAL TRADE TALKS WITH KENYA

Introduction

The U.S. is launching trade talks with Kenya as it seeks to secure its first bilateral trade agreement with a Sub-Saharan African country. The announcement, made following a visit to the White House by Kenya President, H.E. Uhuru Kenyatta, on 6th February, 2020, marks a shift from Washington's usual approach to striking multilateral trade deals with Africa.

The U.S. President, Donald Trump, has stated variously that he would like to replace the 20-year-old African Growth and Opportunity Act (AGOA), which expires in 2025, with a series of bilateral trade deals between the U.S. and individual African countries. The existing multilateral deal, AGOA, grants about 40 African states tariff-free access to the U.S. for 6,500 products, and has come under fire from officials in Washington who propose African economies to further open up to U.S. goods and services.

“Under President Trump’s leadership, we look forward to negotiating and concluding a comprehensive, high-standard agreement with Kenya that can serve as a model for additional agreements across Africa”

Robert Lighthizer, US Trade Representative

(On Thursday 6th February, 2020 after the meeting between the two Heads of State)

Effect of the Bilateral Talks on AfCFTA (African Continental Free Trade Area)

President Kenyatta indicated that the proposed new trade arrangement with the U.S. would in no way undermine Kenya's commitment to the AfCFTA Agreement. The President made the assurance as he addressed over 350 business leaders attending a U.S.-Kenya Trade Forum in the U.S. capital.

H.E Uhuru Kenyatta was quoted saying *“...At this juncture I just want to put away a few doubts because there has been a feeling that by Kenya engaging with the US to have a trade arrangement, we are running away from our commitment to the African Continental Free Trade arrangement. I want to assure you that there can be nothing further from the truth as that is definitely not the case...”*

The Kenyan Head of State also pointed out that Kenya was among the first countries to sign and ratify the African Continental Free Trade Agreement (AfCFTA) and that its commitment to the agreement was steadfast.

He further stated that Kenya needs to move faster and set the pace for other African countries in formulating new trade and investment arrangements with the U.S. as AGOA comes to an end in 2025. On his part, Mr. Lighthizer added that any bilateral agreement between the U.S. and Kenya would “complement Africa's regional integration efforts”, including the African Continental Free Trade Area.



Process Leading to Implementation of the Bilateral Talks

Mr. Lighthizer will officially notify Congress of the Trump Administration's intention to start negotiations following the consultations with Congress as required by the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, often referred to as Trade Promotion Authority (TPA).

The Office of the United States Trade Representative (USTR) will also publish notices in the Federal Register requesting public input on the direction, focus, and content of the trade negotiations. In accordance with TPA, USTR will publish objectives for the negotiations at least 30 days before trade negotiations begin.

The trade talks launched as the US-Kenya trade and investment working group, established in August 2018, held its third meeting in Washington. In that meeting, Kenya agreed to adopt a phytosanitary protocol that would allow American wheat growers in Washington State, Oregon, and Idaho access Kenya's \$470m wheat market for the first time in over a decade.

According to US statistics from the Office of the United States Trade Representative, two-way trade between Kenya and the US was about \$1bn in 2018, with a \$280m surplus in Kenya's favour. In the same year, Kenya's total trade with China, its biggest partner, was more than \$5bn, with almost all of that going from China to Kenya.

BRIEF FACT SHEET

TRADE AND INVESTMENT STATISTICS

❖ Two-way goods trade - \$1.1 billion

Two-way goods trade between the United States and Kenya: \$1.1 billion in 2019, up 4.9% from 2018.

❖ Top U.S. goods exports to Kenya in 2019

Aircraft (\$59 million), plastics (\$58 million), machinery (\$41 million), and cereals (wheat) (\$27 million)

❖ Top U.S. imports from Kenya in 2019

Apparel (\$454 million), edible fruit & nuts (mostly nuts) (\$55 million), titanium ores and concentrates (\$52 million), and coffee (\$34 million)

❖ U.S. foreign direct investment (stock) in Kenya stood at \$405 million in 2017



U.S.-KENYA TRADE AND INVESTMENT RELATIONSHIP FROM THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

1. Africa is growing rapidly and presents enormous opportunities for U.S. commercial and economic interests. It is undergoing a transformative change toward greater regional integration, has among the highest growth rates globally, and will account for nearly a fifth of the world's consumers by 2030.

2. Kenya is an important regional leader and strategic partner of the United States. There is enormous potential for the U.S. to deepen its economic and commercial ties. It is a gateway to East Africa and beyond, and a major commercial hub that can provide substantial opportunities for U.S. consumers, businesses, farmers, workers etc.

4. In August 2018, President Donald J. Trump and President Uhuru Kenyatta established the U.S.-Kenya Trade and Investment Working Group to explore ways to deepen the trade and investment ties between the two countries and lay the groundwork for a stronger future trade relationship.

• Under the Working Group, the United States and Kenya initially agreed to work together in the following areas: -

- Pursue exploratory talks on a future bilateral trade and investment framework;
- Maximize the remaining years of the African Growth and Opportunity Act (AGOA);
- Strengthen commercial cooperation; and
- Develop short-term solutions to reduce barriers to trade and investment.

• The inaugural meeting of the Trade and Investment Working Group was held in April 2019 in Washington and the second meeting was held in November 2019 in Nairobi.

3. A trade agreement between the United States and Kenya will complement Africa's regional integration efforts, including the landmark African Continental Free Trade Area (AfCFTA). In August 2019, the United States and African Union signed a joint statement concerning the development of the AfCFTA, which reflects the common goal to deepen trade and investment relationships across the continent.



Conclusion

It is critical to note that even as Kenya and the U.S. work to strengthen trade and investment ties, there is need to preserve and build on mechanisms and regulatory frameworks that already exist. AGOA has been a key mover for trade between Kenya and the U.S. through which the U.S. is the third export destination for Kenyan products, with a share of about 8 percent of total Kenya's export globally.

Both the US and Kenya need to maximize the remaining years of the African Growth and Opportunity Act (AGOA) that ends in 2025. In light of the bilateral talks, American businessmen should explore new investment opportunities in Kenya and Kenya needs to assure them of an enabling business environment. The areas of investment are quite vast and such considered investments should be in key sectors of the economy such as: Agriculture & Agro-processing, Manufacturing, Construction & Real Estate development, Infrastructure Development, ICT, Blue Economy, Energy, Hospitality & Tourism, Health, Fintech & Financial Services, Petroleum, Mining, among others.

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