



STATEMENT

BY

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CABINET SECRETARY

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REPUBLIC OF KENYA

**DURING A SESSION WITH THE AFRICAN GROUP OF
AMBASSADORS IN WASHINGTON DC, USA**

ON

22ND AUGUST 2018, 1600HRS

**Your Excellency, Serge Mombouli, Ambassador of the Republic of Congo and Dean of the African Group of Ambassadors,
Amb. Robinson Githae, Ambassador of the Republic of Kenya to the USA,
Excellencies Ambassadors,
Invited guests,
Colleagues,
Ladies and Gentlemen,**

1. It is a great honour for me to meet you all today as Washington DC sees the back of summer and looks forward to the fall and I must say I am delighted that your Excellencies have found time to meet with me today. At the outset, I therefore want to thank you, on my own behalf and that of my Ambassador for this engagement.
2. As part of our foreign policy, we in Kenya seek time at the Head of State level and my level, whenever we are on mission to meet and exchange views with the diplomatic representatives. In doing this, we privilege engagement with the global south in particular. In this regard, President Uhuru Kenyatta has engaged with the ACP ambassadors in Brussels in 2016, Cuba in 2018, and United Kingdom. I have also done this with the African group in every mission I have been – in Europe, the Americas, Asia and within the continent particularly at the African Union and more recently in

Angola and Namibia. These exchanges have been invaluable in offering forums for collective reflection, and in reaffirming our common aspiration and the shared destiny of our peoples.

3. Our engagement with the diplomatic corps derives from the Afro-centrist orientation of our foreign policy which evolves from a strong commitment of Kenya's leadership since our independence to Pan-Africanism. Since taking over office, President Uhuru Kenyatta has given this orientation a specific and firm thrust by placing Africa at the core of his foreign policy. Our actions within our diplomacy draw on and drive this agenda – across all issues of concern. It is in this context that we extended this invitation to you and must sincerely thank you for positively responding positively.

4. Whilst it could have been ideal to engage on matters self-interestedly African; I am, however, keenly aware that we are in the USA today, during a globally feisty geostrategic time as demonstrated by fierce and open competition between the USA, China and the EU. The pertinent issues are undoubtedly many and weighty that there is hardly enough time to accord them just treatment within the time allotted.

5. During this privileged engagement, I could therefore like to spend time speaking about the direction Africa-US relationship is likely to take in the years ahead. But most importantly, I intend to use this opportunity to tell the story of the historic opportunity we have as Africa to shape that direction.

6. On its part, the U.S has already started to re-orient its ties with Africa in a way that expands the scope significantly beyond military cooperation as the preponderant foreign policy vehicle of choice. On our part, we need to define our trajectory as Africa in consolidating our place in Africa- U.S relations. This will be the gist of my talk, divided in three parts, namely; (i) post-AGOA dynamics (ii) the Africa Continental Free Trade area (AfCFTA) and (iii) Africa Agenda 2063.

Post-AGOA

7. This July, the U.S and Africa held an AGOA Forum here in Washington DC to discuss the renewal of AGOA until 2025 and the post-AGOA policy framework. Since its enactment in 2000, AGOA has had a relatively important and positive impact on Africa-US trade including the guaranteeing of reforms to entrench rules-based, market oriented economies and regional economic integration. The policy advantages of AGOA have enabled entire industries to emerge in many countries in Africa such as the textile

exports in Kenya. Regrettably, these AGOA policy advantages have not translated to firm-level advantages that define world beaters with the inevitable lifting the preferences.

8. After 2025, the U.S is keen to enter into a more comprehensive and permanent trade and investment framework to guide trade and investment between the U.S and Africa. As it was shared during the forum in July, the U.S is taking this approach for four reasons: (i) recognition of immense bankable opportunities in Africa (ii) growing need for infrastructure and other related development projects in Africa (iii) the fact that some African countries have signed free trade agreements with U.S competitors such as the European Union and China and (iv) the desire to inject certainty for long-term business decisions for U.S companies.

9. As you are aware, the current U.S thinking on this issue is based on three core objectives, that is, to (i) ensure a bilateral agreement with a willing country in Africa (ii) make sure that the agreement is crafted to serve as a model to be rolled out with other willing countries on the continent and (iii) guarantee that such a model will reinforce regional and continental integration in Africa.

Excellencies Ambassadors,

Ladies and Gentlemen,

10. This thread of thinking aimed at assuring long-term post-AGOA framework with inbuilt mechanisms to ring-fence the most transformative goal African leaders have embarked on, that is, the Africa Continental Free Trade Area (AfCFTA) is one I want to spend more time on to signpost the place of the AfCFTA in Agenda 2063.
11. Agenda 2063 is our strategic framework to deliver inclusive and sustainable development and a concrete manifestation of the pan-African drive for unity, self-determination and collective prosperity. This architecture of pan-Africanism and African Renaissance will be erected brick by brick and the AfCFTA is one of the cornerstones of this aspiration.
12. On 21 March 2018, African Leaders assembled in Kigali Rwanda. A historic outcome of that summit was the signing (by record signatures) of the Kigali Declaration (49), the African Continental Free Trade Area (AfCFTA) and the Protocol on free Movement of People (27). So far, 9 countries have ratified the AfCFTA, while a good number of Africa countries are undergoing the legislative and administrative processes for ratification. It is our hope that soon the required 22 signatures for this instrument to

enter into force will be attained. Kenya was, together with Ghana, the first to deposit this instrument with the African Union in March 2018. Suffice to indicate here, that we also ratified the Tripartite Free Trade Agreement (TFTA) that brings together COMESA, EAC and SADC at the same time. For reasons that I shall elaborate shortly, Kenya has and will continue to call on members of the African Union to ratify this instrument and the related protocols expeditiously.

Allow me to explain why Kenya is a firm believer in the AfCTA and its robust linkage to 2063.

13. The economic structure of our continent has been a subject of interest, curiosity and concern for our populations, policy makers as well as analysts. As recently observed by the Economist, "Africa's development model puzzles economists". I have no intention of walking you through the chronology of attempts at what has been theorized as Africa's development paradigms. Suffice to state that there has been efforts individually and collectively to improve the material conditions on our continent. These efforts have cumulatively led us to perhaps the most transformational and bold attempt to date at setting our continent on positive development trajectory: the African Continental Free Trade Area (AfCFTA).

14. The AfCTA is a culmination of a long process underpinned by the desire for Africa's integration.
15. **In 1991 the Abuja Treaty** created eight sub-regional economic communities, conceived as the building blocs for Africa's Economic Community – hence the nomenclature inherited from Julius Nyerere of the RECs being the building blocs of our integration.
16. The afCFTA comprises of an agreement and 3 protocols
 - a) **Protocol on Trade in Goods** With provisions of this protocol, African businesses, traders and consumers will no longer pay tariffs on a large variety of goods that they trade between African countries; traders constrained by non-tariff barriers, including overly burdensome customs procedures or excessive paperwork, will have a mechanism through which to seek the removal of such burdens; cooperation between customs authorities over product standards and regulations, as well as trade transit and facilitation, will make it easier for goods to flow between Africa's borders.
 - b) **Protocol on Trade in Services:** Through the progressive liberalization of services, service suppliers will have access to the markets of all African countries on terms no less

favourable than domestic suppliers; mutual recognition of standards, licensing and certification of service suppliers will make it easier for businesses and individuals to satisfy the regulatory requirements of operating in each other's markets; the easing of trade between African countries will facilitate the establishment of regional value chains in which inputs are sourced from different African countries to add value before exporting externally; to protect against unanticipated trade surges, State Parties will have recourse to trade remedies to ensure that domestic industries can be safeguarded, if necessary.

- c) **Protocol on Rules and Procedures on the Settlement of Disputes** although the protocol has not been fully agreed upon, it is purposed to provide a dispute settlement mechanism which provides a rule-based avenue for the resolution of any disputes that may arise between State Parties in the application of the afCFTA agreement;
- d) Upon conclusion, the "Phase two" negotiations will provide a more conducive environment for recognizing African intellectual property rights, facilitating intra-African investment, and addressing anti-competitive challenges.

The afCFTA embodies a promise for Africa's destiny. Allow me to explain how:

17. By its creation, the AcFTA brings together a market estimated at 1.2 billion – the 3rd largest single trading bloc in the world, today. In a globalizing world, this act alone, creates a formidable negotiation and bargaining unit against other trading blocs. It cushions our smaller nations as well as each Africa's nation's vulnerability against the asymmetrical trading relations with large countries. Given the young age of our population, it also offers opportunities for jobs, creativity and production as well as expansive consumers for product and services. The entry into force of the AfCFTA will create a large intra-regional market that will attract FDI aimed at expanding sales in the market with its accompanying transformational impact on economies across the continent.

18. A closely related benefit of the AcFTA from this reality is the market expansion effect. The entire of the continent yields economies of scale, enables scalability, improves our value chain beneficiation because we are able to choose the best locations for production and distribution of goods services. This would also support optimal manufacturing. Together these factors would

increase our competitiveness, improve our competitive advantage and enable us to produce at a world class level.

19. Perhaps the greatest beneficiaries of the AfFTA will be the small and medium scale African business/ but the cog of this is the African informal sector that sustains our economies. Estimates indicate that more than 40% of Africa's business is informal. The realization of the AfFTA creates a formal playing field for this business – to move across borders and to inter-operate. The dynamic effect of this includes market expansion and competition enhancements.

20. The cross-border trading from within the continent will cohere what have been small and fragmented markets. It will also provide skills and technology transfer and adaptability as well as scale that is critical for industrial investments. For instance, the destination of FDI in textiles and electronic industries moved away from South East Asia to Mexico as a result of entry into force of the North American Free Trade Area (NAFTA). My speculation is that if well facilitated the informal, small scale African business has the potential to grow intra-Africa trade beyond the predicated 10% increase in the next 7 years.

21. The competitive edge nurtured by the AfCFTA will increase the business opportunities for African companies and make it relatively easy for them to enter other African markets within the FTA zone. On the other hand, competitive companies in respective African companies will be ready to penetrate markets of others in the continent and beyond. Consumers will benefit from the lower costs and increased choice of products. It is estimated that cutting intra-Africa tariffs could bring 3.6 billion U.S dollars in welfare gains to the continent through a boost in production and cheaper goods. Besides, greater competition through deregulation will revitalize over-regulated economies and provide critical 'external pressure on vested interests to free large swathes of economies.
22. Significantly, the AfCFTA will revolutionize the way Africa trades. It will ignite the transition from commodity-driven exports which will secure a more sustainable and inclusive trade less dependent on fluctuations of prices of commodities. This will be of transformative benefit to Africa's small and medium sized enterprises, which support over 80 per cent of jobs, and which are suitably positioned to tap into regional markets compared to markets overseas.
23. Given the vast and diverse wealth of Africa the opportunity of the AfCFTA to create more efficient production sector will

undoubtedly attract FDI targeting exports from countries like the U.S once a mutually-beneficial long-term cooperation pact is signed.

24. In universal development terms, the benefits will contribute to the realization of several sustainable Development Goals (SDGs) from food security (Goal 2) to targets for decent work and economic growth (Goal 8) and especially injecting inclusiveness in any growth (Goal11).

Is it all rosy?

CHALLENGES

25. There is little doubt that African countries face numerous challenges that could slow the implementation of the AcFTA. These include poor infrastructure, lengthy customer procedures, numerous trading regimes that would require harmonization and the need for simplified rules of origin regime. Indeed, lack of standardization within regional economic communities (RECs) has complicated and negatively impacted the emergence and growth of regional value chains.
26. In the EAC region, we have begun to solve some of these challenges. For instance, and like other parts of the continent, we

have embarked on an ambitious infrastructural development program, and can already attest to the benefits of this. The improvement of efficiency at the port of Mombasa has seen reduction in goods haulage to the hinterland reduce from say 7 days to Kigali to 3 days; the construction of the SGR railway from Mombasa to Nairobi has added a further benefit – with the cost of haulage dropping by 50%. Having done a pipeline to Lake Victoria fuel can now be transported to Kigali and Uganda for a further 30% reduction in transport cost. Having witnessed this game changing investments, a framework of infrastructural development called the Northern Corridor summit was initiated to fast tract the development of all infrastructural sectors that drive investment and development.

27. There are also other challenges such as low access of finance to the private sector. Concerns such as dumping, tenuous rules of origin and potential loss of tax revenue and jobs. But these can also be dealt with especially within the framework of collective action.

28. In the light of our desire to industrialize – we face a critical challenge that requires focused attention, and this is the Intellectual property. The development and protection of Intellectual Property is key to scaling Africa’s innovation and

industrialisation process. So far, our experience in Kenya were this is a burst of innovation is that these are taken away, no registration is done in Kenya or Africa because in most cases we do not have the infrastructure for this and this render use to dependence on other countries and regions that appropriate our technologies and either further improve them for their use or and make them inaccessible to us at competitive rates. We must find ways to also obtain and adapt technology to our needs and ecosystem.

29. Importantly, there is equally the fundamental challenge of dealing with fears, convincing doubters or even cynics who think all this is utopia. In this regard, Africa must zealously guard against those interests, usually non-African that seek to derail our development trajectory. There are cynics at work, other cajoling, sometimes giving incentives or even issuing threats (subtle or otherwise) to fragment the African effort.

30. This reality calls for not less unity of purpose, more pan Africanism, more consultations and exchange of views in capitals, at the RECs levels, within the African Union, in Brussels, in Washington DC, at the UN and all other multilateral forums – to defend and advocate the African position. It also means the importance of strengthening the South-South Cooperation, and

this is why Kenya has remained firm to insist on stronger cooperation – within the ACP, the South-South Commission, the Non Aligned Movement, etc. That is why we have called for all African countries to insist on the strengthening of the UN footprint in the global south, and hence urges every African and South-South Country support for the strengthening the United Nations Office in Nairobi, together with the UNEP and UN-Habitat offices and most importantly programmes.

Conclusion

31. By and large, implementation of the AfCFTA calls for trained and focused attention to the desired end state: the attainment of a peaceful united and prosperous Africa. It that Africa that will be able to tap into the opportunities that a post-AGOA Africa-U.S will generate.

32. The Kigali decision offers a historic platform to achieve Africa’s 2063 Agenda – and those of us in the diplomatic corps have a critical role to play in this regard – by placing the African agenda at the core of our work. We must get our people – the Africans on the path of economic freedom and prosperity. The adoption of the AfCFTA is fundamentally transformational – it will alter the economic structure of the continent; it promises opportunities that will turn our youth bulge into a blessing rather than a curse. But

this requires drawing on the resolve and grit of our forefathers: the late Augustihno Neto, Houphouet Felix- Boigny, Jomo Kenyatta, Dedan Kimathi, Kwame Nkrumah, Nelson Mandela, Edwardo Mondlane, Albertina Sisulu, Leoplod Sedar Senghor, and others. It will require that we muster visionary and judicious political judgement and management.

33. It means we must do our part to secure the future our children and future generations and African's gallant daughters and sons of the past did. You have a historic mission and urge you to fulfill it for Africa.

Thank You!