How the Kenyan flower industry was saved from a disaster

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The Kenyan flower industry has been spared decline thanks to a permanent Market Access Regulation between the EU and Kenya. Union Fleurs and the Kenya Flower Council's great efforts have contributed to the import duty exemption currently in place for Kenyan flowers exported to the European Union since 1 October 2016.

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For a long time, the future was looking very bleak for the Kenyan flower industry. Kenya desperately needed the East African Community (EAC) to sign the Economic Partnership Agreement (EPA) with the European Union (EU) before the 1st of October. Without this EPA, the country was the only one of the five EAC countries that was going to have to pay European import duties on flowers and other products.

The other four countries – Burundi, Rwanda, Tanzania and Uganda – were already exempt from European import duties as they were categorised as 'least developed countries'. But Kenya wasn't. Because the five countries had agreed during the EPA negotiations (in 2008), that an EPA agreement could only be reached if all five countries signed and ratified the EPA, Kenya was getting very anxious when the deadline of 1 October 2016 was starting to get closer. In September, only two countries had signed: Kenya and Rwanda.

High import duties

EAC regional dynamics prevented the five countries to come to a clear position during summer and to proceed together with signature and ratification of the EPA with the EU in good time before 1 October 2016.

Tanzania in particular, wasn't in any hurry to sign the agreement. "Tanzania wasn't ready. The government wanted clarity from the EU regarding the impact of Brexit on an EPA", explains Sylvie Mamias.

Mamias is the Secretary General of Union Fleurs, the international flower trade association, based in Brussels, which has been involved in the EPA negotiations from the beginning in 2003. High import duties for Kenyan flowers exported to the EU were looming.

Mamias explains that, without an agreement, 8.5% import duties were due for rose, the most important floricultural export product, in October. For November and December, the rate would have been 5% due to a temporary 'general preference system'.

However, from 1 January 2017, the rates would have gone back up to 8.5-12%. this time with no possibility in sight to revert to duty-free at a later point in time, contrarily to what had happened at the end of 2014. The imposition of duties on all exports from Kenya to the EU would, this time around, be of a long-lasting nature and therefore a disaster for the whole flower supply-chain as it would not have been able to absorb such extra-costs on low-margin products

Export value 350 million Euro

Mamias: "A rate of 5% is already too high for Kenyan flowers. Rates of 8.5 to 12% are totally impossible. With an export value of 350 million EUR a year from Kenya to the EU for roses only, it is easy to do the maths and realise the extra-costs the supply-chain would have had to bear. It would destroy the Kenyan flower industry. What's more, the entire worldwide floriculture chain would be affected if a large player like Kenya went down. There isn't a single country that would be able to cover the large volume that Kenya produces just like that. In the long run, it would be bad for everyone if the Kenyan flower industry collapsed."

Last summer, when it looked like the 1 October 2016 deadline wouldn't be met on time, Kenya decided – after talks with other EAC countries – to act alone and to try and reach a bilateral solution with the EU.

"It was a very tricky situation for Kenyans. They didn't want to abandon the East African Community, but they had to think of themselves. High taxation rates for Kenya were looming," explains Mamias.

„And Kenya was the only one of the 5 EAC countries to be directly penalised if the EPA was not signed and ratified by 1 October 2016." Under those circumstances, and if no settlement was found before 1 October 2016, Kenya stood to lose its second most important export destination market overnight. This would have directly affected over 4 million people in Kenya and potentially trigger the closing down of more than 200 firms in the floriculture, horticulture and agro-processed industries, with investments estimated over 2billion EUR.

Destroyed

Last August, a Kenyan trading delegation left for Brussels, in order to convince the EU that not having a special agreement between the EU and Kenya, wouldn't just destroy the Kenyan flower industry, but would affect the floricultural market worldwide. Companies which import flowers from Kenya will also be hit.

The trade delegation made its case in presentations to the European Parliament and the European Commission and expressed its readiness to sign the EPA immediately in order to maintain the EU's preferential treatment of Kenya.

Union Fleurs and the Kenya Flower Council were part of the trade delegation, which was led by the Kenyan Minister of Trade Mr. Adan Mohamed. Mamias stresses that the delegation tried to give Brussels the bigger picture.

"The horticultural industry is a very big employer in Kenya and many people depend on flower export in an indirect way as well. It provides people with a future and a job. If the flower industry collapsed, this would have a huge effect on the entire economy and society." This is what the delegation tried to explain to the various EU bodies, says Mamias.

"Kenyans would no longer have a future in their own country and might leave. They would try to go to Europe, because they need work to survive. Duty-free import in the EU simply offers the best perspective for Kenya and for the EU. The flower industry is keeping people busy and keeps them away from poverty and insecurity. Don't take away Kenya's flower industry, because its influence is huge."

EU comes round

The EPA was signed in Brussels on 1 September by Kenya, Rwanda and the EU. The Kenyan delegation rushed back home to expedite ratification of the EPA by their parliament. In fact, the Kenyan parliament had to be called back from their recess.

On 28 September Kenya informed the EU that she had ratified the EPA and therefore completed on time before 1 October all the necessary steps that were required for Kenya to keep duty-free access to the EU market.

As a result, the EU has maintained for Kenya the benefits of the Market Access Regulation (MAR), which was in application since 2008 and now continues to apply with no specific deadline.

Expediting the EPA

The MAR now grants Kenya duty-free access to the EU market on a long-term basis and without any specific deadline for expiry, but it remains a unilateral instrument in the hands of the EU.

That is why the Secretary General of Union Fleurs feels it's important to expedite finalising the EPA between EU and the East African countries in order to strenghten Kenya and the EAC region's permanent trading position with the EU in the long-term.

The EPA aims to improve regional integration and economic development and to provide better access to the European market for, in this case, the EAC members.

“The EPA is a comprehensive bileteral trade agreement, which involves much more than duty free trading with the EU. It also includes the protection of investments in the five African countries as well as technical support, rules of origin and development cooperation. These are also beneficial aspects for the floricultural industry in the long-run”, emphasises Mamias.

Mamias considers the MAR a suboptimal situation. ”The most optimal situation is an Economic Partnership Agreement between the EU and EAC. We don't know how the EU is going to develop, or what the impact of Brexit is going to be. Those are risk factors. A ratified EPA is the only way to be sure that the free trade of our flowers in Europe benefits from the best conditions and from a permanently secured level-playing field and enabling environment for Kenya and European companies in the floriculture sector.”

Message to Tanzania

Mamias adds that the EPA is the best starting point for the five EAC countries when negotiations about a trade agreement with the United Kingdom are going to start.

“When those negotiations begin, they will be based on whatever agreement is in place at that time. And the outcome has to be the same or better, never worse. That is one of the main principles in international negotiations on trade agreements. That is why our message to Tanzania and the other countries is: ensure our access to the EU market now, when the UK is still part of it. If there is no EPA between the EU and the EAC-region in place when we begin their negotiations with the UK, our starting point will be a lot weaker.”

The East African countries will resume their talks about the EPA in January.

Appreciation Awards

In addition to Sylvie Mamias, the Kenyan Flower Council's Jane Ngige (director) and Richard Fox (chairman) have been involved in the entire process around the EPA, from 2003. The fate of Kenya's floriculture was more or less in their hands. Members of Union Fleurs and the Kenya Flower Council followed the developments anxiously, in particular the largest players in Kenya and in the EU.

“They were confident that we would do our utmost to help sort out the situation, as they had already seen what we – Kenya Flower Council and Union Fleurs – had been able to achieve end of 2014 when Kenya was faced with a period of duties. They really supported us. And their confidence helped us. At the same time, we did feel we were carrying a huge responsibility. Imagine we hadn’t succeeded?”, says Mamias.

On 1 November Dutch Flower Group expressed how much they valued Mamias, Ngige and Fox’s work by presenting them with an Appreciation Award.

Mamias: “It was very special to feel that recognition and thankfulness. Our work isn’t always visible to our members in the floriculture trade and to the flower industry at large. Most of the time, companies aren’t aware of the fruits of our labour as our mandate, as trade associations, is to focus on the enabling and pre-competitive environment in which companies operate, and not to get directly involved in operational or commercial activities. We really appreciate the fact that Dutch Flower Group has been able to recognise our efforts. And I am very satisfied that this entire process went into the right direction. It prevents a lot of problems in the flower industry and for all the jobs and livelihoods that depend from it in Kenya and in Europe.”

In dire straits

During the week of IFTF and RFHTF, Sylvie Mamias, Richard Fox and Jane Ngige were invited by Dutch Flower Group for a dinner. CEO Marco van Zijverden, CFO Harry Brockhoff, Retail Director Boudewijn Rip and Marketing Director Marcel Zandvliet were all there. They personally handed over the prize, the DFG Appreciation Award, to their three guests as a sign of gratitude for their work.
Rip said: “These people are always working behind the scenes and they never get a pat on the back. But their work has an immense impact. We spend tens of millions of euros on the import of Kenyan flowers and so do our colleagues. If the import duties had been introduced, Kenya would have been in dire straits. Furthermore, we wouldn’t have had any alternatives for the Kenyan flowers that would have become too expensive. The fact that the introduction of European import duties on flowers from Kenya has come to a halt, is a blessing both for Kenya and for the parties that trade those flowers. And we have to thank these people, especially Sylvie, for it.”

Sylvie Mamias, Richard Fox and Jane Ngige

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