

Overview of trade between Kenya and members of the East African Community (EAC)

Sherillyn Raga, Maximiliano Mendez-Parra and Dirk Willem te Velde
December 2021



ODI–FSD Kenya emerging analysis series

Key messages

Kenya has been a net exporter of goods with the rest of the EAC for the past five years. Exports and imports reached \$1.4 billion and \$620 million, respectively, as of 2019.

Kenya exports a diverse range of products to the EAC. The top exports include medicaments, oil, salt, cement, steel and beer. Kenya may boost efforts to increase exports of edible food preparations, margarine, soap and skin care products, footwear, fertilisers, and containers and bags for packaging of goods – products for which there is increasing demand in the EAC and/or increasing efficiency in Kenya.

Kenyan exporters to the EAC face specific challenges to trading within the region, including informality of cross-border trade, poor infrastructure and non-tariff barriers.

Kenya has made efforts to boost its exports to the EAC and to Africa more widely, as reflected in the government's medium-term plans, engagement in the EAC customs union and the Common Market for Eastern and Southern Africa (COMESA) free trade area, and the draft national African Continental Free Trade Area (AfCFTA) strategy. These efforts can be complemented by supporting informal micro, small and medium-sized enterprises or firms producing products for which there is growing demand from the EAC.



Acknowledgements

The authors are grateful for the financial support of FSD Kenya. The views presented in this publication are those of the authors and do not necessarily represent the views of FSD Kenya or ODI. Comments are welcome at: s.raga@odi.org.uk.

About this publication

This policy brief is extracted from a SET paper ‘Promoting Kenya’s exports: a country- and product-specific analysis’. It is a part of an emerging analysis series that focuses on Kenya’s trade with the EAC, the rest of Africa, European Union, United Kingdom, United States, China and India.

Disclaimer: The content of this publication has been produced rapidly to provide early ideas and analysis on a given theme. It has been cross-read and edited but the usual rigorous processes have not necessarily been applied.

About the authors

Sherillyn Raga is a Senior Research Officer at ODI.

Max Mendez-Parra is a Principal Fellow at ODI.

Dirk Willem te Velde is a Director of Programme at ODI.

Readers are encouraged to reproduce material for their own publications, as long as they are not being sold commercially. ODI requests due acknowledgement and a copy of the publication. For online use, we ask readers to link to the original resource on the ODI website. The views presented in this paper are those of the author(s) and do not necessarily represent the views of ODI or our partners.

This work is licensed under CC BY-NC-ND 4.0.

How to cite: Raga, S., Mendez-Para, M., and Velde, D.W. te (2021) ‘Overview of trade between Kenya and the East African Community’. Policy Brief. London: ODI (www.odi.org/publications/overview-of-trade-between-kenya-and-the-east-african-community).

Kenyan goods trade with the EAC

Kenya has been a net exporter with the rest of the East African Community (EAC) in the past five years (Figure 1). Kenya has been exporting a diverse basket of products to the region, with the top 10 products making up about one-third (27%) of total EAC-bound Kenyan exports from 2015 to 2019 (Figure 3).

On average, Uganda is the destination for almost 50% of Kenyan exports and is the source of 60% of Kenyan imports from the region since 2015. Goods exports and imports reached \$1.4 billion and \$620 million, respectively, as of 2019. The recent increase in exports to the region was driven by the simultaneous double-digit growth of Kenyan exports to EAC members in 2019 – ranging from 24% in Uganda to 52.2% in Rwanda (Figure 2).

Figure 1 Kenyan trade in goods with the EAC, \$ million, 2015 to 2019



The top ten 6-digit category products – mostly rails and parts, and data processing and communication devices – account for 15% of Kenya's total imports from China (Figure 2). By 2-digit product group, almost half of imports from China are comprised of electrical machinery and equipment (19%), nuclear reactors, boilers, machinery and mechanical appliances and parts (18%), iron and steel (7%), and plastics (6%).¹

Titanium and zirconium concentrates account for 60% of Kenya's exports to China in the past five years (Figure 4). These are followed by vegetable textile fibre, petroleum oils, animal skin, sesamum seeds and black tea, albeit with volatile growth in the past five years. Notably,

¹ Authors' calculations based on WITS data.

boring and sinking machinery previously had a 6.3% share in exports to China, but their values fell by 100% from 2015 to 2019. Meanwhile, Kenya started exporting non-agglomerated iron ores and concentrate exports to China worth \$4.5 million to \$4.8 million in the last two years, contributing about 2.6% to total exports to China.

Figure 2 Kenyan goods exports to EAC members

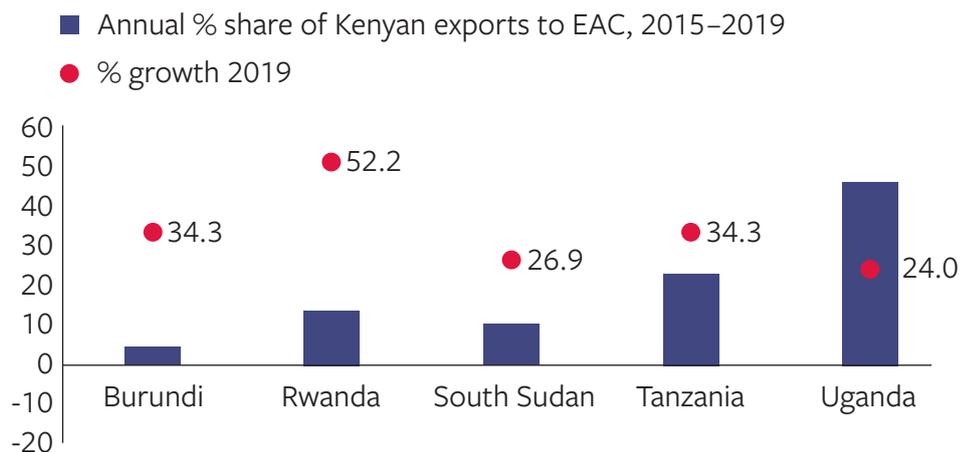
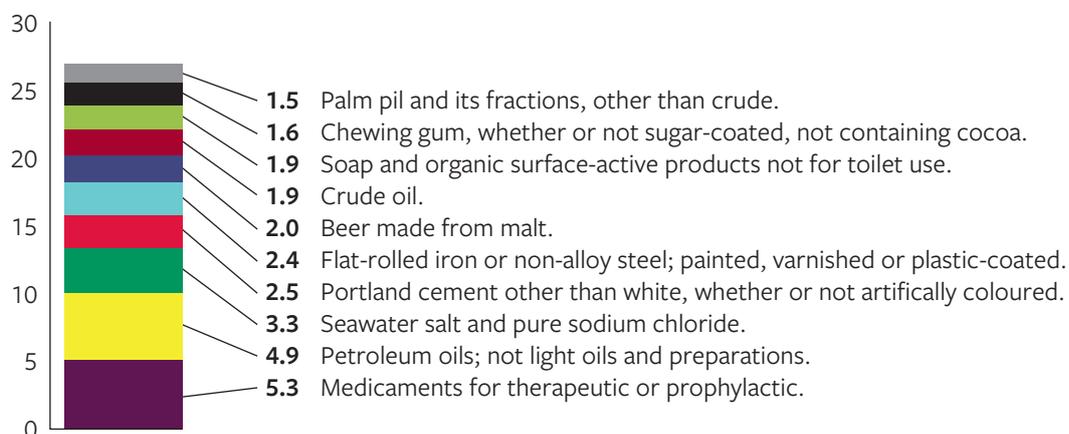


Figure 3 Kenya's top 10 exports to the EAC (annual average % share of total Kenyan exports to the EAC, 2015-2019)



Source: Authors' calculations based on data from World Integrated Trade Solution (WITS) database.

It may be noted that Kenya is part of the customs union among EAC members. Kenya, Burundi, Rwanda and Uganda are also part of the Common Market for Eastern and Southern Africa Free Trade Area (COMESA FTA), which aims to reduce and eventually eliminate tariff and non-tariff barriers to intra-COMESA trade.

Competitiveness of Kenya's exports to the EAC

We investigate the efficiency (in terms of revealed comparative advantage, or RCA) of Kenya's top 50 exports to the EAC as well as the EAC's demand for such products in the past five years.² Table 1 presents products which: can be further promoted for export to the EAC (Category A); may need intervention (e.g. to increase efficiency) to meet increasing demand from the EAC (Category B); Kenya may consider moving or diversifying away from (Category C); and Kenya may opt to direct towards other bilateral partners (Category D).

Table 1 Competitiveness matrix of Kenya's top 50 exports to the EAC, 2015–2019

	Increasing RCA	Decreasing RCA
Increasing EAC demand	<p>Category A products</p> <ul style="list-style-type: none"> ● Food preparations (e.g. sauces, seasonings, baking powders, margarine). ● Maize seed. ● Fertilisers. ● Rodenticides. ● Footwear. ● Synthetic yarn. ● Soap, not for toilet use. ● Lead-acid electric accumulators for engines. ● Paper and plastic sacks and bags. ● Ball-point pens. ● Iron or non-alloy steel, aluminium-zinc coated. ● Crude oil. ● Anhydrite (gypsum mineral). 	<p>Category B products</p> <ul style="list-style-type: none"> ● Cosmetic and toilet preparations. ● New or used public transport vehicles. ● Unused postage, revenue or similar stamps. ● Exercise books.

² See Raga et al. (2021) for detailed methodological approach.

	Increasing RCA	Decreasing RCA
Decreasing EAC demand	Category D products <ul style="list-style-type: none"> • Grain sorghum other than seed. • Crown corks. • Chewing gum. • Cigarettes containing tobacco. 	Category C products <ul style="list-style-type: none"> • Medicaments for therapeutic uses. • Petroleum oils, not light oils and preparations. • Seawater salt. • Portland cement and cement clinkers. • Alcoholic and non-alcoholic beverages. • Palm oil and its fractions, other than crude. • Sugar confectionery. • Plastic plates, sheets, film, foil, strip, and products for packing of goods. • Surface-active products for washing, cleaning, toilet use. • Metal products (e.g. iron or non-alloy steel, zinc-coated; iron or steel tubes, pipes, hollow profiles; aluminium household articles). • Trailers and semi-trailers.

Notes: See detailed list of competitiveness of 50 Kenyan export products to the EAC in Raga et al. (2021).

New export products for potential trading with the EAC

By examining the EAC's demand (from the world) of products that Kenya is already exporting worldwide (but not substantially to the EAC), we identify new Kenyan products³ for potential export to the EAC: coffee, avocados, beans, goat meat, garments and titanium ores and concentrates.

Constraints and implications

General barriers to Kenyan exports include: (i) lack of capabilities (skills, technology, design), competitiveness and regulatory frameworks; (ii) lack of access to finance; (iii) lack of trade-related infrastructure; and (iv) market access barriers (standards, labelling, tariffs) (Krishnan et al., 2018). Kenyan exporters to the EAC face specific challenges to trading within the region, including informality of cross-border trade, poor infrastructure and non-tariff barriers such as cumbersome administrative procedures (WTO, 2019).

It is worth noting that Kenya has taken several steps at the national, regional and continental levels that would help to address bottlenecks to trading with the EAC and internationally in general.

³ See detailed methodological approach in identifying new products in Raga et al. (2021).

At the national level, the Kenyan government's Second Mid-Term Plan (MTP 2013–2017) states that its Vision 2030 aims to strengthen economic partnerships in East Africa, the rest of Africa, and international economic partnerships, as well as to increase and diversify Kenya's exports. In addition, the Third MTP 2018–2022, gives the highest priority to achieving the President Uhuru Kenyatta's 'Big 4 Agenda', one pillar of which is enhancing the country's manufacturing sector. Specific projects aiming to enhance regional trading include the expansion or rehabilitation of the East Africa Road Network Project covering 190 kilometres, and the East Africa Regional Transport, Trade and Development Facilitation Project covering 350 kilometres. These initiatives are aligned with one of the main aims of the country's national trade policy framework in Kenya's Vision 2030 for export growth through value addition in export-oriented manufacturing and services.

At the Africa level, Kenya participates in regional communities (such as the EAC, COMESA), and has signed the African Continental FTA (AfCFTA). Kenya is part of the EAC customs union, and pledged in December 2018 to make trade between EAC members Kenya, Burundi, Rwanda, Tanzania and Uganda cheaper, faster and more straightforward to boost regional and continental trade (WTO, 2018). Kenya is also part of the COMESA FTA. Negotiations are ongoing to form a tripartite FTA among COMESA, EAC and the Southern African Development Community (SADC) (COMESA, 2020). These regional communities are working towards aligning initiatives with the AfCFTA, ratified by Kenya and 40 other countries as of October 2021. The EAC is expected to finalise its AfCFTA tariff offers by December 2021 (EAC, 2021). Meanwhile, the COMESA established a partnership framework with the AfCFTA Secretariat in April 2021 to support the AfCFTA implementation (Gakunga, 2021).

Kenya's unpublished draft national AfCFTA strategy also incorporates regional commitments, including addressing the absence of a legal and consistent framework on trade-related mandates among Trade, EAC and Foreign Affairs ministries. A number of government objectives on addressing challenges related to AfCFTA implementation (such as constraints in transport-related infrastructure, production linkages, competitiveness issues, high costs of business, and weak integration of MSMEs into value chains, among others) are expected to benefit from intra-EAC trading.⁴

Financial institutions or institutions that support financial sector development may provide complementary initiatives to national efforts in supporting Kenya's exports to the EAC and to Africa more widely. These initiatives include tailoring financial products for small-scale farmers/producers of export products with growing demand from the EAC; supporting value chain finance that could increase formality of cross-border trade within the EAC; tailoring digital financial services; providing financial support to meet product-specific standards by the EAC; supporting international approaches to facilitate investment.

4 A separate emerging analysis gives an overview of trade between Kenya and the rest of Africa (excluding EAC members), which includes a discussion of Kenya's initiatives at the continental/AfCFTA level.

References

- COMESA – Common Market for Eastern and Southern Africa** (2020) ‘Annual Report 2020’ (<https://www.comesa.int/wp-content/uploads/2021/10/COMESA-Annual-Report-2020-English.pdf>).
- EAC – East African Community** (2021) ‘EAC bloc inches closer to finalising AfCFTA Tariff Offers’ Press release, 16 November (<https://www.eac.int/press-releases/157-trade/2270-eac-bloc-inches-closer-to-finalising-afcfta-tariff-offers>).
- Gakunga, M.** (2021) ‘AfCFTA, COMESA to Establish Cooperation Framework’ COMESA Press Release, 13 April (<https://www.comesa.int/52391/>).
- Krishnan, A., te Velde, D.W. and Were, A.** (2018) ‘Kenya-UK trade and investment relations: Taking stock and promoting exports to the UK’ Supporting economic transformation (SET) (<https://set.odi.org/uk-kenya-trade/>).
- NTP – National Treasury and Planning, Kenya** (2018) ‘Transforming Lives: Advancing socio-economic development through the Big Four’ Third Medium Term Plan 2018-2022 (<http://vision2030.go.ke/wp-content/uploads/2019/01/THIRD-MEDIUM-TERM-PLAN-2018-2022.pdf>).
- Raga, S., Mendez-Parra, M. and te Velde, D.W.** (2021) ‘Promoting Kenya’s exports. A country- and product-specific analysis’ SET. (<https://set.odi.org/promoting-kenyas-exports-a-country-and-product-specific-analysis/>).
- UNCTAD – United Nations Conference on Trade and Development** (2018) ‘East African bloc agrees to make trade cheaper, faster and simpler’ (<https://unctad.org/news/east-african-bloc-agrees-make-trade-cheaper-faster-and-simpler>).
- WTO – World Trade Organisation** (2019) ‘Trade Policy Review: East African Community (EAC)’ (https://www.wto.org/english/tratop_e/tp484_e.htm).