

Overview of trade between Kenya and the rest of Africa (ROA)

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Key messages

Kenya has been a net importer from the rest of Africa (i.e. all African countries except those within the East African Community) over the past five years. Exports and imports reached \$814 million and \$1.6 billion, respectively, as of 2019.

Black tea accounts for about one-third of Kenya's exports to the rest of Africa (ROA). Kenya may boost efforts to increase exports of food preparations, plastic and paper containers, prefabricated buildings, consumer-packaged tea, boring and sinking machinery, semi-manufactured gold, medicaments, human vaccines, medical equipment and insecticides—products for which the ROA has increasing demand and/or Kenya has increasing efficiency.

Kenyan exporters to neighbouring African countries face specific challenges, including informality of cross-border trade, poor infrastructure and non-tariff barriers.

Kenya has prepared a draft national African Continental Free Trade Area (AfCFTA) strategy to address challenges for boosting intra-African trade (such as legal, institutional coordination, production, supply and market access constraints). These efforts can be complemented by supporting informal Kenyan micro, small and medium-sized enterprises or firms producing products for which there is growing demand from the ROA.



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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.

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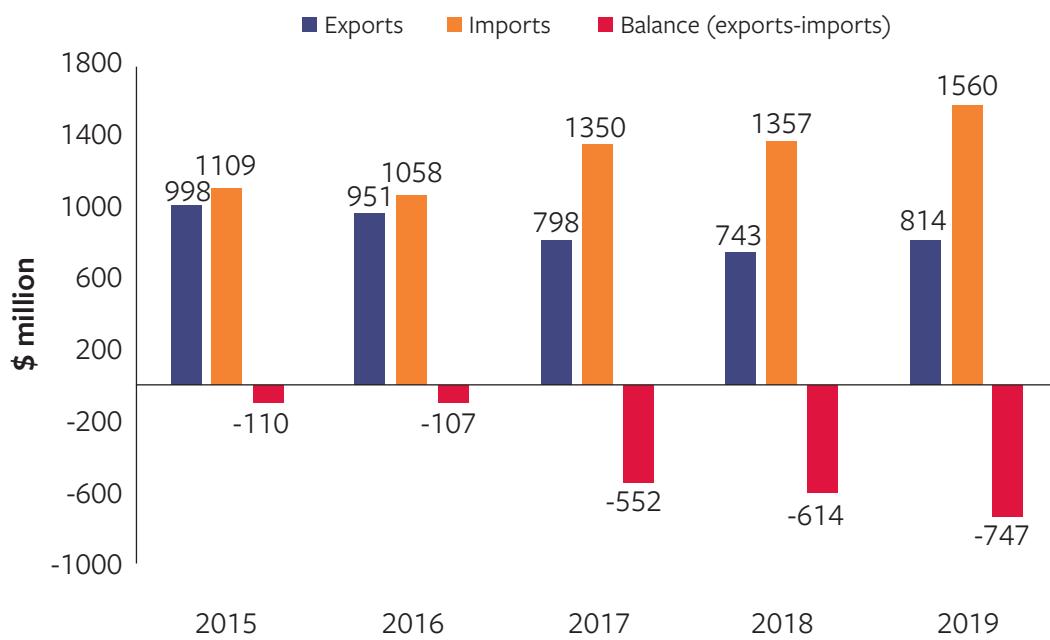
Kenyan goods trade with the rest of Africa

Kenya has been a net importer from the rest of Africa (ROA)¹ over the past five years (Figure 1). The trend for Kenya to import from the ROA has increased in recent years while Kenyan exports to the ROA have been decreasing (except in 2019). This resulted in a negative trade balance (exports less imports), widening from \$110 million in 2015 to \$747 million in 2019.

In the past five years, 91% of Kenyan exports to the ROA went to 10 countries alone (Figure 2). However, except for growth in exports to South Africa (by 15%) and Nigeria (by 173%), exports to the rest of major ROA destinations contracted by between 6% (Sudan) and 37% (the Democratic Republic of Congo) (Figure 2). In line with these export trends, the share of Kenya's exported products in the total ROA imports from the rest of the world declined from 0.22% in 2015 to 0.17% in 2019.²

Ten Kenyan products made up more than half of total Kenyan exports to the ROA from 2015 to 2019, dominated by black tea (27.5%) and cigarette products containing tobacco and tobacco substitutes (7.6%) (Figure 3).

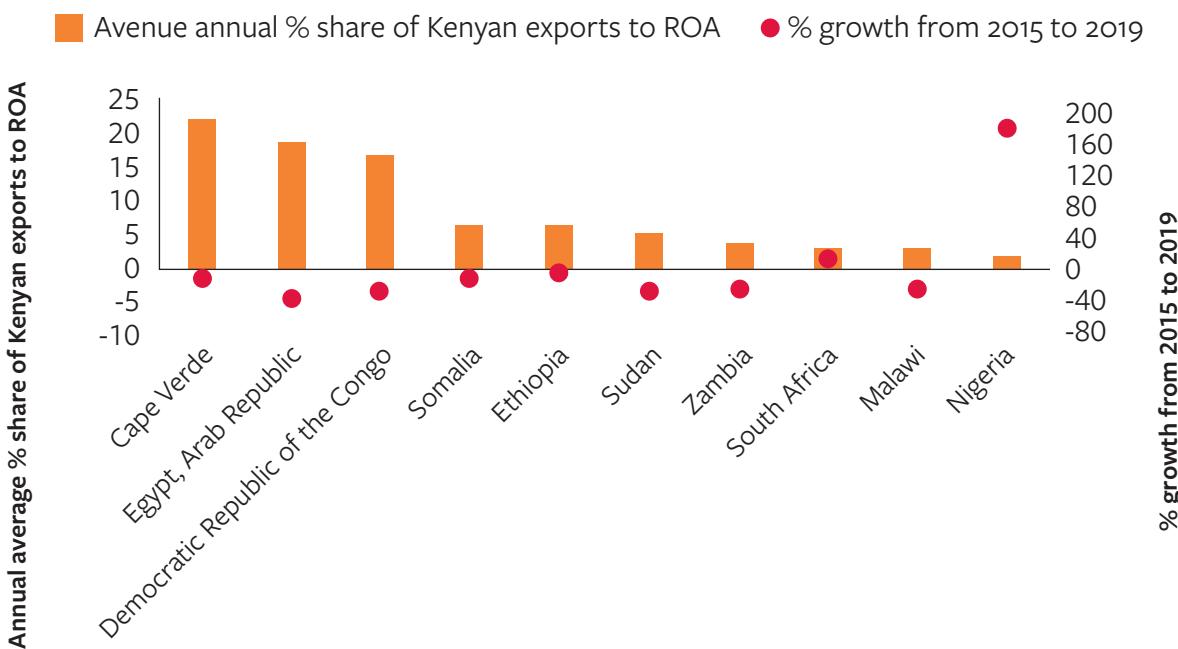
Figure 1 Kenyan trade in goods with the ROA, 2015 to 2019



¹ Rest of Africa here refers to all African countries except East African Community (EAC) members Burundi, Rwanda, South Sudan, Tanzania and Uganda. A separate emerging analysis is prepared for an overview of trade between Kenya and EAC members.

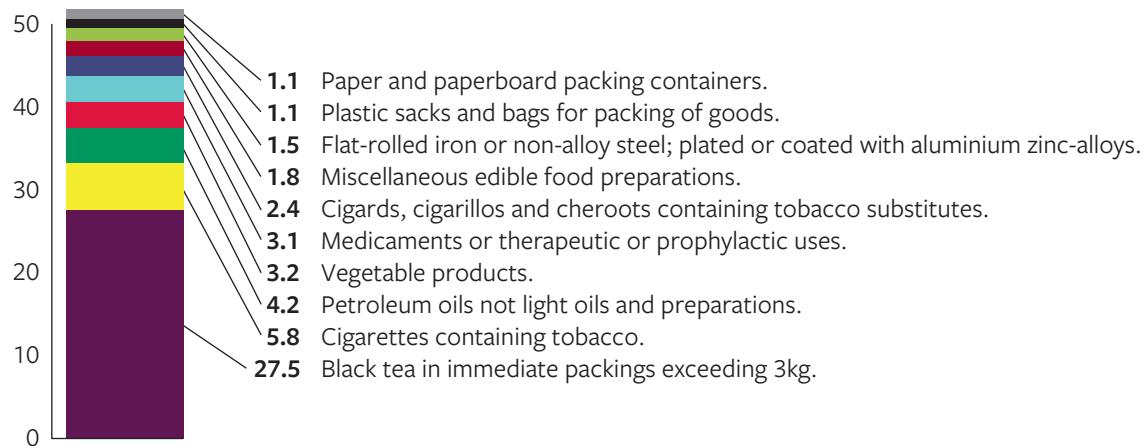
² Authors' computations based on WITS data.

Figure 2 Kenyan goods exports to major African destinations



Source: Authors' calculations based on data from WITS database

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



Source: Authors' calculations based on data from WITS database

Competitiveness of Kenya's exports to the ROA

We investigate the efficiency (in terms of revealed comparative advantage, or RCA) of Kenya's top 50 exports to the ROA as well as the ROA's demand for such products in the past five years.³ Table 1 presents products which: can be further promoted for export to the ROA (Category A); may need intervention (e.g. to increase efficiency) to meet increasing demand from the ROA (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 Kenyan top exports to the ROA, 2015–2019

	Increasing Kenyan RCA	Decreasing Kenyan RCA
Increasing ROA demand	<p>Category A products</p> <ul style="list-style-type: none"> ● Edible food preparations. ● Margarine. ● Chewing gum. ● Fresh cut roses. ● Black tea in packings not exceeding 3kg. ● Vegetable and bast textile fibres. ● Cigarettes and tobacco. ● Paper packing containers. ● Semi-manufactured gold. ● Prefabricated buildings. ● Cellulose fibre-cement sheets. ● Sinking machinery, not self-propelled. ● Ball-point pens. 	<p>Category B products</p> <ul style="list-style-type: none"> ● Fresh or chilled vegetables. ● Sugar confectionery. ● Tobacco. ● Insecticides. ● Vaccines for human medicine. ● Medicaments for therapeutic uses. ● Plastic plates, sheets, film, foil strip, and products for packing of goods. ● Medical, surgical or dental instruments.
Decreasing ROA demand	<p>Category D products</p> <ul style="list-style-type: none"> ● Black tea in packings exceeding 3kg. ● Sauces and preparations thereof; mixed condiments and mixed seasonings. ● Rodenticides Soap, not for toilet use. ● Footwear and footwear polishes and cream. ● Flat-rolled iron or non-alloy steel, coated with aluminium zinc alloys or plastics. 	<p>Category C products</p> <ul style="list-style-type: none"> ● Vegetables. ● Palm oil and its fractions, other than crude. ● Cigars containing tobacco substitutes. ● Plastic sacks, bags and articles for packing of goods. ● Washing and cleaning preparations. ● Soap for toilet use. ● Pot scourers, polishing pad and gloves. ● Portland cement other than white. ● Petroleum oils; not light oils and preparations. ● Exercise books and other printed matter. ● Wigs, false beards, eyebrows and eyelashes, switches, other articles.

Note: See detailed analysis and product descriptions in Raga et al. (2021 forthcoming).

³ See Raga et al. (2021) for detailed methodological approach in assessing competitiveness of Kenyan exports.

New export products for potential trading with the ROA

By examining the ROA's demand (from the world) for products that Kenya is already exporting worldwide (but not substantially to the ROA), we identify new products for potential export to the ROA: macadamia, live plants, vegetables and mixtures, avocados, cotton trousers, disodium carbonate, copper scrap.⁴

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 neighbouring countries face specific challenges, including informality of cross-border trade, poor infrastructure and non-tariff barriers such as cumbersome administrative procedures (WTO, 2019).

It may be noted that Kenya has taken several steps at the national and continental level that would help to address bottlenecks to intra-African trade. 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. 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.

Kenya participates in regional communities, such as the East African Community (EAC) and the Common Market of Eastern and Southern Africa (COMESA).⁵ Kenya has also signed and ratified the African Continental Free Trade Area (AfCFTA), and has drafted a national AfCFTA implementation strategy. The unpublished strategy has been presented at seminars and discusses key challenges and gaps around AfCFTA implementation, such as (i) the absence of a legal and consistent framework covering the mandates in trade within Trade, EAC and Foreign Affairs ministries; (ii) production and supply constraints related to transport-related infrastructure, production linkages, and competitiveness issues, accounting for the high costs of doing business

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

5 A separate emerging analysis is prepared for an overview of trade between Kenya and EAC members (Raga et al., 2021).

and weak integration of MSMEs into value chains; (ii) market access constraints related to high transaction cost across borders; (iv) inequalities in opportunity around gender, youth and people living with disability; (v) environmental hazards and climate change; (vi) weak coordination, monitoring and evaluation frameworks; and (vii) lack of information.

The objectives of the Kenyan government to address these challenges include to:

- facilitate safe, secure and effective trade in goods and services within the AfCFTA
- enhance Kenya's productive capacity and competitive advantage of domestic producers and exporters under AfCFTA
- build a strong institutional and regulatory framework to support effective implementation of AfCFTA
- facilitate inclusiveness (women, youth, people with disabilities) and the active participation of MSMEs in leveraging opportunities under AfCFTA for sustainable development
- develop a comprehensive and efficient common national approach to continental integration
- ensure adequate and timely financing for implementation of the AfCFTA strategy
- contribute to sustainable development through mutually supportive trade and environment initiatives

Financial institutions or institutions that support financial sector development may provide complementary initiatives to national efforts to maximise Kenya's exports under the AfCFTA. These initiatives can include: tailoring financial products for small-scale farmers/producers of export products with growing demand from the ROA; supporting value chain finance that could increase the formality of intra-African trade; tailoring digital financial services; providing financial support to meet product-specific standards of African countries; and supporting international approaches to facilitate investment.

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