

Current and emerging trade issues for Kenya

Kenya Trade Workshop

20 March 2019, Hilton Hotel, Nairobi

Session 1 –

Kenya-US trade and the African
Growth and Opportunity Act (AGOA)

PRESENTATION : Eckart Naumann





- Kenya's trade profile and trade with the United States
- Helping facilitate trade between Kenya and the United States – introducing tralac's ***AGOA Business Connector***
- Post-AGOA prospects

Kenya's global trade profile

KENYA global exports and imports	2001	2016	2017
Kenya's EXPORTS to the 'Rest of World'	\$ 1.5b	\$ 5.7b	\$ 5.8b
Kenya's IMPORTS from the 'Rest of World'	\$ 4.0b	\$ 14.1b	\$ 16.7b
Balance of Trade (trade deficit)	(\$-2.5b)	(\$-8.4b)	(\$-10.9b)

Data in \$ billion. Source: ITC TradeMap

Kenya is a **net importer** of goods in trade with the ROW

- Two-way trade has **increased** 4-fold since 2001
- Kenya's **imports** exceed **exports** by a factor of 3
- Kenya's trade **deficit** exceeded \$10 billion in 2017

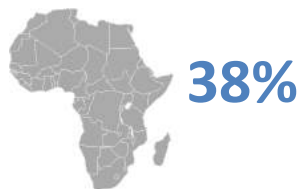
Who is **Kenya** trading with? What does this trade look like?
Where does the US fit in?

Kenya's global trade profile – destination and source



Leading **EXPORT** destinations

1	Pakistan	11%
2	Uganda	10%
3	United States	8%
4	Netherlands	7%
5	UK	7%
6	Tanzania	5%
7	UAE	4%
8	Somalia	3%
9	Egypt	3%
10	DR Congo	3%



Leading **IMPORT** sources

1	China	23%
2	India	10%
3	UAE	8%
4	Saudi Arabia	7%
5	Japan	5%
6	South Africa	4%
7	United States	3%
8	Indonesia	3%
9	Germany	3%
10	Uganda	2%



Kenya's global trade profile – product spread



Leading EXPORTS \$ 5.8b

1	Coffee, tea, spices	29%
2	Cut flowers and other plants	10%
3	Mineral oils and fuels	6.2%
4	Clothing	5.5%
5	Vegetables	3.6%
6	Fruits and nuts	3.1%
7	Ores, slag and ash	3.1%
8	Tobacco	2.3%
9	Plastics	2.3%
10	Pharmaceuticals	2.2%

Leading IMPORTS \$ 16.7b

1	Mineral oil and fuel	16%
2	Mech. machinery / appliances	11%
3	Elec. machinery / equipment	6.7%
4	Motor vehicles	6.7%
5	Cereals	4.4%
6	Iron and steel	4.0%
7	Plastics and articles thereof	3.9%
8	Animal and veg fats and oils	3.6%
9	Sugar and sugar confectionary	3.1%
10	Pharmaceuticals	3.0%

Kenya's **export** trade with the **United States**



Goods trade between USA and KENYA	2000	2018	%
Kenya's exports to the United States	\$ 109m	\$ 646m	+ 493 %
United States exports to Kenya	\$ 235m	\$ 315m	+ 34 %
Balance of Trade (neg. value = in favour of US)	(\$-126m)	\$ 331m	

Data in \$ million. Source: Extracted from USITC Dataweb database.

Importance of the USA as destination for Kenya's **EXPORTS**:

- 3rd largest export destination by value,
- Accounts for 8% of Kenya's global exports (2017)
- Increasing share of Kenya's total exports are shipped to the USA
- 5-fold increase in US-exports since 2000

Kenya's **import** trade with the **United States**



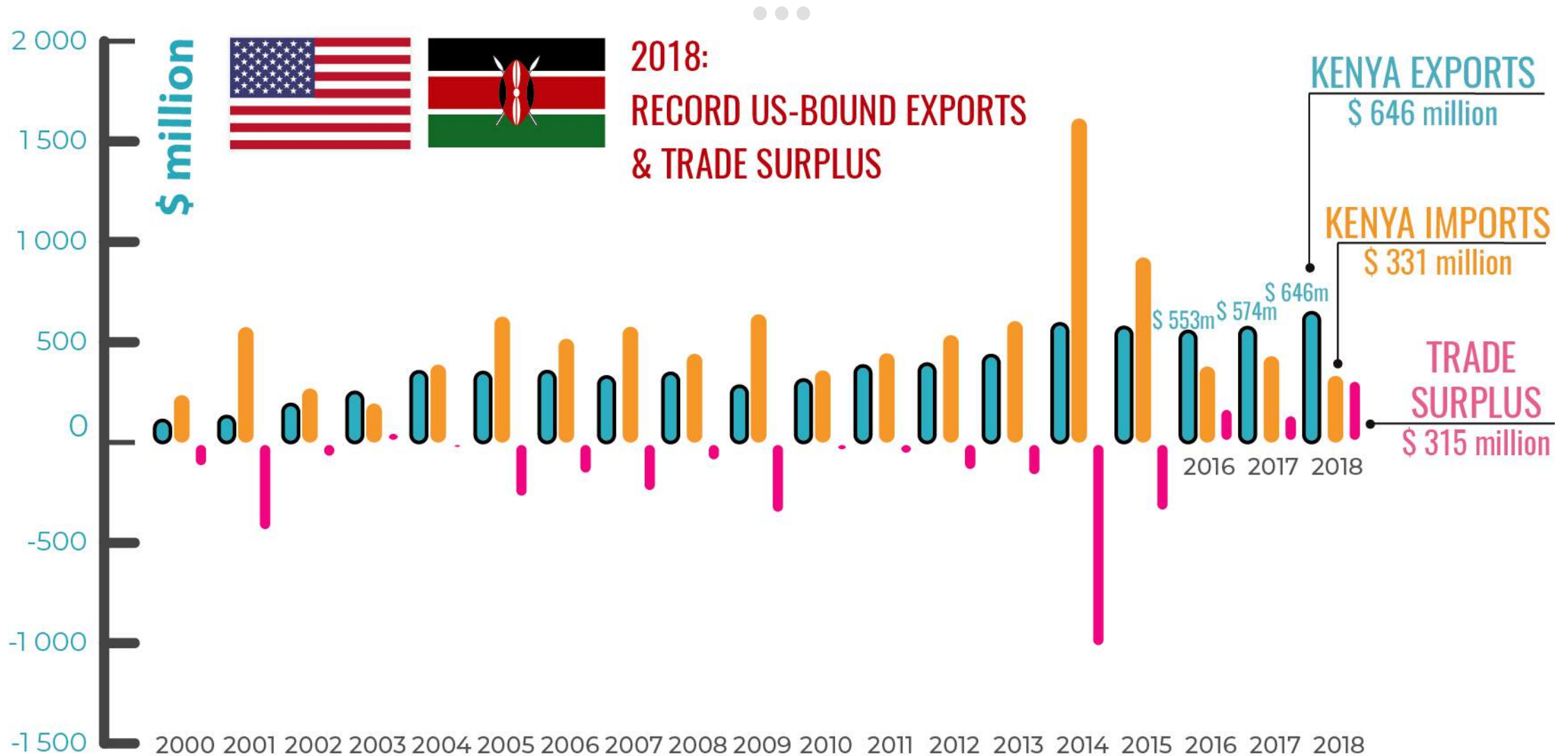
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Importance of the USA as a source of Kenya's **IMPORTS**:

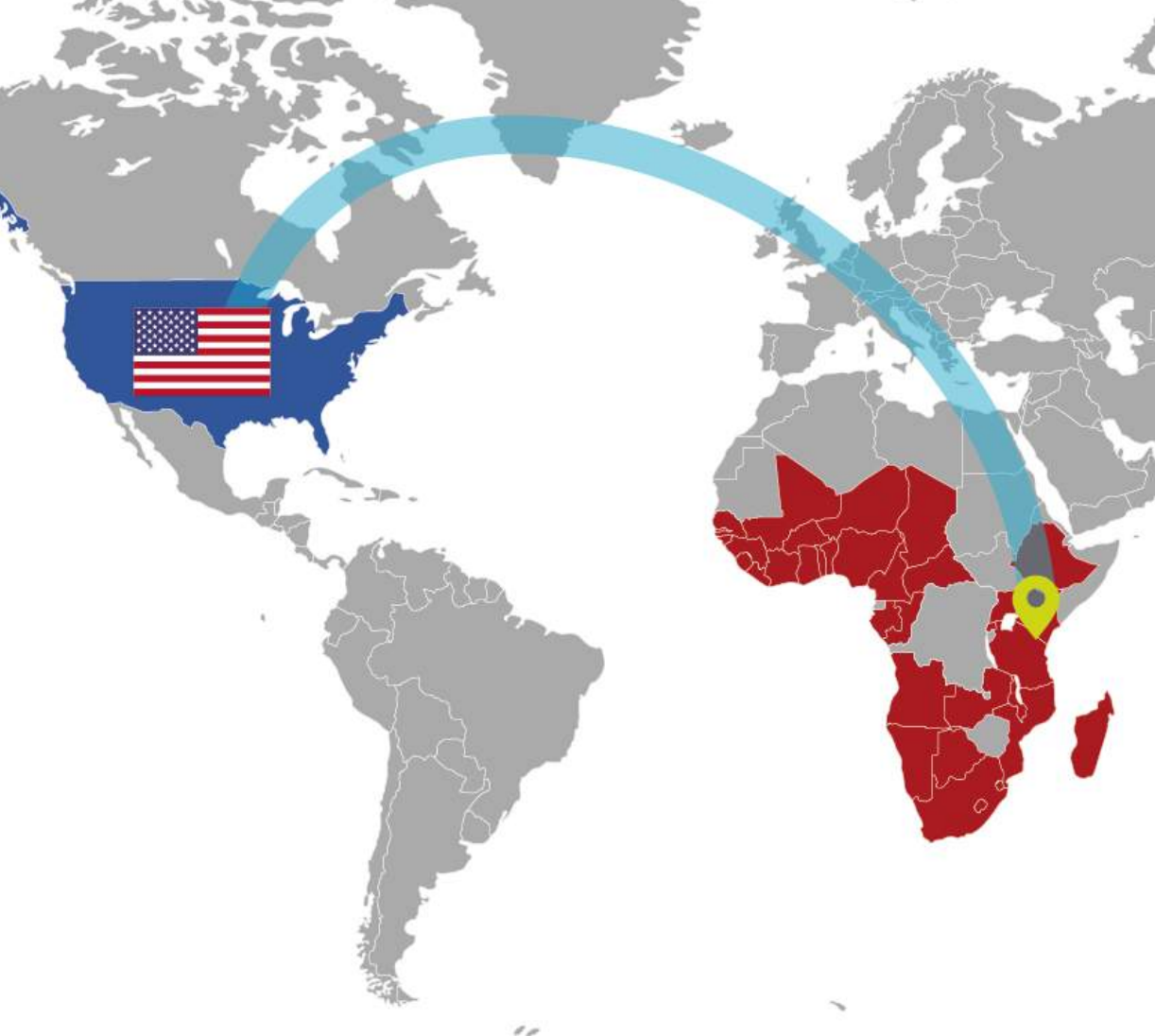
- 7th largest source of imports by value (on par with South Africa)
- Accounts for 3.4% of Kenya's global imports
- Relative importance of USA as a source of imports by value has declined
- Increasing trade surplus in favour of Kenya

Kenya's trade with the United States



The Role of AGOA in boosting Kenya's exports

AGOA AND KENYA



United States trade and investment legislation, enacted in 2000

Builds on the US 'GSP' scheme by removing import duties on thousands of additional products

Available only to SSA countries that comply with eligibility criteria

Non-reciprocal; beneficiary countries not required to offer same preferences, but not unconditional

Key AGOA stats: 2018



AGOA beneficiaries' combined **exports** to the US accounted for 0.96% of US global **imports** in 2018 (Kenya 0.03%)



39 beneficiary countries

Status: March 2019



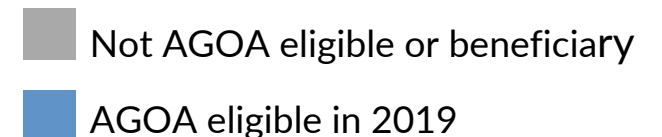
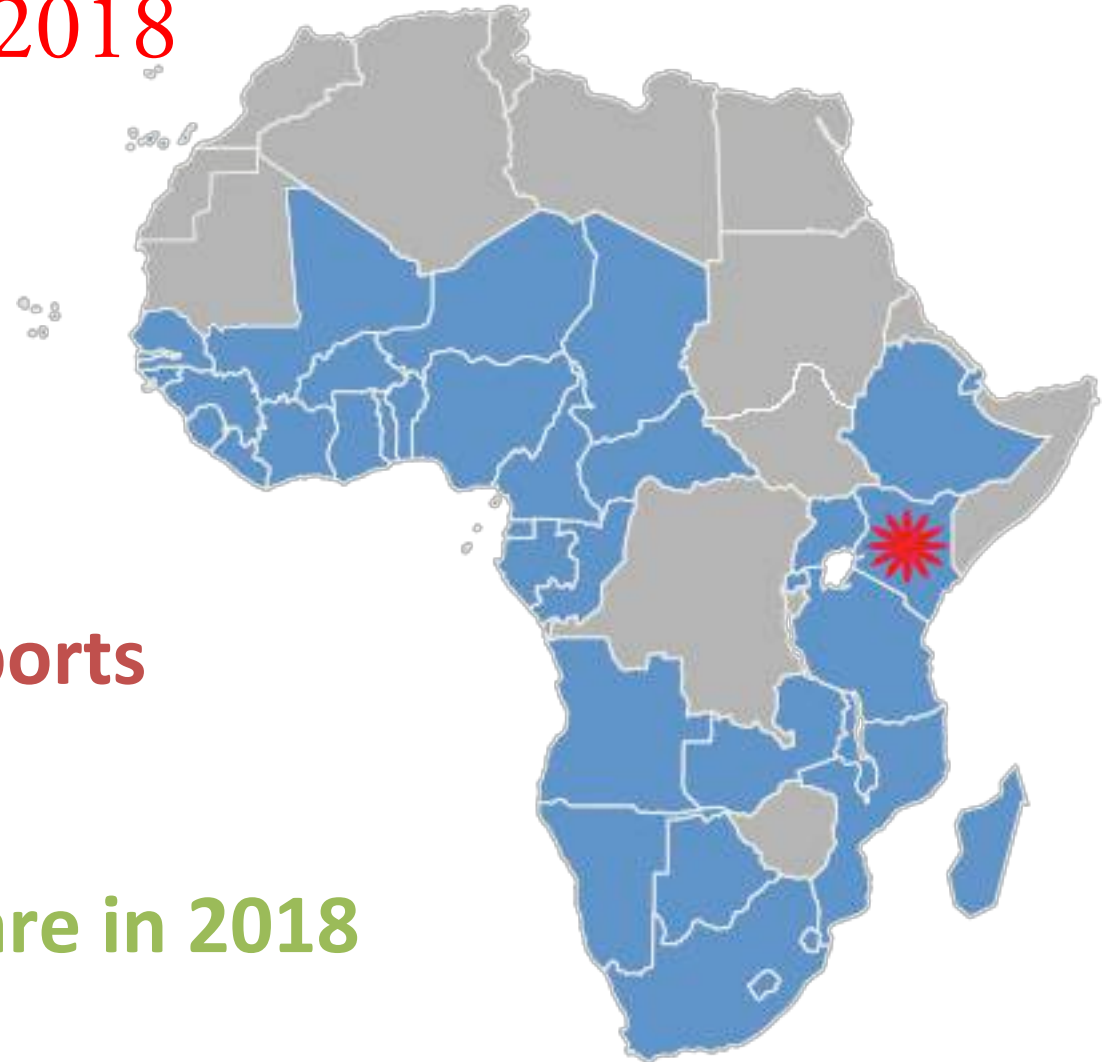
Combined \$12 billion AGOA exports incl. \$ 4 billion non-oil



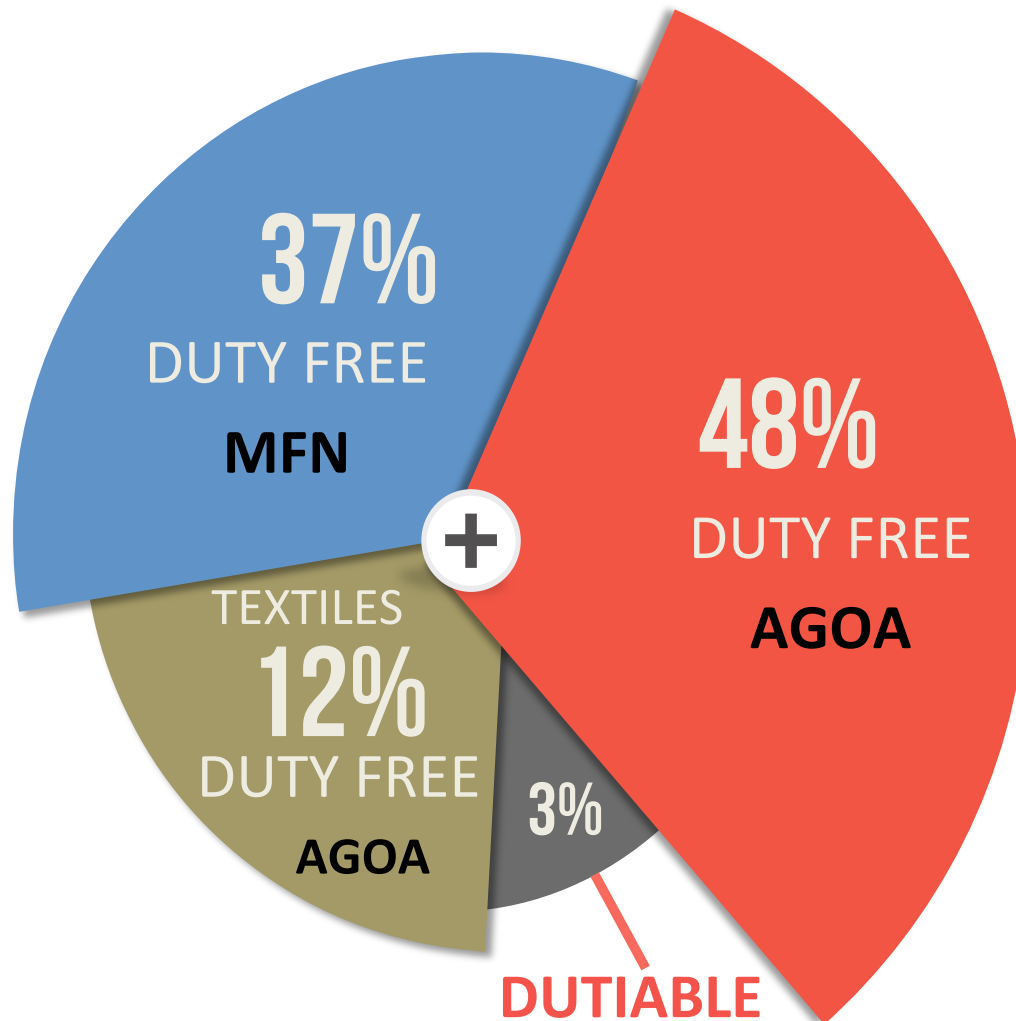
\$0.5 billion = Kenya's AGOA share in 2018

Kenya is the **5th largest** utiliser of AGOA preferences, after Nigeria (\$4.4b), South Africa (\$2.4b), Angola (\$2.1b) and Chad (\$0.6b)

However **Kenya's exports** not based on oil



KENYA's MARKET ACCESS TO USA



48 % AGOA/GSP DUTY FREE

Duties removed until 2025

Approximately 5,200 tariff lines

12 % AGOA DUTY FREE

Duties removed until 2025

Approximately 1,300 tariff lines

- Favourable Rules of Origin for Kenya

37 % MFN DUTY FREE

Tariff lines where general US duty is zero

Approximately 4,000 tariff lines

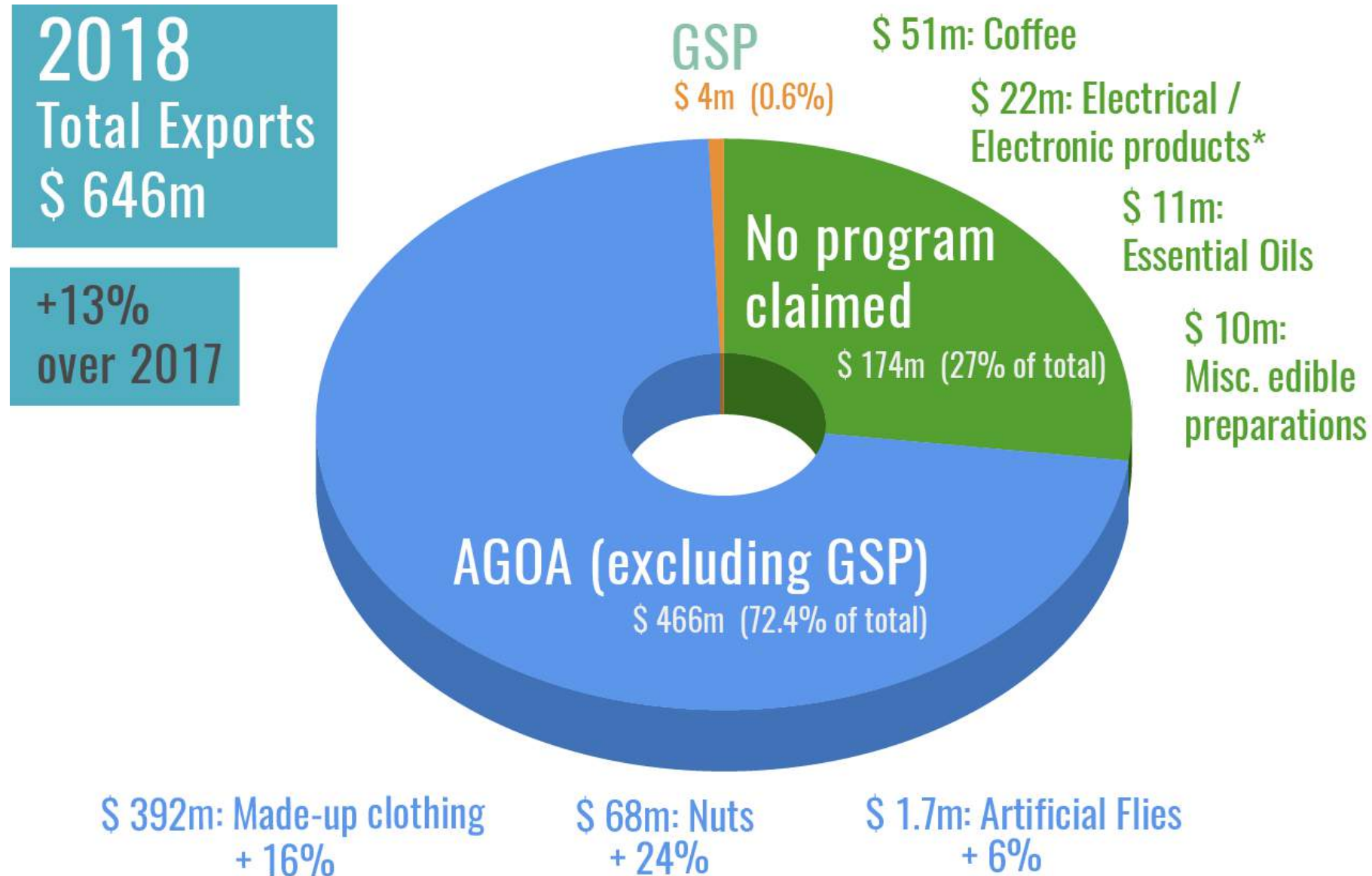
3 % DUTIABLE

Standard import duties apply into the USA

Approximately 350 tariff lines

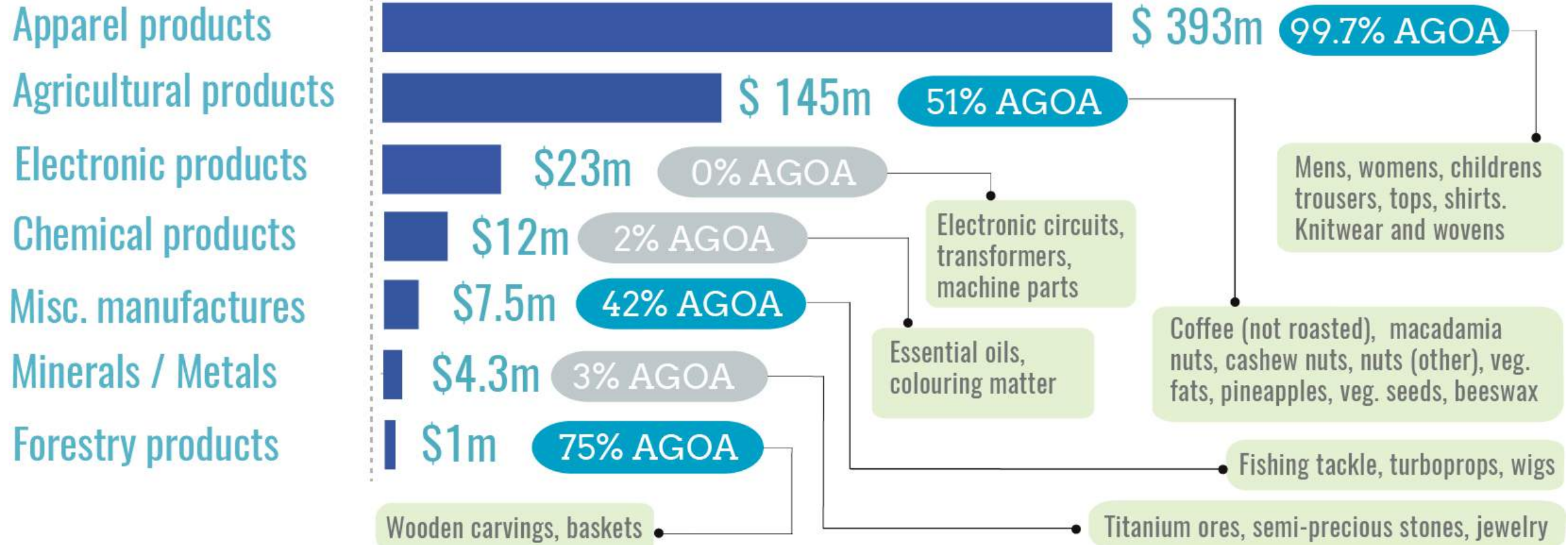
Kenyan exports to USA attracted only \$0.4m duties in 2018

Kenya's trade with the United States by program



Kenya's trade with the United States: 2018 data

...
% values denote share that entered the US **under AGOA** in 2018. Remaining trade is mostly duty-free

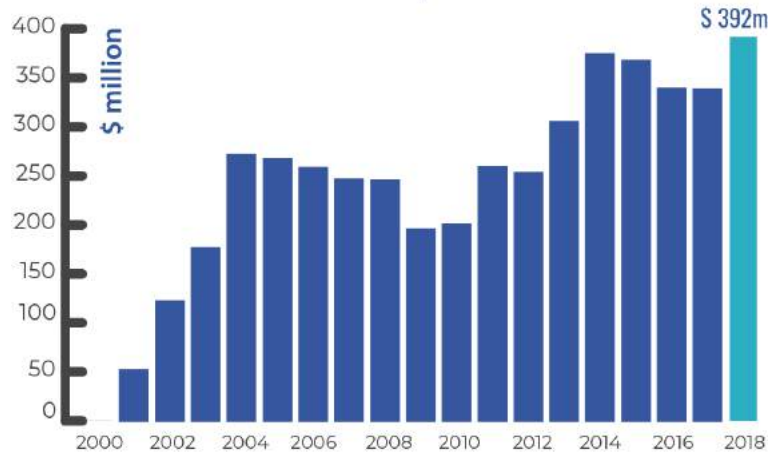


Kenya: Examples of AGOA Successes



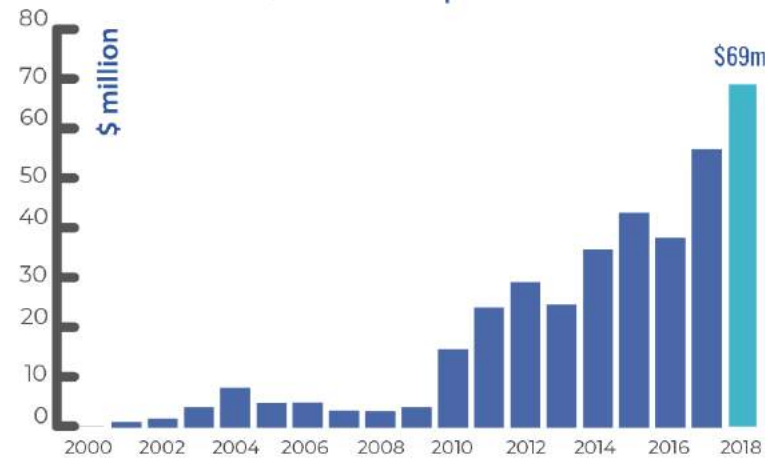
Wearing apparel (HTS Ch. 61 + 62)

2018: \$392 million exports under AGOA



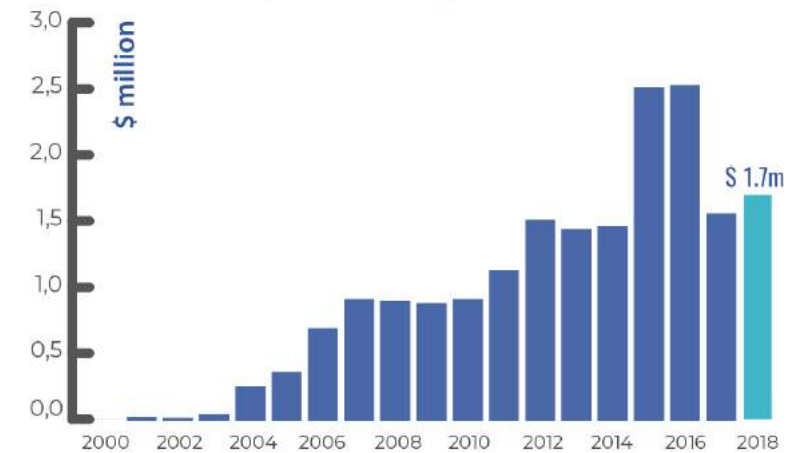
Nuts (HTS 08.02)

2018: \$69 million exports under AGOA



'Artificial flies' (HTS 95.079070)

2018: \$1.7 million exports under AGOA





AGOA Business Connector

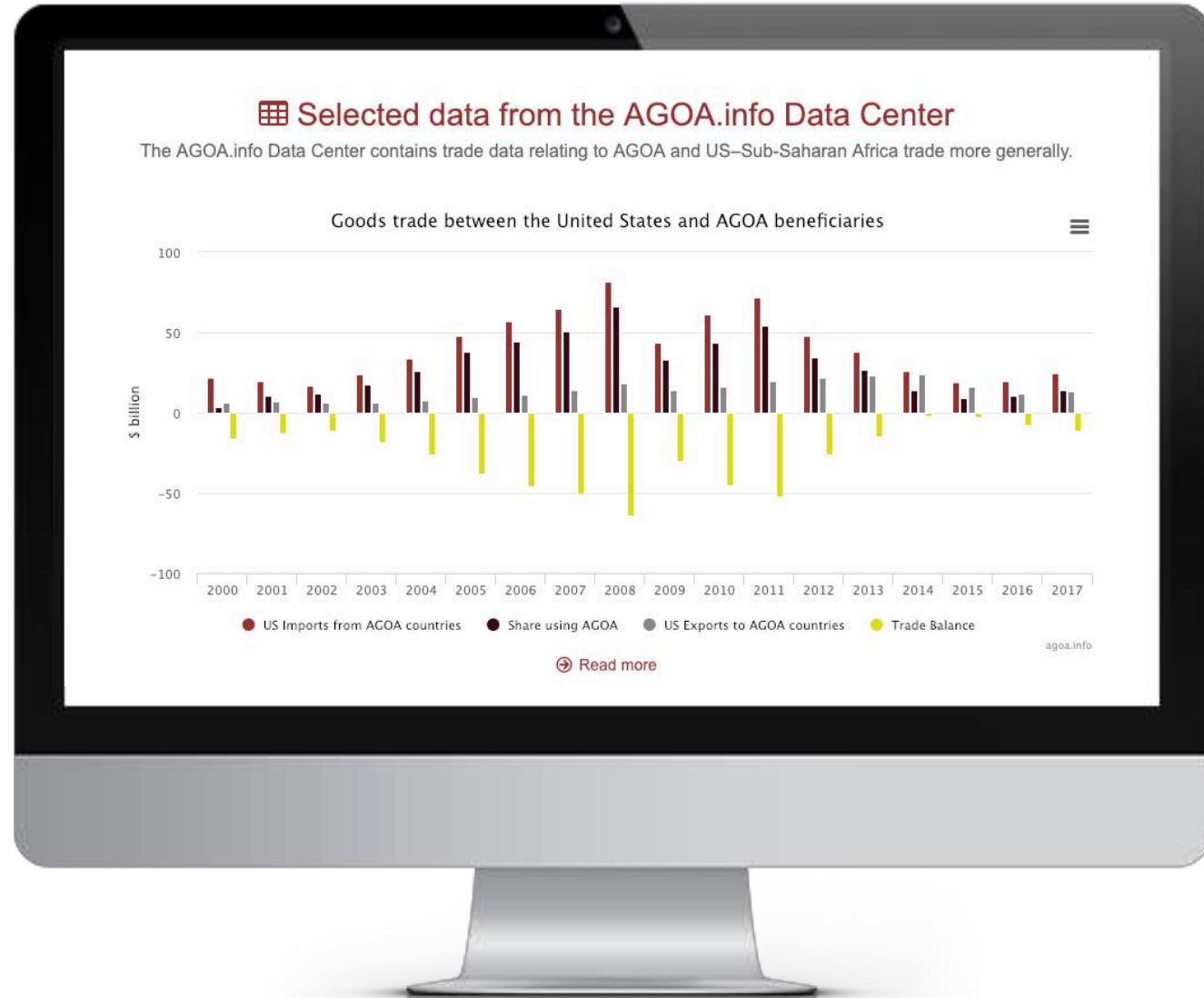
Introducing: AGOA BUSINESS CONNECTOR



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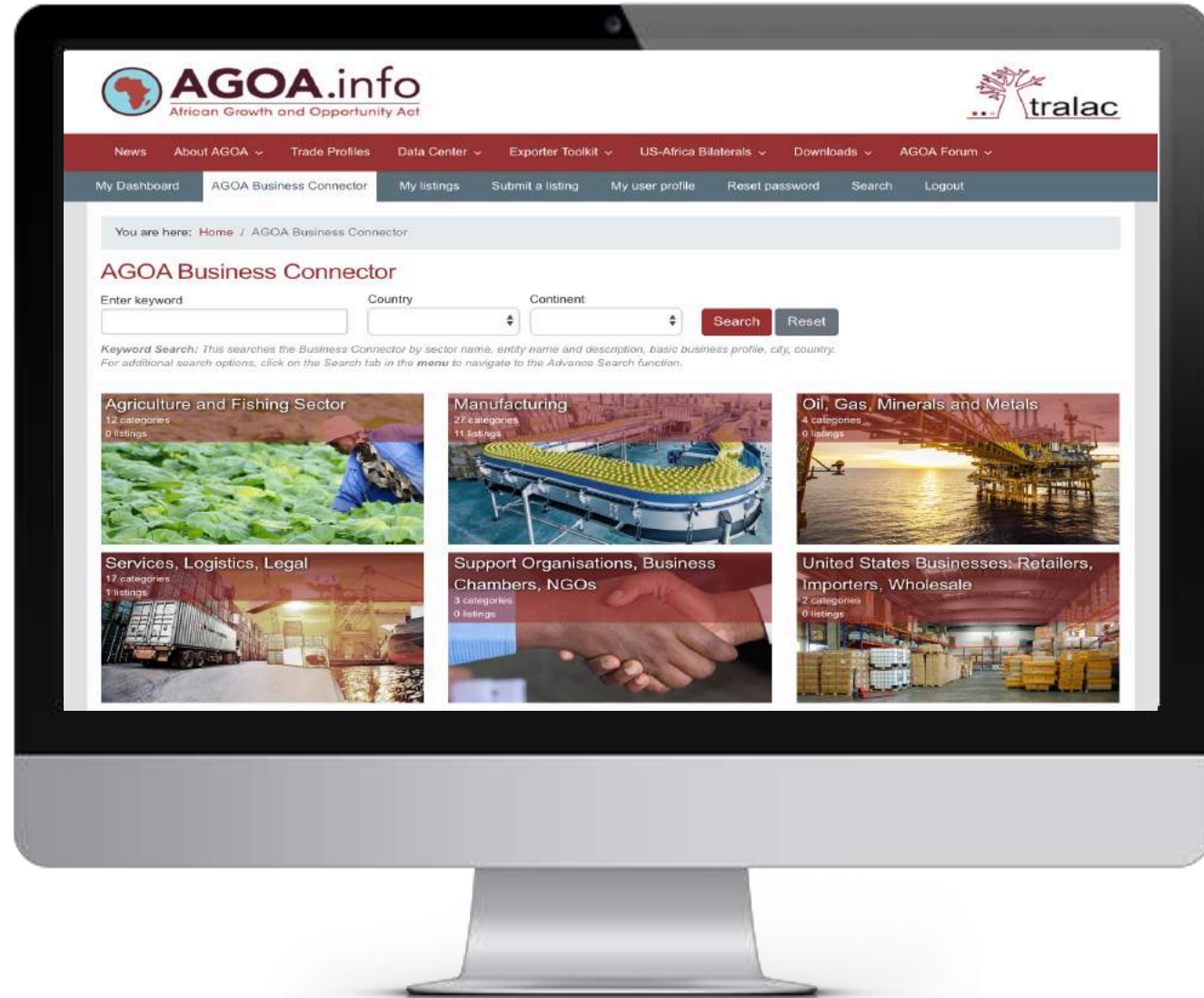
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www.AGOA.info



What is AGOA.info?

Africa-USA Focus

++User Base

Trade Data Monitoring

AGOA Eligibility

AGOA News

Guides and Themed Infographics

AGOA Strategies

Ext. Documents Archive

Monitoring Country Reviews

Extensive Exporter Resources

Organisation Links

TIFAs | BITs

AGOA Forum

Video Resources

What is the AGOA Business Connector?

AGOA Business Connector

- ✓ Aims to help businesses in AGOA Beneficiaries and the USA to “connect”
- ✓ Online facility to allow US / Africa focused businesses to showcase their offerings
- ✓ Registration on AGOA.info platform | verification processes | moderated
- ✓ **Producers | Exporters | Logistics | Trade Finance | Legal | Importers | Support**
- ✓ Facility for peer review, reporting, geo-mapping, secure messaging
- ✓ Sector / Service categorisation | Multi-factor search Facility



AGOA Business Connector

Enter keyword

Country

Continent

Search

Reset

Keyword Search: This searches the Business Connector by sector name, entity name and description, basic business profile, city, country.
For additional search options, click on the Search tab in the **menu** to navigate to the Advance Search function.

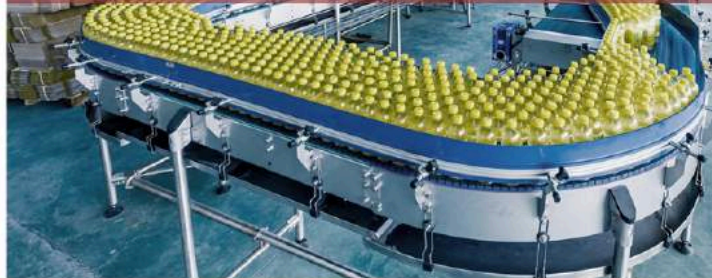
Agriculture and Fishing Sector

12 categories
0 listings



Manufacturing

27 categories
11 listings



Oil, Gas, Minerals and Metals

4 categories
0 listings



Services, Logistics, Legal

17 categories
1 listings



Support Organisations, Business Chambers, NGOs

3 categories
0 listings



United States Businesses: Retailers, Importers, Wholesale

2 categories
0 listings



Geo-mapping of Business Connector listings (example below: US Embassies)

Enter keyword

Country

Continent

Search

Reset

Keyword Search: This searches the Business Connector by sector name, entity name and description, basic business profile, city, country. For additional search options, click on the Search tab in the **menu** to navigate to the Advance Search function.

Sort by

Alphabetical

Results 1 - 43 of 43

This Category · All Listings



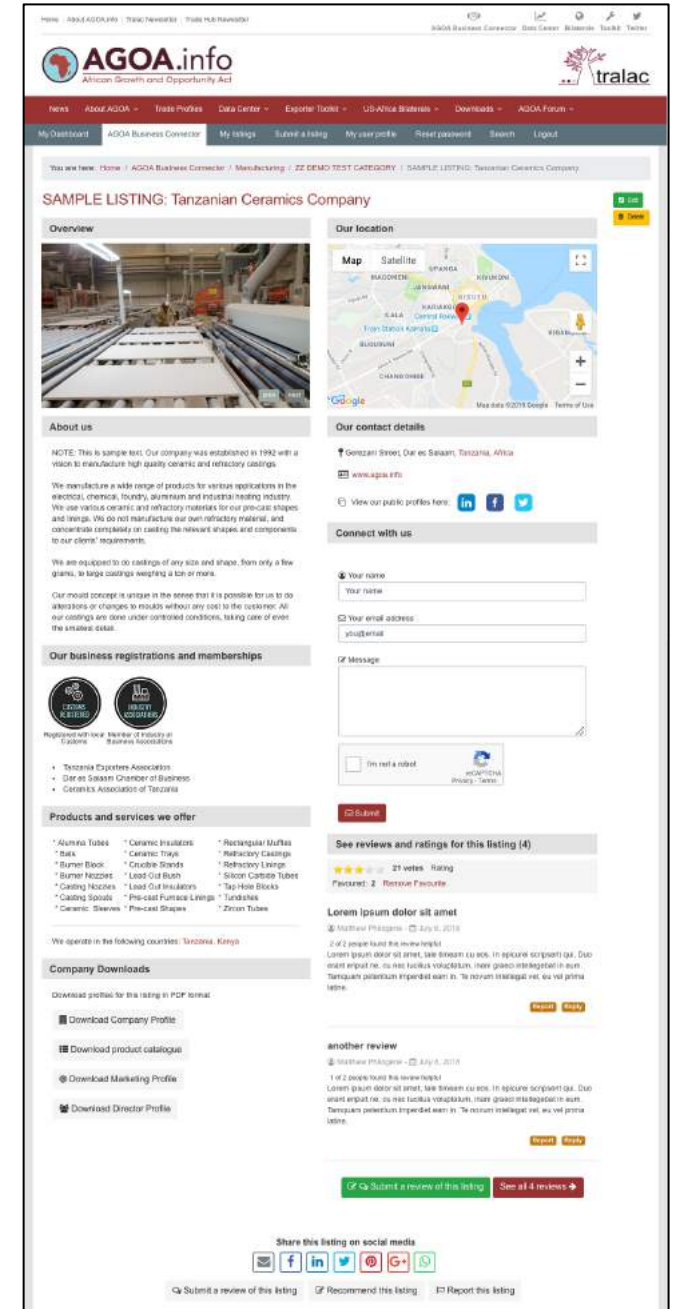
AGOA Business Connector

Basic visibility for un-registered users

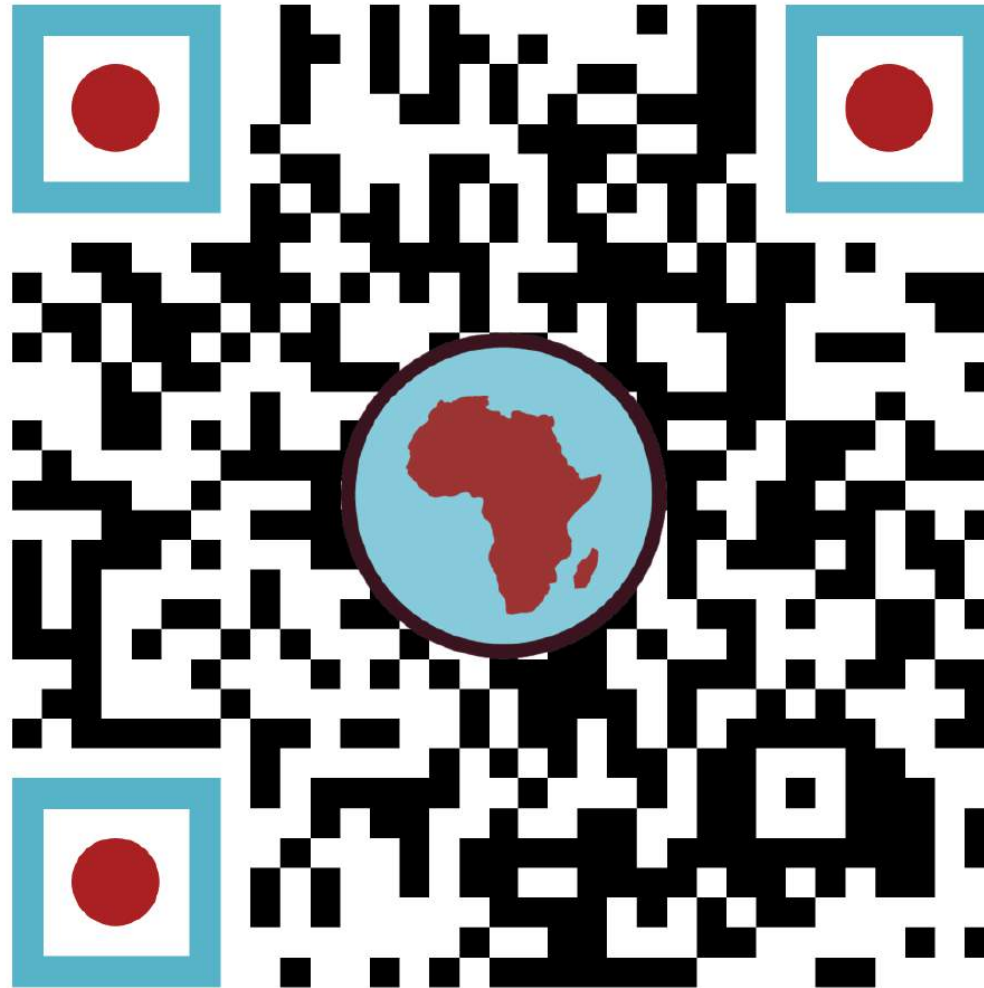
Full visibility for registered users

Browse by sector / sub-sector, on the clickable map, or search by sector / name / country / city / keyword

View listings / products
Download company information
Establish connection with company



AGOA BUSINESS CONNECTOR





Post - AGOA prospects?

Post - AGOA prospects (I)?

Storm Clouds, Silver Lining and Opportunity

...

Prevailing uncertainty about the long-term future of AGOA -
Some storm clouds...

- ✓ Current legislation expires September 2025
- ✓ Despite traditionally wide bipartisan support in Congress, the political climate has changed significantly over the past 5-10 years already. Congress directed USTR to “seek to conclude FTAs” when AGOA was renewed
- ✓ The US has for a number of years signaled that it intends moving away from non-reciprocal preferences to reciprocal trading arrangements
- ✓ The US feels that it is losing out (in Africa) to Europe and others – EPAs have been cited as example, never-mind the fine print

Post - AGOA prospects? (II)



- ✓ “Difficulties” with multilateralism / WTO extending to skepticism of non-reciprocal preferences, in favour of bilateralism?
- ✓ The USTR expressed a clear preference for bilateral **FTA** agreements with individual countries or regions in Africa “who are willing”... “door is open”
- ✓ Greater willingness to **flex muscle** and use AGOA leverage, apply eligibility requirements (South Africa, worn clothing / Rwanda, Swaziland... etc.)
- ✓ Greater willingness to use “executive action” and “national security” to suspend or remove preferences without going through Congress

New: President Trump's Africa Strategy



Trump Administration's new Africa Strategy announced by *Security Advisor* John Bolton December 2018

Identified priorities of the strategy include:

- support US businesses to **open markets in Africa**
- improve the business environment in promising African countries
- **leverage development finance tools** to provide alternatives to existing state-directed funding mechanisms that come with pre-conditions
- use AGOA to promote deeper trade ties with SSA and **prepare them (SSA) for reciprocal agreements** that go beyond AGOA

<https://agoa.info/downloads/reports/15576.html>



Post - AGOA prospects (III)?

Some silver lining ...

...

- ✓ The ever-present political dimension?
- ✓ Fear of Chinese and other influence, loss of US leverage
- ✓ “Cost” of AGOA is insignificant - <1% of US imports
- ✓ US exports to SSA been growing faster than imports from SSA
- ✓ Political post-Trump landscape by time of “expiry”
- ✓ Strength of US economy
- ✓ Re-designed “AGOA” with some candidates (rather than AGOA) falling away?

Post - AGOA prospects (IV)?

Change brings Opportunity... ...

- ✓ The risk of a discontinuation of AGOA preferences is real
- ✓ The US does not have a pre-set model FTA for Sub-Saharan Africa, and has indicated flexibility
- ✓ Opportunity to explore a deeper, and more secure future relationship
- ✓ Reality check: the economic cost of losing AGOA would be significant for certain sectors in some countries, but not devastating overall
- ✓ All sides (probably) recognise that AGOA (or similar) is a very small investment towards a deeper economic, political, strategic and security relationship and shouldn't be dispensed with easily

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