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

<table>
<thead>
<tr>
<th>KENYA global exports and imports</th>
<th>2001</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya’s EXPORTS to the ‘Rest of World’</td>
<td>$1.5b</td>
<td>$5.7b</td>
<td>$5.8b</td>
</tr>
<tr>
<td>Kenya’s IMPORTS from the ‘Rest of World’</td>
<td>$4.0b</td>
<td>$14.1b</td>
<td>$16.7b</td>
</tr>
<tr>
<td>Balance of Trade (trade deficit)</td>
<td>(-$2.5b)</td>
<td>(-$8.4b)</td>
<td>(-$10.9b)</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pakistan</td>
<td>11%</td>
</tr>
<tr>
<td>2</td>
<td>Uganda</td>
<td>10%</td>
</tr>
<tr>
<td>3</td>
<td>United States</td>
<td>8%</td>
</tr>
<tr>
<td>4</td>
<td>Netherlands</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>UK</td>
<td>7%</td>
</tr>
<tr>
<td>6</td>
<td>Tanzania</td>
<td>5%</td>
</tr>
<tr>
<td>7</td>
<td>UAE</td>
<td>4%</td>
</tr>
<tr>
<td>8</td>
<td>Somalia</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>Egypt</td>
<td>3%</td>
</tr>
<tr>
<td>10</td>
<td>DR Congo</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Leading IMPORT sources**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>23%</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>10%</td>
</tr>
<tr>
<td>3</td>
<td>UAE</td>
<td>8%</td>
</tr>
<tr>
<td>4</td>
<td>Saudi Arabia</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>Japan</td>
<td>5%</td>
</tr>
<tr>
<td>6</td>
<td>South Africa</td>
<td>4%</td>
</tr>
<tr>
<td>7</td>
<td>United States</td>
<td>3%</td>
</tr>
<tr>
<td>8</td>
<td>Indonesia</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>Germany</td>
<td>3%</td>
</tr>
<tr>
<td>10</td>
<td>Uganda</td>
<td>2%</td>
</tr>
</tbody>
</table>

Data: National data via ITC TradeMap
Kenya’s global trade profile – product spread

<table>
<thead>
<tr>
<th>Leading EXPORTS</th>
<th>$ 5.8b</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Coffee, tea, spices</td>
<td>29%</td>
</tr>
<tr>
<td>2 Cut flowers and other plants</td>
<td>10%</td>
</tr>
<tr>
<td>3 Mineral oils and fuels</td>
<td>6.2%</td>
</tr>
<tr>
<td>4 Clothing</td>
<td>5.5%</td>
</tr>
<tr>
<td>5 Vegetables</td>
<td>3.6%</td>
</tr>
<tr>
<td>6 Fruits and nuts</td>
<td>3.1%</td>
</tr>
<tr>
<td>7 Ores, slag and ash</td>
<td>3.1%</td>
</tr>
<tr>
<td>8 Tobacco</td>
<td>2.3%</td>
</tr>
<tr>
<td>9 Plastics</td>
<td>2.3%</td>
</tr>
<tr>
<td>10 Pharmaceuticals</td>
<td>2.2%</td>
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<th>Leading IMPORTS</th>
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<tbody>
<tr>
<td>1 Mineral oil and fuel</td>
<td>16%</td>
</tr>
<tr>
<td>2 Mech. machinery /appliances</td>
<td>11%</td>
</tr>
<tr>
<td>3 Elec. machinery / equipment</td>
<td>6.7%</td>
</tr>
<tr>
<td>4 Motor vehicles</td>
<td>6.7%</td>
</tr>
<tr>
<td>5 Cereals</td>
<td>4.4%</td>
</tr>
<tr>
<td>6 Iron and steel</td>
<td>4.0%</td>
</tr>
<tr>
<td>7 Plastics and articles thereof</td>
<td>3.9%</td>
</tr>
<tr>
<td>8 Animal and veg fats and oils</td>
<td>3.6%</td>
</tr>
<tr>
<td>9 Sugar and sugar confectionary</td>
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<td>10 Pharmaceuticals</td>
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Kenya’s export trade with the United States

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<th>2018</th>
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<td>$109m</td>
<td>$646m</td>
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<td>United States exports to Kenya</td>
<td>$235m</td>
<td>$315m</td>
<td>+34%</td>
</tr>
<tr>
<td>Balance of Trade (neg. value = in favour of US)</td>
<td>($-126m)</td>
<td>$331m</td>
<td></td>
</tr>
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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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Data in $ million.  
Source: Extracted from USITC Dataweb database.

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

2018: RECORD US-BOUND EXPORTS & TRADE SURPLUS

KENYA EXPORTS
$ 646 million

KENYA IMPORTS
$ 331 million

TRADE SURPLUS
$ 315 million
The Role of AGOA in boosting Kenya’s exports

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

1. AGOA beneficiaries’ combined exports to the US accounted for 0.96% of US global imports in 2018 (Kenya 0.03%)
2. 39 beneficiary countries
   Status: March 2019
3. Combined $12 billion AGOA exports incl. $4 billion non-oil
4. $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
  - Favourable Rules of Origin for Kenya
  - Approximately 1,300 tariff lines

- **37% MFN Duty Free**
  - Tariff lines where general US duty is zero
  - Approximately 4,000 tariff lines

- **3% Dutiably**
  - Standard import duties apply into the USA
  - Kenyan exports to USA attracted only $0.4m duties in 2018

Approximately 4,000 tariff lines - Favourable Rules of Origin for Kenya

Textiles: 12% Dutiably

- Dutiable

Kenya's market access to USA: 

- Approximately 5,200 tariff lines with 48% AGOA/GSP Duty Free
- Approximately 1,300 tariff lines with 12% AGOA Duty Free
- Approximately 4,000 tariff lines with 37% MFN Duty Free
- Approximately 350 tariff lines with 3% Dutiably

Kenyan exports to USA at $0.4m duties in 2018
Kenya’s trade with the United States by program

2018 Total Exports $646m

+13% over 2017

AGOA (excluding GSP)
$466m (72.4% of total)

GSP
$4m (0.6%)

$51m: Coffee

$22m: Electrical / Electronic products*

$11m: Essential Oils

$10m: Misc. edible preparations

No program claimed
$174m (27% of total)

$392m: Made-up clothing
+16%

$68m: Nuts
+24%

$1.7m: Artificial Flies
+6%
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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Selected data from the AGOA.info Data Center

The AGOA.info Data Center contains trade data relating to AGOA and US–Sub-Saharan Africa trade more generally.

Goods trade between the United States and AGOA beneficiaries

- US Imports from AGOA countries
- Trade using AGOA
- US Exports to AGOA countries
- Trade Balance
Introducing: AGOA BUSINESS CONNECTOR
Introducing: AGOA BUSINESS CONNECTOR
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
Geo-mapping of Business Connector listings (example below: US Embassies)

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.
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
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](https://agoa.info/downloads/reports/15576.html)
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.