

South Africa's trade with Kenya

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BILATERAL TRADE ANALYSIS

Introduction

This Trade Update provides a snapshot of South Africa's trading relationship with Kenya. Additional updates profiling South Africa's trade with select partners in Africa include Egypt, Nigeria and Zimbabwe.¹ The aim is to give an idea of South Africa's trade relations with the select partner, and the major products or sectors that South Africa is trading in.

All data is sourced from the United Nations (UN) International Trade Centre (ITC) TradeMap database. The data analysed in this report is over a 10-year review period from 2007-2016, thus the review period referred in this paper will imply the period between 2007 and 2016.

Bilateral Trade Agreements

Apart from the fact that South Africa and Kenya are both members of the World Trade Organisation (WTO); African Union (AU) which is in the process of negotiating a continental free trade area (CFTA) as well as members of the tripartite free trade agreement (TFTA) comprising of members of the Common Market for East and Southern Africa (COMESA), the East African Community (EAC) and the Southern Africa Development Community (SADC), there has been no bilateral trade agreement between the two countries.

Only recently in 2016, did the two countries sign a memorandum of understanding on trade and investment among others, which is aimed at enhancing exposure of trade and investment opportunities between the two countries².

South Africa and the other Southern African Customs Union (SACU) member states are currently negotiating with Kenya and the other member states of the East African Community (EAC) to conclude a bilateral tariff liberalisation dispensation as part of the TFTA.

¹ These are available on the tralac website: <https://www.tralac.org/resources/trade-data-analysis.html>

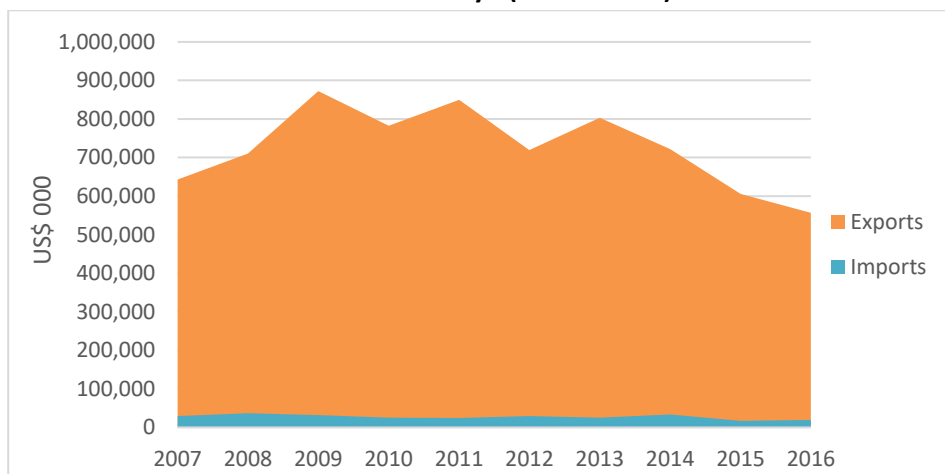
² See: http://news.xinhuanet.com/english/2016-10/11/c_135746511.htm

Trade Performance

Trade between South Africa and Kenya has been minimal when considering South Africa’s global trade. From a global perspective, Kenya is ranked 27th amongst South Africa’s export destinations accounting for just about 1% of South Africa’s total exports. In terms of imports, Kenya, does not feature even in the top 30 import suppliers to the South African market. However, when considering the African market, the Kenya is ranked 10th export destination for South Africa’s goods and is ranked 22nd most important import source from Africa.

Since 2007, South Africa has always maintained a trade surplus with Kenya, although in recent years, the gap has been reducing. In 2016, South Africa’s exports to Kenya were almost US\$ 560 million while imports were a mere US\$ 19.8 million.

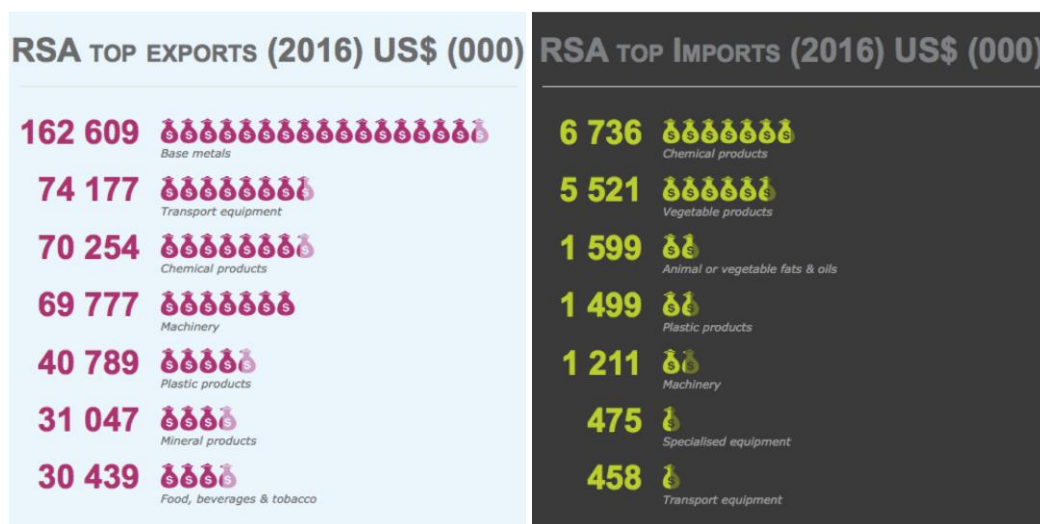
South Africa’s bilateral trade with Kenya (2007 – 2016)



Source: UN ITC TradeMap database, author’s calculations

In terms of product composition, South Africa’s trade with Kenya South Africa’s imports are mainly chemical and agricultural products which account for over 60% of South Africa’s imports from Kenya. South Africa’s exports on the other hand despite, base metals accounting for almost 30% of total exports to Kenya, the export base is quite diverse with goods ranging from transport equipment, chemical products, machinery; plastic products; mineral fuels; and food & beverages; the bulk of which are value added products.


Big Picture: Composition of trade between South Africa and Kenya



Source: UN ITC TradeMap database, author’s calculations

South Africa's fast growing (high value) exports to Kenya include, vehicles; edible fruits and food & beverages. Imports on the other hand include coffee & tea; edible fats & oils; cut flowers and chemical products (see table).

Top 15 products traded by South Africa and Kenya (US\$ 000)

	Exports US\$ (000)				Description	Imports US\$ (000)			
	2007	2016	% share (2016)	% CAGR (2007-2016)		2007	2016	% share (2016)	% CAGR (2007-2016)
All products	643 258	556 610		-2%	All products	29 267	19 806		-4%
Iron and steel	188 849	139 311	25%	-3%	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, ...	9 873	5 551	28%	-6%
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	26 560	61 293	11%	10%	Coffee, tea, maté and spices	1 375	2 708	14%	8%
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	39 939	53 714	10%	3%	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	250	1 599	8%	23%
Plastics and articles thereof	27 036	35 312	6%	3%	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	395	1 585	8%	17%
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	28 956	30 621	6%	1%	Plastics and articles thereof	246	1 499	8%	22%
Pharmaceutical products	15 848	19 159	3%	2%	Edible vegetables and certain roots and tubers	1 146	1 043	5%	-1%
Edible fruit and nuts; peel of citrus fruit or melons	4 026	18 308	3%	18%	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	2 547	963	5%	-10%
Beverages, spirits and vinegar	10 771	17 580	3%	6%	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	143	468	2%	14%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	17 122	16 063	3%	-1%	Fertilisers	22	461	2%	40%
Aluminium and articles thereof	26 987	14 950	3%	-6%	Aircraft, spacecraft, and parts thereof	849	417	2%	-8%
Miscellaneous chemical products	28 946	14 748	3%	-7%	Miscellaneous chemical products	50	390	2%	26%
Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring ...	6 566	11 367	2%	6%	Live animals	174	389	2%	9%
Aircraft, spacecraft, and parts thereof	14 242	10 368	2%	-3%	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles ...	0	360	2%	-
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	6 207	9 222	2%	4%	Aluminium and articles thereof	46	308	2%	24%
Paper and paperboard; articles of paper pulp, of paper or of paperboard	28 440	9 082	2%	-12%	Commodities not elsewhere specified	339	290	1%	-2%
Other	172 763	95 512	17%	-6%	Other	11 812	1 775	0%	-19%

Source: UN ITC TradeMap database, author's calculations

Given that Kenya is viewed as the economic gateway to the East African region, it makes economic sense for South Africa to increase trade relations with Kenya as part of its trade Invest Africa initiative. South Africa can consider tapping the wealth of investment and trade opportunities across various sectors such as information and communication technologies (ICT), manufacturing, extractives industries among others.

On Kenya's part, diversification is at the forefront of its National Trade Policy Strategy which was recently launched in July 2017³. Top on the agenda is boosting sectors such as agriculture, infrastructure and ICT. For Kenya to reduce the trade deficit with South Africa, a starting point will be to increase its exports of tea and avocados which are currently being restricted by non-tariff barriers to entry into the South African market. Thus, speeding up implementation of the tripartite free trade area (TFTA) can be a win-win for both parties. Furthermore, given South Africa's advanced economy Kenya, should also focus on services industries where it has a comparative advantage in the East Africa region. For success, Kenya will need to innovate more, create a business-friendly environment which requires that appropriate infrastructure is developed, economic reforms, reducing corruption, create employment opportunities while factoring and serving the rapidly urbanising and rising middle class.

Trade Interventions

At the African level, efforts currently undertaken by both countries to establish a Continental Free Trade Area (CFTA) and the recently signed and awaiting ratification tripartite Free Trade Area (TFTA) demonstrate the need to boost trade. At the country level, both countries have undertaken certain measures.

Kenya

In July 2017, Kenya, launched its National Trade Policy Strategy, which introduces a trade agenda in sectors such as agriculture, industry, infrastructure and ICT with sector specific trade targets. Product and market diversification are at the forefront when looking at agricultural and industrial policy and development. Kenya also aims to promote competitiveness through effective energy and infrastructure policies, while ICT, is a driver of trade, that ensures company enjoy low cost savings associated with trading under e-commerce⁴.

South Africa⁵

Through the department of trade in industry (dti) in March 2016 launched its Integrated National Export Strategy (INES) which aims to help improve the global competitiveness of South African exporters and tap the export-led economic growth benefits that have flowed to other developing countries in recent decades. The strategy aims double exports of manufactured goods in 10 years and increase export of services to constitute 40% of total services supplied by 2030. Africa is one of South Africa's target markets.

³ Available at: <https://www.tralac.org/documents/resources/by-country/kenya/577-kenya-national-trade-policy-may-2017/file.html>

⁴ See: <https://www.tralac.org/documents/resources/by-country/kenya/578-national-export-development-and-promotion-strategy-for-kenya-2017-2022/file.html>

⁵ Note that this section is similar to sections in other bilaterals analysed for South Africa