

Kenya

intra-Africa trade & tariff profile 2019

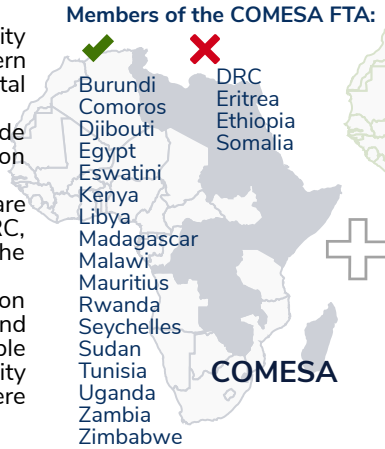


1. Introduction

Kenya is a member of the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Intergovernmental Authority on Development (IGAD).

- EAC is a customs union with duty-free trade among the six member states and a common external tariff (CET)
- COMESA has 21 member states, 17 of which are part of the COMESA Free Trade Area – the DRC, Eritrea, Ethiopia and Somalia are all in the process of accession
- IGAD has 8 member states. IGAD focuses on policy and programme harmonisation, peace and security, food security and sustainable development, facilitating investment, capacity building and infrastructure development. There has been no intra-IGAD tariff liberalisation.

Members of the COMESA FTA:



EAC All are member of the Customs Union

- Burundi
- Kenya
- Rwanda
- Tanzania
- South Sudan
- Uganda

IGAD

No FTA in place yet:

- Djibouti
- Eritrea
- Ethiopia
- Kenya
- Somalia
- South Sudan
- Sudan
- Uganda

2. Intra-Africa trade

For 2019, 37% of Kenya's world exports & 13% of world imports were to and from the rest of Africa. Intra-Africa exports amounted to US\$2.2 billion (3% more than in 2018) & intra-Africa imports to US\$2.2 billion (7%

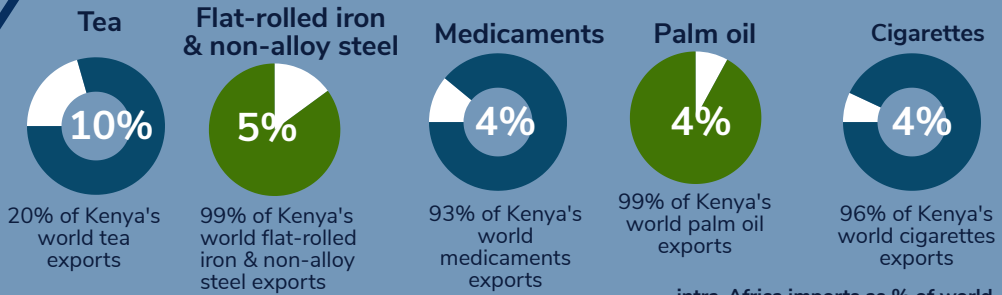
increase compared to 2018 imports). Main export products include tea, flat-rolled iron and non-alloy steel, medicaments, palm oil, cigarettes, petroleum oils, soap and sugar confectioneries. 29% of Kenya's intra-Africa exports go to Uganda. Main import products include

cane or beet sugar, semi-finished products of iron or non-alloy steel & milk and cream. 32% of Kenya's intra-Africa imports are sourced from South Africa. Kenya mainly trades with Uganda, South Africa, Egypt and Tanzania - accounting for 22%, 17%, 14% & 14% of Kenya's intra-Africa trade.

Main destination markets

Uganda, Tanzania, Rwanda, Egypt, DRC & South Sudan

Exports



Kenya's intra-Africa trade 2019

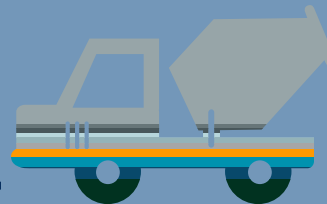
intra-Africa imports as % of world imports of designated products

| | |
|--|------|
| Cane or beet sugar (12.24%) | 88% |
| Flat-rolled iron or non-alloy steel (6.12%) | 35% |
| Semi-finished iron or non-alloy steel (5.1%) | 56% |
| Milk and cream (4.08%) | 100% |
| Odoriferous substances and mixtures (3.06%) | 70% |
| Maize or corn (3.06%) | 99% |
| Iron or non-alloy steel bars (2.04%) | 66% |
| Coal (2.04%) | 100% |
| Unmanufactured tobacco (2.04%) | 91% |
| Other (60.2%) | |

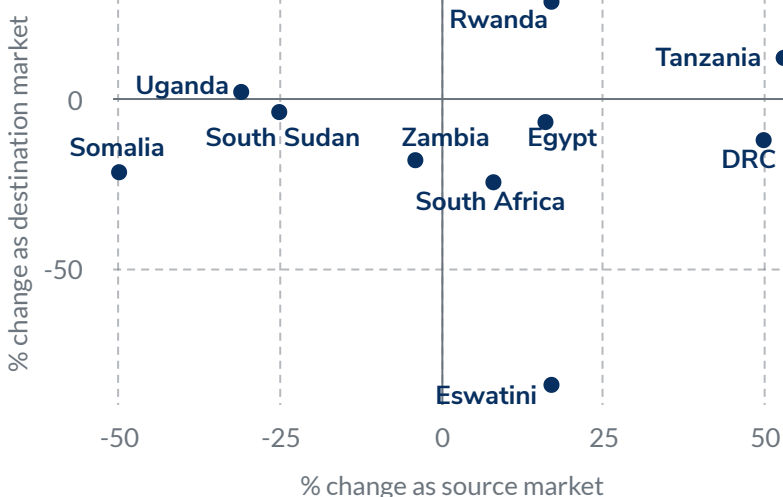
Main source markets



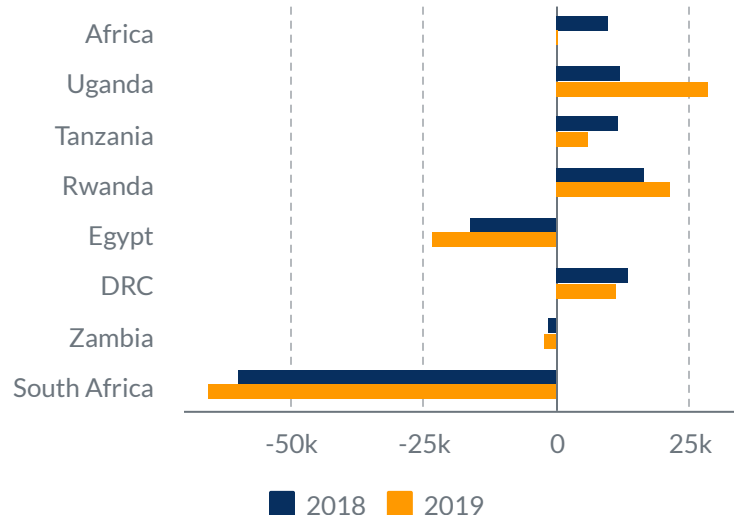
Imports



% change in exports to & imports from main African trade partners (2018 to 2019)



Trade balance with designated trade partners 2018 & 2019



3. Intra-Africa tariffs & non-tariff cost of trade
 Goods imported into Kenya from other EAC countries and the majority of COMESA member states enter duty-free. In COMESA the exceptions are goods imported from DRC, Eritrea, Ethiopia, Eswatini and Somalia. African imports from outside the EAC and COMESA, DRC & Somalia are levied the MFN applied duty which is the EAC CET which has 7 tariff bands - duty-free, 10%, 25%, 35%, 50%, 60% and specific or combined duties.

2% of world and 6% of Kenya's intra-Africa exports are to African countries outside EAC and COMESA. The main products export to outside EAC & COMESA include gold, black-fermented tea, drilling machinery and textile bast fibres. Outside EAC & COMESA, Kenya mainly exports to Mozambique, South Africa & Nigeria - accounting for 26%, 24% & 20% of the non-EAC & COMESA exports, respectively. 4% of world and 34% of intra-Africa imports are sourced from African

countries outside EAC and COMESA. Apart from South Africa, 20% are sourced from Mozambique and 12% from Morocco. Of the main import products include flat-rolled iron, semi-finished iron, coal, petroleum gas & hot-rolled iron bars. Outside EAC & COMESA, Kenya mainly import from South Africa. 93% of Kenya's imports from outside EAC & COMESA are sourced from South Africa. Other source markets include Mozambique and Nigeria, accounting for 3% and 1% of Kenya's imports from outside EAC & COMESA

MFN duty categories & % of national tariff lines in each category

Duty-free 37%
 seeds for sowing; crude seed oils; cocoa paste & butter; ores & concentrates; rough wood, wool & cotton; ferro-chromium; stainless steel products; construction & agricultural machinery; electric motors & generators; tractors & unassembled motor vehicles

10% duties 20%
 almonds & hazelnuts; malt & starches; refined seed oils; cocoa beans; oilcake; rubber tubes, fittings & conveyor belts; yarn; glass products; most flat-rolled iron products and vehicle & machinery parts

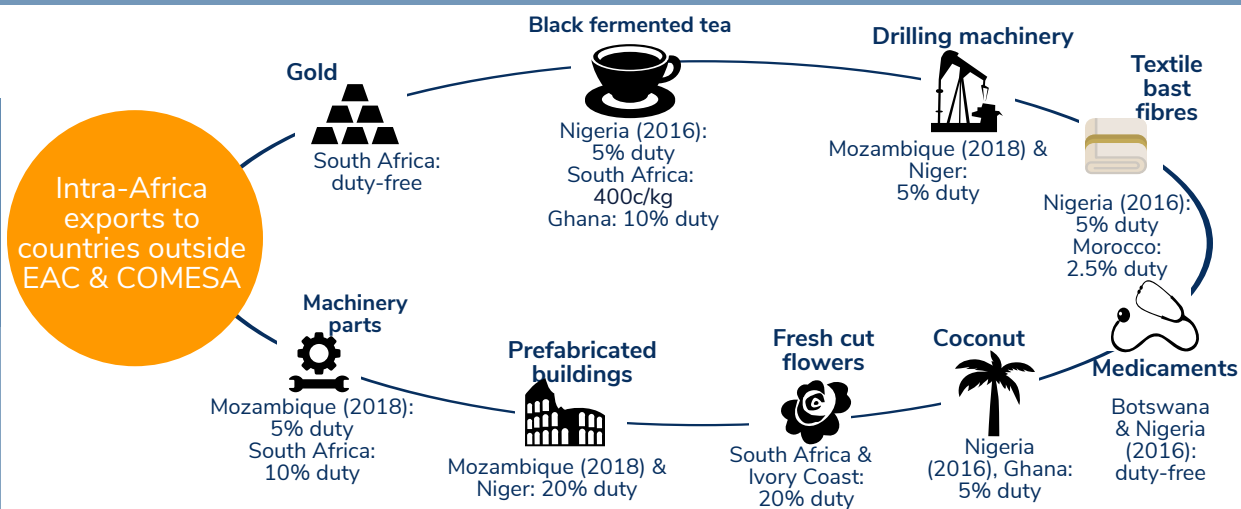
25% duties 40%
 most live animals; beef, pork, lamb & chicken; fish fillets; most fresh & dried vegetables & fruits; coffee, tea & spices; chocolate, pasta & pastries; Portland cement; beauty products & soaps; fabrics & clothing items and assembled vehicles

35% duties 0.3%
 hard wheat; cigarettes; water pipe tobacco; second-hand clothes, footwear and other items and primary cells & batteries

50% duties 0.3%
 maize; wheat & maize flour; traditional cotton woven fabrics and garments of these fabrics (Khanga, Kikoi & Kitenge) and cotton bed & table linen

60% duties 0.3%
 milk; milk powder; yogurt; buttermilk, kefir & other fermented milk products; fresh cheese & curd; grated, processed, blue-veined & other cheeses

specific/combined 0.9%
 steel cladding; sugar; iron bars, rods, angles, shapes & sections; alloy steel bars, rods, angles, shapes & sections; plated flat-rolled iron products and rice

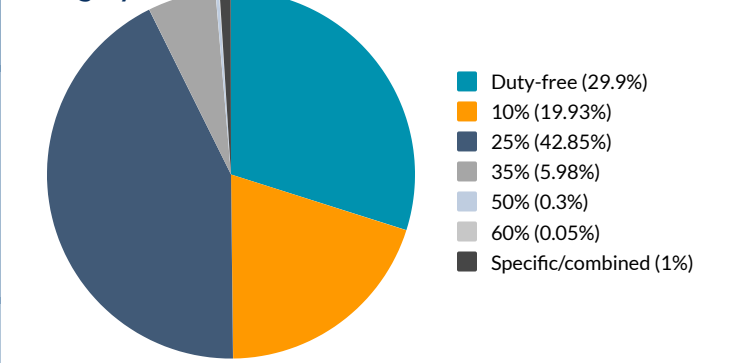


Kenya's imports from outside EAC & COMESA

46% of Kenya's world imports of flat-rolled iron > 600mm thick are sourced from outside the EAC & COMESA; 55%, 87% & 19% of Kenya's world imports of semi-finished iron or steel, coal & petroleum gas are sourced from outside EAC and COMESA.

- South Africa (93%)**
 Flat-rolled iron > 600mm thick (duty-free)
 Iron and non-alloy steel (duty-free)
 Coal (duty-free)
- Mozambique (3%)**
 Petroleum gas (duty-free)
 Aluminium wire (duty-free)
 Ferrous waste and scrap (duty-free)
- Nigeria (1%)**
 Petroleum gas (duty-free)
 Medical parts and accessories (duty-free)
 Surveying instruments (duty-free)
- Morocco (1%)**
 Fertilisers (duty-free)
 Polyethers (duty-free)
 Petroleum oils (25% duty)

Categories of MFN duties & % of 2019 imports in each category



Of the top 20 import products, 13 products are imported into Kenya duty-free. These products include flat-rolled iron or non-alloy steel, semi-finished iron or non-alloy, coal & petroleum gas, hot-rolled iron or non-alloy bars, medicaments, medium oils & polypropylene. The highest tariffs (35%) is applicable to imports of hot-rolled bars and roads in wound coils. A 25% duty is applicable to imports of goods and passenger vehicles, apples & wine.

The tariff cost of bilateral trade between Kenya & designated trade partners

The ESCAP-World Bank trade cost database has two components - the tariff costs and non-tariff costs of trade in agricultural goods & manufactured products. The data shows that the costs of agricultural trade between Kenya and all countries (except Tunisia, Germany & Russia) is more than the cost of manufactured products. Agricultural trade between Kenya and African countries like Ghana, Senegal, Namibia, Mozambique, Mauritius, DRC, Zimbabwe) is more costly than trade with non-African countries like China, France, UK, Russian and Germany. Manufacturing trade between Kenya and Namibia, Tunisia & Senegal is more costly than with Russia, Brazil, Germany, France, China and the UK.

