

Overview of Kenya–China bilateral trade

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December 2021



ODI–FSD Kenya emerging analysis series

Key messages

Kenya has been a net importer from China with imports and exports reaching \$3.6 billion and \$150 million, respectively, in 2019.

About 40% of imports from China in the past five years to 2019 are comprised of electrical and mechanical machineries, nuclear reactors and boilers while 60% of exports to China are of titanium and zirconium ores and concentrates.

Kenya may boost efforts to increase exports of tea, flowers and plants, leather products, coffee, macadamia, pineapples and oil seeds– products for which demand is increasing in China, and efficiency is increasing in Kenya.

Kenyan exporters to China face challenges including higher tariffs compared to China’s preferential treatment to least developed African countries; limited direct flights to China for flowers; marketing tea in Mandarin; and compliance with phytosanitary controls for avocados.

To boost exports to China, Kenya should continue its engagements with China to address trade bottlenecks; support micro, small and medium-sized enterprises in horticulture, tea, fruit and vegetable value chains; and support the development of standards appropriate to the Chinese market.



Acknowledgements

The authors are grateful for the financial support of FSD Kenya. The views presented in this publication are those of the authors and do not necessarily represent the views of FSD Kenya or ODI. Comments are welcome at: s.raga@odi.org.uk.

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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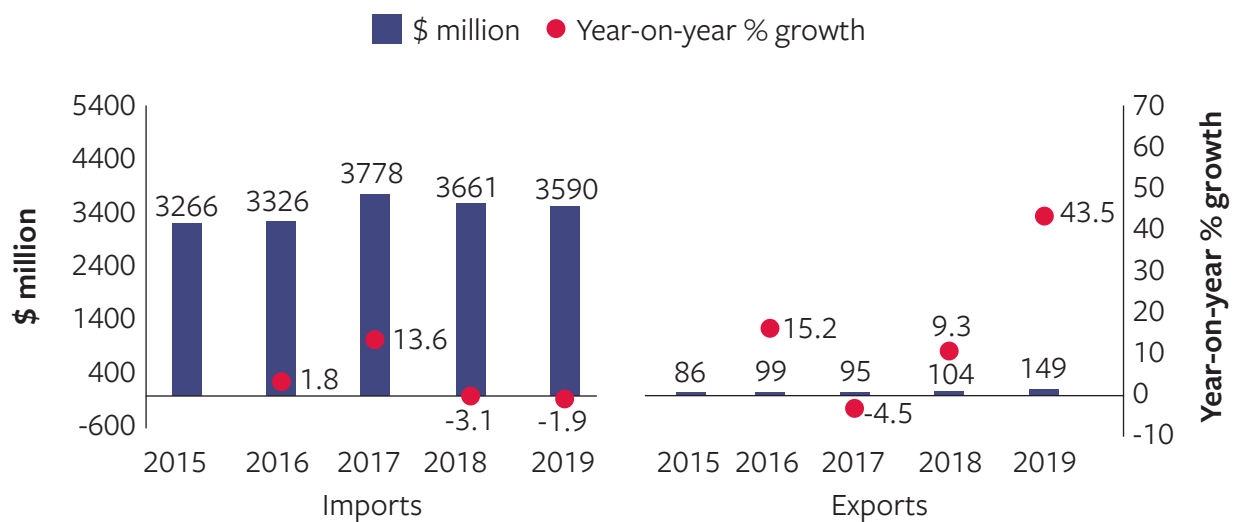
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How to cite: Raga, S., Mendez-Para, M., and Velde, D.W. te (2021) 'Overview of Kenya–China bilateral trade'. Policy Brief. London: ODI (www.odi.org/publications/overview-of-kenyachina-bilateral-trade).

Kenyan goods trade with China

Kenya has been a net importer from China with a trade deficit reaching \$3.4 billion as of 2019. Kenyan trade with China has been volatile in the past five years. Imports have contracted recently while exports have grown by 9.3% and 43.5% in 2018 and 2019, respectively (Figure 1). On average between 2015 and 2019, Kenyan products account for a 0.006% share of China's world imports.¹

Figure 1 Kenyan trade in goods with China



Source: Authors' calculations based on data from World Integrated Trade Solution (WITS) database

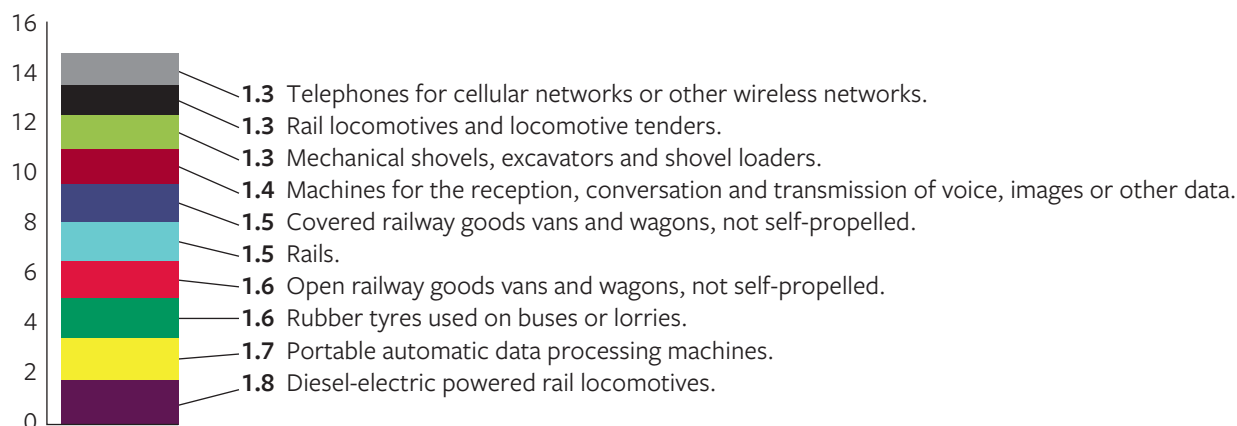
The top ten 6-digit category products – mostly rails and parts, and data processing and communication devices – account for 15% of Kenya's total imports from China (Figure 2). By 2-digit product group, almost half of imports from China are comprised of electrical machinery and equipment (19%), nuclear reactors, boilers, machinery and mechanical appliances and parts (18%), iron and steel (7%), and plastics (6%).²

Titanium and zirconium concentrates account for 60% of Kenya's exports to China in the past five years (Figure 4). These are followed by vegetable textile fibre, petroleum oils, animal skin, sesamum seeds and black tea, albeit with volatile growth in the past five years. Notably, boring and sinking machinery previously had a 6.3% share in exports to China, but their values fell by 100% from 2015 to 2019. Meanwhile, Kenya started exporting non-agglomerated iron ores and concentrate exports to China worth \$4.5 million to \$4.8 million in the last two years, contributing about 2.6% to total exports to China.

¹ Authors' calculations based on WITS data.

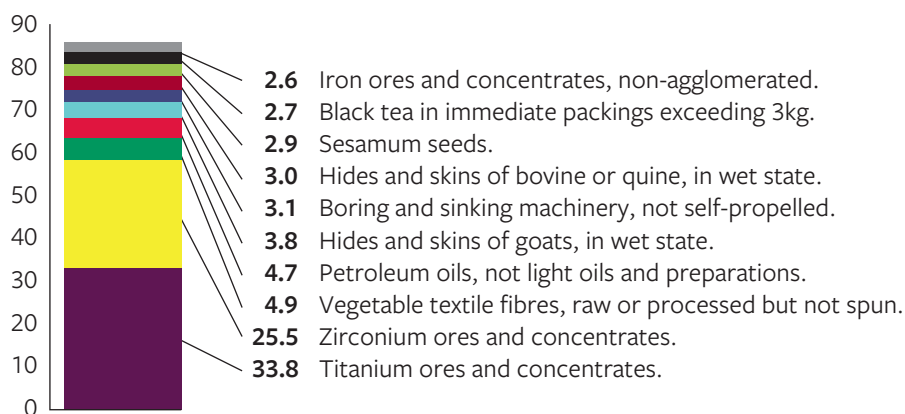
² Authors' calculations based on WITS data.

Figure 2 Top 10 Kenyan imports from China (annual average % of Kenyan imports from China, 2015–2019)



Source: Authors' calculations based on data from WITS database

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



Source: Authors' calculations based on data from WITS database

Competitiveness of Kenya's exports to China

We investigate the efficiency (in terms of revealed comparative advantage, or RCA) of Kenya's top 50 exports to China as well as the Chinese demand for such products (sourced globally) in the past five years.³ Table 1 presents products which: can be further promoted for export

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

to China (Category A); may need intervention (e.g. to increase efficiency) to meet increasing demand from China (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 Kenya's top exports to China, 2015–2019

	Increasing RCA	Decreasing RCA
Increasing Chinese demand	Category A products <ul style="list-style-type: none"> ● Plants and fresh cut flowers. ● Black tea. ● Coffee. ● Macadamia. ● Pineapples. ● Oil seeds and oleaginous fruits. ● Gelatin. ● Cigarettes. ● Vegetable and bast textile fibres. ● Hides of bovine or equine (in dry state) and sheep (in wet state). ● Natural gums, gum-resins and oleoresins. ● Ores and concentrates of iron, manganese, copper, titanium, zirconium. ● Metals (e.g. brass, copper, aluminium scrap). 	Category B products <ul style="list-style-type: none"> ● Hides and skins of goats, in wet state. ● Meat of horses, asses, mules or hinnies. ● Plastic in primary form. ● Chemical products and preparations. ● Iron or steel cast articles.
Decreasing Chinese demand	Category D products <ul style="list-style-type: none"> ● Sinking machinery. ● Plastic scrap. ● Prefabricated buildings. ● Hides of bovine or equine, wet-salted or preserved. ● Processed livers, roes and milt of fish. ● Live mammals other than selected primates. ● Herbicides. ● Garments of synthetic fibres. ● Precious (other than diamonds) and semi-precious stones. 	Category C products <ul style="list-style-type: none"> ● Sesamum seeds. ● Cashew nuts. ● Lobsters. ● Hides and skins of bovine or equine and other animals other than ovine, bovine, goats, swine and reptiles, in wet state. ● Petroleum oils, not light oils and preparations. ● Iron or steel articles. ● Monumental or building stone.

Notes: See detailed list of competitiveness of 50 Kenyan export products to China in Raga et al. (2021).

New export products for potential trading with China

By examining the Chinese demand (from the world) for products that Kenya is already exporting worldwide (but not substantially to China), we identify new Kenyan products for potential export to China: Vegetables; food preparations; avocados; pineapple juice; margarine; garments and footwear; soap; disodium carbonate; and crude oil.

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). Table 2 highlights particular challenges faced by Kenyan exporters to China.

Table 2 Barriers to trade faced by Kenyan exporters to China

Kenyan exports to China	Challenges
General export products	Lack of comprehensive trade policy between Kenya and China (e.g. preferential treatment for Kenya)
Flowers	Limited direct flight availability from Kenya to China; high tariffs
Tea	Marketing/Mandarin translation on packaging for Chinese consumers; seek trade agreement to lower tariff
Fruits (avocados)	Limited to frozen avocado exports to China due to phytosanitary control

Sources: Githaiga, 2021; Deb, 2018; Embassy of China in Kenya, 2018; Mutethya, 2018; Opali, 2020; and Andae, 2019.

To boost exports to China, Kenya can undertake efforts at the domestic and international policy levels. At the national level, Kenya may consider:

- supporting micro, small and medium-sized enterprises in value chains;
- providing value chain finance for firms in horticulture, tea, fruit and vegetables; and
- supporting the development of labelling and phytosanitary control (SPS) standards appropriate to products for the Chinese market.

At the international level, Kenya is engaged in a range of trade agreements and cooperation initiatives, and is seeking preferential treatment to access the Chinese market (PSCU, 2018). In 2018, China and Kenya signed an agreement on exporting stevia to China and a memorandum of understanding on SPS (Xinhua, 2019). In April 2019, Kenya and China signed a deal allowing Kenya to export frozen avocados to control fruit pests (Opali, 2020; Andae, 2019).

Financial institutions or institutions that support financial sector development have a number of options to support Kenyan exports to China. These include: tailoring financial products for small-scale farmers/producers of export products with growing demand from China; supporting value chain finance and to digital financial services; providing financial support to meet product-specific standards by China; or supporting international approaches to facilitate investment.

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