

Overview of Kenya–India bilateral trade

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Key messages

Kenya has been a net importer from India with imports and exports reaching \$1.7 billion and \$53 million, respectively, in 2019.

Imports from India are dominated by petroleum oils of both light (4.9% of total imports) and not light oils and preparations (23%) in the past five years. Exports to India have recently been dominated by disodium carbonates, which grew from less than \$1,000 in 2015 to \$21 million (or 39% of India-bound Kenyan exports) in 2019.

Kenya may boost efforts to increase exports of disodium carbonate, base metals and articles, plastic products, hides and skins, medicaments and peas – products for which India has increasing demand and/or Kenya has increasing efficiency. Kenyan garments, margarine, flowers, vegetables, avocados, macadamia and pineapples are yet to gain importance in the Indian market.

Kenyan exporters to India face high tariffs since the current bilateral trade agreement only covers trading under most-favoured nation status.

To boost exports to India, Kenya may consider supporting and providing finance for micro, small and medium-sized enterprises in horticulture, fruit and vegetables and textile value chains; supporting export marketing; and developing standards appropriate to the Indian market.



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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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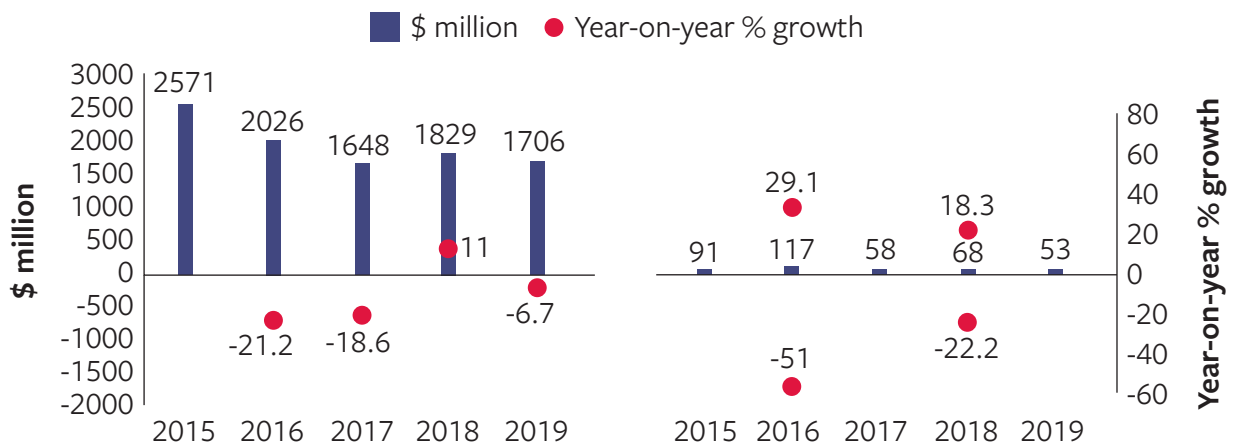
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Kenyan goods trade with India

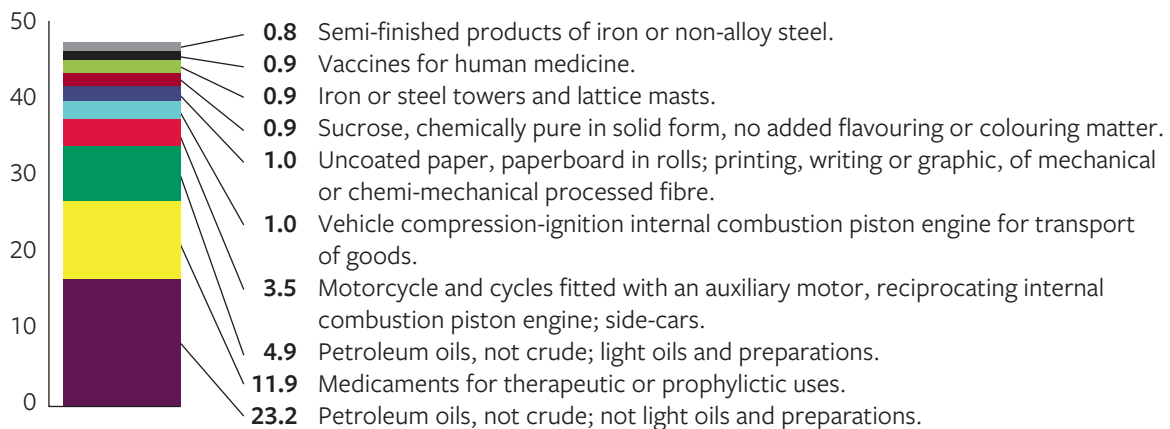
Kenya has been a net importer from India in the past five years. Growth of exports has been volatile, while imports have marginally declined more recently, narrowing the goods trade deficit from \$2.5 billion in 2015 to \$1.7 billion in 2019 (Figure 1). Ten products accounted for 50% of Kenya’s total imports from India in the past five years – dominated by petroleum oils (not containing biodiesel, not crude, not waste oils) of both light (4.9%) and not light oils and preparations (23%), and medicaments for retail sale (12%) (Figure 2).

Figure 1 Kenyan trade in goods with India



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

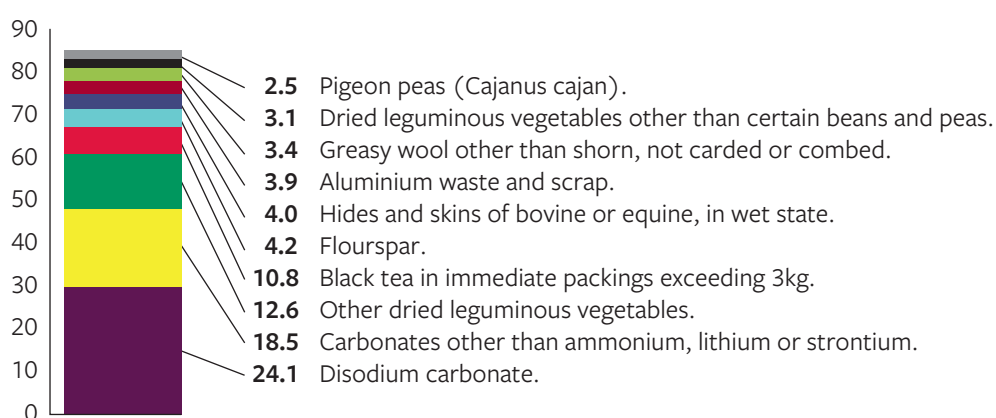
Figure 2 Top 10 Kenyan imports from India (annual average % of Kenyan imports from India, 2015–2019)



Source: Authors’ calculations based on data from WITS database

Meanwhile, Kenyan exports to India have become dominated by disodium carbonate (Figure 3), which grew from less than \$1,000 in 2015 to \$21 million in 2019, increasing its share of total Kenyan imports from India from virtually zero in 2015 to 39% by 2019. Double-digit declines in values are recorded for other major export products such as various peas (around -90%) and black tea (-38%). Sharp increases were recorded from exports of aluminium waste and scrap (883%), and copper-zinc base alloys (brass) (678%) in the past five years.¹

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



Source: Authors' calculations based on data from WITS database

Competitiveness of Kenya's exports to India

We investigate the efficiency (in terms of revealed comparative advantage, or RCA) of Kenya's top 50 exports to India as well as the Indian demand for such products (sourced globally) in the past five years.² Table 1 presents products which: can be further promoted for export to India (Category A); may need intervention (e.g. to increase efficiency) to meet increasing demand from India (Category B); Kenya may consider moving or diversifying away from (Category C); and Kenya may opt to direct towards other bilateral partners (Category D).

¹ Authors' computations based on WITS data.

² See Raga et al. (2021) for detailed methodological approach.

Table 1 Competitiveness matrix of Kenyan top exports to India, 2015–2019

	Increasing Kenyan RCA	Decreasing Kenyan RCA
Increasing Indian demand	Category A products <ul style="list-style-type: none"> • Disodium carbonate. • Metals (e.g. copper and articles, zinc alloys, aluminium scraps, metal-rolling mills). • Precious (other than diamonds) and semi-precious stones. • Scrap plastics. • Minerals (e.g. zirconium, manganese). • Tea extracts and concentrates. • Chickpeas (garbanzos). • Live plants. • Hides and skins of bovine or equine, dry state. • Natural gums, gum-resins and oleoresins. 	Category B products <ul style="list-style-type: none"> • Zinc dust and articles. • Medicaments for therapeutic uses. • Hides and skins of animals other than equine, ovine, bovine, goats, swine and reptiles, wet state. • Cow peas. • Plastic in primary forms.
Decreasing Indian demand	Category D products <ul style="list-style-type: none"> • Black tea in packings exceeding 3kg. • Greasy wool other than shorn, not combed. • Vegetable and bast textile fibres. • Not roasted nor decaffeinated coffee. • Skins of sheep or lambs without wool or in the wet state. 	Category C products <ul style="list-style-type: none"> • Dried vegetables and vegetable saps. • Peas and beans. • Petroleum oils, not light oils and preparations. • Paper or paperboard waste and scrap. • Hides and skins of goats in wet state. • Greasy shorn wool. • Zinc waste and scrap, and not alloyed zinc. • Iron or steel cast articles. • Plastic articles for packing of goods.

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

New export products for potential trading with India³

By examining the Indian demand (from the world) for products that Kenya is already exporting worldwide (but not substantially to India), we identify the following new Kenyan products for potential export to India: fresh cut flowers, margarine, avocados, macadamia, vegetables, pineapples, soap, garments and steel products.

3 See a detailed methodological approach and detailed list of 18 new products identified for exporting to India in Raga et al. (2021).

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). Kenyan exporters to India are particularly hindered by high tariffs of up to 60% for flowers, for example (Guei and Schaap, 2015). The trade agreement between India and Kenya signed in 1981 only accorded most-favoured nation status to each other (High Commission of India in Kenya, 2021).

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

- supporting micro, small and medium-sized enterprises in value chains
- providing value chain finance for firms in sectors identified by the India–Kenya Joint Trade Committee (JTC) and for producers of promising products identified in sections 2 and 3 of this analysis
- supporting the development of standards appropriate for products for the Indian market.

At the international level, Kenya continues its trade cooperation engagements with India. In 2018, India's Minister of Commerce, Trade and Aviation expressed willingness to support Kenya's manufacturing sector, particularly on application of technology to increase production and value addition by small-scale farmers. The JTC, established in 1983, held its latest meeting in August 2019. During the meeting, parties discussed exploring bilateral trade expansion opportunities in specific sectors such as manufacturing, agriculture, agro-processing, floriculture, aquaculture, ICT and garments, among others.

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

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