

Overview of Kenya–US bilateral trade

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December 2021



ODI–FSD Kenya emerging analysis series

Key messages

Kenya has been a net importer from the United States (US) but the trade deficit narrowed significantly between 2015 and 2019, from -\$872 million to -\$83 million.

More than half of Kenyan exports to the US are comprised of clothing, macadamia, coffee, titanium ores and concentrates, and black tea. Three-quarters of US-bound exports benefit from duty-free access to the US under the African Growth and Opportunity Act (AGOA).

Kenya may boost efforts to increase exports of clothing, coffee, tea, pineapples and roses – products for which there is increasing demand in the US and/or increasing efficiency in Kenya. Kenyan food preparations, soap and frozen goat meat are yet to gain importance in the US market.

Kenyan exporters to the US face challenges related to compliance with US phytosanitary control, packaging requirements, procedural obstacles, environmental, social and safety standards, conformity assessments, and rules of origin.

To boost exports to the US, Kenya may support micro, small and medium-sized enterprises in garments, horticulture and tea value chains; and the development of standards appropriate to the US market. Kenya should also maximise the US–Kenya Strategic Cooperation Framework and US trade and investment agreements with the region.



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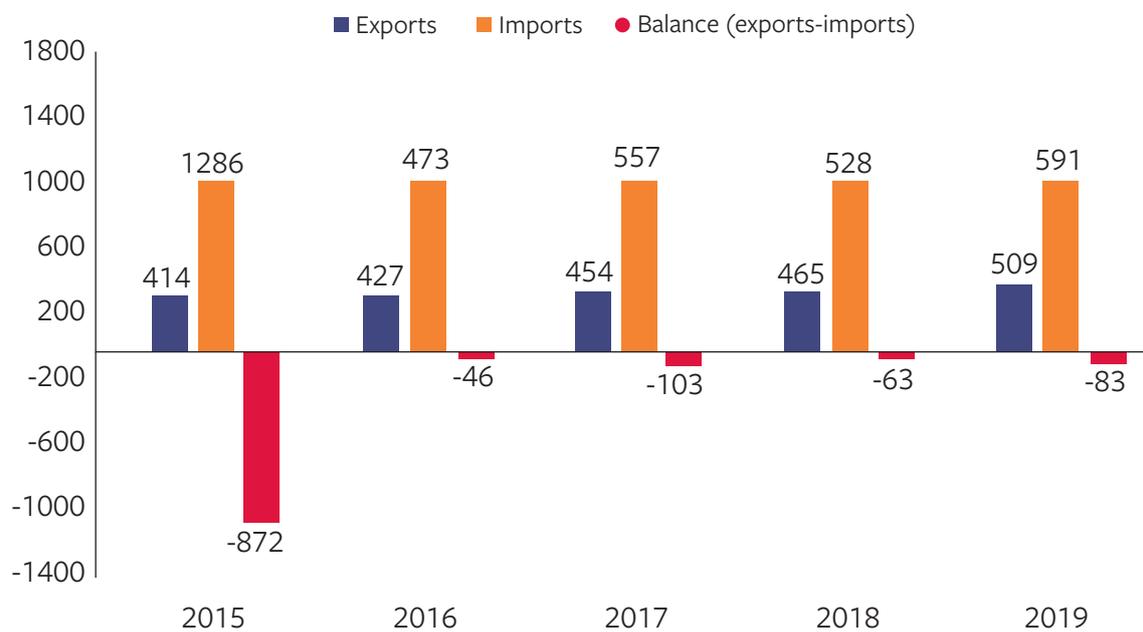
How to cite: Raga, S., Mendez-Para, M., and Velde, D.W. te (2021) 'Overview of Kenya–US bilateral trade'. Policy Brief. London: ODI (www.odi.org/publications/overview-of-kenyaus-bilateral-trade).

Kenyan goods trade with the United States

Kenya has been a net importer from the United States (US) but the trade deficit has narrowed down significantly from 2015 to 2019, from -\$872 million to -\$83 million (Figure 1). Kenya's exports to the US have been growing since 2016, albeit with relative volatility. There was stronger growth in 2017 (6.3%) and 2019 (9.4%), and slower growth recorded in 2016 (3.2%) and 2018 (2.4%). In the past five years, Kenya's share of US total world imports marginally increased from 0.032% in 2015 to 0.036% in 2019.¹

Ten Kenyan products account for 62.1% of total US-bound Kenyan exports, dominated by trousers for men, women, boys and girls, macadamia, coffee, titanium ores and concentrates, and black tea (Figure 2).

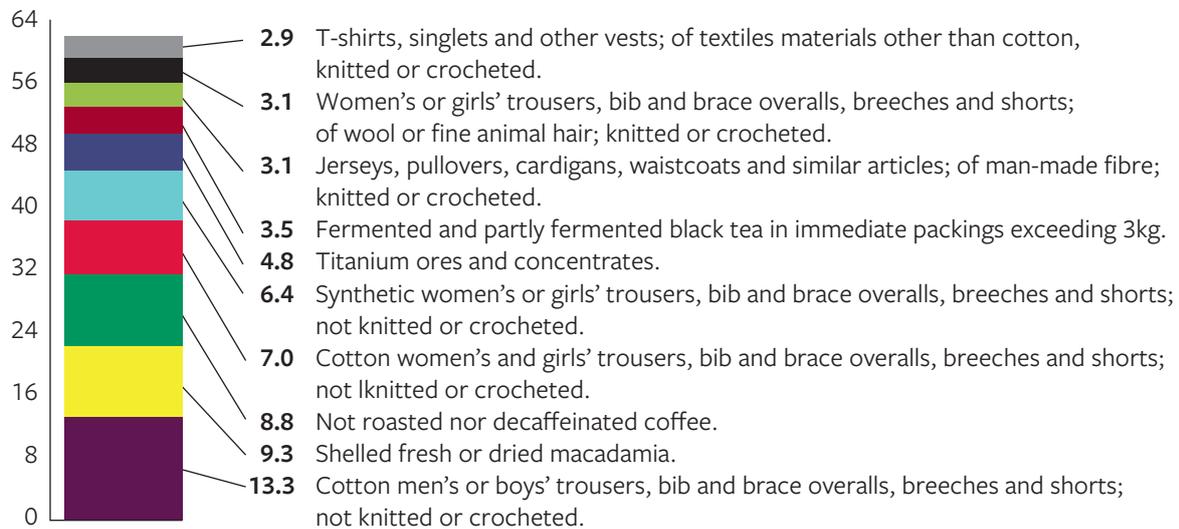
Figure 1 Kenyan trade in goods with the US\$ million, 2015 to 2019



Source: Authors' calculations based on data from WITS database

¹ Authors' computations based on WITS data.

Figure 2 Kenya's top 10 goods exports to the US (% of total Kenyan goods exports to the US, average 2015–2019)



Source: Authors' calculations based on data from WITS database

Competitiveness of Kenya's exports to the US

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

² See Raga et al. (2021) for detailed methodological approach in assessing competitiveness of Kenyan exports.

Table 1 Competitiveness matrix of Kenya's top 50 exports to the US, 2015–2019

	Increasing Kenyan RCA	Decreasing Kenyan RCA
Increasing US demand	Category A products <ul style="list-style-type: none"> • Knitted garments of mostly synthetic and man-made fibres. • Not-knitted garments of mostly cotton material. • Macadamia. • Titanium ores and concentrates. • Essential oils. • Extracts, essences, concentrates of tea. • Unrooted cuttings and slips of live plants. • Waxes. 	Category B products <ul style="list-style-type: none"> • Petroleum oils; not light oils and preparations.
Decreasing US demand	Category D products <ul style="list-style-type: none"> • Not roasted nor decaffeinated coffee. • Prepared pineapples and pineapple juice. • Vegetable fats and oil. • Fresh cut roses. • Black tea in packings exceeding 3kg. • Specific garments (e.g., knitted women's blouses of man-made fibres, men's ensembles of synthetic fibres, and women's non-knitted trousers). 	Category C products <ul style="list-style-type: none"> • Knitted and non-knitted garments of textile materials other than wool or fine animal hair, cotton, synthetic and man-made fibres. • Fresh or dried shelled cashew nuts.

Note: See detailed list of competitiveness of 50 Kenyan export products to the US in Raga et al. (2021).

New export products for potential trading with the US

By examining the US demand (from the world) for products that Kenya is already exporting worldwide (but not substantially to the US), we identify new products for potential export to the US: food preparations, goat meat, soap, cigarettes, copper scrap, disodium carbonate, iron and steel products, and zirconium ores and concentrates.³

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-

3 See Raga et al. (2021) for detailed methodological approach in identifying new products.

related infrastructure; and (iv) market access barriers (standards, labelling, tariffs) (Krishnan et al., 2018). Table 2 highlights particular non-tariff barriers (NTBs) faced by Kenyan exporters to the US – mostly compliance with technical and sanitary standards and rules of origin.

Table 2 NTBs faced by Kenyan exporters to the US

Kenyan exports to the US	Challenges
General export products to the US	Labelling requirements (TBT) and phytosanitary control (SPS)
Flowers	SPS; packaging requirements; procedural obstacles; environmental, social and safety standards
Vegetables and food	Conformity assessment (certification, testing and inspection requirements), procedural obstacles
Clothing	Conformity assessments, technical requirements, rules of origin

Source: Guei and Schaap (2015)

To boost exports to the US and worldwide, 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 and garments
- supporting the development of standards appropriate to the product for the US market.

At the international level, Kenya is engaged in a range of trade agreements and cooperation initiatives, including with the US, which are relevant for the promising products identified, and this needs continued attention. Kenya currently benefits from its duty-free access to the US market under the African Growth and Opportunity Act (AGOA), which is valid until 2025. Around three-quarters of Kenya's exports to the US are traded under AGOA as of 2019 (Naumann, 2021). Some of Kenya's major products that qualify for export under AGOA include textiles, apparel and handicrafts.

The Kenyan government has formulated a Kenya National AGOA Strategy and Action Plan (2018–2023), to maximise benefits from AGOA before it expires. In July 2020, Kenya and the US entered into free trade agreement negotiations, but these were paused at the end of 2020. In addition to the launch of trade negotiations, the US and Kenya agreed on a Strategic Cooperation Framework to provide technical assistance and trade capacity-building in Kenya with the aim of maximizing Kenya's use of the AGOA trade benefits.

At the regional community level, the US signed a Trade and Investment Framework Agreement (TIFA) with the East African Community (EAC) in 2008, and with the Common Market for Eastern and Southern Africa (COMESA) in 2001 – Kenya is a member of both. The US is trying to forge a new trade and investment partnership with the EAC.

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

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