

Overview of UK–Kenya bilateral trade

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Key messages

Kenyan exports to the UK have fallen since 2015 – both in terms of value and as a share of the UK’s total imports. This is driven by the decline in exports of tea, roses and vegetables to the UK between 2015 and 2019.

Kenya may boost efforts to increase exports of tea, flowers, vegetables, spices, fruits and macadamia– products for which demand is increasing in the UK and efficiency is increasing in Kenya. Kenyan margarine, coconut fibre, soap, preserved beans are yet to gain importance in the UK market.

Kenyan exporters to the UK face challenges related to compliance to phytosanitary control for vegetables and food, and limited access to finance and financial literacy for small-scale tea farmers.

To boost exports, Kenya may also support micro, small and medium-sized enterprises in horticulture, tea and garment value chains; and the development of standards appropriate to the UK market.

Kenya should continue its international engagements and assess the compatibility of the UK–Kenya trade agreement with its other commitments under the East African Community (EAC) and the African Continental Free Trade Area (AfCFTA).



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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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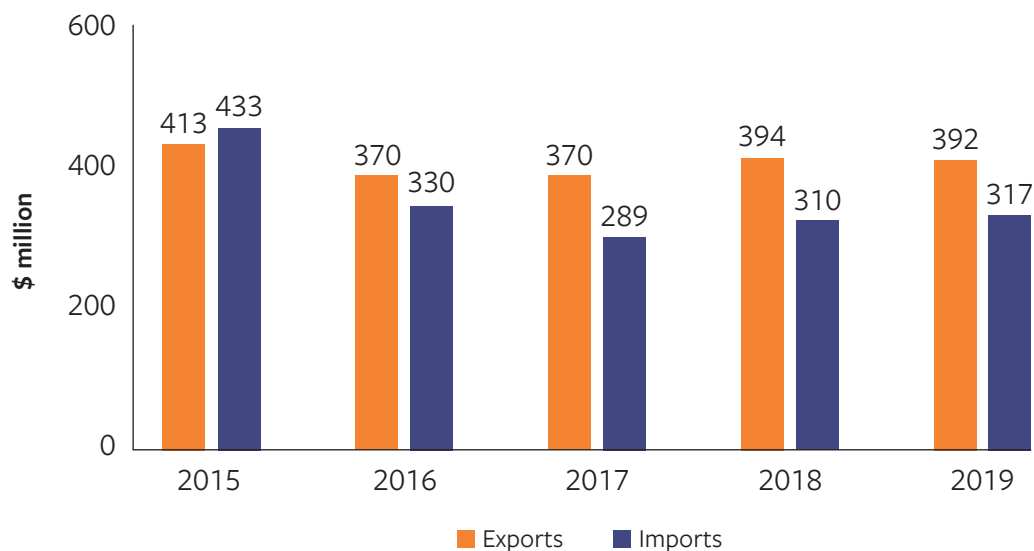
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Kenyan goods trade with the United Kingdom

Despite being a net exporter to the United Kingdom (UK) since 2016, the value of Kenya's exports to the UK fell significantly by 10% to \$370 million in 2016, slightly recovered in 2018, and reached \$392 million as of 2019 – still below the level of exports in 2015 (Figure 1). In addition, the share of Kenyan products among the UK's world imports has fallen from 0.066% in 2015 to 0.057% in 2019.¹

Figure 1 Kenya trade in goods with the UK, 2015–2019



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

The impact of Brexit on Kenyan exports is yet to be seen in 2021 data. It is hoped that the UK–Kenya trade agreement signed in December 2020 would mitigate interruptions in the flow of goods between the two countries once the UK left the European Union (EU). Latest data as of the first quarter of 2021 suggest that exports to the UK continued to grow while imports from the UK remained similar to the past quarterly trend (Table 1). Product-level data from 2021 is needed to understand better the impact of Brexit on UK–Kenya trade.

From 2015 to 2019, 10 products comprised 86.5% of total Kenyan exports to the UK. Tea, roses and vegetables dominated exports (Figure 2). Given this, the aggregate decline in exports to the UK in 2016 was driven by sharp contractions in Kenya's exported fresh or

¹ Authors' computations based on WITS data.

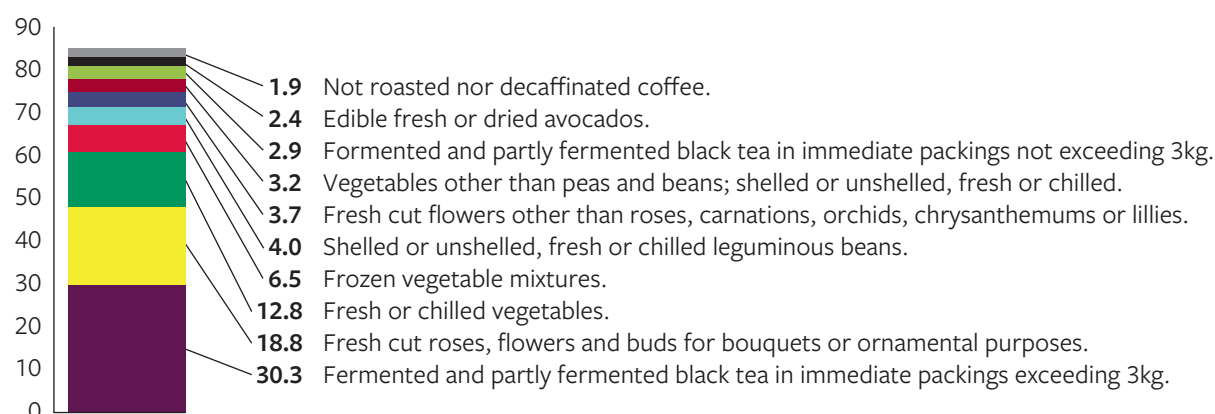
chilled vegetables by 35.1% (\$22.7 million), beans by 40.6% (\$9.3 million), and roses by 10.3% (\$7.3 million). Similarly, the recovery in aggregate exports in 2018 and 2019 was driven by the double-digit growth in these three top export products, although it did not reach similar levels seen in 2015.

Table 1 Kenyan goods trade with the UK

		Q1 2016	Q1 2017	Q1 2018	Q1 2019	Q1 2020	Q1 2021
Exports to UK	\$ million	107	97	109	118	131	137
	% of exports	7.0	6.6	6.8	7.6	7.4	7.9
Imports from UK	\$ million	71	71	76	83	72	82
	% of exports	2.3	1.8	1.9	2.1	1.8	1.9

Source: Authors' computations based on data from CBK (2020, 2019, 2018, 2017).

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



Source: Authors' calculations based on data from WITS database

Competitiveness of Kenya's exports to the UK

We investigate the efficiency (in terms of revealed comparative advantage or RCA) of Kenya's top 50 exports to the UK as well as UK demand for such products (sourced globally) in the past five years.² Table 2 presents products which: can be further promoted for trading with the UK

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

(Category A); may need intervention (e.g. to increase efficiency) to meet increasing demand from the UK (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 2 Competitiveness matrix of Kenya top exports to UK, 2015–2019

	Increasing RCA	Decreasing RCA
Increasing UK demand	<p>Category A products</p> <ul style="list-style-type: none"> • Black tea in packings exceeding 3kg. • Spices. • Live plants, seeds. • Fresh cut roses and chrysanthemums. • Vegetables (other than peas and beans), vegetable mixtures, sweetcorn, colouring. • Prepared or preserved pineapples. • Live animals other than mammals, reptiles, birds, insects. • Whiskies. • Fishing and similar hunting or shooting requisites. • False beards, eyebrows, eyelashes, switches of synthetic materials. 	<p>Category B products</p> <ul style="list-style-type: none"> • Fresh strawberries. • Cashew nuts.
Decreasing UK demand	<p>Category D products</p> <ul style="list-style-type: none"> • Fresh cut flowers other than roses, carnations, orchids, chrysanthemums, lillies. • Black tea in packings not exceeding 3kg. • Frozen vegetables Avocados. • Vegetable fats and oils. • Pineapple juice. • Waxes. • Not roasted nor decaffeinated coffee. • Extracts, essences, concentrates of tea. • Metals (i.e., copper and aluminium scrap, brass). • Articles for funfair. 	<p>Category C products</p> <ul style="list-style-type: none"> • Fresh cut carnations and lilies. • Fresh or chilled vegetables (including beans, pea, aubergines). • Fresh fruits (i.e., raspberries, blackberries, mulberries, loganberries, peppers) and nuts. • Tobacco and cigars. • Food preparations of flour, meal, starch, malt extract or milk products. • Beer made from malt. • Pot scourers, scouring or polishing pads Petroleum oils; not light oils and preparations.

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

New export products for potential trading with the UK

By examining the UK's demand for products (from the world) that Kenya is already exporting worldwide (but not substantially to the UK), we identify new Kenyan products for potential export to the UK: prepared beans, macadamia, margarine, chewing gums, vegetable textile fibre, soap, corks, cigarettes, iron and steel products, and zirconium ores and concentrates.

Constraints and implications

Krishnan et al. (2018) argue that 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).

Studies highlight barriers for exporting of Kenyan products to the UK, such as phytosanitary control for vegetables and food (Krishnan et al., 2018) and limited supply of consumer-packaged tea from developing countries including Kenya (CBI, 2016). For small-scale Kenyan tea farmers in particular, access to finance has been constrained by collateral requirements, proximity to financial service providers, education level and financial literacy, among other challenges (Kalunda, 2013; Kamau, 2008; Nyakwebwa, 2019).

To boost exports to the UK 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 such as tea
- providing value chain finance for firms in horticulture, tea and garment value chains
- supporting the development of product-specific standards by the UK.

At the international level, Kenya is engaged in a range of trade agreements relevant for the promising products identified, and this needs continued attention. Kenya may also assess the compatibility of the UK–Kenya trade agreement with its other commitments under the East African Community and African Continental Free Trade Agreement (AfCFTA).

Financial institutions or institutions that support financial sector development therefore have a number of options to support Kenya's exports to the UK. These include tailoring financial products for small-scale farmers/producers of export products, supporting value chain finance

and digital financial services, supporting finance for meeting product- and destination-specific standards, extending financial products and services for traders under new trade agreements with the UK, and supporting international approaches to investment facilitation.

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