

# Overview of trade between Kenya and the European Union (EU)

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## Key messages

Kenya has been a net importer of goods from the EU in the past five years. Imports and exports reached \$1.9 billion and \$916 million, respectively, as of 2019. About one-third of EU-bound Kenyan exports are comprised of cut roses.

Kenya's share of the EU's total world imports has remained stagnant in the past five years, hovering between 0.016% and 0.019%.

Kenya may boost efforts to increase the export of flowers, macadamia, vegetables, avocados, pineapples, processed octopus, coffee, medicaments and garments—products for which the EU has increasing demand and Kenya has increasing efficiency.

Kenyan exports benefit from preferential treatment extended by the EU (mostly via the EU-East African Community (EAC) Economic Partnership Agreement and minimally via the EU's standard generalised scheme of preferences). However, Kenyan exporters to the EU face difficulties in complying with the EU's labelling requirements, phytosanitary control and rules of origin.

To boost exports, Kenya should support micro, small and medium-sized enterprises in horticulture, coffee, fruit and vegetable value chains; and the development of standards appropriate to the EU 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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# Kenyan goods trade with the European Union

Kenya has been a net importer of goods with the 27 members of the European Union (EU)<sup>1</sup> in the past five years, with imports and exports reaching \$1.9 billion and \$916 million, respectively, as of 2019.<sup>2</sup> Kenya's exports to the EU declined by 4.8% (or by \$167 million, see Figure 1) in 2016, driven by a double-digit contraction of exports to major trading partners such as Spain, Italy, Finland, Poland and Ireland.<sup>3</sup> Weak demand from European countries continued in 2017, with Kenya's exports to the Netherlands – its top European destination – declining by 6.8%.<sup>4</sup> This may have been driven by the sharp contraction of two of Kenya's main exports to the EU, namely pineapples (ranked fourth, with 5.4% of total exports to the EU) and non-crude petroleum oils (ranked seventh, with 4.6% of total exports to the EU), during the same period.

Kenyan exports to the EU gradually recovered with growth of 10% (reaching \$882 million) and 3.8% (reaching \$916 million) in 2018 and 2019, respectively (Figure 1). Despite this, Kenya's share of the EU's total world imports has remained stagnant in the past five years, hovering between 0.016% and 0.019% (Figure 1). Among different EU members growth rates of exports from 2015 to 2019 were mixed – from a 90% contraction in Estonia and Slovakia, to growth of 10% in the Netherlands, 200% in Hungary and up to 486% in Luxembourg (Figure 2).

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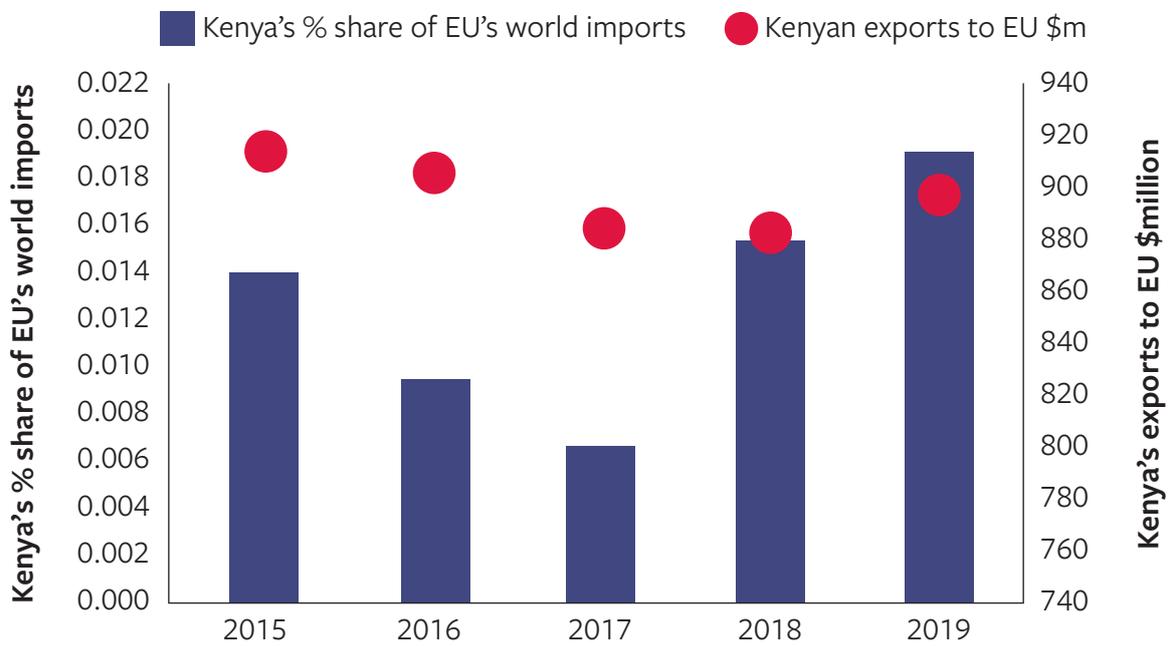
1 This excludes the UK, which withdrew from the EU.

2 Based on World Integrated Trade Solution (WITS) data.

3 Authors' computations based on WITS data.

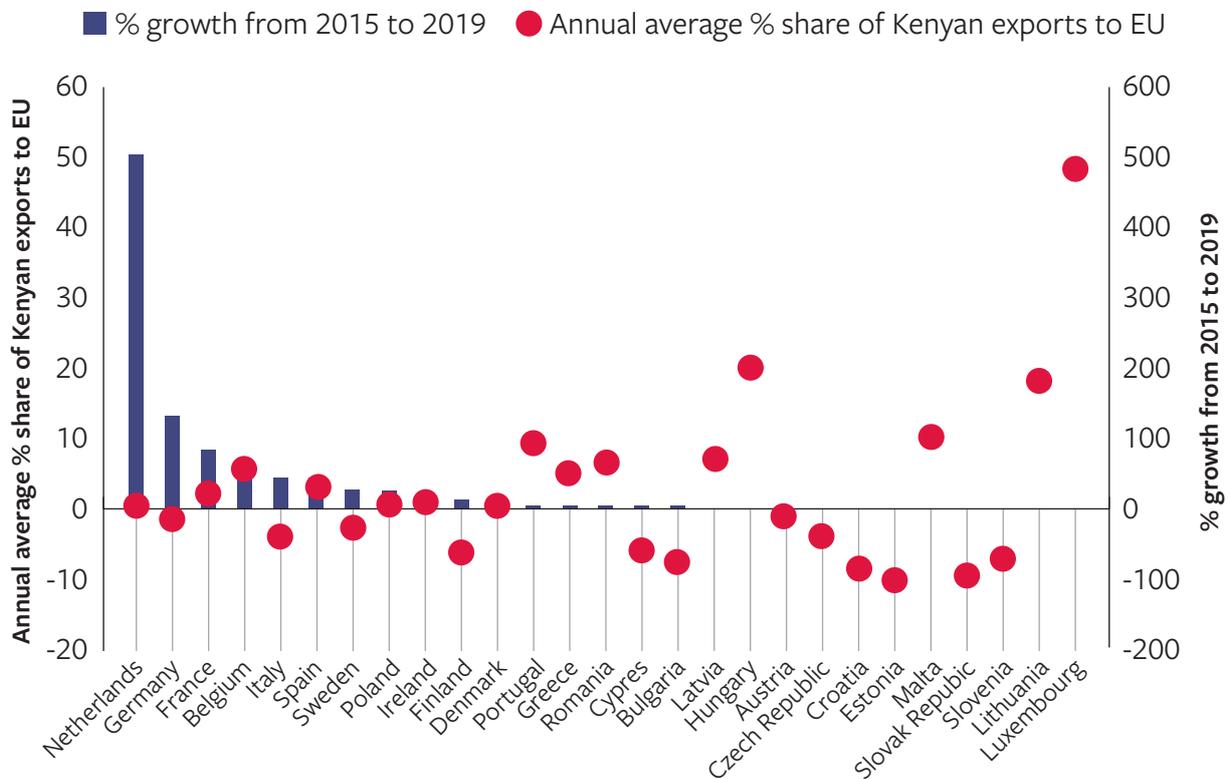
4 Authors' computations based on WITS data.

**Figure 1** Kenyan goods exports to the EU, 2015–2019



Source: Authors' calculations based on data from WITS database

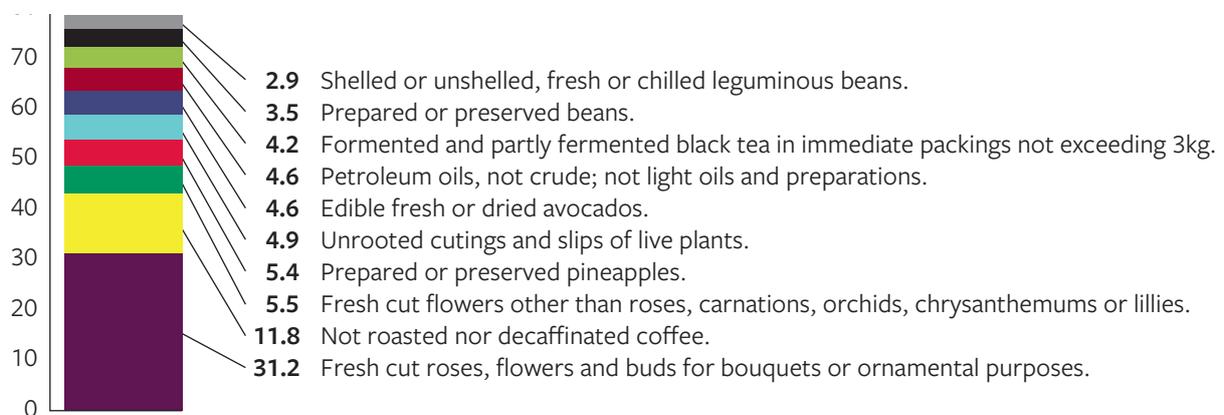
**Figure 2** Kenyan goods exports to EU members, 2015–2019



Source: Authors' calculations based on data from WITS database

In the past five years, 10 Kenyan products account for three-quarters of total Kenyan exports to the EU – dominated by fresh cut roses (31.2%), other flowers (5.5%), not roasted nor decaffeinated coffee (11.8%), pineapples (5.4%) and live plants (4.9%) (Figure 3). Notably, the value of exported petroleum oil (not crude) drastically declined by more than 50% in 2016 and almost 100% in 2017 due to the global oil price shock. This lowered the share of petroleum oil in total Kenyan exports to the EU from 13.14% in 2015 to 0.01% in both 2017 and 2018.<sup>5</sup> By 2019, exported petroleum oil increased to \$31.9 million but was still below 2015 levels (\$114 million).

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



Source: Authors' calculations based on data from WITS database

## Competitiveness of Kenya's exports to the EU<sup>6</sup>

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

<sup>5</sup> Authors' computations based on WITS data.

<sup>6</sup> See Raga et al. (2021) for detailed methodological approach.

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

	Increasing RCA	Decreasing RCA
Increasing EU demand	<p>Category A products</p> <ul style="list-style-type: none"> <li>• Fresh cut flowers (other than carnations).</li> <li>• Vegetables (including frozen mixtures, oils and fats, seeds, colouring) and spices.</li> <li>• Roasted coffee.</li> <li>• Extracts, essences and concentrates of tea.</li> <li>• Avocados, macadamia and pineapple juice.</li> <li>• Hides of sheep, in dry state.</li> <li>• Knitted cotton t-shirts, singlets and vests.</li> <li>• Sinking machinery; not self-propelled.</li> <li>• Machines for voice, images and other data.</li> <li>• Prefabricated buildings.</li> <li>• Zirconium and titanium ores and concentrates.</li> </ul>	<p>Category B products</p> <ul style="list-style-type: none"> <li>• Medicaments for therapeutic or prophylactic uses.</li> </ul>
Decreasing EU demand	<p>Category D products</p> <ul style="list-style-type: none"> <li>• Not roasted coffee.</li> <li>• Black tea in packings exceeding 3 kg.</li> <li>• Prepared or preserved pineapples.</li> <li>• Cauliflowers and headed broccoli.</li> <li>• Wattle extract.</li> <li>• Vegetable textile fibres.</li> <li>• Knitted cotton women's and girls' garments.</li> <li>• Greasy, not carded or combed.</li> </ul>	<p>Category C products</p> <ul style="list-style-type: none"> <li>• Petroleum oils; not light oils and preparations.</li> <li>• Fresh or chilled or non-frozen vegetables.</li> <li>• Tobacco.</li> <li>• Hides of bovine, equine and goats, in wet state.</li> <li>• Fresh cut carnations.</li> </ul>

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

## New export products for potential trading with the EU

By examining the EU's demand (from the world) for products that Kenya is already exporting worldwide (but not substantially to the EU), we identify new products for potential export to the EU: garments (not knitted), soap, goat meat, footwear, cigarettes, disodium carbonate, and metal (e.g., copper scrap, flat-rolled iron, non-alloy steel).<sup>7</sup>

<sup>7</sup> See Raga et al. (2021) for detailed methodological approach in identifying new products.

## 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 non-tariff barriers (NTBs) faced by Kenyan exporters to the EU, mostly compliance with technical and sanitary standards and rules of origin.

**Table 2** NTBs faced by Kenyan exporters to the EU

Kenyan exports to the EU	Challenges
General export products to the EU	Labelling requirements (TBT) and phytosanitary control (SPS)
Flowers	SPS; packaging requirements; procedural obstacles; environmental, social and safety standards
Vegetables and food	Food safety standards, maximum residue level of pesticides (MRL), procedural obstacles
Fruits (avocados)	SPS, TBT, constraints on finance for smallholder farms to invest in covered trucks
Clothing	Conformity assessments, technical requirements, rules of origin

Sources: Guei and Schaap, 2015; and WEF, 2014

To boost exports to the EU 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 demanded in the EU

At the international level, Kenya is engaged in a range of trade agreements and cooperation initiatives, including with the EU, which are relevant for the promising products identified, and this needs continued attention. Kenya is eligible to access the EU's standard generalised scheme of preferences (GSP).<sup>8</sup> However, only 1% of Kenyan exports to the EU are traded under the GSP, since most of the trade goes through the EU–EAC Economic Partnership Agreement (EPA),<sup>9</sup> which Kenya signed in September 2016 (GSP Hub, 2021). As of that date, Kenya has been the

<sup>8</sup> Under the general GSP arrangement, eligible beneficiaries receive duty reductions on 66% of tariff lines imported into the EU (GSP Hub, 2021).

<sup>9</sup> The EU–EAC EPA includes provisions related to liberalisation of trade in goods (including agriculture and fishery products), trade-related rules (sanitary and phytosanitary measures, technical barriers to trade, and customs and trade facilitation), as well as an economic and development cooperation chapter to support its implementation, and commitments relating to regional integration (EU Commission, 2021).

only EAC member to have signed and subsequently ratified the EU–EAC EPA, which was finalised in October 2014 (EU, 2021). In June 2021, a strategic dialogue between Kenya and the EU was launched with the aim of strengthening cooperation between the EU and Kenya at regional and multilateral levels, and on trade and investment, climate change and the green transition, and a digital agenda, among others (ibid.).

In view of these challenges and developments, financial institutions or institutions that support financial sector development have a number of options to support Kenya’s exports to the EU. These include: tailoring financial products for small-scale farmers/producers of export products for which there is growing demand from the EU; supporting value chain finance and digital financial services; providing financial support to meet product-specific standards by the EU; or supporting international approaches to facilitate investment.

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