

# ***TRADE POTENTIAL BETWEEN SOUTH AFRICA AND KENYA***

*Compiled by:  
Directorate International Trade: Trade Research Desk  
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September 2006*

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## SUMMARY

The study examines agricultural trade flows between Kenya and South Africa in order to identify existing trade patterns and scan for potential opportunities. The study represents one specific country study in a broader intra-Africa study. Kenyan country facts are provided to give a broad outline of several key features of the country. A brief historical background is then provided. An overview of the Kenyan economy and the country's infrastructure is also provided. The study continues with a discussion on South African agricultural trade relations with Kenya. The key features of Kenyan agricultural and trade policy are examined. A detailed list of and discussion on a range of trade barriers employed by Kenya is examined. The trade analysis examines the existing agricultural trade structure between Kenya and South Africa. South African leading agricultural exports to and imports from Kenya are identified and discussed. This is done with the aid of trade databases. Products with the greatest trade potential are then identified and discussed.

South Africa's current agricultural trade profile with Kenya reveals that Kenya was an important destination for South African exports. Kenya was the fourth largest market for South African agricultural exports in Africa, accounting for revenue of R416 million in 2004. Exports of agricultural products to Kenya represented almost 2% of total South African agricultural exports, whilst imports from Kenya represented less than 0.2% of total South African agricultural imports.

Kenya employs a range of trade barriers and several market access constraints exist for exporters wanting to access the Kenyan market. Import requirements are stringent and often cumbersome. Restrictions facing imports of Kenyan products into South Africa are primarily in the form of non-tariff measures. Technical barriers as well sanitary and phytosanitary measures serve as the greatest restriction facing Kenyan exporters.

The leading competitors in the Kenyan agricultural market include the United Kingdom, United States and Netherlands. Other important competitors and potential competitors include Tanzania, the United Arab Emirates and Pakistan. However, as an African country, South Africa enjoys a strategic advantage over these given the close geographical connection between the countries.

The major finding of the study is that the existing agricultural trade between South Africa and Kenya was biased in favour of South Africa. This was reflected by South African exports being almost fifteen times larger than the imports from Kenya in value terms. The reason for this huge disparity could be that South Africa is more diversified in terms of agricultural production as compared to Kenya and is endowed with skilful commercial farmers, who are more competitive in the market. In order to overcome this disparity both countries can trade in those agricultural goods in which it holds comparative advantage. South African potential lies in the exports of cereals, sugars, miscellaneous edible preparations and beverages. Whilst Kenyan potential lies in the exports of tobacco, sugar, raw hides and vegetables.

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## 1. INTRODUCTION

The largely rural and underdeveloped nature of large parts of the African continent places agriculture at the forefront in any discussion on the economics of African development and growth. The agricultural sector directly accounts for over 60% of the total employment. The sector also contributes more than 20% of total merchandise exports and approximately 20% of total Gross Domestic Product (GDP) for Africa as a region.

In addition to providing the primary source of foreign exchange earnings, agriculture plays the vital role of often providing the only source of livelihood for a large percentage of the continent's population. Any attempts at broad based development across the region therefore have to take cognisance of both the contribution agriculture is likely to make and the role agriculture needs to play in development initiatives. This realisation is reflected in the Comprehensive African Agricultural Development Programme (CAADP) initiated by NEPAD (The New Partnership for Africa's Development) in terms of which member states commit to contribute 10% of GDP to agricultural development initiatives.

The CAADP also recognises that agricultural trade acts as one of the primary pillars upon which agricultural development needs to be based. African agricultural trade performance has declined significantly over the past three decades. Africa's share in global agricultural trade has declined. During the period 1970 to 1980 it was in the order of 8%, conversely in 2000 it was substantially lower at 3.4 percent. This dramatic decline is not confined to agriculture and is reflected across a range of industries. Africa's share in total global trade declined from 6% in 1980 to slightly more than 2% in 2004. Explanations for Africa's poor trade performance and increasing marginalisation in global trade are numerous. It ranges from traditional demand considerations of protectionist policies and limited access to the markets of developed economies to supply side and structural considerations of poor infrastructure, inadequate institutions and lack of diversification in production structures.

South Africa occupies the role of the leading economic power on the continent. This entails a measure of latitude in policy choice but also places a great responsibility on South Africa to drive African development, trade and investment initiatives. The promotion of regional integration and South Africa's leading role in the NEPAD initiative is evidence of the commitment South Africa has to African development. From an agricultural trade perspective, South Africa has to play a leading role in promoting intra-Africa trade. Given the explanations noted above, the promotion of intra-Africa trade can promote, to some extent, endogenous growth thereby reducing reliance on developed countries as the primary sources of trade growth.

This study focuses on examining agricultural trade between South Africa and Kenya as a component of a broader intra-Africa trade study. Kenyan country facts are provided to give a broad outline of several key features of the country. A brief historical background is then provided. Thereafter a brief overview of the Kenyan economy and the country's infrastructure is provided. Kenyan multilateral, bilateral and regional trade activities are also outlined.

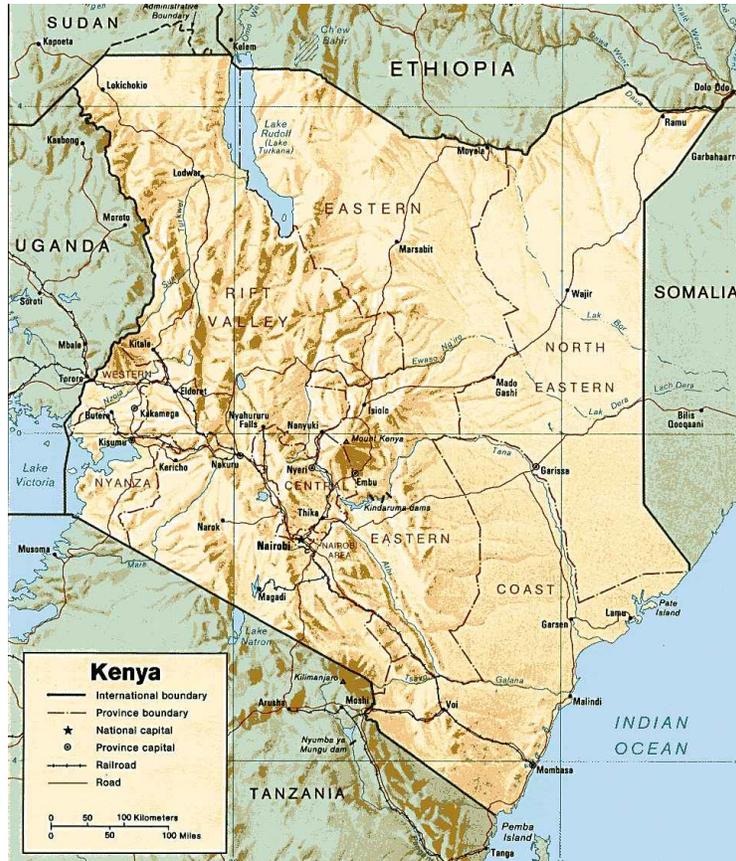
The study continues with a discussion on South African agricultural trade relations with COMESA (Common Market for Eastern and Southern Africa). The key features of Kenyan agriculture and trade policy are discussed. This is followed by a discussion on the range of trade barriers employed in Kenya. The next section examines the existing agricultural trade structure between Kenya and South Africa. South Africa's leading export products to and import products from Kenya are identified and discussed with the aid of trade databases. Thereafter, a Trade Potential Index (TPI) is constructed and employed to identify products

that provide the greatest trade potential for both exporters and importers. In the final section, a conclusion is provided.

## 2. COUNTRY FACTS<sup>i</sup>

Kenya is situated in the East of the African continent. The country shares borders with five African states, to the north it is bordered by Ethiopia, to the east Somalia, to the south Tanzania, to the west Uganda and Sudan to the north-west. It is also bordered by the Indian Ocean to the east and Lake Victoria to the south-west.

**FIGURE 1 - MAP OF KENYA**



Kenya covers an area of 582 646 square kilometres. The land stretches from sea level in the east, to 5 199 meters at the peak of snow-capped Mount Kenya. Land use is divided along the following patterns<sup>ii</sup>:

- Arable land 8.08%
- Permanent crops 0.98%
- Other 90.94%

The country enjoys a tropical climate. It is hot and humid at the coast, temperate inland and very dry in the north and northeast of the country.

In 2003, Kenya's population was estimated at over 31.9<sup>iii</sup> million. The population is divided into about 40 ethnic groups. People of African descent make up about 97% of the population. The official languages of Kenya are Swahili and English; many indigenous languages are

also spoken. There are a number of universities, including the University of Nairobi, Kenyatta University, Egerton University, and Moi University.

Kenya is politically organised as a democratic republic under a presidential system. The country obtained its independence in 1963 from the United Kingdom (UK). The state is organised in three independent powers: executive, legislative and judiciary.

The legislative power is represented by Parliament, which consists of a single chamber, commonly known as the National Assembly with an elected 210 members and 12 nominated by the president to represent various social and economic interests and two ex-official members. The judiciary power consists of the Supreme Court of Appeal (chief justice is appointed by the president), courts and judges on a nation basis. A president, who is popularly elected for a five-year term, heads the Kenyan government. Its constitution dates from independence (1963), and was amended several times.

The official currency is Kenyan Shillings (KES). 1US\$ = 73.80KES (June 2006).

### **3. HISTORICAL BACKGROUND**

Kenya was colonised by Britain. The colonisation process was met with resistance, which was countered with excessive force. Hence, most of Kenyan modern history is marked by rebellions against the British, with the first one being in 1890 and last one, known as Mau Mau rebellion in 1952. The outbreak of the Mau Mau paved the way for constitutional reforms and development in subsequent years.

In 1955, a myriad of political parties were formed all over the country after the colonial government yielded to their formation. Elections were held in March 1957, after which racial barriers in the government began to be lifted. By the 1960, Legislative Council (LEGCO) had an African majority. In 1960, Kenya African National Union (KANU), which advocated for unitary government was formed. In 1961, Kenya African Democratic Union (KADU), which advocated a quasi-federal government (Majimbo), was also formed.

The first general elections were held in May 1963 and KANU emerged the winner. In June 1963, Kenya attained internal self-government. On December 12th of the same year, independence was achieved with a complex Majimbo constitution, which conceded much autonomy to the regions. On the first anniversary of independence in 1964, Kenya became a Republic with Mzee Jomo Kenyatta as the President. Following his death on August 22, 1978, Hon. Daniel Arab Moi assumed the Presidency in accordance with the Kenyan Constitution. He ruled Kenya for 25 years. Following a general election held in 2002, Hon. Mwai Kibaki, the third President of the Republic of Kenya took office on the 30th December 2002.

### **4. ECONOMIC OVERVIEW**

The regional hub for trade and finance in East Africa, Kenya has been hampered by corruption and by reliance upon several primary goods whose prices have remained low. In 1997, the International Monetary Fund (IMF) suspended Kenya's Enhanced Structural Adjustment Program due to the government's failure to maintain reforms and curb corruption. A severe drought from 1999 to 2000 compounded Kenya's problems, causing water and energy rationing and reducing agricultural output.

As a result, GDP contracted by 0.2% in 2000. The IMF, which had resumed loans in 2000 to help Kenya through the drought, again halted lending in 2001 when the government failed to

institute several anti-corruption measures. Despite the return of strong rains in 2001, weak commodity prices, endemic corruption and low investment limited Kenya's economic growth to 1.2 percent.

Growth contracted again by 1.1% in 2002 because of erratic rains, low investor confidence, meagre donor support and political infighting up to the elections. In the important 27 December 2002 elections, Daniel Arap Moi's 24-year old reign ended and a new government took on the formidable economic problems facing the nation. In 2003 progress was made in rooting out corruption and encouraging donor support, with GDP growth edging up to 1.7 percent. The economy grew a moderate 2.2% in 2004. A comparison between Kenya and South Africa for selected macro-economic and demographic indicators<sup>iv</sup> is illustrated in Table 1.

**TABLE 1 - SELECTED MACRO-ECONOMIC AND DEMOGRAPHIC INDICATORS, 2003**

INDICATOR	KENYA	SOUTH AFRICA
GNP (US\$)	12.8 billion	126.0 billion
GNP per capita (US\$)	483	2 780
GDP (US\$)	14.4 billion	159.9 billion
GDP growth (%)	2.2	3.7 (2004)
GDP Composition by Sector:		
- Agriculture	19.3%	3.8%
- Industry	18.5%	31.0%
- Services	62.4%	65.2%
Inflation rate	11.6%	4.3% (2004)
Labour Force	11.4million	17 million (1998 est.)
Total population (Million)	31.92	45.8
Unemployment Rate (%)	40	27.8 (March 2004)
Exports (% of GDP)	25	27.6
Imports (% of GDP)	29	23.7
Debt - external (US\$)	6.792 billion	25.0 billion
Exchange rate (per US\$)	KES 80.495 (2003)	R7.56 (2003)

Source: World development indicators database, August 2003

## 5. INFRASTRUCTURE

Kenya has well developed air transport infrastructure, with international airports in Nairobi and Mombasa and more than 150 airstrips throughout the country. Nairobi's Jomo Kenyatta International Airport serves more than 30 airlines providing direct scheduled services to major capitals in Europe, the Middle East and Asia. Wilson Airport in Nairobi, which handles light aircrafts, is one of the busiest in Africa. The Eldoret International Airport was recently built.

Mombasa is the principal seaport of Kenya, is one of the most modern ports in Africa, and serves landlocked neighbouring countries. The deepwater port with 21 berths, 2 bulk oil jetties and dry bulk wharves, handles all sized ships and all types of cargo. In addition, the port has specialised facilities including cold storage and warehousing, and its container terminal is one of the best equipped in the region. Movement of containers is further facilitated through new inland depots in Nairobi, Kisumu and Eldoret. The port of Mombasa is linked with all the world's major ports in Europe, North and South America, Asia, the Middle East, Australia and the rest of Africa.

Kenya has an extensive road network connecting most parts of the country. Paved roads connect all major commercial centres. This transportation mode handles about half of the freight traffic in Kenya and offers competitive freight rates. Kenya and neighbouring countries of Uganda, Burundi, Rwanda and Zaire have established the Northern Corridor Transport Agreement, which facilitates transportation of their goods to and from the port of Mombasa. However, in the last several years these roads have deteriorated to the point where they are largely unusable due to a lack of maintenance.

Kenya is served by a single-track railway system running from Mombasa through Nairobi to Uganda with branches to Nanyuki, Kitale and Kisumu. There is another branch, which connects Kenya to Tanzania through Taveta.

The country has a well-established communication system. Kenya Posts and Telecommunications Corporation provide international direct dialling and subscriber trunk dialling, mobile telephones, telex, facsimile, data communication and related services. Substantial investment for the expansion of these facilities is under way. Various Internet Service Providers have recently started up in Kenya.

## **6. REGIONAL INITIATIVES AND INTERNATIONAL PARTICIPATION**

Kenya actively participates in various regional and international organisations. At a regional level, it is a member of East African Community (EAC) together with Tanzania and Uganda. The regional co-operation and integration envisaged in the EAC is broad based covering trade, investments, industrial development, monetary and fiscal affairs, infrastructure and services, human resources, science and technology, agriculture and food security, environment and natural resource management, tourism and wild life management, and health, social and cultural activities.

Other areas of co-operation include the free movement of factors of production, and co-operation in political matters, including defence, security and foreign affairs, legal and judicial affairs. The member states of EAC are currently negotiating a Common External Tariff (CET). The EAC collaborates with other African organisations in the spirit of the Abuja Treaty for the establishment of the African Economic Community. Among these organisations are COMESA, AU (African Union), Inter-governmental Authority on Development and the Southern African Development Community (SADC).

It is also one of the twenty member states of COMESA<sup>v</sup>, created with the aim of promoting regional economic integration through trade and investment. Kenya has trade and aid agreements with 77 African, Caribbean and Pacific countries and the European Union under the Cotonou Agreement.

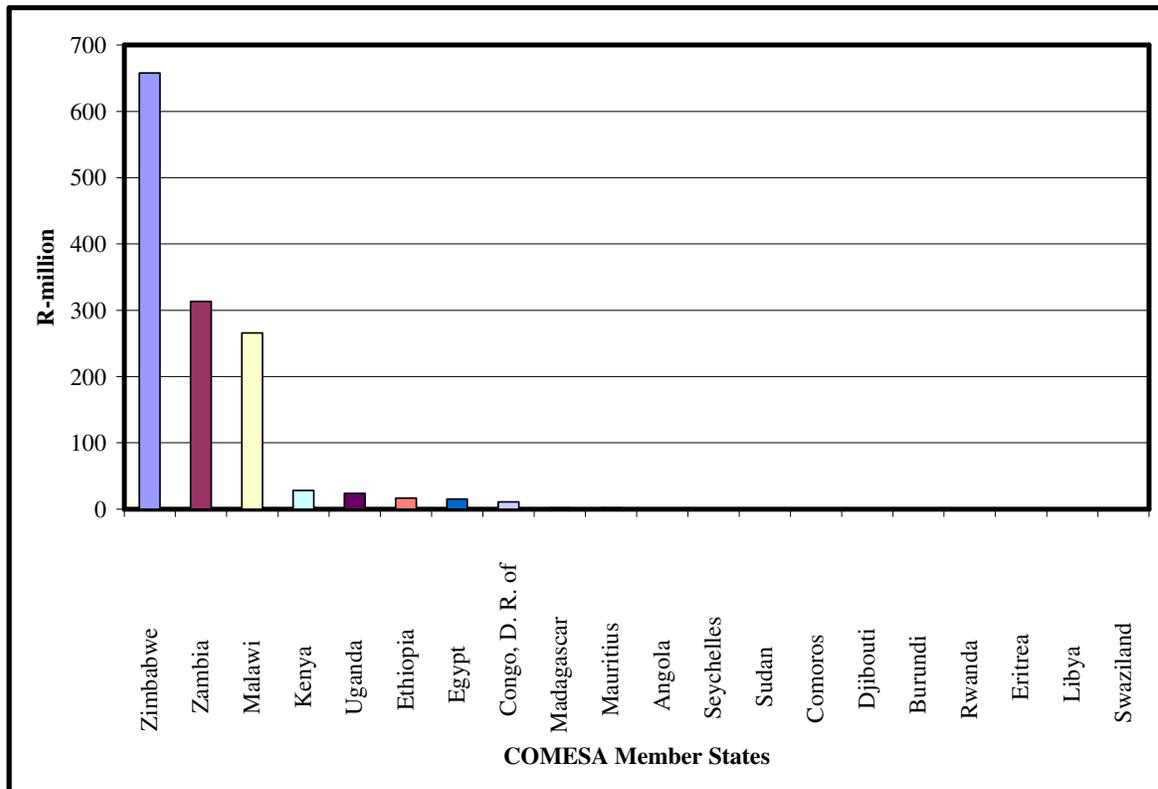
Kenya is the first African country to qualify under AGOA<sup>vi</sup> (African Growth and Opportunity Act). The act offers tangible incentives for African countries to continue their efforts to open their economies and build free markets.

At international level, Kenya is a founding member of World Trade Organisation (WTO). It accords at least Most Favoured Nation (MFN) treatment to all its trading partners. It is not a signatory to the plurilateral agreements on Government Procurement and Trade in Civil Aircraft. The country is currently amending some portions of its legislation, including those on anti-dumping, countervailing and intellectual property to bring them into conformity with the WTO agreements.

## 7. OVERVIEW OF AGRICULTURAL TRADE WITH COMESA<sup>vii</sup>

One of the key characteristics of trade links within Eastern and Southern Africa is the low level of intra-regional trade that takes place in the region. This section will examine trade flow between South Africa and COMESA, with the focus on agricultural products. Agricultural trade flows between South Africa and COMESA member states for 2004 are depicted in Figure 2 and Figure 3. COMESA constituted only 1.6% of total South African agricultural imports, while South African agricultural exports to COMESA constituted approximately 16.3% of total COMESA agricultural imports.

**FIGURE 2 - SOUTH AFRICAN AGRICULTURAL IMPORTS FROM COMESA, 2004**



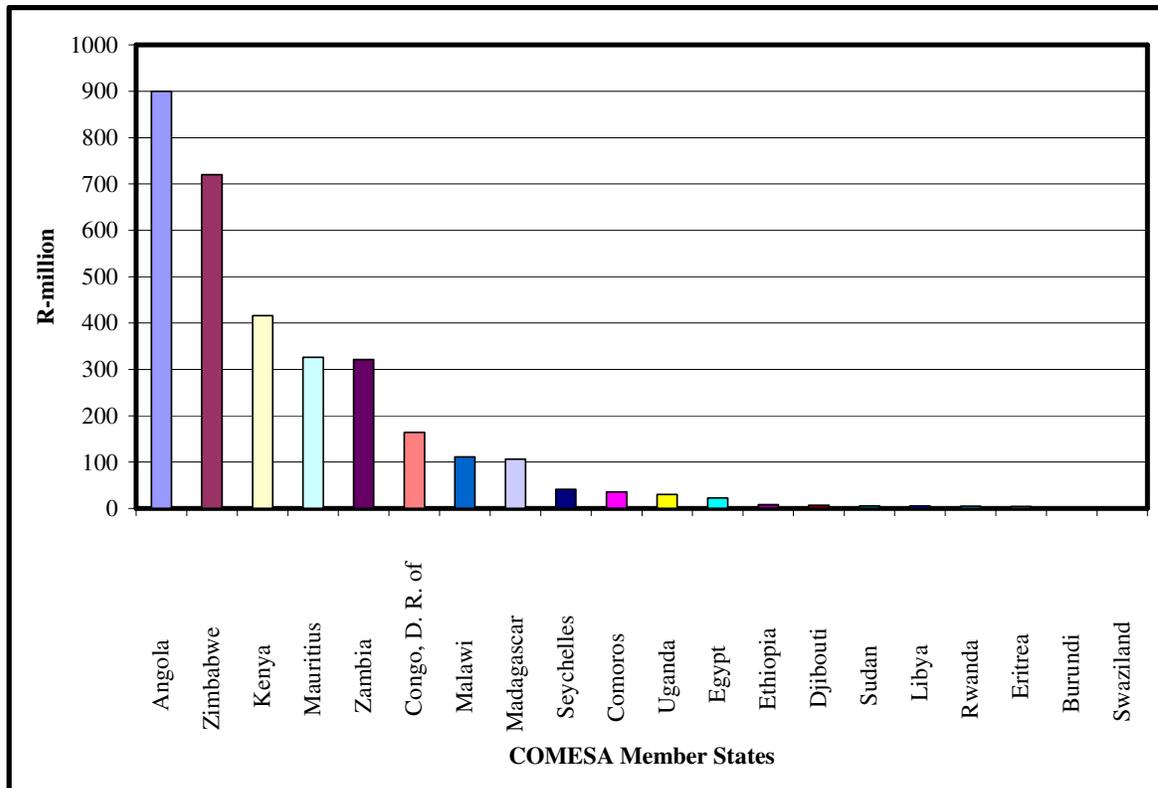
Source: World Trade Atlas

The composition of trade between COMESA member states and South Africa varied considerably. COMESA agricultural exports to South Africa were largely dominated by cotton, coffee, tea, mate, tobacco and manufactured tobacco, sugar and sugar confectionary and food industry residue used for preparing animal feed. These agricultural imports to SA were mostly from Zimbabwe, Zambia, Malawi and Kenya.

In contrast the flow of agricultural products from South Africa to COMESA member states was largely composed of beverages, spirits and vinegar, cereals, sugar and sugar confectionery, tobacco and manufactured tobacco substitutes, animal or vegetable oils, dairy products, citrus fruits and milling products such as malt and starch. The major destinations of these products were Angola, Zimbabwe, Kenya, Mauritius, Zambia and DRC.

Historically, trade flow between SA and COMESA member states was minimal. The most important strategic partner amongst COMESA member states is South Africa's neighbour, Zimbabwe.

**FIGURE 3 - SOUTH AFRICAN AGRICULTURAL EXPORTS TO COMESA, 2004**



Source: World Trade Atlas

## 8. KENYAN AGRICULTURE

Agriculture plays a pivotal role in the Kenyan economy. It contributes approximately 19.3% of GDP and employs over 75% of the population. A high proportion of Kenyans make a living from farming, producing for both local consumption and export. It is estimated that agriculture's share of informal sector jobs is even higher, although the data is unavailable.

Agriculture brings in over 6% of foreign exchange earnings and provides raw materials for Kenya's agro-industries, which account for about 70% of all industrial production. Over 50% of export revenue continues to be derived from primary commodities, notably tea, coffee, sisal, pyrethrum, sugar cane, wheat and cotton.

Only 15% of Kenya's total land area is sufficiently fertile to be farmed, and only 7% can be classified as first class land. Most of the northern region is semi-arid. As the desert encroaches from the north, pressure is mounting for Kenya to implement reforestation plans and to maximise productivity in existing farms. Most of the land of high or medium potential

for farming lies in the Western Highlands, around Lake Victoria and Mount Kenya and along the coast. The five districts of Central Province, Kisii District in Nyanza Province and Embu and Meru Districts in Eastern Province are developed for intensive cultivation.

On traditional farms, Kenyans continue to work the land using ancient subsistence methods. Irrigation projects are mainly located in the Yala Swamp and Kano Plain in the West and in the upper and lower Tana River basins. Maize is Kenya's principal staple crop, with legumes in second place.

Significant changes in government policies governing land ownership since independence affected agriculture. When the policy of reserving land for white settlers was legally ended in 1959, much desirable farmland was transferred to Africans. Today Kenya recognises three broad types of land tenure: government land, trust land, and private or freehold land.

Kenya produces more or less 70% of its demand for wheat. An increasing demand for bread, especially in urban areas, put strain on the economy since the cultivation of wheat carries an 80% foreign exchange content compared with 50% for maize. Millet, cassava and sorghum are also important crops. Tea emerged as Kenya's most important cash crop after a decades-long competition with coffee. Tea's primacy has largely been the result of improved production by small farmers. Except for India and China, Kenya now produces more tea than any other country in the world.

Coffee continues to be an important export crop. Kenya's ability to export coffee was long limited by an export quota system. When this system was abandoned in July 1989 and control over the production and marketing of coffee taken away from the Coffee Board of Kenya (CBK) in October 1992, Kenya greatly increased coffee sales.

Kenya ranks second in the world in the production of sisal and fourth in the export of cut flowers. The country supplies almost 70% of global demand for pyrethrum. Other agricultural exports include cashew nuts, fruits and vegetables. Agricultural goods are Kenya's third largest merchandise export.

Beef and dairy cattle are also important to Kenya's agricultural economy. Kenya has one the most developed dairy industries in Sub-Saharan Africa, with annual milk production estimated at 2 billion litres.

## **9. TRADE BARRIERS<sup>viii</sup>**

### **9.1 Registration and documentation**

All operators in domestic or international trade in Kenya must be registered with the Attorney General Chambers and licensed by the Ministry of Trade under the 1968 Trade Licensing Act, as revised. The Customs Department of Kenya Revenue Authority gives a personal number to each operator.

Trading activities are open to Kenyans and foreigners. However, under the act, foreigners are not allowed to conduct business in certain places or in specified goods; licensing fees vary with the type of the business and its location.

Commercial consignments to Kenya have to be declared on an Import Declaration Form (IDF). The form must be submitted and should be accompanied by the following commercial documents:

- pro-forma invoice,
- bill of lading or air waybill,

- sanitary and phytosanitary certificates (where applicable),
- certificates of registration for pharmaceutical imports (where applicable), and
- certificate of origin for goods claiming preferential treatment.

All these documents should be forwarded to the relevant Pre-shipment Inspection (PSI)<sup>ix</sup> company, irrespective of the value of the goods (i.e. irrespective of whether the goods will be inspected) or of the mode of transportation. The form is provided at no charge to importers by the PSI Company.

## **9.2 Customs procedures**

### **9.2.1 Customs valuation**

Customs valuation in Kenya is based on the Brussels Definition of Value (BDV)<sup>x</sup>. Kenya has delayed the transition to the valuation method based on the transaction value in accordance with the provisions of Article 20 (Special and differential) of the WTO Agreement on the implementation of Article VII of GATT (General Agreement on Tariffs and Trade) 1994.

Imports into Kenya of a FOB (Free on Board) value of US\$5 000 or more are subject to a compulsory quality and quantity inspection, and price comparison. Three companies have been appointed by the government: Bureau Veritas, Cotecna and Société Générale de Surveillance. Each company is allocated an exporting (foreign) region.

Upon receipt of the relevant information from both its liaison office and exporter, and before the goods are shipped to Kenya, the PSI Company responsible for the country of supply carries out the physical inspection and issues a Clean Report of Findings (CRF). The CRF contains, inter alia, an indication of the most appropriate tariff line under the Harmonised System (HS) and dutiable value of the merchandise for customs purpose. Except for airfreight and courier shipments, a final invoice and shipping documents are required for all modes of transport before the CRF is issued. Clearance of the merchandise by the inspecting office is normally within two days from the receipt of the completed IDF with the relevant documentation.

A non-negotiable report of findings is issued by the inspecting office if there are unresolved problems regarding the quantity, quality and price and in the case of a shipment, that contains prohibited goods. In the case of suspected undervaluation of the goods, the importer is asked to produce certified invoices, which are verified against catalogues or similar units or quantities. A penalty of 15% (25% for motor vehicles) of the FOB value applies in case of merchandise normally subject to PSI that is shipped without inspection. A PSI is included in the import declaration fee of 2.75% payable on all imports into Kenya, irrespective of their value.

The imports exempt from PSI include:

- goods destined to an approved duty-free store, to an approved export-processing-zone enterprise or to a manufacturing-under-bond company;
- accompanied or unaccompanied used effects;
- unset precious stones and precious metals bullion form;
- objects of art;
- explosives and pyrotechnic products;

- ammunition;
- weapons, and implements of war imported by the Kenyan Government;
- live animals;
- current newspaper and periodicals;
- post parcels, excluding goods imported for trade;
- personal gifts, excluding motor vehicles, sent by foreign residents to their relatives in Kenya for their personal use;
- gifts and supplies for use by diplomatic and consular missions, and international organisations;
- household and personal effects, including motor vehicle when exempt under settler's effects or returning entitlement; and
- urgent air shipments valued below US\$10 000 and imported through licensed courier service.

### **9.2.2 Customs clearance**

Importers must declare the entry of their merchandise to customs on a prescribed form. They should also present the import declaration form, the port release order and the usual commercial documents after physical verification of the goods released. If all the documents are in order customs clearance is normally completed within two days.

Twenty-one days after commencement of unloading, goods inadmissible at the port of entry are removed to a customs warehouse and sold after advertisement has been placed in the appropriate gazette. Goods admitted in transit are allowed to pass through Kenya under security bond and customs control until they are re-exported.

Goods not lawfully removed within 60 days (depending on the nature of the goods) after deposit in a customs warehouse may be sold by public auction after 30 days notice of sale. If an importer, fails to pay duties that have become payable, within one month, or such further period as allowed by the Commissioner of Customs and Excise, the merchandise is sold at public auction after one month's notice of the sale. Importers incur a penalty of 3% per month (or part thereof) on the amount of duties remaining unpaid after the date upon which they are payable. Importers may appeal against a custom decision to the Commissioner of Customs and Excise, whose ruling is final.

## **9.3 Tariffs, other levies and charges**

### **9.3.1 General features**

Goods imported to Kenya may be subject to; tariffs, suspended duties, the import declaration fee, and internal taxes, i.e. excise duties and the value-added tax (VAT). However, in order to encourage the use of airfreight, only 50% of its cost is included in the duty base. For local products, the basis for internal taxes is the ex-factory price.

### 9.3.2 Nature and level of MFN duties

Kenya accords at least MFN treatment to all trading partners, whether members of the WTO or not. It adopted the HS nomenclature in 1989. Kenya simplified its tariff structure: the number of bands carrying *ad valorem* rates were reduced from eight in 1994 to five (0; 5%, 10%; 15%; and 25%) in 1999, and maximum *ad valorem* rates were lowered from 60% in 1992 to 25% in 1999. Border charges still represent some 54% of total tax revenue in Kenya.

Based on HS 1996, the import tariff in force has 5 950 lines at the eight-digit level. Some 89% of all tariff lines bear *ad valorem* duties, of which 4.2% (3.7% of the total) are duty free.

The variable duties, introduced in September 1994 on some food products (wheat, rice, maize, milk, and sugar products), were replaced by an equivalent system of *ad valorem* or specific duties, called “suspended” duties that apply in addition to custom tariffs. A parliamentary act provides for the ceiling rates of suspended duties on a list of selected products (currently 1024 tariff lines at the HS 8-digit level). On the request of a domestic industry, the minister of finance may impose, on a discretionary basis, a suspended duty on a product on the list. The applied rate must not exceed the ceiling set by the act. Products on which suspended duties are currently levied (1011 tariff lines at the eight-digit level, i.e. some 17% of all tariff lines) include motor vehicle, tyres, dry cells, paper and paperboard, tobacco products, alcoholic beverages, certain fruit, vegetable oils, cosmetics, resins, yarns, footwear, and selected iron and steel products. The rate of suspended duties currently applied range up to 70% (the maximum level of the ceilings set by the act) on maize, rice, wheat, sugar, and milk.

The average Kenyan MFN import tariff, inclusive of applied suspended duties is 18% (16.3% without the applied suspended duties). The manufacturing sector is the most protected sector with an average tariff of 18.2%, followed by agriculture (16.7%) and mining and quarrying (13.6%). However, agriculture becomes the most protected sector, with a mean tariff rate of 21.3%, when the Uruguay definition is used. Suspended duties are more frequently imposed on semi- and fully processed goods than on agricultural products; they do not apply to products from the mining and quarrying sector.

Duty-free items (3.7% of all tariff lines) are; live fowl of the species *Gallus Domesticus* weighing not more than 185g, fertilisers, fungicides and herbicides.

Some 38% of all tariff lines carry rates higher than 15 percent. Tariff rates higher than 35% apply to 2% of all tariff lines, including certain cereals; fats and oils; sugar; vegetables, fruit, and their preparations; nuts and beverages. The maximum rate of 95% is levied on wheat flour, meslin flour, and sugar of a polarimeter reading of 99.5<sup>0</sup> or more.

Kenyan tariffs generally display positive escalation; average rates range from 15.2% on first stage processed and 17.9% on semi-finished products to 18.6% on finished goods. Tariffs are progressive on all products with the exception of paper products; printing and publishing; fabricated metal products; machinery and equipment, on which duties show negative escalation from semi-finished to finished goods; and “other manufacturing industries”, on which negative escalation is present from the first stage of processing to finished products.

Tariff escalation is most pronounced on: textiles, wearing apparel, and leather industries, with mean rates ranging from 14% on the first-stage of processed goods to 29.2% on finished products; basic metal industries, with average rates increasing from 10.6% on the first stage processed items to 25% on finished goods; and on chemicals, petroleum, coal, rubber, and plastics, with mean rates from 7.7% to 17.3% (refer to Appendix 1).

Kenya bound its entire tariff on agricultural products, at ceiling rate of 100 percent. “Other duties and charges” on all these agricultural and non-agricultural products are bound at zero.

#### **9.3.4. Tariff preferences**

Kenya grants preferential tariff treatment (70% duty reduction on all products), on a reciprocal basis, to other members of COMESA, subject to a Certificate of Origin.

Under the framework of the East African Co-operation (EAC), preferential tariff treatment was granted by Kenya to other members (Tanzania and Uganda) as from 2004.

#### **9.3.5 Other duties, levies and charges**

An import declaration fee of 2.75% is collected on the customs value of all imports to Kenya, irrespective of their source, final use, and value. An additional fee of 1% is collected on the CIF (Cost, Insurance and Freight) value of agricultural imports to support the Kenya Plant Health Inspectorate Service (KEPHS).

Excise duties, ranging from 10% on mineral waters, essential oils, and cosmetic products, to 135% on tobacco products, apply to both imports and locally produced goods. These duties are charged on the ex-factory price of domestic goods and on the import value (including customs duties) of imported items. The excise duties are specific on mineral fuels and oils and mixed on certain spirits (See Annexure 2).

VAT is levied at a standard rate of 15% on the sales price of locally produced goods and services, or on the customs value plus border charges of imports. Unprocessed agricultural products (including forestry and livestock) and processed foodstuffs are exempt from VAT. Pharmaceuticals, fertilisers, agricultural machinery and equipment, and all exports of goods and taxable services are zero-rated for duty refund purposes.

#### **9.3.6 Duty and tax exemptions and refunds**

A number of regulations provide for duty reductions or refunds, or full exemption from duty. However, all importers enjoying exemption/remission of duties pay a minimum of 5%, regardless of the destination or final use of the imports.

Imports currently exempt from duty payments include goods for use by the president and by charitable bodies, churches, and approved educational institutions; by the military and police; in official aid-funded projects; in emergencies; and by diplomatic and international organisations. Samples and exhibits/displays for trade fairs may be imported to Kenya duty free. However, after use, the items should be re-exported or destroyed; failure to present the relevant customs certification that the goods are re-exported or destroyed implies the imposition of the relevant duties on the presumed value of the items.

The Ministry of Finance may remit duties payable on imports if the Minister is convinced that it is in the public interest to do so.

#### **9.4 Import prohibitions and licensing**

In may 1993, Kenya abolished its import licensing regime for all but a list of negative products grouped in three categories (an import schedule): products falling under the first category (Part A of the Schedule) are prohibited; Part B items are restricted, subject to

approval from relevant authorities; and Part C goods are subject to technical, phytosanitary, health and environmental standards on their arrival to Kenya.

For the importation of items in part B and C of the Schedule, an import declaration form should be completed, even if the FOB value of the items is less than US\$5 000. The relevant authorities, whose prior approval is required, are indicated against the items in Part B and C of the schedule.

According to the authorities, Kenya maintains import prohibitions, restrictions and controls only for moral, health, security, and environmental reasons, and under international conventions. Kenya delayed application of the provisions of subparagraph (a) (ii) and (a) (iii) of Article 2 of the WTO Agreement on Import Licensing procedures in respect of those products still subject to import restrictions based on health and environmental considerations. However, in accordance with Article 2(2) of the Agreement, the delayed application lapsed in 1997.

## **9.5 Trade sanctions**

Kenya applies no trade sanctions, either nationally or internationally, except those endorsed by the United Nations Security Council, the AU, COMESA or other regional organisations of which it is a member.

## **9.6 Contingency trade remedies**

### **9.6.1 Anti-dumping and countervailing measures**

Kenya has never applied anti-dumping, countervailing or safeguard measures. Kenya is amending its legislation on anti-dumping and countervailing measures to ensure conformity with the WTO rules. It has requested technical assistance from the WTO in this regard.

### **9.6.2 Safeguard measures**

Kenya has no specific legislation on safeguard measures; safeguard measures can be applied on an *ad hoc* and case-by-case basis. Kenya has not taken any actions under GATT Article XIV on safeguards. However, Kenya retained the right to use the transitional safeguard mechanism of Article 6.1 of the WTO Agreement on Textiles and Clothing. It has not so far notified the lists.

## **9.7 Rules of origin**

Kenya has no national rules on the origin of goods; there have been no judicial decisions or other administrative rulings in this regard. However, rules of origin exist (for preferential treatment purposes) in trade agreements to which Kenya is a signatory.

## **9.8 Standards and other technical requirements**

Kenya has no local-content requirements, which are in place.

### **9.8.1 Standardisation, testing, and certification**

It is the responsibility of Kenya Bureau of Standards (KBS) to test and inspect products to ensure conformity to national standards, and issue certificates. A KBS mark is placed on the certified product. The inspection fee is 1% of the CIF value of imports or the sale price of locally produced goods.

All locally manufactured consumer products destined for sale should bear the KBS mark. Infringements of provisions of the Act may lead to confiscation and prohibition of the manufacture or sale of the goods. Infringers are liable to a fine not exceeding KSh.10 000 or imprisonment for a term not exceeding twelve months, or to both. Kenya is a member of International Organisation for Standardisation (ISO), and of the African Regional Organisation (ARSO).

### **9.8.2 Sanitary, phytosanitary and environmental protection measures**

Under the Plant Protection Act, the KEPHS coordinates all matters relating to plant quarantine regulations; it issues a phytosanitary certificate after verifying that the shipment meets the entry requirements. Plants, seeds, and fruit, other than canned or bottled fruit, imported to Kenya, must be inspected. Imported plants may if necessary, be detained in quarantine or in special nurseries.

The process of seed certification (which is mandatory) before local sale, takes four years. Plant materials arriving in Kenya without authority and accompanying documents may be destroyed or reshipped at the owner's cost. An importer who contravenes or fails to comply with the act is liable to a fine or imprisonment, or both.

There is specific veterinary import permit for each species (e.g. cattle, goats, sheep, pigs, birds). All animals for export to Kenya must be held for 21 days in approved quarantine facilities that must be regularly inspected by the veterinary authorities of the exporting country, subject to inspection by the veterinary officer from Kenya, where necessary. All tests, clinical examinations and treatment, which must be carried out during the quarantine period must be stated in the veterinary certificate to confirm freedom from diseases.

### **9.8.3 Marking, labelling and packaging**

All foodstuffs must be labelled in English or Kiswahili. Manufacturers must indicate on the labels of all consumables the date of manufacture and of expiry. Banana leaves, maize, rice, sorghum or wheat straw, and bags containing or having contained malt, soil or leaf mould must not be used as packing material. Plant residues may be used as packing material if they are accompanied by a certificate stating that all seeds, pathogens and insects have been killed.

## **10. BILATERAL TRADE STRUCTURE AND PRODUCT ANALYSIS**

### **10.1 Introduction**

The data in this analysis is sourced according to the HS classification. The International Trade Centre's (ITC) Trade Map is evaluated with reference to bilateral trade between Kenya and South Africa using specifically identified leading trade products. The analysis is based on COMTRADE statistics accessed via software packages developed by the ITC. This is complemented by use of the World Trade Atlas database. The extent of the database analysis

is limited to obtaining trade data, examining trade trends and identifying trade opportunities between the trading nations.

## 10.2 South African Exports

The analysis of South African agricultural exports to Kenya, as depicted by Annexure 3, indicates that the total value in 2004 was an estimated R415.5 million. This value increased by 66% in 2004 on a year-on-year basis. South African agricultural exports accounted for only 1.83% of total Kenyan agricultural imports in 2004. The leading export products were cereals, sugars, miscellaneous edible preparations and beverages. Annexure 3 shows a complete list of South African agricultural exports to Kenya at HS 2-digit levels with the product description and the Rand value in 2004. The four leading export products at HS 2-digit level serves as the basis for the export analysis.

### 10.2.1 Cereals (HS 10)

In 2004, South Africa exported approximately 14.6 million kg of cereals products to Kenya at an average price of R1.46 per kilogram. The total value of cereal exports amounted to approximately R212.7 million. Cereal exports, in value terms, therefore represented 51% of the total agricultural exports to Kenya. South African exports of cereal products grew sharply by 264% in 2004 when compared to 2003. The major cereals products that were exported are; maize corn (HS 1005), rice (HS 1006), oats (HS 1004), wheat and meslin (HS 1008).

#### (a) Maize corn (HS 100590)

Amongst the categories of cereals, maize corn not for seeding (HS 100590) was the major export commodity to Kenya. The export performance of maize corn is depicted in Table 2 below, which indicates that in 2004 an estimated 144.96 million kg of maize corn was exported at an average price of R1.42 per kilogram. This generated an income of R205.5 million for South African exporters.

**TABLE 2 - SOUTH AFRICAN MAIZE CORN EXPORTS TO KENYA, 2002-2004**

HS 100590	Jan-Dec	Jan-Dec	Jan-Dec
	2002	2003	2004
Value of Trade (R-million)	0.15	51.95	205.53
Quantity Traded (kg)	42 864	48 891 643	144 964 294
Average Price (R per kg)	3.39	1.06	1.42
<b>Year-on-year Growth in Value</b>	-99%	35 651%	296%

Source: World Trade Atlas-2005

Maize corn (HS 100590) is widely cultivated and consumed all over the world. ITC Trade Map data indicates that the largest exporter was the United States of America (USA) which accounted for almost half (47%) of world exports in 2003. It was followed by China (17%), Argentina (11%), France (10%) and Brazil (3%). South African exports represented 0% of world exports for this product; its ranking in world exports was eighth. Even though South Africa's share of world export of maize corn was not significant, it was the leading exporter of this product to Kenya. It accounted for almost 57% of Kenyan maize corn imports in

2004. Other leading exporters of this product to Kenya were The USA, China, Japan and Saudi Arabia.

Isolating South African trade capacity and Kenyan demand reveals that South African total exports of maize corn were valued at US\$83.97 million. Kenyan import demand for this product group during the same period totalled US\$54.97 million, of which South Africa supplied US\$31.99 million. Given this, the theoretical trade potential between Kenya and South Africa was US\$22.98 million (US\$54.97 million minus US\$31.99 million). It shows that potential for more trade in this product group exists.

Over a five-year period from 2000 to 2004, the annual growth in value of South African exports for this product to Kenya increased on average by 7.3 percent. However, it showed a cyclical trend over the years, between 2000 and 2002 it fell down sharply (-96.8%) with a marked recovery since 2003 to the level attained in 2004. Kenyan imports from the rest of the world declined by 6.2% during the same five-year period. During the same five-year period, South African exports to the global community increased by 7.8 percent.

The major competitor in this market was the USA, which was the second largest supplier to Kenya. It enjoyed a share of almost 8% in Kenyan imports of maize corn in 2004. It exported 13.8 tons of maize corn valued at US\$4.4 million. The USA was the largest producer of maize corn in the world and ranked number one in world exports.

The third and the fourth largest suppliers to Kenya were China and Japan; China supplied almost 6.7% of Kenyan imports of maize corn. China also ranked second in world exports of this product. The share of Japan in Kenyan imports was 6.6% or a value of US\$3.6 million in 2004.

In 2004, Tanzania was amongst the top four exporters to Kenya with a market share of 27% in the same period. It exported 34 676 tons of maize corn valued at US\$3.5 million. Tanzania is Kenya's neighbour and they are both members of EAC (East African Community) together with Uganda. Tanzania benefits from Kenya's preferential tariff treatment of almost 70% reduction in all products. In contrast, ITC Trade Map analysis indicates that Tanzania, also imported this product from South Africa to the value of US\$4.08 million in 2004.

In addition to trade barriers outlined in the previous section, Tariff (2001) and non-tariff (1993) barriers reported by Kenya for product: HS 100590 is as follows:

- MFN duties (Applied) - 35% or Shs.4.20 per kg Specific Tariff
- Preferential Tariff for COMESA members of FTA - 0% *ad valorem* tariff
- Authorisation for health reasons

### **10.2.2 Sugars and sugar confectionary (HS 17)**

After cereals, sugar and sugar confectioneries were the second most important agricultural products exported to Kenya by South Africa in 2004. In 2004, Cereals replaced sugars as the leading category of exports. As Annexure 3 shows, sugar products accounted for almost 28% of total South African agricultural exports to Kenya with a value of R116 million in 2004 (32% higher than 2003).

Categories of sugars exported to Kenya were cane/beet sugar in solid form, confectionaries without cocoa, sugar molasses and other sugars. Cane/beet sugars (HS1701) in solid form were the major sugar product exported to Kenya and comprised almost 99% of all sugar

products exports to Kenya in 2004. However, its export performance declined from 2002 to 2004.

**(a) Cane/Beet Sugar (HS 1701)**

Within categories of sugar and sugar confectionary (HS 17), cane/beet sugar (HS 1701) was the leading export product in 2004. According to estimates during the same period, an amount of 70.1 million kg of sugar cane was exported at an average price of R1.64 per kilogram. In value terms, this amounted to approximately R114.78 million. Further analysis at HS 6-digit level reveals that this category was dominated by exports of raw cane sugar (HS 170111), refined sugar in solid form containing added flavouring or colouring matters (HS 170191) and refined sugar in solid form or pure sucrose (HS 170199). The latter accounted for approximately 81% of export value to Kenya in this subcategory.

**TABLE 3 - SOUTH AFRICAN REFINED SUGAR EXPORTS TO KENYA, 2002-2004**

<b>HS 170199</b>	<b>Jan-Dec 2002</b>	<b>Jan-Dec 2003</b>	<b>Jan-Dec 2004</b>
Value of Trade (R-millions)	118.55	74.63	92.60
Quantity Traded (kg)	46 932 525	40 674 630	57 172 518
Average Price (R per kg)	2.53	1.83	1.62
<b>Year-on-year Growth in Value</b>	<b>2%</b>	<b>-37%</b>	<b>24%</b>

Source: World Trade Atlas-2005

The dominance of product HS 170199 within this category was in large due to Kenya's application of 70% suspended duty on raw sugar<sup>xi</sup>.

ITC Trade Map analysis shows that Kenya was the top importer of refined sugar from South Africa in 2004, followed by Madagascar, Mauritius and Iraq. South Africa was the leading exporter of this product to Kenya, followed by Swaziland, Egypt and Sudan. South Africa accounted for almost 46% of Kenyan total import demand, while Kenya accounted approximately 19% of South African total exports of this product.

Isolating South African trade capacity and Kenyan demand reveals that South African exported US\$75.7 million worth of refined sugar. Kenyan import demand for this during the same period totalled US\$30.3 million, of which South Africa supplied approximately US\$14.02 million. Given this, the theoretical potential trade between Kenya and South Africa was US\$16.28 million (US\$30.30 million minus US\$14.02 million).

Swaziland was the largest competitor in the Kenyan market for this product. Swaziland's refined sugar accounted for 18% of total Kenyan imports worth an estimated US\$5.582 million. However, Swaziland's export growth declined very sharply over recent years.

Trade barriers for this product are disaggregated at HS 8-digit level, which comprise products: HS 17019990 (other sugar of a polar meter reading of 99.8° or more) and HS 17019910 (other sugar of a polar meter reading of 99.5° but less than 99.8°). For the product HS 17019990, Kenya applies tariff and non-tariff barriers as follows:

- MFN duties -70% or Shs 4.5 per kg (Specific Tariff)
- Preferential Tariff for COMESA countries members of the FTA - 0% (*ad valorem* tariff)

For the product, HS17019910 Kenyan tariff and non-tariff measures are as follows:

- MFN duties -100% or Shs 11.90 per kg (Specific tariff)
- Preferential tariff for COMESA countries members of the FTA - 0%

### 10.2.3. Miscellaneous edible preparations (HS 21)

The third largest agricultural export product from South Africa to Kenya was miscellaneous edible preparations. It accounted for 6% of total South African agricultural export to Kenya. In 2004 South Africa exported 994 million kg of miscellaneous edible preparations at an average price of R25.18 per kg worth approximately R25 million. However, the export value for this product declined by almost 14% from 2003 to 2004. This is mainly because of a decrease in the quantity exported in 2004. South African exports of this product group consisted mainly of other food preparation (HS 2106); extract of coffee (HS 2101); other (HS 2103); soup, broths and other preparations (HS 2104); ice cream (HS 2105) and yeasts and baking powder (HS 2102).

#### (a) Other food preparations (HS2106)

Within the group of miscellaneous edible preparations, other food preparation (HS 2106) accounted for 84% of the exports and remained a key product throughout the period 2002 to 2004. In 2004 an estimated 575 842 kg of this was exported at an average price of R30.61 per kilogram. In value terms, it amounted to R17.63 million.

Further analysis at HS 6-digit level revealed that exports of food preparations (HS 210690) accounted for almost 85% of trade in this subcategory. Table 4 below compares the performance of this product over the period 2002 to 2004. It indicates a very sharp decline in value traded during 2004. This was largely the results of a decline in quantity exported over same period.

**TABLE 4 - SOUTH AFRICAN OTHER FOOD PREPARATION EXPORTS TO KENYA, 2002-2004**

<b>HS 210690</b>	<b>Jan-Dec 2002</b>	<b>Jan-Dec 2003</b>	<b>Jan-Dec 2004</b>
Value of Trade (R-millions)	16.30	18.84	15.12
Quantity Traded (kg)	665 974	716 072	529 672
Average price (R per kg)	24.48	26.31	28.54
<b>Year-on-year Growth in Value</b>	44%	16%	-20%

Source: World Trade Atlas-2005

ITC Trade Map analysis indicates that South Africa was the third largest exporter of this product to Kenya. It accounted for approximately 17% of total Kenyan import demand. In turn, the Kenyan market imports almost 7% of total South African exports of this product.

Total imports by Kenya for this product over a period of five years (2000-2004) grew by approximately 46% in value terms. However, Kenyan import demand for this product from South Africa grew by only 6.9% over the same period. This static growth in exports was largely the result of strong competition from the UK and Ireland.

Amongst the top exporters of this product to Kenya, South Africa ranked third after the UK and Ireland, respectively. These two countries posed a serious threat to South African exporters to Kenya.

ITC Trade Map data shows that in 2004, South African exports to the rest of world amounted to US\$31 million. This implies that South Africa had capacity to supply other food preparations worth of this amount to Kenya. Kenyan import demand for these products during the same period totalled approximately US\$6.7 million. Of this demand, South Africa was able to supply Kenya with merchandise estimated at almost US\$2.2 million. The difference between the two sets of figures reflects indicative trade potential of almost US\$4.5 million.

The UK was the largest exporter of this product to Kenya and the leading competitor in this market. It accounted for almost 36% of Kenyan total imports in 2004, valued at US\$2.4 million. The performance of the UK in the Kenyan market is very impressive, as it grew by over 80% during the period from 2000 to 2004.

The second largest exporter after the UK and by implication the second largest competitor of this product was Ireland. Ireland accounted for 22% of total Kenyan import demand valued at approximately US\$1.5 million in 2004. Like the UK, Ireland's performance in the Kenyan market over the past five years was very impressive with growth of over 80 percent.

Kenyan trade barriers for product (HS 210690) exported by South African are disaggregated at HS 8-digit level as follows, for product:

- HS 21069010 – MFN duties - 15% (applied and *ad valorem* tariffs)
- HS 21069020 – MFN duties - 3% (applied and *ad valorem* tariffs)
- HS 21069030 – MFN duties - 15% (applied and *ad valorem* tariffs)
- HS 21069040 – MFN duties - 40% (applied and *ad valorem* tariffs)
- HS 21069050 – MFN duties - 30% (applied and *ad valorem* tariffs)
- HS 21069090 – MFN duties - 15% (applied and *ad valorem* tariffs)

### **10.3 South African imports**

The analysis of South African imports from Kenya is shown by Annexure 4, which indicates that the leading imports from Kenya in 2004 were sugar and sugar confectionery, coffee, tea, mate and spices, edible vegetables, and certain roots and tubers. Over the past years coffee, tea, mate and spices were the leading import products, until sugar and sugar confectionary products overtook it in 2004.

#### **10.3.1 Sugar and Sugar confectionary (HS 17)**

Annexure 4 shows that sugar and sugar confectionaries were the leading import products from Kenya. It accounted for approximately 32% of total South African agricultural imports from Kenya. In 2004, approximately 1.1 million kg of this product was imported at a price of R8.59 per kg - a total cost of R9.13 million.

During the period 2002 to 2004, trade data indicates that the import of sugar and sugar confectionary grew rapidly by approximately 2348 percent.

In 2004 sugar and sugar confectionary achieved its position as the leading category of agricultural imports from Kenya. Analysis at HS 4-digit level reveals that within these categories of sugars, confectionaries without cocoa (HS 1704) was the only product imported by South Africa. Further analysis at HS 8-digit level reveals that other confectionary without

cocoa (HS 17049000) dominated trade within this product nomenclature, accounting for over 90% of trade in this category. This therefore serves as the basis of analysis. The performance of this product (HS 17049000), over a three-year period is depicted in Table 5.

**TABLE 5 - SOUTH AFRICAN OTHER CONFECTIONARY IMPORTS FROM KENYA, 2002-2004**

<b>HS 17049000</b>	<b>Jan-Dec 2002</b>	<b>Jan-Dec 2003</b>	<b>Jan-Dec 2004</b>
Value of Trade (R-millions)	0.06	0.97	7.57
Quantity Traded (kg)	7 950	136 015	898 120
Average price (R per kg)	6.92	7.11	8.43
<b>Year-on-year Growth in Value</b>	<b>-88%</b>	<b>1 659%</b>	<b>682%</b>

Source: World Trade Atlas - 2005

Other confectionary (HS 17049000) accounted for over 26% of the total agricultural imports from Kenya in 2004. This represents consistent growth measured over a three-year period. This growth performance is largely due to increases in price over the same period. Table 5 above reveals that the average price grew by approximately 10.4% for the period 2002 to 2004. The price increase together with the strength of the rand boosted the traded value of this commodity over the same period.

ITC Trade Map analysis of South African imports from Kenya reveals that South Africa was the eighth largest importer of sugar confectionery (including white chocolate) not containing cocoa from Kenya, accounted for approximately 1.4% of Kenyan total agricultural exports in 2004. In turn, imports from Kenya accounted approximately 4% of South African total imports for this product.

Over a five-year period ranging from 2000 to 2004, Kenyan exports of these products to the rest of the world increased rapidly by an average of approximately 125% in value terms whilst at the same time South African import demand from the rest of the world grew by approximately 376 percent.

Isolating Kenyan trade capacity therefore implies that Kenya had the capacity to supply US\$10.43 million worth of this product to South Africa. South African import demand for these products during the same period totalled approximately US\$44.08 million, of which, imports from Kenya accounted for approximately US\$142 000 worth. Given this, the potential trade between Kenya and South Africa was US\$10.29 million (US\$10.43 million minus US\$142 000).

The main exporters of these products to South Africa were Brazil, Colombia, Thailand and China, respectively. In 2004, Brazil accounted for almost 44% of total South African imports worth an estimated US\$19.3 million. All exporting countries showed phenomenal growth over the five years from 2000 to 2004.

Trade barriers applied by South Africa for the product HS 170490 are as follows:

- MFN duties – 25%
- Preferential tariff for SADC countries – 25%
- Preferential tariff for European Union Countries – 25%

### 10.3.2 Coffee, Tea, Mate and Spices (HS 09)

After sugar confectionaries, the second largest category of products imported by South Africa from Kenya was coffee, tea, mate and spices. Imports of this category were estimated at R8 million in 2004. Comparing trade data from 1999 to 2004, the imports of this category of products grew on average by approximately 1.9 per cent. However, trade data from 1999 to 2000 shows that the import value declined by almost 7%, followed by a 70% increase in value from 2000 to 2001. Between 2003 and 2004, trade data shows a positive increase of approximately 44 percent.

Imports from Kenya in this category were dominated by tea (HS 0902). Disaggregated at HS 6-digit level reveals that it was largely dominated by imports of black fermented tea (HS 090240). It accounted for approximately 77% of trade in this category, worth an estimated R6.15 million in 2004. This will therefore serve as the basis of analysis in this category.

**TABLE 6 - SOUTH AFRICAN BLACK FERMENTED TEA IMPORTS FROM KENYA, 2002-2004**

<b>HS090240</b>	<b>Jan-Dec 2002</b>	<b>Jan-Dec 2003</b>	<b>Jan-Dec 2004</b>
Value of Trade (R-millions)	11.11	3.67	6.15
Quantity Traded (kg)	630 405	291 014	539 477
Average price (R per kg)	17.63	12.63	11.40
<b>Year-on-year Growth in Value</b>	<b>31%</b>	<b>-67%</b>	<b>67%</b>

*Source World Trade Atlas -2005*

Table 6 indicates that the imported value of black tea from Kenya declined sharply by almost 67% in 2003 relative to 2002. This is largely due to a decline in prices over the same period. However, the imported value shows a 67% growth in 2004 due to higher quantity demanded over the same period. The decline in average prices can be the result of strength in the South African Rand over the same period.

ITC Trade Map analysis of South African black tea imports from Kenya reveals that South Africa was a small importer from Kenya. It did not rank among the top 30 importers of this product. It accounted for approximately 0.02% of total Kenyan exports to the world in 2004. In turn, Kenyan imports accounted approximately 0.6% of total South African imports of black fermented tea. The leading importers of black tea from Kenya were Pakistan, The UK, Egypt and Afghanistan.

Over a three-year period ranging from 2002 to 2004, Kenyan exports of this product grew by 242% in value terms whilst at the same time South African imports from the rest of world grew by 19 percent. Kenyan exports represented 29% of world exports for this product, and Kenya ranked as the world-leading exporter of this product.

Isolating Kenyan trade capacity therefore implies that Kenya had the capacity to supply US\$458.8 million worth of black fermented tea. South African imports of this product during the same period totalled approximately US\$18.9 million, of which imports from Kenya accounted for approximately US\$120 000 worth. Given this, the potential trade between Kenya and South Africa was US\$18.8 million (US\$18.9 million minus US\$120 000).

The leading exporter of this product to South Africa was Malawi, which accounted for 55% of South African imports worth an estimated US\$10.5 million. Malawian exports showed a

continuous growth trend over the five-year period from 2000 to 2004. The second largest exporter of black tea to South Africa was Zimbabwe, which by implication is Malawi's competitor in this market. However, Zimbabwean exports to South Africa for this product showed a declining trend. The decline can be attributed to the current political environment in Zimbabwe. Both Malawi and Zimbabwe enjoys preferential tariff treatment under SADC agreement. The third largest supplier after Zimbabwe was Sri Lanka, which accounted for almost 12% of total South African imports of this product worth an estimated US\$2.2 million in 2004.

Trade barriers reported by South Africa for product: 090240 Black tea (fermented) and partly fermented tea in packages exceeding 3 kg include:

- MFN duties (applied) - 400c/kg (Tariff specific)
- Preferential tariff for SADC countries - 320c/kg (Tariff specific)
- Preferential tariff for EU countries - 400c/kg (Tariff Specific)

## **11. TRADE OPPORTUNITIES**

### **11.1. Introduction**

The identification of potential trade opportunities between Kenya and SACU was conducted using the ITC's Trade Map and in particular, the Trade Map estimates of "indicative trade potential". A TPI<sup>xii</sup> (Annexure 5) was developed at the HS 6-digit level to assist in identifying agricultural products that shows the greatest potential for future trade (Annexure 6). In terms of the index, the products listed below represent the agricultural products with the greatest potential for trade between South Africa and Kenya.

The current SACU agreement allows member states to negotiate trade agreements as a group not as individual countries. This necessitated a widening of the research to include all SACU members in determining trade potential. Since South Africa is the leading trading nation in SACU, the tables in Annexure 6 are an indication of the nature of trade flows between the countries. The values contained therein will therefore overestimate trade values. The product specific discussion that follow will however, focus almost entirely on South African exports.

### **11.2. Potential for South African Exporters**

The TPI in Annexure 6 reveals a number of products that presented valuable export opportunities<sup>xiii</sup>. The products that displayed high potential were sugar and sugar confectionary (HS 17), miscellaneous edible preparations (HS 21), beverages (HS 22) and cereals (HS 10). These products were investigated based on existing trade flows and subsequently disaggregated to their relevant HS 6-digit levels to identify specific products within these categories that held the greatest export potential. The leading products per product nomenclature are discussed.

#### **11.2.1 Sugar and Sugar confectionary (HS 17)**

The export performance of sugar and sugar confectioneries to Kenya declined over the five-year period, 2000 to 2004. This decline can be largely attributed to a decline in average prices over the same period. Disaggregated at HS 6-digit level, the TPI reveals that raw sugar

cane (HS 170111) and refined sugar in solid form containing added flavouring or colouring matter (HS 170191) and refined sugar in solid form (HS 170199) showed the greatest potential amongst this category of products.

**(a) Raw sugar cane (HS 170111)**

The TPI demonstrates that raw sugar cane (HS 170111) showed the greatest potential for South African exporters to the Kenyan market. ITC Trade Map data shows that South African exports to Kenya for raw sugar cane was valued at US\$591 000 in 2003 with a decrease in value of 48% per annum over the five-year period from 1999 to 2003. This decline of South African share in the Kenyan market is consistent with the overall reduction in South African exports to the rest of the world at 6 percent. However, this decline contrast with a sharp increase (161%) in Kenyan imports from the rest of the world.

It was estimated that world imports from South Africa for this product amounted to almost US\$150 million in 2003. Mozambique was the largest market consuming 32% of exported raw sugar cane; however, the country consumed less than 1% of total world exports. South African exports of raw sugar cane to Mozambique increased by 65% in value terms from 1999 to 2003.

The Russian Federation was the fifth leading importer from South Africa, after Mozambique, Japan, Korea and Malaysia with an 8% share of South African raw sugar cane exports and was the number one importing market in the world commanding a 16% share of world imports.

**(b) Refined sugar in solid form containing added flavouring or colouring matter (HS 170191)**

Refined sugar in solid form containing added flavouring or colouring matter was the second product within this category with large trade potential. South African exports represented 5% of world export for this product and occupied fifth place amongst world exporters. ITC Trade Map data indicates that South Africa exported 116 tons worth an estimated US\$505 000.

South African exports to Kenya showed a remarkable increase of 444% in value over the period 1999 to 2003. Kenyan imports represented 7% of total South African exports of this product. ITC Trade Map data reveals that the market for South African exporters was highly concentrated in Africa. The leading export markets were Nigeria, Mali and DRC. Nigeria consumed almost 30% of total South African exports of this product however; it ranked only 72nd amongst the world importers.

The biggest consumer for this product in the world was the USA; however, it consumed only 1% of total South African exports. The share of South African exports to the US market declined by 29% in value terms over the period 2002 to 2003.

The major supplier to the Kenyan market and by implication South Africa's biggest competitor was Egypt that ranked 13th amongst world exporters. However, Kenyan import from Egypt declined by 23% for the period 2002 to 2003. The second largest competitor was Germany, followed by India and Singapore with South Africa ranked fifth in this market.

**(c) Refined Sugar in solid form (170199)**

Refined sugar in solid form was one of the products that displayed high potential for export to the Kenyan market. World Trade Atlas data indicates that in 2004 approximately 57 million kg of refined sugar was exported to the Kenyan market at an average price of R1.62 per kilogram. This was worth an estimated R92 million. The export value for this product

declined by an average of 3.3% from 2002 to 2004. This decline can be attributed to a decline in prices over the same period. The prices decreased from R2.53 in 2002 to R1.62 in 2004.

ITC Trade Map data reveals that South Africa was the largest exporter of this product to the Kenyan market, with a market share of 43% in Kenyan imports (South Africa ranked 19th amongst world exporters of this product). The overall market in Kenya for this product was worth an estimated US\$25 million in 2003, of which, South Africa accounted for almost US\$10.7 million. Kenyan imports represented less than 1% of world imports for this product.

In 2003, South African exports of refined sugar were worth an estimated US\$65 million. The largest importer of this product was Madagascar, consuming 18% of total South African exports worth approximately US\$12 million. The second largest market was the Syrian Arab Republic that consumed 17%, followed by Kenya, which consumed 14 percent. In contrast to Madagascar, that displayed a growing trend in imports from South Africa for the period 1999 to 2003, Kenyan demand declined by 16% over the same period.

The second largest supplier after South Africa was Egypt with a 29% share in Kenyan imports, followed by Malawi and Sudan with 12% and 8%, respectively. France and Brazil ranked first and second, respectively amongst the world exporters of this product, but neither exported to Kenya.

### **11.2.2. Miscellaneous edible preparations (HS 21)**

The TPI reveals that miscellaneous edible preparations were the second category of products with the most trade potential with the Kenyan market. The key products within this category were food preparations (HS 210690) sauces, preparations, mixed condiments, and seasonings (HS 210390). These two product groups serve as the basis for discussion in this category.

#### **(a) Food preparations (HS 210690)**

The World Trade Atlas data indicates that in 2004 an amount of 530 000 kg was exported at an average price of R28.54 worth R15.11 million. However, it showed a decline of 18% in value terms relative to the 2003 period. This decline can be attributed to a fall in the quantity exported over the same period.

Over a five-year period from 1999 to 2003, South African exports to Kenya grew by an average of 15 percent. This was in line with Kenyan demand from the rest of world, which grew by 25% over the same period. This indicates that South Africa operated in a growing market. ITC Trade Map data indicates that South Africa was the leading exporter of this product to Kenya, with a 47% share of total Kenyan import demand. South Africa ranked 27th amongst world exporters. The major competitor for South Africa in this market was the UK, which enjoyed a 23% share in this market. The second largest competitor was Switzerland, which enjoyed an 8% share.

The largest market for South Africa exports was concentrated in Africa, specifically SADC countries. The biggest importer of this product was Mozambique, which consumed 19% of total South African exports. Exports to this country grew by an average of 73% over a five-year period ranging from 1999 to 2003. The second largest importer was Zimbabwe, which consumed almost 9% of total South African exports. Exports to Zimbabwe also grew by 19% in value terms over the period 2002 to 2003.

**(b) Sauces, preparations, mixed condiments and seasonings (HS 210390)**

These products were the second leading category of products within miscellaneous foods nomenclature indicating a high level of trade potential in the Kenyan market. Exports of these products to the Kenyan market showed growth of 28% over the period from 1999 to 2003. This was in line with Kenyan imports from the rest of the world, which grew by 15% over the same period.

South Africa was the leading exporter, with a 47% share of Kenyan import demand. Kenyan import demand from South Africa grew by 299% per annum between 2002 and 2003. The major competitors were the UK and Switzerland, which enjoyed a 23% and 8% share of Kenyan imports, respectively. However, the UK witnessed a decline in value terms of 4% over five the year period from 1999 to 2003.

**11.2.3. Cereals (HS 10)**

The exports of cereals to Kenya grew by 15% in 2004 relative to 2003. Five products in this category feature in the TPI, only two secured a significant score of four. These include:

**(a) Maize corn seed (HS 100510)**

World Trade Atlas data indicates that in 2004 an approximate amount of 949 580 kg of maize corn seed was exported to Kenya at an average price of R7.05 per kg worth an estimated amount of R7.1 million. Over the five-year period from 1999 to 2003, South African exports to Kenya grew in value by an average of 151 percent. During the same period, Kenyan import demand from the rest of world grew by an average of 19 percent. Exports to Kenya constituted only 2% of total South African exports.

The USA was the largest exporter of maize corn seed to the Kenyan market. It enjoyed a 59% share in Kenyan imports. Kenyan import demand grew by an average of 185% per annum for the period 1999 to 2003. South Africa ranked second after the USA and enjoyed 35% of total Kenyan import demand. The leading exporter of this product to the rest of the world was France; however, no trade took place between France and Kenya during this period.

**(b) Rice, semi-milled or wholly milled, whether or not polished or glazed (HS 100630)**

This product grouping represents the second category of products amongst cereals that showed high trade potential in the Kenyan market. ITC Trade Map data indicates that South Africa exports to Kenya for this product were valued at US\$45 000 in 2003. Kenyan import demand constituted only 2% of total South African exports. The major markets for South African products were concentrated in Africa, specifically SADC member states.

The leading competitor in this market was Pakistan that enjoyed a 74% share in Kenyan imports worth approximately US\$19.7 million in 2003. It showed growth of 56% on average for the five-year period ranging from 1999 to 2003. The second leading competitor in this market was Vietnam with an 11% share of the Kenyan market. However, its value of exports declined by an average of 8% over the same period. The leading exporter in the world was Thailand with slightly more than 1% of Kenyan imports.

#### **11.2.4. Beverages, Spirits and Vinegar (HS 22)**

Beverages, spirits and vinegar were amongst those categories of product, which recorded a decline in 2004. Exports of this category of product declined by 12% in 2004 relative to 2003. Two products within this nomenclature featured in the TPI and received scores of four or more. These include:

##### **(a) Spirits obtained by distilling grape wine (HS 220820)**

Within the nomenclature HS 22, spirits obtained by distilling grape wine or grape march showed high trade potential in the Kenyan market. This is revealed by the TPI, in which this product received a maximum score of five. In 2004 South Africa exported 15 171 litres of grape wine at an average price of R20.62 per litre worth approximately R313 000. This represented a decline of 48% relative to 2003. This decline was largely due to a 39% fall in volume exported.

Over a five-year period from 1999 to 2003, South African exports to Kenya grew by an average of 60 percent. Kenyan import demand from the rest of the world also showed growth of 23% over the same period. Kenyan imports represented only 2% of total South African exports.

##### **(b) Whiskies (HS 220830)**

This was the second product within HS 22 nomenclature with significant trade potential in the Kenyan market. World Trade Atlas data indicates that South Africa exported 1 787 litres of whiskies at an average price of R146.20 per litre in 2004. This generated an income of R261 000. For the period between 2002 and 2003, Kenyan import demand from South Africa increased by 79 percent. However, South Africa only enjoyed a 3% share of the Kenyan market.

The largest supplier was the UK, that supplied more than half (53%) of Kenyan imports, valued at US\$1.2 million in 2003. It was followed by the Netherlands with a 26% share and the United Arab Emirates with 9 percent. However, Kenyan imports from the UK and the Netherlands declined by 35% and 26%, respectively between 2002 and 2003.

#### **11.2.5 Market Access constraints**

Significant market access barriers exist for South African agricultural exporters to the Kenyan market. Annexure 8 displays Kenyan tariff structure for products of importance to South Africa; it shows that Kenya has bound most of its tariff lines to the maximum of 100% especially agricultural products. The category of products with highest constraints includes vegetables, cereals, milling products, fats and oils, sugars, miscellaneous preparations and beverages. In all these products Kenya applied an average tariff of almost 25 percent.

#### **11.3. Potential for Kenyan Exporters**

The Kenyan economy largely depends on the agricultural sector. The sector accounts for more than 50% of export revenue. South Africa continuous to be one of the major destinations of Kenyan agricultural exports and imported almost R28.2 million in 2004. This section explores products based on 2003 data, with the greatest export potential in the SACU market, in particular South Africa. The developed TPI (Annexure 7) identified products within tobacco (HS 09), sugars (HS 19), vegetables (HS 07) and raw hides (HS 41)

nomenclatures as products with high potential in the South African market. These were the products, which received a final score of four or above.

### **11.3.1 Tobacco (HS 09)**

Within the tobacco nomenclature, only two products were identified as having significant export potential. These products are un-manufactured tobacco, partly or wholly stemmed (HS 240120) and un-manufactured tobacco not stemmed or stripped (HS 240110).

#### **(a) Un-manufactured tobacco, partly or wholly stemmed or stripped (HS 240120)**

ITC Trade Map data indicates that over a five-year period from 1999 to 2003, Kenyan exports to SACU grew by an average of 49%, valued at US\$865 000. SACU's imports constituted only 5% of Kenyan exports. The major market for Kenyan exporters of this product was the UK, which absorbed almost 25% of total exports. The UK's import demand from Kenya also grew on average by 14% over the same period. The second largest market was Congo, consuming 17% of Kenyan exports.

The leading exporter of this product to the South African market was Zimbabwe that accounted for a 38% share of South African imports, worth approximately US\$23 million in 2003. Zimbabwean exports grew by an average of 52% per annum for the period 1999 to 2003. It ranked third amongst the world exporters of tobacco. The number one exporter of tobacco in the world was Brazil and it was the second leading exporter to South Africa after Zimbabwe, claiming a 27% share worth R16.4 million.

#### **(b) Un-manufactured tobacco not stemmed or stripped (HS 240110)**

The second leading product within the tobacco nomenclature with trade potential was un-manufactured tobacco not stemmed or stripped. Kenyan exports represented less than 1% of world exports for this product; its ranking in world exports was 49. Kenyan exports was valued at US\$117 000 in 2003. South African imports from Kenya constituted only 5% of total Kenyan exports. The major markets for Kenyan exporters were Egypt and Colombia, each consuming 44% and 18%, respectively. The leading suppliers to the South African market were China and India, each with a market share of 29% and 12%, respectively. Over a five-year period from 1999 to 2003 import demand for Chinese products grew sharply by an average of 323 percent.

### **11.3.2. Sugar and Sugar confectionery (HS 17)**

Within this category, the TPI identified other sugar confectionery without cocoa (HS 170490) with high potential in the South African market. In 2004 Kenya exported 898 120 kg of this product at an average price of R8.43 per kg worth approximately R7.6 million. This represented an increase of 683% in value relative to 2003. This increase in value was largely a response to increase in the average price from R7.11 to R8.43. The leading market for Kenyan exporters was Tanzania, consuming almost 42% of total exports worth an estimated US\$4 million in 2003. South Africa consumed only a marginal 2%, worth US\$166 000.

The leading export countries to the South African market were Brazil and Colombia, enjoying market shares of 47% and 16%, respectively. Brazilian exports grew by an average of 37% over a five-year period from 1999 to 2003. Colombia performed very impressively during the same period as it recorded growth of 277 percent.

### **11.3.3. Raw Hides and Skins (HS 41)**

Raw hides and Skins represent the third category of products with great potential for Kenyan exporters. World Trade Atlas data indicates that exports of this category of products declined in value terms for the period 2004 relative to 2003. The TPI identifies two products within this category with the greatest export potential. These are:

#### **(a) Raw hides and skins of animals (HS 410390)**

In 2004 South Africa imported 3 180 kg of raw hides and skins of animals from Kenya at an average price of R172.71 per kilogram. This generated an income of R549 000 for Kenyan exporters. The value declined by approximately 20% relative to 2003 period. This decline can largely be attributed to a sharp fall in the quantity exported.

Over a five-year period ranging from 1999 to 2003 South African imports from Kenya of raw hides and skins of animals declined by an average of 28 percent. South African imports constituted only 7% of total Kenyan exports. The leading exporters to the South African market were Australia and The UK each enjoying shares of 30% and 12%, respectively. However, both countries' shares in value declined in 2003 relative to 2002.

Amongst importers from Kenya, South Africa ranked third after Hong Kong and the United Arab Emirates. Combined they consumed more than 70% of Kenyan exports. The biggest consumer in the world for this product was China. In 2003, there was no existing trade between China and Kenya in this product.

#### **(b) Raw bovine skins (HS 410110)**

Trade between Kenya and South Africa in this product was minimal, but trade potential exists. Only a single ton of raw bovine skins was imported by South Africa from Kenya during 2003. This generated an income of US\$11 000 for Kenyan exporters. The major market for Kenyan exporters was Hong Kong, consuming almost 71% of Kenyan exports, worth approximately US\$5 million in 2003.

The South African market was largely dominated by imports from Australia (74%) and Brazil (23%). For the period between 2002 and 2003, Brazilian exports grew sharply by 771%, whilst Australian exports grew by only 11 percent.

### **11.3.4 Edible Vegetables (HS 07)**

This category holds enormous potential for trade as evidenced by both existing and potential trade. Trade was valued at R2.6 million in 2004. However, this value declined by 39% relative to 2003. The key products in this category are:

#### **(a) Other fresh vegetables (HS 070990)**

The World Trade Atlas data indicates that South Africa imported 53 018 kg of this product at an average price of R9.57 worth an estimated R360 000 in 2004. This represented an increase in value of 48% compared to 2003. The increase can be attributed to a very sharp rise in quantity imported, which may in turn be due to a decline in average price of this product.

The South African market was dominated by imports from Zimbabwe, with a 52% share in South African imports. Kenya ranked second after Zimbabwe with a 26% share. However, over a five-year period ranging from 1999 to 2003, the import value from these two suppliers declined by an average of 48% and 32%, respectively.

The major importers from Kenya were the UK and the Netherlands, consuming 79% and 11%, respectively. The UK's market grew by an average of 5% over the period from 1999 to 2003. It ranked third amongst world importers of fresh vegetables.

**(b) Leguminous vegetables, shelled or unshelled, fresh or chilled (HS 070890)**

The TPI shows that this category of product carries trade potential. However, the existing trade was minimal in this product, as it was only worth US\$10 000 in 2003. South African imports constituted only a 2% share of Kenyan exports. South African imports from the rest of the world showed an average growth of 269% over a five-year period ranging from 1999 to 2003. Over the same period, Kenyan exports to the world also grew by 226 percent.

Like the market for fresh vegetables, the UK and the Netherlands were the major destinations of Kenyan exports. The UK consumed approximately 74% of total Kenyan exports worth US\$344 000 in 2003. This market showed an average growth of 226% for the period 1999 to 2003. Kenyan exports to the Netherlands also showed a growth of 217% over the same period. The biggest supplier to the South African market was China, claiming a share of over 90% in South African imports.

**(c) Beans dried, shelled, whether or not skinned or split (HS 071339)**

In 2003 South Africa imported 884 000 kg of dried beans at an average price of R2.04. This generated an income of R1.8 million for Kenyan exporters. This value declined by 27% relative to 2002. This was due to decline of 48% in the average price. It fell from R3.89 in 2002 to R2.04 in 2003. This decline in prices led South African importers to demand higher quantities than in 2002. Kenya held a 4% share of the South African market for this product.

The South African market was dominated by imports from China and the USA, with market shares of 44% and 39%, respectively. Both China and the USA witnessed a growth in exports to SA. The biggest markets for this product exported by Kenya were Zimbabwe, Mozambique and India. Zimbabwe consumed 27%, Mozambique 26% and India 14 percent. South Africa ranked fourth after India, consuming 10 percent.

## **12. CONCLUSION**

The major finding of the study is that the existing agricultural trade between South Africa and Kenya is biased in favour of South Africa. This is reflected by South African exports being almost fifteen times larger than the imports from Kenya in value terms. The reason for this huge disparity could be that South Africa is more diversified in terms of agricultural production as compared to Kenya and is endowed with skilful commercial farmers, who are more competitive in the market.

In order to overcome this disparity both countries can trade in those agricultural goods in which it holds comparative advantage. South Africa's potential lies in the exports of cereals, sugars, miscellaneous edible preparations and beverages. Kenya's advantage rest on the exports of tobacco, sugar, raw hides and vegetables. Both countries' potential is dominated by exports of its leading agricultural exports to the world.

The leading competitors in the Kenyan market for agricultural products included the UK, The USA, and the Netherlands. Other important competitors and potential competitors include Tanzania, the United Arab Emirates and Pakistan. However, as an African country, South Africa holds strategic advantage over other competitors, partly because of the distance to Kenya and as a member of NEPAD and African Union.

Given the above, public policy to increase trade with Kenya should focus on reducing and phasing out of the existing trade barriers. There is also a need to focus on improving the existing infrastructure between the two countries. The scope for increasing trade between South Africa and Kenya is exceedingly large.

## ANNEXES

## ANNEXURE 1 - PRODUCT COVERAGE

1. This Agreement shall cover the following products:

(i)	HS Chapters 1 to 24 less fish and fish products, plus*		
(ii)	HS Code	2905.43	(mannitol)
	HS Code	2905.44	(sorbitol)
	HS Heading	33.01	(essential oils)
	HS Headings	35.01 to 35.05	(albuminoidal substances, modified starches, glues)
	HS Code	3809.10	(finishing agents)
	HS Code	3823.60	(sorbitol n.e.p.)
	HS Headings	41.01 to 41.03	(hides and skins)
	HS Heading	43.01	(raw furskins)
	HS Headings	50.01 to 50.03	(raw silk and silk waste)
	HS Headings	51.01 to 51.03	(wool and animal hair)
	HS Headings	52.01 to 52.03	(raw cotton, waste and cotton carded or combed)
	HS Heading	53.01	(raw flax)
	HS Heading	53.02	(raw hemp)

2. The foregoing shall not limit the product coverage of the Agreement on the Application of Sanitary and Phytosanitary Measures.

\*The product descriptions in round brackets are not necessarily exhaustive

**ANNEXURE 2 - PRODUCTS SUBJECT TO EXCISE DUTIES TO KENYA,  
SEPTEMBER 1999**

<b>HS CODE</b>	<b>DESCRIPTION</b>	<b>EXCISE DUTY</b>
2106.9050	Powdered beer	15%
2201.1010	Mineral waters, not containing added sugar or other sweetening matter nor flavoured	10%
2201.1090	Aerated waters, not containing added sugar or other sweetening matter nor flavoured	10%
2201.9000	Ice and snow; other natural or artificial waters not containing added sugar or other sweetening matter nor flavoured	20%
2202.1000	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter, or flavoured	20%
2202.9000	Other non-alcoholic beverages	20%
2203.0010	Stout and porter	60%
2203.0020	Beer of an original gravity not exceeding 1060 degrees	90%
2203.0090	Other beer (including ale) of an original gravity exceeding 1060 degrees	90%
2204.1010	Champagne	45%
2204.1090	Other sparkling wine	45%
2204.2100	Other wine; grape must with fermentation prevented or arrested by the addition of alcohol in containers of 2 litres or less	45%
2204.2910	Other wines; grape must with fermentation prevented or arrested by the addition of alcohol in containers of more than 2 litres but not more than 5 litres	45%
2204.2920	Other wines; grape must with fermentation prevented or arrested by the addition of alcohol in containers of more than 5 litres	45%
2205.1000	Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances in containers of 2 litres or less	45%
2205.9010	Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances in containers of more than 2 litres but not more than 5 litres	45%
2205.9090	Vermouth or other wine of fresh grapes in containers of more than 5 litres	45%
2206.0010	Beer not made from malt	60%
2206.0021	Cider in containers holding 2 litres or less	35%
2206.0029	Cider in containers holding more than 2 litres	35%
2206.0030	Other fermented beverages (for example Chibuku)	15%
2206.0090	Other fermented beverages; mixtures of fermented beverages and non-alcoholic beverages not elsewhere specified or included	60%
2207.1000	Undenatured ethyl alcohol of an alcoholic strength by	Per proof litre: KSh. 60

	volume of 80% volume or higher	or 35%
2208.2011	Brandy in containers holding 2 litres or less	Per proof litre: KSh. 100 or 65%
2208.2019	Brandy in containers holding more than 2 litres	Per proof litre: KSh. 100 or 65%
2208.2091	Other spirits obtained by distilling grape wine or grape marc in containers holding 2 litres or less	Per proof litre: KSh. 100 or 65%
2208.2099	Other spirits obtained by distilling grape wine or grape marc in containers holding more than 2 litres	Per proof litre: KSh. 100 or 65%
2208.3010	Whiskies in containers holding 2 litres or less	Per proof litre: KSh. 100 or 65%
2208.3090	Whiskies in containers holding more than 2 litres	Per proof litre: KSh. 100 or 65%
2208.4010	Rum and tafia in containers holding 2 litres or less	Per proof litre: KSh. 100 or 65%
2208.4090	Rum and tafia in containers holding more than 2 litres	Per proof litre: KSh. 100 or 65%
2208.5010	Gin and Geneva in containers holding 2 litres or less	Per proof litre: KSh. 100 or 65%
2208.5090	Gin and Geneva in containers holding more than 2 litres	Per proof litre: KSh. 100 or 65%
2208.6010	Vodka in containers holding 2 litres or less	Per proof litre: KSh. 100 or 65%
2208.6090	Vodka in containers holding more than 2 litres	Per proof litre: KSh. 100 or 65%
2208.7010	Liqueurs and cordials in containers holding 2 litres or less	Per proof litre: KSh. 100 or 65%
2208.7090	Liqueurs and cordials in containers holding more than 2 litres	Per proof litre: KSh. 100 or 65%
2208.9020	Fruit brandy not made from distilling grape wine or grape marc in containers holding more than 2 litres	Per proof litre: KSh. 100 or 65%
2208.9030	Other spirits and other spirituous beverages in containers holding 2 litres or less	60%
2208.9040	Other spirits and other spirituous beverages in containers holding 2 litres or less	Per proof litre: KSh. 100 or 65%
2208.9090	Other spirits and other spirituous beverages in containers holding more than 2 litres	Per proof litre: KSh. 100 or 65%
2402.1000	Cigars, cheroots and cigarillos, containing tobacco	30%
2402.2010	Cigarettes containing tobacco, not exceeding 72 mm in length, including filter tip	135%
2402.2090	Other cigarettes containing tobacco	135%
2402.9010	Other cigars, cheroots and cigarillos containing tobacco substitutes	30%
2402.9020	Other cigarettes containing tobacco substitutes, not exceeding 72 mm in length including filter tip	135%
2402.9090	Other cigarettes containing tobacco substitutes	135%

2403.1000	Smoking tobacco, whether or not containing tobacco substitutes in any proportion	135%
2403.9100	Homogenised or reconstituted tobacco	135%
2403.9920	Tobacco extracts and essences	135%
2403.9990	Other manufactured tobacco and manufactured tobacco substitutes	135%

*Source: Extracted from Kenyan Trade policy Review 2000 (Information provided by the Kenyan authorities)*

**ANNEXURE 3 - SOUTH AFRICAN AGRICULTURAL EXPORTS TO KENYA, 2002  
TO 2004**

HS CODE	DESCRIPTION	R-million		
		Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2002
10	Cereals	212.72	58.47	4.02
17	Sugars & Sugar Confectionary	116.09	87.84	133.28
21	Miscellaneous Edible Preparations	25.03	29.99	24.27
22	Beverages, Spirits & Vinegar	24.47	27.74	32.93
08	Edible Fruit & Nuts, Citrus Fruit or Melon Peel	16.02	13.20	12.61
20	Prep Vegetables, Nuts or Other Plant Parts	4.78	6.63	8.67
19	Prep Cereal, Flour, Starch or Milk; Bakers wares	3.17	5.84	3.38
23	Food Industry Residues & Waste; Prep Animal Feed	2.62	2.50	2.30
12	Oil Seeds etc.; Misc Grain Seed, Fruit, Plant etc	2.34	2.93	2.83
09	Coffee, Tea, Mate & Spices	1.58	1.23	3.31
04	Dairy Prods; Birds Eggs; Honey; Ed Animal Pr Nesoi	1.30	5.42	6.99
15	Animal or Vegetable Fats, Oils etc & Waxes	1.10	2.00	2.49
06	Live Trees, Plants, Bulbs etc; Cut Flowers etc	0.77	0.49	0.28
18	Cocoa & Cocoa Preparations	0.73	1.15	1.08
05	Products or Animal Origin, Nesoi	0.60	0.35	0.08
3301	Essent Oils Resinoid; Ext Oleo Terpen By-prods etc	0.45	1.09	1.25
07	Edible Vegetables & Certain Roots & Tubers	0.41	0.74	0.61
24	Tobacco & Manufactured Tobacco Substitutes	0.23	0.02	0.81
02	Meat & Edible Meat Offal	0.20	0.33	1.09
16	Edible Preparations of Meat, Fish, Crustaceans etc	0.20	0.19	0.27
11	Milling Products; Malt; Starch; Inulin; Wht Gluten	0.18	0.68	0.24
01	Live Animals	0.13	0.35	0.12
3503	Gelatine & Deriv; Isinglass; Glues; Animal or Nesoi	0.13	0.04	0.12
3504	Peptones; Other Proteins & Deriv etc; Hide Powder	0.12	0.03	0.02
13	Lac; Gums, Resins & Other Vegetable Sap & Extract	0.11	0.34	0.29
3505	Dextrins etc; Glues Based on Starches, Dextrin etc	0.04	0.07	0.02
5101	Wool, Not Carded or Combed	0.01	0.00	0.00
14	Vegetable Plaiting Materials & Products Nesoi	0.01	0.00	0.00
5201	Cotton, Not Carded or Combed	0.01	0.00	0.00
38091	Finishing Agents & Dye Carrier of Amylaceous Subst	0.00	0.00	0.07
4101	Raw Hides & Skins of Bovine or Equine Animals	0.00	0.00	0.00
3501	Casein, Caseinates & Other Casein Derivatives	0.00	0.00	0.00
3502	Albumins incl Whey Proteins & Albumin Derivatives	0.00	0.02	0.02
5202	Cotton Waste (Including Yarn Waste etc)	0.00	0.00	0.00
5203	Cotton, Carded or Combed	0.00	0.00	0.00
5301	Flax, Raw etc But Not Spun; Flax Tow and Waste	0.00	0.00	0.00
5302	True Hemp, Raw etc Not Spun Hemp Tow and Waste	0.00	0.00	0.00
4102	Raw Skins of Sheep or Lambs Nesoi	0.00	0.00	0.00
4301	Raw Furskins Nesoi (incl Pcs for Fur Use)	0.00	0.01	0.00
5102	Fine or Coarse Animal Hair, Not Carded or Combed	0.00	0.00	0.00
5103	Waste of Wool or of Fine or Coarse Animal Hair	0.00	0.02	0.00
<b>TOTAL</b>		<b>415.53</b>	<b>249.69</b>	<b>243.43</b>

Source: South African Revenue Service

**ANNEXURE 4 - SOUTH AFRICAN AGRICULTURAL IMPORTS FROM KENYA,  
2002 - 2004**

HS CODE	DESCRIPTION	R-million		
		Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2002
17	Sugars	9.13	2.79	0.37
09	Coffee, Tea, Mate & Spices	7.98	5.56	15.62
07	Edible Vegetables & Certain Roots & Tubers	2.65	4.32	2.84
06	Live Trees, Plants, Bulbs etc; Cut Flowers	2.24	3.25	1.26
15	Animal or Vegetable Oils	1.19	1.26	4.32
08	Edible Fruit & Nuts	1.17	0.12	0.73
20	Prep Vegetables	1.05	6.08	0.92
5101	Wool, Not Carded or Combed	0.80	0.79	0.33
4103	Raw Hides & Skins	0.55	0.69	0.00
4101	Raw Hides & Skins of Bovine	0.52	1.53	2.69
13	Other Vegetable Sap & Extract	0.46	0.34	0.78
12	Oil Seeds	0.30	0.00	0.00
10	Cereals	0.07	0.53	0.00
23	Food Industry Residues	0.06	0.00	0.02
22	Beverages, Spirits & Vinegar	0.03	0.015	0.00
21	Miscellaneous Edible Preparations	0.01	0.16	0.03
05	Products of Animal Origin, Nesoi	0.00	0.27	0.01
18	Cocoa and Cocoa Preparations	0.00	0.00	0.00
14	Vegetable Planting Materials & Products Nes	0.00	0.00	0.00
3301	Essent Oils Resinoid	0.00	0.00	0.02
24	Tobacco	0.00	0.00	0.01
19	Prep Cereal	0.00	0.04	0.00
5102	Fine or Coarse Animal Hair	0.00	0.00	0.46
5201	Cotton, Not Carded or Combed	0.00	0.00	0.00
01	Live Animals	0.00	0.16	0.02
04	Dairy Prods	0.00	0.00	0.00
<b>TOTAL</b>		<b>28.22</b>	<b>27.94</b>	<b>30.45</b>

Source of data: South African Revenue Services

## **ANNEXURE 5 - TRADE POTENTIAL INDEX**

### **Introduction**

The TPI uses a scoring system based on data obtained from the ITC Trade Map database. This allows the analysis of focus on trade potential whilst taking cognisance of import demand, import trends, growth rates and unit values rather than focusing solely on trade potential values. A score of either one or zero is assigned to five trade indicators contained in the database. This score is aggregated to give a total score, which is measured against a final score of five. A score of one would therefore represent the lowest end of the scale and the least trade potential whilst a score of five would indicate the greatest trade potential.

The criterion for scoring is as follows:

- The value of imports from a country: if current trade in the form of imports does exist, a score of one is allocated. The absence of trade is allocated a score of zero. The existence of trade relationship is deemed a significant factor in furthering trade.
- Growth in import demand: if imports from the partner country have registered growth measured over the five-year period from 1999 to 2003, a score of one is allocated. No growth or negative growth rates are awarded a score of zero. In the absence of trade data between countries import growth from the rest of the world is used as an indication of general import demand with growth allocated a score of one and no or negative growth a score of zero. The inclusion of this value in the table is also intended to indicate general import demand for the product as well as providing a basis for comparing demand for specific countries products relative to demand for the same product from global sources.
- Export growth: Growth of exports from the exporting countries to the rest of the world is indicative of supply capacity, and increased demand for locally produced goods. A positive growth rate in the value of exports over a five year period from 1999 to 2003 is awarded a score of 1, whilst no or negative growth is awarded a score of 0.
- Indicative Trade Potential: Indicative trade potential isolates total demand and total export capacity thereby providing a rough estimate of how much countries could “theoretically” trade between them. A positive “indicative trade potential” suggest that a trade opportunity exists, and is therefore allocated a score of one. No or negative trade potential is allocated a score of zero.
- Unit Value. Unit value is determined based on value and quantity of exports. Products with high unit value ( $\geq 1$ ) are allocated a score of one. Products with low unit value ( $< 1$ ) are allocated a score of zero.

**ANNEXURE 6 - TRADE POTENTIAL INDEX - SACU EXPORT POTENTIAL**

HS code	Product Description	SACU 's exports to Kenya		Growth in Kenyan Imports from the World (1999-2003) %	Growth in SACU Exports to the rest of World (1999-2003) %	Indicative Potential Trade (US\$ '000)	Unit Value (P/Q)	Final scoring
		Value US\$ '000	Growth (1999-2003) %					
220421	Grape wines incl fort & grape must, unfermented by add alc in ctr	1,114	7	16	13	1,064	2.25	5
170191	Refined sugar, in solid form, containg added flavourg or colourg matter	505	337	195	278	510	3.30	5
210390	Sauces and preparations and mixed condiments and mixed seasonings	277	13	15	5	481	1.58	5
120999	Seeds, fruit and spores for sowing	45	71	33	6	453	1.60	5
220820	Spirits obtained by distilling grape wine or grape marc	80	54	23	3	428	2.96	5
120991	Seeds, vegetable for sowing	150	22	10	-10	4,601	8.8	4
210690	Food preparations	2,306	8	25	43	3,738		
100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	45	104	17	3	2,634	0.28	4
100510	Maize (corn) seed	802	91	19	83	2,466	0.22	4
220830	Whiskies	14		6	8	2,220	4.17	4
240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	0		232	21	1,440	2.53	4
180631	Choc & food prep cntg cocoa in blocks, slabs/bars,filld,not exceedg 2 kg	528		64	6	1,188	1.89	4

151620	Veg fats & oils& fractions hydrogenatd,inter/re-esterifid,etc,ref'd/not	0		-24	11	1,81	1.67	4
190410	Prep foods obtaind by the swellg o roastg of cereal o cereal products	128		-4	19	540	1.69	4
170111	Raw sugar cane	3,399	5	161	9	18,466	0.28	4
100190	Wheat and meslin	67		-1	151	6,589	0.22	3
100590	Maize (corn)	6,908	-60	-27	11	5,864	0.16	3
110100	Wheat or meslin flour	52	189	-14	-5	2,152	0.28	3
190190	Malt extract & food prep of ch19<50% cocoa & hd 0401 to 0404<10% cocoa	0		-10	29	1,834	1.95	3
210210	Yeasts, active	0		-5	22	1,532	2.53	3
190219	Uncooked pasta, not stuffed or otherwise prepared	0		6	13	1,037	1.16	3
220300	Beer made from malt	729	-15	-28	22	1,026	0.51	3
180500	Cocoa powder, not containing added sugar or other sweetening matter	0		-12	1	608	5.02	3
170490	Sugar confectionery (includg white chocolate), not containg cocoa	91	-36	-5	-4	541	2.68	3
060120	Bulbs, tubers, corms etc in growth or in flower & chicory plants & roots	15		55	34	405	0.00	3
110812	Maize (corn) starch	10	-73	-4	9	401	0.29	3
170199	Refined sugars	9,141	-13	5	-11	15,988	0.24	2
090240	Black tea (fermented) & partly fermented tea in packages exceeding 3 kg	0		157	-5	7,744	1.47	2
170230	Glucose & glucose syrup nt cntg fruct/cntg in dry state <20% by wt fruct	0		2	56	2,787	0.42	2

060210	Cuttings and slips, unrooted	0		8	25	2,612	0.00	2
520100	Cotton, not carded or combed	0		7	-7	1,849	0	2
110313	Maize (corn) groats and meal	0		171	53	1,844	0.22	2
230990	Animal feed preparations	189	29	-2	-2	1,545	0.58	2
240110	Tobacco, unmanufactured, not stemmed or stripped	0		128	-8	1,408	2.56	2
151190	Palm oil and its fractions refined but not chemically modified	0		-4	25	1,311	0.95	2
100110	Durum wheat	0		-45	-8	1,082	0	1
071333	Kidney beans & white pea beans dried shelled, whether or not skinned or split	0		18	-15	929	0.65	1
150200	Bovine, sheep & goat fats, raw/rendered whether/not pressed/solvent-extracted	0		-20	-20	418	0.53	1

**ANNEXURE 7 - TRADE POTENTIAL INDEX - KENYA EXPORT POTENTIAL**

HS Code	Product Description	Kenyan exports to SACU		Growth in SACU's Imports from the World 1999-2003 %	Growth in Kenyan Exports to the rest of the World 1999-2003 %	Unit Value (P/Q)	Indicative Potential Trade US\$ '000	Final Scoring
		Value US\$ '000	Growth 1999-2003 %					
240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	865	49	34	43	1.04	15,244	5
060210	Cuttings and slips, unrooted	240	229	1	85	0.05	631	5
170490	Sugar confectionery (includg white chocolate),not containg cocoa	166		7	4	0.83	9,276	4
410110	Bovine skins, whole, raw	114		123	8	0.49	6,650	4
151190	Palm oil and its fractions refined but not chemically modified	18		21	10	0.64	17,132	4
071339	Beans dried, shelled, whether or not skinned or split	406		28	112	0.33	2,763	4
240110	Tobacco, unmanufactured, not stemmed or stripped	117		-7	23	0.68	2,317	4
140410	Raw vegetable materials used primarily in dyeing or tanning	36		641	2	10.25	737	4
070990	Vegetables, fresh or chilled	137	-24	-16	4	2.16	619	4
080440	Avocados, fresh or dried	17	-19	6	6	0.60	606	4
180620	Chocolate & other food preparations containg cocoa weighg more than 2 kg	37		-11	26	2.00	461	4

070890	Leguminous vegetables, shelled or unshelled, fresh or chilled	10		14	226	3.02	458	4
060290	Plants live	23		-1	5	0.61	415	4
410390	Raw hides and skins of animals	39	-24	-10	71	0.64	362	4
150790	Soya-bean oil and its fractions, refined but not chemically modified	0		354	53	0.78	4,476	3
080290	Nuts edible, fresh or dried, whether or not shelled or peeled	0		-3	16	4.13	2,968	3
071310	Peas dried, shelled, whether or not skinned or split	0		25	254	0.26	2,499	3
210690	Food preparations	0		-3	18	1.51	2,497	3
170410	Chewing gum containing sugar, except medicinal	354		-14	-2	1.48	2,494	3
151620	Veg fats & oils & fractions hydrogenatd,inter/re-esterifid,etc,ref'd/not	149		-7	-38	0.52	1,441	3
510111	Greasy shorn wool, not carded or combed	0		73	38	1.03	1,346	3
180631	Choc & food prep cntg cocoa in blocks, slabs/bars, filld,not exceedg 2 kg	0		-12	8	4.95	1,337	3
220890	Undenatrd ethyl alc <80% alc cont by vol & spirit, liqueur & spirit bev	0		0	96	0.58	1,255	3
190219	Uncooked pasta, not stuffed or otherwise prepared	0		-2	565	0.56	1,026	3
210210	Yeasts, active	0		-3	134	2.2	1,022	3
100590	Maize (corn)	0		40	76	0.18	927	3
220110	Mineral & aerated waters not cntg sugar or sweeteng matter nor flavoured	0		-2	97	1.31	900	3

100300	Barley	0		-1	433	0.29	831	3
090230	Black tea (fermented)&partly fermented tea in packages not exceedg 3 kg	0		9	18	3.96	789	3
220860	Vodka	0		22	50	17.02	766	3
070310	Onions and shallots, fresh or chilled	0		-12	107	3.13	699	3
021019	Swine meat cured	0		41	17	4.78	688	3
010511	Fowls, live domestic weighing not more than 185 g	0		13	22	0.19	577	3
180690	Chocolate and other food preparations containing cocoa	0		-1	37	3.07	525	3
090111	Coffee, not roasted, not decaffeinated	258	-18	-9	-24	1.42	18,924	3
090240	Black tea (fermented) & partly fermented tea in packages exceedg 3 kg	183		-2	-11	1.63	16,158	3
170111	Raw sugar, cane	0		39	98	0.52	14,002	3
240220	Cigarettes containing tobacco	0		-9	10	0.02	6,365	3
100510	Maize (corn) seed	0		-8	17	0.56	1,759	3
190110	Prep of cereals, flour, starch/milk f infant use, put up f retail sale	0		121	7	1.82	1,758	3
110313	Maize (corn) groats and meal	0		48	206	0.27	1,747	3
151590	Veg fats & oils & their fractions, refined or not but not chemically mod	27		30	-16	0.60	1,733	3
410620	Goat or kid skin leather	0		-15	430	4.41	1,686	3
121190	Plants &pts of plants(incl sed&fruit) used in pharm, perf, insect etc	0		-6	9	2.98	1,615	3
150710	Soya-bean oil crude, whether or not degummed	0		63		2.6	5,073	2

190190	Malt extract food prep of Ch 19 <50% cocoa & hd 0401 to 0404 < 10% cocoa	0		2	-12	2.61	2,816	2
151710	Margarine, excluding liquid margarine	0		3	-21	1.13	2,150	2
200551	Beans, sheldd prepard/preservd,o/t by vinegar/acetic acid, not frozen	0		-22	-27	1.09	2,060	2
071022	Beans, frozen	0		-23	30	1.67	495	3
110720	Malt, roasted	0		-14	122	0.43	479	3
090700	Cloves (whole fruit, cloves and stems)	0		-8	79	1.4	476	3
190410	Prep foods obtaind by the swellg o roastg of cereal o cereal products	0		-13	31	2.67	457	3
230990	Animal feed preparations	0		3	73	0.73	426	3
091091	Mixtures of two/more of the prods of different headgs to this chapter	0		-18	279	1.85	410	3
120929	Seeds of forage plants, except beet seeds, for sowing	0		-7	16	8.89	400	3
170199	Refined sugar, in solid form	0		64	2	1.97	372	3
100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	0		3	99	0.18	362	3
200559	Beans prepared or preserved, o/t by vinegar or acetic acid, not frozen	0		-18	-2	1.25	1,578	2
120991	Seeds, vegetable for sowing	0		4	-2	12.5	1,500	2
120740	Sesamum seeds, whether or not broken	0		-20		0.62	1,485	2
220710	Udenatured ethyl alcohol of an alcohol strgth by vol of 80% vol/higher	0		204	-17	0.43	1,317	2
110812	Maize (corn) starch	0		19	-5	0.34	1,263	2

160100	Sausage & sim prod of meat, meat offal/blood & food prep based on these prod	0		-3	-9	2.00	1,113	2
190530	Sweet biscuits, waffles and wafers	0		10	-3	1.35	888	2
100190	Wheat and meslin	0		4		0.25	685	2
151219	Sunflower-seed/safflower oil & their fractions refined but nt chem. modified	0		17	-24	0.87	590	2
020319	Swine cuts, fresh or chilled	0		8	-7	2.80	559	2
170230	Glucose & glucose syrup nt cntg fruct/cntg in dry state <20% by wt fruct	0		21	-4	0.42	549	2
200980	Fruit & veg juice (exc mx) unfermented unspiritd, whether/not sug/sweet	0		6	-6	1.12	511	2
010119	Horses, live except pure-bred breeding	0		13		0.21	451	2
220300	Beer made from malt	0		15	-22	0.00	1,015	1

**ANNEXURE 8 - KENYAN TARIFF STRUCTURE FOR PRODUCTS OF IMPORTANCE TO SA EXPORTERS**

<b>HS Codes</b>	<b>Product Description</b>	<b>Trade Regime</b>	<b>MFN Maximum</b>	<b>MFN Minimum</b>	<b>Applied Tariffs</b>	<b>Total <i>ad valorem</i> equivalent tariff (estimated)</b>	<b>NTB</b>
06012000		MFN duties (Applied)	100%	100%	0%	0%	N.A
06021000		MFN duties (Applied)	100%	100%	0%	0%	N.A
<b>06</b>	<b>Live Plants</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>N.A</b>
07133300		MFN duties (Applied)	100%	100%	25%	25%	N.A
<b>07</b>	<b>Vegetables</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>25%</b>	<b>25%</b>	<b>N.A</b>
09024000		MFN duties (Applied)	100%	100%	25%	25%	N.A
<b>09</b>	<b>Coffee</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>25%</b>	<b>25%</b>	<b>N.A</b>
10011010		MFN duties (Applied)	100%	100%	0%	0%	N.A
10019010		MFN duties (Applied)	100%	100%	0%	0%	N.A
10051000		MFN duties (Applied)	100%	100%	25%	25%	N.A
10059000		MFN duties (Applied)	100%	100%	50%	50%	N.A
10063000		MFN duties (Applied)	100%	100%	0%	0%	N.A
<b>10</b>	<b>Cereals</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>15%</b>	<b>15%</b>	<b>N.A</b>
11010000		MFN duties (Applied)	100%	100%	60%	60%	N.A
11031300		MFN duties (Applied)	100%	100%	25%	25%	N.A

11081200		MFN duties (Applied)	100%	100%	10%	10%	N.A
<b>11</b>	<b>Milling Products</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>32.3%</b>	<b>32.3%</b>	<b>N.A</b>
12099100		MFN duties (Applied)	100%	100%	0%	0%	N.A
12099900		MFN duties (Applied)	100%	100%	0%	0%	N.A
<b>12</b>	<b>Oil Seeds</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>N.A</b>
15020010		MFN duties (Applied)	100%	100%	0%	0%	N.A
15020090		MFN duties (Applied)	100%	100%	10%	10%	N.A
15119010		MFN duties (Applied)	100%	100%	10%	10%	N.A
15119020		MFN duties (Applied)	100%	100%	10%	10%	N.A
15119030		MFN duties (Applied)	100%	100%	25%	25%	N.A
15119040		MFN duties (Applied)	100%	100%	25%	25%	N.A
15119090		MFN duties (Applied)	100%	100%	25%	25%	N.A
15162000		MFN duties (Applied)	100%	100%	25%	25%	N.A
<b>15</b>	<b>Fats and oils</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>16.25%</b>	<b>16.25%</b>	<b>N.A</b>
17011190		MFN duties (Applied)	100%	100%	100%	100%	N.A
17019100		MFN duties (Applied)	100%	100%	100%	100%	N.A
17019910		MFN duties (Applied)	100%	100%	100%	100%	N.A
17019990		MFN duties (Applied)	100%	100%	100%	100%	N.A
17023000		MFN duties (Applied)	100%	100%	10%	10.00%	N.A
17049000		MFN duties (Applied)	100%	100%	25%	25%	N.A

<b>17</b>	<b>Sugars</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>72.5%</b>	<b>72.5%</b>	<b>N.A</b>
18050000		MFN duties (Applied)	100%	100%	0%	0%	N.A
18063100		MFN duties (Applied)	100%	100%	25%	25%	N.A
<b>18</b>	<b>Cocoa</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>N.A</b>
19019010		MFN duties (Applied)	100%	100%	10%	10%	N.A
19019090		MFN duties (Applied)	100%	100%	25%	25%	N.A
19021900		MFN duties (Applied)	100%	100%	25%	25%	N.A
19041000		MFN duties (Applied)	100%	100%	25%	25%	N.A
<b>19</b>	<b>Cereal Preparations</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>21.25%</b>	<b>21.25%</b>	<b>N.A</b>
21021000		MFN duties (Applied)	100%	100%	25%	25%	N.A
21039000		MFN duties (Applied)	100%	100%	25%	25%	N.A
21069010		MFN duties (Applied)	100%	100%	10%	10%	N.A
21069020		MFN duties (Applied)	100%	100%	10%	10%	N.A
21069090		MFN duties (Applied)	100%	100%	25%	25%	N.A
<b>21</b>	<b>Miscellaneous Preparations</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>19%</b>	<b>19%</b>	<b>N.A</b>
22030010		MFN duties (Applied)	100%	100%	25%	25%	N.A
22030090		MFN duties (Applied)	100%	100%	25%	25%	N.A
22042100		MFN duties (Applied)	100%	100%	25%	25%	N.A
22082000		MFN duties (Applied)	100%	100%	25%	25%	N.A
22083000		MFN duties (Applied)	100%	100%	25%	25%	N.A

<b>22</b>	<b>Beverages</b>	<b>MFN duties (Applied)</b>	<b>100%</b>	<b>100%</b>	<b>25%</b>	<b>25%</b>	<b>N.A</b>
23099000	<b>Residues</b>	MFN duties (Applied)	100%	100%	10%	10%	N.A
24011000	<b>Tobacco</b>	MFN duties (Applied)	100%	100%	25%	25%	N.A
52010000	<b>Cotton</b>	MFN duties (Applied)	100%	100%	0%	0%	N.A

*Source: Adapted from UNCTAD Trains and Mac Map Database: [www.macmap.org/southafrica](http://www.macmap.org/southafrica)*

### 13. USEFUL SITES

1. <http://www.comesa.int/about/>
2. [http://www.cotecna.com/prod/prod\\_PSI\\_bdv.asp](http://www.cotecna.com/prod/prod_PSI_bdv.asp)
3. <http://www.eac.int/>
4. <http://www.kenyaembassy.com/>
5. <http://www.nationmaster.com/encyclopedia/Kenya>
6. <http://www.epzakenya.com/>
7. <http://www.tradeandindustry.go.ke/news.asp?ID=10>
8. <http://kenya.rcbowen.com/economy/internet.html>
9. [http://www.iss.co.za/AF/RegOrg/unity\\_to\\_union/main.html](http://www.iss.co.za/AF/RegOrg/unity_to_union/main.html)
10. <http://www.infoplease.com/ce6/world/A0827419.html>
11. <http://kenya.rcbowen.com/government/>
12. [http://www.indexmundi.com/kenya/disputes\\_international.html](http://www.indexmundi.com/kenya/disputes_international.html)
13. <http://kenyapage.net/profile/flag.html>
14. <http://www.nationmaster.com/country/ke/Economy>
15. <http://www.epzakenya.com/search.asp?pageid=marketaccess>
16. <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=UY,ZA>
17. <http://www.tips.org.za>
18. <http://www.macmap.org>
19. <http://www.faostats.fao.org>
20. <http://intracen.org/countries>
21. <http://www.cia.gov/cia/publications/factbook>
22. <http://www.dti.gov.za/econob/>
23. <http://www.worldbank.org>
24. <http://www.sars.gov.za>
25. <http://www.statsa.gov.za>

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<sup>i</sup> Information available from: <http://www.infoplease.com/ce6/world/A0859113.html>

<sup>ii</sup> Land use estimates based on 2001-data available from <http://www.cia.gov>

<sup>iii</sup> Source: World development indicators data base: [www.worldbank.org](http://www.worldbank.org)

<sup>iv</sup> Data is obtained from world bank development indicators, available from [www.worldbank.org](http://www.worldbank.org)

<sup>v</sup> COMESA member states are: Egypt, Sudan, Ethiopia, Eritrea, Djibouti, Kenya, Uganda, Rwanda, Burundi, Zimbabwe, DRC, Madagascar, Mauritius, Malawi, Comoros, Seychelles, Namibia, Swaziland and Angola

<sup>vi</sup> AGOA provides duty free and quota free access to wide range of products from African countries to US market.

<sup>vii</sup> The focus will be on trade in agricultural products as covered by the WTO Agreement on Agriculture. The scope of coverage as per this Agreement is provided in annex 1

<sup>viii</sup> This is sourced from Kenyan Trade Policy Review (WT/TPR/S/64) dated 3 January 2000

<sup>ix</sup> PSI contract has expired on the 30<sup>th</sup> June 2005; KBS has taken full responsibility of ensuring that all goods coming to Kenya meet the standards. It has put interim measures in place for now

<sup>x</sup> The rules on customs valuation according to the BDV are based on the notional concept of "value" which treats the dutiable value as the "normal price" at which the goods would be sold in an open market between an importer and an exporter operating independently. The "normal price" is the open market price at which the goods are freely available to any buyer subject to compliance with certain conditions. For example, if a sole agent receives a special discount, which is not granted to other importers, it has to be added to the price to arrive at the normal or open market price for customs valuation purposes.

<sup>xi</sup> Please refer to section 3.1.3

<sup>xii</sup> TPI uses a scoring system based on data obtained from the ITC Trade Map database. This allows the analysis to focus on trade potential whilst taking cognisance of growth rates and unit values rather than focusing solely on trade potential values. A score of 1 or 0 is assigned to five of the trade indicators contained in the database. This score is aggregated to give a total score with 1 representing the lowest end of the scale and therefore the least trade potential and 5 the highest end of the scale representing the greatest trade potential.

<sup>xiii</sup> Refers to annexure 3 for listing of products identified as having the greatest trade potential