

# Sino-Kenyan trade reaches record high

## Bilateral relations strengthen as Kenya boosts exports and image

As a major producer of agricultural and industrial goods, Kenya boasts one of Africa's leading export-oriented economies and enjoys excellent trade relations with many foreign countries, particularly China, which has emerged as a key trade partner.

With trade a rapidly expanding sector of the Kenyan economy since the introduction of trade liberalization in the 1990s, the sector will play a vital role in ensuring that Vision 2030's wide range of economic goals are achieved.

Economic diversification and the development of solid international bilateral trade relations are two of Vision 2030's main aims as officials look to build a successful "Made in Kenya" brand and industry.

According to the latest figures compiled by Kenya's National Bureau of Statistics, the resource-rich nation exported goods worth \$4.9 billion in 2008, of which items valued at \$29 million were shipped or flown to China.

This figure represented less than 1 percent of total exports, with the main product categories including textile fibers, tea, leather, and scrap metals such as copper and aluminum waste.

Meanwhile, Kenya's imports from China increased steadily over the last decade to reach nearly \$910 million in 2008 compared to \$105.4 million in 2003 — an annual average increase of 54 percent.

Telecommunications equipment, electrical goods, cars, cotton fabrics and engineering goods were among the many Chinese products in great demand in Kenya, as well as fertilizers as local farmers look to develop their agricultural and horticultural base.

With China a growing destination for Kenyan products, Asia looks set to expand its share of Kenya's total exports from the current 12 percent and follow the lead of the European Union and the Common Market for Eastern and Southern Africa regions, which represented 26 percent and 32 percent, respectively, of Kenya's total exports in 2008.

This ambitious, but realistic, goal will receive a tremendous boost over the next six months through Kenya's presence at the top international trade show, the

World Expo 2010 in Shanghai.

Up to 70 million people will attend the event and Kenya aims to catch the eye of investors by showcasing innovative trade policies and investment incentives built on encouraging sustainable development.

As such Expo 2010 will provide an international platform for Kenya's emergence as an economic, technological and cultural hub for East Africa, and help firms establish new partnerships and linkages with counterparts in Asia and, in particular, China.

"Kenya will utilize the window of opportunity provided by the 2010 Shanghai Expo to showcase the country's wonderful range of trade, investment and tourism opportunities," said Abdulrazak Aden Ali, Permanent Secretary of the Ministry of Trade.



**The government is committed to supporting the trade sector by improving the regulatory framework and creating an attractive investment and business climate."**

AMOS KIMUNYA  
KENYA'S MINISTER OF TRADE

"This world exposition will market Kenya as a preferred destination for trade, investment and tourism, and provide a golden opportunity for Kenyan companies to promote their products and services in the vast Chinese and Asian markets."

Kenya's participation in 2010 Shanghai Expo is expected to attract a fresh wave of Chinese investors in value addition sectors such as agriculture, fisheries, livestock, and manufacturing. This is in line with Kenya's Vision 2030 objective to create a robust, diverse and competitive manufacturing sector with the aim of increasing overall exports.

Manufacturing, wholesale and trade operations lie at the heart of



Amos Kimunya,  
Minister of Trade



Abdulrazak Aden Ali,  
Permanent Secretary of the Ministry of Trade

Kenya's Vision 2030 economic pillar, with a modern and competitive industrial base seen as a key foundation for a prosperous and successful future.

The government of President Kibaki is setting aside substantial funds to achieve this goal and is inviting investors from China and beyond to participate in the expansion and modernization of its production and trade processes.

The sector will support Kenya's socioeconomic rise through the creation of new jobs — most manufacturing firms are family-owned and operated — as small enterprises employ over six million Kenyans. Predominantly agriculturally based, locally made goods comprise 25 percent of the nation's annual exports.

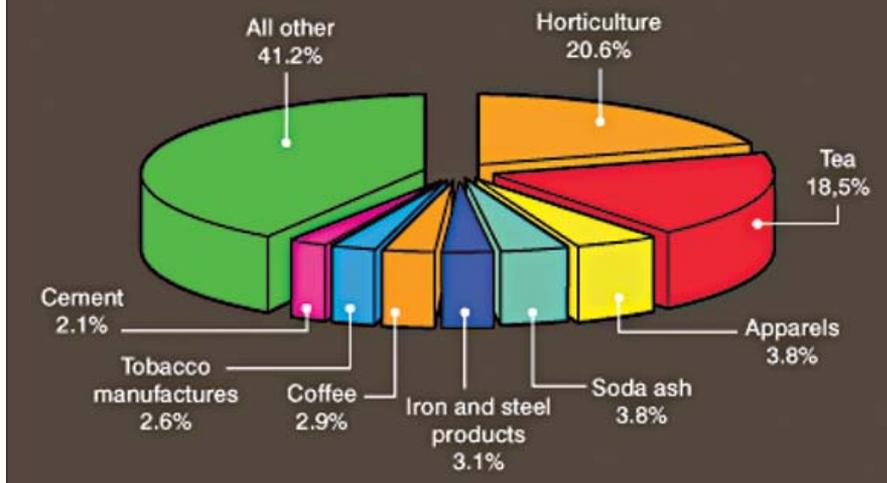
The plan features an extensive portfolio of projects, programs, and policies that will create a productive environment for industrialization.

They include two special economic sectors for manufacturing companies in the cities of Mombasa and Kisumu, together with at least five small and medium enterprises in major urban areas, plus new industrial parks and special economic zones. Other new measures that will lift its competitiveness are product and market diversification, research and development plans, and business and technology incubation programs.

Now is the ideal time for Chinese investors to begin or expand their operations in Kenya, with the country shortly gaining access to the vast market covered by the East African Community.

Kenya offers great investment opportunities right across the pro-

## Proportion of Kenya's Merchandised Exports in 2008



Source: Economic Surveys, Kenya National Bureau of Statistics (2009)

Kenya's manufacturing sector is rich in investment opportunities.

duction and processing divisions, with the government having designated manufacturing as the industrialization spearhead to attract private sector knowledge, skills, technology, and investment.

Investors can take advantage of incentive packages such as tax holidays, duty exemptions on machinery, raw materials and intermediate inputs, as well as removal of restrictions on foreign capital repatriation.

Furthermore, as a beneficiary of the African Growth and Opportunity Act, Kenyan goods enjoy duty free access to the huge US market. In order to maximize this major competitive advantage, ministers want investors to focus on goods, such as textiles, leather, horticulture, fish, rubber, iron and steel products.

In addition, the East African nation also offers excellent investment openings in agro-processing, agro-chemicals, chemical, pharmaceutical, mining and mineral processing, metallurgy, engineering and construction.

Kenya enjoyed strong annual economic growth for most of the last decade, but the global economic crisis and volatile commodity prices lately slowed the rate, with GDP up about 2 percent in 2009 from 2008.

Through large investment in new facilities, transport networks and technology, Kenya is facing the global trade and commerce revolution head-on as businesses and

consumers globally benefit from better access to foreign markets and goods.

Among the projects the government believes will encourage and promote fresh economic growth are the construction of wholesale, retail and hawkers markets, and the creation of 1,500 producer groups.



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ABDULRAZAK ADEN ALI  
PERMANENT SECRETARY OF THE MINISTRY OF TRADE

"The trade sector is the link between consumption and production within the economy and there is tremendous potential for trade to play a central role in driving and sustaining growth and poverty reduction in Kenya," said Amos Kimunya, Minister of Trade for Kenya.

"The government is committed

to supporting the trade sector by improving the regulatory framework and creating an attractive investment and business climate."

Minister Kimunya said he is determined to reduce the burden of red tape, improve efficiency rates and crack down on counterfeit goods.

Combined with a drive to reduce costs associated with investment and use of new technology, Kenya is taking major steps to position itself for further market liberalization. These measures send a strong signal to investors of the solid progress Kenya is making as it grows its presence in the international trade arena.

"Trade has contributed a lot to our economic growth and we will soon benefit from a larger regional market that should facilitate the free movement of goods, capital and people," said Wycliffe Oparanya, Minister of State for Planning, National Development and Vision 2030.

"We need to broaden the export market and sensitize the business community on the need to diversify into non-traditional exports. We also need to simplify trade and investment-related regulations and confront stiff competition in preferential markets by developing new strategies to meet the ever changing global demands."

# Kenya's financial sector seeks partners in growth

## Offers most sophisticated financial sector in East Africa

Major investment in modern technology and facilities is playing a vital role in Kenya's journey towards its many Vision 2030 socioeconomic goals.

Ministers have identified investment in financial services as a key driver of the economy over the next two decades, with the Nairobi-based industry having a dual role as a magnet for foreign investment to fund Vision 2030 projects, and as an investment destination in its own right.

Vision 2030 aims to transform the banking and financial services industry into "a vibrant and globally competitive financial sector driving high levels of savings and financing Kenya's investment needs".

The sector — widely recognized as being safe, sound and transparent — generates about 5 percent of GDP and employs approximately 22,000 staff in areas such as banking, capital markets, brokerages, insurance, money transfer agencies, and credit providers.

Under the first medium-term plan of Vision 2030, the government of President Mwai Kibaki expects both local and foreign private investors to fund up to \$3.25 billion of development projects through a series of public private partnerships.

With responsibility for ensuring these massive sums are obtained from sources such as China, the performance of the sector is absolutely vital to the overall success of Vision 2030.

"The importance and relevance of the

financial sector in Kenya's growth and development can't be over emphasized," said Kenya's Deputy Prime Minister and Minister for Finance Uhuru Kenyatta.

"Our objective is to make Kenya the region's financial hub and the gateway to Africa for global investors. We want international partners to see Kenya as a stepping stone to the region and a market of 300 million people."

While the plan identifies several major challenges ahead, the sector is poised for take-off as legal, institutional and regulatory reforms encourage industrial expansion through such measures as the arrival of stronger and larger banks, increased access to finance and comprehensive overhauls of capital markets and pension and social security systems.

"We are focusing on economic reforms in the capital markets that will strengthen governance and ensure that Kenya is a regional center for capital markets and banking," said Kenyatta.

"We are de-mutualizing our stock exchange to ensure greater confidence for investors, strengthening our revenue collection processes and ensuring resources are utilized in a way that increases productivity and reduces waste."

In addition to Kenya establishing Nairobi as the region's financial services capital, the government is determined to educate and inform businesses, entrepreneurs, and citizens, about the many benefits of financial products.



Uhuru Kenyatta,  
Kenya's Deputy Prime Minister and Minister of Finance

Only a fifth of people currently have access to such bank accounts and similar services, a figure that officials are keen to increase as the nation looks to reach middle-income status in the next 20 years.

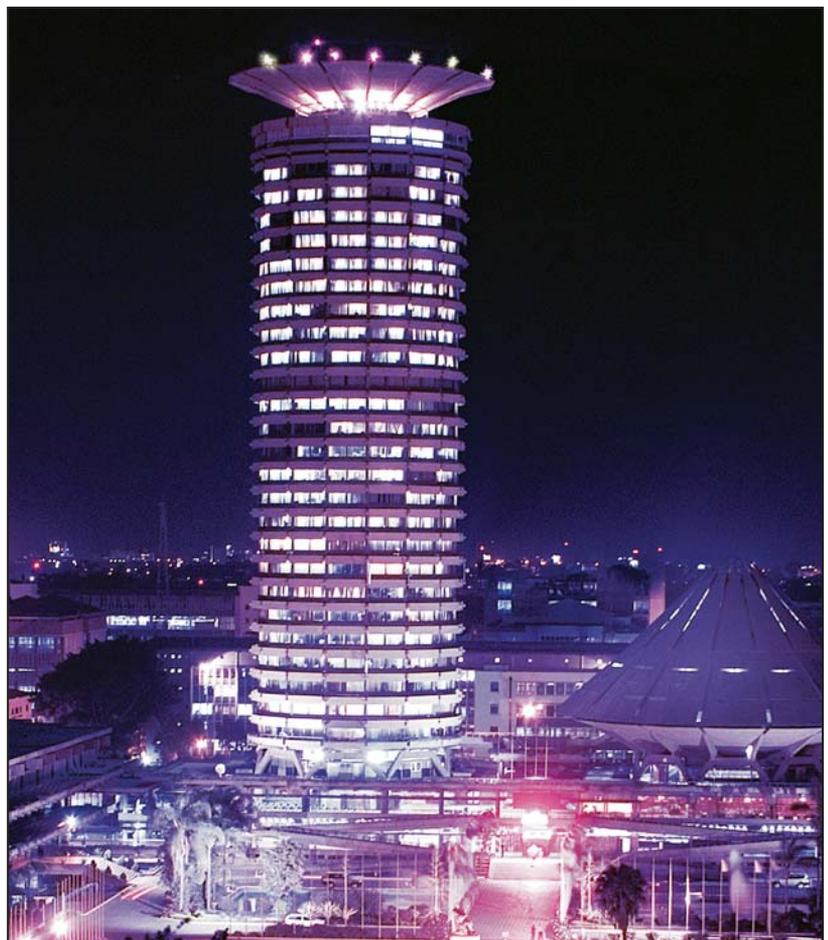
In the commercial arena, innovative and sustainable strategies such as micro-finance programs are being developed and streamlined and efficient fiscal systems being introduced across the sector as it prepares for consolidation.

As Kenya's leading international trade partner, China is paying close attention to the development of the sector as it looks to exploit its economic skills, knowledge and experience.

Lucrative business openings are present throughout the industry, with a fast-improving transparent and effective regulatory framework providing an attractive commercial investment climate.

"Our relationship with China is one of our most valued partnerships — being based on mutual respect, mutual understanding and mutual will," Kenyatta said.

"With China's growing interest and resources in the region, our bilateral relationship will improve infrastructure development and increase trade in Kenya and the East African region."



Kenyatta International Conference Center.