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The United Kingdom's Trade Relations with Kenya in the Context of Brexit

Summary: The subject of the article is trade cooperation between Great Britain and Kenya in the context of the United Kingdom's withdrawal from the European Union. The article characterizes the commercial cooperation of Great Britain and Kenya and discusses the trends existing in this field in recent years. The main threats to this cooperation that Brexit brings are presented, as well as the actions that states must implement to counteract the negative consequences of Brexit and the opportunities that Brexit potentially gives to deepening trade cooperation between countries. In addition, the political climate change that has occurred between countries in recent years, which has a significant impact on the implementation of economic cooperation, including trade, has been outlined. The purpose of the article is to present and evaluate the challenges that the countries face in the context of Brexit, which they must overcome in order to maintain and deepen trade cooperation. The main research problem is whether Brexit will weaken or accelerate trade relations between Great Britain and Kenya? The main hypothesis of the article is that Brexit causes great uncertainty about the future of trade cooperation between Great Britain and Kenya. However, it gives the opportunity to dynamize this cooperation, and Kenya can become a model partner for the United Kingdom within the concept of „Global Britain” promoted by London. Kenya's positive development trends make

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it an increasingly attractive trading partner for Great Britain. However, Kenya wants to take advantage of the UK's search for trading partners outside the European Union.

Keywords: The United Kingdom, Kenya, trade relations, Brexit

Great Britain is among the five largest buyers of goods from Kenya. In 2018, Kenya exported goods for USD 6.05 billion, of which goods worth of USD 453 million went to Great Britain (Bilateral trade between United Kingdom...). Horticulture and beverages are responsible for 90% of total Kenyan exports to the UK. In 2016, among the main export goods from Kenya to the United Kingdom were black tea (USD 172.4 million), fresh or chilled vegetables (USD 97.7 million), fresh cut roses and buds (USD 56.6 million), and coffee (USD 7.8 million) (Kenya). These are the goods that also have the largest share in Kenya's global exports (Bilateral trade between Kenya...). In 2018, Kenya imported goods worth USD 17.4 billion, of which from the United Kingdom worth just USD 310 million (Bilateral trade between Kenya...). The United Kingdom mainly exports to Kenya motor vehicles, printed materials, machinery, chemicals and pharmaceutical products (*Kenya-UK*). While Kenya had a generally large negative trade balance of around USD 11.4 billion, in relations with the United Kingdom it was positive and amounted to USD 143 million.

The purpose of the article is to present and evaluate the challenges that Great Britain and Kenya face in the context of Brexit to maintain good trade cooperation. The main research problem is whether Brexit will weaken or accelerate trade relations between these countries? The main hypothesis of the article is that Brexit introduces great uncertainty into trade cooperation between United Kingdom and Kenya. Due to the great importance of trade for Kenya, and more broadly economic cooperation with Great Britain, this country is potentially seriously exposed to the negative consequences of this process. However, Brexit gives a chance to deepen trade cooperation between the countries, and Kenya can become a model part-

ner for the United Kingdom within the concept of „Global Britain”. The dynamic economic development of Kenya and the improving conditions of cooperation with this country make it an increasingly attractive trade partner for Great Britain. However, Kenya wants to build the position of an important exporter of agricultural and horticultural products to Great Britain, taking over contracts from current British partners from the European Union.

At the beginning of the 21st century, Britain's share of Kenya's exports was declining. It fell from 16% in 2001 to 6.4% in 2016. Kenya's export share of its top 20 products in UK imports has halved from 26.7% in 2001 to 13.5% in 2016 (Krishnan, te Velde & Were, 2018). This is mainly due to the fact that Kenya faces a significant competition from the other East African countries, mainly Rwanda, Ethiopia, Tanzania and Cote D'Ivoire, as well as countries from the other regions of the world. Among other things, the United Kingdom began to buy much more fresh flowers from Ethiopia and Colombia and coffee from Cote d'Ivoire. Only between 2012–2016, Kenya's value of exports to the UK fell by 2.3%, while for example Ethiopia's increased by 88.7% (Krishnan, te Velde & Were, 2018).

The limitation of exports to the UK does not apply to the service sector. Service exports to the UK increased 3.6 times in value terms between 2001 and 2012. The exports of services to the UK is dominated by transportation and travel services. Nevertheless, financial and insurance services, software, and hardware information and communication technology are developing rapidly (Krishnan, te Velde & Were, 2018).

The limitation of UK trade with Kenya was also a consequence of the cooling political relations between states after the election violence of 2007. For some time, Great Britain has moved to consolidate its economic interests in the region through Somalia instead of Kenya (Maluki, 2019). Kenya, in turn, strengthened friendly relations with developing countries, including mainly China, India and Brazil, at the expense of Great Britain and the United States (Nzau, 2016). After Uhuru Kenyatta took office in April 2013, there was a serious risk that relations between United Kingdom and Kenya would deteriorate further. The reason was that he was facing crimi-

nal charges at the International Criminal Court for participating in the events of 2007. The British government, however, decided to adopt a pragmatic position, justifying this by a tradition of close political and economic relations with Kenya (Kamau, 2018). In practice, one of the main reasons for this approach was, however, increasing China's economic involvement in Kenya when the West, including Great Britain, tried to isolate it internationally (Kamau, 2013). Ultimately, in 2014 allegations against President Kenyatta were dropped, which made it possible to warm up relations between the countries.

Despite the temporary cooling of cooperation between Great Britain and Kenya, the traditional economic relations of these countries did not collapse. The United Kingdom still remains the main investor in Kenya and provides it with the largest development support. Given the warming political climate, these factors positively influence the possibility of renewed intensification of trade between the countries. Demographic issues are an additional factor potentially promoting deepening and establishing new forms of trade cooperation. About 30 thousand of the British live permanently in Kenya, while in the Great Britain live 200 thousand people with Kenyan roots. In addition, the British constitute the largest group of tourists in Kenya, reaching 100,000 annually (DFID Kenya). Direct contact between nationals on such a large scale is undoubtedly conducive to the possibility of intensifying trade cooperation. Trusted people who have good contacts in a partner country is one of the basic factors that increases the security of international trade.

To boost British export to Kenya in 2013 the UK Export Finance (UKEF) signed an agreement with the African Trade Insurance (ATI) which offers payment guarantees to British exporters and provides information concerning business opportunities. The British also set up a fund to help Kenyans import goods from Britain (Kamau, 2018). In addition, the Department for International Development (DFID) supported the modernization of the international port in Mombasa, for which it allocated GBP 63 million. The investment in the port of Mombasa will serve to increase trade with Kenya, as well as with the entire East African region. The modernization of

the port is aimed at addressing energy efficiency, speed up import and export trade handling, and minimize environmental impacts (UK pledges..., 2015).

There are serious concerns that Brexit may hamper the export of goods from Kenya to the United Kingdom. This is mainly due to the fact that the trade deals Kenya had with the European Union will have to be renegotiated with the UK as a standalone trade deals. It can be assumed that most provisions will be transferred from existing agreements. The problem is, however, prolonged uncertainty. In addition, problematic may be difficulties for Great Britain to re-export Kenyan goods to the European Union (Krishnan, te Velde & Were, 2018). Particular concern is the possibility of 'hard' or 'no-deal' Brexit. In that situation, African countries associated with the United Kingdom may lose preferential access to the UK for at least some time if London does not succeed in negotiating new bilateral agreements with African governments in advance (Kohnert, 2018).

For Kenya, an equally serious problem related to Brexit is the possibility of restricting access for its goods to the European Union market. This is due to the fact that it was largely available through the UK (Kohnert, 2018). Kenya will have to renegotiate many trade agreements that were previously included in the cooperation of the Great Britain within the European Union. This applies, among others, to the Economic Partnership Agreements (EPA) between the European Union and countries from the British Commonwealth, including the East African Community. Under EPA, Kenya is allowed to duty free exports of tea and flowers into the EU and in turn let in manufactured goods (Mutambo, 2019). The lack of such an agreement with the European Union would have a particularly negative impact on Kenya, which, unlike most countries in the region, is considered a developing economy, not the least developed economy. Therefore, export duties would be imposed on Kenya (Kamau, 2018). In negotiating the agreement, Kenya can count on UK help. London also supported the establishment of the African Continental Free Trade Area (ACFTA) in March 2018, perceiving it as a major boost to ease of trading in the continent (Wakaya, 2019). To enter into force,

ACFTA still needs ratification by African member states (Krishnan, te Velde & Were, 2018).

In September 2019, the British Standard Chartered Bank released the Trade20 Index report. In this report, Kenya took third place among 20 markets with the greatest potential for future trade growth. Kenya has been described as an emerging market on an upward trajectory, progressing at pace from a relatively low starting point. Infrastructure investments and increasing ease-of-doing business scores stand above its high position (Our new Trade20..., 2019). The governmental development programme initiated in 2018 under the name „Big Four Agenda” „focusing on boosting manufacturing activities, achieving universal health coverage, improving food security and supporting the construction of affordable housing” which is stimulating growth in the economy has also played a significant role (Ng’ang’a, 2019).

To increase exports to the United Kingdom and the European Union, Kenya has to improve marketing of its existing products or diversify it. A good solution is to re-brand some of the products to make them more exclusive. In addition, Kenya should invest more in trade-related infrastructure, including logistic and storage infrastructure. It is necessary to build more of high-quality warehouses, cold storage vehicles and rail carriages. It should also focus on expanding international market access through trade preferences and other trade initiatives (Wakaya, 2019). To cope with demanding Western markets, including the UK, Kenya must comply with high quality standards. It has been on the EU’s quality watch list for several years and each year a part of horticultural exports from Kenya is not admitted to the European market due to strict health standards (Kamau, 2018).

Also, there is hope in Kenya that Brexit can positively affect the export of some key goods from Kenya to the UK. First of all, this concerns cut flowers, which main supplier to the United Kingdom today is the Netherlands (Haque, 2019). The same could be with vegetables, which the British mainly import from Spain. Leaving the European Single Market by Great Britain gives the opportunity for non-European partners like Kenya to take over commercial contracts in these areas.

During the visit to Kenya in August 2018, Prime Minister Theresa May presented Britain's ambitions of significant strengthening economic cooperation with African countries (Prime Minister's..., 2018). The visit was to lead, among others, to the dynamization of trade with partners from the continent, including Kenya. The British Prime Minister hoped that Kenya could become a „poster child” for a new international trade policy within the „Global Britain” strategy (Crump, 2019). Theresa May announced the continuation of commercial cooperation, ensuring Kenya retains its duty-free, quota-free access to the UK market (Prime Minister's..., 2018). Foreign Secretary Jeremy Hunt during his visit to Kenya in May 2019 also assured that Great Britain was committed to continued duty-free quota-free market access for Kenya to Britain post-Brexit. He said, “We're absolutely committed and confident that we'll be able to maintain the same very favourable trading relationship that we currently have” (Wakaya, 2019). Also, the government of Boris Johnson is promoting the concept of „Global Britain” under which trade and broader economic cooperation with Kenya is to be intensified.

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Given the historical, cultural, political and economic links, Kenya and the United Kingdom have good grounds for developing trade relations. The clearly warming climate among the leaders of the states, which has been noticeable in recent years, gives an opportunity to intensify cooperation in this area. Another positive factor is the dynamics of Kenya's economic development and the improvement of investment conditions in the country, to some extent also thanks to the support from Great Britain.

Currently, the most serious challenge faced by the United Kingdom is Brexit. However, it is also of great importance for Kenya, because it creates uncertainty of the future of economic cooperation, including trade relations with Great Britain. The economic ties with Great Britain make Kenya potentially the most exposed to the negative consequences of Brexit among all East African countries (Mold, 2018). The intensity of future trade relations between Kenya and the UK will depend on the dynamics of Great Britain's economic development

after leaving the European Union. If a serious economic crisis occurs, it may limit the economic cooperation, including trade, with external partners like Kenya. Exiting the European Union also carries the risk of significant fluctuations or weakening of the British pound on global market, which may limit the attractiveness of trading with the United Kingdom. In addition, renegotiation of many bilateral and multilateral trade agreements is necessary. The failure of such negotiations could have a very negative effect on the prospects of trade between Great Britain and Kenya and trade with other countries.

Brexit also potentially creates opportunities to strengthen Britain's commercial cooperation with non-European regions, including East Africa. Due to the mentioned factors, Kenya may become a model country in implementing the „Global Britain” strategy. One of the main aspects of strengthening economic cooperation with Kenya is to be the dynamization of trade between countries. Restriction of trade by Great Britain with partners from the European Union gives Kenya a chance to take over some of trade contracts. First of all, this applies to exporting Kenyan goods, including agricultural and horticultural products. The process of industrialization of Kenya and the development of the service sector, in turn, gives the UK a chance to export technologies and machinery that can be used in this process. However, Great Britain must become more competitive compared to other countries, including China, which have a dominant share in Kenya's imports. It also potentially creates the possibility of establishing cooperation in the area of acquiring new products of various types and their joint export to markets around the world.

Declarations and assurances about the need to intensify trade between Great Britain and Kenya at the highest political levels give hope that they will be followed by concrete, decisive action in this area. The chance is even greater because Kenya is beginning to be seen in the UK as an increasingly attractive trading partner. Kenya, in turn, strengthens cooperation with other economically active countries in East Africa, including China. Nevertheless, it is constantly interested in deepening economic relations, including trade with Great Britain.

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Stosunki handlowe Wielkiej Brytanii z Kenią w kontekście Brexitu

Streszczenie: Przedmiotem artykułu jest współpraca handlowa między Wielką Brytanią i Kenią w kontekście wyjścia Zjednoczonego Królestwa z Unii Europejskiej. W artykule scharakteryzowano współpracę handlową Wielkiej Brytanii i Kenii oraz omówiono tendencje istniejące w zakresie tej współpracy w ostatnich latach. Przedstawiono główne zagrożenia dla tej współpracy jakie niesie za sobą Brexit, wskazano działania jakie muszą zrealizować państwa, aby przeciwdziałać negatywnym następstwom Brexitu oraz przedstawiono szanse jakie potencjalnie

daje Brexit dla pszerzenia współpracy handlowej między państwami. Ponadto zarysowano zmianę klimatu politycznego jaka nastąpiła między państwami w ostatnich latach, co ma znaczny wpływ na realizację współpracy gospodarczej, w tym wymianę handlową. Celem artykułu jest przedstawienie i ocena wyzwań stojących przed państwami w kontekście Brexitu, które muszą one przewyciężyć dla utrzymania i pogłębienia współpracy handlowej. Głównym problemem badawczym jest pytanie, czy Brexit spowoduje osłabienie czy dynamizację stosunków handlowych między Wielką Brytanią i Kenią? Główną tezę artykułu jest stwierdzenie, że Brexit powoduje dużą niepewność co do przyszłości współpracy handlowej między Wielką Brytanią i Kenią. Daje on jednak szansę na dynamizację tej współpracy, a Kenia może stać się modelowym partnerem dla Zjednoczonego Królestwa w ramach promowanej przez Londyn koncepcji „Global Britain”. Pozytywne tendencje rozwojowe Kenii sprawiają, że staje się ona coraz bardziej atrakcyjnym partnerem handlowym dla Wielkiej Brytanii. Kenia natomiast chce wykorzystać sytuację poszukiwania przez Zjednoczone Królestwo partnerów handlowych spoza Unii Europejskiej.

Słowa kluczowe: Wielka Brytania, Kenia, stosunki handlowe, Brexit