Trade Development Authority of Pakistan
Ministry of Commerce

PAKISTAN-KENYA BILATERAL TRADE ANALYSIS

COUNTRY REPORT

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EXECUTIVE SUMMARY:

Kenya is one of the most vibrant economies in East Africa and possesses the potential for rapid growth and development. The fact is pronounced in the economic indicators as well. Stable exchange rate accompanied with robust economic growth have heightened the Kenyan economic profile. Pakistan's growth outlook also appears favorable with a real GDP growth rate of 5.3 percent in 2017 and targeted to exceed 6 percent in the subsequent fiscal year on the back of stepped-up China Pakistan Economic Corridor (CPEC) investment.

The Pakistan-Kenya bilateral trade volume has expanded multiple times in recent years but the trade balance is tilted towards Kenya since 2015. Pakistan exports to Kenya is dominated by rice while imports from Kenya is dominated by tea. In the first six months of 2018 (Jan-June), Pakistan's exports to Kenya have declined by 2.7 percent, on the other hand, Pakistan's imports from Kenya have increased by 35 percent as compared to the same period of 2017. The annual trade, however, depicts a rise of 20 percent in Pakistan exports to Kenya whereas imports of Pakistan from Kenya have surged by 16 percent. Although, increase in exports exceed the rise in imports in percentage terms the reverse is true in absolute terms. The import profile of Kenya is comprised of minerals, machinery, vehicles, and cereals. The monthly statistics of the first few months of 2018 also revealed the similar trend. The trade deficit of Pakistan to Kenya has increased by 132 percent in the first six months of 2018.

African region is among the non-traditional markets for Pakistan and Kenya is the gateway to Africa. Since 2015, the trade balance is tilted in favor of Kenya. Exports of Pakistan (other than rice) to Kenya include cotton, medicaments, and textile but the share is negligible. The potential products of Pakistan include **pharmaceutical** (HS-300490 & HS-300439 with trade potential of USD 68 and 10 million respectively), **surgical instruments** (HS-901890 with potential of USD 32.4 million), **rice** (HS-100630 with trade potential of USD 26.5 million), **beverages** (HS-220710 with trade potential of USD 16 million), and **textile** (HS-551321, 600622, and 630900 with trade potential of USD 13, 11 and 10 million respectively).

There is a need for tariff negotiation and Pakistan should take aggressive measures to rationalize tariff barriers for the products of the strength of Pakistan like textile, cereals and pharmaceutical. Aside from tariff barriers, non-tariff barriers are also stringent in the Kenyan market and cumbersome customs procedures has limited the market access. For instance, Kenyan authorities apply SPS measures on Pakistani rice and take extraordinary time to inspect the containers. It becomes a real problem and potential reason for the market share being captured by other countries like Thailand and India.

The Trade Development Authority of Pakistan is playing an active role to explore potential trade opportunities and introducing Pakistani products to Africa. It has planned to participate in international exhibitions related to Pharmaceutical, Surgical, and Automotive products. Moreover, a single country exhibition is likely to be held in the first quarter of 2019. **'Look Africa plan'**, an initiative by the Ministry of Commerce of Pakistan, has also assisted in boosting exports to the African region. However, rice remained the only major export item of Pakistan to the Kenyan

market. Rice (HS-100630 & 100640) accounted for 70% of Pakistan’s total export to Kenya. It is highly recommended to broaden the export base to the Kenyan market.

This study also recommends that any bilateral trade agreement with Kenya should involve the Pakistani business community. Moreover, future trade activities should focus on textile, cotton, and ethyl alcohol. The overall market bears the potential of USD 230 million for the products of Pakistan’s strength. It is also suggested to increase tariff on tea products to discourage imports as trade balance keeps on favoring Kenya. Pakistan is the top importer of tea in the world with the value of USD 537 million whereas USD 434 million is imported from Kenya alone.

List of Acronyms

AUP:	Average Unit Price
CAGR:	Compounded Annual Growth Rate
CD:	Countervailing Duties
ECI:	Export Competitiveness Index
GSP:	Generalized System of Preferences
IMF:	International Monetary Funds
NTBs:	Non-Tariff Barriers
SBP:	State Bank of Pakistan
TDAP:	Trade Development Authority of Pakistan
WTO:	World Trade Organization
ECI:	Export Competitiveness Index
PBS:	Pakistan Bureau of Statistics

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1.1- BILATERAL TRADE

1. INTRODUCTION

Kenya is the economic, financial, and transport hub of East Africa. The country is bordering with the Indian Ocean between Somalia and Tanzania. After a robust economic growth of the decade, the country accessed to the status of the mid-income country. Agriculture and horticulture are the two large sectors of the economy. Moreover, the services sector contributes to roughly 45% of the GDP and employs nearly one-third of the workforce. Kenya has witnessed dramatic population growth since the mid-20th century as a result of improved health conditions. In the second term of President Kenyatta, he pledged to make economic growth and development and has taken an initiative of "Big Four" focusing on food security, healthcare, expansion of manufacturing, and affordable housing.

The challenges faced by the country including economic slowdown of 2017 primarily because of drought and political uncertainty. Kenya also suffers from the high unemployment rate, poverty, and ethnic rivalries. Regional disparities and conflict made the country to the victim of terrorism. Inadequate infrastructure continues to hamper Kenyan's efforts to improve its annual growth so that standards of living could be raised and issues like poverty can be handled.

The major exports of Kenya are tea, horticultural products, coffee, petroleum products, fish, cement, and apparel with the major importers Uganda (10.8%), Pakistan (10.6%), US (8.1%), and Netherlands (7.3%). Whilst primary imports are machinery and transportation equipment, oil, iron & steel, and others. The key suppliers to Kenya are China (22.5%), India (9.9%), UAE (8.7%), and Saudi Arabia (5.1%).

The Table 1 depicts the key economic indicators. The real GDP growth rate fluctuated around 5.7% between 2013 and 2016, however, growth rate declined in 2017. After 2013, the exchange rate appears stable. Moreover, inflation has increased in 2017 after the decline in previous years which reflects the depression of the purchasing power of the consumers. In contrast to this, GDP per capita has been increasing since 2013.

Table 1: Key-Economic Indicators of Kenya

Indicators	2013	2014	2015	2016	2017
Real GDP growth rate (%)	5.9	5.4	5.7	5.8	5
Population (Million)	41.8	43	44.2	45.45	46.72
Inflation (%)	5.7	6.9	6.6	6.3	8
GDP per capita (USD, current price)	1318.80	1431.25	1447.85	1551.70	1677.69
Exchange rate (KES/USD)	87.92	98.18	101.5	101.5	102.1

Source: International Financial Statistics, IMF

The Table 2 presents the aggregate trade scenario of Kenya to the world. The imports of Kenya from the world has witnessed a mixed trend which increased over 2016-17 after a decline in the previous three years. On the other hand, Kenya exports to the world has increased over 2016-17 after some decreased in the previous three years.

Table 2: Kenya International Trade Overview

	2013	2014	2015	2016	2017
Kenya Imports from World	16,406.86	18,386.14	16,062.42	14,113.75	16,690.02
Kenya Exports to World	5,830.95	6,111.95	5,906.85	5,697.56	5,746.97

Source: Trade map Figures are in USD million

Figure 1 illustrates the import composition of products. The top import products at HS-02 digit are Mineral fuels (HS-27), Machinery (HS-84), Electrical machinery (HS-85), Vehicles (HS-87), and others.

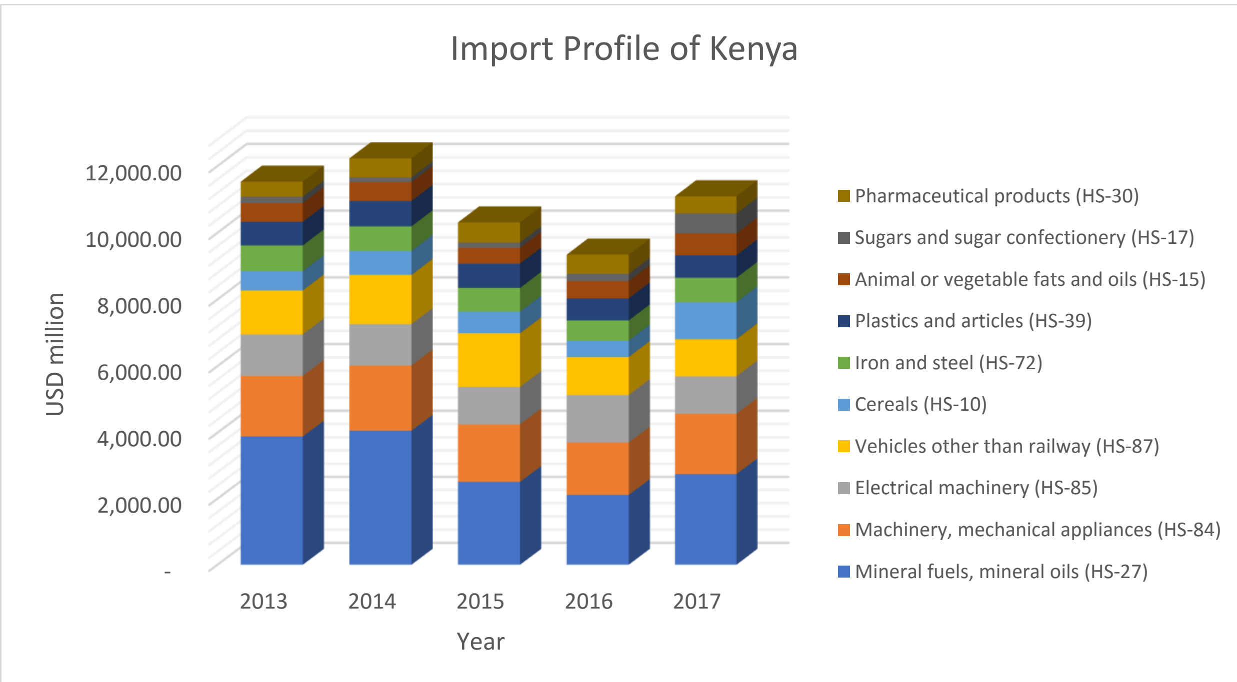

Figure- 1: Import Profile of Kenya

The map below identifies the top supplier to the Kenyan market. The width of the arrow represents the magnitude of the trade and the arrowhead shows the direction. It is evident that China is the major supplier to Kenya. Other supplier includes Russia, the US, Brazil, and India.

List of supplying markets for a product imported by Kenya in 2017
Product : TOTAL All products

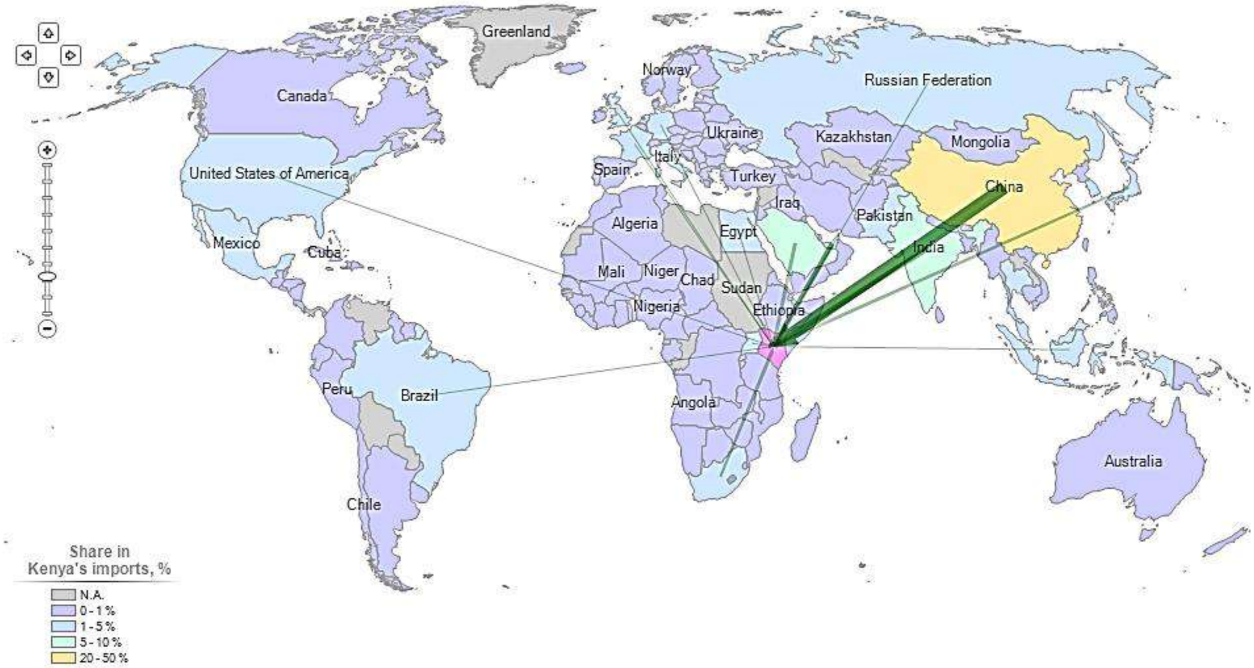

Figure- 2: World supplying markets to Kenya, 2017

1.1. Bilateral Trade Analysis

1.1.1. Look-Africa Plan

The Ministry of Commerce of Pakistan has approved 'Look Africa Plan' in August 2017 to boost trade ties with African countries. The plan includes 10 out of 54 African countries i.e. Kenya, Nigeria, South Africa, Morocco, Algeria, Egypt, Sudan, Tanzania, Angola, and Ethiopia. These countries together account for 80% of the GDP of Africa. The ministry has also prioritized sectors to enhance exports in African countries- pharmaceutical and surgical instruments, electrical appliances, rice, wheat, corn, textiles, cement and construction materials, and services.

1.1.2. Bilateral Trade statistics Pakistan-Kenya

Pakistan exports to Kenya in the first six months of 2018 are approximately USD 149 million which was USD 153 million for the same period in 2017. Table 3 provides the comparison of monthly on the year-on-year basis. It revealed that the total exports in the first six months of 2018 have declined by 2.72 percent as compared to 2017. Imports, on the other hand, has expanded by nearly 36 percent as compared to same period of 2017. The overall trade balance over Jan-June in 2018 is shifted towards Kenya by 132 percent.

Table 3: Pakistan-Kenya bilateral trade overview, monthly (2018)

Exports	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**Total (Jan-June)**
2018*	27.389	22.072	27.083	22.736	28.174	21.704	149.158
2017*	29.034	23.101	24.260	20.640	24.593	31.713	153.340
Percent change	-5.666	-4.454	11.636	10.155	14.561	-31.561	-2.727
Imports	Jan	Feb	Mar	Apr	May	June	Total (Jan-June)
2018*	46.959	45.068	51.047	45.604	57.435	45.774	291.887
2017*	48.417	40.651	31.777	28.655	32.546	32.829	214.875
Percent change	-3.011	10.866	60.641	59.148	76.473	39.432	35.840
Balance	Jan	Feb	Mar	Apr	May	June	Total (Jan-June)
2018*	-19.570	-22.996	-23.964	-22.868	-29.261	-24.071	-142.729
2017*	-19.384	-17.551	-7.517	-8.015	-7.953	-1.116	-61.535
Percent change	-0.96	-31.02	-218.80	-185.32	-267.92	-2056.90	-131.95

Source: State Bank of Pakistan *Figures are in USD million

Table 4 presents the bilateral trade scenario between Pakistan and Kenya on annual basis. Imports have been increasing since 2013 but exports witnessed a mixed trend fluctuating around USD 300 million. The significant jump in imports has tilted trade balance in favor of Kenya since 2015.

Table 4: Pakistan-Kenya bilateral trade statistics, 2013-2017

Trade Map	**2013***	**2014***	**2015***	**2016***	**2017***	**% Change**
Exports	258.381	332.813	278.806	266.203	319.441	19.99
Imports	258.112	267.562	349.235	403.463	468.258	16.06
Trade Balance	0.269	65.251	-70.429	-137.26	-148.81	-8.42
Trade Volume	516.49	600.38	628.04	669.67	787.70	17.63

Source: ITC Trade map * Figures are in USD million

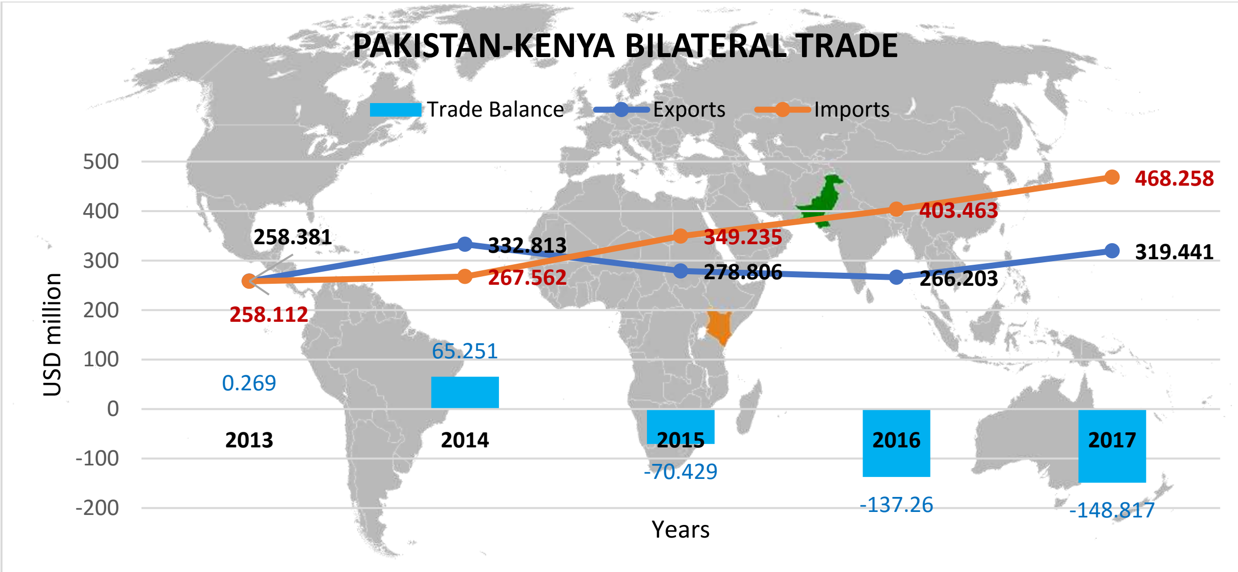

Figure- 3: Pakistan-Kenya Bilateral Trade

1.1.3. Pakistan's Major Exports and Imports

This section is devoted to analyzing the top-15 exports and imports of Pakistan to/from Kenya. Figure 4 below shows the top-15 export of Pakistan to Kenya. The major share is accounted by **'Semi-milled or wholly milled rice'** with the largest increase is witnessed by the same. It is followed by **'Knotted netting of twine, cordage, ropes or cables'**. Pakistan exports rice of more than 90 percent of the total demand of Kenya.

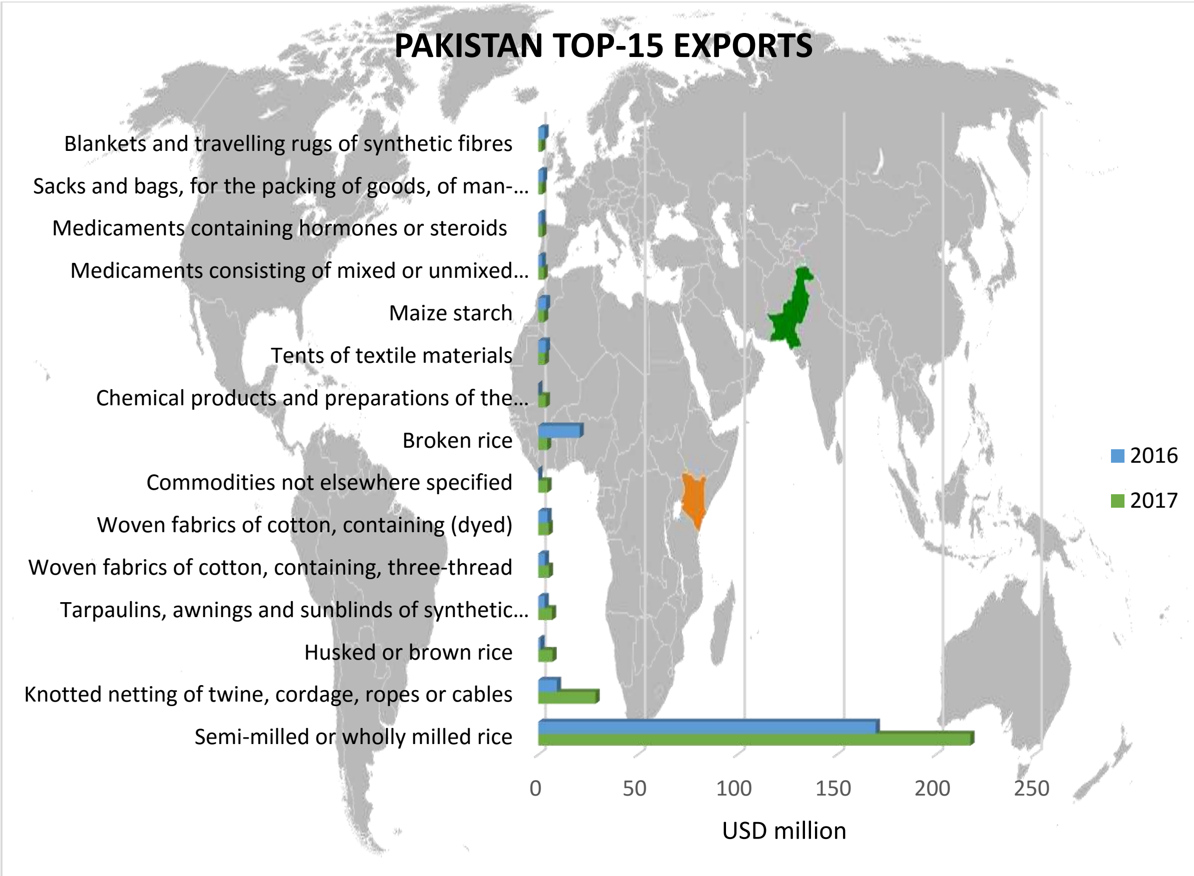

Figure- 4: Pakistan Top-15 Exports to Kenya

Next figure shows the top-15 imports of Pakistan. The import basket is heavily weighted with **'Black fermented tea'** and the same category witnessed the highest increase. According to the current market situation and medium-term outlook published by FAO of the United Nations, Pakistan ranked 7th in the world for the consumption of tea in 2016. Now Pakistan is the top importer of the tea in the world in 2017[1]. The next major import in this context is **'Dried, shelled kidney beans'.**

[1] https://www.trademap.org/Country_SelProduct_TS.aspx?nvpm=1|||||090240|||6|1|1|1|2|1|2|1|

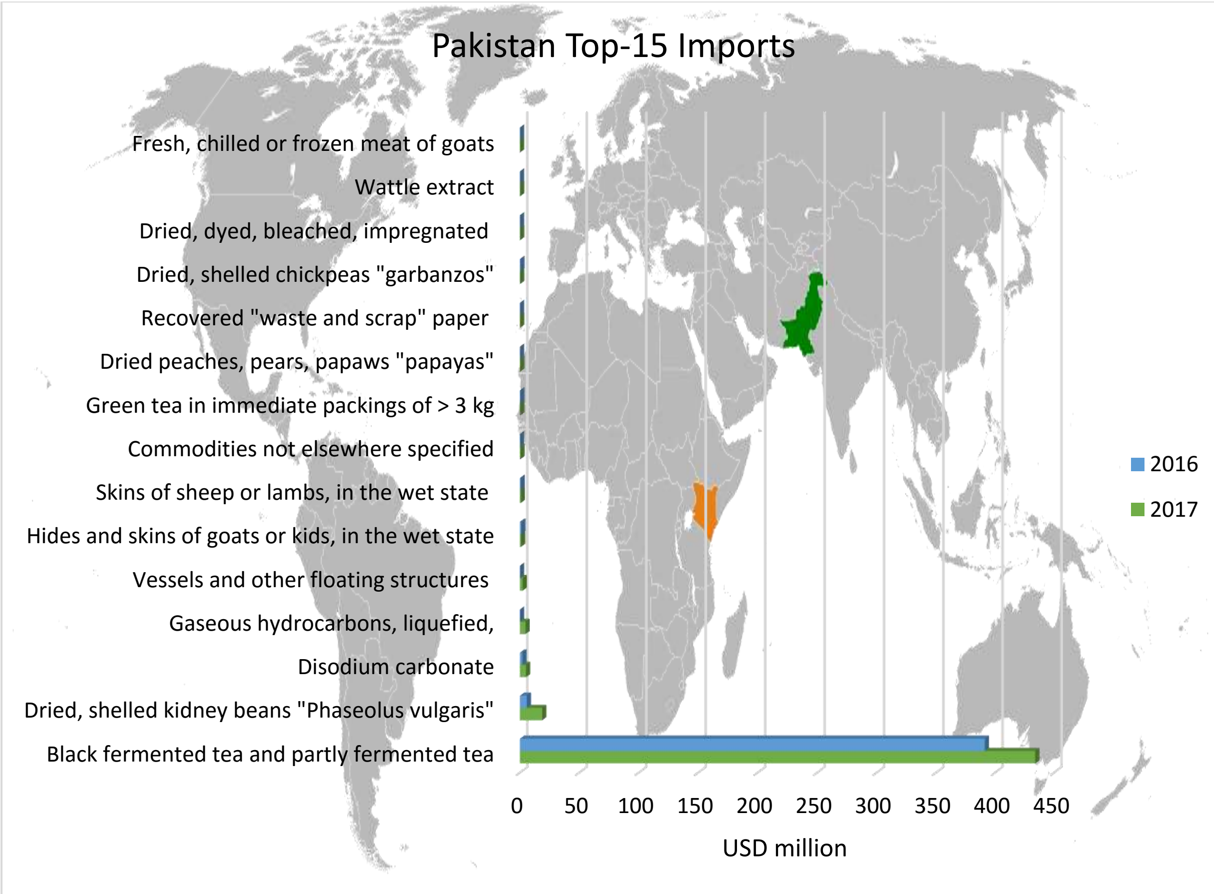

Figure- 5: Pakistan Top-15 Imports from Kenya, (HS-06)

2- VALUE CHAIN MAPPING

2.1- RICE

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2. VALUE CHAIN MAPPING

This section analyzes the performance of potential product of Pakistan (identified in the previous section) to the Kenyan market. The top five potential products among the list of ten products have examined. The analysis has been made on the behalf of export values, compound annual growth rate, Export Competitiveness Index (ECI), and market concentration.

<u>Compound Annual Growth Rate (CAGR):</u>

It is the rate of growth over multiple time periods. It is calculated by the following formula:

$$CAGR = \left(\frac{Final\ value}{Initial\ value}\right)^{\frac{1}{Number\ of\ years\ elapsed}} - 1$$

CAGR has been used to compare Pakistan's export to Kenya and competitors' exports toKenya. It can be used to draw crucial inferences. It helps to predict the future outlook of Pakistan's exports and so on.

<u>Export Competitiveness Index (ECI):</u>

Export competitiveness index is the average per capita export (Capacity Indicator) and market share (Trade Indicator). Since export share alone is not sufficient to identify export competitiveness. The comparison is similar GDP and GDP per capita.

$$ECI = \frac{Trade\ Indicator(TI) + Capactiy\ Indicator(CI)}{2}$$

Where,

$$TI = \frac{\text{Country's export of commodity x}}{\text{World export of commodity x}}$$

$$CI = \frac{\text{Country's export of commodity x}}{\text{Country's Population}}$$

2.1. Potential Products Scenario

This section is devoted to examining the existing and potential products for the Kenyan market. It first examines the top export items and the identification and analysis of potential products are made at HS-6-digit level.

Table 5: Trade potential and potential products

Product Code	Product Label	Pakistan Export to Kenya		Kenya overall Imports 2017*	Pak overall exports 2017*	Average Tariff (%)	Trade Potential[2]*
		Value in 2016*	Value in 2017*				
'100630	Semi-milled or wholly milled rice	169.514	217.51	243.76	1512.6	35	26.255
'100640	Broken rice	20.768	4.469	15.158	182.56	37	10.689
'300490	Medicaments for therapeutic or prophylactic purposes	1.819	2.782	370.37	70.78	0	68.004
'300439	Medicaments containing hormones or steroids	1.644	2.042	12.347	48.654	0	10.305
'630900	Worn clothing and clothing accessories	1.191	0.778	126.28	10.648	39	9.87
'901890	Instruments and appliances used in medical	0.859	0.726	33.148	360.57	0	32.422
'220710	Undenatured ethyl alcohol	0.054	0.502	16.723	361.53	25	16.221
'551321	Plain woven fabrics containing predominantly	0.139	0.27	13.972	32.993	25	13.702
'300420	Medicaments containing antibiotics	0.663	0.221	25.846	14.752	0	14.531
'600622	Dyed cotton fabrics, knitted or crocheted	0.676	0.079	15.629	11.193	25	11.114
'210690	Food preparations	0.018	0.002	37.915	18.522	0	18.52

Source: ITC Trade map * Figures are in USD million

2.1. RICE

Rice dominates the export basket of Pakistan to Kenya. Two major categories of rice are discussed below at HS-06-digit level. It includes HS-100630 and HS-100640 with the untapped potential of $26 million and $11 million respectively.

The Government of Kenya has outlined four big priority areas for the next five years. It also includes food security which domestic rice cultivation. It may be the reason for the decline of Pakistan's export to Kenya in recent months as Pakistan's export basket regarding Kenya is heavily weighted by rice.

2.1.1 Semi-wholly milled rice (HS-100630)

Table 6 explains the trade statistics related to Pakistan and its competitors. Pakistan remains on the top in terms of export value and the average increase of 4.7 pc is evident. The major competitors in this context are Thailand, India, and China. The alarming aspect is the fact that Thailand and India's share have increased by 164 pc and 126 pc while Pakistan's share is enhanced by 28 pc over 2016-17.

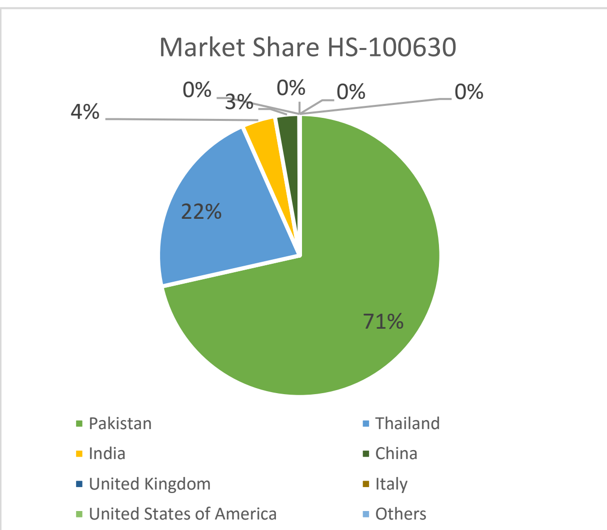
[2] Trade potential= Minimum (Pakistan's World Exports, Kenya's World Import) – Pakistan exports to Kenya

Table 6: Trade statistics for 'Semi-wholly milled rice (HS-100630)'

Ranks based on exports	Countries	Value of Exports in 2017*	CAGR (2013-17) (%)	Share in Kenya's imports (%)	Unit value (USD)	Growth 2016-17 (%)	Ranking of partner countries in World	Average tariff (%)	ECI	
									2013	2017
1	**Pakistan**	**217.507**	**4.76**	**71.5**	**385**	**28**	**3**	**35**	**1**	**1**
2	Thailand	66.584	111.51	21.9	377	164	2	35	4	2
3	India	11.625	10.79	3.8	596	126	1	35	5	3
4	China	8.423	-	2.8	800		7	35	15	4
5	UK	0.069	-	0	821	-29	19	35	15	5
6	Italy	0.025	11.80	0	2,273	-32	6	35	10	6
7	US	0.022	-	0	1,158	21	5	35	15	9
8	Uganda	0.013	9.63	0	520	-98	39	0	12	7
9	South Africa	0.002	18.92	0			23	35	14	10
10	Lebanon	0.001	-	0	1,000		47	35	15	8

Source: ITC Trade map * Figures are in USD million

Figure 6 demonstrates the market share of the countries. Pakistan accounts for 71 pc followed by Thailand 22% and so on. The portrays the trend in exports of competitors as well as Pakistan. China appeared as a new challenger while demand seems increasing. All top three rice supplier have faced increment in their shares.



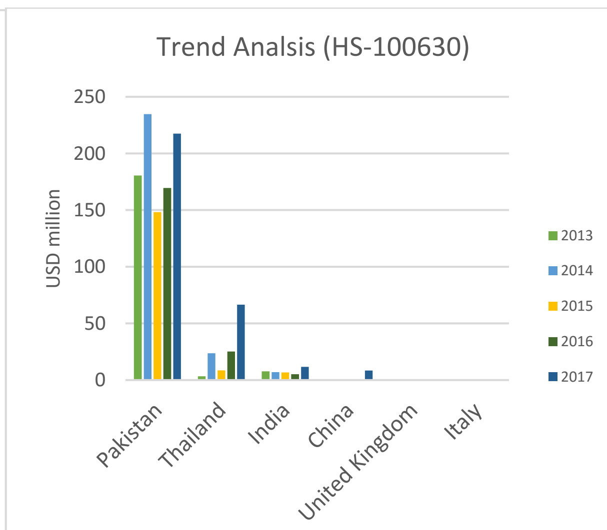


Figure- 6: Market share & Trend (HS-100630)

2.1.2. Broken Rice (HS-100640)

Table 7 highlights that Pakistan has near monopoly situation with almost 99.9 percent share. The remaining share is captured by India. The CAGR indicates the negative growth indicates the decline in demand for broken rice.

Table 7: Trade statistics for 'Broken Rice (HS-100640)'

Ranks based on exports	Countries	Value of Exports in 2017*	CAGR (2013-17) (%)	Share in Kenya's imports (%)	Unit value (USD)	Growth 2016-17 (%)	Ranking of partner countries in World	Average tariff (%)	ECI	
									2013	2017
1	**Pakistan**	**4.469**	**-29.02**	**99.9**	**430**	**-78**	**4**	**37.1**	**1**	**1**
2	India	0.006	-64.24	0.1	273	-14	2	37.1	5	2
3	South Africa	0	-100				15	37.1	6	3
4	Uganda	0	-				12	37.1	7	3
5	UAE	0	-100				8	37.1	3	3

Source: ITC Trade map *Figures are in USD million

Figure 7 explains the trend and the comparison with the other suppliers. The market specifies an adverse trend and the demand for the product has declined substantially.

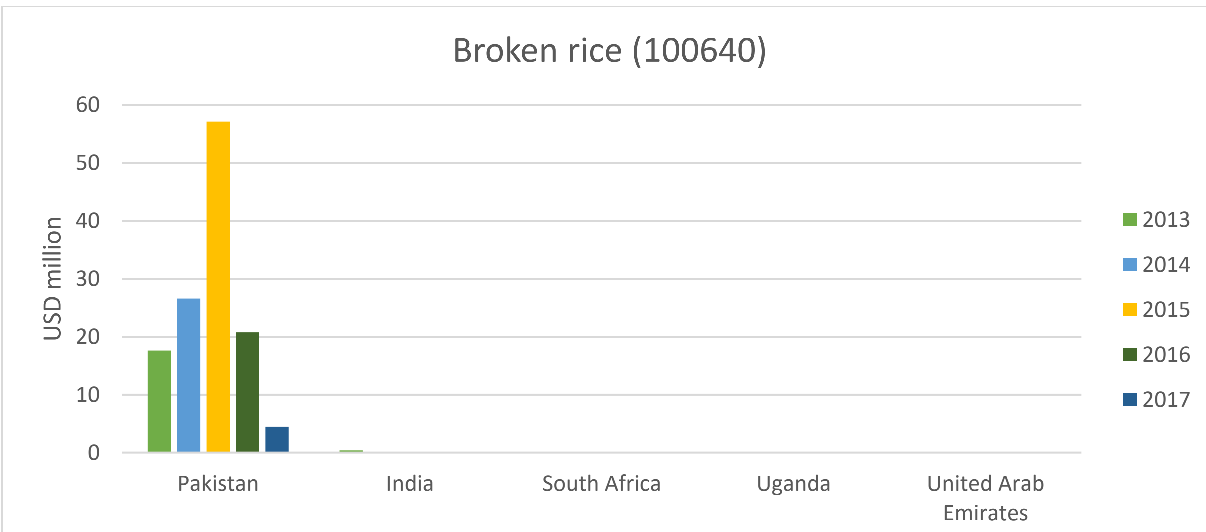


Figure- 7: Market Share & Trend (100640)

Competitors' strategies for rice:

The primary competitor of Pakistan for the product stated above is Thailand followed by India. Thailand mainly exports sticky 'Semi-wholly milled' rice whereas Pakistani and Indian based rice is premium basmati rice with an aroma. Pakistan is currently facing the water-scarcity that threatens the exports of rice in the future but the presence of hybrid seeds indicates the potential to increase rice production.

Thailand: Thailand's major variety of rice include white rice and jasmine rice. Yingluck government's rice scheme of 2011 supported rice farmers with a plan to purchase rice at above market price. In June 2011, rice prices were at a record high and Thailand was the world's leading exporter when Thailand supplied 28.79 percent of the rice to the world [see (Poramacom, 2014)]. Moreover, Prayut government's rice scheme allocated eight billion Thai baht for the provision of soft loans to the farmers.

Competitive strategies:

- **Government Initiatives:** Thailand has long been spending to develop their agricultural sector since initiating its first national development plan in 1961. The government took multiple initiatives to support and improve the agricultural sector. These policies are related to production policy, price intervention policy, and the rice-pledging policy.
  Two major initiatives taken by different regimes are Apisit's government's '*Income Guarantee Scheme*' for rice in 2011, and Yingluck's government '*Rice Pledging Policy*' scheme remained successful in promoting rice exports. The former policy is focused to lift Thai farmers' well-being and promote confidence among farmers. While later is to support farmers by providing an opportunity to pledge and then provide an unlimited supply of rice to the government at a higher price for their crops than the market prevailing prices. Other policies include Agricultural crop insurance, pledging programs, and revenue assurance measures.
- **Certification:** In 2013, Thung Kula Ronghai region of Thailand was awarded by the European Union's Geographical Indication certification. This has created a positive image of Thai-rice in the world.
- **E-selling**: Thailand has registered a variety of rice on online trading websites like Amazon, alibaba.com, pawineetscsupplies.com, and many others. These online selling methods facilitate Thai farmers to sell and market their products easily. Moreover, it supports exporters for both business to business (B2B) as well as business to consumers (B2C) interactions.

India[3]: It offers relatively more varieties of basmati rice than Pakistan and Thailand. In addition to this, UNDP and FAO sponsored projects for the development and use of hybrid rice technology. India was a net importer in mid-1960s and became a net exporter of quality rice by early 1990s.

Competitive strategies:

- **Trade Agreement:** The first Indo-Kenya trade agreement was signed in March 1981. Moreover, India-Kenya Joint Trade Committee was set up in 1983 while the Joint Business Council was set up in 1985. Another trade agreement between two countries was signed in 1985 to promote preferred taxation for the traders known as India-Kenya Double Taxation Avoidance Agreement. All these activities pave smooth pathways for the traders, hence, significant trade volume has been witnessed afterward.
- **Hybrid Rice seeds[4]:** India has followed a strategy similar to China to make use of hybrid seeds to improve cultivation. Several international agencies like UNDP, FAO, ADB, and International Rice Research Institute have supported R&D in the early 1990s. It received USD 8 million between 1990 and 2000. In the 1990s, the huge influx of private sector expecting a huge business of seed.
- **Production capacity:** India grows rice at the area of 43,950 HA while Pakistan is using 2,789.2 HA for cultivating rice. Although per hacter productivity of Pakistan high than that

[3]http://www.fao.org/docrep/x7164t/x7164t05.htm
[4] https://www.jstor.org/stable/4412746?seq=1#page_scan_tab_contents

of India but India has a greater excess supply of rice because of the larger area. Moreover, greater production allows for economies of scale and reduce the per unit freight cost.

Non-Tariff barriers for rice exports to Kenya:

i. Import declaration form (IDF):

The Import Declaration Form Kenya (IDC-61) is issued by the Kenya Revenue Authority and is compulsory for all imports. The processing fee is a minimum of USD 50 or 2.75 percent of the import value[5].

ii. Compliance Certificates:

Certificate of Analysis and Certificate of Conformity are generally required to export rice to Kenya. These have to be verified by the Kenya Bureau of Statistics and Kenya Plant Health Inspectorate Services.

iii. Customs Value Declaration Form:

This is the C-52 form that requires the importer's verification to confirm that value of goods declared by IDF is correct.

iv. Bill of Lading:

It contains relevant details of the consignee like name, address, PIN or TIN number.

v. Release Order:

After inspection of rice consignment, Kenya port authority will issue the release order.

Pakistani exporter and Kenyan importers of rice:

Pakistan Exporters	***Kenyan Importers***
Hassan Ali Rice Export Company	Capwell Industries Limited
Garibsons (private) Limited	Jembe Posho Mills Co. Ltd
Rice International Private Limited	Kenya Miller Limited
R.B. International	MWEA Rice Growers Multipurpose Cooperative Society Ltd
K.K Rice Mills	

Source: ITC Trade map

2.2. TEXTILE

Textile sector is one of the major strengths of Pakistan with exports of approximately USD13 billion to the world. While Kenya imports nearly USD 682 million from the world. It serves as the potential export sector for Pakistan.

2.2.1 Worn clothing and clothing accessories (HS-630900)

Table 8 below reflects that China remains the major player in this market. Pakistan while having strength in textile only able to capture 0.6 percent. There is an untapped export potential of $10 million which can be exploited as there is an edge of low average unit price for Pakistan.

[5] https://www.waystocap.com/blog/how-to-import-rice-into-kenya/

Table 8: Trade statistics for 'Worn clothing and clothing accessories (HS-630900)'

Ranks based on exports	Countries	Value of Exports in 2017*	CAGR (2013-17) (%)	Share in Kenya's imports (%)	Unit value (USD)	Growth 2016-17 (%)	Ranking of partner countries in World	Average tariff (%)	ECI	
									2013	2017
1	China	38.302	56.70	31.7	982	33	4	39.4	11	2
2	UK	16.11	-21.19	13.3	1,343	-30	2	39.4	1	3
3	Canada	16.033	-5.95	13.3	1,118	-5	10	39.4	2	1
4	USA	9.064	-13.33	7.5	1,045	-8	1	39.4	6	9
5	India	8.582	14.73	7.1	1,149	6	14	39.4	12	11
6	Poland	8.145	-0.65	6.7	1,002	-18	7	39.4	4	4
7	Germany	6.344	-14.32	5.2	1,324	-25	3	39.4	5	6
8	Korea	5.869	-7.76	4.9	1,307	-21	5	39.4	7	5
9	Malaysia	3.2	18.37	2.6	905	38	11	39.4	13	8
10	**Pakistan**	**0.778**	**-28.80**	**0.6**	**477**	**-35**	**36**	**39.4**	**14**	**20**

Source: ITC Trade map *Figures are in USD million

Figure 8 below depicts the market share of the suppliers. Pakistan's share is less than one percent while China and India's accounted for 32 percent and 7 percent respectively. The right panel of the figure 8 below presents the prevailing trend in the market among the competitors. Pakistan is continuously losing its share while other countries are facing a mixed trend.

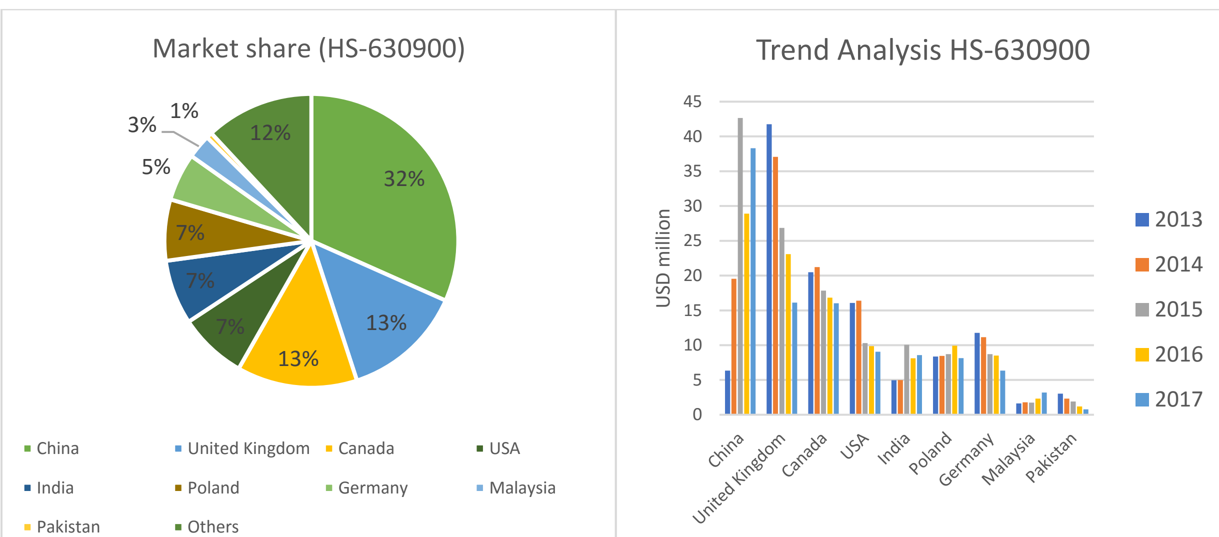


Figure- 8: Market Share & Trend (HS-630900)

Competitor's Strategy for Textile:

The major regional competitors of the product specified are China and India. The other competitors are the UK, Canada, and the USA but their product baskets are highly differentiated.

China: Its primary strategy is to compete by offering the lower price than India in the Kenyan market as well. It remains one of the primary competitors of Pakistan in most of the markets. It is the largest clothing producer and possesses the largest production capacity. It accounts for 40 percent share of the world's textile market.

Competitive strategies:

- **E-commerce:** The online retailing method assisted exports through marketing and boosting sale globally, examples in this context includes *Alibaba.com*, *Aliexpress.com*, and many others.
- **Environment-friendly products:** High-tech and green products added value to the exports of China and its green manufacturing products are able to compete with top textile brands. China is the world's largest producer of textile and natural fiber.
- **Skilled-labor:** Low-cost inputs help China in maintaining its competitive position. In 2015, the wage in the textile industry of Chinese labor is 1/18 and 1/21to the wage rate prevailing in UK and US respectively. Moreover, the average years of education (i.e. 12 years) of labor employed in the textile sector is relatively higher.

India: The government has sought multiple ways to enhance the textile exports to the world. Invest India program - a successful story - is the national investment and facilitation agency. Other such programs include the scheme for textile integrated parks and technology upgradation fund scheme.

Competitive strategies:

- **Textile parks:** Scheme for textile integrated parks (SITP) was approved in 2005. It is launched by merging two existing schemes: Apparel Parks for Exports (APE) and Textile Sector Infrastructure Development Scheme. The scheme attracted an investment of INR 3500 crore and remained successful in enhancing the textile sector.
- **Training and consultancy:** Highly skilled labors trained with international skills and standards helped to achieve higher productivity. Moreover, international consulting firms which are specialized and have sound expertise in training textile workforce.

Pakistan's exporter and Kenyan importers of Textile:

Pakistan Exporters	***Kenyan Importers***
Activity Corporation	Bobmil Industries Ltd
Waseem Trading Corporation	Bonar East Africa Limited
Designs International	Flexpac International Limited
United Shipping & Trading	Tarpo Industries Ltd
MAC International	

Source: ITC Trade map

2.3. PHARMACEUTICALS

Low cost of production and a huge potential of the local market has attracted several major multinationals related to pharmaceutical products during the early 1950s. However, there are number of challenges. For instance, Pakistan does not have WHO/FDA approved facility and the country's reference lab- The Drug Laboratory (DTL) - is not yet approved by WHO.

2.3.1. Medicaments consisting of mixed or unmixed products (HS-300490)

The medicaments are bearing immense trade potential. There exists an untapped trade potential of USD 68 million. Moreover, Pakistan's share has increased over 53 percent while India's share has declined by 40 percent so there is a scope for Pakistan to capture the market through trade activities and other measures.

Table 9: Trade Statistics for 'Medicaments consisting.. (HS-300490)'

Ranks based on exports	Countries	Value of Exports in 2017*	CAGR (2013-17) (%)	Share in Kenya's Imports (%)	Unit value (USD)	Growth 2016-17 (%)	Ranking of partner countries in World	Average tariff (%)	ECI	
									2013	**2017**
1	India	134.656	-5.85	51.8	33,647	-40	10	0	2	2
2	Switzerland	34.689	2.67	13.5	616,544	-12	2	0	1	1
3	UK	14.469	1.16	5.6	46,022	19	6	0	7	4
4	South Africa	12.729	-3.06	4.9	24,108	7	44	0	3	5
5	France	9.384	-4.99	3.6	53,623	-6	5	0	9	7
6	China	8.61	-15.58	4.6	7,067	35	21	0	10	10
7	Belgium	6.349	7.43	2.4	115,436	-42	3	0	6	3
8	USA	4.675	7.45	1.8	259,722	-30	4	0	15	13
9	Germany	4.108	-5.96	1.6	12,411	-3	1	0	12	11
10	**Pakistan**	**2.782**	**0.78**	**1.1**	**17,280**	**53**	**69**	**0**	**13**	**12**

Source: ITC Trade map *Figures are in USD million

Figure 9 below provides the market share which identifies that Pakistan's share is less than 1 percent. However, more than 50 percent share is captured by India which indicates the prevailing market power.

Pakistan's medicaments (300490) exports to Kenya look stagnant while India faced a decline after an increase in the previous years. The apparently lower demand might be caused by a recent slowdown in macroeconomic conditions.

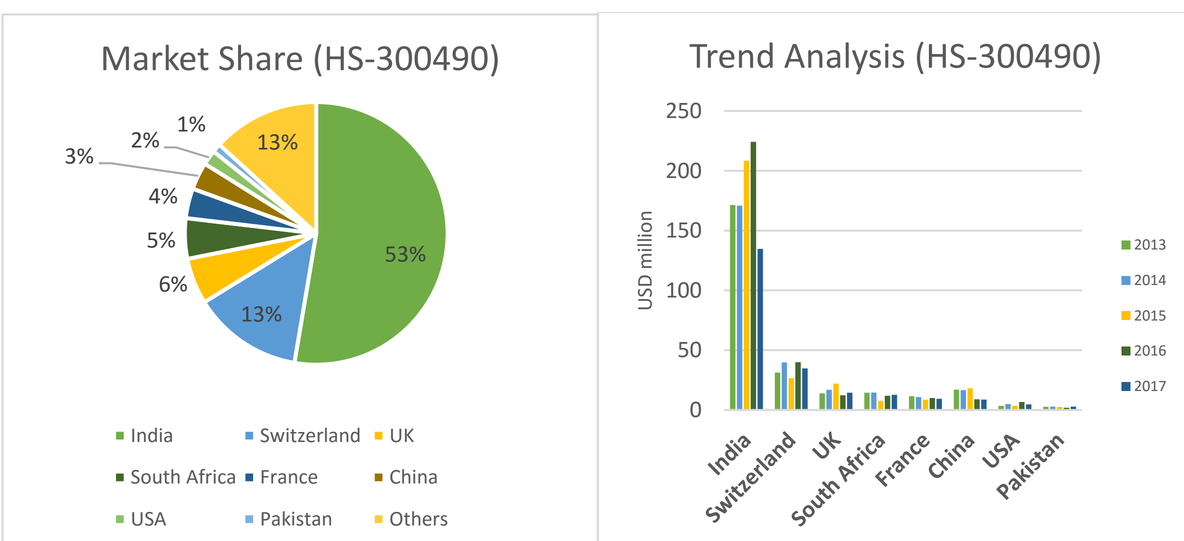


Figure- 9: Market Share & Trend (HS-300490)

Competitors' strategies for Pharmaceuticals:

India: The Indian pharmaceutical industry is the third largest in terms of volume and thirteenth largest in terms of value[6] in world. It is the largest provider of generic drugs globally. The Indian drug and pharmaceutical sector have attracted cumulative FDI inflows of USD 13.8 billion over 2000-2016.

Competitive strategies:

- **Bio-friendly products:** Its biotechnology industry comprising bio-pharmaceuticals, bio-services, and bio-agriculture.
- **Government Initiatives:** The government initiative includes National Health Protection Scheme, single-window facility to provide consents and approval by Drug Controller General and 'Pharma Vision 2020' aimed at making India a global leader in end-to-end drug manufacturers. Moreover, Indian companies are investing for R&D that made them more competitive and the pharma sector of India is under various branding campaigns which enables to sell products with higher per unit value.

China: Chinese pharma industry is the second largest after the US. More than 20 percent of the Chinese population is aged over 54 years according to CIA Factbook estimates of 2017, thus, healthcare demand has improved remarkably. The current and anticipated demand has appealed to investors and helped the industry to grow further. The industry has witnessed economies of scale due to large-scale production, therefore, able to offer low price products.

Competitive strategies:

- **Newly-added products:** It has widened drugs basket and has got approval to almost 35 new product launches. More than 300 drugs were added to the National Reimbursement drug list. Chinese pharmaceuticals obtained approval for 38 generic drugs from the US Food and Drug Administration.
- **Artificial Intelligence:** Medical Artificial Intelligence is penetrating so intensely and improving the efficiency of the medical treatment process. For instance, in pathology analysis, the accuracy of medical imaging diagnosis has reached 99.5%. For innovative Chinese pharmaceuticals, 2018 is being considered as a year full of hopes and opportunities.
- **Made in China 2025:** Prime Minister Xi Jinping identified pharmaceutical to be the part of "Made in China 2025" industry plan. The sector has been enhancing and the biggest Chinese pharma 'Jiangsu Hengrui' has a market capitalization of USD 35 billion which is about $1/10^{th}$ of Johnson & Johnson's.

South Africa: It has an advantage of lower distance with Kenya, therefore, able to provide a lower average unit price. The Innovative Pharmaceutical Association South Africa (IPASA) was established in 2013 to expand the and support pharmaceutical companies. It includes research related activities and contributing innovation to patient-centered healthcare.

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[6] https://www.ibef.org/archives/detail/b3ZlcnZpZXcmMzcxMDYmOTA

Pakistani exporter and Kenyan importers of Pharmaceutical:

Pakistan Exporters	***Kenyan Importers***
Herbion Pakistan Pvt Ltd.	Bobmil Industries
Novartis Pharma (Pak) Ltd.	Bonar East Africa Limited
Abbott Laboratories (Pakistan) Ltd.	Flexpac International Limited
Searle Pakistan Limited	Tarpo Industries
Zafa Pharmaceutical Laboratories	Interior Evolution Limited

Source: ITC Trade map

Non-Tariff Barriers for Pharmaceutical exports to Kenya

Counterfeiting Concern: According to WTO definition, "Counterfeit medicine is one, which is deliberately and fraudulently mislabeled with respect to identity/or source. It may contain the wrong amount of ingredients".

Lack of Certified Facilities in Pakistan: Lack of FDA and WHO Certification for pharmaceutical manufacturing facilities in Pakistan.

Others: Bioequivalence and local office requirements.

2.4. SURGICAL INSTRUMENTS:

2.4.1. Instruments and appliances used in medical (HS-901890)

Pakistan remains one of the major producers of surgical instruments. There is an untapped potential of nearly $32 million. The statistics below reveal that the market is not much concentrated so the market share can be captured.

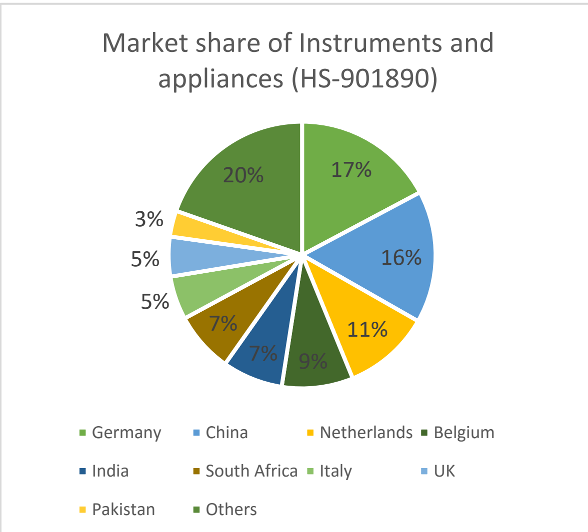
Table 10: Trade Statistics for 'Instrument & Appliances used in medical (HS-901890)'

Ranks based on exports	**Countries**	**Exports in 2017***	**CAGR (2013-17) (%)**	**Share in Kenya's imports (%)**	**Unit value (USD)**	**Growth 2016-17 (%)**	**Ranking of partner countries in World**	**Average tariff (%)**	**ECI**	
									2013	**2017**
1	Germany	3.961	5.64	17.2	88,022	38	2	0	3	3
2	China	3.69	-4.92	16	22,364	46	8	0	6	5
3	Netherlands	2.428	38.92	10.6	115,619	52	4	0	10	2
4	Belgium	1.988	26.47	8.6	46,233	21	3	0	7	1
5	India	1.688	-0.93	7.3	0.38	-66	32	0	11	7
6	South Africa	1.686	-29.49	7.3	29	-22	40	0	1	6
7	Italy	1.216	10.35	5.3	40,533	-56	12	0	12	8
8	UK	1.109	-10.53	4.8	34,656	-34	13	0	9	9
9	Hong Kong	1.095	11.96	4.8		155	24	0	2	4
10	**Pakistan**	**0.726**	**-7.30**	**3.2**	**3.87**	**-15**	**25**	**0**	**15**	**12**

Source: ITC Trade map *Figures are in USD million

Germany remains the major supplier of the instruments (HS-901890) which is followed by China and Netherlands. The irony is that both Germany and the Netherlands import these products in lack of value addition & less precise form from Pakistan and then export the same after improving precision. The trend below depicts the fact that the market is competitive and the players are grabbing shares on the cost of others. The overall demand appears stagnant. Pakistan exports have been decreasing since 2015. The leakage of production technology, lack of branding, and a rise in production cost have reduced the competitiveness of the surgical sector of Pakistan. Moreover, a heightened demand for steel in steel-related projects like dams, power plants, and infrastructure has raised the average unit price of steel which complements the surgical instruments and appliances.

The Trade Development Authority of Pakistan along with Surgical Instrument Manufacturers Association of Pakistan (SIMAP) has taken an initiative to provide technical training and have exhibited the products multiple times in international trade fairs of Kenya.



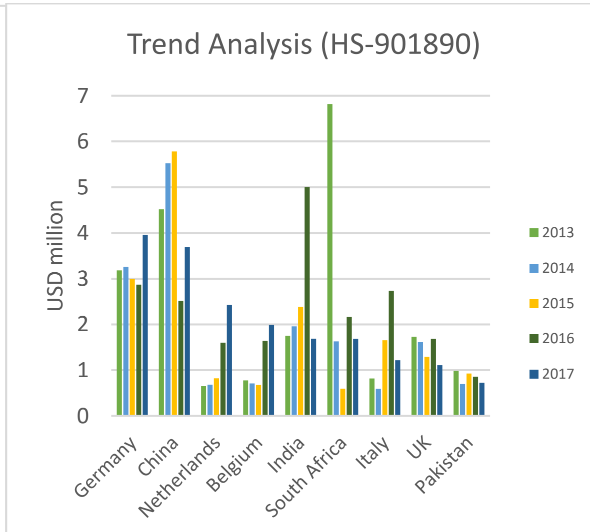


Figure- 10: Market Share & Trend (HS-901890)'

Competitors' strategies for Surgical Instrument:

Germany: Due to its large number of well-trained physicians, researchers, and engineers remained the major reason for high standard medical technology. It also imports these products from Pakistan in less precise form and add value by improving its precision, branding, and get necessary certification requirements. Moreover, ample raw material and higher efficiency retain it among top exporter.

Competitive strategies:

- **Open and transparent market:** German law does not make a distinction between Germans and foreign nationals regarding investments, incentives, or establishing a company. It attracted the foreign investment as well.
- **Competitive labor costs:** The labor cost of the medical technology industry is relatively low and is not commensurate to their level of productivity.
- **Industry Associations:** There are multiple industry clusters which are governed by separate association. It includes the German Healthcare Export Group (GHE), SPECTARIS- German Hightech Industry Association, ZVEI, and VDDI. These association remained far more competitive and boosted export.

China: The programs like healthy China 2030 and rising consumer demands compelled China to expand its industry. According to the World Economic Forum, more than 35 percent population will be more than the age of 60 by 2050. The government is anticipating aggressive demand for health care thus enhancing their own industry.

Competitive strategies:

- **E-commerce:** China has registered surgical instruments and appliances on the websites (*Alibaba.com, Aliexpress.com).* These online retailing and whole selling methods facilitate selling of goods. China leads the world in e-commerce. More than 40 percent of the transaction of China is currently taking place in China through e-commerce. Transaction of non-Chinese products through Alibaba.com or Aliexpress.com also serve as a means of marketing of Chinese products. As these websites contain advertisements and pop-ups as well. A Chinese research firm has forecasted that the Chinese e-commerce will grow annually at the rate of 27 percent.
  Mobile e-commerce, Popular Mobile Platforms, and Social Media: Online wallets are the top payment method of choice. Approximately half of the Chinese eCommerce sales are made through mobile devices.
  Major Buying Holidays: These online methods offer discounts to attract customers. For instance, "Single Day", November 11, is the busiest day for shopping. In 2015, Alibaba witnessed sales of about USD 9 billion on Single Day, with transactions of 278 million orders.
- **Demography:** Several key drivers are pushing forward the growth of China's medical industry. It includes (i) Ageing population as 230 million people in China are expected to be aged 65 or over by 2030. (ii) The increasing middle class has fueled China's cosmetic surgery industry. It is the third largest market for cosmetic surgery (SMEs, 2015).
- **Health Reform:** The government of China has introduced the Healthcare reform in 2009 with the aim to have universal health insurance coverage by 2020 (Agency, 2016).
- **Artificial Intelligence (AI):** The huge influx of AI in almost every walk of life is today's reality. AI has achieved practical applications in the field of life science, such as intelligent image processing with the help of Convolutional Neural Network (CNN), intelligent diagnosis and treatment, intelligent surgical navigation system and health big data.
- **Kenya-China Tax Treaty Agreement[7]:** Kenya and China signed an agreement to avoid the double taxation to boost bilateral trade ties.

India: It has established surgical industries in the year 1958. The overall healthcare industry in India is expected to reach the value of USD 280 billion by the year 2020. There are about 1800 domestic firms in the country, mainly MSMEs[8], which are competing in the range of low to medium technology products.

Competitive strategies:

- **E-commerce:** Indian surgical instruments are listed in e-commerce websites like tradeindia.com, indiamart.com, Alibaba.com and many others. These websites contain a detailed specification of the surgical instruments of India along with quoted prices and

[7] http://www.chinadaily.com.cn+/business/2017-09/22/content_32327917.htm
[8] https://www.indiainfoline.com/article/news-top-story/indian-surgical-equipments-market-shifting-focus-from-%E2%80%98trading-to-precision-manufacturing%E2%80%99-118061900363_1.html

certification available to each instrument. It helps importer to get a deep insight into the range of products and can purchase them online.

- **Branding:** The government of India consider the sector '*Sunrise sector'* of India and has identified the medical devices as one of the four sectors under 'Brand India Engineering'. In recent years, there is a paradigm shift in the manufacturing landscape and now the industry has expanded for producing cost-effective high-end products including R&D.
- **Government Initiative:** Government of India has taken multiple initiatives to develop their surgical sector. Indian medical devices industry is a sunrise segment in the healthcare space. Some of the recent initiative taken by the Government of India is listed below:
  i. The Government introduced Indian Certification of Medical Devices to bring international respect to medical devices which are made in India.
  ii. Since 2016, the Government has waived off the requirement of 'No Objection Certificate (NOC)' from Ministry of Health for exports.
  iii. 100% FDI is allowed in order to enhance competencies in the local manufacturing.
  iv. National Medical Device Policy 2015 also focuses on R&D to improve domestic manufacturing.
  v. Ministry of Commerce and Industry has undertaken an initiative for technological upgradation for boosting engineering exports. These products are mainly related to Chapter-90.

Pakistani exporter and Kenyan importers of Surgical items:

Pakistan Exporters	***Kenyan Importers***
Ultra Surgical (Pvt.) Ltd	Alpha Medical Manufacturers Limited
Diligent Medical Services	Asterik Limited
Buraq Surgical Corporation	Cosmos Limited
Dr. Frigz International Pvt Ltd	Crown Solultions Limited
Surgikare	Crown Healthcare Limited

Source: ITC Trade map

3- DEMAND AND SUPPLY ISSUES

3.1- DEMAND-SIDE ISSUES

3.2- SUPPLY-SIDE ISSUES

3. DEMAND AND SUPPLY SIDE ISSUES

3.1. Demand-side Issues

The Pakistani export basket in the context of Kenya is heavily weighted by rice but the Kenyan government is constantly trying to improve domestic production of rice because of international pressure. Moreover, Vision 2030 is mainly geared to ensuring food security, poverty reduction, and food self-sufficiency. The recent economic slowdown may hamper the purchasing power of the consumer. It is also reflected in the trade figures for the first few months of 2018.

Kenya, being member of East African Community (EAC), is largely dependent on regional trade because of low-tariff and similar preferences. Pakistani products are not well-known in the Kenyan markets and demand is mainly concentrated in handful of basic commodities. Kenya is a big market for pharmaceutical products as well but it requires ground level marketing activities.

3.2. Supply-side Issues

Pakistan's distance to Kenya is about 4,736 km. With rice as a major export product, Pakistan's export to Kenya would be expensive as compared to Middle-east where the demand of the same is also high. The major regional competitors in this market are India and China. However, indicators in Table 11 below reveal that Pakistan is less competitive than India and China. Table 11 below depicts that Pakistan has underperformed than both India and China in terms of all three indicators given in the table.

The Kenyan custom procedures are also cumbersome and inefficient. A recent evidence[9] indicates that at least 600 containers of Pakistani rice are stuck at Kenyan port as the customs authority has subjected it to 100 percent scrutiny and verification. In addition to this, Kenyan container terminal efficiency is relatively low. Nyema (2014) indicated that poor infrastructure and lack of IT integrated system poses substantial delays in customs clearance.

<u>Business conditions comparison:</u>

Table 11 below depicts the indicators related to competitiveness and business environment. According to GCI, Pakistan's performance is poorest among the regional competitors. Moreover, in the context of Ease of Doing ranking Pakistan only manage to perform better than Bangladesh.

Table 11: World comparison indices

	Total Countries	Pakistan	India	China	Bangladesh	Nepal	Sri Lanka	Bhutan
Global Competitiveness Index (GCI)	137	115	40	27	99	88	85	82
Ease of Doing Business Index (EOB)	190	147	100	78	177	105	111	75
Economic Freedom Index (EFI)	180	131	130	110	128	133	111	87

[9]https://www.dawn.com/news/1431656/600-rice-containers-from-pakistan-held-up-at-kenyan-port

Source: World Economic Forum

Next (Table-12) is the comparison of tariffs and wages of Pakistan with India and Bangladesh. It can be seen that inputs are relatively expensive for Pakistan. Labor cost is more than double in Pakistan as compared to Bangladesh. For gas tariff, costs in Pakistan is more than double for both India and Bangladesh.

Table 12: Tariff Comparison

	Labor cost (US$ /month)	**Electricity cost (US cents/KwH)**	**Gas Cost (US$ /MMBTU)**
Pakistan	143	14	5.72
Bangladesh	65	11	2.52
India	81	8	2.80

Source: Pakistan Business Council

4- MARKET INITIATIVES BY TDAP

4. MARKET INITIATIVES BY TDAP

Trade Development Authority of Pakistan (TDAP) has played a vital role in promoting exports and facilitating trade activities. A list of international fairs held in Kenya is given below:

Table 13: International Trade fairs

S.No.	Details of Events	Dates	Products
1	Medic East Africa Exhibition& Congress, Kenya	September 2017	Surgical & Pharmaceutical
2	20th Auto Expo, Narobi Kenya	2017-18	Automotive
3	Medic East Africa Exhibition & Congress, Nairobi Kenya	September 2016	Surgical & Pharmaceutical
4	Medic East Africa, Kenya,	September, 2015	Surgical & Pharmaceutical
5	19th Auto Expo, Kenya,	April, 2016	Automotive
6	Kenya Trade Show, Nairobi, Kenya	26-28 April, 2014,	N/A
7	Medicare Africa Expo & Conference	4-6 August, 2012	Medical and Pharmaceuticals

Source: Trade Development Authority of Pakistan International Exhibition Calendar

5- SWOT ANALYSIS

5. SWOT ANALYSIS

STRENGTHS:

- Kenyan consumers prefer aromatic basmati rice. Pakistan appeared as the top supplier of rice to the Kenyan market and has captured a major market share. Moreover, a demand for food commodities is generally inelastic and rice is of no exception.
- Pakistan's exchange rate is relatively volatile and Pakistani rupee has devalued significantly in last few months. Economic theories argue that cheaper currency would promote exports and help improve the trade balance. On the other hand, the Kenyan exchange rate is stable so there is a low exchange rate risk.
- Pakistan has edge over regional competitors for surgical instruments. Moreover, the product is among zero tariff products.
- Pakistan has major FDI in pharmaceutical and the sector has robust potential to compete in the Kenyan market as health is the major concern over Kenyan authorities. The potential product in this context is **Medicaments (HS-300490, HS-300439)** – together bears the potential of USD 80 million approximately.
- Sea route from Karachi to Mombasa port is also the privilege for both countries. Rivers are considered as natural highways and do not require any cost of construction and maintenance. Moreover, the risks of accident and breakdown are minimum as compared to any other form of transport.
- Ministry of Textile & Commerce of Pakistan has allowed an additional duty drawback of 2 percent for exports to non-traditional markets like Africa and others[10].

WEAKNESS:

- Pakistan's energy tariff is higher than regional competitors. It raises the average unit price of the Pakistani products.
- Very narrow export base and the export basket is dominated by rice. Moreover, domestic production of rice is among the 'big four' agenda of the Kenyan government. It is also reflected in the recent decline of Pakistani export of rice to Kenya.
- Relatively greater distance raises freight cost. Restrictive regulatory and certification requirements also have weakened Pakistan's position.
- Pakistan's export has shrunk since 2015 and trade balance is tilted in favor of Kenya. It emerged that Pakistan had leapfrogged Uganda to include among Kenya's top export destinations. It is dominated by growing demand for tea from Pakistan.
- Pakistan has a major strength in textile, however, China is the major supplier with relatively lower average unit price.

[10] http://www.sbp.org.pk/epd/2017/FECL25-Annex1.pdf

OPPORTUNITIES:

- Although rice is the major export commodity of Pakistan to Kenya, there still exists a potential of USD 37 million approximately for two products combined i.e. **HS-100630** and **HS-100640**.
- Kenya is the market for Pakistani Irri-6, C-9 and 1121 varieties of rice. Irri-6 is the largest exported variety with share of more than 80%. The preference of local Kenyans is long grain white rice as it is a good substitute of their staple food called "Ugali".
- Pakistani garments (especially denim) have started to make inroads in Kenya through international chain stores like Carrefour and they are a potential area for enhancing trade.
- Pakistan and Kenya are in final stages of signing agreement for exports of mangoes and kinnoes to Kenya. This will also help improve the diversification in our export basket to this market.
- Major non-tariff barrier is the pre-shipment inspection under Pre-Export Verification of Conformity (PVoC) system. This would be eased out in future as Pakistan and Kenya are in the final stages of signing an MoU between the standard bodies of both countries.
- Market bears immense potential. For instance, products of rice (HS-100630 & 100640), textile products (HS-630900), pharmaceuticals (HS-300490), and surgical instruments (HS-901890) are the potential products for the Kenyan market.
- Poverty and malnutrition exposed Kenyan citizen to the health risk so greater demand for pharmaceutical products and medical instruments can be anticipated.
- Kenya is considered the gateway to East Africa. It can be used to exploit the other untapped East African markets.
- FTA between Pakistan and Kenya can benefit Pakistan if negotiation is made aggressively especially for textile and agricultural products.

THREATS:

- Vision 2030 and ‘big four’ initiatives by the Kenyan government threatens Pakistani export of rice to Kenya.
- There are stringent non-tariff barriers. Moreover, inefficient customs procedures also threaten future exports. Strict inspections also threaten rice export to Kenya in particular.
- A recent economic slowdown of Kenya may reduce import demand as it hampers purchasing power of the consumers.
- East African Community (EAC) is adopting a protectionist approach towards non-members and have been increasing tariff barriers. For instance, most of the textile products that bear potential are exposed to relatively high tariffs (e.g. average tariff at HS-630900 is 39.4 percent).

6- CONCLUSION AND RECOMMENDATIONS

6. CONCLUSION AND RECOMMENDATION

Kenya's trading patterns have evolved significantly in recent years. The trade destinations of Kenya have shifted from countries like US, UK and African countries toward South Asian countries. For instance, Pakistan's import from Kenya now exceeded to that of Uganda, an African country. The import basket of Kenya is dominated by minerals & metals, electrical appliances, and cereals. Historically Pakistan's exports to the world have mostly been focused on agriculture and textile. With the existing export basket, Pakistan can increase its export to Kenya by USD 230 million. Rice, Pakistan's major export item to Kenya, is expected to grow in subsequent years but the demand from Kenya is expected to decline because of the domestic production initiative by the Kenyan government.

In addition to the conclusion above, the study makes the following recommendations:

- Pakistan should diversify its export base and promote other products as well in the Kenyan market. As Kenyan authorities have taken initiatives and include the domestic production of rice in the vision 2020.
- The product with the immense potential for exports to the Kenyan market includes rice, medicaments, surgical instruments, and textile products. The total trade potential of top-10 potential products amounts USD 231 million at HS-06-digit level.
- In the context of rice, it is the commodity among the major as well as a potential product. At HS-06 digit, **'Semi or wholly milled rice (HS-100630)'** and **'Broken rice (HS-100640)'** evidence a growth of 28 percent and a decline of 78 percent respectively.
- The pharmaceutical products among the top-10 potential products include **'Medicaments for therapeutic or prophylactic purposes (HS-300490)'** and **'Medicaments containing hormones or steroids (HS-300439)'**. These products witnessed a growth of 53 and 24 percent over 2016-17 amounting USD 2.8 and USD 2 million in 2017 respectively.
- The other products of potential products are related to textile and surgical instrument include **'Worn clothing and clothing accessories (HS-630900)', 'Plain woven fabrics containing predominantly (HS-551321)', 'Dyed cotton fabrics, knitted or crocheted (HS-600622)'** and **'Instruments and appliances used in medical (HS901890)'.**
- Kenya is considering a free trade agreement with Pakistan to boost trade[11]. Trade balance is already in the favor of Kenya, any further trade relaxation to Kenya will enhance the import bill of Pakistan. Any FTA should be aggressively negotiated and tariffs related to rice and textile should be considered first in negotiation.
- Pakistan is the major importer of the tea around the globe and imports the same mainly from Kenya. It only faces the average tariff of 11 percent, however, Pakistan major export item is rice which faces average tariff of 35 percent. The Federal Board of Revenue (FBR) should enhance the tariff barrier on tea imports as it is the primary product that is tilting trade balance towards Kenya.

[11] http://www.boi.gov.pk/ViewNews.aspx?NID=1695

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ANNEXURE-I:

Table 14: Pakistan Exports to Kenya (HS-06 digits)

S. No.	HS-codes	Product Name	Value in 2016*	Value in 2017*	% Change
1	'100630	Semi-milled or wholly milled rice	169.514	217.507	28.31
2	'560819	Knotted netting of twine, cordage, ropes or cables	9.365	28.768	207.19
3	'100620	Husked or brown rice	1.139	7.128	525.81
4	'630612	Tarpaulins, awnings and sun blinds of synthetic fibres	3.18	6.891	116.70
5	'520932	Woven fabrics of cotton, weighing > 200 g/m²	3.306	5.35	61.83
6	'520839	Woven fabrics of cotton, weighing <= 200 g/m²	4.616	5.239	13.50
7	'999999	Commodities not elsewhere specified	0.001	4.627	462600.00
8	'100640	Broken rice	20.768	4.469	-78.48
9	'382499	Chemical products and preparations of the chemical or allied industries	0	3.758	-
10	'630629	Tents of textile materials	3.849	3.293	-14.45
11	'110812	Maize starch	3.91	2.918	-25.37
12	'300490	Medicaments consisting of mixed or unmixed products	1.819	2.782	52.94
13	'300439	Medicaments containing hormones or steroids	1.644	2.042	24.21
14	'630539	Sacks and bags, for the packing of goods, of man-made textile materials	2.422	1.859	-23.25
15	'630140	Blankets and travelling rugs of synthetic fibres	3.106	1.541	-50.39

Source: ITC Trade map *Figures are in USD million

Table 15:Pakistan Imports from Kenya (HS-06 digits)

S. No.	HS-codes	Product Name	Value in 2016*	Value in 2017*	% Change	Equivalent ad valorem tariff (%)	Share in Pakistan Imports (%)
	'TOTAL	All products	403.463	468.258	16.06		0.82
1	'090240	Black fermented tea and partly fermented tea	391.265	434.016	10.93	11	80.84
2	'071333	Dried, shelled kidney beans "Phaseolus vulgaris"	5.747	18.738	226.05	3	27.57
3	'283620	Disodium carbonate	2.09	5.124	145.17	11	71.79
4	'271119	Gaseous hydrocarbons, liquefied,	0	4.711	-	3	1.76
5	'890800	Vessels and other floating structures	0	2.308	-	3	0.41
6	'410621	Hides and skins of goats or kids, in the wet state	1.124	0.938	-16.55	3	30.07
7	'410510	Skins of sheep or lambs, in the wet state	0.544	0.672	23.53	3	10.21
8	'999999	Commodities not elsewhere specified	0.015	0.449	2893.33		0.12
9	'090220	Green tea in immediate packings	0.211	0.246	16.59	11	2.10
10	'081340	Dried peaches, pears, papaws "papayas"	0.008	0.209	2512.50	18	1.93
11	'470790	Recovered "waste and scrap" paper	0.037	0.138	272.97	12	0.65
12	'071320	Dried, shelled chickpeas "garbanzos"	0.301	0.111	-63.12	3	0.02
13	'060390	Dried, dyed, bleached, impregnated	0.04	0.11	175.00	20	30.47
14	'320120	Wattle extract	0	0.108	-	3	2.80
15	'020450	Fresh, chilled or frozen meat of goats	0	0.098	-	3	1.79

Source: ITC Trade map *Figures are in USD million