

The GLOCEPS

Special Focus

Research Focus: Foreign Policy Pillar

Strengthening ties with South East Asia (SEA) countries to bolster Kenya's economic fortitude

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Executive Summary

The brief posits that the transactional trade policy shift by the newly inaugurated 47th United States of America's President Donald Trump offers an opportunity for Kenya to strategically align more with alternative trade partners in South East Asia (SEA) such as Malaysia, Indonesia, Singapore, and Vietnam. The recent protectionist trade policies announced by the USA underscore the urgency for Kenya to shift from traditional trade allies to alternative trade partners in the Global South with better reciprocal trade policies. Without skillfully expanding and re-orienting the country's trade partners from the West, Kenya's economic growth and development could be negatively affected by the inward-looking USA trade policy shift. This is due to the country's significant reliance on the USA for trade, developmental aid and investment partnerships. The trade wars between China and USA could also spill over to the South East Asian countries affecting their import and export markets with the USA. Against this backdrop, the SEA countries become a viable alternative market for Kenya's economy. This brief concludes that Kenya should capitalize on its strategic Indian Ocean connections and the opportunities presented by an emerging multipolar world to enhance trade, foster industrialization, promote people-to-people interactions, facilitate technology transfer, and position itself as both a manufacturing hub and the gateway for Eastern and Central Africa to global markets. Therefore, to integrate Kenya's economy with SEA



countries, it is essential to identify key trade and investment opportunities in the region and formulate a bilateral industrial policy that aligns with Kenya's strategic priorities, regional investment needs, and infrastructure development goals.

Context

SEA countries have experienced a remarkable socio-economic transformation over the past 30 years, driven largely by their geographical proximity to a rising China. This proximity has allowed these nations to benefit significantly from China's technological advancements, expertise in industrial and manufacturing sectors, and investments in human capital development. As a result, the region has emerged as the fastest-growing economic bloc globally, with countries such as Malaysia, Vietnam, and Indonesia showcasing impressive growth trajectories. The strategic integration of regional economies with China's economic powerhouse has played a critical role in their success, fostering innovation, robust industrial output, and sustained development.



Kenya's historical connection to SEA traces back to the Indian Ocean trade routes, which have long linked the East African coast to the region. Historical accounts record Chinese merchant ships trading with communities along Kenya's coast as far back as the 15th century. Despite this shared history, Kenya has struggled to match the strides of countries like Singapore, which were economically comparable at independence. Today, while SEA nations continue to thrive, Kenya faces challenges such as high unemployment, debt burden and a rising cost of living that impedes its socio-economic progress. These disparities highlight the need to strengthen ties with SEA and draw lessons from the region's success in leveraging external partnerships to foster domestic growth.



Key issues

The following are opportunities to expand Kenya's trade and investment relations with SEA countries.

Indian Ocean ties

People-to-people interactions hold immense potential to spur economic growth through innovations, inventions, expanded trade opportunities, and strengthened socio-cultural relations. The potential of Kenya – SEA relations can be underscored by Malaysia's, Air Asia whose new intercontinental route (inaugurated on 15 November 2024) between Kuala Lumpur and Nairobi aims to foster stronger trade, tourism, and business ties between the two regions.

Kenya and SEA countries share a history of close relations, with Kenya benefiting from trade relations

with nations such as Singapore and Indonesia. For instance, Kenya has entered into negotiations for a preferential trade area deal with Indonesia while also seeking the support of Jakarta to penetrate the Association of Southeast Asian Nations (ASEAN), a fast growing trade bloc in Asia. Additionally, Kenya has also hosted a significant number of SEA tourists and investments. However, the balance of trade has largely favored the SEA nations underscoring the need for deeper, more comprehensive partnerships that leverage SEA's technological and manufacturing expertise. To achieve this, the Kenyan government should adopt a robust industrial policy that encourages and incentivizes the establishment of local subsidiaries by SEA industries. For instance, Kenya could attract investments in phone assembly plants, textile and apparel manufacturing, pharmaceutical production, and emerging industries such as electric vehicles. Additionally, there is a need to develop a manufacturing-oriented workforce through targeted training and capacity-building programs to support industrial growth.

While Kenya's traditional export markets have been in the West, geographical distance and occasionally unfavorable trade policies have discouraged trade. In contrast, SEA countries, which are geographically closer, present a massive market of over 3 billion people. Tapping into this proximity offers profound opportunities for Kenya's exports. For example, the potential of SEA as a trade partner is evident from recent Chinese customs data, which shows Kenya's avocado shipments to China increased tenfold in 2023, surging to 4,324.1 tonnes from 443.6 tonnes



in 2022 despite exports only beginning in August 2022. Moreover, China's official policy of reducing the balance of payments with Africa provides trade incentives that Kenya can leverage to increase and diversify its exports. Such strategies not only foster bilateral trade but also help integrate Kenya more closely into SEA's dynamic economic landscape, unlocking mutual prosperity.



Photo Credit: osiyovrupo.tj

Multipolar world

As the world gradually moves to a multipolar world where economic and military might increasingly define global influence, Kenya stands to benefit significantly by aligning its foreign policy posture with its economic interests. This alignment would not only strengthen its political and geostrategic position in the Eastern Africa region but also enhance its ability to hold and engage with other partners on a foundation of mutual understanding and respect. SEA countries provide a platform for Kenya to pursue trade and diplomatic relations that emphasize shared goals of economic prosperity and historical resistance to colonial imperial domination. This approach contrasts sharply with Kenya's relations with the West, which have often been extractive and biased towards serving Western geopolitical interests primarily through military and counter-terrorism engagements while neglecting local economic needs.

Kenya's recent decision to join the Asian Infrastructure Investment Bank (AIIB) during the 9th Forum on China-Africa Cooperation (FOCAC) in Beijing highlights its bold efforts to diversify its

financial partnerships and reduce dependency on Western institutions such as the International Monetary Fund (IMF) and the World Bank. Loans from these Western entities often come with unpopular austerity measures, such as cuts in public spending and increased taxation, which have sparked significant public disaffection in Kenya, leading to the Gen-Z protests of mid-2024. By joining the AIIB, Kenya not only cements its integration into the economic framework of China and SEA but also positions itself to access development financing on more favorable terms. Although Kenya's potential membership in BRICS+ may remain a distant prospect, its current strategy of skillfully balancing relationships between the West and East should be encouraged. However, greater emphasis should be placed on strengthening ties with SEA nations, given their alignment with Kenya's economic aspirations. This strategic pivot is further augmented by shared challenges and goals, including addressing climate change, achieving the Sustainable Development Goals (SDGs), and fostering economic growth. Kenya's evolving foreign policy and trading shift towards SEA underscore its readiness to embrace a multipolar world, where mutually beneficial partnerships take precedence over extractive and imbalanced engagements.



Photo Credit: straitstimes.com

Conclusion

This brief concludes that strengthening Indian Ocean ties and embracing the ongoing shift toward a multipolar world provide Kenya with a valuable platform to expand its alliances beyond traditional partners. By leveraging trade opportunities and shared priorities with SEA countries, Kenya can



unlock new avenues for collaboration and mutual growth. Expanding its network of trade partners and political allies, Kenya is poised to enhance its global standing, gain greater leverage in international negotiations, and accelerate its journey towards achieving middle-income status by 2030. Such a strategic approach not only diversifies Kenya's partnerships but also reinforces its role as a proactive player in the evolving global landscape.



Recommendations

- a) The Ministry of Trade, Investments and Industry should seek to enhance trade opportunities in SEA countries by hosting trade exhibitions and forums in these countries;
- b) The Ministry of Education in collaboration with the Ministry of Foreign and Diaspora Affairs should encourage student exchange programs between Kenya and SEA to boost relations with these countries;
- c) The Office of the President, Ministry of Trade, Investments and Industry and National Treasury should develop a Kenya-SEA industrial policy to spur and grow industrialization and manufacturing capacity in the country; and
- d) The Ministry of Education should promote the learning of foreign languages of SEA nations in schools to encourage deeper ties with Kenya.



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