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EXECUTIVE SUMMARY

ECONOMIC LETTER OF EAST AFRICA AND THE INDIAN OCEAN (EAIO)

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Bilateral Trade France-EAIO

In concise...

The East Africa and Indian Ocean (EAIO) region remains a minor trading partner for France. Madagascar and Mauritius are the main partners, owing to strong ties and the presence of numerous French companies. Kenya and the Seychelles are also among the zone's leading exporters. Ethiopia, characterized by the size of its domestic market, is France's 3rd client in the region. **While the composition of French exports varies according to the partner country** (and is marked by major aeronautical contracts), **the structure of imported products is relatively similar, mainly agricultural products and agri-food industries**. Due to the value-added differential between exports and imports, France has a structural surplus with the EAIO, even if this gap is narrowing.

In detail...

Exports to the EAIO increased slightly and remained below pre-pandemic levels

According to French Customs data, French exports to East Africa and the Indian Ocean amounted to **1.8 billion euros in 2022 - indicating an increase after two years of consecutive decline**. This increase was part of a more global trend, in which French exports rose by 8.9% in sub-Saharan Africa and 19.4% worldwide in 2022. However, despite this 5.7% rebound, **exports to EAIO remained below pre-pandemic levels** (2.2 billion euros), and saw their share of total French exports fall to 0.3% from 0.4% in 2019. **The EAIO region therefore remains a marginal customer for France:** in 2022, the area was the recipient of 16.3% of French exports to Sub-Saharan Africa, below the 2016-2021 average of 19.4%. The main export destinations in EAIO are **Mauritius, Madagascar and Ethiopia**.

French exports rose in most EAIO countries in 2022, for example Mauritius, Madagascar; doubled in Eritrea and South Sudan; and rose slightly in a few other countries such as Kenya and Sudan. **However, in Uganda, Ethiopia, and Comoros, imports from France fell drastically.**

Main export items to the EAIO are in line with the structure of global exports from France:

- **Transport equipment**, which accounts for 16.6% of French exports to EAIO (23.1% on average since 2013), particularly to Ethiopia;
- **Mechanical, electrical, electronic and IT equipment**, 22.6% (20.1% on average since 2013), mainly to Mauritius;
- **Agri-food products**, 16.4% of (13.8% on average since 2013), notably to Mauritius;
- **Chemicals, perfumes and cosmetics**, 10.4% (9.3% on average since 2013), particularly to Mauritius.

At the same time, French imports rose sharply for the second year running

In 2022, French imports from the EAIO amounted to 1.5 billion EUR, up +26.2% from 2021—the second year of consecutive increase. Nevertheless, this increase in imports from the EAIO is lower than that from sub-Saharan Africa (+94.0%) and the world (+29.4%). **EAIO also remains a marginal supplier for France:** in 2022, the region supplied 9.3% of French imports from Sub-Saharan Africa, well below the 2016-2021 average of 14.7%. Worldwide, EAIO accounts for just 0.2% of French imports. France's main EAIO suppliers are **Madagascar** (46.7% of our imports from EAIO), **Mauritius** (17.7%), **Kenya** (9.6%) and the **Seychelles** (9.2%).

The increase in imports in 2022 is explained by the growth of imports from Madagascar, Mauritius, Sudan and Ethiopia despite the drop in imports from Comoros (-40.6%).

Given the production characteristics of the EAIO countries, the structure of French imports from the zone are relatively distant from the overall structure imports, which tend to be based on higher value-added products. The main products imported from the EAIO are:

- **Agricultural, forestry, fishing and aquaculture products**, which account for 36.1% of French imports (31.0% on average since 2013), mainly from Madagascar, Kenya, and Sudan;
- **Agri-food industry products** account for 27.3% of French imports (29.3% on average since 2013), mainly from Madagascar, Seychelles and to a lesser extent Mauritius;
- **Textiles, clothing, leather and footwear**, with 20.7% of our imports (23.2% on average since 2013), almost exclusively from Madagascar and Mauritius.

Growth in agricultural, agri-food, forestry and agri-supply trade

In 2022, the volume of trade in the agricultural, agri-food, forestry and agri-supplies sector was up 22.0% on 2021, at 1.4 billion euros. With the value of exports up 13.2% and imports up 26.1%, France's trade deficit in this sector grew by 37.5% compared with 2021. Growth in French exports in this sector was driven by **agricultural and agri-food products** (+22.7%). Conversely, exports of fertilizers and plant protection products fell by 8.8%. The increase in French imports in this sector was due to growth in imports of **groceries, fishery and aquaculture** products. In all, agricultural, forestry and agri-food products accounted for 23.0% of the value of French exports to the EAIO zone, and 65.1% of the value of French imports from this zone.

As a result, our surplus with EAIO has fallen to almost its lowest point since 2014

Historically, France has had a trade deficit with only two countries in the zone: Madagascar, where it averaged -149.0 MEUR over the last decade (2012-2021), and **Seychelles**, at -50.8 MEUR over the same period. In 2022, France exceptionally recorded a deficit with Sudan of -24.8 MEUR.

In 2022, France's trade surplus with EAIO stood at 287.9 MEUR, down by 212.7 MEUR compared to 2021 and 694.6 MEUR compared to 2019. This deterioration in the trade balance is particularly marked in Ethiopia, where the surplus is almost three times lower than in the pre-pandemic period (239.3 MEUR, compared to 661.2 MEUR in 2019), as well as in Madagascar, where the trade deficit has widened by -101.0 MEUR to stand at -268.2 MEUR.

The EU, 3rd supplier and 1^{er} customer of EAIO

France, EAIO's 1st European partner, accounts for a substantial share of European trade with the region (19.7 % of the value traded in 2022), and *a fortiori* with the countries of the Indian Ocean. **In 2022, the European Union (EU) exported 9.7 billion USD of goods to the EAIO and imported 7.4 billion USD, making it the**

EAIO's 3rd supplier, behind China and India, **and its 1st customer**, ahead of India, the USA and China. **The European Union recorded a further fall in its trade surplus to 2.3 billion USD in 2022**, compared to 3.1 billion USD in 2021, due to a much lower rise in exports (+6.1%) than in imports (+21.8%).

In 2022, the European Union mainly imported coffee, tea, mate and spices – 1st import product from France and Germany - and live plants and floricultural products – 1st import product from the Netherlands.

EU-Kenya Economic Partnership Agreement to boost French foreign trade

In June 2023, Kenya signed a bilateral EPA with the EU in order to maintain its preferential access to the European market. For the European Union, the signing of this trade agreement will primarily benefit exports of chemical products (25.0% of EU exports to Kenya in 2022; average reduction in Kenyan customs duties of 80.9% over time), **mechanical and electrical appliances** (19.6% of exports; average reduction in Kenyan customs duties of 94.5% over time) and **mineral products** (13.4% of exports; average reduction in Kenyan customs duties of 98.1% over time). **Because of France's export specializations, its trade surplus with Kenya should be reinforced.**

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