UNIVERSITY OF
NAIROBI

ECONOMIC DIPLOMACY AND DEVELOPMENT: ANALYSIS OF KENYA'S NEW DIPLOMATIC NICHES AND THE REALIZATION OF VISION 2030

BY

ONGOLO JUDITH AKINYI

REG.NO.R40/64378/2010

RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE AWARD OF POSTGRADUATE DIPLOMA IN INTERNATIONAL RELATIONS, INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES, UNIVERSITY OF NAIROBI

February 2017

DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

SIGNATURE……………………………………………….DATE……………………………

ONGOLO JUDITH AKINYI

REG.NO.R40/64378/2010

This research project has been submitted for examination with our approval as University Supervisor.

SIGNATURE …………………………………………………DATE…………………………

DR. PATRICK MALUKI

DEDICATION

I dedicate this research project posthumously to my parents Mzee Dan Ongolo Ogongo and Mama Grace Okeyo Ongolo who opened my eyes to education. My parents have been my source of inspiration in life in matters education and scaling higher heights. I will forever appreciate their immense support.

ACKNOWLEDGEMENT

I thank the Almighty God for the gift of life, strength and wisdom he gave me to enable me pursue this worthy course.

I want to acknowledge the unwavering support of my Supervisor Dr. Patrick Maluki who has made it possible for me to carry out this research successfully.

My Special acknowledgement goes to Ms. Juster Nkoroi, EBS, my mentor who encouraged me to take up this course after identifying my passion and strengths in the Diplomatic field. In the same breath, I want to also acknowledge the support accorded to me by my colleagues at the Conference of African Ministers of Public Service (CAMPS) Secretariat, Kenya as I took up this course.

My very special regards to my family for cheering me on, understanding my absence from home and their tireless support financially, emotionally and physically inorder to see me realize my dream.

I also acknowledge the entire CAMPS Africa family for believing in me, and encouraging me throughout my studies.

Lastly, I want to acknowledge the entire Institute of Diplomacy and International Studies for the enabling environment that made it suitable to pursue the course, and the well thoughout units that improved the course relevance.

To all of you I say, Asanteni, Thank you and Ero Kamano.

TABLE OF CONTENT

DECLARATION..ii

DEDICATION.. iii

ACKNOWLEDGEMENT iv

TABLE OF CONTENT v

ABBREVIATIONS viii

ABSTRACT...x

CHAPTER ONE 11

INTRODUCTION 11

1.1 Background of the Study...11

1.2 Statement of the Problem 14

1.3 Objective 16

1.3.1 Specific Objectives...16

1.4 Justification of the Study...16

1.5 Literature Review...18

1.5.1 Introduction 18

1.5.2 Economic diplomacy challenges; a global perspective..19

1.5.3 Non state actors 20

1.5.4 Impact of Economic Diplomacy 21

1.5.5 Economic Diplomacy in Kenya and the Vision 2030 23

1.5.5 The economic diplomacy and the economic pillar..24

1.5.6 The G-Cubed Model...27

1.5.7 The Structure of the Model 27

1.6 Hypotheses 28

1.7 Methodology 28

1.8 Limitations of the Study...29

1.9 Chapter Outline 29

DIPLOMATIC NICHES FOR REALIZATION OF VISION 2030 31

1.1 Introduction..31

1.2 Kenyan Foreign relations policy within East Africa...31

1.3 Sound economic policy by Kenya..34

1.4 Actors, activities and instruments of Kenya's Foreign policy 36

1.4 Economic diplomacy in East Africa...37

1.5 Co-operation for regional prosperity...39

CHAPTER THREE 41

ECONOMIC DIPLOMACY STRATEGIES FOR ACHIEVING VISION 2030...................41

3.0 Introduction..41

3.1 Bilateral economic and Trade strategies 41

3.1.1 Kenya – Sweden Trade Agreements 45

3.2 Tourism promotion strategies......46
3.2.1 Kenya Tourist Board......47
3.2.2 Public Private Partnering: Attracting Tourists from New Markets Case......51
3.3 ICT Infrastructure......51
3.3.1 Sokoni SMS: Empowering farmers through SMS market price service......52
CHAPTER FOUR......54
IMPACT OF ECONOMIC DIPLOMACY ON KENYA'S ECONOMY......54
4.1 Introduction......54
4.1 Kenya- China Corporation......54
4.3 China Kenya Bilateral Trade Agreements......58
4.3.1 Chinese direct investment in Kenyan Economy......58
4.4 Chinese Foreign Aid to Kenya......61
CHAPTER FIVE......63
CONCLUSIONS AND RECOMMENDATIONS......63
5.1 Conclusion......63
5.2Recommendations......64

ABBREVIATIONS

ACP	EU African Caribbean and Pacific-European Union
AEC	African Economic Community
BPRT	Business Premises Rent Tribunal
CET	Common External Tariff
Comesa	Common Market for Eastern and Southern Africa
DIT	Department of Internal Trade
DET	Department of External Trade
EAA	Eastern African Association
EAC	East African Community
EACU	East African Customs Union
EABC	East African Business Council
ECA	Economic Commission for Africa
EPC	Export Promotion Council
EPZ	Export Processing Zones
ERS	Economic Recovery Strategy for Employment and Wealth Creation
FDI	Foreign Direct Investment
FKE	Federation of Kenya Employers
FPEAK	Fresh Produce Exporters Association of Kenya
FTA	Free Trade Area
ICAP	Investment Climate Action Plan
ICT	Information, Communication and Technology
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
Lapsset	Lamu Port, South Sudan and Ethiopia Transport corridor
LDC	Least developed countries

MEAC	Ministry of East African Community
MFA	Ministry of Foreign Affairs
MoT	Ministry of Trade
NGO	Non-Governmental Organisation
NTP	National Trade Policy
REC	Regional Economic Communities
TFTA	Comesa-EAC-SADC Tripartite Free Trade Area
WTO	World Trade Organisation

ABSTRACT

Vision 2030 is Kenya's guiding development policy geared towards development in all aspects of the economy. In order to realize this objective it requires partners in trade not only within its borders but also from international partners both regionally and globally. Economic diplomacy becomes an essential tool to reach international partners through bilateral and multilateral diplomatic engagements on matters trade and investment. Data for this study was obtained from secondary sources. This was descriptive contained in notes form. Guided by the objectives of the study, the data was arranged according to conceptual themes. The Economic diplomacy niches available for Kenya, Economic diplomacy strategies to be employed by Kenya to realize Vision 2030: Impact of economic diplomacy on Kenya's economy and lastly conclusion and recommendations. The study established that in the changing global practices in diplomacy more countries are now relating more on trade as opposed to political interest and this clears call for Kenya to embrace economic diplomacy in its foreign policy.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

International developments have been influenced by factors affecting the economic, social as well as the political environment. These factors have a correlation to the processes and structures that shape the world economy. Economic diplomacy is increasingly becoming a main focus of diplomatic relations today, especially for developing countries that are seeking to improve their economies.

In view of Kenya's diplomatic history and the ongoing shift towards increased economic diplomacy, it is important to examine Kenya’s new diplomatic niches in line with the realization of Vision 2030. Considering the changing dynamics taking place at both regional and international levels, for the cause to be significant and competitive regionally and globally, Kenya must strategize better for its economic imminence. Parts of economic choice, with specific regard to trade and commercial orientations are based on mutual relations between States. The underlying principle as a result is that the approaches States use are different, based on the prevailing political as well as economic ties with their partnering states[1]. To promote an increase in economic growth, it is important to deal with the demand and supply balance. For

[1] Peter A.G. van Bergeijk & Selwyn Moons Economic Diplomacy and Economic Security (2009). Available at; http://ssrn.com/abstract=1436584

instance, there is need to increase the supply of goods to address cases of rising demand of such goods and commodities.[2]

Vision 2030 and the Medium Term Plan distinguish exchange as an important aspect in development. Domestic exchange represents around 10 % of GDP in Kenya and around 16 per cent in formal businesses while at around 60 per cent of recorded casual businesses.

Kenya's foreign trade profoundly relies on agricultural commodities/items. The main imports lead in the country are non-sustenance modern supplies, for example, fuel and oils, and capitals merchandise. Lately, development in imports has overwhelmed exports, therefore prompting to weaken foreign exchange balance and current account. Kenya's exports to AGOA have to a great extent been constrained to just two commodities, to be specific: farming products and those from the clothing and textiles industries. The EAC represents around 27 per cent of Kenya's aggregate export. Following the promulgation of the Constitution of Kenya 2010, Kenya is presently coordinating foreign exchange as a feature of remote strategy. The devolved system of government provided broader opportunities and deeper cross border collaboration which has contributed to increased trading activities at the county and national levels.

The county governments have a role to play in the international system by building political alliances and strengthening the decentralized system of government at the local level. The ascent of sub-national strategy (otherwise called constituent tact/Para-discretion) has been upgraded by the procedures of monetary decentralization, globalization, territorial incorporation, mechanical development and market advancement in the later decades. The development of the remote

[2] Okano-Heijmans, M. (2011). Conceptualizing economic diplomacy: The crossroads of international relations, economics,and diplomatic studies. *The Hague Journal of Diplomacy*, (2011).*6*, 7-36.

arrangement prepares in various nations all over the world has added to the rise of a multi-layered foreign strategy framework.

The national government within this framework remains the main player in international relations issues such as national security, deciding which other sovereign states they want to get into relations with, while sub-national substances endeavour to raise their image on the international arena thus, making them remote strategy on-screen characters in "low" legislative issues regions, including exchange, speculation, games and instruction trade programs[3].

Counties are relied upon to assume a basic part in developing at the grassroots levels. Subsequently, there are exclusive standards that the counties will become drivers of financial development and improvement. In addition, numerous elements of the national government will be executed at the grassroots through the counties. Accordingly, they are relied upon to assume a basic part in trade, venture, natural protection, tourism, wellbeing, education and social trade. The foundation of solid organizations in the counties will provide a basic in understanding the targets of devolution. The counties have an opportunity to explore the possibilities of attracting the local and foreign ventures. A key method for advancing trade, ventures and tourism can be realized through a para-political relations pursued between counties in different countries. Once these connections are built up, the counties will engage with their partners in the locale and globally.

[3] Geldenhuys, Deon. *The foreign relations of South Africa's provinces* No. 12 South African Institute of International Affairs (1998).

The logic that guide the practice and principle of economic diplomacy is anchored on the understanding that countries aim at moving up from the status of LDC and assume to the category of low-middle income countries. Such countries are likely to lose their eligibility for concessionary loans as well as grants. Accordingly, these countries are obligated to look for various options in order to subsidize their capital inflow. In the same breadth, such countries within the category of developed economies must devise approaches to increase their own microeconomic growth. These are within the scope of looking through the balance of payment, balance of trade and other microeconomic indicators. A number of these countries must identify methodologies that increase their trade partnership, regional integration and decrease their capacities in relying on foreign and development aid.

The downgrading of Official Development Assistance (ODA) has led to some of the developing countries to restrict their economic strategy in their economic empowerment. As a result, lower middle-income states are inclined to focus on an Economic Diplomacy (ED) strategy. Additionally, nations such as India and China continue to categorize themselves as developing nations. This approach deviates from the traditional development strategies of which, economic diplomacy perform the functions of development strategy. Foreign Ministries shape the pedestal for economic diplomacy as a new concept. Against this background, the study seeks to explore Kenya's new diplomatic niches and the realization of Vision 2030 with the main focus being the role of diplomacy in the development of a nation.

1.2 Statement of the Problem

Economic diplomacy is one of the key pillars of the Vision 2030; Kenya's foreign policy that principally focuses on trade. It applies the theories of Adam Smith and David Ricardo in backing

Kenya's competitive gain in production of certain products such as horticultural goods and the robust tourism sector.

Amongst the other two pillars of the Vision 2030, economic trade is the most integrated and which is the blue-print of moving Kenya into a middle-income State. Trade is a major constituent of this progress and improvement is undisputable. Economic diplomacy is a decent specimen of how foreign policy is used to meet national policy purposes. A sound foreign policy is central in expanding international trade.

Kenya has one of the most diverse economies in East Africa, however, they have consistently reported lower Foreign Direct Investments than their counterparts. In 2012, a total of US$ 1.70 billion was channeled through Tanzania from its offshore gas and oil mining. Similarly, Tanzania's investment inflows, as evidenced in the data from (UNCTAD).[4]

In view of Kenya's diplomatic history and the ongoing shift towards increased economic diplomacy, it is crucial to examine the role of economic diplomacy on the development of a country. Considering the changing dynamics taking place at both regional and international levels, and in order to be relevant and have an edge at the regional and global levels, Kenya must make better plans towards prospective economic development. The need to have a clear vision is thus paramount. The Kenya Vision 2030 sets the requisites for an economic turn around as supported by the economic pillar. However, this Vision alone is not enough on its own; it must be supported with clearly thought out strategies and priorities. The Vision has to be linked to a good strategy to ensure its realization and in matters of international relations; it therefore

[4] KNBS, 2013

becomes necessary to link economic diplomacy to the vision to ensure results. Motivated by the above, the study seeks to analyze Kenya's new diplomatic niches and the realization of Vision 2030 while focusing on economic diplomacy and development.

1.3 Objective

To analyze the link between economic diplomacy and development focused on new diplomatic niches and the realization of Vision 2030.

1.3.1 Specific Objectives

1. To establish economic diplomacy strategies used by Kenya in realizing Vision 2030
2. To identify and analyze the new diplomatic niches available for the realization of Vision 2030
3. To determine the impact that economic diplomacy has had on the country's economy.

1.4 Justification of the Study

Notwithstanding the limitations and the scope of this study, the implications will shape the trajectory of helping to identify the development of economic diplomacy principles and practice as well as support policy makers and practitioners in the field (Embassies, Consulates and Ministries) to adapt to the effective strategic response in realizing the effectiveness of economic diplomacy in their respective countries with the obligation of realizing the Vision 2030.

The application of the tenets of economic diplomacy will apply in diplomatic confines as well as trade negotiations. The benefits include improvement on BOP especially through inward movement of foreign earnings, large demand for exports thus creation of employment in some cases, lower prices for consumers especially due to the fact that the goods will be cheaper and also of higher value products especially when more employees and resources are released from operations.

The findings of this study and the recommendations therein will help commercial attaches and other stakeholders the opportunity to shape the trend and trajectory of their economic diplomacy in order to adjust their investment and trade partnerships. This proposal contributes to the wider and comprehensive scope of diplomatic practice and bilateral trade within the wider scope of economic diplomacy.

1.5 Literature Review

1.5.1 Introduction

Baine and Woolcock[5], characterize economic diplomacy as an arrangement of activities with respect to strategies and procedures for international basic leadership that are identified with cross border monetary activities (trade, import, venture, loaning, help, relocation) sought after by state and non-state actors in this present reality.

These methods and processes utilize political impact and connections to advance and influence international trade and investment, to enhance working of markets sectors or potentially to showcase disappointments and to lessen expenses and dangers of cross border transactions. Thus economic diplomacy is composed of marketable policy, but also many actions of Non-State Actors such as Non-Governmental Organizations (NGO's).

Globalization as a process of international integration plays a critical role in international relations and economic growth. As a 'global village' the difference between internal and external trade becomes less if there is any need for existence of economic diplomacy. However, despite globalization, cross border effects are substantially important; non- fiscal factors such as culture, preferences, and establishments have become more pronounced obstacles to trade, therefore ensuring economic diplomacy and commercial policy endures a major role in shaping the geographical patterns of trade across countries. This therefore will indicate a continued disparity

---

[5] Bayne, N., & Woolcock, S. *The New Economic Diplomacy: Decision Making and Negotiation in International Economic Relations* 2nd edition (2007). Aldershot: Ashgate.

for development across different nations as each has its own effectiveness and input on their commercial policy and economic diplomacy.

1.5.2 Economic diplomacy challenges; a global perspective

In the past years, it was observed that traditional market oriented economists dominated the economic scene across territories. Through globalization however, the formerly socialist states are becoming more market positioned economies and taking part to a greater degree than previously. In spite of the fact that their execution is as of now noteworthy, much is still in the pipeline and by 2025 the OECD's most recent world model predicts that the old gathering of exchanging countries (Europe and North America will have lost their dominant part position as far as exchange shares). Specifically the exchange share of Asia would increase from 23% in 1995 to 36% in 2025 while the share of the European Union over a similar period would diminish from 40% to 23%. .

It is applicable that the joined share of the Unites States and the European Union that are the key parts of the standards of the World Trade Organization will lessen to around 33% of world exchange by 2025. Plainly, this can't stay without results. Initially, an expansion in the quantity of nations that take part in global exchange arrangements will entangle and moderate worldwide agreements building. Secondly, the rise of new economies with altogether different establishments and social foundation will change standards and qualities and this will without a doubt affect the guidelines of global exchange. This unmistakably is a test for monetary discretion.

1.5.3 Non State Actors

Non-State Actors like NGOs and international organizations are imperative basic leadership establishments and their activities and interests may frame an essential component of the worldwide amusement. Such Non-State Actors can neutralize the set of national governments and since they have the choice to move activities between wards; governments have less grip on what they do and how they do it.

Strikingly such firms are likewise helpless against large consumer groups that (can) blacklist their items. Imperatively, multinational firms that bow for consumer pressure and change their conduct may hence get to be vehicles through which customers apply impact on particular Government, State or nation activities.

The quality of consumer blacklists has been all around reported. The instruments of these blacklists include the refusal to purchase merchandise, administrations (tourism, media) and commitments. In various cases, common gatherings have applied pressure (for instance, as shareholders) on partnerships to really execute the boycott. Without a doubt, as Herz comments: "Doubtlessly individuals are practicing political decisions not at the polling station but rather by method for consumer activism. Organizations react to consumer pressure in a way that administrations don't, and are step by step accepting the part of worldwide political actors."

The ramifications of these pattern for monetary tact are not yet completely clear, but rather undoubtedly the basic leadership procedures will turn out to be more mind boggling since the number of player’s increases as does their heterogeneity. Likewise essential is the way that monetary strategy will need to move past the old boondocks of government to government contacts. The new approach will need to address the requirements and desires at decentralized levels, i.e. identified with fluffy gatherings of consumers and firms that are not represented by authority bodies or governments since they live and work in a large number of locales.

1.5.4 Impact of Economic Diplomacy

A study conducted by the World Bank on export promotion agencies and investment promotion indicated the worth noting impact of investment advancement agencies and contribution of export promotion agencies. The studies guaranteed that by and large a 10% expansion in the investment promotion financial plan prompts to a 7.5% increment of FDI flows[6] and each extra dollar of export advancement, leads to an increment exports by 40 dollars for the middle office[7]. Extra to the hugeness and size impact of export promotion contemplates managed the local impact of export promotion; the impact of the level of improvement on the effect and the impact of export promotion when it comes to the broad and concentrated edge of trade and investment[9]. A second strand in the late writing manages the commitment of the discretionary administration on exchange and venture streams took the lead in distribution at the macroeconomic level impacts of the system of international safe havens and departments in general [12]

Afman and Maurel studied the impacts brought about by this network and gave an analysis on the heterogeneity caused by the various representation in the network.[6] Studies on global network through the unification of trade missions in the form of state visits showed that they

[6] Afman, E.R. and M. Maurel, 'Diplomatic relations and trade reorientation in transition countries', in: P.A.G. van Bergeijk and S. Brakman (eds), 2010, The Gravity Model in International Trade: Advances and Applications, Cambridge University Press (2010): Cambridge, pp. 278−95.

yield positive coefficients[7]. Furthermore, a well thought out economic strategy should be considered when it comes to collaboration. A country's visibility abroad contributes to potential partnerships. Embassies largely affect trade than Consulates, while privileged Consulates by and large don't enhance trade[16].

Foreign Direct Investment (FDI) is the inflow of investment, especially used in the acquisition of 10 per cent or more interest in a business in a country other than that which the investor is coming from. Thus when Kenya acquires significant investment from MNCS, this is referred to as an FDI and borders on economic diplomacy. There are two types of FDIs namely; outward FDI which refers to capital outside a country always done by an outsider into home country. There is also inward FDI where there is capital outflow. The others include horizontal FDI; production of same line of products by a firm in different plants across different countries, vertical FDI is where production is divided into upstream and downstream for instance export which makes use of large economies of scale due to vertical integration of production. There is the Greenfield FDI where MNE construct facilities in the host country and Brownfield FDI which mostly uses mergers and acquisitions of an already existing firm in the host country.

FDI is used by firms for a number of reasons. The first benefit that Kenya will reap will be in terms of ability to circumvent trade barriers that the firm may be faced with, for instance the firm will not be treated as a foreign firm. The economic landscape in Kenya will also have the opportunity to enter into new markets which they could not have access to previously. FDI also allows the firm to increase its production capacity as well as new opportunities for co-production for instance when the firms enters into the market through a joint venture.

---

[7] Bergeijk, P.A.G. van, H. de Groot en M. Yakop, 'The Economic Effectiveness of Diplomatic Representation: An Economic Analysis of its Contribution to Bilateral Trade', The Hague Journal of Economic Diplomacy (2011), 6(1-2) pp. 101-120.

There are a variety of ways through which a firm can enter into a FDI. They include entry into joint ventures with another firm or investor, acquiring of shares in another enterprise, entry into mergers or acquisition or the incorporation of a fully owned company or subsidiary in the host country. Kenya has been chosen as the potential host country for the FDI due to two main reasons. The first is that the telecommunication and computer hardware and software sectors in India have registered very high rates of investment in the recent past. The second reason why India is chosen is because it has recorded a very high growth rate in FDI especially in the period following the global market slump. This can be noted from the high FDI inflow into Kenya which stood at all time high of 7.78 billion dollars in the first two months of the 2010/11 fiscal year as compared to the 4.4 billion dollars which was recorded over a similar period in the last fiscal year. The figure represented an increase of over 70 percent in FDI inflow into Kenya. The above favorable conditions were brought about by the reduction in the charges on access deficit as well as an increase in the limit of foreign investment equity limit to 74 per cent from the previous 49 per cent. The Indian major policy shift towards the support of FDI and thus the confidence of the firms has been increased thus allowing them to start operations in Kenya. On top of the above issues, there has also been a movement towards a universal regime of licensing where the source of funding of the various firms is not considered as a condition for obtaining licenses.

1.5.5 Economic Diplomacy in Kenya and the Vision 2030

The Kenya Vision 2030 was to be realized in progressive five-year term Plans, with the commencement phase covering the 2008 – 2012 period. The second Medium Term Plan 2013-2017 has been created and best practices embraced from the first medium term arrangement. The Sustainable Development Goals (SDGs) that replaced the MDGs after 2015 were similarly tended to in resulting progressive medium term plan from that point. The Vision 2030 Delivery Secretariat is mandated to plan, actualize and monitor progress of all the three areas in the Vision 2030. It is consequently considered responsible to guarantee all goals in the Vision are met and Kenya turns into an internationally aggressive market by 2030. The Vision is isolated into three pillars that have their own particular destinations in accordance with the Vision. These are:

- The Economic pillar focuses on achieving a GDP development rate of at least 10% per annum through a financial development program targeting all Kenyans from 2012.
- The Social pillar tries to create a secure environment built on social values that promote a culture of fairness and equality.
- The Political pillar seeks to understand a popularity based political framework established on legislative issues and a governance structure that respects the rule of law, and respects the rights and flexibilities of every Kenyan.

1.5.5 The Economic Diplomacy and the Economic Pillar

The Ministry of Foreign Affairs and International Trade developed a Foreign policy in 2014 whose main focus included five pillars namely: to enhance international security and peace, promote economic prosperity and development and enhance regional integration and relations. The countries under economic diplomacy have a binding commitment to reduce their customs duty rates on imports of goods. In some instances, these countries need to have zero tariffs on some goods. This is thus to address the issues of the developing countries being allowed better and cheaper access to imports from the developed countries as well as allowing them to export theirs at a considerable price in such a way that they are not left at the suffering of the larger markets.

Kenya seeks to play its role in bilateral integration. It recognizes East African Community as its primary base for economic development and will therefore seek to ensure it strengthens the relationship and further build on partnering with other African countries. It further seeks to explore emerging economies around the globe by strategically positioning themselves as observed in the foreign policy and as well tap into existing resources with Kenyan investors in those countries.

The benefits to Kenya include bringing of resources into the economy, which without the FDI would have not been. The extensive mechanisms of economic diplomacy helps Kenya in gaining technological transfer especially from a number of multinationals thus leading to increased rate of economic growth. It also leads to the creation of employment as well as new job creation. Finally, it also has a positive impact on the Kenya's Balance Of Payment (BOP) in terms of capital investments, increased exports and substitutes for imports. The costs on the other hand include increased levels of competition in the country, capital account affected negatively due to earnings and imports and key economic decisions are made by foreigners.

Kenya, for the regional integration, is well positioned as it taps into its existing avenues to further pursue its foreign policy agenda. In addition, another agreement that is integral to COMESA is the agreement on agriculture. As a result, farmers will be able to enjoy a fairer market. This agreement is aimed at creating reforms in the trade sector and to draw policies which are market oriented. This would create an environment that is more predictable and stable for both importing and exporting countries. Such commitments are meant to enhance market access, support subsidies at the domestic and export levels and in situations where the agreements facilitate support for rural economies, ensure it through policies that least distort the trading processes. This agreement has therefore brought order, fair market competition and a more stable sector. When prices are higher or lower than what is normal, this usually leads to trade distortion and if quantities being produced are sold or bought are higher than what would ideally be found in a competitive market, this will as well distort trade.

Economic diplomacy covers the economic vision of Kenya which is Vision 2030. One of the driving forces includes the fact that Kenya is blessed with a strong manufacturing base, but unfortunately this has not been doing well. According to the Vision 2030, the industry accounts for 14 % of GDP since independence. A number of factors can be contributed to this such as: deficiencies in hydro power, extreme energy costs, run-down transport infrastructure and the abandoning of cheap imports. However, the MTP envisions a vigorous, varied and competitive industrial sector. To achieve this, two Special Economic Zones (SEZs), and five small and medium enterprise parks were prioritized.

The Special Economic Zones (SEZs) are aimed at attracting new investments, expansion of infrastructure and liberation of the entrepreneurial energies of the private sector to exploit business opportunities in regional and other external markets.

Industrial activity is another core activity of economic diplomacy in Kenya today. This is focused around the three biggest urban centers of Nairobi, Mombasa and Kisumu, anchored on investment, for example, grain processing, brew generation, and sugarcane pulverizing, and the manufacture of consumer products e. g. vehicles from units.

Other factors that will steer Kenya's economic diplomacy to greater heights include: an oil processing plant that processes imported crude oil into petroleum products, mainly for the domestic market. Wholesale and retail trade provide linkages with other segments key to the economy, such as agriculture, the manufacturing sector and the service industry by creating outlets for goods and services to reach the consumer.

1.5.6 The G-Cubed Model

The G-Cubed model is a dynamic macroeconomic modeling approach that promotes the econometric estimation in the American economy. The model is used to monitor outward FDI in comparison with an inward FDI where there is capital outflow. As a result, it is clear that production of same line of products by a firm in different plants across different countries takes both vertical FDI where production is divided into upstream and downstream. For instance export which makes use of large economies of scale due to vertical integration of production.

G-Cubed provides sectoral detail which is important. This includes a look at the environmental policies with the potential of affecting the little sectors which the economy also depends on. The process involves the incorporation of sectoral details and the macroeconomic components of MSG2 which by using G-Cubed model can help to monitor the cost of environmental controls as well as facilitate in considering the ramifications of macroeconomic policies. The reaction of money related and financial dominant voices in various nations can have imperative impacts in the short to medium run which, given the long slacks in physical capital and other resource collection, can be a generous timeframe. By and large, the model is intended to give an extension between process able general equilibrium models and macroeconomic models by coordinating the more alluring elements of both methodologies.

1.5.7 The Structure of the Model

The model is composite of significant region that sum up to 8. These include Japan, the US, Australia, China, OPEC countries as well as the rest of OECD community. The researcher will use this model to inform how such models are integrated by the government to project the economic trends and assess how it supplements the policy oriented-papers in Kenya.

1.6 Hypotheses

1. Economic diplomacy has contributed to Kenya's economic development through bilateral trade and direct investment.

2. Through Tourism marketing strategy Kenya has increased tourist attraction thus increasing economic development in the country.

3. China-Kenya relations have resulted in greater partnerships in areas of trade and infrastructure development in line with Vision 2030.

1.7 Methodology

The research design used in this research is a descriptive analysis. The method used for the study was content analysis. This is a method of collecting information by reviewing past research and literature within the view of subjectivist approach which applies qualitative methods using a humanistic, interpretive and phenomenological approach.

Sampling Design, Research Instruments and Data Collection

For this study, the sampling method used was non-probability purposive sampling. Based on the nature of the study, case study and past research analysis was used to collect data. Purposive heterogeneity sampling is a method that aims at getting a sample research and case studies with similar characteristics or traits.

Data Analysis Procedures

The method that was used to analyze the collected data was discourse analysis. Critical discourse analysis is the main focus of this data analysis model and it has a focus past language to greater practical conclusions from the collected data. The analysis of the data collected in the study in this system helped to establish objectives in data. These included niches of diplomacy for Kenya, Strategies of economic diplomacy to be undertaken to realize economic development, Impact of economic diplomacy on Kenyan economy. The data for this study was obtained from secondary sources. The data is descriptive and organized thematically.

1.8 Limitations of the Study

Since the study is using secondary data to analyze the research problem, some of the data may not be as accurate compared to use of primary data through use of interviews and questionnaires. Despite this shortcoming the research will employ credible data from scholarly publication on the research topic and make conclusions and recommendations.

1.9 Chapter Outline

Chapter One introduces the research problem by giving background information on Vision 2030. The context is Kenyan economy, the sections covered include Statement of the problem, Objectives, Justification, Literature Review, Hypotheses, Methodology and finally Scope and Limitations of the study.

Chapter two is a Conceptual Analysison the Diplomatic niches available for realization of Vision 2030 and focuses on the avenues available in economic diplomacy in the realization of Vision 2030 in Kenya.

Chapter three is on Economic Diplomacy strategies in achieving Vision 2030 and focuses on the strategies needed in employing economic diplomacy as a key driver in achieving Vision 2030 in line with economic prosperity.

Chapter four discusses the impact of Economic Diplomacy on Kenya's economy mainly examining the socio-economic impacts in relation to Vision 2030.

Lastly, Chapter Five is on Summary, Conclusion and Recommendations.

CHAPTER TWO

DIPLOMATIC NICHES FOR REALIZATION OF VISION 2030

2.1 Introduction

Kenya has been put on the spotlight as an entry point to East Africa following the expansion of the region as a frontier market. Kenya distinguishes six segments and is right now actualizing Flagship undertakings to upgrade its possibilities. This chapter looks at the financial and business subjects inside the East African setting. The section looks to underscore the role of strategic avenues from a political viewpoint as well as from an economic range in pushing the Kenyan economy in accomplishing its Vision 2030.

2.2 Kenyan Foreign relations policy within East Africa

Kenya's foreign policy shifted its focus to East Africa in the 1990s following the end of the Cold War. This was in line with the commitment to foster peaceful co-existence with different countries; while advancing regional integration. Cooperation with her neighbours is crucial for the economic development of Kenya in the pursuit for bilateral and multilateralism cooperation. The need for development in the financial sector has to be pushed by an expansion in market access and improved technology in the market. For example, Kenya is progressively putting resources into renewable energy to enhance power generation and availability for small and medium size entrepreneurs (SMEs).[8]

---

[8] By 2016 the first phase of the Geothermal Development Corporation's (GDC) Menengai Geothermal Development Project (Menengai project) will generate 400 MW of power, enough to light 500 000 households and run 300 000 small businesses. On completion in 2030 capacity will be 600 MW

The Kenyan government is investing intensively in Information, Communication and Technology (ICT). This is evidenced with the flagship venture of silicon Savanna prevalently known as the (Tatuu city). Regional joining frames a noteworthy segment of its foreign strategy and spear headed by means of different regional activities, both at continental and multilateral level through regional coalitions.

This move mirrors realities that Kenya's economic improvement is interlinked to that of its continental neighbors, and in addition that of the whole world framework. Kenya’s regional activities are crucial to the achievement of its financial strategy[2]. Ambassador Juma Mwapachu, former Secretary General of the EAC reaffirmed that Regional Economic Communities (RECs) have turned into an incredible formative way. Free trade is a noteworthy segment of RECs and a key contributor towards investment in light of the fact that a region becomes attractive to investors when its economy permits free movement of products and enterprises; promotes a genuine inspiration for doing business, supports a growing market which are some of the reasons why regional incorporation is important to Kenya.[9]

The EAC and other RECs are working keenly to open up interior markets driven by free trade. It is through creating such suitable conditions that countries such as Kenya are able to attract investors and thus capture an adequate market for its products. Trade between Kenya and Uganda is great with Uganda importing more than 80% of Kenya's items, now the two are taking a shot at a custom union to empower free movement of merchandise and services. This is being done through bilateral talks.

---

[9] Zarro A, ‘Back to the Future: SID President Ambassador Juma V. Mwapachu interviewed’,http://www.sidint.net/content/back-future-sid-president-amb-juma-v-mwapachuinterviewed

Kenya is regarded as East African economic hub hence the government is banking on this affirmation to bring on board foreign investors through multilateral talks and summits.

EAC partners stay on edge over the disappointment of past regional activities amid the early post-independence period, as an after-effect of a basic cynicism across the board around then. Over quite a while Kenya is viewed by Tanzania as yearning and subsequently upsetting the EAC integration spirit.

DIPLOMACY OF KENYA'S REGIONAL INTEREST

The push of Kenya's global governmental issues has changed significantly, from simply survival purposes to a commitment to be a force in the trade and investment opportunities. A procedure of more prominent democratization moved the needs of remote engagement towards economic discretion, which turned into an essential instrument in seeking after development[19]. In the Kenyan Context, Economic policy is not just a representation of a change in practice and strategies but more of a response and adaptation to the changing global environment

Sound economic policy and a record of sober mindedness in economic policy and local issues have conveyed Kenya to a place of relative administration that makes it very versatile to worldwide changes. Since autonomy in 1964 this sober mindedness has appeared as 'positive lack of bias in remote relations. At first, this was viewed as a way to protect Kenya's national honesty in our current reality where extraordinary power control of weaker states was the fundamental normal for global undertakings. Thus, it turned into a position through which Kenya looks to safeguard that character in a domain in which worldwide occasions have noteworthy national and territorial repercussions.

This stance conveys what needs to be especially in Kenya's economic dealings. At freedom, it recognized the trouble of isolating itself from the financial and political ties emerging out of its regional past. Presently, be that as it may, it must perceives moves in the worldwide economic power structure. Consequently, in spite of reliance on remote markets for its essential exports, imports or aid, and the quick changes occurring in the global field, Kenya dependably stays away from any type of foreign pressure from any one nation or more countries. It has traded previously with USSR, with Asia; and with European and North American nations, so as to make an economy not entirely dependent on any one coalition.

Along these lines Kenya keeps up its target of safeguarding the structure it worked to its own particular outline, in light of the statutes of African communism and drawing on whatever impacts it considered fitting to its specific conditions. This is particularly valid for its suspicion of free market plan. At last, Kenya has not encountered any sort of paradigm shift; its emphasis on economic policy appears to be somewhat a result of local political interests that are quick to guarantee their survival and standing.

2.3 Sound Economic policy by Kenya

Since independence, Kenya has accomplished regional administration on account of strong planning and an emphasis on economic contemplations while facing national challenges. This outlook made a blended economy that empowered the nation to advanced managed capitalism' framework that enhanced agricultural profitability, established manufacturing sector to serve the EAC, and prompted to expanded development in the service sector.

Its prosperity encouraged fast development in exports to Tanzania and Uganda reflecting modern uneven characters coming from the principal REC initiatives and dissimilar to neighboring States that experienced more genuine financial challenges and in addition times of political insecurity, empowered Kenya to survive the oil emergency of 1973 and the fall of the main EAC. In the 1990s, the emphasis in economic approach moved from import substitution to export advancement, on the acknowledgment that a more reliant universe of increasing trade boundaries would require more assorted qualities in its export products and markets.

Kenya actualized the ERS from 2003 to 2007. Its principle point was to establish an investor methodology in which the private sector turned into the primary channel for creating business and income, putting the nation on a stable development path. The accomplishment of the ERS prompted to the detailing of Vision 2030, the primary objective of which is economic flourishing. It tries to revive the stagnant levels of private ventures that are the essential reason for Kenya's disillusioning basic changes in the economy, Eyakuze and Gitau watch that the manufacturing sector has exhibited great development just from 2004 onwards.

Kenya is additionally generally thought to be the most proficient passage in East Africa. This is to some extent because of its initial introduction towards free market approaches, yet furthermore, the presence of ports, for example, the port of Mombasa is of vital centrality on the grounds that various nations in the district are landlocked. Kenya has grown moderately proficient correspondences and is viewed as the economic and investment capital because of the accessibility of gifted and skilled indigenous staff, and genuinely great transportation interfaces through Nairobi's global air terminal and the Kilindini deep water harbors, which are the busiest and biggest of their kind in the area.

2.4 Actors, activities and instruments of Kenya's Foreign policy

Customarily, Kenya's leaders have developed individual associations with specific African leaders that puts the country's interests by improving Kenya's esteem while accomplishing authenticity for its initiatives. President Mwai Kibaki, remained firm in his push on remote approach as a fundamental part of the country's financial strategy, made obvious through his advancement of government initiatives in the development of formative foundation at nearby and territorial level. For example, President Kibaki's working association with the late Ethiopian premier Meles Zenawi and President Salva Kiir of Southern Sudan incredibly propelled the $25 billion Lamu Port, South Sudan, Ethiopia Transport (Lapsset) hall extend. The nation's greatest post-independent advancement plot, Lapsset is a consolidated interstate, railroad, oil pipeline and air terminals hallway extending from Manda Bay, Lamu on the Kenyan drift north of Mombasa, to Nakodok on the South Sudan outskirt. When finished, it will possibly specifically influence the employment of 166 million individuals in Kenya, Ethiopia and South Sudan.

The Ministry of Foreign Affairs (MFA), in its mandate for the coordination of foreign planning under the leadership of the president, in meeting with other government services and offices in a consultative limit, as reciprocal members in the planned usage of foreign strategy. Economic policy includes open and private areas and Government services.

Customarily, Kenyan financial strategy has generally fixated on export progress. In such manner, the administration helps the private sector by giving information about Opportunities in world markets and giving specific aid with the outline and execution of market projects and deals abroad. The EPC is the real office in advancing Kenya's exports. Its command is to co-ordinate and fit trade improvement and advancement initiatives by giving administration to all national export programs.

Investor office tries to empower and encourage private investors both local and foreign financial specialists. Motivating force bundles concerning aid, creation and aggressiveness at present target foreign financial specialists and those delivering for exports. Subsequently, the assignment of representatives and government officers accused of elevating these exercises is to give Kenyan representation at trade gatherings; cultivate agreeable relations that upgrade trade; participate in trade transactions; and anteroom for acknowledgment of the administration's goals keeping in mind the end goal to advance exports and investments.

2.5 Economic diplomacy in East Africa

East Africa has progressively turned into an attractive monetary point with such a large number of foreign investors seeking to contribute. Notwithstanding high commonness of neediness in the area the EAC has been evaluated as including a portion of the world's quickest developing economies with Kenya driving in this gathering; henceforth the need to draw in financial strategy to outfit these open doors. It is respected by the Economic Commission for Africa as the main local coalition to have recorded positive strides towards incorporating the three pilars vital for the formation of stable states: individual financial advancement, social consideration and ecological security.

The EAC's present standing might be ascribed basically to monetary integrated activities that have prompted to the planning of the East African Customs Union (EACU) and all the more as of late realized a typical market that means to fortify an area that as of now contains an expected white collar class consumer base of 30 million people[10]. Also, the region is encountering peace because of relative calmness after a conclusion to most affable wars or if nothing else the reduced threats, which thus has energized generous interest in the area from a scope of global Non State Actors. Ultimately, EAC governments have put intensely in foundation and media communications keeping in mind the end goal to support the administration business and to make the region more appealing to multinational organizations[11]

The following, quick stride for the EAC is to accomplish full usage of the regular market convention. East African national banks are now chipping away at modalities for a coordinated financial strategy to set up an economy related union, as the EAC moves towards its objective of an East African political league under quick track components as of now set up. Local associations in Africa are particularly mind boggling because of enrollments in a variety of RECs with changed [12]commitments and time spans. EAC individuals are no special case and such different duties will undoubtedly moderate progress towards the more extensive target. Kwame Owino, CEO of Kenya's Institute of Economic Affairs, brings up that the pooling of financial power is an inescapable assistant to the advancement of local monetary, investment, trade and fiscal strategy.

---

[10] Opening up Kenya's northern frontier the Lamu Corridor will create an internal market of 240 million people, above the 150 million needed to become a major power. See Were E & C Ligami, 'Nairobi, Africa's new HQ for Multinationals', *The East African*, 25–31 July, 2011

[11] *Ibid.*

[12] Owino K, 'Multilateral Relations and The East African Community', in *East African Scenarios Project Research Compendium*, 2007. Nairobi: SID, pp. 277–298.

2.6 Co-operation for regional prosperity

Exclusive standards have been put on the plan of a typical market to open up the region. The key organizations for its foundation are as of now set up; including the East African Legislative Assembly (EALA) and the East African Court of Justice. This is proceeded with co-operation on a wide scope and movement into a money related union is under way including private segment members, particularly the banking sector.

Likewise, the danger of threat and the ascent of crime rings have prompted to expanded co-operation in protection and security matters. The move towards a typical market is relied upon to be generally smooth given that the majority of the required organizations are as of now set up. The test is to reinforce them adequately to strengthen them sufficiently to administer incorporation. For Kenya and its EAC partners, regional flourishing includes legitimate usage of the regular market protocol. This is a noteworthy test, remembering the hazardous basic leadership that emerges from dynamic social issues attached to the protocol. These issues may prompt to prohibitive understandings of a portion of the standards of organized trade ostensibly embraced; for instance, there are fears that Kenya could yield more control in the region thus dislodging impacts on different countries, for example, Tanzania.

Vision 2030 recognized tourism; horticulture; manufacturing; wholesale and retail trade; business process outsourcing; and fials services as key segments in Kenya's execution. The above writing clarifies Kenya's limitless diplomatic avenues where if very much actualized and used, the nation will accomplish its vision 2030 and even surpass its desire. Sound political engagements are required inside the EAC region and after wards wander into other worldwide markets.

CHAPTER THREE

ECONOMIC DIPLOMACY STRATEGIES FOR ACHIEVING VISION 2030

3.0 Introduction

This chapter focuses on the means by which Kenya will use to employ Economic diplomacy to bring about economic development in line with Vision 2030 policy guidelines. This section will look at avenues both at regional and global level. In first changing diplomatic practices Kenya needs to device strategies to cope with new dynamics thus remaining relevant in the global system.

3.1 Bilateral economic and Trade strategies

After analyzing for decades, economists have discovered that it is impossible for any country to thrive economically on its own (operating in an economy). For any state to prosper in economic growth and development, it has to participate in an open economy. This is because, it is very difficult for a country to have all the resources that it needs to satisfy all the demand in its economy. It has to import resources it does not have from other countries. At the same time, the same country may be having resources used in production of certain commodites in plenty (surplus). It thus has to export the surplus portion of the resources to other countries. Sometimes the country may have more than one resource thus having no need to import.

However, sometimes it becomes cheaper and economical for a country to import resources or commodities which are found or can be produced domestically. The state by which a country can supply commodities and/ resources cheaply and economically to the other countries globally (it has competitive advantage over such goods in global market) such country is said to have comparative advantage in international trade. This research is intended to present reasons of whether or not comparative advantage has influence in the international trade patterns. Evidence about the roles will be given by examples besides explaining various theories that have been proved.

There are different ways in which countries have the gains from trade. Trade enables specialization for countries in their production. This is where a nation produces in the most economical way globally thus being enabled to produce mostly in the field where it specializes. By trade, consumers globally practice choice and sovereignty of price on the goods. They may prefer imported goods which are cheaper and of high quality that were produced by the specialized countries. These give them a chance of avoiding boredom of the goods domestically produced. The specialized country has its market region increased thus increase in sales. The surplus produced goods are exchanged with commodities from other countries.

Kenya has set out on monetary strategy with the coming in force of President Mwai Kibaki's government with more accentuation being China-Kenya financial ties of money related support and foundation development. Kenya's trade approach destinations incorporate moving towards a more open trade administration, reinforcing and expanding abroad market access for Kenyan items, particularly handled merchandise, and further mix into the world economy. In seeking after these destinations, Kenya has actualized an awesome arrangement one-sided progress and went into multilateral, regional, reciprocal and particular trade game plans. Thus, Kenya is a signatory to the World Trade Organization (WTO), the Cotonou Partnership Agreement with the European Union (EU), the African Economic Community (AEC), the Common Market for

Eastern and Southern Africa (COMESA), the East African Community (EAC), and the Inter-Governmental Authority on Development (IGAD).

The focus is on the Bilateral (free) Trade Agreements (BTAs) including Kenya. This research surveys the BTAs and investigates their difficulties/inadequacies, (potential) advantages and expenses. In this way, the research makes proposition for tending to the difficulties and augmenting the advantages of BTAs for Kenya and proposes the part of the Geneva-based Ambassadors in the process. To emphasize more what was explained earlier, international trade emphasizes diversification of commodity consumption among the consumers. It is through trade that consumers can obtain goods from other countries which are not domestically produced. However, it becomes impossible and uneconomical to import goods which are dearly produced abroad yet they have the same quality and give the same utility as those ones produced domestically. This is why consumers only prefer importation of goods which are perfect substitutes yet cheaper. Supposing therefore that the United States does not participate in international trade, its specialization in wheat and soya beans, medical equipments and airplane will not satisfy all the demand of its residents. They need other commodities from other countries. Interacting in trade with other nations in such a way that the U.S exchange what it produces with goods from other countries will give the U.S citizens a chance to get other commodities like automobiles from Japan, coffee, tea and pyrethrum products from Kenya.

This works only in cases of comparative advantages between two countries. Consumers in Kenya can buy cheaply locally produced tea. But if they import the same commodity from Japan it will be very expensive. However, they cannot rely on Kenyan automobile industry for the assembled products because it will be very expensive. Even so, by importing assembled machinery from Japan and buying tea locally, they enjoy the utility of both commodities at an affordable price.

This can only happen by the fact that, the two countries are specialized (and have comparative advantage) in industries whose consumption is from local market and are exported.

ICT and innovation remains a key driver for Kenya in the realization of the Vision 2030. The empowering systems for Science, Technology and Innovation (STI) and Information Communication and Technology (ICT) segment are very much set in Kenya with four key approach reports: Kenya ICT Policy 2006 (under audit), eGovernment Strategy, Kenya ICT National Master Plan 2017 and Kenya Science, Technology and Innovation (STI) Policy 2012. From a national improvement program perspective the key policy documents are the Kenya Vision 2030.

Kenya has sector bilateral cooperation agreements in connection to Science Technology and Innovation/ICT set up with France (through IRD, IFRA and CIRAD), United Kingdom (through the British Council), Spain, Netherlands, Germany, Norway, Finland and Sweden. Kenyan associations are additionally recipients in various FP7 co-supported research tasks and ACP co-financed ventures. Other universal projects on Environment, environmental change, horticulture and Forestry are subsidized through UNESCO, UNEP, UNDP and FAO local workplaces situated in Nairobi.

There is also immediate institutional support to programs in Universities and Research Institutes by European Union Member States. ICT related two-sided support is basically from Sweden (SPIDER Program) and Germany. IICD subsidized a few ICT for Education ventures. Kenya was a recipient in various ACP-ICT Capacity building ventures. Kenya secured interest in 68 FP7 ventures (up to November 2013) and secured €12.3 million.

3.1.1 Kenya – Sweden Trade Agreements

Enabling SHGs in Kenya and India through ICT for better training and alternative livelihood opens the general goal of this investmen, which is to engage Self Help Groups (SHGs) to recognize reasonable vocation opportunities with a specific end goal to enhance their socio-economic status while bringing the prosperity of the environment into the condition. ICTs will give a vital tool in getting data and learning, additionally to new market openings. ICT will be acquainted in parallel with training to delineate how it can enhance their consistent circumstances. This project ran from March 2007 – February 2010.[13]

3.1.2 Kenya-Dutch Trade Bilateral agreements

Kenya has attracted significant Dutch investment. Alongside multinationals, for example, Phillips, Unilever, Shell, KLM, Boskalis en Heineken, more than 100 Dutch SME companies have set up a presence, with an essential concentrate on the bloom area. Given the calculated center point capacity of Schiphol Airport and the blossom barters, Netherlands positions as the fourth fare goal for Kenyan products. In 2012 and 2013 the embassy has reinforced economic discretion for Dutch investors and companies active in Kenya and those investigating open doors for trade and investment. Alongside the standard trade request, a few market examines have been performed to guide openings in the Kenyan market for a particular item. A few meetings with

[13] Guide to Bilateral & Multilateral Cooperation, Version 1.1, 31 January2014

Kenyan executive have been essential to guarantee a level playing field for Dutch companies, for the most part in the zone of tax and customs.

The Dutch Business Group that meets six times yearly at the initiative of the embassy has turned out to be a valuable platform to talk pertinent developments and conceivable activities by the private sector and the embassy. Corporate social duty has been a piece of the discourse between the embassy and Dutch companies, particularly those in the flower sector. Brokering activities for the advantage of Dutch organizations have had a solid concentrate on the agricultural and water sectors. Dutch companies have likewise been upheld in the sectors of infrastructure and logistics (Port of Mombasa), energy (Lake Turkana Wind Energy), education (ORET-Devotra). Proactive distinguishing proof of solid opportunities for Dutch companies in different sectors of the Kenyan economy have been constrained because of limitations.[14]

3.2 Tourism promotion strategies

Tourism in Kenya can become more grounded and contribute further to economic growth if the government focuses on policy reforms that improves the enabling environment, extensively ensures the sectors asset base, and builds capacity. Kenya has been a tourism pioneer and has spearheaded products that are world class. The nation has an incredible resource base, entrepreneurial individuals, and a geology and atmosphere that permit year-round tourism movement. Kenya developed the photograph safari and still protects it firmly; it moved into private diversion farms and private conservancies, which represents Kenya's capacity to be dynamic yet down to earth in its objective for sustainability. Then again, Kenya's coastline

[14] Multi Annual Strategic Plan 2014-2017 Embassy of the Kingdom of the Netherlands in Kenya

tourism is a ―tired and less aggressive product in today's commercial center; however could bounce back if the vital rehabilitation is accomplished. Key improvement of business and conference tourism holds guarantee. Cultural heritage tourism assets are abundant and command further development.

3.2.1 Kenya Tourist Board

The Kenya Tourist Board (KTB) is the body mandated to market the Kenyan tourism sector both locally and abroad. KTB is responsible for marketing Kenya as a tourism destination and thus raising the profile of the country in the international tourism niche. KTB works under the leadership of the Minister for Tourism in the promotion of Kenya as a tourist destination. To achieve its mandate abroad, KTB has field offices across the globe; in the United States, in European countries such as France, Italy, Spain, Germany, and Netherlands as well as in Canada, China and the United Kingdom.

In the aftermath following the 2007-2008 post-election violence, the tourism sector suffered severe losses as traditional countries such as the US, UK and countries in Europe, offered travel advisories against Kenya. This led to a sharp decline in the number of tourists visiting the country. To recover from this, KTB and the Ministry of Tourism put in place deliberate initiatives and policies aimed at aggressively selling Kenya as a tourism destination and to redeem the Kenyan image that had been distorted abroad. This initiatives included aggressive marketing in the target countries and building innovative partnerships with various networks across the globe as a way of penetrating new markets as well as win back the old market. This efforts were supported by the European Union through sponsored marketing and promotion on international channels such as CNN and BBC.[15]

These efforts have had a positive impact on the number of tourists visiting the country on short trips in sharp contrast to previously witnessed tourists who came for long-stay holidays. Averagely, this has continued to affect the uptake of all tourism products and thus generally led to a decline from the international tourists. The interest on tourism products seems to have changed from sun-surf safari to tourists expanding their interest to local culture and exposure to local heritage. Other special packages gaining popularity include well-ness holidays such as spa, a service that requires high quality delivery.

Marketing and promotion of the sector should be a progressive activity if retention of the old markets and penetration of new markets is to be attained. To achieve this, KTB under the Ministry of Tourism in 2008 announced an increase in its marketing budget by US$13 million to reach and expand its market in the US, and penetrate countries such as Russia, China and the Middle East. A 50 percent reduction in handling visa fees and a waiver for children under 16 years was introduced by the Minister for Tourism in 2010 as a way of boosting the sector.[16]

This move led to airlines and hotels offering discounted rates as a way of attracting more tourists to the country and reviving the ailing industry especially in the Kenyan coast. The 50 percent reduction on safari and beach holiday seems to have worked as this has seen a steady growth in the tourism industry and a recovery on various industries that rely on tourism. This has led to an

---

[15] Kenya's Tourism: Polishing the Jewel Nairobi (2010)

[16] Marketing ktb strategies www.ktb.go.ke (accessed Feb 2016)

increase of 30 percent in bookings as reported by some operators in the sector, a sharp increase from 2007.

To maintain this growth, the government in partnership with Delta Airlines finalized negotiations to introduce direct flights from Nairobi to Georgia and Atlanta in 2009 on regular basis. This direct flights to the United States were meant to attract more Americans to visit Kenya. Unfortunately, the global economy was hit with a financial crisis that saw a decline in international travel coupled with required terminal improvements that has led to a delay in realizing this milestone.

The KTB works collaboratively with partners and regional associations to discover new markets for Kenya as well as in identifying new tourist's destinations in the country. The European Union played a critical role in promoting the tourism sector in Kenya through the Tourism Strategic Marketing and Promotion Program (TSMPP) that run until December 2010.[17] This strategic plan was anchored on three focus and funding areas:

i. *Global marketing:* This was to be achieved through international television channels to prepare and disseminate information about Kenya as part of the global image campaign. CNN was widely used in this regard.

ii. *Global marketing and image building*: This was conducted through an advertisement agency to prepare and execute a media campaign globally. The EU remains key in negotiating contracts with potential advertisement agencies.

iii. *Preparation of a strategy plan:* This was to financially support the development of a strategic plan to help support the Kenya Tourism Board.

[17] Ibid

Kenya's tourist sector relies heavily on traditional markets in the US and Europe and thus whenever this countries offer travel bans, the sector spirals downhill. Kenya receives a minimal number of tourists from Africa which is estimated at 20 percent of the total tourist population coming into the country.[18] In an effort to encourage tourism amongst African state countries, the KTB in partnership with the national carrier Kenya Airways devised an innovative tourist's package to attract more African visitors in to Kenya.

To promote Kenya as a tourist destination in Africa, Kenya Airways and the KTB announced a marketing campaign plan that was estimated at Kshs. 50 million (US$625,000) aimed at discovering new markets within the continent.[19] This partnership was on an equal basis where Kenya Airways and KTB were to each contribute Kshs. 25 million towards this new marketing initiative. The funds were to be used in creating awareness campaigns in both print and electronic media including internet marketing as well as organizing benchmarking trips with travel agents from different countries. The campaign is specifically targeting 30 destinations where the national airline flies. This initiative is meant to reduce Kenya's dependence on its traditional partners such as European countries and the US. While it may take time before the intra-African tourisms can be well established, this approach will go a long way in encouraging regional integration. Further research on specific market and product lines is needed since different tourists may have different preferences. This will help KTB in packaging new products for this emerging market.

[18] M Kanunah,I Sindiga-Journal of Tourism Studies(1999)

[19] Ibid

3.2.2 Public Private Partnering: Attracting Tourists from New Markets Case

To increase the 20 percent tourists arrivals in Kenya from Africa, as a counter measure in the over dependence of the core markets in Europe and the US, the Ministry of Tourism in partnership with the Kenya Tourism Board and Kenya Airways launched an innovative plan to attract more tourists into Kenya from the African market.[20]

KTB launched initiatives to encourage domestic tourism through local partnerships with hotels, tours and travels firms, Kenya Wildlife Services in an elaborate measure to boost tourism from within. Local tourism has been on the rise as media campaigns on both print and electronic and social media in creating awareness on destination places in Kenya seems to bear fruits. Use of media personalities such as Maina Kageni in the *Tembea* Kenya media campaign to mobilize Kenyans to tour Kenya became a popular media campaign.

3.3 ICT Infrastructure

Evidence on countries which have committed to the development of information and Communications Technologies (ICTs) have shown a significant gain in the social and economic growth. ICTs are transforming economies in what has been widely referred to as knowledge-based economies. The Government of Kenya in recognizing the role of ICTs in socio-economic development, promulgated the national ICT policy aimed at complementing the Economic Recovery Strategy for Wealth and Employment Creation (2003-2007).

---

[20] S Marwa,M Zairi *Towards an integrated national award in Kenya.* TQM Journal (2008)

This policy seeks the promotion of social justice and equity; youth empowerment, address the issue of gender in national development, create equal opportunities for the disadvantaged groups, poverty reduction, enhance sustained economic growth, encourage investment and innovation in ICT; and work towards universal access. The policy borrows from the COMESA Model which was adopted by the COMESA Council of Ministers in March 2003 on best practices and internationally accepted standards.

3.3.1 Sokoni SMS: Empowering farmers through SMS market price service

The Kenya Agricultural Commodity Exchange (KACE) was established in 1997 to help link farmers and sellers in the agricultural sector.[21] It is a private sector entity that provides relevant marketing information that is timely, as well as intelligent research on competitive price range mechanisms in a transparent process. KACE seeks to encourage the use of ICT in rural areas for empowerment and value addition purposes. *Sokoni* SMS, a product by KACE is a mobile based platform whose objective is to provide information to sellers and buyers on market prices from different markets across the country on different products.[22] The information is received via mobile text messages. Farmers using this application can access buyers with the best price range directly thus eliminating the issue of middle-men who have exploited the farmers by purchasing their produce on low prices then reselling on higher price margins.

KACE collect price information from various centers across the country and this information is shared to the head office based in Nairobi. The ICT team in Nairobi updates the price

---

[21] Kenya, ICTB (Information, Communication and Technology Board), Home, http://www.ict. go.ke/. *A New Dawn for Kenya*, *op. cit*., p. 697.

[22] Ibid

information through a web- based application and this information is updated in the mobile platform for instance Safaricom network. This ensures that the farmers have the latest market price information and thus can make informed decisions on who or where to sell their produce.

The *Sokoni* SMS is a subscription based service that charges registered farmers seven shillings on each message price requested on their phone. However, the menu surfing is free for subscribers. This service has provided farmers with an opportunity on where to sell their products and cash on the profits. This has also led to a direct linkage between the buyers and sellers. Farmers have recorded an increase in their sales thus profiting from their agricultural produce which goes a long way in reducing poverty among farmers who rely on agriculture since it is the back borne of the Kenyan economy. The service is proof on the role that ICTs plays in poverty reduction through such a simple yet significant initiative.

Other similar initiatives include the internet based Drum Net which has reception within Karatina town and receives information from Nairobi on the prices of various agricultural produce.[23] This information sharing platform has gone a long way in eliminating scrupulous middlemen who were manipulating prices on different agricultural products for their own interests thus improverisng the farmers. This ICT interventions are key in promoting growth of the agricultural sector and thus contributing to the country's exports as well as increasing production for the domestic market in line with the Vision 2030.

[23] Ibid

CHAPTER FOUR

IMPACT OF ECONOMIC DIPLOMACY ON KENYA'S ECONOMY

4.0 Introduction

This chapter emphasizes on the impact of economic diplomacy from a social economic perspective based on the diplomatic ties between Kenya and China. Notably, Kenya and China are characteristic countries with rich economic and cultural history and heritage as evidenced in the narrative of Ming Dynasty[24]. While it emerges that China dwelt on communism, it is evident that Kenya embraced a capitalist system as guided by the macroeconomic principles of Adam Smith. Nonetheless, the relations between these two countries have remained cordial for a long time. China-Kenya economic diplomacy is a strong bond from the previews of infrastructure development evidenced in roads and now the famous Standard Gauge Rail network as well as financial aid to transform the landscape of economic diplomacy in line with the millennium development goals as well as the tenets and objectives of Vision 2030. This section of research highlights the imperative gains that Kenya has made in collaboration with China through trade, and other dimensions of economic diplomacy, the implications made and the impact on Kenya's democratic space.

4.1 Kenya- China Cooperation

From the diplomatic perspective, it is evident to note that Kenya and China enjoy Cordial Corporation epitomized through high level head of state and ministerial meetings, as well as business delegations. This scope of economic diplomacy has continued to strengthen China-

[24] Story is told of how through royal orders, Zheng commanded seven expeditions to the western oceans in the early 15th Century. Navigating by a compass and astronomical readings, Zheng's fleet visited many African islands in the Eastern Africa region, including Lamu and Mombasa now in Kenya and that some sailors may have settled on the Kenyan coast after a shipwreck (*Business in Africa,* 2006).

Kenya diplomatic relations. From 1964, the high profile delegations were initiated by high government profiles which resulted in the signing of several bilateral agreements.

The historical relevance of both countries' economic ties is more illustrated in the scope where in 1996, China's president Jiang Zemin initiated a State visit to Kenya. This visit was marked as the first of its kind in Africa. Similarly, in November 2004, Wu Bangguo paid a visit to Kenya heading a Chinese delegation. This situation was replicated in April 2006 when the president of China, Hu Jintao made a State visit to Kenya in his tour of five African countries. Such high level and Ministerial meetings strengthened the economic ties, relations and by extension diplomatic relations that continue to be enjoyed up to date.[25]

Globalization has opened up the national boundaries of the two countries. This is a situation that has seen many Chinese entering Kenya for various business opportunities. Currently Kenya and China ties are possibly the factors that influence economic relations. Therefore, the relationship between the two nations has been argued to be important for the future development of economic diplomacy. China is suggested to be large, rapidly developing and is still in the process of developing and implementing basic economic changes and reforms. Regardless of its size and significance in the international economy, China remains outside some of the important international organizations such as the World Trade Organization (WTO). The WTO is the main multilateral institution in the management of the world trade system. As a result, there is still lack of a central mechanism for resolving conflicts between the United States and China. The patterns expose some strengths and weaknesses of the United States position in the relationship. By pressing China in a bilateral manner, and by the use of the leverage of access to its largest and profitable market, the United States is capable of setting the agenda devoid of concerns for

[25] Kamau P. (2007). Kenya: A case study-The Developmental Impact of Asian Drivers on Kenya with Emphasis on Textiles and Clothing Manufacturing. Mimeo

third party interests. Simultaneously, the United States trade policy making is a petitioner-driven system that is vulnerable to capture by special interests.

Kenya has to take into consideration the fact that the participation of China in the global trade has been increasing especially since the beginning of economic reforms in 1979. Thayer posits that the share of China in the global trade has increased from 0.6 percent in the year 1977 to 4.9 percent in the year 1994, making it among the largest trading nations in the world. The economic reforms in China motivated a major growth in trade as well as transforming the commodity composition and aligning patterns of trade in the country closely with the real patterns of comparative advantage. There has been an increase in the country's share of exports as well as imports of capital equipment's. Besides the rapid development in the good market, the country has also developed to become a major player in the global capital markets. The country is currently the greatest developing nation destination for FDI. The stock of inwards FDI is currently over $100 billion, even if some of this is because of the "roundtripping" as Chinese investment is moved via Hong Kong because of the more favorable handling of foreign investors in Hong Kong. With this situation in China, it is in the best interest of Kenya to maintain economic ties.

The current global positioning of China has posed a major challenge for the high-income nations, such as the United States. The country has with the United States, a fast-developing aggregate bilateral trade surplus, even on the basis of the data from China, taking into consideration the miscounting of re-exports via Hong Kong. This developing Chinese surplus cannot be explained apart from a function of the production relocation from Hong Kong as well as Taiwan to China. The developing bilateral imbalance, differences in political values, as well as the imports concentration in light manufactures are all important political factors in the United States, as far as its foreign policy on China is concerned. The Chinese products have created job opportunities for many Kenyan households given the fact that they are cheaper and affordable.[26]

Bilateral relations between Kenya and China is on the positive note with traditional friendship enhancing the cooperation. Trade relations and economic expansion have seen progress with both Kenya and China making imperative headways in economic and technical cooperation. The idea that China is the largest developing nation and that Kenya is a developing country has great significance in the future of the relations between the two nations. This is what will continue to shape the shared interests and responsibilities of the two nations. The comparative advantage of the two economies does not coincide. This suggests that as major economies in the world, the two nations will continue to depend on each other and this will be the factor behind their relationship in the future. However, the study also suggests that the two countries are at an important stage to set a course for their future. This is because positive relationship between the two is not only significant to them, but also to the entire global system. The logic of these agreements is to enhance the concept, process and outcome of economic diplomacy between the two countries. The economies of China and Kenya in the next ten years will be to a great extent shaped by the level of integration. Various studies have documented the possibilities as well as challenges in China-U.S. economic and political connections. According to Mingjiang (2011) there are some reasons to be optimistic on looking at the history of the relationship between the two nations. The economic policy and performance of China was of no impact to the domestic economy of the United States. At the same time, the economic policy and performance of Kenya had no impact on China. In the recent four decades, there has been notable China-Kenya bilateral economic relations developing expotentially, with major effects on both nations.

[26] Kenya, ministry of foreign affairs (2006) a brief prepared for institute for development studies, university of Nairobi, September 2006

4.2 China - Kenya Bilateral Trade Agreements

A total of 12 bilateral agreements have been signed between Kenya and China in a period of three years. These agreements focused on various areas of economic development such as technology, agriculture, infrastructure, energy, health, education and tourism. The introduction of the Confucius Institute at the University of Nairobi and Kenyatta University continue to open up cultural exchange between Kenya and China.

The economic and political relationship between China and Kenya is one of the most important international relationships in the world in the present day. While this relationship has been and continues to be characterized by tensions, it remains important. These two countries remain important in the economic diplomacy. China is increasing its role in the international affairs due to its economic development. Economic and political between the two provides each of them with incredible incentives to establish ways to cooperate as well as to avoid, or reduce, tension and strategic conflict. The two governments have expressed hopes for continued relationship between the two countries, regardless of the tensions and challenges. It is important to establish a cooperation that will prevent them from falling into the rivalry between a developing world power and a leading power, as well as to develop mutual benefit. Regardless of the obstacles, it is in the best interest of the two nations to maintain positive relations.

4.3 Chinese direct investment in Kenyan Economy

Foreign Direct Investment (FDI) is described as “the transfer of either tangible or intangible assets from one country to another with an aim of generating income with the ownership of the assets being wholly or partially controlled” (Sornarajah 8). The property transferred mostly consists of manufacturing plants and banking institutions that at the end of the day constitute hugely to foreign direct investment. FDI should be distinguished from portfolio investment as the latter is characterized by money transfer from one country to another for the purpose of purchasing shares in a company that is operating in another country. In portfolio investment, management and control are separate from ownership of shares. Foreign direct investment is particularly essential for "the growth and expansion of international business as it helps in widening marketing networks while at the same time availing affordable production facilities. The main aim of this research paper is to discuss the advantages and disadvantages that a country can derive from foreign direct investment in an argumentative manner, focusing on the linkages between foreign direct investment and the economy, the relationship of foreign direct investment and technological knowhow as well as the interplay between foreign direct investment and international trade. FDI enables the development of skills, novel products, technologies and financing modalities. The greatest benefits of FDI are to the host country as it makes it possible to create new goods and services thereby propelling economic growth. The most recent acceptable definition of foreign direct investment has been widened so as to include the concept of lasting management interest in a business or a company that is located in another country. Foreign direct investment might also include, "the acquisition of a foreign firm directly or the construction of new business infrastructures in that country" (Tarzi 1).

FDI have increased from yearly average of $10 billion in 1970's to averages of $20 billion in 1980's. This average has grown rapidly in the 1990's reaching yearly averages of $26.7 billion, shooting to $179 billion in 1998 then to $208 Billion by the end of 1999 (Sornarajah 8). On the other hand, foreign direct investment is extremely valuable as it enables "both medium and small scale sized companies to venture into international trade" (Sornarajah 9). Foreign direct investment has been reported to boost the development of enterprises in the host country. This has been via development of new business ventures while at the same time raising efficiencies and lessening the expenses involved in running such a business.

The global growth incentive has resulted in the development of increased growth in technological and trade attributes and these factors have resulted in innovation and actualization of the growth strategies proposed by capacities of development. Finally, the administrative arm of the council has forged an alliance that is targeted towards the realization of ideal policy implementation and the arrangement of the meetings. Since the development of the economic diplomacy between Kenya and China, some of the leading achievements include the creation of the forces, the signing of the trade agreements

Ideally, analysis conducted across each and every economy in this region has resulted in the enhancement of merging factors and has also increased the scope of increased conduct and promulgation of economic activities due to the rising factors of regional development. Commercial productivity and substantial development has been derived in the region characterized by the advancement in employment rates and increased investment opportunities (Chowdhury, 2012). Further realization of these factors have been associated with the increase in globalization and increased trade attributes between various economies.[27]

Agricultural development and performance is one of the leading pillars of development and it has resulted in the advancement of increased performance. Ideally, Kenya has limited factors of production that increases the scope of increasing the rate of agricultural performance. Certainly, the realization of this increase is essential because it has contributed towards the establishment of

[27] Kamau P. (2007). Kenya: A case study-The Developmental Impact of Asian Drivers on Kenya with Emphasis on Textiles and Clothing Manufacturing. Mimeo

higher performance. This ensures that the factors of development are reduced and thereby leads to the development of trade and development between Kenya and China.[28]

4.4 Chinese Foreign Aid to Kenya

The nature of development aid that Kenya receives from China is totally different from the kind of aid that Kenya receives from the Western countries. The conditions of donor aid also differ significantly from these two donors. Comparatively, research shows that the integration of foreign policies and home policies between Kenya and China is the key to the attainment of optimal development in foreign aid between China and Kenya. This aid enhances market competition in Kenya. This proposition has been faced with severe criticism as there is no direct way of measuring market competition. The introduction of foreign firms in a country spurs economic growth and development thereby increasing competition in the local markets. Technological advancements, managerial skills and the newly introduced market innovations play a tremendously prominent role in the market regime. The wide development of markets and increase in innovativeness leads to increment in wages and salaries, which encourage large scale manufacturing as there is the presence of trained and skilled labor.[29]

If the domestic companies are not competitive and efficient, they may suffer losses. Hence, plays an immensely significant role in boosting the inflows from direct investment thereby opening a wide link between countries. It thus leads to enhancement of international trade networks by increasing the number of subsidiary firms in foreign countries. Enhanced access to exports and

---

[28] Kaplinsky R.*The impact of China and India on the developing world.*CEsifo Forum ,1-15-21 (2007)

[29] Paul *Kamau.China-Africa Summit* ,Wenran Jiang (2006)

imports is particularly valuable in distributing and marketing of goods and services across the globe[30]

[30] Journal on *China- African policy and its soft power*(2006)

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the conclusion as well as suggested recommendations for implementation on the role of Economic diplomacy as a key driver in achieving Kenya's Vision 2030 towards economic development.

5.1 Conclusion

Economic diplomacy remains one of the key drivers of Kenya's economic development through its foreign policy implementation in different parts of the world. These can be achieved through partnerships, bilateral discussions, international lobbying and conferencing. It is imperative for the country to engage more in trade related diplomacy in order to accelerate the attainment of Vision 2030. Kenya's foreign policy during the reign of Mwai Kibaki was very keen on what we call going East which basically means engaging more with China in trade and infrastructure development.

Structuring and formalization of economic diplomacy strategies are very important since economic diplomacy has evolved to being diplomacy with an economic contort – strategy intended to impact foreign government policy and administrative choices that influence world trade also, investors. Before, economic discretion concerned itself to a great extent with transactions on levies and quantities on imports operations. In today's more related world, trade transactions cover a far more extensive scope of government controls and activities influencing universal trade. This calls call for diplomats who are able to negotiate and close trade deals other than just representation of sovereignty, In 2015 Kenya was able to lobby and was given a chance to hold World Trade Organization in which several negotiations were done and deals closed.

Economic diplomacy constitutes a wide range of activities, advocacy, coalition-building and negotiation chain, trade lobbying, opportunity identification, holding summits that lead to international bilateral and multilateral treaties agreements on trade-related issues. Thus the players in the diplomatic circles need requisite knowledge and tact to adequately negotiate economic opportunities and projects, and pursue economic interests of Kenya both internationally and regionally with special emphasis on regional integration through economic blocs like EAC, COMESA, IGAD and the African union.

Kenya needs to invest in Information Communication Technology (ICT) especially in the area of Tourism and Education. So far the ICT infrastructure is very poor terms of connectivity and marketing platforms. In order to market tourism across the world the government needs to partner more with more developed worlds like France to automate all travel bookings, hotel accommodation and air ticketing to various tourist destinations in the country.

5.2 Recommendations

After a thorough analysis of available data on Economic diplomacy in Kenya, this research recommends the following to be put in place in order for Kenya to realize full potential of economic diplomacy opportunities in relation to the realization of Vision 2030.

5.2.1 Reconstituting existing economic diplomacy policy framework

The existing Kenyan foreign policy doesn't emphasize economic diplomacy but rather is more concerned with political representation. It is high time for the new guidelines to be incorporated in the Constitution regarding foreign trade and mechanisms of achieving it. Due to globalization, countries are now more interconnected on trade issues hence diplomats needs to adapt to these new trends in the global trade system.

5.2.2 Improving Transparency and Accountability

This attitude originates from a past domain of lacking responsibility, and the pervasiveness of bureaucratic elitism acclimated to support and insulate inside strategy; it can be broken just by watching fundamental standards of monetary discretion that prize wide counsel between partners at various levels. The advancement of a monetary and business discretion motivation displays an open door for inventive creative ability: to look to combination past the European equation; and look for answers for winning difficulties inside the EAC.

Appointment of diplomatic agents needs to be conducted in the most professional and transparent way to enhance efficiency in the practice of diplomacy .Only people with requisite knowledge in diplomacy should be appointed as Ambassadors and not based on political or ethnic orientation.

5.2.3 Upholding good democratic Values

Effective economic diplomacy requires that Kenya puts the best governance values to be projected to the outside world. This will in return attract foreign investment thus creating opportunities in trade and at the same time creating employment to majority of youths who are now unemployed. This can be achieved through: transparent election processes, upholding fundamental human rights, respect for the rule of law and, working towards a corruption free nation.

Democratic countries tend to attract more investment, the best example being United States of America and within East Africa Rwanda have been home for foreign investment because of relatively low corruption enhanced with transparency in government dealings. Kenya needs to learn from these good practices in order to harness its immense opportunities in economic diplomacy.

.

5.2.4 Strengthen EAC regional Integration

Before engaging in bilateral negotiations within the EAC on Bilateral Trade Agreements (BTA) the nation needs three things set up. Firstly, a national development strategy involving a general development technique, with national policies (for horticulture, industry and administrations) and issue-based strategies (strategy towards foreign investment, present cooperation in the economy, licensed innovation). The proposition set forward by the BTA accomplice or potential accomplice can then be surveyed inside the setting of such a system. Correspondingly, the places of the nation in the BTA transactions can be planned in light of the structure. Without such a structure, it is hard to decide the targets of entering any BTA arrangement, or of the points of interest or generally of the proposed BTA.

Furthermore, Kenyan government ought to be a system to survey the advantages and expenses of the BTA, as far as its different segments and of the different recommendations and arrangements, and the general adjust. The advantages and expenses can be evaluated as far as: (an) additions and misfortunes in trade terms: e.g. increment in exports and imports; (b) increases and misfortunes as far as opportunities; (c) consequences for the level of strategy space and adaptabilities accessible to the nation as an aftereffect of the BTA; (d) social impacts: on access to wellbeing, to information, nourishment security and so forth; (e) consequences for innovation trade. Different things can be included. The expenses and advantages can be connected to the different parts of the BTA, including market access (to the next nation, and the accomplice nation's entrance to one's own market) in merchandise; governments; licensed innovation; investment, rivalry and government acquirement; and work and environment measures. The cross-cutting social and environmental costs of the BTAs can likewise be evaluated.

Thirdly, the Kenya Government ought to build up or organize the assets and institutional base for evaluating regardless of whether to enter transactions for the two-sided; and assuming this is the case, to sort out the groups, targets, and lead of the transactions. As a feature of the procedure, distinctive organizations of the administration ought to be counseled and ought to be a piece of the procedure of the definition of planning and positions. It is similarly essential to include partners, for example, common society, neighborhood firms, trade unions, agriculturists and consumer groups.

REFERENCES

Afman, E.R. and M. Maurel, 'Diplomatic relations and trade reorientation in transition countries', in: P.A.G. van Bergeijk and S. Brakman (eds), 2010, The Gravity Model in International Trade: Advances and Applications, Cambridge University Press (2010): Cambridge

Africa and the Chinese way. New York Times, December 16, 2013.

Akech J, '.The East African Community: Miracle or Mirage?' in East African Scenarios Project, Research Compendium and its Discontents', Journal of Modern African Studies

Akech J, 'The East African Community: Miracle or Mirage?' in *East African Scenarios Project , Research Compendium*, Society for International Development (SID), Nairobi, 2007

Barston, R.P., *Modern Diplomacy*. Second Edition. Longman, London and New York, (1997).

Bayne, N., & Woolcock, S. *The New Economic Diplomacy: Decision Making and Negotiation in International Economic Relations* 2nd edition (2007). Aldershot: Ashgate.

Bergeijk, P.A.G. van, H. de Groot en M. Yakop, 'The Economic Effectiveness of Diplomatic Representation: An Economic Analysis of its Contribution to Bilateral Trade', The Hague Journal of Economic Diplomacy (2011).

Broadman, H.G., G. Isik, S. Plaza, X. Ye and Y. Yoshino), *Africa's Silk Road: China and India's New Economic Frontier*, The World Bank, Washington D.C. (2006

Centre for Business Information in Kenya *Kenyan International Trade Statistics;* CBIK a Division of Export Promotion Council, Nairobi. (2006),

CHINA-FRICA, September Vol.2, No.9.*Daily Nation When Kenya Viewed Beijing Suspiciously*, Sunday Nation, April 30 2006, Nairobi. (2006) (2007

Collier P & SN Ndungu, 'Strategies for growth', in Adam et al., op. cit. See also Mutiga M, 'How Nation Can Avoid Economic Ruin in 2012', Sunday Nation, 16 October (2011)

Coolsaet, R.). Trade and Diplomacy: *The Belgian Case. International Studies Perspectives*. (2004)

Freixanet, J. Export Promotion Programs: Their Impact on Companies' Internationalization Performance and Competitiveness. *International Business Review*, 21(6) (2012)

Geda Alemayehu, *The Impact of China and India on Africa: Trade, FDI and the* (2006).

Gil, S., R. Llorca and J.A. Martinezand J. Luna, 'Information barriers, export promotion institutions, and the extensive margin of trade', Review of World Economics (2010)

Gil, S., R. Llorca and J.A. Martinez-Serrano, Measuring the impact of regional export promotion: The Spanish Case, Papers in Regional Science 87(1), (2008)

Hill, C., *International Business: Competing in the Global Marketplace.* (8th ed.). (Mc-Graw-Hill Companies: New York, (2010)

Hocking, Brian 'Catalytic Diplomacy: Beyond Newness and Decline,' in Jan Mellissen (ed), Innovation in diplomatic practice (New York: (1999),

Kamau P.: *A case study-The Developmental Impact of Asian Drivers on Kenya with Emphasis on Textiles and Clothing Manufacturing. Mimeo,* Kenya (2007).

Kaplinsky Raphael The Impact of China and India on Africa: A Methodological Framework. Paper Prepared for AERC, March 2007.

Kaplinsky, R., D. McCormick and M. Morris *"The Impact of China on Sub Saharan Africa",* Agenda setting paper prepared for DFID China Office, Institute of Development Studies, Brighton. (2006), Kaplinsky, R., D. McCormick and M. Morris The Impact of China on Sub Saharan Africa, *Working Paper 291*, Institute of Development Studies, University of Sussex, Brighton. (2007),

Kenya, ICTB (Information, Communication and Technology Board), Home, http://www.ict. go.ke/. *A New Dawn for Kenya*, *op. cit*., p. 697.

Kenya, Ministry for Information and Communication, *Kenya Year Book 2010: A New Dawn for Kenya*. Nairobi: Kenya Year Book Editorial Board, 2010.

Kenya, MINISTRY OF FOREIGN AFFAIRS (2006) A Brief Prepared for Institute for Development Studies, University of Nairobi, SEPTEMBER 2006

Kenya, Ministry of Planning and National Development, *Vision 2030: A Globally Competitive and Prosperous Country*, Popular Version. Nairobi, 2007, http://www.vision2030.go.ke/ Popular%20Version.pdf.

Kenyoru A, *op. cit*, p. 11; see also Were M *et al*., 'Trade Policy in Kenya', in Adam *et al*. (eds),*Kenya Policies for Prosperity*. Oxford: Oxford University Press, 2010

Lederman, D., M. Olarreaga and L. Lucy Payton, 'Export Promotion Agencies: What Works and What Doesn't?'World Bank Policy Research Working Paper 4044, Washington, DC: World Bank, (2006).

Lederman, D., M. Olarreaga and L. Lucy Payton, 'Export Promotion Agencies: What Works and What Doesn't?', World Bank Policy Research Working Paper 4044, Washington, DC: World Bank, (2006).

Lee, Donna and Brian Hocking 'Economic Diplomacy' in Robert A. Denemark (ed.) The International Studies Encyclopedia, Vol. II, pp 1216-1227. (2010). Wiley Blackwell

Mboya T, 'Some Reflections on the Development of a Foreign Policy for an African State', *The Challenges of Nationhood: A Collection of Speeches and Writings*, Westport (Connecticut):Praeger Publishers, (1970)

Mc Cormick Dorothy. China, *India, and African Manufacturing. Framework for Understanding the Impact of Aid and Migration*. December, (2006.)

Morriset, J., Does a country need a promotion agency to attract Foreign Direct Investment? A small analytical model applied to 58 countries, World Bank Policy Research Working Paper 3028, World Bank; Washington D.C. (2003)

Nitsch V. 'State Visits and International Trade', World Economy, 30 (4). (2007)

Odhiambo W, 'The distribution of Costs and Benefits in Trade in the Context of the East African Regional Integration Process', in *East African Integration, Dynamics of Equity in Trade, Education and Media*. Nairobi: SID, 2011.

Owino K, 'Multilateral Relations and The East African Community', in *East African Scenarios Project Research Compendium*,. Nairobi :(2007)

Rose, A.K., 'the Foreign Service and Foreign Trade: Embassies as Export Promotion', the World Economy (2007)

Veenstra, M.L. van, M. Yakop and P.A.G. van Bergeijk, 'The Geography of Trade and the Network Effects of Economic Diplomacy in the South', in: M. Murshed, P. Goulart and L. A. Serino (eds) South-South Globalization: Challenges and Opportunities for Development, Routledge (2011)

Volpe Martincus, C., A. Estevadeordal, A. Gallo and J. Luna, ') Information barriers, export promotion institutions, and the extensive margin of trade', Review of World Economics (2010)

Volpe Martincus, C., A. Estevadeordal, A. Gallo Morriset, J., Does a country need a promotion agency to attract Foreign Direct Investment? A small analytical model applied to 58 countries, World Bank Policy Research Working Paper 3028, World Bank; Washington D.C. (2003)