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INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES

THE IMPACT OF NON-TARIFF TRADE BARRIERS ON ECONOMIC INTEGRATION BETWEEN KENYA AND ETHIOPIA

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DECLARATION

I declare this project is my original work and has never been submitted for the award of Degree in any other university.

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This Project paper has been submitted for examination with my approval as University Supervisor

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DEDICATION

For my family for their patience and encouragement that gave me strength.

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ABSTRACT

The primary focus of the study is to examine impact of non-tariff trade barriers on economic integration between Kenya and Ethiopia. The study seeks to achieve three specific objectives. First it will identify the non-tariff trade barriers that affect economic integration between Kenya and Ethiopia, secondly, to investigate challenges of border clearance procedure on import-export relation between Kenya and Ethiopia and lastly to determine and examine the measures taken to improve the implementation of bilateral trade agreement, investment between Ethiopia and Kenya to facilitate economic integration. The study was conducted in Nairobi County where Ministry of Foreign Affairs of Kenya, Ministry of Trade and Industry, Kenyan National Chamber of Commerce and Industry, Embassy of Ethiopia, and business community involved in Export and import are located. This was chosen for the convenience of collecting primary data using interview guides from experts, diplomatic missions and traders who own first-hand information about the topic under investigation. The study used data collected from primary and secondary sources. The research applied quantitative and qualitative research approaches. The questionnaires administered to collect first-hand information from respondents. The study finds that non-Tariff trade barriers contribute to the poor performance of economic integration and Poor border clearance procedure management which causes delays in exchange of goods and services and hence affects import-export relations between Kenya and Ethiopia. Also the study hypothesis that poor implementation of the bilateral trade agreements between Ethiopia and Kenya does not affect the economic integration process is disproved. On the other hand, the study finds that poor implementation of trade agreements affects economic integration between Kenya and Ethiopia. The study recommends that the government of Kenya and Ethiopia needs to invest in both physical and soft infrastructure development to enhance trade relations between the member countries. Government and private sectors should also invest to modernize customs and transit systems and strategies (inclusive of developing one stop border posts and expand facilities such as inland container depots. Further, the customs of the two countries should exchange information using harmonized information data base that helps to clear good and services at the border. The study also recommends that the Ethiopia customs office at Moyale Border needs to deploy educated personnel and increase working hours as it is found by the study the customs office is functioning very short time. The Study additionally recommends that Ethiopia and Kenya must establish institutions and technical centers to collaborate their country wide Bureaus of standards that allows to harmonize stringent standards, rules and regulations put in place by respective customs for same products. For effective bilateral trade agreement implementation such as Special Status Agreement, both countries should establish separate institutions with the mandate to monitor, evaluate and follow-up the status of the agreements and their impact on the economic integration of the two nations.

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ABBREVIATIONS

AEC: African Economic Community

IGAD: Intergovernmental Authority for Development

LAPSSET: Lamu Port-South Sudan-Ethiopia Transport

UNCTAD: United Nations Conference on Trade and Development

WB: World Bank

WTO: World Trade Organization

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.0 Introduction

Effective economic integration creates an advantage in accessing market opportunities for countries, which brings efficient exchange of goods and services across boundaries. At global and regional level, nations strive to bring economic growth using economic integration as one of the economic policies to expand trade. Developing countries around the globe considered economic integration as part of their long-term strategy to improve the wellbeing of their nation. Though nations are preaching for the idea of economic integration around the world, it has not been successful as Europeans did. Successful economic integration has many advantages to the economic growth by increasing investment opportunities, access to wide markets for domestic products and share resources. [1] Besides, by harmonizing policies and regulations, countries use economic integration as a tool to alleviate obstacles of international trade. [2]

Economic integration among nations helps to create job opportunities for youth, address the problem of low financial stability by boosting growth, and fostering diversification. On the other hand, effective implementation of commitments such as trade agreements made by members of regional economic integration blocks helps to increase efficient trade exchanges across boundaries. Coordinating institutional practices and harmonizing different policies, investing on infrastructure and trade facilitation are pertinent to realize

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[1] https://www.e-jei.org/upload/JEI_28_3_525_532_2013600025.pdf. International Handbook on the Economics of Integration: Journal of Economic Integration Accessed 7 October 2019,

[2] Mustapha Rouis & Steven R. Tabor (2013). Regional Economic Integration in the Middle East and North Africa. Beyond Trade Reform

the aim of integration among integrating states.[3] In Africa, the concept of regional integration is initiated by Abuja treaty in 1994 that established African Economic Community, which is considered as turning point to bring regional integration, as a continent, under the umbrella of African Union. Besides, to realize the African Union Member states economic and political integration, the African head of state and governments have developed Sirte Declaration of 1999 and Accra Declaration 2007 for effective implementation of Abuja Treaty.[4] The economic integration phases in Africa have not been realized yet due to different challenges. From different forms of economic integration, the dilemma for most nations is political federation which requires state sovereignty to be compromised.[5]

On the East African level, in January 2012 summit that took place in Addis Ababa, Intergovernmental Authority for Development (IGAD) member states agreed to fully implement the free trade area that can help to fast track the economic integration among member states of the block.[6] International trade exists when there is flow of goods and services beyond the territory of a given nation. Heckscher Ohlin theory asserts that countries with abundant factors production can be better off to trade with other states comparatively. Intra and inter trade relation between countries contributes for the wellbeing of people and economic growth. Therefore, especially trade within the specific economic blocks has an opportunity for youth population to participate in different activities and increase investment flows as well as market access for productions. Furthermore, well-established trade relation can create financial market access and

[3] Ibid
[4] Africa Union Commission (2013). Status of Integration in Africa (SIA Iv) 2013
[5] Trudi Hartzenberg(2011). Regional Integration in Africa. World Trade Organization Economic Research and Statistics Division.
[6] Ibid

infrastructure development among regional economic groups. Despite potential benefits of trade, African countries intra-regional trade performance is far behind. As result**,** Low volume of trade exchanges within different economic communities can be taken as a reason that hampers to realize the objective of economic integration in Africa.[7]

Studies show that there are different barriers to international trade across borders, which hinder economic integration between countries. Customs procedures, and lengthy documentary requirements are among trade barriers that hamper the timely movement of goods across borders.[8] For economic integration to be successful between a given countries, trade barriers that impair exchange of goods and services have to be addressed. This study aims to investigate non-tariff trade barriers (custom clearance procedure and poor implementation of trade agreements) that are impeding the economic integration between Kenya and Ethiopia.

1.1 Background to the study

In Africa the concept of integration started in early 19th century while African continent was under colonial rule. After independence, African leaders wanted to rebuild Africa as economically strong, united, stable and peaceful Africa. While these founding fathers tried to bring that unity in Africa, they faced challenges that thwarted the success of integration including differences in trade laws among African nations.

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[7] Daniel S &EricO.(2014). Regionalism and Economic Integration in Africa: A Conceptual and theoretical perspective

[8] Paul R. Krugman & Maurice.O (2003). International Economics, Theory and Policy sixth edition

Thus, for economic integration to be achieved in Africa, it demands harmonizing different trade protocols and agreements negotiated among participating nations.[9] According to Andrea B.Bolanos (2016) economic integration can be explained as "absence of various forms of discrimination between national economies." And "measures designed to abolish discrimination between economic units belonging to different national states."[10] On the other hand, economic integration requires reducing or eliminating protectionist policies among member states that can bring opportunities to access wider market of the nation's joining together. Africa can be one of the hubs for international business market by creating continental mechanism for free trade beyond national boundaries. This mechanism in turn creates a strong economic integration that will help to have market access for African commodities and create business opportunities for small scale industries.[11]

According to free trade theory of Ricardian Model, free movements of good and services across boundaries is considered as one of the powerful engines for economic growth and development. Increased regional cooperation via bilateral and multilateral trading system can promote intra-African trade that can generate development and can be a powerful driver for African economic growth. [12] Africa as continent is exporting primary goods to the rest of the world while importing finished manufactured products, which entails trade imbalance. This clearly shows that Africa pays more than revenue it gains from trade. Therefore, the continent has the financial challenge to build on infrastructures that can

[9] ICTSD. 2016. African Integration: Facing up to Emerging Challenges. International Centre for Trade and Sustainable Development (ICTSD).

[10] Andrea Bonilla Bolaños. (2016). A step further in the theory of regional integration: A look at the Unasur's integration strategy. halshs-01315692

[11] African Development Bank (2019). African Economic Outlook

[12] United Nations Economic Commission for Africa, (2010). Assessing Regional Integration in Africa IV: Enhancing Intra- African Trade. Addis Ababa, Ethiopia

facilitate industrialization to speed economic integration process among the regional economic blocks across Africa.[13]

1.2 Statement of the problem

Trade barriers between African countries are still prevalent because of lack of political will and commitments by the participating countries, trade barriers because of different trade agreements and protocols caused by multiple regional bloc memberships among other challenges. This makes it difficult to overcome challenges among trading partners across the regions in realizing economic integration.[14] Among the East African Community member states there are trade barriers such as inefficient and malfunctioning institutions and export-import requirement that affect trade relation across the region. East Africa region also lacks harmonized trade policies and information exchange strategies that can facilitate for improve trading activities among member countries.[15]

Kenya and Ethiopia have long standing historical political, economic and public relations. However, the trade relation is weak due to different challenges that impair trade exchanges between the two countries. The poor performance of trade facilitation is one of the reasons why the relationship between Kenya and Ethiopia is weak. This poor performance is particularly due to non-tariff barriers such as long bureaucratic procedures, poor implementation of bilateral trade agreement and related obstacles to trade between Kenya and Ethiopia. However, research has shown that economic integration helps to promote and harmonize the economic development between

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[13] Ibid
[14] ibid
[15] Monica A.Hangi (2010). The Non-Tariff Barriers in Trading within the East African Community. Economic and Social Research Foundation.

participating countries. Also, it is a vital strategy for economic growth and wellbeing of nations as it enables them to acquire collective power to negotiate in international forums.[16] Nevertheless, both Kenya an Ethiopia economies' are yet to reap full benefit of integration as their economies are still depending on the agrarian society. The trade volume is minimal and the formal economy cannot accommodate employment opportunities for the youths and unemployment rate is high. Since Africa as a continent is economically poor, its bargaining power in trade deals is limited. Also, the East African region is known for conflict and poverty driven society due to weak economic performance and low level of trade across boundaries.

The economic performance for Ethiopia and Kenya is poor to an extent that it cannot support the wellbeing of its people well. In the year 2016, 23.5 % of the populations in Ethiopia are below the poverty line[17] while 36.1% of Kenya's population, in fiscal years 2015/16, are still in the extreme poverty.[18] This poor performance shows the need for the two countries to have a common goal to improve wellbeing of it citizens by improving trade cooperation between Kenya and Ethiopia in advancing strong trade relation. Therefore, the above facts lead to the question why economic integration between Kenya and Ethiopia is poor and what are the challenges of trade relations.

[16] Daniel Martínez(2004). The world of work in the context of economic integration and trade liberalization. *ILO publications*
[17] UNDP (2018). Ethiopia's Progress Towards Eradicating Poverty report, UNDP Ethiopia
[18] World Bank Group (2018). Kenya Economic Update.17th edition

1.3 Justification of the Study

This study aimed to examine impacts of non-tariff trade barriers on economic integration between Kenya and Ethiopia. Different researches have been conducted on possible thematic areas of Economic integration, the challenges, and effectiveness of regional economic communities in realizing economic integration in Africa. The implementation of trade agreements as member states of different regional economic communities also researched frequently. Most of these studies focused only on regional economic communities and most of the studies overlooked the assessment of non-tariff trade barriers for economic integration at the bilateral level which directly or indirectly slowing down economic integration of African nations in general and East Africa in particular.

The study identified the non-tariff barriers that are affecting the bilateral trade relations between Kenya and Ethiopian and helped to tackle this bottleneck to improve trade relations between the two countries. Improved trade relations between the two countries can facilitate to fasten economic integration that has positive impact on national economy. The academia can use the information of this study to research further on the issue. The findings of the study will be an input for Kenya and Ethiopia’s respective ministries which are mandated to implement trade relation as policy options to increase the volume of trade and remove nontariff barriers.

1.4 Research Questions

i. What are the non-tariff trade barriers that are affecting economic integration between Kenya and Ethiopia?

ii. What are the challenges of customs clearance procedures on the trade relation between Kenya and Ethiopia?

iii. What are the measures to be taken in the implementation of the trade agreements signed between Kenya and Ethiopia?

1.5 General Objective

To examine the impact of non-tariff trade barriers on economic integration between Kenya and Ethiopia.

1.5.1 Specific Objectives

i. To identify the non-tariff trade barriers that affect economic integration between Ethiopia and Kenya.

ii. To investigate challenges of custom clearance procedure on import-export relation between Kenya and Ethiopia.

iii. To determine and examine measures to be taken in the implementation of trade agreement signed between Ethiopia and Kenya

1.6 Literature Review

1.6.1 Tariff and Non-Tariff Barriers to economic integration

1.6.1.1 Trade Barriers

According to Dominick Salvatore (2013) trade barriers are those constraints against the trade exchanges beyond the national territories of given nations. Governments in their import-export trade activities impose tariff on imports to get revenue. On the other hand, exporters are required to pay export duty for the items they are exporting abroad. More specifically, there are ad valorem, specific, or compound tariffs each with their own ways of calculating the tax amount on commodities. Imported items may be subject to tariff with percentage on their value calculated as ad valorem tariff. On the other hand, specific and compound tariffs are also another trade barriers.[19]

On the other hand, other forms of trade barriers are non-tariff barriers, such as rules, regulations and laws that slow down trade exchanges across boundaries. [20] There are different forms of non-tariff barriers such as Standards, inefficient customs clearance, incompatible policies, Labelling and Certification requirements. These measures used as protectionist measures.[21] Besides, non-tariff barriers are mainly involved in time delays and hassles in trade exchanges across borders.[22]

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[19] Dominick Salvatore (2013). International Economics. Fordham University. 11th Edition

[20] Monica A.Hangi (2010). The Non-Tariff Barriers in Trading within the East African Community. Economic and Social Research Foundation.

[21] Ibid

[22] Kennedy K.Mbekeani(2013). Understanding the Barriers to Regional Trade Integration in Africa. African Development Bank

In the global experience of economic integration, despite the concept of trade liberalization alone which has not been successful in providing market access and competition, Non-tariff measures also influence competition in the export and import of goods and services. From different literature on trade barriers, non-tariff measures taken on trade exchange by governments have different purposes such as safety of human beings and protecting the environment), Safeguarding national security, safeguarding of revenue and protecting domestic firms.[23] Economic integration entails to improve and manage regional infrastructure, which enhances intra-trade relation within the given region, and more importantly share systems of rules and policy guidance[24]. Besides, time consuming and inefficient border procedures are also impeding intra-regional trade.[25]

Trade relation among the East Asian nations can be taken as model in comparison with other regions around the globe. However, there were challenges in trade exchanges in the region whereby free movement of productions hampered by different trade barriers. [26] The imposition of tariffs has negative and positive effects by changing the price of commodities in trading partners that has impact on the final consumers of the products

[23] African Development Bank (2019). African Economic Outlook: Integration for Africa's Economic Prosperity

[24] Ibid

[25] Trudi Hartzenberg(2011). Regional Integration in Africa. World Trade Organization, economic research and statistics division. https://www.wto.org/english/res_e/reser_e/ersd201114_e.pdf (accessed 27 March 2021)

[26] World Bank Group (2018). East Asia and the Pacific Region Development Research Group Macroeconomics, Trade and Investment Global Practice

and producers participating the trade exchanges[27] Studies conducted on African Regional Economic Communities shows that small-scale trading agents are more vulnerable for nontariff trade barriers. In cross border trade activities, there are different challenges that impair free trade such as complicated custom clearance procedures and poor infrastructure including road facilities. Primary goods and leather products are most affected trading items by trade barriers within Africa's trade exchanges.[28] The East African region's economic integration progress is far behind than other African Regional Economic Communities. One of the contributing factors is lack of policy coordination and poor implementation of trade agreements among member states in the region.[29]

Ethiopia has in recent times been selling electricity to Djibouti, Kenya, and Sudan. However, trading of goods and services between Ethiopia and Kenya has been experiencing different non-tariff barriers such as lengthy border clearance and high tariff.[30] The government of Ethiopia collects revenue from both primary goods and non-agricultural commodities imported from foreign countries. Besides, the government has also infant industry protection policy whereby high tariffs imposed on selected sectors. There are also procedures and requirements the importers have to fulfil to take part in trade exchanges.[31] The Kenyan government also introduce tariff on specific imported

[27] Krugman and Maurice O. (2003). International Economics. Theory and Policy. Sixth Edition

[28] African Development Bank (2019). African Economic Outlook: Integration for Africa's Economic Prosperity

[29] Solomon Gebreyesus G. (2016). Regional Integration in the Horn of Africa: State of Affairs and Challenges, center for European Studies No. 31

[30] World Trade Organization (2019) Distance, Formal and Informal Institutions In International Trade

[31] Ibid

products that are used as inputs for leather and garment industries.[32] There are also non-tariff barriers such as import rules and regulations that importers need to comply. Besides, importation of Some products such as milk, meat, poultry are banned by the Kenyan government.[33] International and regional trade has been challenged by non-tariff barriers that increase trade transaction costs [34] On the contrary to the above-mentioned facts, some studies concluded that non-tariff measures affect trade flows.

1.6.2 Customs Clearance Procedure on Import and Export

When a commodity fulfils the required steps and documents required by Customs authorities and it is ready to cross borders or to be used by customers, the Revised Kyoto Convention(RKC,2007) define it as clearance. Making ease of doing business and simplifying rules and regulations on trade relations considered as basics for modern economic development agenda. On the global level, to improve the rapid movement of goods across borders, governments and other stakeholders are improving their custom clearance systems.[35] Experiences in Asia-Pacific Region of member states customs administration shows that communication and cooperation among all the stakeholders such as the government, Customs, and the private sector are vital for implementation of border management and control with expertise in clearance procedures.[36]

Poor infrastructure including roads, lengthy and inefficient customs institutional arrangements are major obstacles to trade that affects economic integration in the East

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[32] Office of the United States Trade Representative (2019). National Trade Estimate Report on: Foreign Trade Barriers

[33] Ibid

[34] United Nations Conference on Trade and Development (2019). Economic Development in Africa Report. Made in Africa. Rules of Origin for Enhanced Intra-African Trade

[35] World Customs Organization (2018) guide to measure the time required for the release of goods, Version 3

[36] Endris N. & Tsegaye A.(2011). The impact of border clearance Procedures on the cost of doing business in Ethiopia

and southern African regional economic communities.[37] To make trade exchanges efficient and contribute for economic integration, it is important to improve trade regulations, burdensome customs procedures, and inadequate infrastructure.[38] In the case of Kenyan custom administration, the border clearance of goods delays mainly by the failure of clearing agents or importers to submit documents in time. The border clearance in Ethiopia also has some problems such as lengthy clearance procedures; inefficient customs personnel management, and lengthy decision-making processes.[39] Some of the rationale governments intend to use Non-tariff trade barriers in international trade are protecting home industries, avoiding revenue loss levied from import export exchanges.[40]

1.6.3 Measures to be taken for the effective implementation of the Trade agreement

Trade relation between African countries is very minimal due to poor implementation of bilateral and multilateral protocols that can facilitate trade between and among states.[41] Countries faced major challenges in border regulatory and institutional reforms in areas like customs administration, and competition policy.[42] In Africa, regional integration and the liberalization of tariffs within the economic communities not yet achieved due to

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[37] Trudi Hartzenberg(2011). Regional Integration in Africa. World Trade Organization, economic research and statistics division. https://www.wto.org/english/res_e/reser_e/ersd201114_e.pdf accessed 27 March 2021

[38] Ibid

[39] United Nations Economic Commission for Africa. Assessing Regional Integration in Africa IV: 2010. Enhancing Intra- African Trade. Addis Ababa, Ethiopia

[40] Monica A.Hangi (2010). The Non-Tariff Barriers in Trading within the East African Community. Economic and Social Research Foundation.

[41] United Nations Economic Commission for Africa, 2010. Assessing Regional Integration in Africa IV: Enhancing Intra- African Trade. Addis Ababa, Ethiopia

[42] Chauffour, Jean-Pierre and Kleimann, David, (2012, PP 43-55). The Challenge of Implementing Preferential Trade Agreements in Developing Countries – Lessons for Rule Design (July 12, 2012). Society of International Economic Law (SIEL), 3rd Biennial Global Conference. Available at SSRN: https://ssrn.com/abstract=2104183 or http://dx.doi.org/10.2139/ssrn.2104183

human and institutional capacity constraints in trade agreement implementation and regional economic community agreements.[43]

African Continental Free Trade Area believed to create multiple opportunities and fast-track the continental economic integration. When fully implemented, the free trade area can increase foreign Direct Investment and create job opportunities for many African youths, improve trade relations within the continent, widen the market opportunities for primary and manufactured products from every corner of African nations. Moreover, it has great impact in speeding African economic integration projects and positively contributes to achieve African Union 2063 agenda.[44]

Policy implementation theory shows the challenges of the implementation process of the Preferential Trade Agreement is lack of ownership and awareness creation by concerned institutional arrangements designed for the implementation of such agreements. Lack of awareness and poor coordination between stakeholders, lack of mandated institutional and manpower arrangements that can follow-up the implementation progress, financial resources scarcity, lack of access to modern communication, prevalence of corruption and maladministration, rigid economic policies and regulations are contributing factors of poor implementation for trade agreements.[45]

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[43] United Nations Conference on Trade and Development (2019). Economic Development in Africa Report. Made in Africa – Rules of Origin for Enhanced Intra-African Trade

[44] UNCTAD (2018). African Continental Free Trade Area: Challenges and Opportunities of Tariff Reductions, UNCTAD Research Paper No. 15. UNCTAD/SER.RP/2017/15.

[45] Ibid

1.6.3.1 Special Status Agreement

In the year 2012, at the bilateral level, the Ethiopian and Kenyan governments have signed Special Status Agreement to elevate bilateral trade and to alleviate investment bottle-necks. Besides, the Agreement provides a framework for the coordination and policy harmonization between Kenya and Ethiopia to facilitate investment, trade and market access for trading items for both nations. However, there is no separate institutional arrangement that follow-up the implementation of the special status agreement both in Kenya and Ethiopia though it suggests institutional framework.[46] According to the 2012 Special Status agreement made between Kenya and Ethiopia there are four major sectors identified for granting special status of cooperation such as sustainable livelihoods, investment, food security and trade. The agreement is meant to facilitate trade between the two neighbours particularly focus on textiles, food complexes, agriculture and raw materials. [47]

1.6.3.2 Trade

Article 3 of the Special Status Agreement clearly shows the stand of the two countries trade agreement. Kenya and Ethiopia agreed to create joint business and trade associations to work together in promotion activities, mutual trade and economic cooperation through creation of market access to locally produced goods and progressive tariff concessions. The two countries agreed to improve infrastructure development that promotes bilateral trade. Establishing trading facilities such as Inland Container Depots in

[46] USAID (2018). Study of the Kenya – Ethiopia trade corridor: A pathway to agricultural development, regional economic integration and food security. Final report, December 2018

[47] Special Status Agreement between Government of the republic of Kenya and the Government of Federal Democratic Republic of Ethiopia, November 21, 2012

their custom territories is another important move that can help ease trading relation and hence bring about economic integration between Kenya and Ethiopia.

1.6.3.3 Investment

On article 4 of the special status agreement also articulate the relationship between investors across the two countries. Investors from both countries were given priorities to have access to market and avoiding double taxation issue. The agreement focused on establishing Joint private investment council to promote investment and collaborate in research and innovation on investment sectors.

1.6.3.4 Infrastructure

Infrastructure is one of the building blocks in promoting economic integration and trade relation. The promotion of electricity trade, transport corridor facilities and extension of energy in the economic development corridor of Kenya and Ethiopia given due emphasis in the special status agreement. According to the African Union Assembly (2012) infrastructure like creating regional economic corridors are decisive for economic integration and economic development of the continent.[48]

on the same note, Ethiopia and Kenya has agreed to build Moyale Joint City and Economic Zone corridor and launched One Stop Border Post to boost cross border trade. Besides, to connect business and people to people relation, the high way from Nairobi-Addis Ababa is under construction. The Lamu Port South Sudan-Ethiopia

[48] Programme for Infrastructure Development in Africa (2020). Progress report

Transport(LAPSSET) project has great potential to facilitate business activities and enhance economic integration among the three countries.[49]

The power trade is another potential area of economic integration in East African region. Ethiopia has huge potential to export clean energy for its neighbors including Kenya. Currently both Kenya and Ethiopia are constructing Electricity transmission grid from both sides.[50]

1.6.3.5 Food security and sustainable livelihoods

Collective initiative measures for development of sustainable livelihoods for the border communities, pro-poor economic programs in irrigation that promote food security and establishment of livestock trade and disease control centres as well as management of shared trans boundary natural resources are main cooperation areas highlighted on article 7 of the special status agreement between Kenya and Ethiopia.

1.7 Literature gaps

The impact of impact of non-tariff trade barriers on economic integration of Kenya and Ethiopia, is not sufficiently addressed at the bilateral level. More importantly, it has not been established why the special status agreement signed between Kenya and Ethiopia is not implemented yet. All these would entail some policy interventions to increase trade relations and fasten the economic integration of Kenya and Ethiopia.

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49 https://www.chinadaily.com.cn/a/202012/09/WS5fd0f06ca31024ad0ba9adfa.html: accessed on April 9, 2021

50 African Development Fund (2012). Ethiopia-Kenya Electricity Highway. Project Appraisal Report

1.8 Theoretical framework

In this part the basics of international trade and its contribution to economic integration between countries will be discussed. Major applicable theories of international trade that contribute to economic integration will be highlighted especially the Ricardian model theory and Heckscher Ohlin theory to explain the topic at hand.

1.8.1 Ricardian theory of Free trade

The Ricardian model of international trade explains the reasons why trade is happening across boundaries and its contribution on economic development. This elaborates importance of trade in facilitating economic integration between nations that can improve the wellbeing of their people.[51] According to David Ricardo (cited in Steve S.), in the concept of free trade country focuses on producing and exporting goods and services that have a comparative advantage. When a given nation can produce goods at a lower cost than another country and importing those goods with least comparative advantage. Free trade policy is one of the tools of economic integration. Trade barriers such as long customs procedure drastically impair free trade among nations.[52] This theory helps to understand why countries apply protectionist policy through tariff and non-tariff measures in international trade. It also helps to explain how Kenya and Ethiopia can increase the bilateral trade by specializing in production of goods that most better off and exchange them freely and fasten economic integration.

[51] P.R. Krugman and Maurice O. (2003). International Economics Theory and Policy. Sixth Edition
[52] Steve Suravonic(2009). Policy and Theory of International Trade

1.8.2 Heckscher –Ohlin Theory

Ohlin theory asserts that countries use abundant resources available at home as an input to produce goods and services for export purposes.[53] Heckscher-Ohlin theory argues that countries with different factor endowments are expected to trade with each other and bring about economic integration occurs. It relates to the concept of the common market, one of the stages of economic integration, which has to do with free movement of factors of production. This Model used factors of production like labour and capital/land to explain those countries who own abundant labour can produce labour-intensive agricultural goods and exchange internationally for those countries who owe these factors of production is scare.[54] Furthermore, the theory asserts that the imposition of those Non-tariff barriers by trading partners hinders the efficient use of free trade and thus the concept of use of abundant factors of production cannot be properly exploited. This theory helps the researcher to explain what kind of policy options can be applied by both Kenya and Ethiopia to increase their trade volume and enhance the economic integration between these countries.

1.9 Hypothesis

H1: Non-Tariff trade barriers contribute to the poor performance of economic integration between Ethiopia and Kenya.

H1: Poor border clearance procedure management is causing delays in exchanges of goods and services on import-export relations between Kenya and Ethiopia.

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[53] Dominick Salvatore (2013). International Economics. Fordham University. 11th Edition

[54] Edward E.Leamer (1995). the Heckscher-Ohlin model in theory and practice, by International Finance Section, Princeton University. ISSN 0081-8070; no. 77)

H0: Poor implementation of the bilateral trade agreements between Ethiopia and Kenya does not affect the economic integration process.

1.10 Methodology

According to John W.Creswell scientific research method requires how the researcher collects primary and secondary data, the techniques used in data analysis and interpretation of findings. The author also noted that researchers may also apply both quantitative and qualitative research methods at the same time.[55]. This study will employ mixed research method. The researcher will make data triangulation using collected data from respondents with different knowledge of the topic under investigation.

1.10.1 Target Population

The study was conducted in Nairobi County where Ministry of Foreign Affairs of Kenya, chamber of commerce, Embassy of Ethiopia, and business community involved in Export and import are located. This was chosen for the convenience of collecting primary data using interview guides from experts, diplomatic missions and traders who own first-hand information about the topic under investigation. The study involved, Ministry of Foreign Affairs Kenya, Chamber of commerce, Embassy of Ethiopia, and business community involved in Export and import.

1.10.2 Data collection

Interview guides and questionnaires were administered to collect primary data on non-tariff barriers, measures taken for implementation of the special status agreement signed

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[55] John W. Creswell (2014). Research Design: qualitative, quantitative, and mixed methods approach /4th ed.

between Kenya and Ethiopia and other relevant topics. The questionnaire and interview guide that assumed to answer the research questions were formulated sequentially in which the tools for diplomats, trade experts and business community prepared for each respective research question. The participants and respondents were composed of key informants, traders, and officials from Kenyan Ministry of Foreign Affairs, Kenya National Chamber of Commerce and Industry, and from Ethiopian Embassy. Three respondents (Ethiopian Desk officer, bilateral commercial attaché and assistant director of economic and commercial diplomacy directorate) with expertise in Kenya –Ethiopian relations were selected from Economic and Commercial diplomacy section of the Ministry of Foreign Affairs of the Republic of Kenya, from Kenya's National Chamber of Commerce and Industry three key informants who had information about bilateral trade and 15 respondents from Kenyan and Ethiopian business community who engage in import-export from and to Ethiopia are selected using purposive sampling.

From Embassy of Ethiopia Business promotion department two business attaches and two from bilateral department and from Ministry of Industry, Trade and Cooperatives from Bilateral division and regional division (which deals with non-tariff barriers and bilateral trade) 15 officers selected. The total number of respondents for the study was 40. The main reason to include these respondents is to find key informants on the subject area and these institutions are the right place to have such knowledgeable respondents for data validity.

The secondary data was collected from books, journals, magazines, articles, policy documents, previous studies, reports published by international organizations (UNCTAD, WTO, WB), of regional economic communities, etc. were used to supplement data gathered from the primary data sources.

1.10.3 Data analysis and presentation

The data was analysed by both qualitative and quantitative approaches and the findings were presented in chapters two, three, four and finally conclusion and recommendations.

1.10.4 Ethical consideration

The researcher prepared a consent form to make sure that participation in the research is voluntary basis. Respondents were informed of the research objective. The questionnaire did not require the respondents to indicate their name hence the researcher assured the respondents of their anonymity and confidentiality.

1.10.5 Limitations of the study

The study had limitations such as time and resources. From Ethiopian side sampling only uses the embassy and Ministry of Trade in Ethiopia, and not includes other stake holders like Ethiopian Chamber of Commerce which may be useful to have data on bilateral trade relations between Kenya and Ethiopia. The sample size was not relatively sufficient as we anticipated for vast information from different angles.

1.11 Chapter outline

The first chapter focuses on the brief explanation of economic integration, and international trade. This chapter deals with background information of the study, statement of the problem, justification of the study, research questions and objectives of the study as well as the literature review on trade barriers that affect the economic integration of Kenya and Ethiopia and the gaps identified in current studies. Lastly, the theoretical framework and methodology to conduct the research are discussed among other things.

Chapter two discusses brief analysis of non-tariff trade barriers and economic integration between Kenya and Ethiopia. Chapter three gives the background of the Kenya and Ethiopia trade relation and custom clearance procedures. Chapter four examines ways of effective implementation and measures of bilateral trade agreements of Kenya and Ethiopia. The last chapter covers the study conclusion and recommendations.

CHAPTER TWO

IMPACT OF NON-TARIFF BARRIERS AND ECONOMIC INTEGRATION

2.1 Introduction

This chapter focuses on the nontariff trade barriers existed between Kenya and Ethiopia. The ways to reduce nontariff trade barriers, the impact of trade barriers and economic integration and finally conclusion of the chapter also discussed.

2.2 The study demographic information

Hauser and Duncan alludes that demography is the size, territorial distribution, and composition of population[52]. The demographic information was necessary in describing the composition of the target population in regard to gender, age and education level.

2.2.1 Gender

Both male and female participated in filling in the questionnaire and this enabled the researcher to understand how both genders are viewed the impact of non-tariff barriers and economic integration trade relation between Kenya and Ethiopia. From the findings it was revealed that 64% were male while 36% were female. The respondent's gender was as indicated in figure 2.1

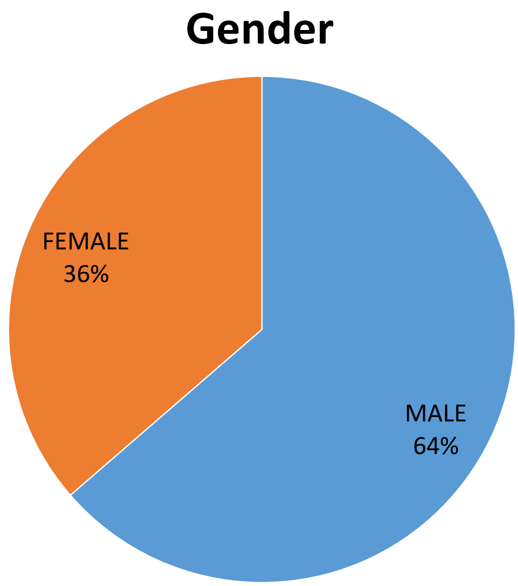

Figure 2.1: Gender of respondents

Source: Field data 2021

2.2.2 Age Group

The research findings revealed that a large number of respondents aged between 31-43 years and 44-56 years. This clearly indicated that the respondents' ages are diverse but most of them between the ages between 31 and 56. Age is a useful distinction between youth and elders in studying the impact of non-tariff trade barriers on economic integration

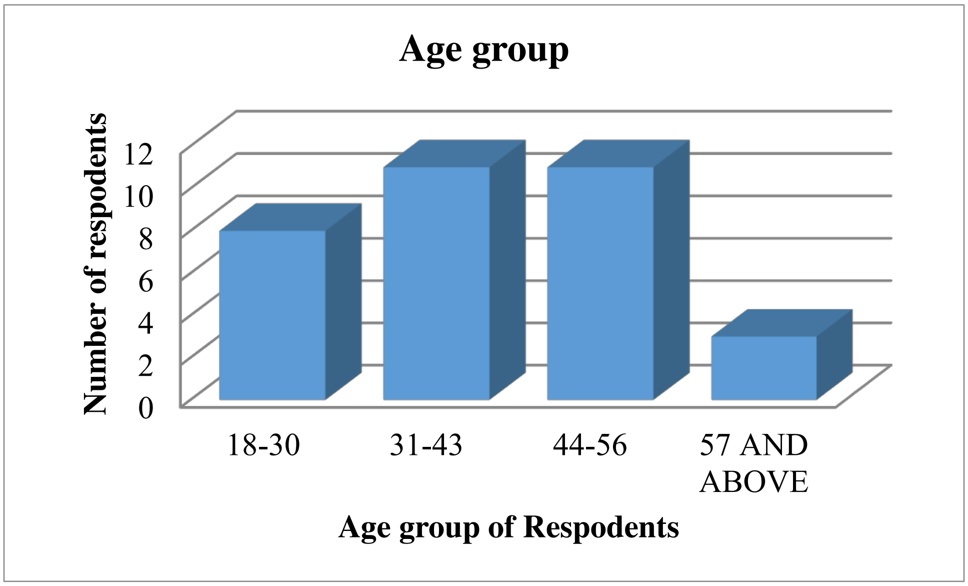

Figure 2.2 Age Group

Source: field data 2021

2.2.3 Level of education

The findings revealed that 43% of the respondents were undergraduate degree holder and 33% being master's degree holders**.** Moreover, Among the respondents 33% are second degree holder, 12% are High school completed and 6% are Doctor of Philosophy holders. The respondents level of education and experience on the field was useful for the study

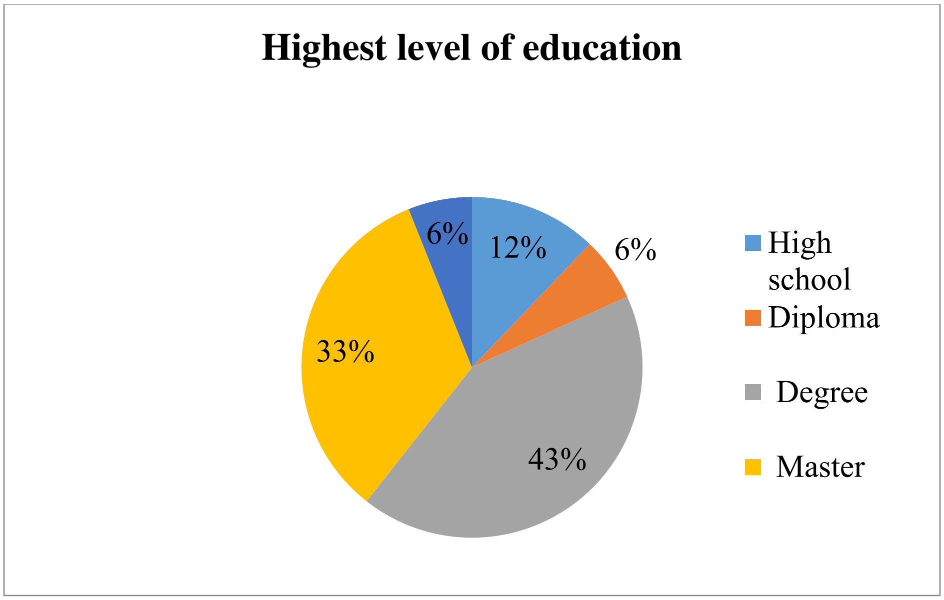

Figure 2.3 Distribution of respondents in level of education

Source: Field Data 2021

2.3 Economic integration

Economic integration in the horn of Africa, mainly focuses on trade facilitation and development of infrastructure in addition to trade liberalization and policy harmonization. Regional Free Trade Area helps to enhance trade relations among member states which creates social welfare. In addition to regional economic blocks', countries have also involved in bilateral trade agreement to enhance trade exchanges. Kenya and Ethiopia are member states of two (The Common Market for Eastern and Southern Africa (COMESA) and Intergovernmental Authority for Development (IGAD)) regional economic communities recognized by African Union as regional economic integration tools.[56]

[56]https://media.africaportal.org/documents/saia_sop_198__makonnen_andlulie_20141030.pdf Accessed June 5, 2021 at 4:24. Ethiopia, Regional Integration and the COMESA Free Trade Area. Occasional paper (2014)

There are four forms of economic integration that enables countries to benefit from free international trade exchange bilaterally or multilaterally.

Free trade area: - This is considered as the first and basic form of economic collaboration. Free trade area realized when member states of a given block or trading partner agrees to remove all barriers to trade. In this agreement member states are free to follow their trade policies against non-member states. The second form of economic integration is **Customs union.** In custom union all trade barriers to trade will be removed between member states. In custom Union, member states can trade with non-member states in same way.[57]

On the other hand, when member states create common market, they allow free movement of factors of production across boundaries. Policy harmonization among member states is the main task to regulate the factors of production coming from non-member states. In common market economic integration, member states should harmonize their policies to achieve best economic integration and enable the national economic growth. The final form of economic integration is called economic union. Different research findings stated that it is the most complete forms of economic integration. It is characterized by the complete harmonization of monetary, fiscal, and other welfare policies of member states. The case in point is the European Union (EU)

[57] https://opentext.wsu.edu/cpim/chapter/2-4-regional-economic-integration/ accessed 5 June 2021.@10:50

where member countries use common currency and harmonized their policies from trade and to immigration policies.[58]

In regional integration, countries exchange goods and services across the national boundaries with other countries by exporting goods which they can produce at relative cost than others and import those commodities that require relatively higher cost of production. Trade between nations across national boundaries hampered by non-tariff barrier that import export transactions. In African regional trade experience, non-tariff barriers that weaken intra African trade are most prevalent between African countries. economic integration is affected by the challenges of trade that are time consuming import-export exchanges between countries.[59]

2.4 Infrastructure development

Infrastructure is the bed rock of economic integration and vital for trade. The physical infrastructures such as availability of roads and communication facilities are important for intra African trade relations. Transportation is one of the trade barriers for trade between African countries. Lack of interconnection between African nations in road, rail sea and air is major challenge for economic integration in the continent. Harmonizing communication strategies and policies to improve development of modern infrastructure

[58] Arguello, Ricardo. (2000). Economic Integration. An Overview of Basic Economic Theory and other Related Issues. Serie documentos. Borradores de investigación No 3 (Mazo 2000).

[59] Lethabo Sithole(2021). The Role of Trade Facilitation in Addressing Non-Tariff Barriers in the African Continental Free Trade Area. Found at:- https://www.afronomicslaw.org/category/analysis/role-trade-facilitation-addressing-non-tariff-barriers-african-continental-free accessed 8 June 2021@11:00 PM

that can facilitate trade leads to economic integration.[60] In this regard, Kenya and Ethiopia singed memorandum of understanding to construct the Addis Ababa–Mombasa highway and currently construction undergoing from both sides. The recently opened Lamu port South Sudan Ethiopia corridor development is another vital project that connects East African Nations. Modernizing customs administration and transit facilities such as developing one stop border post is another contributing factor for strengthening trade relations. There are hard and soft infrastructure that facilitate better economic integration. Trade facilitation mechanisms, equipped institutional arrangements, efficient customs procedures and policies are some of the soft infrastructure facilities. Connected roads, ports air ports, energy supply and modern information communication facilities are among physical infrastructures.[61]

[60] Kennedy K. Mbekeani(2013). Understanding the Barriers to Regional Trade Integration in Africa. African Development Bank Group

[61] Hong Yu (2017). Infrastructure connectivity and regional economic integration in East Asia: Progress and challenges. Journal of Infrastructure, Policy and Development (2017) Volume 1 Issue 1, pp.44-63.

2.5 Non-tariff barriers

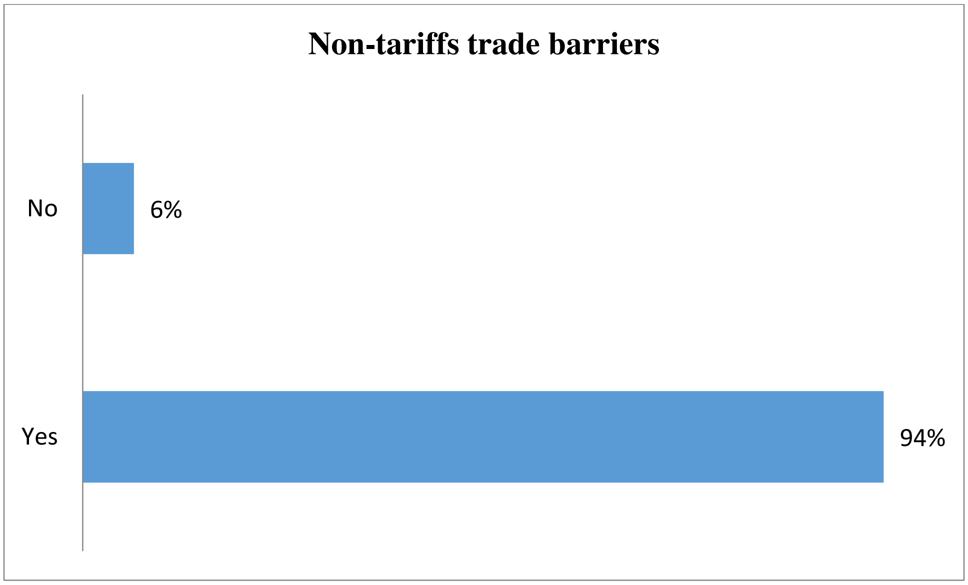

Figure 2.4 Existence of non-tariff barriers

Source: Field Data 2021

From figure 2.4, the study found that 94% of the respondents believed that non-tariffs trade barriers are existed between Kenya and Ethiopia and can be eliminated. There are different forms of nontariff barriers that restrict trade flows between trading nations such as cumbersome inspection requirements, road blocks, immigration procedures, police check and transit procedures, customs documentation and administrative procedures. Besides, the study confirmed that poor infrastructures, inefficient customs administrations, lack of modern communication technology, inefficient customs clearance are among the non-tariff barriers between Kenya and Ethiopia's trade exchanges. According to the study, among these non-tariff barriers, inefficient custom clearance, poor infrastructure and corruption and inefficient administration are more prevalent in trade exchanges between the two countries. These nontariff barriers may be eliminated by negotiations and trade agreements at bilateral, regional and multilateral trading system.[62] The nontariff barriers increase prices of commodities among trading partners which has adverse effect on the economic integration.

Respondents pointed out that there are different procedures to be followed by importers that create challenges in importing commodities to Ethiopia. Import licensing is cumbersome that requires around eight ministries involving to get single import license. Importers must get import registration number, letter of credit, import business license and applying for import permit. Getting foreign currency is another problem whereby importers have to wait several months on the que. Besides, all outgoing payments require foreign exchange permit by the National Bank of Ethiopia. Importing processed goods such as soya bean, corn oils and cereals are subject to sanitary and phytosanitary measures and mandatory labelling.[63]

On the other hand, Kenya imposed declaration fee of 3.5 percent on customs value for all importers. Importers must also get certificate of conformity that must be issued by government permitted company. There is also pre-export verification conformity to import medical equipment with aim of addressing public health issues. Similarly, Kenya ban genetically engineering foods from the market and ban importing these products.[64] The elimination of nontariff barriers under African continental Free trade area leads to effective intra-African trade.

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[62] Ministry of Trade, Republic of Kenya (2009). National Trade Policy Efficient Globally Efficient Globally Competitive Economy

[63] Robert e. Lighthizer (2020). National trade estimate report on foreign trade barriers. Office of the president of united states

[64] Ibid

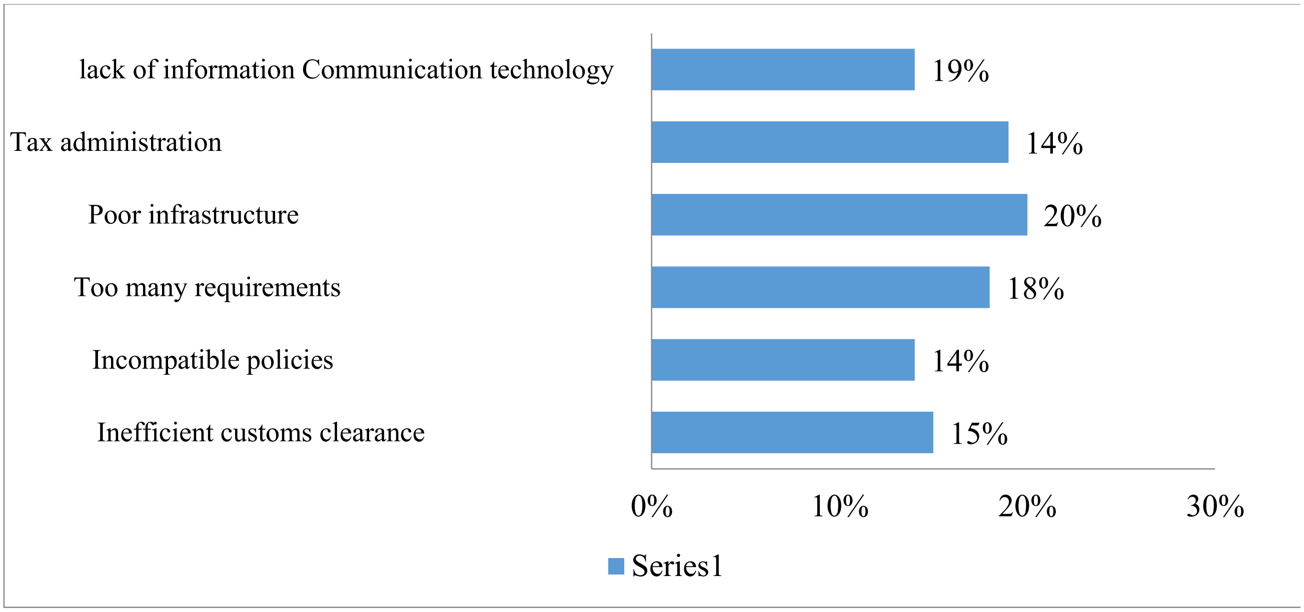

Figure 2.5 Non-tariff trade barriers existed between Kenya and Ethiopia.

Source: field data 2021

To differentiate which nontariff trade barriers are more important between Kenya and Ethiopia, the study used Likert scale to be rated by respondents. As observed from figure 2.5, the majority of the respondents about 20% attributed poor infrastructure to be the largest contributor of non-tariff trade barriers to economic integration between Kenya and Ethiopia. One of the nontariff trade barriers that can increase cost of transportation is lack of modern infrastructures as indicated in this study. Besides, 19% of respondents rated lack of using modern information Communication technology to exchange information between the two countries customs offices is also another nontariff trade barrier identified by the study. Respondents attributed that customs offices are asking hard papers to clear goods and there is no harmonized information system and data centre that can help to communicate easily from both sides. 18% of respondents believed that there are too many requirements put in place by respective governments to import-export commodities between Kenya and Ethiopia and it is considered as nontariff trade barriers that is hampering free trade across the boundaries. From the above figure 2.5, inefficient custom clearance and incompatible trade policies are indicated by respondents as nontariff trade barriers that contribute negatively on the economic integration between Kenya and Ethiopia.

2.6 Ways to reduce trade barriers between Kenya and Ethiopia

Trade barriers specifically non-tariff trade barriers are a challenge to free trade. One of the nontariff barriers is inadequate infrastructure. Improving both physical and soft infrastructure is key to reduce trade barriers. Opening one stop border posts and develop integrated border management system and use of modern information communication technology is key for movement of goods and services across the borders. In this regard, Ethiopia and Kenya has opened Moyale One Stop Border post recently. But according to the respondents participated in this study, there is lack of integrated management system and use of shared information system. From Ethiopian side also, business communities reported that the custom administration is not equipped with proper personnel and working hours are very short.

Another means of non-tariff trade barriers reduction is improving trade standards among trading partners. Simplified and harmonized standards among the government of Kenya and Ethiopia has great impact of faster movement of goods and services that improve the wellbeing of the people. The primary data from the field revealed that (18% of respondents) there are stringent standards asked from both sides and there is lack of harmonization between standardization regulations. Harmonized and good trade standards can help business to ease import export of commodities. On the other hand, establishing effective trading system with simplified trade procedures helps to clear goods and services at the border which avoids cost of delay and brings efficient trade facilitation. But the Kenya and Ethiopian trading procedure lacks using harmonized information technology that needs to be improved. Harmonizing trade related rules and regulations also very important to reduce trade barriers and alleviate trade bottlenecks.

2.7 Conclusion

There are different forms of economic integration that nations pursue to achieve for the economic wellbeing of their people. Trade relations between nations have been challenged by nontariff trade barriers which have also negative impact on the economic integration.

The study found that poor infrastructures, inefficient customs administrations, lack of modern communication technology, inefficient customs clearance are among the non-tariff trade barriers between Kenya and Ethiopia's trade exchanges. Poor infrastructure, lack of information communication, and too many requirements to import-export commodities are major non-tariff trade barriers contributed in trade exchanges between the two countries. The primary data from the field revealed that there are stringent standards for import export commodities asked from both sides and there is lack of harmonisations on trade standards and regulations. These nontariff trade barriers can be reduced by bilateral negotiations and trade agreements between the two countries.

CHAPTER THREE

CHALLENGES OF BORDER CUSTOMS CLEARANCE BETWEEN KENYA AND ETHIOPIA

3.1 Introduction

Poor infrastructure including roads, lengthy and inefficient customs institutional arrangements are major obstacles to trade that affects economic integration in the East and southern African regional economic communities.[65] To make trade exchanges efficient in the way that can contribute for economic integration, it is important to improve trade regulations, burdensome customs procedures, and inadequate infrastructure.[66] This chapter discusses the background of trade relation between Kenya and Ethiopia, trading partners of the two countries and challenges of border custom clearance procedure.

3.2 Background of Trade relation between Kenya and Ethiopia

Kenya and Ethiopia have enjoyed peaceful and cordial bilateral relationship over half a century. Ethiopia had relations with Kenya since the colonial period and the official relations started when Ethiopia established its honorary Consulate in 1954 in Kenya later upgraded to Embassy in 1961 while Kenya opened its mission in 1967 in Addis Ababa. The two countries leaders exchanged various official visits in different times since Kenya's independence to strengthen political, economic, security and people to people relationships. The two countries established Joint Ministerial Commission to follow up

[65] Trudi Hartzenberg(2011). Regional Integration in Africa. World Trade Organization, economic research and statistics division. https://www.wto.org/english/res_e/reser_e/ersd201114_e.pdf accessed 27 March 2021

[66] Ibid

trade, economic, social and defense bilateral agreements signed in different times. The Special Status Agreement also signed to further strengthen in sectors such as trade, investment, food security and sustainable livelihoods.[67] Kenya and Ethiopia have ample opportunities to invest and trade with each other. Kenyan investors can go to Ethiopian market to invest in food and beverages, financial and dairy sectors where Ethiopia lacks efficiency in these sectors. Ethiopia can easily import wine from Kenya least cost to transportation than other farthest markets. Ethiopia exports cereals, vegetables, copper, ores, tyres, textile yarns and spices to Kenya. On the other hand, Kenya can learn experiences of Ethiopia's effective trading platform called Ethiopian Commodity Exchange.[68]

3.3 Major Ethiopia's export items

From Ethiopia's major export commodities, coffee, tea and spices have contributed to the lion's share of export earnings. Oil seeds and fruits, medical plants and edible vegetables, tubers are the second and third major export items respectively. (Source: UN Comtrade (2018)

[67] http://www.mfa.gov.et/Home/TemplateI?PageName=Ethiopia-Kenya&TYPE=Policy%20Issue&SUBTYPE=Neighboring%20Countries&Language=English&Layout=_Layout accessed on July 1,2021

[68] What Opportunities Does the Kenya – Ethiopia Bilateral Trade Present to Business Communities? By Flora Mutahi https://kam.co.ke/opportunities-kenya-ethiopia-bilateral-trade-present-business-communities/ accessed 19 Jun. 21.@2:00 PM

3.4 Ethiopia's trade relation with other partner

No	Country	Share in %	Amount in US$
1	China	8.94	138 million
2	Saudi Arabia	8.88	137 million
3	USA	7.84	121 million
4	United Arab Emirates	7.25	112 million
5	Israel	5.91	91 million
6	Djibouti	4.63	71 million
7	Somalia	4.14	64 million
8	Vietnam	4.02	62 million
9	Germany	3.85	59 million
10	Japan	3.32	51 million

Table 1: - Top ten Ethiopia's export destinations of commodities (2018)

Source: UN Comtrade

From the above table one can infer that trade relation between Kenya and Ethiopia is minimal since Kenya is not in the list of top ten export destination of Ethiopia's commodities despite their potential. On the other hand, Ethiopia is exporting most of its commodities to very far markets which has a lot of incontinence on transportation cost and time delays that need lots of extra resources to be allocated. This shows intra African trade relation is still low and needs improvement in trade facilitation, infrastructure and harmonization of trade policies. According to Heckscher –Ohlin theory, Ethiopia and Kenya can specialize in certain commodities to trade with each other that can have comparative advantages based on the availability of abundant resources and cheap labours for production of export goods. In this regard, to promote bilateral trade the two countries need fully implement the special status agreement. Improved trade relation contributes for economic integration between Kenya and Ethiopia.

3.5 Ethiopia- Kenya export-Import

According to UN comtrade (2017), the total export of Ethiopia to its neighbour Kenya in 2017 with the value of 52,050,591.00 billion USD. The import value in the same year amounted 38,009,228 USD. in 2018, the export shows significant decline with 23,484,647 USD While the import value increased to 40,148,127 USD. On the other hand, Kenya has exported commodities amounted 67,543,931 USD value and imported 20,374,796 USD goods in 2017 fiscal year (UN Comtrade,2017).[69] Ethiopia's trading partner in import are those advanced countries outside Africa. This is because most of the import products are capital goods which may lack in African markets and lack of coordination to improve intra African trade. Source: UN Comtrade (2018)

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[69]https://trendeconomy.com/data/h2?commodity=TOTAL&reporter=Ethiopia&trade_flow=Export,Import&partner=Kenya,World&indicator=TV,YoY&time_period=2007-2020 accessed June 27, 2021

3.6 Kenya's trading partner in export

No.	Country	Share (%)	Value in USD
1	Uganda	11.1%	673 million
2	Pakistan	8.52%	513 million
3	United Kingdom	7.78%	469 million
4	USA	7.7%	463 million
5	Netherlands	7.6%	457 million
6	United Arab Emirates	5.37%	323 million
7	Tanzania	4.89%	294 million
8	Rwanda	3.93%	236 million
9	South Sudan	3.59%	216 million
10	Egypt	2.96%	178 million

Table 2. Kenya's top ten export destination countries

Source: Comtrade(2020)

3.7 Kenya's Major export items

From the above table, the primary export commodities of Kenya are agricultural goods which leads competing with its trading neighbours. Trading items diversification and specialization is needed among African nations to improve intra African trade relations and to bring about economic integration for the wellbeing of Africans.

Similarly, Kenya's top import sources are those countries that have advanced technologies. With regard to time and transportation cost, it has different inconvenience and burdensome that those imports from nearest countries with transportation cost advantages. (UN Comtrade (2020 https://trendeconomy.com/data/h2/Kenya/TOTAL)

3.8 Challenges of custom clearance and border trade between Kenya and Ethiopia

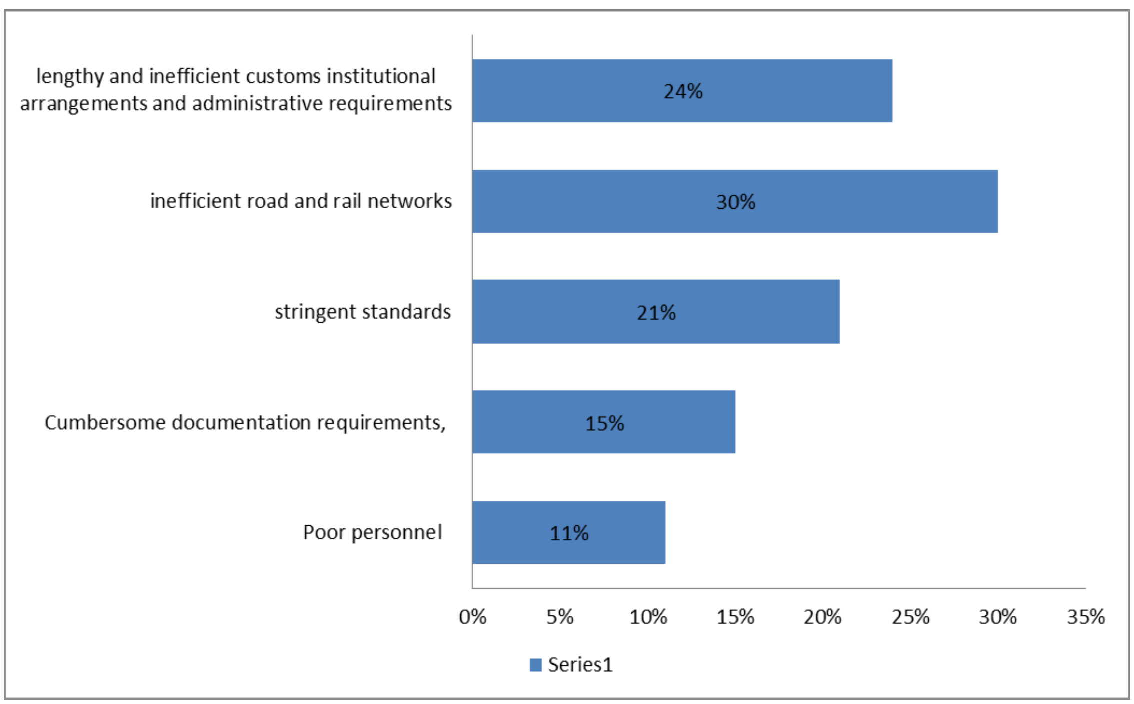

Figure 3.1: prevalence of challenges in border custom clearance

Source: field data 2021

From the above figure 3.1, 34% of respondents indicated that inefficient road and rail networks are the major challenge in border trade exchanges between Kenya and Ethiopia that contributed to the poor performance of economic integration. The respondents pointed out that poor physical infrastructure contributed to the timely customs clearance at the border. On the other hand, 24% of respondents rated lengthy and inefficient customs institutional arrangements and administrative requirements are the second challenge to border custom clearance on trade relation between Kenya and Ethiopia. Moreover, respondents identified stringent standards, Cumbersome documentation requirements, and Poor personnel are challenges of border custom clearance between Kenya and Ethiopia that contributed negatively to the progress of economic integration. The findings revealed that inefficient road and rail network is the major challenge affecting border clearance between Kenya and Ethiopia.

90% of respondents from business communities involved in the study believed that import export clearance system between Kenya and Ethiopia is not fast and easy. In strengthening economic integration, cross border trade has key role to play. In East African economic integration process in general and economic integration between Ethiopia and Kenya in particular has different challenges that hampers ease of doing trade exchange across their borders.

Custom clearance has been a challenge for trade relation between nations where commodities in border area stayed long waiting for custom clearance to cross with many requirements and poor management of customs regulations. Besides, together with time mismanagement, exporters and importers incur cost due to unnecessary delays by customs authority. Moreover, poorly developed transportation facilities and infrastructure that are inefficient in handling cargos and other vehicles is also affecting international trade exchanges and contributes to poor performance of economic integration between participating countries[70].

The trade exchange between Kenya and Ethiopia through Moyale border has been cumbersome and time consuming to clear movement of goods and people. Report shows on average it takes 21 hours for goods and movement of people to cross to Ethiopia and 12 hours to cross to Kenya. This delay in clearing commodities at the border is caused by inefficient and long bureaucratic procedures. One of the remedies to alleviate trade barriers is improving border related trade facilities and infrastructure. Moyale One Stop Border Post launched by the two governments last December 2020 to improve trade relation between the two countries. Moreover, the Moyale One Stop Border Post is part of the expressway project from Nairobi-Addis Ababa and Lamu port South Sudan Ethiopian Transport corridors that has potential to improve trade exchanges of goods and services and contribute to economic integration in the region.[71] The two countries enjoyed cordial bilateral relationships for the last more than half a century but economic relationship is still weak. Operation of one stop border post helps to facilitate trade exchanges and enhance economic integration.

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[70] African Development Bank (2019). East Africa Economic outlook. Political economy of regional integration. found at (https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2019AEO/REO_2019_-_East_Africa_.pdf)

[71] https://www.businessdailyafrica.com/bd/corporate/shipping-logistics/why-new-border-enhance-kenya-ethiopia-trade-3360770
Accessed 14 Jun. 21.@11:18

Ethiopian customs process remains complex and inefficient together with inadequate infrastructure. The logistics costs are high that increases the final cost of the products. This logistics challenges are related to limited access to ports and being land-locked country.[72] Border customs administration efficiency is key to improve trade relations between nations. Rapid clearance procedures help business communities to move their goods across borders. There are four policy practices that governments can improve the efficiency of customs administration across border trade exchanges: - assessing actual performance to improve some gaps, adopt international best practices, building capacities of personnel, and adoption of international standards of custom clearing rules and practices. [73] Respondents from the study suggested that coordinating national standards of trade between Kenya and Ethiopia, using information communication system for customs administration, deploying trained personnel and improving modern infrastructure are among the measures to improve border custom clearance procedure between Kenya and Ethiopia.

[72] Robert E. Lighthizer (2020). National Trade Estimate Report on Foreign Trade Barriers. Office of the president of United States

[73] OECD – 2012. A publication of the Investment Division of the OECD Directorate for Financial and Enterprise Affairs. Found at https://www.oecd.org/investment/toolkit/policyareas/trade/PFItoolkitTRADE.pdf accessed 13 August 2021@11:30 PM

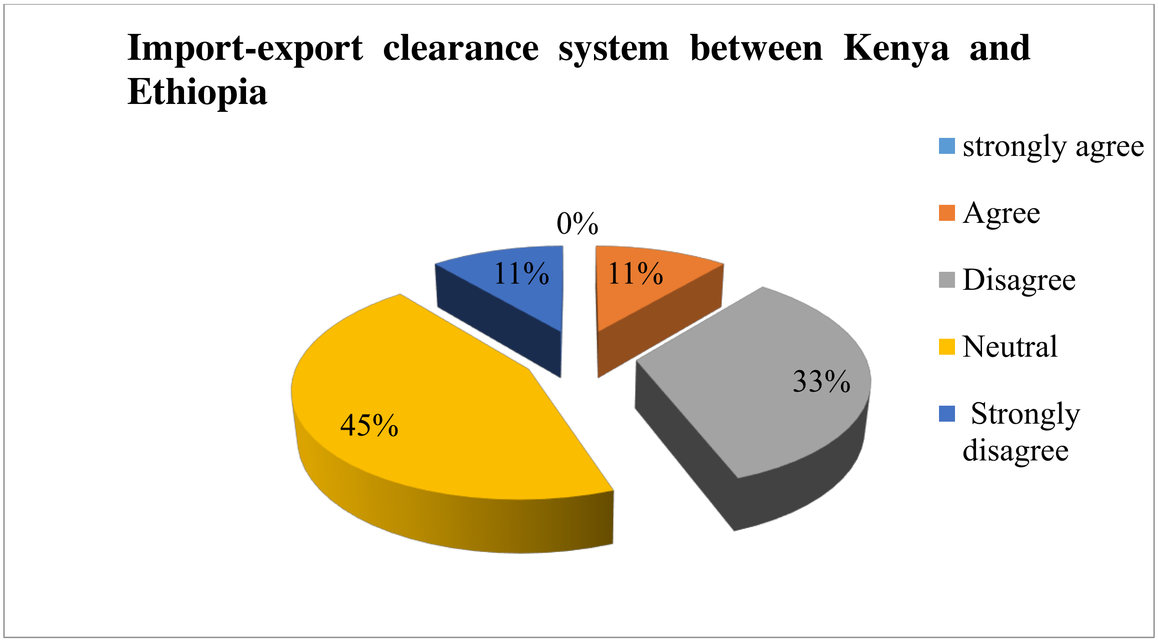

Figure 3.2: Import-Export Clearance System

Source: field data 2021

To measure how fast and easy was the import-export clearance system between Kenya and Ethiopia, 33% of the respondents disagree that import-export clearance at the border is fast and easy. Only 11% of the respondents agree that the border clearance between Kenya and Ethiopia is fast and easy. The majority of respondents about 45% indicated neutral on whether the import-export clearance system is fast and easy or not. It can be concluded that the import-export clearance system between Kenya and Ethiopia at the border is not fast and easy and it needs harmonized trade regulations and standards.

3.9 Conclusion

Custom clearance has been a challenge for trade relation between nations where commodities in border area stayed long waiting to cross borders with many requirements and poor management of customs regulations. Though Kenya and Ethiopia enjoyed cordial bilateral relation economic integration and trade exchange is still minimal. Poor custom clearance procedure at the border plays significant role to hamper free movement of goods and people. The study found that poor inefficient road and rail networks, lengthy and inefficient customs institutional arrangements and administrative requirements, stringent standards, cumbersome documentation requirements, and poor personnel are the major challenges that hamper free movement of goods at the border points.

The study also revealed that Import export process between Kenya and Ethiopia is cumbersome and costly for exporters and importers in terms of time and resources. On the other hand, the study shows that exporters and importers asked stringent standards and obliged to pay bribes for custom officials. Improving infrastructures such as establishing one stop border post, harmonizing information communication technology at the customs system, deploying educated and trained customs officials, harmonizing standardization system from both sides are some of the major steps to improve cross border trade exchanges between Kenya and Ethiopia.

CHAPTER FOUR

IMPLEMENTATION OF TRADE AGREEMENTS BETWEEN KENYA AND ETHIOPIA

4.1 Introduction

When implemented with focus and consistency trade agreements are vital for Economic integration. To improve trade relation, Ethiopia and Kenya have signed different bilateral agreements including the special status agreement. This chapter discusses trade and economic integration, causes of poor implementation of trade agreements between Kenya and Ethiopia and their effects on economic integration, measures to be taken for successful trade agreement implementation and overview on the importance of the trade agreements to economic integration.

4.2 Trade and economic integration

According to endogenous growth theory, there is significant relationship between trade and economic development. Reducing trade barriers to international trade contributes to the nations development. Free trade allows states to absorb technology from advanced nations, increase economies of scale in production capacity, reduce market failure and boost specialization in production when nations decide to use comparative advantages based on resource availability and factor endowment.[74] Besides, trade enables the economy to get markets for products and creates employment opportunities for the youth.

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[74] Dominick Salvatore (2013). International Economics. Fordham University. 11th Edition

From figure 4.0 36% of respondents preferred working on both physical and soft infrastructures are one of the primary policy measure for successful economic integration between Kenya and Ethiopia. the study also revealed that 27% of the respondents believed that trade facilitation is key policy measures to improve trade exchanges and thereby brings effective economic integration. On the other hand, 18% of the respondents confirmed that implementing joint policy measures to achieve food and security development and opening up investment opportunities for investors in both sides is another policy options to bring about economic integration between Kenya and Ethiopia.

4.3 African Continental Free Trade Area

Economic integration in African has been sluggish mainly because of poor level of intra-African trade relation among African Union member states. Despite the Abuja treaty that aimed to complete economic integration among African countries till 2025, there are different trade barriers and lack of commitments to trade protocols. African Union take measures to create access to preferential market among African countries. The African Continental Free Trade Area is one of the measure to bring better economic integration as a continent. It mainly focuses on reduction of tariffs and non-tariff barriers to improve free movement of people and labour. African Continental Free Trade Area, on Article 12 stated about elimination of Non-Tariff Barriers among the member states to facilitate intra-African trade relations.[75] The main cause of economic integration failure in different regions is lack of proper implementation of trade agreements and protocols. For

[75] Agreement establishing the African continental free trade area found at https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf Accessed 14 Jun. 21 @4:26

economic integration to be effective, there should be firm monitoring and follow-up mechanism by concerned government structures.

4.4 Bilateral Trade Agreement between Kenya and Ethiopia

The Government of the Republic of Kenya and the Federal Democratic Republic of Ethiopia signed the Special Status Agreement in 2012. This bilateral agreement aimed at fostering economic co-operation, emphasizing on trade, investment, infrastructure, food security and sustainable livelihoods. However, the Special Status agreement has not yet fully operationalized and implemented.[76]

4.5 Measures to be taken to fast track bilateral trade agreement implementation

The sought to establish measures to be taken that helps to improve bilateral trade agreements committed by the government of Kenya and Ethiopia. The result is discussed as follows in figure 4.1.

[76] https://www.businessdailyafrica.com/bd/corporate/shipping-logistics/why-new-border-enhance-kenya-ethiopia-trade-3360770) accessed on 14 June 2021@9:00 PM

Establish High-Level Joint Council and administrative committees (11%)

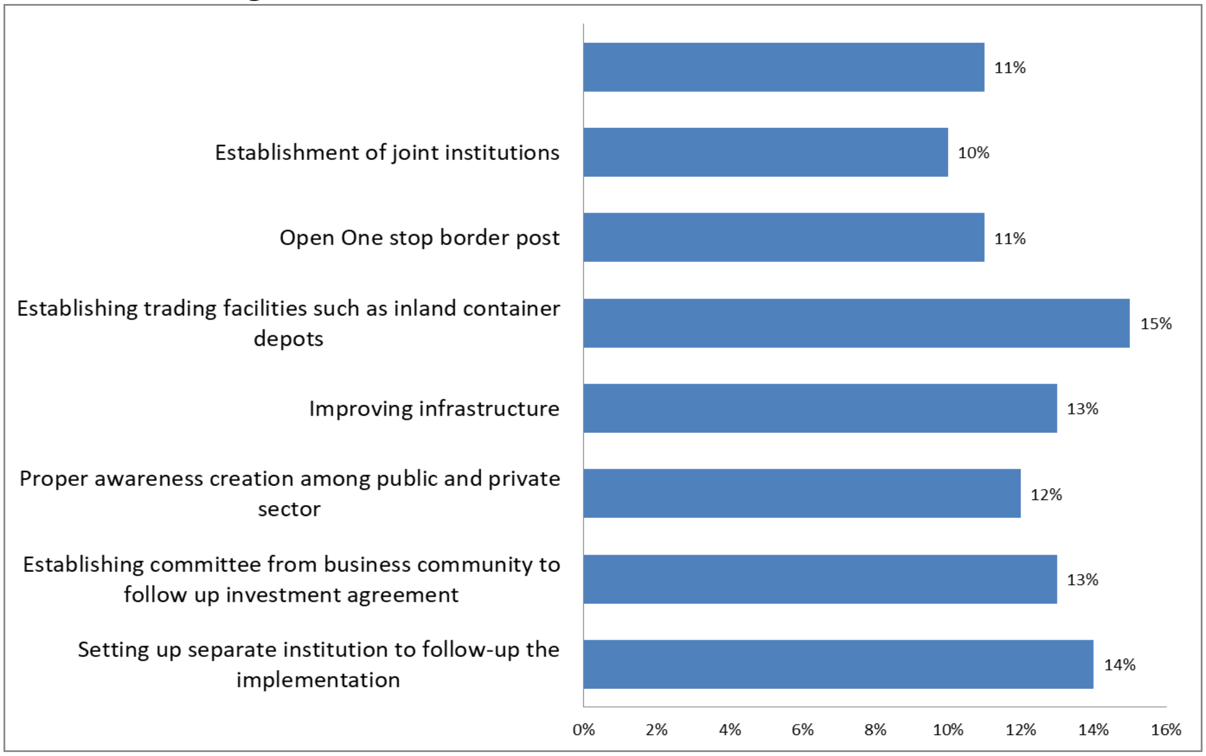

Figure 4.1. Measures that helps to improve trade agreements

Source: Field data 2021

From the above figure 4.1, 15% of the respondents believed that establishing trading facilities is the best measure to be taken for successful trade agreement implementation between Kenya and Ethiopia. Secondly, 14% of the respondents indicated that setting up separate institutions to follow up the trade agreement implementation progress is another means to fast-track the bilateral trade agreement between the two countries. Establishing committee from business community to follow up the progress of investment and other bilateral trade related agreements are another measure rated by 13% of the respondents participated in the study. Besides, from the measures indicated by the respondents: - proper awareness creation among the public and private sector on specific bilateral agreements, Establish High-Level Joint Council and administrative committees that can follow-up the implementation process which contributes for the economic integration project.

4.6 Factors contributing for poor implementation bilateral trade agreements

The study sought to identify major causes of the poor implementation of bilateral trade agreements between Kenya and Ethiopia. The results presented as follows in figure 4.2

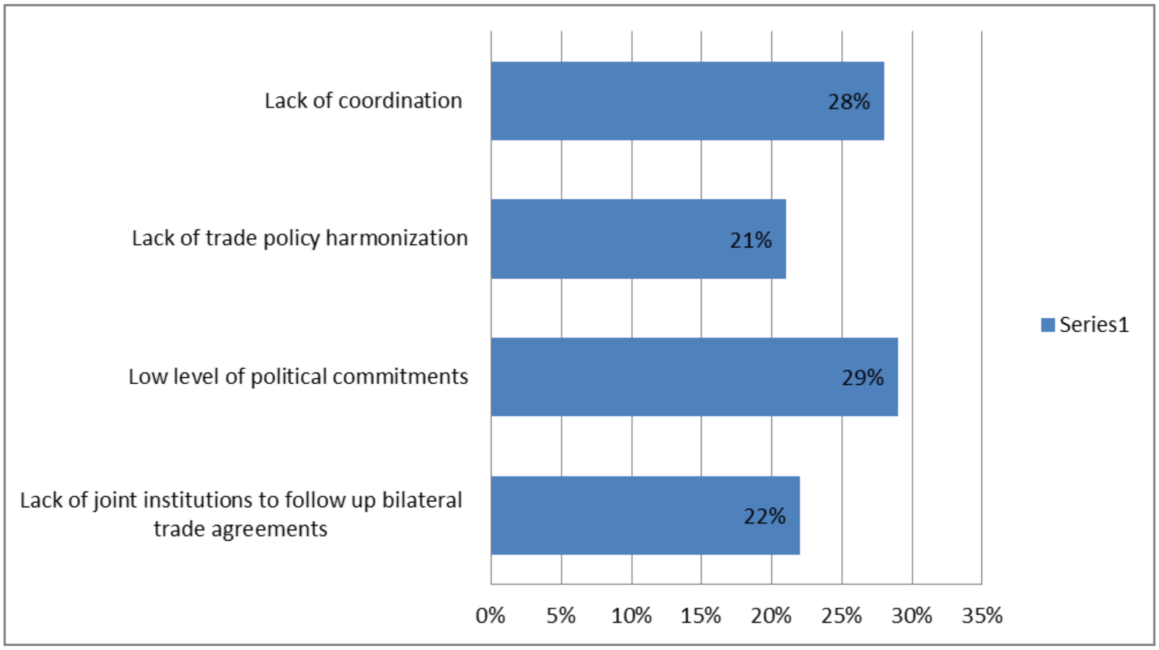

Figure 4.2 causes of poor implementation of trade agreements.

Source: field data 2021

From the above figure 4.2, 28% of the respondents said that lack of coordination between the respective government and private sectors is the major cause for the poor performance of trade agreement outcome between Kenya and Ethiopia. On the other hand, the majority of the respondents 29% indicated that low level of political commitments are major contributing factor for the inefficient trade agreement implementation existed between the two countries. Lack of joint institutions to follow-up

(22%) bilateral trade agreements signed and lack of policy harmonization (21%) are the causes for the poor implementation between indicated by the respondents. This finding is supported by the literature that lack of coordinative efforts and effective follow up on the implementation of trade agreements is the major cause for low performance of trade between nations. One of the reason for economic integration is lack of follow-up of the implementation of bilateral and multilateral trade agreements.[77] Nations establish bilateral agreements to enhance their relationship. Bilateral trade agreements between countries initiated from different motivations. Specifically, there are factors such as economic, strategic and event driven that parties initiated bilateral trade agreements. One sector of Economic bilateral agreement can be initiated to enhance trade relations. [78]

The basic tenet of bilateral as well as regional trade agreements are enhancing and facilitating trade relation and shaping trade policies towards cooperation and harmonization. Countries create regional trading platforms by joining free trade agreements to exchange goods and services freely among participating nations. These regional free trade agreements help to avoid trade barriers through trade liberalization to enhance economic development of member states. Free trade helps to access to foreign market opportunities for domestic productions.[79] Since regional trade protocols remove tariff and nontariff barriers investors can get opportunities to increase domestic

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[77] Ali I. Abdi and Edris H. Seid (2013). Assessment of Economic Integration in IGAD. The Horn Economic and Social Policy Institute (HESPI) Policy Papers No. 13/2

[78] Jayant Menon (2006). Bilateral Trade Agreements and the World System found https://www.adb.org/sites/default/files/publication/156694/adbi-dp57.pdf accessed August 2,2021@ 9:41 PM

[79] https://worldcustomsjournal.org/Archives/Volume%206%2C%20Number%202%20(Sep%202012)/08%20Obradovic.pdf accessed August 2,2021

production for export and can have access to foreign markets for domestic products. Most importantly, trade agreements are crucial to bring economic integration between member states. Regional trade liberalization can increase trade exchanges by creating preferential market access for goods and services.[80] Kenya and Ethiopia established the Joint Ministerial Commission (JMC) tasked with following up the implementation of bilateral agreements on economic, political and cultural spheres meeting annually.[81] During his state visit to Kenya in 2018, the prime Minister of Ethiopia H.E Abiy Ahmed Ali and H.E President Uhuru Kenyatta agreed to establish Bi-National Commission (BNC) that help to facilitate implementation of the historic Special Status Agreement (SSA) that has different thematic areas of cooperation. The Bi-National Commission has review Mechanism to facilitate robust monitoring and evaluation of trade agreement.[82]

Countries can take different measures to ensure effective implementations of trade agreements for the wellbeing of their nations. Measure can be mainstreaming trade policy to development plans and building institutional capacities and strengthening regulatory mechanisms to follow up proper implementation, improving infrastructures to trade

[80] UNCTAD (2017). Regional trade agreements, integration and development. UNCTAD Research Paper No.1. UNCTAD/SER.RP/2017/1 Rev.1

[81] https://www.businessdailyafrica.com/bd/corporate/shipping-logistics/why-new-border-enhance-kenya-ethiopia-trade-3360770) accessed 15 July 2021.

[82] https://www.mfa.go.ke/?p=1944 accessed August 8, 2021

exchanges, and enhancing government performing capacities are vital measures for trade agreements.[83]

4.7 Human resources training

One of the challenge in implementation measure of trade agreement is lack of training programme for officials and other stakeholders on how to handle government commitments. Sometimes despite all legal frameworks to ease bilateral agreements, officials may not know how to properly implement trade measures. Awareness creation among the private sector and training programme for border officials are primary instruments for successful implementation of trade agreements.[84] Another important measure in trade facilitation is the availability of infrastructure such as road, ports, communication and inspection facilities that can improve fast movement of goods and services across borders.

4.8 Engaging the business community

The best coordination and cooperation between the government and the business sector will be decisive in utilizing trade agreements properly. Business community should be

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[83] OECD – 2012. A publication of the Investment Division of the OECD Directorate for Financial and Enterprise Affairs. https://www.oecd.org/investment/toolkit/policyareas/trade/PFItoolkitTRADE.pdf accessed 13 August 2021.

[84] Chapter 4 implementing the trade facilitation agreement Contributed by the World Trade Organization. https://www.wto.org/english/res_e/booksp_e/aid4trade15_chap4_e.pdf accessed 29 June 2021@8:28

aware of international trade regulations and the essence of bilateral and multilateral trade agreements their government is party to effectively use opportunities and market access for their products. On the other hand, governments should engage reorientations from private industries and business community in different trade agreements deals and progress discussions with counterparts.[85]On the trade relation between Kenya and Ethiopia, respondents rated trade between the two countries lack coordination and focus. The finding shows that trade facilitation, improving infrastructure, open investment opportunities and implementing joint policy measures to achieve food and security development are possible policy options to enhance economic integration between Kenya and Ethiopia. From figure 4.1 it can be inferred that the most effective measures for successful implementation of trade agreements are establishing joint institutions and high level joint council and administrative body that follow-up implementation, setting up separate institutions mandated with follow-up and improving modern infrastructures.

4.9 Possible policy options for effective economic integration

From figure 4.3 36% of respondents preferred working on both physical and soft infrastructures are one of the primary policy measure for successful economic integration between Kenya and Ethiopia. the study also revealed that 27% of the respondents believed that trade facilitation is key policy measures to improve trade exchanges and thereby brings effective economic integration. On the other hand, 18% of the respondents confirmed that implementing joint policy measures to achieve food and security development and opening up investment opportunities for investors in both sides is another policy options to bring about economic integration between Kenya and Ethiopia.

[85] Ibid

The Special Status Agreement signed in 2012 included these policy options that helps to strengthen trade and investment opportunities between the two nations.

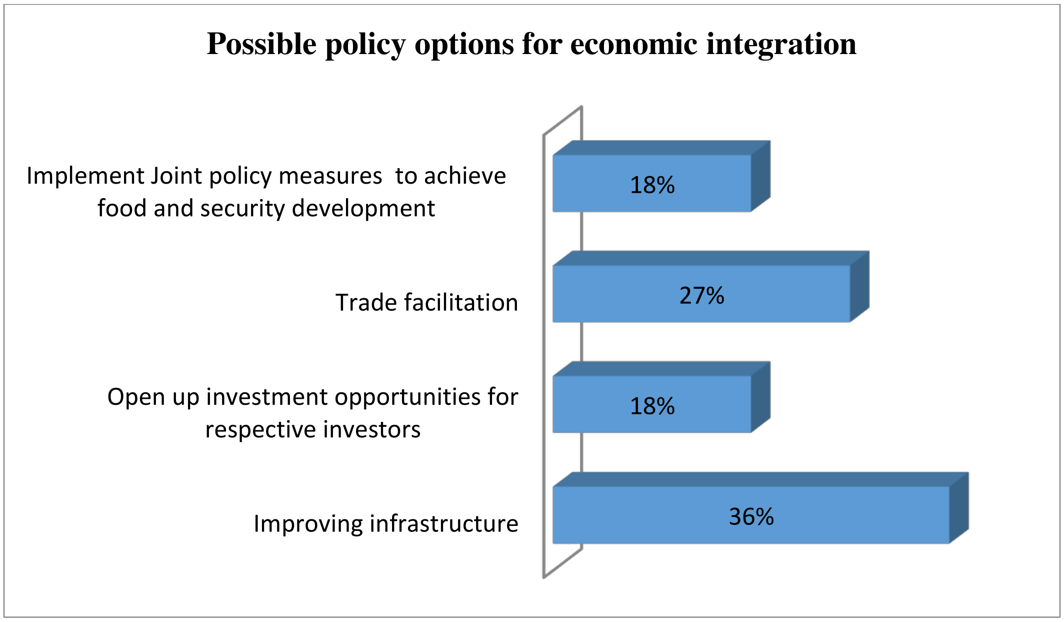

Figure 4.3 policy options for economic integration

Source: Field data 2021

4.10 Conclusion

Countries negotiate to make bilateral and multilateral trade agreements to reduce tariffs and non-tariff barriers and enhance trade relations. On the other hand, nations have been facing challenges due to lack of proper implementation of agreements and protocols. Though it is not properly implemented, Kenya and Ethiopia signed Special Status Agreement to improve trade, investment, infrastructure, food security and sustainable livelihoods. The study found that lack of coordination, lack of joint institutions to follow up trade agreement, and lack of policy harmonization are the major cause of poor implementation of bilateral agreement particularly Special Status Agreement signed between Kenya and Ethiopia in 2012. On the other hand, establishing institutions that follow up trade agreements, Establish High-Level Joint Council and administrative committees that oversee the progress of trade agreement, improving infrastructure and open one stop border post management are among the strategies of trade agreement implementation suggested by the study to improve trade exchanges and economic integration between Kenya and Ethiopia.

The study revealed that improving modern infrastructures that enable free movement of goods and people across borders, trade facilitation by respective governments, implementing joint policy measures to enhance food and security development at the border areas and opening up investment opportunities are the possible policy measures to be considered by the government of Kenya and Ethiopia to achieve best economic integration.

CHAPTER FIVE

RESEARCH SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 introduction

This chapter discusses the summary of the findings of the study with regard to the impact of the nontariff trade barriers on the economic integration between Kenya and Ethiopia. The specializes in the findings established consistent with the specific targets of: figuring out the non-tariff barriers that have an effect on economic integration among Ethiopia and Kenya, investigating challenges of custom clearance manner on import-export relation between Kenya and Ethiopia and analysing measures to be taken within the implementation of trade agreement signed among Ethiopia and Kenya. The chapter gives the summary of the study, conclusion and pointers to enhance gaps at the subject under investigation.

5.2 Summary of the Findings

5.2.1 The non-tariff trade barriers that affect economic integration between Ethiopia and Kenya.

The study found that poor infrastructure is the primary nontariff trade barrier existed between Kenya and Ethiopia. moreover, study observed that lack of using modern communication technology to exchange records between the two countries customs places of work, inefficient customs management, customs clearance, too many requirements, and incompatible trade policies are among the non-tariff trade barriers that negatively affects the economic integration among Kenya and Ethiopia. It is cited that nontariff exchange limitations which might be existed between Kenya and Ethiopia can be eliminated. Enhancing both physical and smooth infrastructure improvement for alternate exchanges is main to reduce trade barriers. Establishing one stop border posts and develop integrated border control gadget and use of modern-day records communication technology are ways to enhance free movement of products throughout the borders. Those nontariff trade barriers can be reduced by using bilateral negotiations and trade agreements with proper implementation of commitments between Kenya and Ethiopia.

5.2.2 Challenges of Custom Clearance procedure on import-export relation between Kenya and Ethiopia

The study installed that there are one-of-a-kind demanding situations of border custom clearance in import export among Kenya and Ethiopia. In line with the look at, lengthy and inefficient customs institutional preparations and administrative necessities, stringent requirements for one-of-a-kind commodities and bulky documentation necessities are many of the major challenges of custom clearance and border alternate among Kenya and Ethiopia. The study stated that because of those custom clearance demanding situations, import-export clearance system between Kenya and Ethiopia at the border isn't clean and speedy that ends in additional price and delays for buyers. To lessen the existing demanding situations of border clearance system, there have to be coordination of countrywide requirements, harmonizing joint information communication data system for customs management, deploying skilled employees and enhance other modern infrastructures such us one-forestall- border post customs management which helps to facilitate for free actions of products and offerings across the border and financial integration between the two nations.

5.2.3 Measures to be taken in the implementation of the special status agreement signed between Ethiopia and Kenya

The study stated that low degree of political commitments seen as primary contributing component for appalling implementation of bilateral agreements such as Special Status Agreement. Lack of coordination between governments and private sectors is the other cause to low performance of trade agreements implementation among Kenya and Ethiopia. Lack of joint establishments to monitor bilateral agreements is likewise cited as a drive for poor implantations between Kenya and Ethiopia.

The study discovered that trade facilities, putting in place separate institutions with the aid of respective governments to monitor the implementation of alternative trade agreements are the pleasant measures for successful bilateral settlement implementation made between Kenya and Ethiopia. For the successful bilateral agreements implementation, there have to be additionally proper awareness advent amongst most people and private sectors and establishing joint council and administrative committees also may be approaches to enhance implementation of bilateral agreements inclusive of unique reputation settlement.

5.3 Conclusions

The study concludes that nontariff trade limitations affects monetary integration among Kenya and Ethiopia. The mentioned that there are unique nontariff trade limitations which include the lack of modern information communication technology to exchange information between the two countries customs places of work, inefficient customs administration, inefficient customs clearance, too many necessities, and incompatible trade policies are most of the primary nontariff change limitations that hampers the financial integration among Kenya and Ethiopia. To dispose of such nontariff barriers obstacles, harmonized and coordinated alternate rules are important. Nontariff alternate barriers are negatively affecting trade exchange among Kenya and Ethiopia by using growing transaction prices and delays in import-export system.

The study concludes that improving both bodily and soft infrastructure improvement for trade exchanges is key to reduce trade across boundaries. Establishing one stop border posts and increase integrated border management device and use of contemporary communication are vital measures to enhance free movement of products and offerings throughout the borders. The government's aim of revenue collection by imposing tariffs and trade protection policies restricted import and hampers free trade.

The study revealed that trade facilitation and coordinated policy harmonization helps to create market and investment opportunities that has vital role in economic integration between Kenya and Ethiopia. Awareness creation among the private and public sector by respective government on the importance of economic integration for national wellbeing and create joint trade and investment platforms which is important for economic integration.

Study proved that the first and second hypothesis that non-Tariff change obstacles contribute to the terrible overall performance of monetary integration between Ethiopia and Kenya and terrible border clearance method control is inflicting delays in exchanges of goods and offerings on import-export family members among Kenya and Ethiopia are correct. While poor implementation of the bilateral exchange agreements among Ethiopia and Kenya does not affect the financial integration system is disproved by the study. Then again, consistent with study it is discovered that poor implementation of trade agreements influences economic integration among Kenya and Ethiopia.

5.4 Recommendations

The government of Kenya and Ethiopia needs to invest in in both physical and soft infrastructure development to enhance trade relations. Measures such as reducing bureaucratic requirements, easing border custom clearance procedures can reduce delays in custom and avoid unnecessary costs. Trade and economic policy reforms are required to coordinate and harmonize national standards and trade regulations which helps to create market opportunities for products.

Government and private sectors should invest to modernize customs and transit systems and strategies (inclusive of developing one stop border posts and expand facilities such as inland container depots. The customs of the two countries should exchange information using harmonized information data base that helps to clear good and services at the border. The study also recommends that the Ethiopia customs office at Moyale Border needs to deploy educated personnel and increase working hours as it is found by the study the customs office is functioning very short time.

The Study additionally recommends that Ethiopia and Kenya must establish institutions and technical centres to collaborate their country wide Bureaus of standards that allows to harmonize stringent standards, rules and regulations put in place by respective customs for same products.

Due to confined sources and the want for optimum effect, there may be had to focus on precedence sectors (including exchange, infrastructure, funding and meals safety and sustainable livelihoods) as provided on the unique repute agreement on. Consequently, the two countries ought to intently monitor the implementation of prioritized sectors of development that may enhance their economic integration.

The study also recommends that cooperation on regulatory reforms that are essential to facilitate cross border exchanges and to create greater opportunities for better economic integration.

For effective bilateral trade agreement implementation such as Special Status Agreement, both countries should establish separate institutions with the mandate to monitor, evaluate and follow-up the status of the agreements and their impact on the economic integration of the two nations.

The LAPSET project is key for the economic integration among Kenya, Ethiopia and South Sudan which the three nations must exert their maximum effort for the realization of this transport corridor. Nontariff trade barriers may want to basically be eliminated and removing nontariff boundaries among Kenya and Ethiopia calls for powerful implementation of bilateral alternate agreements and political technique of negotiating for the removal of these barriers.

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Kenya and Ethiopia Trade :https://www.businessdailyafrica.com/bd/corporate/shipping-logistics/why-new-border-enhance-kenya-ethiopia-trade-3360770) accessed on 14 June 2021@9:00 PM

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Chapter 4 Implementing The Trade Facilitation Agreement Contributed by the World Trade Organization. https://www.wto.org/english/res_e/booksp_e/aid4trade15_chap4_e.pdf accessed 29 June 2021@8:28

APPENDICES

Appendix 1: Letter of Introduction

UNIVERSITY OF NAIROBI

College of Humanities and Social Sciences

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P.O. Box 30197
Nairobi
Kenya

August 06, 2021

TO WHOM IT MAY CONCERN

RE: SHEWAYE MERN DELELEGN – R50/34222/2019

This is to confirm that the above-mentioned person is a bona fide student at the Institute of Diplomacy and International Studies (IDIS), University of Nairobi pursuing a **Master of Arts Degree in International Studies**. He is working on a research project titled, **"THE IMPACT OF NON TARIFF TRADE BARRIERS ON ECONOMIC INTEGRATION BETWEEN KENYA AND ETHIOPIA. RESEARCH SITE: NAIROBI COUNTY".**

The research project is a requirement for students undertaking Masters programme at the University of Nairobi, whose results will inform policy and learning.

Any assistance given to him to facilitate data collection for his research project will be highly appreciated.

Thank you in advance for your consideration.

UNIVERSITY OF NAIROBI
APPROVED
DATE:
SIGN:
INSTITUTE OF DIPLOMACY INTERNATIONAL STUDIES

Professor Maria Nzomo,
Director, IDIS
&
Professor of International Relations and Governance

Appendix 2: Questionnaire

Dear Respondents,

I am, Shewaye Mern, postgraduate student in the University of Nairobi, Institute of Diplomacy and International Studies and I am conducting research project on the impact of nontariff trade barriers on economic integration between Kenya and Ethiopia. The aim of the study is to examine the impact of nontariff trade barriers on economic integration between the two countries and to inform policy directions.

The data collected from you /your organization is key for the research finding. Therefore, your participation is highly appreciated and your information is valuable for the study. All information will be kept confidential and used only for research purpose anonymously.

Thank you for your time!

I. Demographic information

I. Please circle the one appropriate to you

1. What is your gender?
   A. Female B. Male
2. Age group
   A) 18-30 B) 31-43 C) 44-56 D. 57+
3. What is the highest level of education you have attained?

A. High school B. Diploma C Degree D. Master E. PhD

II. Non-tariff trade barriers to economic integration (for all respondents)

1. Rank the following nontariff trade barriers according to their prevalence between Ethiopia and Kenya?

(tick the number under initials that is appropriate)

VI= Very important, I= important, N=neutral, U=unimportant, VU= very unimportant

No.	Non-tariff barriers	VI	I	N	U	VU
1	Inefficient customs clearance	1	2	3	4	5
2	Incompatible policies	1	2	3	4	5
3	Too many requirements	1	2	3	4	5
4	Poor infrastructure	1	2	3	4	5
5	Corruption and inefficient administration	1	2	3	4	5
6	lack of information Communication technology	1	2	3	4	5

2. Do you think that non-tariffs trade barriers that existed between Kenya and Ethiopia can be eliminated?

   A. Yes B. No.

If yes, how do you think it will be done? explain

………………………………………………………………………………………………

………………………………………………………………………………………………

………………………………………………………………………………………………

III. Challenges of border clearance procedure (for business community)

1. In your view **w**hich of the following challenge is more prevalent in custom clearance between Kenya and Ethiopia? (indicate by numbering from 1 which is more prevalent to 5 which is least prevalent) rank from the one that is more prevalent to least.

No	Challenges of border clearance	From more prevalent to least prevalent (1-5)
1	Poor personnel	
2	Cumbersome documentation requirements,	
3	stringent standards	
4	inefficient road and rail networks	
5	lengthy and inefficient customs institutional arrangements and administrative requirements	

2. Do you agree that the import-export clearance system between Kenya and Ethiopia is fast and easy?

strongly agree	Agree	Disagree	Neutral	Strongly disagree
5	4	3	2	1

3. What challenges have you ever faced when exporting or importing items from either Kenya or Ethiopia?

----

3. How many days do you need to clear goods imported from Ethiopia to Kenya at the border?

----

4. How many days do you need to clear goods exported from Kenya to Ethiopia at the border?

----

5. What are your suggestions to improve the custom clearance procedure between Kenya and Ethiopia to ease import export process?

----

6. In which item of trading commodities custom clearance is cumbersome.

IV. Implementation of trade agreements (for Government officials)

1. Among the eight given measures below, which one do you think is the best measure for successful bilateral trade agreement implementation between Kenya and Ethiopia? (Place in order of importance write numbers in front of the list- (ranking 1 as most important to 8 least important)

No.	Measures to be taken	Order of importance
1	Setting up separate institution to follow-up the implementation	
2	Establishing committee from business community to follow up investment agreement	
3	Proper awareness creation among public and private sector	
4	Improving infrastructure	
5	Establishing trading facilities such as inland container depots	
6	Open One stop border post	
7	Establishment of joint institutions	
8	Establish High-Level Joint Council and administrative committees that oversee the progress of trade agreement	

2. What do you think is the cause of poor implementation of trade agreement between Ethiopia and Kenya:(rank them from 1 to 4 where 1 is major cause)?

No.	Causes of poor implementation	Ranking
1	Lack of joint institutions to follow up bilateral trade agreements	
2	Low level of political commitments	
3	Lack of trade policy harmonization	
4	Lack of coordination	

3. What are other causes of poor implementation if any? (Please specify) ------------------
----

----
4. What mechanisms are Put in place by the government of Kenya and Ethiopia to ensure proper implementation of trade agreements?

----

5. Is there any separate institution setup by both governments that deal with implementation of bilateral trade agreements including special status agreement?
A. Yes B. No
If yes which organization is this --

----

6. In your view which of the following policy measures should be followed by the two governments to fast-track their economic integration? (Place in order of importance 1-4, where number 1 is most important and 4 is least important)

No.	Possible policy options for economic integration	Place in order of importance
1	Trade facilitation	
2	Open up investment opportunities for respective investors	
3	Improving infrastructure	
4	Implement Joint policy measures to achieve food and security development	

7. The implementation of bilateral trade agreement between Kenya and Ethiopia is well-coordinated.

strongly agree	Disagree	Neutral	Strongly disagree
4	3	2	1

8. What Do you think about trade relationship between Ethiopia and Kenya?
   A. Good relation with appropriate policy harmonization
   B. There is lack coordination and focus
   C. It is Poorly managed and less focused by respective government
   D. Others (please specify)
   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………

9. Do you think collaboration between Kenya and Ethiopia in maximizing trade volume can benefit them in economic integration process?
   A. yes B. no

If yes, how ---

If no, why--

----

10. What is the role of trade relations in economic integration?

----

11. Anything that you would like to say about the economic integration between Ethiopia and Kenya?---

    ----

THANK YOU FOR YOUR TIME

APPENDIX 3: NACOSTI LICENSE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **485792**

Date of Issue: **23/August/2021**

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