THE PERCEIVED EFFECTS OF THE EUROPEAN UNION (EU)-EAST AND SOUTHERN AFRICA (ESA) ECONOMIC PARTNERSHIP AGREEMENT (EPA) ON KENYA'S FLOWER EXPORTS TO THE EU.

BY

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A MANAGEMENT RESEARCH PROJECT FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

OCTOBER 2007.

DECLARATION:

This project is my original work and has not been submitted to any other university.

Signed:____________________ **Date:** 12th October 2007

Mutunga, Stephen Laititi

This project has been presented for examination with my approval as the University Supervisor.

Signed:____________________ **Date:** 12-10-2007

Dr. John Yabs.

DEDICATION:

Dedicated to my children; Mervyn, Kelvin and Lindsy Laititi.

Enjoy in struggle, live a great life.

ACKNOWLEDGEMENT:

I wish to register great appreciation to my family especially my dear wife Charity for her support during the period of this study. To my children as well for their encouragement and especially to little Lindsy for bearing the times I could not share with her due to engagement in the study.

Further appreciation go to my parents for whom I will for ever be indebted for their vision of an educated and empowered son, even though they themselves did not understand much what education was all about. Their vision has seen me this far.

I would like to thank my employer, especially The Director of the National Youth Service Mr. Japtheth Mwania, CBS, for granting me the study leave to undertake this course. That way, I was able to finance the study.

To the staff of the Kenya Flower Council, I am greatly indebted for all the assistance they accorded me. Special thanks go to Mr. Eric Mwaura for the support in reaching out to respondents and the encouragement on alternative strategies when responses were not forthcoming.

I would like to sincerely thank all the good people in the flower farms/firms who responded to the questionnaires. Being a very busy and sensitive industry, I really appreciate that they could spend time to fill in the questionnaires or give me one-on- one interview.

Finally, I wish to register my greatest appreciation to my supervisor Dr. John Yabs for the guidance, support and encouragement during all the stages of the study. His quick review of the drafts and fast responses to any queries enabled me to complete the study earlier than it would otherwise have been. For this I am greatly thankful to him.

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LIST OF ACRONYMS:

ACP	African, Caribbean and Pacific
AGOA	Africa Growth and Opportunity Act
ASEAN	Association for South East Asian Nations
CBS	Central Bureau of Statistics
COMESA	Common Market for Eastern and Southern Africa
DDR	Doha Development Round
EAC	East African Community
EBA	Everything But Arms
EC	European Commission
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa
EU	European Union
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalized System of Preferences
IGAD	Inter-Governmental Authority for Development
ITO	International Trade Organization
KEPHIS	Kenya Plant Health Inspectorate Service
KFC	Kenya Flower Council
LDCs	Least Developed Countries
MFN	Most Favoured Nation
NAFTA	North America Free Trade Area
NDTPF	National Development and Trade Policy Forum
NSA	Non- State Actors
NTB	Non- Tariff Barriers
OECD	Oversees Economic Cooperation for Development
TRIPS	Trade Related aspects of Intellectual Property Rights
SADC	Southern Africa Development Cooperation
SPS	Sanitary and Phytosanitary
SRA	Strategy for Revitalizing Agriculture
RECs	Regional Economic Communities
RIA	Regional Integration Agreements
RNF	Regional Negotiating Forum
UNDP	United Nations Development Programme
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
WTO	World Trade Organization

DEFINITIONS:

Perception:

Schiffman (2003) defines perception as a process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. It is also a dynamic psychological process responsible for attending to, organizing and interpreting sensory data (Huczynski, 2001). It is the process by which information about the world is received by senses, is analysed and made meaningful (Hornby, 1995)

Attitude:

Attitude is a learned predisposition to behave in a consistently favourable or unfavourable way with respect to a given object (Schiffman, 2003). The attitude comes before behavour and affects the way the person will act. Attitudes are fairly enduring and last for weeks, months and even years. People change their minds when they perceive additional information or experience or perceive the object of the attitude differently.

Awareness and knowledge:

These are cognitive parts of attitude. They involve the information the individual has on an object. Luthans, (1992) indicated that it makes no difference whether this information is empirically correct or real. To measure knowledge, one should start by measuring awareness. There are two ways of measuring awareness- the aided and the recall methods. People base their actions on their knowledge. It is very important to learn what people believe or know about an object or topic.

ABSTRACT:

The advent of the World Trade Organization (WTO) in 1995, about fifty years since the efforts to free world trade had started with the General Agreement on Tariffs and Trade (GATT) in 1948, saw substantial progress made in freeing trade in manufactured goods by the end of the Uruguay round in 1994, but not so for agriculture. This is because world trade in agriculture has always been characterized by a lot of protection in the developed countries by both farm and export subsidies, which deny market access to developing countries. The latter, however, liberalized their markets almost entirely in the 1980s and 1990s leaving them vulnerable to dumping from subsidized commodities from the North. The Doha Development Round of the WTO is currently suspended due to failure to agree on the way forward in agriculture. Time is of essence since the Doha round was to be concluded by 2007 or it completely fails. However, with the uncertainty in the conclusion of the round, alternatives should be sought to continue trade on bilateral, regional and multilateral scale.

Economic Partnership Agreements (EPAs) are trade agreements between trading blocs or regions in conformity to WTO rules. Regional Economic blocs negotiate EPAs on mutually favourable basis. The African, Caribbean and Pacific (ACP) countries have had trade preference arrangements with the European Union (EU) for 8 years under the Cotonou Agreement of 2000 in which goods from these developing countries have found their way to the lucrative EU markets at no tariffs or very low tariffs. The Cotonou agreement comes to an end by 31st December 2007. Kenya has enjoyed free market access to the EU under the ACP-EU preferential trading terms for all that time. Therefore, Kenya, like other ACP countries, stands to lose the preferential market access when the current agreement comes to an end unless a new agreement is in place. The current EPA negotiations with the European Union in which Kenya is actively participating are being carried out under the Eastern and Southern Africa (ESA) group of countries, which are a 16- member Regional Negotiating Forum (RNF). The negotiations should be concluded before the end 2007 and come 2008, only items under the new agreement will be traded between the two regions. Considerable progress has been made on the negotiations. However, either way the negotiations go, they are bound to have an impact on the economy of Kenya and especially so the agricultural sector which is the country's economic backbone.

Kenya's agriculture has been showing a declining trend in its contribution to the GDP in the recent past. However, the horticultural industry has been growing at an average of 15% per year. Flowers contribute about 56% of the total horticultural exports from the country. Therefore, the flower industry is one of Kenya's largest foreign exchange earners. This industry is directly affected by any trend the EPA negotiations with the EU are likely to take. Impact studies carried out in Kenya (among some other ESA countries) have shown a potential revenue loss, assuming 100% product coverage in the Free Trade Area (FTA) with the EU, estimated at Ksh 9.5 billions. However, the particular impact the EPA negotiations outcome will have on the Kenyan horticultural and particularly the flower industry has not been ascertained. The alternatives to the EPA were it to fail, have equally not been appreciated by the stakeholders in the flower industry.

This study was designed to gauge the awareness on the on-going EPA negotiations among flower farms/firms and bring out the possible effects of the EPAs on the Kenyan Flower industry by conducting primary surveys through semi-structured questionnaires targeting the Chief executives or senior marketing executives in the flower firms registered under the Kenya Flower Council. The questionnaires were administered through various means which included emails (on-line), drop and pick and one-on-one. The data collected was analyzed by SPSS and interpreted using descriptive statistics. The results showed that awareness among the senior managers was only about 55% among the responding firms while the understanding of the EPA was low at 30.3% of the responding firms. 73% of the respondents knew that negotiations were going on but only 50% of these were positive that the outcome of the negotiations with a low rate of satisfaction with the trend of negotiations the negotiations were taking at 18.2%. On the possible failure of the negotiations, all respondents indicated losses in the business with 36.4% anticipating considerable losses of up to 25%, 18.2% anticipating losses of 50% and 36.4% expecting losses of over 75% with some anticipating a total collapse of the industry. Alternative markets exist but are not developed and consume only a capacity of about 5% with all the rest of the flowers going to the EU. Therefore, the EU market is the most important trading partner on flowers from which Kenya stands to lose greatly if a favourable agreement is not negotiated and hence the great importance attached on the EPA negotiations.

CHAPTER 1: INTRODUCTION

1.0: BACKGROUND:

Trade is the engine of growth of any economy. World trade was not regulated before 1944 when the International Trade Organization (ITO) was formed to bring order to the world trade. The ITO charter was not ratified but it gave rise the General Agreement of Tariffs and Trade (GATT) which later advanced to give rise to the World Trade Organization (WTO) after fifty years in 1995, following several rounds of negotiations. Essentially, the WTO is supposed to free world trade by reducing or eliminating both tariff and non-tariff barriers. The Uruguay round achieved substantial gains in reducing trade distorting tariff barriers from a high of 40% to about 3% by 1994 on manufactured goods. However, agricultural trade has continued to be protected by both tariff and non-tariff barriers erected, especially by the developed countries in form of agricultural subsidies and import quotas which continuously deny market access to goods from developing countries. The Doha Development Round (DDA) sought to address agricultural trade with a view of reducing agricultural subsidies in the developed world to create more market access for developing world agricultural commodities. However, the developed world is not willing to remove these subsidies and hence the Doha round is now suspended. Trade liberalization on a multilateral scale as the WTO endeavours to promote would be very crucial in driving growth and development of developing economies. With the absence of this, trade preferences in terms of economic partnership agreements (EPAs) between regional trading blocs have been emphasized and have been going on even with the WTO negotiations provided the EPAs are compatible with the WTO rules.

Kenya has been negotiating the EPAs with European Union under the Eastern and Southern Africa (ESA) group of countries, which is a 16- member Regional Negotiating Forum (RNF). The current EPA negotiations between the ESA countries and the EU are ending in December 2007 and come January 2008, trade will be carried out under a new arrangement. However, the EPA has been dogged by several difficulties with many players fearing that a compromise may not be reached by the set deadline, which would plunge most ESA economies including Kenya's into deep crisis.

The agricultural sector is Kenya's most important sector in foreign exchange earnings just like it is for most of Sub- Saharan economies. Therefore, most trade negotiations emphasize this sector. The horticultural sub-sector is the major export sub-sector in the agricultural trade with flowers constituting over 56% of the exports. Therefore the Kenyan flower industry is a very important foreign exchange earner. The awareness, and the perceived effects of the on-going EPA negotiations between the ESA and EU on Kenya's flower industry are the subjects of this study.

1.2: Kenyan Agricultural Sector:

Agriculture and agriculture related activities account for over 50% of Kenya's Gross Domestic Product (GDP) and the sector remains the main source of livelihood for the majority of the Kenyan people who live in the rural areas estimated at about 80% of the population. The need to revitalize agriculture was critical for sustainable economic growth, employment creation and poverty alleviation (SRA, 2003).

Although the contribution of agriculture to the GDP has been declining in the recent past, there has been a marked growth in marketed output over the years. Table 1 shows the contribution of the major agricultural commodities over the last seven years. Horticulture has been the second most important sector in the Kenyan economy especially after the decline in tourism occasioned by ethnic classes that rocked the coast province in the late 1990s. However, tourism has shot back to reclaim its leading position as the country's largest foreign exchange earner with a record Ksh. 56.2 billion ($802 million) in 2005 followed by tea at KSh. 47.3 billion ($676 Million) up from Ksh.48.9 billion ($699 million) and Ksh.42.3 billion ($604 Million) the previous year for the two sectors respectively (Daily Nation, Business News, 1st February, 2007). The Kenyan horticultural sector has an annual growth rate of 15-20% and the industry is the fastest growing sub-sector in the country contributing close to 13% of GDP. Despite the recent decline in growth of the overall agricultural sector in Kenya from about 7% in 2005 to 5.4% in 2006, the horticultural sector continued to show positive performance in terms of productivity, marketing and employment creation with a total direct employment of over 2 million people (HCDA, 2002).

Table 1: ***Gross marketed production at current prices, 1999-2005 in Ksh. Million***

Commodity/ Category	1999	2000	2001	2002	2003	2004	2005
Cereals (maize, wheat, rice, barley and others)	5,415.20	5,617.11	8,760.52	6,398.28	5,676.31	10,013.07	10,907.40
Horticulture (cut-flowers, vegetables and fruits)	-	13,890	20,222.00	26,722.00	28,840.00	32,591.00	38,838.10
Temporary Industrial crops (pyrethrum, sugarcane, cotton and tobacco)	8,892.40	9,405.70	8,739.77	10.852.93	9,061.72	9,340.09	10,186.70
Other temporary crops (Pulses, potatoes and others)	522.60	246.14	268.10	164.96	163.54	182.89	311.04
Permanent crops (coffee, tea, sisal)	42,012.80	48,061.60	45,945.67	39,793.93	41,648.57	49,722.10	49,118.20
Total crops	**56,843.00**	**77,220.55**	**83,936.06**	**83,932.10**	**85,390.14**	**101,899.15**	**109,361.44**
Livestock (various)	15,030.28	13,910.61	15,467.78	19,339.78	19,432.46	20,766.70	24,258.92
Grand Total	**71,873.28**	**91,131.17**	**99,403.84**	**103,271.88**	**104,822.60**	**122,665.85**	**133,620.36**

Source: Central Bureau of Statistics, Statistical abstracts

Kenya's floricultural industry:

Of the contribution to the horticultural sector, the major commodity is cut-flowers as shown in table 2 below.

Table 2:Gross marketed production of horticultural commodities in KSh. Million

Commodity	1999	2000	2001	2002	2003	2004	2005
Cut-flowers	-	7,327.00	10,627.00	14,971.00	16,496.00	18,720.00	22,896.80
Vegetables	-	5,474.00	8,035.00	10,470.00	10,591.00	12,068.00	13,891.40
Fruits	-	1,089.00	1,560.00	1,461.00	1,753.00	1,803.00	2,049.90
TotaL	-	**13,890.00**	**20,222.00**	**26,722.00**	**28,840.00**	**32,591.00**	**38,838.10**
Cut-flowers as percent of total	-	**53**	**53**	**56**	**57**	**57**	**59**

Kenya is the lead exporter of flowers to the EU, with a 31% market share (KFC, 2006). Over 88,000 tonnes are shipped through the Jomo Kenyatta international airport to the main outlets through the Dutch Auctions (over 65%) with a growing trend in direct sales to some countries. In the United Kingdom, Supermarkets are the main retail outlets where over 25% of the flowers are delivered directly providing an opportunity for adding value at source, through sleeving, labeling and bouquets production (KFC, 2006). Cut-flower production and marketing has been increasing over the years. The major contribution of Cut-flowers to the total horticultural exports is well over 55% and has shown a trend of tremendous increase over the last five years reaching a high of 60% in 2005. The Kenyan flower industry therefore, is a major contributor to foreign currency earnings to the economy at about 15 percent of the total crop exports in 2000, rising to a high of 47% of the total crop commodities sold and 17% of the total agricultural commodity sales from the country by 2005 (CBS, Statistical Abstracts, 2006). Michael Yugi (2006) indicates that the Kenyan flower industry has expanded significantly at the rate of 200 ha. Per year though major challenges like stiff competition and high production costs dog the industry. Ethiopia is emerging as a major competitor to Kenyan flower industry due to several factors like low labour costs which are only one third of the Kenyan costs, government tax relief for seven years for new investors which has attracted many flower growers and good infrastructure at growing sites (Kanyingi, 2006 cited by Yugi, 2006).

1.3: The Kenya Flower Council:

Some leading growers with a vision formed the Kenya Flower Council (KFC) in 1996 believing that, if Kenya was to become and remain an international player, then the farms had to comply with and indeed exceed international standards. Guided by the mission to promote the economic, social and political interests of the floriculture industry, through active participation in the determination and implementation of policies governing sustainable development, the flower council formulated a code of practice that ensures that growers comply with high standards with regards to health, environment and good agricultural practices. The KFC represents 60-70% of the national flower exporters and has currently a registered membership of 50 flower farms/firms. The council keeps abreast with the dynamic industry changes and is sensitive to the concerns of members, clients and customers in relation to fair trade. The KFC is rightfully, the voice of flower farmers in Kenya.

1.4: Economic Partnership Agreement (EPAs):

Economic Partnership Agreements are trade agreements between regional trading blocs in conformity with WTO rules. These agreements are negotiated and made binding for a period of time. The current trade arrangement between Kenya and the European Union is under the Cotonou agreement between the African, Caribbean and Pacific (ACP) countries and the EU, which came into effect in 2000 for a period of 8 years ending in December 2007. With the imminent end to the existing trade arrangement, the options Kenya has are either to negotiate an Economic Partnership Agreement (EPA) or to shift to the EU Generalized System of Preferences for developing countries with effect from 1st January 2008. The latter will imply that Kenyan exports to the EU will face some tariffs, a development that would see Kenya 's exports loosing EU market overnight on account of being uncompetitive and serious economic ramification being felt in all sectors that are currently dependent on the EU market for exports.

In preparation for negotiations of the EPA, Kenya has undertaken an impact assessment, with a view to establishing: Macro and socio-economic effects of EPAs, effects of EPAs on industry and agriculture, impact of EPA on Kenya's position in the regional market and implications of the EPA on Kenya's continued access to the EU market. Some of the key results of the impact assessment can be grouped into macro, socio-economic and effects of EPA on the industrial and agricultural sectors.

From a macro and socio-economic perspective, the study reveals that **potential gains** will be: lower prices for consumers of imported capital and intermediate goods sourced from the EU. The analysis indicates that 34% of consumer goods imports are sourced from the EU, 17% of motor vehicles, 58% of machinery and equipment and 22% of imported intermediate inputs. Thus elimination of the tariff will imply price reduction for Kenyan consumers. Trade is also projected to increase as a result of opportunities for enhancement of regional trade under EPAs as well as increased market penetration in the EU market. Already, Kenya is a major player and beneficiary of the COMESA market in terms of exports and re-exports. The implication of all these is that there will be expanded trade between Kenya and ESA member countries. This is likely to boost Kenya's export earnings from COMESA beyond the current level of KShs.77 billion annually. In essence, a concluded EPA negotiation between ESA and EU will increase South-South trade for Kenya as well as volume of trade between Kenya and the EU.

On Agriculture, the study findings suggest that the EU-ESA Partnership Agreement will be beneficial to Kenya 's exports of agricultural products to the EU. Exports of horticultural products, coffee and tea will at worst remain the same or at best substantially increase, especially if the EU withdraws subsidies extended to its farmers and zero rates tariffs on products that are currently attracting duty under the ACP-EU trade regime. To benefit from this, Kenya must build its capacity in adding value to the commodities that are currently exported in bulk. For instance, attaining a value addition level of 50% for Kenya tea exports would increase export earnings by more than Ksh 12 billion (2003 export figures).

The **potential losses** will be through loss in revenue and displacement of import competing goods in the local and regional markets when the EU gets tariff free access in the region. Total potential revenue loss, assuming 100% product coverage in the Free Trade Area (FTA) with the EU, is estimated at Ksh 9.5 billions. After adjusting for the leakages, the revenue loss translates to a 3% reduction in revenue as a share of Gross Domestic Product (GDP) and a 2% reduction of import duty as a share in total government revenue. These estimates are based on the 2003/2004-tariff book, which had six tariff bands and tariff on finished products ranging between 35% to 60%. If the revenue losses associated with the coming into force of the East African Customs Union on 1st January 2005, with a three-tariff band of 0%, 10% and 25% were to be taken into account, the revenue loss as a result of EPAs would be much lower than estimated. Similarly, the overall impact of EPAs on welfare, which based on the 2003/2004 data, is estimated at -0.1% of GDP would perhaps turn into positive. In addition, the loss will be even much lower because the FTA product coverage with the EC will be at less than 100%. In determining FTA product coverage, revenue loss will certainly be one of the key parameters to be considered.

The EU is the largest single source of Kenya 's imports of intermediate inputs, machinery and capital equipment. It is therefore expected that liberalization through EPA will increase competitiveness of Kenyan industries through cheaper intermediate inputs and capital equipment.

The EPA is expected to pose significant challenges for some of Kenya 's major food commodities such as wheat, rice, sugar, dairy, maize and even meat and meat products. The challenge arises primarily from the EU subsidy on agricultural products. It is however important to note that the EC, through the WTO process has undertaken to eliminate subsidies by 2013 and if the EU withdraws subsidies extended to its farmers and zero rates tariffs on products that are currently attracting duty under the ACP-EU trade regime. To benefit from this, Kenya must build its capacity in adding value to the commodities that are currently exported in bulk. For instance, attaining a value addition level of 50% for Kenya tea exports would increase export earnings by more than Ksh 12 billion (2003 export figures).

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The other challenge is on supply side constraints. The EU and ESA countries are at very different levels of development with the former having the most developed countries and the latter having the least developed countries (LDCs) most of them facing a lot of infrastructural constraints like poor rural access roads, and lack of electricity and water which are critical for production. This makes the ESA countries unable to compete with the EU especially on agriculture that is highly subsidized in the EU. Opening the ESA market to agricultural commodities from the EU would easily kill the potential of the region to produce the most important agricultural commodities, which would create dependency and compromise the already precarious food security situation.

LDCs are characterised by weak institutional framework, poor infrastructure and insufficient skills. LDCs are not at all that linked up to international trade; where they are, they depend on one or two crops like coffee, cocoa and cotton. Intra-regional trade or cross border trade is characterised by trade in small volumes of primary food staples, due to inadequate market information. Generally, these crops are exported in primary or intermediate states. In fact, LDCs are weak and find it difficult to negotiate in institutions like the WTO and bilateral trade talks on equal basis.

Under the WTO Rules, the LDCs enjoy the right to non-reciprocal trade preferences with the EU under its unilateral Everything But Arms (EBA) initiative, which grants duty-free access into the European market for nearly all LDC exports. EBA only excludes arms and munitions. But EBA is not free of non- tariff barriers under the EU CAP reform, hence some access for rice, bananas and sugar are affected. As a result, available data shows that LDCs have benefited less from EBA, than the non-LDCs under a different preferential trade regime. With an option of LDCs not to negotiate an EPA with the EU, a major policy challenge has arisen of how the future trade arrangement between the EU and the ESA countries will be structured so as to accommodate the needs and rights of the LDCs.

The most viable option for Uganda, Kenya and Tanzania and the COMESA member states (the Eastern and Southern Africa group) is the opportunity to renegotiate reciprocated preferential access to the EU in the form of an Economic Partnership Agreement (EPA) or a suitable alternative (taking into account the levels of socio-economic development), with the EU. Most importantly, these countries should strive to address the supply side constraints, which affect production and marketing. Besides, they should elaborate on the list of sensitive products and propose gradual tariff measures, which stimulate growth. Loss of Government revenues and the associated impacts to national developments are expected but mitigation measures should be put in place within enabling legal frameworks.

Although the preferential access to EU markets comes to an end by 31st December 2007, it is expected that with EPAs, this preferential market access can be guaranteed. The following are some of the compelling reasons behind the efforts to ensure that EPA negotiations are concluded by above deadline.

a) To sustain current market preferences and avoid macroeconomic instability and disruption of economic activities, especially in the agricultural sector whose growth have relied on EC market preferences for the past 25 years.
    - Unless there is an Economic Partnership Agreement with the EU by the end of 2007, there will be an immediate loss of market opportunities in the EU for commodities that have gained market access on account of preferential tariffs. Such commodities include horticultural produce that currently attracts no duty in the EU market.
    - Thorough negotiations of EPAs with the EU is necessary as a vital strategy to avoid the imminent market loss, massive unemployment, government revenue losses and foreign exchange losses, should the current trading arrangement with the EU come to end by the end of year 2007.

b) To define a framework for trade in services and negotiate a scheme for ESA countries export of tradable services (e.g professional services and other identified services) to the EC.

c) To improve EU market access for products through negotiated non tariff requirements and other market access enhancing measures. These include:-

- Sanitary and Phyto-sanitary measures – introduction and enforcement procedures and processes
- Simplified Rules of Origin for all products, including fisheries
- Safeguarding of benefits under commodity protocols – sugar, beef and veal and bananas.
- Safeguarding against WTO driven Preference erosion through targeted development measures aimed at preservation of the eroded margin through competitiveness
- Safeguarding products of the ESA countries export interest against erosion of competitiveness as a result of EU Common Agricultural Policy (CAP) Reform program.

d) To appropriate opportunities for regional integration through the following EPA support programmes and initiatives. The following provide an example: -

- Opening of regional markets, especially for countries that have not joined COMESA FTA through inducement from the EPA related Adjustment Facility, e.g Uganda has not yet joined the COMESA FTA but plans are underway to do so.
- An enhanced regional market through trade diversion from the EC and other third countries in favour of ESA countries for products that are excluded from the ESA-EC Free Trade Area arrangement. Agriculture and agro processed industries is expected to benefit.
- Enhanced trade cooperation among trade facilitation institutions in the region through EPA related interventions targeting areas such as customs, SPS introduction and enforcement procedures.
- Regional trade driven investments in agriculture and industry.

1.3B: The EPA negotiating structure and strategy for Kenya.

ESA-EPA Regional Negotiating Forum (RNF)

Presently ESA configuration has 16 members, which include: Burundi, Comoros, DR Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe. There are indications that Congo DR has decamped ESA to negotiate EPAs under CEMAC. Despite this indication, Congo DR is still being represented in ESA meetings.

ESA-EU EPA Negotiating Structure

The ESA negotiating structure comprises of the ESA Council of Ministers, Committee of ESA Ambassadors, and Regional Negotiation Forum (RNF) – where regional negotiating positions are prepared by all ESA member States; and the National Development and Trade Policy Forum (NDTPF). The negotiation is coordinated by RNF comprised of negotiators from the 16 countries in the ESA configuration. The RNF is the body that prepares negotiating briefs for use by the Lead Ambassadorial spokespersons. It is composed of three representatives of each NDTPF.

The NDTPF is multi-sectoral (agriculture, trade, investment, services, etc) and representative of the public and private sectors and Non-State Actors (NSAs) involved in trade and development work. The function of the NDTPF is to determine what the optimal development and trade negotiating position for the country should be and to prepare briefs outlining these positions, which are then used by the representatives of the country in the RNF in preparation of the ESA position for the negotiations with the EC.

ESA membership to different Regional Economic Communities (RECs):

The reform process is marred by the geo-politics of the ESA region. The EAC already has a customs union launched in January 2005, with a common external tariff in place with periods for capacity building of the weaker member states. COMESA plans to have in place a customs union by 2008. The reforms have affected the decision making of member states, and this could have triggered the move by Tanzania to pull out of COMESA. She is currently negotiating EPA under the SADC customs union, which is much older.

ESA is faced with a big challenge of members belonging to overlapping economic integration with different political and economic priorities. The differences have direct effects on businesses and national developments. COMESA, EAC, SADC and the SACU all have trade policy agenda, which are not harmonised. In as far as the EAC is concerned, it does not have an official position as yet and its members are negotiating EPAs with the ESA group. The member states are scattered with membership in IOC, IGAD that are significant regional organisations but are subgroups of a larger COMESA integration. COMESA is playing a big role in the overall regional integration agenda but its timetable is way under the pace of EPA schedule of dates. All 16 members of ESA group negotiating EPA with the EU belong to COMESA. It is noted that integration is taking place at different levels of the COMESA member states. 11 states effectively implement a Free Trade Area and the rest are expected to join soon. All COMESA members have agreed to enter into customs union by 2008.

What is the current state of the impact studies? Has Kenya carried out her own study?

The Cotonou Partnership Agreement (CPA) stipulates that *'no country will be worse off on entering into EPAs than what it was before EPAs'*. Thus any revealed negative impacts will be taken care of through a negotiated position that leaves the country better off with EPAs. To facilitate the EPA negotiations, impact studies were carried out and validated for Kenya. The following conclusions can be made with respect to the studies:

One of the key negative impacts of EPAs will be revenue loss, which assuming a 100% liberalization of the Kenyan market to EU products, is estimated at KSh. 6bn. This loss is equivalent to a 2% reduction of government revenue as a share of GDP and 1.5% of import duties as a share of total government revenue. Kenya's domination of the EU horticultural market is already being threatened by Egypt among other countries.

Assuming a 100% liberalization of the Kenyan market, competition from EU imports would also pose threat to domestic agricultural and industrial sector, leading to spiral effects of negative impact on employment and industrial and agricultural development. The overall impact of EPA on welfare is estimated at -0.05%. In preservation of the intent of Cotonou Agreement that *'no country will be worse off than it currently is'* after conclusion of an EPA, Kenya is pursuing the following strategies in order to address the projected negative impact.

i. Deepening linkage with the region market in various fields where ESA, in pursuit of an EPA with the EC is charting regional positions geared towards regional preferences for the sake of enhancing intra-regional trade in goods and services in support of economic growth and development.

ii. Seeking a 100% duty free and quota free EU market access for all agricultural and non-agricultural products under simplified rules of origin regime. This seeks to safeguard and enhance current preferential market access in the EC.

iii. Negotiating simplified rules of origin that are supportive of agricultural and industrial development, laying emphasis on value addition for agricultural products.

iv. Excluding some products from the Free Trade Area (FTA) with the EU on the basis of their sensitivity to the economy. Exclusion list is the means by which the Government is addressing the welfare loss and threats posed by EPAs on Agriculture and Industry as well as agricultural and industrial development aspirations of Kenya and ESA region. The Government in consultation with the private sector has already come up with the negative list for agricultural and non-agricultural products that will be excluded under EPAs. Among the criteria applied in the selection of these products are employment, revenue, rural development and regional market potential.

v. In view of the exclusion list product coverage in liberalization of the Kenyan market, as well as that of ESA will be for limited products. These products access to the regional market at zero duty will be over a long phase-in period to mitigate revenue and welfare losses. The long phase-in period is also being negotiated to allow for capacity building for industries and agricultural sub-sectors that are likely to face competition from the EU.

vi. Proposal for a comprehensive infrastructural and non- infrastructural development program to address infrastructural and non- infrastructural constraints that have been singled out as inhibiting industrial and agricultural competitiveness. The funding of this program is foreseen under the 10^{th} EDF and other funding modalities that are foreseen in the EPAs.

vii. Negotiating for improved predictability of ESA's and EU's trade regulatory requirements such as SPS requirements and Product Quality Standards through a negotiated protocol on SPS management; and a capacity building program for trade facilitation institutions such as KEPHIS, KEBS, Department of Veterinary, Customs Department, etc.

viii. Hedging the regional market (for products where Kenya has a demonstrated export potential) from EU products through regionally negotiated EPAs, where Kenya is articulating her interests in the regional market.

ix. Integrating marine and inland fisheries in EPAs. This is expected to unlock a huge potential for Kenya marine fisheries, which if fully exploited is expected to rival current dominance of inland fisheries exports, to the benefit of Kenya's overall economic development.

1.5: Statement of the Problem:

There has been sustained progress at protection of agriculture especially in developed countries despite efforts by both the developing countries and WTO at freeing the market in agriculture by reducing or eliminating both the tariff and non-tariff barriers. Currently, the WTO talks under the Doha Development Round have been suspended over disagreements on agricultural trade with the developed countries especially the European Union and the United states declining to reduce trade distorting subsidies in agriculture that have continued to deny developing countries market access to their lucrative markets. The developing countries considerably liberalized their markets in the 1980s and 1990s. However, this gesture has not been reciprocated in the North under WTO multilateral agreements. This has meant that multilateral trade agreements under WTO are not likely to be very successful in the near future opening avenues for trade preferences.

Trade preferences are normally negotiated under regional economic blocs. The upcoming trade agreement between the European Union and Kenya is being negotiated under the EU- ESA (Eastern and Southern Africa) Economic Partnership Agreement (EPA). The ESA regional negotiating forum comprises 16 countries most of which are members of the Common Market for East and Southern Africa (COMESA). Most countries under COMESA are classified as least developed countries with only four- Kenya, Mauritius, Seychelles and Comoros being classified as developing countries. Under the least developed countries (LDCs) there is a duty free market access to the EU since LDCs are not obliged to sign an EPA with the EU due to the Special and Differential Treatment for the LDCs under the WTO rules. Duty free market access for LDCs is also available under the Everything But Arms (EBA) initiative. However, countries, which are not classified as least developed, do not have this privileged access to the EU market. The EU is the single largest importer of agricultural commodities especially from the developing world holding about a third of the world market in agricultural commodity imports together with the USA. This is therefore a very important market for developing countries. Kenya, being a developing country does not enjoy the preferential market access under EBA. Therefore, Kenya must strategically position herself to benefit from the lucrative EU market by negotiating trade on most favourable terms.

The key commodity exports from Kenya include tea and horticulture in terms of both volume and value. Kenya's horticultural exports are dominated (at about 56%) by cut flowers. The floricultural industry is therefore very important as a key contributor to foreign exchange earnings for the country. This makes the EPA being negotiated very important as the outcome impacts directly on the farmers and exporters as well as other stakeholders in the floricultural industry. The current trade arrangement between Kenya and EU under the Cotonou agreement is coming to an end in December, 2007 and come January 2008, a new arrangement will be in place and only items negotiated under the EPA will be tradable after this date. The question for Kenyan floriculture industry is "what will be the implications of the new arrangements?" What happens if the EPA negotiations were to fail by this set deadline? How will the agreements between the EU and the ESA countries on the EPA impact on the Kenyan flower farmers, other stakeholders and the economy at large? Are the farmers and other industry players aware of these likely impacts? What are their perceptions and options to these effects?

1.6: Study Objectives:

The overall objective is to assess the perceived effects of EPA on the Kenyan flower business especially exports to the European Markets. This will be achieved through the following sub-objectives;

I) To establish the level of awareness, knowledge and involvement in the EPA negotiations of the flower business community in Kenya under the umbrella of the Kenya Flower Council (KFC)

II) To determine the perceived effects on the flower exports to the EU of the possible EPA negotiation outcomes.

1.7: Justification and Importance of the study:

The findings of the study will have implications on a number of industry players and stakeholders. To the policy makers, the results will guide policy decisions on the future of one of Kenya's most important economic contributors. Such decisions include exploring alternative markets, diversifying into other areas or negotiating favourable alternatives. To the academics, the results will contribute to the body of knowledge especially on the dynamics of world trade and the implications of regionalism versus multilateralism as efforts of freeing the world trade. To the business community, the information will guide investment decisions on the lucrative flower industry depending on the prospects for the future of the industry. Informed decisions will be made depending the perceived impacts. To foreign investors, given that foreign owned firms dominate the flower industry in the country, the implications of the EPAs will guide future investment decisions especially considering the competitive markets from COMESA countries of Ethiopia and Egypt in flower business although some of these are on the same EPA negotiating forum. To the central government, especially the Kenya Revenue Authority, the implications on the revenue base will be of particular importance. Therefore, the study has tremendous impact on most players in the horticultural and particularly the Floricultural industry.

CHAPTER 2: LITERATURE REVIEW:

2.1: Efforts to regulate world trade:

General Agreement on Tariffs and Trade (GATT):

The desire of the world to liberalize trade led to the birth of the General Agreement on Tariffs and Trade (GATT) in 1948. Prior to this, in 1944, The International Trade Organization (ITO) was recommended by the Bretton Woods Conference, which had also recommended the World Bank and the International Monetary Fund. The ITO charter was however never ratified. This led to the GATT being used as a framework for international trading system. The international trading system was, in principle, guided by the rules and procedures agreed by the signatories to the GATT. New nations were admitted on the basis of their willingness to accept the GATT disciplines and signing. GATT embodied certain conventions and general principles governing international trade among countries that adhered to the agreement which required that; any proposed change in the tariff, or other type of commercial policy of a member country should not be undertaken without consultations of the other parties of the agreement and the countries that adhere to GATT should work towards the reduction of tariffs and other barriers to international trade, which should be negotiated within the framework of GATT (www,wto.org). To realize its objectives, GATT adopted three key principles;

Non- discrimination: This principle required that no member country discriminated against any other member of GATT in the conduct of international trade. To ensure non- discrimination, the members of GATT agreed to apply the principle of 'most favoured nation (MFN)" to all import and export duties which meant that "each nation should be treated as the most favoured nation" and as far as quantitative restrictions were concerned, they too would be administered without favour. Exceptions to this rule were "free trade areas or customs unions" so long as the purpose of such integration was to promote trade and not to create barriers to trade. Members were also permitted under the GATT to adopt measures to counter dumping and export subsidies.

Prohibition of quantitative restrictions: GATT sought to prohibit quantitative restrictions as far as possible and limit restrictions on trade to the less rigid tariffs. Exceptions were again granted to developing countries and countries with balance of payment difficulties. Import restrictions were also allowed to apply to agricultural and fisheries products if domestic production of these items was subject to equally restrictive production or marketing controls.

Consultation: Disagreements would be solved through consultations. Continuing consultations would be conducted- which gave birth to the rounds of negotiations like the Uruguay round which alone lasted seven years, and the Doha Development round which is currently suspended (Martin and Winters, 1995).

Progress and Achievements of GATT

When GATT was signed in 1947, only 23 countries were signatories to it. By the time of the seventh round, this number had increased to 99 countries and to 117 by the next round. By the time GATT graduated to the World Trade Organization (WTO) in 1995, there were 128 countries. In 2005, the number had grown to 148 countries. This shows a continuous increase in the membership to the trade negotiating body despite inherent limitations. Currently, the WTO members account for over 97% of world trade indicating the potential of the WTO to bring orderly development of the international trade (www.wto.org).

World trade has seen tremendous growth over the last fifty years. Total trade by 2000 was 22 times the level of 1950 (Onza, 1994). GATT and subsequently, the WTO have helped to create a more liberal trading system contributing to unprecedented growth. GATT shows a series of trade negotiations or rounds held on several areas such as anti- dumping and non- tariff measures. The Uruguay round (1986-94) gave birth to the WTO and wider trade liberalization. GATT established a forum for continued consultations and diplomatic solutions to potential conflicts (Martin and Winters, 1995).

However, GATT failed to achieve much trade liberalization in the agricultural sector. Far from becoming fairer, trade in agriculture continued becoming progressively more distorted by the support given to farmers (severe barriers to imports and subsidies to exports) in the industrial nations. The other exception was in textiles where quotas were imposed by the industrial countries. Developing countries with balance of payments problems have been generally exempted from trade liberalization. The greatest achievement of GATT was to reduce the level of tariffs on manufactures from industrial countries from about 40% in 1947 to nearly 3% by the end of Uruguay round in 1944. In 1974 however, the progress trade liberalization achieved before suffered a setback through introduction of non- tariff barriers. Matters were made worse for many countries by the oil crisis of this period coupled with the collapse of the Bretton woods institutions, which led to increased protection, which negatively hit hard the exports from developing countries through Non- Tariff Barriers (NTBs). Protection in agriculture increased as that of other exports of interest to developing countries like textiles, footwear and clothing. The developed countries have continued to protect though NTBs while the developing countries have continued to liberalize (Cherunilam, 2006).

The World Trade Organization (WTO):

The WTO came into being in January 1995 to serve as a single institutional framework encompassing GATT and all the results of the Uruguay round. It is directed by a Ministerial conference that meets at least once every two years with its regular business being overseen by a General Council. Its Secretariat is in Geneva, Switzerland. GATT the organization, ceased to exist after the WTO was established. However, GATT, the agreement, which dealt with (and still does) trade in goods, continued to exist, in amended form, as part of WTO alongside two other agreements- the General Agreement on Trade in Services (GATS) and General Agreement on Trade Related Aspects of Intellectual property Rights (TRIPS) (www.wto.org).

WTO endeavours to ensure trade is as fair as possible and as free as practicable by negotiating rules and abiding with them. The WTO rules are intended to ensure that the members operate a non-discriminatory trading system that spells out their rights and obligations. Each country receives guarantees that its exports will be treated fairly and consistently in other countries' markets and each promises to do the same for imports into its own markets (www.wto.org; Chenurilam, 2006).

2.2: Trade Preferences:

Improving the ability of the least developed countries (LDCs) to participate fully in world markets can accelerate development and poverty reduction. Their dependence on agriculture, together with the high duties levied on many agricultural imports by industrial countries, suggests that preferences on agricultural products could help boost exports and growth in developing countries. However, this is not true in practice. Preferences have had little impact for most developing countries since many agricultural products produced in developing countries are subject to zero duties in industrial countries and therefore no trade preference can be given (Brenton and Ikezuki, 2004). Secondly, as Brenton and Ikezuki (2004), argues the primary agricultural products and processed products with very high duties are typically excluded from preferences or the preference margin is very small

Trade preferences allow products from developing countries to enter industrial country markets with lower import duties than are applied to other countries' products under the importing country's most-favoured nation (MFN) tariffs (Brenton and Ikezuki, 2004). The principal scheme governing such preferences is the Generalized System of Preferences (GSP), which originated from the work of UNCTAD (United Nations Conference on Trade And Development) in the 1960s to introduce a harmonized preference scheme across donor countries (UNCTAD, 2001).

Potential benefits of trade preferences:

Tariffs introduce a wedge between the world price of a product and the price in the domestic market. Tariff preferences give suppliers in beneficiary developing countries access to part or this entire price premium that normally accrues to the importing country government as tariff revenue. The acquisition of these rents raises returns in developing country and, depending on the nature of competition in domestic product and factor markets, stimulates expansion of the activity concerned, with implications for wages and employment (Ataman and Beghin, 2004). Trade preferences can provide the premium over normal rate of return that is required to encourage investment in the developing economies. The increase in trade attributable to preferences leads to more output and, if there are scale economies, to lower costs, which stimulate further trade (Brenton and Ikezuki, 2004). It is important, however, that the sectors that receive preferences and investment are those in which the country has a comparative advantage in the long term and that investment not be based on a false comparative advantage based on the margin of preference.

Undesirable effects of trade preferences:

Trade preferences have not been permanent but require legislative removal. Preference granting countries have the discretion to remove countries and products from the programme, creating uncertainty and discouraging investment in developing countries to exploit available opportunities. The industrial countries that grant preference schemes unilaterally determine which countries and which products are included in their schemes and what rules govern the provision of the preferences- and graduation from the scheme (Brenton and Ikezuki, 2004). Recently however, the European Union introduced the Everything But Arms (EBA) programme for the least developed countries, introducing an element of permanency into preference schemes for the first time.

Most highly protected products are excluded from preference schemes. Furthermore, satisfying the rules governing preferences raises costs and reduces the extent to which the preferences raise actual returns. The cost of satisfying the rules of origin in preferences schemes is a major reason for low rates of utilization (UNCTAD, 2001; Brenton and Imagawa, 2004).

EU Preferences under the GSP and Cotonou agreement:

The Generalized System of Preferences (GSP) has two categories of products: Non-sensitive, for which duties are suspended and sensitive which face a flat rate of 3.5% points from the Most Favoured Nation (MFN) rate. The EU tariff structure for agricultural products is extremely complicated, with more than 45% of product lines subject to non-ad valorem duties and this complexity is reflected in similar complexity in preferences granted.

Within the GSP, the European Union discriminates in favour of the least-developed countries. All imports of industrial products and as a range of agricultural products from these countries entered duty free, but significant number of agricultural products still faced some market access barriers until 2001 under the EBA initiative which removed all quantitative restrictions to imports of all products from the least developed countries except arms and munitions (Aksoy and Beghin, 2004). Kenya is not classified as least developed country and does not enjoy unrestricted market access under the EBA initiative. Because preferences from the least- developed countries are granted for an unlimited period and are not subject to periodic reviews, the EBA programme should provide greater certainty of market access and therefore stimulate a greater production response by existing products and conducive environment for exports of a wider range of products. This is a crucial aspect of the programme (Brenton and Ikezuki, 2004).

The EU offers enhanced preference beyond those of the GSP to Sub- Saharan African, Caribbean and Pacific (ACP) countries under the Cotonou agreement. The average duty in the European Union is very high, at more than 17%. Countries eligible for GSP benefits on agricultural products face a slightly lower average duty of 15.3% and ACP countries face a much lower average duty of about 7%. The average duty that would be levied on products covered by the GSP if those preferences were removed is about 14% (Brenton and Ikezuki, 2004). Full preferences tend to be granted on agricultural products with lower MFN rates, whereas those with higher MFN rates tend to receive only partial preferences. The average duty on products covered by the Cotonou Agreement is more than 21%, and the preferences available are much deeper than those under the GSP. While very high duty products tend to receive only partial preferences, many high duty products excluded from the GSP receive preferences under Cotonou. The average duty on excluded products is just under 10%. Cotonou preferences cover over 81% of agricultural tariff lines. Of the remaining lines, 14% have zero MFN duties, and 5% cover products excluded from preferences (Aksoy and Beghin, 2004).

EU- ESA Preferences under ACP-EU and Cotonou Agreement:

The EU as a single market has been the major market destination for the Eastern and Southern African states especially for primary minerals and agricultural products such as tea, sugar, fruit+ vegetables, coffee, flowers, tobacco and fish. However, the commodities face ever-declining market prices. If at all there is any rise in the export value for agricultural products, it can be attributed to increase in volume of the product exported. Agricultural commodities are of critical importance to the economies of the COMESA/ESA configuration. The table 1 presents the performance of agricultural sector exports to the EU 25, and also the agricultural import performance against the total imports and export for the years 1999 to 2005.

Table 3: External Trade Relations for COMESA (including Egypt) member states (million Euros)

External Trade Relations for COMESA (including Egypt) member states (million Euros)

Exports to EU25	1999	2000	2001	2002	2003	2004	2005
Agricultural products (Cap 01-24)	3,155.10	3,119.20	3,283.30	3,328.40	3,076.50	3,128.30	3,316.50
Total Exports to EU25	9,010.60	11,098.30	11,543.80	11,723.20	10,043.10	10,377.00	12,958.80
% of total exports	35%	28%	28%	28%	31%	30%	26%
Imports from EU25	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Agricultural products (Cap 01-24)	1,413.80	1,667.30	1,481.20	1,517.30	1,484.40	1,503.20	1,563.90
Total Imports from EU25	13,441.10	13,761.90	13,496.50	12,467.60	12,966.60	13,868.30	16,105.50
% of total imports	11%	12%	11%	12%	11%	11%	10%
Trade Balance	4,430.50	2,663.60	1,952.70	744.40	2,923.50	3,491.30	3,146.70

Source: Eurostat

From the external trade statistics presented, it can be deduced that the agricultural exports for COMESA rose from billion Euros 3.2 in 1999 to billion Euros 3.3 in 2005. Total exports for the region grew from euros 9 billion to euros 12.3 billion over the period. The percentage of agricultural exports to total exports averaged 29% over the period. The export growth is represented by dependency on a narrow agricultural export base and on the EU market (http://www.acp-eu-trade.org/). This is a risk for most of these countries. On the other hand, the imports of agricultural products rose from billion Euros 1.4 in 1999 to billion Euros 1.5 in 2005 representing on average 11% of the total imports from the EU (Eurostat, 2006).

During the period 1999 to 2005, the trade balance between the EU and COMESA has been in favour of the EU25. This is due to the fact that the bulk of exports from COMESA are primary commodities which fetch low export prices compared to finished products like foods and machinery which fetch high export prices from the EU. The total exports from COMESA to the EU rose from Euros billion 9 in 1999 to Euros billion 12.9 and this is represented by agricultural export worth billion Euros 3.1 in 1999 to billion Euros 3.3 in 2005. On the other hand, the imports from the EU rose from billion Euros 13.4 in 1999 to billion Euros 16.1 in 2005. Out of this, agricultural imports averaged 11% of the total imports. On the global scene, trade between COMESA and the rest of the world was represented by the EU with 25%, USA 9%, ASEAN 18%, Africa 15%, COMESA intra-trade 8%, others 23% (2004). The EU is by far the largest market destination for most products originating from the ESA configuration (Eurostat, 2006).

The European Union is the second largest destination market for Kenyan exports, after COMESA (Table 4). In 2004, the share of Kenya 's total exports to the EU was 26%. Preferential market access to the EU under the LOME IV trade arrangement has been instrumental to Kenya 's penetration to the EU market. Under this arrangement, about 98% of Kenya 's products have benefited from duty free market access (Eurostat, 2006). Among the products, which have attracted some duty include selected agricultural and agro-processed products.

Table 4: External Trade Relations for Kenya (Million Euros)

External Trade Relations for Kenya (Million Euros)

Exports to EU25	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Agricultural products (Cap 01-24)	717.7	743.3	778.2	768.2	737.5	783.7	833.2
Total Exports to EU25	847	844.1	938.7	864.7	808.6	873.3	952
% of total exports	85%	88%	83%	89%	91%	90%	88%
Imports from EU25	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Agricultural products (Cap 01-24)	46.3	51.7	50.6	42.6	42.1	47.3	50.9
Total Imports from EU25	902.3	939.5	1,044.20	927.1	797	940.7	962.5
% of total imports	5%	6%	5%	5%	5%	5%	5%

Source: Eurostat

Kenya heavily relies on the EU market for well over 85% of its flowers and horticulture products sold fresh to the EU supermarkets. The above trade regime lapses on 31st December 2007, and thereafter it will be replaced by a WTO compatible trade arrangement, which entails reciprocity between the ACP and the EU under the framework of an Economic Partnership Agreement (EPA).

2.3: Global trade challenges.

A key problem of the least developed countries has been their export reliance on a small number of agricultural commodities. This export concentration leaves them vulnerable to external shocks and the downward trend in commodity prices (Brenton and Ikezuki, 2005). Preferences could provide incentives for investment in sectors in which the countries have comparative advantage but that are not being exploited because of difficulties in accessing export markets. Brenton and Ikezuki, 2005 note that preferences have done little to increase the diversification of agricultural exports. Only 4 of the 38 countries eligible for preferences under the African Growth and Opportunity Act (AGOA) of the USA have significantly diversified their exports of agricultural products over the last 20 years being Ghana, Nigeria, South Africa and Tanzania. For the other

34 countries, five or fewer products accounted for 90% of their agricultural exports over the period (Ataman and Beghin, 2005).

The global trading system faces many challenges. After the Uruguay round, protection remained high and concentrated in areas of particular interest to developing countries such as agriculture and labour intensive manufactures. In agriculture, only limited progress has been made in reducing high tariffs and trade-distorting subsidies. In both agriculture and manufacturing, tariff peaks and escalation persist and use of contingent protection such as anti-dumping is now widespread, impending the diversification of developing country exports. The progress of trade liberalization by tariff reductions and removal of quantitative import restrictions has been hit back by other obstacles to trade that touch on domestic policies such as individual subsidies and intellectual property rights and, more recently, investment and competition policies. Many poor developing countries feel that they are bearing the costs of implementing difficult and complex Uruguay Round agreements without seeing the benefits of improved market access or obtaining adequate technical and financial assistance to ease their integration into the global economy (Martin and Winters, 1995). Given the constraints on their capacity to negotiate and undertake needed supply-side investments, they are reluctant to engage in further multilateral negotiations (UNDP, 1997). One of the major deterrents to the trade expansion of the developing countries is tariff peaks and tariff escalation which the average tariff level masks (Cherunilam, 2006). Tariff peaks are concentrated in labour intensive manufactures and primary products and are more common in developing countries. Tariff escalation, which is seen in both industrial and developing countries, is designed to protect the processing or manufacturing industry in the importing country, which sets low tariffs on imported material used by its industry and higher tariffs on imported finished products that would compete with the domestic industry's own products (Chenurilam, 2006). Developing countries that export primarily agricultural and labour intensive goods such as textiles and clothing are hard hit by industrial countries' tariffs policies which are in favour of other developed countries but highly punitive to developing countries (UNCTAD, 2004).

2.4: Global trade and developing countries:

The past four decades have witnessed growing participation of developing countries in global trade. Since the 1960s, their merchandize exports have been growing faster than that of the world average. As a result, their share of goods increased from less than one fourth to one-third between 1960 and 2002 while their share in global GNP is about one-fifth (Cherunilam, 2006 pp 80). Between 1980 and 2000, the volume of developing country exports increased more than six-fold, compared to a three-fold increase for developed countries (Cherunilam, 2006). Very significant efforts have been made by the GATT/WTO to liberalize trade because of the dictum 'freer the trade the greater the welfare'. International organizations, economists and others exalt the virtues of trade for developing countries and argue that freer trade would benefit them even further. UNCTAD, which is often concerned and vocal about handicapping of developing countries in the international economic order, argues that despite discrimination of the global economic order against them, there are chances of the developing countries benefiting from trade. Developing countries have a comparative advantage in abundant, low cost, unskilled labour hence they can compete on goods that are labour intensive (Ataman and Beghin, 2005).

Global Agricultural Trade:

The world agricultural trade in 2000-01 was $467 billion, up from $243 billion in 1980-81. Real manufacturing and agricultural export trade expanded at similar rates during the 1980s (5.7% and 4.9 % per year) but real manufacturing export growth accelerated to 6.7% a year during the 1990s, while agricultural exports growth decelerated to 3.4% (Ataman and Beghin, 2005). In developing countries, manufacturing export growth accelerated and agricultural export growth stagnated during the 1990s. More than a third of the world's agricultural exports are traded within the EU member nations and among the three signatories of the North American Free Trade Agreement (NAFTA)

Agricultural Protection:

Agricultural protection has remained high in developed industrial countries. However, many developing countries have significantly liberalized their agricultural sectors since the early 1980s. Average agricultural tariffs, the main source of protection in developing countries, declined from 30% to 18% during the 1990s with liberalization. In addition, these countries eliminated import restrictions, devalued exchange rates, abandoned multiple exchange rate systems that penalized agriculture, and eliminated almost all export taxes. As overall taxation of agriculture declined in developing countries, reactive protection in response to industrial-country support to agricultural producers increased, especially in food products. Average agricultural tariffs in industrial countries, when they can be measured, are some two to four times higher than manufacturing tariffs. Developing country exports confront tariff peaks as high as 500% in some industrial countries. Tariffs also increase by the degree of processing; creating an escalating tariff structure that impedes access to processed food markets. In addition, tariff rate quotas protect almost 30% of domestic production in OECD countries (Aksoy, 2005).

2.5: Economic Integration:

The global trading system has been witnessing a proliferation of regional economic integration schemes or trade blocs or regional integration agreements (RIAs) designed to achieve various economic, social and political purposes. This has led to an increase in the number of regional economic integration schemes. A total of 265 RTAs had been notified by the GATT/WTO until May, 2003 although less than 180 of them were in force then (Martin and Winters, 1995). More than half the world trade occurs within actual or prospective trading blocs. More than one-third of world trade already takes place within the existing RIAs.

Economic integration has been interpreted in different ways. The term is commonly used to refer to the type of arrangement that removes artificial trade barriers like tariffs between integrating economies. The objective is to reduce barriers to trade between member countries like removing tariffs on intra-bloc trade in goods but also cover non-tariff barriers and extend liberalization to trade and investment. They aim at economic union at the utmost with shared executive, judicial and legislative institutions (Cherunilam, 2006). The main characteristic of economic integration is, thus, the abolition of discrimination within a trading area. Integration takes several levels or degrees in which each succeeding stage, members surrender a greater measure of their national sovereignty. The stages are;

Free Trade Area: This is the first and least restrictive form of economic integration. It is a grouping of countries to facilitate free trade between them. It abolishes all restrictions on trade among the members though each member is left free to determine its own commercial policy with non-members. A good example is the North America Free Trade Area (NAFTA) free trade area.

Customs Union: This is a more advanced level of economic integration than the free trade area. It not only eliminates all restrictions on trade among members but also adopts a uniform commercial policy against non-members. The best example is the recently (2005) established customs union between the Eastern Africa countries of Kenya, Uganda and Tanzania (EAC secretariat publications, 2006) and the inclusion (November, 2006), of Rwanda and Burundi.

Common Market: The common market is a step ahead of a customs union. A common market allows free movement of labour and capital within the common market, besides having the two characteristics of the customs union, namely, free trade among members and uniform tariff policy towards outsiders. The best example is the Common Market for East and Southern Africa (COMESA), which is both a free trade area and a common market though this level has not been achieved yet.

Economic Union: This is a still more advanced level of integration. Apart from satisfying the conditions of the common market mentioned above, the economic union achieves some degree of harmonization of national economic policies, through a common central bank, and unified monetary and fiscal policies. The best example is the European Union (EU).

Economic Integration: This is the ultimate form of integration. It is characterized by removal of all barriers to intra-bloc movement of goods and factors, unification of social as well as economic policies and all the members are bound by decisions of a super- national authority consisting of executive, judicial and legislative branches.

Although regional integration was taunted as the best way of promoting economic welfare, studies (Viner, 1950) showed that this view is not necessarily accurate and the formation of a customs union combines elements of free trade with elements of greater protection which may either improve or worsen resource allocation and welfare, depending upon the respective strengths of trade creation and trade diversion. Trade creation is beneficial to welfare while trade diversion is detrimental to it. Trade creation improves international allocation of resources by shifting the source of supply from a high-cost producer to a low-cost producer. Trade diversion on the other hand, worsens international allocation of resources by shifting the source of supply from a low-cost producer to a high-cost producer (Shiells, 1995). Making regional integration an effective element of national development strategies is a great challenge. Regional agreements can reduce the frictional costs of trade by harmonizing regulations and standards. By making national policies a part of international agreements, regional agreements can increase the credibility of reform initiatives and strengthen security arrangements between partners as well as being vehicles to test for free trade. RIAs have also been known to promote regional peace and prosperity. The major problem of RIAs is that they promote regionalism at the expense of multilateralism. Mullei (2002 cited by Yugi, 2006) indicates that in accordance with the standard trade theory, integration, whatever its depth, improves welfare in respective countries provided such arrangements creates trade, minimizes trade diversion or the trade so created exceeds any trade diversion that arises from integration (Mullei, 2002). Trade diversion and trade creation tend to follow tariff changes associated with a customs union. While trade creation represents a move towards a freer trade and greater efficiency that improves welfare, trade diversion reduces efficiency and welfare(Mullei, 2002).

2.6: Effects of Policy Changes on integration and trade:

In his study to assess the effects of the Eastern Africa Customs Union on the food and beverage industry in Kenya, Odera (2005) endeavoured to plug the knowledge gap by providing crucial information for decision making to the manufacturers of these items on right sizing, re-engineering or downsizing of their business depending on perceived effects. The study revealed that although most of the executives were aware of the Customs Union, only about 11% were well versed of the protocol with about 60% being only knowledgeable while 30% were not knowledgeable at all. There was a strong correlation between the level of awareness and the satisfaction with the Customs Union protocol. Overall, the majority of the industry players perceived the protocol positively although the study was only limited to the food and beverage sector and only to this protocol (Odera, 2005). Removal of trade barriers within COMESA trading bloc greatly increased export volumes from Kenya. Exports volumes of agro-chemicals, the subject of the study, rose by multiples of hundreds of thousands of percentages like 19,000%

for fungicides exports to Uganda, Tanzania and Sudan with an increase in value of 1689%. This shows that removal of trade barriers or formation of favourable trading policies improves trade (Rahedi, 2003). The Eastern Africa region has been characterized by a large information asymmetry in business community leaving entrepreneurs not aware of opportunities availed to them by their governments in joining the regional economic blocs. In order to get entrepreneurs genuinely interested in regional integration and play an active role in it, they have to perceive the benefits to be derived from such participation as real, and there have to be lucrative opportunities which can be exploited to engage in regional trade (Kuria, 2004). The essence of formation of regional economic groupings is to benefit among others, the entrepreneurial community who should then exploit the enlarged markets. This is so also for the trade agreements between different RECs.

The Export Promotion Council (EPC) in Kenya has been charged with the responsibility of promoting exports by research and formulation of policies favourable to export promotion. However, a study conducted by Mathenge (2003) showed that most firms did not perceive the activities of the EPC as adequate to promote exports from the country. Most firms got awareness information through their trade associations rather than the EPC. Exporters reported that export documentation was a major problem which the government should simplify as well as reducing duty on inputs. Greater representation of the firms at the regional economic groupings was recommended. EPC should put more efforts at creating awareness of its activities and addressing the needs of exporters- the study concluded (Mathenge, 2003). This study did not consider exports of agricultural commodities for which Kenya deals with most, meaning a limitation needing addressing. No study has been done on the effects of the Economic Partnership Agreements between the ESA with the EU and particularly with Kenya as a major trading partner, being the second largest market only to COMESA for Kenyan exports. It is imperative that this study will go a long way in giving insight into this important gray area.

CHAPTER 3: RESEARCH METHODOLOGY:

3.0: Study design:

The study was planned as a census of all the flower firms/farms that were members of the Kenya Flower Council as at March 2007. Primary data was gathered through semi- structured questionnaires mailed online to chief executives or senior managers in charge of marketing or exports. The questionnaire had three parts- the company demographics, the part dealing with the awareness and satisfaction with the progress of the EPA negotiations and the last part dealing with the perceived impact of the EPAs.

3.1: Population of the study:

The Kenya Flower Council had a membership of 50 firms as at March 2007. This formed the population or the universe of the study with the elements being the individual flower firms. The flower industry, being highly sensitive, necessitated a census of all the firms for fear of low response rates if sampling were to be done. The representation of the flower growers in the Kenya Flower Council is high covering over 70% of all growers and exporters, which made the membership the choice for the study. The members were also expected to be more versed with trade dynamics and to offer the necessary response easily.

3.2: Data collection:

Data was collected using semi- structured, self- administered questionnaires. The questionnaires were designed to extract primary data on the two objectives of the study besides the firms' demographics. The method of data collection was online by emailing the questionnaires to the target respondents. One-on- one interviews were conducted as well. Follow up on the respondents was aggressively made through both emails and telephone calls to the companies. Visits for face- to- face interviews were made to some firms. Data was recorded and where clarity was necessary, telephone calls were made for clarification from the responding authorities or online queries for confirmation.

3.3: Data analysis:

Detecting errors and confirming with respondents before subjecting the data to actual analysis edited the collected data. This formed data validation component as a preliminary process to the final analysis. Analysis was carried out using Statistical Package for Social Sciences (SPSS) and descriptive statistics used to interpret the results.

Descriptive statistics like measures of central tendencies or dispersions were used to show the relationships between study parameters and company demographics. This is because perception is mainly qualitative measure and hence the need for descriptive statistics. Measures of association such as regression or correlation were used to describe possible relationships between the firms' demographics and the perceived effects of EPA.

CHAPTER 4: RESULTS:

The study was designed as a census survey of the entire members of the Kenya Flower Council that totaled to 50 farms/firms as at March 2007. All members of the flower council were connected electronically by emails making communication possible online. It would have been a very convenient method of data collection but, as was to be realized later, it became a very elusive means of getting commitment from the responders due to lack of personal touch. Actually, the method had to be modified mid-way to include other means of data collection like drop and pick and one-on-one interviews. Further, it was later realized that many firms did not want to respond citing sensitivity of the information and lack of time. Granted that the subject was very new to most respondents, being a rare occurrence that happens after several years (with the last trade agreement under ACP-EU signed in the year 2000 for 8 years under Cotonou Agreement negotiated long ago), many respondents did not have the understanding of the Economic Partnership Agreements (EPAs). The sensitivity of the flower industry, being very competitive and prone to all manner of maneuvering for competitive edge, though not underestimated in the design of the questionnaires and the approach to the data collection, still came out glaringly in the large number of non- responses even after very spirited follow-up by both telephone, emails and personal visits. Despite all these spirited efforts, the response rate remained low at 22% necessitating conclusion of the exercise. A total of 11 firms responded and were analyzed although one of them had declined to answer many questions. As targeted, most responders to the questionnaires were senior managers in the respective firms or marketing executives. Many were managing directors and a few (10%) were actual owners of the businesses.

The general conditions that affect the flower exports to EU were examined and responses on the limiting factors to the market included the following;

- High cost of freight. Almost all responders indicated prohibitive freight costs which is attributable to high cost of jet fuel in the background of rising world fuel prices.
- Price fluctuations in the market were also cited. Flower farmers indicated that the lack of stable prices throughout the year, led to the lack of proper planning and uncertainty of the market.

- Certification requirements were the other prominent constraints cited by the responders. The number of certifications was too tedious for the firms.
- Stringent quality control came out strongly as one of the major conditions. Sanitary and Phyto-sanitary standards were difficult and tedious to adhere to.
- A recent introduction, which was both costly and tedious, was the Euro forms. The cost of each form was Ksh. 200 (USD 2.9) and was compulsory for every export consignment.
- Competition from the European growers in the summer season was cited as the other major constraint to the marketing of the flowers.

Farm/firm Demographics:

On farm/firm ownership, 18% of the responding firms were foreign owned while 18% were subsidiaries. The majority (64%) of the responding firms were locally owned -Table 5.

Table 5: Company ownership status:

Ownership type	Frequency	Percentage
Local	7	64
Foreign	2	18
Subsidiary	2	18
Total	**11**	**100**

All responding farms/firms were large based on the number of employees with each employing more than 150 people. A number of firms employed more than 1000 people with a few having over 1,500. One firm reported a whooping 6000 employees on telephone conversation although it did not respond to the questionnaire.

On duration in the business, this varied widely with 27% of the responding firms being young (less than 5 years) and over 45% of them having operated in the medium term between six and fifteen years. The remaining 27% of the firms had been in business for more than fifteen years. The industry is quite lucrative hence the high number of firms entering it and the large number of old firms persisting in the business. The majority of the responding firms were less than fifteen years in operation (Table 6). The entry and exit barriers are quite high in the industry.

Table 6:**Company Duration in Operations (age)**

Age bracket	Frequency	Percentage
Young (1-5 years operation)	3	27.27
Medium (6- 15 years)	5	45.45
Old (over 15 years)	3	27.27
Total	**11**	**100**

The majority of responding firms indicated that they deal with only one type of flowers- Roses. 90% of the responding firms dealt with rose cut flowers. Even firms that dealt with other flowers also had roses besides, with only about 10% of the responding firms not dealing with roses. The rose flower is the most popular among the Kenyan growers and a lot of efforts in both research and investments have gone into improving the rose flower.

Destination Market:

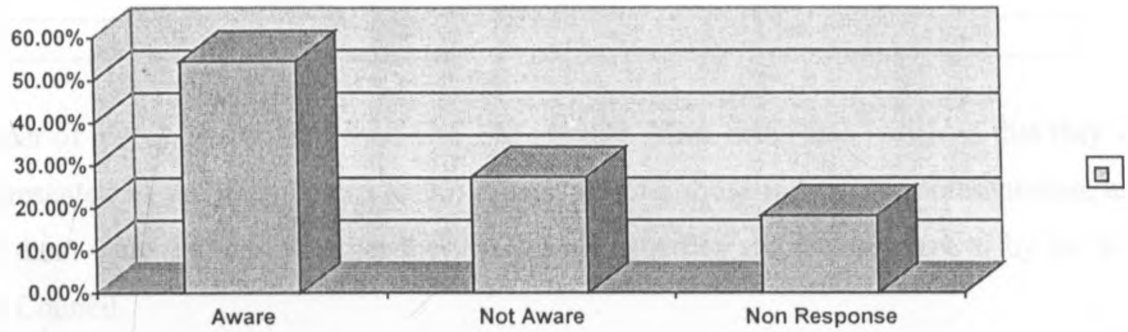
Almost all firms export their flowers with over 90% of the flowers grown destined for the export market. Of the exporting firms, almost all flowers go to the European Union with a few being consumed locally and others exported to emerging markets like United Arab Emirates (Dubai), South Africa, Japan, Australia and the United States. These emerging markets are not well developed and are currently taking only about 10% of the flowers sold besides the EU including those in the local market. Most that go to the emerging markets have to pass through the European Union auctions anyway, which makes the EU the gateway to the Kenyan flower exports.

Awareness on the study subject among the respondents was above average with about 55% having heard of the Economic Partnership agreements. 27.3% had never heard of the concept while 18.2% were non-committal on its awareness meaning they most probably had never heard of it. The total percentage of the responders not aware of the on-going EPA negotiations was therefore taken as 45%, which is almost half of the industry players (Table 7).

Table 7: Awareness on Economic Partnership Agreements (EPAs):

Response	Frequency	Percentage (%)
Yes	6	54.5
No	3	27.3
Non- response	2	18.2
Total	**11**	**100**

Figure 1: Level of awareness on EPAs among the responding firms



Understanding of the meaning of EPAs among the respondents:

It emerged that among the respondents, the majority (55%) did not understand the meaning of EPAs although they were aware of it. This meant they only had a vague idea of what the EPAS meant. Some actually conceded that they did not at all understand the meaning but had heard of EPAs. Of the 55% who were aware, 55% of them or 30.3% of the entire responding firms did not understand the meaning of EPAs (Table 8)

Table 8: Understanding of the meaning of EPAs

Response	Frequency	Percentage (%)
Yes	5	45
No	6	55
Total	11	100

Awareness of the On-going EPA negotiations between EU and ESA.

73% of the respondents were aware that some form of negotiations was going on about the flower business with the European Union at some levels (Table 9). The exact form or level of negotiations was not clear to most of them though. Those who did not respond to the awareness of the negotiations were assumed to be unaware. These, together with those who were completely unaware made 27% of the responding firms. The direction, the effects and the form of representation were also not clear to most responders. 50% of them indicated that they did not know whether the negotiations would bring forth positive or negative results while 50% indicated an optimism that the results would be positive if the negotiations went in favour of ESA and especially so, Kenya.

Table 9: Awareness of the negotiations:

Response	Frequency	Percentage (%)
Yes	8	72.7
No	3	27.3
Total	11	100

A number of responders opted a wait-and- see attitude. Most firms also indicated that they were not represented in the negotiations at 60% level. Among those indicating representation, about half of them were not sure whether they were represented by the Government or by the Kenya Flower Council.

Awareness of the end of current trading regime and EPA negotiations:

On the conclusion of the current trade regime by 31st December 2007, 63.6% of the responders indicated awareness of the end to the negotiations (Table 10). Among the responders, 54.5% felt that the outcome of the current negotiations at the end of this period would be favourable to the Kenyan flower industry (and indeed to the entire ESA regional trade with EU) and hence the welfare of their firms would improve. 27.3% felt that the outcome of the negotiations would be detrimental if the negotiations failed while an equal number at 27.3% had no idea what would be the outcome or the effects of a failed EPA negotiation.

Table 10: Awareness of the end of EPA negotiations

Response	Frequency	Percentage (%)
Yes	7	63.6
No	4	36.4
Total	11	100

Awareness was also analyzed based on nature of company ownership (Table 11) and the correlation of this done (Table 12).

Table 11 : Awareness by nature of ownership of the company:

Response / Ownership	Yes	No	Do not know	Percentage
Local	27.2	27.2	9.1	63.5
Foreign	9.1	0	9.1	18.2
Subsidiary	18.2	0	0	18.2
Total	54.5	27.2	18.2	100

Table 12: Correlations between awareness of EPAs and nature of company business

		Are you aware of the meaning of economic partnership agreement	Nature of ownership
Are you aware of the meaning of economic partnership agreement	Pearson Correlation	1	-.232
	Sig. (2-tailed)		.492
	N	11	11
Nature of ownership	Pearson Correlation	-.232	1
	Sig. (2-tailed)	.492	
	N	11	11

Nature of ownership is negatively correlated to awareness meaning local firms were more likely to be aware of the EPAs than foreign or subsidiary firms. Awareness was also analyzed based on the duration the firm had been in business (Table 13) and further correlated to the duration (Table 14).

Table13: Awareness by duration in business

Response / Duration	Yes	No	Do not know	Percentage
Young (<5 years)	18.2	0	9.1	27.3
Medium (6-15 years)	18.2	18.2	9.1	45.5
Old (>15 years)	18.2	9.1	0	27.3
Total	54.6	27.2	18.2	100

Table 14:Correlation between awareness of EPAS and duration of company in business

		Are you aware of the meaning of economic partnership agreement	Duration in business
Are you aware of the meaning of economic partnership agreement	Pearson Correlation	1	.000
	Sig. (2-tailed)		1.000
	N	11	11
Duration in business	Pearson Correlation	.000	1
	Sig. (2-tailed)	1.000	
	N	11	11

There was no correlation between the age of the firm (duration in business) and awareness as indicted by the .000 Pearson's correlation coefficient.

Satisfaction with the progress of negotiations:

The level of satisfaction with the negotiation process among the responders was generally low. A substantial group of about 36.4% did not know how to gauge their level of satisfaction probably due to their lack of knowledge of the process and how it was being conducted or even who was involved in it. 18.2% of the respondents abstained from commitment on the level of satisfaction while 18.2% expressed dissatisfaction that the process was going very slow with an equal number at 18.2% being moderately satisfied with the progress of the negotiations. No respondent was highly satisfied with the negotiation meaning they were certainly not going well (Table 15).

Table 15: Satisfaction with the progress of EPA negotiations:

Response	Frequency	Percentage
Highly satisfied	0	0
Moderately Satisfied	2	18.2
Dissatisfied	2	18.2
Highly Dissatisfied	1	9.1
Do not know	4	36.4
No response	2	18.2
Total	11	100

Effects of failed EPA negotiations:

If the negotiations failed, the majority of the respondents felt that the alternatives available were limited in both scope and desired impact. The alternatives ranged from venturing into other markets such as the United States, Japan, Middle East, Australia and South Africa to diversification from flower business or incorporating other ventures besides the flowers to complete closure of the flower businesses. Extension of the deadline for the current trading regime was also vouched as an alternative while in other extreme cases, some respondents felt that Kenya should negotiate a bilateral arrangement with the EU outside of the ESA negotiating forum.

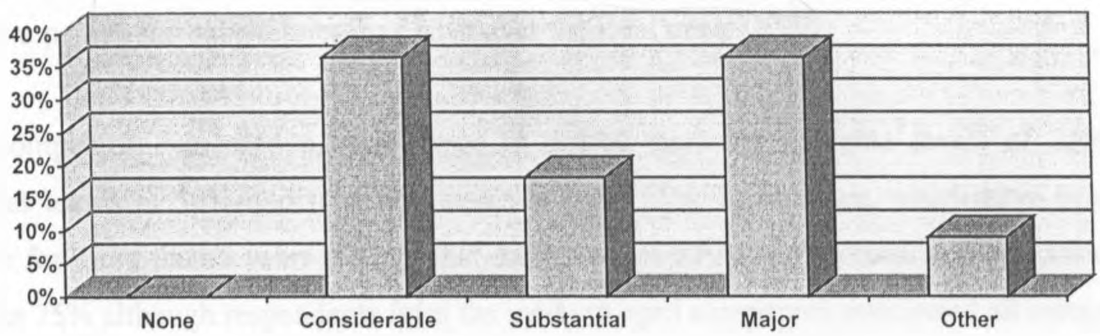
Impact of failure of EPA on flower industry:

There would be a devastating impact of failure to have a conclusive trading regime with the EU on the Kenyan flower industry. All respondents indicated some form of loss of business earnings with none indicating any positive effects or no impact. 36.4% felt that business would lose considerably with at least 25% loss in business earnings while 18.2% thought that business loses would be substantially over 50% and 36.4% of the respondents envisioned over 75% loss in business earnings which would spell a near if not total collapse of their businesses. 9.1% of the respondents did not indicate an idea of the magnitude of business losses anticipated (Table 16)

Table 16: The perceived impact of failed EPA.

Impact	Frequency	Percentage (%)
None (o% loss)	0	0
Considerable (25% loss)	4	36.4
Substantial (50% loss)	2	18.2
Major (>75% loss)	4	36.4
Other (non-response)	1	9.1
Total	11	100

Figure 2: Graphical representation of the perceived effects of a field EPA



Effects of failed EPA by company ownership

From the results (Table 17), among the locally owned companies, the majority at 36.4% thought that the EPA would have a major impact on the future of the flower industry while 18.2% thought that the impact would be considerable at 25% loss. Among the foreign owned, the anticipated losses from a failed EPA would range between 25% and 50% while the subsidiaries also anticipated similar amounts of losses respectively. The correlation results are shown on Table 18.

Table 17: Effects of failed EPA by company ownership:

Ownership / Effects	Local	Foreign	Subsidiary	Total N=11
None (0% loss)	0	0	0	0
Considerable (25% loss)	18.2	9.1	9.1	36.4
Substantial (50% loss)	0	9.1	9.1	18.2
Major (75% loss)	36.4	0	0	36.4
Other (non- response)	9.1	0	0	9.1
Total	**63.7**	**18.2**	**18.2**	**100**

Table 18: Correlation between nature of ownership and perceived impact of a failed EPA.

Correlations

		suppose epas with EUs fails. the impact on flower business	nature of ownership
suppose epas with EUs fails. the impact on flower business	Pearson Correlation	1	-.367
	Sig. (2-tailed)		267
	N	11	11
nature of ownership	Pearson Correlation	-.367	1
	Sig. (2-tailed)	.267	
	N	11	11

The correlation results are negative meaning local companies perceive a failed EPA will have more impact than foreign companies or subsidiaries perhaps because of the alternatives the foreign companies and subsidiaries may have over the local ones.

Young companies expressed a wide range of losses from considerable levels of 25% to substantial losses at 50% and to major losses at over 75%. Companies, which have been in operation for more than 5 years thought that the failure of EPA would occasion major losses at more than 75% although respondents from the medium aged companies anticipated all categories of losses. Old companies were anticipating considerable losses to be more than major losses at 18.2% and 9.1% respectively (Table 19).

Table 19: Effects of failed EPA based on duration of company operation:

Duration / Effects	Young	Medium	Old	Total
None	0	0	0	0
Considerable (25% loss)	9.1	9.1	18.2	**36.4**
Substantial (50% loss)	9.1	9.1	0	**18.2**
Major (>75% loss)	9.1	18.2	9.1	**36.4**
Other (non-response)	0	9.1	0	**9.1**
Total	**27.3**	**45.5**	**27.3**	**100**

Awareness of EPAs and perceived Impact of its failure on flower business:

Analysis of the correlation between awareness of EPAs and the perceived effects of a failed EPA was positive as expected. Those firms, which were aware of EPA, were more likely to know the perceived impact of its failure (Table 20).

Table 20: Correlations between awareness of EPAs and perceived impact of an EPA failure.

		Are you aware of the meaning of economic partnership agreement	Suppose EPAs with EUs fails., What is the perceived impact on flower business
Are you aware of the meaning of economic partnership agreement	Pearson Correlation	1	.243
	Sig. (2-tailed)	.	.472
	N	11	11
Suppose EPAS with EUs fails, what is the perceived impact on flower business	Pearson Correlation	.243	1
	Sig. (2-tailed)	.472	.
	N	11	11

Effects on marketing mix:

The outcome of the EPA negotiations was going to impact on the marketing and production of flower either way. This is because, already, there are a lot of forces that are working against the Kenyan flower industry in Europe. The results show that on average the EPA will affect product decisions positively (mean of 3.27, Table 21) if the EPA outcome is positive except for promotion and pricing to which the EPA are likely to be neutral according to the respondents (means of 3.91). However, the variation from individual respondents was high. 20% of the responders felt that the effects would be extremely negative while a similar number felt that the effects would have the complete opposite results. 30% opined that the effects would gravitate neutrally towards the positive side while the rest felt that the outcome would have negative effects on the product decisions.

Table 21: Effects of EPAs on Marketing mix elements

Marketing Element	Mean
Product	3.27
Promotion	3.91
Place (distribution)	3.34
Price	3.91

Given that the majority were doing only flowers, and specifically the rose flowers, the decision on what else to do if the EPA was to come out unfavourable for Kenyan farmers would be a tough and costly one. This might have influenced those who chose to only see a positive likely outcome. On the promotion or marketing of the flowers, 27.3% of the respondents felt that a negative EPA would make the marketing of the flowers more vigorous if not more difficult or both. 45.5% however expected marketing to be easier with an EPA in place with a highly positive opinion while the rest gravitated towards neutrality with a mean of 3.91.

On distribution, the shipment of flowers is mostly by air and a favourable EPA would encourage the growers to make more informed decisions on sending flowers to Europe. The majority however felt that the EPA would have rather positive effects on the distribution decisions (mean 3.27) of the flowers. Only 10% felt that such decisions would be made more difficult by expressing a negative opinion.

On pricing, 45% of the responders felt that the EPA would negatively influence the pricing decisions while the other 45% felt that such influence would be positive (mean 3.91). With these two extremes having the majority of the responders, this indicated that either way the EPA came out, it would have an impact on the pricing decisions for the flowers and hence the mean towards neutrality.

Objectives of EPAs:

Most respondents showed satisfaction with the anticipated objectives of the EPAs as shown by the response mean of about 2. The satisfaction is derived from the respondents feeling that the objectives of the EPA were acceptable. Except for respondents who abstained, none of them was dissatisfied or highly dissatisfied. Some objectives were more satisfying to the respondents than others (Table 22).

Table 22: Satisfaction with the anticipated objectives of EPAs.

Objective	Mean Score
Liberation of trade in mutually beneficial terms	1.909
Promotion of efficiency in production of flowers	2.091
Promotion of foreign investment if flowers in Kenya	1.818
Promotion of economic development	1.818
Adoption of internationally accepted standard systems	1.818

Regression Analysis:

Multiple Regression Analysis of Awareness on perceived effects, nature of company ownership and duration in business was carried out and the results tabulated as below.

Tables 23: Regression analysis results

Dependent Variable: are you aware of the meaning of economic partnership agreement?

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.338	.114	-.266	.58754

Predictors: (Constant), suppose EPA with EU fails, the perceived impact on flower business, duration in business, nature of ownership

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.311	3	.104	.300	.825
	Residual	2.416	7	.345		
	Total	2.727	10			

Predictors: (Constant), suppose EPAS with EU fails the impact on flower business, duration in business, nature of ownership
Dependent Variable: are you aware of the meaning of economic partnership agreement

Coefficients

Model		Un standardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.786	1.115		1.602	.153
	Nature of ownership	-.220	.350	-.285	-.631	.548
	Duration in business	-.146	.294	-.217	-.497	.634
	Suppose EPAS with EU fails, the impact on flower business	7.179E-02	.140	.197	.514	.623

Dependent Variable: are you aware of the meaning of economic partnership agreement

The R= 0.338 is the correlation coefficient of the 3 independent variables after all the inter-correlations. The R^2 of 11.4% is the explained variance. The ANOVA shows that the F value of 0.33 is not significant at 0.825 levels. The 3 in the degrees of freedom represent the number of independent variables while 7 represents the total number of complete responses less the number of dependent variables less 1(i.e. 11-3-1). The meaning is that 11.4% of the variance in awareness of EPA is explained by the three independent variables. The coefficients help to show which among the three independent variables most influence the variance in awareness as the most important. In this case, since none is significant, the variation is not explained by any of the independent variables more than the other.

CHAPTER 5: DISCUSSIONS:

The Kenyan flower industry employs over 2 million Kenyans in various capacities (Yugi, 2006). The horticultural sub-sector is one of the few growing ones in the entire agricultural sector at 15-20% per year (HCDA, 2006). The new entrants in the industry and the presence of young players less than five years in operation, attest to this. The continued growth is a result of other firms, both local and foreign, getting into the lucrative business. Roses at over 80% of the total cut-flower exports dominate the flower industry.

The European Union is the major export market for the ESA group of countries and indeed for most African, Caribbean and Pacific countries. Most ESA countries belong to COMESA with an exception of a few like Tanzania, which is negotiating its EPA within SADC. Exports from COMESA to EU account for 25% of all the exports from the COMESA countries making the EU the most important market for goods from COMESA. For flowers, exports go to the flower auctions in the Netherlands or directly to specific country supermarkets. Kenyan flowers already take 31% of the entire European market share. Other markets are very small and undeveloped. The local market has very low absorptive capacity, which is around 1% of the total flower sales.

Most people do not know the concept of EPAs. Economic partnership agreements have been discussed at high levels in the past with a majority of government involvement sometimes to the exclusion of the other stakeholders. This explains the relatively moderate awareness level of 54.5% among the producers and marketers even though these are key players in the industry. A whole 27.3% of industry players had never heard of EPAs. Even with some form of awareness, the understanding of the entire process is low. Some responders indicated wide variety of understanding ranging from opening of markets to foreign goods to payment of import duties for goods and to bilateral trade agreements between countries showing lack of clear understanding. Most responders had an idea what EPAs meant but could not clearly place their fingers on it. Being a fairly new issue in the business, there has not been enough awareness creation or education to some stakeholders. Gibson et al, 1997, noted that perception is the process by which an individual gives meaning to the environment, and it involves organizing or interpreting various stimuli into a psychological experience. If the flower growers may not perceive the effects of EPAs as positive, they may ignore them with accompanying consequences.

Awareness creation is necessary to sensitize the producers and exporters of market dynamics and trends to inform decision-making processes. The National Development and Trade Policy Forum (NDTPF), which comprises of multi-sectoral stakeholders from both the public, private, and other non- state actors handle the negotiations. KFC is represented in the negotiations and has been holding regional consultations to galvanize a regional position especially concerning the flowers. One of the most informative conferences was held in Nairobi between 21st and 25th November 2005, which consolidated a regional approach to the negotiations and identified key negotiation points both with the EU and the national governments. It was organized by the KFC in conjunction with the Tanzania Horticultural Association (TAHA). Further, the government, through the ministries of trade and agriculture has been advancing the concerns of the Kenyan farmers. Hence, the problem of low awareness is not due to lack of representation but more due to communication down the value chain to the production level. More proactive representation by producers is highly recommended as well as direct communication to them from their representative bodies in order to have the ownership of the process from the grassroots. The domination of the negotiating forum by public officers should be checked with a view of involving more of the direct stakeholders and beneficiaries (or culprits of the outcome).

Dissatisfaction with the negotiation process is probably due to lack of proper understanding by the stakeholders and the anxiety that the eminent end of the current trading arrangement faces in the next six months. If the negotiations were to fail to arrive at a mutually favourable agreement in the stipulated period, Kenya stands to lose the preferential status currently enjoyed in terms of goods getting free market access and the high market share she currently holds. Introduction of tariffs for Kenyan goods and especially flowers would spell a doom for the horticultural industry and more so floriculture. The most likely alternative to failure of and EPAs by January 2008 is that Kenya would shift to the generalized system of preferences (GSP), which would introduce about 7% tariff levels for her goods. This would definitely make the market inaccessible and send most flower dealers closing. It is this massive impact that makes a favourable negotiated EPAs very important for the country. Reports especially from OXFAM, a UK based Development Non-Governmental organization indicated that the EU had every intention to make the EPA only favourable to them and to ensure that all benefits accrued to the EU (The East

African, March 12-18, 2007). However, this has been seriously resisted by the negotiators, which may explain in part, the delay in the conclusion of the process. The effects of an EU tilted EPA would not only lead to near collapse of most of the ESA group of economies but would even set their development agenda several years back. The ESA economies are still smarting from the World Bank fronted Structural Adjustment Policies (SAPS), which opened their markets to inferior goods from the developed North without a commensurate market access to goods from the developing South. Sub- Saharan Africa has suffered the consequences of liberalization for a long time. Efforts should be made to ensure that indiscriminate opening up of the markets in ESA to dumping by the developed countries is checked. However, the essence of an EPA is that it should have mutually beneficial effects to both partners under reciprocity rule. Therefore, the EU has a stake in the African market for its manufactured goods like packaging materials, farm inputs, machinery and others, which it would like to sell in the large ESA market. This explains the interest in mutual benefits being pursued by the negotiating parties and hence the delay in the EPA conclusion. The ESA-EU EPA is lagging behind all others in conclusion while most of them (there are six sub-regions in the ACP countries) had reached the final stages by March (The East African, March 12-18th 2007). This has made the ESA countries ask for a gradual period of opening up for their markets given the highly different levels of development between the negotiating partners. The head of the European Commission underlines that the ESA countries would remove their tariffs only over a long period of time and with full consideration for their development levels. He reiterates that the EPA would very gradually bring the ESA regional market into closer economic partnership with the EU and liberalize trade between the two while diversifying ESA economies, delivering growth and jobs and breaking the dependency on preferential market access thus integrating African economies into the global economy (The East African, March 19-25, 2007).

However, ESA has a lot of supply side constraints like poor infrastructure, lack of electricity and water, which are critical for production, which would make them highly uncompetitive, compared to the EU if they were to open their markets immediately. Besides this, indiscriminate opening up of markets in ESA region would highly compromise the delicate food situation since the North would dump cheaply produced and highly subsidized commodities like wheat, which would kill the local production. However, the head of European Commission has severally sought to allay fears that the EPA will lead to long-term net loss in public revenues or welfare. He agrees that there would be structural changes but not necessitating a drop in ESA government revenues (The East African, March 19-25, 2007). ESA negotiators feel differently and as advised by OXFAM, would like to take precautionary approaches to the negotiations.

The other factors leading to the low pace of negotiations are conditionalities being imposed to the ESA countries by the EU. For example, the EU would prefer the ESA group negotiating in smaller (probably weaker) groups than the Regional Negotiating Forum of 16 countries currently the case. Reports have indicated that the EU would prefer to negotiate with COMESA, which is a legally recognized entity instead of the RNF, which lacks legal mandate (The East African, March 12th –18th, 2007) with attempts to stage a coup-de tart for ESA and sneak in COMESA, which were rejected by the ESA negotiators. Further, reports have indicated that the EU would like countries of East Africa ie Kenya, Uganda and Tanzania (and currently Rwanda and Burundi) negotiating under the banner of the East African Community (EAC). Currently, the EAC is not involved in the negotiations and is a distant observer to the process while one of its members (Tanzania) is negotiating the EPA in Southern Africa Development Cooperation (SADC). This presence of several intertwined economic blocs in the ESA region has been a disturbing factor to the EU and an impediment to smooth negotiation process.

Investments in flower business are massive which requires long-term stable conditions. There is therefore need for a fairly stable market for the produce to encourage investors. Being a lucrative business, a lot of competition has in the past built up with many countries in the tropics becoming big producers hence formidable competitors to Kenya. With all the competition, Kenya has still managed to remain competitive and hold a substantial market share at 31% (KFC, 2006), which should be seriously and jealously guarded. It is imperative that all would be barriers to smooth trade in this industry should be seriously addressed with a view of eliminating or minimizing them. One of the major constraints besides market access is the freight cost due to the ever increasing cost of jet fuel. The shipment to the markets hence becomes very expensive and eats into what gains the growers would realize. Coupled with the high freight cost, a recently launched campaign especially in the UK targeted imports from Kenya by introducing "food miles" as a concept of contribution to global warming. This meant that items that were shipped from far by air contributed to global warming due to the carbon dioxide emissions from the airplanes. The proponents of the campaign lost on the fact that the production of most commodities in the greenhouses in Europe contributed more to global warming due to greenhouse gases and heating than could ever be attributed to freight from developing countries. This campaign seems to have died down thanks also to the government's swift action which saw a high powered delegation visit the UK to sensitize consumers and supermarket owners on the insignificant effects of the food miles to counter the negative campaign. Although it fizzled out, this goes to show how much competitors are unhappy with items coming from the developing countries to their markets and would consequently erect all forms of non-tariff barriers.

The pricing of export commodities has been dictated by several factors especially the production and freight costs. Prices have not been stable in the export market due to various factors though. Uncertainty in prices leads to difficult production decisions. A favourable EPA would therefore give long term pricing policy and market certainty to the producers and improve the industry while an unfavourable EPA would have the direct opposite effects. Favourable EPA would also introduce other favourable aspects like efficiency in production due to affordability of items like packaging materials, fertilizers and chemicals and equipment that mostly come from the EU, which would be expected to come cheaper and more affordable to more flower farmers. This is also expected to lead to more foreign investors being interested in the lucrative flower business and contribute to greater gains from the business. An unfavourable EPA would jeopardize the already sensitive situation in the background of increasing competition from neighbouring countries like Ethiopia to which investors are moving to and old time competitors like Colombia. A favourable EPA will contribute to the overall economic well being of the growers and the government by increasing their incomes and the state revenue base respectively.

Kenya is basically an agricultural economy and all efforts should be made to ensure agricultural growth is not only sustained but also improved. The horticultural sub-sector has been growing at between 15% and 20% (HCDA, 2006) per year but an unfavourable EPA or lack of one could jeopardize this growth in the background of a generally declining agricultural sector growth rate, which was 5.7% in 2006 compared to 7% in 2005. The horticultural sector should therefore not be allowed to decline. It is generally felt that a favourable EPA will also improve the general understanding of the quality standards that have dogged the growers for some time. This is because the standards are already embedded in the EPAs being negotiated and the two negotiating parties are in agreement as what constitutes the acceptable standards. What is most important on standards is the passage of this information to the growers and other industry players down the value chain. The stakeholder's support for the anticipated objectives of the EPA goes to show the necessity of the EPA being favourable and being concluded in time. Only time will tell…

LIMITATIONS OF THE STUDY:

Low response rate:

The response rate, despite adoption of various methods of gathering information was lower than expected. This was attributed to the sensitivity of the business, which makes potential respondents skeptical of the purpose for which studies would be targeted at them. The response rate achieved of 22% was deemed a good representative sample to reflect the industrial practice or perception of EPAs and its effects and consequently meet the twin objectives of the study. However, the results should be taken only on the basis of the sample to inform on the topic and not as an actual reflection of the entire industry. A more elaborate response, maybe conducted by the Kenya Flower Council to which the members would be less skeptical, would hopefully be more revealing on the topic.

Representation:

The industry has players who are not yet members of Kenya Flower Council. The fact that two firms interviewed were only in the process of being audited to join the council means that a number of other players out there are not yet members and their opinions may not have been taken into account. The representation of the non-members to the negotiations is also in question although the government negotiating team inadvertently represents the interests of all Kenyan farmers. A more broad coverage of industry players would hence target even non- members of the KFC. A study could be carried out on non-members to find if the results hold for them also.

Varying EPA conditions:

As the study was progressing, the negotiations were still in progress with proposals for changes including having an EPA negotiated with the East African Community countries instead of ESA or even the more recognized and legal COMESA instead of the Regional Negotiating Forum that some EU members felt did not have a legal mandate. It is therefore not certain that by the conclusion of the EPA in six months time (if an extension is not necessitated by the delays) the conditions of the negotiations will still be holding constant. It is also not clear that the EPA will be signed with the ESA forum or reverts to COMESA or any other regional block. These uncertainties make the study limited in the long term but a good indication of the situation at a point in time.

Contradictory responses:

Most respondents that alluded to awareness of the EPA actually displayed lack of understanding of the actual meaning of the Economic Partnership Agreement having only a clue of what it implied or the effects of an unfavourable agreement. This lack of clear understanding of the concept led to responses later in the questionnaire that may have been answered otherwise especially on the implications of the concepts. Therefore, the questions may have been answered unsatisfactorily due to less than adequate understanding of the concept.

Recommendations:

There is need for Government negotiating bodies to exert more pressure to ensure the negotiations are concluded and an EPA is signed before the set deadline. Alternatives to meeting the deadline should also be clearly worked out to avoid huge negative impacts to the producers and the economy. Further, there is a great need for the Kenya Flower Council to sensitize their members who are farmers and exporters on the dynamics of the industry to cushion them against shocks in an event of the negotiations going either way. The low awareness levels among the respondents shows that many industry players may not be conversant with all that goes on in the business which is a risk to their investments. Finally, the industry should exploit other alternative markets to the European one so as to diversify and spread out risks. Although Europe remains the most lucrative market, the need to look offshore especially to the East- Middle East, China, Japan and Asian tigers and others is great for sustained future growth of the industry. The North

American market is also likely to be more accessible with introduction of direct flights from Nairobi through Dakar without going to Europe. This alternative should be explored for direct shipment to the North America (United States and Canada).

Suggested further research:

To bring out a broader understanding of the effects of the EPAs, a more encompassing survey is suggested probably after the negotiations to gauge what has been achieved by the ESA negotiating forum. This could be done shortly after the signing of the EPA or at most one year after the new agreement is put in place. A clear understanding of all the items under negotiation would be necessary before taking this study which would serve as a monitoring and evaluation kind of exercise.

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APPENDIX 1: STUDY QUESTIONNAIRE

STUDY QUESTIONNAIRE:

1: Name of the farm/firm ______________________________

2: Contact address: P.O. Box ______________________________

Tel: ______________________________

Email: ______________________________

3. Name of the Respondent (Optional): ______________________________

4. Position of the respondent in the firm: ______________________________

5. Date the firm was Registered/Incorporated: ______________________________

6. Nature of ownership: Local (L)
Foreign (F)
Subsidiary (S)

7. Size of the firm; Small (less than 50 employees) __________
Medium (51-150 employees) __________
Large (>150 employees) __________

8. How long has the firm been in operation? Young (<5 years)
Medium (5- 15 years)
Old (> 15 years)

9. What types of Flowers does your firm deal with? Name them:

10. What are the major markets for your flowers? Name them.

11. Are you engaged in exports only or also local markets? Roughly what percentage by volume of each?

Export ________%

Local ________%

12. What are the major trade conditions limiting the flower exports to the EU? List them.
a)

b)
c)
e)

13. Are you aware of the meaning of Economic Partnership Agreements (EPAs)?

Yes_____ No_____

13 b. If yes, briefly explain your understanding of the meaning.

14. Are you aware of the current negotiations between the EU and the ESA group of Countries? Yes ________ No. _______

15. How does the EPA in 13 above affect flower exports business to the EU? Briefly explain.

16. Is your firm/farm represented in the on-going EPA negotiations with the EU?
Yes ____ No______

If yes, how?

a) directly by a representative b) through Kenya Flower Council c) through government negotiators d) do not know how

17. What in your opinion is the effect of the EPA negations on the future of your firm's exports of flowers to the EU?

Positive________ Negative_______ No Effect_______ Do not Know

18. Are you aware that the EPA negotiations under the EU-ESA countries are supposed to be concluded before the end of 2007?

Yes_____ No_____

19. What do you anticipate to be the effects of your export to the EU if the EPA negotiations;

a) Succeed;

b) Fail;

20. EPAs are also supposed to liberalize markets in the ESA countries including Kenya, to imports from the EU. What do you think are the areas most likely to be affected by the liberalization and how?

a) Areas affected- list them

b) How the effects will impact on the firm/farm. Explain

21. What is the level of your satisfaction with the progress of the negotiations?

a) Highly satisfied b) Moderately satisfied c) Dissatisfied
d) highly dissatisfied e) Do not know

22. What alternatives do you think exist to this negotiation process? Suggest alternatives.
a)
b)
c)
d)

23. Suppose the EPA with the EU fails. What do you think is the impact on your flower business?

a) No impact (0% loss in business earnings)

b) Considerable impact (about 25% loss in business earnings)

c) Substantial impact (50% loss in business earnings)

d) Major impact (over 75% loss in business earnings)

e) Positive impact as alternatives exist

f) Other (please specify)

24. If the EPA with the EU were to fail by end of the year (2007), what alternatives does your firm/farm have?

List alternatives:

25. How will the EPA affect the marketing of the flowers (on a scale of 1-7 with 1= highly positive, 4 neutral and 7= highly negative) in terms of the marketing mix elements of;

Product Decisions – Score _________
Promotions Decisions – Score_________
Distribution Decisions- Score_________
Pricing Decisions - Score_________

26. Respondent's level of satisfaction with EPA. Based on a scale of 1 to 5 with 1 being highly satisfied, 2 satisfied, 3 moderately satisfied, 4 dissatisfied and 5 highly dissatisfied) how do you rate the following anticipated objectives of EPAs?

Objectives	Score
EPAs will further liberate trade in flowers in mutually beneficial trade agreements	
EPAs will promote efficiency in Production in Kenya	
EPAs will promote foreign investments in flower industry	
EPAs will promote economic development of flower farmers	
EPAs will facilitate adoption of standard systems of valuation of goods based on principle of equity, uniformity and simplicity of application in accordance with internationally accepted standards and guidelines.	

Thank you for your participation and time spent on this questionnaire.

Stephen Laititi Mutunga.

APPENDIX 2: LIST OF MEMBERS OF THE KENYA FLOWER COUNCIL

FIRM/FARM NAME:

1. Aquilia Dev. Co. Ltd.
2. Bawan Roses Ltd.
3. Bervely Flowers Ltd.
4. Bodet Limited/countrywide connections.
5. Charm Flowers Ltd.
6. Dave Roses.
7. Elbur Flora Ltd.
8. Enkasiti Flowers Ltd.
9. Finlay Flowers Ltd.
10. Florema (K) Ltd.
11. Four Ten Investments Co. Ltd.
12. Hamer (K) Ltd.
13. Highflor Growers Ltd.
14. Homegrown Ltd.
15. Isinya Flowers.
16. Kariki Ltd.
17. Kenya Highlands Nurseries.
18. Kongoni Ltd.
19. Kreative Roses.
20. Kisima Ltd.
21. Lathyflora Ltd.
22. Lauren International Flowers Ltd.
23. Lobelia farms Ltd.
24. Longonot Horticulture Ltd.
25. Liki River Farm
26. Magana flowers
27. Matasia Valley Roses
28. Mosi Ltd.
29. Mt. Elgon Flowers Ltd.
30. Mweiga growers Ltd.
31. Nini Ltd.
32. Ol-Njorowa Ltd.
33. Oserian Dev. Company Ltd.
34. PJ Dave Flowers Ltd.
35. Pollen Ltd.
36. Primarosa Flowers Ltd.
37. Redlands Roses.
38. Sande (K) Ltd.
39. Sarkish flora Ltd.
40. Shalimar Flowers (K) Ltd.
41. Sian Roses
42. Simbi Roses

43. Subati flowers Ltd.
44. Suera Flowers Ltd.
45. The Plant factory.
46. Terra Fleur Ltd.
47. Terassol Ltd.
48. Tambuzi Ltd.
49. Valentine growers
50. Windsor flowers.

LIST OF RESPONDENTS:

1. Countrywide Connections /Bodet Ltd.
2. Gatoka Ltd.
3. Lauren International Flowers Ltd.
4. Kongoni Ltd.
5. Penta Roses
6. Sian Roses
7. Simbi Roses
8. Tambuzi Ltd.
9. Terassol Ltd.
10. Windsor Flowers
11. Zena Roses.