UNVERSITY OF NAIROBI

DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC ADMINISTRATION

CHANGING PERCEPTIONS TOWARDS MULTINATIONAL CORPORATIONS: THE EAST AFRICAN EXPERIENCE

BY

RICKLINE S. NG'AYO (C50/68788/2011)

A Research Proposal Submitted to the Department of Political Science and Public Administration in Partial Fulfilment of the Requirement for the Award of Master's degree in International Relations

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FACULTY OF ARTS

DEDICATION

This work is dedicated to my sons Ezi and Sefu

DECLARATION

This project report is my original work and has not submitted for a degree in any other university

RICKLINE S. NG'AYO (C50/68788/2011)

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This project report has been submitted for examination with my approval as the University Supervisor

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ABSTRACT

The purpose of this study was to examine the changing perceptions towards Kenyan multinationals in the East Africa. This study was therefore guided by two objectives, namely: To determine how perceptions towards Kenyan Multinational in the East Africa have changed and to identify factors contributing to change of perceptions towards Kenyan Multinationals. The study used descriptive research design with qualitative methodologies for the collection of data. Data was therefore sourced through in depth interviews and questionnaires administered to key informants. Key informants constituted senior government officers from ministry of foreign affairs, ministry of trade, Commerce and regional integration, Directors of Regional Institutes, senior investment analyst of multinational corporation both local and foreign operating in East Africa. Content analysis was used to organise data into various themes. Regarding the first objectives of the study, the findings revealed that, perception towards Kenyan multinationals have changed. Kenyan multinationals in the defunct EAC were perceived as exploitative and agents of foreign control both for the colonialist and non colonialist. These perceptions were informed by a number of factors. Most multinationals operating from Kenya were largely from Britain, led by Whites, they enjoyed monopoly and had little local investment to build capacity in the host states. Moreover because of the source of their capital, these corporations were simply perceived as being exploitative. Kenyan multinationals were perceived as agents of economic benefits and more importantly as agents of local capital. These perceptions were grounded on a number of factors. First, the desire for economic prosperity: both in Uganda and Tanzania in the 1980s; change in the international system, characterised by the collapse of the Soviet Union and the end of the Cold War, and the emergence of a new economic order, largely pro-market, and a new leadership with a cultivated political good will. The change in the modus operandi, to focus more on green investments, capacity building, corporate social responsibility, also gained Kenyan multinationals confidence and trust from the host states. The study made the following recommendation: There is need for enhanced training and capacity building of human resource personnel in the EAC partner states to take up leading positions in multinationals operating in their home states. The study also recommended the enforcement and intensification of redistributive mechanism within the EAC to ensure that members' states are not left as captive markets but also benefit from the capital accumulation in the region. The study also recommended the establishment of regional corporate social responsibility framework to ensure the ploughing back of profits to the EAC economies

ABBREVIATIONS

ADB: African Development Bank

COMESA: Common Market for East and Southern Africa

CITIC: China International Trust and Investment Corporation

EAC: East African Community

EMM: Emerging Markets Multinationals

EMMNE: Emerging Markets Multinational Enterprises

ERP: Economic Recovery Program

EBR: Equity Bank Rwanda

FIPA: Foreign Investment Protection Act

FTA: Free Trade Areas

GDP: Gross Domestic Product

ICSID: International Centre for Settlement of Investment Disputes

KCB: Kenya Commercial Bank

MIGA: Multilateral Investment Guarantee Agency

MNC: Multinational Corporation

MNE: Multinational Enterprise

ONGC: Oil and National Gas Corporation

OFDI: Outward Foreign Direct Investment

OECD: Organization FOR Economic Co-operation and Development

RIA: Regional Integration Arrangement

SADC: Southern African Development Community

TIC: Tanzania Investment Authority

PTA: Preferential Trade Area

UNCTAD: United Nation Conference on Trade and Development

UIA: Uganda Investment Authority

UML: Uganda Microfinance Limited

CHAPTER ONE

INTRODUCTION

1.1: Background Information

The rapid growth of Multinational corporations and their implication on world and regional economies continues to generate a lot of interest in the international system (Tzu-Han and Deng-Shing, 2011). Multinationals corporations are increasingly commanding huge amount of resources in terms of capital, technology and technological knowhow, and by implication changing the nature, form and relations of national economies in the international system. The history of Multinational corporations has largely been characterised by multinational corporations from the developed countries of the United States of America, Europe and Japan, however, today, the novelty is in the rise of emerging markets multinationals (Alden and Davies, 2012; Buch, Kleinert, Lipponer and Toubal, 2005). These Multinational corporations are increasingly becoming the single most dominant vehicle of Foreign Direct Investment in developing countries particularly in Africa.

The importance of Multinational corporations to African economies remains an area of great controversy (Blomstrom and Kokko, 1998). On the one hand there are scholars who contend that Multinational corporations in Africa were largely exploitative and retarded the growth of many African economies (Nzomo, 1994; Levy, 1975; Rodney, 1972; Langdon, 1974). On the other hand there are those who contend that multinational corporations were instruments of economic development for African Countries (Moss, Ramachadran and Shah, 2004; Ahiakpor, 1992; Wells, 1990; Nzewi, Anazodo and Chukwuemeka, 2011). In the immediate post independent Africa, like in many parts of the developing world, it was generally assumed that Multinational corporations possessed huge amounts of capital, technology, markets and technical knowhow necessary to grow or induce economic development.

According to Langdon (1974) there is very little evidence to indicate that Multinationals have shared their capital or even their *cutting edge* technology with the host states. In addition to this, Nzomo (1994) further argues that whenever technology was shared it remained highly protected, obsolete, inappropriate and overpriced. Moreover, Multinationals used their said technology to stifle the competition and create monopoly by better wage remunerations and the creation of an appetite for their products (Langdon, 1974). In this regard multinational corporations in Africa were largely perceived as an extension of the colonial exploitative administrative structures (Levy, 1975; Rodney, 1972).

Whether this assumption was true or not is further recanted by the rise of emerging markets multinationals in the new economic order ushered in by the end of the Cold War. The rise of Emerging Markets Multinationals (EMM) at the end of the Cold war and the establishment of a new economic order characterised by neoliberal economic policies, casted a new perspective on the role of multinational corporations in economic development. According to Wolfgang, Sauvant and McAllister (2009) Emerging markets multinationals increasingly became one of the most important sources of outward foreign direct investment to the developing world. This popularity was casted on the assumption that these multinationals were not exploitative, since they were home-grown, politically savvy and cognizant to their home and host state socio-economic *milieu* (Miller, 2005). These Multinationals continue to build their influence in the continent on the assumption that they are not exploitative, an assumption that remains largely untested.

To Stephen (2002) profit maximization for Multinational Corporations, if not the only goal, is central to their endeavours. The assumptions that emerging markets multinationals in the new economic order are different from the traditional multinationals in the old colonial order seems to purport the notion that Emerging markets multinationals are less profit driven compared to their counterpart in the triad. It would therefore follow that emerging market multinationals would be more concerned about filling the technological, managerial and capital deficits experienced by the developing economies (Mthombeni, 2006). Whereas multinationals in the immediate post independent period of Africa, were perceived as an extension of the exploitative colonial rule, Emerging Markets Multinationals in the post 1980's were perceived as genuine instruments of economic development. It is behind this backdrop that this study seeks to examine the changing perceptions of Multinational corporations in East Africa.

1.2 Statement of the Research Problem

At independence, Kenya was the preferred and most industrialized country in the region. Many foreign multinationals operating in East Africa were headquartered in Kenya. These Multinationals dominated the intra-EAC trade and were largely from the United Kingdom, West Germany, Japan and the United States. Being, largely from the former colonial powers, these multinationals were generally perceived and to a greater extent pursued policies that perpetuated the exploitation of African resources. These multinationals did not only stimulate economic growth in Kenya but expanded the levels of inequality between Kenya and its East

African Community partner states on matters of trade and development. Kenya was perceived as the outright beneficiary of foreign multinationals. The prolonged absence of an equilibrating mechanism to even development amongst the partner states led to the collapse of the East African Community. The collapse of the East African community was therefore attributed; *inter alia,* ideological differences of the partner states, the personalized politics of the founding fathers of the EAC and more importantly to the politics of Kenyan multinationals.

In the interface period of the Community, a number of things changed in the region. These include the following: first the leadership of the three states changed from the founding fathers to a new robust leadership that was without the personal and ideological differences of their predecessor's; secondly the collapse of the Soviet Union and the end of the Cold War meant the end of ideological polarization. Finally the globalization movement had engulfed the entire international system.

These factors gave impetus to the resurrection of the new EAC. In the new EAC, perceptions towards Kenyan multinationals changed to favour. Kenyan Multinationals were invited and encouraged to invest in the region by the EAC member's states. President Museveni on many occasions invited and extended his arms to Kenyan multinationals to invest and expand their business in Uganda. Kenyan multinationals remained largely foreign owned, even though, there was an increasing number of emerging local companies expanding or harbouring their ambition for regional expansion. In fact it was partly due to the growing number of these local companies that, the EAC member states felt more confident with the role of Multinationals in the integration.

These local companies were presumably thought to be more constructive than their counterparts from the developed world. This was an assumption seemingly anchored on the principle of African Socialism, homogeneity of African economies and the desire for domestication of African socialism. Indeed the general attitude towards multinational corporations changed. Kenyan Multinationals increasingly invested huge amounts of capital and technology in joint operations, acquisitions, mergers and expanded operations in both Uganda and Tanzania at unprecedented levels. These Multinationals have not only recanted Kenya position in the defunct East African community but have also transform Kenya to become one of the biggest source of foreign direct investment for the EAC member states. The changed attitude towards Kenya multinationals undoubtedly forms part of the optimism in the new East African Community. Seemingly, the changing perceptions towards Kenyan multinationals have and continue to act as catalyst mechanism in the East African Community. This study therefore seeks to examine the changing perceptions towards Kenyan Multinationals in the East Africa.

1.3 Research Questions

The Study will be guided by the following research question

1. What were the perceptions towards Kenyan multinationals in the defunct EAC?

2. What are the perceptions towards Kenyan multinationals in the new EAC?

3. What factors explain the changing perceptions towards Kenyan Multinationals in East Africa?

1.4 Objectives of the study

The general objective of this study is to determine the changing perceptions towards Kenyan Multinationals in the East African Community. This study will be guided by the following specific objectives

1. To determine how perceptions towards Kenyan Multinational in the East Africa have changed?

2. To identify factors contributing to change in perceptions towards Kenyan Multinationals.

1. 5 Justification of the Study

The collapse of the East African Community was largely influenced by the politics of multinational corporations operating in the community. Most of these multinationals were based in Kenya or consolidated from Kenya, hence Kenya was perceived as a *sub-imperial,* and the outright beneficiary of the transactions of these corporations amongst the three partner states. In the revival of the new East African Community, Kenyan Multinationals still continue to play a dominant role in the intra-EAC trade. Moreover, the continuous invitation of Kenyan Multinationals by the leaders of the member partner states seems to suggest a renewed change of heart and a departure from the traditional thoughts on the nature of Kenyan multinationals.

This study therefore believes that understanding the changing perceptions towards Multinational corporations in the EAC is central for the politics of regional integration and the success of this endeavour. The politics of Multinationals was a major factor towards the eventual collapse of the East African Community. It is therefore important to understand the politics of these multinationals so as to inform the initiatives towards regional integration and its eventual success.

1.6 Scope and Limitation of the Study

The Focus of this study is to examine the changing perception towards Multinationals and the impact of these perceptions on integration. In this regard the study focused on Kenyan Multinationals: both foreign and local, head quartered in Kenya but with various branches or subsidiaries in the EAC region. These corporations include Barclays Banks, Kenya Commercial Bank (KCB), Kenol Kobil, Standard Chartered Bank, The East Africa Breweries, Nakumatt Holdings and the Equity Bank in Nairobi Kenya. The study also included senior government officials, local leaders and key informants from the East African Community.

The Study included a critical review of the existing policies and structure of the East African Community. A quantification of the business activities of the aforementioned Kenyan Multinational corporations will be provided. The study did not include member states in the wider Eastern Africa that have applied for membership in the East African Community such as South Sudan who have not yet been admitted in the community but have Kenyan Multinationals working with them.

Some of the information that came as critical for this study was classified as confidential or classified information by the partner- member's states, of the East African Community, Kenyan Multinational corporations and the Kenyan government. The researcher however assured the necessary authorities of the sole academic motivation of the study, at the same time seek supplementary material on discontenting issues. Secondly, much of the impact or role of Kenyan multinational corporations in the East African community has not been quantified or recorded and when recorded, the records are probably not current and widely dispersed.

The Researcher in this regard relied on Key informants to supplement whatever information that was obtained. The researcher was also duly cognizance of the bureaucratic red tape required to get information from government ministries, agencies and Multinational corporations. In this regard the researcher sought all the necessary permission or authority in early to avoid disappointments and cancellations.

1.7: Definition of Concepts

Traditional Multinationals: This refers to the first multinational from the developed countries of the United States of America, Japan and Europe. The term traditional multinationals is also used to refer to the fact that these were the only known multinationals in the international system, and in that regard enjoyed monopoly and dominance.

Emerging Market Economies: These are a list of middle-to-higher income economies amongst developing countries, with a gross national income of $9,265 or less (Foxley, 2010). They are basically economies in the developing world (Africa, Asia and Latin America) that have consistently experienced economic growth as brought about by institutional reforms in the political and economic sectors.

Emerging Markets Multinationals: These are Multinational corporations from fast growing economies in the developing countries (Alden and Davies, 2012). It however important to note that emerging markets economies differ in their levels of development and growth, and similarly emerging markets multinationals should not be blanketed as homogenous units in terms of size, scope and markets penetration (Sauvant et al, 2009)

Kenyan Multinationals: These refer to both foreign and local multinationals in Kenya. Local multinationals are business corporations that have an ownership of more than 60% being Kenyan. These include local businesses that were founded in Kenyan with local listing in the stock markets and may have public ownership. Foreign Multinationals are multinationals with more than 60% of their ownership controlled by foreigners or at least the major shareholders are foreigners.

Neo- liberal Policies: The convergence of the policies of the World Bank, the IMF, US Treasury, and subsequently other institutions such as the WTO and the European Central Bank that advocated for removal of tarrifs, market liberalization, privatization, free movement of goods and services.

1.8 Literature Review

This section reviews selected literature on the perceptions towards multinationals, underscoring the changes in the post Cold War era. This section is guided by the research questions of the study: What were the perceptions towards Kenyan multinationals in the defunct EAC? What are the perceptions of Kenyan multinationals in the new EAC and finally what factors account for the changing perceptions towards Kenyan multinationals in East Africa?

According to Calliess (2011), Multinational Corporations/Enterprises are those companies or entities established in more than one country and so linked that they may co-ordinate their cooperation's in various ways with a centre exercising significant influence over the activities of others. The presence of multinational corporations in the developing world has always been an area of great controversy. According to Stopford (1998) Multinational corporations have been viewed by some as ruthless exploiters of state economies (particularly in the developing world) while others have viewed them as benign engines of economic development. For example whereas studies in Africa have greatly indicated the exploitative nature of multinational corporations (Rodney, 1972, Nzomo, 1994) from the *triad, S*tudies on East Asian Economies have indicated how foreign direct investment from *triad's* transformed their economies (Page, 1994) to what seemingly looked like miraculous growth. How capital from the same source within a more or less similar geo-political environment would make diverging impact on the economies of the developing countries has largely been explained by how government states adopted and implemented the import substitution strategies (Kanayo, Uche and Dike, 2011).

Little focus if any has been placed on understanding how the perceptions of foreign direct investment *(foreigncapital*) particularly from the developed countries affected the use and implementation of the said capital or whether it mattered in the first place where the capital came from. The rise of emerging markets multinationals (EMM) in the 1970 and their glorious ascension into the international system in the nineties have made these question even more pertinent. Emerging Markets Multinationals are those Multinational companies originating from emerging Markets economies, with operations in more than one country. EMM are increasingly gaining popularity in the international system particularly in the developing world as formidable sources of foreign direct investment. In Africa for example, South Africa had thirty four of the hundred top listed companies in Johannesburg stock exchange (JSE) with more than 237 investments in more than twenty seven African countries by 2005. China, on the other hand has transformed itself from being capital recipient to capital supplier, with foreign reserves amounting to $ 2.4 trillion (Tang, Nguyen and Okrend, 2013). This comes not as surprise given the fact that China has more than 800 active multinational companies in Africa (Davies and Alden, 2006).

The success of these emerging markets multinationals and their increasing dominance in the South to South investment (Miller, 2006) has fundamentally been explained by the strategies that these companies have used to portray a certain image to gain them favour in the host states. Current studies have analysed the strategies that EMM have used and continue to use to gain acceptance in the regional markets in an effort to understand their increasing popularity in the international system particularly the developing world. According to Alden and Davies (2006) the Chinese government has used their foreign policy precept of non interference with the host state internal affairs to gain political advantage for their multinationals even among pariah states, as opposed to western multinationals that are increasingly affected by their state's foreign policy.

Kenyan Multinationals in the defunct East African community were perceived differently, as they are in the revived EAC. Kenyan multinationals in the defunct EAC were composite of consolidated existing enterprises and newly established subsidiaries from Europe, North America and Japan (Nzomo, 1994).These multinationals largely dominated the manufacturing sector and the intra-EAC trade making Kenya the net sole exporter in the region. Kenya was also perceived as a *sub-imperial power* in the region where Multinationals profits were sent to before repatriation to the '*metropole'* (Oyugi, 1994). Because of these perceptions Kenya and its EAC partner's state engaged in power politics that eventually led to the collapse of the EAC in 1977. The power politic was further extended to the Preferential Trade Area proposed agreement on the implementation of the *Rule of Origin* protocol (Ngunyi, 1989).

According to Ngunyi (1989) Uganda, and Tanzania were adamant supporters of the *Rule of Origin* protocol in the Preferential Trade Area (PTA) arrangement, which basically emphasized on a 50 plus one local ownership on all goods traded within the PTA region. The *Rule of origin* law by implication meant that goods manufactured from Kenyan multinationals were not to be allowed within the region. Considering that 77.4% of all Kenya intra-PTA exports came from foreign firms that did not meet the rule of origin requirement, this protocol meant economic disaster for Kenya. In fact, of the ksh 2.65 billion produced from trade in the PTA arrangement, only 10 million was produced by local firms (Ngunyi, 1989). Understandably, Uganda and Tanzania, worried about being swallowed or subdued by the Kenyan economy (Ngunyi and Orwa, 1994) became hostile to goods produced by foreign multinationals in Kenya. In the same regard Kenya cognizant of the role foreign multinationals in the export sector, frustrated any efforts towards the implementations of the *rule of origin protocol.* Kenyan Multinationals, thereby, continued to be perceived as extended arms of the colonialist, and agents of exploitation (Langdon, 1974). However, in the revived EAC (11), Kenyan multinationals did not only continue to occupy the position of preponderance but were invited and encouraged to invest in the region. These multinationals have become formidable agents of the integration process. The changing perception towards Kenyan Multinationals has inadvertently affected the pace of the integration process of the East African Community. This study purposes to understand the changing perceptions towards Kenyan Multinationals and the factors that account for the changes in these perceptions.

This study is built on the failure of previous studies to forecast the role Kenyan multinationals in a revamped East African Community. In his studies of the East African Community, Domenico (1984) attributes the failure of the defunct EAC to the maldistribution of benefits, institutional weaknesses, inter-country political rights, and external dependence. Domenico further argues that the low levels of development of EAC member states magnified these problems to the scale that led to the eventual collapse of the community. Whereas, Domenico well capture the multi-factors that led to the collapse of the defunct EAC, He fails to forecast, that, the very state of low levels of development will become the very impetus not only for the revival of the EAC but also for the changed perceptions towards Kenyan Multinationals to be seen as agents of integration as opposed to their source of inequalities.

According to Ngunyi (1989) the centrality of Kenyan multinationals (particularly foreign multinationals) in the conflict and eventual collapse of the defunct EAC is unquestionable. These conflicts were further extended into the PTA arrangement. The basis of these *conflicts inter alia* was perceived to be the preponderance of Kenyan multinationals in the region. According to Ngunyi (1989) the continued willingness of Uganda and Tanzania towards the establishment of the East African Community in the future, would have been incumbent to the change in the positions or enactment of redistributive mechanism for Uganda and Tanzania. Though, the economic levels of Tanzania and Uganda has changed tremendously, Kenya's economy and indeed Kenyan multinationals continue to occupy position of preponderance and more fundamentally enjoy popular support in the new EAC. Ngunyi (1989) does not forecast an EAC whereby Kenyan multinationals not only continue to enjoy their position of preponderance but are welcomed in the region; a replicated status quo of the defunct EAC (1), with average economic growth in Tanzania and Uganda, comparatively below Kenya.

This study therefore seeks to determine what factors have contributed to the change in perceptions and more importantly how have these perceptions influenced the integration process in the new EAC. In their studies, Ngunyi and Adar (1994) remain sceptical of the willingness and allegiance of Tanzania and Uganda to a revived East African Community. They further argue that Tanzania may incline more towards the SADC as opposed towards a new EAC because of its national interest. Whereas, this study does not purport to demonstrate Tanzania and Uganda undying loyalty and commitment towards the EAC, there is also substantial evidence to illustrate that Tanzania and Uganda have remained committed members of the revived Community. In this respect this study seeks to demonstrate, in generality, the continued willingness of Tanzania and Uganda towards the establishment of the East African Community, despite the economic inequalities between the two countries with Kenya. This willingness is demonstrated by their changed perceptions towards Kenyan Multinationals.

1.9 Theoretical framework

This study will use Neo-functionalism to explain the changing perceptions on Multinational corporations in the internationals systems. Neo-functionalism is an integration theory that was founded by Ernst Haas in 1960's (Ozen, 1998) This theory follows from David Mitrany theory of functionalism, that has been seen as its precursor (Schmitter, 2002). Neo-functionalism is a theory of regional integration that proposes the path towards political integration. Political integration is the ultimate end or goal of any integration process. It is the creation of a supranational entity in the name of a political federation or confederation that usurps all the powers of the state to become the sovereign (Ozen, 1998).

To Neo-functionalists, the process of integration can and is driven by three causal factors namely: the growing economic interdependence among nation-states; the organizational capacity to resolve disputes and build international legal regimes and finally the supranational market rules that replace national regulatory regimes. These factors will naturally endeavour the state from economic integration to political integration (Ozen, 1998). Neo-functionalism is central in the understanding of the major postulates in this study. This study seeks to argue that Kenyan multinationals are increasingly widening the scope of co-operation among member-states of the community. The resultant benefits of these multinationals activities form the impetus towards greater interdependence and indeed integration.

Another fundamental postulate of the neo-functionalist that is central in this study is there division of matters of inter-state relations cooperation into *low and high politics*. High politics constitute matters of diplomacy, defence, national ideologies, state sovereignty and foreign policy. These matters are usually very sensitive and often times invoke a lot of emotions within the state that make the process of integration almost impractical, if it were to start with them. Low politics, on the other hand includes economic, education and the technical sphere. These issues have both short term and long term benefits that are naturally very enticing for the partnering states and their citizenry. It therefore follows that, the ease and benefits of low politics (economic integration) will prompt people to grow their loyalties and trust to high politics (political integration). Integration should therefore be sequential and proceed from low politics to high politics. This study seeks to enumerate the integration process of the East African Community in this light.

The changing perceptions towards Kenyan multinationals by Uganda and Tanzania is further explained by their perceived threat or benefits posed by these corporations. In addition to this, the changing perception towards Kenyan Multinationals is explained by the state’s intermittent position and perceptions towards these multinationals. At independence, the increasing desire to desist any form of continuous rule or control made Uganda and Tanzania to remain sceptical about Kenyan multinationals. These corporations were perceived as an extension of the colonial rule and pose threat to the sovereignty of the state (high politics). At the end of the cold war and the advent of globalization, multinational corporations were perceived as instruments of economic development (low politics). This is because many African countries (including Uganda and Tanzania) had adopted pro-liberal policies and therefore perceived Multinationals as benign instruments of economic development. This study argues that definition of *high politics or low politics* is a preserve of the state, that it uses to justify or rationale its perceptions towards multinational corporations.

1.10 Research Hypothesis

For purposes of exhaustive investigation of the questions underscored by the study, the following two hypotheses have been generated to guide the study.

1. Change in the political leadership influenced the perceptions towards Multinational corporations
2. Change in economic order in the international system influences the perceptions towards Multinational corporations.

1.11 Research Methodology

1. 11.1: Research Design

This study used descriptive research design because of its capacity to fuse both quantitative and qualitative data in the study. The fundamental concern in descriptive research is to highlight the conditions, practises, structures, differences or relationships evident in the study. This enabled the study to take multifaceted approach towards data collection to capture and give a detailed description of the factors contributing to the changing perceptions towards Kenyan multinationals. This design was also instrumental in making generalisations about the influence of Kenyan Multinationals in the integration process of the East African Community. This design further enabled the researcher to easily point out the perceptions towards Kenyan multinationals in both the defunct and revived East Africa Community.

1.11.2 Site of Study

This study was conducted in Kenya. The choice of Kenya as an area of study is because from independence, the Kenyan economy has been the biggest economy in the region, and intermittently the most preferred destinations for Multinational corporations within the EAC. The Kenyan economy is better linked to its EAC partner states in terms of investments flows than any other in the region. Its capital city Nairobi is considered an international, regional and local hub for Commerce, transport, regional cooperation and economic development. It is also the regional headquarters of about 46 multinational corporations operating in Africa.

Kenya was selected because of it's the strategic importance: it is the central hub for many Multinational corporations both local and foreign operating in the Eastern, Central and Southern Africa.

1.11.3: Sample and Sampling Technique

The study targeted the following persons Senior External Trade Officers from the Ministry of Commerce, Trade, Tourism and Regional Integration and Ministry of Industrialization.; Head of Economic division, Ministry of Foreign Affairs, Head of Economic Development ministry of trade, tourism and Regional integration; Former Director Institute of Regional Integration, and senior lecturers from University of Nairobi and the Catholic University of Eastern Africa. The study also targeted Senior Investment Analyst, Britam, Head of Investment and Transaction Banking-Standard Chartered Bank, Corporate communication Manager Equity Bank. The nature of this study used purposive sampling technique. Purposive sampling technique was used in the study largely because of the limited number of people with historical and current knowledge within the domain of the study. Purposive sampling technique was also used in this study because of the limited number of companies who had presence from independence to current, in East Africa.

1.11.4: Data Collection and analysis

This study will implore the use of both primary and secondary data. Primary data collection will be done through the use of questionnaires, interview schedules, and focussed group discussions. Secondary data used in the study included, recent journals on regional integration and foreign direct investments, government policy documents and annual reports from the East African community, and National trade organisations reports. The study also used published and unpublished theses on multinationals.

The study implored the use of descriptive statistics in the analysis of data. Data was therefore organised and summarized into thematic areas. Content analysis was used in this study because data collected was non numeric and comprised of both primary and secondary sources of data.

CHAPTER TWO
KENYAN MULTINATIONAL IN EAST AFRICA

2.1 Introduction

To better understand the changing perceptions towards Kenyan multinationals, it is imperative that we begin by tracing the history of Kenyan multinationals in the East African community. Multinational corporations set their footprints in Kenya and indeed in the entire East African region while they were still the colonies of the British Empire. The East African region was under one colonial power: the British. It was the British desire to bring the entire region under one administrative unit. Several arrangements towards regional administrations and integration were made from pre-independence to post independence.

Kenyan Multinationals were generally expected to be the drivers of regional integration. Indeed the perceptions towards Kenyan Multinationals were inevitably tied to their perceived role towards equilibrating economic development in the region. However, a look at the historical attempts towards regional integrations in East Africa casts light on the economic disparity perpetuated by Multinationals largely headquartered in Kenya for the region. Kenya was a favourite destination for Multinationals corporations in the region and the most preferred administrative centre for the British colonialist. It was therefore important that the role of Kenyan multinationals was perceived to be benign towards the integration process.

The comparative advantage of the Kenyan economy is unmistakeably linked to the early footprint and concentration of multinationals in Kenya, just as well as the lag of Uganda and Tanzania economy is partially inadvertently linked to second fiddle played by these countries historically as a destination for multinational corporations. This chapter therefore present the history of Kenyan multinationals in the East African Community. A parallel analysis of the history of regional integration in the East African Community is also provided. This is important because it forms the basis of the perceptions towards Kenyan multinationals both in the defunct and new EAC. This chapter is therefore divided into two sections. Section one looks into the nature and conceptualization of multinational corporations. In this section an attempts towards the conceptualization of multinational corporations is made. A distinction is also made between emerging market multinationals and traditional multinationals. This section further outlines the role of Multinational Corporation in development. Section two looks into a history of Kenyan Multinationals in the East Africa region. In this section a brief history of regional integrations arrangements has been presented. Moreover, the influence of multinational corporations towards regional arrangements is provided.

2.2 The Nature of Multinational Corporations

There are numerous definitions that have been set forth to define and describe the activities of multinational corporations. A simple definition of an MNC has been given by Meier and Schier (as cited by Steinbockova, 2007, p. 14) as an enterprise which possesses at least one unit of production in a foreign country. This definition is almost similar to that given by Caves (1996) who defines Multinational corporations as firms which control and organize production using plants from at least two countries (p.1). These two definitions underscore the importance of production units in foreign land other than that of the company's home state. However these definitions in their modesty tend to down play the influence and capability of multinational corporations. According to Adams (2008) MNC is that entity in the international system influencing economic policies of nation-states and inter-government relations, significantly remaining the most dominant vehicle for industrial development.

Spero and Hart (2003, p. 117) provide a more detailed definition of Multinational corporation. To them, a company is considered a multinational when it has the following features: foreign affiliates and subsidiaries in foreign countries: the proportion of assets, revenue or profits accounted by overseas operations relative to the total assets revenue or profits is high : the owners, managers, stockholders and employees are from different countries: and finally when they are involved in more than establishing sales office but in a corporate wide range of manufacturing, research and development activities. This description of multinational corporations likens to Malcolm Tatum (as cited by Ozoigbo and Chukuezi, 2011, p. 280) structural models of multinational corporations. Tatum argues that multinational corporations are business enterprises that operate in a number of structural models. These models are essential in our understanding and definition of Multinational corporations. The first and common model for Multinational Corporation is the positioning of its executive headquarters in one nation, while production facilities are located in one or more other countries. The second and third structural model is when the MNC establishes subsidiary companies, or affiliates and possibly some facilities which report directly to the headquarters. Ozoigbo and Chukuezi (2011) therefore define multinational corporations as business entities that operate in more than one country (p.280). These corporations are in certain instances and circles referred to as multinational enterprise (MNE) or a transnational corporation (TNC) (Ozoigbo and Chukuezi, 2011).

Recently, distinctions have been made between Multinationals from developed countries and multinationals from developing countries. Multinationals from developing countries have been referred to as emerging markets multinational enterprises (EM MNE). According to Luo and Tung (2007) Emerging Markets Multinationals are international companies originating from emerging markets and are engaged in outward foreign direct Investment (OFDI) exercising effective control at the same time undertaking value addition activities in one or more foreign countries. Emerging markets Multinationals can be state owned enterprises whose motives are usually political or privately owned enterprises. Luo and Tung (2007) outline four categories of Emerging markets multinationals based on ownership and the level of international diversification. These include niche entrepreneurs, world stage aspirants, transnational agents and commissioned specialists. Niche entrepreneurs are non-state-owned MNEs who's geographical and product coverage in international markets is narrowly focused. Examples of this type include China's ZTE, India's Patni Computer Systems Ltd, Russia's Kamaz, Mexico's Mabe and Turkey's Arcelik.

Unlike state-owned companies, these corporations do not receive government funding nor possess rich industrial experience. They focus on a narrow line of products and markets to leverage their strengths. The world-stage aspirants on the other hand are non-state-owned MNEs that are relatively diversified in their product offerings and geographical coverage in the international marketplace. Examples in this category include Russia's Lukoil, China Haier, India Tata's, Brazil Embraer, Mexico Cemex, Thailand's Charoen Pokphand and South Africa's Nandos (Luo and Tung, 2007).

Transnational agents are state owned MNE's that have invested extensively abroad for their business expansion, while still being subject to home government instructions or influences. Examples include China's International Trust & Investment Corp. (CITIC) and Ocean Shipping Co. (COSCO), Russia's Gazprom and UES, Brazil's Petrobra and Companhia Vale do Rio Doce, India's Hindustan Petroleum Co. Ltd. (HPCL) and Oil & Natural Gas Corp. (ONGC), and Mexico's Pemex and Bancomext. These agents generally operate in vital sectors that are of strategic importance to their respective countries. As such, their governments are usually their largest shareholders. They have gone global to seize opportunities presented by a better investment climate to foster overall business growth while supporting economic development at home (Luo and Tung, 2007, p.484)

Lastly, commissioned specialists are state-owned MNEs whose outward investments focus on only a few foreign markets in which they leverage their competitive strengths while at times fulfilling governmentally mandated initiatives. Examples of these include China's Minmetals and Sinopec, Russia's Rosneft and Alrosa, India's Bharat Heavy Electrical Ltd. and National Thermal Power, Brazil's Electrobras and Banco do Brasil, Malaysia's Petronas, and South Africa's Anglogold Limited. These specialists emphasize certain geographic domains and operate along a focused line of business or products to play their dual roles: to reap the fruits of international expansion as a legitimate business and, at the same time, to complete state-assigned mandates within their area of expertise (Luo and Tung, 2007, p. 484).

The fundamental goal of any Multinational corporation is profit maximization. This is their reason for being. It therefore follows, that Multinational Corporation will strive to minimize their cost of production in all their locations and operations. Naturally this objective contravenes the role of multinational corporations in developing the host states. Ozoigbo and Chukuezi (2011) contend that it is not in the nature of multinational corporations to solve the social and economic problems of the host states. MNCs are very faithful to the capitalist principle and would do anything to resist the tendency to make them deviate from their age long tenets. According to Robert Gilpin (as cited in Ozoigbo and Chukuezi, 2011) the term Multinational corporations was for a long time seen as a euphemism for foreign expansion of oligopolistic corporations. It is however important to note that, this is only but one side of the argument or general attitude towards multinational corporations.

Multinational corporations are increasingly changing the way individuals and states behave in a world that is increasingly becoming interdependent and integrated. According to Tzu-Han and Deng-Shing (2011) willingly or not national economies have been joined together to become interdependent by the activities of multinational corporations, bringing forth regional economic integration as an inevitable path to economic development, while at the same time intensifying the globalization process. They have become the driving force of regional and global economy (Adams, 2008). The next section looks into the role of multinational corporations in regional economic integration process.

2.3 Multinational corporations and Regional integration

Ever since independence many African countries have increasingly focused on regional integration as a priority, and means towards economic prosperity (Mohabe, 2004). According to Narula (2001) the enthrallment of regional integration is based on the general belief that greater economic prosperity in Africa is best organised through regional planning. Many African countries have therefore endeavoured to revive previously unsuccessful or dormant schemes at the same time establishing a clutch on new agreements. Whether the impetus towards regional integration in Africa is driven by multinational corporations or not remains an assumption outside empirical test. Nonetheless, according to African Development Bank (2011) Multinational corporations provide the means towards regional integration in Africa.

Eden (2000) defines this means as the capacity for multinational corporations to cultivate strategic alliances and cooperation between governments, businesses and markets. To Franklin (2010) multinational corporations are not only the driving force of regional integration but indeed the globalization process. They have been perceived as the most progressive and efficient allocators of global resources and promoters of global interdependency. This is largely because they are indispensable agents for diffusing technology, capital and technical knowhow necessary for economic development (Nzomo, 1994, p. 433). In the following section the study outlines the role of multinational corporations in regional integration process.

2.3.1 The Role of Multinational Corporation in regional integration

Perceptions towards Multinationals ordinarily are pegged towards the activities of these corporations and against the general expectation of the people. Perceptions towards Kenyan multinationals in East Africa were largely premised on the general expectation of these corporations to promote economic development in the region. Kenya had the highest concentration of multinationals in the region and was therefore expected to take the leading role. As agents of regional integration, Kenyan multinationals were supposed to play certain functions. This section highlights the expected role of Kenyan multinationals in regional integration. The activities of Multinational Corporation promote free flow of knowledge, technology and innovation, capital, human resources, technical knowhow and products. According to Das (2005) these activities lead to regional integration and more importantly present partner states with the opportunity for equitable development. Pavida (2009) makes an observation of the establishment of regional markets in South East Asia as fundamentally been driven by the activities of multinational corporations. To him, the decision of the US, Japan, and East Asia MNEs to locate their operations in South East Asia created a dense network of subsidiaries and suppliers throughout the region that in turn played a fundamental role in integrating the region. In essence multinational corporations drive the shift from national economies to regional.

According to Miller (2004) Multinational Corporation are important agents of regional capital accumulation. Chantal, Massimo and Young (2012) argue that countries with low income levels, landlocked or sparsely populated (particularly in Africa) are disadvantaged in attracting foreign direct investment. Regional integration therefore becomes an important component in increasing the attractiveness and market potentiality for foreign direct investment. Multinational corporations therefore become the vehicles upon which capital finds its way into such regions. Capital accumulation is one of the generally expected benefits of the integration process.

According to Lugami (2011) the East African region particularly Kenya is increasingly becoming the preferred place of investment, especially by those in the service sector. Companies such as Pfizer pharmaceutical, PricewaterhouseCoopers, and Posterscope have unveiled their plans to expand their presence in the region. Similarly giants such as IBM, Google, advertising agency WPP, BhartiAirtel, Nokia/Siemens, Huawei, Procter & Gamble, Biersdoff, Barclays and Stanchart have also announced their plans to either set up regional hubs or transform their local operations to serve sub-Sahara Africa. The driving factors, *inter alia,* attractingcapital flight to the region is the formation of the Common market and the rising middle class estimated at 30million consumers (Lugami, 2011).

Emerging Markets Multinationals are primarily regional in nature and account for one third of foreign direct investment flowing in developing countries (Battat and Aykut, 2005). To a great extend these multinationals have therefore necessitated regional arrangements and frameworks of operations in terms of policies, infrastructural development and market controls. Franklin (2010) concedes that Multinational Corporations are more regionally oriented than they are global. Rugman (2005) further accounts that of the fortune 500 MNEs, 320 out of the 380 have an average of 80% of their sales in their home region. In fact Franklin argues that world markets are indeed regional in nature, in fact according to OECD (2005) world trade under regional Integration arrangement (RIA) grew from 43% to about 60% of the total between 2001 and 2005.Multinational Corporation are therefore more focussed on formulating regional strategies as actors in these markets. For example in Africa, South African Multinationals have fundamentally dominated the Southern Africa Development Community (SADC) (Miller, 2004) whereas local Kenyan Multinationals such Nakumatt Holdings, Kenya Commercial Bank, Tuskys Supermarket, Equity Bank, East African Breweries, Jubilee Insurance, are largely found in Uganda, Tanzania, Rwanda, Burundi, which basically constitutes the East African Community.

The focus of Emerging Markets Multinationals has largely been on extractive and infrastructural sectors. This has in turn fostered regional development and connectivity at the same time laying the impetus for regional integration. For example, according to Lugami (2011) Kenya's opening up of the Lapset corridor to serve Ethiopia has laid impetus to the expansion of the EAC market to a potential of 240 million people. In addition to this, there has been a general belief that these regional corporations are less concern about profit repatriation than they are about capital investment (Battat and Aykut, 2005). In these regard these corporations' have emerged as formidable forces in forging trans-nationals relations and integration amongst member states.

Multinational corporations also play an equilibrating role in regional economic development. According to Battat and Aykut (2005) foreign direct investment from EMM is able to reach the remote poor developing country and thereby foster economic development. Moreover African development Bank in its funding and policy has given priority to multinational operations geared towards levelling economic development among nation-states (African Development Bank, ADB, 2011). The Bank has therefore taken leadership role in policy formulation, strategy and financing of multinational operations in Africa. Since its inception to 2010 the Bank had lend up to 4.11 billion on more than 257 multinational operations in Africa (ADB, 2011). The onerous tasks of equilibrating regional development is presumably best moved by emerging markets multinationals because of their perceived concern for development (Battat and Aykut, 2005) more than profits.

To ensure free flow of goods and services requires state policies are not only interlinked but create a synergy in their implementation. Multinational corporations become the true test of the efficiency and linkage of government policies across the borders. The pace of regional integration in many instances has been influenced by the treatment of local firms by partner states in the host states. In many instances particularly in Sub Saharan Africa, local firms have received different treatment within their regional organizations. In turn local firms have been on the lead to put pressure on their respective government mount pressure on structural reforms and efficiency on agreed protocols by the partner states.

The role of multinational corporations in fostering regional integration cannot be overemphasized. Attempts towards regional integration in Africa are as old as independence, just as well as the operations of multinational corporations in the continents. Nonetheless, there has been very little, if any significant impact that has been made towards regional integrations in many trading and regional blocks in Africa despite the fact that Africa is increasingly becoming a popular destination for both multinationals from the *West* and the *South.* The role of multinational corporations on regional integration has therefore becomes a contentious issue worth empirical study. In addition, this study argues that, the perceived nature of multinational corporations provides the impetus for regional integration and *disintegration*. The fundamental question therefore remains to determine what influences the perceived nature of multinational corporations. In the next section, we look at the history of Kenyan multinationals in an attempt to unravel the changing perceptions towards these multinationals.

2.4 The History of Kenyan Multinationals in East Africa

The history of Multinational corporations in Kenya dates back to the early colonial periods. As early as 1905 there were several international businesses operating in Kenya (Nzomo, 1994, p. 435). These corporations were almost entirely owned by the British (Maxon, 1992, p. 385). The number of Multinational corporations operating in Kenya by 1945 was about 15, largely involved in export processing; trading, manufacturing and mineral extraction. Indeed in the subsequent period, foreign investment increased rapidly with high concentrations in the manufacturing sector (Nzomo, 1994, p.435).

This period was also characterised with the entry of multinational corporations from Europe, North America and Japan (Nzomo, 1994, p. 435). Through direct investments, mergers and takeovers of existing local firms, Multinationals corporations had gained foothold by 1963. These corporations were strongly entrenched in the manufacturing sector, contributing more than half of Kenya's Gross Domestic Product (GDP) by 1967(Maxon, 1992, p. 384).At independence, Multinational Corporation's remained to be seen as benign vehicles of economic development. The Kenyan government, therefore went through great extend to attract foreign investment through the establishment of policies such as the Foreign Investment Protection Act (FIPA) and the adoption of Sessional paper No.10 on African Socialism and its application to planning in Kenya. These policies not only encouraged foreign investment, but also induced economic growth in Kenya. The Kenyan economy grew at 6% largely attributed by the increasing levels of foreign direct investments (Adar and Ngunyi, 1994, p. 411). It therefore followed that whatever harm these multinationals were thought to cause, it was one that could be tolerated given their expected rewards. In fact according Mwai Kibaki, during his term (1978-1988) as the vice president of Kenya, multinational corporations were the surest option towards economic development (Nzomo, 1994, p. 447). These sentiments were to be further re-echoed by other senior government officials, even in subsequent regimes (Ngunyi, 1989).

The high levels of foreign investment in Kenya amidst Tanzania self reliance and protectionism policies (Campbell, 1994, p.471), and Uganda Common man's charter (Okoth, 1994, p.367) coupled with the dominance of Kenyan multinationals in the Intra-EAC trade(Ngunyi, 1989) portrayed Kenya as a sub-imperial power (Orwa, 1994, p. 301). It naturally followed that Tanzania and Uganda feared that they would become 'captive market' in the East Africa Community, contrary to the economic equality that was expected from the integration process (Adar and Ngunyi, 1994, p.400).

The politics of regional integration were therefore characterised by the struggle for power position with Kenya wanting to maintain its position of preponderance, whereas Uganda and Tanzania seeking to change this positions (Adar and Ngunyi, 1994, p.400). This political conflict was further extended into the Preferential Trade Area (PTA) arrangement and fundamentally informed by the levels of foreign ownership of goods and services traded in the region. Kenyan multinational up until the 1980's were fundamentally dominated by foreign investment. However, from the 1970's the patterns of investment begun to change. Local firms entered into joint venture or partnership with foreign investors while the government also got itself involved as a significant partner (Maxon, 1992, p. 385). By mid 1980s many Kenyan entrepreneurs had come of age and had penetrated both the banking and financial services. Moreover independence had earlier opened doors to multinationals from the United States of America, West Germany, Australia, Italy, Canada, Japan, France, India and Pakistan (Orwa, 1992, p.398).

There were more than 1000 foreign companies operating in Kenya, of which 360 were multinational corporations. Though the European Multinationals fundamentally from the United Kingdom remained dominant in the markets, corporations from the United States showed the fastest rate of growth. This state of affairs had therefore begun to change the preponderance of multinationals from the United Kingdom in the Kenyan economy (Orwa, 1992, p. 394). By 1985 the Kenyan economy had investment of ksh 8.5 billion from the United Kingdom, 5.5 billion from the United States and $ 125 million from France, Japan, Italy, India, and Switzerland. However, in the late 1970 inflows of foreign direct capital in Kenya begun stagnating and by 1984 started to decline. The decline of foreign direct investment was fundamentally informed by the transfer of headquarters from Kenya to other African countries, Middle East and even Europe by multinationals operating in Kenya (Orwa, 1994, p.292). For example Bristol Myers moved its regional headquarters to Lagos, PepsiCo moved to Athens, and Mobil closed down its Kenyan subsidiary.

Most of the multinationals that moved or transferred their headquarters and operations from Kenya were largely from the United States of America. The Kenya market was said to be politically unstable following the military coup of 1982 and less attractive comparatively to the newly emerging independent states like Zimbabwe (Nzomo, 1994, p.435). The exits of American multinationals gave impetus to the increase in European and Japanese multinationals in the Kenyan market. This period also coincides with the improved relations between Kenya and China (Orwa, 1992, p.391) and the emergence of the new economic order in the international system. The new economic order emerged at the end the Cold War. This period finds many African countries under single party leadership, military and personalized rule (Alence, 2009). In addition to this, many African countries had lost their strategic importance and were experiencing critical financial constraints, Kenyan included.

Kenya, like many other African countries, turned to the International monetary fund and the World Bank for financial support. Uganda and Tanzania were not any different from Kenya (Campbell, 1994, p. 478). These countries increasing experienced trade imbalances that caused great urge for foreign direct investment. Tanzania, being a socialist state turned to China for foreign assistance and later the International Monetary Fund because of its declining economy. Uganda on the other hand had just emancipated itself from Idi Amin rule and the expulsion of Asian businessmen.

This action not only scared investors to migrate from Uganda but also caused economic decline (Sathyamurthy, 1994, p. 517). Evidently, economic recovery for East African countries meant increased foreign direct investment from the West and Breton Institutions. Foreign direct investment therefore became the means towards economic recovery. In 1987 Uganda launched the Economic Recovery Program (ERP), a joint initiative with the International Monetary program aimed at economic rehabilitation, growth and domestic financial stability. At the core of this strategy was trade liberalization through extensive reductions of non tariff barriers, competitive tendering for government purchasing and a switch from export taxation and import taxation (Okidi, Ssewayana, Bategeka and Muhumuza, 2005).

Similarly in 1986 Tanzania, adopted an economic reform program to reverse the declining economic growth caused by the financial crisis of the early 1980. This crisis was caused partially by the socialist policies of a public led-economy, deteriorating terms of trade, the collapse of the East Africa Community, not to mention the war to oust Idi Amin in Uganda. The economic reform programs meant acceleration of structural and institutional reforms that in turn led to increased foreign direct investment flows into Tanzania (Muganda, 2004). By 1990 many African countries, including EAC members were concretising their economic reforms to remove restrictions on foreign direct investment (Moss, Vijaya and Manju, 2004). In fact, according to UNCTAD (1998) nearly all African countries had revised their national laws governing foreign direct investment and lifted majority of their restriction on capital flows. This complete turnaround magically set the impetus for Kenyan Multinationals in the EAC. Kenyan multinationals were no longer perceived as the villain of economic retardation but as the allies of economic development. Kenyan Multinationals therefore endeavoured to regain their position in the East African Community. This period set the long exodus of Kenyan local companies setting up branches in the East African region

CHAPTER THREE
PERCEPTIONS TOWARDS KENYAN MNCS IN EAST AFRICA: 1960-1977

3.1: Introduction

The perceptions towards Kenyan multinationals in the defunct EAC played a fundamental role in the eventual collapse of the community. Kenyan multinationals were accused of many misgiving that soured the relationship between Kenyaandits EAC partner states. Kenyan multinationals were perceived as agents of exploitation and foreign control for both the colonialist and non-colonial powers and were thereby treated as such. These multinationals were also perceived as perpetrators of economic inequality in the region. The perceptions towards Kenyan multinationals in this chapter have broadly been divided into two categories: Kenyan multinationals as agent of foreign powers and Kenyan Multinationals as agents of economic exploitation and inequality.

This chapter is divided into three sections. Section one looks at the perceptions towards Kenyan Multinationals as agents of foreign powers. In this section a distinction is made between colonial powers and non colonial powers as forms of foreign control. Section two examines Kenyan multinationals as agents of exploitation and economic inequality; highlighting the factors that formed the basis of these perceptions. Section three provides a critical analysis of the perceptions towards Kenyan multinationals in the defunct EAC, as highlighted by key informants of the study. It is imperative that we begin by understanding the perceptions towards Kenyan Multinationals in the defunct EAC.

3.2: Kenyan Multinationals as Agents of Foreign Powers.

Independence for many African countries meant the emancipations from colonial rule to self government (Moss, Vijaya and Manju, 2004, pg. 5-6). Many African countries sought to assert themselves as sovereign and equals in the international system. However, many of these countries had adependency relationship with their colonial powers that could not be wished away (Teixeira, 2010). African governments including Kenya, Tanzania and Uganda, continued to have a working relationship with their former colonial masters, powerful and emerging economies both in the developed and the developing world. However their relationship, especially with the developed powerful states was generally marred with suspicion and fear of domination or control. These fears and mistrust were fundamentally informed by the colonial legacies, the desire for nationalism and pan-africanism. The demise of colonialism meant the end of direct control, but the beginning of indirect control (Gareth, 2010, p. 11-32).

Neo-colonialism was therefore perceived as the reincarnation of the colonial system in the newly independent African states (Echa, 2013, p.71). Multinational corporations were the instruments of control used by the imperial powers. Imperial governments supported and encouraged the presence of their multinationals in their former colonies or regions of strategic interest (Haag, 2011). Whereas African governments were cognizant of the utility of these multinationals, they largely remained suspicious and perceived them as agents of foreign control. A distinction of foreign control in East Africa was made to differentiate the former colonialist and the non colonialist.

3.2.1: Multinationals as agents of Colonial Powers

The very existence of multinational corporations has been traced to the major colonising and imperialist ventures of Western Europe in Asia, Africa, Latin America and later on the Middle East. The growth and expansion of these corporations was enhanced by industrial capitalism that further occasion the search for resources including minerals, petroleum and food stuff, as well as the pressure to protect or increase new markets (Greer and Kavaljit, 2000). Due to their close associations with the colonial masters, multinationals corporations' were perceived in many quarters as agents of the colonialists.

In the defunct East African Community Kenyan multinationals largely constituted foreign subsidiaries and local companies by white settlers. Many of these companies were largely from Europe and especially Britain. Britain was the region's former colonial master and indeed the largest source of foreign direct investment in the region. Kenya was the most preferred destination by multinational corporations, in the EAC (Nzomo, 1994). Kenya had also made it obvious its inclination towards the West, amid Tanzania and Uganda's adoption of Socialists policies (Bennet, 1997 p. 1). The Kenyan economy was largely driven by foreign direct investment from the West. The West was largely perceived to be constituted by former colonial powers: Britain, Belgium, Netherland, France, Italy, Spain, and was thus perceived synonymous with the colonialists. According to one Wanyama:

There were no Kenyan multinationals in the strictest sense but basically foreign multinationals headquartered in Kenya for the region. The capital, technology, technical knowhow and leadership in these companies were literally foreign in nature. Kenya was basically playing host to these companies largely because of its better infrastructure, auxiliary services such as banking, insurance, and freight services. Multinationals from Kenya were predominantly from Britain; the regions former colonial master (Wanyama, 2014)

Uganda and Tanzania resented Kenya's economic position (Mazzeo, 1984). This resentment was however played in the political gallery. Political values took precedence in all manner of inter-state relations. The adoption of the *Arusha declaration* in 1967 and the *Common Man Charter* in 1968 suggests Tanzania and Uganda abhor for British and indeed capitalist rule. Continued trade relations with Kenyan multinationals, meant continued influence of British Multinationals in the region. According to one Francis (Personal Communication, August, 10th 2014)

"Uganda and Tanzania harboured sentiments of controlling Kenyan Multinationals in the EAC. Controlling Kenyan multinationals meant controlling British rule and indeed capitalist rule"

Driven by panafricanism and nationalism tendencies at independence, Tanzania was therefore quick to brand Kenyan multinationals, *inter alia,* as agents of the colonialist. This is not because Tanzania did not have its own share of British companies but because Tanzania was less confident in controlling these companies from Kenya as opposed as in their country. According to Fred (Personal Communication, August 12, 2014)

"At independence, sovereignty meant everything for Tanzania and therefore any efforts or extensions of colonial control were thwarted. Tanzania was highly sensitive to any form of external control or interference"

Uganda repugnance towards British influence was not any different. In August 1972 president Amin extended his economic war to British Interest, threatening the lives and property of British citizens, renaming British adopted monuments and sites such as Queen

Elizabeth National Park and Murchison Falls to Ruwenzori National Park and Kabalega Falls. Amin also ordered nationalization and acquisition of British properties. By 1975 Amin had become champion of anti-imperialist movement and had converted Uganda foreign policy to a radical stance against the West, especially the British. As chairman of the OAU Amin became the champion of pan Africanism and solidified his friendship with the Arab world (Mutibwa, 1992).

The continued presence of white settlers and their property in Uganda and Tanzania was therefore perceived as an emblem of the former colonial masters (Maina, Personal communication, August 14, 2014). These perceptions were indeed more pronounced in Uganda and Tanzania than they were in Kenya. This is because Kenya had strived to encourage foreign direct investment from the *West* compared to Uganda's and Tanzania. Tanzania and Uganda therefore feared foreign multinationals more than local companies from the East African region. In Tanzania distinctions were made between Multinationals from the colonial masters and multinationals from the developing world.

> Multinationals from the colonial masters such as: Unilever Africa and Mitchell Cotts Group from the United Kingdom, Tanganyika Concession from Belgium, and Michelin Tanzania and Total oil products ltd from France were perceived as being more exploitative than companies originating from developing countries such as Chandaria group, National investment limited, Universal Transport Corp from Kenya. The preference for local Kenyan companies was, largely presumed because of their low economies of scale and capital investment that made them relatively less exploitative than the foreign multinationals (Francis, Personal Communication, August 10, 2014)

Foreign multinationals in Kenya were controllers of huge sum of capital, technology, technical knowhow and indeed exercised monopoly in the markets. In addition to this, these corporations exemplified the characteristics of colonial rule. First and Foremost these corporations were headed by Europeans, a factor that did not invoke confidence or trust from the locals (Maina, Personal Communication, August 14, 2014). The locals were placed on non-technical, administrative junior positions that had no meaningful impact to the corporation. Moreover these corporations were largely concerned with extraction of materials and profits generations. These corporations were also insensitive to the local's immediate needs and made little effort if any to transfer technology or partner with local companies to boost their capacities to produce and expand (Senior Officer 1, Personal Communication, August 20, 2014)

Further distinction was placed on multinationals that operated directly in Tanzania. Foreign multinationals from developing economies such as South Africa involved in the mining sector were tolerated comparatively to British companies headquartered in Kenya in the same sector. For example the Tanzania government tolerated the presence Openhaimer, a South African company amid its nationalization spree of foreign companies such as Lonhrofrom their former colonial powers (Kiondo, 1994). Localcompanies from Kenya formed by the White settlers were treated in the same regard as foreign multinationals from Europe. This is largely because of the apathy associated with the White man's rule.

> Foreign multinationals from developing economies and those directly set up in Tanzania were perceived comparatively a lesser threat to the government than Kenyan multinationals. Kenyan multinationals were perceived differently because of the regional supremacy battles and competition between the two states as to who should be seen or perceived as power house in the region (Senior Officer 2, Personal Communication, August 24, 2014)

At independence Tanzania and Uganda like many African countries were left in a state of underdevelopment. These countries were literally in a state of poor infrastructural and economic development (Gareth, 2010). The economic structures left by their former colonial masters placed emphasise on the extraction of raw materials and profits repatriation to the metropole (Rodney, 1972).

The economy of Tanzania and Uganda at independence remained in the hands of the British colonial masters and the Asians businessmen, mainly Indians and Arabs. The failure of economy to translate to better living conditions to a populace thrilled with the prospects of independence turn the heat towards multinationals corporations including Kenya multinationals who were the most visible elements of the former colonial masters (Mazzeo, 1984). The extraction and exportation of raw materials in Uganda and Tanzania was done largely by foreign multinationals such as Brooke Bond which had monopoly in the entire East

Africa over tea export, and headquartered in Kenya in the region (Moss, et al, 2004). The economic misery of the general populace was therefore placed on the non responsive nature of multinationals, which continued with the exploitative structures and nature of the colonial masters, and as such were perceived as agents of the colonial masters. Kenyan multinationals, being the majority in the region particularly from the former colonial powers were no exemption (Senior Officer 3, Personal Communication, August 24, 2014).

3.2.2 Kenyan Multinationals as Agents of Foreign Control

Closely associated to the perception that Kenyan Multinationals were agents of the colonial power is the notion that, they were in equal measure agents of foreign control. This argument is premised on the fact that not all Kenyan Multinationals were from the colonial masters in Africa, for example Japan and the United States (Nzomo, 1994). Moreover, Tanzania and Uganda feared possible dominance and control by Kenya. In the defunct East African Community Kenyan multinationals largely constituted foreign subsidiaries and local companies by the white settlers. Many of these companies were largely from the US, Europe and Japan. They included Bata Shoe Company, Avon Rubber Kenya, Leyland Paints, Sadolin Paints, Robillac Paints, Walpmur Company, GlaxoAllenburys, Kiwi Home Products ltd, Reckitt and Coleman, Sterling Winthrop, Firestone, Sanyo, East Africa Packaging, Philip electrical, East African Cables, Colgate Palmolive, Union Carbide, Cadbury Schweppes, General Motors, Leyland Kenya, Rivatex, Pan African Paper ills, amongst others (Nzomo, 1994).

These companies set their regional headquarters in Kenya and largely provided their services and products from Kenya. Uganda and Tanzania naturally became captive markets to these multinationals and had very little capacity to compete with these corporations. These corporations possessed huge sum of capital and technology that was no match to local companies in Uganda and Tanzania.

> Preference was therefore made to local firms because of their little capital and technology that placed them at a competitive level with local firms in Uganda and Tanzania. However, the increasing establishment of Kenyan local firms in Uganda and Tanzania was perceived as ceding to Kenya’s nationalism and dominance in the region. This equally caused resentment in Tanzanian and Uganda, particularly because of the

aggressive nature of business and mannerism espoused by Kenyans. Tanzania biggest fear was Kenyans taking over their business, land and indeed control of their markets. (Wanyama, Personal Communication, July 15, 2014).

Being newly independent countries starting from more or less the same economic levels, Tanzania and Uganda hoped to have an equilibrating economic development in the EAC. The dominance of Kenyan multinationals connoted the supremacy of Kenyan nationalism in the region. Uganda and Tanzania naturally remained sceptical about Kenyan multinationals. This was further compounded by the socialists inclinations harboured by Uganda and Tanzania that portrayed Kenyan multinationals as agents of imperialists. Tanzania and Uganda suspicion over Kenyan multinationals was also endeavoured by the increasing recruitment of Kenyans to occupy positions of influence in their companies. Because of political conflicts in Uganda and the socialist's conservatism in Tanzania, Kenyan remained the biggest pool of qualified personnel (Wanyama, Personal Communication, July 15, 2014)

The Control of capital, technology and technical knowhow in a region, where members' states had barely stable economies, enabled multinationals to easily influence government policies, competition and markets. Tanzania and Uganda feared Kenyan Multinationals in the same light. The absence of local competition, inability of the government to control or supervise them and their access to East Africa as region through Kenya, made Kenyan multinationals powerful and Tanzania and Uganda almost helpless towards these multinationals. The attempts towards the implementation of *the rule of origin* in the Preferential Trade Area (PTA) by Tanzania and Uganda can be seen as an attempt towards control of foreign firms doing business in the region and through Kenya (Ngunyi, 1989).

It is no secret that Tanzania and Uganda repudiated the idea of foreign control from the onset. Before independence Tanzania, already believed in a coordinated struggle against the colonialist in Africa, and indeed founded the pan African Freedom Movement for East Central and Southern Africa (PAFMESCA) in 1958. This movement was to assist and provide harbour for the political asylum to African nationalist in their country's liberation movement. Tanzania provided the first secretary general and its chairperson. Tanzania's commitment towards an African unity by Africans is further exemplified by the unification of

Tanganyika with Zanzibar. The unification of Tanzania, formerly Tanganyika with Zanzibar soured the relationship between Tanzania and West Germany, who had advised Tanzania to refrain from diplomatic relations with East Germany (Kiondo, 1994).

Tanzania refusing to be intimidated by foreign powers went ahead to open an East Germany consulate in Dar es Salam. West Germany responded by withdrawing military assistance to Tanzania, an action that saw Tanzania reassert itself by calling off all its projects with West Germany. This incident was later followed in 1965 with the expulsion of two American diplomats from Tanzania, believed to be engaged in subversive activities against the government of Zanzibar, and strained relationship with the British government for failure to reverse the unilateral declaration of Independences made by rebel Smith in Rhodesia. Tanzania foreign policy by 1967 had already taken a radical posture towards western powers and more specific towards any form of interference or foreign control. Tanzania was willing and ready to compromise western capital in the name of protecting their national sovereignty. At this time, political cleavages played more leading role than economic (Kiondo, 1994).

Being newly independent state, horrified by the legacies of colonial rule, Tanzania sought to continuously reassert its position in the international system as a sovereign. This radical position of Tanzania foreign policy was inevitably bound to place Tanzania on a confrontational path with Western powers. Kenyan multinationals were largely from the West. It therefore followed that the perceptions towards these multinationals were generally marred with mistrust and suspicion. Tanzania perceived Kenyan multinationals, as the continued attempt by Western powers to infiltrate and indeed weaken their radical standing, through their economic power.

Tanzania hesitation towards policy reformations and standing trade barriers in the East African community can be understood as their fear towards foreign control. According to Wanyama (Personal Communication, July 15, 2014) “Kenya was perceived as the entry point and their weak link in repudiating foreign control. This was not very different in Uganda”

At independence Uganda remained politically delicate because of the internal ethnic conflict and the preferred separatism of the Buganda people. Uganda relations with the western powers did not begin confrontational like Tanzania. Uganda remained critical of the low industrial base and the strategic utility of Kenya in their economic development (Ngunyi, 1989). Uganda president Milton Obote was also a close ally and friend of president Nyerere of Tanzania. President Nyerere was more a stature than his counterpart in African politics, and influenced his friend, Milton Obote towards an African Socialism. Socialism was perceived by many African nationalists, including Nyerere as the repudiation of western influence and control, and indeed the path towards an egalitarian system. Socialism for many African nationalist and president became synonymous with liberation from foreign control; western control. Given the fresh memories of colonialism lingering in the minds of many freedom fighters, nationalists and newly independent states, socialism became some form of wave in the continent. Uganda was caught in this wave.

Uganda and Tanzania had been marginalised by Kenya's economic development attributed by the colonial master's preference over Kenya. Kenya enjoyed the establishment of most of all the regional organizations and corporations. The signing of the Kampala agreement in 1964 was intended to correct the economic imbalance in the region. The Agreement called for measures to remedy the industrial imbalances by calling for the establishment of industries in Uganda and Tanzania to boost their capacities. This agreement was never to be implemented because of the growing tension between the three states. Kenya outright capitalist nature and its perceived sole beneficiary status in the region, illustrated the exploitative nature of capitalism to Uganda and indeed Tanzania. Uganda and Tanzania therefore took steps to restrict their trade with Kenya (Ngunyi and Adar, 1994).

> The move towards socialism, for Obote and Nyerere, was believed, would have created some sense of consciousness in the EAC trade, as opposed to the exploitative and *inhumane* conditions associated with capitalism. Capitalism was associated with western powers. Continued trade with Kenya, that had made it obvious its inclinations to the West seems to have suggested continued contact and possibly control with capital from the West. Uganda needed Western capital to have a realistic chance towards economic development. However Milton Obote was convinced that, western capital needed to be controlled for it posed serious threat to their sovereignty (Wanyama, Personal Communication, July 14, 2014)

The nascent good relations with the West therefore took a turn when President Milton Obote officially took *a move to the left strategy* that saw the enactment of the Common Man Charter: a socialist ideology that soured the relations between Uganda and the West. The demands of the Common Man's charter seemed directly aimed at curtailing foreign control and indeed western power. This policy paper demanded a 60 % takeover of banking, insurance, transport, export and import industry, sugar and copper industries and petroleum distribution. These sectors were predominantly controlled by multinationals from the West, some of which were headquartered or operated from Kenya (Mutibwa, 1992).

3.2.3 Kenyan Multinationals as agents of Exploitation and Economic Inequality

Apart from being agents of foreign control, Kenyan multinationals were perceived as agents of exploitation in the East African region. In the defunct EAC, Kenya controlled 48.7 % of the intra-EAC trade whereas Uganda controlled 30% and Tanzania 21%. Kenyan economy was indeed the largest economy in the region and fundamentally driven by foreign direct investment from Europe, the United States and Japan (Ngunyi and Adar, 1994). Foreign multinationals dominated both the manufacturing sector and the commercial sector in Kenya and by implication controlled the intra-EAC trade which fundamentally dealt with manufactured goods. Kenyan multinationals were perceived exploitative because of various reasons (Ngunyi and Adar, 1994).

First and foremost both local and foreign multinationals operating from Kenya in the region were led by *whites* who were believed not to harbour any genuine concern for the development of the region. The apathy towards *white* man rule largely informed by the colonial legacy had obscured any good deeds emanating from these multinationals (Wanyama, Personal Communication, July 15, 2014). These multinationals were therefore considered exploitative not necessarily because they were but simply because they were under a white man rule (Investment Analyst 1, Personal Communication, July 10, 2014). Kenyan multinationals provided essential manufactured food products including households to food stuff to both Uganda and Tanzania. Examples include Unilever, Sandolin Paints, Colgate Palmolive, Kiwi, Reckitt and Colman industries and Bata Shoes Companies (Nzomo, 1994). According to Investment Officer 1(Personal Communication, July 10, 2014)

> "These companies did not only provide employment opportunities for the local but had also invested in capacity building. Nonetheless because they were fully foreign owned and largely from the *West* they were perceived to be incapable of genuine development"

Kenyan multinationals were also equally accused of being aggressively driven by the profit motivation and were less and less concern about local development. Tanzania and Uganda arguably perceived themselves as captive markets for products produced by Kenyan multinationals. Intra-EAC trade was fundamentally confined to the flow of Kenyan goods (Ngunyi and Adar, 1994).

> Kenya multinationals were accused of doing very little to build the capacity of local companies in the form of partnership or merger with local firms to boost the manufacturing levels of the host states. Tanzania and Uganda fundamentally remained dependant on Kenyan manufactured products in the entire tenure of the EAC (1). Uganda and Tanzania thereby considered Kenya no different from the former extractive colonial's masters (Wanyama, Personal Communication, July 15, 2014)

For the period running 1969 to 1978 statistics indicate that for every US $ 4 worth of export to the EAC, Kenya imported goods worth US $ 1, while Uganda imported US $5 and Tanzania US $ 2. This was clear indication of the eschewed industrial development in Kenya comparatively to Uganda and Tanzania (Ngunyi and Adar, 1994). In addition to this, the dominance of Kenyan local capital in the small medium enterprises (SME) further exposed Tanzania to profit repatriation. Tanzania resented the transfer of profits or wealth of these firms as opposed to ploughing back in Tanzania (Mazzeo, 1984). The failure to plough these profits back to the Tanzanian and Ugandan economy to make meaningful development, made Kenyan multinationals to be perceived as exploitative. In addition to this, according to Maina (Personal Communication, July 14, 2014)

> Kenyan multinationals had a preference for Kenyan human resource largely because of their high level skills and professionalism comparatively to Uganda and Tanzania. This meant that Kenyans were largely placed in positions of influence, comparatively to the locals in the host states within the organizational structure of the multinationals.

The appointment of Kenyans in positions of influence was interpreted by the locals in Uganda and Tanzania as the issuance of their job opportunities to *foreigners*. Kenyan multinationals were therefore perceived as exploitative because of their allocation of meagre job opportunities to Kenyan as opposed to locals who deservedly needed the experience and knowledge offered by the said position to induce change in their nation.

Kenyan multinationals were perceived to be more interested in available qualified labour as opposed to training the personnel in the jobs. Recruitment of Kenyan was therefore interpreted as conscious ploy to swing the local opportunities for employment and growth.The perception that Kenyan multinationals were exploitative was also fundamentally driven by the attitude and views of the political leadership, not necessarily by their activities or operations of Kenyan corporations. Perceptions in the defunct EAC were an elitist view largely controlled by the government or the ruling political class. The general attitude and views of the leaders shaped the general direction of the citizenry. The operations and activities of multinational corporations were sieved through political cleavages between the EAC member states.

The heighten political atmosphere in the Community became the main determinant of whether, a multinational was exploitative or not. Indeed, it was not so much important, what the multinationals did but the relationships between their home state and the host state. The source of capital became the problem more than the capital. Kenyan local multinationals, largely controlled by Indian entrepreneurs were considered less exploitative than foreign multinationals operating from Kenya. These multinationals were exploitative simply because of where they came from, and more importantly because of the nature of relationship of their home state and the host state. Change in government's position in terms of policy or perception directly influenced the changed of perception towards their multinationals operating in their country (Senior officer 2, Personal Communication, August 24, 2014)

For example Uganda being a land locked country has since independence, largely depended on the Kenyan Coast for its export and importations. Because of the strategic importance of Kenya towards Uganda, the leadership in the two countries have strived to keep their relationship sober and cordial at all times. Whenever political conflicts jeopardised, their otherwise cordial relationships, solutions were always forthcoming. Uganda was therefore more receptive to Kenyan multinationals than Tanzania. This is, however, not to say that relationship between Kenya and Uganda was always cordial.

In 1973 Amin expelled the Indian business community working in Uganda and the other leaders in the region to do the same. This event was also followed by the disappearance of Kenyan who worked in the East African Railways because of the growing insecurity in Uganda. The expulsion of the Asians in Uganda drew popular support from Kenya, something that did not please Jomo Kenyatta, given his position to reassure foreign investors in Kenya of their well being and business. Amin further claimed that the Luo community in Kenya was collaborating with his then arch-rival Milton Obote. All these events drew sharp reactions and calls from Kenya to severe their relationship with Uganda (Mutibwa, 1992).

Moreover in 1976 the relationship between Kenya and Uganda was again, severed, by Amin's claim over western Kenya and Kenya's allowance of Israeli soldiers who had raided Entebbe to use Kenya as a staging ground. In all these incidents solutions were always forthcoming and Kenya continued to exercise its trade with Uganda. About 70% of trade between Kenya and Uganda between 1968 -1979 was fundamentally on manufactured. Eighty one percent of Uganda total Intra-EAC trade were importations from Kenya. Foreign multinationals in Kenya controlled the manufacturing sector. Kenya multinationals were perceived as being exploitative, however because of the mutual strategic interests, the political leadership endeavoured to down play the views of the people (Fred, Personal Communication, August 12, 2014)

On the other hand, Kenya had a lesser leverage on Tanzania compared to Uganda. Tanzania had its own Coastline, bigger population and chunks of land. The political leadership in Tanzania was equally very assertive and had invested largely in promoting national consciousness; a nation of one people, from 140 ethnic group. The political leadership therefore held a lot of sway over the people. Consequently the views of the leadership dictated the perception towards Kenyan multinationals.

> The leadership *inter alia* perceived the source of Kenyan multinationals as being exploitative. It therefore did not matter much what the capital of Kenyan multinationals could do or was doing, to improve the quality of life of the people, the source was exploitative and so they were perceived (Fred, Personal Communication, July 12, 2014)

Kenyan home-grown companies were perceived differently since the source was local. These companies included Wire group Industries, Mabati limited and Paper Product limited owned by the Chandaria group, Moshi Textile Mills, National Printers and Publishers limited and Blanket Manufacturers limited owned by HemrajBharmal limited and Maruki and Company as the biggest shareholders. Local Kenyan companies were perceived to be less exploitative but still posed a challenge to the nationalism of the Tanzanian people (Wanyama, Personal Communication, July 15, 2014).

3.3 Accounting for Perceptions towards Kenyan Multinationals: The Defunct EAC

Perceptions towards Kenyan multinationals were central in the relations between the three traditional members of the defunct EAC. In this part of the study, a critical examination of the factors shaping the perceptions towards Kenyan Multinationals is presented. These perceptions have broadly been subjected to scrutiny by three categories of respondents: namely the Academia, senior corporate persons and finally senior officers from the government and government agencies.

Regarding the notion that Kenyan multinationals were perceived as agents of the colonial powers, there was a general agreement between the academia and corporate respondents. According to the Academia, in the defunct East African Community, there were no Kenyan multinationals in the strict sense but basically foreign companies headquartered for the region in Kenya. The capital, technology, technical knowhow and leadership in these companies were literally foreign in nature. Kenya was basically playing host to these companies largely because of its better infrastructure, auxiliary services such as banking, insurance, and freight services.

More importantly Kenya had maintained very close ties with its former colonial power comparatively to Uganda and Tanzania. Kenyan multinationals were predominantly from Britain; the region former colonial powers. In addition to this, local Kenyan companies were largely the preserve of the British White settlers and to lesser extent the Asian Community living in Kenya. British presence was indeed overwhelming in Kenya. Tanzania, driven by the panafricanism and nationalism tendencies at independence, was therefore quick to brand Kenyan multinationals, *inter alia*, as agents of the colonialist. This is not because Tanzania did not have its own share of British companies but because Tanzania was less confident in controlling these companies from Kenya as opposed to those in their country. At independence, sovereignty meant everything for Tanzania and therefore any efforts or extensions of colonial control were thwarted.

However a striking discontenting view is presented by respondents from the ministry of regional integration, trade and tourism. According to these government respondents multinationals headquartered in Kenya, together with local companies were presented in the foreign markets of Uganda and Tanzania with the same regard. Kenya demanded equal treatment for these companies and their products. Kenya refusal to embrace the rule of origin in the Preferential trade Arrangement, is a manifestation and an almost admission that Kenya saw these companies in the same light. These companies were employers of Kenyan citizen and it was therefore the duty of the Kenyan government to champion for their fair treatment(Senior officer 3, Personal Communication, August 28, 2014)

According to one respondent from the Standard Chartered Bank, distinctions were however made in the host state between local Kenyan companies and multinationals headquartered in Kenya. Multinationals headquartered in Kenya were largely considered foreign and a threat to the sovereignty of the state in Tanzania. Though local Kenyan companies were considered a lesser threat to economic development, because of their relative similarities of economies of scale, with the local companies, politically, these companies were considered a threat to Tanzania's nationalism. Tanzania perceived itself as the regional hegemon and strived to maintain that position. However the increasing expansion of Kenyan companies seemed to suggest Kenya preponderance in the region at least economically. Academic respondents contend with the view that Kenyan multinationals and local companies were perceived as a threat to Tanzania. They however do not make the distinction between the fear of foreign control and that of loss hegemony, for this meant the same to them.

Tanzanian generally feared Kenyans and their companies largely because of the danger that they posed to their nationalism. It is evident that Kenyan Multinationals and local companies were perceived, though in an unequal measure, a threat of foreign control in Tanzania. Unlike Tanzania, Uganda perspective towards Kenyan multinationals had mixed reactions amongst the respondents. According to the Academicians the perceptions towards Kenyan multinationals in Uganda was largely influenced by the relations between the political leadership more than the fear of hegemony or foreign control. Academicians contend that Uganda state of being Landlocked largely influenced its perceptions towards Kenyan multinationals. Uganda needed the port of Mombasa for economic survival and indeed Kenya for most of its manufactured products. Manufactured products from Kenya and indeed the EAC were largely a reserve of foreign multinationals operating in Kenya. For Kenya, Uganda was its biggest trading partner.

However the recurrent wrangles between president Obote, Amin and Museveni of Uganda against President Jomo Kenyatta and Moi of Kenya occasionally strained the relationship between the two states. Strained trade relations meant closure or threat of closure on Kenyan manufactured products to Uganda. Though these threat or closures were often short lived they reflected the changing perceptions towards Kenyan multinationals. Corporate respondents on the hand contend that Uganda perceptions towards Kenyan multinationals were largely driven by the fear of foreign control (Investment Analyst 2, Personal Communication, July 4, 2014).

The move towards expulsion of Indian businessmen and subsequent threat of nationalization of foreign Companies in Uganda, which were largely British, was perceived as Amin emancipation from the shackles of foreign control, more specifically, the British. Considering that most of British Multinationals were also headquartered in Kenya. These actions were seen as an affront towards Kenyan multinationals. Amin actions were preceded by Obote declaration of the *Common Man's Charter* that advocated for Socialist policies in Uganda. This declaration was subsequently followed by Nakivubo pronouncement that called for government control of 60% of all foreign companies operating in Uganda. Needless to say that most of the companies operating in Uganda were largely British. According to one respondent from the Standard Chartered Bank, Uganda perceived Kenyan multinationals as conveniently agents of foreign control whenever their relations were soured.

Government respondents however differ with the notion that Kenyan multinationals in Uganda were seen as agents of foreign control. According to a senior trading officer in the ministry of trade in Kenya, Uganda-Kenya relationship remained promising even at their worst. Uganda discontent with Kenyan multinationals was largely informed by the levels of economic inequalities. The government respondents therefore argue that Kenyan multinationals were more welcomed in Uganda than they were in Tanzania(Senior Officer 1, Personal Communication, August 20, 2014)

Evidence is given on the trading volumes between Kenya and Tanzania. The trading volumes between Kenya and Uganda was much higher that between Kenya and Tanzania. This was further evident, at the closure of the collapse of the defunct EAC. Kenya continued with its trade relations with Uganda while its engagement with Tanzania was almost nonexistent. Government respondents therefore silently contend with the Academicians on the strategic importance of Uganda to Kenya and in turn Kenya to Uganda played a vital role in their perceptions towards Kenyan Multinationals.

Kenyan multinationals were also perceived as agents of economic exploitation. Academic respondents contend that Kenyan multinationals were perceived as agents of exploitation because of their modus operandi. Kenyan multinationals largely manufactured their products in Kenya and exported them to Uganda and Tanzania as finished products. Moreover Kenyan Companies such as Brooke Bond collected Tanzanian and Uganda tea for export. The inability for these companies to invest on the local people and resource exploitation was the fundamental reasons why these companies were considered exploitative (Francis, Personal Communication, August 10, 2014).

Distinction between Kenyan Multinationals and multinationals operating directly in Tanzania and Uganda was largely placed on the fact that these multinationals were building the host state manufacturing capacity comparatively to Kenyan multinationals that perceived Uganda and Tanzania as purely markets for their manufactured products. Corporate respondents contend that Kenyan multinationals were perceived as exploitative not because they were but fundamentally because of the general apathy that these companies were head-quartered in Kenya, led by the whites and therefore could not be trusted with genuine leadership development (Investment analyst 3, Personal Communication, July 9, 2014)

For Corporate respondents these companies provided employment opportunities to the local and were involved in local development initiatives and more importantly were sources of income for the host governments. However corporate respondents note that, since they were largely operating from Nairobi, with very little attempts towards decentralization of manufacturing plants in the region, this was misconstrued as being exploitative. Their preference for Nairobi was, apart from the historical factors, the size of its economy and relative better infrastructure in the region.

Government officials seemingly contend with the notion that Kenyan multinationals were not exploitative but rather provided valued manufactured products to economies that had low industrial development. Given that three quarters of trade within the EAC were manufactured products, which was largely from multinationals headquartered in Kenya or operating from Kenya in the region, these companies provided goods and services critical for the development of East Africa in general. Governments respondents were however quick to point out the aggressiveness of Kenya in business and their profit motivation were fundamentally construed as being exploitative. Tanzanians generally conservative and slow in the business could not manage the pace set by the Kenyans (Senior officer 4, Personal Communication).

Uganda also found the Kenyans too uncompromising in the name of profits. These views align to one academic respondent who contended that Kenyan multinationals were perceived as being exploitative because of the exploitative nature of the capitalist system from which they came from.The general understanding of capitalist systems, especially amongst the socialist is that, this system was ruthless, inhuman and more concern with profits than the general welfare of the people. Indeed Kenyan Multinationals which were largely from the West, in the eyes of Ugandan and Tanzanians could not be any different. According to one Maina, Kenya multinationals were analogised as a snake and its child "*Mtotowanyokaninyoka"*[1] *meaning* bore of a snake is a snake. This meant Kenyan multinationals were as exploitative as the capitalist system.

The perceptions towards Kenyan multinationals in the defunct EAC were largely dismissive. These corporations were believed to carry more evil than good, at any rate. These perceptions indeed contributed to the eventual collapse of the EAC in 1967. However the reincarnation of the EAC in 2001 has largely witnessed the continued dominance of Kenyan multinationals in the region. Presumably the perceptions towards Kenyan multinationals should have remained the same. However, in the new EAC dispensation, Kenyan multinationals have received continuous invitation from the member states, a gesture that seems to suggest change in the perceptions towards Kenyan multinationals.

[1]Personal Communication, Senior lecturer, Department of political Science, The Catholic University

3.4 Chapter Summary

This chapter has critically examined the perceptions towards Kenyan multinationals in the defunct East African Community. The findings of this chapter reveal that Kenyan multinationals operating in the East African Community regions in the immediate post independence period were perceived as being as agents of foreign powers for both the colonial and non colonial powers. These corporations were also perceived as being exploitative because of the strategy and nature of business. In the next chapter we outline the perception towards Kenyan multinationals in the new EAC. It is our objective in the next chapter to understand the changed perceptions towards Kenya multinationals in the new EAC.

CHAPTER FOUR
PERCEPTIONS TOWARDS KENYAN MNCS: THE NEW EAC

This section highlights the findings of the study on the perceptions towards Kenyan Multinationals in the reviewed East African Community. The perceptions towards Kenyan multinationals in the new EAC are a departure of perceptions towards Kenyan multinationals in the defunct EAC. The perceptions towards Kenyan multinationals in the new EAC have a lot of optimism in the integration process. Kenyan multinationals in the new EAC have been perceived as agents of economic benefits and sources of local capital. This chapter dwells on the perceptions towards Kenyan multinationals in the new EAC. This chapter is divided into three sections. Section one critically examines Kenyan multinationals as agents of economic benefits. In this section the general benefits of Kenyan multinationals are discussed. Section two of this chapter outlines Kenyan multinationals as agents or sources of local capital. Local capital is herein discussed both in terms of Human capital and financial capital. In addition, this section outlines the change of strategy used by Kenyan multinationals to penetrate their host states. The final section of this chapter provides a critical analysis of the factors that led to the changes in the perceptions.

4.1: Kenyan Multinationals as agents of Economic Rewards

In the new East African Community, Kenyan Multinationals have been perceived as agents of economic benefits. The change of perceptions towards Kenyan multinationals as agents of economic rewards has been premised on a number of factors. According to the study's findings, Kenya's Human resource is second to none in the region and has increasingly remained central in the training and in the leadership of both local and foreign multinationals in the region. In addition to this, Kenyan multinationals are increasingly becoming major sources of employment to the local communities and indeed sources of income for the host states through taxation (Fred, Personal Communication, August 12, 2014).

> "For example, in Rwanda, Kenol Kobil has been recognised as the country's top taxpayer in the petroleum industry. The recognition followed the company's acquisition of the entire assets of Shell in the country, as a going concern, making Kobil Rwanda the largest oil company operating the largest depot in Rwanda" (Investment analyst 1, personal communication, July 10, 2014)

In Tanzania and Uganda, the creation of employment opportunities, training, and expanded development initiatives through corporate social responsibility by Kenyan multinationals and multinationals in general has been used by politicians to attest their development record. These politicians have therefore influence the change towards Kenyan multinationals. For example in Uganda president Museveni called for a business meeting in 2013 with his local business community and urge them to engage Kenya in business instead of travelling all the way to Dubai (Wanyama, Personal Communication, July 15, 2014). Moreover, according to investment officer 2 (personal communication, July 4, 2014)

> The East African CSR Awards at the Hyatt Regency in Kilimanjaro Hotel in Dar eesalam in 2012, Kenyan companies such as Sarova group of Hotels, Unilever Tea Kenya and Coca -Cola scooped awards. Sarova Group of Hotels scooped the best work place practices for its healthcare programmes for its staff members while Unilever Tea Kenya scooped Environmental Excellency award for its Tagabi Hydro 2 project which seeks to improve self sufficiency in renewable energy generation. Coca Cola's –East and West business unit, won the prestigious Elvis Musiba Awards for innovative Partnerships for their Project Nurture which focuses on empowering more than 50, 000 farmers through capacity building and offering credit facilities.

Kenyan Multinationals particularly the home-grown Kenyan companies have been able to provide premium and competitive alternatives to Foreign Multinationals in their respective host States. For example Equity Bank in Uganda and Tanzania provides credit services with Household chattels as security, a practise shunned by the mainstream multinationals banks for a very long time, but one that the SME entrepreneurs and the locals can relate to. Kenya Commercial Banks provides the locals in Uganda, Tanzania, Rwanda, and South Sudan with extensive network systems through their branches, enabling businessmen in the EAC region to transact within and outside the region like in South Sudan with a lot of ease. Nakumatt Holdings on the other hand has provided alternative to the mainstream retail chain of stores such as Shreejis, Shoppers and the High End Village Supermarket in Tanzania (Ciuru, 2013).

> In Uganda, Nakumatt, together with Tusky and Uchumi supermarkets are listed among the ten largest supermarkets. These companies have hired local people to work for them, and in many cases brought in their Kenyan counterparts to train them and share best practise. According to the study Kenyan multinationals have also promoted the cultural standardization that have seen locals in Tanzania, Uganda, Rwanda and

Burundi exposed to diversified quality products, packaging and at competitive prices. (Wanyama, Personal communication, July 15, 2014).

These companies have also put pressure on incumbent government to reduce the cost of doing business in the region, *inter alia* by the construction of infrastructural network across the region. Today the EAC has put plans towards the construction of major infrastructural development including the upgrading of the Northern and Southern Corridor and the recently signed agreements on the standard gauge Railway meant to connect 7 capital cities in the region (Investment Officer 2, Personal Communication, July 4, 2014)

In Rwanda and Burundi, Kenyan multinationals have provided the much needed technology, capital and technical knowhow. The study revealed that Kenya is the biggest East African investor in Rwanda with expanding ventures in education, retail and services. The total investment that Kenya has invested in the country is estimated by business executives to have crossed $150 million. Moreover cross listing on the Rwandan Stock Market is dominated by Kenyan Companies, including Kenya Commercial Bank (KCB) Nation Media Group (NMG), Nakumatt, Equity, Fina Bank, I &M bank, Deacons, and Uchumi Supermarket. On invitation by the leadership in Rwanda, Kenyan companies continue to lead in the exploration of new business opportunities (Namata, 2013).

In Burundi Kenyan companies, including Kenya Airways, Pembe Millers, Kobil Oil ltd, Diamond Trust Bank, Kenya Commercial Bank, Jubilee Insurance, Serena Group of Hotels are household names. Burundi and Rwanda are the smallest two economies and the newest entrants in the EAC. The contributions of Kenyan Multinationals and indeed small medium enterprises (SME) in EAC have greatly contributed to the development and growth of local economies. In this regard Kenyan multinationals have been seen as agents of economic development in the region (Maina, Personal Communication, 14 July, 2014).

In Africa, Kenya is the headquarters to more than 14 multinational corporations, including General Electric, IBM, Toyota, Standard Chartered Bank, Bharti Airtel, Coca Cola, Google, Chartis, CCTV, China Radio International and Xinhua. Moreover, multinationals such as LG, Sony, Blackberry Limited and PricewaterhouseCoopers have offices in Kenya that serve East and Central Africa (Lugami, 2011). Some of the newest entries into the Kenyan markets include Weber Shandwick, Havas International, and Burson –Marsteller: a subsidiary of British largest Public relations form of British, and the Brand Inside (Kohl, 2013).

Many of these companies have also opened up subsidiaries or branches in the East African host states. While this may not necessarily be a new gesture in the region, the *indigenization* of the leadership in these companies is a new thing. Indigenizationof corporate leadership in the region has changed the attitude of the people.

> “Seeing their fellow Africans, in positions of leadership and ownership has built some sense of confidence and trust amongst the EAC region. Foreign multinationals operating from Kenya and local multinationals are increasingly being represented today, with Kenyan or African faces”(Wanyama, Personal Communication, July 15, 2014).

Fundamental assumptions have been made that African leadership (largely Kenyan) is bound to be more understanding of the socio-economic milieu in the region.However these perceptions have not been short of controversy and largely remain outside empirical examination. According to Francis (Personal Communication, August 10, 2014)

> “Whereas partner states have been happy to see local faces running foreign multinationals and indeed local companies, dissatisfaction have been registered particularly by Tanzanians on the preponderance of Kenyans heading these companies”.

Moreover Tanzania has further cautioned on the speed at which the integration process is going, terming it as unhealthy. On several occasions Kenyan Tour Guide drivers have been restricted from driving in their tourists within the Tanzanian Parks. An act, though resolved, seem to suggest Tanzania’s reservation over Kenyan taking over their jobs, considering that the Kenya is the entreport for Tourists in the region. Moreover, Tanzania obstinate refusal to waiver the work permit for EAC members, when Kenya, Uganda and Rwanda have done the same, seems to suggests, brewing fear over Kenyans and indeed their reservation at the fast pace of the EAC integration process (Francis, Personal Communication, August, 10, 2014). It has therefore; become apparent that the ghost of the defunct EAC continues to haunt Uganda and Tanzania in as far as Kenyan Multinationals are concerned. Thus, in spite of the success made in the integration process, Tanzania remains to look at Kenyan Multinationals with some suspicion and mistrust.

However, Kenyan home grown multinationals have endeavoured to learn the culture and build the confidence of the local people so as to find acceptability and more importantly explore business opportunity.

> "For example in both Uganda and Tanzania Kenya Commercial Bank are referred to as KCB- Uganda and KCB –Tanzania, the letter K which stands for Kenya has been made silent or passive with emphasis been put on the host state name in the pronunciation" (Fred, Personal Communication, August 12, 2014).

This was fundamentally to address the brewing sentiment that Kenyan companies were taking over their business. KCB was therefore adept in the management of this issue. The ambivalence towards home- grown Kenyan Multinationals is fundamentally informed by the persistent nationalistic tendencies and the ghost of the old EAC (Fred, Personal Communication, August 12, 2014) It is however interesting to note that South Africa companies to continue dominate the mining and construction sector in Tanzania, with minimal outcry from the locals. Moreover both Uganda and Tanzania have increasingly become homes to Foreign Multinationals. These multinationals, like their Kenyan counterparts originate from the West, however they face less cynicism from the locals, comparatively to those headquartered in Kenya, in the region.

4.2: Kenyan Multinationals as Source of Local Capital

Multinationals corporations in the immediate post independence period were fundamentally from Europe, the US, Japan and to lesser extent from India and China. According to the study, there was no local capital in the strict sense in the defunct East African Community. Whatever capital that was owned came from the local white settlers or Asian community, but not the Africans (Wanyama, personal communication, July 15, 2014). Local Capital is perceived in this study as capital from the locals or contiguous countries, with relatively similar geographical and socio-economic conditions. In the reviewed East African Community capital is no longer the preserve of Foreign Multinationals from the West. There is increasing number of local companies from Kenya that are willing to invest or do business with the host states. These local companies are providing local capital for investment.

The existence of local capital is one of the distinguishing mark on Kenyan multinationals in the new East Africa Community. In the defunct East African Community, Kenyan Multinationals were fundamentally foreign in nature. Today, Companies such as Equity Bank, Kenya Commercial Bank, Nakumatt Holding, Nation Media Group, Tusky, and Kenol Kobil are local in terms of ownership. Moreover many of these companies have cross listed in the stock markets of the respective states, providing a sense of ownership by the locals. It is therefore follows that the success of these companies is to the benefit of shareholders of the companies spread in the community.

The provision of local capital has generated a positive clout and a sense of ownership amongst the EAC members. Assumptions have therefore been made, that these multinationals are more development oriented and conscious of the socio-economic milieu of the region. According to Ruxin (2011) these home grown multinationals are among the fastest growing companies in the emerging economies in Africa. According to the Initiative for Global Development and Dalberg Global Development Advisors report (2012) Kenya is home to three of the most successful multinationals in black Africa outside of South Africa. These include KenolKobil ranked second, Kenya Airways ranked at number 6 and Kenya Commercial Bank ranked at number 30 in Africa. In this report Equity Bank is also recognised as one of the fastest growing Bank in the continent and particularly in the region. According to Mwangi, the Chief Executive Officer of Equity Bank, brand recognition, is one of the factors that have contributed to the increasing popularity of the Bank.

Kenyan multinationals have also increasingly widened the tax base of the EAC countries, becoming a great source of income for the government. In Rwanda for example Kenol Kobil is the highest tax payer. In Uganda Kenyan companies have literally dominated the stock market exchange and even those that are not listed in the market such Nakumatt supermarket is among the 10 biggest supermarkets in the country. This means income for the host government. Indeed the increasing expansion of home grown Kenyan multinationals is with no doubt translating to capital margins capable of supplementing national budget. In Tanzania Kenya Commercial Bank and Nakumatt Supermarket are huge payers of taxes. Kenya is today the biggest source of foreign direct investment to Uganda and its largest trading partner. Similarly in the region, Kenya is Tanzania biggest source of foreign direct investment and the same apply to Rwanda and Burundi (Fred, personal communication, August 12, 2014)

The EAC partner states therefore continue to rely on Kenyan companies not only for their income but to boost their service and manufacturing industry in the countries. This is largely because Kenyan multinationals are coming with huge sum of capitals, and technology necessary for economic exploitation of resources.

For example Bamburi Cement, owns 70% of HimaCement which is the second largest Cement Company in Uganda. Kenyan companies constitute about 85% of the total market valuation of the Ugandan stock market. These companies include Kenya

> Airways, Kenya Commercial Bank, Equity Bank, Jubilee Insurance Company and East African Breweries Limited. Equity Bank Rwanda (EBR) owns assets valued $ 14.9 million, whereas in Uganda the Bank owns assets valued at $ 146.3 million accounting for 2% of the bank assets by 2011 (Investment Analyst 1, personal communication, 2014)

KCB –Uganda by December 2012 was valued at $ 131 million, accounting for 2.1 % of total bank assets in Uganda and was cited to hold about 3% of total deposits by December 2011. In Burundi KCB has invested $ 10 million in assets, while in Rwanda by 2011, the bank held $ 90 million in assets, accounting for about 7% of all banking assets.In Tanzania, KCB has a signed agreement of ksh $ 3 billion deal with the National housing Corporation of Tanzania which owns the most prime land in the country. Kenya Airways on the other hand owns 49% stokeholds of Precision Air in Tanzania, becoming the single biggest share holder other than the founding member Michael Shirima. Trans Century limited control 34 % stake of the Kenya Uganda concessionaire. TransCentury also owns Tanelec; a transformer and Switch gear company in Tanzania (Investment analyst 2, Personal Communication, July 4, 2014).

Kenyan Multinationals are also seen as the developers of Human Capital in the East African region. Kenyan citizens were the first majority African to be appointed into positions of leadership in multinationals corporations in the East African region. The experience of many of these chief executive officers was perceived necessary for and instrumental in building the competitive capacities of local companies in Tanzania, Uganda and Indeed Rwanda and Burundi. Moreover the qualifications much sorted by local companies largely favoured Kenyans. For example in the insurance sector in particular, there around 20 people in Tanzania who have the UK –based ACII compared to about 600-700 people in Kenya. In a time when the push is to hire local talent in the EAC region local companies in the region begun to massively hire Kenyan for position of chief executives. Kenyan leadership was perceived to be more genuine than the *Whiteman* leadership (Investment analyst 3, Personal Communication, July 9, 2014). Kenyan leadership is considered local and critical for building the competitive edge needed.

> Kenyan leadership in Tanzania include Joseph Iha of Equity Bank, James Muchiri of NIC Bank, George Alande of Jubilee Insurance, Dr. Kimei Charles of CRD Bank, Jimmy Kibatia, General Manager of Tanzania Budget Carrier, Fastjet. In Uganda, Zipporah Mungai is the General Business Managing Director, while Anthony Githuka and Patrick Ndonye hold the Chief executive office and the Head of Financial services

position in UAP Life insurance. Jubilee Insurance Uganda has two Kenyan executive directors. In Rwanda Paul Kukubo is the Chief Executive officer of the East Africa Exchange Rwanda (Wanyama, Personal communication, July 15, 2014).

According to Tanzanian investment rules, if the chief executive officer is a foreigner, then his deputy must be Tanzanian, in addition to this, the position of the executive directors must be shared by both Tanzania and non Tanzanian, and a Tanzanian must be trained tofill the position of the chief Executive Officer in a given period of time. Similar policy is adopted by the Uganda Insurance Regulation Authority that further requires at least half of the seating directors to reside in the country. Evidently, the fact that, the Tanzanian Investment Authority and Uganda Insurance Regulatory Authority continue to use these requirement to develop homegrown expertise and professionalism seems to suggest that Kenyan multinationals have been perceived as sources of local human capital.

In sub Saharan Africa, South Africa, Nigeria, Ghana and Kenya are rapidly emerging as the most preferred destinations for Multinational corporations. The popularity of these destinations, *inter alia*, is the increasing flow of talent and professionals in these countries (Senior, Officer I, Personal communication 1, August 20, 2014). In Kenya IBM has opened a global innovation centre in Nairobi, Toyota plans to acquire 50% (investing about ksh 3billion) of Kenya local motor vehicle assembly and Star Metropolis, a leading Indian diagnostic multinational, plan to set up 2 laboratories in Nairobi.

All these multinationals have intentions and plans of expanding their operations and markets into the neighbouring countries and particularly the East African Community. Moreover, multinationals such as LG, Sony, Blackberry Limited and PricewaterhouseCoopers and Nokia East Africa have set up offices in Kenya that serve East and Central Africa. The increasing confidence in Kenya human capital by the internationals community has also contributed to the confidence of Uganda and Tanzania with local Kenyan leadership. Kenyan and indeed Kenyan multinationals have provided strategic leadership and exchange of best practise that would have otherwise be very costly if hired from Europe. To this end these companies have been seen not only as sources of financial capital but also human capital. Moreover with the discovery of natural gas in Tanzania and oil in Uganda, Kenyan multinationals provide a resource pool for talent and financial capital (Wanyama, Personal Communication, July 15, 2014).

4.3: Factors Accounting for Perceptions towards Kenyan Multinationals: EAC 11

The perceptions towards Kenyan multinationals in the new EAC have largely been categorised into two: Kenyan multinationals as agents of economic reward and Kenya multinationals as agents of local capital. In this section, we make a critical analysis of the factors that have informed the perceptions towards Kenyan multinationals in the new EAC. Focus is fundamentally placed on the views of the respondents of the study. The respondents were largely divided into three categories the Academia, senior corporate persons and finally senior officers from the government and government agencies.

The perceptions towards Kenyan multinationals have changed because of various reasons. In the new EAC there is an increasing number of Kenyan multinationals expanding their business in the region. These companies have become popular for obvious reasons. According to Investment analyst 1(Wanyama, Personal Communication, July 15, 2014)

> "Kenyan multinationals are changing the nature of business in the EAC. These companies are operating 24hours, giving loans at lower interest rates than their mainstreams competitors and providing packaging skills that remain un parallel in the region"

The services provided by these companies are increasingly appealing to the rising middle class in Rwanda, Tanzania, Uganda and Burundi. According to one Investment analyst 2 (Personal Communication, July 4, 2014) Kenyan multinationals are perceived as agents of economic reward in the new EAC because of various reasons. One, Kenyan multinationals provides technical skills and capital critical for economic development of the East African States. These multinationals have also entered into partnership with local companies to boost their capacities for production or output. Better infrastructural recognition linking the EAC partner states has also promoted the free movement of people and goods in the region; a factor that has reduced the cost of doing business in the region. This has in turn made the EAC member states conscious and interdependent on each other.

The presence of Rwanda and Burundi in the new EAC with great optimism for economic development has also explained the perceptions towards Kenyan multinationals as agents of economic reward. Rwanda is increasing benefitting for the large capital, technology and knowhow from Kenyan companies. It is important to note that Rwanda has had a low industrial base because of its long history of civil conflict. The increasing investment by Kenyan companies has induced economic growth to Rwanda economy.

Government respondents in general contend that, the leadership in the current EAC has been encouraging of intra-regional trade. President Museveni has continuously invited Kenyan merchants to do business in Uganda. President Kagame has removed all mannerism of tariffs and restrictions to do business in Rwanda, making ease to do business in Rwanda the highest in the region. President Kikwete on the other hand has shown political goodwill to remain in the EAC and indeed encouraged trade between Tanzania and Kenya. These factors according to one Maina (Personal Communication, August 14, 2014) have influenced the perceptions towards Kenyan multinationals.

There is more confidence and trust on Kenyan multinationals, particularly home grown companies. The perceptions towards Kenyan multinationals are also changing because of the increasing sensitivity of Kenyan multinationals towards the culture of their host states. According to one senior trading official in a government ministry, Kenyan companies operating in the region are increasingly conscious on how they do business with Ugandan and Tanzania in the region (Senior Officer 1, Personal Communication, August 20, 2014).

More importantly the government of Kenya has also provided tax exemption to various goods emanating from Uganda and Tanzania compared to what has been offered to goods originating from Kenya, as sign of their goodwill and appreciation of trade relation in the community. In addition to this, the perceived benefits of intra-EAC trade to the locals have in turn softened the hearts of the Tanzanian and Ugandans towards Kenyan multinationals. According to Senior Officer 1 (Personal Communication, August 20, 2014).

> "Tanzanian are happy with Nakumatt because they can find fresh food in the shelves, at affordable prices.....in Rwanda, Uchumi's popularity is because of the variety of products it provides under single roofing"

This basically means that the citizens are becoming more and more conscious of the benefits of economic integration and indeed the service of Kenyan multinationals in the region. More importantly it is the locals who are working in these companies. These companies are therefore their sources of livelihood and indeed part of their communities and their lives.

Kenyan multinationals have through public listing have also invited opportunities for local ownership. According to the study respondents capital from home-grown companies such as Equity Bank, Kenyan Commercial Bank, Uchumi, and KenolKobil have been perceived as local capital. This is fundamentally because these companies have extended their ownership through the offering of stock markets to the local citizenry. An increasing number of middle class have bought these shares and hold them proud as shareholders in these companies. In turn the sense of ownership in these companies has prompted confidence and trust with the capital and its use age for development. According to Investment analyst 3(Personal Communication, July 9, 2014);

> “Kenyan multinationals are no longer Kenyan but indeed regional...the investments and the ownership of these companies is spread amongst all the EAC member states such that all these companies are stakeholders.”

Kenyan multinationals are also seen as sources of local capital because of their increasing ability to fund local development projects or offer provide financial loans and assistance to small medium enterprises. For Example Equity Bank is the fourth largest commercial bank in Uganda, while KCB Tanzania has taken ownership of the Tanzanian Housing Finance, strategically positioning themselves to provide financial assistance to development projects in real estate development and indeed small medium entrepreneurs (Investment analyst 3, Personal Communication, July 9, 2014)

Foreign based multinationals in Kenya have also embarked in regional expansion programs to be able to serve the wider regional markets more effectively. This has meant expansion of the capacity in terms of production in Kenya or more importantly setting up offices and manufacturing or distribution points in the region, outside Kenya. For example the insurance industry, this has endeavoured to build capacity in Uganda and Rwanda and even Tanzania. Local companies such as Britam have also extended, by establishment of local branches such Britam Uganda, and the acquisition of Real Insurance in Tanzania; their capital to the EAC member states for use (Investment analyst 2, Personal Communication, July 4, 2014).

Indeed Kenyan multinationals are more than just the sources of financial capital in the East African Community. Kenyan multinationals have some of the most qualified and experienced personnel in the region. This people hold pertinent skills, scarce in the region and necessary for economic development. It therefore follows that partnering with Kenyan multinationals is critical for capacity building for the local industries. Kenya companies therefore provide the professional human capital needed to transform or move to the next level. Kenyan are perceived as members of the EAC and thus considered local as opposed to whites who come in as expatriates (Senior Officer 1, Personal Communication, August 20, 2014). However it is important to note that, academic respondents contend that, the increasing number of Kenyan chief executive officers in multinationals operating in the EAC (11) is incrementally awakening the ghost of the defunct EAC.

Kenyan are being perceived to be contributing very little towards training locals from the other EAC member states towards taking over these positions. This has already re-awakened the traditional sceptism by Tanzanian over Kenyans. Nonetheless Government respondents down play this state of imbalance to the bigger goal, which is economic development. According to government respondent, Kenyan expertise is needed in the region, the outcomes from these sets of skills from Kenya is bound to have regional implication not just to Kenya, given the progress towards regional integration. It is therefore prudent and cost effective for the EAC members to acquire Kenyans trained skills as that is local than from outside the region. For example the contractual of Kenya Central Depositary and Settlement Corporation by the Rwanda Government, was fundamentally to transit capacity from Kenya to Rwanda.

In addition to this, according to a former director in a regional institute of development and Integration, the discovery of natural gas in Tanzania and oil in Uganda has increased the need for more local capital both financial and human to be able to provide both technical and auxiliary services towards meaningful exploitation of the said resources. Kenya stands as preferred destination because of its comparatively cheaper capital and the fact that it is a contiguous state to the two nations. According to Fred (Personal Communication, August 12, 2014), these sentiments are reflected in the words of the Uganda presidents who asked his business community "Why go to Dubai to shop for your merchandise while you get it in Kenya at a cheaper cost."

This statement suggests the continued appreciation and identification of Kenya as source of capital. In similar fashions President Museveni urged Tanzanian not to travel to South Africa to get merchandise when it is cheaper and cost effective to get it from Kenya. This confirms the resounding endorsement of Kenya's capital. Kenya capital is seen as our own without conditional strings but more focussed on development. Government respondents also see Kenyan multinationals as sources of local technology in the region.

Academic respondents further contend that Kenyan multinationals, where, they are not providing directly the capital both financially or through human resources, they are sources of income for the government through taxations. Taxation is therefore seen as an important source of financing of government national budget. To this extend therefore Kenyan multinationals are basically seen and more appreciated as sources of local capital for development.

However academic respondents also concur that, perceptions towards Kenyan multinationals to certain extent can be recanted from the defunct EAC. The general acceptance of Kenyan multinationals is also more of a policy issue than indeed practice especially in Tanzania. The general discontentment on Kenyan and their business remains a concern for Kenyan businessmen in Tanzania. Tanzania remains a closed circuit for Kenyans generally despite numerous progress or headways. According to one academic respondent in a leading public university home grown Kenyan companies sometimes face more criticism than foreign based multinationals operating from Kenya, simply because of the perceived supremacy games and nationalistic tendencies (Fred, Personal Communication, August 12, 2014).

From this analysis, it is evident Kenyan multinationals have made headways in impacting development in the EAC member's states. Whether positive or negative, the verdicts on Kenyan multinationals remain a factor of perceptions. The activities of these companies are undoubtedly contributors to the formed perceptions. The perceptions towards these multinationals are spatial and temporal and play a significant role in the integration process of the East African community. The ultimate goal of a political federation in EAC is premised on the success of economic integration. Economic integration on the other hand is largely driven by transnational trade and commerce. Multinationals are the most important drivers of transnational trade and commerce. It is therefore imperative to understand what causes change in the perceptions. In the subsequent chapter we make a comparative analysis of the perceptions towards Kenyan multinationals in the defunct EAC and how they have changed in the new EAC, identifying those factors that have led to the said changes.

4.4 Chapter Summary

The perceptions towards Kenyan Multinationals in the revived East Africa Community changed. The change in the perceptions towards Kenyan multinationals was *attributed inter alia*, invitations towards local ownership of the said companies, change of government policies, successive political goodwill and the change in the economic order of the international system. Kenyans multinationals were perceived as agents of local capital and of economic benefits. In the next chapter we critically examine the factors that led to the change of perceptions in the Old and the new East African Community.

CHAPTER FIVE
FACTORS ACCOUNTING FOR CHANGE IN PERCEPTIONS

5.1: Introduction

The perceptions towards Kenyan Multinationals have undoubtedly changed since the collapse of the old East African Community. Foreign multinational operating from Kenya and local companies were central in perpetuating economic imbalance in the region. Economic imbalance was one of the major factors that led to the collapse of the East African Community. In the revived East African Community Kenyan multinationals are perceived as benign agents of economic development and as critical drivers of the integration process.

This chapter critically examines the major factors accounting change in the perceptions towards Kenyan Multinationals. This chapter is therefore divided into four sections. Section one looks at the desire for economic prosperity and its contributions towards the change of perceptions towards Kenyan multinationals. A cross-sectional analysis of both Uganda and Tanzania is presented in this section. Section two outlines the contributions of the international system in the defunct EAC and the current EAC in changing the perceptions towards Kenyan Multinationals. Section three looks into the leadership of the EAC and their role towards changing perceptions of Kenyan multinationals. Finally section four looks into the modus operandi of Kenyan multinationals from the beginning of the defunct EAC and the changes that have occurred that have given impetus to the changes in perceptions.

5.2.The Desire for Economic Prosperity

A closer examination of African economies in the immediate post independence period, reveals a wanting state. Many African countries lacked the necessary technology, capital, technical knowhow and even infrastructure (Settles, 1996). Colonial policies including land expropriation, labor exploitation, introduction of cash crop economies, unfair taxation, and the transfer of mineral wealth from Africa to Europe left many African states economically weak (Rodney, 1972).Indeed the state of the African economies and the desire for economic prosperity by the founding fathers became compelling in their relations with Multinational Corporation from the *West*. Multinationals became the embodiment of modernity and the prospects of economic wealth (Greer and Kavaljit, 2000). While there are countries that perceived these multinationals as the vehicles to economic development from the onset of independence, others because of the deteriorating economic conditions in their countries and the failures of the import-substitution strategies in the post 1970-80's turned back to these corporations. Tanzania and Uganda constitute such countries in the East African region. The change of perceptions towards multinational corporations in general was fundamentally informed by their desire for economic prosperity. Multinational corporations were perceived *inter alia* as instruments of the much desired foreign direct investment capable of inducing economic development.

5.2.1 Uganda's Desire for Economy prosperity

The political climate in Uganda since independence has been an interchange between autocracy and military rule. Change in leadership meant new allies and foe with its EAC partner states. Indeed before the ascendancy of Yoweri Museveni as president, Uganda was characterized by insecurity, anarchy and economic disintegration. These events remained pertinent in shaping the relations between Uganda and its EAC partner states. Museveni came to power at a time when Uganda's economy was poised to complete failure. He therefore set out the ten point program as the strategic interventions to revamp and propel Uganda towards economic development (Musinguzi, 2002).

The ten point's intervention became the foundation for Uganda's steady progress and development. Uganda under Museveni was brought back to peace; rule of law, democracy, regular elections and to the trust of foreign investors. Policy reforms in the Economic sector saw to the ascendancy of Uganda as the most preferred centre for foreign direct investment in East Africa. These reforms include the 1991 Act of Parliament Code that established the Uganda Investment Authority (UIA) to attract and promote export oriented investments both locally and internationally. This was followed by the establishment of the Uganda Tourism Board and the Uganda Export Promotion Board in 1996 charged with the promotion, coordination and development of export sustainably (Musinguzi, 2002).

Further to this, in 2001 the Ugandan government embarked on a privatization campaign of public enterprise, an exercise that saw to the sale of 128 public enterprises, with only 30 remaining in the state hands. For example the assets of Co-operative Bank were sold to Standard Bank, Green Bank of Uganda was liquidated while Credit Bank was closed, alongside Teefe Bank and Gold Trust Bank. Uganda Commercial Bank which was the biggest local Bank was sold to Standard Bank of South Africa. The banking sector in Uganda today is a preserve of Nigeria and Kenyan banks. Kenyan banks operating in Uganda include Equity Bank, KCB and Fina Bank (Muteekani, and Shifa, 2009)

Uganda became a signatory to the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID). She was also among the 26 countries which signed into an initiative, aimed at establishing an African free trade zone stretching from Cairo to Cape Town in October 2008. According to the initiative, the members of the EAC, COMESA, and the Southern African Development Community (SADC) will draft a roadmap for creating a single trading bloc that would speed economic integration and therefore help African economies compete in the global economy. The government of Uganda, through a World Bank credit of US $24 million endeavoured to build three Free Trade Areas (FTAs): the Kampala Industrial and Business Park (open), Luzira Industrial Business Park and the Bweyogerere Industrial Estate in Uganda (Musinguzi, 2002).

By 2010, the Uganda Investment Authority had attracted investments to the tune of $1.67 billion, largely from India, United Kingdom, United Arab Emirates, China, South Africa and Kenya. Uganda had begun to experience steady growth particularly in the financial services, construction, manufacturing, transportation, telecommunication, energy, infrastructure, oil and gas. These sectors are fundamentally driven by foreign direct investment from multinational corporations (Bureau of Economic and Business Affairs, 2012). The desire for economic development and the subsequent political and economic reformation in Uganda laid the germ seed for the renewed perceptions towards foreign multinationals and more importantly Kenyan Multinationals. In addition to this Uganda recently discovered oil in their land, a factor that requires high level technology, human resource personnel and indeed connectivity to the markets. Kenya provides majority of these factors at a close proximity and a cheaper costs. Kenyan Multinationals are therefore perceived as strategic movers and providers of capital, technology and indeed technical knowhow. This is largely because these multinationals have been perceived to induce economic growth. Conversely Kenyan multinationals are perceived as agents of economic development and have subsequently been encouraged by president Museveni to invest in

Uganda. According to the Uganda Investment Authority (UIA) most of new foreign investment in Uganda in 2011 came from Kenya.

This study therefore concedes that the desire for economic prosperity influenced the perceptions towards Kenyan multinationals.

> Being low base industrial country, landlocked in nature, with poor infrastructural connectivity, Uganda desire for economic prosperity was inevitably tied to a cordial relationship with Kenya. Moreover economic reforms in Uganda meant the rise of an expanding middle class with a desire and an appetite for premium and competitive luxurious goods. Kenyan multinationals provided not only highly competitive prices but diversified options from their host states competitors. This planted the seed for change and appreciation of Kenyan multinationals (Wanyama, Personal Communication, July 15, 2014).

In addition to these, economic policy reforms in Uganda gave birth to the signing of the EAC Common Market and Common Custom protocols that have streamline the cost of doing business in the region and indeed facilitated the free movement of goods and services in the region.

Currently Uganda together with Kenya and Rwanda signed the common visa agreement and Common Custom Union, together with the waiver of work permits for EAC citizenry. The desire for economic prosperity also renewed Uganda appreciation of intra-EAC trade, as more promising platform for egalitarian trade than global markets. This is evidenced by Uganda commitment towards the EAC and their president continuous assertion. According to Wanyama (Personal Communication, July 15, 2014) president Museveni has been cited advising his business community that there is no need to go to New York, Johannesburg or Dubai while you can find everything you need in Nairobi. President Museveni desire for economic prosperity indeed set the necessary economic policies to attract Kenyan multinationals and indeed multinationals from far and wide to tap into their capital and technology to transform the once military state into democratic and solid economy. Change in policies equally set the impetus for the change in the perceptions of the people.

5.2.2. Tanzania desire for Economic Prosperity

President Nyerere 20 years tenure in office led to state intervention in the economy of Tanzania. Nyererein his leadership remained sceptical about foreign direct investment from the *West*because of its association with the colonialist. In 1985 President Nyerere resigned from office, a period that coincided with the increasing awareness of the failure of controlled economy, and the need to revert to a market economy. The government of Tanzania opened up its economy, to encourage foreign direct investment and instituted policy and institutional reforms at the macroeconomic levels (Rutaihwa and Simwela, 2012).

These reforms included the introduction of a floating exchange rate, liberalization of parastatals, tax and financial reforms and trade investments promotion. Tanzania also set up the Investment code in 1990 to provide guidance for private investment in designated sectors. This was later reviewed in 1997 under the Tanzania Investment Act that established the Tanzania Investment Centre (TIC): a one stop centre for investment facilitation and promotion. TIC endeavoured to facilitate investment activities including tax registration, land issues, business licensing and registration, immigration and labour issues for investors (Rutaihwa and Simwela, 2012).

In addition to this, in 2002 the government of Tanzania enacted the Export Processing Zones Act that was followed in 2006 by the Special Economic Zones Act which designated industrial parks, export processing zones, free trade zones, free ports, tourist parks, science and technological parks as special economic zones open for foreign investment (Nimrod, 2012). According to Rutaihwa and Simwela (2012) these changes propelled Tanzania to become a major destination for Foreign Direct Investment (FDI). Foreign Direct Investment rose from US $ 232 in 1995 to 1.3 billion by 2000, with subsequent inflows accelerating at an annual rate of 28% until 2008.

According to Nimrod (2012) Tanzania has become one of the most promising emerging markets in the region, offering a unique combination of developed economic infrastructure, a vibrant emerging market economy and a clear policy of openness to foreign investment. Regulations permit unconditional transferability through any authorised bank in freely convertible currency of net profits, repayment of foreign loans, royalties, foreign technology licenses, remittance of proceeds and payment of emoluments and other benefits to foreign employees working in Tanzania. Investment in Tanzania is guaranteed against nationalisation and expropriation. Indeed due to, economic reforms initiated in 1986, *inter alia*, the Tanzania economy has been enjoying a steady growth of 6.7 % annually since 2000 making it one of the top 20 fastest growing economies in the world and an investment destination of interest to many foreign investors. With a growing economy, Tanzania export begun to focus more towards the Southern African Development Community (SADC) and the East African Community (EAC).

This study argues that the desire for economic development set Tanzania towards economic policy reformation and in turn built the basis for the changed perceptions towards Kenyan multinationals.

> The call and positioning of Tanzania to attract foreign direct investment both regionally and internationally was indeed an indication of the changed perceptions towards Kenyan Multinationals. For example 50% of the mining rights in Tanzania is controlled by Barrick Gold, a Canadian company. Moreover South African company Anglo Gold and Barrick Gold of Canada are touted as the biggest companies in the gold mining industry (Investment Officer 3, Personal Communication, July 9, 2014)

Tanzania has traditionally been perceived as the obstacle towards regional integration in the EAC with their continuous caution towards the aggressiveness of the Kenyan people. However in the new EAC there has been a great improvement in the relationship between Kenya and Tanzania. Kenyan companies such as KCB-Tanzania have set several branches in Tanzania both in the major city and small town. Nakumatt holding acquired Shoprite supermarkets to become the biggest supermarket chain store in the Country. The government of Tanzania on their invitation welcomed Brooke Side Milk to set a plant in Tanzania in partnership with government local owned firm to process milk in the country at the same time build the capacity of the local firm.

> Although Tanzania remains the reluctant party in the EAC, the growing engagement with Kenyan multinationals is indeed incremental year after year. The Kenyan multinationals provide critical ingredient for the economic development of their country. This include qualified human resource, technology, technical knowhow, business culture, wider markets and more importantly capital. Tanzania has therefore

> increasingly become one of the biggest recipients of Kenya foreign direct investment (Wanyama, Personal Communication, July 15, 2014).

The continuous reception of Kenya foreign direct investment amid Tanzania reluctantness in the EAC integration process, clearly defines Tanzania intentions for continuous engagement with Kenya as being largely driven by their desire for economic prosperity. Change in perceptions towards Kenyan multinationals is therefore premised on their role in the host countries.

Like in Uganda, Tanzania’s rising middle class and indeed their expanding desire and appetite for luxurious goods has equally influenced the perceptions towards Kenyan Multinationals.

> Kenyan multinationals are increasingly providing competitive alternative to South African Multinationals. These have set the impetus in the change of perceptions towards Kenyan Multinationals. The incremental growth of Tanzania’s economy to about 70% of the size of the Kenyan economy has increasingly boosted Tanzania confidence in the intra-EAC trade. Tanzania in the last five years has witnessed favourable returns comparatively to Kenya and Uganda in the intra-EAC trade (Wanyama, Personal Communication, July 15, 2014).

The realised benefit in the intra-EAC trade has incrementally built confidence in doing business with Kenyan companies. Tanzania for very long time feared Kenyan companies because of their incapacity to compete with these companies. The desire for economic development pushed Tanzania to review their trade restrictions and tariffs fundamentally targeting foreign multinationals. In turn these reforms have influenced the change in the perceptions towards Kenyan Multinationals.

5.3 **The International System**

The international system and indeed global politics continue to shape the behaviour and relations amongst states. This study argues that, the events of the Cold War, the emergence of the new economic order and the globalization movements remained critical in the perceptions towards Kenyan Multinationals in the East African Community. The Cold war conflict had enormous influence in global politics and indeed provided the framework within which the world economy evolved (Gilpin, 2000). Africa was caught up in this confrontation between the United States of America and its allies and the Soviet Union.

> Many African Countries, given their impoverished state of affairs, allowed themselves to be wooed with the large amounts of economic aid, armament, educational scholarships and infrastructural development from Moscow and Washington. African countries were weak, because they lacked capital and were thereby left with the option to either align themselves to the East or the West to gain favour. The same remained true to countries that aligned themselves with the West or adopted the Non-aligned posture. The ideological standpoints adopted by the African states determined how these states treated foreign direct investment and indeed economic aid (Senior Officer 3, Personal Communication, August 28, 2014)

It is important to note that the colonial powers relation with the colonies was a catalytic factor in the choice of ideological standpoint. For example, in Kenya at independence, despite the raging anti colonial and anti-British sentiments, Mzee Jomo Kenyatta, the founding father of the nation, warmed to the US, a close ally of the British. Though Kenya had took a non-aligned standpoint, Kenyatta did not exactly hide his preference for the United States of America and indeed continued relations with the British. In fact, President Kenyatta warned of the dangers of communism and mysteriously refused foreign aid from the Soviet Union at some point (Orwa, 1994). Kenya's inclination to the West, therefore explains the predominance of Multinational Corporation from Britain, Western Europe and Japan whom had all align to the West.

Tanzania and Uganda relation with the *West* was different. At independence Tanzania and Uganda had embraced socialist policies that saw them isolate Kenya in the community. President Nyerere and President Milton Obote of Uganda remained very close allies during their reign. Uganda adopted the *Common Man Charter*, while Tanzania enacted the *Arusha Declaration.* The ideological difference between Kenya and its EAC partner states was therefore inevitably bound to play into the politics between these States. According to a senior trading officer, Ministry of Trade, Tourism and Regional Integration, the aggressive nature of Kenyan Multinationalsin conducting business in Uganda and Tanzania was Kenya's undoing. Aggressiveness was interpreted as the drive towards profits without human face, a characteristic that was fundamentally associated with capitalist societies (Senior Officer 2, Personal Communication, August 24, 2014).

Tanzania at some point refereed to Kenya as “*man eat man society*”insinuating the insensitivity of Kenyan society in making profits. Kenya responded to Tanzania by calling *them a man eat nothing society*, basically mocking the failure of their *Ujamaasm* (Ngunyi and Adar, 1994).The ideological polarization of the Cold War reflected the politics and relations between Tanzania with Kenya and Uganda. Between the two states Tanzania expressed a promising relation with Uganda than Kenya because of Uganda’s socialist tendencies in the immediate post independence period. This was to later change in the new economic order at the end of the Cold War.

At the end of the Cold War in 1989, an international debate on the nature of the new world order ensued. The United States of America had emerged as the only true super power. The American liberal values of democracy, individualism and free markets defined the new international economic order (Gilpin, 2000).Moreover, about this period the World Bank and International Monetary Fund (IMF) begun to use their creditors leverage to impose neoliberal economic policies popularly dubbed the *Washington Consensus*to institute a new era of privatisation in many economies of the world at scale not forecasted previously (Hudson, 2003

The state of many African countries including the East Africa was in a deplorable state, burden by the HIV and AIDS menace, retrogressive or stagnating economic conditions in dire need for financial aid and support (Yakubu, 2010). African states did not have an alternative other than embrace the neo-liberal policies of the World Bank and International Monetary Fund. Multinational corporations with their vast capital, technology, technical knowhow and access to global markets took advantage of opportunities presented by these neo-liberal policies (Perlez, 1992). In addition to this, a new breed of multinational had emanated from the developing economies of South East Asia, Latin America and indeed Africa. These Emerging markets multinational changed the narrative of the economic landscape in the international system. They shared the scale and ambition of their developed world counterparts but completely differed in their processes and patterns of growth. Moreover given their rapid expansion and acquisition of new business at a frenetic pace, these corporations inevitably engendered competition between them and their developed world counterparts. In the East African region, there was an increasing surge of local Kenyan multinationals, Chinese and South African companies.

These companies were home-grown, politically savvy and believed to be familiar with the social economic milieu of the host states. In Tanzania, South African companies controlled a substantial sector of the mining industry; in Uganda local brands such as Kenya Commercial Bank became household names. Because of where they came from, and the fact that they provided alternatives at lower costs to the consumers for goods and services, it was generally believed that these multinationals were genuinely concerned about development of their host states and indeed perceived as being constructive. This basically led to upsurge of Kenyan companies expanding their business to the EAC region. In turn these multinationals also changed the perceptions towards Kenyan Multinationals (Wanyama, Personal Communication, July 15, 2014).

5.4: Leadership in East Africa

Successive leadership from the independence of Kenya, Uganda and Tanzania have played a major role in influencing the relations amongst these member states and more fundamentally the perceptions towards Kenyan Multinationals (Kapstein, 2010). The political leadership at independence in the East African Community was largely autocracy. President Mzee Jomo Kenyatta of Kenya, Milton Obote of Uganda and Julius Nyerere of Tanzania literally controlled the ambiance in the relations between the three states. Kenya, Uganda and Tanzania got independence within a period of three years and thereby considered themselves relative the same. However, at independence Tanzania was perceived as the *epicentre* of liberation movements in the region and indeed in Africa. Indeed Nyerere took a radical stand towards colonial powers or *Western* power in general (Kiondo, 1994). Kenya on the other hand had the largest economy in the region and was the most preferred destination for business in the region, given its relative higher levels of development and infrastructural development, and president Kenyatta open arms to foreign investments. President Milton Obote of Uganda on the other hand was more concerned with the internal stability of Uganda and the fact that Uganda was landlocked.

Being newly independent states, political relations were perceived as highly sensitive issues. State-governments remained central in the management of inter-state affairs. These governments were led autocratically. Hence the relationship between the three heads of state influenced the relationship between their governments and indeed the perceptions towards Kenyan Multinationals that remain central in the intra-EAC trade. The relations between the three founding fathers of East Africa countries started at a very positive note with Julius Nyerere willing to delay the independence of Tanzania so that the three East African states can all get independence as one. President Kenyatta, Nyerere and Obote at independence, adopted non aligned postures and the policy of good neighbourliness. These policies set a rather cordial mood between the three presidents and indeed their governments (Adar and Ngunyi, 1994).

> The ideological pronouncements of Tanzania and Uganda, and the rather obvious inclinations of Kenya to the West, changed the mood in the region. The Leadership shaped the political undertones and indeed the perceptions towards Kenyan multinationals in the EAC 1(Wanyama, Personal Communication, July 15, 2014)

For example, Nyerere was sceptical about Kenya's preference to align itself with the West. Though it would be naive, to assume that his views were entirely the reasons why Kenyan Multinationals were perceived negatively, there is evidence to suggest economic reforms and change of attitude after his resignation as a president and indeed head of the party. Kenyatta's tolerance of Amin ascendancy contrary to Nyerere's expectation and dismay constrained Kenya's relations with Tanzania at, the same time pitching Kenya and Uganda together against Tanzania because of the perceived and expected ideological re-alignments of Uganda under Amin. Nonetheless, Kenya relation with Uganda was not without tantrum every now and then but they always kept wary of touching their economic interest (Francis, Personal Communication, August 10, 2014).

The success of the EAC (I) was dependent on the stability and the relationships of the three states. Amin's ascendancy into power changed the entire configuration of the EAC. President Amin in 1973 went on nationalization spree that saw many investors both local and foreign fleeing Uganda, some to Kenya and others back to their home country in Europe. The Asian Business Community was the most widely affected. Amin also announced in

December the same year, that the Ugandan government was to take over all tea estates, BAT, Uganda Transport Company, Brooke Bond, Chillington Tool Company, Consolidated Printers, Securicor, British Metal Corporation, and the Kampala Club (Mutibwa, 1992).

These were largely British investments. In fact in 1975 as chairman of the OAU Amin shifted his allegiance from the West to the Soviet block and the Arabs world making good friends with Libya Mummar Gadaffi and Saudi Arabia King Khalid. He became anti imperialist and proponent of pan-africanism. He also believed that the West had hatched an international conspiracy to out him if not killed him (Mutibwa, 1992). However trade between Kenya and Uganda remained opened whereas trade between Kenya and Tanzania almost nose dive to the bottomless pit. The decline in trade was fundamentally attributed to the political differences shared by the leadership in the region (Adar and Ngunyi, 1994).

Tension amongst the three presidents was further extrapolated in 1976 when Amin made claims on a huge chunk of land in Kenya and when Kenya provided medical support and refuelling to Israeli soldiers who had just raided Entebbe. Continued hostility and tension between the three East African presidents eventually led to the collapse of the East African Community in 1977, and thereafter led to the Uganda- Tanzania wars of 1978/1979 that saw to the end of Amin military rule and the rise of Y. K. Lule as the president.

> “Foreign multinationals operating from Kenya such as Bata Shoe Company was unable to export their products to Tanzania because of the closure of Kenya – Tanzania border.”(Investment Officer1, August 20, 2014)

Obote later on reclaimed power in Uganda and became instrumentals in the discussions on the distribution of the resources of the defunct East African Community and the generation of the good will, advertence, and seriousness to form a new East African Co-operation. Nyerere however remained sceptical in his relations with Kenya, and refused to even ascend Tanzania into the PTA arrangement at the onset. The new EAC was under the leadership of president Moi of Kenya, Mkwapa of Tanzania and Museveni of Uganda. President Museveni endeavoured to invite foreign multinationals to invest in Uganda economy, including Kenyan multinationals.

> Museveni believed that, the surest way towards economic prosperity for Uganda and indeed the EAC member states was through the EAC. President, Moi, Museveni and Mkwapa were far from the ideological polarization of the international system, and thereby built a working relationship with each other that set the foundation of the new East African Community (Senior government Officer 2, August 24, 2014).

In Kenya, the assumption to power of the opposition coalition, under the leadership of President Mwai Kibaki in 2002 further galvanised the efforts towards and voices towards a political integration.

> Kibaki demure and quite diplomacy with Mkapa'senthusiasm for a new EAC, coupled with Museveni experience in the community, created a new platform and spirit in the EAC. The later accession of Rwanda and Burundi into the EAC treaty in 2007, brought Paul Kagame and Pierre Nkurunziza into the summit and further re-energized the push towards regional integration (Wanyama, Personal Communication, July 2014)

The continuous optimism and milestones of the EAC today is fundamentally driven by the political will of the five heads of states namely president: Uhuru Kenyatta; the current chairman, Yoweri Museveni, Jakaya Kikwete, Paul Kagame and Pierre Nkurunziza: who form the Summit of the EAC. It is however important to note that relations between, these leaders have not been always rosy and indeed have experienced stormy weather (Wanyama, Personal Communication, July 2014)

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In the recent past the relationship between Presidents Paul Kagame of Rwanda and Jakaya Kikwete of Tanzania has been deteriorating as a result of the latter's advice that Kagame puts his house in order as far as rebels In DR Congo are concerned. Moreover in 2013 president: Uhuru Kenyatta, Paul Kagame and Yoweri Museveni met twice in Kampala and Mombasa and ratified a Single Custom Territory, removal of work permits for their citizenry in each other's and agreed to pursue joint infrastructural projects. The absence of Jakaya Kikwete and Pierre Nkurunziza has been construed as the emergence of the *coalition of the willing* .Both sides have quietly thrown accusation at each other of not been sensitive on the pace of the community towards political federation. In a statement to the East African Newspaper, the Tanzania minister of East African Community Affairs said; "So long as

Kenya Rwanda and Uganda Tanzania have consciously decided to isolate us, all we can do is to leave them alone and wish them well" (East African Standard, 2014)

This statement was further reignited by the Tanzanian High Commissioner to Uganda Dr. Ladislaus Komba who warned that the tri-lateral actions of Uganda, Kenya and Rwanda seem to awaken the ghost that led to the collapse of the defunct East African Community in 1977. These events have casted dark cloud in the increasing optimism on the milestones and prospects of the East African Community. Despite all these, the summit of the EAC has remained clear on the goals and the path of the EAC. The three presidents have encouraged intra-EAC trade in the region and demonstrated the political will to move forward towards a regional integration despite their differences. (Wanyama, Personal Communication, July 2014). It is important to note that;

> The political will and the government mood have arguably shaped the mood in the EAC. Rwanda complete open policy towards Kenyan Multinationals has been evident in president Kagame invitations. Similarly Museveni endorsement of Kenyan multinationals has made it easier for Kenyan companies to operate in Uganda and find acceptance. In the same light Kikwete ambivalence towards Kenya multinationals is reflected by its people(Wanyama, Personal Communication, July 2014)

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It is however apparent that the new leadership in the new EAC is devoid of ideological polarization and fundamentally driven by trade maximization. In additional to this, the leadership in the new EAC is pro-market and trade liberalization. Contrary to the defunct EAC, where the leadership was largely driven by political overtones, the new EAC leadership is driven by the economic values. The growing appreciation for economic values in the new leadership is attributed to *inter alia, t*he desire to provide employment opportunities and improve the living standards of the people by the leadership.

> This desire was central in Museveni 13 point manifesto, in his bid for re-election in 2011 and in Kikwete and Kagame presidential campaign in 2010. The pledge for economic reforms set the impetus for invitations and partnership with multinationals corporations. Moreover the leadership in the new EAC by age: Uhuru Kenyatta 52; Museveni, 69, Nkurunziza, Kagame 56, and Kikwete 63; was devoid of the harsh

experience of colonialism but more fundamentally exposed to the economic hardship of the newly independent states. The EAC leadership has also adopted pro market and trade liberalization policies in their countries (Wanyama, Personal Communication, July 2014)

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5.5: Modus operandi of Kenyan Multinationals

Kenyan Multinationals in the defunct East African community were accused of many things. Central to these accusations is the *modus operandi* of Kenyan multinationals. The *modus operandi* of Kenyan multinationals in the defunct East African Community was central in the creation of trade imbalances that contributed to the eventual collapse of the Community. Foreign and local Multinationals from Kenya perceived Uganda and Tanzania as purely market centres for their export. In this regard very little investment was made in the establishment of subsidiaries, branches or even partnerships.

For example the Kenyan government acquired 60% of the Nationals and Grindlays Bank after independence and had 100% ownership by 1970, renaming the Bank Kenya Commercial Bank. However KCB-Tanzania was only incorporated in Tanzania 1997 way after the collapse of the defunct East African Community. Bata Shoes on the other hand set its footprint in Kenya in 1939 and by 1970; it was still exporting its product to Uganda and Tanzania. Uganda and Tanzania were distributors rather manufacturers of Bata Shoes. In fact in 1970 Uganda and Tanzania are estimated to have imported 1.7 million pairs of shoes from Kenya valued at 899 874 pounds. Moreover, General Motors Kenya limited, which is the largest manufacturer of commercial vehicles in Eastern Africa, since its inception established its manufacturing company in Nairobi. Uganda and Tanzania like rest of the other Eastern Africa companies have been only importers of fully assembled cars from Kenya (Investment analyst 3, personal communication, July 9, 2014).

The marginalization of Uganda and Tanzania by these companies deprived them, capacity and experience to build human capital. Moreover whenever these multinationals set up subsidiaries or branches in Uganda and Tanzania, they were run by the foreigners, with most of the local congested at the lower levels of the job grades. This meant the locals were not exposed to the technical knowhow, and managerial experiences to move the company, thus remained dependants.

> For example Unilever Uganda formerly a subsidiary of East African Industries based in Nairobi Kenya was largely dominated by whites. Service Industry such as Banking, telecommunication and Aviation were dominated by foreigners holding key positions. Technical department such engineering in many large multinationals companies were basically a white man affair in both Uganda and Tanzania (Wanyama, Personal Communication, July 2014)

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Moreover Foreign Multinationals were not concerned in any meaningful corporate social responsibility in the host states, and whatever they gave comparatively to the profit margins was meagre. Kenyan Multinationals were also perceived as being aloof to the host states cultures. For example Tanzania large Islamic population was for a very long time left out by the largest foreign banks, headquartered in Kenya such Barclay Bank and Standard Chartered Bank. However in the new East African Community, the modus operandi of Kenyan Multinationals is increasingly changing from that of transporting goods to the EAC partner states to that of setting up production sites, branches, subsidiaries and even joint venture with local companies in the host states. Local Kenyan and foreign companies headquartered in Kenya are increasingly becoming more sensitive to the cultures of their host states and engaging in serious corporate social responsibility and capacity building.

> For Example Kenya Commercial Bank was the first bank in Tanzania to set up Sharia Banking to the large Muslim population in Tanzania. The Bank has established 37 branches well distributed in the East Africa region, outside Kenya: Burundi 1, Rwanda and Tanzania 11, and finally 14 in Uganda (Wanyama, Personal Communication, July 2014)
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This Bank has hired and trained local personnel to take up leadership. Britam Insurance Company, the largest pan insurance company in East and Central Africa has set strong presence in Uganda, Rwanda Tanzania and South Sudan. Equity Bank on the other hand acquired 100% of Uganda Microfinance limited (UML) making it, one of the fastest growing banks in Uganda with the fourth largest branches and network, employing over 540 people. In 2010 Equity won Employer of the year Award issued by the Uganda Investment Authority. Like KCB, equity is equally hiring and training local citizens. In the Media Industry, NMG-

Kenya owns 76% of Daily Monitor; the leading independent daily newspaper. Because of expanding business, these companies are increasingly becoming leading employers to the local people (Investment Analyst 2, Personal Communication, July 4, 2014)

The change of modus operandi to a greater extend has increasingly set an influx of invitation to Kenyan companies in the EAC region. For example in 2004 Brookside Dairy entered an agreement with the Tanzanian government to rehabilitate the state owned Tanzanian Diaries and put up an ultra heat treated milk processing plant. In 2013, Kenyan based Pan African Power Solution acquired the Independent Power Tanzania ltd (IPTL) at undisclosed fee, while UAP Group acquired 60% stake in Tanzania's Century Insurance Company. In 2014 Catalysts Principal Partners bought stake in EFFCO, a Tanzanian logistic and heavy equipment company. Catalyst Principal Partners also acquired stakes in ChemiCotex; a personal healthcare manufacturer and Chai Bora in Tanzania. Moreover NIC-Kenya has partnered with Savings and Finance Commercial Bank of Tanzania (Gachiri, 2014).

By 2008, Kenya had become the second largest injector of foreign direct investment to Tanzania. According to the Kenya High Commissioner in Tanzania, there is more than 346 Kenyan companies operating in Tanzania that have cumulatively created over 45, 737 jobs distributed in various sectors including manufacturing, tourism, services, financial institutions, agriculture, construction, transport, petroleum and mining, natural resources, human resources and telecommunication (All Africa, 2014).The increasing and expanding Kenya multinationals in Tanzania has also stimulated stronger performance of Tanzanian companies in response to the growing cross border competition. Moreover due to the competitiveness of Tanzania companies, and capital investment partially from Kenya, Tanzania's export revenue from Kenya has experienced a steady increase from US$ 26.3 million (Ksh 2 billion) in 2004 to US $ 95.8 million (Ksh 7.3 billion) in 2008.In Uganda on the other hand, Kenyan local companies are increasingly taking the front lead in the stock markets. About seven Kenyan companies cross listed in the Uganda stock market were the main movers of the country bourse in 2012.These include Nation Media group, Kenya Airways, Jubilee Holdings, East African Breweries limited and Equity Bank. In fact, though, Kenya Commercial Bank was not included in the Uganda Capital markets Authority monthly report its shares appreciated by 80% in the same year.

According to Namata (2013) Kenya is the biggest East African investor in Rwanda with an estimated $ 150 million worth of investment spread in all sectors of the economy. Kenyan expansion in Rwanda has largely been spearheaded by Banks such KCB, Equity Bank, Fina Bank and I&M Bank which has recently acquired majority shareholding in the Commercial Bank of Rwanda. Kenyan universities such as Mount Kenya University and Jomo Kenyatta University have also joined the corporations in establishing branches in Kigali. Mount Kenya University is estimated to have 4000 student enrolment in their three campuses in Kigali. Like, Uganda, Kenyan firms dominate the Rwanda stock exchange, this include Kenya Commercial Bank, Nation Media Group and Uchumi Supermarket. Incidentally the entrance of Uchumi supermarket into the Rwandan market was set to spark off competition with another Kenyan old entrant; Nakumatt Holding (Namata, 2013).

According to the Jonathan Ciano, the Chief Executive Officer of Uchumi Supermarket, there are plans for Uchumi supermarket to establish additional 3 branches in Kigali and its outcasts. He attributes his company's enthusiasm to the great potential in Rwanda and more fundamentally to the country leadership commitment towards economic integration of the region. Other Kenyan firms with operations in Rwanda include Deacons with an $ I.4 million worth of an investment Bata Shoes Company, UAP insurance and Unilever. According to the National Bank of Rwanda 2011 Foreign Private Investment report, Kenya foreign inflows to Rwanda made 56. 6 % ($ 66.7 million) of the total foreign private investment followed by Switzerland ($47.1 million), South Africa ($46.4 million) and Mauritius ($36.7 million) (Namata, 2013). In Burundi, the story of Kenyan companies is not any different. Companies such as Kenya Airways, Pembe Millers, Kobil Oil Limited, Diamond Trust, Jubilee Insurance, Serena group of Hotels and KCB have made their presence strongly felt.

The change in the *modus operandi* of Kenyan multinationals in the EAC member's states prompted economic growth in the host states by stimulating reducing importations, creating employment and indeed income for the government. Moreover the capacity of these corporations to train local talents and share best practise has stimulated productivity and competitiveness of host local firms. The EAC member's states no longer see themselves as captive markets but as competitive partners in the integration process. It is this perceived benefits brought about by the change in the modus operandi that has endeavoured the continuous invitation and warm reception towards Kenyan multinationals in the East African Community. In the next section we critically examine the transitions from the defunct EAC to the new EAC.

5.6: The perception towards Kenyan Multinationals: A Vertical Analysis

According to the study respondents various factors have contributed to the change in the perception towards Kenyan multinationals. This section attempts to explain the change in the perceptions from the defunct EAC to the new EAC. A vertical analysis of the views of the respondents on the changing perceptions towards Kenyan multinational is provided in this section. The analysis will be presented on four major items, namely the desire for economic development, the international system, the leadership in the EAC and the modus operandi.

There was a general agreement amongst the study respondents that, the desire for economic development stimulated economic reforms in Uganda and Tanzania. Economic reforms in the two countries meant the adoption of pro-markets policies and trade liberalization. For the corporate respondents this change set the impetus for the aggressive expansion of Kenyan multinationals in the region. Indeed many local home-grown Kenyan companies ventured into this market in this era. For example Equity Bank, Commercial Bank of Kenya and Fina Bank, all went to Uganda when the banking industry in Uganda was privatised. According to Academic respondents, the desire for economic development meant the invitation of foreign direct investment from any willing investors.

Indeed Countries like Tanzania were ready to open their doors to their formerly de-attached allies. Tanzania and Uganda therefore welcomed foreign investment in Uganda with little regard to where the source of the capital was and more focussed on what the capital could for them. For Government respondents, Uganda and Tanzania before the adoption of the pro-market and free trade policies were in the verge of economic collapse. Foreign direct investment was the most plausible means towards economic recovery and indeed economic development for these states.

Kenyan companies therefore emerged to fulfil a much needed need, which was the desire for economic development. However Academic respondents are quick to point out that, this did not necessarily mean a change of perception towards Kenyan multinationals, however this meant Kenyan multinationals were received favourably comparatively to those in the defunct community. This seems to suggest the desire for economic growth set the impetus to attract foreign investment which in turn attracted the rising local companies with the desire for regional investment and expansion.

Academic respondents however, consider the change in the perceptions towards Kenyan companies was a shift from hostility to tolerance. This is to say Kenyan companies, notwithstanding their perceived economic and social values, countries like Tanzania remained sceptical about them. Tanzania sceptism was largely informed by the ghost of the defunct EAC. However the desire for economic growth or development superseded their fears. Uganda however has shown a remarkable change towards Kenyan companies and indeed foreign companies headquartered in Kenya. Academic respondents, contend that, the desire for economic development largely camouflaged the distinctions previously held between foreign multinationals based in Kenya and local multinationals. Government policies and incentives applied to all, without discrimination, although local multinationals have gained popularity because of the brand recognition as being local.

Another factor that contributed to the change of perception towards Kenyan multinationals is the international system. According to Maina (Personal Communication, August 14, 2014)

> The ideological polarization in the defunct East African Community largely influenced the relationship between the presidents in the East African Community. The Leaders in the East African Community were divided into two: socialist and capitalist. The ideological Wars happening in the international system therefore set the pace of their relations and their perceptions towards each other..

Capitalism according to academic respondents was perceived as exploitative with no or little regard to people well being, whereas socialism amongst the beholders was perceived more humane and conscious of others need. However in the eyes of the capitalist like Kenya, Socialism as practised by Tanzania and Uganda was a lazy system that encouraged few to work and many to depend on the works of others. This naturally created fear and discontent amongst Kenyan against Ugandans and Tanzania. In addition to this Academic respondents also point out the sensitivity of many African nations towards foreign control. In the defunct EAC Kenya, Uganda and Tanzania were fresh from independence and highly sensitive towards matters of foreign control.

More importantly, the wave of pan- Africanism was blowing in the continent. These factors influenced the foreign policy of the three EAC member state. Uganda and Tanzania at independence, took a radical posture towards *West* while Kenya forged a cordial relationship with them. The end of the Cold War and the emergence of the new economic order changed the politics in the global arena. At the same time set the stage for economic reforms in many African countries including Uganda and Tanzania. According to Francis (Personal Communication, August 2014) "Nyerere admitted that Ujamaa had failed while Museveni contended that foreign investment is the way towards economic development"

Academic respondents further contend that Foreign multinationals became the means towards economic prosperity, given their wealth and influence. In East Africa this prompted a race towards the bottom to attract these companies. According to one Fred a don in a public university, a new wave of new regionalism and globalization blew across the world during this time and many African governments perceived this phenomenon as positive moves towards development and indeed economic prosperity. Multinationals were therefore perceived as the agents and not the beneficiaries of these movements.

Government respondents contend, the international system contributed to the change in perceptions towards Kenyan multinationals. Like the Academic respondents they contend that, the leadership in the defunct EAC was largely embroiled in ideological wars and hence the end of the Cold War also meant an end to ideological wrangles. In the new world order, government respondent concur that relations between the leadership in the EAC has been rather cordial, devoid of the extremism of the defunct EAC. Because of the economic reforms adopted by Kenya, Uganda, Tanzania and the newly ascended Rwanda and Burundi, there has been lesser dependency and more autonomy by these states, to control their economies (Senior Officer, Personal Communication, August 28, 2014).

The leadership has therefore been less reliant on foreign aid and more autonomous in making decision about their country. This has set the impetus for the increased intra-EAC trade. Government respondents contend with Academic that Multinationals corporations increasingly took the centre stage as vehicles towards economic prosperity. For government respondents, change in global politics, coincided with change in the leadership in the EAC. The presence of a leadership devoid of ideological polarization and more embracing of the new waves such as globalization acted as an impetus to the change in their perceptions towards Kenyan multinationals and multinationals in general.

According to Corporate respondent, the change in the perceptions towards Kenyan multinationals was inevitable given the change in the international system to the new economic order. According to one academic respondent; “Globalization meant free movement of multinationals from one state to the other; it meant the re-incarnation of multinational corporations (Maina, Personal Communication, August, 2014)

> Indeed the government of Uganda and Tanzania had limited option towards economic development. Their desire for economic wealth could only be realized through Kenyan Multinationals (Wanyama, Personal Communication, July 2014)

Corporate respondents point out, that in the defunct EAC, Kenyan multinationals and generally multinationals from the West were largely associated with the Colonial powers, and after independence with the Eastern and Western block that was embroiled in the Cold War. However after the demise of the cold war, these corporations found a new imagery which was development. For the corporate respondents this is partially because of the rise of emerging markets multinationals that were more trusted, largely because they were considered as home-grown and believed to be more concerned with development.

The change in the leadership in the East African Community has generally been agreed by the respondents of the study, to be an important factor that led to the change in the perception towards Kenyan multinationals. According to Academic respondents the current leadership of the East African Community was not exposed to the extremism of colonial rule. The oldest members in the new EAC summit is president Museveni who is 69 years old , and the youngest member being President Pierre Nkurunziza of Burundi at 50years. Apart from president Museveni and Kikwete from Tanzania, the remaining members of the summits are in their early fifties and can rightfully be referred to as post colonial generation. This new generation of leaders have fundamentally been more concerned about economic reforms than indeed politic gains. President Museveni, Kagame, and Nkurunziza took leadership; at a time of political strife, with economies on the verge of collapsing. They believed that long term peace in the country would only be possible if the general populace felt the economic gains of their country. This set the impetus for economic reforms in these countries.

The three presidents endeavoured to lure investors and indeed multinationals corporations into their economies. Multinationals companies meant employment, income for the government and more importantly they attracted auxiliary development. Though Kenya and Tanzania have been rather peaceful since independence, the economic prosperity has been a struggle for the general populace. Similarly the elections of Uhuru Kenyatta and Jakaya Kikwete were fundamentally on the platform of economic development. This remains true of their predecessors. President Moi was central in the revival of the East African community because of his belief in economic gains that the community presented not only to Kenya but the entire community.

His successor president Mwai Kibaki; an economist was instrumental in the signing of the common market protocol, common custom union. In Tanzania the same remains true of Ali Hassan Mwinyi, who transited Tanzania to a liberalised economy; to Benjamin Mkapa who instituted free market policies and privatised state owned corporation. His policies won him favour from the West: World Bank and the IMF that resulted in the cancellation of Tanzania debt. According to the academic respondent there is resounding evident that the change in the leadership contributed to the change in the perceptions towards Kenyan multinationals.

Academic respondent believe that in the defunct EAC, the leadership was more concerned about the political values than economic values. In this regards everything was politicised leaving little accomplishment in both trade and political relations. Governments instituted trade restriction and tariffs because they were mistrustful of each other. In the new EAC the leadership has priotised economic gains. Since perceptions are contrived by the ruling class, it therefore follows that where the leadership perceive intra-EAC trade as beneficial the general populace will follow. The study contends that the new leadership perceive Kenyan multinationals as agents of economic development contrary to the leadership in the defunct EAC that perceived Kenyan multinationals as agents of inequality.

It is however interesting to note that, according to the Government respondents, change in perceptions towards Kenyan multinationals is largely influenced by the good will in the incumbent leadership. According to an informant in the ministry of trade, tourism and regional integration in the defunct EAC the general lack of political goodwill amongst the top leadership was generally absence; there was generally a lot of lip service and the leadership lacked the chemistry

This notion is placed on the fact that Nyerere and Obote was socialist in nature and Kenyatta was capitalist in his action. Generally tension and anxiety surrounded their meetings, and the three kept their interactions very formal. It is important to also note matters of regional trade were perceived as highly sensitive by the political class back in their respective state and none of the three wanted to be seen as the one leaping to low. In the subsequent leadership in the EAC (11) there has been an increasing growth of political goodwill that has been evident in the signing of three protocols: the Common Custom, Common Market and Common Currency.

Moreover, the subsequent leadership of the EAC had a shared history and values that easily created chemistry amongst the leadership. For example President Kibaki was educated in Makerere University and taught at the University, when President Benjamin Mkapa was still a student there. Kagame and Museveni served in the same rebel group in their arms struggle in the country, while Nkurunziza, formerly a rebel fighter was also a lecturer at Burundi University. President Mkapa and Kibaki served in the EAC summit together while president Kagame, Museveni, and Nkurunziza continue to serve in the same EAC Summit today. According to government respondent, the shared history and values of the summit members is a tangible force that has cultivated chemistry and good will amongst the leadership, not to mention the perceived benefits of intra-EAC trade by the political class in the region. These factors have therefore informed the change in perception towards Kenyan multinationals. In the Incumbent leadership, there is continued political good will. The three president exercise considerable control over their political parties and indeed and indeed intervening powers in the Summitry

The corporate respondents, largely agree with the government respondent that, the new EAC has the good will to make regional integration a reality. This political good will was absent in the defunct East African Community largely because of the economic imbalances that multinationals were seen to be perpetuating. Kenyan multinationals were not only seen as agents of capitalist systems but sources of economic inequality in the region. This generally ingrained a sigh of discontent amongst the political class that made difficult for the three presidents to yield the political goodwill necessary to marshal regional integration.

The corporate respondent also agreed with the academic respondents that, the current political good will is a partially factor of generational change in the EAC summit. Corporate respondents strongly believe that, the EAC is engulfed by new generation of young people. This new generation occupied leadership in the political scene, executives in the corporate circles and senior officials in government ministries. They formed the political class and business entrepreneurs that controlled the market and trade. For corporate respondent, like the academicians, is more concerned with the economic values more than the political, and thereby more concerned with the economic integration than state nationalism. The presence of this new post colonial generation has changed the perceptions towards Kenyan multinationals

The Modus operandi of the Kenyan multinationals is one of the major factors that contributed to the collapse of the East African Community in 1977. Similarly in the revived EAC (11) it is largely because of the modus operandi that there has been a change in the perceptions towards Kenyan multinationals. Kenyan multinationals according to academic respondents of the study have changed their modus operandi. In the defunct EAC, Kenyan multinationals largely established their manufacturing plants and head offices in Nairobi Kenya. These companies endeavoured to transport their goods and services into the region. Indeed Uganda and Tanzania remained largely as captive markets. This basically meant that capital investment was fundamentally in Kenya. These companies did very little to build the capacity of the local Ugandan and Tanzanian in the Community in terms of training, experience and even boosting the local industrial base to be able to compete .

Kenyan multinationals were as such perceived as exploitative. According to Government respondents, Kenyan multinationals in the defunct EAC were perceived to be aloof of the local culture and did very little to hide their disregard to the local cultures. Corporate respondent however contend that their inability to invest massive in Uganda and Tanzania is largely because of the poor infrastructural network in this countries, lack of or near absence of institutional support services such banking, insurance, political stability and a professional working force. Kenya was relative higher in the provision of these services, than any other side.

Change in the modus operandi of Kenyan multinationals in the new EAC was occasioned by a number of functions. According to corporate respondents, the emergence of home-grown companies from Kenyan increased the confidence and trust of Ugandans and Tanzanians towards multinationals in general. Moreover both Foreign based and local multinationals encouraged local ownership through public listing. This meant that these companies were no longer perceived as foreign but local. The increasing mergers, acquisitions and partnership with local companies also improved on the confidence of the local people towards Kenyan multinationals.

Moreover, Kenyan multinationals are also hiring local chief executive officers in the host states to take control of their companies. Local leadership invokes confidence and trust among the locals. Examples include Allan Mafabi of Britam, Suada Rajab of Precision Air in Tanzania. This indigenisation of Kenyan companies in Uganda and Tanzania is a business strategy to build brand recognition and more importantly penetration. For example, today we talk of Equity –Uganda and KCB –Tanzania, Britam Uganda. In the new EAC dispensation, devoid of ideological polarization, the involvement of Kenyan multinationals in corporate social responsibility became more recognized than in the defunct EAC. Corporate respondent contend that these were some of the factors that led to the change of perceptions towards Kenyan multinationals. Government respondents on the other hand agree that perception toward Kenyan multinationals fundamentally changed because Kenyan became more sensitive towards the need of the political class and at the same time, the culture of the people. In the new EAC, the aggressiveness of the Kenyan multinationals was tamed and made more sensitive to the aspirations of the host states. Indeed according to one academic respondent,

> Kenyan Commercial Bank as corporate institution named their corporation KCB-Uganda and KCB-Tanzania respectively....in these countries the mention of the word Kenya...is literally silent to give life to the host states at the end of the acronym .Indeed KCB- Uganda, sounds literally a Ugandan company (Fred, Personal Communication, August 12, 2014)

Making reference to the Cabinet Secretary in charge of Foreign Affairs, one of the senior trading officers in the ministry trade noted that Kenyan multinationals are now cognizant of the fact they will not be treated properly just because we are in the new East African Community. Kenyan multinationals are therefore more resilient towards the host states hostility if any but more conscious about their culture and way of life. This explains KCB-Tanzania setting the lead in *Sharia* Banking in Tanzania, to serve the bigger Muslim population in Tanzania.

In addition to this, the ascension of Rwanda and Burundi in the new EAC with low industrial base, has given Kenyan multinationals an opportunity to prove their *constructiveness*. According to one government respondent Kenyan companies control have literally dominated the service and retail industry and education in Rwanda. Kenyan companies or businesses are estimated to have invested over $150 million in Rwanda, naturally becoming the biggest single source of foreign direct investment in Rwanda. Kenyan businesses have also transformed the nature of business in Rwanda and Burundi. These two countries have basically given grounds for Kenyan companies to build their image and at the same time impact development. A sense of confidence and trust has been deprived from these companies by the Ugandan and Tanzanian counterparts. Moreover the realization that Kenyan multinationals have alternative has also set the impetus for Tanzania and Uganda to desire to be part of the beneficiaries of these companies.

5.7: Chapter Summary

This chapter sought to provide a vertical analysis of the changing perceptions towards Kenyan Multinationals from the defunct East African Community to the revived East African Community. The changing perceptions towards Kenyan multinationals was attributed to many factors including; the increasing need for economic policy reforms and development in Uganda and Tanzania, the change in leadership and successive willingness to commit their states in the East African Community, and the change and intensification of the *modus operandi* of Kenyan multinationals created an influx of foreign multinationals in Kenya. These multinationals were both from the former colonial powers and the non-colonial powers. Power was largely defined in both economic and political terms. A perception in the defunct EAC was dictated by the imagined political powers controlled by multinationals whereas a perception in the revived EAC was largely influenced by the perceived economic benefits brought by multinationals corporations.

CHAPTER SIX
SUMMARY, CONCLUSION AND RECOMMENDATIONS

The purpose of this study was to critically examine the changing perceptions towards Kenyan multinationals in East Africa. The objectives of this study were therefore to determine how perceptions towards Kenyan Multinationals in the East African Community have changed and secondly to identify those factors that have contributed to the change in these perceptions. This chapter begins by reviewing to what extend these objectives have been met. Secondly, a critical examination of the hypothesis of the study is presented, and deductions made. The onerous task in this chapter is therefore to provide the conclusion of the study by grounding the central thesis of this study. Finally this chapter presents specific policy recommendation on the subject of study and areas of further research.

6.1: Summary

This study sought to examine the changing perceptions towards Kenyan Multinationals in East Africa. In this regard, three objectives were formulated to guide the study. The first objective sought to determine how perceptions towards Kenyan multinationals in East Africa have changed and secondly to identify factors contributing to change in perceptions towards Kenyan multinationals.

This study makes the following arguments; that perception towards Kenyan multinationals have changed. Kenyan multinationals in the defunct EAC were perceived as exploitative and agents of foreign control both for the colonialist and non colonialist. These perceptions were informed by a number of factors. Most multinationals operating from Kenya were largely from Britain, the region's former colonial master. Secondly these corporations were largely led by *Whites* who were believed to be incapable of genuine economic development. Kenyan multinationals enjoyed monopoly and had little local investment to build capacity in the host states. Moreover because of the source of their capital, these corporations were simply perceived as being exploitative.

The second argument in the study is that in the new EAC perceptions towards Kenyan multinationals changed. Kenyan multinationals were perceived as agents of economic benefits and more importantly as agents of local capital. These perceptions were grounded on a number of factors. First, the desire for economic prosperity: both in Uganda and Tanzania in the 1980s. During this time Tanzania and Uganda's economies were at their lowest with increasing domestic and international pressure for change. Change meant market liberalization and policy reformation to attract foreign investment. Change in the international system, characterised by the collapse of the Soviet Union and the end of the Cold War, and the emergence of a new economic order, largely pro-market, and contributed to the change in perceptions. Many African countries recanted regionalism as a tragedy towards economic development. This set the impetus for the revival of the new EAC and later on adoption of pro-market policies. The leadership in the new EAC cultivated the necessary political good will to remove trade and tariff restrictions between the EAC members. The change in the *modus operandi*, to focus more on green investments, capacity building, corporate social responsibility, gained Kenyan multinationals confidence and trust from the host states.

6.2: Conclusion

This study sought to examine the changing perceptions towards Kenyan Multinationals in East Africa. In this regard, three objectives were formulated to guide the study. The first objective sought to determine how perceptions towards Kenyan multinationals in East Africa have changed and secondly to identify factors contributing to change in perceptions towards Kenyan multinationals. This section illustrates the extent to which the following objectives have been met. This section further examines the validity of the hypothesis made in the study.

6.2.1 Perceptions towards Kenyan Multinationals: The Defunct EAC

The first objective of the study sought to determine how perceptions towards Kenyan multinationals in the East African region have changed from pre-independence to the new EAC. The overriding assumptions on this objective were basically three: First perceptions towards multinationals headquartered in Kenya for the region, during colonial rule in East Africa did not matter because the entire region was under the British control. Moreover most of these companies largely came from the British Empire or their allies. Secondly, that Kenyan multinationals were basically exploitative in the defunct EAC and finally that Kenyan multinationals in the new EAC are basically constructive. This objective is discussed in chapter three and four of the study.

In chapter three of the study, perceptions towards Kenyan multinationals are basically bisected into two: perceptions during the colonial era and perceptions in the defunct East African Community. Chapter three also presents the factors that informed the said perceptions in the two eras as identified by the informants of the study. Regarding the perception towards Kenyan multinationals in the pre-independence period, this study collected data and made the following revelations: In the pre-independent periods multinationals corporations in East Africa were highly concentrated in Kenya. Kenya provided relative high level of infrastructural development and auxiliary services compared to Uganda and Tanzania. Kenya was indeed the central administrative unit of the region and therefore attracted many foreign multinationals as a destination in the region. Perceptions towards multinationals in the pre-independent period were basically an elitist view largely confined to the white minority in the region. The White settlers in the region, especially those in Tanzania and Uganda were not alarmed by the stationing of foreign multinationals in Kenya; in any case they preferred the serenity of their seclusion. Kenya emerged as an industrial centre for the region, where goods and services were partially manufactured and exported to the region. Since the entire region was under the British rule, concerns towards economic inequality enhanced by foreign multinationals in Kenya as a colony were downplayed.

The Ormsby Gore Commission of 1925 and the Hilton Young Commission were formed to investigate and recommend readdress on the levels of economic inequalities in the industrial, trade and service sectors. The recommendations of this commission were envisaged to be addressed upon the formation of a regional unit. Regional integration therefore became the overriding focus of the colonial government. The two Commissions recommendations were therefore shelved. The study further indicates, during colonial rule Africans had almost negligible presence or say in these matters. The perceptions of the local Uganda and Tanzanians did not really matter. The study makes a general assumption that Africans were more concerned about political independence than they were with the regional distributions of foreign multinationals in the region.

Perceptions towards multinationals headquartered in Kenya during the pre-independence period were therefore a preserve of the white settlers in the region. In respond to the question of perceptions, the study finds it rather ambiguous to clearly point out the perceptions towards Kenyan multinationals in the pre-independence period because of the following reasons. First and foremost, the evidence in this study suggests that there were genuine concerns about the level of economic inequality in the region. This high level of economic inequality was presumed to be perpetuated by the concentration of foreign multinationals in Kenya. In this regard there was certainly a need for building the industrial capacity for Uganda and Tanzania to be able to develop. In the mean time, Kenyan multinationals continued to provide these services and was therefore deemed necessary in the provision of capital and service to the white settlers. Secondly, the study suggests that the white settlers were more concerned about the availability of auxiliary services, infrastructural development, easy access to the market, in their areas of settlement, than they were about genuine development for the entire colony. In addition to this, for some of these settlers the more developed the region was the more administrative regulations they would have to live by. This explains their preferred seclusion from the administrative centres. Moreover the white settlers owed no national allegiance to their colonies but their true allegiance was to the colonial master. In summary Kenyan multinationals were perceived as necessary agents of economic development of the entire region.

After independence, the politics of Kenyan multinationals completely changes. This is basically explained in chapter two of the study. Independence means the emergence of African leadership and nationalism in the region. The study indicates that these two factors played a fundamental role in forming perceptions towards foreign multinationals. According to the study at independence Kenya had the largest economy in the region. Moreover Kenya continued to have the highest number of foreign based multinationals operating in East Africa, and aligned itself to the West amid Tanzania's and Uganda's Socialist inclinations. These factors informed the ensuing perceptions towards Kenyan multinationals. The study indicates that Kenyan multinationals were perceived as exploitative and agents of foreign control: for the colonialist and non colonialist.

According to the study's finding, Kenyan multinationals were considered as agents of foreign control: both colonial and non colonial powers; because of a myriad of reasons. First and foremost, multinational corporations have historically been associated with colonial rule and powers. Secondly, the study reveals that British multinationals formed the highest number of multinationals operating from Kenya. Britain was the former colonial power in the region and thereby, continued high presence in Kenya was easily construed as an adept scheme of continued control of the region.

The study also indicates that Kenya had maintained close ties with Britain at independence. Thirdly, according to the study's finding there were no Kenyan multinationals in the strictest of sense. Kenya was but only playing host to foreign capital. This foreign capital was largely from the developed countries of the West. Kenya had also made its intention clear by aligning to West which was construed synonymous with the former colonial powers. Indeed Kenyan economy was largely driven by foreign direct Investment from the West. This was amid

Uganda Common Man Charter and Tanzania's Arusha Declaration that were largely socialist in nature. Kenyan multinationals were therefore perceived as the invisible hand of the colonial powers.

Lastly, the desire for political autonomy and nationalism in Uganda and Tanzania set the stage for conflict and supremacy battles in the region. Tanzania considered itself the centre of African-panafricanism in the region and as such should be perceived as the power house in the region. Consequently Tanzania sought to unveil itself from any foreign dominance or control especially from the former colonial power. This is espoused in the Arusha declaration of 1967. The study further indicates that Tanzania and Uganda in their socialist inclinations never believed that foreign multinationals were capable of genuine development. This belief is premised on their experience with the colonial legacy which these multinationals were very much embroiled in.

According to the study, a distinction was made between Kenyan multinationals as agents of the colonial powers or as agents of the non colonial powers. The study makes this distinction in order to appreciate the presence of foreign multinationals with huge presence in Kenya and indeed the entire East Africa but not from the former colonial powers in Africa. These include Japan, United States of America and Canada. These countries were however at the centre of the capitalist ideology embraced in Kenya and resisted in Uganda and Tanzania. From the study, Kenya multinationals were therefore perceived as agents of capitalism. Capitalism was equated with inequality and inhumane conditions. This partially explains the perceptions towards Kenyan multinationals.

The study further reveals that Kenyan multinationals controlled huge amounts of capital, technology and indeed exercised monopoly over the market. Tanzania and Uganda were generally sceptical of these corporations because of their huge sizes and inability to control them. This meant they were vulnerable to manipulation and indeed foreign control. Being newly independent states, Tanzania and Uganda were indeed apprehensive on matters of foreign control. These countries were eager to exercise their sovereignty. This is indicated by Tanzania radical foreign policy at independence. Kenyan multinationals posed danger to their sovereignty and as such they were perceived as agents of foreign control.

Kenya multinationals in the defunct East African Community were perceived as agents of economic exploitation. The perceptions were fundamentally premised on the activities of Kenyan multinationals in Uganda and Tanzania. According to the study, the strategy used by Kenyan multinationals largely informed the perceptions of the locals. The

Study indicates that Kenyan multinationals were largely led by *whites'* who were the minority everywhere and believed not to have any genuine concern for developing the host country. This perception was informed by the colonial legacy that left many African economies in a wanting state, including East African countries. The study further indicates that Kenyan multinationals were perceived to be driven by the profit margins rather than genuine development. This is evident by their continued investment in extraction industry as opposed to manufacturing. Manufacturing was largely centred in Kenya, leaving Uganda and Tanzania largely as captive markets. This recanted the colonial legacy of exploitation in Tanzania and Uganda.

Further to this Kenyan Multinationals hired Kenyans to take up positions in middle level management, opportunities that were perceived to be meant for the locals. In addition to this the study further indicates that the leadership played a fundamental role in eschewing the perceptions of the people. Political difference between the leadership was reflected in the intermittent treatments towards Kenyan multinationals. For example Nyerere relations discontent about Kenya is evident in the low volumes of trade between Kenya and Tanzania, similarly Kenyatta relation with Uganda is evident in the high trade volumes and border relations between the two countries.

6.2.2: Perceptions towards Kenyan Multinational in the New EAC

The second objective of the study, sought to examine the perceptions towards Kenyan multinationals in the new East African Community. This objective is discussed in chapter three of this study. This section makes the assumptions that perceptions towards Kenyan multinationals have changed in the East African community. This chapter therefore set to find out what are the perceptions towards Kenyan multinationals in the new East African Community. According to the study's finding Kenyan multinationals in the new EAC have been perceived as being agents of Economic benefits and local capital. This chapter makes the assumption that conditions in the new EAC were different as they were in the old EAC thereby warranting change in the perceptions towards Kenyan multinationals.

According to the study findings, Kenyan multinationals in the new EAC were perceived as agents of economic benefits. This perception was premised on a number of factors. First and foremost, the study indicated the emergence of home grown Kenyan multinationals in the East Africa. These companies have increasingly expanded in the region providing premium service at competitive prices. As such these companies have been perceived as local and constructive relative to the traditional multinationals from the West. Secondly, these multinationals are increasingly creating employment for the citizenry and revenue in form of taxes for the host government. In addition to these, Kenyan multinationals continue to invest in corporate social responsibility and provide the much needed technology and capital. The study reveals the expanding infrastructural network of Kenyan multinationals in the region as a formidable platform for regional transaction and business. These companies have provided the ease of doing business in the region. More importantly these corporations have provided standardization of services across the region. The study also indicated that Kenyan multinationals have become conscious of the locals culture and have thereby introduced products sensitive to the local's ways of life. These factors have informed the perceptions towards Kenyan multinationals in the new EAC.

Kenyan multinationals have also been perceived as agents of local capital. This is basically local capital for industrial development. The study reveals that Kenyan multinationals have increasingly invested billions of shillings in building local capacity in the host states through partnership, mergers, acquisitions and green investments. More importantly the study indicated that many blue chip Kenyan local companies have endeavoured to public list in the host stock markets, thereby providing opportunity for local ownership. Local ownership has in turn invoked confidence and trust among the locals and thereby transformed these Kenyan companies into regional companies. The Study has indicated that these home-grown Kenyan companies have taken the lead in providing financing, retail services and even manufacturing in the host states building the capacity of other industries and indeed the general populace.

Further to this, the study has also indicated that, Kenyan multinationals are also formidable sources highly experienced human resource in the region. These companies are headed by local Kenyans executives with wide range of experience and expertise necessary to induce change and move the company to the next level. The fact that many of these executives are basically Kenyan, they are considered local and indeed cheaper than hiring *Whit*e foreigners. Moreover the study also revealed mechanisms that have been put into play by Uganda and Tanzania to have local executive trained to take over foreign executives. This arrangement has warmed the locals' perceptions towards Kenyan leadership in their corporate sector.

6.3: Recapitulation of the Hypothesis

This study had made two hypotheses, that change in leadership influences the perceptions towards Multinational corporations and secondly that Change in economic order in the international system influences the perceptions towards Multinational corporations. The fist hypothesis makes the assumptions that there is a direct relationship between how the leadership perceive and treat multinationals with how the people treat and perceive them. Leadership in this study is presumed to be the president and the senior government officials in the respective governments. According to the study's finding, perceptions both in the defunct and new EAC are fundamentally an elitist view. How the leadership related to each other directly influenced the nature of business between the two states and indeed the perceptions towards Kenyan multinationals. The study has indicated in the defunct East African Community there was a lot of tension between Kenya and Tanzania largely grounded on the anxiety between President Kenyatta and president Nyerere. The leadership in Uganda strived to maintained cordial relationship with President Kenyatta and Moi fundamentally because of their strategic mutual importance. In this regard trade volumes between Kenyan and Uganda were always high compared to Tanzania and Kenya.

According to the study, the optimism in the new EAC is also largely driven by the goodwill in the political leadership. From the resurrection of the new EAC the leadership in the traditional members and the new entrants: Rwanda and Burundi have continued to cultivate political good will necessary in the path of integration. The leadership has provided for the signing of three protocols out of the four envisaged to culminate to a political federation. The study has also indicated idiosyncratic variables of the leadership in the Summitry that seems to suggest a shared vision for economic development in the region. In this regard this study provides evidence to strongly support that, there is a direct relationship between the leadership perceptions and the general perceptions towards Kenyan multinationals.

The second hypothesis of the study stipulates that change in economic order in the international system influences the perceptions towards Multinational corporations. This hypothesis makes the assumption that there is a direct relationship between the perceptions towards multinational corporations and the international economic order. The study reveals that perceptions towards Kenyan multinationals in the defunct East African Community were influenced by the ideological polarization in the international system. Uganda and Tanzania pursued African socialism that made them become sceptical about Kenyan multinationals which were largely from the West.

Multinationals from the West were perceived as agents of capitalism that was rebuked in Tanzania and indeed intermittently in Uganda. Economic protectionism associated with socialism frustrated trade between Tanzania and Kenya and indeed many communist states against capitalist states. In the wake of the new EAC, the economic order in the international system had changed. The study reveals that the collapse of the Soviet Union and the end of the cold war gave impetus to a new economic order largely characterised by neo-liberal policies and the globalization movement. These policies transformed the African perceptions towards economic development. Multinationals corporations were perceived to be benign engines of economic development. Kenyan multinationals took advantage of the changed perceptions towards multinationals in East Africa. This evidence strongly supports the argument that international economic order directly influenced the perceptions towards multinational corporations.

6.4 Policy Recommendation

The perceptions towards Kenyan multinationals in the defunct EAC played a fundamental role towards the eventual collapse of the community. Whereas these perceptions are changing in the new EAC, the ghost of the defunct EAC remains true. Kenya is increasing regaining its traditional lustre as the most favourite destination for multinational corporations in Africa . Many of these multinationals are attracted by the prospects of the expanding East African Market. With the increasing number of foreign multinationals streaming in the region, Kenya continues to be the biggest beneficiary. There is therefore a need to equilibrate investments into the region. This study therefore makes the following recommendations.

6.4.1: Policy on Regional Corporate Social Responsibility.

The benefits of economic investment set the impetus upon which multinationals corporations are evaluated and indeed perceived. Multinational corporations are profit driven entities and will therefore be attracted to potential markets. In this regard there is need for a framework to ensure that multinational corporations whether from the developed or developing countries take responsibility in enhancing the quality of life of the people. This study therefore recommends the establishment of a regional corporate social responsibility guideline for multinationals operating in the region. This will ensure that profits derived from the locals are also ploughed back into the very society.

6.4.2: Policy on Capacity Building and Training

The continued dominance of Kenyan personnel in the region occupying positions of chief executive officers in both local and foreign multinationals poses a threat to the integration process in East Africa. Nationalistic tendencies continue to reign in matters of control of resources. There is therefore need for intensification of capacity building and training of the locals to take up leadership positions. This study recommends a regional policy framework or guideline that is conscious on local leadership for multinationals operating outside their home states; whether local or internationals.

6.4.3 Enforcement of the Redistributive Mechanisms

Kenyan is increasingly becoming a popular destination for multinational corporations and indeed the largest source of local multinationals. The East African Community provides an attractive market for these corporations. Given that Kenyan remains the largest and most developed economy in the region, the temptation of using Uganda and Tanzania as captive markets is real. There is therefore increasing need for policy and enforcement mechanism to ensure redistributive mechanisms for investments made in the regions especially those from multinationals outside the region. Strategic resources and investments should be distributed or compensatory mechanism enacted.

6.5: Area of Further Study

This study focussed on the perceptions towards Kenyan multinationals from Kenyan perspective. It therefore recommends that further study been done from the remaining partner states of the EAC on their perceptions towards Kenyan multinationals both in the defunct and the new EAC. Further to this the study recommends a further analysis on how the perceptions towards Kenyan multinationals in the new EAC continue to impact the integration process in East Africa.

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APPENDIX ONE

INTRODUCTORY LETTER

Dear Respondent

My names are Rickline S. Ng'ayo,a post graduate student at the University of Nairobi, department of political science. As a requirement for the fulfilment of the award of masters in international relations I am required to carry out a research study. In this regard, I am carrying out a research on: The changing perceptions towards Multinational Corporations and its influence on regional integration, the case of Kenyan Multinationals in East African Community (EAC). The objective of this interview guide is three fold, namely

- To determine the perceptions towards Kenyan Multinationals
- To determine factors, accounting for the perceptions towards Kenyan Multinationals
- To establish how these perceptions have changed over time

Information attained will only be used for academic purposes.

Yours faithful

RICKLINE S. NG'AYO

APPENDIX TWO

INTERVIEW GUIDE QUESTIONS

1. What were the perceptions towards Kenyan Multinationals in the defunct East African Community (EAC) ?

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2. What are the perceptions towards Kenyan Multinationals in the revived EAC ?

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3. What factors influence the perceptions towards Kenyan Multinationals in the EAC?

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4. In your opinion, have the following factors influenced the perceptions towards Kenyan Multinationals? And How?

   - The leadership (Heads of states)
   - International System
   - Ownership
   - Modus operandi-Way of business
   - Level of economic Development of EAC members

5. In your opinion, in what ways have these perceptions influenced the integration process of the East African Community?

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6. How have these perceptions changed over time in respect to the defunct and revived East African Community?

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END