UNIVERSITY OF NAIROBI

INSTITUTE OF DIPLOMACY AND INTERNATIONAL RELATIONS

MASTERS IN INTERNATIONAL STUDIES

THE IMPACT OF ECONOMIC INTEGRATION ON THE SUGAR INDUSTRY IN KENYA:

A CASE STUDY OF COMESA

WACHILONGA BEN JUMA

R50/10864/2018

A RESEARCH PROJECT IN PARTIALFULFILMENT OF REQUIREMENT FOR THE AWARD OF A MASTERS DEGREE IN INTERNATIONAL STUDIES

DECLARATION

I, Wachilonga Ben Juma hereby declare that, this research project is my original work and has not been presented for the award of a degree in any other University.

Signed-- Date-------------------------------

WACHILONGA BEN JUMA

R50/10864/2018

This project has been submitted for examination with my approval as the university supervisor.

Signed-- Date-------------------------------

DR. ROSEMARY ANYONA

DEDICATION

This research project is a special dedication to the people in Kenya who have been affected by the research project, especially Kenyan Business community.

ACKNOWLEDGEMENT

I thank the almighty God for giving me the ability and desire to study while directing me through out my academic endeavors. First and foremost, I wish to thank all those who gave their contribution and encouragement to ensure the successful completion of this research project. In particular, I wish to recognize the commitment, dedication and critical instruction of Dr. Rosemary Anyona, which I greatly needed to complete this study. Secondly, I recognize my family as well as friends for supporting me morally and spiritually as their support did act as pillar of strength in daily life encounters. Lastly, I sincerely thank all the staffs of the Institute of Diplomacy and International Studies for their support.

God bless you.

TABLE OF CONTENT

ABSTRACT

This study sought to examine the relevance of economic integration in relation to transforming the sugar sector in Kenya. It sought to examine the impact of economic integration on the sugar industry in Kenya. The study will lay emphasis on how economic nationalism policies within the sugar sector in COMESA have affected the sugar industry in Kenya, and its effects on relations with other COMESA member states.

The overall objective of this study is to find out the impact of economic integration on the sugar industry in Kenya. The study sought to find out the effects of sugar policies on the sugar industry in Kenya. For this objective to be achieved, the study sought to address and evaluate the role of nationalism policies in the sugar industry, determine COMESA member states reaction to Kenya's nationalism policies on the process of integration. The study will assert that despite Neoliberalism calls for global freer trade, nationalism policies to shield some infant industries is actually a necessary and beneficial undertaking by some states.

The study is exploratory in nature using both qualitative and quantitative methods. Through interviews with key stakeholders and informants involved in policy formulation in COMESA, interviews from the Kenya Sugar Directorate and from academia.

The hypotheses in the study revealed that sugar policies in COMESA have impacted negatively on the growth of the sugar industry in Kenya. The study showed that protectionism policies adopted by Kenya through safeguard measures in COMESA have not assisted the growth of the sugar industry in Kenya. The policies have left the sector riddled with bureaucracy and a few protected monopolists that have rendered the sector with rent seeking hence leading to the collapse of public sugar companies and leaving the sector to a few private monopolist investors. The study was able to annul the view that Kenya's nationalism policies had no negative effects on its relations with COMESA member states. The finding in the study was that states like Zambia, Uganda and Southern Sudan drew various reactions from member states. The finding in the study was that states like southern Sudan and Uganda found it to be interfering with their national interests.

The study has also proven that safeguard measures has halted the regional integration process with Tanzania dismembering itself from COMESA integration bloc.

ABBREVIATIONS

AoA	Agreement on Agriculture
CET	Common External Tariff
CFTA	Continental Free Trade Area
CMP	Common Market Protocol
COMESA	Common Market for Eastern and Southern Africa
CUs	Customs Unions
EAC	East African Community
ECOWAS	Economic Community of West African State
EPA	Economic Partnership Agreements
EU	European Union
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
KEBS	Kenya Bureau of Standards
KEPSA	Kenya Private Sector Alliance
KESGA	Kenya Sugar Growers Association
KESREF	Kenya Sugar Research Fund
KSB	Kenya Sugar Board
NTBs	Non-Tariff Barriers
RECs	Regional Economic Communities
SADC	Southern African Development Community
SAPs	Structural Adjustment Programs

SDF	Sugar Development Fund
SDT	Special Differential Treatment
SPS	Special Preferential Sugar
SPSS	Statistical Package for Social Sciences
SUCAM	Sugar Campaign for Change
SUPAC	Sugar Parliamentary Committee
TFTA	Tripartite Free Trade Area
TRQ	Tariff Rate Quota
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WTO	World Trade Organization

CHAPTER ONE

1.0 Background

Economic amalgamation is a plan among countries that ordinarily incorporates the decrease trade barricades and the coordination of money related and financial policies.[1] Worldwide economic integration is not a firsthand scenario. Some correspondence and trade occurred between detached civilizations as well as in prehistoric times. Since the movements of Marco Polo seven centuries back, worldwide economic amalgamation through trade, factor schedules, and correspondence of economically valuable information and technology has been on the rise. This cycle of globalization has not been easy, neither has it profited all those it has influenced. Even though occasional interference for instance the interwar period or Roman Empire collapse, the level of economic amalgamation amongst various social orders far and wide has commonly been on the rise.[2] Three key variables that have been driving economic globalization process include; enhanced innovation in communication and transport which have reduced the cost of moving products, cost of production and administration; difference in choices and social order have largely but not globally, supported the use of reduced cost of transportation as a factor of production and lastly, public strategies have essentially affected the character and movement of economic amalgamation though not generally toward expansion. This study discusses how economic integration, through these fundamental forces, has influenced trade in sugar, with reference to the Kenya sugar industry under COMESA integration bloc. As of now, around 110 nations produce sugar

[1] Baldwin, Richard E., and Anthony J. Venables. "Regional economic integration." *Handbook of international economics* 3 (1995): 1597-1644.
[2] Rodrik, Dani. "How far will international economic integration go?." *Journal of economic perspectives* 14, no. 1 (2000): 177-186.

from canes or beet, and eight nations produce sugar from both cane and beet. Averagely, sugarcane represents almost 80% of worldwide sugar creation. In 2018, the best ten delivering nations were the United States, Australia, Pakistan, Brazil, China, Mexico, Russia, France, Thailand, and India who accounted for nearly 70 per cent of global output. Sugarcane cultivation and processing currently provide livelihoods for 100 million people across the world[3].

Though numerous nations producing sugar, the topmost sugar exporters are the European Union, India, Brazil, Australia and Thailand who on averaged produced almost 70% of global trade in 2016 – 2018 with Brazil being the largest producer and exporter nation in the world representing 45 percent of worldwide export. United States, China and Indonesia on the other hand were the world's major nation importing sugar in the year 2018.

Following three years of a worldwide factual deficiency, the world sugar economy got an excess in the year 2018.[4] Worldwide production surpassed worldwide utilization of sugar by 6.171 million tons. During the same year, the volume of sugar exchanged universally diminished from 65.749 to 61.777 million tons in 2017. While non-sugar factors impact global sugar market costs, 65 percent of sugar traded globally comes from Cuba, Brazil, Thailand and Australia. About 30% of the world sugar output is traded at the world market, 70% is traded under contract and preferential Regimes, therefore making the world sugar prices unrealistic[5].

---

[3] McConnell, Michael, Erik Dohlman, and Stephen L. Haley. *World sugar price volatility intensified by market and policy factors*. No. 1490-2016-127280. 2010.

[4] Maitah, Mansoor, and Luboš Smutka. "The Development of World Sugar Prices." *Sugar Tech* 21, no. 1 (2019):18

[5] Seleka, Tebogo B., and Thula S. Dlamini. "Competitiveness of ACP Sugar Exporters in the Global Market." *The International Trade Journal* 34, no. 2 (2020): 247-277.

In Africa, regions producing sugar are the North and South regions with North Africa being the oldest. African sugar producing countries need to increase their rate of production since sugar industries in Africa is a major contributor towards employment which is equally instrumental to the development in rural areas. South Africa being the tenth producer of high quality sugar with an estimate annual production of twenty million tons have greatly contributed to its economy via foreign exchange earnings, increased agriculture and industrial investments as a result of availability of market due to its linkages with key suppliers.

About 10 per cent of the world's sugarcane harvest is now grown on the continent of Africa, with most of it coming from North Africa, South Africa and Zimbabwe. In the COMESA region, eight countries have maintained their growth in sugar production, with most of the raw produced being exported to the EU, U.S and China. The top producer of Sugar in the region is the Kingdom of Eswatini (Swaziland) having produced over 650,000MT followed by Egypt at 595,000MT, then Zambia with 450,000MT. Ethiopia produced 450,000MT, Zimbabwe 391,000MT, Kenya is at 376,000MT while Mauritius and Malawi produced over 350,000MT and 239,000MT respectively[6].

In Kenya, zones under sugar production are 88% with outside growers who are small scale farmers while the rest are under sugar industries in the form of plantation.

The sugar sub sector in Kenya has gone through the roughest path over the years attributed to steady macroeconomic difficulties resulting from government policies, inadequate processing technologies, economic integration, liberalization, globalization,

[6] Voora, Vivek, Steffany Bermúdez, and Cristina Larrea. *Global Market Report: Sugar*. International Institute for Sustainable Development, 2020.

inadequate regulatory requirements, mismanagement of the factories, inadequacies at factory levels resulting to high prices of production. This scenario has resulted in several problems facing sugar farmers in the country[7].

In addition, the government sporadically unwraps the window for sugar import, an occurrence that is generally mishandled by corrupt business men.[8] A recent outrage of sugar loaded with mercury is an ideal instance of the complexities around government driven prospects that send business reeling with more profound issues.[9] Until these issues are attended to, Kenya's sugar industry remains in a dangerous state. This is attributed to the overall increase in sugar importation quickened by a non-sequenced trade exchange policies by the government. The operations of the cartel in the region and the myth on inexpensive sugar aggravated the problem within the sugar industries. [10]

1.1 Statement of the Research Problem

Liberalized trade is the converse cycle of protectionism strategies. Liberalized trade happens when governments choose to move back toward free commerce. Liberalized trade which arises amongst rich nations in the second half of the 20th century was anyway proportional and multilateral. Numerous governments responded to liberalized pronouncement which were non-discriminatory in application to liberalized trading

[7] Kegoro, Henry O., Selline Indara Akoyo, and Dina A. Otieno. "Change Management on Performance of Sugar Manufacturing Firms in Kenya." *Journal of Human Resource & Leadership* 4, no. 1 (2020): 1-9.

[8] Birgen, Yusuf, and Elson Kiplangat Kirui. "Relationship Between Multi-Dimensional Resources And Financial Performance Of Mumias Sugar Company, Kenya." *European Journal of Economic and Financial Research* (2020).

[9] Ngugi, Anne Nyawira, Timothy Maitho, and Dorothy Ndunge Kyalo. "Influence of Value Addition to Agricultural Produce and Result Based Monitoring and Evaluation to Households Food Security in Murang'a County, Kenya." *European Journal of Business and Management Research* 5, no. 3 (2020).

[10] Muchilwa, Bernard Amianda. "Exploring Causes Of Poverty In Africa With Reference To Abanyole Of Vihiga County In Western Kenya As A Means Of Addressing The Menace." *Impact: Journal of Transformation* 3, no. 1 (2020): 80-87.

partners. Globalization has literally rendered the world borderless. People, goods and services move across national borders like never before.

Neo-liberalism has come to shape the world in profound measures. Most countries in the world have opened up to international trade. The World Trade Organization (WTO) has acted as an institution that addresses trade disputes between member states. It has spearheaded the call for freer trade through reduction of trade barriers that inhibit trade. Regional integration is one of the steps that lead to freer global trade. However, countries have moved to intervene in specific sectors within their economies by exhibiting policies that impact on international trade. Integration is an opportunity for countries to enhance their foreign exchange from sugar production and thus improve their economies. This is so because it provides access to a larger market and economies of scale which are necessary to boost production levels.

However, the sugar industry in Kenya suffers from a myriad of problems that include high production costs, outdated production technologies, bureaucracies in the sector among others. Kenya is in many Regional Economic Integration blocs and yet it has not been able to access the larger markets in these economies and the economies of scale that come with it due to Non-tariff barriers, tariffs and quota restrictions.

If integration is an opportunity for countries to expand their markets and access to improved technologies and economies of scale, then why does the sugar industry continue to face the challenges mentioned? How then can integration be looked at as an opportunity to enhance sugar production in Kenya? Economic Integration is expected to lead to high economic growth through reduced poverty and improved standards of living.

Policies which are aimed to close the country's borders to trade stagnate and negate these benefits.

1.2 Research Questions

To what extent does the economic integration influence sugar industry in Kenya?

What is the impact of trade liberalization in COMESA on state relations in the bloc?

What Sugar policies in COMESA have affected the sugar Industry in Kenya?

1.3 Objectives of the Study

The following are the study's objectives:

To analyze the impact of economic integration on the sugar industry in Kenya

To assess the extent to which trade liberalization in COMESA has impacted on state relations in the bloc.

To investigate the extent to which sugar policies in COMESA have affected the sugar industry in Kenya.

1.4 Literature Review

The literature in this section will be divided into four sub-sections. The first sub-section will examine economic integration globally and further review world trade arrangements in agriculture, the second will review literature on the Africa economic integration with specific reference to COMESA and the third will review the sugar production sector in Kenya, finally the fourth will present the impact of COMESA integration on the sugar industry in Kenya.

1.4.1 Global view for economic integration.

It is possible to recognize four broad reasons for pursuing economic integration:

Defensive regionalism is also known as reactive regionalism, indicating that states want to seek economic integration to defend their common interests from a particular or nebulous external threat.[11] Historically, developed countries regarded reactive regionalism as a tool used to provide the broad domestic markets needed to sustain upcoming industrial firms. Deterioration industrialization strategies for import substitute and neoliberalism have substantially condensed protectionist component of reactive regionalism, the concept of sustaining domestic producers with shared level of production does not remain in integration blocs.[12]

Peace and security as an attempt to guarantee stability and security in the European Union such as economic integration has arisen. The concept of growing economic amalgamation between historically hostile countries, as the school of neo-functionalism suggests, seeks to increase the degree of interdependence to the point that armed conflict and continued mutual isolation are economically unsupportable as seen partially in Argentina, establishment of (SAARS) South Asian Association for Regional Cooperation and the 1980's Brazilian, this basic foundation can in any case transpire as an accord amongst participating nations.[13]

In some cases, many integration initiatives are concealed with aspirations to minimize operational costs within the region where transnational production structures are seeing growth. The Alliance of South East Asian Nations (ASEAN) is instructive in this regard,

---

[11] Ramanzini Júnior, Haroldo, and Bruno Theodoro Luciano. "Regionalism in the Global South: Mercosur and ECOWAS in trade and democracy protection." *Third World Quarterly* (2020): 1-20.
[12] Ahlawat, Madhu. "Regional Integration."
[13] Khan, Saleem M. "South Asian association for regional cooperation." *Journal of Asian Economics* 10, no. 3 (1999): 489-495.

with the steady increase of production systems regionally generates demand for greater regulating corporation and logistics to promote production exchange.[14]

Externalization as a justification for the pursuit and introduction of the Washington Consensus Model of neoliberalism, governments in developed countries have used the need to stick to regional commitments. The reduction of state funding for local industries, the lowering of high tariff walls and the privatization of state-owned enterprises have been especially significant in this regard.

Politically economic integration leads to regionalism as a method of organizing interstate relations that focuses on economic questions. States do not by accident, collapse into economic regionalism. Instead, they participate in lengthy, sustained and highly technical discussions in order to carefully establish the region's political and geographic boundaries. Regardless of the degree to which economic integration has resulted, the management of the regions still emerges as a possible source of continued political conflict between the Member States. Different levels of relative economic power, complexity and global competition provide the foundation for divergent opinions about how and how to improve the integration project over time. The position of the anchor state, a state with a large market that is often present in an economic integration project and effectively provides membership rentals to the other participants by witnessing an increase in the proportion of their exports, can be especially contentious. The argument is that while an economic area is based on and discussed in terms of the technocratic

[14] Gil-Alana, Luis Alberiko, and Hector Carcel. "ASEAN Economic Community: Analysis Based on Fractional Integration and Cointegration." *World Scientific Book Chapters* (2020): 889-915.

language of economics, while manifest in various and often indirect ways, the power relations and equations usually found in international relations remain[15.]

1.4.2 Agriculture trade, trade policies and Global Trade

For centuries, to supplement and complement domestic production, nations have depended on food merchandise and agricultural trade. The unequal distribution of natural resources, the impact of climate change has had an effect on production of plants and animals merchandise amongst States and continents. Current and future policy reforms related to security of agriculture such as the everything but Weapons (EBA) initiative of the EU, International climate for negotiation and trade rules as well as internal political balance amongst conflicting interests and ideas are part of the context in which agricultural trade policy is developed. The AoA was welcomed as a significant first step towards the fundamental reform of the international trading framework for agriculture at the end of the Uruguay Round of multilateral trade negotiations. However since then many countries have been frustrated by the modest advantages obtained from it. Indeed some analysts claim that the AoA may have 'institutionalized' the policies of OECD countries that distort development and trade without addressing the fundamental concerns of developing countries.[16].

During the Doha Multilateral Trade Negotiations Round the ministers made commitments to conduct agricultural negotiations that without prejudging the result, will seek to significantly improve market access, to minimize all types of export subsidies

[15] Oelssner, Fred, and Michel Vale. "Economic Integration and International Relations." *Soviet and Eastern European Foreign Trade* (1975): 35-53.
[16]Konandreas, Panos, and Jim Greenfield. "Policy options for developing countries to support food security in the post-Uruguay Round period." *Canadian Journal of Development Studies/Revue canadienne d'études du développement* 19, no. 4 (1998): 141-159

with a view to phasing them out and to significantly reduce trade distorting domestic help.It was decided that Special Differential Treatment (SDT) should be used in developing countries to represent their needs for development, including food security and rural development. [17].

1.4.3 Africa Economic integration overview of COMESA

Worldwide, sugar is regarded as one of the most sensitive items and its trade is therefore limited. 160 million tons of sugar is produced by small-scale farms and plantations in 123 countries each year. Approximately 70% of revenue is consumed in domestic markets, while the remainder is sold in the international market. World trade in raw sugar in 2011 was worth 47 billion US dollars, up from 10.2 billion US dollars in 2000. Developing countries alone accounted for exports worth US$ 33.5 billion.[18].

Africa produced about 10 million tons of sugar annually in the period 2006-2012, with COMESA region producing about 60 percent of this quantity. Sugar is produced in 11 COMESA countries namely; Egypt, Sudan, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Swaziland, Uganda, Zambia and Zimbabwe. In these countries, sugar production is a major employer from the firm and the sugar refinery. Large estates and associated mills employ many workers both directly and indirectly. Sugar is thus a strategic sector in the region for employment creation where it forms an important part of agricultural and development policy[19.] In 2012, the leading producer of sugar in

---

[17] Hoekman, Bernard, Constantine Michalopoulos, and L. Alan Winter. "Special and differential treatment of developing countries in the WTO: Moving forward after Cancun." *World Economy* 27, no. 4 (2004): 481-506.

[18] NDUNGO, Patrick LUSENGE, and Gift Mugano. "Revenue, Trade and Welfare Effects Of the Comesa Free Trade Agreement on the Democratic Republic Of Congo." (2020).

[19] Nicodemus, M., Frederick Ato Armah, and Samson Wakuma Abaya. "Assessing the contribution of alternative agriculture to poverty reduction and employment creation: A case study of sugar beet cultivation in Kenya." *African Journal of Agricultural Research* 6, no. 2 (2011): 440-450.

COMESA region were Egypt accounting for 33 per cent of total production, Sudan 11 per cent, Swaziland 10 percent, Kenya 8 per cent, Zimbabwe 8 per cent, Zambia 7 per cent, Mauritius 7 per cent, Uganda and Malawi 5 per cent, with 80 per cent of sugar produced from sugar cane. Only 5 of the 11-sugar producing COMESA member states (Malawi, Swaziland, Mauritius, Zambia and Zimbabwe) are net exporters, Kenya is a net importer[20].

1.4.4 Kenya Sugar Industry

Approximately 92 percent of sugar cane produced by Kenyan sugar factories is supplied by out-growers, while the remainder is supplied by factory-owned nucleus plantations. Kenya's sugar cane producers are primarily smallholder farmers with low technical capability, minimal capital and producing sugar cane under rain-fed conditions. Ratoon cropping has proved to be cost-effective for many sugar farmers, a method of farming that leaves the lower part of the plant uncut during harvesting, so that it can grow again the following season. This method enables farmers to harvest their crop several times before replanting, although after each cycle, the crop of the ratoon decreases. Higher margins can be obtained by sugar cane farmers who retain higher ratoon crops because they do not have to pay for land preparation and seed every growing season[21].

The highest costs for sugar cane growers are harvesting and transportation, accounting for 45 per cent of the overall cost of production. These two practices are also considered jointly since within hours of harvesting, sugarcane must be transported to processing

[20] Chisanga, Brian, John Gathiaka, George Nguruse, Stellah Onyancha, and Thando Vilakazi. "Agricultural development, competition and investment: The case of sugar in Kenya, South Africa, Tanzania and Zambia." *Competition in Africa: Insights from Key Industries* (2016): 41-65

[21] Jolly, Lindsay. *Sugar reforms, ethanol demand and market restructuring*. Routledge, Oxford, UK, 2012.

facilities to forestall spoilage.[22] Sugarcane takes an average of 71 labor intensive days. In addition, its bulk nature makes transportation more costly. These expenses are assumed by farmers as they are deducted from the price charged at the farm gate by the manufacturer, with the exception of cases involving private farmers organizing their own transport.

Transport related costs include losses and costs occasioned by poor road infrastructure. The government undertook to improve the road network as part of the COMESA safeguard conditions through funding from the sugar Development Fund, local authorities, access resources and the Kenya Rural Roads Authority (KERRA)[23].

Significant progress continues to be made with the Kenya Sugar Board (KSB) embarking on bridge rehabilitation and maintenance and central government providing resources to KERRA. In spite of these efforts, sugar millers continue to commit resources, both financial and human, to infrastructure maintenance which raises their operating costs. Land fragmentation is a major challenge to out-growers. Land owned by individual out-growers continues to be sub- divided into smaller parcels, decreasing the efficiency of farmer's activities. An umbrella organization of producers, known as Kenya Sugarcane Growers Association (KESGA), was established in 1982 to lobby the government to support and negotiate sector relations[24].

The Agriculture Fisheries and Food Authority ACT of 2013 govern the regulations on the licensing of importation and exportation of sugar in Kenya and is amended from time to

[22] Muteshi, Dominic Chungani, and Zachary Bolo. "Diversification Strategy and Factors Affecting Production of Sugar in Kenya." *DBA Africa Management Review* 7, no. 2 (2017).

[23] COMESA safeguard conditions through funding from the sugar Development Fund, local authorities, access resources and the Kenya Rural Roads Authority (KERRA).

[24] Wanyande, Peter. "Management politics in Kenya's Sugar Industry: Towards an effective framework." *African Journal of Political Science/Revue Africaine de Science Politique* (2001): 123-140.

time. Importers and exporters of sugar and sugar by products are required to register and apply for relevant licenses from the Sugar Directorate. The Directorate issues pre-imports approvals to importers to importers before issuing import licenses for shipment of specific consignments. Import or export licenses are issued to registered importers and exporters upon fulfillment of conditions set out by the regulations. The licenses are issued only for specific consignments imported or exported and to manufacturers entitled to import white refined sugar, which are not transferable[25]. The amount of refined sugar required by manufacturers and that intended for local consumption is determined annually by the Directorate taking into account the short fall in the domestic production[26.] The determination of quantities to be imported or exported by the Directorate means that there is no free flow of sugar and makes the price of sugar in the domestic market higher than would be the case without these controls.[27]

The administrative procedures of processing importation of sugar pose some bottlenecks that may hinder the fulfillment of the COMESA quota. All countries within COMESA complained about the difficulties they encountered in trying to enter the Kenyan sugar market. The cost of sugar production in Kenya is relatively higher compared to other COMESA countries due to Kenya's reliance on smallholder farmers[28]. This is due to greater variability in input use and field preparation, less consistent crop care and higher harvesting and transport costs. Kenya's sugar production costs are at US$ 503.5 per MT

---

[25] Mitullah, Winnie, Paul Kamau, and Joshua M. Kivuva. "Employment creation in Agriculture and Agro-processing sector in Kenya in the context of inclusive growth: Political economy and settlement analysis." *Partnership for African Social & Governance Research, Working Paper* 20 (2017).
[26] Bulitia, Godrick. "Diagnostic Control Systems and Overall Firm Performance of Sugar Firms in Western Kenya." (2017).
[27] Padwick, Timothy John. "Spirit, desire and the world: Roho churches of western Kenya in the era of globalization." PhD diss., University of Birmingham, 2003.
[28] Mati, Bancy M., and Michael K. Thomas. "Overview of sugar industry in kenya and prospects for production at the coast." *Agricultural Sciences* 10, no. 11 (2019): 1477-1485.

compared to Malawi US$ 216.5, Zambia US$231.6, Sudan US$297, Egypt US$276.9, and Swaziland US$ 276.9[29]. The production costs in Kenya doubles those of the world's major sugar exporters, and its ex- factory prices are about 50 per cent higher than import prices from COMESA Free Trade Area exporters. Without major reforms in the sector, the industry cannot compete with other COMESA sugar producing countries.

1.4.5 Impact of Economic Integration on the Sugar Industry in Kenya

Studies suggest that the effect of economic integration on growth is difficult to determine, however the theory of endogenous growth aims to give Africa hope.

The theory argues that economic growth is critically influenced by the form of economic policy, the pace of technological innovation and the accumulation of knowledge, as well as the standard of institutions and governance.

ECA supports this theory by noting that only by increasing the effect of technological spillovers, adherence to macroeconomic policies, and strengthening legislative and regulatory structures can regional economic integration lead to economic growth.

Poverty relief is another problem in terms of the effect of economic integration on development. The growth rate of the average income can be balanced by the growth rate of the poor, according to the ECA. For example, according to the Agriculture Food Authority, despite the challenges facing the sugar industry, the sugar industry supports 15 percent of the population of Kenya and also contributes 15 percent to the Agricultural Gross Domestic Product. According to another report by the Partnership for African Social and Governance Research (PASGR), however the effect of sugarcane revenue on

[29] Nganga, Cornelius J., and Jean Bosco Byiringiro. "Effective Maintenance Strategy of Cane Crushing Mills for Improvement of Sugar Production in Kenya." (2018).

the welfare of local farmers has been largely negative.[30] Factory maintenance accounts for 45% of overall factory expenditures, while wages account for 20% and cane procurement accounts for about 35%.. This means that only 20 percent of the sugar revenue remains within the nation, 40 percent of which accounts for food alone. Thus because of exploitation by these sugar processing factories, farmers are unable to invest.[31] Moreover, due to pressure from COMESA to compete with other regional sugar producers, the economic integration of the sugar industry in Kenya has had a small impact on growth.[32] It is necessary to remember that a member country must comply with the obligations of COMESA. In addition, the inefficiency of Kenya's sugar industry is related to political intervention, government bureaucracy, and the role and power of sugar barons, as the local sugar production has not been able to meet the demands of Kenya's sugar consumption; thus, the government is then forced to import more sugar in order to fill the void. However, studies indicate that promoting industry cooperation within Kenya and moving competition from local to regional or international levels is the only way to generate healthy regional competition. This will allow the sugar industry in Kenya to follow COMESA-set standards and parameters to compete effectively in the regional market.[33]

Tariff concessions are a central aspect of any International Trade Deal, which often includes the reduction or removal of tariffs between the participants. By reducing TRQ or

[30] Wanyama, Kadian Wanyonyi, Sharon Wefuma Sifuma, Nabiswa Patrick Koyi, Isaac Mabale Indiatsi, and Josephine N. Ojiambo. "How group potency affects employee job satisfaction in sugar manufacturing firms in Kenya." *Journal of Economics, Management and Trade* (2019): 1-12.

[31] Odhiambo, George, and Elijah Muange. "Declining Wage Employment along Sugar Value Chain: The Need for Policy Change in Kenya." (2019).

[32] Kassa, Binyam. "Impact Of Live Animal Production And Trade On Economic Growth Of Comesa Member Countries." PhD diss., st. mary's University, 2019.

[33] Munyao, Earnest M. "International Entry Strategies Adopted By Kenya Oil Marketing Companies Within The Common Market For Eastern And Southern Africa." PhD diss., University of Nairobi, 2018.

removing limits on tariffs, preferential access to the other member markets for unique agricultural products is given to the member countries. For example, within the framework of COMESA, There is a legal avenue that enables Member States to enforce quantitative bans or limitations on products manufactured by newly industrialized or sensitive local industries. In 2002, with the approval of the COMESA Secretariat, Kenya implemented a 200,000-ton duty-free quota on COMESA imports and applied a 100 percent tariff on imports beyond the quota. As a consequence of the key factors affecting the Free Trade Region, this decision was made. It is also important to remember that certain non-sensitive agricultural sub-sectors are subject to a greater reduction in tariffs than others. On the other hand, other sensitive subsectors, such as sugar, are often exempted from tariff reductions and their import is regulated by the TRQ.[34].

About 43 per cent of African sugar consumption is accounted for by the COMESA bloc, which is largely based on the membership of Egypt and medium-sized consumers such as Kenya and Sudan. It is important to remember that Egypt is a nation with a complex sugar and sweetener industry that produces both cane and beet sugar and has maize sweetener equipment as well. It ranks among the largest importers in Africa and after South Africa, it is the second largest producer. Sudan is also another country in the East Region with certain characteristics worthy of being a major exporter of sugar. It invested heavily in manufacturing facilities in 2006, with the aim of growing production by 1 million tons. At present, however, Sudan's exports are less than 10% of its production.[35]

[34]Skully, David W. "Auctioning tariff quotas for US sugar imports." *Sugar and Sweetener* (1998): 17-21.

[35] Jemaiyo, Beatrice. "An assessment of the effectiveness of marketing strategies adopted by sugar manufacturing companies in Kenya." *Journal of Emerging Trends in Economics and Management Sciences* 4, no. 3 (2013): 350-357.

Some studies suggest that the poor output of COMESA Sugar Member States is due to the lack of a consistent sugar outline in the block.[36] Seven nations, for example, out of twenty members, Rwanda, Seychelles, Eritrea, Burundi, Comoros, Namibia and Djibouti have no effect on the configuration of sugar [37] The International Sugar Organization doesn't publish sugar statistics among the five member states. On other hand, there are seven countries including Malawi, Mauritius, Madagascar, Ethiopia, Zimbabwe, Zambia, and Swaziland which export at least 25 per cent of their production, thus underlining the importance of the regional markets have on their sugar economies. In the area of sugar import, the situation is extremely unbalanced, for instance, Egypt imports more sugar than the rest of COMESA members put together[38].

The main adjustments following the introduction of economic liberalization policies include, among others, the elimination of import quotas, the abolition of price controls and foreign exchange controls. Removal of tariffs as a device to protect the local production of sugar allowed sugar to be imported into the country[39]. Competition from low cost sugar producers within COMESA, low free world market prices caused by over-production in the world, are other factors leading to the woes in the sugar industry. This overproduction puts price pressure on[40].

A number of studies have previously been conducted in Kenya, answering the issue of the degree to which businesses have been impacted by the changing market climate and

---

[36] Birgen, Yusuf, and Elson Kiplangat Kirui. "Relationship Between Multi-Dimensional Resources And Financial Performance Of Mumias Sugar Company, Kenya." *European Journal of Economic and Financial Research* (2020).

[37] Dubb, Alex. "Commodity Study: Small-Scale Sugar Production." (2020).

[38] Obado, Okoth Z. "Competitive strategies employed by the sugar manufacturing firms in Kenya." PhD diss., University of Nairobi, 2005.

[39] Awiti, Leon. "Influence of Financial Capability on Competitive Advantage of Sugar Companies in Western Kenya."

[40] Ndayisaba, Jean Claude, Job Kibiwot Lagat, and Symon Kibet Kiprop. "Fundamental and Applied Agriculture."

the strategic responses involved. These studies include Paulo et al (2017) on Financial Institutions, who noted that the sector's liberalization had a profound impact on the functioning of local financial institutions, necessitating their systemic reform. Goetz(2019) on the dairy industry, noted that the sector's liberalization had led to an uncertain market climate in the sector.[41] These studies include Paulo et al (2017) on Financial Institutions, who noted that the sector's liberalization had a profound impact on the functioning of local financial institutions, necessitating their systemic reform. Goetz(2019) on the dairy industry, noted that the sector's liberalization had led to an uncertain market climate in the sector.[42].

All of the above studies show a correlation between Kenya's evolving business environment and the functioning of local firms. The sugar industry's output has been shrinking for some time now.[43] The Kenya Government's National Development Plan for the period 1997-2000 observes that sugar self-sufficiency has remained elusive over the years, leading to higher import levels.[44] The Country Study of the Economic Intelligence Unit (1998) found that some of the cane harvested in 1997 had reduced sugar content. The same study shows that the Ministry of Agriculture projects a decrease in the

---

[41]Goetz, Ariane. "China and Africa: Somewhere Between Economic Integration and Cooperative Exploitation." *Innovating South-South Cooperation: Policies, Challenges and Prospects* (2019): 173.

[42]Waswa, CalistusWekesa, Mohamed Suleiman Mukras, and David Oima."Effect of Liquidity on Financial Performance of the Sugar Industry in Kenya." *International Journal of Education and Research* (2018): 16-44.

[43] Akoko, Alex A. "Government Policies’ mediating influence On the Relationship between Knowledge Management Practices (KMPs’) and Sustainability Of Sugar Companies in Kenya."

[44]Owiye, Peter O., Isaac K. Naibei, and Gideon Momanyi. "Effect of Trade Liberalization on Performance of Sugar Firms in Kenya: The Case of GovernmentOwned Firms." *European Scientific journal* 12, no. 13 (2016).

production of sugar from 400,000 tons in 1996 and an estimated 390,000 tons in 1997 to 350,000 tons in 1998.[45]

The Kenyan sugar industry provides an illustration of the adverse effects of Kenya's economic liberalization/integration. It is assumed that unregistered imports of sugar from heavily subsidized economies are affecting the sugar industry. The local sugar industry has had togratify some of the world's leading sugar producers and exporters such as India, Brazil, China, Mexico, Pakistan and South Africa with competition.

Competition faced by local sugar companies from imported sugar has been widely viewed as unfair. Industry experts have pointed out in various ways that foreign sugar importers have been able to find loopholes in the customs department of Kenya that allow them to import sugar into the country without paying the full value of the customs duties and other charges.[46]

Egypt accounts for around 2/3 thirds of the total imports of COMESA sugar. It should be anticipated from this point of view that COMESA members will need comprehensive talks to find common grounds and policies for the future of the sugar industry. Almost immediately after the implementation in October 2000 of the COMESA Free Trade Area (FTA), problems and conflicts emerged in the sugar trade. The most prominent issues related to sugar have arisen in Kenya. In July 2002, a spokesman for the COMESA Secretariat reported that the success of the FTA in COMESA was demonstrated by Kenya's increased imports of sugar. The Kenyan market was in reality flooded by imported sugar, which was described as coming from Malawi, Swaziland, Zambia and

---

[45] Nyoro, James K., Maria Wanzala, and Tom Awour. *Increasing Kenya's Agricultural Competitiveness: Farm Level Issues*. No. 680-2016-46741. 2001.

[46]Eaton, Dave. "GodriverWanga-Odhiambo. The Political Economy of Sugar Production in Colonial Kenya: The Asian Initiative in Central Nyanza." (2018): 1439-1440.

Zimbabwe (although there were also frequent complaints that non-COMESA sugar had entered the country illegally). In terms of economics and statistics, it is not difficult to see why and how a net importer of sugar such as Kenya, with relatively better economic indexes than neighboring countries, quickly became a target for lower-cost producers like the above-mentioned countries.[47]

Imports of sugar to Kenya have been growing and currently stand at more than 200,000 tons. Egypt, Saudi Arabia, South Africa, Malawi and Madagascar traditionally import sugar from Kenya. The key export destination of Kenyan sugar under ACP preferential trade access has been the EU, while exports are generally marginal. The government is currently under an obligation to relinquish its shareholding in its COMESA sugar security obligations.[48] Even as the government embarks on the privatization program, however, restive noises still emanate from the local political class with vested interests in the sugar sector. The Government of Kenya successfully campaigned in 2015 for the extension of the COMESA protections that have existed for one more year since 2005.[49].

Kenyan sugar consumption is rising, according to annual reports from the US Department of Agriculture, but local production is declining.[50] In 2011, 70 percent of local demand was covered by domestic production, but the local share was down to 62 percent in 2015 (USD 2016). Kenya had a sugar deficit of 200,000 tons in 2014. Local production is obsolete, sugar factories have not been modernized and are closed for maintenance every

---

[47] Monroy, L., W. Mulinge, and M. Witwer. "Analysis of incentives and disincentives for sugar in Kenya." *Gates Open Res* 3 (2019).

[48]Odhiambo, George, and Elijah Muange."Declining Wage Employment along Sugar Value Chain: The Need for Policy Change in Kenya." (2019).

[49]Moraa, Ogendi Rose, Thomas A. Senaji, and Mary Mbithi. "Relationship between Strategic Responses and Competition in the Sugar Industry in Western Kenya Region." *structure* 2 (2017): 1-14.

[50]Eaton, Dave. "GodriverWanga-Odhiambo. The Political Economy of Sugar Production in Colonial Kenya: The Asian Initiative in Central Nyanza." (2018): 1439-1440.

year.[51] As such, sugar processing is slow and costly in Kenya, leading to production costs that are 50-60% higher than in neighboring Uganda and Tanzania (USD 2016), not to mention Ethiopia, which has increased its production of sugar cane as part of government-led agricultural development projects in recent years. In 2016, the government of Kenya secured exceptional import safeguards for sugar with its COMESA counterparts for the third consecutive year. Yet it does not seem that the government has national production under control. In 2014, the irregularities and high cost of production of Kenyan sugar resulted in local milled sugar being sold for up to kshs133, while smuggled sugar was sold for as little as kshs60 a kilo. In view of these price disparities, it is easy to see the benefit potential of repackaging and selling smuggled sugar as though it were manufactured locally by Kenyan factories.[52]

Kenya has excellent environmental conditions for cane cultivation. However, only about two-thirds of the consumption needs (about 450,000MT) can be met by local sugar producers. Kenya's sugar industry is both strategic and political; It ensures that food security improves rural lives and provides millions of Kenyans with safe livelihoods, but also undergoes severe government action.[53] Due to perennial problems, the sector is continually at risk of failure.[54] Liberalization and rising competition from cheap sugar

[51]Wanga-Odhiambo, Godriver. *The Political Economy of Sugar Production in Colonial Kenya: The Asian Initiative in Central Nyanza*. Lexington Books, 2016.
[52]Oseni, Musiliu O., and Michael G. Pollitt. "The promotion of regional integration of markets: Lessons for developing countries." *Energy Policy* 88 (2016): 628-638.
[53]Vlachou, Andriana, ed. *Contemporary economic theory: Radical critiques of neoliberalism*. Springer, 2016.
[54]Njeru, Alex. "BITTER SUGAR." (2016).
Mwalim, Mr Andrew Opiyo, Robert KW Egessa, and MrKwendo Evans. "Effect of Setting of Performance Contract Objectives on Organizational Performance in the State Owned Sugar Companies." *Int. J. of Multidisciplinary and Current research* 7 (2019).

imports, weak industry policies and systems that fix basic problems are the major crises the subsector is facing.[55]

The national annual sugar consumption has risen and is about 700,000MT, but the annual production is below 500,000MT. Kenya imported 70% of its sugar requirements in 1966, but by 1976, domestic production stood at 296,000MT, while demand for consumption stood at 253,000MT. This changed, however in later years and Kenya is now a net importer of sugar.[56] The liberalization of trade for the sugar sub-sector has lowered barriers regulating trade flows and abolished price controls. This resulted in an increase in trade rather than an increase in the local industry's efficiency and competitiveness.[57.] Consumption estimates were believed to be either inflated or significant imports were not reported. According to estimates, however there was a glut in the local sugar market due to the availability of cheap imported sugar during that period.

This excess supply was detrimental to local manufacturers who could not dispose of their higher priced products. Therefore, trade liberalization had negative consequences at the time as the local industry was not given time to grow enough to face its challenges. The industry is still facing a crisis amid these efforts. Sugar importers appear to be the biggest winners. The primary losers are impoverished farmers and consumers who have to pay higher commodity prices.[58.]

---

[55]Owiye, Peter O., Isaac K. Naibei, and Gideon Momanyi. "Effect of Trade Liberalization on Performance of Sugar Firms in Kenya: The Case of GovernmentOwned Firms." *European Scientific journal* 12, no. 13 (2016).

[56] Mati, Bancy M., and Michael K. Thomas. "Overview of sugar industry in kenya and prospects for production at the coast." *Agricultural Sciences* 10, no. 11 (2019): 1477-1485.

[57]Ehigiamusoe, KizitoUyi, and HooiHooi Lean. "Do economic and financial integration stimulate economic growth? A critical survey." *Economics: The Open-Access, Open-Assessment E-Journal* 13, no. 2019-4 (2019): 1-27

[58] Wawire, N. W., F. Kahora, R. Shiundu, S. M. Muturi, K. B. Kipruto, and G. Omoto. "Cost reduction strategies in sugarcane production in Kenya." *Kenya Sugar Research Foundation (KESREF)* (2006): 32.

1.5 Justification of the Study

The sugar Industry in Kenya suffers from myriad problems ranging from excessive deductions and taxation of farmer's income to negative challenges of regional trading system. This study seeks to fill this gap. In so doing, the study will bring new perspectives into the whole debate of COMESA sugar policies and their impact on the sugar industry in Kenya. The study therefore will become an entry point for other researchers who might wish to explore the topic further.

The study will be important to the Ministries of Trade and Industry, who can use it to acquire knowledge that will contribute immensely to various debates on government policies on sugar industry in trying to safeguard the industry to alleviate poverty, unemployment and encourage sustainable growth in the country. Also, knowledge on challenges of Free Trade Area on the patterns of trade and opportunities that come with it as a member of COMESA will be highlighted. The study will be of further importance to research institutions and academicians who can use the research study as reference material when conducting a similar study.

The study will also equip policy makers in formulating national economic policies and strategies that will result in the growth and sustainability of the sugar industry in Kenya. It will also inform lobby groups who are active in championing interests of stakeholders in the sugar industry.

1.6 Theoretical Framework

The study seeks to use Neoliberalism theory to explain the dynamics in the sugar industry. Economic Neoliberalism is a theory that advances the view that the state should have a minimal role to play in an economy[59.] The theory asserts that States should not intervene in the economy but leave it to the market forces of demand and supply. The theory focuses on shifting the role of the public sector to the private sector.

Neoliberalism theory has both economic and international relations perspectives: International relations uphold the sovereignty of states. The theory holds that states as separate entities should prioritize their absolute interests before focusing on the relative goal. The main component in this theory in relation to international relations is how states, through cooperation can realize mutual gains[60]. The second aspect of economic neoliberalism, emphasizes on the alliances that will lead to economic gains and doing away with public sectors and having private sector to play major roles; and therefore reducing government interference and control.[61]. It builds from neo-classical economists which among others advances reduction in spending by governments, hence opening up markets for trade through reduced government controls[62.]

Neoliberalism believes that every economic transaction is beneficial to all parties so long as it mutually voluntary and deliberate and therefore no need for excessive regulations.

Neoliberalism advocates for reduction in the role of government in regulating the economy. This in the long run allows the private sector to be the main player in the

---

59 Hursh, David. "Neoliberalism." In *Knowledge & power in the global economy*, pp. 35-44. Routledge, 2017.
60 Vlachou, Andriana, ed. *Contemporary economic theory: Radical critiques of neoliberalism*. Springer, 2016.
61 Cahill, Damien, Melinda Cooper, Martijn Konings, and David Primrose, eds. *The SAGE handbook of neoliberalism*. Sage, 2018.
62 Vlachou, Andriana, ed. *Contemporary economic theory: Radical critiques of neoliberalism*. Springer, 2016.

economy. That the reduced role of government in the economy allows the forces of demand and supply to run the economy.

Another principle in neoliberalism is the role of the market. The theory encourages free enterprise with no state bonds. Markets are self- regulating due to the forces of demand and supply and these provide the optimal price level and output for the economy. Price controls are discouraged as they distort the demand, supply operations. It calls for greater international trade openness as well as freedom of movement of goods and services across borders. The theory also sees privatization of state-owned enterprises as key to increase their efficiency and promote competition and consequently welfare[63]. Due to the absence of the profit motive and more focus on public welfare, government owned enterprises are inefficient, and because of their heavy subsidization and wide spread monopoly, they end up providing poor goods and services.

As a principle within neoliberalism, there is need for the deregulation of the economy since strict regulations by states has the long-term effect of reducing profits, which in turn discourages competition and effective working of the market forces of demand and supply. This ultimately leads to lack of innovation and progress in society. Neofunctionalism theory will enhance this study because for the sugar industry in Kenya to grow and remain competitive in the COMESA region, government's role through controls of the industry must first diminish. Government must crush all the cartels in the sugar industry and leave the market forces of demand and supply to be at play. The emphasis of the theory on market forces means that international trade within an integrated region becomes a reality as forces of demand and supply, and not government policies, dictate the price and quantity of goods and services demanded by customers in

[63] Naidu, Suresh, Gabriel Zucman, and Dani Rodrik. *Economics after neoliberalism*. MIT Press, 2019.

domestic and regional markets. The theory is relevant as the study looks at how economic integration has impacted on the sugar industry in Kenya. The study focuses on economic integration which is best explained by neoliberalism theory.

1.7 Hypotheses

The following are the study's hypotheses:

Ho: Privatization of sugar industry enhances integration.

Ho: Increased land acreage for sugar farming enhances integration.

Ho: Sugar product diversification enhances integration.

Ho: Improved technological production of sugar enhances integration.

Ho: Improved Sugar Boards Management enhances integration

Ho: Increased land acreage enhances integration.

1.8 Methodology

The study is exploratory in nature. It will seek to explore the effects of Sugar Policies on the industry and interstate relations.

Exploratory studies aim to scope out the enormousness of a precise phenomenon, generate preliminary ideas regarding a problem, and test the practicality of further inquiry into the problem.

Exploratory studies seek to find out the 'What' about a problem. The study will use qualitative and quantitative methods. Quantitative data will come from the Ministry of Trade and Industrialization, Foreign Affairs, which will show the amount of sugar production, sugar imports Kenya imports from COMESA region and the volume of exports.

Qualitative data will come from interviews with key stakeholders in policy formulation within COMESA.

Interview guides will be used to conduct interviews.

Primary data will come from interviews of a sample of 30 respondents drawn from institutions that are directly involved in sugar production and trade. These institutions include the COMESA office in Nairobi, Ministry of Foreign Affairs and Trade and industry. Others include Ministry of Agriculture and Kenya Sugarcane Growers Association. These are institutions that are directly engaged in matters related to sugar production and trade. Secondary data from government sources that are critical in ascertaining sugar production, import- export volumes within the region.

The population for the study will be drawn from the Ministry of Trade and Industrialization, Ministry of Agriculture, and COMESA office in Nairobi.

Quota sampling will be taken to determine respondents. This sample method is mostly used where research seeks to interview more members of a particular group (Policy makers) than other groups (General public)

The research design to be used is a case study. Case study design, studies phenomena and begs the question “why and how?”

1.8.1 Data Collection

1.8.2 Primary Data

Primary data will be mainly used. It will be collected using self-administered questionnaires distributed to the target population. Information from the literature review will be collected from published reports from Kenya's COMESA office in Nairobi, the Ministry of Trade and Industry and the Institute of Economic Affairs. Further primary source of data will come from interviews conducted with key stakeholders in policy formulation. Key persons will be senior level executives drawn from Kenya Sugar sector that are involved in making policies concerning the sugar sector, The Ministry of Foreign Affairs which is involved in Foreign policy, the Ministry of Agriculture, Kenya National Bureau of Statistics and COMESA office in Nairobi that manages policy regarding integration. Key informants in government of Kenya Ministries are the people who are best placed to shed light on the topic owing to the fact that they are policy makers.

The data will mainly cover economic variables such as Sugar Production volumes, volume of exports and imports, Tax rates including VAT and excise duties, Competition within an enlarged market, Trade creation effect through comparative advantages, levels of Technology, trade development through trade liberalization and freeing of market forces, levels of infrastructure i.e. does regional trading agreements facilitate physical and communication infrastructure in Kenya. The data obtained should give a clear picture and test the hypotheses.

1.8.3 Secondary Data

Secondary information will be drawn from scholarly journals, books, articles, gathered from library material, newspapers, various web sites, COMESA Journals and Publications.

1.8.4 Data Analysis

Data derived from Primary sources will be analyzed using qualitative and quantitative data analysis techniques. Quantitative analysis of trade volumes and content will be used to better understand respondents.

1.9 Chapter Outline

Chapter one introduces the study and addresses the various concepts employed in the study. The chapter explores exciting literature and points out the objectives of the study as well as the background. It also provides methodology and theoretical framework to be used in the study. The Chapter deals with trade agreements in the sugar industries of East and Southern Africa, Sugar production sector in Kenya and the impact of economic integration on the sugar industry in Kenya.

Chapter two will deal with the first objective which is to analyze the impact of sugar policies on the sugar industry in Kenya. It will look at the effects of such policies and it will draw from Africa and elsewhere in the globe.

Chapter three will investigate and seek to find out the extent to which COMESA liberalization policies have impacted on state relations within the bloc. The chapter will seek to find out how COMESA states have reacted to the sugar safeguard policies emanating from member states. It will examine measures taken up by Kenya on response to these policies.

Chapter four will evaluate the extent to which sugar policies in COMESA have affected the sugar industry in Kenya. The chapter will establish the impact of COMESA policies on the sugar industry in Kenya.

Chapter five will be the summary and recommendations. It will present the study's findings and provide recommendations for the sugar industry sustainable development.

CHAPTER TWO

THE IMPACT OF SUGAR POLICIES ON THE SUGAR INDUSTRY IN KENYA

2.1 Introduction

Kenya's sugar industry is important to the economy as a source of livelihood for actors along the value chain as well as sugar for consumption and as raw material for industries[64]. Despite this, the industry continues to face many challenges including high input and sugar processing costs. The industry is one of the most protected in the country. Kenya has continued to receive waivers from common market partners, even as the government provides subsidies at both firm and miller level. Despite these interventions, the industry shows little gains to consumers, growers or millers, but tends to transfer these gains to importers and bureaucrats suggesting high level of rent seeking within the industry. Therefore, questions persist as to what reforms are required to take the industry on a path towards sustainability and competitiveness. This chapter undertakes a comparative assessment of the competitiveness of sugar production in the COMESA region, Safeguards for the Kenya Sugar sector, regulations and licensing procedures in Kenya, the Impact of the sugar safeguard measures on the sugar industry in Kenya. The chapter further looks at Intra- COMESA Trade potential, opportunities and challenges, emerging policy issues and policy options available for Kenya to improve the industry.

[64] Mulwa, M. R., A. Emrouznejad, and F. M. Murithi. "Impact of liberalization on efficiency and productivity of sugar industry in Kenya." *Journal of Economic Studies* (2009).

2.2 Comparative Assessment of the Competitiveness of Sugar Production in the COMESA Region

Sugarcane production in Kenya is quite different from the other countries in the region. Land is owned by individuals. Despite the existence of cooperatives and out-grower's associations, cane is grown by individual farmers on small land acreage, supplying 90 per cent of the mill requirements. The sugar sector in Zambia, Malawi, and Swaziland is largely private sector owned. In Egypt, 55 per cent of all sugar is made using sugar beet which a six-month winter crop is allowing farmers to make additional income from growing summer crops such as wheat. In all these countries except Kenya, cane matures in one year under irrigation with resultant high yields and profit margins[65]. In these countries, small holder cane production is done as a block, under associations/ cooperatives/groups to take advantage of economies of scale[66]. The bulk of the cane supply is sourced from the millers' own estates. In Swaziland, growers only get involved in cane production after approval by the Quota Board.

Favorable climatic and soil conditions, supported by good irrigation practices have significantly enhanced cane production with high sucrose content in Zambia, Malawi, and Swaziland. In these countries, the cane matures within 12 months unlike in Kenya where the period varies from 18-24 months in the high-altitude zones of Western Kenya[67].

---

[65] Sukati, Mphumuzi. "COMESA's Revealed Comparative Advantage in Common Agricultural Commodities." (2016).

[66] Dawar, Kamala, and Ndaba Ndlovu. "A comparative assessment of competition in Africa: identifying drivers of reform in Botswana, Ethiopia, and Nigeria." *Journal of Antitrust Enforcement* 6, no. 1 (2018): 150-172.

[67] Oyeyo, Ignatius M. "Market structure in regional integration: analysis Of the Kenyan sugar industry in COMESA." PhD diss., 2004.

The revival of cane farming in the coastal region of Kenya will enhance the competitiveness of sugar production with cane maturing in 10-14 months under irrigation. In COMESA, there is a progressive moves towards privatizing sugar producing industries though major shareholders are government official within the region. Among COMESA countries, sugar is a major agricultural product produced in 11 of the 19 COMESA member nations, that is Egypt, Sudan, Zambia, Kenya, Madagascar, Malawi, Mauritius, Swaziland, Uganda, Ethiopia and Zimbabwe[68.]

Production capacities, operational efficiencies and farming methods vary from country to country. Egypt is the only country in the region that produce both cane and beet sugar. The rest produce cane sugar. Total cane sugar production has increased over the last decade from 5,500,000 MT in 2002 to 6,435,000 MT tons in 2012. Major sugar producers in the region are Egypt, Sudan, Swaziland, Kenya, Mauritius, Zambia, Zimbabwe and Malawi. All of these countries produce sugarcane through irrigation except Kenya, where rain fed cane production is dominant[69]. Kenya is among the major sugar producers in the region but at the commencement of the COMESA FTA, it was not able to compete with other COMESA countries due to production inefficiencies. To protect its market, Kenya was granted a sugar safeguard from 2002[70].

---

[68] Imbambi, Richard Misigo. "Influence of strategic capabilities on competitive advantage of sugar companies in Western Kenya." PhD diss., JKUAT COHRED, 2018.

[69] Koroti, Mumia. "The effect of investing and financing decisions on financial performance of the sugar factories in Kenya." PhD diss., 2014.

[70] Atieno, Yvonne Awuor. "Corporate Governance Problems facing Kenyan parastatals: A case study of the sugar industry." *unpublished thesis, Master of Law and Business* (2009).

2.3 Safeguards for the Kenya sugar sector.

The Kenyan Government safeguards Kenya sugar sector through Article 61 of the COMESA Treaty. This ensures that sugar imported from COMESA nation's to Kenya are exposed to a tariff rate quota[71]. This was implemented in March 2002 for twelve months and afterward renewed by Council of Ministers as stated below:

First extension of 12 months- March 2003 to February 2004

Second extension of 4 years-1st March 2004 to 28th February 2008

Third extension of 4 years- 1stMarch 2008 to 28th February 2012

Fourth extension of 2 years- March 2012 to February 2014 and

Fifth extension of 1-year 2014 to February 2015.

The safeguard was expected to ensure that the sugar sector in Kenya contributes to overall competitiveness of COMESA[72]. This would enable Kenya citizens to enjoy higher standards of living directly or indirectly, in the short, medium or long term from the application of the terms and conditions of the safeguard measure.

The COMESA Directive No. 1 of 2007 set the following terms and conditions of the safeguard extension which Kenya was required to adhere to:

The safeguard should continue as a Tariff Rate Quota (TRQ)

Sugar types (domestic and industrial) under HS Heading 1701 should be amalgamated into a single figure for the quota

[71] Jemaiyo, Beatrice. "An assessment of the effectiveness of marketing strategies adopted by sugar manufacturing companies in Kenya." *Journal of Emerging Trends in Economics and Management Sciences* 4, no. 3 (2013): 350-357

[72] Omusula, Michael W. "The level of preparedness of sugar firms in Kenya ahead of the end of Comesa safeguards in february 2014." PhD diss., University of Nairobi, 2014.

The size of the quota should be increased while the tariff rate applied on above quota imports of COMESA sugar should be lowered in each successive year.

A framework for administering and monitoring the implementation of the safeguard and for liaison with the COMESA policy organs should be established

Government should scale up divestiture efforts away from publicly owned sugar mills.

Government should adopt energy policies directed towards encouraging generation and use of other forms of energy (bio-fuel) as this will bring competition within the sugar sector. Kenya Sugar Research Foundation (KESREF) and other stakeholders should continue with research and development on high sucrose and early maturing cane varieties and the Kenya Sugar Board (KSB) should assure adequate funds for such research

The sugar industry should adopt pricing strategies based on sucrose content rather than weight.

Government and other stakeholders should improve the road infrastructure network and related infrastructure in the cane producing areas and

Submit periodic performance reports to Council through the Secretary General on all measures, activities and improvements on the sugar sector competitiveness at least twice in every year.

2.4 Regulations and Licensing procedures in Kenya

The Agriculture Fisheries and Food Authority Act 2013 govern on the licensing of importations and exportation of sugar in Kenya and is amended from time to time[73].

The amount of refined sugar required by manufacturers and that intended for local consumption is determined annually by the Directorate taking into account the shortfall in the domestic production. The determination of quantities to be imported or exported by the Directorate means that there is no free flow of sugar and makes the price of sugar in the domestic market higher than would be the case without these controls[74]. The administrative procedures of processing importation of sugar pose some bottlenecks that may hinder the fulfillment of the COMESA quota[75]. COMESA countries trying to enter the Kenyan sugar market therefore encounter numerous difficulties to access the market[76]. In this respect, there is need for major reforms in the sector, to make the industry compete fairly with other COMESA sugar producing countries[77].

2.5 The Impact of the sugar safeguard measures on the Sugar Industry in Kenya

Kenya sugar industries are allied to the government which strongly predisposed to international and domestic policies.[78] Kenya participates in the COMESA FTA; it is therefore bound by the provisions of the FTA to allow duty and quota- free access to

[73] Jabuya, Daniel O. "Productivity of sugar factories in Kenya." (2015).
[74] Malaba, Petwa Nawire, Kennedy Ogolla, and David Kiarie Mburu. "Influence of green supply chain Management strategy on procurement performance of sugar industry in Kenya." *International Journal of Economics, Commerce and Management United Kingdom* 2, no. 11 (2014).
[75] Ogolla, Grace Akinyi. "Politicizing structural adjustment policies in Kenya's Sugar Industry: Effects on pro-poor development outcomes." (2012).
[76] Argwings-Kodhek, Gem. *Background document on umbrella legislation for Kenyan agriculture*. No. 680-2016-46758. 2005
[77] Omusula, Michael W. "The level of preparedness of sugar firms in Kenya ahead of the end of Comesa safeguards in february 2014." PhD diss., University of Nairobi, 2014.
[78] ANTI-CORRUPTION, K. E. N. Y. A. "Review of the Policy, Legal and Regulatory Framework for the Sugar Sub-Sector in Kenya A Case study of governance controversies affecting the sub-sector." (2010).

sugar from COMESA FTA countries. KENYA enjoys the privilege of exporting sugar to COMESA member states[79].

When Kenya acceded to the COMESA FTA in October 2000, there was a marked surge of sugar imports from COMESA member states and this had a negative effect on the performance of the domestic sugar industry. Consequently, Kenya has ben safeguarded by COMESA since 2002 thus the region duty free imports were limited to 200,000 tons. The safeguard was to allow the country to restructure and become an efficient sugar producer[80.]

However, the safeguard has been extended several times since 2002. The sugar industry has been unable to compete with more efficient producers in the international market[81].

In the COMESA Directive No. 1 of 2007, Kenya was expected to meet certain conditions in order to turn around the sugar sector and make it more competitive[82]. Amongst the relevant ones are; the import quota would be increased while the tariff rate applied on above import quota would be lowered in each successive year and the sugar industry would adopt a pricing strategy based on sucrose component rather than weight of the delivered cane.

COMESA safeguard has created incentives for producers and wholesalers/millers but has generated disincentives to consumers[83]. The safeguard protects farmers and allows them

[79] Odek, Otieno, Peter Kegode, and Shem Ochola. "The Challenges and way forward for the sugar sub-sector in Kenya." *Friedrich Ebert Stiftung. Nairobi* (2003).
[80] Nyangweso, Willkister. "Supply chain management and organizational performance in the sugar industry in Kenya." PhD diss., University of Nairobi, 2013.
[81] Byegon, Richard K. "Operations management practices and perceived service quality a case study of Kenya sugar industry." PhD diss., University of Nairobi, 2015.
[82] Akiyama, Takamasa, John Baffes, Donald Larson, and Panos Varangis. *Commodity market reform in Africa: some recent experience*. The World Bank, 2003.
[83] Musee, Elizabeth M. "Effects of sugar protectionist policies on regional inter-state relation: a case study of Kenyas sugar policy in COMESA." PhD diss., University of Nairobi, 2015.

to remain in production. It allows wholesalers to earn a higher income from sugar than would be possible but it penalizes consumers who pay much more for sugar.

The Kenya sugar sector in its current state is incapable of meeting the national sugar demand and is much less able to become a net exporter[84]. If the status quo prevails without any significant changes then many companies and out growers will not survive liberalization. Eventual but gradual market liberalization may act as awake up call to speed up agreed changes in the local industry. The COMESA safeguard has created a subsidy for sugar producers that allow them to remain in production. Kenya is an inefficient sugar producer relative to some COMESA producers, and thus the lifting of the safeguard would be detrimental to sugar farmers and millers.

The safeguard granted to Kenya was intended to shield the country's sugar sector from competition arising from lower cost producers. It was also expected that COMESA countries with export interest in Kenya market would not be disadvantaged by the protection provided under the safeguard[85]. Between 2002 and 2014, the fortunes of farmers and millers improved significantly with prompt harvesting and payment of cane delivery. Investment in new mills resulted to an increase in crushing capacity and innovative approaches by the new millers led to efficiency in service delivery especially with regard to access to raw materials. Thus, the safeguard improved internal competitiveness among millers and enhanced sustainable livelihoods for cane growing households. To improve business environment, the government put in motion a raft of

---

[84] Karanja, Andrew M. "Trade policy impacts on Kenyan agriculture: challenges and missed opportunities in the sugar industry." *Development economics between markets and institutions: Incentives for growth, food security and sustainable use of the environment* 4 (2007): 245.
[85] Co-founder, Kenyan Women Sugar Cane, and Farmers Network. "2 A Bitter Pill to Swallow: The Effects of Tariff Reductions on Sugar in Kenya." *Trading Stories: Experiences with Gender and Trade* (2010): 15

regulatory and legislative reforms leading to consolidation of all laws on regulation and promotion of agriculture and by expansion of the sugar sector[86.]

Kenya Sugar consumers are not able to identify with the COMESA FTA mainly because of the licensing procedures and the apparent emphasis on protecting farmers and millers without much regard to their interests. Attempts to ensure year- round availability of duty-free sugar by spreading import permits over each import period has not achieved the objective. In 2007, when the government reduced the rate of the sugar Development Levy from 7 per cent to 14 per cent that is mostly borne by consumers there was no effect at all on the wholesale or retail prices of sugar on the domestic market. Through COMESA, the Kenya sugar producing industries have been in a position to continue with its operation which could have not been the case.[87]

The safeguard has allowed Kenya sugar stakeholders to look broadly and integrate with COMESA and other sugar actors in the region by protecting their operations against their competitors in all sectors including factory efficiencies, sugar byproducts, down stream processing and varieties of cane planted.[88] However, even with safeguard policies, there have been cases of sugar being smuggled into the country through smuggling networks from Somalia and the Middle East who delivers cheaper sugar that dodges 100% tax rates which is the tax rate that is applicable to imports from regions outside the

[86] Omusula, Michael W. "The level of preparedness of sugar firms in Kenya ahead of the end of Comesa safeguards in february 2014." PhD diss., University of Nairobi, 2014.

[87] Kwena, Tabitha F. "The impact of branding on consumer choice: the case of new domestic sugar brands." PhD diss., 2002.

[88] Jemaiyo, Beatrice. "An assessment of the effectiveness of marketing strategies adopted by sugar manufacturing companies in Kenya." *Journal of Emerging Trends in Economics and Management Sciences* 4, no. 3 (2013): 350-357.

[88] Mweresa, Samson Ondari, and Willy Muturi. "effects of investment decisions on the financial performance of public sugar firms in western Kenya."

Mweresa, Samson Ondari, and Willy Muturi. "effects of investment decisions on the financial performance of public sugar firms in western Kenya."

COMESA FTA[89.] Kenya and Zimbabwe are seen by smaller economies as likely to dominate the sugar trade owing to their proportion of exports within COMESA. Ethiopia, on the other hand has on several occasions come under criticism for its protectionist policy that limits the amount of imports it gets from COMESA member states. Kenya, though a relatively large economy, still has protectionist policies on its sugar industry which has infuriated other members.

Due to smuggling of sugar to the country which has led to a piling of unsold sugar, there have been calls for COMESA to suspend licenses of duty-free imports. Some of the industries that use imported sugar for their products like Coca Cola, have asked that there be a clear distinction between genuine and illicit importers and rogue re-packers of imported sugar so that their industries may not be affected during a crackdown of such. Kenya's decline in sugar production has been attributed to several factors including its agricultural practices and weather patterns. The different weather patterns compared to that of other regions, like Mauritius, has impeded efficiency in the sugar production in the country. Kenya's sugarcane takes 18-20 months to mature. Sugar growing cycles go up to 24 months. The farmers have been relying on rainfall for the crop and with global warming and changing weather patterns, the rains may fail and reduces yield. Other sugar producing states in the COMESA bloc have embraced irrigation for the crop to increase yield as well as shorten the maturing time frame for the crop.

Kenya trading in and shipping out the commodity has been greatly affected by the different policies and rules of trade in various trade regimes that exist in the world. Developments at the WTO have had an effect on the different trade regimes, COMESA included. As is expected from the COMESA members, Kenya has exhibited improvement in the sugar sector with visible internal competitiveness among sugar millers. The safeguard allowed for the establishment of new millers into the sugar sector who found a ready market. Kenya's embrace of market liberalization resulted to removal of price controls. Also, competition from low cost sugar producers within COMESA and low free world market prices that is caused by over production in the world. There has been excessive number of middlemen in the industry who reduce the profitability of the farmers and millers.

2.6 Intra- COMESA Trade Potential, Opportunities and Challenges

One major development strategies used by nations is Regional Integration (RI). It facilitates industrialization and economic growth by encouraging inter-regional trade, weaken external vulnerability, offer parallel marketing channels for new industries, and develop investment and infrastructure.[90] since the establishment of COMESA FTA on 31 October 2000, intra-regional exports have increased to USD 101 billion from USD 1.5 billion in 2014.[91] In comparison to region's trade with the globe, growth in intra-COMESA exports remains low in both imports and exports. For instance, COMESA's exports globally rose to USD 106.4 billion in 2013 from USD 28.3 billion in 2000. Exports to the EU and China alone accounted for US$56.8 billion in 2013, with the EU importing US$45 billion worth of goods from the country. The major hindrance to regional trade are: high freight and cost of transportation attributed to the absence of shipping line and insufficient cargo for homecoming vessels, poor infrastructure

[90] Wachiye, Romano M. "Strategic responses by companies in the sugar industry in Kenya to the implementation of the COMESA free trade agreement." PhD diss., University of Nairobi, 2012.
[91] Khandelwal, Padamja. *COMESA and SADC: Prospects and challenges for regional trade integration*. No. 4-227. International Monetary Fund, 2004.

connectivity, high banking charges, inadequate statistics on potential consumers and vendors of different goods, sluggish implementation of the COMESA FTA Agreement, trade in related products, high landing prices for regional products due to weak infrastructure and high energy costs, distance and lack of distribution networks, low demand for high-quality products, etc.[92.]

However, there is an opportunity to increase intra- COMESA trade through effective utilization of regional payments and settlement systems (REPSS), PTA Bank facilities, sensitizing consumers on availability of quality products from the region, building cold rooms and warehouses in potential markets for sea food, establishing tailor made production lines for products in demand from other COMESA member states, developing the local distribution networks, promoting technology transfer through training and sharing of high yield seeds, reviving COMESA trade fairs, initiating business forums in clusters for traders, undertaking market intelligence survey on the mechanism of enhancing the dissemination of market information to both prospective importers and producers, developing a trade information system/catalogue of products produced by various companies from within the region and sharing with member states to clear doubts among customs authorities, and initiating a regional shipping line[93.]

[92] Korinek, Jane, and Mark Melatos. "Trade impacts of selected regional trade agreements in agriculture." (2009).

[93] Sibangilizwe, Mukwena, and Kurebwa Jeffrey. "The Implications of Non-tariff Barriers to Trade on COMESA Free Trade Area: The Case of Zimbabwe and Zambia." *Canadian Social Science* 15, no. 2 (2019): 34-43

2.7 Emerging Policy Issues and Policy options for Kenya to improve the Sugar industry

Intra-COMESA trade is far from its potential, so constructive trade facilitation and trade promotion initiatives should be introduced by policymakers in member countries in order to realize the potential level of trade. These steps include removal of non-physical obstructions along major transit routes, the establishment of one stop border crossing points (OSBPs) and implementation of Member States' compliance with transport protocols to facilitate transport between Member States Harmonized axle load limits, harmonized coding system (HS) for the commodity description, COMESA carrier license and transit plates, just to name a few. [94.] In addition, communication networks and transportation infrastructure amongst the Member States need to be strengthened and the ongoing COMESA projects need to be quickly monitored, such as: Shire Zambezi waterway, the high-speed inter-island cable for the Islands of the Indian Ocean Commission and the North-South corridor.

A number of cross cutting issues in COMESA exist. There is high competition for the COMESA market with subsidized sugar from outside COMESA member states especially Brazil, India and Thailand. Subsidized sugar imports from non-COMESA member states should be regulated or controlled to control for its market distortions in the COMESA market. There are also challenges of SPS standards in the region especially for some ago- products from the in-land member states. COMESA should further roll out initiatives to promote healthy food production and handling through training and

[94] Mweresa, Samson Ondari, and Willy Muturi. "Effects Of Investment Decisions On The Financial Performance Of Public Sugar Firms In Western Kenya."

collaborating with responsible institutions in the member states. There are general inconsistencies in standards of doing business among member states. Kenya Bureau of Standards (KEBS) for instance, does not recognize the standard masks of the Board of Mauritius.

Movement of business persons to Comoros and Madagascar is cumbersome and costly. Visas are required and at a cost especially for Comoros which charges 30 Euros for visa without clear procedures, and that there are no immigration desks at immigration points for both Comoros and Madagascar. There are tendencies of dumping/unfair trade practices by cheap sugar in the region. Kenya has not honored its part of the safeguard measure and this has distorted trade in sugar across all product lines and has created bad precedence for other countries like Zimbabwe that is likely to seek for safeguard measures.

2.8 Policy options for Kenya.

There is need to improve sugarcane farm level productivity. Research into, and Promoting higher yielding cane varieties with shorter inter- harvesting times, embracing and making efficient use of complementary inputs and irrigated cane production are some of the steps adopted by leading producers that can increase the recoverable yield.[95] There is need to install modern and efficient processing plants and strengthen the management of factory activities. For instance, timely collection and processing of cane will improve sugar extraction rates and make the factories more efficient.

[95] Boulanger, P., H. Dudu, E. Ferrari, A. Mainar-Causapé, J. Balié, and L. Battaglia. "Policy options to support the Agriculture Sector Growth and Transformation Strategy in Kenya." *A CGE Analysis, EUR* 29231 (2018).

There is a further need to enforce the contractual obligations between millers and farmers. This will in turn eliminate cane poaching and improve cane supply to mills. Address high costs for inputs by strengthening extension and private sector innovations in cane production. Also, the government should have a clear plan to exit sugar processing, where it has been inefficient. The government should undertake crop development and regulatory functions, which are now clear identified roles of the County Governments and the Agriculture and Food Authority.

Kenya's layered policies and lack of government goodwill have set the noble quest to revitalize the industry back. The problem the industry suffers from is too much policy, too much government where government is self- seeking so that when it gets engaged in sugar industry it schemes profits for private ends. With a growing local consumption and low production, importation of sugar is fast becoming an annual festival as unscrupulous traders take advantage to bring in excess sugar, slowly stunting growth of the local sector[96].

In summary, COMESA has indicated that it is important to have a system that benefits all sugar exporting member states in order to promote intra-COMESA trade. COMESA also supports the idea of letting COMESA member states give support where they can to help meet the sugar deficit quotas through the formula that was said to be developed depending on a country's agricultural calendar. A permit system that presently exists has been allowed to continue to apply till the formula is formulated. COMESA aims at making trade between its members freer by eliminating protectionist measures. Since the success of COMESA requires desertion of protectionist policies, it has come across a

[96] Odhiambo, George, and Elijah Muange. "Declining Wage Employment along Sugar Value Chain: The Need for Policy Change in Kenya." (2019).

strong opposition by weaker economies that fear industrial polarization. Cooperation between states and creating of Preferential Trade Areas (PTA's) will bring about faster economic growth within an area; it is the first step towards economic integration. These trade arrangements create trading blocs that allow products from the participating countries preferential access to member's markets. There are gaps facing African regional integration but for these gaps to be filled, African governments need to work together and give economic support to each other and in the end have more realistic and practical plans and goals that the continent can reasonably attain cooperatively as supported and pinpointed by the COMESA Council to allow Africa take up more economic opportunities which she has lost in the past.

CHAPTER THREE

COMESA LIBERALIZATION AND THEIR IMPACT ON ECONOMIC RELATIONS IN THE REGION

3.1 Introduction

Lack of competitiveness in the sub-Saharan Africa countries has led to its deterioration in its standing in the world trade. The trading preferences of OECD countries have given Africa an advantage over many exporters. Africa's own barriers to trade are too high. Free and liberalized trade policies have led to superior economic growth. This finding is important If it is to reverse Africa's declining position in world trade. The possible solution to Africa's trade problems needs the liberalization of trade barriers in developed countries. Safeguard measures especially on trade in Agriculture are meant for good but they do have effects on the world economy. Safeguards give rise to sizeable costs in the long run due to a large variation of market alterations. Safeguards affect consumers and tax payers adversely as they raise prices. Protection in trade has also led to a reduction in the level of competence in the use and allocation of resources within an economy; as domestic producers concentrate on goods and services that the country production does not have a competitive advantage.

3.2 Neoliberal Regional Integration and trade

Neoliberalism supports economic liberalization policies which includes free trade policies. It is a belief that holds having an open, free and competitive market that is unrestrained and is freed from all forms of state interference[97.] National and regional

[97] Cederlöf, Gustav, and Donald V. Kingsbury. "On Petro Caribe: Petro politics, energopower, and post-neoliberal development in the Caribbean energy region." *Political Geography* 72 (2019): 124-133.

policy makers have seen the need of having a free market to increase market productivity and raise living standards within states. Such a market setting requires reforming of the present states and social organizations and institution mechanisms to lessen their interference with trade[98]. Neoliberalism encourages internationalization of states through regional integration blocs where by states' national policies, rules and practices are adjusted and aligned with regional policies without undermining the states' sovereignty[99.] In Africa, regional blocs' trade policies are market driven aiming at removing impediments to the free flow of commodities and investment within the region and beyond[100.]

There are a number of economic integration systems in Africa, among them COMESA which contributes to attaining liberalization of trade, reduction of protectionism policies and cutting back of the role played by states in the economy[101.] Within COMESA, Neoliberal regional integration has seen the establishment and attainment of favorable trading atmosphere. Kenya's uptake of the safeguard is not an anti-trade liberalization. It is a step towards efficiency in order to better attain economic stability in the sugar industry in order build a better investment environment for the country and by extension the COMESA region. Competition with Kenya's incompetent and inefficient sugar against efficient and competitive states within COMESA bloc will beat the purpose of neoliberal regional trading blocs which ought to protect and ensure economic growth of a

---

[98] Sirohi, Rahul A., Sirohi, and Kaur. *From Developmentalism to Neoliberalism*. Springer Singapore, 2019.
[99] Ehigiamusoe, Kizito Uyi, and Hooi Lean. "Do economic and financial integration stimulate economic growth? A critical survey." *Economics: The Open-Access, Open-Assessment E-Journal* 13, no. 2019-4 (2019): 1-27.
[100] Tham, Joo-Cheong, and K. D. Ewing. "Labour Provisions in Trade Agreements: Neoliberal Regulation at Work?." *international organizations law review* 17, no. 1 (2020): 153-177.
[101] Ajibade, Patrick, and Stephen M. Mutula. "An alternative approach to fostering African economic integration through the utilization and alignment of information technology." *Journal of African Union Studies* 9, no. 1 (2020): 51-66.

state with the overall goal for the bloc to remain competitive enough for integration in the global market[102.]

3.3 Regional Integration

Regional Integration is a process in which states enter into an agreement that integrates a specific region in order to promote regional cooperation through regional institutions and rules of engagement in the agreement, the initiatives and incentives are directed towards promotion of commercial interests as defined by the national governments participating in these agreements[103.] Regional Integration is a give-and take kind of relation[104.] It is a mutual dependency between interdependent entities. It is a process that leads to interdependency among state actors both at national and international levels.

Regional trade integration was originally seen as a process whose role was to drive to achieving the world trade liberalization. This view has since changed and R.I is seen as the new form of protectionism since regions close out regions. Regional Integration affects the economic, political, legal and cultural aspects of the countries involved in the process. Political and economic factors explain the reasons to this notable spreading of Regional Integration globally[105.] Taking into consideration the absolute advantage perspective or the comparative advantage producing inter- industry trade, or both, it is important to note that in either case integration produces winners and losers. R.I will lead to inter-industry specialization and trade. Despite the fact that consumers are happy to

[102] Abigail, Chari. "Regional Economic Integration And Agricultural Sector Export Performance (1980-2016): Case Of Comesa." Phd Diss., University Of Zimbabwe, 2020.

[103] Rummel, Reinhardt. "Regional integration in the global test." In *Toward Political Union*, pp. 3-25. Routledge, 2019.

[104] Hartzenberg, Trudi. "Regional integration in Africa." *Available at SSRN 1941742* (2011).

[105] Foroutan, Faezeh. *Regional Integration in Sub-Saharan Africa*. No. 992. World Bank Publications, 1992.

buy imported inexpensive foreign goods, incompetent domestic producers are substituted by more proficient foreign producers[106.] This is to imply that domestic producers of a traded in good or service face competition from the region and are hence damaged by integration.

Globalization is a means to expose countries to international specialization as well as international competition[107.] Globalization is an arena for competitive market forces and states that fail to compete for foreign investment end up as losers. Countries' infrastructure development has been boosted as a result of globalization. The world is slowly turning to be like a global village, with the increased and faster exchange of information and countries either learning or copying each other, countries see and are able to compare capacities in other states. Globalization gives an opportunity for people within states, to interact through international trade and investments. This process is eased by the use of information technology. Globalization opens up international borders for cross-border trade to take place. It seeks to ensure all forms of barriers to trade are eradicated[108.]

COMESA aims at making trade between its members freer by eliminating protectionist measures. Integration enhances regional trade, economic, stability, security and opening up of borders to foreign goods by countries. The process of integration aims at lowering policy obstructions to trade within a region and making it possible for more competent production. COMESA seeks to ensure that R.I creates trade between or within countries.

---

[106] De Melo, Jaime, and Yvonne Tsikata. "Regional integration in Africa: Challenges and prospects." (2015).

[107] World Commission on the Social Dimension of Globalization. *A fair globalization: Creating opportunities for all*. International Labour Organization, 2004

[108] Hirst, Paul, Grahame Thompson, and Simon Bromley. *Globalization in question*. John Wiley & Sons, 2015.

3.5 Effects of liberalization policies on Regional Integration. The trading of sugar in eastern and southern Africa regions is governed by national, regional and international trade regulations and agreements[109.] The agreements include the Common protocol for commodities in EAC and COMESA FTA[110.] Kenya operates under the two agreements and under the COMESA sought protection from import competition where restrictions were imposed on imports[111.] The policy safeguards Kenya's sugar against any duty-free imports from COMESA.

Safeguard policies create non-tariff barriers which lead to reduced volume of inter-state trade. International trade brings about trust between or among states and boosts inter-state relations. This trust may be threatened by safeguard policies on products by states which in turn may interfere with a states' diplomatic relations with another, or others. Safe guard policies, may also lead to retaliation which negates the spirit of integration. Usually, Kenya's sugar shortage is faced by imports. Government delays in facilitating imports under the COMESA quota, however have intensified the upward effects of pricing in this sector. In addition, due to the multiplicity of domestic and commercial legislation and subsequent amendments to those regulations, The poor links between the different laws and the subjective vetting of import license applicants have restricted the administration of sugar imports and the effectiveness of the domestic market.

Collectively, these are non-tariff barriers which restrict regional sugar trade and have severed ties to some extent. Zambian legislation mandates that all sugars intended for

---

[109] Tumwebaze, Henry Karamuriro, and Alex Thomas Ijjo. "Regional economic integration and economic growth in the COMESA region, 1980–2010." *African Development Review* 27, no. 1 (2015): 67-77.
[110] Elmorsy, Samah SA. "Determinants of trade intensity of Egypt with COMESA countries." *Bandung* 2, no. 1 (2015): 1-25
[111] Hartzenberg, Trudi. "Regional integration in Africa." *Available at SSRN 1941742* (2011).

direct use in their domestic market be fortified in particular amounts with vitamin A. The law, which came into force in 2000, was prompted by the need to increase the availability of vitamin A to Zambians, which was a government initiative through the Ministry of Health and USAID micronutrient program.[112] Zambian sugar has been reinforced, which has also helped to regulate the movement of cheap imported sugar from legal and illegal imports of sugar from Malawi and Zimbabwe into the Zambian market. In most countries, such legislation does not exist and this effectively prevents future imports into Zambia. There are administrative barriers to imports of sugar, in addition to the above regulations, including high tariff rates on imported sugar from outside the trading bloc where the country is a member.

These rates exceed the rate generally applied in compliance with the WTO criterion for most finished goods. Potential importers are often expected to obtain government import permits, but the procedure is not clear and is sometimes delayed.[113] In addition, the three ministries of agriculture and livestock, health and trade must clean up imports. The effect of these non-tariff barriers is evident in the negligible imports of sugar from both direct and industrial sugar use.[114] Domestic production and regional competitiveness were significantly affected by the regulatory and implicit barriers to entry and expansion. Regulations relating, in particular, to the issuance of licenses and the defense against imports have acted against the concept and the benefits of regional cooperation.

[112] Mkandawire, Watipaso. "Creating Wealth through FBI in Landlocked COMESA Countries: The Case of Zambia and Uganda." *Foreign Direct Investment; Income Inequality and Poverty* (2004): 89.

[113] Willenbockel, Dirk. *A General Equilibrium Analysis of the COMESA-EAC-SADC Tripartite FTA*. No. 7232. EcoMod, 2014.

[114] Kalinda, Thomson, and Brian Chisanga. "Sugar value chain in Zambia: an assessment of the growth opportunities and challenges." *Asian Journal of Agricultural Sciences* 6, no. 1 (2014): 6-15.

Within the sugar industry, security is a global phenomenon. The network of safeguards provided to domestic producers in countries such as Zambia has resulted in the development of a place of market influence in those markets. In addition, implicit barriers such as the requirements for the fortification of vitamin A have stopped the influx of imports into the Zambian market meaning that domestic prices remain high in the country and that bloc members with an interest to enter the Zambian market have further severed trade ties.

CHAPTER FOUR

THE EFFECT OF COMESA POLICIES ON THE SUGAR INDUSTRY IN KENYA

4.1 Introduction

The opposite mechanism of protectionism is trade liberalisation. Trade liberalization happens following prior protectionist actions, as governments decide to step back towards free trade. Trade liberalization can unilaterally take place. However the comprehensive trade liberalization that took place among the wealthy countries in the second half of the 20th century was mutual and multilateral. Many governments reciprocated the liberalization decisions of each other making it non-discriminatory in extending to all trade partners liberalizing[115]. Liberated trade has been followed by the liberalized international capital markets and by significant legal and illegal international migration. Unified codes of conduct relating to the protection of property rights have also been defined by international agreements and treaties, including intellectual property rights relating to proprietary knowledge. Globalization is defined as the result of these liberalizing and incorporating cycles. The concerns are when and how globalization took place, and whether the result was beneficial for humanity.

Sugar is an important commodity in the world agricultural market, with annual output of 120 million tons, consumption of 118.1 million tons and world trade equal to 28% of production for the period 1994-2000. Sugar is cultivated under a wide variety of climatic conditions in some 120 countries and is one of the most heavily traded agricultural commodities.

[115] Wacziarg, Romain, and Karen Horn Welch. "Trade liberalization and growth: New evidence." *The World Bank Economic Review* 22, no. 2 (2008): 187-231.

Sugar trade has many distinct features, including foreign trade in other major agricultural commodities, including strong government interference, price swings, extensive production in many parts of the world, and an increasing demand for sugar substitutes.[116.] These features make the world sugar market a crucial target of policy research, although they also pose major modeling challenges. In general, except for the United States and Australia, all sugar producing countries are developing countries, and the cost of producing sugar appears to be relatively lower in low-income countries than in higher-income countries.

More specifically, these developing countries are manufacturing and actively competing in the world's sugar market. As a result, developed nations such as the United States, Japan, Canada and the European Union, often at the expense of domestic consumers, have heavily subsidized producers of sugar crops.[117] Sugar is one of the most twisted policies among all goods, and among the worst offenders are the European Union., Japan, and the United States. Because of government guaranteed rates, import controls, and export quotas, producers in these countries earn more than double the world market price. Over the past 30 years, such a high degree of security has transformed this community of OECD countries from net importers of Internationally traded sugar, in aggregate, to net exporters[118.] In this process, producers in developing countries with lower costs have been deprived of export opportunities. Protection reduction efforts have met with stiff resistance from well-funded and entrenched proponents of current policies, while high-

[116] Baunsgaard, Thomas, and Michael Keen. "Tax revenue and (or?) trade liberalization." *Journal of Public Economics* 94, no. 9-10 (2010): 563-577.
[117] Goldin, Ian, and Odin Knudsen. "Agricultural trade liberalization." *Implications for Developing Countries. Organization for Economic Co-operation and Development*, *Paris* (1990).
[118] Beyer, Harald, Patricio Rojas, and Rodrigo Vergara. "Trade liberalization and wage inequality." *Journal of Development Economics* 59, no. 1 (1999): 103-123.

priced consumers have demonstrated little opposition because of the limited proportion of their food budgets spent on sugar. In the EU and US sugar and sweetener markets, however, internal changes and foreign trade commitments make transition inevitable and offer the best potential for policy reform in several decades.[119.] Although there is less impetus for change in Japan, it could be the right time to push for a global sugar policy reform that focuses on the worst offenders. During the current round of multilateral trade negotiations, such reforms could become a key component of negotiations on the part of developed countries, and a broad-based reform initiative could provide the political cover required for countries to make difficult policy changes..

In the EU, Japan, and the U.S., security is very high, but many other countries still protect their producers of sugar. Part of this security has developed as a buffer against policies that subsidize exports and weaken world prices, and part of it has evolved because there is an uncompetitive yet politically influential industry in these countries.

Present protectionist policies emerged in the 1800s when beet sugar produced by northern hemisphere countries could not compete with lower-cost cane sugar produced in tropical countries.[120.]

Although it is chemically identical and undistinguishable to refined white sugar from beet or cane, the situation remains the same today, with the cost of sugar generated from beet almost twice as expensive as sugar produced from cane.

---

[119] Frandsen, Søren E., Hans G. Jensen, Wusheng Yu, and Aage Walter- Jørgensen. "Reform of EU sugar policy: price cuts versus quota reductions." *European Review of Agricultural Economics* 30, no. 1 (2003): 1-26.

[120] Bonnet, Céline, and Vincent Requillart. "Does the EU sugar policy reform increase added sugar consumption? An empirical evidence on the soft drink market." *Health economics* 20, no. 9 (2011): 1012-1024.

For more than 200 years, the fight for market share between producers of beet and cane sugar has persisted, with global production shares adopting protectionist policies [121.]

As imports grow under international agreements, sugar policies in the EU and the United States face internal pressure for change. Under its All but Weapons (EBA) program, the EU has pledged to give forty eight LDC free access to its sugar market by 2009[122.]

According to recent reports, this could lead to an additional 2.4 billion tons of imports of sugar. In September 2002, the EU started negotiating Economic Partnership Agreements with seventy seven countries in African, (ACP) Caribbean and Pacific region, which could extend duty-free access to all ACP countries and allow an additional 6 million tons of sugar to enter the European Union.

The benefits of reforming the sugar policy are significant and the advantages of multilateral reform are the biggest. Via the E.U/ACP sugar protocol or the US sugar import scheme, a variety of African countries have preferential access to the sugar markets of the European Union or the United States. Such countries earn a high internal price for the exports permitted by the quotas[123.]

Total liberalization of the world sugar market will allow efficient producers to boost production, expansion and exports, and allow customers to benefit from lower prices in protected markets.[124]

---

[121] Mitchell, Donald O. *Sugar policies: opportunity for change*. Vol. 3222. World Bank Publications, 2004.

[122] Jurenas, Remy, and Resources, Science, and Industry Division. "Sugar Policy Issues." Congressional Research Service, Library of Congress, 2003.

[123] Koo, Won W. "Alternative US and EU sugar trade liberalization policies and their implications." *Applied Economic Perspectives and Policy* 24, no. 2 (2002): 336-352.

[124] Elobeid, Amani, and John Beghin. "Multilateral trade and agricultural policy reforms in sugar markets." *Journal of Agricultural Economics* 57, no. 1 (2006): 23-48.

This could render policy change by making it pleasant since there is no nation picked out for reform; from coordinated liberalization, It has the benefit of comparatively higher world market prices to relax transition in protected markets for producers in covered markets. Although it will not be easy to reform, there are major advantages to a concerted liberalization over marginal changes that retain existing sugar policies but allow massive imports to remain in place.

4.2 COMESA Programme Activities on trade Liberalization and their Impact

The formation of (FTA) Free trade area on 31st October 2000 by COMESA member Nations occurred after sixteen years of liberalized trade through dismissal of Intra-COMESA tariffs.

There were sixteen countries participating in the Free Trade Region as of December 2017. As for their involvement in the Free Trade Region, the other nations, Eswatini, Eritrea and Ethiopia remained at different stages.

As a result of the creation of the Free Trade Area and tariff reduction has resulted to a significant decline on intra- COMESA trade average tariffs. Since the establishment of FTA, statistics from COMESA shows that there is an increase in intra- COMESA trade by a mean of 7% yearly with more trade increasing amongst intra- FTA nations.[125.]

To decide if products manufactured in the COMESA region are entitled for special treatment under the FTA, COMESA Rules of Origin are used. [126] The COMESA Rules of

[125] Rojid, Sawkut. "COMESA trade potential: a gravity approach." *Applied Economics Letters* 13, no. 14 (2006): 947-951.
[126] Alnäs, Robin. "Why Overlapping Regionalism? Drivers of Zambia's dual memberships in COMESA and SADC: A pluralism of perceptions." (2019).

Origin have five requirements that are independent. If they meet any of the five conditions, products are known as originating:

The products ought to be entirely manufactured.

The CIF charge of any non-originating commodity does not surpass 60% of the ex-employment price of the products.

The value added of products must be at least 35 per cent of the ex-factory cost of the goods.

The CTH rule should be met by products, and

The good must be important to the economic growth of the Member States and should contain a value of not less than 25%.

Exporters are allowed to claim COMESA preferential tariffs rank is if it has met the conditions under the process of production with exclusion of small shipment merchandise exporter under Preferential tarrif reduction or COMESA FTA, designated competent authority COMESA certificate by member country accompanied by COMESA certificate of origin allotted by designated authority in the member country.[127]

Simplified Trading Regime for COMESA (COMESA-STR). The Simplified Trade Regime established by COMESA and introduced in 2010, realizing the importance of cross-border within the region. The purpose of the STR is to validate informal cross-border trade (ICBT) through the implementation of instruments and frameworks adapted to the trade requirements of small-scale traders, which are decentralized to bordering regions where informal trade is predominant, with an aim of facilitating small-scale traders' accessibility.

[127] Sawkut, Rojid, and Seetanah Boopen. "An Assessment of the impact of a COMESA Customs Union." *African Development Review* 22, no. 2 (2010): 331-345.

Exporting and/ or importing in small scale with a value of USD 2000 or less are targeted by the STR and are on the standard list of qualifying items negotiated and accepted between neighboring countries. By using a simpler certificate of origin and simplified customs clearance procedures, the STR cuts the costs for small scale traders and escalates the speed of crossing the border. At some border posts, the Trade Information Desk Office (TIDO) has been deployed to help provide information to small-scale traders on the procedure of crossing the border and filling forms. Cross-border trade organizations have been set up at the border as part of cooperation among border traders hence increasing their sensitization and use of STRR. [128] Membership however, is not a requirement for using the STR. Customs Union was formed pursuant to Articles 4 and 45 of the COMESA Treaty aiming at liberalizing intra-regional trade in merchandise; promoting productivity in COMESA, strengthening internal cross-border and external investment in COMESA, promoting financial growth and expansion in industrialization.

The Union was launched at Victoria Falls in Zimbabwe by the COMESA Heads of State and government Authority on 7 June 2009. The Authority validated the main doctrines and guidelines that guided the customs union's operation.

It provided a three years interim duration which Member Countries must conform their national levies laws with the instruments of the regional customs union decided upon, namely; Regulation (CMR) on Regional Customs Law/Common External Tariff Nomenclature (CTN) as a Harmonized Framework for the Code and Definition of Traded Goods and the Common External Tariff (CET) as a Standardized Tariff System for non-

[128] Bhatia, Rattan J. "Assessing Regional Integration at the Country Level: A Possible Framework as Illustrated for the COMESA Region." In *Indicator-Based Monitoring of Regional Economic Integration*, pp. 261-284. Springer, Cham, 2017.

COMESA Third Country Trading[129.] When fully introduced, the Customs Union is expected to be beneficial to countries through a rise in cross-border ventures, a competitive regional advantage for its products, a broader range of goods, lower manufacturing costs and a wider and wider market for producers.[130]

COMESA Customs duty (COMESA-CD) was legally approved by COMESA in April 1996 at the Council of Ministers meeting. The Secretariat conducts training for customs officials on how to use COMESA-CD as part of the Customs and Trade Statistics Framework Harmonization Programme.[131] Secure progress has been made on excluding (NTBs) non-tariff barriers like liberalized import licenses, the abolition of foreign currency controls, taxes, removal of quotas on both exports and imports, elimination of road barricades , eased levies formalities and opening of expanded border posts, among others.

In December 2014, NTB regulations were adopted by COMESA council of ministers to restructure the way NTBs issues are determined in a country. The establishment of COMESA supports organizations supporting trade liberalisation and trade facilitation initiatives. Furthermore, Article 4 of the COMESA Treaty reiterates the elimination of barriers to movement of individuals, services and employees, together with the right of an investor to establishment and reside in COMESA Zone.[132]

---

[129] Adika, Gameli. "Sustaining Economic Growth in COMESA: Challenges and Prospects." *International Journal of Finance & Economics* (2020).
[130] KASSA, BINYAM. "IMPACT OF LIVE ANIMAL PRODUCTION AND TRADE ON ECONOMIC GROWTH OF COMESA MEMBER COUNTRIES." PhD diss., St. Mary's University, 2019.
[131] Cheluget, Kipyego, and Stephen Wright. "COMESA and the Tripartite Free Trade Area: Towards an African Economic Community?." *South African Journal of International Affairs* 24, no. 4 (2017): 481-499.
[132] Mbithi, Lucia Mary. "Does COMESA Have Export Potential to Emerging Economies?." (2020).

4.3 Impact of COMESA liberalization on the sugar industry in Kenya

COMESA's sugar trade is regulated by national regulations. Trade agreements and regional and international legislation . These agreements include the COMESA FTA, the EU Everyone but Weapons (EBA) agreement, traditional EAC product protocols and preferential market access under the AGOAA agreement.[133]

Cooperation areas such as trade and customs liberalization, transport and communication, industry and energy, monetary policy and finance, agriculture and economic and social growth are described in the COMESA Treaty.[134] By eliminating all trade barriers and creating a single external tariff and rules of origin, the treaty calls for the establishment of a customs union. In order to allow for macro-economic policy coordination within COMESA, cooperation in monetary and financial matters not covered by the PTA Treaty has been implemented.[135] Members committed to a timetable for tariff removal to promote trade. The execution of the tariff schedule, however was surprisingly slow. As the tariff reduction program was slowly introduced, a number of COMESA countries missed opportunities to promote trade.[136.] Discriminatory tariffs distort decisions on production and consumption.

The COMESA clearing house was set up by the Member States to facilitate intra-COMESA trade liberalization and expansion. Among other things, the aim of the Clearing House is to: encourage the use of national currencies in the settlement of all

[133] Birgen, Yusuf, and Elson Kiplangat Kirui. "Relationship Between Multi-Dimensional Resources And Financial Performance Of Mumias Sugar Company, KENYA." *European Journal of Economic and Financial Research* (2020).

[134] Moraa, Ogendi Rose, Thomas A. Senaji, and Mary Mbithi. "Relationship between Strategic Responses and Competition in the Sugar Industry in Western Kenya Region." *structure* 2 (2017): 1-14.

[135] Muteshi, Dominic Chungani, and Zachary Bolo. "Diversification Strategy and Factors Affecting Production of Sugar in Kenya." *DBA Africa Management Review* 7, no. 2 (2017).

[136] AKINYI, Tabitha Robby. "Mediating role of financial leverage level on the effect of firm size on financial performance of sugar firms in Western Kenya." PhD diss., Maseno University, 2018.

transactions between Member States; Set up sufficient payment settlement machinery between Member States, economizing on the use of foreign exchange by Member States in their interstate transactions, in order to allow Member States to encourage and liberalize trade between themselves. Other steps adopted to promote intra-COMESA trade include, the explanation and harmonization of trade documents and procedures, the harmonized classification of goods and the customs coding system.[137]

As a result of global trade's rapid growth,, the accompanying foreign rivalry and widespread innovation in technology, many national economies are witnessing rapid transactions. The globalization of world trade today dictates that national economies remain vulnerable to invasion by outside countries, while technological innovations guarantees that information is readily accessible and communication speeds are increased. As a result, the goods and services markets of today are evolving at an unprecedented rate. There is a rising exposure to market prices and value, and a rapid increase in new modes of business and an increasing erosion in brand loyalty.

The movement toward trade liberalization in Kenya has seriously affected local sugar firms. Local investors import sugar into the local market as the single and greatest source of competition for domestically produced sugar and local sugar companies in general. Local sugar companies face unfair and tough competition from imported sugar. The Kenyan sugar industry has been negatively impacted by this unfair competition.[138] Steps aimed at improving production quality have been put in place by businesses. Such initiatives include the construction of modern sugar processing facilities, grave joint

---

[137] Imbambi, Richard Misigo. "Influence of technology capability on competitive advantage of sugar companies in Western Kenya." (2018).

[138] Small, Sugarcane Production Among. "Socio-Economic Determinants Of Sugarcane Production Among Small Scale Farmers In Nyando Sugarbelt Of Kenya."

research into other sugar cane breeds with high sugar content and short maturity times, and a greater emphasis on good cane husbandry practices. As a member of the EAC, Kenya considers sugar to be a critical commodity in which the sector must be secured from completion of imports. This means that limits are imposed on imports or that the state regulates or handles imports. Imports of sugar to Kenya have been growing and are currently runs to over 200,000 million tons, whereas exports have continued to be very low. As a deficit sector, with Malawi and Zambia being low cost producing countries, Kenya provides a wide-ranging market for sugar in the area. Import management and the uncertainty of the regulatory system, however, makes it hard for countries exporting sugar in and out of the region to enter the Kenyan market, resulting in persistently high prices in the domestic market of Kenya.

Sugar imports, especially from COMESA, will usually lead to short drops in domestic sugar production, but the current state is different. With existing trade agreements, like COMESA FTA, Kenya is projected to trade frequently in the region, and thus increased cheap sugar imports are expected to lessen domestic prices. To have access to the preferential market, Zambia has increased its sugar volumes directly to the EU and reduced its exports to international markets. Consequently, the export growth in Zambia is biased towards exporting outside the country and sugar industry's costs within the COMESA region.[139]

A significant aspect of the sugar producing firms in the region is that network of trade agreements and protocols strictly regulates and influences competition and trade across

[139] Chisanga, Brian, John Gathiaka, George Nguruse, Stellah Onyancha, and Thando Vilakazi. "Agricultural development, competition and investment: The case of sugar in Kenya, South Africa, Tanzania and Zambia." *Competition in Africa: Insights from Key Industries* (2016): 41-65.

borders. Although some of these provisions are expected to permit increased trade facilitation, they similarly play a significant part in limiting trade through the defense of domestic industries. In addition, EU agreements and other markets create robust enticements for exporting countries, at the cost of intra-COMESA trade benefits, direct substantial capacities of sugar to those markets. Zambia for instance have constantly exported most of its excess sugar to the EU. A high obstruction to entry and state protection has permitted huge companies to access markets within the region and to develop market power positions, a case linked to Zambia. Companies have been in favor of selling to more attractive foreign markets since they are motivated in the profitable market in LDCs such as Zambia, Mozambique and other LDCs in the region due to preferential access.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION.

5.1 Introduction

Kenya's sugar industry is important to the economy as source of livelihood for actors along the value chain as well as sugar for consumption and as a raw material for industries. Despite this, the industry continues to face challenges including high input and sugar processing costs. The industry is one of the most protected in the country. Kenya has continued to receive waivers from common market partners, even as the government provides subsidies at both firm and miller level. Despite these interventions, the industry shows little gains to consumers, growers or millers, but tends to transfer these gains to importers and bureaucrats suggesting high rent seeking within the industry. Therefore, questions persist as to what reforms are required to take the industry on a path towards sustainability and competitiveness. How long can the country maintain protective measures, what contributes to the industry inefficiencies and what interventions are required?

COMESA aims at making trade between its members freer by eliminating protectionist measures. A cooperation between states and creating of Preferential Trade Areas brings about faster economic growth within an area, and actually it is a first step towards economic integration. These trade arrangements create trading blocs that allow products from the participating countries preferential access to member's markets. However, there are gaps facing regional integration which need to be filled in order to attain more realistic and practical gains for the integration bloc to take up more economic opportunities which have been lost in the past.

Globalizing trade across the world today allows national economies to remain open to external aggression. The trend towards commercial globalization in Kenya has seriously affected local sugar companies. Strong competition from imported sugar is faced by local sugar companies. Kenyan sugar companies have been adversely affected by unfair competition from imported sugar.

5.2 Result Summary

An OLS Regression of all the Independent Variables was done to determine their effects on sugar safeguards. Table 4.1 below gives the results by the proxies as indicated.

Table 5.1: Regression Results

OLS, using observations 1-30
Dependent variable: (Safeguard measure)
Heteroskedasticity-robust standard errors, variant HC1

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	Significance level
Constant	−4.17935	2.47482	−1.689	0.1048	
b1(Sugar prices control)	0.582586	0.260768	2.234	0.0355	**
b2 (Privatization of companies)	0.630002	0.333631	1.888	0.0717	*
b3 (Increased land acreage)	1.03321	0.393703	2.624	0.0152	**
b4 (Product diversification)	0.583326	0.343761	1.697	0.1032	
b5 (Improved technological production)	0.0146728	0.137875	0.1064	0.9162	
b6 (Sugar Board administration)	−0.0794680	0.178727	−0.4446	0.6607	

Mean dependent var	3.566667		S.D. dependent var	1.695498
Sum squared resid	56.27822		S.E. of regression	1.564250
R-squared	0.324931		Adjusted R-squared	0.148826
F(6, 23)	3.015900		P-value(F)	0.025250
Log-likelihood	−52.00481		Akaike criterion	118.0096
Schwarz criterion	127.8180		Hannan-Quinn	121.1474

Heteroskedasticity refers to data with unequal variability or scatter across a set of second predictor variables. The robust estimate of variance was used to make the data less biased. The number of observations for the analysis was 30. With a P-value of 0.025250, the data above is significantly heteroskedastic and thus the assumption of homoskedasticity is violated.

F (6, 23)- This is the model F statistic. It is used to evaluate the null hypothesis that the total of all the model coefficients above are equal to zero therefore making the predictors (mitigation measures) not to have a linear relationship with the outcome variable (Sugar safeguards). The model's degrees of freedom equal to number of predictors. The error degrees of freedom is calculated as (number of observations – (number of predictors+1)). In this case we can interpret the number of predictors as df1=6 df2=23. This is illustrated below:

Df1= 6

Df2= (30-(6+1)) = 23

The F statistic (3.015900) indicates that at least one of the regression coefficients in the model is not equal to zero, at 95% CI.

Co-efficients

These are the values for the regression equation for predicting the dependent variable from the independent variable.

Among the independent variables, Control of sugar prices, privatization of companies, increased land acreage, product diversification and improved technological production have positive correlation to Sugar safeguards. This implies the improvement of the mentioned factors improves the outcome of policy safeguard. Sugar Boards Administration have a negative correlation which implies that even with an improved administrative/ management strategy, the result of the safeguards is impacted negatively. This could be due to other factors affecting the policy safeguards alongside the administrative factors.

Controlled sugar prices (b1) showed a positive correlation with policy safeguard where its increase by 58.26% increases the rate of safeguard impact by 1%. This leads to the acceptance of hypothesis Ho: Controlled prices enhances integration.

Privatization of companies (b2) showed a positive correlation with sugar policy safeguard., where 63% of increased privatization rate enhances safeguard implementation by 1%. This leads to acceptance of hypothesis Ho: Privatization of sugar industry enhances integration.

Increased land acreage (b3) showed a positive correlation with the safeguards where its increase by 103% increases safeguards implementation by 1%. This leads to acceptance of hypothesis Ho: Increased land acreage enhances integration.

Product diversification (b4) showed a positive correlation with the safeguards where its increase by 58.33% enhances safeguards implementation by 1%. This leads to acceptance of hypothesis Ho: Product diversification enhances integration.

Improved technological production (b5) showed a positive correlation with the safeguards where its increase by 1.47% enhances safeguards implementation by 1%. This leads to acceptance of hypothesis Ho: Improved technological production enhances integration.

Sugar Board Administration (b6) showed a negative correlation with the safeguards where its increase by 8% reduces the rate of effective safeguards implementation by 1%. This leads to rejection of hypothesis Ho: Improved Sugar Boards Management land acreage enhances integration.

Significance levels

Controlled sugar prices (b1), Privatization of companies (b2) and Increased land acreage (b3) showed significance at 1-5%, 5-10% and at 1-5% levels respectively.

Regression equation

The regression equation is presented in many different ways, for example:

Y (predicted) = b0 + b1*x1 + b2*x2+b3*x3+b4*x4+b5*x5-b6*x6.

The column of estimates provides the values for b0, b1, b2, b3, b4,b5, and b6 for this equation. Expressed in terms of the variables used in this study, it means that for every unit in X1, a 0.582586-unit increase in (X2….X11) is predicted, all the other external variables kept constant.

Std. error

The standard error is used for testing whether the parameter is significantly different from 0 by dividing the parameter estimate by the standard error to obtain the t-ratio. It is the errors associated with the coefficients. The standard errors can also be used to form a confidence interval for the parameter, as shown in the last column (significant level) of this table.

T-ratio

This is the ratio of the Coefficients to the Standard error of each respective predictor. The values follow a t-distribution and they explain the hypothesis that each of the coefficients is not equal to zero.

T-ratio= Coeff/Std.Error

b2 t-statistic =0.582586 / 0.260768

=2.234 with an associated P-value of 0.0355 < 0.05. We therefore reject the null hypothesis and conclude that X1 is statistically different from zero.

Alkaike Information Criterion (AIC)

Given a collection of models of the data, AIC estimates the quality of each model, relative to each of the other model. AIC rewards goodness of fit of the model.

The AIC of 118.0096 was the highest AIC compared to the other models that were not selected for the study.

Standard error of regression

This is the estimated variance of the residuals. In this study it was estimated to be 1.564250.

R-squared

This measures the success of the regression model in predicting the values of the dependent variable within the sample. The value equals one when the regression model fits perfectly and zero when it's worst. In this case, the dependent variable is 0.324931 variance explained by the independent variables. The independent variables explained a total of 32.4931% of the characteristics of the dependent variable, job satisfaction.

Adjusted R- squared

This is a measure of goodness of fit. This value, for a model of good fit should not be larger than R squared. The value of 0.148826 is lower than 0.324931. This indicates that the model is a good fit.

Table 5.2: Summary Statistics, using the observations 1 – 30

Variable	Mean	Median	S.D.	Min	Max
b1	4.27	5.00	0.907	2.00	5.00
b2	1.63	1.00	0.809	1.00	4.00
b3	2.97	3.00	0.669	2.00	5.00
b4	2.30	2.00	0.877	1.00	5.00
b5	2.30	2.00	1.12	1.00	6.00
b6	2.63	2.00	1.38	1.00	6.00

Table 5.3: Correlation coefficients, using the observations 1 – 30

5% critical value (two-tailed) = 0.3610 for n = 30

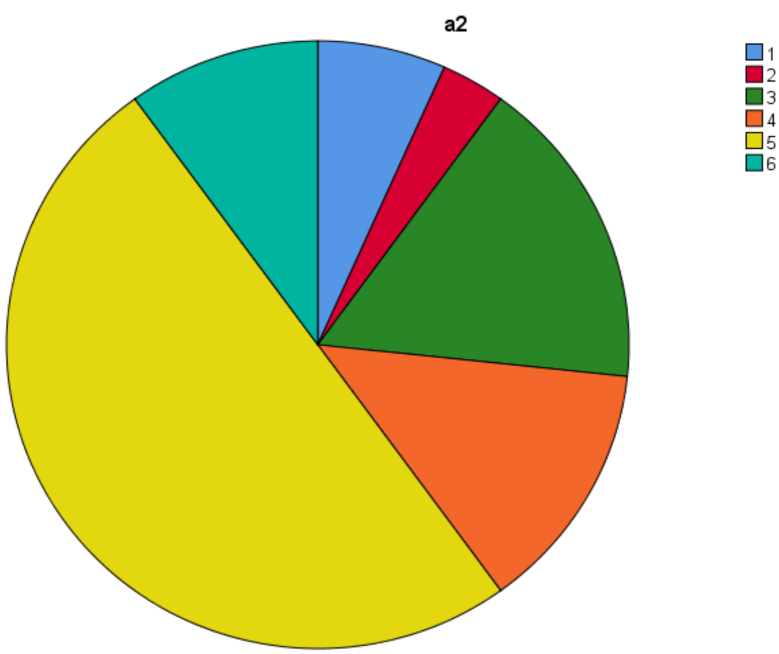
b1	b2	b3	b4	b5	b6	
1.0000	-0.1441	-0.3828	-0.4508	-0.2854	-0.2227	**b1**
	1.0000	-0.0871	0.0632	-0.1029	0.0919	**b2**
		1.0000	0.4293	0.1982	0.1736	**b3**
			1.0000	-0.1652	0.1228	**b4**
				1.0000	0.2082	**b5**
					1.0000	**b6**

Graphical Analysis of Sugar safeguards and Liberalization effects

Table 5.4: Significant effect of market liberalization in sugar industry (a2)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1. Enhanced market access	2	6.7	6.7	6.7
	2. Increased production	1	3.3	3.3	10.0
	3. Product diversification	5	16.7	16.7	26.7
	4. Improved tax rates including VAT	4	13.3	13.3	40.0
	5. Enhanced competition	15	50.0	50.0	90.0
	6. Increased cost of production	3	10.0	10.0	100.0
	Total	30	100.0	100.0	

Figure 5.1: Significant effect of market liberalization in sugar industry (a2)

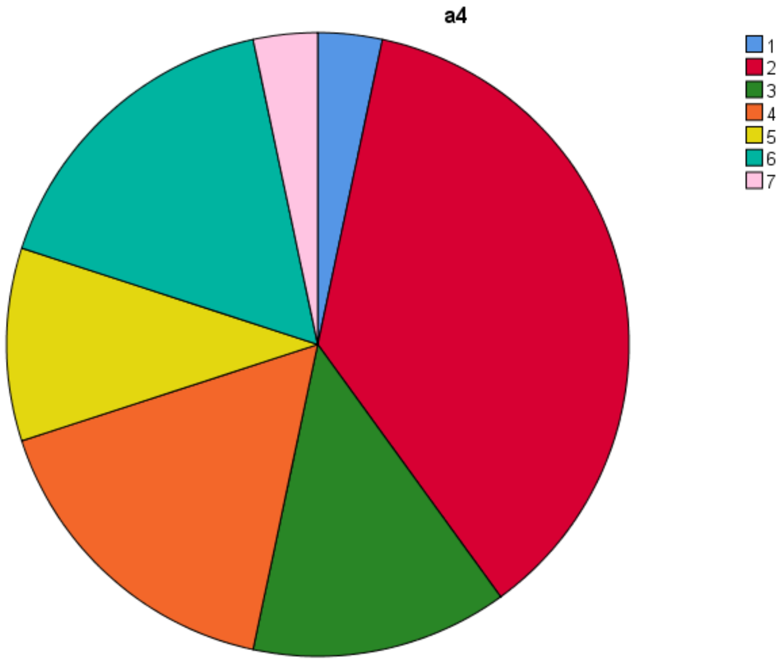


From the table above, a majority of 50% of the respondents considered enhanced competition as the most significant effect of the sugar market liberalization. Increased production of sugar was considered to be least affected, indicating it could have been impacted negatively.

Table 4.5: Sugar safeguards (a4)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1. Improved Research and Extension services	1	3.3	3.3	3.3
	2. Improved Sugar Board Administration	11	36.7	36.7	40.0
	3. Improved industry infrastructure	4	13.3	13.3	53.3
	4. Factory development/rehabilitation	5	16.7	16.7	70.0
	5. Reduced cost of farm inputs	3	10.0	10.0	80.0
	6. Improved production methods/ product diversification	5	16.7	16.7	96.7
	7. Reduced tax levies	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

Figure5.2: Sugar safeguards (a4)



From the above safeguard data presentation, it is evident that a majority 36.7% of the respondents cited improved management and administration of Sugar board to be the most effective solution to the safeguard implementation challenges.

Reduced tax levies and improved research and extension services was considered to be least effective, with a minority of 3.3% citing them as effective in addressing safeguard implementation challenges.

5.3 Summary

The current economic state of affairs globally encourages the opening up of domestic markets and relinquishing government control of the economy to the private sector. Most economists agree that free trade is beneficial for all in the long run. Trade is an essential component of development. International trade provides necessary stimulus for economic growth and development. Identifying factors that hinder trade is therefore important to attain growth especially in developing countries.

To facilitate economic growth through trade, regional integration has for the longest time been championed by multilateral bodies like the United Nations Conference on Trade and Development (UNCTAD). Integration contributes to trade facilitation. Protection is seen as a major threat to the integration process.

Sugar has for a long time been a political commodity with much of distortions in market prices. The challenge that Kenya sugar sector should address is the regional and international competitiveness for the sector. Kenya's protectionist policies on the sugar industry have infuriated other members. Due to smuggling of sugar in the country which has led to a piling of unsold sugar, there have been calls for COMESA to suspend licenses of duty-free imports. Ethiopia also has on several occasions come under criticism for its protectionist policy that limits the amount of imports it gets from COMESA. For Kenyan sugar industries to become efficient sugar producers and effectively compete in the regional market, these challenges facing sugar production must be amicably addressed once and for all through engaging various stakeholders in the industry.

There have been some constraints in the interstate trade relations which have been witnessed with some states namely Uganda, southern Sudan, Zambia and Zimbabwe expressing unsatisfactory feelings over interrupted market access in the sugar industry as a result of Non-tariff Barriers, Quota applications and other measures that have impeded free market operations in the sugar industry within the integration blocs.

5.4 Conclusions

States are sovereign entities, with distinct national interests and with foreign policies that govern their international relations. The territorial borders of states are internationally recognized and respected. Regional bodies recognize these invisible territorial lines and also appreciate states' national interests. The regional trading blocs are composed of foreign states which are not coerced to join or dismember themselves unless a state feels its sovereignty is threatened or undermined by the membership of a trading bloc.

Kenya like other states within COMESA trading bloc is a sovereign state and has its trade policies in line with COMESA trade policies. Kenya's foreign policy aspires the advancement of her industries and have a capital in-flow through international trade. This being the case, Kenya needed to see that its sugar industry attains the capacity to compete internationally and become regionally and globally competitive.

The concept of globalization and economic neoliberalism has been incorporated in the COMESA treaty whereby there is increment in cross-border trade of goods and services that has resulted in improving economic growth and development of many countries. It has exposed states to international specialization as well as international competition.

Regional Integration is an aspect that inter-links with globalization in the sense that it enhances regional trade, economic development, security and opening up of national borders for trade.

Trade liberalization within regional trading blocs has seen the establishment of freer trade between and among countries. Regional integration has for a long time been spearheaded by international organizations through multilateral bodies like WTO and UNCTAD to facilitate growth of trade. Regional Integration contributes to trade facilitation which has wide reaching effects on trade and development.

Protectionism policies and Neoliberalism school of thought interlink in the sense that they both aim at growth in an economy through minimal government interference. Neoliberalists support an open and free market with less barriers to trade, hence opening up national borders for trade. This school of thought contents that governments should have a minimal role to play in the economy so that the economy should be run by market forces of demand and supply. Neo-liberalism supports privatization within the economy. The theory emphasizes that market forces of demand and supply in international trade, within an integration region, should be allowed to dictate the price and quantity of goods and services demanded by consumers in both the domestic and foreign markets.

Trade is a very essential component for economic development. Intra- state and inter-regional trade provide necessary stimulus for economic growth and development therefore, it is important to identify factors that hinder trade to achieve development especially in least developed and developing countries. Regional blocs play a critical role as grounds for training and preparing markets for international competition.

Kenya's sugar industry has faced numerous challenges like cane poaching, capacity underutilization, and high cost of production, free cheap sugar imports and outdated production technology. Kenya has enjoyed the extension of sugar Safe guard measures from the COMESA region. The safeguard has seen sugar importation into the country regulated on the basis of quotas for duty free imports. This safe guard was seen as an opportunity for the stakeholders to have a bigger point of view of the sector and revitalize it. However, bureaucrats and sugar barons squandered this opportunity and little gains if any have been realized in the industry due to cartels and sugar smuggling unscrupulous traders that appear to have deep roots in the system.

5.5 Recommendations

Establishing neo-liberal reforms in developing countries involves moving from protective based domestic form of economic design to a more market based system and reducing domestic protectionism already in place. This allows for free movement of products across national boundaries which at the same time internationalizes industries and in turn industries are able to evaluate their capacity to operate in the international arena. Governments should not protect industries for long. They should let an industry make its own mistakes and in the long run it will be able to grow and become efficient through innovations. If Kenya is to succeed in the Sugar Industry, it should learn from countries with success stories in sugar production within the regional and global levels.

Through the concept of globalization, Kenya can learn a lot in terms of sharing of economic, technological, and agricultural ideas that can make Kenya thrive in the Sugar industry as it desires. Intra- competitiveness of sugar firms within the country is a wrong trade practice in an area where industries expect to grow and remain globally competitive. Sugar mills ought not to compete against each other but rather support each other to ensure that the sector satisfies the domestic demand for the commodity and becomes globally competitive. This therefore is the challenge that the Kenyan sugar sector must address if the industry must grow. Regional standards and operational parameters and efficiencies attained by other regional producers ought to be Kenya's points of reference in her quest of measuring her own success. The sugar sector stakeholders ought to shift focus and stop using its national territory for quantity achievement or development. The scale measurement to be used should be beyond Kenya.

A majority of the sugar success stories in the world have one thing in common; the practice of irrigation and having a cane variety for early maturity. This will reduce the cost of production to a large extent. The government as a stakeholder in the sector should embrace irrigation infrastructure to boost the sugar production in the country.

The licensing procedures ought to be simplified with corruption dealings eradicated to give a fair playing ground to all potential exporters and to save the Kenyan produce. Kenya is in danger of developing sugar cartels within the industry who may in the end drain the pockets of the domestic consumers. A monopolistic market in a country usually are a result of protective policies. The policies should protect both the consumer and the producer and if put in place for too long, the consumer will be at a disadvantage.

Kenya, through the regional integration bodies has a duty to herself and her citizens of seeing that her trade relations with members in the regional bodies is retained for sustainable growth of both her economy and the region at large. Economic empowerment of a state raises its status in a region and in the international lenses. Growing economies may feel the need to maintain protectionism if they feel they have not attained enough economic empowerment as desired. The result of such is having a permanent protectionism which in turn may ruin relations of the state with the others hence harm the economy of the state in question. In this case, Kenya's trade with COMESA members might grow soar if the temporal policy measures are extended over and over again and eventually develops to being a permanent policy measure. A too long policy safeguard measures may cause countries to feel cheated and their economic interests threatened even further which may lead to, among other things, trade wars.

Relation from COMESA member states to Kenya would see her economy deteriorate considering the trade arrangements under COMESA that have favored Kenya. So far, Kenya is enjoying economic supremacy in the region and is among the top 10 economies in Africa. Therefore, the recurrent extensions on Kenya's safeguard under COMESA FTA ought to cease and better solutions for the industry sought after. At the same time, the Kenyan government ought to seek out any differences among the stakeholders, put political ambitions and self- interests aside and put the country's economy in relation to the sugar sector specifically in mind by ensuring that it fulfills the conditions set for it under the safeguard within the limited time remaining. Globalization has made it easier for countries to share ideas and learn from each other, hence Kenya can simply move from being a developing state to a developed nation.

5.6 Areas for Further Research

Following this study, further research should be done in the following areas: How the Africa Continental Free Trade Area (AfCFTA) would impact on the sugar industry in Kenya.

BIBLIOGRAPHY

Akoko, Alex A. "Government Policies' mediating influence On the Relationship between Knowledge Management Practices (KMPs') and Sustainability of Sugar Companies in Kenya."

Akonor, Kwame. "The AU and Continental Foreign Economic Policymaking in Africa: Institutions and Dialectics on Integration in the Global Economy." In African Foreign Policies in International Institutions, pp. 33-47. Palgrave Macmillan, New York, 2018.

Awiti, Leon. "Influence of Financial Capability on Competitive Advantage of Sugar Companies in Western Kenya."

Bakirov, V. S., and V. M. Kuklin. "Arguments in Favour of Economic Liberalization." International Journal of Economics and Financial Research 6, no. 7 (2020): 139-146.

Birgen, Yusuf, and Elson Kiplangat Kirui. "Relationship Between Multi-Dimensional Resources And Financial Performance Of Mumias Sugar Company, Kenya." European Journal of Economic and Financial Research (2020).

Birgen, Yusuf, and Elson Kiplangat Kirui. "Relationship Between Multi-Dimensional Resources And Financial Performance Of Mumias Sugar Company, Kenya." European Journal of Economic and Financial Research (2020).

De Melo, Jaime, and Yvonne Tsikata. "Regional integration in Africa: Challenges and Drummond, Mr Paulo, Mr SK Wajid, and Mr Oral Williams. The East African community: Foroutan, Faezeh. Regional Integration in Sub-Saharan Africa.No.

992. World Bank Publications, 1992.Quest for regional integration. International Monetary Fund, 2015.prospects." (2015).

Dedeoğlu, Beril, and TolgaBilener. "Neo-Functionalist Regional Integration Theory Put to Test in Asia: New Regionalism around India and ASEAN." Insight Turkey 19, no. 4 (2017): 155-174.

Dubb, Alex. "Commodity Study: Small-Scale Sugar Production." (2020).

Eaton, Dave. "GodriverWanga-Odhiambo. The Political Economy of Sugar Production in Colonial Kenya: The Asian Initiative in Central Nyanza." (2018): 1439-1440.

Ehigiamusoe, KizitoUyi, and HooiHooi Lean. "Do economic and financial integration stimulate economic growth? A critical survey." Economics: The Open-Access, Open-Assessment E-Journal 13, no. 2019-4 (2019): 1-27.

Goetz, Ariane. "China and Africa: Somewhere Between Economic Integration and Cooperative Exploitation." Innovating South-South Cooperation: Policies, Challenges and Prospects (2019): 173.

Gülzau, Fabian, Steffen Mau, and NataschaZaun."Regional mobility spaces?Visa waiver policies and regional integration." International Migration 54, no. 6 (2016): 164-180.

Hartzenberg, Trudi. "Regional integration in Africa." Available at SSRN 1941742 (2011).

Hsieh, Chang-Tai, Ralph Ossa, Nicholas Li, and Mu-Jeung Yang. "Accounting for the new gains from trade liberalization." Journal of International Economics (2020): 103370.

KASSA, Binyam. "Impact Of Live Animal Production And Trade On Economic Growth Of Comesa Member Countries." PhD diss., st. mary's University, 2019.

Kegoro, Henry O., Selline Indara Akoyo, and Dina A. Otieno. "Change Management on Performance of Sugar Manufacturing Firms in Kenya." Journal of Human Resource & Leadership 4, no. 1 (2020): 1-9.

Maitah, Mansoor, and Luboš Smutka. "The Development of World Sugar Prices." Sugar Tech 21, no. 1 (2019): 1-8.

Mariara, Jane Kabubo, and Tabitha W. Kiriti. "Structural adjustment, poverty and economic growth: An analysis for Kenya." PhD diss., AERC, 2020.

Mati, Bancy M., and Michael K. Thomas. "Overview of sugar industry in kenya and prospects for production at the coast." Agricultural Sciences 10, no. 11 (2019): 1477-1485.

Mati, Bancy M., and Michael K. Thomas."Overview of Sugar Industry in Kenya and Prospects for Production at the Coast." Agricultural Sciences 10, no. 11 (2019): 1477-1485.

Moraa, Ogendi Rose, Thomas A. Senaji, and Mary Mbithi. "Relationship between Strategic Responses and Competition in the Sugar Industry in Western Kenya Region." structure 2 (2017): 1-14.

Mpapalika, Jane. "The Regulation of Sugar Market Price in Developing Countries." Available at SSRN 3471629 (2019).

Mpapalika, Jane. "The Regulation of Sugar Market Price in Developing Countries." Available at SSRN 3471629 (2019).

Muchilwa, Bernard Amianda. "Exploring Causes Of Poverty In Africa With Reference To Abanyole Of Vihiga County In Western Kenya As A Means Of Addressing The Menace." Impact: Journal of Transformation 3, no. 1 (2020): 80-87.

Mwalim, Mr Andrew Opiyo, Robert KW Egessa, and MrKwendo Evans. "Effect of Setting of Performance Contract Objectives on Organizational Performance in the State Owned Sugar Companies." Int. J. of Multidisciplinary and Current research 7 (2019).

Nganga, Cornelius J., and Jean Bosco Byiringiro. "Effective Maintenance Strategy of Cane Crushing Mills for Improvement of Sugar Production in Kenya." (2018).

Nganga, Cornelius J., and Jean BoscoByiringiro."Effective Maintenance Strategy of Cane Crushing Mills for Improvement of Sugar Production in Kenya." (2018).

Ngugi, Anne Nyawira, Timothy Maitho, and Dorothy Ndunge Kyalo. "Influence of Value Addition to Agricultural Produce and Result Based Monitoring and Evaluation to Households Food Security in Murang’a County, Kenya." European Journal of Business and Management Research 5, no. 3 (2020).

Njeru, Alex. "Bitter Sugar." (2016).

Nunn, Alexander. "Neoliberalization, fast policy transfer and the management of labor market services." Review of International Political Economy 27, no. 4 (2020): 949-969.

Nye, Joseph S. Peace in parts: Integration and conflict in regional organization. Boston: Little, Brown, 1971

Odhiambo, George, and Elijah Muange. "Declining Wage Employment along Sugar Value Chain: The Need for Policy Change in Kenya." (2019).

Odhiambo, George, and Elijah Muange."Declining Wage Employment along Sugar Value Chain: The Need for Policy Change in Kenya." (2019).

Oseni, Musiliu O., and Michael G. Pollitt. "The promotion of regional integration of markets: Lessons for developing countries." Energy Policy 88 (2016): 628-638.

Osore, E. A. E., J. M. Ogola, and M. M. Ogot. "Characterization of Levels of Automation on the Quality of Sugar Cane Juice Extraction: Case of Kenya." Journal of Automation and Control 7, no. 1 (2019): 15-24.

Owiye, Peter O., Isaac K. Naibei, and Gideon Momanyi. "Effect of Trade Liberalization on Performance of Sugar Firms in Kenya: The Case of GovernmentOwned Firms." European Scientific journal 12, no. 13 (2016).

Pasara, Michael Takudzwa, and Steven Henry Dunga. "The welfare effects of economic integration in the Tripartite Free Trade Area." African Journal of Business and Economic Research 14, no. 1 (2019): 49-67.

Pazuch, Felix Augusto, Carlos Eduardo Camargo Nogueira, Samuel Nelson Melegari Souza, Viviane CavalerMicuanski, Leandro Friedrich, and Anderson Miguel Lenz."Economic evaluation of the replacement of sugar cane bagasse by vinasse, as a source of energy in a power plant in the state of Paraná, Brazil." Renewable and Sustainable Energy Reviews 76 (2017): 34-42.

Rumánková, Lenka, LubošSmutka, MansoorMaitah, and Irena Benešová. "The Interrelationship Between Sugar Prices at the Main World Sugar Commodities Markets." Sugar Tech 21, no. 6 (2019): 853-861.

Schimmelfennig, Frank. "Regional integration theory."In Oxford Research Encyclopedia of Politics. 2018.

Seleka, Tebogo B., and Thula S. Dlamini. "Competitiveness of ACP Sugar Exporters in the Global Market." The International Trade Journal 34, no. 2 (2020): 247-277.

Voora, Vivek, Steffany Bermúdez, and Cristina Larrea. Global Market Report: Sugar. International Institute for Sustainable Development, 2020.

Wanga-Odhiambo, Godriver. The Political Economy of Sugar Production in Colonial Kenya: The Asian Initiative in Central Nyanza. Lexington Books, 2016.

Wanyama, Kadian Wanyonyi, Sharon Wefuma Sifuma, Nabiswa Patrick Koyi, Isaac Mabale Indiatsi, and Josephine N. Ojiambo. "How group potency affects employee job satisfaction in sugar manufacturing firms in Kenya." Journal of Economics, Management and Trade (2019): 1-12.

Waswa, CalistusWekesa, Mohamed Suleiman Mukras, and David Oima."Effect of Liquidity on Financial Performance of the Sugar Industry in Kenya." International Journal of Education and Research (2018): 16-44.

Wogga, Beatrice. "Examining the Effects of Politics on Trade in Regional Blocs' Economic Integration: A Case of the East African Community and the European Union."PhD diss., United States International University-Africa, 2019.

APPENDIX

APPENDIX 1: COVER LETTER FOR THE STUDY

Dear Respondent,

I invite you to participate in a research study entitled ‘The effect of Economic Integration on the sugar industry in Kenya”. I am currently enrolled in for Masters Programme for international studies at the University of Nairobi and I am in the process of writing my master’s thesis.

The purpose of the research is to determine:

1. To determine impact of economic integration on the sugar industry in Kenya.
2. To assess the extent to which trade liberalization in COMESA has impacted on state relations in the bloc.
3. To investigate the extent to which sugar policies in COMESA have affected the sugar industry in Kenya.

The enclosed questionnaire was designed to gather data:

Your involvement is entirely voluntary in this research project. You should absolutely decline, or leave blank any question that you do not wish to answer. Beyond those faced in daily life, there are no established threats to participation. Your answers will remain anonymous and confidential. Data from this analysis will be kept under lock and key and published as a cumulative collective total only. Your individual responses to this questionnaire will be known to no one other than the researcher.

If you agree to participate in this study please answer the questions on the questionnaire as best as you can. If you have any questions about this project feel free to contact wachilongab@gmail.com.

Thank you for your assistance in this important endeavor.

Sincerely yours,

Wachilonga B. Juma

APPENDIX II: RESEARCH QUESTIONNAIRE

Instructions:

The following research questions are designed to investigate the role and impact of sugar safeguards /Policies on the industry and interstate relations.

Please read each question carefully and follow the instructions. Kindly answer all the questions by ticking in the spaces provided. All responses given will be treated with a lot of confidentiality and for the purpose of this study only. Thank you for taking time to fill the questionnaire.

PART A:

1. Does economic integration have any significance on the sugar industry in Kenya?
   Yes [ ] No [ ]

2. If 1 above is yes, what is the most significant effect of economic integration on your sugar industry from the following list

   Enhanced market access [ ]
   Increased production [ ]
   Product diversification [ ]
   Increased taxes [ ]
   Enhanced competition [ ]
   Increased cost of production [ ]

3. What is the main challenge facing trade liberalization in COMESA?
   Competition from foreign producers [ ]
   Decline in productivity at farm level [ ]
   Decline in productivity and efficiency at factory level. [ ]
   Failure in Institutional structures, processes and policy to address current issues. [ ]

4. In your view, what is the best solution to the above challenges?
   Improved Research and Extension services [ ]
   Improved Sugar Board Administration [ ]
   Improved industry infrastructure [ ]
   Factory development/rehabilitation [ ]
   Reduced cost of farm inputs [ ]
   Improved production methods/ product diversification [ ]
   Reduced tax levies [ ]

5. What do you think are the two main domestic measures to be undertaken to promote economic integration to sustain the sugar industry in Kenya?

Control of sugar prices [ ]
Privatization of sugar companies [ ]
Increased land acreage for production [ ]
Product diversification [ ]
Improved technological production methods [ ]
Improved Sugar Board administration/management [ ]

PART B:

Please indicate by ticking, your level of agreement on effect of the following domestic mitigation measures on integration challenges of the sugar industry. Use a scale of 1 – 5 where 1= Very great extent 2 = Great extent 3= Moderate extent l, 4 = little extent, 5 = Not at all

		Very great extent	**Great extent**	**Moderate extent**	**Little extent**	**Not at all**
1.	Control of sugar prices					
2.	Privatization of sugar companies					
3.	Increased land acreage for production					
4.	Product diversification					
5.	Improved technological production methods					
6.	Improved Sugar Board administration/management					