FACTORS INFLUENCING KENYA'S FULL PARTICIPATION IN COMESA: A PERCEPTION BY KENYA ASSOCIATION OF MANUFACTURERS (KAM) MEMBERS

By

1

Vincent Masawi

A Management Research Project Report Submitted in Partial Fulfillment of the Requirements for the award of a Degree in Master of Business Administration

School of Business

University of Nairobi

July 2007

DECLARATION

I hereby declare that this project is my original work and the material used here has not been submitted to any collcge or university for academic credit

Signed:_ Date: 13 /IO/AOO

Vincent M. Masawi

This Research Project Report has been submitted for examination with my approval as A University supervisor.

Signed: ' Date: R j f d froV7

Dr. John Yabs

DEDICATION

This study is dedicated to all those who see education as a window of many opportunities, and especially to those who encouraged me throughout the course of my study.

ACKNOWLEDGEMENTS

My sincere gratitude goes to my supervisor. Dr. John Yabs for his guidance, encouragement and invaluable support. I also wish to extend my sincere gratitude to my wife Christina, sons I larry and Gerry. Last but not least to my mother and all my friends, especially Mwasawa for their unending support, encouragement and tinst in me.

To my late father Harrison Masawi who dedicated his life to the welfare and education of all of us his children:

May God Almighty rest his soul in eternal peace.

LIST OF ABBREVIATIONS

ASEAN	Association of South East Asian Nations
AU	African Union
CAR1COM	Caribbean Community
CET	Common External Tariff
CEMAC	Common Economic Market for Central Africa
COMESA	Common Market for Eastern & Southern Africa
EAC	East African Community
EACU	East African Customs Union
ECA	Economic Commission for Africa
ECCAS	Economic Commission of Central African States
ECOWAS	Economic Community for West African States
EU	European Union
FDl	Foreign Direct Investment
FTA	Free Trade Area
GDP	Gross Domestic Product
1GAD	Inter Governmental Authority on Development
KAM	Kenya Association of Manufacturers
MERCOSUR	Common Market of the South
MNCs	Multi National Corporations
NAFTA	North American Free Trade Area
PTA	Preferential Trade Area
RECs	Regional Economic Communities
RIAs	Regional Integration Agreements
SADC	Southern Africa Development Cooperation
SAPs	Structural Adjustment Programs

Abstract

Kenya's economic performance in the first decade after independence was impressive with average GDP of 6.6% per year (Kenya Economic Survey, 2002). However, in the following three decades, poor fiscal and monetary policy, external and internal shocks and political events resulted in the worst economic performance in the short history of the country *(.Encyclopaedia Britannica,* 2007).

However, since 2002 there has been an upward trend in Kenya's economy. It is important, therefore, to state that trading witli other countries (international trade) both within the region and beyond plays a vital role in Kenya's economy (*Central Bureau of Statistics,* Nairobi, 25^{lh} May, 2006).

Over the years a number of countries in the world have been positioning themselves in the global market through economic/regional integrations (Fatemi, 2000). Encouraged by the success of the European Community (EC), many countries have banded together into regional groupings, hoping that this will help improve their economic performance both as individual countries and as a region (Keegan, 1984:143).

Kenya is a member of a number of economic groupings in the region. These are the East African Community (EAC), Common Market for Eastern & Southern Africa (COMESA), Inter- Governmental Authority on Development (1GAD) among others.

But even though various studies shows that there are a lot of benefits for Kenya as a member of a regional body like COMESA there are still hurdles facing member countries in integrating into this regional body. The economic performance of COMESA countries has been dismal averaging only 3.2 per cent a year since I960 (Muuka et al, 1998).

Various factors have been alluded to this poor performance. These are economic, political and social among others.

This study has therefore focused to find out the factors influencing Kenya's full participation in COMESA.

Table of Contents — Page

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

CHAPTER FIVE: SUMMARY ANI) CONCLUSIONS

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The Treaty establishing COMESA was signed on 5th November 1993 in Kampala, Uganda and was ratified a year later in Lilongwe, Malawi on 8th December 1994. It has a membership of twenty countries:- namely Angola. Burundi, Comoros, Democratic Republic of Congo (DRC), Djibouti, Egypt, Eritrea. Ethiopia. Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe *(Journal of Business in Developing Nations,* Vol. 2, Article 3, 1998, pp 4-5).

COMESA replaced the former Preferential Trade Area (PTA) which had existed from the earlier days of 1981. COMESA was established as an organization of free independent sovereign states which have agreed to cooperate in developing their natural and human resources for the good of all their people. Its main focus was on the formation of a large economic and trading unit that is capable of overcoming some of the barriers that are faced by individual states (*Comesa Secretariat,* Lusaka, Zambia, 1999).

According to Muuka & Harrison (1998) the aims and objectives of COMESA have been designed so as to remove the structural and institutional weaknesses in the member States by pooling their resources together in order to sustain their development efforts either individually or collectively.

The main milestones set by COMESA were:

(a) Achievement of zero tariffs for all tradable goods among COMESA members (Free trade status) by the year 2000.

(b) Establishment of a common external tariff, (CET) or customs union by the year 2004 with less restricted movement of people (common market status).

(c) Establishment of a monetary union, free movement of people including right of establishment (economic community status) by the year 2025.

But even as the process of harmonizing set objectives was going on; in 2000. Tanzania formally pulled out from COMESA favoring to concentrate on EAC and SADC of which it was a member (COMESA. 2000).

Anioako, (2002); states that RI has moved at an ad hoc revolutionary manner. He points out that the pace has been deliberate and at times maddeningly slow. He adds that African leaders must look for ways to accelerate the integration process.

But there is a remarkable degree of consensus over the desirability of some form of regionalism (Gibb, 1996). Multilateral agencies, NGOs, national governments and academics, from within the region and beyond, are united in their calls for regional integration *(The African Development Bunk [AfDB],* 1993; Cross Border Initiative, 1992, 1995; Mistry, 1996; Venter *etui.,* 1994).

Kenya has been one of the leading countries in both the COMESA and EAC in the reduction of tariffs which have to-date been reduced to 80% for most goods from the COMESA region and 90% from EAC region. It also belongs to Inter Governmental Authority on Development (IGAD) which began as a body to fight desertification transforming itself into a developmental body.

1.2 Role of COMESA in Kenya's economic development

The membership of Kenya to COMESA has had a number of benefits. These are economic, social, political, to mention but a few.

For example, the main destination of Kenya's export on regional basis is Africa followed by the European Union. In 2000, the share of total exports to African countries and the European Union stood at 46% and 30% respectively. Within the African region, exports to COMESA countries accounted for 42% of the total value of exports in 2000 (*Kenya High Commission.* New Delhi, 2006).

Fig. 1. TOTAL EXPORTS FROM 1996 TO 2000 (US$ MILLION)

Region	1996	1997	1998	1999	2000
Europe	522.2	527.8	482.4	509.5	535.9
America	50.3	62.6	48.4	42	46
Africa	735.3	720.5	738.8	734.9	794
Asia	198.8	205.3	256.9	266.1	285.1
Australasia & Oceanic	23.9	28	21.1	10.2	55.7

Source: Kenya High Commission, New Delhi, 2006

Latest figures confirm that COMESA region is the leading destination of Kenya's exports. Its exports to the region grew by 63.65 from US$530.7 million in 2004 to US$868.3 million in 2005 accounting for 36.6% of exports. This is followed by the EU which accounted for 25.4% in the same period *(Republic of Kenya: Brief on COMESA,* Nairobi, February 2007).

In recognizing the importance of regional trade, Kenya undertook various steps with the aim of promoting export and in essence regional trade. These include:

(i) Abolishing export and import licensing, except for a few items listed in the Imports, Exports and Essential Supplies act (Cap 502);
(ii) Manufacturing Under Bond (MUB);
(iii) Duty Remission Schemes;
(iv) Export Compensation Scheme;
(v) the pursuance of a flexible and realistic exchange rate that promotes exports;
(vi) Export Processing Zone (EPZ) programs;
(vii) Rationalizing of the tariff structure;
(viii) Elimination of price controls;
(ix) Tax incentives to local and foreign investors in the form of tax holidays;

Others include the establishment of bodies specifically charged with the responsibility of promoting exports. These are: the Kenya External Trade Authority (KETA); the Export Promotion Council (EPC) among others.

As mentioned earlier, Kenya has reduced its tariffs up to 80% for COMESA region and to 90% for EAC region. This meant loss of government revenue. But Kenya believed there were long term gains from regional integration.

Various studies have been undertaken to determine the perception by Kenyan entrepreneurs of opportunities created through regional integration. Kuria (2002), found that only 33.3% of the respondents thought of the regional markets being of high potential and 28.6 % perceived the opportunities as being of low potential. A study on "non-tariff barriers and other obstacles to trade in East Africa" was carried out in June 2001 by Christopher Ackello-Ogutu *el al.* They found out that there was need for policy standardization in the East African Community if it were to reap the benefits of a free trade area.

Oluoch-Kosura (2000), found that non-compliance with trade agreements among member countries to be still high. In his study he found out that governments appeared reluctant to liberalize cross-border trade for lack of clear awareness on who gains or looses from trade liberalization particularly the fiscal implications of trade reforms with regard to lower tariff levels. He further found out that most countries in the COMESA region were yet to implement the single documents declaration document meaning trading firms continued to carry on with the previous documentation procedures.

This therefore, corroborates a central contention that translating the desire for collaboration into an effectively functioning institutional reality is going to be a slow, and potentially acrimonious, process (ECA 2004).

1.3 Statement of the Problem

From the above trade figures, there is no doubt that Kenya is a major beneficiary of COMESA. However, some recent examples are proof that there are still hurdles in regional integration. For several years now Kenya has had an on and off trade disputes on Manufactured Industrial products with Egypt with Kenya accusing Egypt of dumping cheap products such as cement (Ochieng' *el cil,* 2006). Also the unilateral levying of duty on Kenya's dairy products in Uganda *(EAC secretarial.* Arusha, June 2007).

Fresh questions are now being asked about the viability of COMESA (Akumu 2001). A Kenya government fact-finding mission to five COMESA states in 2001 raised serious questions on the viability of the bloc's controversial and ambitious Free Trade Area as a tool for boosting commerce in the region. It also puts in serious doubt the ability of COMESA to police its own trade regulations to ensure that they are not abused by profiteers.

The bone of contention here is the Rule of Origin which the mission felt was being flouted in some cases. But the report also admits a chilling fact; that Kenya can not produce efficiently, despite its enthusiasm in adopting the FTA (*The Daily Mation* Nairobi, 15th May 2005). There are also fears that the proposed East and South Africa (ESA) economic block may replace the COMESA.

The COMESA secretariat states that though the trading block supported the European Union (EU) funded negotiations to create ESA, individual countries might be forced to sign their own agreements with the world's largest trading block (*The Standard,* Nairobi, 11th May 2005).

Muuka and McCoy (*Journal of Business In Developing Countries* Vol 2, Article 3, 1998, pp 8-22) examines impediments to integration in Africa's largest regional trading block—the Common Market for Eastern and Southern Africa (COMESA). Their major conclusion was that because of the major SAP and non-SAP impediments, COMESA was still far from living up to its advance billing as saviour of economies in Eastern and Southern Africa.

It is therefore needed in this study to establish what are the apparent factors that hinder fuller integration of member countries into COMESA? Although various countries might experience common problems, there are problems which are unique to Kenya.

This study, therefore, aims at finding out the factors that inhibit/hinders Kenya's full participation in the COMESA.

1.4 Objectives of the Study

The main objective of this study is:

i) To determine the perception by Kenya Association of Manufacturers (KAM) members on factors impeding Kenya's full participation into the COMESA.

ii)To determine the degree or extent of the factors that influence Kenya's full participation into the COMESA.

1.5 Importance of the Study

1.5.1 To the Kenyan Entrepreneur

By shedding some knowledge on the economic factors that impede Kenya's full integration into COMESA; the Kenyan entrepreneur will be in a position to asses and position themselves better by putting in place strategies to overcome some of these impediments. The Kenyan entrepreneur may also form pressure groups to forward their grievances to the relevant government(s) bodies to address these impeding factors so as to create a conducive environment to conduct their businesses in the region. This will have a positive bearing in their business growth in region in the long run.

1.5.2 To the Government

Since Kenya's exports to the COMESA contributes a lot to its economy, the country and its policy makers have a lot to gain if more knowledge can be obtained in this area. This will lead to the government and its policy makers to put in place strategies and plans to help in removing the existing impediments especially those that are within its control. Addressing impediments hindering Kenya's integration to COMESA will increase business transactions in the region and this will contribute to the growth in the country's economic growth.

1.5.3 To the Regional bodies

Some of these factors may be common to most members of the regional trade bloc and would require a joint approach to solve the problein(s). This can be done through various existing regional or developmental bodies such as IGAD, EAC among others. The effect will be increased business between COMESA member countries which will impact positively on their economies.

1.5.4 To the Academic Field

An academic research will increase the available body of knowledge on the subject. This research will also benefit other researchers interested in the topic of regional integration and regional trade in particular. It will also motivate other scholars in this topic to conduct further research as various factors continue to impact on this topic of regional integration.

1.6 Scope & Limitation of the Study

The scope is limited to the COMESA as a region and to Kenya-one country. This study is also limited by time constraints and financial resources to be done more exhaustively. It is also limited to the membership of Kenya Association of Manufacturers (KAM). Also majority of the members interviewed are based in Nairobi and its environs.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews literature on regional/economic integration as a strategy for national and regional development and also global economic positioning.
The first part deals with the concept of regional (economic) integration and also rationale for regional integration. The second part looks at Kenya's participation in COMESA and factors hindering/impeding full participation into this regional body.

2.2 Rcgional/Economic Integration

Economic integration refers to the removal of economic protection barriers within a geographical area and often includes cooperation in the provision of common services and regional industrial planning (Shaw, 1992: 22).

Regional cooperation has become a byword since the conclusion of the Second World War (Cateora, 1987:300). Encouraged by the success of the European Community (EC), many countries have banded together into regional groupings, hoping that this will help improve their economic perfomiance both as individual countries and as a region (Keegan, 1984: 143).

During the last few years of the 20^{lh} century, the number of countries belonging to regional blocs mushroomed. More than one half of the global trade and a similar proportion of the global production is by and between countries which are members of an operational trading bloc (Fatemi, 2000). Venables (2000; World Bank 2000b) concurs that the benefits of regional integration are gains made from new trade opportunities, larger markets and increased competition.

ll is reasonable to assume that the most significant trend in this new millennium is global competitiveness. In the face of the opportunities and challenges posed by the new paradigm of the "global economy," nations are moving to integrate their economies with those of their neighbors, to create larger and more competitive regional economic blocs, and to engage in international trade—not just as individual states but as regional powers *(Economic Commission for Africa, ECA, 2UU4).*

Small states posses limited development potential. Their markets can be enlarged through integration. By capacity utilization, wide markets make it possible to attract foreign investment thereby increasing employment (Cateora and Hess. 1979:302).

2.2.1. **Rationale for Regional/Economic Integration**

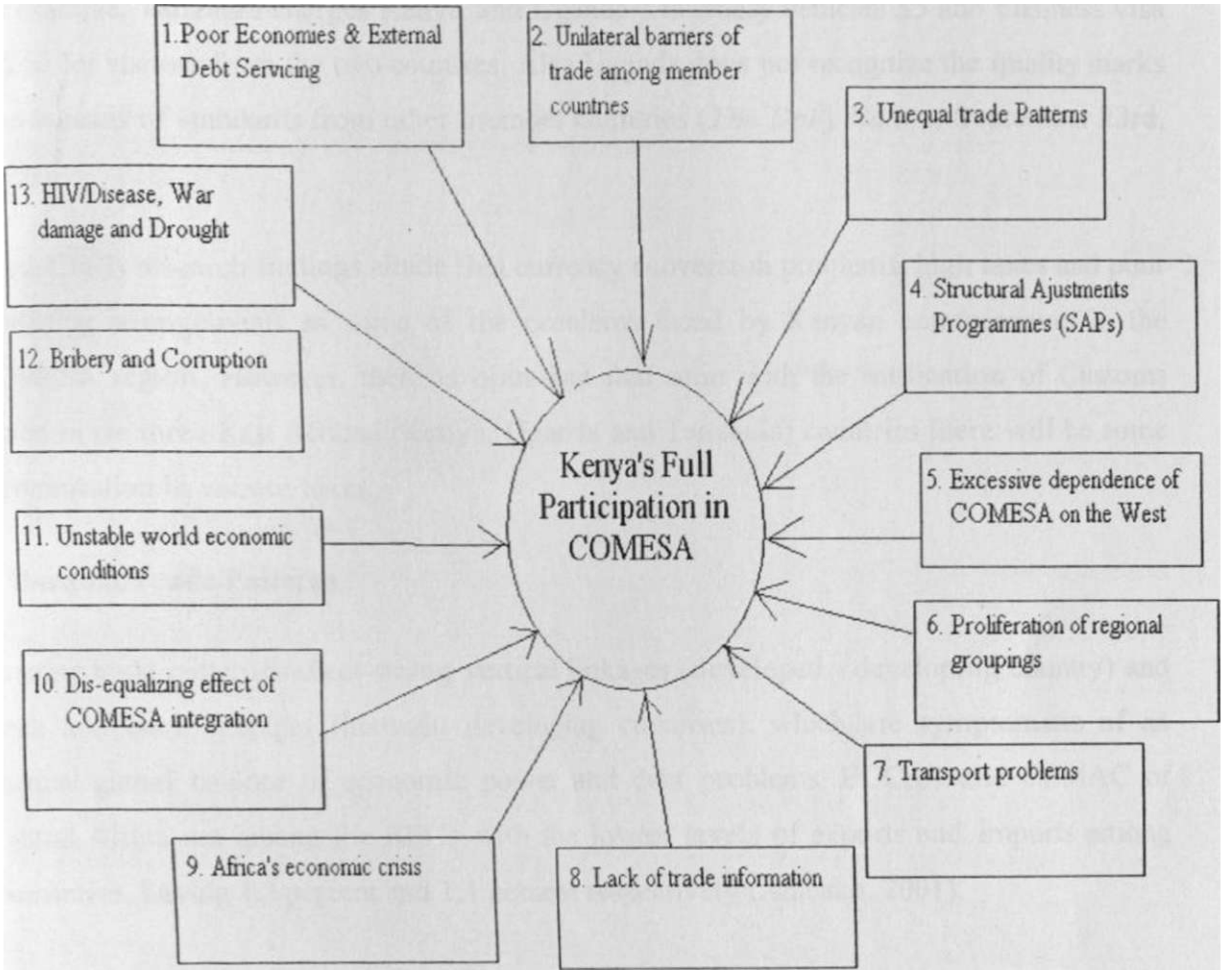
There are various reasons for the growing interest in economic integration all over the world. Countries have been adversely affected by economic, political and social factors. While they (countries) cannot individually overcome the pressures brought about by these factors, they can do so collectively as a group (Robson, 1968:69).

The factors supporting economic integration can be divided broadly into economic, political and socio-cultural.

2.3 The economic factors influencing Kenya's full participation in COMESA

There are a number of economic reasons that influence Kenya's full participation in COMESA. These can be depicted in the diagram below as follows:

l'ip.2. Economic factors influencing Ken\a's full participation in COMESA



1. Poor Economies & External Debt Servicing

The poor economic status of many Sub-Saharan African (SSA) states, Kenya included, has made them not to fully participate in COMESA. Africa, generally, has experienced mounting external indebtedness accompanied by very high debt service ratios which have diverted a significant portion of export earnings from development programs (including those that are specifically integration-related) to debt servicing (PTA, 1992, p.5). Boutros Boutros Ghali, Africa's first UN Secretary General, stated that external debt is a millstone around the neck of Africa. Ghali further states that for African nations excluding the Arab North, external debt jumped from 29.2 percent of GNP in 1980 to 108.8 percent by 1992 (Oxfam, 1993).

2. Unilateral barriers of trade among member countries

There are still a number of impediments to trade across a number of countries in COMESA. For example, Tanzania charges Kenya and Uganda's business vehicles $5 and business visa of $ 50 for visitors from the two counties. Also Uganda does not recognize the quality marks from bureaus of standards from other member countries *(The Daily Nation,* September 23rd, 2005).

Kuria (2002) research findings allude that currency conversion problems, high taxes and poor marketing arrangements as some of the problems faced by Kenyan entrepreneurs in the COMESA region. However, there is optimism that soon with the ratification of Customs Union in the three East African (Kenya, Uganda and Tanzania) countries there will be some harmonization in various taxes.

3. **Unequal Trade Patterns**

Existing trade patterns reflect strong vertical linkages (developed - developing country) and weak horizontal linkages (between developing countries), which are symptomatic of an unequal global balance of economic power and debt problems. ECCAS and CEMAC of Central Africa are among the RECs with the lowest levels of exports and imports among themselves, having 1.3 percent and 1.1 percent respectively (Amoako, 2001).

In the East Africa Community. Kenya is the dominant player, exporting some US$ 441 million (most of it to Uganda) and importing US$ 15 million in 2003 (*The East African Standard,* Nairobi, 19th August, 2004). Uganda has a considerable deficit (Muuka, 1998) yet, intra-EAC trade is a low proportion of the member countries total trade. For example, most of Uganda's trade is with the European Union, Kenya being the destination for only 4.6 percent of Uganda's exports and origin of only 12.4 percent of imports.

4. Structural Adjustment Programs (SAPs)

Muuka (1998) point out that a number of COMESA member states (Kenya included) are currently implementing, at different stages, structural adjustment programs (SAPs) under, World Bank and IMF tutelage. Effective SAPs ideally should assist sub-regional economic integration by rekindling economic growth and by decreasing economic discrepancies.

S p t f t r i ,

. 7-7 r-s&u

But certain aspects of structural adjustment programs as dictated by both the World Bank and IMF (such as the content of conditionality or policy strings attached to loans; and the speed and timetable of the adjustment process) may in fact be a hindrance to integration in COMESA.

(5) Excessive dependence of COMESA on the West

Muuka *et al* (1998) further points out that there is excessive dependency of COMESA states on the developed West. Even in cases where products of comparable quality may be available in member states. This runs counter to the rationale for creating bigger markets to facilitate the growth of viable production ventures. High dependence on imported raw materials from the West makes COMESA economies particularly vulnerable to foreign exchange availability—which in Africa is typically in short supply.

Secondly, inter-sectoral and intra-sectoral linkages are bound to be weak, because firms buy their requirements from outside COMESA, rather than from within. There are a number of reasons for the continued dependence on the West.

Two of these (cited by Nomvete, 1993) are worth noting. First, the preference for Western imports is attributable to habit, where both consumers and the importers prefer anything "Western." Secondly, many of the imports from the West are tied directly to aid programs which tend to favor imports from the aid-giving country: nearly two thirds of capital and commodity aid and an even higher proportion of technical assistance require imports from the aid-giving country. This happens regardless of the suitability of the products for local conditions. About US$5 billion worth of goods exported by COMESA members to developed countries are re-imported back into the region by other members. And as a SADC *Top Companies Report* (1994, p.57) notes, tied aid is known to play a role in this distortion.

(6) Proliferation of regional groupings

Muuka *et al* (1998) asks the logical question, as to why does Eastern and Southern Africa need COMESA, SADC, and the Southern African Customs Union (SACU, whose members are: Botswana, Lesotho, Namibia, South Africa and Swaziland)? With the exception of Botswana, all 9 other members of SADC (Angola, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe) are also members of COMESA. Three of the five SACU members are also members of both SADC and COMESA.

Wachira (1999) points that almost half of COMESA members are also members of SADC, whose membership is smaller than COMESA's. This, he adds, may tend to weaken the integration process. It leads to costly competition (even for attention and resources); conflict; inconsistencies in policy formulation and implementation; unnecessary duplication of functions and efforts; fragmentation of markets and restriction in the growth potential of the sub-region. SADC was formed in 1980 to reduce member countries' dependence on the then apartheid South Africa. Since May 1994 South Africa has had a Nelson Mandela and now Thabo Mbeki led black majority government and apartheid is officially over, throwing into serious question SADC's *raison d'etre.* And as Hess (1994) points out, talk of merging SADC and COMESA has not yielded any results.

(7) **Transport problems**

The transport infrastructure for intra-COMESA trade (including roads, rail systems, air and some shipping) is not only inadequate, but in many cases non-existent. Burundi, Comoros, Lesotho, Mauritius, Rwanda and Somalia, for instance, have no railway systems (Muuka *et al,* 1998). In some cases, parts of the network (especially in former war-torn states such as Angola, D.R. Congo and Burundi) need urgent rehabilitation and upgrading. Interviews held with the COMESA Secretariat in Lusaka by Muuka *et al* (1998), revealed that the COMESA road network consists of approximately 561,000 km of classified roads, of which only 64,000 (11.4%) were tarred. The main transport corridors are essentially focused in an east-west direction from the ports to the hinterlands, with very few north-south links. The networks also have been characterized by high operating costs due primarily to poor road conditions and cumbersome transit operations. This limitation, no doubt, does not help the integration process (*Journal of Business in Developing Nations Vol. 2. 1998. Article 3, pp 10-15).*

(8) Lack of trade information

Nomvete (1993, p.53) makes the useful point that lack of information has also hindered the development of intra-COMHSA trade.

Most African nations are traditionally linked to former colonizing nations and, as a consequence, there is an acute lack of awareness of what other African countries can offer to substitute for the products currently being sourced from the developed countries. Lack of information is also a direct result of inadequate economic infrastructure in COMESA, especially in telecommunications and transportation facilities, directly hindering interaction among COMESA countries. Yet as Brahmbhatt and Dadush (1996) argue, high-quality communications are essential for countries that aim to participate in global production structures (some established by multinational corporations); to respond promptly to rapidly changing market conditions; or to participate in new export markets for long-distance services such as data processing, software programming, and customer support.

(9) Africa's economic crisis

It is no secret that six years into the 21st Century, most African economies are in a near-hopeless situation. Weak and stagnant economies are a major obstacle to integration because of their negative impact on government policies. The fundamental causes of Africa's structural crisis are quite diverse and complex.

Muuka *et al* (1998) points out that some causes are deeply rooted in history— as with the mono-cultural or single-commodity-dependent, primary-export-led economies that colonial masters bequeathed to individual nations at independence; some lie in nature—as with the proneness to drought in recent years; some lie in the external economic environment—as with the oil shocks of the seventies and in the last two years that has led to a mounting oil import bill, and the protectionist trade policies of the developed West; some lie in wrong domestic policies—as with the anti-rural bias evident from the lack of support for agricultural development through improper pricing and other incentive policies; and a variety of burdensome African government interventions in commerce, trade and industry with little or no public benefit.

Yet other causes are direct results or exacerbations of the World Bank and IMF's structural adjustment programs, as with the much devaluation of African currencies which, instead of inducing the required supply response from non-traditional exports, has let inflation loose.

Both the causes and extent of Africa's economic crisis are so diverse and complex as to make regional economic integration difficult at best, impossible at worst. As Nomvete (1993) observes, most African nations entered the 1990s poorer than they were in the 1970s.

(10) Dis-equalizing effect of COMESA integration

Some countries in COMESA (notably Kenya and Zimbabwe) were economically more advanced than the others. COMESA works on the premise that the benefits of integration will be distributed among member states in an equitable manner.

However, the elimination of trade barriers and the adoption of common investment policies do not necessarily lead to such an equitable distribution, but rather support or stimulate the tendency of investments to concentrate on the relatively more advanced economies (Nomvete, 1993). Various mechanisms directed towards the equitable distribution of benefits become necessary. In COMESA's case, no mechanism has resolved the issue.

It is this tendency for the polarization of development in some members of COMESA, especially the inequitable distribution of new activities in the production and research sectors, which may be one of the greatest threats to integration.

(11) Unstable world economic conditions

Exacerbating COMESA's troubled economies (and therefore inhibiting integration) have been a succession of unfavorable world economic conditions. COMESA economies, as well as those of many other developing nations, have suffered as a result of negative developments in the wider world economy. The IMF (1994, p.63) points out for instance that the most adverse effects have come from changes in the terms of trade. Two major recessions in the industrial countries since 1980 depressed demand for developing country output and put downward pressure on commodity prices and, hence, on the commodity export prices of these countries. Negative terms of trade movements, as the IMF observes, also reduce output by increasing the cost of imported intermediate and capital goods, on which all COMESA members are heavily dependent.

(12) Bribery and Corruption

Another major impediment to integration is the issue of bribery and corruption in Africa. As in many other developing regions, corruption is prevalent at many levels and in different forms—including government (and government ministries) in the awarding and execution of contracts, and at customs check points in many parts of COMESA.

A related, and serious, impediment germane to foreign direct investment (FD1) into Africa generally deals with what Grant (1992, p. 27) calls "press images of corruption in Africa." Grant sums up this concern when he says:

Africa receives terrible press in the United States, not only the corporate, but also the public image being one of abject poverty. The image is also one of corrupt governments which, when taken together, very much discourages potential investors.

(13) HIV/Disease, War damage and Drought

Though these factors may not be defined directly as economic, they have immense economic impact on national and regional economies. It should be pointed out that COMESA has the most distressing list of nations (of any African regional grouping) that have effectively ceased to function as modern nation states).

Currently, Burundi, Rwanda, Mozambique, Sudan, Ethiopia, Eritrea, Somalia, Angola and Democratic Republic of Congo (DRC) face enormous and expensive reconstruction problems from years of civil wars that have left them desperately short of skills and infrastructure that will take a generation to rehabilitate. Likewise there is a massive back-log of unfulfilled social development. They cannot, therefore, be expected to be equal and effective participants in a regional economic grouping (Muuka *et al* 1998).

Disease—from malnutrition to Aids—cannot be ignored either. Many analysts, among them HoIman (1993) point out that Aids is already taking a heavy toll on Africa generally. More than half of the world's more than 15 million sufferers are in Africa, many from the skilled urban class on whose shoulders ought to lie squarely the arduous task of rejuvenating African economies through structural reforms, regional integration, and other means.

/

At the micro-level—in various ministries, companies and industries— Aids-related problems come in the form of falling effectiveness, productivity and efficiency due to disability, rising sick leaves and time taken off by employees to care for relatives.

Finally, **COMESA** has had its share of drought-induced impediments to integration.

Several countries have been constant victims of either inadequate rains or drought during the last 10 years. Ethiopia's experience in the mid-80s is by far the worst case.

In 1992 Southern Africa experienced its worst drought in living memory, whose effects crippled agriculture, cutting supplies of raw inputs to down-stream industries which in turn rely on agro-based industries for a huge slice of their domestic sales. In Zambia, the 1992 drought precipitated a 39.3 percent drop in agricultural output (see, among others, Price Waterhouse, 1993, p.6).

In Kenya drought was declared a national disaster in 2005 (*Daily Nation* 26^{th} December, 2005). Given that most of Africa's population depends on agriculture for their livelihood, it is not difficult to see how drought affects their standard of living (and death).

2.4 Political Factors

A sustained political and ideological will to succeed, on the part of individual member governments, is critical to the success of any regional economic grouping. This is an argument that McCoy (1993) articulates with regard to the Caribbean Community (CARICOM). As with CARICOM, COMESA lacks a viable and stable commitment by member country governments, a complaint echoed by many of those interviewed by one of the authors in January 1996 at the Secretariat in Lusaka. Several different political ideological perspectives also exist, especially with regard to Sudan, Ethiopia, Angola, Burundi (where a July 1996 military coup against majority-Hutu President Ntubantunganya restored former minority-Tutsi President Pierre Buyoya), Mozambique, Rwanda, Zaire and Somalia—the civil war-ravaged members of COMESA. Other member governments—especially Zambia, Malawi, and to some extent Zimbabwe and Kenya—have experienced sweeping shifts in development ideology, leading to changing policies with regard to COMESA.

In Zambia, for instance, commitments made by the post 1964 (independence) Kenneth Kaunda administration were either ignored or modified beginning in 1992 by the free market oriented Frederick Chiluba government. In the Peoples Democratic Republic of Congo (the name Zaire assumed when President Laurent Kabila defeated the now late President Mobutu Sese Seko in 1997, there has not yet been enough time for us to discern any clear and coherent policy direction.

As McCoy (1993) correctly argues, "ideological pluralism" has a fragmentary influence on such groupings as COMESA because different governments have different conceptions as to how the goals of COMESA are to be fulfilled. Exporters have also been unable to establish themselves in certain markets within the grouping because of "their failure to comply" with market practices there. A case in point is Zaire, where they are expected to pay a commission (bribes) to agents. It is not surprising, therefore, that COMESA does not have adequate mechanisms to verify and enforce agreed-to policies. No supranational body with any effective enforcement authority within a member country's borders exists.

Regional Integration has a number of political implications (World Bank, 2000). There are a number of political benefits associated with regional integration. These include:
Enhancement of security against non-members and reduction of the work of intra-regional conflicts. The arguments are that since countries interlock their economies through regional integration, conflict between them becomes more expensive and that regular political contact facilitates building of trust and initiation of other forms of cross-border co-operation (Schiff and Winters 1998; World Bank 2000b). For example, SADC emerged from SADCC that was formed in 1980 to provide a unified front against the apartheid regime of South Africa. In ECOWAS, economic cooperation served as a precursor to military cooperation in the context of ECOMOA. Integration then becomes an important vehicle for ensuring peace and stability in the region.

Strengthening of bargaining power as a regional bloc can also be more effective than individual countries in negotiations. This benefit however depends on the ability of integration members to strike common positions on relevant issues, which is often an elusive goal (Fernandes & Portes, 1998).

Another implication is the facilitation of project cooperation (such as sharing of such resources as rivers, lakes, fishing grounds, hydroelectric power, rail connection) and cooperation to deal with trans-border problems such as pollution and transport bottlenecks. Such cooperation saves money and is facilitated by integration through collaborative ties and frequent policy level contacts that build trust.

Provision of a "commitment mechanism" for trade and other policy reforms which helps governments to implement domestic political agendas. By raising the cost and therefore reducing the likelihood of domestic policy reversal, regional integration is associated with political benefits of policy reform "lock-in". Peer pressure within the region can help to sustain reforms, which are appropriate for the region.

Greater political feasibility in relation to unilateral or multilateral trade liberalization. Allowing reciprocal free internal trade, regional integration becomes more acceptable to lobbies (mainly producer lobbies) than the two alternative forms of trade liberalization.

Parochialism

Political problems in COMESA stem from failure, on the part of member-state governments, to internalize COMESA agreements in their national administrations and development plans (Nomvete, 1993). In many of the member states cooperation does not go far beyond the signing of treaties and protocols. Moreover, some governments do not send to meetings those officials who have the appropriate expertise on the issues to be discussed. For example, Bax Nomvete, first Secretary General of the PTA (COMESA), maintains that it is not unusual for an official who is a general economist or administrator to be designated to attend all cooperation meetings, irrespective of whether the topics to be discussed are technical, policy or administrative matters. The result, of course, is that appropriate substantive ministries, whose officials or experts do not attend such meetings, are generally unaware that collective decisions are being taken 011 topics in their fields of competence. Hence 110 action is taken to implement the decisions or to set aside funds for the implementation of programs adopted.

2.5 **Socio-Cultural factors**

Peace, Security, Gender, Ethnicity, Religion, Social Needs Groups, Democracy and Human Rights

Mcharo, (2003) argues that ensuring peace, security, democracy and human rights is a precondition for any form of development as well as political and economic integration. While peace and security promote the conditions for integration, the process of integration also reinforces peace and security. Ethnic and sociopolitical divisions are particularly significant in certain countries, like Liberia, Sierra Leone, and Nigeria, in addition to all countries in the region suffer from weak transport and communications infrastructure and other impediments to socioeconomic integration at the national level (Real, 1977).

Regional efforts to address its peace and security needs have registered some successes albeit hampered by the complexity and intractability of its conflicts, lack of resources, lack of synergy between conflicting management structures, and the absence of a workable early warning and prevention system. There is no single blueprint for a peace mechanism. The region's future peace and security architecture should seek to redress the existing shortcomings in addition to broadening its concern for human security in all its aspects.

Gender: A few countries in the region have made attempts to eliminate discrimination particularly on the basis of Gender. Uganda presents good examples of this. The country has constitutions that allow for affirmative action. Rwanda is currently drafting a new constitution and it is hoped that it would pick a leaf from Uganda. Kenya on the other hand threw out an affirmative action Bill November 29, 2001. The then president declared that women have to earn their position and compete with men as equals (Daily Nation November 27,2001).

Religion: According to Karuru (2001) East African countries are fairly tolerant on religious freedom. Religious intolerance, however, still exists in some African countries such as The Sudan, and to some extent in Nigeria where religious violence has resulted in the loss of many lives. A sense of unease and suspicion has emerged recently as a result of the events of September 11,2001 in the USA.

Education and Research

Kuria, (2002) asserts that the 21st century is an era of knowledge-based economies. Integrated investments in the field of education, research and human capital development will be essential to reverse the region's marginalization in global higher education and research, to enable it address its scientific and policy challenges.

Policies to promote the retention of expertise and reversal of the brain drain should be developed, including creating an enabling environment for the private sector to be involved in knowledge creation. Emphasis should be on capacity sharing, joint development of specialized training facilities, division of responsibilities in specialized training and research, and harmonizing qualification frameworks across the region to promote equal access and facilitate accreditation, transfer and movement of skills and the realization of the right of establishment (Mbewe, 2004).

2.6 Technological factors

Information and Communication Technology (ICT)

Information and Communication Technology (ICT) is fundamental to the regions future economic development. ICT cuts across the various aspects of regional integration and has the potential for accelerating the integration of the region's markets and raising its global competitiveness. Currently the region's ICT suffers from myriad handicaps, including inadequate funding, poor physical infrastructure, weak regulatory and legislative frameworks, low level of human resource capacity in the area, and lack of ICT policies.

Nomvete (1993) makes the useful point that lack of information has also hindered the development of intra-COMESA trade. Most African nations are traditionally linked to former colonizing nations and, as a consequence, there is an acute lack of awareness of what other African countries can offer to substitute for the products currently being sourced from the developed countries. Lack of information is also a direct result of inadequate economic infrastructure in COMESA, especially in telecommunications and transportation facilities, directly hindering interaction among COMESA countries. Yet as Brahmbhatt and Dadush (1996) argue, high-quality communications are essential for countries that aim to participate in global production structures (some established by multinational corporations); to respond promptly to rapidly changing market conditions; or to participate in new export markets for long-distance services such as data processing, software programming, and customer support.

i

CHAPTER 3

I^ESEARCH METHODOLOGY

This chapter deals with the procedures used to conduct the research. It covers the research ^iesign. population of study, sample and sample design, data collection method and data analysis method.

3.1.1 Research design

The objective of the study was to determine:-

i) To determine the perception by Kenya Association of Manufacturers (KAM) members on factors impeding Kenya's full participation into the COMESA.

ii) To determine the degree or extent of the factors that influence Kenya's full participation into the COMESA.

The sample survey design was preferred. This is because KAM has over 600 members who are located in major towns across the country. Geographical location was Nairobi. This was convenient due to time and financial constraints.

3.1.2 The Population

The population comprised of members of the Kenya Association of Manufacturers (KAM) located in Nairobi and its environs. A visit to KAM in March 2007 indicated that it has approximately 600 members drawn from formal sector industries comprising of small, medium and large enterprises (KAM 2007). More than 80 per cent of KAM members are based in the capital city Nairobi, with the rest spread out in other major towns and regions.

Nairobi was chosen because it has a large number of KAM membership. A number of KAM members engage in manufacturing, processing, trade and services in the COMESA region, hence KAM would act as a good representative of Kenyan businesses involved in regional trade and a convenient tool for this study as a sampling frame to conduct the research.

t

$.1.3 The Sample Size

A sample of 50 firms was taken. The intention was to get at least 30 responses, as 30 is normally considered a representative sample. This was taken to be representative of the sector since the variables to be studied were common across the exporting companies. There was no bias to any specific industry. All the firms chosen were manufacturers whose products were both for local consumption and export.

Convenient sampling was used in that firms that were easily accessible in terms of location were chosen. The firms selected were all situated in Nairobi and its environs. This type of sampling was necessitated due to the time and financial constraints.

3.1.4 Sampling Design

This was done by use of random sampling. The companies were selected conveniently. Some of the factors considered were proximity, security and accessibility. The researcher also selected companies in Nairobi because of convenience and financial considerations. The researcher guided the respondents through the questionnaire to counter any misunderstanding of the questions.

3.1.5 Data Collection

The study used primary data, which was collected using a structured questionnaire **(See Appendix ii).** Copies of the questionnaire were distributed to the selected firms using the "drop and collect" later method. The respondents were the senior officers involved directly with exports.

The firms were to provide information on the number of employees and for how long they have been exporting to the COMESA region. Information on export trade, economic problems such as purchasing power of peoples in target country, infrastructure, among others, was also to be recorded.

Apart from the firms, two senior officers one from the External Trade Division of the Ministry of Trade and Industry and another from the Export Promotion Council were also interviewed.

be COMESA secretariat opinion was also to be sought via a questionnaire. However, this **ould** not **materialize** due to time constraints. The data was collected in the months of April nd May, 2007.

3.I.6 Data Analysis and Interpretation

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then be coded to enable the responses to be grouped into categories. This ensured that the questionnaires were completed as required (Nachm.as, 1996). The research used percentages, frequencies and content analysis to determine perceptions, agreements and **disagreements** on key issues raised in the questionna.re.

(

t>le 2: List of Respondent Companies

	Name of company/organisation	No. of employees	Age of company
1	Associated Battery Manufacturers Ltd	200	21
2	Athi River Mining Ltd	300	40
3	BAT (K) Limited	500	50
4	Bata Shoe Co. (K) Ltd	600	30
5	Bayer (EA) Ltd	250	50
6	Beta Healthcare (Intl.) Ltd	200	14
7	Bidco Oil Refineries Ltd	1000	20
8	Biersdorf (EA) Ltd	100	21
9	BOC (K) Ltd	120	20
10	Bulk Medicals Ltd	40	27
11	Chandaria Industries Ltd	500	36
12	E.A. Cables Ltd	800	40
13	Eveready Batteries (K) Ltd	100	40
14	Fineline Industries Lid	120	20
15	Haco Industries Kenya Ltd	600	32
16	Hotpoint Appliances Ltd	40	20
17	International Bar Codes (EA) I-td	35	10
18	Kenpoly Industries Ltd	120	18
19	Mastermind Tobacco (K) Ltd	300	20
20	Midco Textiles (EA) Ltd	250	30
21	Ministry of Trade	N/a	44
22	Nairobi Plastics Ltd	200	15
23	Nestle Foods Kenya Ltd	350	42
24	Osho Chemicals Ltd	120	19
25	Power Technics Ltd	100	15
26	Proctor & Gamble Ltd	200	30
27	PZ Cussons & Company Ltd	180	25
28	Reckitt Benkiser (EA) Ltd	250	20
29	Sai Raj Ltd	450	26
30	Sanieer Africa Ltd	800	40
31	Steel Structures Ltd	900	19
32	TetraPakLtd	120	50
33	Twiga Chemical Industries Ltd	350	45
34	UDV Kenya Ltd	120	15
35	Wrigley Company (EA) Ltd	100	30

Source: Field survey

4.1.1 General information on the KAMI members

TVie questions were aimed at establishing year of establishment in Kenya, number of employees and how long the companies have been exporting to the COMESA region.

Table 3: Ownership of the Company/Organisation

	Frequency	Percent	Valid Percent	Cumulative Percent
Foreign	13	37.2	37.2	37.2
Local	18	514	51.4	88.6
Other	'1	11.4	11.4	100.0
Total	35	100.0	100.0	

Source: Field survey

PART I

4.2.2 General information on various factors affecting trade of various firms in the COMESA

The questionnaire was structured to give either a "Yes" or "No" response. This was to enable the researcher gauge the general perception on how the respondents feel about the various factors stated.

PART II

4.2 Measurement of factors affecting Kenya's full participation in COMESA

These measurements were derived from the variables based on the scores given on the Likert scale designed to examine how strongly subjects agree or disagree with statements on a 5-point scale ranging from "Strongly Agree" to "Strongly disagree" by the respondents to questions relating to each of thirty-nine (39) attributes identified in the study as affecting Kenya's full participation in COMESA.

A review of some of the factors influencing Kenya's full participation in the COMESA are discussed and illustrated here below:

/

1 uble 5: Company benefits from COMESA Trade

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	10	28 6	286	286
	agree	11	31 4	314	600
	neutral	9	25 7	257	857
	disagree	3	86	86	94.3
	strongly disagree	2	5.7	5.7	100.0
	Total	35	1000	1000	

Source: Field survey

Table 4 above shows thai 60.0% of the respondents strongly agreed or agreed that their companies benefited from COMHSA trade. 25.7% were neutral while the remaining 14.3% of them disagreed or strongly disagreed. The results support the current trade statistics which indicate that COMESA region is the leading destination of Kenya's exports goods.

Table 6: Kenya's Economy benefits from COMESA trade

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	6	17.1	17 1	17.1
	Agree	16	45 7	45.7	62 8
	Neutral	9	25 7	25.7	88.6
	Disagree	3	86	8.6	97.1
	Strongly Disagree	1	2 9	29	100 0
	Total	35	1000	1000	

Source: Field survey

Table 5 above shows that 62.8% of the respondents strongly agree or agree that Kenya's economy benefit from COMESA trade. 25.7% were neutral while the remaining 11.5% of them disagreed and strongly disagreed. This response indicates that Kenya's economy benefits a lot from the trade with COMESA region.

(

jjble 7: Tariff barriers of the recipient country affect the company's business

		Frequency	Percent	Valid Percent	Cumulative Percent
"Valid	Strongly Agree	2	5.7	57	5.7
	Agree	15	42 9	429	48.6
	Neutral	9	25.7	257	74 3
	Disagree	8	22.9	22 9	97.1
	Strongly Disagree	1	2 9	29	1000
	Total	35	100 0	100 0	

Source: Field survey

The question was aimed at finding out the influence of tariff barriers of the recipient country in doing business with COMESA.

From table 6, a significant 48.6% of the respondents strongly agreed or agreed that tariff barriers affected their businesses. 25.7% were neutral whereas an equal 25.7% strongly disagreed or agreed.

Respondents were also asked if Non-tariff barriers (NTBs) affected their doing business in the COMESA region and to what degree. The table below (Table 7) illustrate the results.

Table 8: Non-tariff barriers (NTBs) of recipient country affect company's business

		Frequency	Percent	Valid Percent	Cumulative Percent
I Valid	strongly agree	1	2 9	29	2.9
	agree	6	17.1	17.1	20.0
	neutral	14	40 0	400	60.0
	disagree	11	31 4	31 4	91.4
	strongly disagree	3	8.6	86	100.0
	Total	35	100 0	100 0	
Source: Field survey					

A cumulative 20.0% found this factor affected their businesses. Majority or 40% were neutral. A significant 40% considered disagreed or strongly dtsagreed. This then shows NTBs of recipient countries were not significant.

j,lile9: (ustoms of the Kenya Government affects company's business

question was aimed at finding out the degree to which the Kenya Government's Customs)epartment affected the respondent's businesses with the COMESA region.

		Frequency	Percenl	Valid Percent	Cumulative Percent
\/aSd	strongly agree	2	57	5 7	5 7
	agree	12	34 3	34 3	40 0
	neutral	8	22 9	22 9	62 9
	disagree	13	37 1	37.1	100 0
	Total	35	1000	1000	

Source: Field survey

Table 8 indicates that a cumulative 40.0% felt that the Kenya's Customs Department affected their businesses with the region. 22.9% were neutral whereas 37.1% disagreed

Table 10: Customs of recipient country affects the company's business

I		Frequency	Percent	Valid Percent	Cumulative Percent
1 Valid	strongly agree	1	2 9	29	2 9
	agree	6	17.1	17.1	200
	neutral	11	31 4	31 4	51 4
	disagree	14	40 0	400	91 4
	strongly disagree	3	8 6	86	1000
	Total	35	1000	100 0	

Source: Field survey

From above table 9, 20% of the firms strongly agreed or agreed that Customs of the recipient country affected their businesses. 31.4% were neutral whereas a significant 48.6% disagreed or strongly disagreed.

Table 11: Ratification of COMESA rules in Kenya affects our business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	1	2 9	29	2 9
	agree	11	31 4	32 4	35.3
	neutral	9	25.7	265	61 8
	disagree	10	286	29 4	91.2
	strongly disagree	3	86	88	1000
	Total	34	97 1	1000	
Missing	System	1	2 9		
Total		35	100 0		

Source: field survey

question was aimed at finding out to what degree ratification of COMESA rules in enya is affecting Kenya's business organizations.

able 10 indicates that a cumulative 35.3% strongly agree or agree that ratification of the .les is affecting the businesses. 26.5% were neutral while 38.2 disagreed or strongly iisagreed.

I able 12: Ratification of COMESA rules in the recipient country

The question sought to know to what degree ratification of COMESA rules affects local firms doing business in the region.

From the above table 25.7% felt that ratification of COMESA rules in the rec.pient country affected their businesses. 28.6% were neutra. whereas majority. 45.7% disagreed or strongly **disagreed.**

Table 13: The infrastructure in the COMESA region affects our business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	5	14.3	14.3	
	agree	8	22 9	22 9	
	neutral	12	34 3	34 3	
	disagree	7	20 0	200	
	strongly disagree	3	86	86	
	Total	35	1000	100 0	

Source: Field survey

37,% of the respondents fel, that the infrastructure in the COMESA region **affected** their businesses. 34.3 were neutral whereas 28.6 disagreed or strongly disagreed.

|-ₐt»le 14: The economic level of Kenya in relation to other COMESA countries affects trade

		1 Frequency L	Percent	Valid Percent	Cumulative Percent
/alid	strongly agree	3	8.6	86	86
	agree	9	257	25.7	34.3
	neutral	11	31 4	314	65 7
	disagree	11	31 4	31 4	97.1
	strongly disagree	1	2.9	» 1000	1000
	Total	35	100.0		

Source: Field survey

From the table above 34.3 % agreed or strongly agreed. 31.4% were neutral whereas 34.3% disagreed or strongly disagreed.

Table 15: Bribery and corruption affects your trade

I		I Frequency 2	Percent	Valid Percent	Cumulative Percent
I Valid	strongly agree	2 i	5.7 |	5.7	5.7
	agree	5	14.3	143	20.0
	neutral	15	42.9	42.9	629
	disagree	11	31 4	31 4	94.3
1	strongly disagree	2	5.7	5.7	1000
	Total	35	100 0	1000	

Source: Field survey

20% of the respondents perceived that bribery and corruption affected their trade. 42.9% were neutral whereas 37.1% strongly disagreed or disagreed.

Table 16: Calamities e.g. War, diseases affects your trade

		Frequency	I Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	3	86	86	86
	agree	4	11.4	114	20.0
	neutral	14	400	400	60.0
	disagree	10	286	286	88 6
	strongly disagree	4	114	114	100.0
	Total	35	100 0	1000	

Source: Field survey

From above table (table 16) a cumulative 20.0% of the respondents felt that natural calamities affected their trade in COMESA region whereas 40% were neutral and 40% disagreed or strongly disagreed.

(

t 17:1 icessive dependence on the west for COMESA members affects your trade

		Frequency	Percent	Valid Percent	Cumulative Percent
y^d	strongly agree	2	5 7	5 7	5.7
	agree	13 i	37 1	37 1	42 9
	neutral	11 i	31 4	31 4	74 3
	disagree	9	25 7	25 7	1000
	Total	35 1	100 0	100 0	

Source: Field survey

Tible 17 above shows that 42.9% agreed or strongly agreed that excessive dependence on the V. cm affected their trade in the COMESA region. 31.4% were neutral whereas 25.7 disagreed or agreed.

fable 18: Economic performance of both trading countries affects your trade

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	3	8 6	8.6	8 6
	agree	13	37.1	37.1	457
	neutral	6	17.1	17.1	629
	disagree	9	25 7	25 7	886
	strongly disagree	4	114	114	100 0
	Total	35	1000	1000	

Source: Field survey

Table 18 above illustrate that a cumulative 45.7% of the respondents perceived that economic performance of both trading countries affected their trade. 17.1% were neutral and 37.1% strongly disagreed or disagreed.

Table 19: International trade agreements e.g. WTO agreement affects your trade in COMESA

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	agree	5	14 3	14.3	14.3
	neutral	13	37 1	37.1	51 4
	disagree	14	40 0	400	91.4
	strongly disagree	3	8 6	8 6	100.0
	Total	35	100.0	100.0	

Source: Field survey

Table 19 above shows that 14.3% of the respondents felt that international trade agreements affected their trade in the COMESA region. 37.1% were neutral whereas 48.6% disagreed or strongly disagreed.

Table 20: What is your opinion on tariffs among the COMESA countries?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	harmonized	7	20 0	200	20.0
	increased	7	200	200	40 0
	reduced	13	37 1	37 1	77.1
	abolished	4	11.4	11.4	88 6
	any other	4	11.4	114	1000
	Total	35	100.0	1000	

Source: Field survey

Table 20 above shows that 20.0% of the respondents felt that tariffs among COMESA members be harmonized. 20.0% felt that tariffs should be increased. Majority, 37.1% felt that the tariffs should be reduced. 11.4% felt that the tariffs be abolished.

Table 21: What is your opinion on international trade agreements e.g. WTO agreement?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	harmonized	7	20.0	200	200
	increased	5	14.3	14.3	34.3
	reduced	12	34 3	34 3	68.6
	abolished	7	20.0	200	88 6
	any other	4	114	11 4	1000
	Total	35	1000	1000	

Source: Field survey

Table 21 above shows that 20.0% felt that international trade agreements be harmonized. 14.3% felt that they should be increased. Majority, 34.3% felt that they should be reduced. 20.0% felt that they should be abolished.

Table 22: Extent of effect by languages

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	great extent	7	200	20 0	200
	moderate extent	15	42 9	42 9	629
	less extent	6	17.1	17.1	800
	no extent	7	200	20.0	100.0
	Total	35	100 0	100.0	

Source: Field survey

Table 22 above shows that majority of the respondents, 62.9% felt that language barrier in the COMESA region affected their trade in the region. 17.1% showed that language affected trade to a lesser extent and 20.0% felt that language had no effect at all on their trade in the region.

Table 23: Extent of effect by religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	1	2 9	2.9	29
	great extent	3	8.6	8.6	114
	moderate extent	12	34 3	34 3	45.7
	less extent	16	45.7	45.7	91 4
	no extent	3	8.6	8.6	1000
	Total	35	100.0	1000	

Source: Field survey

Table 22 above illustrate that 11.4% felt that religion had a very great or very great effect on their trade in the region whereas 34.3% felt that it had a moderate effect on their trade in COMESA region . 54.3% felt religion had to a less extent or no effect on their trade in the region.

Table 24: Extent of effect on human capacity training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	2	5.7	5.7	57
	great extent	5	14 3	14.3	200
	moderate extent	15	42 9	42.9	62 9
	less extent	10	28 6	28 6	91 4
	no extent	3	86	8.6	1000
	Total	35	1000	100.0	

Source: Field survey

Table 24 above shows that 20.0% of the respondents felt that human capacity training affected their trade in COMESA to a very great extent or great extent. Majority 42.9% felt it had effect on their trade moderately. 37.1% felt it had an effect to a less extent or none at all.

Table 25: Extent of effect on perception of other countries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	1	2 9	2 9	2.9
	great extent	3	8 6	86	114
	moderate extent	19	54 3	54.3	65 7
	less extent	10	28.6	286	94.3
	no extent	2	5.7	5.7	100 0
	Total	35	1000	100 0	

Source: Field survey

[lie above table shows that only 11.4% felt that how they perceive other countries affected their trade in the COMESA region. Majority 54.3% felt it affected their trade to a moderate extent.34.3% felt that perception affected their trade in the region to a less extent or none at all.

Table 26: Extent of effect on poverty levels

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	4	114	114	11 4
	great extent	12	34.3	34 3	45.7
	moderate extent	13	37.1	37.1	828
	less extent	5	14.3	143	97.1
	no extent	1	2.9	2.9	100.0
	Total	35	1000	100 0	

Source: Field survey

Table 26 above shows that 45.7% of the respondents felt that poverty levels in the region had an effect on their trade to a very great or great extent. 37.1% felt its effect on their trade was moderate while 17.2% felt it affected their trade in COMESA region to a less extent or none at all.

Table 27: Extent of effect on gender and ages

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	great extent	8	22.9	22.9	22.9
	moderate extent	11	31 4	31 4	54 3
	less extent	8	22 9	22.9	77.1
	no extent	8	22 9	22 9	1000
	Total	35	100 0	100.0	

Source: Field survey

Table 27 above illustrate that 22.9% of the respondents felt that gender and age affected trade in COMESA region. 31.4% felt that it affected trade to a moderate extent while majority 45.7% felt thai gender had an effect on trade to a less extent or none at all.

Table 28: Extent of effect on consumer preferences

		Frequency	Percent	Valid Percent	Cumulative Percent
Yafad	very great extent	4	114	114	114
	great extent	9	25.7	25 7	37.1
	moderate extent	10	286	286	657
	less extent	8	22 9	22 9	886
	no extent	4	114	114	1000
	Total	35	1000	1000	

Source: Field survey

The above table (Table 28) show that 37.1% of the respondents felt that consumer preferences had an effect on their trade in the region. 28.6% felt it had an effect to a moderate extent and 34.3% felt that consumer preferences had an effect to a less extent or none at all.

1 able 29: Extent of effect on security issues

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	8	22 9	22 9	229
	great extent	6	17.1	17.1	400
	moderate extent	10	28 6	286	68.6
	less extent	9	25 7	25.7	94 3
	no extent	2	5 7	5.7	100.0
I	Total	35	100 0	100.0	

Source: Field survey

Table 29 show that majority 40.0% felt that security in the region affected their trade to very great extent or great extent. 28.6% felt that it affected their trade to a moderate extent while 31.4% felt that security affected their business to a lesser extent or none at all.

I able 30: Extent of effect on changes of government regime

		Frequency	Percent	Valid Percent	Cumulative Percent
Vakd	very great extent	2	5.7	5.7	57
	great extent	9	25 7	25 7	31 4
	moderate extent	15	42 9	42.9	743
	less extent	7	20 0	200	94 3
	no extent	2	5.7	5.7	1000
	Total	35	1000	1000	

Source: Field survey

In table 30 above respondents were asked if changes of regimes can have effect on their trade in the region. 31.4% perceived that it had on a very great extent or great extent. Majority 42.9% perceived it had an effect on a moderate extent while 25.7% felt it had effect on less extent or none at all.

Table 31: Extent of effects on General Elections of target country

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	great extent	8	22 9	22 9	229
	moderate extent	12	34 3	34 3	57.1
	less extent	11	31 4	31 4	886
	no extent	4	11.4	114	100.0
	Total	35	100.0	100 0	

Source: Field survey

Table 31 shows that 22.9% perceived that General Elections in a particular country in the region usually affect their trade to a very great extent or great extent. 34.3% felt that it had an effect moderately whereas majority 42.9% perceived that it had an effect to a less extent or none.

Table 32: Extent of effects on political relationship between trading countries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	2	5.7	5.7	5.7
	great extent	9	25 7	257	31.4
	moderate extent	12	34.3	34.3	65.7
	less extent	9	25.7	25.7	91 4
	no extent	3	8.6	8.6	100.0
	Total	35	100 0	100.0	

Source: Field survey

Table 32 above illustrate that 31.4% of the respondents perceived that political relationships between trading countries had an effect on their trade in the region to a very great extent or great extent. 34.3% felt that it had an effect on a moderate extent whereas 34.3% felt it had an effect to a less extent or none at all.

Table 33: Extent of effect on domestic politics

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	great extent	8	229	22 9	229
	moderate extent	12	34.3	34 3	57.1
	less extent	12	34 3	34 3	91 4
	no extent	3	8 6	8.6	1000
	Total	35	100 0	100 0	

Source: Field survey

Table 33 shows that 22.9% of the respondents felt that domestic politics of a country had an effect on their trade to very great extent or great extent. 34.3% felt it had an effect to a moderate extent while majority 42.9% felt it had effect on a less extent or none at all.

Table 34: Extent of effect on political instability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	5	14.3	14 3	143
	great extent	8	22 9	22 9	37.1
	moderate extent	8	22.9	229	600
	less extent	10	28.6	286	88.6
	no extent	4	11.4	11.4	100.0
	Total	35	100.0	100.0	

Source: Field survey

Table 34 above shows that 37.1% of the respondents perceived that political instability had an effect on their trade in the region to a very great extent or great extent. 22.9% had effect on a moderate extent while 40.0% perceived that i ffected to a less extent or non at all.

Table 35: Extent of effect on government of the • ly

		Frequency	Percent	V i 1 Percent	Cumulative Percent
Valid	very great extent	1	2 9	29	2.9
	great extent	5	14.3	143	17.1
	moderate extent	18	51.4	51 4	686
	less extent	8	22.9	22.9	91.4
	no extent	2	5.7	5.7	97.1
	missing	1	2.9	2.9	100.0
	Total	35	100.0	100.0	

Source: Field survey

Respondents were asked if government of the day had effect on their trade in the region. Table 35 above shows that 17.1% of the respondents felt that had an effect to a very great or great extent. Majority 51.4% perceived that it had an effect moderately. 28.6% felt that it had an effect less extent or no extent. One respondent did not respond to the question at all.

Table 36: Extent of effect on trade laws and regulations

		Frequency	Percent	Valid Percent	Cumulative Percent
Vafcd	very great extent	4	114	11.4	114
	great extent	9	25 7	25.7	37.1
	moderate extent	13	37 1	37 1	74 3
	less extent	6	17.1	17.1	91 4
	no extent	3	8 6	8 6	100 0
	Total	35	100 0	100.0	

Source: Field survey

Table 36 shows that 37.1% of the respondents perceived that trade laws and regulations in the COMESA region had effect on their trade to a very great or great extent. 37.1% felt it had effect to a moderate extent while 25.7 felt it had effect to a less extent or none at all.

Table 37: Extent of effect immigration regulations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	1	2.9	2.9	2.9
	great extent	9	25.7	25.7	286
	moderate extent	22	62.9	62 9	91.4
	less extent	1	2.9	2.9	94.3
	no extent	1	2.9	2.9	97.1
	missing	1	2.9	2.9	100.0
	Total	35	1000	1000	

Source: Field survey

Respondents were asked to state if immigration regulations of counties in COMESA region affected their trade. Table 37 illustrate that 28.6% of the respondents felt that it affected to a very great or great extent. Majority 62.9% felt it affected to a moderate extent while 5.8% felt it affected to a less extent or none at all. 1 respondent did not answer.

Table 37: Effects of other integration bodies e.g. EAC, l(>AI), etc

		Frequency	Percent	Valid Percent	Cumulative Percent
Vafcd	great extent	11	31 4	31 4	31 4
	moderate extent	15	42 9	42 9	74 3
	less extent	6	17.1	17.1	91 4
.	no extent	3	8.6	8.6	1000
	Total	35	1000	1000	

Source: Field survey

Respondents were asked to state whether integration to other regional bodies had an effect on their trade in the COMESA region. Table 37 shows that 31.4% of them felt that it had an effect on their trade to a very great or great extent. Majority 42.9% felt it had effect on a moderate extent whereas 25.7% felt it had an effect to a less extent or none at all.

Table 38: Extent of effects on Level of 1CT Infrastructure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	4	114	114	114
	great extent	6	17.1	17.1	286
	moderate extent	16	45.7	45.7	743
	less extent	8	22 9	22 9	97.1
	no extent	1	2.9	2.9	100.0
	Total	35	100.0	100.0	

Source: Field survey

Respondents were also asked if the level of ICT infrastmcture affects their trade in COMESA region. From table 38 above, 28.6% perceived that it affected their trade to a very great or great extent. 45.7% to a moderate extent while 25.7% felt it affected their trade in the region to a less extent or none at all.

Table 39: Extent of effects on knowledge of ICT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	5	14.3	14 3	14.3
	great extent	8	22 9	22 9	37.1
	moderate extent	14	400	40.0	77.1
	less extent	7	20 0	200	97.1
	no extent	1	2.9	2.9	100.0
	Total	35	1000	100 0	

Source: Field survey

Table **39** shows results of whether knowledge of ICT in COMESA member countries had an effect on their trading with the region. 37.1% felt that this affected their trade to a very great or great extent Majority 40.0% felt that it affected moderately while 22.9% felt it affected their trade with the region to a less effect or none at all.

Table 40: Effects on extent of use of ICT

		Frequency	Percent	Valid Percent	Cumulative Percent
Vaiid	very great extent	6	17.1	17 1	17 1
	great extent	9	25 7	25 7	42 9
	moderate extent	14	40 0	400	82 9
	less extent	5	14.3	14.3	97.1
	no extent	1	2 9	29	1000
	Total	35	100.0	100 0	

Source: Field survey

Respondents were also asked if the extent to which ICT was used in member countries affected their trade in the region. From above table 40, 42.9% felt that it affected their trade with the region to a very great or great extent. 40.0% felt that it affected their trade moderately and 17.2% felt it affected to a less extent or none at all.

Table 41: Effects on extent of access to ICT Facilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very great extent	6	17.1	17.1	17.1
	great extent	12	34 3	34 3	51 4
	moderate extent	10	286	28 6	80.0
	less extent	7	200	200	100.0
	Total	35	1000	1000	

Source: Field survey

The questionnaire also wanted to find out if there was any effect to trade by the extent of access to ICT facilities. From table 41 above, majority 51.4% of the respondents felt that it had an effect. 28.6% felt that it affected them moderately while 20% felt that it affected them to a less extent or none at all.

Tible 42: ICT Policies of a country

		Frequency	Percent	Valid Percent	Cumulative Percent
Vaid	very great extent	2	5.7	5 7	5.7
	great extent	11	31.4	31 4	37 1
	moderate extent	14	40 0	400	77.1
	less extent	7	20 0	200	97.1
	no extent	1	29	2.9	1000
	Total	35	1000	1000	

Source: Field survey

Regarding effect on trade by county's ICT policy, the above table 42, shows that 37.1% of the respondents perceived that it had effect on their trade in the COMESA region. 40.0% felt that it affected their trade moderately while 22.9% felt that it affected them to a less extent or none at all.

CHAPTER 5

SUMMARY AND CONCLUSIONS

This final chapter contains a summary of the findings of this study, discussions and conclusions. Also covered in the chapter are limitations of the research and recommendations for further research, policy and practice.

5.1 Summary and Discussions

This study was undertaken to determine the perception by Kenya Association of Manufacturers (KAM) members on factors impeding Kenya's full participation into the COMESA. As mentioned in chapter one of this study, Kenya is a great beneficiary of the COMESA market as it is number one destination of its products. The discussion will group the factors as Political, Economic, Socio-Cultural, Technological, Environmental and Legal.

5.1.1 Political factors

Although some respondents indicated that political reasons affected their trade in the region to a lesser extent or none, all respondents perceived political factor as an important factor while trading in the COMESA region. On a scale of 1-5 and looking at the result of scale 1,2 and 3 that is, very great extent, great extent and moderate extent we can see on all the six responses the result was 74.3%, 57.1%, 65.7%, 57.1%, 60% and 68.8%. Political uncertainty is an important factor for business venture in Africa. Entrepreneurs are risk takers (Lee and Venkataraman, 2001). This risk is however greater in transitional democracies in Africa. Akello-Ogutu et al, 2001 in their recommendations suggested on the need for the East African governments to provide national security to business people as a step in establishing an enabling environment for trade in the region. On security issues, majority of the respondents, 68.6% fell that ii affected their trading in the region moderately and to a very large extent.

The issue of membership to many regional bodies was also found to affect trade in the region. Does African countries require many regional bodies? Does it add value? Is it sustainable? These are questions which need further research.

5.1.2 Economic factors

ibe industry players indicated that COMESA was an important player in their business. They felt that economically they and the country stood to gain. This is can be seen from the result of 60.0% and 62.8 % respectively. A number of reasons given by respondents as to why they rade in the region were among others; access to a wider market, fair trade, incentives to new entrants into the market, increased competitive advantages, increased local competition. This corroborates earlier results by studies done by Kinuthia B. W, 2002.

nder economic performance of exporting destination it was found that majority of the respondents perceived that it affected their business with that particular country. Better economies were more attractive than poorly doing economies.

Regarding Kenya's Customs department hindering trade 40.0% of the respondents perceived that it negatively affected their businesses as compared to 37.1% disagreeing. This contrasts sharply with Customs of recipient country in COMESA where only 20.0% perceived that it affected them negatively and majority 48.6% perceiving that it did not affect them negatively.

On tariff barriers among COMESA members majority 48.5% of the respondents felt that they should be reduced or abolished completely as compared to 20.0% who responded that they be harmonized. In contrast majority of the respondents felt that Non Tariff Barriers (NTBs) did not affect their businesses. This could be attributed by the fact that most of these NTBs are usually slapped on mainly agricultural products which did not constitute majority of exports to the COMESA region. On bribery and corruption, only 20.0% of the respondents perceived that it was affecting their trading in the region with 37.1% disagreeing. Natural calamities such as war and disease also was not significant with 20.0% of the respondents indicating that it did affect their trading negatively while 40.0% indicated that it did not.

5.1.3 Socio-Cultural factors

Language was perceived to affect trading in the COMESA region as seen from the result of 62.9% of the respondents. From the results religion, gender and age did not affect trading in the region. Consumer preference was notably high with 65.7% of the respondents perceiving it to be affecting their trading moderately to very high. Perception of other countries by companies (either negatively or positively) was also significant.

\ majority **65.7%** of the respondents perceived that their perception of other countries did njeeJ affect their trading with those countries. Poverty levels of the recipient country were Jso shown to affect trade with 45.7% agreeing and 17.2% perceiving that it did not. On ..man capacity training 62.9% perceived that it affected trading in the region moderately and to a very great extent.

5.1.4 Technological factors

Regarding level of 1CT infrastructure 74.3% of the respondents perceived that it affected :rading in the COMESA moderately and to a very great extent. 77.1% felt that knowledge of lCT did affect their trading in the region moderately and to a very great extent. On the use of ICT 82.9% of the respondents agreed that it influenced their trading in the region moderately and to a very high extent. Regarding access to ICT facilities in member countries; 80% of the respondents perceived that it affected their trading moderately and to a very high extent. And on presence (or lack of) ICT policies in COMESA members, 77.1% of the respondents felt that the policies did affect their trading in the region.

On infrastructure the results were mixed with 37.1% perceiving that it affected trade with the region, 34.3% being neutral and 28.6% did not feel that it affected.

5.1.5 Legal factors

On trade laws and regulations 74.3% of the respondents felt that they were affecting their trading in the COMESA region moderately and to a very high extent. Regarding immigration regulations between countries a huge majority, 91.4% perceived that it did indeed affect trading in the region. Integration of member to other regional bodies such as EAC, SADC, was also seen to affect trading in the region. Majority, 74.3% perceived that it did affect. This could be as a result of overlapping and conflicting regulations between these bodies as earlier mentioned in Chapter 2.

5.2 Limitations of the Study

1. It proved very difficult to get all managers in charge of exports. Some delegated to other officers in their export departments.

2. The research did not carry out cluster analysis to find out perception of firms from various industries. The study would have been richer if cluster sampling was carried out among the various industries and even various regions in the country. Later studies could further enrich the study by carrying out such an analysis.
3. The research focused only Kenya Association of Manufacturers (KAM) members. Other studies could be carried out using other firms who are not necessarily KAM members.

5J Conclusions & Recommendations for further research.

The findings of this research have brought to light many important issues which are affecting industry players and indeed our country Kenya doing business in the COMESA region. Hitherto, a lot of earlier studies have concentrated on what the country is doing to facilitate exports in the region. However, belonging to a regional grouping calls for specific collective initiatives in order to make an impact. Earlier studies done by Kinuthia, 2002 showed that stiff competition at home (Kenya), reduced demand, economic downturn, attractive incentives by Kenya government and attractive incentives by host governments as some of the important factors that drove some industries to seek markets in the region and abroad. These are mainly economic factors.

However this study has found that political stability in the region among others, is a very important factor for trade in the region. Political relationships between countries is one way of enhancing trade within the region.

Economic factors continue to be an important factor especially in the area of harmonization, reduction and/or elimination of tariffs. The extent to which the tariffs should be harmonized, reduced and/or abolished is a subject of further research. This is because tariffs constitute a big source of income for many African countries and harmonization, reduction and/or abolition will have a considerable impact on their economies.

ne of the most outstanding factor is technological, specifically the use of, access of ICT and rresence of ICT policies in member countries. Most respondents feel that it is of vital mportance for ICT to be promoted in member countries. There is no doubt that ICT has evolutionized the way we do business. From processing of import/export documents on line, nobile telephony, e-business/commerce. All these have reduced costs and time of doing business. In Africa where bureaucracy has been a hindrance to business then ICT is indeed an mportant factor in doing modern business. With the world being a global village, then there s no other important facet playing a pivotal role like ICT. It is suggested that further research be conducted to determine the impact of ICT in the trade in COMESA region.

Perception (positively or negatively) of another country by industry players is also an important socio-cultural factor. There is, therefore, need for all member countries to find out what other member countries think about them and put in place measures that improve their image to other members. This will not only enhance transparency, accountability and good governance but also promote trade by way of increasing flow of trade information among others. Human capacity building is still an important factor forty years after independence for most countries in the COMESA region. One wonders what has happened to many of the professionals in the region. Could it be as a result of the brain drain of many African countries? What is the extent today? This could be a subject of further study.

Poverty level has been and still is an important factor. As member countries put in place strategies to promote economic growth, alleviation of poverty of its populations is crucial if they are to meet the objectives of the Millenium Development Goals (MDGs).

^FFKRENCES

Ackello-Ogutu & Echessah, Unrecorded cross-border trade between Kentya and Uganda: Implications on food security. SD publication series, No.59, USAID, July 1997.

: Adetula V. A. O.: Regional Integration in Africa: Prospect For Closer Cooperation between West, East and Southern Africa, Centre for Development Studies, University of Jos, Nigeria, 2004.

; Amoako K.Y.: Economic Commission for Africa (ECA): Assessing Regional Integration in Africa, Addis Ababa, Ethiopia, 2004

4 Asiko; N., An Assessment of the Impact of the Preferential Trade Area (PTA) for Eastern & Southern African States on Kenya's Export Trade; MBA Project, University of Nairobi, Unpublished thesis, June 1989.

5. Bennet R.: Frameworks: International Business, 2nd Edition, Pearson Education Ltd, England, 1999.

6 Cateora P., International Marketing, 6,h Edition, Richard Irwin Inc., USA, 1987.

7. Cateora P. & Hess J., International Marketing, Richard Irwin Inc., USA, 1987.

8. Central Bank of Kenya, Monthly Economic Review, Nairobi, December 2006.

9. Economic Survey, Central Bureau of Statistics, Nairobi, 25'" May 2006.

10. Frankel, J.A. and D. Romer (1999), "Does Trade Cause Growth?", *American Economic Review 89,* 379-99.

U.Gakunu Peter, United Nations Economic Commission for Europe (UNECE): International Forun On Trade Facilitation: "Trade Facilitation: The Need for Capacity Development" May 29-30,2004.

12. Karuru N, USAID, Regional Conflict Prevention Office for East and Southern Africa: "Africa in Transition- With Reference to Eastern Africa." 18-20 December 2001, United Nations, New York, USA.

13. Keegan W. J., Global Marketing Management, 4th Edition, Prentice Hall International Inc., USA, 1989.

14. Kenya. Encyclopaedia Britannica, June 11, 2007.

15. Kerre Dorcas: Exporting to the PTA: Constraints that Kenyan Fimis Face. MBA Project, University of Nairobi, Unpublished thesis, 1993.

i
\

- Khosrow Fatemi: International Trade in the 21" Century: *Problems and Prospects; USA, 2002.*

Kinuthia, B. W., An investigation into the factors intluencing Export Trade in Kenya: The case of manufacturing firms in the pharmaceutical industry; MBA project, University of Nairobi, Unpublished thesis, 2002.

18. Kuria, D. M., Perception of Opportunities in the Regional Economic groupings by Kenyan Entrepreneurs: A case of Kenya National Chamber of Commerce and Industry; MBA Project; University of Nairobi, Unpublished thesis, 2002.

:9. Lavergne Real, Regional Integration and Co-operation in Western Africa: *A Multidimensional Perspective,* International Development Research Centre (IDRC), 1997.

20. Manundu M., Trading with the PTA, Problems of Kenyan Importers and Exporters, Nairobi, 1992.

21. Mbewe Luke, Comesa Business Summit: Workshop on Opportunities of increasing Agribusiness Exports To Regional and External Markets, 6-8 June, 2004 - Kampala, Uganda.

22. McCoy J. P. CARICOM and Belize: The first twenty years. *Caribbean Affairs,* vol. 6 no. 1, pp. 81-96, 1993.

23. Mcharo, C. M., Foreign Direct Investment Determinants: 'Die Case of Citibank's clients Investing in Kenya, MBA Project, University of Nairobi, Unpublished thesis, 2003.

24. Ministry of Planning, Nairobi Kenya 2001, Effective Management for Sustainable Economic Growth and Poverty Reduction; National Development Plan 2002-2008.

25. Ministry of Planning and National Development, Nairobi, Kenya, 2006, Economic Survey, 2006.

26. Muuka G. N. et al; Impediments to Economic Integration in Africa: Hie Case of COMESA; *Jownal of Business in Developing Nations Vol. 2 (1998) Article 3, pp 8-22.*

27. Mwau G. et al: Social Dimensions of Development Investment Study; African Development and Economic Consultants, Nairobi, Kenya, March 1996.

28. Nomvete B. D, Regional Integration in Africa: A path strewn with Obstacles. *The Courier,* November-December, pp. 49-55, 1993.

29. Ouma 0 et al; International Trade Dispute Resolution: Possibility of Kenya utilizing WTO Dispute Settlement System: International Centre for Trade and Development, Mombasa, Kenya, 2-3rd November, 2006.

30. Oxfam; Africa: Make or Break—A Special Report. Oxford Print Services, Oxford, England, 1993.

31. Republic of Kenya: Brief on COMESA. Nairobi, Kenya. Febmary 2007.

31 Stephen Poloz, Export Development Canada, Canada. 2002.

33. Tegemeo Institute of Agricultural Policy and Development, Nairobi, Kenya, 2006.

34. Trade Secrets: The Export Answer Book for SMEs Nairobi, 1TC/K-MAP, 1999.

35. Wachira Charles; Multiple regional bodies block economic cooperation in Eastern Africa. *Third World Features,* 1999.

36. World Bank: Adjustment in Africa: Reforms, Results, and the Road Ahead. World Bank, Washington, DC., 1994.

37. Httpy/www.comesa.int visited on 4[Ul] June 2007

38. HttpjVwww.comesa.org visited on 10[Ul] May 2007

39. 1 lrtp://www.each.org visited on 16[dl] June 2007

40. Http://www.kam.co.ke visited on 5[lh] March 2007

Appendix i

Economic growth by decade

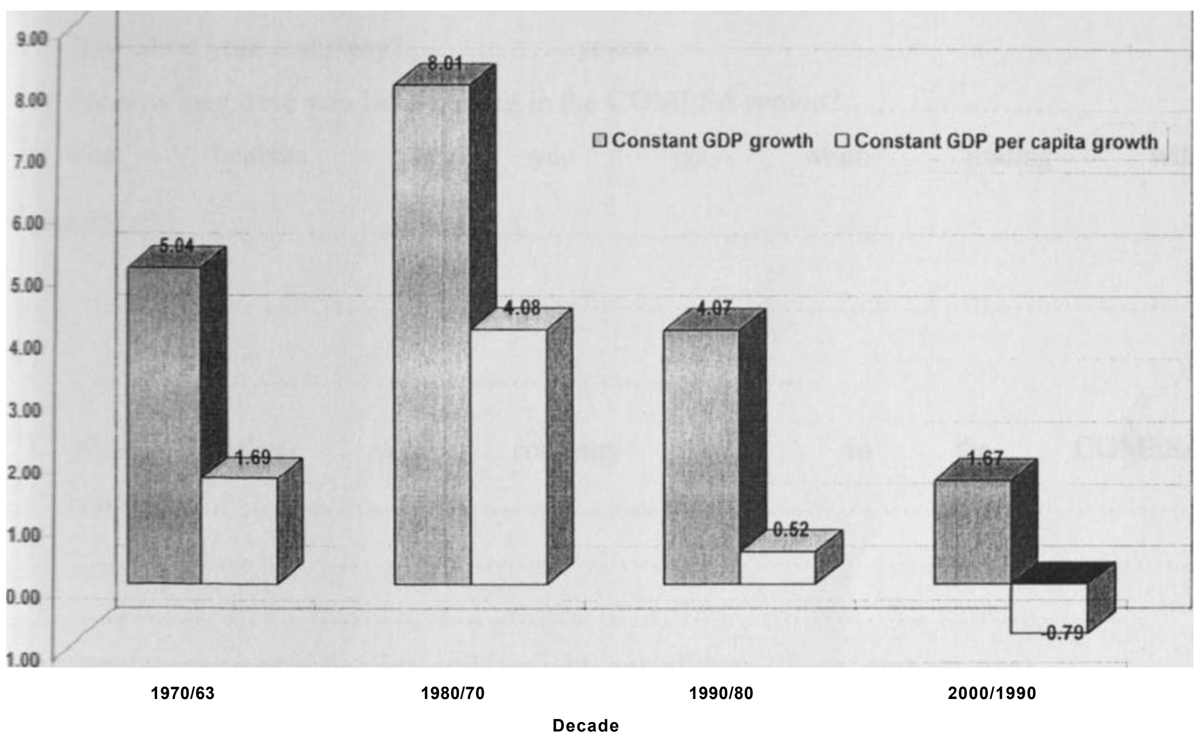


Figure 1.1

Source: Central Bureau of Statistics (CBS), "Economic Survey", Nairobi, 2002.

Appendix ii

QUESTIONNAIRE

PART I

I. Name of the company

2 Position Held in the Company

3. Number of employees

4. How old is your company?................years.

5 For how long have you been trading in the COMESA region?

6. What benefits do you get when trading with COMESA?

7. What makes your company trade in the COMESA region

8. Does your company has any problem with any of these (if yes, give reasons)

(a) Tariffs Yes ( )No (X)

(b) Non-trade barriers (NTB's) Yes ( )No ( )

ci Government regulation on imports YES ( )No ( )

i J i Customs bureaucracy Yes ( )No ( )

(e) Economic ratification of rules of trade Yes ( )No ( )

(0 Different economic levels in relation to Kenya on recipient countries

Yes ( )No ( )

(g) Bribery and corruption Yes () No ()

i) Calamities e.g. War. Diseases, HIV/Aids Yes ( ) No ( )

i i Excessive dependence on the West by COMESA members

Yes () No ( )

(j) Economic performance of trading countries Yes ( ) No ()

(k) International trade Agreements e. g. WTO agreements

Yes () No ()

PART II

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I he company benefits from COMESA trade					
The Kenyan economy benefits from COMESA trade					
Tariffs of the recipient country affects the company's business					
Non-tariff barriers of the recipient country affects the company's business					
Kenya government regulations affects the company's business					
Customs of the Kenyan government affects the company's business					
Customs of the recipient country affects the company's business.					
Ratification of COMESA rules in Ken>a affects our business					
Ratification of COMESA rules in recipient country affects our busi less					
Fhe infrastructure in the COMESA regi< n affects our business					
The economic level of Kenya in relation to other COMESA countries affects our trade					
Bribery and corruption affects your trace					

aiamities e.g. war. diseases affect vour trade.					
. xcessive dependence on the west • »r COMESA members affects your trade					
Economic performance of both trading countries affect your trade					
International trade agreements e.g. WTO agreement affects your trade in COMESA					

PART III

What is your opinion on tariffs among the COMESA countries?

a) Harmonized ( )

b)Increased ( )

c) Reduced ( )

d) Abolished ( )

e) Any other

2 What should be done on Non-tariff barriers?

a) Harmonized ( )

b)Increased ( )

c) Reduced ( )

d) Abolished ( )

e) Any other

3. What is your opinion on recipient countries government regulations on imports?

a) Harmonized ( )

b)Increased ( )

c) Reduced ( )

d) Abolished ( )

e) Any other

4. What is your opinion on economic ratification of COMESA rules in other countries?

a) Harmonized ( )

b) Increased ( )

c) Reduced ( )

d) Abolished ( )

e) Any other

- What is your opinion 011 international trade agreements e.g. WTO Agreements?

a) Harmonized ( )

b)Increased ( )

c) Reduced ( )

d) Abolished ( )

e) Any other

Any other comment 011 trading within CpMESA

PART IV

To what extent do you think does your company been affected by the following factors: **Social-cultural, Political, legal and technological.**

Resource	**Very Great extent**	**Great extent**	**Moderate extent**	**Less extent**	**No extent**
1. Language					
2. Religion					
3. Human capacity and training					
4. Perception of other countries					
5. Poverty levels					
6. Gender and age					
7. Consumer preferences					
8. Security issues					
9. Change of government regime					
10. General elections					
11. Political relationships between trading countries					
12.Domestic politics					
13. Political instability					

i Government of the day					
5. Trade laws and regulations					
i Immigration regulations					
' COMESA treaties					
S Other trade agreements					
20. Other integration bodies e.g. EAC					
21. Level of ICT infrastructure					
22. Knowledge of ICT					
23. Use of ICT					
24 Access to ICT facilities					
25 ICT policies of a country					

Thank you for taking your time to fill this questionnaire