

**UNIVERSITY OF NAIROBI**

**INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES**

**EFFECT OF KENYA'S FOREIGN POLICY ON FOREIGN DIRECT  
INVESTMENT IN KENYA**

**BY**

**EMILY KERUBO MOMANYI**

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## DECLARATION

I declare that this document and the research it describes are my original work and that they have not been presented for the award of a degree in any other University.

Name: Emily Kerubo Momanyi

Signature: -----

Date: -----

This research was conducted under my supervision and is submitted with my approval as a University Supervisor

Name: Martin Nguru

Signature: -----

Date: -----

University of Nairobi,

Institute of Diplomacy and International Studies

## **DEDICATION**

I dedicate to my family with special emphasis to my mother and son. You all allowed me time off from the family in order to concentrate on my Master of Degree Programme.

## **ACKNOWLEDGEMENTS**

I am grateful to God for enabling me to find time to embark on my research work. My family has all along supported me through their timely encouragement and challenge that I am able to do the task. My Supervisor has tirelessly guided me on how to approach my thesis. To all I am indeed grateful.

## ABSTRACT

This study focused on the effect of Kenya's foreign policy on foreign direct investment in Kenya. It was guided by five key objectives which included: To examine the effect of the peace diplomacy pillar on FDI in Kenya; assess the impact of the economic diplomacy pillar on FDI in Kenya; to determine effect of Diaspora diplomacy pillar on FDI in Kenya; to examine the effect of the environmental diplomacy pillar on foreign direct investment in Kenya and to look into the effect of the cultural diplomacy pillar on FDI in Kenya. This study adopted a mixture of descriptive and explanatory research designs targeting program officers serving in the Ministry of Foreign Affairs and International Trade and the National Treasury tasked with the responsibility of handling foreign direct investments and handling policy issues. By use of both primary and secondary data, the data was analyzed by use of the (SPSS) version 23.0. Descriptive and inferential statistics were used to analyze the data. It was revealed that there was a positive relationship ( $R= 0.752$ ) between the study variables. The study further revealed that 56.5 percent of FDI in Kenya could be a result of Kenya's foreign policy. It is hereby evident from this study that at 95% confidence level, the variables produce statistically significant values and can be relied on to explain FDI in Kenya. Key recommendations emanating from this include: The government should put in place concerted effort to ensure that peace and security are enhanced within its borders. This will ensure that a peaceful environment to business; the government of Kenya should implement Structural Adjustment Programs to the fullest with a view of establishing an economic hub in the region for investors; the government should strengthen the monitoring and evaluation function of Kenya's Vision 2030 to spear head key flagship projects driving economic growth; there is a great need to revise Kenya's National Diaspora Policy to enable Kenyans living abroad to participate in national development; relevant government agencies should implement multilateral environmental agreements that attract foreign investors the government should develop a policy to guide Kenyans in respecting and recognizing each other's cultural diversity as an incentive for foreign investors.

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## **LIST OF ACCRONYMS AND ABBREVIATIONS**

<b>AU</b>	African Union
<b>BOP</b>	Balance of Payment
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>EAC</b>	East African Community
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>IGAD</b>	Intergovernmental Authority on Development
<b>IMF</b>	International Monetary Fund
<b>IPO</b>	Initial Public Offer
<b>MDG</b>	Millennium Development Goals
<b>MNC</b>	Multinational Company
<b>NACOSTI</b>	National Commission for Science and Technology
<b>R&amp;D</b>	Research and Development
<b>REC</b>	Regional Economic Communities
<b>SAP</b>	Structural Adjustment Programs
<b>SME</b>	Small Micro Enterprises
<b>UNCTAD</b>	United Nations Conference on Trade Development
<b>UNDP</b>	United Nations Conference on Trade and Development
<b>WTO</b>	World Trade Organization

## CHAPTER ONE

### INTRODUCTION TO THE STUDY

#### 1.0 Introduction

The study seeks to investigate the relationship between Kenya's foreign policy and foreign direct investment levels in Kenya. This section introduces a background and research problem, the research objectives and research questions, the justification of the study, scope of the study and study limitations.

#### 1.1 Background to the Study

Most countries in the world have been adopting a diplomatic approach in the recent past aimed at strengthening international trade. Countries which have developed and implemented effective foreign policies attract foreign investors, thus economic development as a result of greater competitiveness.<sup>1</sup> It is apparent that FDI provides additional amount of external resources that contributes directly to the country's economic performance. FDI is important in the sense that it contributes to capacity building through transfer of technology that is, external firms train local personnel on how to handle specific tasks regarding their operations<sup>2</sup>.

The foreign investments have an industrial effect of alleviating the general production levels and promoting competitiveness to the country products in the foreign market and they supposedly facilitate in transfer of the cost effective technology. FDI is believed to close the technological gap which is high in the less developed countries through direct and indirect technical transfer.<sup>3</sup>

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<sup>1</sup> Fosu, Augustin K. "Exports and economic growth: The African case." *World Development* 18, no. 6 (2010), 831-835.

<sup>2</sup> Asiedu, Elizabeth. "Foreign Direct Investment in Africa: The Role of Natural Resources, Market Size, Government Policy, Institutions and Political Instability." *The World Economy* 29, no. 1 (2006), 63-77.

<sup>3</sup> Ibid

Most nations in sub-Saharan Africa, including Kenya, were at the same monetary advancement level as most nations in Southeast Asia in the 1950.<sup>4</sup> Today, some of these Asian nations are named as recently industrialized on the grounds that they have set up outside approaches which pull in and hold financial specialists. Their African partners then again are still observed as immature and have stayed poor because of lack of the same. This notwithstanding, Kenya developed and started implementing a foreign policy effective the year 2014 which outlines how Kenya should relate with other countries with a main objective of attracting foreign direct investment. The policy is anchored on 5 main pillars namely: Peace diplomacy, economic diplomacy, diaspora diplomacy, environmental diplomacy & cultural diplomacy.<sup>5</sup>

Kenya has experienced various overall security threats from the built up thought of between state conflicts. Some of these threats transnational dealt with wrongdoing, fear based abuse, burglary, prescription and human trafficking, duplication of little arms & weapons, plus unlawful expense shirking amongst other threats. It has in this way obliged Kenya to find more hooks in the direct of its outside relations. Following general mental mistreatment lifted into a first peril into overall security, the battle to this scourge has transformed to a significant arrangement of Kenya's outside relations & a subject of its indispensable relationship with a viewpoint of strengthening its worldwide trade ties.

Kenya additionally perceives the impact of natural issues, for example, worldwide environmental change, the development of nursery gasses, poisonous chemicals, and pesticides; species annihilation; deforestation; and marine degradation and poaching which

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<sup>4</sup> Asiedu, Elizabeth. "Foreign Direct Investment in Africa: The Role of Natural Resources, Market Size, Government Policy, Institutions and Political Instability." *The World Economy* 29, no. 1 (2006), 63-77.

<sup>5</sup> Ibid

continue representing a risk to the flourishing, prosperity, and security of overall citizens. Kenya has accordingly hoisted its ecological motivation into one of its outside strategy columns.<sup>6</sup>

The Kenya's foreign policy has been influenced by various basic political movements and especially expanded clashes and the breaking down of African states which had up 'til now been held together by icy war regulatory issues. These disputes portray potentially the most fundamental outside approach change with the change of peace reasonability as a basic key reaction to regardless of what you look like at it essential wars, the implosion of the state, radicalism and unmistakable sorts of enthusiasm weakening national and neighbourhood peace, security, dependability & achievement.<sup>7</sup>

The other causal factor for an imperative outside strategy change has been the headway of the space for territorial and territory watchfulness. The rebuilding of the African Union in 2002 & the making of its new structures, for instance, the AU Peace and Security indicated open passages for add up to development to choose basic clashes and counterbalance the landmass as a pre-condition for shared cash related recovery. Kenya scans for a lead part in the re-set up African Renaissance which underlies the present experience for a more grounded Africa arranged to address the difficulties and affirmation supportable change. This has been made more verbalized by the refocusing of the African Union from supporting adaptability to beginning Africa's change and incorporation<sup>8</sup>.

According to Kenya, Foreign Policy pivots around the verifiably crucial piece of RECs as fundamental gadgets to a local integration.<sup>4</sup> Kenya keeps on assuming a main part in optimizing incorporation both provincially and all around in order to enhance intra-African

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<sup>6</sup> Asiedu, Elizabeth. "Foreign Direct Investment in Africa: The Role of Natural Resources, Market Size, Government Policy, Institutions and Political Instability." *The World Economy* 29, no. 1 (2006), 63-77.

<sup>7</sup> Ibid

<sup>8</sup> Ibid

exchange; as a major aspect of its endeavors to lessen on financial underestimation of Africa inside the worldwide economy. Change of Kenya's intensity is the larger target for remote direct speculations, its fare items, increment of market access and mounting its appeal as a main visitor goal.<sup>9</sup>

At the worldwide level, Kenya tries to separate its money related affiliations and relationship with extended an indepth on the rising economies & fiscal areas. In general, the undertakings have accomplished Kenya's new time of money related system which hopes to propel a sensible approach that best outlines Kenya's feeling of obligation in regards to brace its relations with all countries and zones in light of shared normal premiums. Foreign Direct Investment refers to any investment by Multi-National companies (MNCs) or investment by a non-resident to a company of host nation whereby, they exercise control and earn returns on their investment. It is important to note the differences between indirect and direct investment.<sup>10</sup>

Investment such as acquisition of stock of a firms, collection of investment, long-term borrowings and even medium-term by banks and intermediaries, and investment in initial public offer (IPOs) of national loans, commercial papers, promissory notes and debentures are some of the indirect investment a company or an individual can make in a foreign country.<sup>11</sup>

Millennium Development Goals (MDGs) progressively getting to be plainly hard to accomplish by 2020. Advancing and encouraging innovation exchange through outside direct venture (FDI) has expected a noticeable place in the techniques of financial recovery and

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<sup>9</sup> Tavares, Rodrigo. "Regional clustering of peace and security." *Global Change, Peace & Security* 21, no. 2 (2009), 153-164. doi:10.1080/14781150902872000.

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<sup>11</sup> Saddimbah, George. *Effect of Foreign Direct Investments Inflow in Kenya on Economic Growth, Exports and Balance of Payment* [MBA Thesis accompanied by a CD-ROM]. 2014. Washington D.C

development being upheld by strategy creators at the national, territorial and worldwide levels since it is thought to be the way to connecting the innovation and asset hole of immature nations and staying away from further build-up of debt.<sup>12</sup>

In terms of financial support Kenya got sizeable measures of loaning to adjust its installments. These projects were initially depicted as program loaning and in the 1980s recognized as the SAP gave by the International Monetary Fund & World Bank.<sup>13</sup> Kenya received its first of these loans in the early 1970s as a reaction to the oil emergency. After this initially credit the loaning occurred in a stop-go shape contingent upon the monetary administration of the nation. By and large, the execution of monetary changes and the financial advancement of the nation has been a blend of progress and dissatisfaction. Between the 1970s and the late 1990s the loaning of the IMF and World Bank have been a blend of allowing advances and suspending advances, contingent upon the achievement picked up with the usage of SAPs.<sup>14</sup>

In terms of FDI inflows in Kenya, there is a long history before current improvements too. Amid the 1970s Kenya was a standout amongst the most supported goals for FDI in EA. After the 1970s the EA association with remote ventures has been turbulent and the locale lost its general interest to outside speculators because of political distress and debasement.<sup>15</sup> However, after 1996 Kenya performed fundamentally second rate contrasted with its neighbors. One essential explanation behind this poor execution is the suspension of advances by the IMF because of defilement. After 2000 Kenya saw a little change in drawing

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<sup>12</sup> French, D., S. W. Mayson, and C. L. Ryan. "12. Marketable loans." Law Trove, 2016.

<sup>13</sup> "Foreign Direct Investment and Foreign Portfolio Investment: Theory." Foreign Direct Investment, 2008. doi:10.1515/9781400829248-005.

<sup>14</sup> Ibid

<sup>15</sup> Ibid

in FDI, trailed by a critical development after 2006.<sup>16</sup> In 2007, the Economic Recovery Strategy paper terminated and was supplanted by the Kenyan Vision 2030. With this vision the Kenyan government plans to achieve worldwide competitiveness and there is a unique concentrate on drawing in more FDI. Cases of changes to draw in more FDI are the foundation of organized commerce zones, change of framework and the improvement of incentives.<sup>17</sup>

### **1.1.3 Foreign Policy and Foreign Direct Investment**

FDI is arguably a greatest steady structure of global capital movements<sup>7</sup>. These private capital movements are investments from a mother firm to a place outside the mother firm's country of origin. FDI comprises of owner's wealth (equity), firm to firm obligations, and retained interest. FDI is made of a parent company in their home country and an overseas affiliate which form the Multinational Company (MNC). For a company to meet the requirements of FDI, the headquarter company must advance some level of control due to their investment in that foreign affiliate.<sup>18</sup>This notion of control, developed by Hymer in 1960 is vital to the differentiating between portfolio and direct investment as well as the inspiration of the company's asset. Regulation is considered vital when a corporation has 10% or greater of the voting shares.<sup>19</sup>

FDI likely effect of on a host economy has remained unclear since companies became multinational. The majority of third world countries struggle to appeal to foreign direct investment (FDI) to come and invest into their countries for its acknowledgement as a stimulus in economic growth and development in developing countries.<sup>20</sup> Furthermore, a

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<sup>16</sup> Ibid

<sup>17</sup> "Investment Policy Review." United Nations Conference on Trade and Development (UNCTAD) Investment Policy Reviews, 2015

<sup>18</sup> Ibid

<sup>19</sup> Ibid

<sup>20</sup> Ibid

huge and emerging body of literature has indicated that FDI has vital role in economic advancement of a country. Thus, this thesis analyzes the relationship between FDI, exports, balance of payment (BOP) and economic growth in Kenya. Presently, Kenya is a standout amongst the most capable nations in East Africa and has a basic part in the political and financial circumstance of the whole area.<sup>21</sup>

It is crucial to note that most emerging nations have tremendously reduced boundaries on FDI inflows and operations of MNCs in the early 1980s. This trend became even more common during the 1990s, and this led to a significant inflow of FDI into the third world countries. In fact, developing countries received close to 35 per cent of the global FDI inflows from 1995 to 1998 in comparison to 20 per cent in the 1982-1986 (UNCTAD).<sup>22</sup> This improvement towards expanding offers in underdeveloped nations continued developing till 1999 to 2000, however it declined to 25 for each penny amid 2003-2010. In the course of recent years, the offer of FDI as a rate to the GDP has been exceptional. It is 256 rates for the entire globe.<sup>23</sup>

Nonetheless, the obligation is largely in favour of the countries that are still developing as against the created nations since the rate is 435 for creating nations and the rate is 210 for developed countries.<sup>9</sup> In an effort to protect local industries and have a commanding control over their capital, most African countries imposed trade and non-trade barriers as spelled in their foreign policies. However, in recent years, much effort has been focused on attracting FDI. For a period of years, policies have been developed by countries to attract foreign companies into investing in their countries.<sup>24</sup>

For years, the joint service of the Outside Investment Advisory Service, the IFC & the World

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<sup>21</sup> Trade and Development Report 2010." United Nations Trade and Development Report, 2010.

<sup>22</sup> Ibid

<sup>23</sup> Ibid

<sup>24</sup> Ibid

Bank, have been in pursuit of helping African governments to promote an enabling environment for foreign direct environment.<sup>25</sup> Most of these advices covered the basic policies governing FDI and those institutions that are mandated to administer these policies. Majority of the African countries have been receptive to these advices from FIAS and many other advisories and have made tremendous progress in improving their basic frame work for FDI. According to UNCTAD, for the past thirty years, the progress of FDI has been remarkable. Globally, FDI has risen to reach \$1,833 billion in 2007, prior to the economic and financial crisis, well above the earlier time all high set in 2000.<sup>26</sup>

The formation of goods by an estimated 79,000 multinational companies and their up to about 790,000 remote subsidiaries kept on expanding with their FDI stock surpassing \$15 trillion out of 2007. Their aggregate exchanges summed \$31 trillion with esteem included by foreign subsidiaries all around assessed to be 11 percent of world's general residential with up to around 82 million individuals utilized by these multinational organizations. Elucidation of these drifts are typically loaded with much enthusiasm as advancement is believed to be the sole most key factor influencing diminishment of neediness and consequently FDI is vital in understanding this goal, in this manner, FDI is considered as a key part for fruitful financial development in emerging countries.<sup>27</sup>

Kenya is one of the huge FDI beneficiaries in EA. Kenya is an economic powerhouse in the East Africa area with a normal development rate of around 5% in the previous 10 years. FDI's flow into Sub-Sahara Africa has been displaying momentous variations over the last couple of years in terms of the destination country. The majority of the aggregate FDI flow in East Africa region was largely in Kenya up to the last ten years. Nonetheless, in the current years,

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<sup>25</sup> Borensztein, Eduardo, Jose De Gregorio, and Jong-Wha Lee. "How Does Foreign Direct Investment Affect Economic Growth?" 1995.

<sup>26</sup> Secretariat, UNCTAD. "Foreign Direct Investment by SMEs." Foreign Trade Review 39,

<sup>27</sup> Ibid

neighboring countries to Kenya, i.e. Tanzania and Uganda have been increasingly attracting more of the share of FDIs into the region. This therefore calls upon policy makers in Kenya to consider reviewing Kenya's foreign policy in order for Kenya to retain its former glory of being a regional leader in international trade by attracting more FDIs.

## **1.2 Statement of the Research Problem**

Any nation economic growth is anchored on both local and foreign investments. Foreign investors are mainly attracted by conducive foreign policy. Foreign investors in Kenya have contributed considerably to certain vibrant sectors in the economy like infrastructure, manufacturing, agriculture and telecommunication and led to diversification of the exports.<sup>28</sup> Various scholars have conducted research in the field of foreign direct investments inflow in Kenya on economic growth, exports and balance of payments.

The examination discoveries uncovered that FDI inflow into Kenya has a positive association with the nation's monetary development and that an expansion in the level and estimation of FDI inflow to the nation prompted an increment in the region's GDP and furthermore investigated the impact of remote direct ventures on financial development in Kenya. The investigation inferred that remote direct speculation positively affected monetary development. In any case, UNCTAD (2010) contemplates presumed that FDI does not cause economic growth.<sup>29</sup>

Based on these studies among others, it is clear that there is no specific study which has analyzed in detail the relationship amongst foreign policy & FDI in a country. The study therefore sought to look into the knowledge gap by answering the question: What is the effect of Kenya's foreign policy on foreign direct investment?

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<sup>28</sup> Emery, James J., Melvin T. Spence, Louis T. Wells, and Timothy S. Buehrer. "Administrative Barriers to Foreign Investment." 2000.

<sup>29</sup> The World Bank Annual Report 2014." World Bank Annual Report, 2014

## **1.3 Objectives of the Research**

### **1.3.1 Overall Objective**

The main objective of the study is to investigate the effect of Kenya's foreign policy on foreign direct investment levels in the Country.

### **1.3.2 Specific Objectives**

- 1.** To examine the effect of the peace diplomacy pillar on FDI in Kenya.
- 2.** To assess the effect of the economic diplomacy pillar on FDI in Kenya.
- 3.** To determine the effect of the diaspora diplomacy pillar on FDI in Kenya.
- 4.** To examine the effect of environmental diplomacy pillar on FDI in Kenya.
- 5.** To examine the effect of the cultural diplomacy pillar on FDI in Kenya.

### **1.3.3 Research Questions**

- 1.** What is the effect of the peace diplomacy pillar on FDI in Kenya?
- 2.** What is the effect of the economic diplomacy pillar on FDI in Kenya?
- 3.** What is the effect of the diaspora diplomacy pillar on FDI in Kenya?
- 4.** What is the effect of the environmental diplomacy pillar on FDI in Kenya?
- 5.** What is the effect of the cultural diplomacy pillar on FDI in Kenya?

## **1.4 Justification of the Study**

The study would be useful to below stated stakeholders:

**1.4.1 To academicians and researchers** – Scholars and researchers study to benefit from this study because it informs the literature for similar studies especially in developing countries. It will act a benchmark for future research in diplomacy and international relations.

**1.4.2 Government and Policy makers-** the findings of the study will help in reviewing Kenya's foreign policy with a view of attracting foreign direct investments into the country.

The study will outline the weaknesses of each pillar in the policy and challenges faced in implementation of the policy. Recommendations emanating from the study will suggest policies that will attract more FDI to the country.

### **1.5 Literature Review**

The purpose of this section is to analyse empirical studies carried by other scholars all across the globe. Literature reviews are secondary sources & as such report no new or original experiment work.<sup>30</sup> It has been established that FDI applies a constructive outcome on financial development in spite of the fact that there is an edge level of pay, FDI has additional impact on monetary improvement. This clarification depended on economies that have accomplished certain level of limit pay, have assimilated advancements and profited from the innovation diffusion.<sup>31</sup>

In his contribution on FDI, FDI can enable a nation to bring learning and advances which lack prompt accessibility to residential financial. Foreign direct investments might convey the ability that the nation does not have giving outside financial specialists access to worldwide markets. Encourage it's discovered that an expansion of total speculations by 1 percent purpose of GDP increments financial development of Latin America by 0.1 to 0.2 percent a year; yet FDI increments by a similar sum in expanded development by around 0.6 percent a year.<sup>32</sup>

A study was conducted a study to examine whether FDI influences the financial development of an economy. The investigation uses information from 84 nations over the period 1970 to 1999 and utilizes both single and synchronous condition methods to test the connection amongst FDI and financial development. To accomplish the coveted outcome, endogeneity

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<sup>30</sup> Blomström, Magnus, and Ari Kokko. 1998. "Foreign Investment As a Vehicle for International Technology

<sup>31</sup> Transfer". *Creation and Transfer of Knowledge : Institutions and Incentives / G. Barba Navaretti ... [Et Al.]*, Editors.. n.d.

<sup>32</sup> Ibid

was tried utilizing the Durbin-Wu-Hausman (DWH) test, where comes about demonstrated that endogeneity was not significant.<sup>33</sup>

Be that as it may, when the period was part, 1985 to 1999 showed a basic association among FDI and Gross Domestic Product (GDP). Further, Phillips Perron was used in testing for stationary in the elements used. An examination suggests a strong complimentary relationship among FDI and monetary improvement. Ilhan did an examination of more than 50 test examinations on the association among FDI and financial advancement and the results revealed that, 40 of such examinations have shown a positive affiliation with only 2 declaring negative & the rest non effectal.<sup>34</sup>

In addition to, the results also revealed that macroeconomic instability acts as a disincentive to remote direct ventures. Different factors, for example, government utilization, budgetary improvement, normal assets, wage and political rights were observed to be inconsequential. Indonesia, Malaysia, Philippines, Singapore and Thailand by Pradhan, happens reports affirmation of positive association among FDI and money related advancement at both board and individual level for the countries however with prohibition of Indonesia, Malaysia and Philippines at solitary level.<sup>35</sup>

Reports by that, outside firms in Kenya since the 1970s have put resources into an extensive variety of segments in the nation. Most eminently they assumed a noteworthy part in both the gardening and cultivation divisions, with near 90% of blooms being organized by foreign partners. In the Manufacturing area FDI has focused on the buyer merchandise division, for

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<sup>33</sup> De Mello, L. "Foreign direct investment-led growth: evidence from time series and panel data." *Oxford Economic Papers* 51, no. 1 (1999),

<sup>34</sup> Basturk, Ilhan, and Berna Ozbek. "Performance of Pilot-Based EM Channel Estimation for OFDM Systems." *2007 IEEE 15th Signal Processing and Communications Applications*, 2007. doi:10.1109/siu.2007.4298631.

<sup>35</sup> Ibid

example, sustenance and drink businesses. Then again the African Growth and Opportunities Act (AGOA) has achieved changes in the material segment over the current years. For example, of the 34 organizations associated with AGOA, 28 are of outside root with the majority of them amassing in Export Processing Zones (EPZs).<sup>36</sup>

FDI is additionally appropriated to different areas for example the media transmission among others. Notwithstanding, 55% of the outside firms are gathered in Nairobi and 23 percent in Mombasa. In this way, Nairobi and Mombasa represent more than 78 percent of FDI in Kenya. With Kenya having more than 200 multinational companies, the fundamental type of FDI foundation has experienced the type of green fields' foundations. The primary customary wellsprings of remote speculations include Britain, US, Germany, South Africa, Netherlands, Switzerland & recently China and India.<sup>37</sup>

By utilizing time arrangement, investigation found that FDI in Kenya is dictated by monetary receptiveness, tax collection, human capital, genuine trade, swelling, and FDI in the past periods. Different factors, for example, government utilization, money related improvement, regular assets, wage and political rights are observed to be inconsequential. In his decisions he expresses that FDI influences monetary development emphatically if there is a positive increment in the FDI inflows.<sup>38</sup>

As per Gachino, after land resettlement in the vicinity of 1962 and 1964, the Kenyan government kept foreign firms from buying more land and accordingly outside possession in agribusiness was incredibly lessened. In business and industry by differentiate, practically all the development which occurred, that is a 50 percent expansion in yield in the vicinity of 1964 and 1970 and 100 percent expansion in the yearly level of ventures, was outside

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<sup>36</sup> Ibid

<sup>37</sup> Ibid

<sup>38</sup> Trade and Development Report 2010." United Nations Trade and Development Report, 2010.

claimed. At first quite a bit of it included capital exchange out of agribusiness, particularly following the presentation of trade controls in 1965. In any case, after two years after the underlying time of vulnerability with regards to the administration advancement procedure, a generous inflow of outside direct speculations and its broadening to different parts happened.<sup>39</sup>

An investigation on FDI Kenya was finished by. The reason for this examination was to distinguish the key factors that impact FDI choices in Kenya and to investigate the exact connection amongst FDI and economic growth in Kenya. Njeru did a study on the effect of outside direct speculation on financial development in Kenya. The reason for this investigation was to build up the connection between FDI and financial development in Kenya. In his study he concludes that with constant and positive growth in FDI in Kenya between 1982 and 2012 there was a positive growth in economic development in the country. Agrawal & Khan led an investigation to the impact of FDI in GDP Growth. This examination disclosure revealed; "FDI progresses money related improvement and further gives a gage that one dollar of FDI adds around 7 dollars to the GDP of each of the five countries".<sup>11</sup>also inspected FDI development nexus in D8 nations in specific; Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan & Turkey. This outcome showed that FDI positively affects GDP development.<sup>40</sup>

The basis built up in this manner extended undertakings to pull in more FDI originates from the conviction that FDI has a couple of valuable results. Among these are proficiency gets, advancement trades, introduction of fresh techniques, managerial aptitudes & know-how in the private marketplace, laborer planning, worldwide age frameworks, and access to markets.

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<sup>39</sup> Ibid

<sup>40</sup> Ibid

FDI as a basic vehicle for the trading of advancement, adding to improvement in greater measure than neighborhood wander. Further, it recommends FDI to manufacture the rate to specific development in the host country through a "sickness" affect away from the further created development, organization sharpens, et cetera., used by outside firms.<sup>41</sup> On the premise of these validations governments have frequently given excellent helpers to outside firms to set up associations in their countries observe that the money related strategy for thinking for offering exceptional driving forces to pull in FDI as regularly as conceivable gets from the conviction that remote theory produces externalities as development trades and spill-overs.<sup>42</sup>

In a board examination of China, Japan, India, South Korea & Indonesia by use of data for 1993 to 2011, it investigated the impact of FDI on GDP Growth & reported that "FDI advances financial development, and further gives a gauge that one dollar of FDI adds around 7 dollars to the GDP of each of the five nations". Likewise, Carkovic & Maria reviewed FDI advancement nexus in D8 nations specifically; Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan & Turkey. Results demonstrate FDI have helpful result on improvement in GDP.<sup>18</sup> Moreover takes a gander at whether FDI impacts the monetary advancement of the host nation. This examination utilize data from 84 countries in the period 1970 to 1999 & use solitary and likewise concurrent condition systems remembering the true objective to test the association among FDI and money related improvement.<sup>43</sup>

With a particular true objective to finish the desired result endogeneity is had a go in the Durbin-Wu-Hausman (DWH) test, & result show up in the example as a whole endogeneity as not yet basic yet whforen the period is section, 1985 - 1999 exhibit a tremendous

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<sup>41</sup> Ibid

<sup>42</sup> Ibid

<sup>43</sup> Ibid

association among FDI and GDP. Further, Phillips Perron (PP) was utilized in testing towards stationary of the factors and the factors were observed to be stationary. This investigation recommends solid association to compliment, amongst FDI & monetary development.

## **1.6 Theoretical Framework**

Theoretical review covers the theories that explain the effect of foreign policy on foreign direct investments.

### **1.6.1. The Neoclassical Theory of Investments**

According to neoclassical theory, FDI impacts wage development by expanding the measure of capital per individual. It in this way invigorates long-run development through factors, for example, innovative work (R&D) and additionally human capital.<sup>44</sup> Through development trade to their individuals and mechanical floods to unaffiliated firms in the host economy, MNCs can quicken the progression of new widely appealing thing varieties, raise thing quality, energize overall composed exertion on R&D, plus the present new sorts of human capital. Clarifications of multinational age in light of neoclassical hypotheses of capital advancement and trade inside the Hecksher-Ohlin framework<sup>45</sup>.

In any case, they examine these theories on the introduce that they were built up on the doubt of quality of faultless factor and stock publicizes and were in this way unfit to give elegant illumination of the nature and case of FDI. Without publicize imperfections, these theories expected that FDI would not occur. Budgetary improvement speculations can be apportioned into three social events. The early post-Keynesian improvement models (the Harrod-Domar Growth theory and its varieties) have underlined the criticalness of save subsidizes and interests in propelling advancement<sup>46</sup>. The neo-built up models of money related

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<sup>44</sup> Findlay, L. M. "Enriching Echoes: Hamlet and Orpheus." MLN 93, no. 5 (1978), 982.

<sup>45</sup> Carkovic, Maria M., and Ross E. Levine. "Does Foreign Direct Investment Accelerate Economic Growth?" SSRN Electronic Journal

<sup>46</sup> Ibid

improvement underscored the significance of exogenous specific progress as the common determinant of financial advancement. The new advancement speculation, which is generally called "endogenous improvement theory," regardless, centered around the piece of R&D, human capital social occasion and externalities as the staggering factors that choose long-run budgetary advancement. Note that the stress of new advancement hypotheses is the endogenous the improvement rate of GDP which requires the rate of ventures to be endogenous.<sup>47</sup>

According to the neoclassical theory of investments emphasized that the desired capital–output ratio increases if the cost of capital falls. The theory gives special emphasis to the role of using cost of capital in determining an optimal capital-output ratio

### **1.6.2. Internationalization Theory**

This theory asserts that, at firm-level the MNE will apply exclusive control (proprietorship) over an elusive, learning based, firm-particular preferred standpoint. In disguise hypothesis, all firm-particular points of interest are effectiveness based.<sup>48</sup>

Internationalization hypothesis recommends vertical FDI empower firms to decrease their introduction to dangers that emerge from interests in particular resources. The hypothesis demonstrates that success of a firm to put resources into a foreign nation is reliant on a money saving merit examination of precise factors in the two its mother country and the accepting nation. As per Carbaugh firms may put resources into nations where work and crude materials are nearly less expensive keeping in mind the end goal to limit costs.<sup>19</sup> This halfway clarifies the development of outside direct ventures to Asia particularly China and India where the cost of work is generally less expensive than whatever remains of the

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<sup>47</sup> Lyon, M., D.E. Bihl, and E.H. Carbaugh. "Hanford radiological protection support services. Annual report for 1995." 1996. doi:10.2172/243483.

<sup>48</sup> Ibid

world.<sup>49</sup>

## **1.7 Hypotheses**

This study was guided by the following hypotheses:

- H01:** The peace diplomacy pillar does not significantly affect FDI in Kenya.
- H02:** The economic diplomacy pillar does not significantly affect FDI levels in Kenya.
- H03:** The diaspora diplomacy pillar does not significantly affect FDI levels in Kenya.
- H04:** The environmental diplomacy pillar does not significantly affect FDI levels in Kenya.
- H05:** The cultural diplomacy pillar does not significantly affect FDI levels in Kenya.

## **1.8 Methodology of Study**

The methodology spells out the research design adopted herein; as well as where and how data will be sourced and subsequently analyzed. Further the critical and normally contentious issues/limitations to do with ethics, validity and reliability that arise are also presented and addressed accordingly herein.

### **1.8.1 Research Design**

Research design is the methodology adopted by a researcher for the fulfilment of the study objectives and addressing research questions.<sup>17</sup> The study adopted a mixture of descriptive and explanatory research designs. The descriptive design allowing the researcher to conduct the assessment of study phenomenon without the ability to manipulate the variables, meaning the researcher is required to collect data and determine relationships without inferring causality. The explanatory research design encourages the analyst to answer the exploration addresses in this way ready to set up the causality between the autonomous and the reliant

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<sup>49</sup> Ibid

factors (Saunders et al, 2009). The motivation behind testing the causal connection between the factors is to decide the relative essentialness of these connections. An unmistakable cross-sectional review plan since it enables the specialist to gather data without manipulating variables across a huge or vast study area at a one point in time.

### **1.8.2 Target population**

A populace refers to a whole gathering of people, occasions or protests having a typical perceptible trademark. characterize an objective populace as gathering of individual to which the analyst might want to sum up his/her outcomes from target populace. It is likewise characterized as a huge populace from which a little extent of populace is chosen for perception and investigation.

This study targeted all program officers serving in the Ministry of Foreign Affairs & International Trade and the National Treasury tasked with the responsibility of handling foreign direct investments and handling policy issues. These officers were estimated at 159. The researcher conducted a census study given their small size hence no need of sampling.

### **1.8.3 Data Collection Instruments**

Primary data was utilized in questionnaire according to responses to the research instrument was outlined on a 5-point Likert scales. Questionnaires are valuable and accommodating in social event data that is interesting to people, for example, mentalities or information additionally in keeping up members' security since members' reactions can be unknown or secret. The questionnaire was divided into seven sections. Section I captures background information, Section II peace diplomacy, Section III economic diplomacy, Section IV diaspora diplomacy, Section V environmental diplomacy, Section VI cultural diplomacy & Section VII foreign direct investments.

### **1.8.3.1 Piloting of Research Instrument**

A pilot test is the replica and furthermore, practice of the primary examination and it conveys to the light the shortcomings (assuming any) of the surveys and furthermore of the inspecting systems. According to<sup>50</sup>, the sum of respondents for any pilot test need be between 9% -10% of the population. In this study a sum of 16 employees were used for the pilot study, since the population was 159. Randomly selected employees were picked and questionnaires directed to them. The pilot information was investigated and comes about used to alter and enhance the poll before revealing the instrument to the whole populace.

### **1.8.3.2 Validity of the Study Instrument**

Validity refers to the level by which a test measures what it should quantify.<sup>51</sup> There are two primary sorts of validity: outside validity and substance validity. Outside validity is the degree to which the consequences of an examination can be summed up from the specimen to the populace. Content validity alludes to the suitability of the substance of the instruments to precisely catch what it is planned to quantify. For this situation content validity was tended to through pilot testing of the examination instrument.

Legitimacy is how much outcomes acquired from the investigation of the information really speak to the marvel under examination.<sup>52</sup> To find out the substance and standard validity of the instrument, the analyst looked for the help of the directors and different experts in the field. The instruments of information accumulation were tried to check both interior and outer validity.

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<sup>50</sup> Bryman, Crammer. Analyzing Qualitative Data. 2011.

<sup>51</sup> Ibid

<sup>52</sup> Ibid

### 1.8.3.3 Reliability of the Study Instrument

Reliability is the consistency of estimation, or by how much an instrument measures a similar way each time it is utilized under a similar condition with a related subject Cronbach alpha, which is a measure of interior reliability, is utilized to test the inner unwavering quality of the estimation instrument.<sup>20</sup>

$$\alpha = \frac{N \cdot \bar{c}}{V + (N-1) \cdot \bar{c}}$$

Where N refers equal to the number of items,  $\bar{c}$  is the average inter-item covariance amongst the items &  $\bar{v}$  equals the average variance. The higher the coefficient, the more reliable it is to the generated scale. Kimberlin & Winterstein<sup>53</sup> outlined that a Cronbach's Alpha of 0.7 is an acceptable reliability. In reference to the feedback from the pilot test, the questionnaire was modified and a final one developed. In this study, a Cronbach's Alpha of 0.7 was considered acceptable reliability.

### 1.8.4 Data Processing and Analysis

The data generated by questionnaires and interview guides was checked, altered sorted out and coded by computer to diminish the mass of information got into a shape reasonable for examination. SPSS was utilized. Findings from the study were presented using tables and figures. The relationship between foreign direct investments and foreign policy could be illustrated by the following equation.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

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<sup>53</sup> Kimberlin & Winterstein (2008)

Where:

Y= Foreign direct investment

$\alpha$  = constant (intercept)

$\beta$  = slope (gradient) showing the rate at which the dependent variable is changing for each unit change in the independent variable.

X<sub>1</sub>= Peace diplomacy pillar

X<sub>2</sub> = Economic diplomacy pillar

X<sub>3</sub>= Diaspora diplomacy pillar

X<sub>4</sub> = Environmental diplomacy pillar

X<sub>5</sub> = Cultural diplomacy pillar

$\varepsilon$  = Error term

### **1.8.5 Legal and Ethical Consideration**

The term ‘ethics’ in research is defined as ‘a method, procedure, or perspective’ for guiding the treatment of complex problems and issues<sup>54</sup>. A few reasons exist with respect to why there is have to hold fast to morals in look into. To begin with, principles propel the purposes of research, for instance, data, truth and avoidance of bungle. Additionally, a research routinely incorporates a great deal of cooperation amongst an extensive variety of people and now and again transversely finished affiliations, moral standards propel the qualities which are essential in communitarian work. Thirdly, an ethical guideline helps in ensuring that pros are seen as capable to their work. Fourthly, investigate ethics help progress other basic great and social regards, for example, social commitment, human rights, animal welfare, consistence with the law and prosperity & security.

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<sup>54</sup> Bryman, Crammer. Analyzing Qualitative Data. 2011.

By compliance to the research code of ethics, this study intends to receive the accompanying strategies. The specialist took after moral rules, which incorporate a morals survey process before drawing in respondents to guarantee that methods was reasonable and fair to all will's identity included. Prior to the organization of the survey, the scientist clarified the reason for the investigation to the exploration subjects and in addition guaranteeing their classification and keeping in mind that in the meantime requesting their assent after their understanding. Awesome care was taken to guarantee confidentiality of the information obtained in the research will be guaranteed.

Once approved to continue with research, the researcher obtained a permit from NACOSTI which was attached to the completed research work. The respondents' names were coded to conceal identity. Lastly, all scholarly work quoted in the study was dully acknowledged with source clearly indicated, indexed and also included in the list of references.

### **1.9 Scope and Limitations**

The study intends to ascertain the relationship between Kenya's foreign policy and foreign direct investment levels in the country. The Kenya foreign policy is viewed in its five key pillars namely: peace, economic, diaspora, environmental & cultural diplomacy pillar. Foreign direct investments flowing into the country for a period of 3 years before & 3 years after enactment of Kenya's foreign policy was considered.

This study has reliance on both secondary data (reports) and primary data which was obtained using a questionnaire. In any case, not all respondents were alright with giving data as they were uncertain on the utilization of the data that they give. In any case, the scientist guaranteed the respondents that the data looked for was utilized for scholastic purposes and that most extreme privacy will be guaranteed to them. Different respondents thought that it was hard to require investment off their bustling calendars as they may see the review taking

up excessively of their important time. The scientist tended to this test by taking least time controlling polls. This examination was also limited to 3 years before and 3 years after enactment of Kenya's foreign policy and as such the study findings might not apply to other years outside that period.

### **1.10 Chapter Outline**

Chapter 1 introduces topic of our research study, by first setting broad context of our research study, the statement of the problem, objectives of the study, literature review, hypotheses, justification, theoretical framework, & the methodology of this study.

Chapter Two provides the background of the peace diplomacy pillar and the economic diplomacy pillar. Their relationship with foreign direct investment is also discussed.

Chapter Three looks at the relationship between diaspora, environmental and cultural diplomacy pillars and foreign direct investment.

Chapter Four has analysis of the data collected in the previous chapter in light of hypotheses and theoretical framework already stated.

Chapter five provides the conclusions to the study, gives recommendations and provides for suggestions on areas for further study.

## CHAPTER TWO

### RELATIONSHIP BETWEEN PEACE DIPLOMACY PILLAR, ECONOMIC DIPLOMACY PILLAR AND FOREIGN DIRECT INVESTMENT

#### 2.1 Introduction

Kenya's long battle for national flexibility from expansionism set a strong foundation for its outside technique presentation. The modelers of our Republic underscored the indivisible association between national self-sufficiency and mankind's greater adaptability, esteem and the characteristic proper to a typical inheritance. Consequently, Kenya's remote approach has been guided by a strong conviction that our own specific future is unclear from the consistent quality and security of our condition as the basic wellspring of national survival and prosperity.<sup>55</sup>

The benchmarks controlling the country's relations with the world were set by the fundamental to re-change its targets at the overall level to the turbulent and moving movement of an isolated world in the midst of the Cold War time frame (1945-1989). Regardless of the way that Kenya's flexibility fight enhanced the country's overall picture and stature, inconceivably, this overcome history moreover bet playing into the East-West ideological partition. This approach has ensured that Kenya successfully fabricates ordinarily productive intrigues with the West while conveniently enamoring the East by its course of action of positive fiscal & political non-arrangement.<sup>56</sup>

The wonder of globalization moreover provoked improvement of a general arrangement of social and money related structures has had both positive & negative effects in the remote

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<sup>55</sup> Ahmed, Khaled Y., Ahmed S. Ibrahim, Ahmed H. Mehana, and Khaled M. Elsayed. "Performance

<sup>56</sup> Analysis of Dense Relay Network." 2015 IEEE 82nd Vehicular Technology Conference (VTC2015-Fall), 2015. doi:10.1109/vtcfall.2015.7391068.

procedure. The need to efficiently react to globalization required amendments in Kenya's outside plan presentation. Emery set that as the world has globalized, thus, new overall security risks far removed from the built up contemplated between state strife. The Kenyan has experienced a prompt impact of these perils which join worldwide dealt with wrongdoing, fear mongering, burglary, drug and human trafficking, augmentation in the little arms, weapons & illicit assessment shirking among others.<sup>57</sup>

In looking for after its national focal points in the worldwide field, Kenya continues getting a charge out of an incredible overall profile rising up out of its key region, oversaw consistent quality, strong political foundations, sound money related methodologies, dynamic natural strategies and significantly taught and gifted HR. Kenya's outside course of action hopes to look for after the going with national goals: to Protect Kenya's influence & provincial honesty; propel sub-neighborhood & regional blend & co-operation; enhance nearby & overall peace & security; drive to monetary flourishing of Kenya plus her kinfolk; wander the Kenyan photo & prominence; propel all inclusive cooperation and multilateralism; progress and Kenya Diaspora and relatives. Peace watchfulness segment is instructed by the affirmation that peace and steadfastness are basic pre-conditions for development and achievement. The reliability and budgetary success of Kenya hugely affect the consistent quality and flourishing of the sub-zone, Africa & the stragglng leftovers in the world.<sup>58</sup>

Peace technique segment hopes to propel the assurance of conflicts by serene means in the area; composed exertion with other African countries to fortify strife neutralizing activity; organization and assurance point of confinement of commonplace foundations including (EAC), (IGAD), (COMESA) and (AU) went for practical peace and improvement; and

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<sup>57</sup> Ibid

<sup>58</sup> Ibid

production of contention investigation and avoidance of limit broadly & in the locale via the Foreign Service Academy. Further, Kenya keeps on supporting organizations that are associated with peace keeping in the Continent which incorporate I P S T C & East African Standby Force Command amongst others.<sup>59</sup>

## **2.2 Peace Diplomacy and Foreign Investments**

Exterminating hostility and advancing participation among nations is a noteworthy advance prompting peace through remote venture. Issues confronting peace forced by others is that it is precarious, particularly when the basic contrast s initially isolating the nations remain. Consequently, it appears to be sensible that a practical peace is a characteristic peace in light of shared reliance and hence exchange upgrades and encourages this linkage. Psychological warfare applies a negative effect on outside speculation by raising exchanging costs. These impacts are probably going to be substantially higher for little and open economies than for vast and generally shut economies.<sup>60</sup>

Another modification coming about because of the solidifying of the outskirts originates from the redistribution of exchange from nation sets with higher exchanging expenses to nation sets with bring down exchanging costs. Some proof demonstrated that psychological warfare redistributes and redirects exchange from neighboring to far off nations experiencing fear based oppression.<sup>61</sup>

They contend that it is just through common reliance that balance come to fruition where peace stays strong and secure, with the goal that neither one of the parties is propelled to change business as usual. Most likely many sorts of shared reliance influence worldwide relations.<sup>62</sup> From numerous points of view, political inspirations shape the premise of

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<sup>59</sup> Dupas, Pascaline, and Jonathan Robinson. "Why Don't the Poor Save More? Evidence from Health Savings Experiments." 2011. doi:10.3386/w17255.

<sup>60</sup> Ibid

<sup>61</sup> Ibid

<sup>62</sup> Ibid

common reliance. At the point when Willy Brandt wound up plainly Foreign Minister in the Federal Republic of Germany in 1966, he built up the strategy of Neue Ostpolitik, in the long run prompting a 1970 assention tolerating the outskirts of Berlin.<sup>63</sup>

### **2.3 Economic Diplomacy and Foreign Investment**

The monetary tact column manages Kenya's excursion for a peaceful and stable condition went for driving money related change and thriving, plus that of the territory. The generous money related engagements are essential to secure Kenya nearby's & general budgetary focuses as per the Kenya Vision 2030. This section hopes to manufacture capital streams to Kenya & the E. African region; support convey headway & wander by Kenya in its endeavours inside the region & past; enhance inventive movement by researching new wellsprings of direct and appropriate advancement; reinforce the examination of alternative wellsprings of regular and practical power source; sustain neighbourhood financial gatherings and relationship to fill in as aggressive spring sheets to rising and worldwide markets.<sup>64</sup>

Economic diplomacy study is concerned not just with more extensive conciliatory plans as they rise up out of the procedures of market incorporation, for example, high carbon economy transactions, licensed innovation rights haggling, web based business assertions, transnational fund arrangements, yet additionally with variations in strategy particularly development of new methods of discretion, new discretionary performers & new formal & casual structures with tact. Huge numbers of the individuals thinking about financial strategy are addressing the absence of thoughtfulness regarding the new auxiliary & organization improvements via a standard study of diplomacy.<sup>65</sup>

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<sup>63</sup> Ibid

<sup>64</sup> Polachek, Lea, Dan Oron, and Yaron Silberberg. "Full control of the spectral polarization of ultrashort pulses." *Optics Letters* 31, no. 5 (2006), 631.

<sup>65</sup> Ibid

Economic study on diplomacy additionally advises our comprehension of worldwide political economy in that it compels us to perceive that negotiators (as specialists) are huge on-screen characters and part of a thick, yet to a great extent unexplored, system of market performers on the planet economy.<sup>66</sup> All things considered, for instance, ebb and flow business discretion – the advancement of internal and outward speculation and also trades – includes the look for upper hand on the planet economy via the ambassador business systems. The IPE motivation that incorporates investigation of its current discretionary practice with the accentuation on organization will by far uncover associations connecting human office & fundamental change & dependability – additionally, these lines sum up to banter in reference to the connection amongst structure & office in IPE. The individuals investigating of IPE from an investigation of tact point of view, are deliberately looking to signpost the part of office on the planet economy.<sup>67</sup>

By concentrating on the part of negotiators as operators, examine into financial discretion can give bits of knowledge into the political procedures associated with the creation, direction, and advancement of business sectors. Monetary discretion researchers concentrate on the part of discretionary performers & the linkages, exercises, foundations in which they act to look for both in order to & and oversee financial reliance and reliance.<sup>68</sup>

Diplomats play a vital role in exchanges for setting up exhibit rules and controls, dispersal of gauges and social orders in its overall economy, the headway & execution of budgetary plans, plus the advancement in open & private financial interests.<sup>69</sup> In addition, bringing non-state entertainers into the packaging through e.g. the possibility to a reactant technique, a couple of

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<sup>66</sup> Hocking, William Ernest, John Lachs, and D. Micah Hester. *A William Ernest Hocking Reader: With Commentary*. Nashville, TN: Vanderbilt University Press, 2004.

<sup>67</sup> Ibid

<sup>68</sup> Ibid

<sup>69</sup> Ibid

specialists of budgetary affability have had the ability to draw out beyond any confining influence the difficulties between fighting social forces at the nearby and central level.<sup>70</sup>

Financial discretion is the quest for monetary security inside an anarchic universal framework. A concise audit of the substance of the real discretion course readings demonstrates that financial tact is by and large characterized as the utilization of conventional strategic instruments, for example, insight gathering, campaigning, portrayal, transaction and backing to promote the outside monetary approaches of the state.<sup>71</sup>

At the key move end of budgetary politeness is the thing that Baldwin<sup>72</sup> call for fiscal statecraft which is the imperative use of positive & negative financial supports, for instance, trade embargoes and furthermore help programs by states and diverse on-screen characters, for instance, the United Nations to oblige distinctive states to arrange battles that the exceptionally beginning stages of tact in numerous countries lie in making warm relations with a particular true objective to empower trade. The more present approaches to manage money related judgment see that circumspection can't be compartmentalized to specific financial & political development & in rational terms, most countries would tend to find such a separation simply unworkable.<sup>73</sup>

All countries monetary caution is a vital strand in placating technique & it in this way twists up doubtlessly imperative for states to develop a fused or encouraged class. When we consider technique we need to move past basically contemplating the outside administration

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<sup>70</sup> Ibid

<sup>71</sup> Ibid

<sup>72</sup> Baldwin, Billy, and Michael Gardine. *Billy Baldwin, an Autobiography*. Boston: Little, Bro26. Woolcock, Stephen, and Nicholas Bayne. "Economic Diplomacy." *Oxford Handbooks Online*, 2013. doi:10.1093/oxfordhb/9780199588862.013.0022.

<sup>73</sup> Ibid

and its experts in abroad missions. A extra supportive thought is the `national vital system (NDS). This thought by far gets a different & complex nature of created circumspection.<sup>74</sup>

In an around the globe, related economy, cash related system subsumes more issues, as necessities be expanding the potential number of national and significant players with budgetary premiums and commitments in the discretionary procedure.<sup>75</sup> In this impression of technique, it is basic for investigators to perceive the linkages between this differing game plan of open and private performing specialists and premiums that is, the nature of the political structures and the relationship among open and private inside discretionary frameworks.<sup>76</sup>

The world economy is administered by a game plan of money related foundations with rules & systems. With the making of the WTO in 1995, exchange between states is consistently addressed by overall benchmarks which must be composed and executed. The rule decade of the 21st Century has in like way observed an expansion in the measure of specific empowered business authentications between states which, added to the game plan of basic exchange understandings, for example, North American Free Trade Agreement, the E U, SADC, & South Asian Association for Regional Cooperation all grow the motivation & need for exchange insightfulness. An important bit of the composed work on exchange thought concentrates on multilateral exchange designs and specific giving point by point records of GATT/WTO Rounds.<sup>77</sup>

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<sup>74</sup> Ibid

<sup>75</sup> Woolcock, Stephen, and Nicholas Bayne. "Economic Diplomacy." Oxford Handbooks Online, 2013. doi:10.1093/oxfordhb/9780199588862.013.0022.

<sup>76</sup> Scholte, Paul, and Tom Vos. *Economie zonder grenzen. Economie Zonder Grenzen*. Leiden: Spruyt, Van Mantgem & De Does, 1999.

<sup>77</sup> Ibid

Receiving a comparable neo-liberal amusement theoretic approach, Scholte<sup>78</sup> has been compelling in featuring the significance of local and additionally worldwide factors in universal monetary transactions. In the central work, he developed a significantly intense thought of 2-level diversions & with others, equally introduced the possibility of 'twofold edged technique' in highlighting how vital strategies incorporate managing at both family and foundational levels, and what's more the opening up of money related thoughtfulness to fuse chairmen and, consequently, neighborhood based interest get-togethers.<sup>79</sup>

Putnam's experiences into the local setting of exchange arrangements in any event start to perceive the clashed idea of states' interests in exchange tact.<sup>80</sup> In addition, the conflicts inside countries by underscoring the bewildering & dynamic character of trade relations in an incessantly dynamic general political economy structure {IPE & exchange theory}. In drawing the changing assistant setting the money related procedure, it viably challenge an assumption consolidated with sensible entertainer model of trade watchfulness of state premiums which be settled & without a doubt, known.<sup>81</sup>

Stopford & Strange conceptualize monetary tact as a 'triangular' instructed by state to state, state to firm and firm to firm relations. In the triangular system, business delegates are vital players & a purposely productive state searches for lines up with serious firms to manufacture its fundamental power. One of the key issue regions where transnational business has been dynamic consequently method is in approved progression rights (IPRs). Susan Sell's main tackle IPR designs shows not just the gigantic number of players (business, states, honest to goodness educators, between state affiliations, IP clients) associated with the trades yet

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<sup>78</sup> Scholte, Paul, and Tom Vos. *Economie zonder grenzen. Economie Zonder Grenzen*. Leiden: Spruyt, Van Mantgem & De Does, 1999.

<sup>79</sup> Langhorne, William. *Some Considerations Relating to the East-India Trade: Upon Occasion of Some Papers Lately Set Forth against the Company*. [Place of publication not identified]: [publisher not identified], 1691.

<sup>80</sup> Ibid

<sup>81</sup> Ibid

what's more that the arrangement of players works exceptionally as opposed to one period to the other as the possibility of conflicts inside & the issue brings change.<sup>82</sup>

Other intense examinations of money related caution prescribe a considerably more erratic methodology of trade plans displays the possibility of 'multi-accomplices' to the examination of fiscal procedure to bring about the creating commitment to private actors.<sup>83</sup> On the other hand, business as far as anyone knows works inside and meet with the state to such a degree, to the point that capability amongst open (state) & private (business) premiums is hard to draw. All inclusive trade organization have ended up being continuously tested since the famous 'Clash of Seattle' in the 1999 WTO Seattle Ministerial Meeting.<sup>84</sup>

Diverse performing specialists, for instance, NGOs and regular difference bundles have been brought into trade consideration as a noteworthy part of the contestation. Some seem particularly drawn to courses of action Oxfam and I C T & S D are as much as possible people from more diminutive and making country assignments since they can give truly fundamental capacity and resources). Others shape extremely discernible difference packs testing the WTO system (which is seen as undemocratic & unaccountable) and also mind-boggling neo liberal considerations which, fight, make desperation by making countries in addition to the dissimilarity in the exceptional industrialized countries & the weak less made countries.<sup>85</sup>

Another key issue region in worldwide economy is universal fund and with regards to globalization, back discretion is essentially worried about endeavors by governments to make steadiness in an administration which does not have the guidelines and laws of the universal

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<sup>82</sup> Ibid

<sup>83</sup> Ibid

<sup>84</sup> Ibid

<sup>85</sup> Ibid

exchange administration. Much like investigations of exchange discretion, the writing goes far to molding a more extensive conceptualization of monetary strategy since it focuses to the part of non-conventional conciliatory on-screen characters, for example, fund services, national banks, for example, the Bank of England, business gatherings and the saving money division, and in addition non-customary discretionary discussions, for example, the World Economic Forum (WEF).<sup>86</sup>

Monetary tact has progressively been perceived as a pertinent theme in observational research in universal financial matters, global political economy and worldwide relations writing. Financial strategy may fill in as a tool compartment to handle different types of market disappointments which upset global exchanges. Data as well as straightforwardness issues increment the cost for sending out, bringing in and contributing abroad, they hamper (the working of) put stock in essential for global exchanges. Accepted having comparative monetary impacts as exchange levies, which force an impediment to global specialization and the acknowledgment of its positive welfare impacts. The system of monetary negotiators therefore has the impact of a promotion valorem diminishment of tariffs.<sup>87</sup>

Following the line of thought of it is likely that learning about fare markets is under-created, despite the fact that this data has an open positive outlook. Private firms won't give outside market data since they should make costs which may profit their rivals. A similar dread of contenders' free riding will discourage the quantity of pioneer exporters.<sup>88</sup> Investments pioneer exporters make in their attempt to open foreign markets, may be harvested by their rivals.

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<sup>86</sup> Hausmann, Ricardo, and Dani Rodrik. "Economic development as self-discovery." *Journal of Development Economics* 72, no. 2 (2003), 603-633. doi:10.1016/s0304-3878(03)00124-x.

<sup>87</sup> Hausmann, Ricardo, and Dani Rodrik. "Economic development as self-discovery." *Journal of Development Economics* 72, no. 2 (2003), 603-633. doi:10.1016/s0304-3878(03)00124-x.

<sup>88</sup> Ibid

Governments may step into the resulting void by giving "one of a kind, dependable and unprejudiced access to data, for example, through the worldwide international safe haven arrange and other government channels and contact, which wind up plainly accessible through the administration's long haul and non-business connection to abroad markets."<sup>89</sup>

Other than the expanded consideration in scholastic's monetary discretion is likewise making progress in policymaking. This is improved by the production of the European political administration and the arrangement of an European outside delegate. Parts of the assignments already completed at the nation level inside the structure of respective contacts are presently on European ability. Be that as it may, overhauling residential organizations by the utilization of respective government contact stays in the circle of the individual part states. In this manner consideration in outside monetary arrangement is moving toward financial negotiators and financial strategy. We need to go up against this test by dissecting what is thought about the size impact and importance of monetary discretion experimentally, examining the blended.<sup>90</sup>

Meta-investigation use rather than writing audit has a few points of interest: a meta-examination is "more target" than a customary writing survey since it efficiently dissects wellsprings of (quantitative) variety from prior studies<sup>30</sup>. Methodology offers opportunity to indicate delayed consequences of a couple of examinations into a sensible structure and to

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<sup>89</sup> Florax, Raymond J., Henri L. De Groot, and Ruud A. De Mooij. "Meta-Analysis." SSRN Electronic Journal, 2002. doi:10.2139/ssrn.309102

<sup>90</sup> Ibid

gage a typical meta-affect, which can't be unambiguously chosen in light of individual examinations.<sup>91</sup>

For whatever length of time that the essential examinations address a comparable research question a meta-investigation enables us to measure and unfurl slants in observational outcomes that would some way or another be hard to distinguish. It additionally empowers us to utilize the outcomes from the diverse fields of research where financial discretion is making strides like worldwide relations, financial aspects and global political economy. No meta-analysis on the size effect and significance of economic diplomacy has been done until now. So a comparison on the size of our sample has to be based on earlier published meta-analysis on other aspects of international economics. for example performed an meta analysis in the spillover effects of FDI based in 21 studies and 25 who did a meta-analysis on the same topic used 32 studies and 141 observations.<sup>92</sup>

The impact of financial discretion on cross fringe monetary streams is measured distinctively after some time. Most papers impact usage of the gravity to demonstrate that now has a longstanding history in reckoning separate overall streams. Subsequently, we have the going with condition for the gravity appear in its slightest troublesome edge. FDI could be invaluable until further notice yet not in the whole deal for example, fail to develop a positive association among FDI and advancement, yet rather imply that the effects of FDI are reliant upon a "absorptive limit" of hosting country.<sup>93</sup>

In the report, he<sup>94</sup> says that political organization, veritable wage per capita, rate of extension, world financing cost, FICO score and commitment advantage clear up the difference in FDI

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<sup>91</sup> Obwona, Marios B. "Determinants of FDI and their Impact on Economic Growth in Uganda." *African Development Review* 13, no. 1 (2001), 46-81. doi:10.1111/1467-8268.00030.

<sup>92</sup> Ibid

<sup>93</sup> Ibid

<sup>94</sup> Nigerian Economic Society. *External Trade and Economic Development in Nigeria: Selected Papers for the*

for Nigeria. For non-oil FDI nations, in any case, Nigerian FICO appraisal gets crucial to drawing the required FDI there in. In addition, flood effects are found in the work grandstands through learning & its impact on the productivity of family speculation<sup>34</sup>. Sjöholm prescribes that by development trade to the partners & mechanical floods to unaffiliated institutions have economy, transnational organizations (TNCs) are quickly headway in new widely appealing thing combinations and raise the idea of the thing.

Obwona<sup>95</sup> contend that other than the capital increasing component, a few financial specialists consider FDI to be directly affecting exchange products and ventures. Exchange hypothesis anticipates that FDI inflows will bring about enhanced aggressiveness of host nations' fares. TNCs can negatively affect the immediate exchange of innovation to the FOEs, in any case, and consequently decrease the overflow from FDI in the host nation in a few ways.

They can provide their affiliate with excessively few sort of innovative capacities, or even confine innovation access of parent organization. Innovation exchange can be anticipated on the off chance that it isn't predictable with TNC's benefit expanding objective and if cost of keeping exchange is low. Subsequently, development of its accessories could will undoubtedly low-level exercises and extension for specific change and mechanical learning inside assistant decreased. This would be by restricting downstream makers to low respect transitional things, and now and again "swarming out" near to makers to dispose of rivalry. They may in like way restrain charges to contenders and keep age to the necessities of the TNCs. These may at last outcome in a decreasing in the general change rate of the "host nation and declined alter of circumstance."<sup>96</sup>

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<sup>95</sup> Obwona, Marios B. "Determinants of FDI and their Impact on Economic Growth in Uganda." *African Development Review* 13, no. 1 (2001), 46-81. doi:10.1111/1467-8268.00030.

<sup>96</sup> Ibid

It argues that FDI brings genuinely necessary physical capital, new innovation, administrative and advertising abilities and mastery, universal accepted procedures of working together and additionally expanded rivalry. These assets may can possibly be diffused into indigenous firms along these lines making more development and efficiency development. FDI contributes greater occupations to its nearby economy through straightforward inclusion of new employments & by implication at the time neighborhood expenditure increments, because of buys of products and enterprises by the new increment in representatives. These thusly are relied upon to have positive multiplier impacts for an economy.<sup>97</sup>

The advantages from the adjust of installments impacts incorporate change in the capital record because of the inflows of new capital into the hosting nation & upgrades in its present record adjust due to conceivable decrease in imports of products and enterprises which would somehow or another have been foreign. The extra duties from multinational partnerships likewise can possibly enhance the spending circumstance of the host nation.<sup>98</sup>

In a survey by UNCTAD of more than 50 observational examinations on the association among FDI and financial improvement, 40 of similar examinations show a positive relationship with mere uncovering negative & the rest demonstrating no impact.<sup>12</sup> The experimental confirmations refer to the way that many FDI's are related to development. In another investigation done by Sissoko and Yaya<sup>99</sup> which inspected FDI and financial development connection between 1976 to 2002 in Singapore utilizing (VAR), their discoveries uncovered a unidirectional causation running from FDI to monetary development.

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<sup>97</sup> Sjöholm, Fredrik. "Exports, Imports and Productivity: Results from Indonesian Establishment Data." *World Development* 27, no. 4 (1999), 705-715. doi:10.1016/s0305-750x(98)00160-0.

<sup>98</sup> Blomström, Magnus, and Ari Kokko. "Foreign Investment as a Vehicle for International Technology Transfer." *Creation and Transfer of Knowledge*, 1998, 279-311. doi:10.1007/978-3-662-03738-6\_14.

<sup>99</sup> Sissoko, Yaya, and Sel Dibooglu. "The exchange rate system and macroeconomic fluctuations in Sub-Saharan Africa." *Economic Systems* 30, no. 2 (2006), 141-156. doi:10.1016/j.ecosys.2005.11.002.

There are only few empirical studies that have examined the connection amongst settlements and development. The exact investigations demonstrate that settlements can empower monetary action and persuade entrepreneurial groups. Settlements enable family units to move out of destitution, bring down death rates and increment instructive and lodging spending.<sup>38</sup>

According to Ruiz-Arranz & Marta<sup>100</sup>, settlements can impact financial development straightforwardly or in a roundabout way. In any case, the level of the last channel firmly relies upon supporting legislative strategies and a supporting financial condition for speculation exercises utilizes board information to ponder the ethical risk impact structure on settlement's inspiration and their impact on monetary action.<sup>39</sup> He finds a negative impact of settlements on financial development when he examines the impact of settlements on speculation, utilization, imports and yield.

The creator utilizes an example of five nations and gauges short and long run multipliers of settlements. He finds that the impact of decreasing settlements would be more prominent than the impact of raising them. Then again, he finds a beneficial outcome of settlements on development, particularly for nations with bring down money related improvement. He proposes an investment funds channel that relates settlements with development. He finds that settlements positively affect development, because of the capacity to expand sparing rates in nations with a for each capita pay of short of what US \$1200.

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<sup>100</sup> Ruiz-Arranz, Marta, and Paola Giuliano. "Remittances, Financial Development, and Growth." IMF Working Papers 05, no. 234 (2005), 1. doi:10.5089/9781451862539.001.

## CHAPTER THREE

### RELATIONSHIP BETWEEN DIASPORA, ENVIRONMENTAL AND CULTURAL DIPLOMACY AND FOREIGN DIRECT INVESTMENT

#### 3.1 Introduction

Kenyan abroad have a tremendous undiscovered potential which can add to the country's national change inspiration. The Diaspora segment plans to saddle different capacities, learning, ability and resources of Kenyans living abroad, & empowering their compromise into the national change inspiration.<sup>101</sup> This instructs the Diaspora Pillar which tries to furnish the dedication of Kenyans living abroad through execution of the National Diaspora game plan. Segment hopes to give convincing and responsive consular organizations; urge Kenyans Abroad to partake in national progression; propel the passage by Kenyans to the worldwide work publicize of Kenyans Abroad for national change.<sup>102</sup>

Balasubramanian report positive connection between human capital and FDI. They had before discovered noteworthy outcomes supporting the supposition that FDI is more basic for cash related headway in pass on advancing than import-substituting nations.<sup>103</sup> This Implies the effect of FDI differs transversely completed nations and that exchange strategy can affect the bit of FDI in cash related headway. These factors incorporate the starting per capita GDP, guideline satisfaction, private wander extent, political insecurity, terms of trade, black market change scale premiums, and the state of budgetary change.<sup>104</sup> By investigating FDI & improvement association using diverse elements present that beneficiary effects of FDI are

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<sup>101</sup> Overview." United Nations Trade and Development Report, 1999, 1-11. doi:10.18356/c85178a6-en.

<sup>102</sup> Ibid

<sup>103</sup> Parker, Charles T., Kara Mannor, and George M. Garrity. "Exemplar Abstract for Thiobacillus hydrothermalis Durand et al. 1997 and Halothiobacillus hydrothermalis (Durand et al. 1997) Kelly and Wood 2000." The NamesforLife Abstracts, 2010. doi:10.1601/ex.1885.

<sup>104</sup>

EuRAD 2005 Sessions." European Radar Conference, 2005. EURAD 2005, 2005. doi:10.1109/eurad.2005.1605545.

more grounded in those countries with a large amount of institutional limit. He hence accentuated the significance of bureaucratic effectiveness in empowering Diaspora discretion impacts on remote venture.<sup>105</sup>

### **3.2 Diaspora Diplomacy and Foreign Investment**

Foreign investors tend to invest in countries with stable political situation, sound economic policies, well-developed financial institutions and greater economic freedom in terms of political rights and civil liberties.<sup>106</sup> The international relations of a host country with the FDI exporting country is believed to be one of the important factors that can play a significant role in attracting FDI. International relations have usually been ignored as an important factor that affect FDI and as a result often overlooked have developed the conceptual framework that theorizes for the function of government into directing emerging-market enterprises to invest in specific countries, which is the good relation-country.<sup>107</sup> This model based on institutional theory which claims that firms are affected by institutions – defined as regulative, normative, and cognitive structure and activities.

Based on this, they found it logical to extend the FDI determinants beyond the economic factors to include other factors such as political, legal, social and the broader political context that govern the decision to invest abroad. This study emphasizes the role of government on influencing enterprises decision to invest abroad. It affects the volume and direction of outward foreign investment using its involvement in these enterprises through ownership of large share or taxes and other incentives.<sup>108</sup>

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<sup>105</sup> Ibid

<sup>106</sup> Wang, Qingmin, and Et A. Et al. "ChemInform Abstract: Design, Synthesis and Antiviral Activity of Novel Quinazolinones." ChemInform 43, no. 43 (2012), no-no. doi:10.1002/chin.201243166.

<sup>107</sup> Ibid

<sup>108</sup> Ibid

At a theoretical level, some researchers start to provide strong scientific argument for the role that international relations could play in attracting FDI through what is known by economic diplomacy. They believe that economic diplomacy help to provide information on business climate and investment opportunities to foreign firms.<sup>109</sup> It may also increase FDI inflow by eminent personalities and reducing barriers that may face foreign investors. Moreover, a country good relation with other countries could enhance the relations between enterprises working in these countries and build trust between the involved parties.

Through the trust built up between enterprises the probable political country risk would be reduced up to the affordable level. Moreover, they argue that from the macroeconomic point of view, international relations between countries, could lead to smooth movement of capital and thus encourage transnational corporations to establish braches for their companies in good-relationship countries.<sup>110</sup> Further, international relations could decrease unfriendly choice, in which it enables speculators to better recognize great and awful ventures. This can prompt higher expected incomes for the remote financial specialists and furthermore increment the certainty of the speculators toward the nations.

Dauda and Bako<sup>111</sup> looked in to the impact of shuttle diplomacy on FDI in Nigeria. They have established that the shuttle diplomacy conducted by the Nigerian government during the period 1999-2007 contributed positively in FDI inflow to Nigeria. Jacob<sup>112</sup> investigated the effect of Malaysia's international relations on FDI inflow from Japan, United States, Singapore and Germany. They found that FDI inflow from these respective countries is positively related to Malaysia's total FDI. This result supports the views that international

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<sup>109</sup> Jacobs, scot, and jacqueline coolidge. "reducing administrative barriers to investment." 2006. doi:10.1596/978-0-8213-6494-9

<sup>110</sup> Ibid

<sup>111</sup> Ibid

<sup>112</sup> Ibid

relations can play a significant role in attracting FDI. Thus, foreign policy is one of the policy options to be employed to enhance FDI inflow to any country.

Najafi and Askari <sup>113</sup>examined the effect of political relations with the US on the performance of four economic indicators in 16 developing countries. Their results suggest that when a country improves its diplomatic relations with the USA this will have generally a positive effect on capital inflow to this country. This results support the belief that once a country improves its political relations with the USA, eventually, it will become an attractive country for FDI.<sup>114</sup>

Desbordes and Vicard<sup>115</sup> investigated the effect of the impact of diplomatic relationships on the FDI flow to the developing countries using a new political events dataset and a dynamic panel data model. His result supports findings of the previous studies in this area that establish the good diplomatic relations play essential role in attractive FDI to hosting countries. In his discussion for this result he argued that the good diplomatic relationship between countries encourage the signing of bilateral treaties that enhance the flow of FDI and facilitate firms mobility between the countries. Based on this result they recommended that countries in their attempt to design policies for attracting FDI need to take into account both intra-state and international FDI determinants.<sup>116</sup>

They investigated the role of international political relations on FDI inflow to Pakistan using regression techniques on data covering the period 1972-2009.<sup>117</sup> The primary concentrate of his examination was on the political relations of Pakistan with real worldwide forces, especially the United States. His discoveries recommend that Pakistan political relations with

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<sup>113</sup> Najafi, M., M. Zekri, and J. Askari. "Input time delay systems identification via wavelet approach." IEEE ICCA 2010, 2010. doi:10.1109/icca.2010.5524393.

<sup>114</sup> Ibid

<sup>115</sup> Ibid

<sup>116</sup> Ibid

<sup>117</sup> Ibid

United States impacts just financial and military guide streams yet not private outside direct interest over the long haul. Desbordes,<sup>118</sup> analyzed the effect of Chinese political exercises on outward FDI. They assessed outward FDI work utilizing board information for 131 countries. Their outcomes demonstrate that the benevolent two-sided strategic exercises give successful help to some delicate and essential interest in facilitating nations where foundations are missing or poor in quality.

A study by Ramasamy and Yeung<sup>119</sup> shed light on the importance of diplomatic relations to a location of FDI in developing countries. It indicated to opinion, good diplomatic relations got a positive impact to FDI in developing nations. Further, it indicated cooperation of economy between FDI partners and host country are brought about by better relations in diplomacy hence signing international agreements.

Ramasamy and Yeung<sup>120</sup> identify the promotion of international relations with China as one of the top five policy measures that policy makers should implement to attract a portion of the Chinese FDI outflow. They argue that Chinese managers are very much concerned about the political relations between their country and the host country, because of its role to the Chinese economy, especially in promoting outward expansion to Chinese enterprises & the engineering of selected industries at home.

Asiedu<sup>121</sup> shows FDI determinants in one locale is not similar to different areas. Moreover, FDI determinants in nations inside a district might be not the same as each other and starting

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<sup>118</sup> Desbordes, Rodolphe, and Vincent Vicard. "Foreign direct investment and bilateral investment treaties: An international political perspective." *Journal of Comparative Economics* 37, no. 3 (2009), 372-386. doi:10.1016/j.jce.2009.05.001.

<sup>119</sup> Ibid

<sup>120</sup> Ibid

<sup>121</sup> Ibid

with one period then onto the next. Olaitan<sup>122</sup> inspected the determinants of FDI in Nigeria amid 1970 to 2006. As indicated by them, co-mix systems uncover that the significant determinants of FDI are showcase measure, genuine conversion scale and political factor in this way approving hypothetical desires. Nonetheless, no specify of transport discretion as advertising methodology was made among the elements impacting FDI inflow into Nigeria.

Henry Kissinger<sup>123</sup> invented the concept of "shuttle diplomacy". The term indicates a conciliatory mediator carrying forward and backward between nations with an end goal to mastermind an understanding among battling nations. Transport tact alludes to transactions conveyed by a middle person who goes between various areas. It implies universal transactions directed by a middle person who habitually flies forward and backward between the arranging parties. The term carry tact is regularly used to depict circumstances in which the arbitrator makes a trip long separations to meet with the gatherings included, "the procedure of meeting with world pioneers independently is frequently utilized notwithstanding when they are in a similar place, in alleged 'closeness talks'".<sup>124</sup>

### **3.3 Environmental Diplomacy and Foreign Investment**

As indicated by Kenya's Environmental Policy, condition and general resources are imperative national assets whereupon the country's down to earth progression is secured. Kenya sees its colossal stake in down to earth organization to own normal resources, those of region & the world.<sup>125</sup> The strong presentation in regards to environmental issues perceives Kenya's outside game plan from those of various countries. The natural strategy column underlines the viable usage of the (MEAs, for example, the (CITES). As support of humankind and overseer of remarkable greenery, Kenya considers important its commitment

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<sup>122</sup> Ibid

<sup>123</sup> Ibid

<sup>124</sup> Ibid

<sup>125</sup> Ibid

to transmit mankind's legacy to successors.

Hidden this dedication is earnestness to go up against effect of contemporary ecological issues, like, ozone exhaustion, sea and air contamination, and asset corruption aggravated by total populace expansion. This section hopes to champion the invigorating of (UNEP) and (UN HABITAT) in sorting out the overall sensible headway inspiration; propel consistence with the appropriate national, regional & worldwide biological authorization, controls, standards, & other legitimate operational philosophy & guidelines; propelling compromise to common organization to national & neighborhood fiscal activities, in addition to cultivation & tourism to restrain negative effects the earth.<sup>126</sup>

Njoroge<sup>127</sup> argues that in an effort to protect local industries and have a commanding control over their capital, most African countries imposed trade and non-trade barriers which are informed by environmental conservation initiatives. The number of countries developing climate change and environmental policies has been on the increase in the recent past. The policies are aimed at attracting FDI. For years, the joint service of the Foreign Investment Advisory Service, the IFC & the World Bank, have been in pursuit of helping African governments to promote an enabling environment for foreign direct environment. Most of these advices covered the basic policies governing FDI and those institutions that are mandated to administer these policies. Majority of the African countries have been receptive to these advices from FIAS and many other advisories and have made tremendous progress in improving their basic frame work for FDI.<sup>128</sup>

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<sup>126</sup> Ibid

<sup>127</sup> Ibid

<sup>128</sup> Ibid

According to, for the past thirty years, the progress of FDI has been remarkable. Globally, FDI has risen to reach \$1,833 billion in 2007, prior to the economic and financial crisis, well above the earlier time all high set in 2000. The formation of goods by an estimated 79,000 multinational companies and their up to about 790,000 external affiliates continued to increase with the FDI stock exceeding \$15 trillion in the year 2007.<sup>129</sup>

Their sum transactions of \$31 trillion with value added by foreign affiliates globally estimated to be 11 percent of world's overall domestic with up to about 82 million people employed by these multinational companies.<sup>44</sup> Clarification of these drifts are normally filled with much passion as development is thought to be the sole most vital factor affecting reduction of poverty and thus FDI is crucial in realizing this objective, subsequently, FDI is referred to a vital component to successful economic improvement in emerging nations.<sup>130</sup>

Kenyan country is among largest FDI recipients in E. Africa. Kenya acts the economic hub in the East Africa region with about 5% average growth rate in the past 10 years (Dupas and Robinson, 2011). FDI flow into Sub-Saharan Africa has been displaying momentous variations over the last couple of years in terms of the destination country. The majority of the aggregate FDI flow in East Africa region was largely in Kenya up to the last ten years. Nonetheless, in the current years, neighboring countries to Kenya, including Tanzania and Uganda have been increasingly attracting more of the share of FDIs into the region.<sup>131</sup>

Proponents of outside venture bring up that the trading of speculation streams benefits both the nation of origin (the nation from which the venture begins) and the host nation (the goal of the speculation). Rivals of FDI take note of that multinational organizations can employ awesome control over littler and weaker economies and can drive out much nearby rivalry

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<sup>129</sup> Ibid

<sup>130</sup> Ibid

<sup>131</sup> Ibid

and should temper with their sway. Notwithstanding, the third gathering advocates for countries to guzzle the possibility of just advantageous FDI inflow. In this manner, work addresses the developing significance of outside direct interest in Nigeria as a wellspring of financing for advancement, particularly since the obligation emergency of the 1980s.<sup>132</sup>

Jerome and Ogunkola<sup>133</sup> assessed the significance, heading and prospects of FDI in Nigeria. They saw that while the FDI organization in Nigeria was generally improving, some certifiable deficiencies stayed constant. These insufficiencies are generally in the zone of expert work atmosphere and institutional defenselessness, and also the keep running of law. In context of the low FDI inflow, one of the basic clarifications behind low inflows of FDI into Nigeria can be credited to the negative picture frequently depicted of the territory in the media.

Nwabuzor and Anyamele<sup>134</sup> diagramed the inflow of outside direct theory into 10 African countries in the period 1970 to 2000. It was comprehended that, on a for each capita preface, there was a higher inflow of remote direct theory into those countries that allow more vital relative fiscal open door and those that have a legitimate area that guarantees property rights. Ayanwale<sup>135</sup> investigated the test association amongst non-extractive FDI & financial improvement in Nigeria & dissected the determinants of FDI to Nigerian economy as market gauge, system headway and stable macroeconomic methodology.

### **3.4 Cultural Diplomacy and Foreign Investment**

Kenya's social heritage is gigantic and everything considered ought to be abused with the objective for headway to be made sense of it. Kenya has tenaciously put highlight on social

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<sup>132</sup> Ibid

<sup>133</sup> Ibid

<sup>134</sup> Ibid

<sup>135</sup> Ibid

affirmation & understanding as the purpose behind talk. It is via social activities that a nation's idea of itself is most addressed. Kenya social judgment means assembling cognizance of her social riches & to make premiums in the country social inheritance. Social watchfulness segment tries to respect and see social arranged assortment and heritage; propel social exchanges and affiliations; progress overall intercultural talk; propel diversions and craftsmanship system by seeing the piece of Kenyan specialist.<sup>136</sup>

In the present turbulent political world, conciliatory means assume a significant part in a nation's endeavors to accomplish political objectives and to advance its picture in the worldwide field. No fair nation depends entirely on military and financial means in its associations with different nations. Or maybe, all keep up Ministries of Foreign Affairs whose objective it is to collaborate with different nations by means of conciliatory channels. As opposed to customary discretion, which includes collaborations between governments, these days, states' conciliatory endeavors are focused at individuals also. This type of strategy which focuses on the majority is regularly alluded to as open tact. Hence, in the present age, a nation's status in the global group is resolved by military and financial power, as well as by a country or pioneer's picture, qualities and control of data stream too.<sup>137</sup>

One vital and focal part of New Public Diplomacy is social strategy, i.e. the utilization of a nation's way of life to connect with outside gatherings of people and to extend a constructive picture in the global field. As this paper will clarify, social tact is an inexorably vital part of nations' strategic endeavors these days. Social strategy is best depicted as "the trading of thoughts, data, workmanship and different parts of culture among countries and their people groups to encourage common comprehension".<sup>138</sup>

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<sup>136</sup> Ibid

<sup>137</sup> Ibid

<sup>138</sup> Ibid

Social strategy incorporates trades between individuals in various nations, through which people can visit remote nations and find out about the way of life and society of the outside nation. It incorporates the investigation of another nation's dialect, conventions, and way of life. Culture is an exceedingly wide term, therefore adding to the immense scope of ranges that fall under the meaning of social tact. For example, culture incorporates writing, expressions of the human experience all in all, traditions, propensities and conventions, people's conduct, history, music, fables, motions, and social relationships.<sup>8</sup> Thus, any connection or trade between the general population of two nations in any of these regions is viewed as social strategy, just like the investigation of these fields as they exist in a remote nation.<sup>139</sup>

### **3.5 Benefits of Cultural Diplomacy**

Nye defines social strategy as the preparation of delicate power which lays on the capacity to shape the inclination of others. The delicate energy of a nation lays principally on its way of life, political esteems and outside approaches. By empowering a nation to uncover individuals of different nationalities to its way of life, society, and individuals and by expanding individual associations between individuals of various nations, social discretion empowers a nation to make its political standards and approaches more alluring according to remote crowds. At the point when a nation's way of life incorporates general esteems and interests other offer, it expands the likelihood of getting its coveted results due to the relationship of fascination and obligation that it makes.<sup>140</sup>

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<sup>139</sup> Ibid

<sup>140</sup> Ibid

Social discretion is basically a two-way correspondences process that includes endeavors to advance a country's picture and qualities among other outside gatherings of people and in addition to attempt to comprehend the way of life, qualities, and pictures of different nations and their kin. Social discretion is a method through which governments can build regard and comprehension of themselves among different nations on the planet. The advantages of social tact programs are extensive in number.<sup>141</sup>

Social strategy programs make gatherings for cooperation between individuals of various nations, in this manner laying the foundation for the manufacturing of kinships and solid associations between individuals of various nationalities. Social tact makes an "establishment of trust" with different people groups. Arrangement producers can expand on this trust to make political, financial, and military understandings. Given Kenya's history of endeavors to make political and monetary assertions both with its neighboring East African nations and with numerous different nations, establishing a framework of trust and comprehension among the mass open in these nations can help support popular conclusion for consenting to such arrangements with Kenya.<sup>142</sup>

Further, social tact can prevail with regards to achieving powerful individuals from remote social orders who can't be come to through conventional consulate capacities. For example, social tact programs uncover agents and speculators to the economy, society, and individuals of another nation, which may bring about these people making huge financial interests in the nation to whose culture they are uncovered.<sup>143</sup> Social tact programs which open outside financial specialists to the thriving Kenyan culture and culture are especially gainful to Kenya, the same number of speculators are reluctant to put resources into Kenya due to their

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<sup>141</sup> Ibid

<sup>142</sup> Ibid

<sup>143</sup> Ibid

impression of Kenya as a war-torn country, with high business stakes. Conveying outside businesspeople to Kenya and presenting them to Kenyan culture can help undermine this wonder. Being in Kenya has a noteworthy favorable position of having the introduction to a breathtaking pool of ability and brains accordingly, social strategy programs which bring outside speculators to.<sup>144</sup>

Kenya have the benefit of making open doors for outside ventures inside Kenya by presenting remote financial specialists to the large number of ability and intellectual prowess pervaded in the Kenyan individuals and by mollifying remote speculators' feelings of trepidation with respect to the political circumstance in Kenya. Being in Kenya and being presented to the lovely and quiet nature of Kenya and also its prospering society can have an extremely positive and quieting impact on financial specialists who might some way or another be reluctant to put resources into Kenya.<sup>145</sup>

Notwithstanding pulling in remote financial specialists, social discretion programs have other monetary advantages too. In the present period of globalization, numerous organizations fare to abroad markets and keep up business associations with abroad partners. Without fitting outside dialect abilities and social information, organizations will have littler odds of progress. Further, a significant number of the present worldwide business challenges require worldwide groups which are traded off of people of various nationalities who cooperate crosswise over social boundaries and time zones for expanded timeframes. The achievement of these multicultural groups is winding up progressively essential to accomplishment in the worldwide commercial center.<sup>146</sup>

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<sup>144</sup> Ibid

<sup>145</sup> Ibid

<sup>146</sup> Ibid

Lacking recognition with outside societies can impact those organizations working through multicultural groups. American organizations, for example, have lost a dumbfounding two billion dollars every year because of insufficient culturally diverse direction for their workers in multicultural circumstances. Social discretion programs which uncover individuals in a single nation to the way of life and way of life of individuals in different nations around the globe can in this manner impacts organizations with universal introductions.<sup>147</sup>

Given the goal of numerous huge Kenyan organizations to expand their universal dealings, expanding worldwide social mindfulness will help prepare the present representatives and agents and future ages of specialists and businesspeople for the worldwide business field. Additionally, social tact programs are regularly gone for youthful groups of onlookers. Expanded social cooperation with youth in outside nations enables a nation to positively affect people who may one day turn out to be very persuasive pioneers in their individual nations. Companionships manufactured with partners in another nation and affectionate recollections of visits to a remote nation won't likely be overlooked when a pioneer is in a place of energy and must settle on vital choices that may affect the nation he went by years sooner.<sup>148</sup>

Further, social strategy programs can counter mistaken assumptions, numbness, and outlandish scorn that individuals in different nations may bear toward a specific nation. This advantage is particularly significant to Kenya, as the vast majority of the world finds out about Kenya through media channels, which frequently depict Kenya exclusively through the viewpoint of the Kenya-Somalia struggle with practically no accentuation on Kenya's thriving society, created society, and effective business field.<sup>149</sup> Social discretion programs

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<sup>147</sup> Ibid

<sup>148</sup> Ibid

<sup>149</sup> Ibid

which open individuals to Kenya's general public, individuals, and customs can prevail with regards to depicting Kenya in an alternate, more positive light to groups of onlookers around the globe. Individuals in remote nations will at last comprehend that there is considerably more to Kenya than the Kenyan-Somalia struggle. Kenya is a standout amongst the most created social orders on the planet in the field of cutting edge, business and culture. Its kin are sympathetic, well behaved and amicable. Every one of these parts of Kenya are lost in the media depiction of Kenya, however can be uncovered through social tact activities.<sup>150</sup>

A standout amongst the most imperative fields in which social tact can receive essential rewards is the field of training. Instruction and scholarly organizations are viewed as the foundation of social trade. Around the globe, social discretion has infiltrated the field of training in the past and keeps on doing as such today. Reading material in optional school and colleges are regularly immersed with data about the way of life of various nations, religions, and ethnic gatherings. Such endeavors are frequently intended to teach kids to comprehend and regard the customs and ways of life of individuals of different nationalities. Numerous colleges around the globe offer understudies the chance to spend a semester abroad, drenching themselves in the way of life of a remote nation. A few nations, for example, the United States for example, have even opened American colleges in nations, for example, Egypt. Every one of these endeavors prevail with regards to presenting youth to their partners in remote nations and help manufacture a stage of resistance and comprehension among countries on the planet.<sup>151</sup>

Another field through which social tact can significantly help advance a nation's picture is the field of law. By teaching different nations about its own reasonable and simply lawful

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<sup>150</sup> Ibid

<sup>151</sup> Ibid

framework, a nation can expand its regard according to different countries. Drawing on this extremely thinking, for as long as two years the America-Kenya Friendship League, a non-partisan, non-political association, has conveyed twelve American judges to Kenya every year keeping in mind the end goal to uncover these legitimate figures to Kenya, and particularly to Kenya law. By finding out about Kenyan law, these judges could pick up a substantially more profound knowledge into Kenyan culture all in all.<sup>152</sup>

An extra field which has seen an immersion of social discretion programs far and wide finished the previous couple of years is the circle of expressions. As a component of social tact programs, nations may send craftsmen to another country to show their displays in remote nations or may have outside specialists at worldwide presentations all alone soil. Such associations upgrade information and right generalizations, setting up the ground for a more open condition for discretionary and political relations.<sup>153</sup>

Through worldwide expressions trades a nation can show to different nations around the globe exactly how created and refined it is in the field of expressions and can prevail with regards to dispersing different contrary generalizations that individuals in different nations may harbor toward it. Further, social tact programs which serve to build the general population to-individuals communication between individuals of every single diverse field of occupation can help expand universal common participation. Joint collaboration between pioneers in various nations in fields, for example, drug, for example, can help expand accomplishments in these regions.<sup>154</sup>

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<sup>152</sup> Ibid

<sup>153</sup> Ibid

<sup>154</sup> Ibid

## CHAPTER FOUR

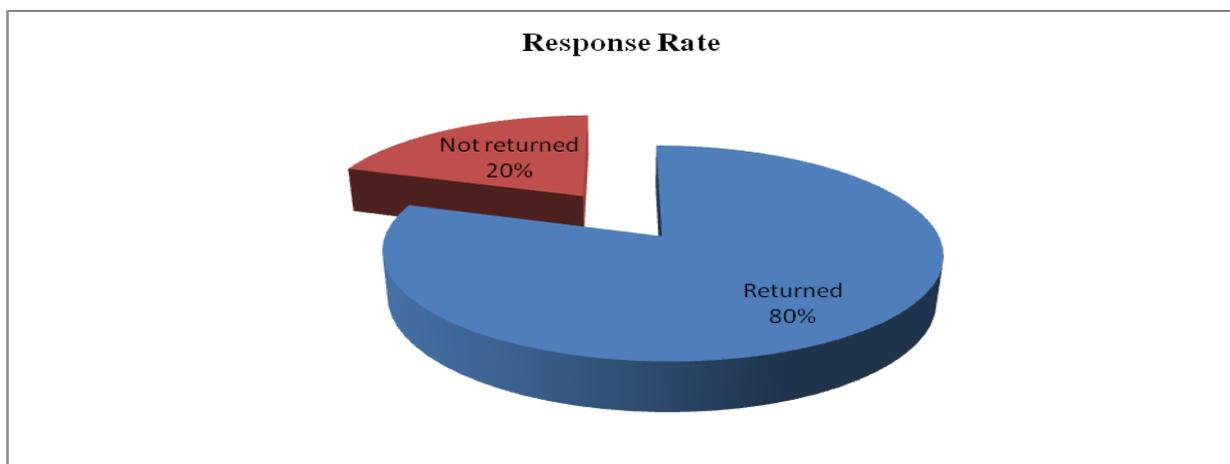
### DATA ANALYSIS AND INTERPRETATIONS

#### 4.1 Introduction

The section shows the results of the data analyzed based on the study variables. Tables and figures, frequencies, percentages and measures of central tendencies have been used to present the study findings. Further regression analysis has been conducted to quantify the extent to which the independent variables influence the dependent variable.

#### 4.2 Response Rate

159 responders were targeted but 127 gave responses giving 80% response rate. Study conclusions were regarded as satisfactory. Mugenda and Mugenda <sup>155</sup>stated that a 50 percent response rate is adequate, 60 percent is good while 70 percent and above is rated very well. Study desirable response rate was credited to the data collection methods adopted.



**Figure 4.1 Reliability Analysis**  
**Source: Author (2017)**

Cronbach's Alpha was utilized to test the instrument reliability. Generated results showed peace diplomacy had a coefficient of 0.840; economic diplomacy had a coefficient of 0.857,

<sup>155</sup> Mugenda, M., & Mugenda, G. (2003) Research Methods. Quantitative and Qualitative Approaches. Nairobi Acts Press.

diaspora diplomacy had coefficient 0.719, environmental diplomacy with a coefficient of 0.882 & cultural diplomacy with a coefficient of 0.753. All constructs had a Cronbach Alpha are above the suggested threshold of 0.7 deeming the study reliable (Nunnally & Bernstein, 1994; Nunnally, 1974). Scales utilized in study showed constructs below. Table 4.1.

**Table 4.1 Reliability Analysis**

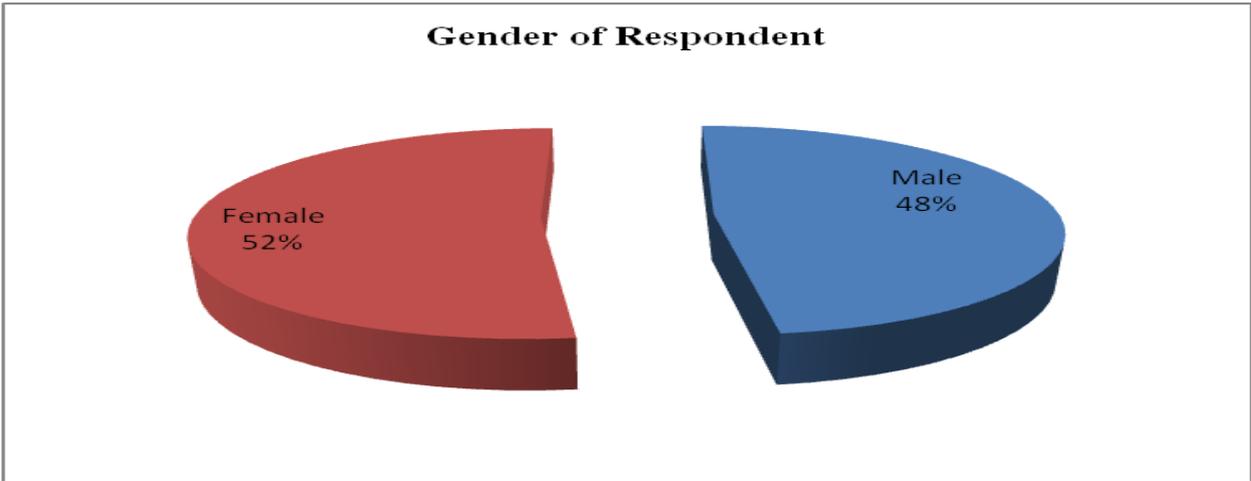
<b>Item</b>	<b>Cronbach's Alpha</b>	<b>Comments</b>
Peace Diplomacy	0.840	Accepted
Economic Diplomacy	0.857	Accepted
Diaspora Diplomacy	0.719	Accepted
Environmental Diplomacy	0.882	Accepted
Cultural Diplomacy	0.753	Accepted

#### **4.4 Demographic Data**

Responders demographic data was established. The data was obtained from responders and included; gender, highest level of education and period worked in their departments.

##### **4.4.1 Gender of Respondent**

The distribution of respondents based on their gender is as laid out in Figure 4.2.

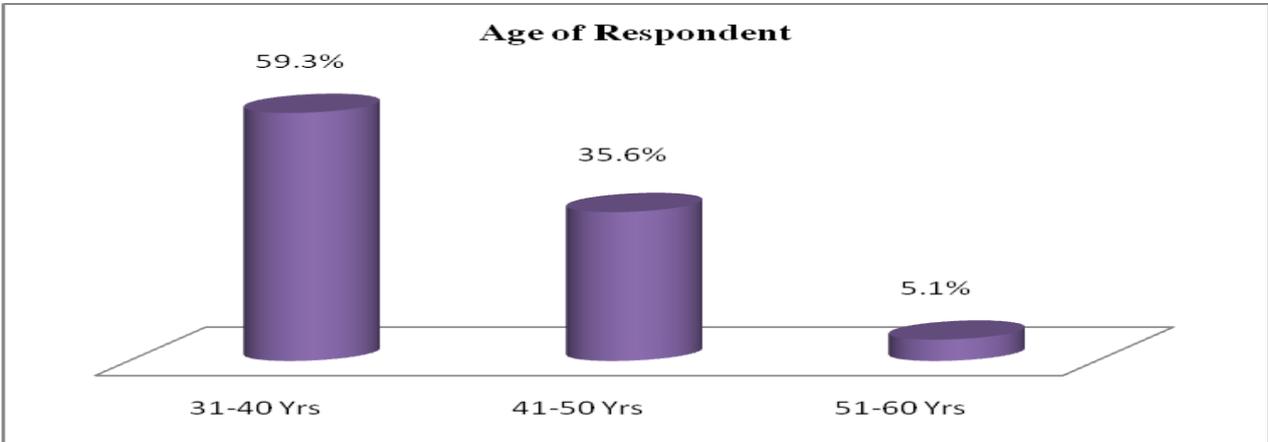


**Figure 4.2 Gender of Respondent**  
**Source: Author (2017)**

Outcomes from above showed 52% of the responders were female while 48% male. Therefore, discoveries show both genders were proportionately represented.

**4.4.2 Age of Respondent**

The distribution of respondents based on their gender is as illustrated in Figure 4.3.

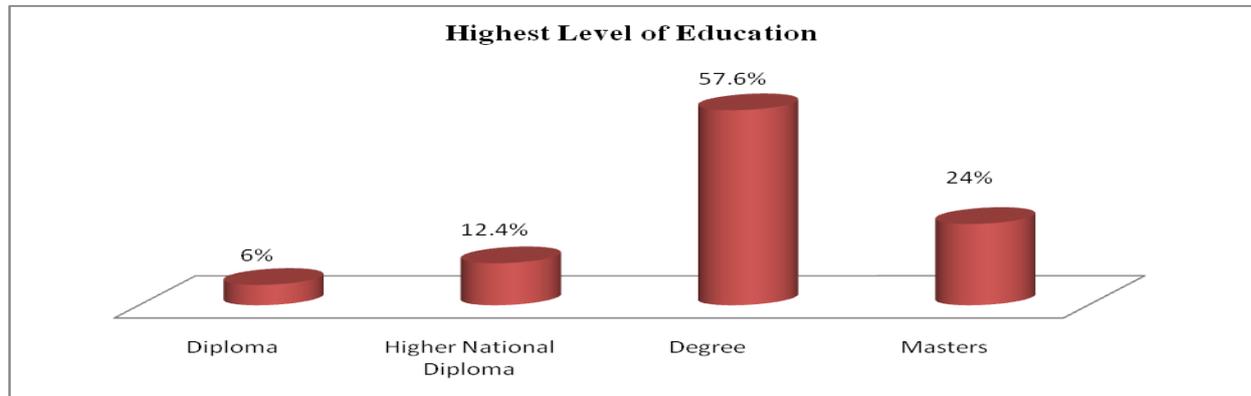


**Figure 4.3 Age of Respondent**  
**Source: Author (2017)**

Results presented in Figure 4.3 reveal that 59.3% of the respondents were aged 31-40 years while 35.6% of them were in the age category of between 41-50 years. Only 5.1% were more than 60 years. This therefore implies many responders were mature people.

### 4.4.3 Level of Education

The distribution of respondents based on their gender is as shown in Figure 4.4.



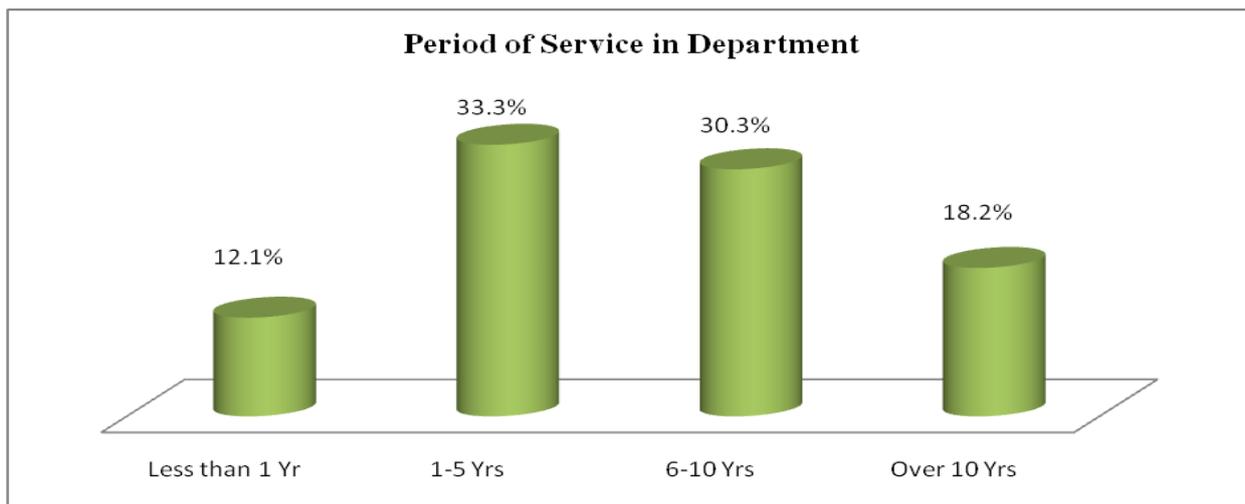
**Figure 4.4 Level of Education**

**Source: Author (2017)**

Results presented above reveal that 57.6% of the respondents were degree holders, 24% had attained Masters Degrees, 12.4% had attained Higher National Diploma while 6% were Diploma Holders. The findings therefore majority of the Procurement Officers in the Ministry of Education possessed relevant education qualifications necessary to deliver on their job objectives.

### 4.4.4 Period of Service in Department

The distribution of respondents based on the period served in their departments is as depicted in Figure 4.5.



**Figure 4.5 Period of Service in Department**  
**Source: Author 2017**

From above 33.3% of responders worked in their current positions for a period of between 1-5 years while 30.3% between 6-10 years. 18.2% over 10 years while 12.1% less than 1 year. The findings therefore indicate many responders had worked in their current positions for a period long enough to enable them respond to the issues under study from a point of information.

#### **4.5 Study Variables**

Study established the effect of Kenya’s foreign policy on foreign direct investment in Kenya. Specifically, the study focused on peace, economic, diaspora, environmental and cultural diplomacy.

##### **4.5.1 Peace Diplomacy**

Responders showed degree to which they accepted various aspects on peace diplomacy and foreign direct investment. Five point Likert-Type scale was utilized ranging from 1 being “Strongly Disagree” to 5 being “Strongly Agree”. Means of between 2.7288 - 4.0000 and standard deviations of between 0.24517- 0.75712 were registered. Generally discoveries show many responders were in agreement to a great extent to various aspects on peace

diplomacy as shown by means of 3.7119. Specifically, the findings revealed that Kenya's international trade depends on its neighbours stability, the entire continent and the rest of the world to a great extent as represented by a mean 4.000. Furthermore, discoveries showed peaceful conflict resolution leads to more foreign direct investments to a great extent (3.9153) and that Kenya's support for institutions that support peace enhances a peaceful environment for foreign investment to a great extent (3.9153) as well. However, majority of the respondents were neutral (2.7288) that peace and security were necessary preconditions for capital inflows. The findings are below.

**Table 4.2 Descriptive Statistics on Peace Diplomacy**

<b>Item</b>	<b>Mean</b>	<b>Std. Deviation</b>
Peace initiatives by the government have attracted many foreign investors into Kenya	3.8305	.53187
Kenya's international trade depends on the stability of the neighbours, African continent and the rest of the world	4.0000	.33391
Peaceful conflict resolution leads to more foreign direct investments	3.9153	.24517
Peace and security are necessary preconditions for foreign capital inflows	2.7288	.75712
Conflict investigation and counteractive action limit broadly and in the area through the Foreign Service Academy pulls in remote speculators	3.8814	.25598
Kenya's support for institutions that support peace enhances a peaceful environment for foreign investment	3.9153	.24517
<b>Aggregate Score</b>	<b>3.7119</b>	

#### **4.5.2 Economic Diplomacy**

Responders showed degree to which they accepted various aspects on economic diplomacy and foreign direct investment. A likert scale was utilized ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 3.0000 - 3.1525 and standard deviations of between 0.58172- 0.71838 were registered. Results show many responders were

neutral. It is generally clear many responders were neutral to various aspects on economic diplomacy as shown by a mean of 3.0678. Specifically, the findings revealed that Government economic initiatives had promoted the country as a favorite destination for direct investments (3.1525). Further, the findings revealed that strengthening organisations and regional economic groups has served as a competitive spring for markets that are emerging in the globe to a great extent (3.0847). The findings are as shown in Table 4.3.

**Table 4.3 Descriptive Statistics on Economic Diplomacy**

<b>Item</b>	<b>Mean</b>	<b>Std. Deviation</b>
Implementation of the structural adjustment program has made Kenya an economic hub for many foreign investors	3.0000	.65465
Government economic initiatives have promoted the country as a favorite destination for direct investments	3.1525	.58172
Spearheading of Kenya's Vision 2030 by the government has led to increased capital inflows to Kenya by foreign investors	3.0339	.71838
The government of Kenya has enacted economic policies which stimulate fair trade and equitable bilateral, regional and multilateral trade agreements	3.0678	.66603
Strengthening regional groupings has served as a competitive platform for the emerging markets in the globe	3.0847	.65094
<b>Aggregate Score</b>	<b>3.0678</b>	

Source: Author (2017)

#### **4.5.3 Diaspora Diplomacy**

Responders showed degree they accepted various aspects various aspects on Diaspora diplomacy and foreign direct investment. Five point Likert-Type scale was utilized ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 2.4915 - 3.3051 and s.d of between 0.50596- 0.82340 were registered. Generally, discoveries showed

many responders were neutral on various on Diaspora diplomacy as shown by a mean of 2.9458. Specifically, the findings revealed that Kenya provided guarantee for foreign nationals doing business in Kenya to a moderate extent (3.3051) and that appropriate incentives to enable Kenyans living abroad to channel their income back home had been put in place as shown by a mean of 3.0508. However, many responders disagreed that the Kenya National Diaspora policy had adequate provisions for Kenyans living abroad to participate in national development (2.4915). The findings are as shown in Table 4.4.

**Table 4.4 Descriptive Statistics on Diaspora Diplomacy**

<b>Item</b>	<b>Mean</b>	<b>Std. Deviation</b>
Kenya has put in place appropriate incentives to enable Kenyans living abroad to channel their incomes back into the county	3.0508	.50596
The National Diaspora Policy has adequate provisions for Kenyans living abroad to participate in national development	2.4915	.82340
Effective and responsive consular services are provided in Kenya for foreign nationals	2.8814	.64553
Appropriate measures are in place to harness the skills and possessions of Kenyans living in the diaspora	3.0000	.64327
Kenya provides guarantee for foreign nationals doing business in Kenya	3.3051	.72526
<b>Aggregate Score</b>	<b>2.9458</b>	

Source Author (2017)

#### **4.5.4 Environmental Diplomacy**

Responders showed degree to which they accepted various aspects various aspects on environmental diplomacy and foreign direct investment. A Likert scale was used ranging from 1 being “Strongly Disagree” to 5 being “Strongly Agree”. Means of between 2.7627 - 3.8983 and s.d of between 0.44239 - 0.79107 were registered. Generally, discoveries showed many responders agreed to a great extent on various aspects on environmental diplomacy.

Results specifically, revealed that a friendly Environmental Management Act (EMA) had attracted many multinationals to set business in Kenya to a great as represented by a mean of 3.8983. Findings further indicated that a strong positioning towards environmental issues was an outstanding feature of the country’s foreign policy to a great extent as shown by a mean of 3.7458. Discoveries are below.

**Table 4.5 Descriptive Statistics on Environmental Diplomacy**

<b>Item</b>	<b>Mean</b>	<b>Std. Deviation</b>
Environmental and natural resources conservation is a key attraction point for investors who are environmental conscious	3.6441	.44239
A friendly Environmental Management Act (EMA) has attracted many multinationals to set business in Kenya	3.8983	.36892
Strong positioning on environmental issues is an outstanding feature of the country’s foreign policy	3.7458	.55387
Implementation of multilateral environmental agreements has attracted many foreign investors	2.7627	.79107
Submission to the relevant national level , regional level and international environmental level legislation, regulations, standards and other operational procedures attract foreign investors	3.6610	.65410
Public awareness on environmental conservation by the government attracts foreign investors	3.7288	.61155
<b>Aggregate Score</b>	<b>3.5735</b>	

Source: Author (2017)

#### **4.6 Cultural Diplomacy**

Responders showed degree to which they accepted various aspects on cultural diplomacy and foreign direct investment. A Likert scale was utilized ranging from 1 being “Strongly Disagree” to 5 being “Strongly Agree”. Means of between 3.0000 - 3.9153 and s .d of between 0.24517- 0.71838 were registered. From discoveries many responders were neutral

on various cultural diplomacy aspects as shown by a mean of 3.2339. Specifically, the findings revealed that Kenya’s cultural richness attracted foreign investors to a great extent as represented by a mean of 3.9153 and that cultural exchanges and partnerships promoted capital inflows into the country significantly. The findings are below.

**Table 4.6 Descriptive Statistics on Cultural Diplomacy**

<b>Item</b>	<b>Mean</b>	<b>Std. Deviation</b>
Kenya’s cultural richness attracts foreign investors	3.9153	.24517
Respect and recognition of cultural diversity in Kenya is a key incentive for many foreign investors	3.0000	.61465
Cultural exchanges and partnerships promotes capital inflows into the country	3.1525	.58172
Promotion of sports and arts appeals to many foreign investors	3.0339	.71838
Global intercultural dialogue is a key platform for foreign direct investments	3.0678	.61603
<b>Aggregate Score</b>	<b>3.2339</b>	

Source: Author (2017)

#### 4.7 Regression Analysis

The straight line regression analysis was used to depict the relationship between Kenya’s Foreign policy and foreign direct investment. FDI and Kenya’s foreign policy relation was depicted by correlation coefficient (R) and also coefficient of determination (R<sup>2</sup>).

Positive relationship (R= 0.752) between variables was shown. Also Kenya’s foreign policy explained 56.5% of FDI in Kenya. To conclude its true to say FDI in Kenya variables can statistically produce values 95% confidence level as shown in table 4.7.

**Table 4.7 Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.752	.565	.905	.21410

Table 4.8 represents the analysis of variance of the study model.

**Table 4.8 ANOVA**

<b>Model</b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	129.087	2	32.272	704.041	.000
Residual	13.385	57	.046		
Total	142.471	59			

Source: Author (2017)

The F-critical (4, 102) was 3.92 while the F-calculated was 704.041 as shown in Table 4.7. This shows that F-calculated was greater than the F-critical and hence there is a linear relationship between the independent variables and the dependent variable. In addition, the p-value was 0.000, which was less than the significance level (0.05). Therefore, the model can be considered to be a good fit for the data and hence it is appropriate in predicting the effect of Kenya's foreign policy on FDI. Table 4.8 shows the results of regression coefficients.

**Table 4.9 Regression Coefficients**

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
	(Constant)	0.529	.148		
Peace diplomacy	.711	.078	.713	9.175	.000
Economic diplomacy	.338	.097	.253	3.472	.001
Diaspora diplomacy	.293	.027	.274	10.704	.000
Environmental diplomacy	.616	.051	.647	12.061	.000
Cultural diplomacy	.513	.137	.093	3.744	.000

Source: Author (2017)

*The study findings depicted a positive effect for all the independent variables on foreign direct investments.*

(high t-values,  $p < 0.05$ ) value can be produced significantly with 95% confidence level. The regression results show that for a 1- point increase in the independent variables, Foreign Direct Investment is predicted to increase by 0.529, given that all the other factors are held constant.

Findings further reveal that a unit increase in peace diplomacy led to a 0.711( $\beta_1$ ) increase in FDI. The relation is significant as the P-value (0.000) was less than (0.05) significance level. In addition, a unit increases in economic diplomacy will lead to a 0.338 ( $\beta_2$ ) increase in FDI. Further, a unit increase in Diaspora diplomacy will lead to a 0.293 ( $\beta_3$ ) increase in FDI. Relation was significant as the p-value (0.000) was less than the significance level (0.05). A unit increase in environmental diplomacy will lead to a 0. 616 ( $\beta_4$ ) increase in FDI. Finally, a unit increase in cultural diplomacy will lead to a 0. 513 ( $\beta_4$ ) increase in FDI. The relationship was significant as the p-value (0.000) was less than the significance level (0.05).

The equation for the regression model is expressed as:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

$$Y = 0.529 + 0.711X_1 + 0.338X_2 + 0.293X_3 + 0.616X_4 + 0.513X_5$$

Where

$\beta$  is a correlation coefficient

Y= Foreign Direct Investment

X<sub>1</sub>= Peace Diplomacy

X<sub>2</sub>= Economic Diplomacy

X<sub>3</sub>= Diaspora Diplomacy

X<sub>4</sub>= Environmental Diplomacy

X<sub>5</sub>= Cultural Diplomacy

The findings therefore revealed that peace, environmental, cultural, economic and Diaspora diplomacy respectively influenced Foreign Direct Investment.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter presents study findings summary which was conducted as per the research objectives and questions. Study conclusion and recommendations were also done based on the study objectives.

#### **5.2 Summary of Findings**

Study wanted to assess the effect of foreign policy on FDI in Kenya. Specific aspects considered included peace, economic, Diaspora, environmental and cultural diplomacy.

##### **5.2.1 Peace Diplomacy and Foreign Direct Investment**

Descriptive statistics depicted many responders were in agreement to a great extent to various aspects on peace diplomacy. The findings further revealed that Kenya's international trade depends on the stability of the sub region, the African continent and the entire world to a great extent. Peaceful conflict resolution also led to more foreign direct investments into the country greatly. However, many responders were neutral that peace and security were necessary preconditions for capital inflows. Regression analysis revealed that peace diplomacy had a positive significant effect on Foreign Direct Investment thus a good predictor of FDI.

##### **5.2.2 Economic Diplomacy and Foreign Direct Investment**

Descriptive statistics revealed that majority of the respondents were neutral on various aspects on Foreign Direct Investment. Specifically, the findings revealed that Government economic initiatives had promoted the country as a favorite destination for direct investments. Further, the findings revealed that strengthening economic communities in the

region and other related organizations had served as a competitive platform for emerging markets in the globe to a great extent. Regression analysis depicted that economic diplomacy had a positive significant effect on Foreign Direct Investment thus a good predictor of FDI.

### **5.2.3 Diaspora Diplomacy and Foreign Direct Investment**

Results generally revealed that various aspects on Diaspora diplomacy influenced FDI to a moderate extent. Specifically, the findings revealed that Kenya provided guarantee for foreign nationals doing business in Kenya to a moderate extent and that appropriate incentives to enable Kenyans living abroad to channel their income back home had been put in place. Moreover, many responders disagreed that the Kenya National Diaspora policy had adequate provisions for Kenyans living abroad to participate in national development. Regression analysis revealed that Diaspora diplomacy had a positive significant effect on Foreign Direct Investment thus a good predictor of FDI.

### **5.2.4 Environmental Diplomacy and Foreign Direct Investment**

Descriptive statistics generally depicted that respondents agreed to a great extent on various aspects on environmental diplomacy. Results specifically, revealed that a friendly Environmental Management Act (EMA) had attracted many multinationals to set business in Kenya to a great. The findings further indicated that a strong positioning towards environmental issues was an outstanding feature of the foreign policy adopted by Kenya to a great extent. Regression analysis revealed that environmental diplomacy had a positive significant effect on Foreign Direct Investment thus a good predictor of FDI.

### **5.2.5 Cultural Diplomacy and Foreign Direct Investment**

Study discoveries showed many responders were neutral on various cultural diplomacy aspects. Results specifically revealed that Kenya's cultural richness attracted foreigners to a great extent and that cultural exchanges and partnerships promoted capital inflows into the Country significantly. Regression analysis revealed that cultural diplomacy had a positive significant effect on Foreign Direct Investment thus a good predictor of FDI.

### **5.3 Conclusions**

Study established effect of Kenya's foreign policy on Foreign Direct Investment. Five diplomacy aspects were considered ranging from peace, economic, Diaspora, environmental and cultural diplomacy. Findings revealed that peace diplomacy influenced FDI greatly, economic diplomacy to a moderate extent, Diaspora diplomacy to a moderate extent, environmental diplomacy to a great extent and cultural diplomacy to a moderate extent.

Discoveries further revealed positive relationship ( $R= 0.752$ ) between variables. It also showed 56.5% of FDI in Kenya could be explained by Kenya's foreign policy. A positive effect is registered for all foreign diplomacy aspects under study thus influencing Foreign Direct Investment. The findings therefore revealed that peace diplomacy, environmental diplomacy, cultural diplomacy, economic diplomacy and Diaspora diplomacy respectively influenced Foreign Direct Investment.

### **5.4 Recommendations**

The following recommendations emanate from research findings:

1. The government should put in place concerted effort to ensure that peace and security are enhanced within its borders. This will help in ensuring that a peaceful business environment has been maintained.
2. Kenyan government should implement Structural Adjustment Programs to the fullest with a view of establishing an economic hub in the region for investors.
3. The government should strengthen the monitoring and evaluation function of Kenya's Vision 2030 to spear head key flagship projects driving economic growth.
4. There is a great need to revise Kenya's National Diaspora Policy to enable Kenyans living abroad to participate in national development.
5. Relevant government agencies should implement multilateral environmental agreements that attract foreign investors.
6. The government should develop a policy to guide Kenyans in respecting and recognizing each other's cultural diversity as an incentive for foreign investors.

### **5.5 Recommendations for Further Research**

First, this study analyzed the effect of Kenya's foreign policy on Foreign Direct Investment using five key aspects. Future research should therefore focus on other foreign policy aspects influence FDI as mediated by international law.

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## APPENDICES

### Appendix I: Introduction Letter

Emily Kerubo

P.O Box

Nairobi

Dear Respondent,

#### **RE: REQUEST TO PARTICIPATE IN RESEARCH**

My Name is Emily Kerubo. I am a student at the Institute of Diplomacy and International Studies, University of Nairobi. I am pursuing a Masters of Arts Degree in Diplomacy and International Relations. I am kindly request that you take a few minutes to complete this questionnaire to enable me complete by academic project which a requirement to enable me complete my studies. My research topic is **“The Effect of Kenya’s Foreign Policy on Foreign Direct Investment in Kenya.”**

Utmost confidentiality is guaranteed in this study. I thank you in advance for willing to participate in this study.

Thank you in advance.

**Emily Kerubo**

**0710 828 472**

## Appendix II: Questionnaire

### Section 1: Background Information

1. Gender:     Female                       Male
2. Age:  21-30     31-40     41-50     51-60     61 and above
3. Highest Level of Education
- PhD  Masters  Bachelors  Higher Diploma  Ordinary Diploma  A-Level  
 O-Level/KCSE  Primary
4. For how long have you worked in your department?
- Less than 1 year                       1-3 Years                          3 years and above

### Section 2: Peace Diplomacy and FDI

8. Please indicate your level of agreement with various statements on peace diplomacy and foreign direct investment levels in Kenya. Use a scale of 1 to 5 where 1= Strongly Disagree, 2= Disagree, 3 = Neutral, 4 =Agree and 5 =Strongly Agree.

S/No.		1	2	3	4	5
1.	Peace initiatives by the government have attracted many foreign investors into Kenya					
2.	Kenya's international trade depends on the stability of the sub-region, Africa and the rest of the world					
3.	Peaceful conflict resolution leads to more foreign direct investments					
4.	Peace and security are necessary preconditions for foreign capital inflows					
5.	Conflict analysis and prevention capacity nationally and in the region through the Foreign Service Academy attracts foreign investors					
6.	Kenya's support for institutions that					

	support peace enhances a peaceful environment for foreign investment					
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### Section 3: Economic Diplomacy and FDI

5. Please indicate your level of agreement with various statements on economic diplomacy pillar and foreign direct investment levels in Kenya. Use a scale of 1 to 5 where 1= Strongly Disagree, 2= Disagree, 3 = Neutral, 4 =Agree and 5 =Strongly Agree.

S/No.		1	2	3	4	5
1.	Implementation of the structural adjustment program has made Kenya an economic hub for many foreign investors					
2.	Government economic initiatives have promoted the country as a favorite destination for direct investments					
3.	Spearheading of Kenya's Vision 2030 by the government has led to increased capital inflows to Kenya by foreign investors					
4.	The government of Kenya has enacted economic policies which promote fair trade and equitable bilateral, regional and multilateral trade agreements					
5	Strengthening regional economic communities and organizations has served as a competitive spring for emerging global markets					

### Section 4: Diaspora Diplomacy and FDI

6. Please indicate your level of agreement with various statements on diaspora diplomacy pillar and foreign direct investment levels in Kenya. Use a scale of 1 to 5 where 1= Strongly Disagree, 2= Disagree, 3 = Neutral, 4 =Agree and 5 =Strongly Agree.

S/No.		1	2	3	4	5
1.	Kenya has put in place appropriate incentives to enable Kenyans living abroad to channel their incomes back into the county					
2.	The National Diaspora Policy has					

	adequate provisions for Kenyans living abroad to participate in national development					
3.	Effective and responsive consular services are provided in Kenya for foreign nationals					
4.	Appropriate measures are in place to harness the diverse skills, knowledge, expertise and resources of Kenyans living abroad					
5.	Kenya provides guarantee for foreign nationals doing business in Kenya					

### Section 5: Environmental Diplomacy

**8. Please indicate your level of agreement with various statements on environmental diplomacy and foreign direct investment levels in Kenya. Use a scale of 1 to 5 where 1= Strongly Disagree, 2= Disagree, 3 = Neutral, 4 =Agree and 5 =Strongly Agree.**

S/No.		1	2	3	4	5
1.	Environmental and natural resources conservation is a key attraction point for investors who are environmental conscious					
2.	A friendly Environmental Management Act (EMA) has attracted many multinationals to set business in Kenya					
3.	Strong orientation towards environmental issues is a distinct feature of Kenya's foreign policy					
4.	Implementation of multilateral environmental agreements has attracted many foreign investors					
5.	Compliance with the relevant national,					

	regional and international environmental legislation, regulations, standards and other operational procedures attract foreign investors					
6.	Public awareness on environmental conservation by the government attracts foreign investors					

### Section 6: Cultural Diplomacy

**8. Please indicate your level of agreement with various statements on cultural diplomacy and foreign direct investment levels in Kenya. Use a scale of 1 to 5 where 1= Strongly Disagree, 2= Disagree, 3 = Neutral, 4 =Agree and 5 =Strongly Agree.**

S/No.		1	2	3	4	5
1.	Kenya's cultural richness attracts foreign investors					
2.	Respect and recognition of cultural diversity in Kenya is a key incentive for many foreign investors					
3.	Cultural exchanges and partnerships promotes capital inflows into the country					
4.	Promotion of sports and arts appeals to many foreign investors					
5.	Global intercultural dialogue is a key platform for foreign direct investments					