REGIONAL STRATEGIC FACTORS INFLUENCING ECONOMIC DIPLOMACY BETWEEN KENYA AND SOUTH AFRICA

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A Thesis Submitted in Partial Fulfillment of the Requirements for the Conferment of the Degree of Master of Diplomacy and International Relations of Masinde Muliro University of Science and Technology

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DECLARATION

This thesis is my original work, prepared with no other than the indicated sources, support, and has not been presented elsewhere for a degree or any other award.

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CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance of Masinde Muliro University of Science and Technology a thesis entitled "Regional Strategic Factors Influencing Economic Diplomacy between Kenya and South Africa".

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DEDICATION

This thesis is dedicated to my parents Mr. Edwin Njeru and Mrs. Lucy Njeru, my sister Ms. Percy Njeru and my niece Ms. Lisette Mukami.

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ABSTRACT

Trade in the modern world has evolved due to liberalization and integration of the world into one unit leading to the practice of trade in multilateral, regional and bilateral frameworks. Foreign trade is influenced by key regional strategic factors like comparative advantage, level of investment and domestic absorption rate. Trade between Kenya and South Africa has been uneven for the last three decades with South Africa reaping more from exports compared to Kenya. Although Kenya dominates the market in EAC and South Africa dominates the market in SADC, the bilateral trade between the two states is characterized by more exports from South Africa, a gap that this study sought to bridge. Thus, there was need to determine the regional strategic factors influencing the economic diplomacy between the two states. The specific objectives of the study were; to examine the regional strategic factors towards bilateral trade between Kenya and South Africa, to assess the effectiveness of existing economic diplomacy for trade between the states and to evaluate the opportunities and challenges within economic diplomacy between the two states. The standard theory of international trade, Keynesian theory of international trade and power theory were used to inform the conceptual foundation for the study. The target population was citizens of the Republic of Kenya, representatives from South Africa High Commission in Kenya and South African investors to Kenya. A sample size of 318 participants was drawn from the study population. A descriptive approach was adopted to bring out the relationship in the variables. Purposive sampling and simple random sampling techniques were adopted. Interviews schedules and questionnaires were the data collection tools. Data analysis was carried out using the Statistical Package for Social Sciences (SPSS) software and results presented thematically and through verbatim quotations. The findings were presented via charts, graphs and frequency distribution tables. South Africa has a higher competitive advantage on international trade over Kenya due to its comparative advantage which is characterized by low level of investment and a high domestic consumption rate. Further, although Kenya was found to be effectively represented in the regional trading blocs/free trade area, the bilateral trade between Kenya and South Africa is conducted based on Memoranda of Understanding (MOUs). Additionally, the existence of trading blocs, state and non-state actors like opinion leaders, activists, NGOs and private entities was found to influence policy formulation and provided favourable terms of trade. The opportunities within economic diplomacy were found to be economic growth and development, trade promotion, attraction of Foreign Direct Investment (FDI), creation of job opportunities and representation in regional/global policy formulation. Although, it was identified that the Kenyan government had not completely leveraged on these opportunities to realize maximum potential. Conversely, challenges within economic diplomacy were found to be trade shocks/trade deficits, fragmentation of regional/global trading system, political mistrust settlement through sanctions, tariffs, restrictions and regulations and lack of mandate to enforce and implement MOUs. Despite Kenyan and South African governments addressing these challenges, it was found out that more needs to be done to achieve maximum results. The study recommended emphasis by Kenya on addressing the key regional strategic factors, more favourable trade agreements and leveraging on the opportunities of economic diplomacy and addressing the challenges of economic diplomacy.

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LIST OF ABBREVIATIONS AND ACRONYMS

AEC	African Economic Community
AfCFTA	African Continental Free Trade Area
AFTA	Asean Free Trade Area
AGOA	African Growth and Opportunities Act
ASEAN	Association of Southeast Asian Nations
AU	African Union
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EFTA	European Free Trade Area
EU	European Union
FDI	Foreign Direct Investment
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IGAD	Intergovernmental Authority on Development
MERCOSUR	Common Market of the South, Mercado Commun del Sur

MOUs	Memorandums of Understanding
NAFTA	North American Free Trade Agreement
NGOs	Non-governmental Organizations
OECD	Organizations for Economic Cooperation and Development
SADC	Southern African Development Community
TFTA	Tripartite Free Trade Area
USA	United States of America
USD	US Dollar
WTO	World Trade Organization

OPERATIONALIZATION OF KEY CONCEPTS

Bilateral trade relations - the extent to which Kenya and South Africa enhance their mutual foreign interests through trade and investment for posterity and prosperity. In this study, the extent to which the two states engage in trade and investment is guided by the bilateral MOUs and regional trade agreements in place.

Capital flows - refers to the movement of money in and out of Kenya and South Africa in terms of investment capital.

Comparative advantage - refers to the ability of Kenya and South Africa to leverage on their endowment factors to produce particular commodities and services at a lower cost compared to another country so as to enjoy higher sales due to market competitive prices of the commodities and services.

Competitive advantage - the extent to which Kenya and or South Africa goods and services become more favourable to consumers or customers over others in the market. The dominance of Kenya and South Africa goods and services in the market is also complimented by their comparative advantage.

Economic diplomacy - the degree to which Kenya and South Africa advances their foreign policies through trade and investment. This is achieved through foreign partnerships and networking in order to promote capital flows in and out of Kenya and South Africa, promote their image abroad and ensure favourable bilateral trade agreements and or MOUs.

Foreign direct investment (FDI) - refers to the creation of lasting linkages between Kenya and South Africa economies through acquisition of an interest in either of the country's business by a foreign party or corporation to enhance economic growth and development through technology transfer and foreign trade.

Key Business Personnel - traders involved in import and export of services and goods between Kenya and South Africa. These will also include people in the value addition field, manufacturing and processing fields involved in foreign trade.

Memorandum of understanding (MOU) - an agreement between Kenya and South Africa that guides the extent of bilateral trade and how trade is conducted between the two trading partners.

Non state actors- Refers to individuals or organizations such as opinion leaders, activists, NGOs and private entities that influence the international relations between two trading states.

Post-apartheid - the period from 1994 after the end of racial segregation and discrimination in the Republic of South Africa. The focus of this study will be guided by materials from this period to date.

Regional - was used to imply the geographical location and African trading umbrellas under which both Kenya and South Africa operate in the exercise of foreign trade. This is either under the AU, EAC, COMESA or SADC.

Regional strategic factors - was used to refer to the factors (comparative advantage, level of investment and domestic consumption rate) that influence bilateral trade between Kenya and South Africa within their geographical trading areas and under the African trading umbrellas.

Regional integration - the process through which Kenya and South Africa under the African Union come together through partnerships and networking to promote trade, peace and stability. This is either under bilateral or multilateral arrangements.

Trade balance or balance of trade - refers to the measure of either deficit or surplus in a country's bilateral or multilateral trade with its trading partners. In this study, balance of trade will be determined by the measure in value of exports to that of imports between Kenya and South Africa.

CHAPTER ONE

INTRODUCTION

This chapter provides a review of the background to the study, problem statement, research objectives, research questions, justification, scope of the study and the chapter summary. This chapter also formed the foundation upon which the succeeding chapters were built.

1.1 Background to the Study

Trade, in a wide dimension, can be used as a tool of measurement for the growth and economic progression of every nation. A country's Gross Domestic Product (GDP) is largely shaped by the form of trade it engages in. This, on a general note, is defined by the exchange of goods and services both in a local and international capacity. As explained by Wilson *et al*. (2003), there is the need for every nation to facilitate its trade through the adoption of various tools of trade with an objective and goal of attaining high levels of income generation for its citizens. Wilson *et al*. (2003) goes ahead to show the direct relationship between the economic development of a nation through a rising income generation and the per capita GDP. Consequently, the economic theory on comparative advantage of trade has been used to evaluate trade facilitation efforts used by various countries in a bid to attain utmost growth and human development, with thus the shift from local trade to international trade (Hindley & Smith, 1984). The economic model on comparative advantage is also complemented by the international trade theory which provides for commerce as a product of global integration (Sen, 2010).

Engagement in trade either locally or internationally is a crucial thing in the execution of a nation's long-term goals and meeting the desired macroeconomic objectives. According to

Balassa (1989), countries get a platform through trade to overcome the limiting factors of local markets and consequently take advantage of the economies of scale to ensure massive exploitation of the global markets. In addition, most Global South countries are encouraging trade from external actors in a bid to enhance the multiplier effects on the economy. As postulated by Okenna and Adesanya (2020), countries like Ghana and Nigeria among other less developed countries have leveraged on the cost of production to complement their trade capacity. This in turn fosters growth in GDP through income generation for its population. Further, trade can be a source of foreign direct investment for developing countries if the host country compliments and champions for positive terms of engagement. However, negative terms of engagements are detrimental to the private capital flows (Wacker *et al*., 2014).

According to Emisembe (2021), there has been a fundamental shift towards cross-border trade in the last three decades with nations capitalizing more on global/regional markets as a source of economic development. Over time, experts realized that international markets are influenced by the advantageous position of each country in the world trade arena. This is posited by Sen (2010) in the analysis of the international trade theory which provides for a nation's comparative advantage in the endowment factors. In this regard, many nations, regardless of their economic position, have come together to advance their competitive advantage in the global trade by creating common markets through free trade.

This crucial shift towards globalization has been spearheaded by the adoption of economic diplomacy by various actors within the global economic arena. According to Rana and Chatterjee, (2011), economic diplomacy is geared towards addressing economic policy issues not only through trade, but also through global networking, tourism promotion and global trade regulations. These policy issues are further viewed as stages through which countries manage their foreign economic interests. Nevertheless, during foreign policies formulation, every state recognizes trade promotion through economic diplomacy as a crucial goal. This has largely influenced how the globe is becoming integrated into one unit by enhancing porous borders for both commodities and people, regardless of efforts by an individual state to preserve its image in the international market. Further, nations are also forced to identify their advantageous position within the market economy and leverage their competitive and comparative advantages through diplomatic means.

Both the competitive advantage and comparative advantage are important aspects of trade from an economic point of view. Despite Sen (2010) drawing a massive focus on the comparative idea as an influence on a country’s trade performance, it is also good to evaluate the impacts of the competing factors that tend to make firms or industries within a nation more competitive in the global arena. According to Warr (1994), a country whose focus is on investment on its local industries through state subsidies and other investment support, offers these industries a more competitive advantage in the international markets. However, this in the local capacity could lead to monopolization of some private and state-owned firms but consequently providing a leverage for the nation’s trade externally. On the other hand, Gupta (2015) examines the correlation between the economic perspectives of competitive advantage and comparative advantage. In the analysis, it is clear that the two aspects are intertwined and either cannot be disregarded in the establishment of the advantageous forces that influence a country's trade as well as formulation of the foreign policy.

With the creation of a global market arena that provides for positive terms of trade, nations have struggled to ensure a balance in trade. According to Kennedy (2013), a country's balance of trade is determined by the difference in exports compared to what the country imports. Essentially, this leads to either a trade deficit or surplus. Fuente-Mella *et al.* (2020) clearly posits that a country's economic growth and development is directly proportional to the level of leverage on the factors of production to ensure a trade surplus. Further, Fuente-Mella *et al.* (2020) gives an example of the OECD countries like the USA, United Kingdom, Germany, Italy and others as an indication of economically developed countries but still have an opportunity to progress further through the full realization of production for trade balance. Also, it is good to consider the regional strategic factors that influence trade between two trading partners. Factors like the level of investment, domestic absorption and comparative advantage provide a significant point of reference in bilateral, regional and multilateral trade execution. This, however, is not attainable without the actualization and implementation of effective economic diplomatic means to ensure an equilibrium in the market forces (Nuraini, 2019).

The USA, one of the global economic giants, provides a good example of a struggling nation with a trade deficit and the implications to its economy. A good example of this was the elimination of 2.4 million jobs between 1979 and 1994 in the United States as a result of trade deficits between the USA and its trading partners (Scott, 2019). Most losses in this example were in manufacturing since most of the exports were manufactured products. According to Scott, (2019), there was an increase in the trade deficit between the United States with Mexico and Canada from 16 billion dollars in 1993 to 48 billion dollars in 1996. In the same period, the country lost 395000 jobs.

On the other hand, China enjoyed a trade surplus in the same period, and this positively impacted its manufacturing sector with more employment opportunities. This is explained by Wang and Zeng (2020) whose motive is to provide a justification for the cause of the USA and China trade wars. China has leveraged on its resource endowments with a focus on low cost of production with access to cheap labour which makes it more competitive in the global market. In contrast, the USA, whose cost of production is high and with an expensive labourforce has been directly affected by the trade war since its products cannot compete effectively with commodities from China. This therefore explains the disparities in their diplomatic approach to the global market arena.

Another good example of nations with a varying trade balance is India and Japan. Sarma (2020), postulates that regardless of India and Japan entering into a bilateral trade agreement under the India’s Comprehensive Partnership Agreement (CEPA) in 2011, Japan has enjoyed a trade surplus over the years with India on the other hand recording a trade shock. Essentially, Sarma (2020) tries to examine the cause for the trade imbalance between the two countries and one of the factors that comes into play is the demand patterns of goods and services between both countries. For instance, Japan's pharmaceutical imports from India in 2018 was at 61 million dollars. This has been affected negatively by the less demand for pharmaceuticals from external markets since the consumers in Japan prefer the domestic pharmaceuticals (Sarma, 2020). Therefore, it is evident that Japan has enhanced its local production capacity on pharmaceuticals in a bid to compete with foreign products and thus reducing its imports which promotes a trade balance in the country. This motive by Japan is within the global trade regulations which is an element of economic diplomacy.

Notwithstanding the fact that even developed countries like the United States of America (USA), a member of the Organizations for Economic Cooperation and Development (OECD) has embraced regional integration through economic diplomacy, less developed countries more so African countries are also using this strategy of regional integration as a way of strengthening their trade engagements through economic diplomacy within and beyond their borders (Cislo, Rozanski and Zabek, 2020). For instance, African countries have jointly created and joined regional trading blocs like the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Intergovernmental Authority on Development (IGAD), Southern African Development Community (SADC) among others which eventually has promoted intra-African trade.

The Kenyan foreign policy within its economic diplomacy pillar, which focuses on regional and international networking, has been a tool for regional trade to enhance her balance of trade (GOK, 2014). In this regard, Kenya has sought to strengthen its policy with other African countries through bilateral investment treaties or trade agreements to spearhead socio-economic development by encouraging capital flows into the country. Evidently, Kenya enjoys a trade surplus with a number of African nations in the EAC like Uganda, Rwanda, South Sudan, Tanzania and Burundi as well as other African countries (East Africa Economic Outlook, 2019). East Africa Economic Outlook, 2019 further stipulates that the reason for the trade surplus in Kenya in these scenarios is due to stability of the Kenyan Shilling in the region, low inflation due to her fiscal and monetary policies, technological superiority, favourable trade policies and exploitation on demand patterns that are complemented by its good diplomatic relations with its neighbours.

Notwithstanding her economic diplomatic means within the region, Kenya has also experienced trade shocks with countries like South Africa and other contemporaries like Egypt and Morocco. The advantageous position of a country like South Africa over Kenya, for instance, is in its resource endowment. According to Sebei (2006), South Africa offers skilled farmers in the global market whose competitive advantage to the less-skilled Kenyan farmers has led to higher exports of agricultural products to Kenya. This is also complimented by factors like technological dominance, demand patterns, stable currency exchange rates and government trading policies which offer a comparative advantage to South African trade (Sebei, 2006).

This study draws a closer focus on the post-apartheid trade engagement between Kenya and South Africa which over the years has resulted in continued trade shocks in Kenya. Both Kenya and South Africa are advanced economies within their regional operating blocs across the continent. Kenya, on one hand controls around 50% of the GDP of the EAC which is equally similar with what South Africa controls in the SADC. According to World Bank statistics the GDP of the two countries between 2019 and 2023 was as follows; South Africa had the GDP of 389.44 billion dollars in 2019, 338.29 billion dollars in 2020, 420.12 billion dollars in 2021, 405.27 billion dollars in 2022 and 377.78 billion dollars in 2023. On the other hand, Kenya had the GDP of 100.38 billion dollars in 2019, 100.66 billion dollars in 2020, 109.7 billion dollars in 2021, 113.42 billion dollars in 2022 and 107.44 billion dollars in 2023. It is evident that South Africa has a very high level of GDP as compared to Kenya. Although South Africa has a high population it still enjoys the benefit of having an improved domestic surplus leading to increased exports. In addition, increased foreign direct investments from countries in Europe such as Britain among others due to its integral role in African trade, its comparative advantage and geographical location has led to South Africa's economic growth and development and thus increase in GDP (Nyang'oro, 1998**)**. Further, despite having a population of over 45 million people Kenya still has the ability to meet her domestic absorption levels and also export although its majorly agricultural and horticultural products, Mwito *et al.* (2015). Kenya has a high competitive and comparative advantage over many countries in Africa although not over South Africa. South Africa's high competitive and comparative advantage places it a better position in the regional and global markets which attracts more foreign investments and its high domestic surplus also increases its dominance in the market implying that it has high volumes of exports compared to Kenya thus accruing more income from exports which results to increase in GDP.

Among the common frameworks under which Kenya and South Africa perform trade, the African Union (AU) was founded in 2002 with the aim of promoting peace and unity among African countries, enhance political and socio- economic integration, encourage international cooperation and development and coordinate and harmonize policies among existing and future regional economic communities. Secondly, the African Continental Free Trade Area (AfCFTA), formed in 2000 has enhanced from a shared vision to an executed trade agreement among its members making it the largest regional trade agreement in terms of geographical size and partner states (Moolakkttu, 2010). AfCFTA opens up regional and international markets thus increasing trade and flow of capital which in turn brings about advanced economic and social development in the trading states. Lastly, the Tripartite Free Trade Area (TFTA) was founded in 2015 with the aim of promoting intra-regional trade among the major Regional Economic Communities (RECs) i.e. the Southern African Development Community (SADC), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA). According to regional policymakers and some analysts TFTA has been considered to be a big deal and potentially a game changer for the African trading system and the more than a half a billion citizens of the member states. It is ascertained that intra-regional trade has been undertaken by the three regional economic communities which form TFTA. This has brought about trade expansion among the tripartite states leading to increase in economic growth and development.

However, trade difference between Kenya and South Africa as well as their regional/universal trading partners depicts the gap in the competitive advantage that South Africa enjoys over Kenya. Regardless of both countries enjoying some trade protocols like the African Union (AU), African Continental Free Trade Area (AfCFTA) and Tripartite Free Trade Area (TFTA) which offer a base for trade and open markets with various economic giants of the European Union (EU), there is a limitation in the way trade is conducted from a bilateral perspective. This explains the gaps in the intra-African trade between the two nations with Kenya accounting for a huge deficit in trade with South Africa which is one of its largest continental trading partners (Fundira, 2017).

However, Kenya and South Africa have not ratified any effective trade agreements or bilateral investment treaties but enjoy trade within the normal World Trade Organization (WTO) and African Union (AU) parameters. Recently, the nations have entered into an agreement for a common market through the Tripartite Free Trade Area (TFTA) which is yet to take effect (Steenkamp & Ferreira, 2020). Additionally, by comparing the level of exports to that of imports from South Africa, it is clear that factors like demand for commodities, exchange rates, trade agreements, trading policies, inflation rate, technological superiority and productivity or resource endowment factors are to consider in their economic diplomatic means. Contrary to South Africa which is an exporter of mineral resources and manufactured products, Kenya is majorly an exporter of gold and agricultural products like flowers, tea and coffee to South Africa. Nevertheless, trading reports as analysed by Sebei (2006) also show that South African agricultural materials exports to Kenya are over ten times higher than the imports from Kenya. This fact depicts a huge limitation in the way Kenya competes in the international trade market. Regardless of their economic stature within the African region and also the trading playground that they enjoy within the WTO and AU umbrella, few studies have explained the regional strategic factors that have shaped the high imports from South Africa and the cause for the lower exports to South Africa. Therefore, there is the need to determine these regional strategic factors and how they influence on economic diplomacy of the two African states.

1.2 Statement of the Problem

Regional integration is a key aspect in enhancing the economies of scale for every nation within the global market economy. The way through which states advance their interests in the market arena is influenced by their economic diplomatic means. Consequently, economic diplomacy through trade promotion is used to ensure an equilibrium in trade between nations by promoting a balance between imports and exports (Kennedy, 2013). As such, balance of trade is a crucial tool in determining the economic stability of a country by analysing the trade deficits or surplus within its international trade.

Although Kenya is a developing country, it has succeeded in enhancing its foreign trade in the EAC region with the country controlling a large percentage of the area GDP. This has been greatly impacted by the regional trade agreements and policies under the trading bloc which serve as a crucial merit over its trading partners within the bloc. On the other hand, South Africa has enjoyed a continued control of the SADC trade bloc with the country making massive exports to the member states. South Africa has really influenced the regional integration framework of the SADC trading umbrella by attracting foreign direct investment through the services exports (Louw-Vaudran, 2019). South Africa also enjoys control in the area due to its technological advancement, diplomatic outreach capabilities and military strength. Consequently, South Africa has become an economic hub in the region which attracts African and global partnerships in multilateral and bilateral trade agreements.

African Union promotes peace and unity among African countries, enhances political and socio- economic integration, encourages international cooperation and development and coordinates and harmonizes policies among existing and future regional economic communities. African Continental Free Trade Area (AfCFTA) opens up regional and international markets thus increasing trade and flow of capital which in turn bring about advanced economic and social development in the trading states. In addition, the Tripartite Free Trade Area (TFTA) aims at promoting intra-regional trade among the major Regional Economic Communities (RECs) i.e. the Southern African Development Community (SADC), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA). According to regional policymakers and some analysts TFTA has been considered to be a big deal and potentially a game changer for the African trading system and the more than a half a billion citizens of the member states. It is ascertained that intra-regional trade have been undertaken by the three regional economic communities which form TFTA. This has brought about trade expansion among the tripartite states leading to increase in economic growth and development.

Despite the fact that both nations enjoy economic dominance within their regions, concerns arise in the way they perform their economic diplomacy and this forms the basis of this study. With Kenya's foreign policy championing international trade through regional trading blocs, Kenya, which is among the major economic giants in the continent, does not enjoy a surplus with its contemporary continental trading partners. This can be explained by the comparison on the volume of exports Kenya makes to South Africa verses the imports. Evidently, Fundira (2017) shows that South Africa commands around 30% of intra-African exports to Kenya which on the contrary only controls less than 2% of the exports to South Africa. This is irrespective of the duo lacking any absolute bilateral trade agreement and consequently performing trade under the AU and WTO umbrellas as well as bilateral Memoranda of Understanding (MOU) in trade. Among the items traded between the two countries, South Africa has over the years enjoyed a competitive advantage over Kenya in the sense that regardless of Kenya being a major exporter of agricultural products to South Africa, the trading partner commands over ten times of similar product exports to Kenya (Sebei, 2006). Despite the dilemma in these assertions, there have been few studies done to examine the regional strategic factors influencing the economic diplomacy between Kenya and South Africa, a gap that this study sought to bridge.

1.3 Objectives of the study

The general objective of the study was to investigate the regional strategic factors influencing economic diplomacy between Kenya and South Africa. The specific objectives of the study were to:

i. Examine the regional strategic factors towards bilateral trade relations between Kenya and South Africa.

ii. Assess the effectiveness of existing economic diplomacy for trade between Kenya and South Africa.

iii. Evaluate the opportunities and challenges within economic diplomacy between Kenya and South Africa.

1.4 Research questions

i. What are the regional strategic factors towards bilateral trade relations between Kenya and South Africa?

ii. How does economic diplomacy between Kenya and South Africa influence trade?

iii. What are the opportunities and challenges affecting Kenya and South Africa's economic diplomacy?

1.5 Justification of the Study

In modern society, economic diplomacy is a key element in the formulation of foreign policy as well as conducting trade in a bid to promote a nation's interests in the international community. Under the Kenyan economic diplomacy pillar, it is essential for the policy makers to borrow from the regional strategic factors shaping how trade is conducted in a multilateral or bilateral manner between Kenya and her trading partners and in this specific case South Africa, thus the significant need for the study.

1.5.1 Academic Justification

Kenya and South Africa are two important trading partners within the intra-African trade. The extent to which the two nations engage in bilateral trade portrays the role played by the instruments of foreign trade like policies and tariffs, among others on the promotion of bilateral/multilateral coexistence within the region and or the globe. This study sought an investigation of the Kenya and South African economic diplomatic means within their foreign policies. It was an important thing to do since it justifies the extent to which diplomacy plays a key role in shaping how bilateral trade is done. According to Wilson *et al*. (2003), foreign trade between any two trading partners across the globe is influenced by the diplomatic ties joining the two nations together.

Kenya and South Africa have enjoyed a fair trading platform within the intra-African trade region. This has been as a result of their continued cordial diplomatic relations over the years. However, minimal research has been done along this line of thinking to understand the extent to which diplomacy plays a critical role in bilateral trade between the two nations. Some studies have drawn focus on diplomatic means used by Kenya to advance her trade interests within the EAC community and to show her strengths in maintaining her dominance in the region. For instance, a study by Moyi and Kimuyu (1999), shows that Kenya enjoys huge exports to the regional market unlike in other global trading markets like in the European and American region. This has been greatly influenced by the country’s economic dominance and the integration role played by the regional trading blocs. However, the study only addresses the comparative advantage of Kenya within the

EAC region but fails to address any influence on other African trading partners. Further, the ratification of African states into the TFTA also offered the need for a study in this area. Basically, a study to investigate how regional integration impacts member states was the right way to go. Kenya and South Africa enjoy economic dominance within their regional trading blocs. However, it was not clear what factors could influence how bilateral trade is conducted between the two nation states and thus the need for the study.

A study by Olukuru and Mandela (2017) has focused on the examination of the buoyancy of Kenya and South Africa's tax systems in economic growth through a comparative approach and thus fails to offer any insights on the diplomatic means of trade engagement between the two countries. Further, a study by Mbula (2012) on factors of the standard gravity model recommends the need for Kenya to engage in bilateral trade with her neighbouring countries since proximity of a trading partner is significant in trade. Nevertheless, this study does not answer the academic question of the factors influencing bilateral trade between Kenya and her regional contemporaries who enjoy economic dominance but are not close in proximity. Therefore, there was the need to address this academic dilemma with the execution of this research.

1.5.2 Policy Justification

Economic diplomacy through multilateral, regional or bilateral trade promotion, networking and regulation is guided by policy and trade agreements ratified by the respective actors. On one hand, Kenya, under the economic diplomacy pillar, has policy guidelines that shape her robust economic undertakings within the region and the global market. This is a similar case with South Africa whose foreign policy is also championed towards promotion of international trade.

Despite Kenya and South Africa not having ratified any bilateral trade agreements, the two states operate under bilateral legal frameworks or MOUs and also under the regional AU, WTO and the TFTA which is yet to be actualized (Fundira, 2017). Over the years, the two countries have not ratified any significant trade agreements but have notable bilateral trade engagements within the regional operating umbrellas. However, with the establishment of consulars within the borders of individual states, a double taxation agreement and free immigration visas, it was evident that Kenya and South Africa justified the need for this study.

Further, the two nations are geographically and strategically located within their regions with Kenya enjoying a significant control of sea trade for the EAC countries and South Africa controlling a vast sea trade for the nations around the Southern hemisphere. This, within their economic diplomatic means, provided justification for the need to seek a comparison between the Kenya and South African bilateral engagements In this regard, this study was essential not only for the governments but also the umbrella trading blocs in the formulation and implementation of effective policies and MOUs that promote economic integration.

1.6 Scope of the Study

Regardless of there being 54 countries in the African continent, this specific study focused on Kenya which is economically dominant in the East Africa region and South Africa which also controls the highest GDP of the Southern African region. Also, with the transition of South Africa from the shackles of racial discrimination, it was important for this study to run continuously with a review of data from the two states in post-apartheid epoch (1994 onwards). It was significant for the study to review data from this period to present day (1994-2023) because regional trading blocs like the SADC, COMESA and EAC became operational in the first decade of this period and the AU in 2012. The aforementioned regional trading blocs are still operational to date with other emerging regional trading blocs like the African Continental Free Trade Area (AfCFTA) coming into place. Further, there was a reestablishment of the Kenya and South Africa bilateral foreign relations in the year 1992 and thus data from the post-apartheid era was crucial for this study.

Lastly, this study involved collection of data from the Ministry of Foreign Affairs, Kenya National Bureau of Statistics, Ministry of Trade and Industry, Kenya Investment Authority, Kenya Export Promotion and Branding Agency, Kenya National Chambers of Commerce (KNCC), Kenyan import and exports traders, value addition, manufacturing and processing fields, South African High Commission in Kenya, South African investors in Kenya and key trading blocs Representatives as well as other secondary data sources from the months of February to June of the year 2023. The study findings sought to identify the key aspects to be put into consideration by the respective policy makers within individual states and also under the regional trading umbrellas for economic integration.

1.7 Chapter Summary

This chapter has provided an examination of the background to the study, problem statement, general and specific objectives, research questions, academic and policy justification as well as the scope of the study. The succeeding chapter provides a review to the applicable literature and relevant theories in addressing the study gaps.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a review of relevant and significant literature on regional strategic factors influencing economic diplomacy between Kenya and South Africa. The literature which is guided by the study objectives is presented in key thematic areas. Firstly, the regional strategic factors towards bilateral trade relations between Kenya and South Africa are analyzed under the regional strategic factors of comparative advantage, domestic consumption rate and level of investment. Secondly, the literature reviews the effectiveness of economic diplomacy as a tool of trade with a focus on the role of regional trading blocs, state and non-state actors in economic diplomacy. Also, a review on the opportunities and challenges within economic diplomacy is discussed. Further, a summary of gaps in literature is discussed. Lastly, this chapter provides a theoretical framework for the study with discussion and critique on the standard theory of international trade, Keynesian theory of international trade and power theory and further provides the conceptual framework.

2.1 Regional strategic factors towards bilateral trade relations

Regional economic integration has become the prevailing state of affairs in the contemporary world with nations coming together for the realization of growth and development through trade. According to Frankel *et al*. (1997), many countries in the Global South have advanced their economic interests by pursuing larger trade markets through leverage on the opportunities provided by global integration. Nations have adopted regional economic integration through the establishment of common markets, custom unions, free trade areas and economic unions (Zaheer *et al*. 2014). Regional economic integration has grown over the last few decades as a result of addressing the gaps and challenges within the practice of international trade by unilateral players. However, Frankel *et al*. (1997) postulate that the roots of the modern regional economic integration can be traced in the year 1948 with the creation of the General Agreement on Tariffs and Trade (GATT).

Regardless of the emergence of numerous regional trading arrangements, the GATT still commands a large economic cooperation in the global market (Mariadoss, 2017). Additionally, nations under the GATT and the WTO have joined other regional trading blocs to champion and enhance free movement of goods and services as well as promote investment. The quest for this shift is due to the assertion that regional economic integration stands higher chances of promoting trade liberalization compared to the global trading arrangements. As Mariadoss (2017) argues, parties within the regional trading umbrellas have higher bargaining powers due to the involvement of a lower number of players compared to the global frameworks. Therefore, under regional trading blocs, the practice of bilateral trade through economic diplomacy has been enhanced and thus leading partner nations to the establishment of bilateral trade agreements and bilateral investment treaties which guide the mode of foreign trade. Consequently, this has led to the opportunities and dilemmas of regional economic integration which in the modern global order is a determinant of foreign policy formulation.

Europe has over the years been the most integral regional unit in globalization. According to Zaheer *et al*. (2014), the continent, under the European Union (EU), holds the earliest and most intensive bilateralism with successful push for free trade areas for its member states. Arguably, Herve (2020) posits that the USA and China which are the two major global economic giants haven't realized a comparable level of bilateralism over the years with the EU negotiation and partnership enhancing its competitiveness and base in the global market economy. With the regional partnership under the EU, the region has succeeded in tapping into other markets through the ratification of the preferential free trade agreements and consequently leading to the rise with over a third of the total trade between the EU and the outside world in the last decade (Herve, 2020).

Further, with gaps identified within the multilateral trade partnerships under the WTO and also the weakened free trade between the constituents due to high tariffs on goods and services, the EU has resulted in creating bilateral partnerships with other regional economic blocs (Herve, 2020). For instance, the SADC and OECD provide a partnership for the EU to advance its economic interest through trade. Nevertheless, this has also been complemented by bilateralism between the EU and other foreign nations like Japan, Canada, Singapore among others which have entered into regulatory cooperation for trade. The spirit of regional economic integration in the EU has on another dimension been affected by the level of geopolitics within the region. Recently, Bill (2014) examines a debate on the chances of Turkey joining the union has been a great concern with some players experiencing shocks on the anticipated economic impacts that would be associated with insecurity and cheap labour. Also, Brexit is a major point of concern for the union since the United Kingdom is an essential player in the bloc.

Despite there being the European Union, other regional economic trading blocs have been established. The European Free Trade Area (EFTA) is one of the trading partnerships established in Europe to offer its members a platform for bilateral trade negotiations.

Despite its minimal number of member states, the trading cooperation has been able to offer effective economic engagements through integration and trade agreements for a free trade area (Frankel *et al*., 1997). Further, Frankel *et al*. (1997) argue that to enhance regional economic integration, the EFTA adopted a free trade area which was contrary to the EU strategy of creation of a common market for its constituents. However, the EFTA faced a fallout from various of its founder member states like Denmark, the United Kingdom and Portugal and consequently operates with four member states namely Iceland, Norway, Switzerland and Liechtenstein.

Regardless of this, Herve (2020) postulates that the EFTA has succeeded in enhancing economic partnerships with other regional partners through free trade agreements and the internal market derived from the Agreement on the European Economic Area (EEA). Further, the European Economic Area (EEA) which holds various European states also ratified into the EFTA provides for enhanced regional integration for the constituents by opening the European market (Frankel *et al*. 1997). Lastly, the Central European Free Trade Area (CEFTA), has also been a crucial economic cooperation in Europe creating free markets for its member states and also creating networks with other regional economic blocs like the EU (Bill, 2014). Essentially, the adoption of regional economic blocs within Europe is a reflection of the need for enhanced partnership and cooperation in the establishment of bilateral trade liberalization. Therefore, the role of regional economic integration has been instrumental in the promotion of international trade through common markets and free trade areas in Europe.

The American Continent on the other hand has experienced the contemporary shift towards regional economic integration. In the last few decades, the continent has had remarkable progress in the ratification of trade agreements and creation of a common market for the equal benefit of states. The North American Free Trade Agreement (NAFTA) was the first of its kind formed in the year 1960 to offer a platform for bilateral trade (Carranza, 2002). Arguably, NAFTA trade liberalization has been more focused on promotion of bilateral partnerships through negotiations and agreements among the member states with Canada, Mexico and the United States benefiting from the arrangement (Carranza, 2002). According to Mariadoss, (2017), the agreement has been pivotal in bilateral negotiations with the members working towards removal and reduction in trade barriers and tariffs. Evidently, this was realized by the elimination of significant trade barriers and tariffs between the trading partners in the first few decades of operation.

Besides the progress with trade liberalization through NAFTA, the percentage of the intra-regional trade between the North American states was below 20% compared with over 50% of what was enjoyed by the EU member states in the last decade (Foxley, 2010). According to Foxley (2010), this difference can only be explained by the adoption of the protectionist measures within the NAFTA constituents whose purpose was to offer a common external tariff and thus reducing the level of competitiveness from the US. Additionally, NAFTA has ensured that its member states are protected from cheap products from foreign markets through the content rule (Mariadoss, 2017). Under this arrangement, Mariadoss (2017) argues that the member states are assured of involvement in foreign trade with the agreement encouraging the adoption of NAFTA in the net cost of goods being traded to its constituents. Therefore, this has protected its member state commodities in the market since foreign traders cannot negotiate for a market for cheaper goods with one of the member states.

After the debt crisis in the 1980's, there was a fundamental shift to bilateral trade partnerships in North America (Foxley, 2010). In this regard, the establishment of a free trade area for NAFTA and other Caribbean states was a priority. According to Foxley (2010), the Free Trade Area of the Americas (FTAA) could however not stand the pressures from the developing states since it was viewed as a strategy to enhance the US dominance within the region and thus deprive other economies a chance for equal competitiveness. Therefore, the collapse of the FTAA was imminent. Further, North America enjoys various regional integration partnerships like the Latin American Integration Association which replaced NAFTA, Central America Common Market, Latin America and Caribbean Community among others (Mariadoss, 2017). These regional economic cooperations have succeeded in championing free trade and enhanced trade liberalization through bilateral as well as multilateral partnerships.

Asia, on the other hand, has also experienced tremendous progress with regional economic integration. Initially, the sole purpose for the formation of partnership in the late 1960's in Asia was to enhance peace and security within the region as a result of the stemming up of tension due to the cold war era (Foxley, 2010). According to Foxley (2010), the formation in Asia at the moment wasn't trade oriented up until late 1970's when the Association of Southeast Asian Nations (ASEAN) formation resolved to adopt trade integration for their economies. Generally, Frankel *et al*. (1997) posit that the initial sources of trade arrangements within the Asian states were multilateral institutions which had a higher voice in the economic frameworks.

The ASEAN formation adopted an economic strategy of establishment of a free trade association- Asean Free Trade Area (AFTA) with the goal of reducing tariffs and the Asian

Industrial Corporation to enhance production networks within the ASEAN region (Foxley, 2010). According to Mariadoss, (2017), the opening up of bilateral trade agreements under the ASEAN was championed by the stalled multilateralism and the economic crisis of the late nineties which have led to the ratification of numerous bilateral agreements between member states and other foreign states. For instance, a free trade agreement between the ASEAN with Australia and New Zealand, ASEAN with India as well as ASEAN with China. Further, the Asian-Pacific Economic Cooperation (APEC) has had a sense of diversity within its membership and also adopted an economies preference contrary to the member preference (Foxley, 2010). The formations in Asia have had massive success to its member economies due to the extensive cooperation in trade liberalization through free trade and consequently promoting economic growth.

Africa has also had significant progress with regional economic integration through trade liberalization. According to Madyo (2008), Africa enjoys less than a third of trade across the globe due to poor development, poor infrastructural capacity and poverty burden and thus the need to enhance intra-African trade. Generally, African states under the AU framework of the African Economic Community (AEC) which was created in the early 90's have realized massive benefits from regional economic cooperation (Frankel *et al.*, 1997). As Mariadoss, (2017) states, the AEC has over eight economic umbrellas complimenting and supporting the regional economic cooperation strategies. Essentially, these trading umbrellas or blocs are evenly distributed within the continent and thus offer diversity within their geographical areas of operations (Tuluy, 2016). However, their formation has mostly been influenced by the colonial masters and thus nations from similar colonial powers tend to align to similar trading blocs (Mariadoss, 2017).

According to Frankel *et al*. (1997), the Southern African Development Community (SADC) which commands a reasonable number of states in the south was formed with the purpose of economic cooperation for the member states and also to minimize the trade influence of South Africa within the region by offering competitiveness. The formation has been significant for the economic progress of its constituents with the reduction of tariffs and ensuring trade regulations in the South. The Economic Community of West African States (ECOWAS) which operates and commands a good number of the Global South countries from the west of the continent has also been instrumental in promoting economic integration through bilateral agreements and opening up of markets for its member states. The Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) have also played key roles in the economic cooperation within the African continent. As Tuluy (2016) posits, bilateral trade arrangements under the trading blocs have opened up foreign markets for the member states as well as global markets and thus offering African states a platform for negotiations. Consequently, the preferential free trade area under the cooperation of the African will enhance the continent's level of regional economic integration and provide a base for networking and capital flows into the continent.

The history of effective bilateral trade relations between Kenya and South Africa traces its roots from the end of the apartheid era. Before this period, the relations between the two countries cannot be significantly accounted for since there wasn’t any open display of diplomatic ties for around 30 years. However, during the apartheid era, there is a record of some state engagements under the first two Kenyan presidents which to Emmanuel, (2014) represents two distinct diplomatic images. On one hand, these engagements were seen as a foundation to a new South African Republic built towards elimination of racial segregation and discrimination. In this approach, it was perceived that Kenya was aware of the forthcoming changes within South Africa and thus was concerned with promotion of a peaceful co-existence for posterity within its relations principles (Emmanuel, 2014).

On the other hand, the principle of non-interference, as postulated by Emmanuel (2014) was in play and thus Kenya was reserved in terms of its diplomatic engagements. To the Pan-Africanists, this approach was perceived as a bad image of the Kenyan role in the regional peace and economic engagements; however, it was within the Kenyan principles of foreign relations. Regardless of the differing views on the bilateral engagements between the two states, a rebirth of the post-apartheid relations between Kenya and her trading partner came into effect. Essentially, this period realized the bilateral diplomatic transformation with a state visit to Kenya by the then Minister of Foreign Affairs Pik Botha and consecutively by the President. In the year 1994, the two nations revitalized a full diplomatic status which saw the establishment of diplomatic missions in the countries.

Multilateral and bilateral trade relations, as explained by Hufbauer, Iv, & Vukmanic, (1981) are guided by the current economic systems of the respective nation. In the modern world, these economic forces tend to be in a state of unending elasticity since they are meant to address the problems of the current people. Further, Hufbauer, Iv, & Vukmanic, (1981) argue that four factors can influence or shape the changes in the way two nations relate. For instance, a country's endowment factors like the discovery of essential raw materials or minerals could trigger the way international trade is practiced. Generally, some commodities like oil and mineral ores in the global market arena are a key contribution in a country's foreign reserves. Significant economic growth rates also play an essential role in shaping the forms of trade a nation participates in with its trading partners. Also, the population demographics as well as the economic policies in place at a particular time matter.

Notwithstanding these assertions, Kennedy, (2013) argues that bilateral trade relations between two nations can only be explained by examining the number of exports compared to that of exports for a particular state and also putting into consideration the nature of the trading field. Further, Nuraini (2019) postulates that for one to have a glimpse of the bilateral trade relations between two trading partners under a regional or international framework, it is good to analyze the consumption rate, comparative advantage and the level of investment for each country which are the strategic determinants of foreign trade. Therefore, the following analysis of the Kenya and South African literature on factors of domestic consumption rate, comparative advantage and level of investment is crucial for the study.

2.1.1 Domestic consumption rate

Domestic consumption, also known as domestic absorption, is defined as the local demand for goods and commodities by analyzing the sum of total investment, household absorption and the government absorption through spending. Domestic consumption and trade are intertwined. Neither can do without the other. However, changes in the terms of trade do not affect the domestic absorption rate of a country since this is influenced by the population. A country's ability to produce self-sustaining goods and services notably impacts its ability to manage its foreign demand on goods and services. Additionally, there are factors that shape the consumption absorption of a country. For instance, the population demographics of a certain nation shape its demand for commodities. India, a country with a population of over 1 billion people has a high domestic absorption rate due to the high number of households in need of commodities.

Growth in population also significantly shapes the absorption rates of a country with the household consumption rate growing steadily to meet the demand for the additional people. The level of technological advancement also influences the domestic consumption rate of a population. Generally, the modern world has significantly grown to an industrious market with the goal of innovation for the realization of its people's needs. Science and research have taken effect to oversee the production phase within the society, realization of multiple results and ensuring a surplus for the foreign market. Essentially, the ability for a government to produce enough commodities for its citizens is entirely shaped within the endowment factors of production. The cost of production, availability of raw materials, availability of cheap labour and market for products are key in understanding how nations trade bilaterally.

Kenya, with a population of slightly over 45 million people, has had a remarkable export structure within its agricultural sector for the past three decades. This however, according to Mwito *et al.* (2015), is aggregate data which provides for data comparison in a group of trading partners. Under the aggregate data, a tool of trade balance measurement by the Marshall-Lerner condition, Kenya has shown significant trade imbalance since her independence and for the last three decades the country has been struggling to restore a trade equilibrium. Between the year 1990 to the year 2005, the Kenyan government made amendments to its foreign exchange rate systems by abolishing the licensed import guidelines and which realized a trade surplus of over 4% in the year 1993 (Mwito *et al.*

2015). However, in the preceding years, Kenya's trade balance shifted to an imbalance under the aggregate data.

Further, the aggregate data, as much as it is important for the economic analysis of a country's trade, does not offer a bilateral point of reference in establishing the stability of a nation's trade to that of another trading partner. On that note, to avoid the bias arising from variance in currency fluctuations among other trade elasticities in this type of data acquisition, the Marshall-Lerner condition suggests bilateral data between two trading partners to acquire sure and accurate results for the particular countries. Further, Mwito *et al.* (2015) postulates that due to the Kenyan ability to meet her domestic absorption levels, the country has been consistent in her export structure with agricultural and horticultural products accounting for around 50% of total exports. However, the Kenyan domestic absorption rate has been marked by imports in machinery, pharmaceuticals, motor vehicles, petroleum, plastics, resins, steel among other metal products.

On the other hand, South Africa has recorded an improved domestic surplus with the country making significant exports in the manufacturing sector from the year 1990. In addition, the country has played a key role in the region's trade by commanding a good GDP of African trade. In fact, the country has attracted foreign direct investments from countries in Europe like Britain among others. This has been because of its integral role in African trade, comparative advantage and geographical location (Nyang'oro, 1998**)**. This has made the country the main access point for investors into the Southern African region of the continent and thus making massive influence on its trade flows. Further, the end of the apartheid era in the country has also been critical in the country's foreign trade. Basically, the country now enjoys global trade partnerships with the lifting of economic sanctions against it. Indeed, as Nyang'oro, (1998) explains, international capital is attractive to an area of maximization due to the prevailing peaceful coexistence of the people. However, the country continues to enjoy some civil unrest due to cultural differences as well as discrimination against people from other races. Nevertheless, this has had minimal impact on the level of exports from the country due to the specialization in innovative production and also the availability of cheap labour.

2.1.2 Level of Investment

The level of investment within a particular country portrays the metrics of economic development as a result of growth in capital flows. According to Nyamwange, (2009), capital per person within a state is shaped by the amount of foreign direct investment that the country enjoys from foreign investors. Essentially, the ripple effect of Foreign Direct Investment (FDI) is felt in the economic growth of the country. On the other hand, Daniel (2014), provides a justification for the need of FDI by exploring the advantageous effect of bringing investors to the country.

In addition to the promotion of economic growth, Daniel (2014) claims that investors tend to enhance innovation from the host companies in terms of technological advancements in order to withstand competition from foreign companies. Due to this, the production levels of a country get enhanced and thereafter create a surplus for the foreign market. Most importantly, the human resource within a country enhances FDI. This is because a literate population provides a highly skilled manpower for industries and also a locally available labourforce is key to FDI. However, the response to the ripple effects of investment within a country could be negatively shaped by various factors. For instance, the political instability of a nation, corruption, crime among other social and cultural vices within the country could lead to negative impacts of investment (Daniel, 2014). Some of these vices discourage investment and thus capital flows are directed to other nations over a specific one. Therefore, policy makers, with the considerations of the impediments to FDI should focus on formulation of policies that encourage capital flows into the country for a long-term ripple effect to the economic growth and development of the country (Nyamwange, 2009).

In the EAC region, Kenya is both an economic and political giant controlling a good number of the region's economy. This is influenced by the level of investments in her industries as well as the support from the government in terms of policies and regulations. Additionally, Wekesa *et al*. (2016) postulate that Kenya is the key entry point to the EAC region with key infrastructures like a well harboured sea port, railway links, airports controlling a notable number of airlines, road connections among other scheduled but yet to be completed projects like the LAPSSET (Lamu Port, South Sudan, Ethiopia Transport Corridor). Kenya also enjoys a market for her commodities from both the EAC and COMESA with a cumulative of around 470 million people depending on the two trading blocs. Consequently, this has made Kenya an economic hub for the region with investors attracted more to the country due to its level of political and economic stature in the region.

Contrary to her wins in the investment sector, Kenya has faced some shortcomings that have directly discouraged the level of investment in the country. For instance, the levels of corruption within the state have been quite wanting and with little being done by the government has discouraged the number of investors settling in the country. Also, Wekesa *et al*. (2016) argue that the uncertainties with Kenya's political elections held every five years have impeded the capital flows into the country. A good example of political instability was the post-election violence experienced in the country after the 2007 elections. Since then, there has been a reasonable number of investors packing up their tools and leaving to other nations (Daniel, 2014). Lastly, Mwangi (2012) implies that unfavourable policies and regulations have discouraged investment in Kenya. Recently, the country has lost a number of multinational companies like Coca Cola Company who were headquartered in Nairobi, Kenya due to an unconducive environment to conduct business.

On the other hand, South Africa, which has in the last three decades grown to become an economic hub in the southern region of the continent, has experienced an upsurge in FDI. A country whose local population offers a significant market for its products continues to attract investment in the country. According to Gelb & Black, (2004), South Africa enjoyed around 2% of the total investment accounted for by the developing nations between the years 1994 to 2002. Basically, this can be explained by the lifting of economic sanctions against the nation due to the racial discriminations during the apartheid era which created a favourable atmosphere for FDI to flourish. Also, the country enjoys some robust multinationals whose operations are beyond its borders in countries like the United Kingdom and the United States of America (Gelb & Black, 2004).

Further, international mining firms or corporations from South Africa have enhanced the capital flows generated as profits from foreign states to the country. The country also enjoys vast tracts of mineral ores which are a source of FDI. However, Arvanitis, (2005) argues that the mining sector has not been the most critical area of FDI but shows that countries like the United Kingdom, United States of America, China and European Union are investing in the country for non-mining activities. Further, the state through restructuring of its assets like Telkom in 1997 and the sale of government airlines in 1999 attracted more of the FDI in the country (Arvanitis, 2005). According to Asiedu (2006), high literacy levels, reduced rates of corruption, favourable policies, political stability, good infrastructure and effective legal system is a clear manifestation that lack of high levels of minerals is not a determinant to FDI. Nevertheless, the effectiveness in these factors can champion FDI for states due to the enhanced institutional features as well as government policies as manifested in the South African FDI sector.

2.1.3 Comparative Advantage

According to Gupta (2015), the concept of comparative advantage of a state in foreign trade is influenced by four key issues. First is the level of technological advancement of a country. The technological superiority of a state against a trading partner is a key determinant for foreign trade. Basically, Gupta (2015) explores the Ricardian Model on comparative advantage to show that a country that enjoys superiority in technology in the global market arena will have a higher bargaining power regardless of other countries enjoying lower productivity costs. Secondly, the availability of raw materials or the resource endowment factor is a crucial element in measurement of the comparative advantage of one state compared to the other. Generally, a country should specialize in promoting international trade within its competitive areas and enhance productivity through value additions (Grater, 2014). In this case, the availability of raw materials for a particular country offers it just a market opportunity for the products at a lower cost compared to another that offers the finished materials or value-added products at a higher price.

In addition, the availability of human skills is also crucial under the resource endowment factor. Some sectors like mining, automotive among others within the production stages of products require highly skilled manpower. This is an essential tool for production that is shaped by the literacy levels of the population. A country could have a high number of unemployed people but who lack the necessary skills to spearhead the production cycle within the market. Therefore, with the right skilled labourforce, a country's comparative advantage is enhanced in international trade with other states.

Thirdly, the demand for commodities in the local market controlled by the economies of scale, terms of trade and product cycle is a crucial factor (Moyi and Kimuyu, 1999). This factor tends to open and expand the market for the local industries to the foreign market since the domestic market offers a foundation for production, quality testing and specializing. Essentially, without having a commodity meet the international standards first within the local market then it becomes more or less relevant to the global market. Therefore, the local demand of a commodity gives local industries an experience for perfection of a product to meet the needs of a similar demand in the foreign market. Lastly, policies both at the local and international level shape the comparative advantage of a state. These policies, which are directed towards the education provision, infrastructure establishment, export promotion through subsidies and import regulation, are meant to compliment local production and consequently enhance the country's bargaining power in the foreign market.

Global competitiveness in trade is guided by the ability of a particular nation to leverage on its comparative resource endowment features. According to Moyi and Kimuyu, (1999), this is mainly influenced by the rates of wages paid to the workforce, the level of productivity of the workforce and the currency exchange rate within the international market at the time. Arguably, for Kenya, the problem of lack of well-equipped manpower, corruption, poor infrastructure, less investment in science and research and also poor business environment has deviated the focus on production from extensive manufacturing of commodities to the adoption of primary products production (Githaiga, 2021). This, however, is an area that the government, through policies and funding, is looking into by promoting technical skills which are key for the manufacturing sector. Essentially, the government is enhancing this by revamping the Technical and Vocational Education Training (TVET) institutions. Also, being a key sector in the attainment of the Kenya Vision 2030, the government has to put into place strategies that enhance FDI into the sector, improve on essential trading infrastructures like transportation and put into place policies that are favourable for the industries to thrive both locally and internationally.

Nevertheless, the Kenyan GDP as postulated by Githaiga, (2021) is highly influenced by the massive control the country has on the agricultural and services sectors within the region. In fact, the country's foreign trade is a product of the high exports of horticultural products like fruits and flowers, agricultural products like coffee and tea as well as the service industry like tourism. The agricultural and horticulture sectors are, however, not fully exploited due to the lack of well-equipped personnel both in knowledgeable skills and innovative technology. Apparently, a minimal population of farmers is familiar with effective value additions to promote markets for their products. Nevertheless, Obasaju, *et.al*, (2021) argues that the government through its regional economic diplomacy in the EAC has been putting measures in place to promote regional value chains to enhance production of quality commodities that meet the global market.

Equally, South Africa enjoys a vast regional market for its goods and services. Apparently, this is influenced by the level of technological advancement for the country, political stability, availability of skilled manpower, lower corruption levels as well as quality infrastructure. According to Akanbi and Jordaan (2008), the post-apartheid era has seen the country advance its trade through the agricultural, manufacturing and the service industry. However, the country has seen a boost in the service industry more so tourism and travel services regardless of the robust mineral base in the country. This, as postulated by Grater (2014), has been highly influenced by the adoption of the global value chains which enhance value addition for the products and services. Additionally, this has also been a point to note in other key sectors like agriculture where the country enjoys a large market for its products both within the continent and beyond (Fourie, 2011). Further, Akanbi and Jordaan (2008) postulate that the cost of production is relatively low in South Africa compared to other trading partners and thus enhancing her competitiveness in the manufacturing and agricultural products. This has further been championed by the government policies in place that tend to promote foreign trade within its areas of opportunities as well as attracting FDI for exploitation of natural resources (Akanbi & Jordaan, 2008). Therefore, the South African resource base complemented by the existing government policies, political stability, good infrastructures, innovative or advanced technology and lower corruption rates have given South Africa a significant bargaining power within the global and regional markets.

2.2 Effectiveness of Economic diplomacy as a tool for trade

Diplomacy in the modern contemporary world has evolved into various forms and thus led to the birth of economic diplomacy. According to van Veenstra *et al*. (2010), economic diplomacy can be seen as a way through which states and non-state actors within the international world setting promote multilateral, regional and bilateral trade through economic policy influence with a bid to enhance economic growth and development. Some of the non-state actors include intergovernmental organizations like WTO, non-governmental organizations (NGO's), transnational enterprises, multinational enterprises, civil society actors among others. According to Manasserian (2017), the role played by these key players of economic diplomacy in global integration shapes the politics of the day.

Within the context of regional integration, economic diplomacy can be seen as a product of the policies and influences of the umbrella trading blocs aligned with the interests of individual countries (Saner & Yiu, 2003). The main aspect of economic diplomacy through regional trading is to eliminate the possible barriers of international trade and to enhance a free trading area for its member states. This has seen the establishment of various trading umbrellas under which certain like-minded states that come together through multilateral cooperation, ratify agreements that provide an arena for trade through non-porous borders. Currently, there are over 10 trading arrangements within the context of the African continent with the sole purpose of creating a free trade area for member countries to spearhead economic growth through exports (Mudida, 2012). However, Afesorgbor, (2018) postulates that due to the opening of the regional economies to international trade, some states have experienced economic shocks as a result of underregulation of products exported to the countries. This has therefore led to an advantaged group and disadvantaged group in the market economy due to the variations in policies and regulations under regional partnerships.

Further, states have also developed mechanisms through which to promote trade through ratifying into bilateral trade agreements with compelling states (Afesorgbor, 2018). This, under bilateral economic diplomacy, has largely impacted how trade is practised. Nevertheless, both bilateral diplomacy and regional integration are intertwined and provide a basis for which states practise their diplomatic means through trade in the market arena. Generally, states portray their political interests within the international and or the regional market through prior consideration of their economic interests. These interests are spearheaded through adoption of various tools of bilateral diplomatic relations like opening of embassies, consulars and state visits whose main objective is to strengthen the diplomatic relations between nations and consequently affect the benefits from either country through trade (Afesorgbor, 2018). Further, Afesorgbor, (2018) postulates that diplomatic relations are a crucial aspect in modern society and has influenced states to invest more on their diplomatic work in foreign countries so as to secure a resource base for import or market base for its exports.

2.2.1 Role of regional trading blocs in economic diplomacy

Across the globe, economic diplomacy through regional trading blocs has been drawn closer to a number of trading blocs. These regional trading umbrellas around the world which include the EU, NAFTA, ASEAN and MERCOSUR operate under well-established free trade areas and regional trade agreements (Gough and Venkataramany, 2006). The European Union, which is the largest trading umbrella in Europe provides a platform for a wide range of member states to practice economic diplomacy through partnership and networking. According to Mariadoss (2017), the EU promoted diplomacy between member states through three key objectives.

The first objective was to create a regional political union that would offer regional influence over other regions in global politics. Under this arrangement, the citizens of the party states would be guaranteed a powerful EU passport that would allow them entry into various nations around the globe. This is facilitated by the common citizenship policy formulated under the bloc (Mariadoss, 2017). In addition to this policy, the EU has a policy on foreign and defense which offers the member states a unitary platform for international business and military deployment. Secondly, the EU created a common Euro currency which was to give the regional stronger trading platform. Generally, by adopting the Euro as a single currency for the region was to enhance the region's foreign reserves as well as ensure a stronger trading currency. As Herve (2020) posits, Euro currency has over the years succeeded in maintaining the monetary value as well as maintained and maximized the exchange rates for the region in the global forex market. Thirdly, the EU created monetary and fiscal targets for each member country with the purpose of ensuring bilateral partnerships for the realization of the end goals.

According to Hornung (2019), five parts of economic diplomacy have been provided under the EU. These include; financial regulation, monetary regulation, economic sanctions, trade agreements and actions within the WTO like dispute settlement. Of these five, three have been very integral in the promotion of economic diplomacy within the region. Firstly, trade agreements which are complemented by the Transatlantic Trade and Investment Partnership are a guideline towards current and future actions for the trading bloc (Hornung, 2019). The free trade agreements within the EU offer the member states a platform for bilateral cooperation. Evidently, negotiations between the states under the EU umbrella and other global nations have also yielded positive economic diplomatic ties. For instance, there have been economic partnership agreements between the EU and EAC, SADC as well as Comprehensive Economic and Trade Agreements with Canada (Hornung, 2019). Through these agreements, the EU has succeeded in influencing democracy and trade liberalization around the globe.

The EU has also been critical in enhancing negotiations and disputes resolutions within the WTO (Herve, 2020). Essentially, Hornung (2019) argues that the EU provides a base for negotiations under the General Agreements on Tariffs and Trade (GATT) based on regional politics. Also, the bloc has been integral in the settlement of disputes like the Uruguay round among others under the WTO dispute settlements frameworks (Hornung, 2019). Lastly, to promote economic diplomacy, the EU has participated in the execution of economic sanctions to enhance its interests in the promotion of democracy and rule of rights around the globe. Hornung (2019) provides a good example of trade sanctions from the EU against Tunisia to enhance democracy in the state's transition. Therefore, under economic sanctions, the EU has been instrumental in ensuring peaceful coexistence and territorial integrity of the member states as well as other global partners.

NAFTA, in the North American region, plays a key role in enhancing economic diplomacy of the member states. The most significant role played by NAFTA is foreign policy formulation (Howe, 2010). According to Morales (2018), the United States of America has over the years reasserted its hegemonic control over other nations within and outside the trading bloc with the use of NAFTA as a tool of foreign policy. Essentially, the bloc holds a representation of a number of constituents and thus policy negotiations under the Doha Round were achievable at a considerable length (Howe, 2010). The use of NAFTA as a tool of foreign policy by the United States has really advantaged the nation towards reclaiming and maintaining its interests in the global market economy. Apparently, NAFTA was created to promote interdependence between member states and the international partners through policy formulation and change (Morales, 2018). Arguably, the areas of engagement between member states have been influenced by trade and investment between member states. According to Mariadoss (2017), this has been made possible by the adoption of free trade areas which promote bilateral and multilateral agreements.

Under the tools of economic diplomacy, bilateral trade agreements serve as a crucial aspect in the interest promotion by a specific state or region. Further, Studer (2010) posits that trade agreements promote the level of bilateral engagements with states entering into policy negotiations. Evidently, there was the renegotiation of the Mexican foreign debt between the country and the United States of America (Macdonald, 2016). Under this bilateral arrangement, the United States and Mexico enjoyed mutual benefits from economic integration within the NAFTA trade agreements. Therefore, negotiation under NAFTA is a crucial item to the well-being of the member states since trade and investment liberalization is enhanced.

According to Mariadoss (2017), the major role of NAFTA is trade creation for the United States of America, Mexico and Canada. This is done through economic diplomatic means that are meant to safeguard the interest of the member states. In fact, trade promotion is done on bilateral and multilateral arrangements which are within the agreements' operating frameworks. Arguably, Macdonald (2016) claims that NAFTA has enhanced trade between the United States of America, Canada and Mexico by putting mechanisms in place for the removal of trade barriers. For instance, since the inception of the trading umbrella, nearly all tariffs placed on goods from the United States and Canada were removed and thus resulting in increased trade (Mariadoss, 2017).

To safeguard the sovereignty of the constituents, NAFTA provides rules of engagement that guide international trade with non-member states on bilateral arrangements. In addition, NAFTA is enhancing global integration through economic partnerships with other global regional trading arrangements (Morales, 2018). For instance, the EU has partnered with NAFTA to safeguard the interests of the specific region. Apparently, the major reason for the partnership with the EU is to protect their member states' market economy from the cheaper products from China. In the contemporary world, China through its economic strategy has become a threat to the major market players around the globe and thus developing mechanisms to lock out products from the Chinese market is the only method towards safeguarding the interests and economies. Lastly, sanctions and regulations under NAFTA have also enhanced the economic diplomatic means used to achieve the interests of the region (Morales, 2018). The United States of America has also participated in trade sanctions against other states for the promotion of democracy and protection of human rights. Therefore, NAFTA has been instrumental as a regional trading bloc and also within individual states in promotion of diplomacy across the globe.

The ASEAN economic community is a fundamental trading bloc within Asia. The regional integration of the member states particularly from the Southeastern parts of Asia was influenced by the need to enhance stability within the region through peace and security, social, economic and cultural initiatives (Oh & Selmier II, 2008). According to Mariadoss (2017), integration of the member states of the trading bloc states cooperation through mutual diplomatic means. Essentially, economic diplomacy is promoted through partnerships and networking of constituents to promote a powerful regional bloc. Under the ASEAN cooperation, over six member states are united together through various binding agreements to ensure peace and stability within the region.

As Jusoh (2017) postulates, another significant objective of the ASEAN community is to safeguard the interest of the region by protecting the member states from the interference and control by other first world countries. This objective is within the frameworks of bilateral and multilateral partnerships which have yielded massive opportunities for the member states but also safeguarding their interests within the international market arena. Within the operating frameworks of the ASEAN community, member states extend their interests through a powerful negotiation platform either on a bilateral or multilateral perspective. Essentially, Selmier & Oh (2013) claim that the trading bloc offers protection to its members by offering capacity in negotiations and consequently results in better value-claiming for products imported into the market. Some critics argue that the developing economies within the regional trading blocs tend to experience unfavourable trade terms due to the immense pressure exerted by the developed economies. On the contrary, Selmier & Oh (2013) posit that under regional integration, economic diplomacy offers an even market for all the players to express their interests and thus the benefits received from the smaller economies are massive due to partnerships that offer new markets and capital flows.

Jusoh (2014) further states that trade investment promotion is also a tool of economic diplomacy used within ASEAN. This has been spearheaded through ratification of policies that attract both resource-based and efficiency-based investment into the region (Jusoh, 2014). Essentially, trade investment is complemented by the negotiation and putting into place bilateral investment treaties within the region and also between the member states and the global trading partners in and beyond Asia. Also, the ASEAN community also attracts representation within various global trade organizations (Oh & Selmier II, 2008). For instance, the member states have representatives within the WTO which offers a platform for the region to negotiate and offer opinions that influence and shape economic policies within the organization.

Arguably, representation is a very crucial agenda within the tenets of regional integration and thus enhances the practice of economic diplomacy. Further, the region is significant in promoting financial diplomacy within its operations (Jusoh, 2017). Apparently, financial diplomacy is practiced by engaging in international monetary policies and executing various guidelines within the regional and global financial financial operations. For instance, international monetary borrowing is one of the means of financial diplomacy. Also, states take part in imposing monetary sanctions against flagged states. Essentially, this has been a major diplomatic means adopted by various states across the globe to enhance peace and stability within the globe. In most cases, these sanctions are influenced by talks and agreements between states represented under WTO among other financial institutions (Oh & Selmier II, 2008). Therefore, the ASEAN community is a crucial regional economic trading bloc which has promoted economic diplomacy between member states and the international community for enhanced trade liberalization.

MERCOSUR, which is the Common Market of the South, Mercado Commun del Sur has been in existence for the last three decades. According to Mariadoss (2017), the purpose of the trading bloc is to promote economic interests of its member states with the objective of enhancing their competitiveness within the internal market arena. This has been achieved through regional integration of over eight constituents operating in Latin America. The bloc has been effective in facilitating economic diplomacy within and beyond its area of operation. According to Caichiolo (2017), the first initiative under the region's economic agenda is the spearheading of peaceful coexistence and stability for the region. With the clear political goals outlined under its framework, the bloc has succeeded in reducing friction between the constituents. Evidently, MERCOSUR has brought together Argentina and Brazil for peace talks over nuclear and arms dealings rivalry (Doctor, 2013). Also, it has been vocal in promotion of democracy within the region for economic stability and maintained economic growth.

The region has further succeeded in bringing together member states through cooperation. Essentially, cooperation initiatives under MERCOSUR have really promoted bilateral and multilateral trade relations between member states and the international actors (Mariadoss, 2017). Consequently, this has resulted in the development of trade agreements and attraction of FDI into the region. Lastly, Campos (2016) posits that leadership from the regional elite leaders has also been a source of economic cooperation between the constituents. Generally, state leaders play a crucial role in regional integration with participation in regional decision making forums, implementation of trade agreements, sanctions, regulations and dispute settlement. In addition, the region's leaders have played an important role in the formation and evolution of the region which falls under the presidential diplomacy (Campos, 2016). For instance, the Brazil leadership supported the evolution of the trading bloc in the first decade of its operation and thus being an instrument of integration. Therefore, MERCOSUR's role in economic diplomacy across and beyond the region cannot be underestimated in the global integration efforts.

According to Mudida (2012), African states enjoy a good number of trading blocs both continental and globally. These umbrella bodies whose main agenda is to promote multilateral, regional and bilateral trade between members employ the concept of economic diplomacy to enhance opportunities in exports as well as investment. Regardless of there being over 10 trading blocs within the African context, some of the common and most operational blocs include; East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), Economic Community of West African States (ECOWAS), Southern Africa Development Community (SADC) (Mudida, 2012). These trading schemes which are scattered around the continent have, through their economic diplomatic means, offered support to member states by enlarging the goods and services consumer base as well as promoting the economies of scale. Mudida (2012) continues to argue that African economic integration has been a critical phase in the rebirth of the African continent under globalization in the early years of post-apartheid. This has entirely been promoted by the urge for an economically stable continent with an eye on the ultimate goal of long-term sustainable growth and development for the region.

Kenya and South Africa, who are members of some of these regional trading blocs subscribe to the regional economic integration by participating in policy making and implementation of the various binding agreements under the schemes. On one hand, Kenya is a member of both the EAC and COMESA whereas on the other hand, South Africa is a member of the SADC. Generally, the two countries do not share membership in any specific regional trading blocs however, they are party within various regional and international trading platforms like the African Union (AU), World Trade Organization (WTO), African Growth and Opportunity Act (AGOA) and the African Continental Free

Trade Area (AfCFTA). Through the ratification of significant trade agreements, these actors have continually influenced how intra-African trade is executed.

The African Union (AU) main objective is to promote regional integration at an economic, social and political spheres for member countries with the ultimate goal of attaining growth and development, creation of employment and peaceful coexistence of constituents. The AU has been well equipped to advance its operations within the member states and thus spearheading multilateral and bilateral economic relations (Idris & Abdullahi, 2016). According to Saurombe (2012), the African Union vision is to promote a wide base of market for member states through regional integration under the African Economic Union by the year 2028. In addition, the AU has been integral in its agenda for regional integration through various engagements like policy formulation, strengthening of existing regional trading schemes, education through training to equip the populations, economic diversification through research and technology, regulation as well as cultural legislation (Idris & Abdullahi, 2016). Further, Saurombe (2012) states that the AU has partnered with its member states to create a free trading area within the continent in a bid to spearhead regional economic growth and to help member states to fight external shocks to their economies resulting from globalization. Apparently, this has led to the creation of the African Continental Free Trade Area (AfCFTA).

The AfCFTA, formed under the WTO legal framework, is a regional economic scheme established to secure a free trading area for 55 African countries (Obeng-Odoom, 2020). Trading under the AfCFTA is yet to fully take shape regardless of it being set for implementation from the 1st of January 2021. Among the various objectives of this trading scheme which are geared towards promotion of continental economic integration include promotion of regional value chains, food security and agricultural development, infrastructure improvement, industrial and economic growth and development. This agreement has employed economic diplomatic tools through some well-articulated phases which once fully effected will have massive economic impacts on intra-African trade and member states as well. These include, dispute resolutions and negotiations for trade, FDI within the African context, states competitiveness and e-commerce promotion. As postulated by Apika, Woolfrey and Byiers (2020), Kenya and South, under the framework of the AfCTFA are meant to enjoy various benefits within their economies. For instance, African states are to experience an increase in the volume of trade exports within the continent to over 80% and an increase in global volume of trade exports to over 29% by the year 2035 through regional value chains, job creation, gender equality promotion, improved wages, removal of non-tariff barriers which are an impediment to foreign trade (Apika, Woolfrey and Byiers, 2020).

According to Page & Moyo, (2011), the main intention of the formation of AGOA was to promote regional integration for the member states and also enhance the export base of African commodities and services to the USA. AGOA is enhancing the attainment of these benefits by spearheading the creation of a favourable environment within the member African states for FDI from the USA (Phelps *et al*., 2009; Flatters, 2002). This has been done by first identifying favourable areas for investment and creation of links with investors from the USA who have the capacity to exploit the resource base. As Page & Moyo, (2011) postulated, AGOA has also acted as a godfather for the member states in the export market and investment negotiations with the USA. Equally, Kenya and South Africa have benefitted in the textiles sector under AGOA through FDI and regional economic integration (Phelps *et al*., 2009; Flatters, 2002).

The WTO has played a key role in African economic integration for the last three decades. According to Smeets, (2021), the WTO has been at the forefront in ensuring the less developed countries and the developing African countries secure a place in the global market arena through the promotion of capacity building. This body, which under its legal framework has recently led to the birth of the AfCFTA has promoted its African integration through its key pillars in either a multilateral or bilateral direction (Smeets, 2021). The first pillar is concerned with the administration of trade agreements to its member states. The second pillar is the provision of a convention for trade negotiations. Thirdly, the WTO has been an integral body in the trade dispute resolution. Lastly, it has enhanced transparency within the trading policies of states by monitoring and questioning any disputed policies. Within this framework, Kenya and South Africa have ratified trade MOUs which have facilitated bilateral trade. Therefore, the WTO has been a key instrument of economic diplomacy within the two trading partners.

2.2.2 Role of state and non-state actors in economic diplomacy

The interests of a country in the foreign market are influenced by both the state itself and other significant non-state actors within its context. Generally, the state and non-state actors have a notable diplomatic role in the formulation and implementation of economic policies both at the national level, regionally and internationally. As Wanyama (2013) postulates, all this is triggered by the continuous changes within the market arena and within the practice of diplomacy from the old to current world order. Kenya, within its foreign policy geared towards peaceful coexistence and regional integration, has adopted initiatives to promote capital flows to the country through the services industry as well as FDI (Wanyama, 2013). Also, it has created a foreign market base for its products by the establishment of impartial rules of engagement that promote her exports. South Africa is not an exception. Both the Kenyan and South African ambassadorial missions abroad have been a good source of stable engagement and establishment of new markets for the country's products. Generally, these missions play a significant diplomatic role in negotiations with respective states. In fact, ambassadors, who are representatives of the president abroad, provide guidance to the President and the state policy makers on the need basis of the foreign countries (Musau, 2015).

According to Rana & Chatterjee (2011), diplomatic missions abroad operate within four key arrangements. The first arrangement is the promotion of capital flows into the country through seeking FDI either from the foreign states or non-state investors. Secondly, the missions are mandated to secure partnerships and networking that will yield to the economic growth of their states. Also, the missions abroad have the mandate of selling the image of the specific country to the foreign population. Indeed, this is geared towards the promotion of tourism as a service sector by showcasing the cultural heritage of the country to the foreign market (Rana & Chatterjee, 2011). Lastly, diplomatic missions have a key role in ensuring regulation of policies and actualization of diplomatic structures within the foreign market. Essentially, this has been the case for both Kenya and South Africa who have invested in their diplomatic means through the establishment of foreign consulates and embassies across the globe with the main aim of promoting their countries interest for posterity and economic growth.

With the evolution of diplomacy in the modern world, the emergence of public diplomacy championed by opinion leaders, activists, NGOs and private entities within the non-state developments has been a significant unfolding for the promotion of economic growth. According to Ayhan (2019), public diplomacy is concerned in the promotion of economic growth and development for a state through enhanced communication, adoption of advocacy programmes, enhanced political stability and management of relationships. Through these engagements, these non-state actors have enhanced economic diplomacy and the rules of engagements through which nations engage in bilateral, regional and multilateral trade (Ayhan, 2019). Therefore, the role of non-state actors in policy formulation, networking and education promotions is a key element to promote international trade.

2.3 Opportunities and challenges within economic diplomacy

Economic diplomacy, which is structured to promote foreign markets for a state's goods and services, attract FDI and influence global legal frameworks in favour of its interest, poses various opportunities and challenges within the market arena. These opportunities and challenges are experienced both at the local, regional and international level due to the multilateralism and the integration of the globe into one unit (Imbert, 2017). Essentially, many states trade within multilateral legal frameworks and thus the effect to each individual country resonates to an effect to its trading partners due to the establishment of coping mechanisms. Nevertheless, the opportunities brought about by economic diplomacy to a larger extent supersede the challenges of economic diplomacy (Woolcock, 2016). Further, under the regional economic integration, economic diplomacy has experienced some opportunities and challenges which impact nations differently depending on the framework of trade liberalization applied. These opportunities and challenges fall under both regional and bilateral trade arrangements.

According to Mariadoss (2017), trade creation or diversion, employment creation or reduction and cooperation creation or loss of national sovereignty are the major opportunities and or challenges of regional economic integration. Firstly, entering into economic partnerships under regional umbrellas or bilateral agreements would lead to the creation of porous borders which enhance the levels of foreign trade between two trading partners. Essentially, this is the most significant reason for regional economic integration which is complemented by the removal of tariffs and creation of common markets (Mariadoss, 2017). On the contrary, some trading partners could experience a reduction in their trade due to the diversion of markets as a result of better trading partners with favourable markets and returns in the market arena. Therefore, in this study, the researcher sought to evaluate whether trade tariffs between Kenya and South Africa are advantageous (opens up trade opportunities) or they hinder the bilateral trade between the two countries.

Secondly, employment creation is also an important aspect of regional economic integration. Mariadoss (2017) argues that capital flows and labour flows into a country due to the removal of bilateral trade restrictions could promote employment both locally and internationally. However, this also has a negative effect on a country's job market with some preference on movement of production to member countries in a bid to cut the cost of production. Consequently, this leads to the diversion of employment opportunities and diversion of skilled manpower. Lastly, Mariadoss (2017) posits that cooperation through networking and partnership is a significant opportunity for trading partners. However, due to this, nations lose their national sovereignty and thus decisions on their political and economic spheres are influenced by these partnerships. In this study, the researcher sought to determine whether economic diplomacy brings about creation of job opportunities through the capital and labour flows between Kenya and South Africa.

Economic diplomacy in Europe has had massive impacts on the economies of the member states. These opportunities, as postulated by Imbert (2017), are aligned to the three key agendas of economic diplomacy within the European region. They include; attraction of FDI for member states in Europe, influencing and shaping international rules to serve the interests of the constituents and opening or facilitating access to foreign markets within and beyond Europe (Imbert, 2017). The major opportunity derived from economic diplomacy within the European Union is the creation of a single market base for the member states to trade on a bilateral and multilateral level. Markova 2019), justifies that the availability of this market has resulted in massive economic support from the trading bloc and thus warrants its members increased benefits in business. Further, the European Commission under the common commercial policy offers the nations a platform for networking through bilateral agreements with developing countries and thus advance their benefits from the global market (Woolcock, 2016). Under the fiscal processes, Europe has made exemplary trademarks with member countries which with the Euro as a currency remains a strong indicator for the foreign reserves as well as the exchange rates. For instance, Markova (2019) justifies that the Czech Republic has really benefited from the fiscal processes.

The growth of member states economies through job opportunities creation for its citizens has been a crucial strategy within the regional integration framework in Europe (Woolcock, 2016). According to Markova (2019), this has been championed by the relevant players in order to promote sustainable growth and to overcome structural limitations of the region's economy. Additionally, trade and investment has been enhanced through support to the small and medium enterprises (Imbert, 2017). This has been done with the objective of enhancing the capacity of small and medium businesses to be able to meet the standards and demands within the global market and thus under the regional blocs, these businesses are equipped with bilateral negotiation skills for better markets (Zejnic, 2021). A good example is the EU small and medium enterprises partnership with China. Imbert (2017) posits economic diplomacy under the European regional blocs is a source of cooperation and partnership. Through partnership, the Comprehensive Economic Trade Agreement (CETA) has been realized between Europe and Canada and thus has helped in the removal of trade barriers (Markova, 2019). Lastly, the region, over the years continues to enjoy peaceful coexistence and with insecurity threats majorly arising from the global vices of terrorism (Woolcock, 2016). Generally, this is a remarkable step towards economic growth and development within the region since international trade is only viable in a peaceful environment.

Besides the gains from economic diplomacy within the European region, member states also experience some challenges within their economies. According to Landsman (2021), the major challenge of economic diplomacy at the moment is Brexit which is the withdrawal of the United Kingdom from the EU at the end of the year 2020. This has really affected economic diplomacy in the region with uncertainties of the future of the cooperation. In addition, Markova (2019) argues that the challenges of climate change, insecurity due to terrorism, movement of people to Europe due to porous borders, emergence of new technologies, an aging population and weakening economies are also major emerging concerns to the EU. With the changes in the global economic order, these challenges at the EU will require contemporary strategies to ensure sustainable solutions.

Economic diplomacy in Latin America also poses various opportunities and challenges for the states within the region. NAFTA, which is the major regional economic trading bloc, has been instrumental in promoting trade liberalization between the developed countries of the United States of America and Canada as well as the developing state of Mexico. Arguably, Hufbauer & Schott (2005) claim that NAFTA has over the years promoted regional trade with the amount of bilateral trade as well as FDI between the three nations tripling. Basically, this was a result of the removal of the existing trade barriers and tariffs. Evidently, NAFTA raised the economy of the region with over 800 billion US Dollars within the first two decades of the agreement (Zepeda, 2021). The integration of Mexico with the partner developed countries was also a source of job opportunities for its population. Apparently, the partnership has been criticized by various people within the Canadian and United States of America government with the loss of job opportunities for its citizens (Mariadoss, 2017). This, however, is complemented by the number of exports to Mexico from the member states as a result of free trade. Further, Mexico and Canada have reaped more benefits from the United States of America with both enjoying valuable investments from the country's FDI initiatives within the constituents. According to Zepeda, (2021), NAFTA has also played a key role in helping the United States of America beat the competition from Chinese products. This has been enhanced by the strategy adopted under NAFTA to reduce tariffs between member states and also create protectionist regulations that offer security to the products of the region.

Trade liberalization in the North American region has received criticism over the last two decades. Apparently, this has been a result of the varying impacts from the member states with the United States of America being a victim for the job losses experienced due to the opening of the borders for free trade (Puchet Anyul *et al*., 2011). The job losses in the United States of America mostly under manufacturing has been created by the reduction in the wage labour due to the lower cost of labour from Mexico. Essentially, this has really affected the American labourforce with more downward pressures being experienced by the people employed in manufacturing sectors. Further, the United States has experienced a trade imbalance from the NAFTA trade arrangements (Zepeda, 2021). Canada on the other hand has also experienced similar challenges from the agreements with loss of employment to its citizens in the manufacturing sector. Essentially, this has been due to the high levels of competitiveness from the United States and Mexico. Over the years, as Hufbauer & Schott (2005) claim that diplomacy within the North American region has failed to provide an answer to insecurity, arms proliferation and drug trafficking to the United States through Mexico. Essentially, this is a trend that has really affected the bilateral relations between the two states and created a shortfall for the agreements within the trading blocs. Lastly, the policy space is also a concern that should be addressed to effective performance under the trade agreements.

Asia on the other hand is not an exception in the massive benefits associated with regional economic integration. For the last two decades, as Ing and Cadot (2017) posit, the region has experienced tremendous economic growth and development with a yearly growth rate of around 10%. This growth has been commendable since the region has advanced more in trade liberalization compared to any other global regional economic bloc. Arguably, the vision under the Eastern Asia and Pacific (EAP) and ASEAN economic bloc which offers a policy coordination platform for the member states has resulted in significant trade liberalization within the manufacturing sector (Hawke, 2017). Further, the economies have experienced higher job opportunities for their populations due to the increase in manufacturing capacities. Generally, the interdependence of the states due to the regional value chains has also created employment opportunities due to enhanced levels of specialization (Hawke, 2017). The region also creates an avenue for all economies to thrive regardless of the economic stature. Essentially, through intra-regional trade advancements and interdependence, integration has brought together the member states. According to Ing & Cadot (2017), this has been made possible by the strategy of harnessing the areas of strength for each economy on a comparative advantage framework. Evidently, the most developed economies of the region like Japan and China offer upstream services in the market economy and on the contrary developing states offer downstream services to the marketIng (Ing & Cadot, 2017). This strategic arrangement by the regional economic frontiers has really created a balance in trade and consequently improving the capacity of the region in trade integration and liberalization. Further, Njeru *et al*. (2018) postulate the ASEAN as a bloc that has over its years of operation and evolution protected state sovereignty and thus enhancing non-interference from external actors. Essentially, this has protected the constituents from effects of economic sanctions resulting from lack of adherence to agreements or regulations.

On the contrary, the Asian regional economic blocs also face various challenges in their operations. The first limitation towards the ASEAN economic community is the recent withdrawal of the United Kingdom from the EU and also the United States of America economic politics. According to Ing & Cadot, (2017) , politics on Brexit and the United States have an impact on the economic integration efforts of the ASEAN. Secondly, the regional member states also experience some challenges in the efforts of adjusting towards trade liberalization. Regardless of the fact that free trade areas are meant to increase the levels of capital flows to the member countries, it has been a huge challenge for the ASEAN member countries to adjust effectively to the modern trade liberalization efforts and thus derailing the economic growth and development of the area (Mariadoss, 2017). Also, China which offers a huge market for the ASEAN products is currently on an import slowdown due to the global slowdown in trade and thus has consequently affected the market for the ASEAN economic community. Lastly, Hawke (2017) postulates the challenge of exchange rates and monetary policies which have also affected trade liberalization in ASEAN bloc. Due to the trade shocks associated with monetary policies like the depreciation of the Japanese yen against the dollar in the last decade has resulted in the reduction in profit margins for the ASEAN exporters. Therefore, these uncertainties within the ASEAN economic community should be the lead in strategic reorganization for the region's trade liberalization initiatives.

Africa as a continent also provides a platform for regional integration through the eight major economic umbrellas operating across the region. Essentially, under the AfCFTA, the region has had massive benefits through regional cooperation and partnerships. According to an Economic Development in Africa report of 2021, the first benefit that African states enjoy under the regional arrangement is the enhanced security and peaceful coexistence for the citizens. Under the AU, the region has integrated through economic diplomacy and military diplomacy to ensure a favourable environment for the execution of foreign trade

(Tanyanyiwa & Hakuna, 2014). Further, the initiative and through the peace initiatives in the continent, capital flows from various international actors have been realized in the region. Also, The African states continue to benefit more from the international market through partnerships that have generated trade opportunities for the developing states. For instance, the AfCFTA has opened up the African continent to foreign trade with the United States and EU under strategic partnerships and bilateral trade agreements (Byiers & Miyandazi 2021).

According to Olu-Adeyemi & Ayodele (2007), the regional trading arrangements have also enhanced intra-African trade with members creating regional value chains for trade promotion. Arguably, a report on Economic Development in Africa (2021) states that intra-African trade is complemented by the fact that African states are within similar economic growth and development levels and thus creates an avenue for mutual trade benefits for the states. As such, being an underdeveloped region compared to the other global regions, Africa has the capacity to improve on infrastructure and job creation through the adoption of regional integration (Economic Development in Africa, 2021). This under the AU partnership will ensure continental growth as well as create a market for FDI from within Africa and globally. Based on this study, the researcher sought to determine whether the Regional Economic Communities in collaboration with African Union, African Continental Free Trade Area and Tripartite Free Trade Area has opened up the market for trade and if it has facilitated the flow of Foreign Direct Investments between the trading states, that is, Kenya and South Africa.

African states on the other hand experience varying threats to the regional economic integration programmes. The first challenge to the African states is the challenge of low revenue incomes experienced within the continent. Generally, most of the African states which are categorized in the Global South countries with populations experiencing various global challenges like poverty, diseases and underdevelopment (Tanyanyiwa & Hakuna, 2014).. Due to these challenges, it is not possible for African economies to produce enough for their populations and also have a bonus for domestic or foreign investment within the continent. In this regard, this has really disadvantaged the states regardless of the efforts in place to strengthen economic partnerships through bilateral investment treaties. Also, with African states experiencing insecurity and other uncertainties like political instability, it has been a limitation to attract FDI from the developed countries of the globe (Olu-Adeyemi & Ayodele, 2007). South Africa is said to be dominant in the market among the member states under SADC while Kenya is said to be dominant in the EAC market. The researcher therefore, sought to determine whether there exists trade disparity between the two countries due to difference in their comparative advantage (which determines the level of production capacity of the states).

Another challenge undermining regional integration within the African continent is the overlapping membership within the regional economic blocs. This challenge also coincides with the inability of the regional economic blocs to effectively lay down institutions to enhance the implementation of agreements. According to Njeru *et al*. (2018), the EAC lacks proper mechanisms to enforce and implement multilateral and bilateral trade agreements as well as the free trade agreements and thus curtailing the spirit of regional integration through economic diplomacy. Essentially, this has really undermined trade liberalization due to the confusion brought about by overlapping regulations and tariffs under trade arrangements within the region. Further, African states lack clear representation at the regional and global trading forums. For instance, a report on Economic Development in Africa (2021) states that African states are not fully represented at the WTO which really undermines the execution of multilateral trade agreements under the trading umbrella. Lastly, African states experience the challenge of overreliance on agricultural products for trade within the continent. Apparently, this challenge is influenced by the lower technological levels within the continent and thus innovation within other sectors like mining and manufacturing has been taking a slow turn (Byiers & Miyandazi, 2021). As such, this leaves the states with agriculture as a source of trade and thus competition has undermined the execution of regional trade agreements.

In Kenya and South Africa, the first opportunity for economic diplomacy is the promotion of economic growth and development. Through the liberalization of trade, states have achieved multiple gains from foreign markets due to the creation of a market base for goods and services. Lucheri (2013) postulates that under the AGOA arrangement, Kenya attained reasonable growth in its economy in the early years of 2000. Consequently, Lucheri (2013) argues that this growth led to the creation of over 30,000 employment opportunities within the country's Exports Processing Zones (EPZ). Okano-Heijmans & Asano (2018) postulate that the opening up of economies through partnerships and networking has also influenced capital flows into a country. This is through FDI, profits from exports, and revenue from service sectors.

Notably, the upsurge in capital flows into the economy of a specific country yields more on the economic growth and development through infrastructure development, jobs creation, quality education provision and poverty reduction for the population. Further, the promotion of economic partnership has provided an opportunity for local and international security (Kara, 2008). Apparently, through global and regional integration, terrorism which has been a threat to global peace has been highly criticized. The contribution of economic diplomacy to the fight of terrorism has been through the creation of a platform that offers military support to the affected states or areas. For instance, Kenya through its defence forces has been instrumental in the fight against the al-Shabaab in Somalia under the African Union Mission in Somalia (AMISOM) which operates under the AU (Williams, 2018). Lastly, economic diplomacy provides an opportunity for state and non-state actors to participate in policy formulation both locally and internationally. This has led to the emergence of modern and public diplomacy which are key in the contemporary practice of diplomacy.

Economic diplomacy on the other hand experiences various challenges within its scope of operation. The first challenge to its practice is the fragmentation of the global trading system with countries tending to shift more to favourable legal frameworks and disregarding any other binding agreements. According to Bayne (2017), this is also influenced by the regulatory policy operations within a particular state which could discourage the implementation of bilateral, regional or multilateral frameworks meant for liberalization of trade. For instance, the USA-China economic tensions have led to the slowed implementation of the Trade in Services Agreement (TiSA) (Peng, 2013). This is a similar case with other competing economic powers due to competition.

Economic diplomacy, which should be a tool for transparency between trading partners could also be used to settle political tensions. Regardless of diplomacy being a framework where political differences are addressed for promotion of peaceful coexistence, states could adopt it by imposing trade restrictions, regulations and tariffs against trading partners in a bid to settle political mistrust. Arguably, Bayne & Woolcock (2003) states that the emergence of new players in the market economy is a challenge to the security and stability of the universe. Generally, the 21st century has experienced a myriad of economic tensions due to the emergence of China as an economic superpower. This on the other hand has influenced various policy decisions from the USA to cover its economy against the impacts of the new player in the market economy. Lastly, the liberalization of trade has developed trade shocks within some economies.

Generally, trade balance should be a concern for any developing states and thus any shifts towards a trade deficit could have some negative impact on the economy. However, some scholars argue that trade deficits do not necessarily mean that a nation is headed to a deadrock but instead shows the opportunities within which the country could advance its interests. Evidently, Wang and Zeng, (2020) provides an example of the USA where the country is experiencing a huge trade imbalance regardless of it being a world economic giant. Nevertheless, it is important to disregard some of the shortcomings from trade liberalization and focus on the benefits that come in handy for individual nations.

2.4 Summary of Gaps in Literature

Gaps within literature also form a crucial basis for which this study will seek to address. There is a gap in literature providing for the practice of economic diplomacy between Kenya and South Africa. With the world evolving into one integrated unit, the practice of diplomacy has been defined by the binding bilateral or multilateral trade agreements reached upon between and among nations. This has been contrary to the case with Kenya and South Africa because not a single bilateral trade agreement has been signed. However, the two nations have been operating under eight MOUs which form the foundation under which bilateral trade is exercised (Chidede, 2020). As Wickramasekara (2015) argues, MOUs are not legally binding as compared to bilateral trade agreements and thus a party could breach the terms of practice.

Minimal studies have been done to examine the extent to which the Kenya-South Africa bilateral trade is influenced by the instruments of economic diplomacy. According to Karba (2019), the key role played by the state as an actor in international trade relations cannot be disregarded in the literature foundations of any study material within the scope of economic diplomacy. Literature on the Kenya and South Africa foreign policy frameworks in the practice of economic diplomacy through negotiations and bargaining for bilateral trade agreements, trade regulation through tariffs and promotion of foreign direct investments is significant. The available literature in this context lacks a comprehensive address to the instruments of diplomacy between Kenya and South Africa like bargaining power, negotiations, regulations and power play. As such, research is crucial on this point of view to address the literature gap on how the instruments of economic diplomacy come into play in the international trade relations between Kenya and South Africa.

Further, there is the literature gap in the regional strategic factors affecting intra-African trade. Generally, there are minimal studies featuring the African region's strategic factors that shape how trade at the multilateral or bilateral level is conducted. Evidently, a study by Mbula (2012) has focused on the proximity of intra-African states in foreign trade and thus doesn’t fill the knowledge gap on the strategic factors which this study will address. Essentially, an analysis of these factors at a bilateral level is a critical knowledge gap that researchers should look into in future studies. In this research specifically, an address to the regional strategic factors which influence intra-African trade between Kenya and South

Africa will be examined. Lastly, a knowledge gap on the policies in place that shape how bilateral trade is executed between Kenya and South Africa is also notable. Basically, studies shape the policy formulation process with an insight on the gaps within the policy framework that require to be filled. Essentially, the findings and recommendations of a specific research on the practice of economic diplomacy between Kenya and South Africa will guide domestic policies to protect and promote international trade. This study will, therefore, address the knowledge gap on policies of bilateral trade relations between Kenya and South Africa shaped by both the opportunities and shortcomings of regional integration in the African region.

2.5 Conceptual Framework

Researchers have put forward various theoretical approaches to provide a justification for the relationship between the key regional strategic factors influencing foreign trade and multilateral, regional or bilateral trading partners/nations. In line with these, they have focused on explaining how some common theories of trade balance affect bilateral trade and the remedy for either a positive trade balance or negative trade balance. The two common approaches postulated by various scholars are the standard theory of international trade and Keynesian theory of international trade. In addition, power theory is posited as a very influential theoretical approach in the study of international relations. Scholars have through the power theory provided arguments on the influence of power to international politics and consequently dictating economic diplomacy between trading partners in the global economy. Therefore, standard theory of international trade, Keynesian theory of international trade and power theory formed the conceptual framework for the study as discussed further.

2.5.1 Standard Theory of International Trade

This theory is also referred to as the classical theory. It dates back to the eighteenth century and came into being as a critique of the Mercantilism approach to international trade which provided for enhanced exports and discouragement on imports through trade restrictions (Abbas Ali *et al*., 2014). The proponents, Adam Smith and David Ricardo, in their publications of the *Wealth of Nations* and *Principles of Economics* in the year 1986 and 1951 respectively argued for the need of free trade in a bid to scale the levels of industrial capitalism (Sen, 2010). According to Smith, competition between nations was a result of the division of labour within the factors of production that consequently resulted in low labour costs. On the other hand, Ricardo advanced the need for waged goods importation in order to reduce the cost of production of wage goods and subsequently have the labourforce effective in the industries. Through the two economic advancements by both Smith and Ricardo, the globe would achieve efficiency in goods production (Sen, 2010). Further, Sen (2010) provides the justification for the need for a country to leverage its comparative advantage in trade within the parameters of international trade. However, Nuraini (2019) under the doctrine of free trade between bilateral partners posits that there is the need for an equilibrium in trade and thus this should be brought about by either one trading partner acquiring a surplus or a deficit. Further to this assertion, Nuraini (2019) provides for a nation with a negative balance in trade to equally examine its advantageous position against another different nation.

On the other hand, Dixit & Norman (1980) explores this theory on a comparative advantage analysis but offers its relation to the differences that affect the production process. Essentially, the differences are influenced by the trade in returns of international trade.

Some of the differences of the production process that Dixit & Norman (1980) provides in relation to the comparative advantage of a player are the technological differences, factor supplies differences and international policy differences. On this line of thinking, it is possible to quantitatively evaluate how the levels of imports compared to that of exports is influenced by the differences in technology, international policies and factor supplies. Further, Hindley & Smith (1984) claim that tariffs which fall under the international policy differences have an effect on the local distribution of incomes as well as the local prices which are determined by the number of goods in the market economy. Also, Dixit & Norman (1980) posit that by considering a case of Walrasian competition, there are three key determinants of a country's trade equilibrium. These determinants of equilibrium are shaped by the endowment factors in the competitive advantage of different trade players in the international market (Belloc, 2006).

According to Dixit & Norman (1980), the first determinant of the country's trade equilibrium is the production capacity which consequently influences the value of the net output. A country with the sole capacity to produce a certain product in the market will maximize the value of the outputs and thus realize more profits from the products. Secondly, the production of a commodity is influenced by the capacity to consume the product and thus influences the profits realized from the outputs. Lastly, the consumption capacity of the population influences the consumer utilities.

According to Sen (2010), this theory is built under four elements of trade relationships. Firstly, there is the correlation between the possibilities of a state to produce products and the relative supply of the products. In this regard, a state chooses favourable commodity production levels to enhance its production capacity within specific market prices.

Secondly, the relationship between the relative demand and prices is also crucial under this theory. A state, based on its demand for a certain product may produce a different commodity of a different value that will be used to trade for its demand product. Thirdly, there is the relationship between world relative supply and world relative demand in the establishment of a world balance. This explains the equilibrium in what the world produces against what it consumes. Lastly, the effect of changes in terms of trade also influences international trade under this theory. The decline or rise in the terms of trade consequently affects how trade is executed.

This theory of international trade can be used to evaluate the level of bilateral trade relations between Kenya and South Africa. Basically, an analysis in the relative cost of a commodity in either of the countries influenced by the endowment factors of production like availability of a resource base, skilled labour and wage bill consequently influences the comparative advantage of the commodity in the specific country over the other. The cost of production for either country could be expensive compared to a different commodity from the trading partner and thus explains the advantageous position of the cheaper commodity against the other. The standard theory of international trade only addresses the comparative advantage of a trading partner as a regional strategic factor and fails to address the level of investment and domestic absorption rate (Shepherd, 2013). Additionally, this theory of international trade does not provide any justification for the influence of bilateral trade by the geographical proximity, size of the economies and the domestic consumption preferences as presented by the gravity model.

According to Shepherd (2013), these influencing elements are however not crucial determinants in the contemporary world due to the evolution and advancement in technology and internet which have shaped the service sector. Also, some critics have criticized this theory because it fails to address the terms of trade which are essential determinants of equilibrium in trade. Essentially, Liodakis (1980) posits that the terms of trade which are influenced by the exchange rates are crucial in understanding the advantage of one economy against another in the international market. Regardless of the criticism on the standard theory of international trade, domestic absorption rate and the level of investment are key determinants of this study and thus, the succeeding Keynesian theory of international trade addressed these two remaining factors.

2.5.2 Keynesian Theory of International Trade

This theory was formulated under the thinking of a world economist by the name John Maynard Keynes in his quest to provide an answer to the trade imbalances between nations from his writings on the *General Theory of Employment, Interest and Money* published in the year 1936 (Nuraini, 2019). On one hand, Abbas Ali *et al*. (2014) postulate that a country's balance of trade is influenced by the domestic absorption in its expenditure through the number of volumes consumed by its population, the government of the day expenditures, level of investment within the particular nation and the volumes of imports. As such, if there is an exceeding domestic output over the domestic absorption then, trade balance within the particular nation is on a positive. According to Nuraini (2019), on the other hand, the Keynesian approach sought to provide a solution to the negative balances in trade by offering multipliers in a nation's foreign trade. From the assertions by this scholar, it was eminent that for a balance of trade to be realized between two trading partners then a collective responsibility was key.

As such, a nation with a negative trade balance was to continue trading with its partner under similar or revised conditions but on the contrary the advantageous nation had a responsibility of ensuring that the deficit is settled through other trade incentives. Under this approach, the Bretton Woods system of trade arose in the twentieth century to address the problem of large trade surpluses and deficits within trading partners in the global arena. In addition, Gomes (1993) complements the thoughts on multipliers in a nation's foreign trade by providing for adjustments in the aspects that provide a correlation to a country's income with demand for local and international commodities. Therefore, some of the adjustments that could be made to achieve an equilibrium are changes in foreign exchange rates and changes in price.

This theory is a clear determinant of bilateral or multilateral trade between trading partners by ensuring a favourable and fair market arena. This is influenced by the legal frameworks through which countries engage in continued trade but with the realization of markets for goods for the partners. For Kenya and South Africa with binding MOUs and trading under various economic umbrellas, economic diplomacy is essential to ensure continued trade partnerships. However, the regulations and agreements established are to be in line with the domestic absorption rate, level of investment and the government expenditures to enhance trade balances.

The Keynesian theory of international trade, however, faces some criticism from proponents of the post-Keynesian models like the neo-Kaleckian model or the orthodox model. According to Eichner & Kregel (1975), the Keynesian model of international trade does not focus on a modern working economy with technology among other determinants of levels of international trade working optimally. Essentially, these are some of the thoughts that show some incompatibility between the Keynesian theory of international trade and the orthodox theory (Eichner & Kregel, 1975). Nevertheless, Hein (2014) argues that the Kaleckian model provides some similarities to the Keynesian theory of international trade with the demand and investment being key determinants in the two lines of thinking. Further, Hein (2014) posits that investment is a key driving force within the economic growth and development of a particular state. This is determined by the capacity of the investing companies with enough capital that is required. Therefore, the Keynesian theory of international trade experiences some criticism from various scholars but still provides the best foundation in answering the question on the regional strategic factors of level of investment and domestic consumption rate which are not addressed by the standard international trade.

This theory was used to evaluate the influence of domestic absorption rate on bilateral trade between Kenya and South Africa. The analysis on the exceeding domestic output over the domestic absorption rate in either of the states will provide for the country's leverage and thus explain a trade surplus within the particular capacity. Also, the analysis of the multiplier effects in either of the states also provides for the solution to the trade deficits. Kenya and South Africa should continually engage in bilateral trade and generate mechanisms to ensure multiplier effects within the economy for the realization of trade balance. Lastly, the theory was used to evaluate how the level of investment within the two trading partners is influenced by the trading MOUs in place for the realization of trade balances through free trade.

2.5.3 Power theory

Power, as postulated by Kaviani (2017), is the central concept in the study of international relations. Essentially, power is attributed to the exercise of international politics by both state and non-state actors to influence multilateral and bilateral relations. This is either through hard power influence by military strength, economic strength and sanctions or through soft power influence by policy formulation, restrictions and regulations which tend to favour the most powerful actors in the global arena (Kaviani, 2017). According to Raimzhanova (2015), power under the realism lens has over the days been viewed in five common approaches which argue that all nations are reasonable key actors in the international system, all nations are in quest for survival in the international system, there is uncertainty in the international system due to political mistrust between states, the international system is anarchic in nature and lastly that nations with more power capabilities tend to portray some hostile military potentiality in the international system.

Notwithstanding the fact that power is a major attribute of international relations, different realists have argued differently in terms of the exercise of power in global politics. According to Raimzhanova (2015), classical realists argue that human nature is guided by the potential quest for power and thus the persistent struggle for power. These claims are disputed by the neo-realists who argue that the hostile nature of the international system forces states into the unending search for power so as to have a potentially better identity in the international political arena. Further, the traditional analysis of power also equates power to the aggregate resource base of a country which determines its stature in the international system (Raimzhanova, 2015). Essentially, the argument on how a state leverages on its aggregate resource base to increase its wealth and dependence by other states justifies the claim that power is a product of a nation's resources. However, one item that stands out in the varying arguments about the exercise for power in the international arena is the ultimate survival for the states.

With the search for survival in the international system, both the global north and global south states have devised ways to enhance their stature through balance of power (Drezner, 2021). In essence, this mechanism of survival has resulted in lesser powerful states coming together to form trading coalitions which also serve as a source of military strength and economic strength in the international system. According to Drezner (2021), this argument, however, lies in the traditional approach towards power influence through alliances. For most states in the global south, alliances within their regional spheres don't provide the ultimate goal because the world superpowers tend to control global politics. Therefore, the shift in modern society has seen more of the global south nations enter into alliances with states in the global north to enhance their influence in the international political arena (Drezner, 2021). For instance, South Africa joined Brazil, Russia, India, China and South Africa (BRICS) in December 2010 to foster its economic growth, create job opportunities for its citizens and enhance its competitive advantage through technological adoption, efficiency investment and FDI attraction (Mazenda, 2016).

The power theory, therefore, provides a basis for states survival in the global market through the provision of alternatives for international relations (Raimzhanova, 2015). This is through leveraging their economic strengths, bilateral/multilateral influence and military strengths against competing actors. However, the most crucial items adopted by the states in the global south are; economic strengths through enhancement of their competitiveness by exploiting their resource base through production, technological adoption capacity, innovation and leveraging on the readily available cheap labour and bilateral/multilateral influence through joining various regional and global trading alliance, ratification of bilateral trade agreements or MOUs, agreement on better terms of trade with the trading partners, adoption of public diplomacy by engagement of non-state actors and private entities in policy formulation and enhanced representation in regional and global trading alliances. Lastly, this theory was, therefore, used to assess the effectiveness of the existing economic diplomacy (representation in trading blocs, availability of trading MOUs, terms of trades through tariffs reduction, trade regulations and restrictions, influence of state, non-state and private entities in economic diplomacy and the significance of diplomatic missions abroad on bilateral trade relations) between Kenya and South Africa which the preceding theories failed to comprehensively address.

2.5.4 Conceptual model

The standard theory of international trade, Keynesian theory of international trade and power theory are crucial in evaluating the conceptual framework of the study. The three theories portray the level of relation between the independent and dependent variables as well as the intervening variables under which the thesis of this research is founded. The standard theory of international trade complements the Keynesian international trade with the focus on the advantageous position of one trading partner over another. The Keynesian theory of international trade provides a correlation between foreign trade and the level of investment, domestic absorption, government expenditure and the volumes of imports compared to exports. Under this theory, trade shocks within trading partners can be explained. On the other hand, the standard theory of international trade justifies the influence of endowment factors to bilateral trade between trading partners. Essentially, this narrows down to the comparative advantage of a state compared to the other influenced by the cost of production, availability of raw materials, skilled manpower and wage bill. Lastly, the power theory shows the means of survival adopted by the trading partners in the international system to enhance their economic diplomacy through ratification of trade agreements or entering into MOUs, joining available trading alliances, representation in the trading blocs, engagement of non-state actors, private entities in policy formulation and the role of diplomatic missions abroad towards economic diplomacy. Figure 2.1 shows the correlation between the independent, dependent and intervening variables of the study.

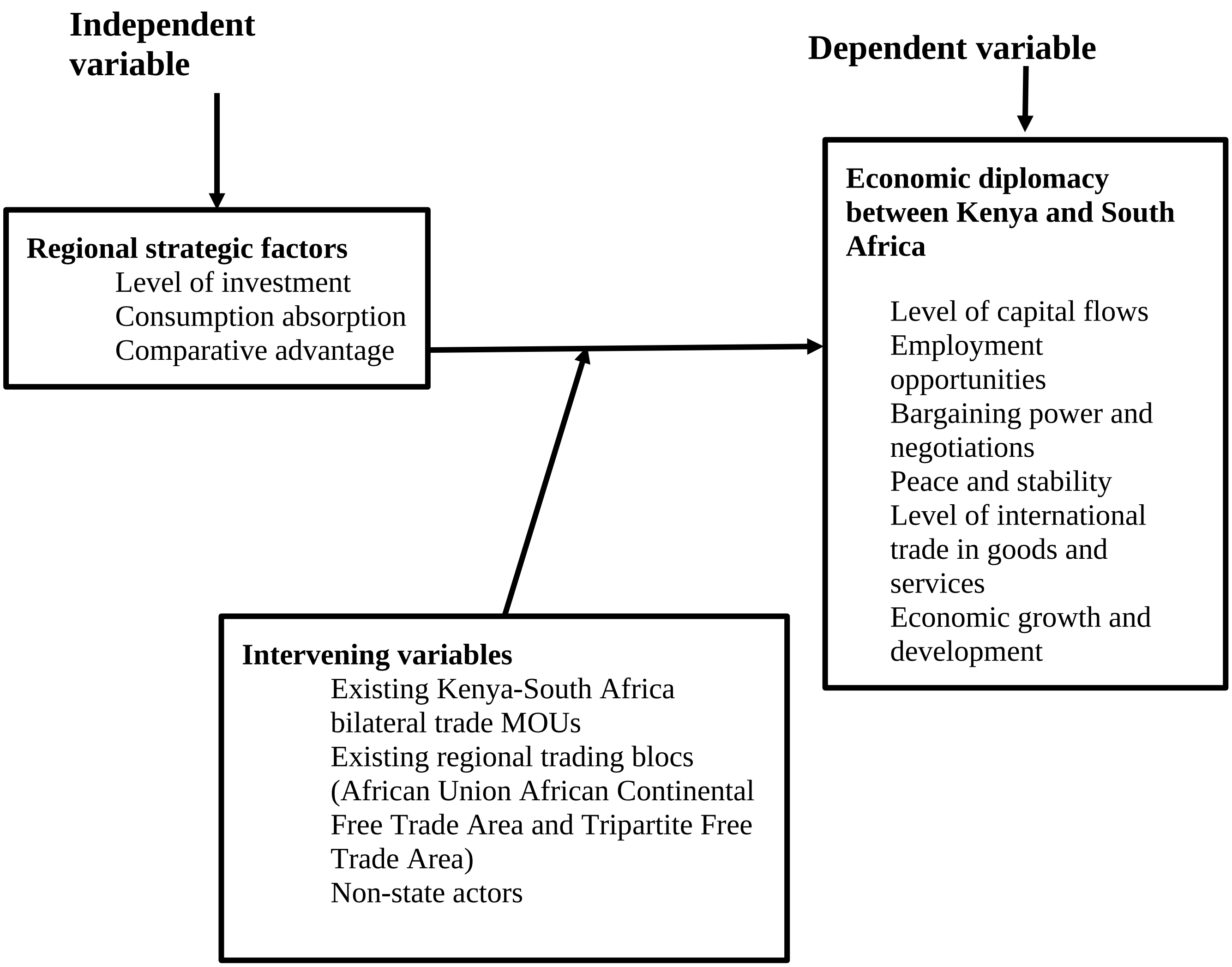

Figure 2.1: The Conceptual Model Showing Interaction of Variables

Source: Researcher, 2023

2.6 Chapter summary

This chapter provided a review of the relevant literature for the research guided by the objectives of the study. The thematically reviewed areas included; regional strategic factors towards bilateral trade relations between Kenya and South Africa with a focus on comparative advantage, domestic consumption absorption rate and level of investment, effectiveness of economic diplomacy as a tool of trade between Kenya and South Africa with a focus on the role of regional trading bloc and state and non-state actors and opportunities and challenges within economic diplomacy. Also, a discussion of the gaps in literature was provided. Lastly, this chapter discussed the theoretical and conceptual framework of the study. The succeeding chapter presented the research methodology adopted for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter highlights the research methodology used for the study to comply with research guidelines under social sciences. This chapter discusses the research design, study area, study population, sample size, sampling techniques, primary and secondary data collection instruments, analysis and presentation of data, validity and reliability of data collection instruments, study limitations, ethical considerations, and finally, a summary of the chapter. In a nutshell, the chapter provides a framework through which the research is guided.

3.1 Research design

According to Durrheim (2006), a research design is a systematic way through which a researcher seeks to make a linkage between the research questions and the actual execution of the study. This involves a well-developed map out of how data is collected, investigated, and results interpreted. Essentially, the research design is an expression of the conceptual foundation upon which the study is guided. The general objective of this study was to investigate the regional strategic factors that influence economic diplomacy between Kenya and South Africa. The researcher employed a descriptive approach to bring out the relationships of the research in a bid to answer the study questions. According to Mugenda & Mugenda (1999), research guided by the descriptive approach should adopt both qualitative and quantitative research methodologies. Qualitative and quantitative research methodologies applied in this study.

The descriptive approach offered more insights into the study problem that was not exhaustively researched. Further, first-hand information was essential in this research. It involved the interview of a target population from the Ministry of Foreign Affairs, Kenya National Bureau of Statistics, Ministry of Trade and Industry, Kenya Export Promotion and Branding Agency, Kenya National Chambers of Commerce (KNCC), Kenya Investment Authority, Multinational Corporations operating in Kenya and South Africa, NGO Council, Civil Society and Central Organization of Trade Unions representatives, South African investors in Kenya and South African consulate as well as administering of questionnaires to key business personnel involved in import and exports of goods and services, value addition, manufacturing and processing fields in Kenya.

3.2 Study area

The target area for the research was the Republic of Kenya and the South Africa High Commission in Kenya. Kenya lies at a latitudinal stretch of 5^0 South to 5^0 North of the equator and 34^0 East to 42^0 East of the meridian. The geographical composition of Kenya is of extensive plains, valleys, mountains, plateaus, swamps, rivers and lakes. Most of the land in the northern and eastern parts of Kenya is arid and semi-arid with higher temperatures whereas the broad plains stretch to highlands in the central parts of Kenya and plateaus in the west which are arable and with average temperatures around the year. Because of these varying physical features across the country, the climate also varies in different locations of the country. However, the country experiences two rainy seasons within the year between the months of April to June and October to December. The western parts of Kenya experience convectional rainfalls resulting from the warm air around Lake Victoria. Kenya is also home to Mt. Kenya which is the second tallest mountain in Africa.

The Rift Valley also cuts across Kenya resulting in the formation of volcanic lakes, volcanoes among other features. The northern parts of Kenya comprises dry lands with the likes of Chalbi desert becoming a physical feature. Further, Kenya borders the Indian Ocean on the east side which is a main source of livelihood for the coastal population that engages in marine farming and fishing activities. Other major economic activities for the Kenyan population are agriculture, mining, tourism and forestry.

South Africa, on the other hand, lies at a latitudinal stretch of 22^0 South to 25^0 South of the equator and a longitudinal stretch of 17^0 East to 33^0 East of the meridian. South Africa's physical features include grassland savannas, forests, desert, lakes, rivers, oceans and karoos (flat topped hills in the southwestern and southern parts). With the elevation of the country from the coastline due to the long stretching karoos, the country experiences average temperature conditions which tend to differ with countries in a similar latitudinal stretch. The country experiences rainfall of around 460mm per year from the months of December to March with parts of the Western Cape getting rainfall in the months June to September. This is also influenced by the subtropical air currents resulting from the prolonged coastline. The country's main economic activities include; mining, tourism, agriculture, manufacturing and fishing on the west coast.

Due to the latitudinal variations of Kenya and South Africa, the study was conducted in the Republic of Kenya in specific Nairobi County and also on the South African High Commission in Kenya which holds valuable information and data on the country's bilateral trade with Kenya. In addition to the South African Consulate, South African nationals who have invested in Kenya provided a significant source of information for this study. Figure 3.1 shows the map of the study area which is Nairobi County in the Republic of Kenya.

The need to adopt the map in this study was to offer a clear and legible representation of the study area which also highlights the location of the South African Embassy in Kenya and the Ministry of Foreign Affairs in Kenya. The South African High Commission in Kenya represented the Republic of South Africa for this study.

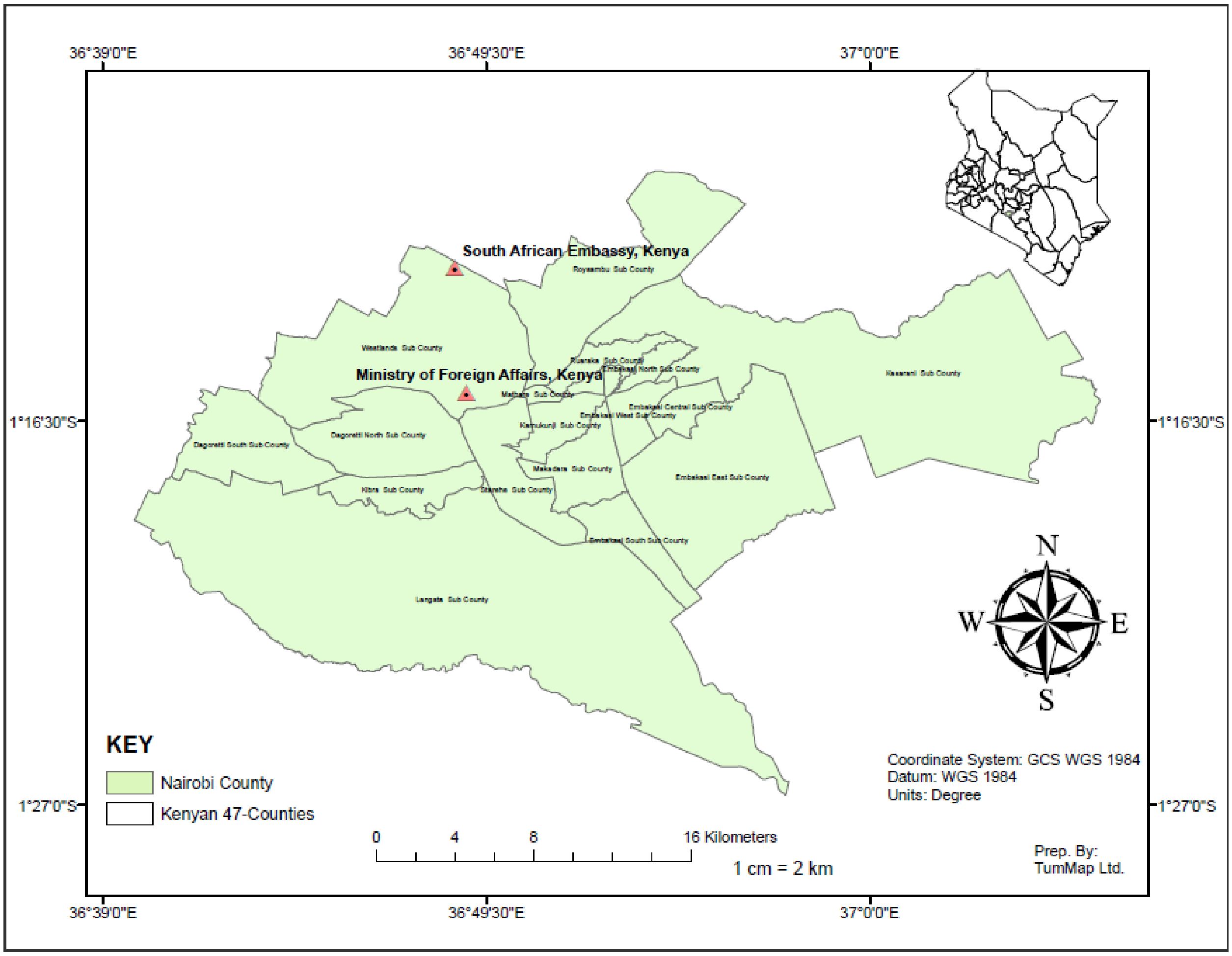

Figure 3.1: Map of Nairobi County in Kenya

Source: GIS expert, 2023

3.3 Study Population

The study population is defined as the total number of all items or objects that hold similar characteristics of study and which the researcher wished to employ for the specific study (Mugenda & Mugenda, 1999). In essence, the study population is the population group that formed the sampling frame for the sample selection which is the population of the Republic of Kenya and that of the Republic of South Africa. In contrast, the target population is the population through which the study findings were generalized (Mugenda & Mugenda, 1999). Essentially, the target population is the population that the researcher conducted the research. For this reason, the target population for the study was all the nationals of the Republic of Kenya operating import and exports of goods and services, value addition, manufacturing and processing fields businesses in Nairobi County and the South African nationals at the consulate as well as the investors in Kenya. To achieve the sampling frame through which the sample size was selected, the study focused on the key foreign trade representatives, government representatives in the regional unions, government agencies in charge of relevant ministries for the study, and the representatives of the South African nationals who made up the study population.

Further, the study involved the engagement of key informant interviews targeting respondents from the Ministry of Foreign Affairs, Kenya National Bureau of Statistics, Ministry of Trade and Industry, Kenya Investment Authority, Kenya Export Promotion and Branding Agency, Kenya National Chambers of Commerce (KNCC), South African High Commission in Kenya, South African investors in Kenya and Multinational Corporations operating both in Kenya and South Africa like MTN Business Kenya, Telkom, General Electric and Stanbic Bank. Also, the researcher interviewed purposively selected participants or representatives from NGOs, civil society groups, and activist groups with some intensive policy knowledge on bilateral trade relations. Further, the researcher engaged the African Union Commission Representative, East African Community Representative, and Common Market for Eastern and Southern Africa Representative. Lastly, the researcher interviewed Kenyan citizens who have been to South Africa and back for trade/investment and scholarship programmes. This group of Kenyans was identified through purposive sampling technique.

3.4 Sampling and Sampling Design

According to Kothari (2004), sampling can be defined as a way through which researchers select a subset of a target study population to generate deductions from observations and data. Essentially, the subset or sample refers to the unit of a target population used for the particular study (Mugenda & Mugenda 1999). The choice of a sample size is determined by the nature of the study that a researcher wishes to conduct and the study's timeframe and resources. With Kenya holding a population of around 47 million people (Kenya Bureau of Statistics), conducting research that covers the entire population would not be possible. Since it was not possible to interview a population of over 47 million people and to ensure the feasibility and practical conduction of the study due to budget and time constraints, a study population of business personnel involved in import and exports of goods and services, value addition, manufacturing and processing fields operating in Nairobi County, key government agencies, government representatives, civil society and activists groups, NGO’s representatives, multinational corporations operating both in Kenya and South Africa as well as the South African High Commission and South African investors in Kenya was adopted. By going by the recommendations of Mugenda &

Mugenda (1999), the formula to be adopted for selecting the sample size entailed a sample size of 384 since the population of the two states exceeds 10,000 people (Table 3.1). The following formula that led to the attainment of a sample size of 384 is also recommended by Gomm (2008) for the calculation of sample size for a large population.

$$n = \frac{z^2pq}{d^2}$$

Where n is the desired sample size when the population is more than 10,000, z is the standard normal deviate at the confidence level (confidence level of 95%), p is the proportion of the target population with an estimate of the measurable characteristics, q is 1-p and d is 0.05 and which the level of statistical significance set is.

So, $\mathbf{n} = \frac{(1.96)^2(0.5)(0.5)}{(0.05)^2}$ **=384**

Table 3.1 provides the selected study population, sample sizes and the data collection instruments adopted for the study.

Table 3.1: Table of selected study population, sample sizes and instruments of data collection.

Study Population	Sample Size	Sampling Technique	Data Collection Instruments
Key Business Personnel (Involved in import and export of goods and services, value addition, manufacturing and processing fields)	350	Simple Random Sampling	Questionnaires
Ministry of Foreign Affairs of the Republic of Kenya	1	Purposive	Interviews

Ministry of Trade and Industry of the Republic of Kenya	1	Purposive	Interviews
South African High Commission	1	Purposive	Interviews
South African Investors in Kenya	10	Purposive	Interviews
Kenya National Bureau of Statistics	1	Purposive	Interviews
Kenya Investment Authority	1	Purposive	Interviews
Kenya Export Promotion and Branding Agency	1	Purposive	Interviews
Kenya National Chambers of Commerce	1	Purposive	Interviews
Parliament (Committee on Trade, Industrialization and Tourism)	1	Purposive	Interviews
Parliament (Committee on National Security, Defence and Foreign Affairs)	1	Purposive	Interviews
Multinational Corporations (MTN Business Kenya, Telkom, General Electric and Stanbic Bank)	4	Purposive	Interviews
East African Community Representative	1	Purposive	Interviews
Common Market for Eastern and Southern Africa Representative	1	Purposive	Interviews
NGO Council Representative	1	Purposive	Interviews
Civil society and activist groups	2	Purposive	Interviews

Central Organization of Trade Unions Representative	1	Purposive	Interviews
Kenyan citizens who have been to South Africa and back (for trade and exchange programmes)	5	Purposive	Interviews

Source: Researcher, 2023

The inclusion and exclusion were based on the level of knowledge of the respondents on the concept of the study.

The approach of purposive sampling and simple random sampling techniques were adopted to ensure that the perfect sample size was drawn from the study population of the identified key persons where purposive sampling was used to select key knowledgeable stakeholders while the simple random sampling was used to select key business persons. To achieve a sample size of 384 respondents, a number of 34 key informants and 350 respondents were identified for the study, both from Kenya and South Africa representation in Kenya. The researcher approached the Ministry of Trade for a list of traders involved in imports and exports. The list of the traders was sampled through the simple random sampling technique to draw a sample size of 350 respondents for the study. Achieving the target number of purposively selected 34 key informants was informed by the rigidity of the research process, with the target informants coming from sensitive government agencies and representatives. As such, working with a number that did not exceed 35 ensured the reliability of the data. The limitation to selecting the key informants was to acquire the proper sample with the knowledge and expertise required for the study. However, the number identified from South Africa represented the state at the South African High Commission to Kenya and the South African investors in Kenya.

3.5 Sampling techniques

The primary sampling techniques that were employed for this study are purposive sampling and simple random sampling. According to Acharya *et al*. (2013), purposive sampling falls under the types of non-probability random sampling and involves the selection of a unit based on the researcher's preference of who could hold the necessary information on the area of study. Under the purposive sampling, the study closely used key informants within government agencies, diplomats, activist groups, and organizations who possess valuable information on policies and regulations within the regional trading spheres as well as from bilateral angles. The key informants were also derived from the South African High Commission to Kenya, South African investors in Kenya, and representatives from crucial organs like the AU, EAC, and COMESA. The need for adopting purposive sampling for the state agencies and representatives was because most of these agencies' information is considered highly confidential and thus restricted to a few individuals. However, to enhance the validity of purposive sampling, the researcher adopted experts who were purposively selected for the state agencies and various representatives. According to Trochim & Donnelly (2001), identifying experts in purposive sampling enhances data reliability by selecting a sample population within a specific area of expertise. As such, this study adopted purposively selected experts for the various key informants within government agencies and representations since data generated from knowledgeable personnel is significant for this study.

In addition, the purposive sampling technique was used to identify Kenyan citizens who have been to South Africa and back for trade and exchange programmes like scholarships. These Kenyan traders/investors and scholars were well informed of the policies in place between Kenya and South Africa and thus formed a crucial part for this study. Therefore, engaging key informants (purposively selected) who have knowledge of policy and diplomatic ties and who were willing to offer information at their own peril was crucial for the study. According to Acharya *et al*. (2013), the number of key informants should not be less than 15 and exceed 35, and thus with just minimal representations from the key agencies and sectors was crucial for this study. The researcher therefore, sought to engage 34 key informants through interview schedules for the study.

The remaining 350 respondents were chosen from various business personnel directly affected by policies and bilateral trade between Kenya and South Africa, as well as the regional economic diplomatic ties through the simple random sampling technique. According to Kothari (2004), simple random sampling, which falls under the types of probability sampling, involves taking study subsets from the larger study population. Further, any member of the study population stood an equal chance of being selected for the study in this research technique. As such, each member of the study population acquired from the list of traders from the Ministry of Trade stood a chance of being involved in the research through the filling of research questionnaires. Generally, these business personnel included personnel in the import and export market, value addition field, services sector, manufacturing, and processing fields.

3.6 Data Collection Instruments

This study employed various means of data collection. Essentially, data collection instruments are used to gather data and information that is useful for quality research. In this study, primary data sources were adopted to assist in answering the research questions and assessing the results (Mugenda & Mugenda 1999).

3.6.1 Primary Data

Primary data collection was crucial for this research. This involved the collection of firsthand data and information which lacks bias and distortion from the key informants and respondents for the study. Data from the primary sources was derived from research questionnaires and interviews. Questionnaires were used to collect information from respondents targeted for this study. In contrast, interviews were employed to extract meaningful data from diplomats, investors, policymakers, government officials from various relevant ministries, and non-state actors.

3.7 Data Analysis and presentation

This study had two sets of data. One from primary data and the other from secondary data. Both sets of data were essential and relevant for the study; however, the analysis and presentation of the same differed. Quantitative data from questionnaires was converted into codes and numerics, which was compatible with the key methods of data presentation. The Statistical Package for Social Sciences (SPSS) software was used to analyze quantitative data. In addition, quantitative data was presented through charts, graphs, frequency distribution tables, and percentages. On the other hand, qualitative data from interviews was objectively analyzed and presented thematically through verbatim quotations.

3.8 Reliability

Reliability, according to Heale & Twycross (2015), is the ability of the research instruments to offer similar inferences if it is employed on similar measurements repeatedly. This research adopted both purposive and simple random sampling techniques with questionnaires and interviews as the key data collection instruments. Essentially, the data collection instruments were able to generate similar deductions when applied to a similar sample several times. According to Tongco (2007), reliability of the study may be understood as the level in which the inferences made by the key informants of the study manifested a similarity on various counts. Further, bias from the respondents resulting from the informants giving false information voluntarily or involuntarily could affect the reliability of data deduced from the questionnaires and interviews. With the study being objective, it was crucial to adopt questionnaires and interviews guided by the objectives of the study that enhanced reliability. As such, the researcher formulated questions that provided the right information that was being sought.

3.9 Validity

According to Heale & Twycross (2015), validity can be defined as the magnitude to which the hypothesis of the study is accurately evaluated. Essentially, this means that the research instruments adopted for the study were used to measure the right concept. Validity for this study was ensured by consulting with my supervisors, who helped identify any gaps in the research instruments for improvement by the researcher. Also, professionals or experts from Masinde Muliro University during seminar presentations who were well versed with the research concepts helped ascertain the extent to which the research instruments like questionnaires and interview guides covered the concept in question. The form of validity employed through the use of professionals is content validity which also narrows down to face validity.

Further, adopting purposively selected experts that complement the purposive sampling technique was essential for this study. Essentially, this helped enhance the credibility of the data since purposive sampling is limited in data bias. According to Trochim & Donnelly (2001), adopting experts in purposive sampling involved selecting respondents with the knowledge and expertise within the specific study area that enhanced the quality of the inferences drawn from the interviews. Further, generating inferences from a representative sample of the population ensured the study's external validity (Tongco, 2007). Also, conducting the research correctly ensured the study's internal validity since the credibility of the deductions drawn from the sampling instruments was improved. Therefore, to enhance the credibility of the data collection instruments and the data received from the respondents, it was good to have measurements done repeatedly.

3.10 Limitations to the study

Every research certainly has its own limitations, and thus a researcher has to work around those limitations to ensure that the research objectives are clearly addressed. The first limitation of this study was the proximity of Kenya to South Africa. The two countries are far apart in terms of coordinates with one being at the furthest south of the continent and the other at the eastern side. This was a big challenge to the researcher since the feasibility of reaching respondents from South Africa is close to infinite since it would be time-consuming. To address this challenge, the researcher adopted a representative of the South African population and state and thus the study was carried out at the South African High Commission to Kenya here in Nairobi and also South African investors in Kenya. The second limitation was the size of the target population, which exceeds 47 million people. Therefore, the research was centered in Nairobi County, which holds the crucial target informants and respondents from various ministries, agencies, and businesses and also adopts the proposed method of narrowing down to a sample size of 384. This sample size further narrowed down to 318 (300 respondents from key business involved in import and export of goods and services, value addition, manufacturing and processing sectors and 18 respondents from key knowledgeable informants). Also, the South African High Commission to Kenya is based in Nairobi.

Lastly, the research targeted various high-profile diplomats, representatives, and state officials who were a limitation to study due to their tight schedules and also the unwillingness to offer information due to confidentiality and security reasons. As such, an assurance of utmost confidentiality was offered to these key informants in order for them to remain on course to the objective of the study and to also have them trust the researcher with key data. Notwithstanding this, the researcher experienced challenges drawing meaningful data from some of these key informants and thus affecting the number interviewed. Additionally, prior arrangements were made to have the researcher booked into the busy schedules of the key informants for at least 30 minutes. Due to this, the study was delayed beyond the proposed timeline of three months.

3.11 Ethical Considerations

In every research, the need to protect the human subjects taking part as respondents or interviewees is paramount (Rani & Sharma, 2012). Generally, this defines the level of professionalism of a researcher.

In accordance with the guidelines for conducting scientific research, the researcher was aware of the rights and wrongs before, during, and after the execution of the study (Rani & Sharma, 2012). With this in mind, the researcher first sought approval from the relevant research authorities before proceeding with data collection. Firstly, the researcher secured an approval from the Masinde Muliro University of Science and Technology (MMUST) Directorate of Post-graduate Studies which was used to acquire a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). Further, permission to engage any official and collect data from the South Africa High Commission was sought from the office of the Ambassador. Equally, permission was sought from Kenya's Ministry of Foreign Affairs in order to conduct interviews with its officials.

The respondents taking part in the research were treated with utmost confidentiality. Respondents were allowed to participate in research willingly and were not forced to do so. This involved taking into consideration the rights of the respondents before, during and after the conclusion of the study. In addition, the respondent's consent to participate in the study was essential and an assurance that their personal information was not to be disclosed at any cost. Further, the respondents were assured that their views were to be treated with confidentiality and were only to be used for the study. Lastly, any secondary data borrowed for the research was to be cited for reference by the original owner of the material.

3.12 Chapter Summary

This chapter has discussed in detail the methodological approach adopted by the researcher. This has been highlighted through the research design. Further, the chapter discusses the area of study, population of study and also narrows down to establish the sample size used for the study. Sampling techniques used for the study have also been addressed in this chapter with a focus on the primary and secondary instruments employed for data collection. To ensure that data collected was accurate and significant, the chapter has explained how validity and reliability were measured. Data analysis and presentation is also discussed in this chapter. Lastly, the chapter addressed the limitations to the study and how these were addressed as well as the ethical considerations of the study.

Having discussed the research methodology employed in the study, the subsequent chapters that constituted the study are presented according to the three specific objectives, beginning with the specific objective one which forms the basis of chapter four.

CHAPTER FOUR

REGIONAL STRATEGIC FACTORS TOWARDS BILATERAL TRADE RELATIONS BETWEEN KENYA AND SOUTH AFRICA

4.0 Introduction

The chapter entails the background discussions of the respondents and the discussions relating to the first objective of the study which entails; the key regional strategic factors and the extent to which they influence Kenya's competitive advantage on international trade, the level to which the determinants of the regional strategic factors affect bilateral trade, assessing whether Kenya's economic dominance in the EAC and COMESA regions depends on the key regional strategic factors and finally to determine whether Kenya is addressing the key regional strategic factors influencing bilateral trade.

4.1 Respondents and Response rate

The targeted sample size as derived by the research design was 384 participants. The composition of the participants was as underscored by the two major groups of respondents; one, the key business personnel. The data collected in this group was collected through questionnaire administration to 350 respondents, out of which 300 respondents returned their duly filled questionnaires. This represents a 78% response rate of the targeted sample size which is acceptable as per the recommendations by Mugenda & Mugenda (1999) who asserts that a response rate of 50% is sufficient for analysis and reporting; a response rate of 60% is good, and a response rate of 70% or more is outstanding. The second group of respondents encompassed key stakeholders from various organizations, who formed the 34 key informants to the study and the data was collected through key informants' interview schedules. Out of the 34 key informants, 18 respondents were interviewed. By going with the assertions of Acharya *et al*. (2013) that the number of key informants should not be less than 15 and exceed 35, and so, the interviewed number of 18 respondents is acceptable for the study. Therefore, the filled and returned questionnaires and interview schedules conducted added up to 318 respondents that translated to response rate of 82.8125% from the target sample size. Therein, the study recorded a response rate of 82.8125% which the researcher inferred to be acceptable and therefore enough for data analysis and interpretation. The response rate recorded by the researcher was attributed by the unwillingness of respondents to respond to the questions and incomplete responses.

4.2 Organization/Business and job descriptions of the respondents

The researcher sought to know the nature of organization/business and the job descriptions of the respondents with the aim of assessing whether the information they could provide was significant to the area of study under consideration. From Figure 4.1, it is evident that 94.6% (315) of the respondents were from the business/private sector, 2.4% (8) from the government, 2.1% (7) from intergovernmental organizations and 0.9% (3) from the non-governmental organizations and civil society groups. Respondents who worked in government (8) were policymakers, technocrats and administration/support whereas those from intergovernmental organizations and nongovernmental organization/civil society (7 & 3 respectively) were technocrats and policy makers. Further, all the informants who were business personnel (315) worked in the private sector/business. According to Trochim and Donnelly (2001), respondents who are experts enhance data reliability by selecting a sample population within a specific area of expertise. As such, this study adopted purposively selected experts for various key informants within government agencies and representations since data generated from knowledgeable personnel is significant for this study.

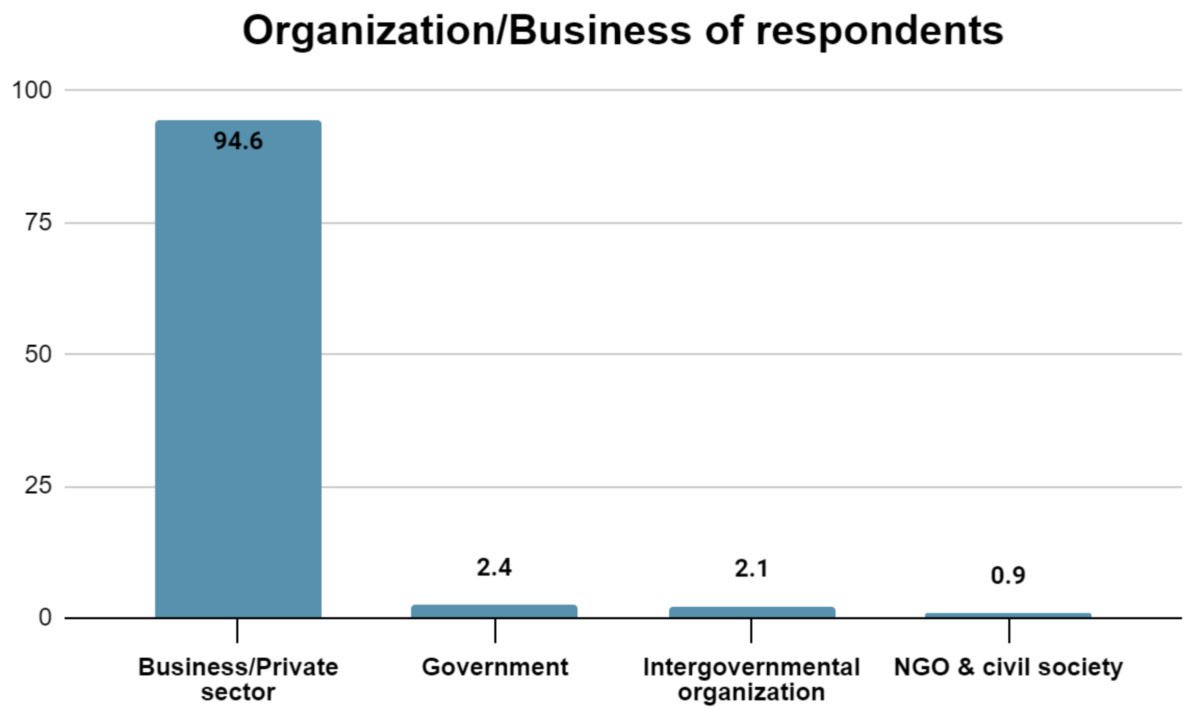

Figure 4.1: Nature of organization/business of the respondents

n=318 (key business personnel and key informants)

(Source: Field data, 2023)

Figure 4.1 therefore asserts that the respondents who supported this study provided sufficient information to enable the researcher to carry out the study under consideration as the respondents belonged to sectors that were more significant to the concept of the study as evidenced by their nature.

4.3 Duration of work experience of the respondents

From Table 4.1, 9.0% (29) of the respondents had worked at their current organization/business for less than 6 months, 21.0% (67) between 6 months - 2 years, 7.0%

(22) between 2 years – 5 years, 25.0% (80) between 5 years – 10 years and 38.0% (120) over 10 years.

Table 4.1: Period worked in the respondents' current organization/business

Duration	***Frequency***	***% response***
Less than 6 months	29	9.0%
6 months – 2 years	67	21.0%
2 years -5 years	22	7.0%
5 years -10 years	80	25.0%
Over 10 years	120	38%

n=318 (key business personnel and key informants)
(Source: Field data, 2023)

The researcher sought to know the duration of the work experience of the respondents at their current organization/business to determine how conversant they are with the activities of their organizations/businesses and its operational environment such as the regional strategic factors, its determinants and the level to which it influences the bilateral trade, economic diplomacy and its influence on bilateral trade between Kenya and South Africa and the opportunities and challenges within economic diplomacy between Kenya and South Africa. This was an advantage since the more experience the respondent had the more exposed they were regarding the concept under study. This is further supported by

Lamar (2021) who asserted that respondents' experience influences the quality of their responses on the concept under consideration. The majority of the respondents had worked for over five years in their work place implying they had been exposed long enough to be more knowledgeable with the concept of study. This is sufficient evidence to show that the responses provided by the respondents in this study are of the best quality.

4.4 Socio-demographic characteristics of respondents

4.4.1 Level of education

Table 4.2: Level of education of the respondents

Response	***Degree***	***Diploma***	***Other (Masters)***
Frequency	228	66	6
Percentage Response	76.0%	22.0%	2.0%

n=300 (key business personnel)
(Source: Field data, 2023)

The researcher sought to know the level of education of the key business personnel respondents considered for the study so as to examine their level of exposure to the knowledge regarding the concept under study. From Table 4.2, the majority of the respondents 76% (228) had university degrees, 22% (66) of the respondents had the diploma level of education while 2% (6) had masters degree. This implies that the respondents were knowledgeable enough to understand the concept of the study and able to respond to the study questions. Rajan and James (2004), postulates that the reliability and accuracy of the responses is higher in cases where the respondents were educated rather than where they are illiterate as those educated are intellects and are conversant with the concepts under the study.

4.4.2 Age of the respondents

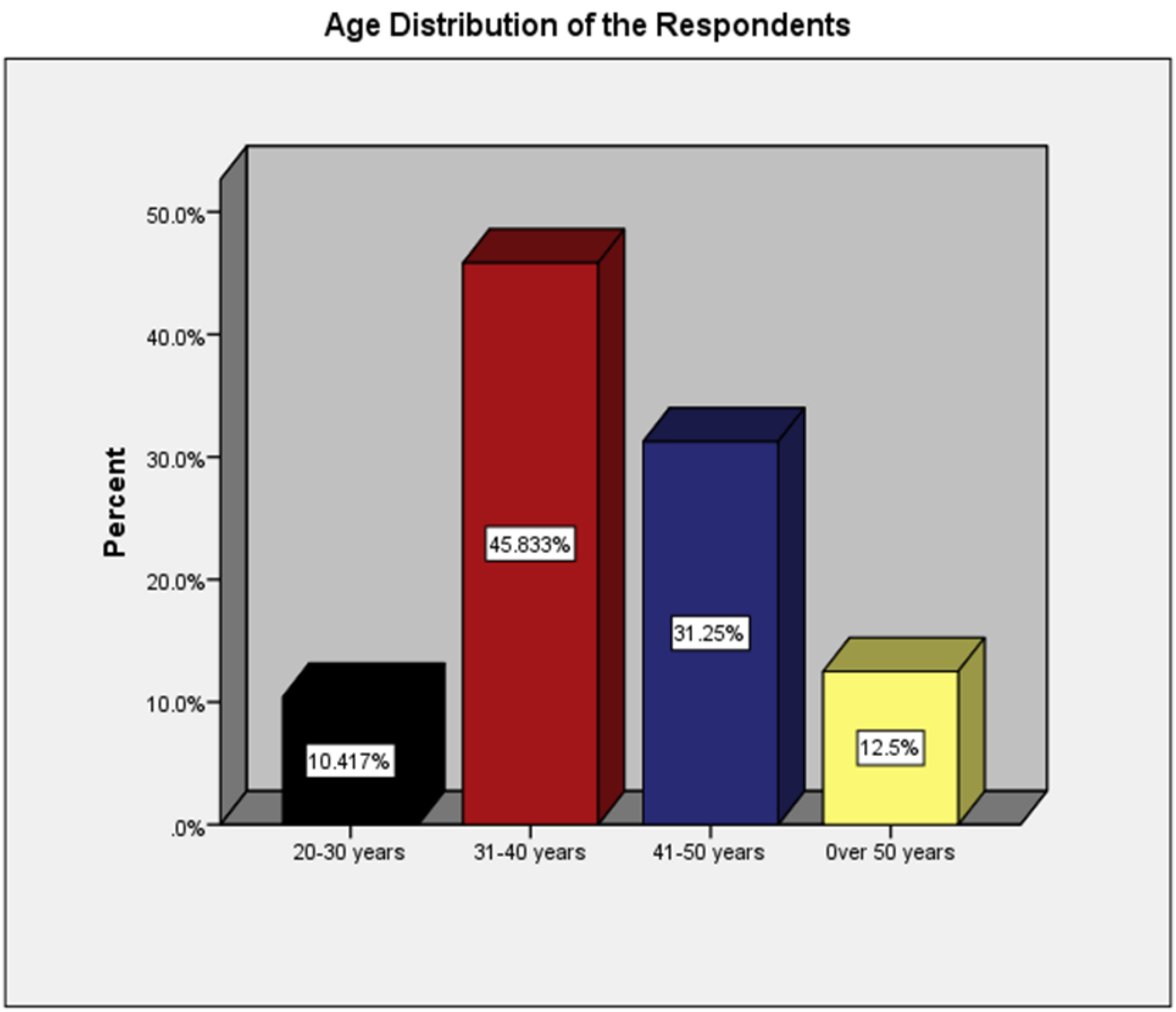

Figure 4.2: Age distribution of the respondents

n=300 (key business personnel)

(Source: Field data, 2023)

The researcher sought to examine the age of the key business personnel informants and the responses as per Figure 4.2 were as follows; 11.0% (33) of the informants were aged between 20-30 years, 39% (117) of the informants were between 31-40 years, 36.0% (108) were aged between 41-50 years and 14.0% (42) of the informants were above 50 years. The majority of the respondents were older than 30 implying that they were mature and knowledgeable enough to understand the concept under study. Knauper (1999) postulates that the reliability of the responses by the study respondents is dependent on their age. The available information concurs with the results and therefore confirms that the majority of respondents adopted for this study provided reliable information as they were above 30 years of age. Figure 4.2 depicts the results on age distribution.

4.4.3 Gender distribution of the respondents

Figure 4.3 indicates that 51.0% (153) of the respondents were female while 49.0% (147) was from the male respondents. The ratio of male to female respondents is almost equal 51:49, that is, almost half each implying that there was no gender bias in the study as both male and female were greatly represented in data collection as evidenced on Figure 4.3. This is supported by the ideas of the Victorian government (2021) which articulates that gender equality is essential in policy formulation which enhances economic diplomacy and to be precise it also influences economic growth and development of a given state.

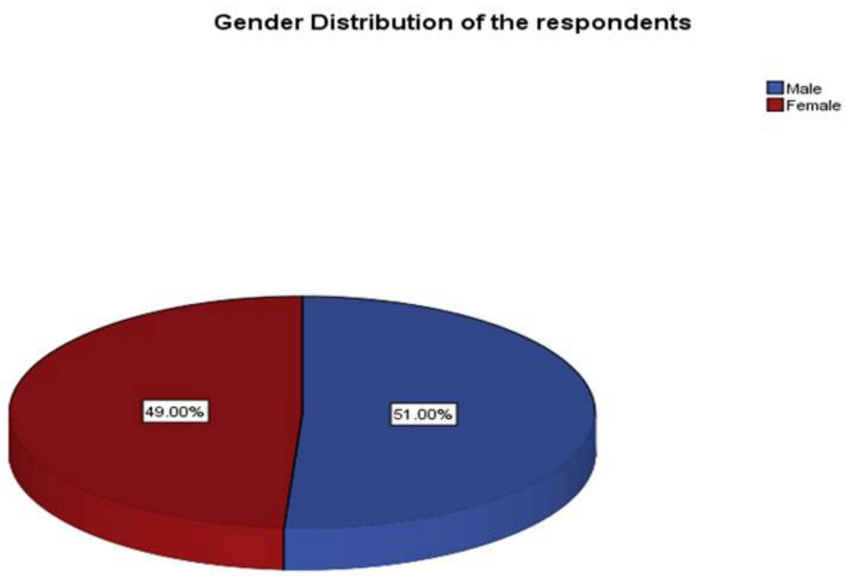

Figure 4.3: Gender distribution

n=300 (key business personnel)

(Source: Field data, 2023)

4.5 Nature of bilateral trade between Kenya and South Africa

4.5.1 Key Regional Strategic factors influencing bilateral trade

The researcher sought to know the key regional strategic factors influencing bilateral trade between Kenya and South Africa. From Table 4.3, 62.5% (188) of the respondents affirmed that comparative advantage (High skills in labour force, technological adoption capacity, more infrastructural investment, availability of cheap labour, geographical location and reduced tariffs) is the key regional strategic factor influencing bilateral trade between Kenya and South Africa while 20.8% (62) and 16.7% (50) affirmed that level of investment (resource investment and efficiency investment) and domestic consumption rate (production capacity, demand capacity and market supply capacity) respectively, were the key regional strategic factors influencing bilateral trade between Kenya and South Africa.

Table 4.3: Response on key regional strategic factors influencing bilateral Trade between Kenya and South Africa

Response	*Comparative Advantage*	*Level of investment*	*Domestic consumption rate*
Frequency	188	62	50
Percentage Response	62.5%	20.8%	16.7%

n=300 (key business personnel)
(Source: Field data, 2023)

The results from the responses support the theoretical foundation for the study with standard theory of international trade and Keynesian theory of international trade forming the theoretical basis for the key regional strategic factors influencing bilateral trade. According to the standard theory of international trade, emphasis should be laid on leveraging a country's comparative advantage so as to increase its competitive advantage on international trade (Shepherd, 2013). Keynesian international trade, on the other hand, provides that a country's competitive advantage on international trade is influenced by levels of investment and domestic consumption rate (Abbas Ali *et al.*, 2014).

Nyamwange (2009) said that availability of foreign direct investment in a country from foreign investors determines the level of economic growth and economic development of a given country. According to Daniel (2014), investors tend to enhance innovation from the host companies in terms of technological advancements in order to withstand competition from foreign companies thus increasing production capacities which bring about surplus produce to promote trade between Kenya and South Africa. The available literature review also affirms that domestic consumption rate and trade go hand in hand as a high rate of domestic consumption rate creates a deficit in goods and services to be traded while a low domestic consumption rate creates surplus goods and services for bilateral trade between Kenya and South Africa, (Mwito *et al*. 2015). Therefore, the results based on the questionnaire concur with the available review that comparative advantage, level of investment and domestic consumption rate are key factors of regional strategic factors influencing bilateral trade between Kenya and South Africa with comparative advantage being the leading key regional strategic factor. According to the standard theory of international trade, emphasis on leveraging a country's comparative advantage so as to increase its competitive advantage on international trade should be a country's crucial tool for trade. This is further postulated in the interview schedules, for instance;

> Level of skills of the labour force, availability of cheap labour and the rate of adoption of technology determines the level of productivity of a given country implying that if their levels are high then the production capacity increases. Secondly, the levels of investment on infrastructure, technology acquisition and how efficiently they are utilized determines production levels. Therefore, we can literally say that comparative advantage and levels of investment cater for the increased consumption rate of the high population of Kenya and makes it also possible to have surplus for

> exportation. (Interview with a representative from Parliament (Committee on Trade, Industrialization and Tourism) on 14th March 2023 at 2pm in Nairobi, CBD.)

The researcher agrees with the sentiments of the respondent from parliament. This is because a country can only meet its domestic absorption rate by attracting investment on infrastructure, technological adoption, leveraging on the available cheap labour and ensuring a skilled labour workforce to enhance the production levels. Further, the results based on questionnaire and interview schedule both identify comparative advantage, level of investment and domestic consumption rate as the key regional strategic factors which agree with the available literature review. Therefore, the researcher concluded that Comparative advantage, level of investment and domestic consumption rate are the key regional strategic factors influencing bilateral trade between Kenya and South Africa.

4.5.2 Rate of influence of the key regional strategic factors on Kenya's competitive advantage on international trade

The researcher analyzed the influence of the key regional strategic factors; domestic consumption rate, comparative advantage and level of investment on Kenya's competitive advantage on international trade.

Table 4.4: Influence of the key regional strategic factors on Kenya's competitive advantage on international trade

Response	***High***	***Average***	***Low***
Comparative Advantage	112 (37.5%)	122 (40.6%)	66 (21.9%)
Level of investment	144 (47.9%)	141 (46.9%)	15 (5.2%)
Domestic Consumption Rate	175 (58.3%)	103 (34.4%)	22 (7.3%)

n=300 (key business personnel)
(Source: Field data, 2023)

According to the responses on Table 4.4, 37.5% (112) of the respondents affirmed that comparative advantage had a high influence on Kenya's competitive advantage on international trade while 40.6% (122) and 21.9% (66) of the respondents showed that comparative advantage had average and low influence on Kenya's competitive advantage on international trade respectively. Level of investment as a key regional strategic factor was said to have a high influence of 47.9% (144) on Kenya's competitive advantage on international trade. 46.9% (141) and 5.2% (15) of the respondents asserted that the level of investment had an average and a low influence respectively on Kenya's competitive advantage on international trade. Based on the responses 58.3% (175) of the respondents showed that domestic consumption rate had a high influence on Kenya's competitive advantage on international trade. 34.4% (103) and 7.3% (22) of the respondents agreed that domestic consumption rate had average and low influence respectively on Kenya's competitive advantage on international trade.

Nuraini (2019) postulates that for one to have a glimpse of the bilateral trade relations between two trading partners under a regional or international framework, it is good to analyze the consumption rate, comparative advantage and the level of investment for each country which are the strategic determinants of foreign trade.

From an Interview with a representative from Parliament (Committee on Trade, Industrialization and Tourism);

> Kenya is a less developed country whose labour force is not highly skilled and also it has low levels of technological advancement which leads to low production output. The government incurs fund deficits which makes it resort to borrowing from China and other international financial institutions such as International Monetary Fund to offset the deficit which makes it difficult to further invest on infrastructural development whose aim is to increase accessibility to raw materials and to the industries for the purpose of increasing production capacity. Since Kenya is a less developed country the absorption of new technology takes time thus this reduces the rate of growth in terms of production capacity which could be imported. Lastly, due to low production capacity as a result of low skills in labour force, low technological advancement, poor infrastructure and low levels of FDI. The large Kenyan population also consumes most of the produce leaving less output for export. (Interview with a representative from Parliament (Committee on Trade, Industrialization and Tourism) on 14th March 2023 at 2pm in Nairobi, CBD.)

The researcher agrees with the parliament respondent that Kenya is a developing country and thus adoption of new technology to meet production capacity takes more time compared to the developed countries and fast developing countries like South Africa. In a research by Gupta (2015) it was evidenced that a country that enjoys superiority in technology in the global market arena will have a higher bargaining power regardless of other countries enjoying lower productivity costs. This, on the other hand, differs from the questionnaire results and interview results which showed that technology levels had average and low influence on Kenya's competitive advantage on international trade. This implies that the effect of comparative advantage on Kenya's competitive advantage is still low since the state is less developed and its labour force has low levels of skills, the technological adoption rate is low and also infrastructural investments are low due to financial deficits leading to low production output which results to low output for exportation hence reducing trading activities between trading partners.

Domestic consumption rate is always high in developing countries due to increasing population thus there is always less amount of goods and services to trade in. From the results based on questionnaire, consumption rate had a high influence of 58.3% on competitive advantage on international trade implying that when the domestic consumption rate is high the trade is in deficit and when the domestic consumption rate is low then the trade is in surplus. On the other hand, the interview schedule showed that due to the high population growth rate most of the output of production is consumed locally leaving less output for exportation thus it has a low influence on Kenya's competitive advantage on international trade. The interview results differ with the available review on the fact that domestic consumption rate had high influence on competitive advantage, but the research showed that domestic consumption rate had a low influence on competitive advantage while the questionnaire results concur with the literature review on the fact that domestic consumption rate had a high influence on Kenya's competitive advantage.

The level of investment had a high influence of 47.9% on Kenya's competitive advantage which disagrees with the interview schedule results which showed that the levels of investment had low influence on Kenya's competitive advantage due to the low levels of investment in technology advancement and infrastructure by the Kenyan government as it experiences financial constraints. Daniel (2014) also asserts that high levels of investment through improved technology increases production capacity of a country thus increasing its competitive advantage in international trade. Therefore, in conclusion the questionnaire results agree with the available literature review on the fact that the level of investment has influence on Kenya's competitive advantage on international trade while the results from interview schedules differ and evidence that level of investment has low influence on Kenya's competitive advantage on international trade.

Based on the results, the researcher can affirm that although Kenya has shown improvement in international trade, it has to put in more efforts so as to improve on the key regional strategic factors with the aim of maximizing the output of the advantages that result when the key regional strategic factors are utilized to the maximum. This is in addition to leveraging on the competitive advantage brought about by proximity of states in trade as shown by the study by Mbula (2012). Mbula, (2012) advances the need for intra-African trade between countries within a similar geographical region however, the results of this study addresses the gap on intra-African trade among countries operating in different geographical locations and with differing GDP yet operating under the frameworks of the Regional Economic Communities (RECs).

4.5.3 Determinants of regional strategic factors and their influence on bilateral trade in Kenya

The key regional strategic factors each has its determinants; Comparative advantage (skills in labour force, technological adoption capacity, infrastructural investment, availability of cheap labour, geographic allocation-reduced tariffs), level of investment (resource investment and efficiency investment) and consumption rate (production capacity, demand capacity, market supply capacity). The researcher therefore, sought to determine the level to which these determinants influence bilateral trade, and the responses are as depicted in Table 4.5.

Table 4.5: Level of influence of the determinants of key regional strategic factors on bilateral trade

Response	***High***	***Average***	***Low***
Skills in labour force	110 (36.5%)	153 (51.0%)	37 (12.5%)
Technological adoption capacity	31 (10.4%)	153 (51.0%)	116 (38.6%)
Infrastructural investment capacity	59 (19.8%)	185 (61.5%)	56 (18.7%)
Availability of cheap labour	141 (46.9%)	119 (39.6%)	40 (13.5%)
Production capacity	141 (46.9%)	128 (42.7%)	31 (10.4%)

Demand capacity	131 (43.8%)	137 (45.8%)	32 (10.4%)
Demand supply capacity	94 (31.3%)	159 (53.1%)	47 (15.6%)
Trade Tariffs	181 (60.4%)	119 (39.6%)	0 (0%)
Trade regulations	188 (62.5%)	112 (37.5%)	0 (0%)
Peace and Stability	172 (57.3%)	128 (42.7%)	0 (0%)

n=300 (key business personnel)

(Source: Field data, 2023)

According to the results, the respondents on Table 4.5, showed that skills in labour force had 36.5% (110) high, 51.0% (153) average and 12.5% (37) low influence on the bilateral trade in Kenya, technological adoption had 10.4% (31) high, 51.0% (153) average and 38.6% (116) low influence on bilateral trade, infrastructure investment capacity had 19.8% (59) high, 61.5% (185) average and 18.7% (56) low influence on bilateral trade in Kenya, availability of cheap labour had 46.9% (141) high, 39.6% (119) average and 13.5% (40) low influence on bilateral trade in Kenya, production capacity had 46.9% (141) high, 42.7% (128) average and 10.4% (31) low impact on bilateral trade in Kenya, demand capacity had 43.8% (131) high, 45.8% (137) average and 10.4% (32) low effect on bilateral trade, demand supply capacity had 31.3% (94) high, 53.1% (159) average and 15.6% (47) low influence on bilateral trade, trade tariffs had 60.4% (181) high and 39.6% (119) average effect on bilateral trade, trade regulations had 62.5% (188) high and 37.5% (112)

average influence on trade and finally peace and stability had 57.3% (172) high and 42.7% (128) average influence on bilateral trade in Kenya as shown by the respondents.

A representative from the Kenya Export Promotion and Branding Agency said;

> The labour force in Kenya is not highly skilled especially in technical skills which are needed in manufacturing so as to add value to the final products for exportation which are more preferred to exportation of primary products. The available skills in the labour force as per now majorly have an average influence on bilateral trade as the value of the final product is not so high". The respondent further said "the government encourages foreign direct investment which brings along innovations that leads to increased production capacity thus creating surplus goods and services for bilateral trade. Kenya also being part of the regional trading blocs automatically enjoys the benefits such as market creation and automated foreign direct investment thus increasing the production capacity of a member state enabling it to thrive in international trade with South Africa.
>
> Availability of cheap labour locally and increased infrastructural investment capacity by the Kenyan government has also led to increase in trade activities between Kenya and South Africa. On the other hand, Kenya is involved majorly in exportation of agricultural goods specifically in the horticultural sector and also the services area, that is, the tourism sector. Increase in demand of horticultural products leads to increased exportation thus increase in bilateral trade between the trading states. In addition, tariff reduction, trade regulation and availability of peace initiatives also have a significant influence on bilateral trade between Kenya and South Africa. (Interview with a representative from the Kenya Export Promotion and Branding Agency on 18th April 2023 at 1.30pm in Nairobi, CBD.)

The researcher agrees with the Kenya Export Promotion and Branding Agency respondent that Kenya enjoys cheap labour from its population and the government is increasing investment on infrastructure and thus a positive effect to bilateral trade with South Africa. Also, the respondent claims that the Kenyan labourforce is not highly skilled and thus affecting the final product and value addition for commodities. According to Gupta (2015) and Grater (2014), high technological advancement, availability of raw materials and the right skilled manpower enhances the comparative advantage as it increases the production capacity of that country thus improving international trade. Availability of human skills is also crucial under the resource endowment factor, that is, in sectors like mining, automotive among others within the production stages of products which require highly skilled manpower. A right skilled labourforce enhances a country's comparative advantage in international trade with other states. Moyi and Kimuyu, (1999) affirms that demand for commodities opens and expands the market for local industries in the foreign market. In addition, provision of education, infrastructure establishment, export promotion through subsidies and import regulation spearhead local production and in turn it enhances the country's bargaining power in the foreign market, Moyi and Kimuyu, (1999).

According to Mariadoss (2017), the agreement between two states serves as a pivot in bilateral negotiations with the members working towards removal and reduction of trade barriers and tariffs. This implies that reduction in trade tariffs and trade regulation between two trading states will lead to increased bilateral trade between Kenya and South Africa. Based on the results, availability of cheap labour, production capacity, trade tariffs, trade regulations and peace and stability had a high influence on bilateral trade in Kenya. This according to the review implies that availability of cheap labour reduces the production cost resulting in increased output of products for exportation whereas peace and stability creates a mutual relationship between trading partners thus increasing the market size for trading. Lastly, reduction in tariffs and trade regulations reduces the cost of exporting thus leading to more exportation in Kenya. The response by the study respondents further showed that skills in labourforce, technological adoption capacity, infrastructural investment capacity, demand capacity and demand supply capacity had an average influence on bilateral trade in Kenya. This compared to available reviews can be justified with the fact that the Kenyan labourforce is not highly skilled especially in the technical fields required for manufacturing and that is why the government developed TVETs to improve on technical skills. Since Kenya is a developing country, technological adoption capacity is low and the rate of investment on infrastructures by the Kenyan government is low due to inadequacy of funds and as a result it tends to have an average influence on production and thus an average influence on bilateral trade in the country.

Finally, Kenya as a country has a high population leading to a high consumption rate. In this case most of the goods and services produced are consumed locally leading to a deficit in goods and services for exportation. Therefore, the demand capacity may be high, but the ratio of production and supply capacity of a country (demand supply capacity) may be unequal leading to an average influence on bilateral trade of a given country. Therefore, the results and available reviews assert that the determinants of the key regional strategic factors have a significant influence on bilateral trade in Kenya. Further, the researcher concluded that the determinants of the key regional strategic factors have a significant influence on bilateral trade in Kenya although levels of technology are still low, low skilled manpower and there exist financial constraints which limit provision of incentives, development of infrastructure and improved skills acquisition through further investments in TVETs.

4.5.4 Dependence of Kenya's Economic Dominance in the EAC and COMESA regions on key regional strategic factors

Table 4.6: Response on the dependence of Kenya's Economic Dominance in the EAC and COMESA regions on key regional strategic factors

Response	***Strongly Disagree***	**Disagree**	**Not sure**	**Agree**	**Strongly agree**
Frequency	16	50	13	166	55
Percentage Response	5.2%	16.6%	4.2%	55.2%	18.8%

n=300 (key business personnel)
(Source: Field data, 2023)

Table 4.6 provides sufficient evidence to show that 55.2% (166) and 18.8% (55) of the respondents agree and strongly agree respectively that Kenya's economic dominance in the EAC and COMESA is dependent on key regional strategic factors. 4.2% (13) of the respondents were not sure while 16.6% (50) and 5.2% (16) of the respondents disagreed and strongly disagreed that Kenya's economic dominance in the EAC and COMESA is dependent on the key regional strategic factors.

A representative from Parliament (Committee on Trade, Industrialization and Tourism) stated;

> For Kenya to flourish in trade with its trading partners in EAC and COMESA it has to leverage on the key regional strategic factors, that is, comparative advantage (higher skills in labour force, technological adoption capacity, more infrastructural development, availability of cheap labour and geographical location-reduced tariffs), level of investment (resource investment and efficiency investment) and domestic consumption rate (production capacity, demand capacity and market supply capacity).The Kenyan government has significantly invested in TVETs so as to improve the technical skills of its labour force which are essential in manufacturing. It also encourages foreign direct investments which bring along innovations that are significant in increasing production thus resulting in higher production capacity sufficient for local consumption and for the country to trade in with its trading partners. Despite having financial constraints, the Kenyan government has heavily invested in infrastructural development with the aim of improving accessibility to raw materials and to the industry for ease of production. The main sector of trade in Kenya is the horticultural sector. Therefore, if the determinants of the key regional strategic factors, that is, comparative advantage and level of investment are favourable then they lead to high production capacity, which meets the high demand capacity which gets to meet the market supply capacity at the international trade between thus boosting Kenya's economic dominance in EAC and COMESA. (Interview with a representative from Parliament (Committee on Trade, Industrialization and Tourism) on 14th March 2023 at 2pm in Nairobi, CBD.)

The researcher agrees with the parliament respondent that Kenya's economic dominance in the EAC and COMESA region is influenced by her ability to leverage on the key regional strategic factors. This is evident through the higher levels of investment, higher skilled labourforce, availability of cheap labour, higher technological adoption and infrastructural investment compared to the member states. According to Madyo (2008), Africa enjoys less than a third of trade across the globe due to poor development, poor infrastructural capacity and poverty burden and thus the need to enhance intra-African trade. Nuraini (2019) also postulates that for one to understand trade relations between trading states then one should analyze the key regional strategic factors; consumption rate, comparative advantage and the level of investment for each country which are the strategic determinants of foreign trade as it improves a country's competitive advantage on international trade.

As such, Kenya's economic dominance in the EAC and COMESA regions depends on key regional strategic factors as shown by a response rate of 74% (55.2% where respondents agree and 18.8% where respondents strongly agree). The questionnaire results and interview schedule results agree on the fact that for Kenya to economically dominate the EAC and COMESA then it has to leverage/completely utilize the key regional strategic factor to boost its output for local consumption and still have surplus goods and services for exportation within the trading region. This is also in line with the standard theory of international trade which emphasizes on leveraging a country's comparative advantage to increase its competitive advantage on international trade and the Keynesian theory of international trade which stipulates that a country's competitive advantage on international trade is influenced by levels of investment and domestic consumption rate. According to the results, utilization of the key regional strategic factors is what enables the state to create surplus goods to participate in trade with other states since it boosts Kenya's competitive advantage in the international markets. Therefore, for Kenya to prevail in the international market with EAC and COMESA member states then it should utilize the key regional strategic factors.

4.5.5 Addressing the key regional strategic factors

From Table 4.7, it was observed that 72.9% (219) of the respondents affirmed that Kenya is actively engaged in addressing the key regional strategic factors influencing bilateral trade while 27.1% (81) declined that Kenya was not actively engaged in addressing the key regional strategic factors influencing bilateral trade.

Table 4.7: Addressing the key regional strategic factors influencing bilateral trade

Respondents	***Yes***	***No***
Frequency	**219**	**81**
Percentage response	**72.9%**	**27.1%**

n=300 (key business personnel)

(Source: Field data, 2023)

A representative from Parliament (Committee on Trade, Industrialization and Tourism) claimed that;

> In order to address the key regional strategic factors, that is, comparative advantage (higher skills in labour force, technological adoption capacity, more infrastructural development, availability of cheap labour and geographical location-reduced tariffs), level of investment (resource investment and efficiency investment) and domestic consumption rate (production capacity, demand capacity and market supply capacity) the Kenyan government has taken various measures which include; Due to the low levels of skills of its labour force, the Kenyan government has heavily invested in TVETs so as to improve on Technical skills required in manufacturing. The Kenyan government has also

> encouraged foreign direct investments which bring along innovations necessary for production of final goods and services. In addition, despite deficits in finances, the Kenyan government has also heavily invested in infrastructural development which improves accessibility to the raw materials and to the industries. These efforts by the government in turn result in high productivity, thus high production capacity enough for consumption by the large local population and still have surplus for bilateral trade with South Africa. (Interview with a representative from Parliament (Committee on Trade, Industrialization and Tourism) on 14th March 2023 at 2pm in Nairobi, CBD.)

Kenya has a problem of lack of well-equipped manpower, corruption, poor infrastructure, less

Investment in science and research and also a poor business environment which has deviated the focus on production from extensive manufacturing of commodities to the adoption of primary production (Githaiga, 2021). Kenya encourages foreign direct investment to improve on innovation with the aim of increasing the production capacity to be able to satisfy the consumption needs of its growing population and create trade surplus, Gupta (2015). This is agreeable with the parliament representative assertion that the Kenyan government has put in measures to attract more FDI. Also, being a key sector in the attainment of the Kenya Vision 2030, the government has to put into place strategies that enhance FDI into the sector so as to improve on essential trading infrastructures like transportation and put into place policies that are favourable for the industries to thrive both locally and internationally (through reduction in tariffs so as to open up and expand international trade). In order to promote technical skill the Kenyan government is revamping Technical and Vocational Education Training (TVET) institutions. The results from the questionnaire and interview schedule both show that the Kenyan government engages in addressing the key regional strategic factors influencing bilateral trade.

Finally, the available literature review concurs with both the questionnaire and interview schedule results thus concluding that the Kenyan government had engaged in addressing the key regional strategic factors influencing bilateral trade. Although Kenya incurs challenges in addressing the key regional strategic factors such as financial constraints, slow adoption of innovations there has been a significant improvement in its performance on international trade as compared to the 20th century.

4.6 Chapter Summary

Comparative advantage, level of investment and domestic consumption rate were found to be the key regional strategic factors influencing bilateral trade between Kenya and South Africa. Kenya being a less developed country, the influence of the key regional strategic factors on Kenya's competitive advantage over South Africa was found to be low. The determinants of the key regional strategic factors, 1) comparative advantage; High skills in labour force, technological adoption capacity, more infrastructural investment, availability of cheap labour, geographical location and reduced tariffs, 2) level of investment; resource investment and efficiency investment and 3) domestic consumption rate; production capacity and demand capacity and market supply capacity, tend to influence bilateral trade differently. This is in line with the guiding theories of this study whereby the standard theory of international trade emphasized leveraging a country's comparative advantage to increase its competitive advantage on international trade whereas, the Keynesian theory of international trade provided that a country's competitive advantage on international trade was to be influenced by levels of investment and domestic consumption rate.

Availability of cheap labour reduces the production cost resulting in increased output of products for exportation whereas peace and stability creates a mutual relationship between trading partners thus increasing the market size for trading. In addition, reduction in tariffs and trade regulations reduces the cost of exporting thus leading to more exportation in Kenya. Kenya being a developing country, its labourforce is not highly skilled especially in the technical fields required for manufacturing and that is why the government developed TVETs to improve on technical skills. Kenya's technological adoption capacity is low and the rate of investment on infrastructures by the government is low due to inadequacy of funds and as a result it tends to have an average influence on production and thus an average influence on bilateral trade in the country. Furthermore, Kenya as a country has a high population leading to a high consumption rate where most of the goods and services produced are consumed locally leading to a deficit in goods and services for exportation. Therefore, the demand capacity may be high but the ratio of production and supply capacity of a country (demand supply capacity) may be unequal leading to an average influence on bilateral trade of a given country.

Further, Kenya's economic dominance in EAC and COMESA depends on the key regional strategic factors. A given state should leverage/completely exploit the key regional strategic factors. Kenya has invested in TVETs to keep improving the technical skills of its labour force necessary for manufacturing. The government has encouraged foreign direct investment to bring about innovations and develop infrastructures with the aim of increasing production capacity enough for consumption and for exportation so as to improve trade with South Africa.

The next chapter entails the findings of the second objective of the study which is to assess the effectiveness of existing economic diplomacy for trade between Kenya and South Africa.

CHAPTER FIVE

EFFECTIVENESS OF EXISTING ECONOMIC DIPLOMACY FOR TRADE BETWEEN KENYA AND SOUTH AFRICA

5.0 Introduction

The chapter discusses the second objective of the study which sought to assess the effectiveness of the current economic diplomacy on bilateral trade between Kenya and South Africa. This included; representation of Kenya in the regional trading blocs/free trade areas, memorandum of understanding (MOUs) between Kenya and South Africa, tariff restriction, trade regulation and trade restriction and their influence on goods and services in the international market and factors influencing economic diplomacy, foreign policy making and influence of diplomatic missions abroad.

5.1 Representation of Kenya in regional trading blocs/free trade areas

Table 5.1 Representation of Kenya in regional trading blocs/free trade area

Response	*Very effective*	*effective*	*ineffective*
Frequency	**72**	**172**	**56**
Percentage response	**24%**	**57.2%**	**18.8%**

n=300 (key business personnel)
(Source: Field data, 2023)

Table 5.1 shows that the respondents confirmed that the representation of Kenya in regional trading blocs/ free trade blocs was 24% very effective, 57.2% effective and 18.8% ineffective. This implies that 81.2% of the respondents showed that the representation of Kenya in regional trading blocs/free trade areas was significant. The responses on the representation of Kenya in regional trading blocs/free trade area as illustrated on Table 5.1 where majority of the respondents agree that it's very effective at 24% and effective at 57.2% also concur with interview schedules where a majority also agree.

Emmanuel (2014) says that the history of effectiveness in bilateral trade relations between Kenya and South Africa traces its root from the end of the apartheid era since before the end of apartheid era its significance could not be accounted for as there were no open diplomatic ties. Some state engagement in the apartheid era by the first two Kenyan presidents laid a foundation to a new South Africa Republic which led to elimination of race segregation and discrimination thus promoting a peaceful co-existence between the two states resulting in bilateral trade promotion. According to Mudida (2012), African states enjoy a good number of trading blocs both continental and globally whose main agenda is to promote multilateral, regional and bilateral trade between members.

In an interview with an EAC representative;

> Kenya has been an integral part of the EAC due to its representation and this has led to the country leveraging more on its competitiveness and thus yielding more in exports to the partner countries. This is also a trend with other trading blocs that Kenya is party to. (Interview with an EAC representative on 10th May 2023 at 1.30pm in Nairobi, CBD.)

From the EAC respondent’s assertions, Kenya is a member of various regional trading blocs like the EAC and COMESA which form an integral part of its bilateral trade in the region. Mudida (2012) postulates that the EAC and COMESA through their economic diplomatic means, offered support to member states by enlarging the goods and services consumer base as well as promoting the economies of scale. Kenya and South Africa, who are members of some of these regional trading blocs subscribe to the regional economic integration by participating in policy making and implementation of the various binding agreements under the schemes. Although Kenya and South Africa do not share membership in any specific regional trading blocs, they are party within various regional and international trading platforms like the African Union (AU), World Trade Organization (WTO), African Growth and Opportunity Act (AGOA) and the African Continental Free Trade Area (AfCFTA). Through the ratification of significant trade agreements, these actors continuously influence how intra-African trade is executed. Thus, the AU, WTO, AGOA amongst others directly influence the bilateral trade between Kenya and South Africa leading to growth and development, creation of employment and peaceful coexistence of constituents.

The literature review concurs with the questionnaire results and also shows that the two states belong to AU, World Trade Organization (WTO), African Growth and Opportunity Act (AGOA) and the African Continental Free Trade Area (AfCFTA) which have favourable trade agreements which continuously influence how intra-African trade is executed. In addition, the interview schedules align with the available literature that South Africa controls a considerable GDP in intra-African trade with significant exports in the manufacturing sector compared to Kenya. This disparity however cannot be attributed to underrepresentation of Kenya in the regional trading blocs as the respondents concur with the available literature that Kenya is well represented in the regional trading blocs. The researcher is also in agreement with these findings. Therefore, it's evident that Kenya is effectively represented in regional trading blocs/free trade areas. Kenya has been a member in the regional blocs over a long period of time where President Uhuru Kenyatta was once a chairperson of the EAC. This shows that the Kenyan presidency has been part of the regional policy formulation team which implies creation of more market opportunities for trade through negotiations with other state members.

5.2 Availability of Memoranda of understanding (MOU)

Table 5.2: Availability of MOUs between Kenya and South Africa and their effect on foreign trade and investment

Response	***Strongly Disagree***	***Disagree***	***Not sure***	***Agree***	***Strongly agree***
Frequency	0	15	13	163	109
Percentage response	0%	5.2%	4.2%	54.2%	36.4%

n=300 (key business personnel)
(Source: Field data, 2023)

The researcher sought to examine whether there existed a memorandum of understanding between Kenya and South Africa which promoted foreign trade and investment and the responses were as follows; Table 5.2 shows that 36.4% (109) strongly agreed, 54.2% (163)

agreed, 4.2% (13) were not sure and 5.2 % (15) disagreed that there existed MOUs between Kenya and South Africa which has led to promotion of foreign trade and investment. The results confirmed the Keynesian theory of international trade and power theory arguments that legal agreements like MOUs formed a clear determinant of bilateral or multilateral trade between trading partners in this case Kenya and South Africa.

A representative from General Electric claimed that;

> Presidential visits to other trading partners or sending of diplomatic representatives brings about trade agreements between member states resulting in Memorandum of Understanding, for instance, the Visa MOU of 2016 between Kenya and South Africa which opened up more market opportunities for goods and services thus promoting trade between member states. Trading blocs also initiate the creation of MOUs between member states which guide trade between them. (Interview with a representative from General Electric on 15th March 2023 at 10am in Westlands, Nairobi.)

Further, a representative from the Ministry of Trade and Industry stated that;

> Without a trademark of cooperation, it is difficult for the two countries to meet and discuss/resolve any trade challenges, and this may hinder deepened market access. To foster cooperation and trade, Kenya and South Africa signed an MOU in Economic Cooperation in 2014, MOU in Establishments of Diplomatic Consultations in 2021 and MOU in Diplomatic Training in 2021 which have been quite effective thus far. (Interview with a representative from the State Department for Trade on 27th February 2023 at 2pm in Nairobi, CBD)

The researcher concurs with the Ministry of Trade and Industry and General Electric respondents claims that MOUs are crucial trademarks of cooperation in trade and that trading blocs form the foundation for the ratification of these MOUs by member states.

According to Smeets (2021), the WTO is always at the forefront in ensuring the less developed countries and the developing African countries secure a place in the global market arena through the promotion of capacity building. The first pillar of WTO is concerned with the administration of trade agreements to its member states. Secondly is the provision of a convention for trade negotiations. Third, the WTO acts as an integral body in the trade dispute resolution and thus it has enhanced transparency within the trading policies of states by monitoring and questioning any disputed policies. This framework enables Kenya and South Africa to ratify trade MOUs which facilitate bilateral trade. Thus, WTO has been a key instrument of economic diplomacy between Kenya and South Africa. The results of this study shows that 90.625% (54.167% agree plus 36.458% strongly agree) of the respondents agree that there is availability of MOUs between Kenya and South Africa and they affect foreign trade and investment which concurs with available literature review.

It is evident that 90.6% (272) of the respondents agreed that there was availability of MOU (Memorandum of Understanding) between Kenya and South Africa which promoted foreign trade and investment. The questionnaire results agree with the interview results which also concur with the available literature review. WTO is said to enhance trading policies, a framework that enables the two states to ratify trade MOUs which facilitate bilateral trade. Although up to now Kenya and South Africa have only the MOU in Economic Cooperation in 2014, MOU in Establishments of Diplomatic Consultations in 2021 and MOU in Diplomatic Training in 2021 as shown by the interview, maybe they could come up with a bilateral trade agreement to improve their trading relationship such as borrowing of skilled manpower and investors.

5.3 Tariffs reduction, trade regulations and trade restrictions and their effect on goods and services on the international market

According to Nuraini (2019), for one to understand foreign trade relations between trading states, one should evaluate trade tariffs, trade restrictions and trade regulations which are among the determinants of regional strategic factors for each country as it improves a country's competitive advantage on international trade. From the assessment on Table 5.3 whether tariffs reduction, trade restriction and trade regulations have an effect on international trade, 29.2% (88) of the respondents strongly agreed, 60.4% (181) agreed, 2.1% (6) were not sure and 8.3% (25) disagreed that tariff reduction, trade regulation and trade restriction had created porous borders for goods and services in the international market.

Table 5.3: Tariff reduction, trade regulation and trade restrictions

Response	***Strongly Disagree***	***Disagree***	***Not sure***	***Agree***	***Strongly agree***
Frequency	0	25	6	181	88
Percentage response	0%	8.3%	2.1%	60.4%	29.2%

n=300 (key business personnel)

(Source: Field data, 2023)

From an interview with a representative of the Kenya Investment Authority;

> Terms of trade are mandatory in trade between nations. Implementation of policies, that is, tariffs, trade regulation and trade restrictions are meant to enhance a country's competitive advantage in international trade. Tariff reduction encourages smooth trading activities between Kenya and South Africa. On the other hand, trade regulation and trade restrictions are majorly used to protect local industries so that they can also thrive in the international market through exportation of local goods and services. (Interview with a representative of the Kenya Investment Authority on 22nd March 2023 at 9.30am in Upper hill, Nairobi.)

In addition, a Kenyan trader who has been to South Africa for trade and back claimed that;

> The creation of a porous border by the introduction of free visas for citizens of either state has enhanced trade in goods and the service industries. Exchange programmes through scholarships, labour borrowing and migrant workers also influence economic diplomacy. (Interview with a Kenyan trader who has been to South Africa for business and back on 2nd June 2023 at 10.30am in Westlands, Nairobi.)

According to Moyi and Kimuyu (1999), demand for commodities in the local market controlled by the economies of scale, terms of trade and product cycle is a crucial factor as it tends to open and expand the market for the local industries to the foreign market since the domestic market offers a foundation for production, quality testing and specializing. Enacting policies, which are directed towards the education provision (for purpose of improving on skilled manpower), infrastructure establishment, export promotion through subsidies, tariff reduction, trade regulation and trade restriction, compliments local production and consequently enhances the country's bargaining power in the foreign market (Moyi and Kimuyu, 1999). This aligns with the Kenya Investment Authority respondent's claim that the terms of trade between two trading partners influence the kind of trade the nations engage in on a bilateral level and the researcher is also in agreement. In addition, the researcher is in agreement with the claims of the Kenyan trader who has traveled to South Africa for business and back that the introduction of policies and removal of restrictions tend to increase the flow of masses to either of the country for trade by market identification and exchange programmes like scholarships and thus enhancing economic diplomacy between the trading partners in this case Kenya and South Africa.

The questionnaire results and the interview results agree that tariff reduction, trade restrictions and trade regulation have created porous borders for goods and services in the international market. These results in turn have also agreed with the available literature which ascertains that there exist terms of trade, that is, tariff reduction, trade restrictions and trade regulation which guide the operation of trading activities between trading partners in this study Kenya and South Africa. Favourable terms of trade have been the backbone of trade between trading partners of course with the states protecting their local industries to encourage more exports than imports with the aim of improving its balance of payment.

5.4 Influence of state and non-state actors and private entities on economic diplomacy

Based on the responses on Table 5.4, 50.0% (150) agreed, 31.2% (94) strongly agreed, 3.1% (9) were not sure, 9.4% (28) disagreed and 6.3% (19) of the respondents strongly disagreed that both state and non-state actors like opinion leaders, activists, NGOs and private entities influence economic diplomacy.

Table 5.4: Influence of state and non-state and private entities on economic diplomacy

Response	***Strongly Disagree***	***Disagree***	***Not sure***	***Agree***	***Strongly agree***
Frequency	*19*	*28*	*9*	*150*	*94*
Percentage response	6.3%	9.4%	3.1%	50.0%	31.2%

n=300 (key business personnel)

(Source: Field data, 2023)

A representative from the Ministry of Foreign Affairs claimed that;

> In the current century there exists public diplomacy which is influenced by opinion leaders, activists, NGOs and private entities within the non-state development. This has led to increased trading activities between states leading to economic growth and economic development. This has been possible through improved communication, adoption of advocacy programmes, improved political stability and management of relationships. This has significantly influenced economic diplomacy. Therefore, the state and non-state actors through their engagements enhance bilateral, regional and global trading activities. (Interview with a representative of the Ministry of Foreign Affairs of the Republic of Kenya on 12th May 2023 at 2.30pm in Nairobi, CBD.)

The researcher agrees with the Ministry of Foreign Affairs respondent that non-state actors like opinion leaders, activists, NGOs and private entities play a significant role in determining economic diplomacy between nations. The interests of a country in the foreign market are influenced by both the state itself and other significant non-state actors like opinion leaders, activists, NGOs and private entities within its context. Generally, the state and non-state actors have a notable diplomatic role in the formulation and implementation of economic policies both at the national level, regionally and internationally. Wanyama (2013) postulates that the latter is triggered by the continuous changes within the market arena and within the practice of diplomacy from the old to current world order. The evolution of diplomacy in the modern world has led to the emergence of public diplomacy championed by opinion leaders, activists, NGOs and private entities within the non-state development. This has significantly promoted economic growth and development. According to Ayhan (2019), public diplomacy is concerned with the promotion of economic growth and development for a state through enhanced communication, adoption of advocacy programmes, enhanced political stability and management of relationships. Through these engagements, these non-state actors have enhanced economic diplomacy and the rules of engagements through which nations engage in bilateral, regional and multilateral trade, (Ayhan, 2019). 81.2% of the respondents agreed that both state and non-state actors like opinion leaders, activists, NGOs and private entities influence economic diplomacy which also agrees with interview schedule results. Based on available studies the questionnaire results and interview schedule results concur with the available review. Therefore, for states to have a mutual understanding then both state and non-state actors like opinion leaders, activists, NGOs and private entities have to be involved in policy formulation so as to come to a consensus on terms of trade and thus improve economic diplomacy.

5.5 Engagement of non-state actors in foreign policy making

Table 5.5: Response on whether the government and policy makers engage non-state actors in foreign policy making

Response	***Yes***	***No***
Frequency	**269**	**31**
Percentage response	**89.6%**	**10.4%**

n=300 (key business personnel)
(Source: Field data, 2023)

As stipulated from Table 5.5, 89.6% (269) said yes and 10.4% (31) said no to the fact that the government and policy makers engage non-state actors in foreign policy making.

A representative from the Ministry of Foreign Affairs claimed that;

> In the modern world there exists public diplomacy which is said to be influenced by both state and non-state actors like opinion leaders, activists, NGOs and private entities within the non-state development. Public diplomacy promotes economic growth and development in ways such as through improved communication, improved political stability and through adoption of advocacy programmes. Therefore, such engagements by non-state actors end up leading to enhanced economic diplomacy and policy making that guide the bilateral, regional and global trade. (Interview with a representative of the Ministry of Foreign Affairs of the Republic of Kenya on 12th May 2023 at 2.30pm in Nairobi, CBD.)

Both the Kenyan and South African ambassadorial missions abroad have been a good source of stable engagement and establishment of new markets for the country's products. Generally, these missions play a significant diplomatic role in negotiations with respective states. In fact, ambassadors, who are representatives of the president abroad, provide guidance to the President and the state policy makers on the need basis of the foreign countries (Musau, 2015). Therefore, the role of non-state actors in policy formulation, networking and education promotions is a key element to promote international trade. Essentially, the researcher concurs with the Ministry of Foreign Affairs respondent's assertions that public diplomacy plays a crucial role in bilateral trade. Therefore, the results of the study confirm at 89.6% that the government and policy makers engage non-state actors in foreign policy making which matches with the interview schedule results. The questionnaire results and interview schedule results agree with the available review that non-state actors influence economic diplomacy and formulation of policies which guide bilateral, regional and global trade. The policies are meant also to favour the businesses of private entities and the state at large. In Kenya, the Kenyan President, the Kenyan ambassadors in other states, Members of parliament, diplomats from other countries and private groups such as the activists and private business sectors are involved in formulation of foreign policies to enhance the practice of diplomacy.

5.6 Significance of diplomatic missions abroad/diplomats in enhancing economic diplomacy through market creation

The researcher sought to examine the significance of diplomatic missions abroad/diplomats in enhancing diplomacy through market creation and the responses depicted on Table 5.6 shows that 36.4% (109) of the respondents strongly agreed, 53.1% (159) agreed, 6.3% (19)

were not sure and 4.2% (13) disagreed with the fact that diplomatic missions abroad/diplomats were significant in enhancing economic diplomacy through market creation.

Table 5.6: Diplomatic missions abroad/diplomats and their significance in enhancing economic diplomacy through market creation

Response	***Strongly Disagree***	***Disagree***	***Not sure***	***Agree***	***Strongly agree***
Frequency	0	13	19	159	109
Percentage response	0%	4.2%	6.3%	53.1%	36.4%

n=300 (key business personnel)

(Source: Field data, 2023)

A respondent from the Ministry of Foreign Affairs claimed;

> Diplomatic missions between Kenya and South Africa and availability of diplomats in the two states forms a basis for the formulation and implementation of trade policies, Diplomats interact with the trading partners, assess the markets and understand their terms of trade. Thereafter, the diplomats offer advice to their states that enable policy makers to have concepts to base on during foreign policy making. (Interview with a representative of the Ministry of Foreign Affairs of the Republic of Kenya on 12th May 2023 at 2.30pm in Nairobi, CBD.)

The researcher agrees with the Ministry of Foreign Affairs respondent that diplomatic missions abroad are pivotal in enhancing cooperation between states and consequently promoting bilateral trade. Based on Emmanuel (2014), in the apartheid era there was a record of some state engagement by the first two Kenyan presidents which formed a foundation to a new South Africa Republic without race segregation and discrimination. With regards to this, Kenyans perceived forthcoming changes within South Africa which led them to seek promotion of peaceful co-existence for posterity within its relations principle (Emmanuel 2014). The diplomatic visit to Kenya by the then Minister of foreign affairs Pik Botha and consecutively by the president led to bilateral diplomatic transformation. Emmanuel (2014) further asserts that Kenya and South Africa revitalized in 1994 and a full diplomatic status resulted in the establishment of diplomatic missions in the countries. As a result of diplomatic missions between countries, economic diplomacy is enhanced creating a market for goods and services between the two countries.

According to Rana & Chatterjee (2011), diplomatic missions abroad operate within four key arrangements. The first arrangement is the promotion of capital flows into the country through seeking FDI either from the foreign states or non-state investors. Secondly, the missions are mandated to secure partnerships and networking that will yield to the economic growth of their states. Also, the missions abroad have the mandate of selling the image of the specific country to the foreign population. Indeed, this is geared towards the promotion of tourism as a service sector by showcasing the cultural heritage of the country to the foreign market (Rana & Chatterjee, 2011). Lastly, diplomatic missions have a key role in ensuring regulation of policies and actualization of diplomatic structures within the foreign market. Essentially, this has been the case for both Kenya and South Africa who have invested in their diplomatic means through the establishment of foreign consulates and embassies across the globe with the main aim of promoting their countries interest for posterity and economic growth.

The respondents agreed at 89.5% (36.4% (109) of the respondents strongly agreed, 53.1% (159) agreed) that there was significance of diplomatic missions abroad/diplomats in enhancing diplomacy through market creation which was vividly supported by the interview schedule results. This affirmed that diplomatic missions/diplomats create a mutual ground for trade by bringing about favourable terms of trade between states. Peaceful coexistence between states opens more markets for goods and services, thus trade promotions. Therefore, the questionnaire results and interview schedule results concurred with available results and confirmed that there was significance of diplomatic missions abroad/diplomats in enhancing diplomacy through market creation. For instance, the 5th Kenyan President William Ruto in his visits to Ethiopia, Uganda, Tanzania, Egypt, DR Congo, South Sudan and Eritrea, aimed at creating a market for goods and services between Kenya and countries in the Horn of Africa.

5.7 Chapter Summary

Kenya is effectively represented in trading blocs/free trade areas. Representation in trading blocs/free trade areas between Kenya and South Africa began a longtime ago through diplomatic missions/diplomats which opened up more markets for goods and services. The AU, World Trade Organization (WTO), African Growth and Opportunity Act (AGOA) and the African Continental Free Trade Area (AfCFTA) have favourable trade agreements which continuously influence how intra-African trade specifically between Kenya and South Africa is carried out. Availability of Memoranda of Understanding (MOU) between

Kenya and South Africa like the MOU in Economic Cooperation in 2014, MOU in Establishments of Diplomatic Consultations in 2021 and MOU in Diplomatic Training in 2021 were said to promote foreign trade and investment. The WTO is said to enhance trading policies, a framework that enables the two states to ratify trade MOUs which facilitate bilateral trade.

Terms of trade also guide the trading activities between trading states at the international market. Favourable terms of trade, that is, reduced tariffs, trade restrictions and trade regulation affect flow of goods and services in bilateral, regional and global trade. The existence of trading blocs such as AGOA, AU, WTO and AfCFTA further provide favourable trading agreements or terms of trade that are meant to promote trade between member states.

State and non-state actors have a diplomatic role in the formulation and implementation of economic policies at national, regional and global levels. The emergence of public diplomacy has enhanced economic diplomacy through engagements such as improving communication, promoting advocacy programmes and enhancement in political stability. In addition, non-state actors like opinion leaders, activists, NGOs and private entities are said to influence policy formulation apart from enhancing economic diplomacy which are said to guide the trade operations at bilateral, regional and global levels. Therefore, these policies favour the trade operations for both the state and non-state actors such as private entities. Lastly, diplomatic missions abroad/diplomats create a mutual ground for trade by initiating adoption of favourable terms of trade and also creating peaceful environments which open up more markets for goods and services.

The next chapter discusses the results of the third objective of the study which was to evaluate the opportunities and challenges within economic diplomacy between Kenya and South Africa.

CHAPTER SIX

OPPORTUNITIES AND CHALLENGES WITHIN ECONOMIC DIPLOMACY BETWEEN KENYA AND SOUTH AFRICA

6.0 Introduction

In this chapter the researcher sought to resolve the third objective of the study regarding the opportunities and challenges within economic diplomacy. The chapter discussed the available opportunities of economic diplomacy, whether the Kenyan government had leveraged on the opportunities of economic diplomacy, challenges of economic diplomacy and whether Kenyan and South African governments are addressing these challenges and finally it discusses whether opening up of the African Continental Free Trade Area helps in addressing the challenges of economic diplomacy between Kenya and South Africa.

6.1 Opportunities of Economic Diplomacy and leveraging on the economic diplomacy opportunities

6.1.1 Opportunities of Economic Diplomacy

The researcher sought to know the opportunities brought about through economic diplomacy and the responses from Table 6.1 were as follows; 38.5% (115) said job opportunity creation, 36.5% (110) said economic growth and development, 15.6% (47) said trade promotion, 5.2% (15) said representation in regional/global policy formulation and 4.2% (13) said attraction of foreign direct investment (FDI).

Table 6.1: Opportunities of economic diplomacy

Opportunities of economic diplomacy	***Frequency***	***Responses %***
Economic growth and development	110	36.5%
Trade promotion	47	15.6%
Attraction of foreign direct investment	13	4.2%
Job opportunities creation	115	38.5%
Representation in regional/global policy formation	15	5.2%

n=300 (key business personnel)
(Source: Field data, 2023)

A representative from the Parliament (Committee on Trade, Industrialization and Tourism) claimed that;

> Through the existence of regional trading blocs the market for goods and services from trading partners is enlarged

> leading to creation of employment and automatic foreign direct investment and thus leading to economic growth and development which is majorly average especially in less developed countries such as Kenya. Existence of trading agreements and diplomatic missions between member states brings about memorandum of understandings thus increasing trading opportunities which in turn leads to trade promotion although not to a greater extent. Furthermore trading states are directly involved in the formulation and implementation of trading policies since they are directly involved. The availability of peace initiatives regionally leads to global/regional peace and stability between the member states. AfCFTR has brought about liberalization through creation of free trade areas thus increasing trading activities by member states. Furthermore the African states are united under AfCFTR which opens up the African continent to foreign trade with the United States and EU under strategic partnerships thus bringing about regional/global integration. (Interview with a representative from Parliament (Committee on Trade, Industrialization and Tourism) on 14th March 2023 at 2pm in Nairobi, CBD.)

The researcher concurs with the assertions by the respondent from Parliament that regional integration is a tool for peaceful coexistence within the region. According to an African Economic Development report of 2021, African states enjoy enhanced security and peaceful coexistence for the citizens under the regional arrangement. The existence of the AU has seen the region integrating through economic diplomacy and military diplomacy to ensure a favourable environment for the execution of foreign trade (Tanyanyiwa & Hakuna, 2014). Through the peace initiatives in the continent, capital flows from various international actors have been realized in the region. Mariadoss (2017) argues that capital flows and labour flows into a country due to the removal of bilateral trade restrictions could promote employment both locally and internationally. Further, the African states continue to benefit more from the international market through partnerships that have generated trade opportunities for the developing states. For instance, the AfCFTA has opened up the African continent to foreign trade with the United States and EU under strategic partnerships and bilateral trade agreements (Byiers & Miyandazi 2021). In addition, Olu-Adeyemi & Ayodele (2007), the regional trading arrangements enhance intra-African trade with members creating regional value chains for trade promotion.

A report on Economic Development in Africa (2021) states that intra-African trade is complemented by the fact that African states are within similar economic growth and development levels and thus creates an avenue for mutual trade benefits for the states. As such, being an underdeveloped region compared to the other global regions, Africa has the capacity to improve on infrastructure and job creation through the adoption of regional integration. This under the AU partnership ensures continental growth as well as creating a market for FDI from within Africa and globally, (Economic Development in Africa, 2021). The results concurred with the review although the main opportunities of economic diplomacy according to the responses were job opportunities creation, representation of regional/global policy formulation, trade promotion, attraction of foreign direct investment and economic growth and development.

Job opportunities, economic growth and development were found to be the main opportunities of economic diplomacy. Trade promotion was found to be low which was associated with low market supply capacity since most of the products produced are consumed locally leaving less products for exportation. Foreign Direct Investment was low which was explained by the fact that developing states have low levels of adoption of innovation from abroad thus the impact takes a longer time for it to have a significant influence. In addition, based on the questionnaire results, Kenya is not highly represented in regional/global policy formulation. On the other hand, the interview results showed that economic diplomacy brought about opportunities such as market creation for goods and services, employment opportunity creation, economic growth and development, peace and stability, trade promotion, trade liberalization and regional/global integration. Although it is evident that the level of impact of the opportunities is low but still significant to trading states. The results of the questionnaire and interview results agreed on some opportunities such as job creation, economic growth and development, trade promotion, attraction of foreign direct investment, regional/global policy formulation. On the other hand, the interview schedule results concurred with the available literature review that regional/global peace and stability, regional/global integration, liberalization through free trade area were also opportunities of economic diplomacy. Therefore, the researcher affirms that Kenya has enjoyed the opportunities of economic diplomacy since economic growth and development has enhanced than in the previous decades.

6.1.2 Leveraging on the economic diplomacy opportunities

Table 6.2: Leveraging on the economic diplomacy opportunities

Respondents	***Yes***	***No***
Frequency	**263**	**37**
Percentage response	87.5%	12.5%

n=300 (key business personnel)

(Source: Field data, 2023)

Based on the responses on Table 6.2, 87.5% (263) of the respondents affirmed that the Kenyan government had leveraged on the opportunities of economic diplomacy while 12.5% (37) disagreed with the fact that the Kenyan government had leveraged on the opportunities of economic diplomacy.

In an interview with a representative from the Ministry of Trade and Industry of the Republic of Kenya;

> Improved wage pay increases the productivity of the workforce thus increasing production efficiency. Introduction of heavy machinery also increases the production capacity although Kenya has limited resources such as skilled manpower and advanced technology to increase productivity so as to realize more surplus goods and services for exportation. Also, the Kenyan government should invest more on research and innovation to improve its technological capacity for value addition on products and therefore enhance competitiveness. (Interview with a representative from the State Department for Trade on 27th February 2023 at 2pm in Nairobi, CBD)

From the Ministry of Trade and Industry respondent's assertions which the researcher agrees with, global competitiveness in trade is guided by the ability of a particular nation to leverage on its comparative resource endowment features. According to Moyi and Kimuyu (1999), this is mainly influenced by the rates of wages paid to the workforce, the level of productivity of the workforce and the currency exchange rate within the international market at the time. Arguably, for Kenya, the problem of lack of well-equipped manpower, corruption, poor infrastructure, less investment in science and research and also poor business environment has deviated the focus on production from extensive manufacturing of commodities to the adoption of primary products production (Githaiga, 2021). This, however, is an area that the government, through policies and funding, is looking into by promoting technical skills which are key for the manufacturing sector.

Essentially, the government is enhancing this by revamping the Technical and Vocational Education Training (TVET) institutions. Also, being a key sector in the attainment of the Kenya Vision 2030, the government has to put into place strategies that enhance FDI into the sector to improve on essential trading infrastructures like transportation and put into place policies that are favourable for the industries to thrive both locally and internationally.

In addition, a study by Mazenda (2016) discusses the role of Brazil, Russia, India, China and South Africa (BRICS) in addressing the major goals for South Africa joining the trading bloc which were fostering economic growth, creation of job opportunities for its citizens and enhancement of its competitive advantage through technological adoption, efficiency investment and FDI attraction. From the study, South Africa has achieved minimal results towards the aforementioned goals due to the average trade balance and FDI between the trading partners and thus more should be done by the South African government to leverage on the opportunities of economic diplomacy. Mazenda (2016) recommends the need for the South African government to adopt research and innovation to address the imbalances in trade through value addition for produce and innovative capacities. From the recommendations by Mazenda (2016), the Kenyan government should also enhance its research and innovation capacity as supported by the Ministry of Trade and Industry respondent’s assertions which the researcher agrees with for he achievement to global trade competitiveness and thus result in economic growth and job opportunities creation.

The questionnaire results agreed with the available literature review such that a country's global competitiveness relies on the ability of a country to leverage on its comparative resource endowment features. On the other hand, the interview results show difficulty in leveraging on opportunities of economic diplomacy due to the inadequacies of a developing economy with low levels of technology, poor infrastructure and low skilled manpower among others. Due to this, the Kenyan government has invested in TVETs so as to enhance the technical skills of its labour force so as to promote the manufacturing sector. The government has also invested in infrastructural development to improve accessibility. Furthermore, the government has laid strategies for the purpose of encouraging foreign direct investment to bring in new innovations for manufacturing and it has also enacted policies that are favourable for industries to thrive.

6.2 Challenges of Economic Diplomacy and how they are addressed by the Kenyan and South African governments

6.2.1 Challenges of Economic Diplomacy

The researcher sought to investigate the challenges of economic diplomacy between Kenya and South Africa and the responses as depicted on Table 6.3 were; 36.5% (110) of the respondents affirmed that trade shocks and trade deficits were the main challenge of economic diplomacy between Kenya and South Africa while 24.0% (72), 21.9% (66) and 17.6% (53) confirmed that lack of the mandate to enforce and implement memoranda of understanding (MOU), fragmentation of regional/global trading system, political mistrust settlement through sanctions, tariffs, restrictions and regulations respectively were the challenges of economic diplomacy.

Table 6.3: Challenges of Economic Diplomacy

Challenges of Economic diplomacy	***Frequency***	***Responses %***
Fragmentation of regional/global trading system	66	21.9%
Political mistrust settlement through sanctions, tariffs, restrictions and regulations	52	17.6%
Trade shocks, trade deficits	110	36.5%
Lack of the mandate to enforce and implement memoranda of understanding (MOU)	72	24.0%

n=300 (key business personnel)
(Source: Field data, 2023)

In an interview with an EAC representative he said;

> Capital flows and labour flows into a country due to removal of trade restrictions impact a country's job market negatively due to movement of production to member countries in order to cut on production cost. This in turn leads to diversion of employment opportunities to member states leading to loss of employment opportunities locally. Although regional partnerships have positive gains to the economy, they have negative impacts such as loss of national sovereignty, political mistrust and also negatively affects the economic

spheres of a country. (Interview with an EAC representative on 10th May 2023 at 1.30pm in Nairobi, CBD.)

In an interview, a COMESA representative also said;

> The trading states under different trading blocs bring about both advantages and at the same time challenges tend to accrue. It's clear that a given state may not trade with all the trading partners within the region/globe as the states chose to belong where the trading agreements are favourable. Thus, it's evident that economic diplomacy fragments the trading system as some states may have legal bindings that discourage implementation of frameworks which would bring about liberalization of trade. Secondly, political differences also act as a hindrance to peace promotion between states such that some states would impose trade restrictions, trade regulations and tariffs against its trading partners with whom they have political differences so as to settle political mistrust. Thirdly, the networking between states influences the political decisions and economic spheres as this also tend to have an impact on both state trading agreements. Lastly, liberalization of trade through free trade areas brings about trading shocks and trade deficits due to emergence of cheap imports since there are no trade restrictions, trade regulation and tariffs are also reduced. It's tough to protect local industries where the trading areas are liberalized. (Interview with a COMESA representative on 12th May 2023 at 11am in Nairobi, CBD.)

The researcher agrees with the EAC and COMESA respondents that economic diplomacy experiences various challenges within its scope of operation. According to Landsman (2021), the major challenge of economic diplomacy in Brexit is the withdrawal of the United Kingdom from the EU at the end of the year 2020. This really affected economic diplomacy in the region with uncertainties of the future of the cooperation. Markova (2019) said that the challenges of climate change, insecurity due to terrorism, movement of people to Europe due to porous borders, emergence of new technologies, an aging population and weakening of economies are also major emerging concerns to the EU. Changes in the global economic order require contemporary strategies to ensure sustainable solutions. The challenges of economic diplomacy in Kenya and South Africa includes; fragmentation of the global trading system with countries tending to shift more to favourable legal frameworks and disregarding any other binding agreements. According to Bayne (2017), this is also influenced by the regulatory policy operations within a particular state which could discourage the implementation of bilateral, regional or multilateral frameworks meant for liberalization of trade. Regardless of diplomacy being a framework where political differences are addressed for promotion of peaceful coexistence, states could adopt it by imposing trade restrictions, regulations and tariffs against trading partners in a bid to settle political mistrust. Bayne & Woolcock (2003) states that the emergence of new players in the market economy is a challenge to the security and stability of the universe. According to Mariadoss (2017), cooperation through networking and partnership is a significant opportunity for trading partners although it results in nations losing their national sovereignty and thus decisions on their political and economic spheres are influenced by these partnerships. The 21st century has experienced a myriad of economic tensions due to the emergence of China as an economic superpower. This, on the other hand, has influenced various policy decisions from the USA to cover its economy against the impacts of the new player in the market economy, Bayne & Woolcock (2003). Lastly, the liberalization of trade has developed trade shocks within some economies.

The interview schedule showed that loss of job opportunities, political mistrust settlement through sanctions, tariffs, restrictions and regulations (it comes about majorly due to cooperation through networking and partnership), trade shocks and trade deficits, fragmentation of regional/global trading system were challenges of economic diplomacy. The questionnaire results and the interview schedule agreed on the aforementioned challenges but differed such that lack of mandate to enforce and implement Memorandum of Understanding was a challenge of economic diplomacy under questionnaire results and loss of job opportunities was under interview schedule. Further, the challenges for questionnaires and interview schedules both concurred with the available literature review. Based on the results, the researcher can conclude that, although the country faces challenges of economic diplomacy it has still grown economically and also the rise in job opportunities both locally and internationally has increased.

6.2.2 Addressing challenges of Economic Diplomacy by the Kenyan and South African governments

Table 6.4: Response on whether the Kenyan and South African governments are addressing challenges of economic diplomacy

Respondents	***Yes***	***No***
Frequency	242	58
Percentage response	80.8%	19.2%

n=300 (key business personnel)

(Source: Field data, 2023)

The response from Table 6.4 on whether the Kenyan and South African governments are addressing challenges associated with economic diplomacy showed that 80.8% (242) agreed to the fact that the two governments were addressing the challenges of economic diplomacy while 19.2% (58) disagreed with the fact that the two states Kenya and South Africa were addressing the challenges of economic diplomacy.

Through trade liberalization under AGOA arrangement Kenya and South Africa enjoys multiple economic gains from foreign markets due to the creation of a market base for goods and services which lead to economic growth that brings about creation of job opportunities, Lucheri (2013). Furthermore, the promotion of economic partnership has provided an opportunity for local and international security. Global and regional integration has brought about regional and global peace through peace initiatives (Kara, 2008). The contribution of economic diplomacy to the fight of terrorism has been through the creation of a platform that offers military support to the affected states or areas. For instance, Kenya through its defense forces has been instrumental in the fight against the al-Shabaab in Somalia under the African Union Mission in Somalia (AMISOM) which operates under the AU (Williams, 2018). Lastly, economic diplomacy provides an opportunity for state and non-state actors to participate in policy formulation both locally and internationally which has led to the emergence of modern and public diplomacy which are key in the contemporary practice of diplomacy.

The interview schedule results shows that diplomatic missions/diplomats between Kenya and South Africa promote favourable terms of trade thus giving the two states the mandate to enforce and implement Memorandum of Understanding (MOU). This promotes trade, creates job opportunities and brings about economic growth and economic development. Finally, peace initiatives between the two states build political trust and agreement on terms of trade as was revealed by this respondent and which is in agreement with the researcher:

> The existence of diplomatic missions/diplomats between Kenya and South Africa are meant to enable the two states to come up with favourable trading agreements between them and involve them both in formulation of MOUs and in policy formulation and implementation. This brings about peace promotion between the two states and gives both states the mandate to enforce and implement MOUs which create the market for goods and services, brings more job opportunities and therefore, economic growth and economic development. The peace coexistence between the two states also brings about political trust and agreement on level of regulations and restrictions in trade with each trading state protecting its local industries. (Interview with a representative of the Ministry of Foreign Affairs of the Republic of Kenya on 12th May 2023 at 2.30pm in Nairobi, CBD.)

Therefore, the questionnaire and interview schedule results agree with the available review and conclude that Kenyan and South African countries were addressing the challenges of economic diplomacy. Kenya enjoys the benefits of being a member of AU, AfCFTA as these trading blocs have helped to curb insecurity previously experienced in the Al-Shabaab terrorist attacks and thus the state of security as per now allows tourists to visit Kenya thus enhancing trade in the service sector.

6.3 African Continental Free Trade Area and its influence on economic diplomacy between Kenya and South Africa

The researcher sought to know whether the opening up of the African Continental Free Trade Area was addressing the challenges of economic diplomacy between Kenya and South Africa and the questionnaire responses from Table 6.5 showed that 87.5% (263) of the respondents concurred with the researcher while 12.5% (37) of the respondents said that the opening up of the African Continental Free Trade Area was not addressing the challenges of economic diplomacy between Kenya and South Africa.

Table 6.5: Response on whether African Continental Free Trade Area is addressing the challenges of economic diplomacy

Respondents	***Yes***	***No***
Frequency	263	37
Percentage response	87.5%	12.5%

n=300 (key business personnel)
(Source: Field data, 2023)

As revealed by a respondent from the Ministry of Foreign Affairs;

> The most essential factor of AfCFTA is linking the African continent to foreign trade with the United States and EU which expand global and regional markets for goods and services resulting in trade promotion. Increased trading activities in turn creates more employment opportunities thus resulting in economic growth and development. AfCFTA also has peace initiatives that promote peace between member states and also enable the states to enjoy security automatically. To be more specific AfCFTA offers member states military support to help them fight terrorism. (Interview with a representative of the Ministry of Foreign Affairs of the Republic of Kenya on 12th May 2023 at 2.30pm in Nairobi, CBD.)

AfCFTA has had massive benefits through regional cooperation and partnerships. According to an Economic Development in Africa report of 2021, African states enjoy enhanced security and peaceful coexistence for the citizens under the regional arrangement of AfCFTR. Based on the Byiers & Miyandazi (2021), AfCFTA has opened up the African continent to foreign trade with the United States and EU under strategic partnerships and bilateral trade agreements thus opening up both the regional and global trade and creating employment opportunities both locally and internationally. The researcher is in agreement with the Ministry of Foreign Affairs respondent's assertions and the available literature that AfCFTA will create job opportunities for the African population through trade liberalization. Okano-Heijmans & Asano (2018) postulate that the opening up of economies through partnerships and networking influences capital flows into a country through FDI, profits from exports, and revenue from service sectors. This implies that through partnerships AfCFTA influences capital flows into the economy of a specific country yielding more on the economic growth and development through infrastructure development, jobs creation, quality education provision and poverty reduction for the population. The promotion of economic partnership has provided an opportunity for local and international security (Kara, 2008). Global and regional integration has brought about global peace by fighting terrorism through the creation of a platform that offers military support to the affected states or areas. Lastly, economic diplomacy provides an opportunity for state and non-state actors to participate in policy formulation both locally and internationally leading to the emergence of modern and public diplomacy which are key in the contemporary practice of diplomacy, (Williams, 2018).

According to the interview schedule, AfCFTA links the African continent to foreign trade which expands the regional/global markets for goods and services thus promoting trade. Foreign trade creates employment opportunities and brings about economic growth and economic development. Peace initiatives by AfCFTA promote regional/global peace and provide automatic security to its member states through offering military support that enables them to curb terrorism. Therefore, the questionnaire and interview results agree with the fact that opening up of the African Continental Free Trade Area addresses the existing challenges of economic diplomacy between Kenya and South Africa. These results both concur with the available literature review. AfCFTA has therefore enabled Kenya to increase the market for its exports thus promoting balance of trade.

6.4 Chapter Summary

The opportunities of economic diplomacy are job opportunities, economic growth and development, trade promotion, representation in regional/global policy formulation, attraction of foreign direct investments, trade liberalization through free trade area, peace and stability regionally and globally. This study reveals that the impact of these opportunities are still minimal and therefore, there was a need to utilize these opportunities completely to realize greater output. The Kenyan government has invested in TVETs so as to enhance the technical skills of its labour force so as to promote the manufacturing sector. The government has also laid strategies for the purpose of encouraging foreign direct investment to bring more innovations and develop infrastructure for the purpose of increasing productivity and enhancing international trade. Furthermore, it has enacted policies that are favourable for local industries to thrive and encourage trade with its trading partners.

Although economic diplomacy has many opportunities, it also has got challenges which include; trade shocks and trade deficits, lack of mandate to enforce and implement memorandum of Understanding (MOU), fragmentation of regional/global trading system, political mistrust settlement through sanctions, tariffs, restrictions and regulations, loss of job opportunities. It is significant for countries to address the challenges of economic diplomacy so as to enhance the opportunities of economic diplomacy. Existence of diplomatic missions abroad/diplomats between Kenya and South Africa is meant to promote favourable terms of trade for the purpose of giving the two states the mandate to enforce and implement Memorandum of Understanding (MOU). Favourable trade agreements and availability of memorandum of understanding promote trade, creates job opportunities and brings about economic growth and economic development. Finally, peace initiatives between the two states build political trust and agreement on terms of trade is determined. Apart from diplomatic missions abroad/diplomats, the trading blocs such as WTO, AU, AGOA and AfCFTA also open up for more markets for goods and services which in turn increase trading activities. This brings along job opportunities, trade promotion, and trade liberalization through creation of free trade areas and economic growth and development. The later trading blocs further bring about favourable terms of trade that encourage international trade between its member states and in addition peace initiatives bring about peaceful coexistence that promote trade. Moreover, the trading blocs also offer military support to their member states to curb insecurities. The peace initiatives also create political trust which lead to development of favourable terms of trade; reduced trade tariff, trade regulation and trade restrictions so as to encourage trade between the conflicting states.

The next chapter entails the presentation of the summary of the findings of the study, conclusions, recommendations and suggested areas for further research.

CHAPTER SEVEN

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.0 Introduction

This chapter entails the summary, conclusions and recommendations according to the specific objectives. It ends with suggestions for further research.

7.1 Summary of the Findings

7.1.1 Regional strategic factors towards bilateral trade relations between Kenya and South Africa

Comparative advantage was found to be the key regional strategic factor influencing bilateral trade at 62.5%. Level of investment and domestic consumption rate were also found to have a significant influence on bilateral trade at a response of 20.8% and 16.7% respectively. The results based on questionnaire and interview schedule both identify comparative advantage, level of investment and domestic consumption rate as the key regional strategic factors which agree with the available literature review.

The rate of influence of domestic consumption rate and level of investment were found to have a high influence on Kenya's competitive advantage on international trade as affirmed at a response of 58.3% and 47.9% respectively. Furthermore, comparative advantage was found to have an average influence on Kenya's competitive advantage on international trade. The results based on the questionnaire and interview schedule both differ on levels of influence of these key regional strategic factors. The questionnaire results showed that level of investment and domestic consumption rate had a high rate of influence on Kenya's competitive advantage which agrees with the available literature review and it also showed that the influence rate of comparative advantage was only average at 40.6% which disagreed with available review. In addition, the interview results ascertain that the rate of influence of these key regional strategic factors was low since Kenya is a less developed country and adopts change at a low rate. The questionnaire results and interview results which showed that technology levels had average and low influence respectively on Kenya's competitive advantage on international trade differs from the available literature review which showed that comparative advantage had higher influence on bilateral trade between Kenya and South Africa. This implied that the effect of comparative advantage on Kenya's competitive advantage was still low since the state is less developed and its labour force has low levels of skills, the technological adoption rate is low and also infrastructural investments are low due to financial deficits leading to low production output which results to low output for exportation hence reducing trading activities between trading partners.

Domestic consumption rate is always high in developing countries due to increasing population thus there is always less amount of goods and services to trade in. From the results based on questionnaire consumption rate had a high influence of 58.3% on competitive advantage on international trade implying that when the domestic consumption rate is high the trade is in deficit and when the domestic consumption rate is low then the trade is in surplus. On the other hand, the interview schedule showed that due to the high population growth rate most of the output of production is consumed locally leaving less output for exportation thus it has a low influence on Kenya's competitive advantage on international trade. The interview results differ with the available review on the fact that domestic consumption rate had high influence on competitive advantage, but the research showed that domestic consumption rate had a low influence on competitive advantage while the questionnaire results concurred with the literature review on the fact that domestic consumption rate had a high influence on Kenya's competitive advantage.

The level of investment had a high influence of 47.9% on Kenya's competitive advantage which disagrees with the interview schedule results which showed that the levels of investment had low influence on Kenya's competitive advantage due to the low levels of investment in technology advancement and infrastructure by the Kenyan government as it experiences financial constraints. Therefore, in conclusion the questionnaire results agree with the available literature review on the fact that level of investment had high influence on Kenya's competitive advantage on international trade while the results from interview schedule differs and evidence that level of investment had low influence on Kenya's competitive advantage on international trade.

Based on the results, the following determinants of regional strategic factors had an average influence on bilateral trade in Kenya; Skills of labour force (51.0%), technological adoption capacity (51.0%), Infrastructural Investment capacity (61.5%), demand capacity (45.8) and demand supply capacity (53.1%) while the following determinants had a high influence on bilateral trade in Kenya; availability of cheap labour (46.9%), production capacity (46.9%), trade tariffs (60.4%), trade regulation (62.5%) and peace and stability (57.3%). The results show that availability of cheap labour, production capacity, trade tariffs, trade regulations and peace and stability had a high influence on bilateral trade in Kenya. This according to the review implies that availability of cheap labour reduces the production cost resulting in increased output of products for exportation whereas peace and stability creates a mutual relationship between trading partners thus increasing the market size for trading. Lastly, reduction in tariffs and trade regulations reduces the cost of exporting thus leading to more exportation in Kenya. The response by the study respondents further showed that skills in labourforce, technological adoption capacity, infrastructural investment capacity, demand capacity and demand supply capacity had an average influence on bilateral trade in Kenya. This compa red to available reviews can be justified with the fact that the Kenyan labourforce is not highly skilled especially in the technical fields required for manufacturing and that is why the government developed TVETs to improve on technical skills. Since Kenya is a developing country, technological adoption capacity is low and the rate of investment on infrastructures by the Kenyan government is low due to inadequacy of funds and as a result it tends to have an average influence on production and thus an average influence on bilateral trade in the country. Finally, Kenya as a country has a high population leading to a high consumption rate. In this case most of the goods and services produced are consumed locally leading to a deficit in goods and services for exportation. Therefore, the demand capacity may be high but the ratio of production and supply capacity of a country (demand supply capacity) may be unequal leading to an average influence on bilateral trade of a given country. In conclusion, the results and available reviews assert that the determinants of the key regional strategic factors have a significant influence on bilateral trade in Kenya.

In addition, it is also evident that Kenya is dependent on economic dominance in the EAC and COMESA regions on key regional strategic factors as shown by a response rate of 74% (55.2% where respondents agree and 18.8% where respondents strongly agree). The questionnaire results and interview schedule results agree on the fact that for Kenya to economically dominate the EAC and COMESA then it has to leverage/completely utilize the key regional strategic factor to boost its output for local consumption and still have surplus goods and services for exportation within the trading region. Lastly, the respondents agreed with the fact that Kenya is actively engaged in addressing the key regional strategic factors influencing bilateral trade at a response rate of 72.9%. The results from the questionnaire and interview schedule both show that the Kenyan government engages in addressing the key regional strategic factors influencing bilateral trade. Finally, the available literature review concurs with both the questionnaire and interview schedule results thus concluding that the Kenyan government had engaged in addressing the key regional strategic factors influencing bilateral trade.

7.1.2 Effectiveness of existing economic diplomacy for trade between Kenya and South Africa

According to the results, 81.2% (57.2% response being effective and 24% response being very effective) of the respondents asserted that Kenya is effectively represented in regional trading blocs/free trading area while 18.8% of the responses showed that representation of Kenya in regional trading blocs/free trade area were ineffective. Effectiveness of representation of Kenya in trading blocs/free trade areas between Kenya and South Africa traces its roots from the end of the apartheid era where diplomatic missions/diplomats opened up more markets for goods and services. In this era the first two Kenyan presidents promoted a peaceful co-existence between the two states resulting in bilateral trade promotion. Thus, the literature review concurs with the questionnaire results and also shows that the two states belong to AU, World Trade Organization (WTO), African Growth and Opportunity Act (AGOA) and the African Continental Free Trade Area (AfCFTA) which have favourable trade agreements which continuously influence how intra-African trade is executed. Therefore, it's evident that Kenya is effectively represented in regional trading blocs/free trade areas.

The results showed that 90.6% (36.4% strongly agreed and 54.2% agreed) of the respondents agreed that there were available Memoranda of Understanding (MOU) between Kenya and South Africa and that they have had a significant effect on foreign trade. 5.2% of the respondents disagreed while 4.2% of the respondents were not sure on whether there were available MOUs between Kenya and South Africa which affect foreign trade investment. The questionnaire results agreed with the available literature review on the fact that there were available MOUs between Kenya and South Africa which affect foreign trade investment. WTO is said to enhance trading policies, a framework that enables the two states to ratify trade MOUs which facilitate bilateral trade.

The results further show that 89.6% (60.4% agreed and 29.2% strongly agreed) of the respondents agreed that tariff reduction, tariff regulation and trade restriction had created porous borders for goods and services in the international market. 2.1% of the respondents were not sure while 8.3% disagreed that tariff reduction, trade regulation and trade restriction had not created porous borders for goods and services in international trade. The questionnaire results and the interview results agree that tariff reduction, trade restrictions and trade regulation have created porous borders for goods and services in the international market. These results in turn have also agreed with the available literature which ascertains that there exist terms of trade, that is, tariff reduction, trade restrictions and trade regulation which guide the operation of trading activities between trading partners in this study Kenya and South Africa.

On the other hand, both state and non-state actors like opinion leaders, activists, NGOs and private entities had influenced economic diplomacy at a response rate of 81.2% (50.0% agreed and 31.2% strongly agreed). 81.2% of the respondents agreed that both state and non-state actors like opinion leaders, activists, NGOs and private entities influence economic diplomacy which also agrees with interview schedule results. Based on available studies the questionnaire results and interview schedule results concur with the available review.

Based on the results, it was also shown that 89.6% of the respondents agreed that the government and policy makers engaged non-state actors like opinion leaders, activists, NGOs and private entities in foreign policy making while 10.4% disagreed. Therefore, the results of the study confirm at 89.6% that the government and policy makers engage non-state actors in foreign policy making which matches with the interview schedule results. The questionnaire results and the interview schedule results agree with the available review that diplomats influence foreign policy making, and so do the ambassadorial missions abroad.

Furthermore 89.6% (53.1% agreed and 36.4% strongly agreed) of the respondents agreed with the fact that diplomatic missions abroad/diplomats were significant in enhancing economic diplomacy through market creation. The 89.5% (36.4% (109) of the respondents strongly agreed, 53.1% (159) agreed) of the respondents confirmed that diplomatic missions abroad/diplomats were enhancing diplomacy through market creation which was vividly supported by the interview schedule results. This affirmed that diplomatic missions/diplomats create a mutual ground for trade by bringing about favourable terms of trade between states. Peace coexistence between states opens more markets for goods and services thus trade promotions. Therefore, the questionnaire results and interview schedule results concurred with available results and confirmed that there was significance of diplomatic missions abroad/diplomats in enhancing diplomacy through market creation.

7.1.3 Opportunities and challenges within economic diplomacy between Kenya and South Africa

Based on the results, job opportunities was the main opportunity of economic diplomacy at a response rate of 38.5% followed by economic growth and development at a response rate of 36.5%. Trade promotion (15.6%), representation in regional/global policy formulation (5.2%) and attraction of foreign direct investments (4.2%) were also identified as opportunities of economic diplomacy. On the other hand, the interviewees acknowledged that job opportunities, foreign direct investment, economic growth and development, trade liberalization through free trade area, peace and stability regionally and globally, trade promotion and regional/global integration to be the opportunities of economic diplomacy although according to their opinion the level of this opportunities of economic diplomacy is still low. Job opportunities and economic growth and development were found to be the main opportunities of economic diplomacy. Trade promotion was found to be low which was associated with low market supply capacity since most of the products produced are consumed locally leaving less products for exportation. Foreign Direct Investment was low which was explained by the fact that developing states have low levels of adoption of innovation from abroad thus the impact takes a longer time for it to have a significant influence. In addition, based on the questionnaire results, Kenya is not highly represented in regional/global policy formulation.

On the other hand, the interview results showed that economic diplomacy brought about opportunities such as market creation for goods and services, employment opportunity creation, economic growth and development, peace and stability, trade promotion, trade liberalization and regional/global integration. Although it is evident that the level of impact of the opportunities is low but still significant to trading states. The results of the questionnaire and interview results agreed on some opportunities such as job creation, economic growth and development, trade promotion, attraction of foreign direct investment, regional/global policy formulation. On the other hand, the interview schedule results concurred with the available literature review that regional/global peace and stability, regional/global integration, liberalization through free trade area were also opportunities of economic diplomacy.

The responses on whether the Kenyan government had leveraged on the opportunities of economic diplomacy indicated that indeed the Kenyan Government had utilized the opportunities of economic diplomacy to a greater extent as it was affirmed by a response rate of 87.5%. The questionnaire results agreed with the available literature review such that a country's global competitiveness relies on the ability of a country to leverage on its comparative resource endowment features. The Kenyan government has invested in TVETs so as to enhance the technical skills of its labour force so as to promote the manufacturing sector. The government has also invested in infrastructural development to improve accessibility. Furthermore, the government has laid strategies for the purpose of encouraging foreign direct investment to bring in new innovations for manufacturing and it has also enacted policies that are favourable for industries to thrive.

According to the questionnaire results, economic diplomacy had the following challenges; trade shocks and trade deficits at a response rate of 36.5%, lack of mandate to enforce and implement memorandum of association (MOU) at 24.0%, fragmentation of regional/global trading system 21.9%, political mistrust settlement through sanctions, tariffs, restrictions and regulations (17.6%) were challenges of economic diplomacy. The interview schedule showed that loss of job opportunities, political mistrust settlement through sanctions, tariffs, restrictions and regulations (it comes about majorly due to cooperation through networking and partnership), trade shocks and trade deficits, fragmentation of regional/global trading system were challenges of economic diplomacy. The questionnaire results and the interview schedule agreed on the aforementioned challenges but differed such that lack of mandate to enforce and implement Memorandum of Understanding was a challenge of economic diplomacy under questionnaire results and loss of job opportunities was under interview schedule. Lastly, the challenges for questionnaire and interview schedule both concurred with the available literature review.

In addition, Kenyan and South African governments were addressing the challenges of economic diplomacy with a response rate of 80.8%. The interview schedule results shows that diplomatic missions/diplomats between Kenya and South Africa promote favourable terms of trade thus giving the two states the mandate to enforce and implement Memoranda of Understanding (MOU). This promotes trade, creates job opportunities and brings about economic growth and economic development. Finally, peace initiatives between the two states build political trust and agreements on terms of trade are determined. Therefore, the questionnaire and interview schedule results agree with the available review and conclude that Kenyan and South African countries were addressing the challenges of economic diplomacy.

Lastly, the respondents affirmed that the opening up of the African Continental Free Trade Area was found to be essential in addressing the existing challenges of economic diplomacy at a response rate of 87.5%. According to the interview schedule AfCFTA links the African continent to foreign trade which expands the regional/global markets for goods and services thus promoting trade. Foreign trade creates employment opportunities and brings about economic growth and economic development. Peace initiatives by AfCFTA promote regional/global peace and provide automatic security to its member states through offering military support that enables them to curb terrorism. Therefore, the questionnaire and interview results agree with the fact that the opening up of the African Continental Free Trade Area addresses the existing challenges of economic diplomacy between Kenya and South Africa. These results both concur with the available literature review.

7.2 Conclusions

7.2.1 Regional strategic factors towards bilateral trade relations between Kenya and South Africa

Comparative advantage, level of investment and domestic consumption rate were found to be the key regional strategic factors influencing bilateral trade between Kenya and South Africa. Kenya being a less developed country, the influence of the key regional strategic factors on Kenya's competitive advantage was found to be low. The determinants of the key regional strategic factors 1) comparative advantage; High skills in labour force, technological adoption capacity, more infrastructural investment, availability of cheap labour, geographical location and reduced tariffs 2) level of investment; resource investment and efficiency investment and 3) domestic consumption rate; production capacity and demand capacity and market supply capacity, tend to influence bilateral trade differently. Availability of cheap labour reduces the production cost resulting in increased output of products for exportation whereas peace and stability creates a mutual relationship between trading partners thus increasing the market size for trading. In addition, reduction in tariffs and trade regulations reduces the cost of exporting thus leading to more exportation in Kenya. Kenya being a developing country, its labourforce is not highly skilled especially in the technical fields required for manufacturing and that is why the government developed TVETs to improve on technical skills. Its technological adoption capacity is low and the rate of investment on infrastructures by the Kenyan government is low due to inadequacy of funds and as a result it tends to have an average influence on production and thus an average influence on bilateral trade in the country. Furthermore, Kenya as a country has a high population leading to a high consumption rate where most of the goods and services produced are consumed locally leading to a deficit in goods and services for exportation. Therefore, the demand capacity may be high but the ratio of production and supply capacity of a country (demand supply capacity) may be unequal leading to an average influence on bilateral trade of a given country.

Kenya's economic dominance in EAC and COMESA depends on the key regional strategic factors. A given state should leverage/completely exploit the key regional strategic factors. Kenya has invested in TVETs to keep improving the technical skills of its labour force necessary for manufacturing. The government has encouraged foreign direct investment to bring about innovations and develop infrastructures with the aim of increasing production capacity enough for consumption and for exportation so as to improve trade with South Africa.

7.2.2 Effectiveness of existing economic diplomacy for trade between Kenya and South Africa

Kenya is effectively represented in trading blocs/free trade areas. Representation in trading blocs/free trade areas between Kenya and South Africa began a longtime ago through diplomatic missions/diplomats which opened up more markets for goods and services. AU, World Trade Organization (WTO), African Growth and Opportunity Act (AGOA) and the African Continental Free Trade Area (AfCFTA) have favourable trade agreements which continuously influence how intra-African trade specifically between Kenya and South Africa is carried out. Availability of Memoranda of Understanding (MOU) between Kenya and South Africa were said to promote foreign trade and investment. WTO is said to enhance trading policies, a framework that enables the two states to ratify trade MOUs which facilitate bilateral trade.

Terms of trade guide the trading activities between trading states on the international market. Favourable terms of trade, that is, reduced tariffs, trade restrictions and trade regulation affect flow of goods and services in bilateral, regional and global trade. The existence of trading blocs such as AGOA, AU, WTO and AfCFTA also provide favourable trading agreements or terms of trade that are meant to escalate trade between member states.

State and non-state actors like opinion leaders, activists, NGOs and private entities have a diplomatic role in the formulation and implementation of economic policies at national, regional and global levels. The emergence of public diplomacy has enhanced economic diplomacy through engagements such as improving communication, promoting advocacy programmes and enhancement in political stability. In addition, non-state actors are said to influence policy formulation apart from enhancing economic diplomacy which are said to guide the trade operations at bilateral, regional and global levels. Therefore, these policies favour the trade operations of both the state and non-state actors such as private entities. Lastly, diplomatic missions abroad/diplomats create a mutual ground for trade by initiating adoption of favourable terms of trade and also creating peaceful environments which open up more markets for goods and services.

7.2.3 Opportunities and challenges within economic diplomacy between Kenya and South Africa

The opportunities of economic diplomacy are job opportunities, economic growth and development, trade promotion, representation in regional/global policy formulation, attraction of foreign direct investments, trade liberalization through free trade area, peace and stability regionally and globally. This study reveals that the impact of these opportunities is still minimal and, therefore, there was a need to utilize these opportunities completely to realize greater output. The Kenyan government has invested in TVETs so as to enhance the technical skills of its labour force so as to promote the manufacturing sector. The government has also laid strategies for the purpose of encouraging foreign direct investment to bring more innovations and develop infrastructure for the purpose of increasing productivity and enhancing international trade. Furthermore, it has enacted policies that are favourable for local industries to thrive and encourage trade with its trading partners.

Although economic diplomacy has many opportunities, it also has challenges which include; trade shocks and trade deficits, lack of mandate to enforce and implement memorandum of Understanding (MOU), fragmentation of regional/global trading system, political mistrust settlement through sanctions, tariffs, restrictions and regulations, loss of job opportunities. It is significant for countries to address the challenges of economic diplomacy so as to enhance the opportunities of economic diplomacy. Existence of diplomatic missions abroad/diplomats between Kenya and South Africa is meant to promote favourable terms of trade for the purpose of giving the two states the mandate to enforce and implement Memorandum of Understanding (MOU). Favourable trade agreements and availability of memorandum of understanding promote trade, creates job opportunities and brings about economic growth and economic development. Finally, peace initiatives between the two states build political trust and agreement on terms of trade is determined. Apart from diplomatic missions abroad/diplomats the trading blocs such as WTO, AU, AGOA and AfCFTA also open up for more markets for goods and services which in turn increase trading activities. This brings along job opportunities, trade promotion, and trade liberalization through creation of free trade areas and economic growth and development. The later trading blocs further bring about favourable terms of trade that encourage international trade between its member states and in addition, peace initiatives bring about peaceful coexistence that promote trade. Moreover, the trading blocs also offer military support to their member states to curb insecurities. The peace initiatives also create political trust which lead to development of favourable terms of trade; reduced trade tariff, trade regulation and trade restrictions so as to encourage trade between the conflicting states.

7.2.4 Overall Conclusions

The findings of this study were found to be in line with the guiding theories (Keynesian theory of international trade, standard theory of international trade and power theory) of this study. The standard theory of international trade emphasized leveraging a country's comparative advantage to increase its competitive advantage on international trade. The Keynesian theory of international trade provided that a country's competitive advantage on international trade was to be influenced by levels of investment and domestic consumption rate. Further, the power theory emphasized on the use of economic diplomacy through entering into trading alliances, representation in trading blocs, ratification of MOUs for bilateral trade, adoption of public diplomacy and the role of diplomatic missions abroad to foster trade between trading partners in this specific case Kenya and South Africa. Comparative advantage, level of investment and domestic consumption rate were identified as the key regional strategic factors influencing bilateral trade between Kenya and South Africa. Since Kenya is a developing country characterized with low levels of skilled manpower, poor infrastructure, low adoption rate of innovations, corruption and financial constraints, the level of influence of these key regional strategic factors was low and therefore, its competitive advantage over South Africa on international trade was still low. Although the results show that Kenya is addressing the key regional strategic factors, it should put in more efforts by increasing its funding to TVETs and infrastructure development, encourage FDI and improve on terms of trade so as to increase Kenya's economic dominance in the EAC and COMESA and also generally boost its bilateral trade with South Africa.

The results also confirmed the Keynesian of international trade and power theory arguments that legal agreements like MOUs formed a clear determinant of bilateral trade between trading partners in this case Kenya and South Africa. Based on the results, Kenya was said to be effectively represented in the trading blocs/free trade areas but there existed only MOUs between Kenya and South Africa. This, however, forms the basis for the bilateral trade engagements between the two countries. The terms of trade; reduction of tariffs, trade regulation and trade restriction create porous borders for goods and services in the international market. The non-state actors like opinion leaders, activists, NGOs and private entities were found to be involved in foreign policy making through enhanced communication, adoption of advocacy programmes, enhanced political stability and management of relationships with a given state government and its policy makers. Both the state and non-state actors were found to influence the foreign market through formulation and implementation of economic policies which enhance economic diplomacy. Lastly, the diplomatic missions abroad/diplomats were significant such that they create a mutual relationship between states which leads to creation of trading agreements and ratification of MOUs which open up more market for goods and services thus promoting the bilateral trade between Kenya and South Africa.

Job opportunities, economic growth and development, trade promotion, representation in regional/global policy formulation, attraction of foreign direct investments, trade liberalization through free trade area, peace and stability regionally and globally were found to be the opportunities of economic diplomacy although the impact of these opportunities is still minimal and therefore, there was a need to utilize these opportunities completely to realize greater output. On the other hand, the challenges of economic diplomacy were trade shocks and trade deficits, lack of mandate to enforce and implement memorandum of understanding (MOU), fragmentation of regional/global trading system, political mistrust settlement through sanctions, tariffs, restrictions and regulations, loss of job opportunities. It is significant for countries to address the challenges of economic diplomacy so as to enhance the opportunities of economic diplomacy.

Lastly, economic diplomacy is a crucial element in the formulation of foreign policy as well as conducting trade to promote a nation's interests in the international community. Under the Kenyan economic diplomacy pillar, it is essential for the policy makers to borrow from the key regional strategic factors (comparative advantage, level of investment and domestic absorption rate) investigated under this study to shape how trade is conducted in a multilateral or bilateral manner between Kenya and her trading partners and in this specific case South Africa, thus the significant need for the study. It was also important for the study to investigate the Kenya and South African economic diplomatic means because it justified the extent to which diplomacy plays a key role in shaping how bilateral trade is done. Minimal research has been done along this line of thinking with most studies drawing focus on diplomatic means used by Kenya to advance her trade interests within the EAC community and to show her strengths in maintaining her dominance in the region. To bridge this gap, it was crucial for the researcher to undertake this study. Further, Kenya and South Africa have not ratified any bilateral trade agreements and operate under MOUs and also under the regional AU, WTO and the AfCFTA. In this regard, this study was essential not only for the two governments but also the umbrella trading blocs in the formulation and implementation of effective policies and MOUs that promote economic integration.

7.3 Recommendations

Kenya should focus more on addressing the key regional strategic factors (comparative advantage, level of investment and domestic absorption rate). The key regional strategic factors have a significant influence on bilateral trade between Kenya and South Africa. Foreign direct investments are relatively low in Kenya compared to South Africa. The government should lay emphasis on the implementation of the following measures; development of a law by the Kenyan Parliament on public-private partnerships as part of the vision 2030 strategy so as to attract FDI, creation of a favourable working environment for foreign investors, establishment of trade relationships and representation in trading blocs to attract more FDI. The Kenyan government should also provide incentives and increase its funding to areas that would increase its productivity like agriculture, manufacturing, blue economy among others to enhance its competitive advantage on bilateral trade with South Africa. For instance, the Kenyan government should increase its funding in TVETs to enhance the technical skills of its labour force with the aim of enhancing the manufacturing sector. This is intended to increase the value of exports by exceeding the domestic absorption rate so as to realize a balance of trade. Lastly, by encouraging foreign direct investment, increased government funding and provision of incentives will increase Kenya's level of investment. This will lead to maximum utilization of the key regional strategic factors which will bring innovation, develop infrastructure and improve technical skills. Therefore, these interventions increase the competitive advantage of Kenya on bilateral trade with South Africa.

The Kenyan government should encourage more favourable trade agreements. Kenya and South Africa should go beyond Memoranda of Understanding (MOU) and adopt more binding trade agreements to encourage more borrowing of skilled manpower and investors. This can be actualized through their diplomatic mission abroad. By doing this, the Kenyan government will increase its competitive advantage on international trade. Favourable trading agreements escalate international trade between trading partners. Increased trade regulation and trade restrictions should be implemented so as to protect local industries and to encourage them to increase their output thus encouraging more exports than imports. Lastly, reduction in tariffs will increase trading activities between trading partners thus enhancing economic diplomacy.

The Kenyan government should ensure its increased representation in trading blocs/free trading areas. This should be realized through the government's willingness to ratify regional trading blocs agreements and ensure representatives are aligned to the government's end goal. Representatives to these trading blocs should also portray commitment by attending conferences, workshops and seminars organized by the respective trading blocs. Being a member of trading blocs opens up more markets for goods and services which increase trading activities that in turn result in trade promotion. Increased flow of capital results in the creation of job opportunities and enhancement of economic growth and development. Association with a given trading bloc automates foreign direct investments for member states. The peace initiatives by the regional/global trading blocs lead to peaceful coexistence between the member states in this case between Kenya and South Africa. It is clear that representation of a country in trading blocs helps it address the challenges of economic diplomacy and be able to maximize the opportunities of economic diplomacy. Thus, it is essential for a given state to increase effectiveness in its representation in such trading blocs.

7.4 Suggestions for further research

This study focused on the key regional strategic factors (comparative advantage, level of investment and domestic absorption rate) as the main factors influencing economic diplomacy between Kenya and South Africa. These factors are in line with the nature and evolution of bilateral trade between Kenya and South Africa but do not justify the availability of other factors of bilateral trade. Therefore, further study can be done to identify other factors (economic, social and political factors) influencing bilateral trade between Kenya and South Africa.

This study assessed the effectiveness of the existing economic diplomacy between Kenya and South Africa. It was identified that there exists trading MOUs between Kenya and South Africa however, the existing MOUs influence on bilateral trade was not examined into detail. As such, further study can be done to determine the extent to which the existing MOUs between Kenya and South Africa influence bilateral trade between the two countries.

Lastly, the study sought to evaluate the opportunities and challenges within economic diplomacy between Kenya and South Africa. With the implementation of a continental trading area (African Continental Free Trade Area), it is of essence to understand the ripple effects that this could bring to individual states/trading partners. Therefore, a study on the opportunities/challenges of regional trade liberalization for Kenya through the implementation of the African Continental Free Trade Area is crucial.

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APPENDICES

Appendix 1: Introductory Letter

Dear Respondent;

My name is Stalin Mwenda Njeru, a student at Masinde Muliro University of Science and Technology, Kenya, pursuing master's studies on "regional strategic factors influencing economic diplomacy between Kenya and South Africa". The study is founded on the following specific objectives; to examine the regional strategic factors towards bilateral trade relations between Kenya and South Africa, to assess the effectiveness of existing economic diplomacy for trade between Kenya and South Africa and lastly, to evaluate the opportunities and challenges within economic diplomacy between Kenya and South Africa.

The findings of this study will be instrumental in informing policymakers, practitioners and scholars of international relations. You are kindly requested to provide truthful information that will help achieve the general objective. The information you provide will be strictly used for this study and confidentiality will be maintained.

Thank you in advance.

Stalin Mwenda Njeru

Mobile number: +254700471894

Email address: Stalinmwenda74@gmail.com

Appendix 2: Research Questionnaire

Background information

Name of your organization/business ________________________________

Field of expertise____

Occupation____

Nature of Organization/Business

Intergovernmental Organization	
Non-Governmental Organization	
Government	
Private Sector/Business	
Other (Specify)	

Kindly indicate your job description

Policymaker	
Technocrat	
Administration/ support	
Business	
Other (specify)	

Highest level of Education

Degree	
Diploma	
Secondary School	
Other (specify)	

How long have you worked in your current organization/business?

Less than 6 months	
6 months -2 years	
2 years - 5 years	
5 years - 10 years	
Over 10 years	

Kindly indicate your age bracket

20 - 30 years	
31 - 40 years	
41 - 50 years	
50 - 55 years	

Over 55 years	

Kindly indicate your gender

Male	
Female	

STUDY QUESTIONS

Regional strategic factors towards bilateral trade relations between Kenya and South Africa

1. What are the key regional strategic factors influencing bilateral trade between Kenya and South Africa? (tick)

a) Comparative advantage (higher skills in labourforce, technological adoption capacity, more infrastructural investment, availability of cheap labour, geographical location-reduced tariffs)

b) Level of investment (resource investment and efficiency investment)

c) Domestic consumption rate (production capacity, demand capacity, market supply capacity)

2. How would you gauge the influence of the key regional strategic factors on Kenya's competitive advantage on international trade? tick.

a) Comparative advantage **(high), (average), (low)**

Kindly give reasons:..

b) Level of investment **(high), (average), (low)**

Kindly give reasons:..

c) Domestic consumption rate **(high), (average), (low)**

Kindly give reasons:..

3. What is the level of the following determinants of regional strategic factors on bilateral trade in Kenya?

Determinant	**High**	**Average**	**Low**
Skills in labourforce			
Technological adoption capacity			

Infrastructural investment capacity			
Availability of cheap labour			
Production capacity			
Demand capacity			
Demand supply capacity			
Trade tariffs			
Trade regulations			
Peace and stability			

4. Kenya's economic dominance in the EAC and COMESA regions is dependent on the key regional strategic factors?

1	2	3	4	5
Strongly	Disagree	Not sure	Agree	Strongly agree

disagree				

Kindly give reasons:..

5. Is Kenya actively engaged in addressing the key regional strategic factors influencing bilateral trade? Yes/No?

If yes, explain how:..

Effectiveness of existing economic diplomacy for trade between Kenya and South Africa

1. How effective is the representation of Kenya in regional trading blocs/free trade areas? (tick)

   Very effective, effective, ineffective

   Please give reasons:..

2. The availability of trading MOUs (memorandum of understanding) between Kenya and South Africa has promoted foreign trade and investment?

1	2	3	4	5
Strongly	Disagree	Not sure	Agree	Strongly agree

disagree				

Kindly give reasons:...

3. Tariff reduction, trade regulation and trade restrictions have created porous borders for goods and services trade in the international market.

1	2	3	4	5
Strongly disagree	Disagree	Not sure	Agree	Strongly agree

Kindly give reasons:...

4. Both state and non-state actors like opinion leaders, activists, NGOs (non-governmental organizations) and private entities influence economic diplomacy.

1	2	3	4	5
Strongly disagree	Disagree	Not sure	Agree	Strongly agree

Kindly give reasons:...

5. Do you think the government and policymakers engage non-state actors in foreign policy making? Yes/No

If yes, please explain how:…………………………………………………………………….

6. Diplomatic missions abroad/diplomats are significant in enhancing economic diplomacy through market creation.

1	2	3	4	5
Strongly disagree	Disagree	Not sure	Agree	Strongly agree

Kindly give reasons:..

Opportunities and challenges within economic diplomacy between Kenya and South Africa

1. In your opinion, what are the opportunities of economic diplomacy in your country among the following? (tick)

   a) Economic growth and development

   b) Trade liberalization through free trade areas

   c) Trade promotion

d) Regional/global integration

e) Regional/global peace and stability

f) Attraction of foreign direct investment (FDI)

g) Job opportunities creations

h) Representation in regional/global policy formulation

2. Has the Kenyan government leveraged on the opportunities of economic diplomacy? Yes/No

   If yes, how?..

3. In your opinion, what are the challenges of economic diplomacy in your country among the following? (tick)

   a) Fragmentation of regional/global trading system

   b) Loss of job opportunities

   c) Political mistrust settlement through sanctions, tariffs, restrictions and regulations

   d) Trade shocks/trade deficits

   e) Lack of the mandate to enforce and implement memorandum of understanding (MOUs)

4. Is the Kenyan/South African government addressing the challenges associated with economic diplomacy? Yes/No

   If yes, how?...

5. Is the opening up of the African Continental Free Trade Area addressing the existing challenges of economic diplomacy between Kenya and South Africa?

   If yes, how?...

Appendix 3: Interview Schedule

Background information

Name of your organization/Agency/Embassy ________________________________

Field of expertise____

Occupation____

Country of Origin

Nature of Organization/Agency/Embassy (Intergovernmental Organization, Non-Governmental Organization, Government, Private Sector/Business, Others)

____

A summary of job description (Policymaker, Technocrat, Administration/ support, Business, Others) ____

Duration worked in your current organization/agency/embassy

____

Regional strategic factors towards bilateral trade relations between Kenya and South Africa.

1. In your opinion, how do the following key regional strategic factors influence bilateral trade between Kenya and South Africa?

a) Comparative advantage (higher skills in labourforce, technological adoption capacity, more infrastructural investment, availability of cheap labour, geographical location-reduced tariffs) ....

b) Level of investment (resource investment and efficiency investment) ....

c) Domestic consumption rate (production capacity, demand capacity, market supply capacity) ....

2. In your opinion, how would you gauge the influence of the three key regional strategic factors on bilateral trade relations? High, average or low?

a) Comparative advantage ....

b) Level of investment...

c) Domestic consumption rate..

3. What efforts has your government put in place to promote bilateral trade relations through the key regional strategic factors? ....

Effectiveness of existing economic diplomacy for trade between Kenya and South Africa

1. How effective is the representation of Kenya/South Africa in regional trading blocs/free trade areas?...
2. Are you aware of any trade MOUs (memorandum of understanding) between Kenya and South Africa? ....
3. To what extent has the unavailability of bilateral trade agreements between Kenya and South Africa hindered foreign trade and investment? ....
4. How effective are trade regulation and trade restrictions in protecting the locally produced goods/services in your country? ....
5. How effective is tariff reduction for bilateral trade between Kenya and South Africa? ....
6. To what extent have non-state actors in your country like opinion leaders, activists, NGOs (non-governmental organizations) and private entities influenced economic diplomacy through policy making participation? ....
7. How does your government and policymakers actively engage non-state actors in foreign policy making? ………………………………………………………………….

8. Are diplomatic missions abroad/diplomats significant in enhancing economic diplomacy through market creation? ....

9. Do you feel involved in the practice of economic diplomacy in your country? ....

Opportunities and challenges within economic diplomacy between Kenya and South Africa

1. In your opinion, what are the opportunities of economic diplomacy for your country?

   ....

2. How does the Kenyan/South African government leverage on the opportunities of economic diplomacy?...

3. In your opinion, what are the challenges of economic diplomacy in Kenya or South Africa?

   ....

4. How does the Kenyan/South African government address the challenges associated with economic diplomacy?

   ....

5. How is the opening up of the African Continental Free Trade Area addressing the existing challenges of economic diplomacy between Kenya and South Africa?

   ....

6. What ways/programmes/policy making processes are you involved in to address the challenges associated with economic diplomacy?

   ....

Appendix 4: Proposal Approval Letter from the University

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

Tel: 056-30870
Fax: 056-30153
E-mail: directordps@mmust.ac.ke
Website: www.mmust.ac.ke

P.O Box 190
Kakamega – 50100
Kenya

Directorate of Postgraduate Studies

Ref: MMU/COR: 509099

1st November ,2022

Stalin Mwenda Njeru
CDR/G/14 – 53162/2018
P.O. Box 190-50100
KAKAMEGA

Dear Mr. Njeru,

RE: APPROVAL OF PROPOSAL

I am pleased to inform you that the Directorate of Postgraduate Studies has considered and approved your Master's proposal entitled: ***"Regional Strategic Factors influencing Economic Diplomacy between Kenya and South Africa"*** and appointed the following as supervisors:

1. Prof. Pontian Godfrey Okoth - SDMHA - MMUST
2. Dr. Sussy Namaemba Kimokoti - SDMHA - MMUST

You are required to submit through your supervisor(s) progress reports every three months to the Director of Postgraduate Studies. Such reports should be copied to the following: Chairman, School of Disaster Management and Humanitarian Assistance Graduate Studies Committee and Chairman, Department of Peace and Conflict studies. Kindly adhere to research ethics consideration in conducting research.

It is the policy and regulations of the University that you observe a deadline of two years from the date of registration to complete your Master's thesis. Do not hesitate to consult this office in case of any problem encountered in the course of your work.

We wish you the best in your research and hope the study will make original contribution to knowledge.

Yours sincerely,

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
DIRECTORATE OF POSTGRADUATE STUDIES
P.O. Box 190, KAKAMEGA (K)
Sign:

Prof. Stephen O. Odebero, PhD, FIEEP
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