THE QUESTION OF REGIONAL INTEGRATION IN AFRICA: A CRITICAL ANALYSIS OF KENYA'S TRADE, INFRASTRUCTURE, AND SECURITY IN THE CONTEXT OF THE AFCFTA

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ABSTRACT

Using in-depth interviews and analysis of empirical research, texts and documents, this study attempts to provide a critical analysis of Kenya's trade, infrastructure, and security in the context of the African Continental Free Trade Area (AfCFTA). This is important since it would give interested parties a glance at how prepared Kenya is for the AfCFTA as well as offer a comparison with its continental counterparts in these areas of integration. It was revealed that that Kenya's trade is relatively integrated with the rest of Africa but is still quite some distance behind the most integrated countries. Given that the AfCFTA will lead to increasing intra-African trade, the study revealed that Kenya's export basket is relatively diverse suggesting that Kenyan industries could benefit from larger markets. Furthermore, despite being one of the leaders in intra-African trade, Kenya's current level of intra-African trade is still relatively low. This is due to procedural problems, customs and administrative procedures and the over reliance of imports from outside the continent. Strong political will and the application of reforms in the region has allowed Kenya to perform better than most sub-Saharan and lower middle-income countries in terms of infrastructure and how integrated that infrastructure is with the rest of the continent. However, several infrastructural challenges threaten Kenya's successful implementation of the AfCFTA. These challenges include the high cost of implementing infrastructural projects in Kenya, project delays, the politicization of infrastructure development and poor execution and management of road investments. Lastly, the study revealed that Kenya has historically been one of the more insecure and politically unstable countries in the region but there have been some improvements over the last five years. Several security and political obstacles threaten the successful implementation of the AfCFTA in Kenya and East Africa. These obstacles, which include terrorism, ethnic tensions, porous borders, and inefficient security cooperation, stand to negatively impact regional integration in the context of the AfCFTA by destabilizing trade and movement of persons across the region.

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LIST OF ACRONYMS

ADB	Asian Development Bank
AEC	African Economic Community
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AMU	Arab Maghreb Union
ARII	African Regional Integration Index
AU	African Union
AUC	African Union Commission
CENSAD	Community of Sahel–Saharan States
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EACSO	East African Common Service Organisation
EASSI	Eastern African Sub Regional Support Initiative for the Advancement of Women
ECA	Economic Commission on Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
FDI	Foreign Direct Investment
FSI	Fragile States Index
GDP	Gross Domestic Product
GNP	Gross National Product

IGAD	Intergovernmental Authority on Development
LAPSSET	Lamu Port-South Sudan-Ethiopia-Transport
LPI	Logistics Performance Index
NEPAD	New Partnership for Africa's Development
NTB	Non-Trade Barrier
OAU	Organisation of African Unity
OSBP	One Stop Border Post
PEV	Post-Election Violence
PICI	Presidential Infrastructure Championship Initiative
REC	Regional Economic Community
SACU	Southern African Customs Union
SADC	Southern African Development Community
SGR	Standard Gauge Railway
TFTA	Tripartite Free Trade Area
TRALAC	Trade and Law Centre
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
WGI	World Governance Indices
WTO	World Trade Organisation

CHAPTER 1 INTRODUCTION

1.1 Background

Within the developmental paradigm, regional integration has often been positively associated with economic development. The 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union welcomed the decision to establish a Continental Free Trade Area (CFTA) (African Union, 2020). The African Continental Free Trade Area (AfCFTA) seeks to unite fifty-four African countries with the aim of expanding intra-African trade, consolidating African markets, and expediting the regional integration process (African Union, 2020). The key objectives of the AfCFTA include the creation of single continental market for commodities, with unrestricted movement of persons and investments, and consequently the establishment of the Customs Union (TRALAC, 2019).

The promulgation of the AfCFTA marks one of several AU frameworks geared towards realising the agenda of sustainable development through the Pan-Africanist inspired belief in regional integration. This is founded on the assumption that enhanced regional integration leads to essential social welfare gains by lowering trade barriers and increasing competition and market access across the continent. This provides citizens with better choices because of competing markets(Parshotam, 2018). The AfCFTA marks one of the initial stages in fulfilling the Abuja Treaty's end goal of the establishment of an African Economic Community (AEC). The AfCFTA also hopes to increase intra-African trade through greater harmonization and coordination of the instruments that will liberalize and facilitate trade across the Regional Economic Communities (RECs) and across Africa in general. Furthermore, because of the potential increase in intra-African trade, the CFTA is expected to boost competitiveness at the industry and enterprise level (African Union, 2020).

Kenya has been a regional economic force within East Africa for a long time and therefore the success of integrating East African countries into the AfCFTA depends on how well Kenya responds to the continental integration efforts (Kwamboka, 2017). East Africa, which was one of the fastest growing regions in Africa with GDP growth of 5%, contributed 32 percent of Africa's GDP growth in 2019, an increase from less than 20% in 2018 (Kanos and Heitzig, 2020). Within the East African region, Kenya is what Germany is to the European Union (EU) – an export juggernaut that has greatly influenced the recent rise of exports and imports between East Africa and the rest of sub-Saharan Africa (Ordu, 2019). Kenya's export prowess

within the region is demonstrated by the fact that Kenya has preserved a trade surplus with sub-Saharan Africa, particularly with East Africa where the average trade surplus has been, about 1 percent of Kenya's GDP (Ordu, 2019).

1.2 Statement of the Problem

Africa faces a plethora of challenges in different policy areas that may undermine the promise of the AfCFTA. This paper will focus on three policy areas, namely trade, infrastructure, and security. As will be seen in greater detail below and in Chapter 2, these policy areas are great drivers of regional integration and could prove instrumental towards Kenya's efforts in implementing the AfCFTA.

The first policy area of interest is trade. Presently, intra-African trade only makes up 15% of overall African external trade (Onwuka and Udegbunam, 2019). Moreover, only 16.6% of total African exports in 2017 were intra-African (Cloete, 2019). In comparison, 68% of total European exports were intra-European while 59% of total Asian exports were intra-Asian (Cloete, 2019). Hartzenberg (2020) states that the low intra-African trade phenomenon arises from the fact that most African trade is with other trading partners outside the continent, and this is unlikely to change soon, and neither will their dependence on key commodities. Further, tariff concessions, despite the low level of intra-African trade, remains a contentious issue as tariffs still retain importance in terms of government revenue and reducing import competition (Hartzenberg, 2020). Because of these challenges that threaten the prospects of increased intra-African trade, developmental discourse has been dominated by calls for innovative approaches to increasing trade and deepening regional integration (González, 2015).

The second policy area of interest is infrastructure. Infrastructure constraints present a great challenge to the progress of intra-African trade. Access to decent infrastructure (power, roads, rail), would demand a longer-term commitment to the creation of an environment that favours healthy continental trade (Onwuka and Udegbunam, 2019). Currently, only 38% of Africans have access to electricity while only 25% of roads in Africa are paved (Mayaki, 2020). Studies have revealed that poor infrastructure raises the cost of goods traded among African countries by 30% to 40%, ultimately dampening private sector development and the flow of foreign direct investment (FDI) (Mayaki, 2020). Furthermore, a recent World Bank study revealed that the poor state of infrastructure around Africa diminished national economic growth by two percentage points annually and shrank business productivity by almost 40%, making Africa – in spite of its tremendous mineral and other natural resource endowment – the continent with

the lowest productivity levels in the world (Mayaki, 2020). Already-existing economic blocs such as Economic Community of West African States (ECOWAS), East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) are struggling with the problems of poor infrastructure in their attempts to implement free trade within the region. This raises questions on how detrimental the low level of critical infrastructure could be in the pursuit of the objectives laid out by the AfCFTA (Onwuka and Udegbunam, 2019).

The last policy area of interest for this is security. Security and political instability have complicated the promotion of intra-African trade and other integration efforts. The instability in Africa can be attributed to internal influences, however the diffusion of internal and external influences, particularly geo-political and economic interests of the global community continuously play a critical part in undermining the very laws and institutions that are expected to foster democracy and create a sense of stability for regional growth and development (Ongayo, 2008:2). Through political exclusion and predatory African elites colluding with external interests, resource wars, ethnic tensions and electoral violence have become common in several African countries (Ongayo, 2008:2). Additionally, terrorism has had devastating effects, as prominent groups such as Boko Haram of Nigeria and Al-Shabaab of Somalia, together with their allies across Africa have led to destruction of infrastructure and loss of life and economic activity (Kambela, 2019). This has led to a growing number of displaced citizens across the continent with the increased movement of people across borders creating security challenges for bureaucrats in Africa (Kambela, 2019).

Previous attempts to integrate the East African region in the 1970's failed due to several reasons including ideological differences, the perception of disproportionate sharing of economic benefits, infrastructure development and security issues (Kwamboka, 2017). After some time, integration attempts were reinitiated and the EAC was renewed on July 7, 2000, following ratification of the treaty of establishment by the three member states (Ordu, 2019). January 2005 saw the formation of governance structures and institutions as well as the operationalization of the customs union. This was followed by the entry of Burundi and Rwanda in July 2007 and South Sudan in September 2016 (Ordu, 2019). However, recent commentators have begun to speculate that history could repeat itself and see the EAC disintegrate like it did in the 1970's. This has been attributed to cross-border tensions, trade war accusations and political tension between member states. It has been noted that if the EAC were to collapse, the ramifications would not be isolated to the East Africa region. With China's economic growth diminishing, Brexit, unrest in Europe and the United States, and an

unsurprisingly dim view for the economies of sub-Saharan Africa, the last thing integration efforts in Africa need is an "own-goal" in East Africa that impedes economic growth, destroys jobs, and aggravates poverty (Ordu, 2019). Lastly, integration efforts have been complicated by the novel corona virus (SARS-CoV-2) that has devastated global markets as well as causing the deaths of over two million people (Worldometers, 2021). However, this study will not factor in the effects of SARS-CoV-2 given it is a relatively new phenomenon that demands further scientific research.

Integration involves several policy areas such as trade, security, and infrastructure. However, there exists limited research to determine how Kenya's current trade, security, and infrastructure lends itself to regional integration in the context of the AfCFTA. This is important since it would give interested parties an understanding of how prepared Kenya is for AfCFTA as well as offer a comparison with its continental counterparts. So far, majority of the research has attempted to uncover the advantages and disadvantages of regional economic integration rather than evaluating whether the current level of these three policy areas (trade, security, and infrastructure) would allow for the successful implementation of the AfCFTA. Subsequently, this study provides a critical analysis of these three policy areas (trade, security, and infrastructure) in Kenya to best understand how Kenya can integrate with the rest of Africa in the context of the AfCFTA.

1.3 Research Question

Trade, infrastructure, and security are important drivers for regional integration, each with its own unique influence on the prospects of the successful implementation of the AfCFTA. Considering this, the research question of this study is: How does Kenya's trade, infrastructure and security lend itself to regional integration in the context of the AfCFTA?

Secondary Research Questions

I. What is the current state of Kenya's trade, security and infrastructure compared to the rest of Africa?
II. How integrated is Kenya's trade and infrastructure with the rest of Africa?
III. Who are Kenya's key trading partners and regions within the continent?
IV. What are the potential barriers to integration for Kenya with respect to trade and infrastructure?
V. What are some of the key infrastructural projects undertaken by Kenya?
VI. How secure and politically stable is Kenya compared to the rest of Africa?

VII. What are some of the security challenges facing Kenya and the East African region?

1.4 Significance of the Study

This study is important as it will demonstrate the role of Kenya in bringing about tangible regional integration in East Africa. As this is a case study, the results may be used as a pilot project for other countries in Africa to identify their bottlenecks and find the most practical ways of integrating into the AfCFTA. Since the study focuses on the identification of policy areas that may accelerate the integration efforts of Kenya, the results may assist policy makers to review and/or reconsider their policies, as well as identify institutional strengths and weaknesses that may aid the successful integration of African states.

1.5 Research Methodology and Design

To answer the research questions set out above, the study employs a qualitative approach. According to Hammarberg, Kirkman and de Lacey (2016) qualitative methods seek to answer, "questions of experience, meaning and perspective". Qualitative research techniques include 'small-group discussions' for exploring beliefs, attitudes and concepts of behaviour that is normative in nature; 'semi-structured interviews', to gain insight on a focused topic or, with crucial informants, for background information or an institutional perspective; 'in-depth interviews' to comprehend a state, experience, or event from a particular perspective; and 'analysis of texts and documents', such as state reports, media articles, websites or diaries, to learn about distributed or private information (Hammarberg, Kirkman and de Lacey, 2016).

Two qualitative research techniques are used in this study, namely – in-depth interviews and analysis of empirical research, texts, and documents. The interviews conducted are semi-structured in nature; the researcher has a small set of questions or areas of exploration that may take a different direction depending on the answers given by respondents (Economic and Social Research Council, 2020) This method was employed since it can be used to draw out richly descriptive information, as well as allow for flexibility as the interview is being carried out (Economic and Social Research Council, 2020). Furthermore, this method provides the chance for personal and social matters to be asked freely, allowing for a smoother transition to deeper issues with respect to regional integration in the EAC. Core questions were formulated (See Appendix 9) but were altered or modified depending on the direction of the response given. The interviews, which were subject to approval from the UCT Ethics Committee and lasted 45 minutes on average.

The interviewees selected included government officials from Kenya as well as experts from institutions like the EAC secretariat and COMESA. Given the influence and scholarly knowledge possessed by the interviewees, valuable information on Kenya's progress towards implementing the AfCFTA, and how Kenya can best take advantage of the possible gains created by the AfCFTA was obtained. One government official requested anonymity and therefore their identity is not disclosed.

On the other hand, document analysis involves the systematic process of reviewing and/or evaluating documents and data in order to gain comprehension, elicit meaning, and foster empirical knowledge (Bowen, 2009) The study made use of books, published and unpublished journals, working papers, reports materials, newspapers to unpack the phenomena of regional integration in Kenya and how best to integrate (Bowen, 2009).

1.6 Structure of Thesis

This remainder of the paper is divided into five chapters, as follows:

Chapter 2 – Literature Review

This chapter introduces the literature of the study. The literature presents a theoretical review of regional integration as well as a brief review of regional integration in Africa and East Africa

Chapter 3 – Trade as A Gateway to Regional Integration

This chapter assesses Kenya's trade patterns in the context of the promulgation of the AfCFTA to determine how integrated Kenya's trade is with the rest of Africa, as well as identify barriers to trade as a gateway for integration. By analysing how Kenya trades with the rest of the world, particularly Africa, a comprehensive evaluation of what Kenya may stand to gain from the AfCFTA can be achieved.

Chapter 4 – Transport Infrastructure as a Gateway to Regional Integration

This chapter assesses Kenya's infrastructure as a viable gateway to strengthen integration and cooperative efforts between Kenya and the rest of Africa. This will be accomplished by assessing how integrated Kenya's infrastructure is with the rest of the continent and then outlining any challenges or impediments within Kenya's infrastructure network. For this section, the discussion of infrastructure will be limited to transport infrastructure.

Chapter 5 – Security as a Gateway to Regional Integration

By assessing how secure and politically stable Kenya is compared to the rest of the continent, this chapter will determine whether Kenya's environment allows for regional integration, as well as outline any threats to national and regional security that may impact regional integration efforts within the AfCFTA.

Chapter 6 – Conclusion & Recommendations

The final chapter provides a summary of the findings of the study. Furthermore, research limitations and recommendations for further research studies are also identified

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the theoretical and empirical literature on regional integration. Furthermore, a brief history of regional integration in Africa is provided together with the challenges faced by Africa in its attempt to integrate economically.

2.2 Views on Regional Integration

Before analysing how Kenya's trade, infrastructure and security lends itself to regional integration, it is important to gain a greater understanding of what regional integration entails. This section will provide an overview of regional integration and its potential pitfalls together with a brief discussion on the concept of developmental regionalism.

2.2.1 Defining Regional Integration

Contemporary discourse within the economic development paradigm has been dominated by the idea of regional integration through regional cooperation. Regional integration was first formally defined by Balassa (1961) as "the abolition of discrimination within an area" and then as "the process of removing, progressively, those discriminations which occur at national borders" by Kahnert et al (1969). However, it must be noted that measures which purely lessen discrimination between countries are not considered measures of integration but rather measures of cooperation (Hosny, 2013:133). Integration is seen as the process of gelling separate economies to form a larger economic entity and demands the exploitation of all possible prospects of efficient division of labour (Machlup, 1977). Integration can be undertaken through several stages: through the coordination of external tariffs vis-&-vis third countries (free trade area); through creating a common external tariff (customs union); through freeing the circulation of labour and capital within a customs union, and eventually the synchronization of fiscal, monetary, and other apparatuses of economic policy (Langhammer, 1977).

2.2.2 Drivers of Regional Integration

According to the World Bank (2021), regional integration creates benefits for member states in several ways including increased trade, industrial development and greater market efficiency, macroeconomic policy coordination, infrastructure development, as well as non-economic benefits such as enhanced peace and political stability. The attainment of these

benefits demands cooperation in these areas, with each having various institutional forms, with different stages of policy obligations and joint sovereignty (World Bank, 2021).

2.2.2.1 Trade

Regional integration requires differential treatment for members as opposed to non-members (Carbaugh, 2014:200). Since integration can result in changes in the pattern of trade between members and non-members, the overall impact on a country is usually vague and therefore the appraisal of potential effects must be based on each member. On one hand, integration can bring about free trade on the part of member countries while on the other hand it can bring about diversion of trade from a cheaper-cost non-member to a member country (Carbaugh, 2014:200). These two static effects, known as trade creation and trade diversion, were first introduced by Jacob Viner (1950). Of the two static effects, trade creation is generally seen as more beneficial. Trade creation is a situation where two or more countries enter into a trade agreement, and trade shifts from a high-cost supplier member country to a low-cost supplier member country in the bloc (Hosny, 2013:135). The shift marks a drive towards the free-trade allocation of resources, and this is assumed to be beneficial for welfare. The overall gains made through regional integration is dependent on whether trade creation outweighs trade diversion.

On the other hand, trade diversion is seen to be more negative. Trade diversion is a situation where imports are shifted from a low-cost supplier of a non-member country of the union (third country) to a high-cost supplier member country inside the union. This situation could be the case where the common tariff enacted by the union supports the high cost supplier member country inside the union (Hosny, 2013:135). However, some scholars have argued that trade diversion may not always be negative – Johnson (1975:117) states that trade diversion could be beneficial to welfare if one considers both production and substitution effects. Welfare losses from the deviation to a high-cost supplier country may be less than the welfare gains from the lower prices to consumers as a result of the elimination of tariffs on imports. Pomfret (1997:182) postulates that this leads to an increase in consumer surplus, irrespective of whether the increase in imports was from the least-cost supplier.

2.2.2.2 Industrial Development and Market Efficiency

Contemporary study of regional integration adds onto the static effects of regional integration. This is done by looking at the likely evolution of the economic structure and performance of members states compared to what would have happened if they had not integrated economically. As a result, these factors are referred to as the dynamic effects of regional

integration (Langhammer, 1977:258). The first dynamic effect is the achievement of economies of scale by member countries. Access to larger regional markets allows for the reduction of total production costs per unit for current industries and allows for the formation of industries that would not normally thrive under the conditions of small national markets (Langhammer, 1977:258). Balassa and Stoutjesdijk (1975:38) believe that small markets raise costs, limit the degree of product specialization, stunt competition and diminish the incentives for technological change. Further, the achievement of economies of scale may demand specialization on specific types of a commodity, and thus trade may gradually become intra-industry trade rather than inter-industry trade (Appleyard and Field, 2014:406). This argument appears fitting for countries in Africa, yet questions still arise over extra transportation costs, the administration costs in large-scale industries and the problem of reaching agreements with respect to location (Langhammer, 1977:258).

Linked to the previous dynamic effect, another effect of regional integration is the enhancement of industry efficiency. Bigger regional markets enhance competition within domestic industry because of strong competition from regional producers (Langhammer, 1977:258). Thus, monopoly profits would be discarded and the leap from the local market to global markets would be enabled. Here integration is seen as a transitional stage between local and global markets (Langhammer, 1977:258). According to Hosny (2013:413), several developing countries regard regional integration as a tool for attaining greater competitiveness in the global economy. Policies such as trade liberalization and deregulation signify a growing trend in regional integration policies that are compatible and complementary to other policies aimed at fostering competitiveness at the international stage.

2.2.2.3 Infrastructure Development

The state of infrastructure, as well as the distribution and capacity of logistics services in a country, all play an increasingly key part in the design of business strategies targeted at growing a country's share of the international market (Bensassi, Márquez-Ramos, Martínez-Zarzoso and Suárez-Burguet, 2015). Infrastructure development is key to regional integration since it fosters intraregional trade and investment flows, which in turn create regional markets that accelerate growth and decrease poverty as well as stimulate supply diversification and regional economic convergence (UNCTAD, 2013:4). As infrastructure develops and economies become more connected, the cost of selling goods and services falls, competitiveness rises, novel investments are encouraged, new markets arise giving customers greater variety

(Tomassian, 2009). Furthermore, the social effects of infrastructure development are directly linked to its potential as a tool for territorial, economic and social cohesion: infrastructure development has the capacity for integrating and coordinating regions, making them more accessible and increasing connectivity between and within its borders, thus raising the living standards of people (Tomassian, 2009).

Ultimately, the development of infrastructure within a context of regional integration is essential. This is because it would allow for: Greater internalization of potential infrastructure projects; add on to countries' economic, political and social integration; and assist to bridge some of the deficits in specific natural resources that may impact some countries (Tomassian, 2009). Steady progress in regional integration requires various kinds of infrastructure are needed for steady progress in regional integration: Hard trade-related infrastructure that includes ports, airports, roads and rail lines – all essential for linking a country to the outside world and soft trade-related infrastructure which is less noticeable but nonetheless important and includes shipping, air transport, telecommunications, and the business environment (UNCTAD, 2013:4). Taking into account these considerations, infrastructure development on a regional level becomes an important topic of discussion when attempting to stimulate growth and attain higher levels of development in a region (Tomassian, 2009).

Several empirical works have demonstrated the importance of infrastructure with respect to regional integration. Amadji and Yeat (1995) studied how transport costs affected sub-Saharan African exports and it was revealed that the inability to develop and maintain well-organized transport infrastructure has negatively impacted African export performance as well as regional integration efforts. In a study attempting to identify the economic obstacles to expanding intra-African trade, Longo and Sekkat (2004) concluded that the presence of infrastructure is a vital determinant of intra-African trade. Their study particularly highlighted the significance of focusing on the development of regional infrastructure for easier facilitation of trade and regional integration. Bouët et al. (2008) examined the impact of various types of infrastructure on trade, focusing on the complementarity among several types of infrastructure. It was revealed that inadequate transport and communication infrastructure is a key reason for Africa's underperformance in trade. Furthermore, another key finding was that half of the transport cost incurred by intra-sub-Saharan African trade was because of the lack of adequate hard infrastructure thus providing a rationale for continent's underperformance on the trade front. Buys et al. (2010) forecasted the gains of a pan-African programme aimed at developing

road infrastructure on intercity corridors. Using various econometric analyses to estimate the parameters for the model, Buys et al. (2010) simulated the result of upgrading the road network, as well as the cost of such upgrading to a level that is functional. The study revealed that the project would create an additional US $254 billion of trade flows over 15 years at a cost of US $32 billion (initial investment plus maintenance cost).

2.2.2.4 Peace and Stability

Regional integration can only be promoted in an environment that is politically stable(Olaniyan, 2008:9). Archaic communication and sluggish mobility during the pre-Westphalia[1] era meant that the political stability of one country had no direct impact (positive or negative) on other neighbouring countries (Hitimana, Shukla and Bajpai, 2014). However, the post- Westphalia[2] era brought about some changes as the creation and consolidation of states led to their securitization, and subsequently national security became an interactive model. This led to states developing and testing security strategies against each other in a show of dominance as imperialism became the norm (Hitimana, Shukla and Bajpai, 2014). Today, any threat posed to the national security of one state (be it enacted by a domestic opposition force or by a global terrorist organization) has an unavoidable seismic reaction in neighbouring states (Hitimana, Shukla and Bajpai, 2014). Therefore, the success of regional integration is dependent on the stability of a region since political instability shifts attention from regional integration efforts to resolving conflicts and preventing them from spilling over to neighbouring countries (Olaniyan, 2008:9)

Several studies have shown the importance of security and political stability with respect to regional integration. In 2001, Gartzke, Li and Boehmer (2001) sought to identify the link between economic interdependence and international conflict. It was revealed that economic interdependence from any peaceful and cooperative trading relationship increases the cost of engaging in war or conflict while simultaneously increasing the rewards of cooperation and the maintenance of peace. Kilchevsky, Cason and Wandschneider (2007) reached similar conclusions when studying peace and economic interdependence in the Middle East.

[1] During this era, the world was organized by city states and included several empires such as the Persian, Roman, Arab, Chinese, Mogul, Mayan, Aztec. Sovereignty was non-existent as political units were managed by the emperor or central authority (Csicsmann and Rózsa, 2020)

[2] This differed from the post Westphalia era in two ways: Countries took a more central role in global politics as opposed to multinational type of empires and smaller units; and the idea of sovereignty became the most important determinant in controlling how countries would interact with each other (Csicsmann and Rózsa, 2020)

According to Kilchevsky, Cason and Wandschneider (2007), countries that are politically liberal are more likely to sustain economic relations with one another than with autocratic countries (Kilchevsky, Cason and Wandschneider, 2007). This is because liberal countries tend to be more economically interdependent thus promoting peace in the region. Genna and Hiroi (2015) studied the effects of regional integration associations on political stability and democratic consolidation using data gathered from 40 regional integration organizations worldwide. It was revealed that domestic political stability is a collective good for REC's. The addition of a democratic conditionality assists member states to solve collective action issues and provide REC's with the required credibility, justification, and instruments for intervention in member states' domestic political matters (Genna and Hiroi, 2015). Furthermore, REC's deepen economic integration among member states, which in turn increases the stakes for the member states to cooperatively uphold democratic institutions and raises the cost of sanctions for countries under threat (Genna and Hiroi, 2015). A study by Mayer and Thoenig (2016) on regional integration in East Africa sought to estimate how variations in trade patterns affect the statistical risk of conflict. It was revealed that regional integration could lower the statistical risk of war among member states considerably (-10% for the customs union, -4% for the common market and -1% for the common currency). This was attributed to member states being reliant on trade with each other which raises the opportunity cost of war (Mayer and Thoenig, 2016:4).

However regional integration may not always coincide with peace and stability as inappropriate conditions can lead to regional conflict. In a study on regional integration as a source of instability in the horn of Africa, El-Affendi (2009:15) concluded that regional integration creates winners and losers and that if the losses are too great, sudden, or unfavourable to values considered key by some actors, then violence will be the likely result. When critiquing regional integration attempts at conflict management in Africa, Ebaye (2010:293) concluded that regional agreements in Africa have struggled to promote peace and stability since they are focused on militaristic components of security cooperation rather than the endorsement of concepts such as good governance, sound civil-military relations and commitment to democracy and human rights. Despite acknowledging that regional integration can lower conflict, Mayer and Thoenig (2016) conceded that trade diversion from local sources and neighbouring countries that are not part of the regional agreement raises the statistical risk of intra-state conflict and conflict with the EAC's neighbouring countries.

2.2.2.5 Macroeconomic policy coordination

Even if all the necessary conditions are met when an integration agreement is sanctioned, deviation of macroeconomic policies together with the absence of coordination among member-states, could lower the possible gains on integration (Shams, 2003:9). According to Farnham (2004:442), domestic politics regularly influences a country's external affairs through a process of decision making that stems from an individual favouring a particular policy given a certain political context. This means that external relations and policy will be impacted by domestic politics through politicians' efforts to balance international and domestic imperatives (Farnham, 2004:442). Although the central features of political context are relatively fixed, its exact functioning requirements may vary from society to society, and even within the same society over time, for instance, alterations in decision makers characteristics and their qualities (Farnham, 2004:442). With respect to regional integration, different ideologies and philosophies within member states may complicate the process of macroeconomic policy coordination especially when domestic political agendas dominate the negotiation space.

Discourse on macroeconomic coordination dates back to the studies of Kahnert et al, (1969) and Hirschman (1971) who contend that for trade agreements to be successful, member states should try to coordinate their internal monetary and foreign exchange policies as this could be even more significant in promoting trade between the member states than the use of customs preferences (Hirschman, 1971:22). Marinov (2014:168) extended this notion of coordination by claiming that the harmonisation of policy should not be limited to those of macroeconomic nature but should also include industrial, social, transport, environmental policies, etc. Additionally, studies have revealed that policy coordination requires adequate planning and implementation to be successful: In a study on regional integration and macroeconomic coordination in Latin America and the Caribbean, Escaith (2004:56) argued that regional agreements should include the adequate commitment mechanisms to initiate and maintain the cooperation at least through the first phase of implementation, when benefits are still being diffused and temptation to defect is high. Another study by Orina (2013) that sought to determine the impact of foreign policy coordination on the regional integration process of the EAC revealed that foreign policy requires planning and strategizing for a nation's best interest to be upheld and built upon in tandem with other aspects of regional integration such as economy, society, language, culture, science and technology, education, health care, infrastructure, agriculture and natural resources. Furthermore, Orina (2013) stressed that efforts must be made to identify weaknesses within each state and the region that may impact policy

coordination. If carried out well, macroeconomic policy coordination holds greater promise than preferential arrangements for the integration of trade and factor markets (Lavergne and Daddieh, 1996:114).

2.2.3 Pitfalls of Regional Integration

Several scholars (Thompson, 2011; Elliot, 2017; Teunissen, 1996) have listed the following as drawbacks to regional integration. First, and most importantly, member states would have to surrender part of their national sovereignty to strong supra-national bodies. For regional integration to make progress, member states must be willing and able to shed some sovereignty in order to harmonize political and economic efforts within the bloc. Without such, member states would act independently, prioritizing their national agenda over regional objectives and thus hampering efforts to integrate. In economic blocs like the Eurozone in the EU, individual members have limited financial capabilities (Appleyard and Field, 2014:406). When Greece descended into economic desperation after the 2007/2008 financial crisis, it lacked the mandate to regulate its own currency to match the country's economic predicament. This is because the Eurozone heavily governs each member financial predicament so much so that member countries lack the sovereignty to solve their own financial issues (Elliot, 2017).

A report by the UNECA (2015) details in length both the pitfalls and potential solutions with respect to monetary unions. Despite benefits such as the reduction in transaction costs, abolition of exchange rate risk, and synchronization of prices at a regional level, it exposes members to asymmetry shocks. An asymmetry shock is an economic shock that does not affect all regions uniformly, typically affecting just one country in a geographical region (Appleyard and Field, 2014:200). These kinds of shocks often occur when there is the universal use of the same monetary policy even though it's efficacy may not be practical for all member countries. Inadvertently, the monetary policy implemented will have a perverse effect in solving country-specific macroeconomic shocks. Nevertheless, asymmetric shocks can be safeguarded against by granting flexibility of prices and wages across countries, higher levels of product diversification and fiscal integration (UNECA, 2015:7).

The second disadvantage of regional integration is called cultural centralization, a phenomenon that sees the loss of unique minority cultures as a result of the majority culture being entertained (Haas, 2001:5). For example, the EU's major working languages are Spanish, French, and German. Consequently, minority languages might be suppressed since they cannot be used for

official communication. Furthermore, other unique cultural manifestations will be derailed and overshadowed once the dominant cultures take effect(Berry, 2011:6).

The third disadvantage of regional integration is the shifting of employment. Entrepreneurs prefer to set up shop where wages are lower to maximize profit (Teunissen, 1996:3). Consequently, employment will move from a high wage area to a lower wage area, causing employment to rise in one area at the expense of the other (Teunissen, 1996:3). This shift in employment will hurt one country, while benefitting another in the region (Teunissen, 1996:3).

Finally, it is important to consider the political complications of regional integration. Multiple key elements influence the acquiescence of member countries with common rules: the pros and cons associated with implementation, design of the rule itself, national administrative capacity to apply the rules and continued internalisation of shared preferences (Nicolaides and Hornik, 2017). These key elements mentioned above carry great political interest and thus if not addressed adequately could hamper the integration process. Theoretically, member countries could initially agree yet later disagree, and it is also possible that the initial pact to implement common rules may be its own architect of destruction once members realise that there is a chance they could be better off not complying while everyone else complies (Nicolaides and Hornik, 2017). However, neither the presence of enforcement measures and institutions, nor the possibility of penalties will necessarily prevent non-compliance. Studies pinpoint the fact that changes in the conditions that set the foundation for the initial cooperation could lead to disintegration – a state of extreme non-compliance (Nicolaides and Hornik, 2017). These changes tend to have political interest and include changes in market conditions, policy preferences or public opinion. Thus, member countries could gain by not complying to existing arrangements.

Furthermore, there are several reasons why the arrangements that enable countries to benefit from integration may be politically unsustainable (Nicolaides and Hornik, 2017). Firstly, the bundling of policies in the same package to recompense for the losses can be equated to blackmail. If one member is assumed to be seeking unfavourable policies towards its neighbours, then it will become increasingly difficult for others to negotiate and cooperate with that country (Dieter, 2018, Nicolaides and Hornik, 2017). Not only will the pact be plagued with concerns of whether the agreement will be honoured but there could be suspicion that the country is actively harming others to gain concessions. Susceptibility to a “bully neighbour” would be detrimental in local politics (Dieter, 2018; Nicolaides and Hornik, 2017).

Secondly, in theory the deals negotiated tend to leave everyone better off. However, although the gains may outweigh the losses, some policy areas may have net losses (Dieter, 2018). The question of whether everybody becomes better off depends on the level of internal redistribution in each country, as well the redistribution between countries. The absence of redistribution means that those that lose out will regularly campaign for either compensation or changes in policy. Redistribution is tied to taxes on those that gain and subsidies for those who lose out and because such policies form a slice of the government budget, it requires parliamentary approval (Chingono and Nakana, 2009) Thus, those that pay the taxes will oppose them while those that receive subsidies will support them. Ultimately, there can be safeguards to ensure that the government will be able to preserve the policies of redistribution and defend archaic compensatory arrangements (Chingono and Nakana, 2009; Nicolaides and Hornik, 2017).

Third, the predicted counterfactual predicament plays a key role (Nicolaides and Hornik, 2017). An opposing faction will try to separate the relationship between issues to reduce resistance to its demands. It will feign, and may even come to accept it as fact, that altering the policy to reduce the losses it suffers will not destabilize the overall package and the rest of the country (Nicolaides and Hornik, 2017). The counterfactual presented by the opposing section will contain no alterations to any other part of the bargain. This creates a new situation with a whole new set of possible gains and losses and could create political tension in the country (Nicolaides and Hornik, 2017).

The last reason is the attention of political discourse on equal treatment of citizens (Nicolaides and Hornik, 2017). For the package deal to minimize the losses in a certain sector, some gains in other sectors may be sacrificed. This creates a trade-off which can be seen to be unequal because some are advantaged while others are penalised (Nicolaides and Hornik, 2017). Despite society becoming better off as a whole, this treatment is still seen to be unequal and may entice political resistance (Nicolaides and Hornik, 2017). These four reasons propose that there is a clashing conflict, between the trade-offs and package deals that allow for deeper regional integration and, political processes and principles (Nicolaides and Hornik, 2017).

2.2.4 Developmental Regionalism

Davies (1996:29) proposed a “development integration” approach which demanded “both macro and micro co-ordination in a multi-sectoral programme embracing production,

infrastructure and trade". Furthermore, Davies contended that to guarantee a more equitable share of benefits from regional integration, trade integration would need to be gelled with regional industrial development (1996:29). Additionally, after exploring regional integration processes around the globe, Pascal Lamy concluded that the contemporary approach to regional integration was extremely diverse and did not follow the linear approach as postulated by Viner (Lamy, 2010). Therefore, the idea of developmental regionalism was coined and can be defined as a development-based integration agenda that demands measured and sequenced trade liberalization in conjunction with conscious and cognizant policy actions directed at fostering the productive capacities of member countries (mainly in the domestic private sector) and promoting industrial restructuring (UNCTAD, 2013).

Developmental regionalism covers collaboration in the area of trade, with focus on the promotion of intraregional trade and integration into the world economy (UNCTAD, 2013). It extends past the realm of trade per se by including collaboration in other areas such as industrial policy. Focus is directed at executing strategic trade measures and policies and safeguarding that these are consistent with the domestic industrial policy agenda of each member involved (UNCTAD, 2013). For example, regional trade can be improved through the coordination of investment into key areas, such as regional transport and other auxiliary infrastructure, in order to better the connections between countries and thereby enable the creation of larger markets. Thus, the prioritization of key areas can help overcome the antecedent bias against regional trade caused by the ills of colonization (UNCTAD, 2013).

As a policy approach, developmental regionalism first appeared in Latin America in the 1950s and 1960s, when the Economic Commission for Latin America and the Caribbean championed for preventive import substitution in conjunction with redistributive policies. Already then, developmental regionalism strived to enlarge markets and the progressively competent use of resources essential for fast tracked economic growth for each member (Sloan, 1971: 142). Developmental regionalism was predicted to assist Third World countries through economies of scale in a unified market, the specialisation of each member into certain parts of regional value chains and boosting global competitiveness as a result the strengthening of the entire region (Sloan, 1971:142). More importantly, it was also seen to reduce the dependence on foreign manufactured inputs to production and additionally strengthen Third World countries vis-à-vis the Global North politically (Sloan, 1971:142). In contemporary discourse, developmental regionalism has become linked to the structural policies of the EU as well as the Asian Development Bank (ADB) to decrease core–periphery inequalities. These polices,

through a capacity-building process aimed at periphery countries, ease participation in the regional economic dynamics and places them nearer to the central economic zones of the region (Dent, 2008: 781)

Developmental regionalism includes several tools that are generally not mentioned in market integration activities. The approach extends "past tariffs and non-tariff measures, import and export quotas and bans, technical and phytosanitary standards, to include issues such as competition policy, the provision of infrastructure and other public goods, investment, promotion of research and development and building the domestic productive capacities of both the private sector and State-owned enterprises, among other things" (UNCTAD, 2013). To maximise returns, these policies need to be consistent and coordinated among member countries in a regional pact. Concurrently, the promotion of developmental regionalism should go together with the empowering of structures, institutions, and capabilities of national Governments to enact such policies to foster sustainable development (UNCTAD, 2013).

According to Adejumobi and Kreiter (2016) the concept of developmental regionalism includes six key features:

i) A robust institutional structure with the capability to propel the agenda of regional integration;

ii) Well defined goals, objectives, essence, nature, and direction of the regional integration project, and the advantages of regional integration as a tool for enabling development within the region;

iii) Guaranteeing peace and security to create a stable platform for the regional integration agenda;

iv) Developing harmonized and equal benefits for all member countries involved in the regional development agenda;

v) Defining of regional public goods and development priorities essential for enabling economic growth in the region including infrastructure, trade, agriculture and food security, private sector development and industrialization; and

vi) Developing a relationship of common regional citizenship and identity required for regional human capital mobilisation.

2.3 Regional Integration in Africa

This section will provide a brief overview of the history of regional integration in Africa, outline major obstacles towards effective regional integration in Kenya and finally discuss the AfCFTA goals and objectives with respect to regional integration.

2.3.1 History of Regional Integration in Africa

According to Mwasha (2008:8) regional economic integration in Africa can be traced back to 1910 with the establishment of Southern African Customs Union (SACU) by the countries of Bechuanaland (Botswana), Basutoland (Lesotho), German South West Africa (Namibia), Swaziland (eSwatini) and South Africa. However, the end of colonization in the 1960's saw the formation of sub-regional economic blocs as one of many strategies taken towards economic development in Africa. The idea of regionalism in Africa was largely promoted by the Organisation of African Unity (OAU) and the ECA (Qobo, 2007:2). This was done, partly as a response to quash the last remnants of colonialism as well as propel political and economic development in Africa; and, as a political device to manage power differences globally (Qobo, 2007:2). Inspired by the Pan-Africanist vision propagated at the time, several initiatives were launched such as the Economic Community of Central African States, the Arab Maghreb Union, and the Preferential Trade Agreement for East and Southern Africa (later COMESA) (Qobo, 2007:2). Although colonialism played a massive role in Africa's lack of economic progress, policies and measures adopted by postcolonial leaders prevented Africa from achieving sustained growth and development (Qobo, 2007:2).

In the 1990s it was evident that regional integration had become a popular narrative in African economic development discourse (Omoro, 2009:42). The 1991 Abuja Treaty saw the formation of the African Economic Community (AEC) with its key objective to promote the socio-economic and cultural transformation of Africa through sustainable resource use and self-sufficiency (Omoro, 2009:42). Furthermore, the Abuja Treaty offered a calendar for the continental integration that would be complete in 2028 over six stages. This gradualist tactic had the following stages: "Stage 1: establishing novel RECs and strengthening the existing RECs (by 1999); Stage 2: steadying barriers to regional trade (by 2007); Stage 3: launching a free-trade area (FTA) and a customs union for each REC (by 2017); Stage 4: harmonizing tariff and non-tariff structures among RECs (by 2019); Stage 5: Launching an African Common Market and common policies among RECs (by 2023) and Stage 6: Launching an African

Central Bank, forming a continental monetary union and electing the first Pan-African Parliament (by 2028) (Omoro, 2009:42).

The formation of AEC overlapped with the intensification of regionalism globally. The end of the Cold War saw the idea of regionalism spread rapidly, from economic powerhouses (core countries- North America and Europe) to emerging economies (semi-peripheral and peripheral countries: East Asia, Latin America, the Caribbean and sub-Saharan Africa) (Monyoncho, 2005:47). The raison d'être for its universal acceptance in developed and developing countries is the need to achieve the best developmental outcomes and to harness the gains from regionalism, especially under globalization (Monyoncho, 2005:48).

Saku (2006:1) states that for economic growth to be sustainable the world economy must integrate economically and financially. Accordingly, New Partnership for Africa's Development (NEPAD) was formed with the goal of aiding African states to promote people-centred development by retaining democratic values and ideologies for Africa's revitalization (Saku, 2006:1). NEPAD attempts to solve fundamental problems that RECs are plagued with as well as monitor their operations. It considers REC's as the crème de la crème of regional cooperation and integration (Saku, 2006:1). Other economic blocs include the EAC, Southern African Development Community (SADC), Economic Community of Central African States (ECCAS), ECOWAS, COMESA, Arab Maghreb Union (AMU) etc. All these efforts are designed at integrating Africa, but as noted earlier, there has been limited success due to the several difficulties facing the continent.

2.3.2 Obstacles to Regional Integration in Africa

The perceived success of the EU propelled many efforts at regional integration between the countries in Africa (Salvatore, 2014). Integration was viewed as means to boost economic development, but it has been noted that these efforts were met with limited success or even failure (Salvatore, 2014). Africa's regional integration struggles can be traced to early post-colonial times. In the 1960s, sub-Saharan Africa experienced something equivalent to an economic boom (Qobo, 2007:9). This period was brief as Africa was hit by increased oil prices from the Organisation of Petroleum Exporting Countries as well as a debt crisis in the 1970's. These economic shocks gave way to economic decline, and this period has been described by African academics as the lost decade (Qobo, 2007:9). This is evidenced by the fact that Africa's share of global GNP fell from 1.9% to 1.2% between 1960 and 1989; its share of global trade dropped from 3.8% to 1% during this period; the drop in commodity prices of exports cost

Africa some US $50 billion between 1986 and 1990; Africa's external debt has tripled since 1980, debt service is approximately 19% of total exports of goods and services; and by 1987 nearly one in every three skilled workers from Africa had moved to Europe (Rostow, 1999:33). Ever since the 1970's Africa's global standing has worsened continuously, and this has been compounded by its marginalisation from the global economy (Qobo, 2007:9).

Today, Africa continues to operate at the periphery of the global economy. Many African states have low income levels with small populations, thus explaining the existence of small markets (Hartzenberg, 2011:4). Twelve sub-Saharan states have less than 2 million citizens, while 14 have had a Gross Domestic Product (GDP) of less than US $5 billion, two of which had a GDP of less than US $1 billion. On top of that, 15 states are landlocked thus raising the difficulty of doing business in Africa. Along with border barriers, geographical constraints exist (Kouame, Kalimili and Pirlea, 2019). Thanks to colonisation, rail and road transport infrastructure was designed to transport primary extracts to the port for shipping, resulting in poorly developed cross-country connections (Ocheni and Nwankwo, 2012:47). Furthermore, cost inefficiency, and the absence of competition in air transport because of regulations, has led to high costs of air travel in Africa (Ocheni and Nwankwo, 2012:47). All in all, expensive and unreliable transport services contribute to a high-cost business environment that forces firms to maintain excess inventory levels, thus eliminating the use of cost-saving management schemes such as just-in-time production (Collier, 2000).

The absence of skills and capital to set up and run complex contemporary communication systems, together with small business communities that restrict business publications, mean that business news and information mandated for well-versed decision making is another significant obstacle (Hartzenberg, 2011:4). In 2018, only 26.3% of Africans were internet users, while only 10 African countries met the Alliance for Affordable Internet standard for 'affordable internet[3] (Corrigan, 2020). Information is a key facilitator of efficient market outcomes (Hartzenberg, 2011:4). The absence of readily obtainable information at an affordable rate dents market efficiency because of high or hidden trade transaction costs (Hartzenberg, 2011:4). For example, contracts require dependable market information that is low-cost and easily accessible to ease the decision-making process and as well as protect all parties involved in the transaction (Hartzenberg, 2011:4).

[3] Affordable internet according to the Alliance for Affordable Internet is defined "as 1 gigabyte (GB) of data costing 2% or less than the average monthly income" (Corrigan, 2020:4)

Another obstacle to fruitful regional integration in Africa is the unequal distribution of gains among member countries. As a result, lagging countries may wish to withdraw from the bloc, causing a failure in regional integration efforts (Mwasha, 2008:8). This is one of the main reasons for the failure of the former EAC in 1977. Salvatore (2014), suggested that the only way to circumvent this issue is to give ample investment support through industrial planning by handing over certain industries to member countries with respect to their comparative advantage.

Finally, the unwillingness to surrender part of their sovereignty to a supranational community body has become another obstacle to regional integration in Africa (Salvatore, 2014). The fear of diminished sovereignty means that most economic blocs in Africa are intergovernmental institutions (Salvatore, 2014). The obstacles stated above, coupled with others ultimately restrict the gains of regional integration to member countries, particularly to the developing countries in Africa.

2.3.3 The African Continental Free Trade Area

Trade liberalisation in goods and services is one of the key objectives of the AfCFTA. The economic bloc is a result of dialogs of the Tripartite Free Trade Area (TFTA) – comprising the SADC, COMESA and EAC (Onwuka and Udegbunam, 2019). In compliance with regional ambitions, Article 3 of the AfCFTA (African Union, 2019) recognizes the key objectives of the agreement to:

1. Establish a single market for goods and services, enabled by the movement of people to deepen the economic integration of the African continent. This should be done in compliance with the pan-African vision of "an integrated, prosperous and peaceful Africa" as outlined in Agenda 2063;
2. Establish a liberalised market for goods and services through consecutive rounds of negotiations;
3. Contribute to the movement of capital and people, as well as encourage investments building on the initiatives and developments in member countries and regional RECs;
4. Set the foundation for the creation of a continental customs union at a later stage;
5. Encourage sustainable and inclusive socio-economic development, gender equality and structural transformation in member countries;

6. Boost the competitiveness of the economies in member countries within the continent and the global market;
7. Endorse industrial development through diversification and regional value chains in agriculture and food security;
8. Settle the problem of multiple and overlapping memberships and accelerate the process of regional and continental integration

To attain these eight objectives, Article 4 of the AfCFTA (African Union, 2019) details the following seven specific further objectives:

1. "Progressively eradicate tariffs and non-tariff barriers to trade in goods";
2. "Progressively liberalise trade in services";
3. "Collaborate on investment, intellectual property rights and competition policy";
4. "Collaborate on all trade-related areas";
5. "Collaborate on customs matters and the application of trade facilitation measures";
6. "Create a device for the settlement of disputes concerning their rights and obligations"; and
7. "Establish and maintain an institutional framework for the implementation and administration of the AfCFTA."

With respect to operationalisation, the execution of the AfCFTA is being undertaken in two phases (African Union, 2019). The first phase provides an outline for the liberalisation of trade in goods and services, and devices for settlement of disputes. For goods, the agreement allows for the elimination of tariffs on 90% of commodities and in the case of sensitive goods, countries have the leeway to implement tariff reductions over a longer period or maintain existing tariffs for excluded products (African Union, 2019). The rules on trade in goods include "annexes on tariff concessions, rules of origin, customs cooperation, trade facilitation, non-tariff barriers, technical barriers to trade, sanitary and phytosanitary measures, and transit and trade remedies" (African Union, 2019). Furthermore, Annex 4 to the treaty offers institutional structures for the continued removal of non-trade barriers and reporting and monitoring tools (African Union, 2019). With respect to trade in services, member states have settled on a "request-and-offer approach, founded on seven identified priority sectors: logistics

and transport, financial services, tourism, professional services, energy services, construction, and communications" (Onwuka and Udegbunam, 2019).

Phase I of the AfCFTA came into effect on 30 May 2019, about a month after the 22nd ratification instrument was delivered to the chairman of the AU Commission (African Union, 2019). The second phase of the AfCFTA provides details on competition policy, investment, and intellectual property rights (African Union, 2019). Phase II pre-negotiation activities commenced in November 2018 with a meeting of experts to discuss issues surrounding Phase II negotiations. This was succeeded by a validation workshop in November 2019 that reviewed the draft chapters of UNECA report, which forms the intellectual foundation of the Phase II negotiation that commenced in February 2020 (African Union, 2019).

Beyond the obstacles of inadequate infrastructure, poor access to finance, political uncertainty, inter-regional restriction on free movement and the demand for Western goods by some African consumers, it has been noted that the AfCFTA offers noteworthy scenarios for African countries, as it could result in sturdier integration among countries (Onwuka and Udegbunam, 2019). From an economic outlook, the use of the principle of subsidiarity "requires that the scope of the established regional institutions should match the region benefiting from the spillover" (Onwuka and Udegbunam, 2019). This opens the opportunity for the establishment of a greater and more integrated regional market for African products (Onwuka and Udegbunam, 2019). Additionally, producers could equally profit from economies of scale and to access of cheaper raw materials and intermediate inputs. The African market will not only bear favourable conditions for the creation of regional value chains but will also be able to assimilate into global value chains. However, the fact that African economies are characterised by limited industrialisation and a primary production level could create potential issues (Onwuka and Udegbunam, 2019). This coupled with the fact that bigger economies such as Nigeria, South Africa, Egypt and Kenya could reap greater rewards from the arrangement, means despite the obvious promise embedded within the agreement, its implementation and execution needs thorough assessment (Onwuka and Udegbunam, 2019).

2.4 Regional Integration in East Africa

East Africa is historically a rather complex region that is heavily influenced by the local and global hegemony around the world. Governments within the region have gained notoriety for the rivalries and alliances between themselves as well as with the rest of the world, and this coupled with a very diverse population has ultimately complicated regional integration efforts

(Bruce, 2017:2). This section seeks to provide a detailed background on the history of regional integration in East Africa and explore the main hindrances to successful integration in East Africa.

2.4.1 History of Regional Integration in East Africa

Historically, the idea of regional integration in East Africa predates independence. The initial step taken towards regional integration was made in 1919 when the British administration formed a customs union between Kenya, Tanganyika, and Uganda (Reith and Boltz, 2011:92). In 1948, economic links were reinforced by the establishment of the East African High Commission which set about creating a unified income tax in addition to a customs union (Reith and Boltz, 2011:92). The end of the colonial era saw the East African Common Service Organisation (EACSO) succeed the colonial East African High Commission. However, despite renewed vigour, majority of the decision makers believed that the EACSO had close resemblance to the previous colonial structures. Furthermore, efforts to establish a central bank as well as a common market within the region fell flat in 1965 (Reith and Boltz, 2011:92).

Despite this, regional integration remained a strong interest and so in 1967 the first EAC was founded. The founding states - Kenya, Tanzania and Uganda settled to liaise on a wide assortment of economic and social issues (Reith and Boltz, 2011:92). The original EAC, and the widespread integration which it realised, was championed as a success, but in 1997 the project collapsed. The failures of the original EAC can be pinpointed to four key reasons:

1. The irreconcilable differences of perspective between leading politicians, especially between the Ugandan dictator Idi Amin and the Tanzanian president Julius Nyerere (Reith and Boltz, 2011:92).
2. Kenya demanding more representation in the decision-making organs (Global Edge, 2021).
3. The presence of different economic systems between countries, primarily between Tanzania and Kenya (Global Edge, 2021).
4. The perceived idea that Kenya was the recipient of a greater share of the gains from integration (Global Edge, 2021).

Following the collapse of the EAC, the three former founding states tried to regulate economic affairs using multilateral agreements (Reith and Boltz, 2011:92). In 1984 the EAC Mediation Agreement was ratified allowing countries to split among themselves liabilities and assets of

the redundant Community setting about the culmination of the structured tripartite co-operation, even though bilateral relations between the original members states thrived (Kwamboka, 2017). The agreement allowed for the possibility of future cooperation between member states thus opening avenues for the re-creation of a new EAC (Kwamboka, 2017).

The period between 1993 and 1997 saw important steps taken towards establishing a regional community. The Permanent Tripartite Commission for Cooperation was created in 1993: a coordinating entity that in 1998 produced a draft treaty for the later EAC with cooperation on security matters also being initiated in this period (Reith and Boltz, 2011:92). In November 1999, the Treaty for the Establishment of the EAC was signed by the heads of state of Uganda, Kenya, and Tanzania (Cichecka, 2019). The treaty came into force on the 7th of July 2000, and in 2007 welcomed two new members, Rwanda, and Burundi (Cichecka, 2019). The major objective of the new EAC as encapsulated in the Treaty is to widen and deepen integration among member states in economic, political, cultural, and social arena, technology and research field, security, defence, and judicial and legal affairs (Reith and Boltz, 2011:92). Moreover, the EAC mission focuses on enlarging and deepening cultural, social, political, and economic ties so as to improve the life quality of the EAC population via heightened competition, investment and trade, and value-added production (Reith and Boltz, 2011:92).

2.4.2 Obstacles to Regional Integration in East Africa

The first key obstacle to effective regional integration in East Africa is multiple and overlapping membership in regional organizations. Most African countries tend to be members of multiple regional organization and Kenya is no exception - Kenya is member of three economic blocks namely: EAC, COMESA, and Intergovernmental Authority on Development (IGAD). Membership to multiple blocs creates several problems including:

1. Increased costs to member countries as each economic bloc may demand a membership fee plus other administrative cost (Saku, 2016).
2. Reduced attention towards regional and continental obligations, especially if member countries are unable to meet their financial commitments (Reddy, 2010:15).
3. Conflicts of interests as different regional blocs may have different priorities and obligations (Reddy, 2010:15).
4. Shallow conversations on pressing matters as members struggle to juggle the different priorities of the multiple economic blocs (Reddy, 2010:15).

The second key obstacle to effective regional integration in East Africa is the question of fair distribution of burdens and gains. Integration is an amalgamation of several countries that are operating at different levels of economic development; the sturdiest economy might take advantage to the detriment of others (Johnson, 2007:226). This is because states give priority to what matters to them and ultimately make sure they set themselves up to take advantage of tariff arrangements (Johnson, 2007:226). For example, using a structural gravity equation to measure the trade creation effect of the EAC agreement, Schlick and Guepie (2019) revealed that within the EAC only Kenya and Rwanda attained significant welfare gains as the rest of the region struggled with deteriorating terms of trade and real wages. Kibret (2000) states leaders should find a way to tabulate the gains and losses, and from this determine which countries should be entitled to a larger compensation. These matters should be addressed swiftly and efficiently to ensure the gains from regional integration are not concentrated in a particular country but rather distributed evenly throughout the region (Kibret, 2000). Leaders should be held accountable if treaties ratified are not respected (Kibret, 2000). They should also urge reluctant governments to recognize their pledges or assist them out with designing policies that allow for credibility and cooperation (Kibret, 2000).

CHAPTER 3 TRADE AS A GATEWAY TO REGIONAL INTEGRATION

3.1 Introduction

According to Francis Mangeni,[4] the Head of Trade Promotions and Programmes at the AfCFTA Secretariat, the role of trade in regional integration is "extremely important." Regional integration, the over-arching developmental strategy in Africa, is found in the OAU charter, Constitutive Act of the AU and in AfCFTA agreements and seeks to combine three key areas simultaneously: market integration, industrialization, and infrastructure development[5]. Out of these three, market integration is vital because:

> "people need to survive, and this is done by making income. Income, in turn, is attained through the trade of goods, services and/or assets"[6]

According to Mangeni, investment is important, but only when there is market since "Investment is not based on charity, but rather on profit"[7]. Ultimately, progress on the trade agenda allows countries to access larger regional markets as well as the necessary investment for development and economic growth. This chapter assesses Kenya's trade patterns in the context of the promulgation of the AfCFTA to determine how integrated Kenya's trade is with the rest of Africa, as well as identify barriers to trade as a gateway for integration in Kenya. By analysing how Kenya trades with the rest of the world, particularly Africa, a comprehensive evaluation of what Kenya may stand to gain from the AfCFTA can be achieved.

3.2 How Integrated Is Kenya's Trade with The Continent?

To understand how Kenya's trade pattern lends itself to regional integration one must understand how integrated Kenya's trade is within the continent. The ability to move goods freely across the border is key for Kenya's regional integration agenda and therefore it is important to see the extent to which it trades with the region (Sufrauj, 2019). Several indicators have been used to measure how integrated a country's trade is within their respective regional blocks and economic zones. This study will use the Africa Regional Integration Index (ARII), as well as a thorough examination of Kenya's trade patterns and the potential effects of the

[4] Online Interview with Francis Mangeni on August 15th, 2020.
[5] Online Interview with Francis Mangeni on August 15th, 2020.
[6] Online Interview with Francis Mangeni on August 15th, 2020
[7] Online Interview with Francis Mangeni on August 15th, 2020

AfCFTA on the Kenyan economy to assess how integrated Kenya's trade is within the continent.

3.2.1 Africa Regional Integration Index (ARII)

The Africa Regional Integration Index (ARII), launched by the Economic Commission on Africa (ECA), the African Development Bank (AfDB), and the African Union Commission (AUC), seeks to evaluate the level of integration for every REC and their member countries (Sufrauj, 2019:9). The index ranks how integrated each African country is within their respective RECs and with the rest of the continent. It scores across five key dimensions: trade, productive capacity, macroeconomic policy, infrastructure, and free movement of people (Sufrauj, 2019:9). The index scores range from 0 to 1 and under linear conditions, a score below 0.333 is considered as low, a score between 0.334 and 0.667 is considered as average, and a score above 0.668 is considered as high.

With respect to trade integration, ARII uses five indicators namely:

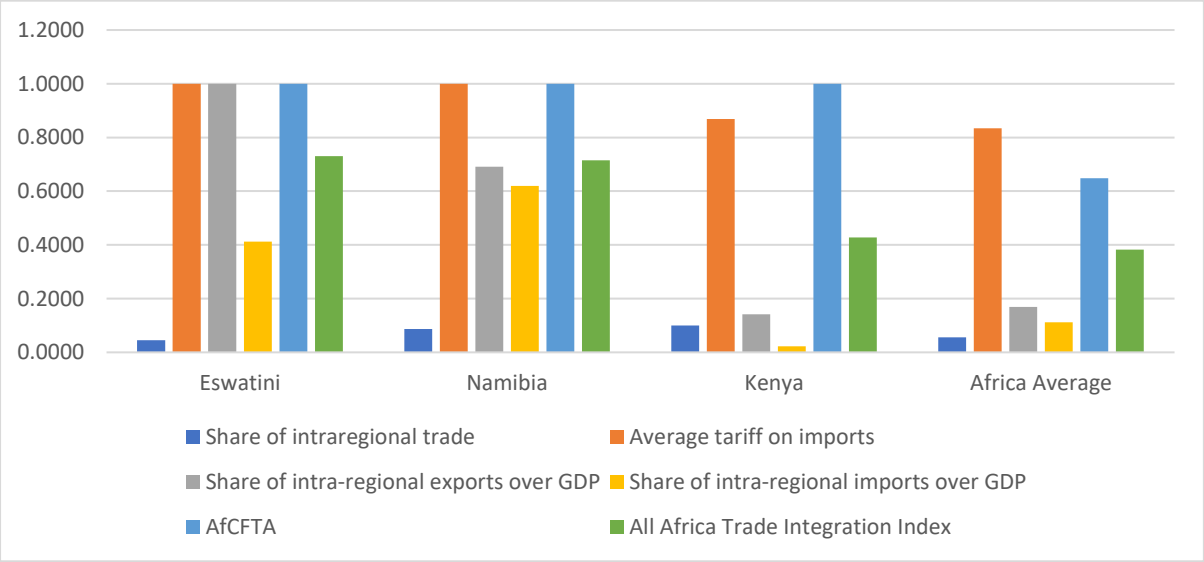
a) Share of intra-regional exports in GDP which "estimates the value of the goods that a country has exported within the region as a share of that country's GDP" (Sufrauj, 2019:17).
b) Share of intra-regional imports in GDP which "estimates the value of the goods that a country has imported from within the region as a share of that country's GDP" (Sufrauj, 2019:18).
c) The share of intra-regional trade is defined as "the total of a country's exports and imports within the region as a share of all the region's intra-regional trade" (Sufrauj, 2019:18).
d) Average intra-regional import tariffs attempt to identify the "effect of policies that increase or constrain trade openness. It measures the ad valorem equivalents of the minimum rates of the tariffs that a country has levied on its imports from the other countries in its region" (Sufrauj, 2019:18).
e) The AfCFTA indicator discloses "whether countries have signed or ratified the African Continental Free Trade Area agreement. It is measured for countries, not for REC's" (Sufrauj, 2019:18).

Figure 1 shows ARII Trade Indices for Kenya, eSwatini, Namibia, as well as an African Average. The All Africa Trade Integration Index on the graph refers the extent to which a

country trades with others in the region (Sufrauj, 2019:9). eSwatini and Namibia are the top performing countries in Africa in terms of trade integration, with trade integration indices of 0.73 and 0.715 respectively while Kenya is ranked 18th with a trade integration index of 0.43 (Sufrauj, 2019:18). Despite the large gap from the top performers, Kenya is still performing better than the continent average which is 0.38. When looking at the five ARII trade integration indicators, Kenya has a perfect score on the AfCFTA indicator as Kenya has ratified African Continental Free Trade Area agreement. Both eSwatini and Namibia have perfect scores as well while the continent average stands at 0.65 with at least 30 countries having ratified the agreement.

Figure 1

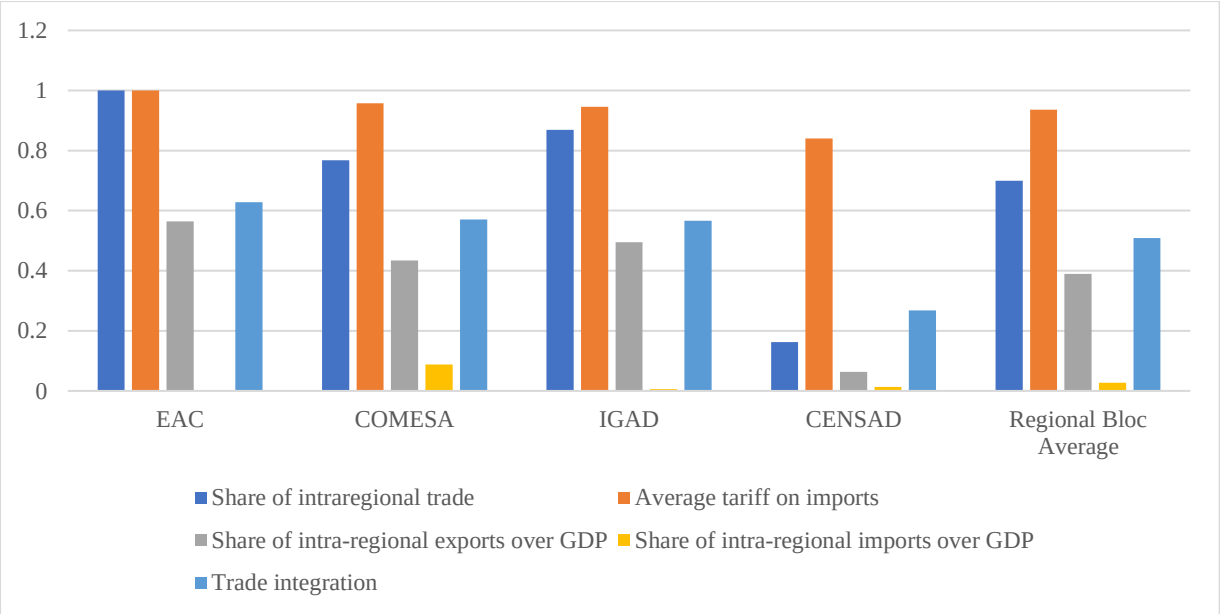
ARII Trade Integration Indices for Kenya, eSwatini, Namibia and Africa Average



Derived by author from Sufrauj (2019)

Figure 2

Kenya's ARII Trade Integration Indices in Various Regional Blocs



Derived by author from Sufrauj (2019)

Figure 2 highlights Kenya's ARII Trade Integration Indices in various Regional Blocs. Essentially this figure demonstrates how integrated Kenya's trade is within various regional blocs. EAC is the region in which Kenya's trade is most integrated with a trade integration index of 0.63, the second highest in EAC. This is better than the EAC trade integration index average of 0.44 as perfect scores on the share of intraregional trade dimension and average tariff on imports dimension have allowed Kenya to leapfrog other countries in the EAC (See Appendix 1). Community of Sahel–Saharan States (CENSAD) is the economic bloc in which Kenya's trade is least integrated, ranking 23rd in CENSAD with a trade integration index of 0.268. With the CENSAD trade integration index average being 0.38, Kenya still has some distance to go compared to the top performers in the region, namely Cote d'Ivoire and Sao Tome and Principe (See Appendix 2). This is evident by the low scores on dimensions such as share of intraregional trade, share of intra-regional imports over GDP and share of intra-regional exports over GDP. Kenya performed best on the average tariff on imports dimension averaging 0.94 across its regional blocs, suggesting that the progressive efforts made by Kenya in reducing tariffs have led to greater integration within its regional blocs. On the other hand, Kenya performed worst on the share of intra-regional imports over GDP dimension, averaging 0.03 across its regional blocs. This suggests that majority of the goods imported by Kenya are

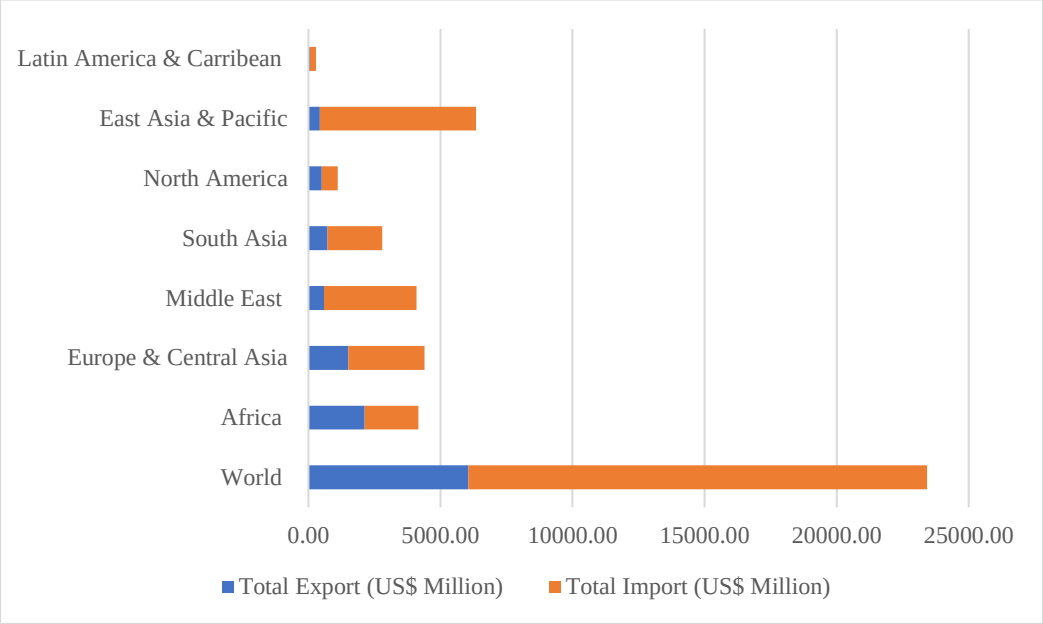
of foreign origin or from countries outside its regional blocs. This shows that there is still ample room for greater trade integration for Kenya within its regional blocs.

3.2.2 Nature of Kenya's Trade Patterns

Kenya for the most part has opened its borders to foreign trade which now accounts for approximately 36.2% of its GDP (Societe Generale, 2020). Trade liberalization is one of the agendas that has been actively pursued by successive regimes in Kenya and this is demonstrated by its membership in the World Trade Organisation (WTO), COMESA and the EAC (Societe Generale, 2020). The commitment to trade liberalization is further highlighted by the fact that Kenya was one of the first countries to ratify the African Continental Free Trade Agreement, as well as negotiate several bilateral trade agreements (Societe Generale, 2020).

Figure 3

Kenya's Total Trade by Region, 2018



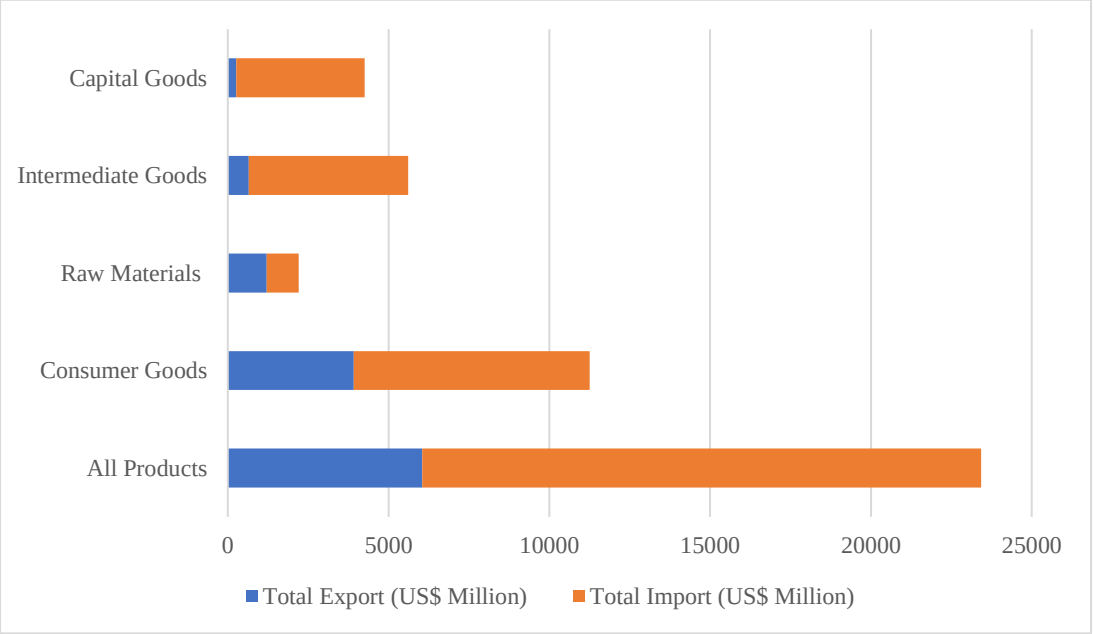
Derived by author from World Integrated Trade Solution (2020)

Figure 3 shows the distribution of Kenya's total trade between regions of the world in 2018. Total trade in this case is the sum of total exports and total imports between Kenya and the respective region. Kenya is a net importer, importing almost three times more than it exports. This can be seen in Figure 1 as total goods exports reached US $6.1 billion whereas total goods imported amounted to US $17.4 billion. With close to 75% of total world trade being imports, Kenya's trade deficit stood at US $11 billion in 2018 and is likely to get worse given increasing imports for infrastructure modernization and oil exploration (Societe Generale, 2020). East

Asia & Pacific is Kenya's biggest trading region with trade totalling to US $6.3 billion which is 27% of total trade. The main commodity imported from East Asia & Pacific are fuels which contribute about 70% of the import share, followed by textiles and clothing with about 8% of import share (World Integrated Trade Solution, 2020). The next biggest trading regions are Middle East, and Europe & Central Asia, contributing 20% and 19% respectively.

Figure 4

Kenya's Total Trade by Commodity, 2018



Derived by author from World Integrated Trade Solution (2020)

Figure 4 shows the distribution of Kenya's total trade between various groups of commodities. Consumer goods dominated trade, accounting for just under 50% of total trade. Of this 50%, 38% was made up of imports while the remaining portion was to exports. All other commodity groups have imports exceeding exports apart from raw materials where exports (US $1.2 billion) surpassed imports (US $997 million).

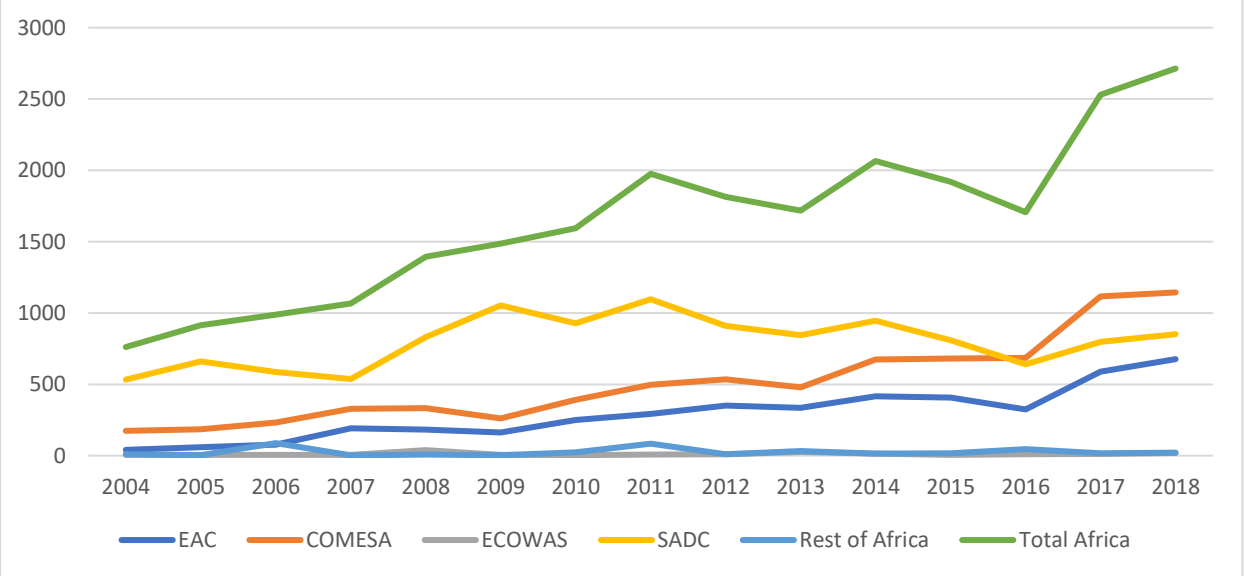
3.2.2.1 Nature of Kenya's Trade Patterns Within Africa

Given Kenya's economic weight in East Africa, it is not surprising that it is one of the most active countries in promoting inter-African trade. Total trade between Kenya and Africa has increased steadily from US $2.2 billion in 2004 to US $6.7 billion in 2018 (East African Community Secretariat, 2019). Historically, Kenya's trade with SADC has often dwarfed other regional blocs, with SADC being Kenya's main African trading bloc up until 2016. However, 2016 saw COMESA usurp SADC to become Kenya's biggest trading destination (East African

Community Secretariat, 2019). As of 2018 the total trade between Kenya and COMESA amounted to US $2.7 billion and according to an annual report from COMESA (2019), Kenya accounted for 17.3% of the US $7.5 billion (US $1.3 billion) that was transacted within COMESA in 2018, ranking Kenya 2nd behind Egypt (East African Community Secretariat, 2019). Alarmingly, just around 20% of Kenya's total trade was intra-African, with imports from the rest of Africa totalling US $2 billion (12% of total imports for 2018) while its exports to the rest of Africa amounted to US $2.1 billion (35% of total exports for 2018) (UNCTAD, 2019:22). Such low levels of intra-African trade are representative of the continent's developmental difficulties - despite an increase in the share of intra-African exports as a percentage of total African exports from about 10% in 1995 to around 17 % in 2017, Africa's levels remain relatively low compared to levels in Europe (67%), Asia (59%), and North America (48%) (Afreximbank, 2019).

Figure 5

Kenya's Total Imports from Africa, 2004 -2018 (US $ million)



Derived by author from East African Community Secretariat (2019)

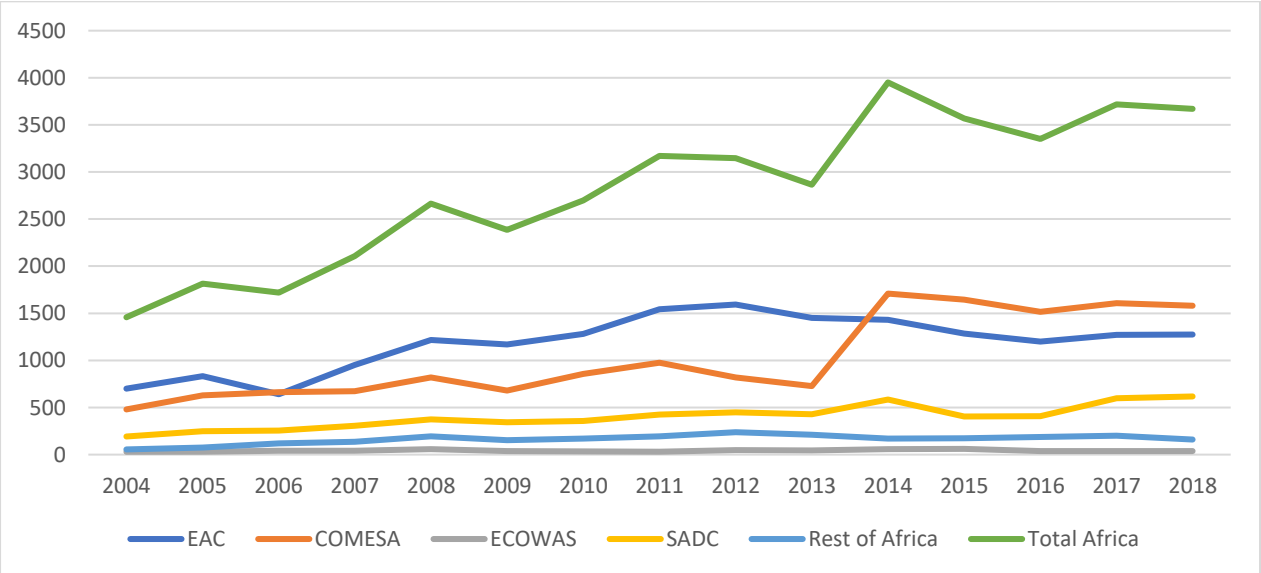
Figure 5 shows Kenya's total imports from Africa between 2004 to 2018. Total imports from Africa to Kenya increased from US $761 million in 2004 to US $2.7 billion in 2018, which is a 254% increase. This rise in imports is largely thanks to growth in imports from COMESA, which surged from US $173 million in 2004 to US $1.1 billion in 2018, as well as growth in imports from EAC, which rose from US $40 million in 2004 to US $677 million in 2018. Imports from SADC dominated Kenya's total African trade growing from US $532 million in 2004 to US $1.1 billion in 2011. Following a brief period of stagnation between 2012 and 2015,

imports from SADC are showing a resurgence and as of 2018 the value of imports from SADC stood at US $852 million, making it the largest exporter to Kenya behind COMESA.

When looking at specific country destinations, South Africa is the main source market for Kenya's intra-Africa imports, making up about 31%. 2017 saw South Africa overtake US in exports to Kenya, becoming sixth largest exporter to Kenya and this success is primarily because almost 40% of all South African exports to Kenya are intermediate goods. This means Kenya is becoming less reliant on the West on intermediate goods and machinery, thus presenting an ample opportunity to expand on intra-African trade. According to the United Nations COMTRADE database (2020) on international trade, South Africa's key exports to Kenya in 2018 included: Iron and Steel (US $240 Million), vehicles other than railway (US $67 million), and Mineral fuels, oils, distillation products amounting to US $62 million. The main intra-Africa imports for 2018 were flat-rolled products of iron or non-alloy steel (8% of intra-Africa imports); sugar (7%); maize (6%); dried leguminous vegetables, mixtures of odoriferous substances (additive used in the food and beverage industry), milk and cream, and coal (4% each); semi-finished iron or non-alloy steel (3%); and unmanufactured tobacco and motor cars (2%) (TRALAC, 2019). With the promulgation of the AfCFTA, it would be interesting to see if the upward trend in imports from COMESA, SADC and ECOWAS continues and how it would impact Kenya's trade balance and market structure.

Figure 6

Kenya's Total Exports to Africa, 2004 -2018 (US $ million)



Derived by author from East African Community Secretariat (2019)

Figure 6 shows Kenya's total exports to Africa from 2004 to 2018. According to the UNCTAD (2019:22), Kenya ranked 9th in intra-African exports in 2015–2017 with around 80% of that trade being done with EAC, COMESA and IGAD member states. Total exports to Africa from Kenya increased from US $1.5 billion in 2004 to US $3.7 billion in 2018, a 146% increase. This jump in exports is largely thanks to growth in exports to COMESA, from US $185 million in 2010 to US $1.6 billion (a near 700% increase), as well as growth in exports to SADC from US $192 million in 2010 to US $617 million in 2018 (a 221% increase).

Studies have shown that there exists a positive link between a country's exports and economic growth as countries with a more diversified export portfolio can stabilize export earnings over the long term, and hedge against exogenous price shocks (UNCTAD, 2018a:4). More importantly, the more diverse a country's exports are, the greater the level of inclusive and sustained economic growth and development (UNCTAD, 2018a:4). According to Ismail (2019), the biggest winners of the AfCFTA will be those African countries that have the capacity to increase their exports into the rest of the continent. Ultimately, the level of intra-African export diversification could provide an indicator to how entrenched Kenya's industries are in African markets. Therefore, determining how diversified Kenya's intra-African export portfolio could provide further indication to how integrated Kenya's trade is with the rest of the continent. This will be accomplished by examining Kenya's export concentration and export complexity.

3.2.2.1.1 Kenya's export concentration within Africa

According to the United Nations (2011:28) export concentration measures the extent to which a country's exports are concentrated on a small number of products or a small number of trading partners. Several African countries are reliant on either a limited number of products or few export destinations for export income, making this income vulnerable to variations in hostile exogenous shocks (Afreximbank, 2018:17). Since exports positively influence economic growth, volatility in export income would suggest variations in economic gains. The volatility of a country's export income and economic growth rate are directly linked to the country's degree of export concentration (2018:17). This degree of export concentration can be measured using the Herfindahl-Hirschmann Index: a measure of the distribution of trade value across an exporter's partners. A country with trade (export or import) that is focused on a very few markets will have an index value close to 1. Correspondingly, a country with a perfectly diversified trade portfolio will have an index close to zero (World Bank, 2020). The deeper the level of integration, the lower the export concentration index for intra-regional trade among

countries of the same regional bloc in comparison to trading with other countries around the globe (Jošić, Žmuk and Dumičić, 2019:61)

In 2016, the African countries with the highest export concentrations were Angola (0.93), Botswana (0.88), Guinea Bissau (0.88), Gabon (0.76), and Nigeria (0.73) (Afreximbank, 2018:17). On the other hand, Kenya's export concentration in 2016 was 0.2, (a decrease of 0.3 from 1995) which shows that its export concentration is relatively diversified and not overly reliant on a specific commodity or sets of commodities (Afreximbank, 2018:17). This is true as Kenya's export basket is diverse, with exports ranging from fresh flowers to plastics and other intermediate goods. When considering the AfCFTA, Kenya's low export concentration could be an added advantage when trying to integrate regionally. This is because a wider range of industries will be exposed to new larger markets in which they can compete in and potentially raise the revenue earned, as well as create new jobs. Furthermore, competitive pressure could see an improvement in quality rendered and price offered in the market, benefiting consumers. According to Raphael Otieno[8], Ag. Director of Research at the Central Bank of Kenya, Kenya has a better chance of integrating its industries into African markets since its intra-African exports are spread across several commodities and industries, unlike Angola, Nigeria and even Zambia which are heavily reliant on one or a few commodities.

3.2.2.1.2 Kenya's export complexity within Africa

Another way of seeing whether Kenya's trade pattern lends itself to regional integration is evaluating its economic complexity. According to UNCTAD (2019:27) the economic complexity index ranks countries "based on how diversified and complex their export basket is". Countries blessed with productive knowledge, mainly complex specialized knowledge, can manufacture a wide array of sophisticated products (UNCTAD, 2019:27). The index attempts to measure the ability of a country to produce a range of complex diversified products given their available knowledge.

[8] Online Interview with Raphael Otieno on October 19th, 2020.

Table 1

Kenya Export Products to The World & sub-Saharan Africa

Product Group	World Export (US $ Thousand)	Export Product Share (%)	SSA Export (US $Thousand)	SSA Export Product Share[9] (%)	Share of Total SSA Exports[10] (%)
Chemicals	465,228.76	7.7%	356,760.53	76.7%	41.2%
Textiles and Clothing	427,983.29	7.1%	322,376.25	75.3%	37.3%
Vegetable	2,922,541.80	48.3%	117,295.11	4.0%	13.6%
Animal	94,818.63	1.6%	20,444.33	21.6%	2.4%
Fuels	386,744.42	6.4%	20,026.44	5.2%	2.3%
Minerals	288,162.18	4.8%	11,291.29	3.9%	1.3%
Food Products	502,256.17	8.3%	8,251.64	1.6%	1.0%
Miscellaneous	76,153.78	1.3%	2,445.03	3.2%	0.3%
Stone and Glass	46,045.18	0.8%	2,059.67	4.5%	0.2%
Footwear	42,256.87	0.7%	1,387.58	3.3%	0.2%
Wood	137,443.89	2.3%	1,035.36	0.8%	0.1%
Mach and Elec	155,944.86	2.6%	783.51	0.5%	0.1%
Metals	244,515.33	4.0%	383.99	0.2%	0.0%
Hides and Skins	46,171.29	0.8%	347.95	0.8%	0.0%
Plastic or Rubber	123,671.48	2.0%	161.11	0.1%	0.0%
Transportation	90,482.75	1.5%	14.23	0.0%	0.0%
Total	6,050,420.68	100.0%	865,064.02	14.3%	100%

Derived by author from World Integrated Trade Solutions (2020)

According to the Atlas of Economic Complexity, Kenya was ranked 7th in Africa with an economic complexity score of -0.34 in 2018. Table 1 breaks down the economic complexity by showing the distribution of Kenya's exports by product to the World and to sub-Saharan Africa. Kenya is heavily reliant on vegetable-based products like tea, coffee, pulses, and cut flowers, as they make up almost 48.3% of total exports. Surprisingly, of the US $2.9 billion

[9] The SSA Export Product Share shows what percentage of total exports are to SSA and is calculated by dividing SSA Export by World Export for each category

[10] The Share of Total SSA Exports shows the percentage contribution of a product category to total SSA exports and is calculated by dividing the SSA Export for a category by Total SSA Export

worth of vegetables exported worldwide, only 4% went to sub-Saharan Africa. The other exports to the world are distributed across various categories including: Food Products (8.3%), Textiles and Clothing (7.7%) and Fuels (6.4%) to name a few. In terms of economic complexity, commodities like vegetable-based products are not as complex as chemicals and machinery and generally require less know-how to produce. On the other hand, the distribution of exports to sub-Saharan Africa reveals Kenya exports a wide range of commodities with varying complexities. The main exports to Sub-Saharan Africa from Kenya are Chemicals and Textiles and Clothing: Out of the US $356 Million Chemicals exported by Kenya, 76.7% went to sub-Saharan Africa while 75.3% of the US $322 Million Textiles and Clothing exported by Kenya went to sub-Saharan Africa. In terms of economic complexity, these commodities are far superior in terms of productive capabilities and expertise required to make them.

Raphael Otieno[11] believes that Kenya's superior manufacturing base allows it to export a more complex set of commodities than other African countries and therefore the promulgation of the AfCFTA will allow Kenyan industries to take advantage of the wider market. He gave an example of Kenya's car assembly industry which has the potential to serve more countries than just East Africa due to its assembly capability. According to UNCTAD (2018a:6), countries that have greater points of manufacturing value added per capita have a higher economic complexity index score. This is not unusual as the manufacturing sector demands the production of more complex commodities than the non-manufacturing sector. The greater the level of manufacturing development, the greater the initial role in leading in the development of regional value chains on the continent (UNCTAD, 2018a:6). In 2018, Kenya's manufacturing value added per capita was US $125, which is less than the African average of US $207, and even far less than developed economies who averaged US $5,922. This can be explained by the fact that Kenya has a substantial portion of agriculture in its GDP, and this highlights the limited structural transformation of the Kenyan economy over the last few decades (UNCTAD, 2018a:6).

3.2.2.2 Nature of Kenya's Trade Patterns Within EAC

The largest economy in the EAC, Kenya is the only non-least-developed country among the EAC members and this is largely thanks to its favourable geographic location, solid economic infrastructure, relatively skilled labour force, and robust institutions compared to its neighbours (UNCTAD, 2018b). The beginning of 2010 saw EAC's fully-fledged Customs Union takes

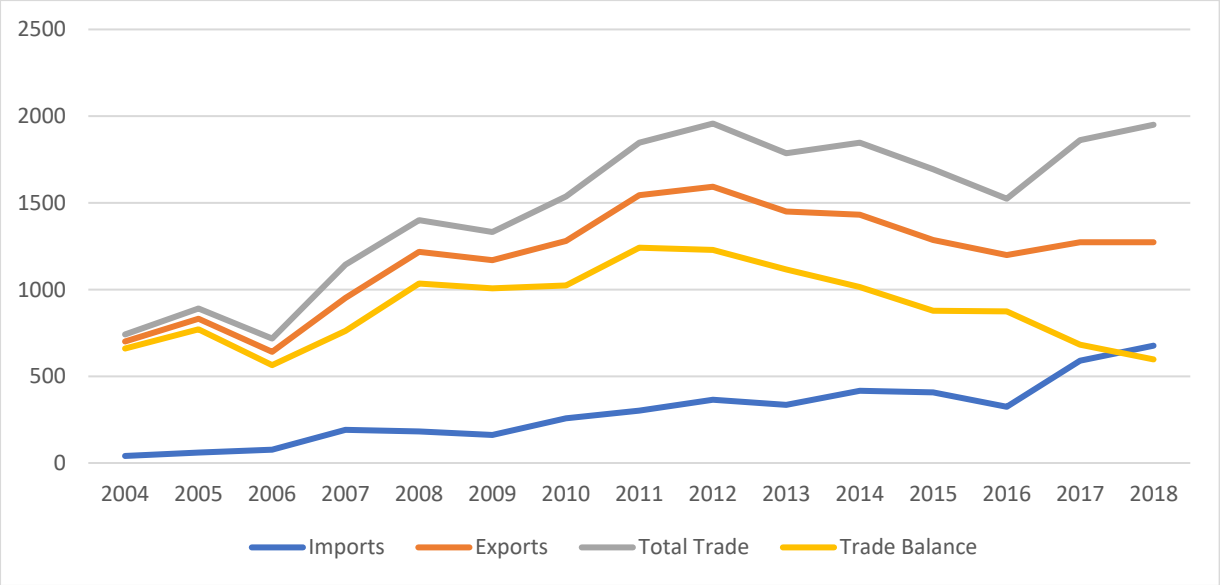
[11] Online Interview with Raphael Otieno on October 19th, 2020.

effect following the end of a five-year transitional period (East African Community Secretariat, 2019). The Customs Union was said to promote a liberal attitude towards "four Freedoms of movement for all the factors of production and two Rights between themselves" (East African Community Secretariat, 2019). These Freedoms and Rights include: Free Movement of Goods, Free Movement of Persons, Free Movement of Labour, Right of Residence, Right of Establishment, Free Movement of Services, Free Movement of Capital (East African Community Secretariat, 2019).

In 2016, further steps in liberalising trade in the region were made when the EAC approved two major bills that will allow for the creation of a monetary union by 2024 (Societe Generale, 2020). However, informal (unrecorded) cross-border trade; poor infrastructure; and non-tariff barriers including burdensome administrative procedures has slowed down intra-EAC trade (East African Community Secretariat, 2019). 90% of the EAC's trade takes place outside the region, with imports originating mainly from China, India, the EU, and the United Arab Emirates, which are also among the main export markets (East African Community Secretariat, 2019). This section will seek to explore the patterns of trade between Kenya and the EAC since the ratification of the Customs Union in 2010 to gain a better understanding of Kenya's trade profile within the region.

Figure 7

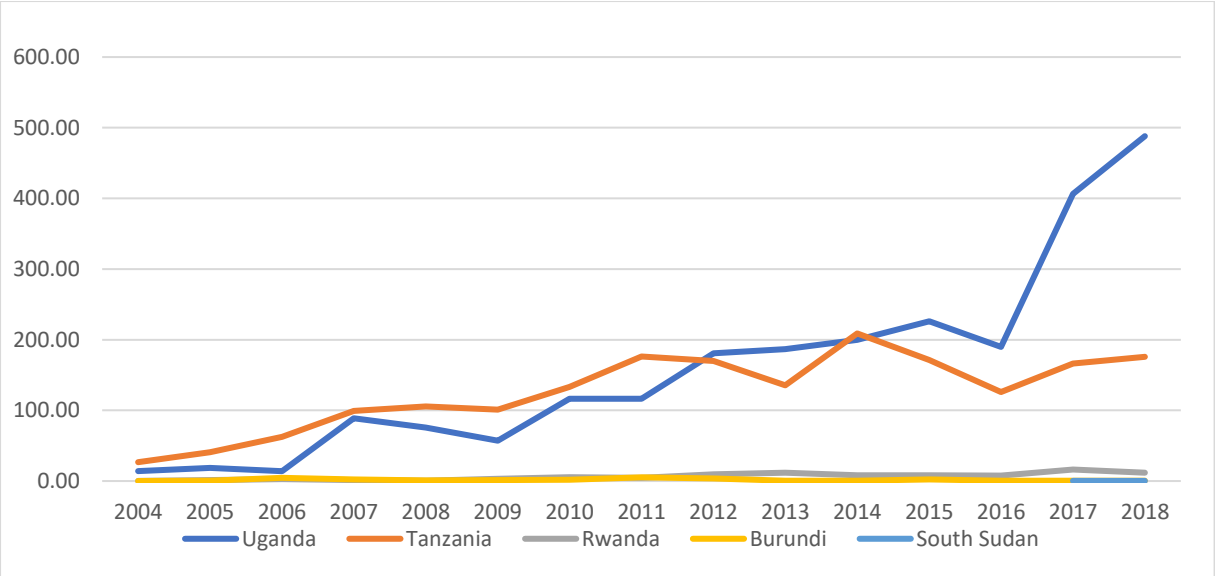
Kenya's Trade with EAC Partner States, 2010-2018 (US $ million)



Derived by author from East African Community Secretariat (2019)

Figure 8

Kenya's Imports from EAC Partner States, 2010-2018 (US $ million)



Derived by author from East African Community Secretariat (2019)

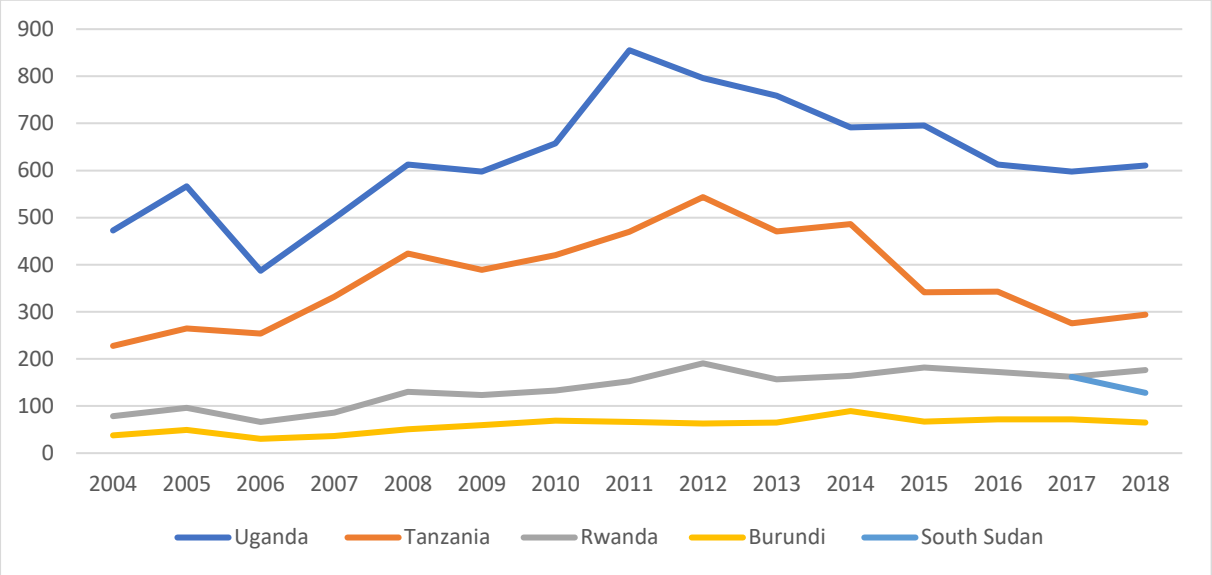
Figure 7 shows Kenya's trade with EAC Partner States between 2004 to 2018. Kenya's trade with EAC region has been on upward trend, growing from about US $741 million in 2004 to US $1.9 billion in 2018. Up until 2011, the growth in trade also coincided with an improving trade balance as even though both imports and exports were on the rise, the exports greatly outweighed the imports. However, from 2012 onwards Kenya's trade surplus with the rest of EAC has been in decline, falling from US $1.2 billion in 2011 to US $597.3 million in 2018. This is because, over this period, the exports to the region have been decreasing every year, from US $1.5 billion in 2012 to US $1.2 billion while imports from the region have been increasing from US $364 million in 2012 to US $676.5 million in 2018. Most of the imports from the EAC are from Uganda, totalling to about US $488 million in 2018 as seen in Figure 8. The major imports into Kenya from Uganda in 2018 included: Cereals (US $79.9 million), Residues, waste from the food industries & animal fodder (US $78.3 million), Edible Vegetables (US $75.4 million), Dairy Produce (US $62.2 million) and Tobacco (US $50.2 million) (East African Community Secretariat, 2019). According to Onyonyi Leonard,[12] the costs of production in Uganda are lower and thus their goods are cheaper at the marketplace, leading to crowding out of Kenyan producers. Majority of these imports are raw materials and given the growing import trend, local producers could face increasing competitive pressures

[12] Online Interview with Onyonyi Leonard on August 28th, 2020.

from foreign producers, an issue the Kenyan government should be wary of. Unfortunately, this is a consequence of trade as consumers benefit from cheaper goods while the firms that control the local production suffer.[13] However, considering Kenya has one of the biggest manufacturing bases in the continent, cheaper raw materials from neighbouring countries could prove vital in its attempt to industrialize and move up the production chain.

Figure 9

Kenya's Exports to EAC Partner States, 2010-2018 (US $ million)



Derived by author from East African Community Secretariat (2019)

On the other hand, most of the exports to the EAC in 2018 were to Uganda and Tanzania, totalling about US $610.9 million and US $293.7 million respectively. However, exports to Uganda and Tanzania have been on a steady decline from 2011 as 2018 saw exports to Uganda fall by 29% when compared to its peak year 2011, while exports to Tanzania fell by 46% when compared to its peak year 2012. Majority of the goods exported to the East African countries by Kenya are consumer goods, which make up more than 50% of export product share, followed by intermediate goods which make up around 30% of export product share. These goods include: Animal, vegetable fats, and oil products, salt, sulphur, earth, stone, plaster, lime and cement, plastics amongst others (East African Community Secretariat, 2019). This is no surprise as Kenya's superior manufacturing base has allowed it to develop more complex commodities than its neighbours. However, the fall in Kenyan exports to the EAC over the last decade may suggest countries like Uganda and Tanzania are seeking other sources apart from

[13] Online Interview with Onyonyi Leonard on August 28, 2020.

Kenya for consumer and intermediate goods. This is interesting considering that the EAC's Custom Union and Common Market Protocol that came into effect in 2010 was supposed to increase movement of goods, people, labour, services and capital from one partner state to another (East African Community Secretariat, 2019). Alternatively, the fall in exports to countries like Uganda and Tanzania could partly imply slower growth in these markets – Total imports into Tanzania fell from US $15 billion in 2015 to US $8.7 billion in 2017 while total imports into Uganda fell from US $6 billion in 2014 to US $4.8 billion in 2016 before climbing back to US $6.3 billion in 2018.

3.2.3 Potential Impact of AfCFTA on Kenya's trade

The removal of tariffs and trade barriers to stimulate intra-African trade and regional integration is a key principle of the AfCFTA (United Nations Economic Commission for Africa, 2020). It is hoped that, through removal of tariffs and trade barriers, the AfCFTA will ultimately lead to economic growth that simultaneously enhances welfare as well (United Nations Economic Commission for Africa, 2020). In line with this vision, four sets of policy scenarios were conducted in a study by Afreximbank (2018:24). The first policy scenario is the basic AfCFTA policy, which removes tariffs on all trade among African countries. The second policy scenario eliminates tariffs only on agricultural products. The third policy scenario removes tariffs on all trade and reduces non-tariff barriers (NTBs). The fourth policy scenario is mix of the third policy plus the further reduction in NTBs to a lesser degree (Afreximbank, 2018:24). The four policy scenarios are used in the simulation exercise using the Global Trade Analysis Project (GTAP) Model under standard GTAP closure (Hertel et al. 2007).

Table 2

Distribution of GDP and per Capita Household Utility across Countries under Four Policy Scenarios for the AfCFTA

	Policy Scenario 1 (removal of all tariffs)		**Policy Scenario 2 (removal of agricultural tariffs only)**		**Policy Scenario 3 (removal of all tariffs and lowering of nontariff barriers)**		**Policy Scenario 4 (removal of all tariffs and less lowering of non-tariff barriers)**	
	GDP (%)	Household utility (%)	GDP (%)	Household utility (%)	GDP (%)	Household utility (%)	GDP (%)	Household utility (%)
Kenya	0.01	0.14	-0.72	–0.14	5.31	2.59	2.49	1.3
Tanzania	–0.39	0.44	–0.88	0.15	1.79	2.19	0.63	1.26
Uganda	1.62	0.55	0.31	0.23	5.57	2.1	3.49	1.3
Rwanda	3.51	0.59	0.93	0.17	6.56	1.91	4.93	1.23

Derived by author from Afreximbank (2018)

The distribution of GDP and per capita household utility effects for the four policy scenarios are shown in Table 2, which indicates the percentage increase or decrease to a country's GDP and Household Utility under the four policy scenarios. Policy 2 is the worst-case scenario as both Kenya's GDP and Household utility decline, albeit marginally (-0.72% and -0.14% respectively). This coincides with the fact that that only 16% of Kenya's exports to SSA are agricultural in nature (Vegetables and Animals) as shown in Table 1, and therefore only a handful of industries in Kenya would benefit from the removal of agricultural tariffs only within the continent. Furthermore, according to the Trade and Law Centre (TRALAC) (2019), majority of the intra-African imports by Kenya included agricultural produce such as sugar (7% of intra-African imports), maize (6%), dried leguminous vegetables, mixtures of odoriferous substances (additive used in the food and beverage industry) (4%) and milk and cream (4%). The removal of agricultural tariffs only could see an increase in these imports into Kenya, especially if they have a comparative advantage over Kenya in producing these commodities. This would put pressure on local producers and industries, and if they are unable to compete with regional producers then it is likely there would be a decline in GDP and Household Utility as suggested in Table 2. The other countries in East Africa don't fare any better as Tanzania's GDP declines by 0.88% while both Uganda's and Rwanda's GDP improves, albeit slightly (0.31% and 0.93% respectively).

The impact of NTBs on Kenya can be seen in Policy 3 as the removal of all tariffs and lowering of nontariff barriers yields Kenya's best-case scenario. Under policy 3, Kenya's GDP and Household utility improve significantly (5.31% and 2.59%) and this is consistent with the other East African countries that also show significant gains in GDP and Household Utility under this scenario. If NTBs are to remain but all other tariffs are removed, then Kenya's GDP and Household Utility only increase by 0.01% and 0.14% respectively and this is marginal when compared to the other countries in East Africa such as Uganda (GDP increase of 1.62%, Household utility growth of 0.55%) and Rwanda (GDP increase of 3.51%, Household utility increase of 0.59%). This suggests that NTBs negatively impact Kenya's level of trade integration within the continent as well as its potential gains from the AfCFTA and therefore must be lowered to increase Kenya's welfare gains from intra-African trade. NTBs will be discussed later in the chapter.

3.3 Barriers for Trade as A Gateway to Integration

Despite all the achievements Kenya has made in boosting its trade relations with the rest of the continent, there are still some areas that need to be addressed if the goals and objectives of the AfCTFA are to be realised. This section seeks to highlight some of these issues and detail how they stand to impact the AfCTFA.

3.3.1 Non-Tariff Barriers (NTBs)

Despite eliminating most barriers to trade through the introduction of the EAC Customs Union, NTBs remain a key constraint to trade in the region. The WTO (2013) defines NTBs as "restrictions, unrelated to tariffs, that result from quotas, import licensing systems, prohibitions, regulations, conditions or specific market requirements that make the importation or exportation of products difficult and/ or costly". Moreover, the EAC defines NTBs as "laws, regulations, and administrative and technical requirements (other than tariffs) imposed by a partner state, whose effect is to impede trade" (Eurallyah, 2021). By following three key principles, namely including transparency, non-discrimination, and proportionality, WTO members created taxonomies for classifying NTBs with the goal of outlining fitting design criteria (EASSI, 2016:10).

Table 3 Classification of NTBs

Classification of NTB	Name	Description
1	Government Participation in Trade	• Government aids, including export subsidies and tax benefits • Countervailing duties • Discriminatory government procurement policies • Restrictive practices tolerated by governments • State trading, government monopoly practices, etc.
2	Customs and Administration entry procedures	• Anti-Dumping Duties • Customs Valuation • Customs Classification • Consular Formalities and Documentation • Samples • Rules of Origin • Customs Formalities • Import Licensing • Pre-Shipment Inspection
3	Technical Barriers To Trade	• Disparities in Standards • Restrictive Technical Regulations and Standards Not Based on International Standards • Unreasonable Testing and Certification Arrangements, Packaging, Labelling & Marking
4	Sanitary And Phytosanitary Measures	• SPS Measures • Special Customs Formalities Relating to SPS Including Chemical Residue Limits, Disease Freedom, Specified Product treatment, Etc. • Testing, Certification and Other Conformity Assessment
5	Specific Limitations	• Quantitative Restrictions • Embargoes and Other Restrictions of Similar Effect

		• Screen-Time Quotas and Other Mixing Regulations • Exchange Controls • Discrimination Resulting from Bilateral Agreements • Discriminatory Sourcing • Export Restraints • Measures to Regulate Domestic Prices • Tariff Quotas • Export Taxes • Requirements Concerning Marking, Labelling and Packaging • Others
6	Charges on Imports	• Prior Import Deposits • Surcharges, Port Taxes, • Statistical Taxes, Etc. • Discriminatory Film Taxes, Use Taxes, Etc. • Discriminatory Credit Restrictions • Border Tax Adjustments
7	Other (Procedural Problems)	• Intellectual Property Issues • Safeguard Measures, Arbitrariness, Emergency Actions • Distribution Constraints • Business Practices or Restrictions in The Market • Lack of Information of Procedures

Adapted from Eastern African Sub regional Support Initiative for the Advancement of Women (2016:10).

The EAC Elimination of Non-Tariff Barriers Bill, 2015, outlines a legal instrument for the elimination of recognized NTBs within the EAC. The bill imposes Article 13 of the Customs Union Protocol, where member countries agreed to eliminate all existing NTBs to importation into their territories of commodities originating from other member countries, and thereafter not to impose any new NTBs (WTO, 2013). However, despite the bills ascension, the patterns of elimination of NTBs in the EAC indicate that the most predominant type of NTBs in the EAC are those in Category 7 (Other Procedural Problems) followed by those in Category 2 (Customs and Administrative Entry Procedures) of the WTO taxonomy of NTBs. As of

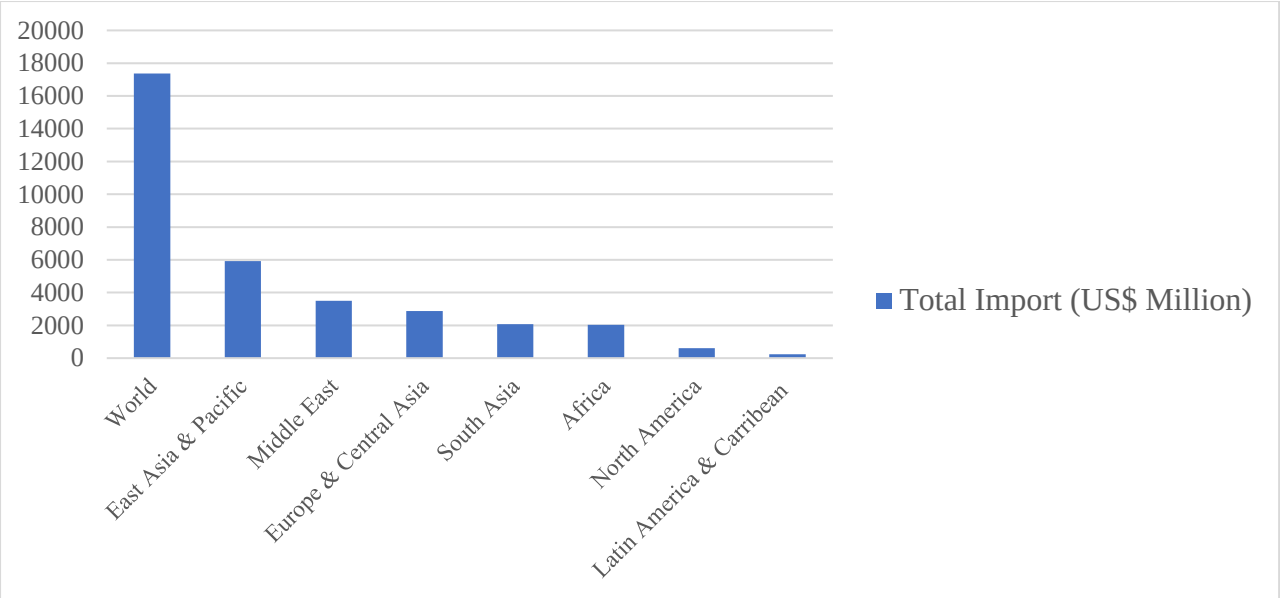
December 2015, Kenya is the EAC member country most affected by the majority of NTBs imposed in the region (13 out of 22) followed by Rwanda (9), Uganda (8), Burundi (7) and Tanzania and (6). (EASSI, 2016:11). This can be seen from Table 2 as Kenya stands to gain the most from the removal of all tariffs and lowering of NTBs (Policy 3) when compared to the rest of the EAC. Even when NTBs are reduced marginally (Policy 4), Kenya's gains are quite significant in comparison to the other policy scenarios that do not address NTBs (Policy 1 and 2). Bearing in mind that Kenya is the leading intra-EAC exporter, there would be a great impact on Kenya if the high number of NTBs that are directly sanctioned on its goods were resolved (EASSI, 2016:11).

3.3.2 Nature of Imports

The next barrier to trade as a gateway for integration is the over dependence of imports from other regions in the world except Africa. African countries greatly rely on international trade and this dependence has increased significantly in the last 20 years (Moussa, 2016:1). The increased role of international trade in African countries has also led to rising trade and current account deficits in many African countries (Moussa, 2016). Experience has shown that increasing deficits in the current account often signal undesirable economic trends such as "sudden stops in capital flows, severe decreases in credit and spending, and sharp economic slowdowns, which generate high unemployment and poverty" (Moussa, 2016). Together with exports, the nature of goods imported by a country will ultimately determine the state of the trade and current account. This section will seek to explore the nature of Kenya's imports and how it could be a potential barrier to trade as a gateway for integration.

Figure 10

Kenya's Import by Region, 2018 (US $ million)



Derived by author from World Integrated Trade Solutions (2020)

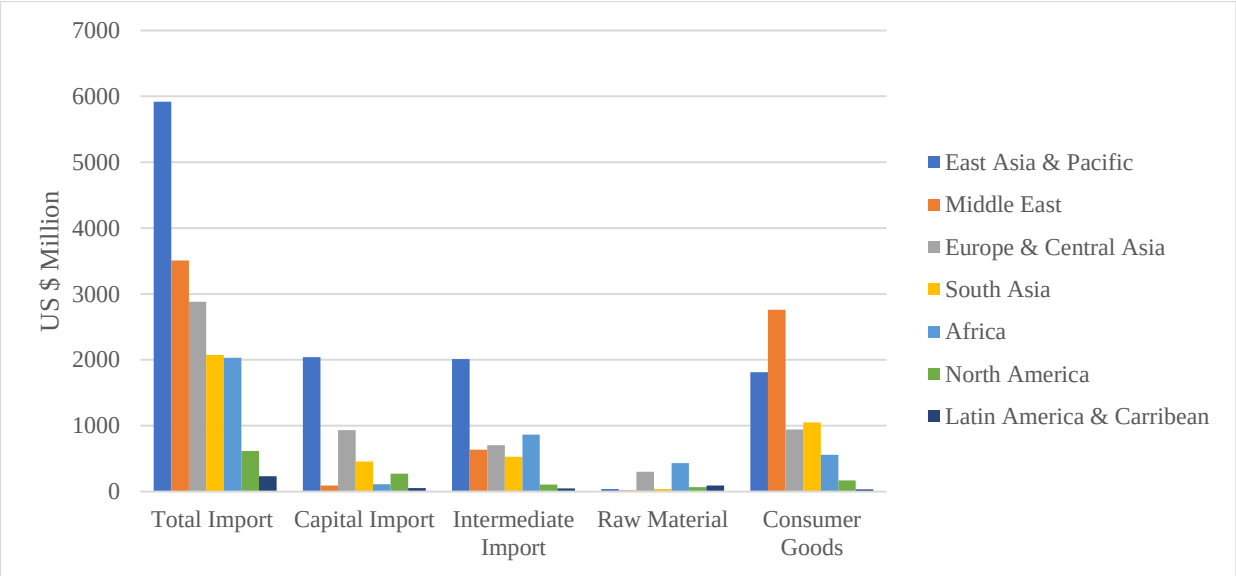
Figure 10 shows the total value of Kenya's imports from different regions in 2018. East Asia & Pacific dominate the share of imports entering Kenya, with just under US $6 billion worth of imports (34% of total imports entering Kenya). The Middle East and Europe & Central Asia round up the top three importing regions to Kenya, with about US $3.5 billion (22% of total imports entering Kenya) and US $2.9 billion (16% of total imports entering Kenya) worth of imports. Imports from Africa remain marginally low, with imports just under US $2.1 billion in 2018 (9.5% of total imports entering Kenya). However, it is worth noting that imports from Africa have grown tremendously over the last decade – In 2010, imports from Africa were about US $1.4 billion, 42% less than 2018. This growth in imports is significant but the current amount is still a fraction compared to other regions, and therefore efforts to maintain and enhance the growth of imports from Africa must be realised.

Figure 11 shows the total value of Kenya's imports across different product groups in 2018. The majority of the imports coming into Kenya were consumer goods valued at US $7.3 billion, with the Middle East contributing about 38% of that total, while Africa only produced 8% of the consumer goods entering Kenya in 2018. The next biggest group of products imported by Kenya in 2018 was intermediate goods and capital goods, valued at US $4.9 billion and US $3.9 billion, respectively. The majority of these goods were sourced from East Asia & Pacific, with around 42% of intermediate goods and 52% of capital goods coming from that region.

With around US $900 million worth of imports, Raw materials make up the smallest share of total imports into Kenya in 2018.

Figure 11

Kenya's Import by Product, 2018 US $ million



Derived by author from World Integrated Trade Solutions (2020)

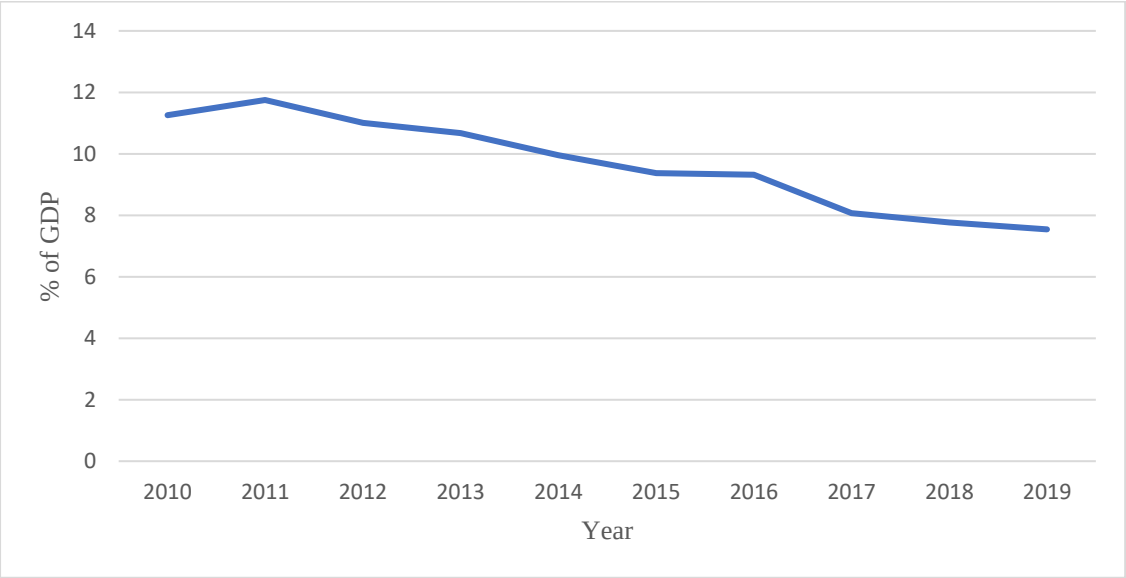
Furthermore, raw material imports have been experiencing a downward trend since 2010 where they were valued at US $1.4 billion. This is supported by the fact that Kenya's manufacturing valued as percentage of GDP has been on a gradual decline since 2010 as seen in

Figure 12, suggesting very limited strucural transformation over the last few decades. Because of this, Kenya will continue to be reliant on these other regions, thus impacting the amount of intra-African trade the AfCFTA can stimulate. Key Informant Samuel Njuru[14], a statistician at the EAC stated that East Africa has struggled to develop intra-EAC trade to an acceptable level demanded by regional integration with Tanzania importing mostly from SADC, and Kenya mostly from Europe & Asia. However, analysing Kenya's import structure, most of it being fuels and machinery, reveals that majority of these items are not easily sourced from the region or continent.[15] "Unless you start thinking of key issues such as how to reduce imports from outside the region, it will be hard to improve intra EAC trade."[16]

[14] Online Interview with Samuel Njuru August 6th, 2020.
[15] Online Interview with Samuel Njuru August 6th, 2020.
[16] Online Interview with Samuel Njuru August 6th, 2020.

Figure 12

Kenya's Manufacturing, value added (% of GDP), 2010 -2019



Derived by author from World Integrated Trade Solutions (2020)

3.4 Conclusion

To understand how well Kenya's trade regime is integrated into Africa, several measures and indices were used. Firstly, the ARII's trade index was used. The ARII trade index revealed that Kenya performs better than the continental average on several dimensions including share of intra-regional trade, AfCFTA ratification and average tariff on African imports. However, despite Kenya's above average performance, it trails the most integrated countries, therefore suggesting there is still ample room for further integration. Secondly, Kenya's exports were examined using two different indices: export concentration index and export complexity index. Kenya's export concentration in 2016 was 0.2 while its export complexity in 2018 was -0.34. The scores from these indices suggest that Kenya's export basket is relatively diverse, and considering the impending AfCFTA, Kenya's export diversity could benefit its integration efforts by widening the market for a greater number of industries. More industries will be able to compete in larger markets, potentially raising revenue and job creation as well as improvement of quality. The impact of the AfCFTA on Kenya's GDP was also studied, and it was revealed that, even though marginally, Kenya stands to benefit from the current set up of the AfCFTA. However, it also revealed that much more needs to be done if greater gains are to be realised.

Kenya is one of the leading countries in inter-African trade. However, the fact that only 20% of its total trade was intra-African shows the need for deeper integration into the continent. Kenya's biggest trading region from the continent (excluding EAC) was COMESA, followed by SADC, as the last five years have seen imports from these regions grow progressively. The key partners outside East Africa include Egypt and South Africa who trade several commodities with Kenya including tea, machinery, minerals among others. Moving forward, Kenya should strive to strengthen relations with these regions and countries to ensure that when the AfCFTA is in place, it will receive the maximum gains from trade. In East Africa, 2010 saw the implementation of EAC's fully-fledged Customs Union. From 2010 to 2018, Kenya's trade balance with EAC had been experiencing a downward trend as imports from the region have been growing while exports to the region have been falling. In the region Kenya's biggest trading partner is Uganda, both on the import and export end. Most of the goods coming in from Uganda are agriculturally based goods while on most of the goods leaving for Uganda are consumer goods and intermediate goods. Kenya should strive on finding ways to pick up its export levels to the region, as the AfCFTA could widen the market and increase the number of countries competing for export share in the continent.

Regardless of all the successes Kenya has made in furthering its trade relations with the rest of the continent, the situation is not perfect. NTBs faced by Kenya in EAC and the continent lower Kenya's export potential and may derail Kenya's gains from the AfCFTA. Furthermore, analysis of the nature of imports coming into Kenya reveal that Kenya is still heavily reliant on other regions of the world for capital and intermediate goods. Because of the importance played by capital and intermediate goods in economic growth and industrialization, imports coming into Kenya will continue to be dominated by other regions of the world. This over-reliance on the outside threatens the AfCFTA goals of widening the scope of intra-African trade and deepening integration.

CHAPTER 4 TRANSPORT INFRASTRUCTURE AS A GATEWAY TO REGIONAL INTEGRATION

4.1 Introduction

For Africa, infrastructure is a major priority. Low levels of intra-regional trade coupled with the fact that Africa has the smallest share of global trade has meant that the continent remains one of the least integrated regions in the globe (NEPAD, 2020). This low level of integration is due to infrastructural inefficiencies that have cost Africa billions of dollars annually, as well as stunted the continent's economic growth and development (NEPAD, 2020). Therefore, regional cooperation is essential in solving these infrastructural bottlenecks for sustainable economic growth and development (NEPAD, 2020). According to the UNECA (2015:4), a significant investment is required to establish competent institutions and efficient infrastructure necessary for achieving continental and/or regional objectives (UNECA, 2015:4). Thus, regional agreements encourage states to loan money to develop the necessary infrastructure such as road, energy, air transport, and communication technologies (UNECA, 2015:4). This chapter assesses Kenya's infrastructure as a viable gateway to strengthen integration and cooperative efforts between Kenya and the rest of Africa. This will be accomplished by assessing how integrated Kenya's infrastructure is with the rest of the continent and outlining any challenges or impediments within Kenya's infrastructure network. For this section, the discussion of infrastructure will be limited to transport infrastructure. This is because transport infrastructure plays an essential role as a capital input into the production of goods and services and its impact on the economy is said to be transformative, especially at lower levels of income (OECD/ITF, 2013).

4.2 How Integrated Is Kenya's Infrastructure with The Continent?

Kenya is blessed with widespread, but unequal infrastructure (Privacyshield, 2020). Compared to the rest of the continent, Kenya's infrastructure is better than most with Nairobi being regarded as the transportation hub of Eastern and Central Africa (Privacyshield, 2020). In 2016, the Government of Kenya increased its emphasis on infrastructural development with the hope that this would elevate Kenya's appeal as an investment destination, transforming the economy and achieving middle income status as proposed in its Vision 2030 economic programme (Privacyshield, 2020). The increase in emphasis has led to several infrastructural projects over

the past five years, and this has led to questions over the extent to which the additional infrastructure has contributed to strengthening regional ties across the continent.

Several metrics have been developed to estimate how integrated a country's infrastructure is within their respective regional blocks and economic zones and this paper will rely on two indices, namely the ARII Infrastructure Index and the World Bank LPI. Furthermore, this section will outline some of the recent infrastructural projects undertaken over the last 10 years to illustrate how Kenya has attempted to integrate infrastructure with the rest of the continent.

4.2.1 ARII Infrastructure Index

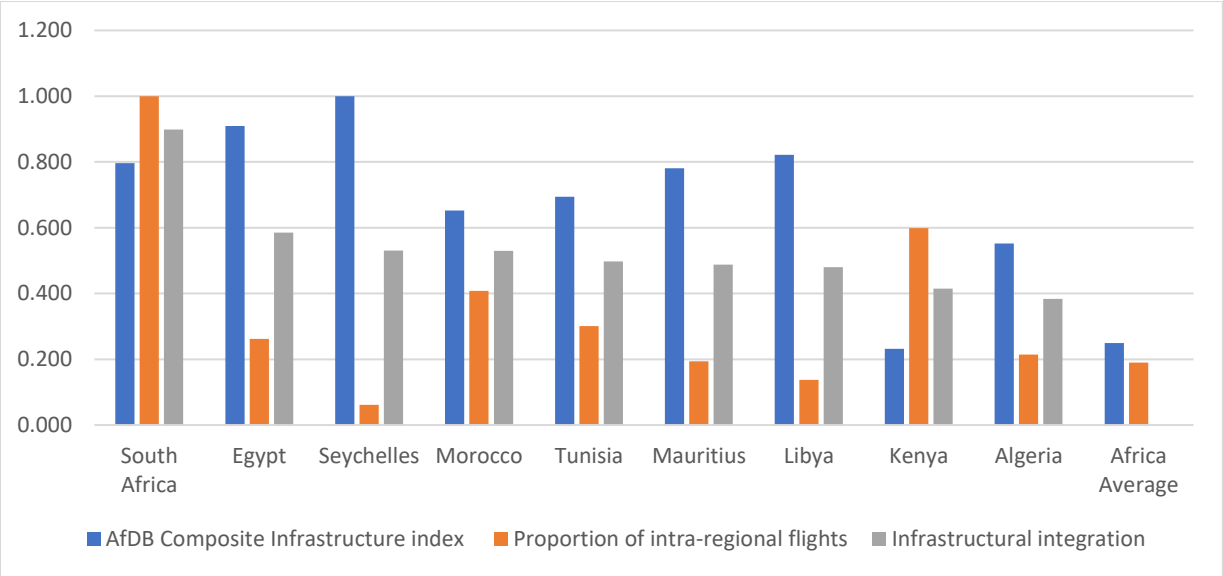
According to the ARII[17], infrastructure must be created to enable connections, not only within a country, but between countries and regions worldwide (Sufrauj, 2019). This section will focus on the trade integration dimension of the ARII which is made up of two indicators that quantify the degree to which Africa's infrastructure is regionally integrated:

a) The AfDB Infrastructure Development Index which evaluates the "state of electricity, transport, information and communication technologies, and water and sanitation in an area" (Sufrauj, 2019:16). This index does not include data on "cross-border road connectivity, cross-border electrical infrastructure, the cost of mobile roaming as reliable data is still lacking" (Sufrauj, 2019:16).
b) Proportion of intra-regional flight connections which measures the "number of a country's flight connections to and from points within the region as a percentage of all intra-regional flight connections" (Sufrauj, 2019:16).

[17] See page 33 for definition of Index

Figure 13

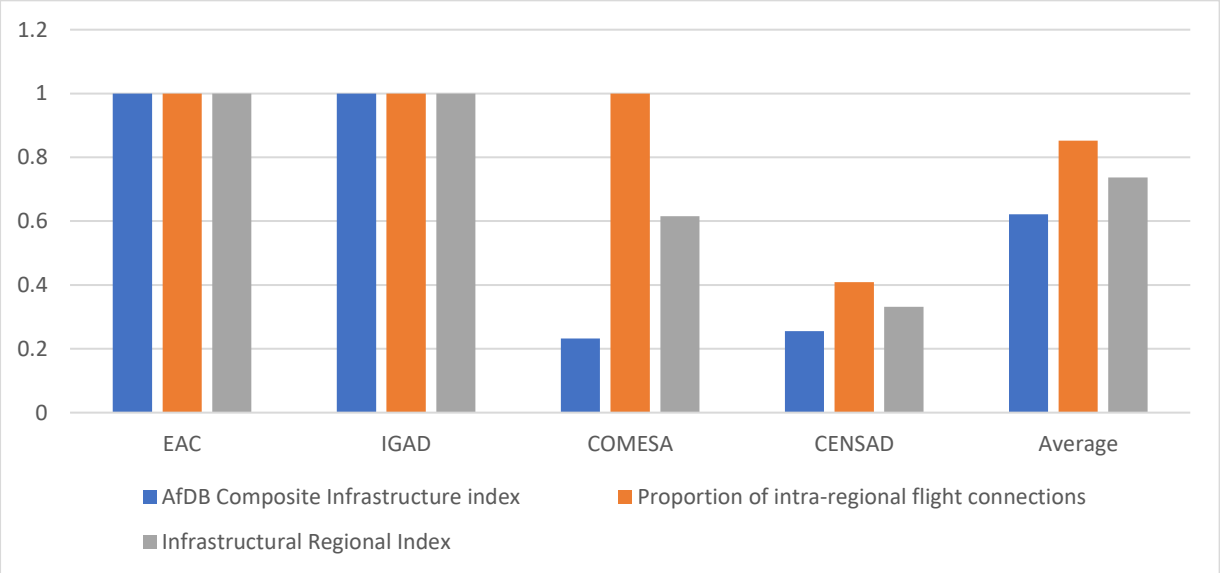
ARII Infrastructure Indices for the Top Performing Countries in Africa



Derived by author from Sufrauj (2019)

Figure 14

Kenya's ARII Infrastructure Integration Indices in Various Regional Blocs



Derived by author from Sufrauj (2019)

Figure 13 shows the ARII Infrastructure Indices for the Top Performing Countries in Africa. With a continental average of 0.22, Africa is still some way off in infrastructural integration with only 11 countries having infrastructure that is considered moderately well integrated in their region. South Africa scores the highest on the infrastructure dimension with a score of

0.89, which is almost 53% greater than the next most integrated country which is Egypt (0.585). Kenya is ranked 8th on the continent with a score of 0.42, largely thanks to its proportion of intra-regional flights dimension that outscored all the countries in the top 10 apart from South Africa. The fact that Kenya scores so highly in this dimension demonstrates Kenya's position as a regional and continental hub.

Figure 14 highlights Kenya's ARII Infrastructure Integration Indices in various Regional Blocs. Essentially this figure demonstrates how integrated Kenya's infrastructure is within various regional blocs. Within the EAC and IGAD, Kenya attained the highest level of integration on both the AfDB infrastructure index and in proportion of intra-regional flight connections, making it the best-integrated country. The disparity between Kenya and the next most integrated countries is wide - In EAC the next most integrated country is Rwanda with an infrastructural index of 0.73 while in IGAD the next most integrated country is Djibouti with an infrastructural index of 0.71 (See Appendix 5 and 6). On the other hand, CENSAD is the region in which Kenya's infrastructure is least integrated with an integration index of 0.33 ranking it 9th in the region. There is a wide gap between Kenya and top performing countries in CENSAD like Morocco and Egypt that have infrastructural indices of 0.79 and 0.78 respectively, with Kenya's score hovering around the regional average of 0.3 (See Appendix 7). This shows that there is still room for improvement with respect to Kenya integrating its infrastructure to the CENSAD economic block. Generally, when looking at the averages for each regional bloc, Kenya scores well on every dimension and this demonstrates that it is relatively well integrated with other regional blocs in the continent.

4.2.2 Logistics Performance Index (LPI)

The Logistics Performance Index (LPI) was created by the World Bank to detect obstacles and opportunities faced by countries in relation to their performance in trade logistics (Arvis et al., 2018:8). The LPI is drawn from a worldwide survey of operators on the ground who offer feedback on the logistical capabilities of the countries in which they operate (GICA Global, 2018). The LPI evaluates performance along the logistics supply chain within a country, offering two different viewpoints: international and domestic (GICA Global, 2018). The International LPI provides qualitative assessments of a country in six dimensions by logistics professionals working outside the country while Domestic LPI provides both qualitative and quantitative evaluations of a country by logistics professionals working inside it. It includes

thorough information on the logistics setting, core logistics procedures, institutions, and performance time and cost data (GICA Global, 2018).

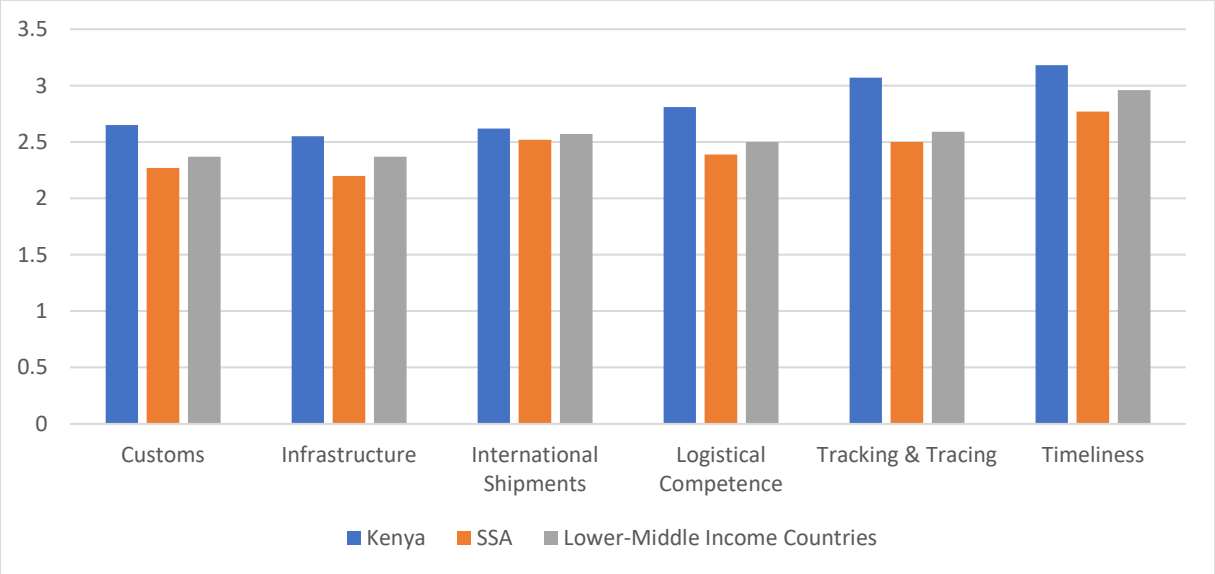
According to Arvis et al. (2018:8) the six dimensions of the LPI include:

a) "The efficiency of customs and border management clearance" (Arvis et al, 2018:8).
b) "The quality of trade- and transport-related infrastructure" (Arvis et al, 2018:8).
c) "The ease of arranging competitively priced international shipments" (Arvis et al, 2018:8).
d) "The competence and quality of logistics services" (Arvis et al, 2018:8).
e) "The ability to track and trace consignments" (Arvis et al, 2018:8).
f) "The frequency with which shipments reach consignees within the scheduled or expected delivery time" (Arvis et al, 2018:8).

The six dimensions can be grouped under two main categories (Arvis et al., 2018:8). The first category is under areas for policy regulation which represent main inputs to the supply chain and includes customs, infrastructure, and services. The other category is supply chain performance outcomes which corresponds to the LPI indicators of time, cost, and reliability (Arvis et al., 2018:8).

Figure 15

Kenya's Logistical Performance Index, 2018

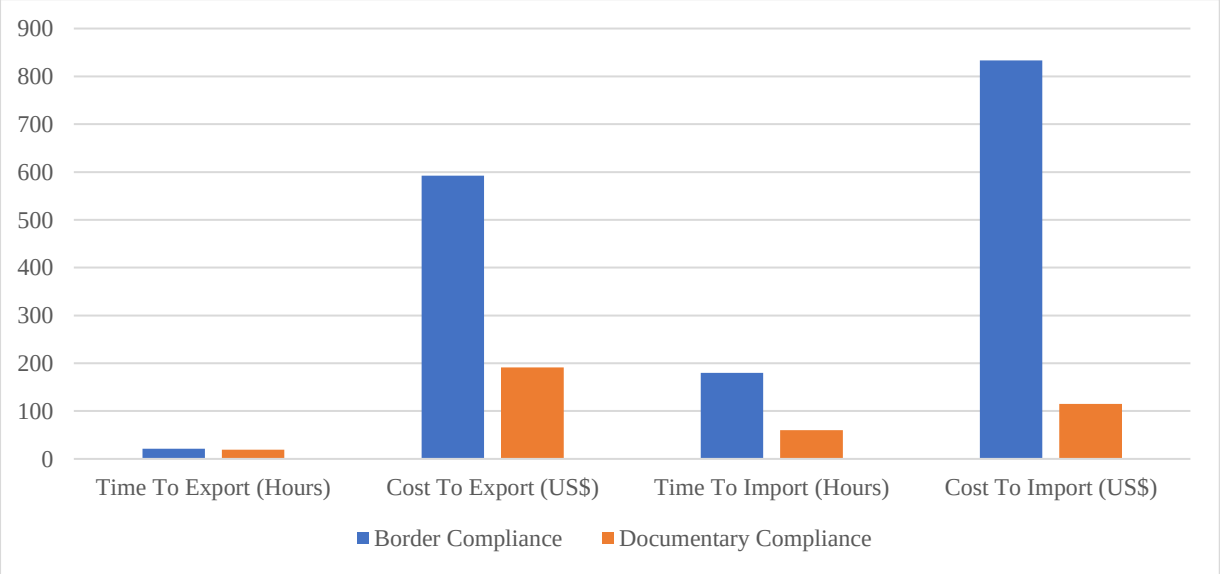


Derived by author from World Bank (2020) data

Kenya had an LPI score of 2.81 in 2018, ranking it 68th in the world and 4th in Africa. This signifies a substantial drop from 2016 where Kenya was ranked 42nd in the world and 2nd in Africa with an LPI score of 3.33 (Arvis et al., 2018:12). Figure 15 shows Kenya's Logistical Performance Index across all six dimensions for 2018. Kenya performed better than sub-Saharan and lower middle-income group on every dimension on the LPI with particularly encouraging figures for the Timeliness, and Tracking and Tracing dimensions. This above average performance is attributed to "strong political will and implementation of administration reforms in the region" (Omondi and Mwakio, 2016). However, Kenya's infrastructure score of 2.55 on the LPI, though higher than both sub-Saharan and lower middle-income group, was its lowest across all six dimensions on the LPI. According to Gasiorek et al. (2016), the low score on infrastructure is because of the absence of hard and soft infrastructure intended at reducing the costs of transit in intra-EAC trade. Figure 16 shows the effect of inadequate infrastructure on time taken and cost incurred importing goods into Kenya. The absence of infrastructure, combined with several other factors, have led to high compliance costs when importing and this can be seen by the fact that it takes almost double the time and cost to import than export in Kenya.

Figure 16

Kenya's Time and Cost to Comply with Border and Documentary Requirements



Derived by author from Doing Business (2018)

Despite the recently increasing investment in transport infrastructural development in Kenya, the country is still plagued by inadequate transport infrastructure that has raised the cost of trading within and beyond its borders (Isaac, 2019:216). This has negatively impacted Kenya's

competitiveness by lowering the levels of productivity and economic potential. The problem is further complicated by other opposing interests in the national budget and poor execution on road investments (Isaac, 2019:216). Furthermore, when compared to more advanced economies, Kenya's current transport infrastructure leaves a lot to be desired. Insufficient maintenance plans have created a situation whereby the expenses involved in preventative and corrective maintenance plans are greater than the value of the assets (Isaac, 2019:216).

4.2.3 Regional Infrastructural Projects in Kenya from 2010 to 2019

Several infrastructural projects have been implemented over the last ten years with the aim of regionally integrating Kenya with the rest of Africa. According to Samuel Njuru,[18] these infrastructural projects have improved mobility, reduced time taken to trade, increased competitiveness and reduced the cost of doing business. These claims are supported empirically as a study done by Njoro (2014) on how infrastructure development impacts economic competitiveness of Kenya revealed that transport infrastructure has a positive and significant influence in driving economic competitiveness in the country. Using panel regression, the results displayed that the coefficients of the first difference of GDP, transport infrastructure and energy infrastructure are positive and distinctly significant in influencing Kenya's export volume (Njoro, 2014). According to Global Infrastructure Hub (2020:152), Kenya's investment in infrastructure, which stands at 6.5% of GDP per annum, is considered high. Additionally, Global Infrastructure Hub set up a metric to deduce "the extent and nature of recent infrastructure investment activity and extent of private sector involvement over the last five years, relative to the size of the economy" (Global Infrastructure Hub, 2020:152). A higher score indicates greater amounts of recent infrastructure activity and a great number of recent infrastructure deals that involve private and foreign investment (Global Infrastructure Hub, 2020:18). Kenya was given a score of 78.2, 14 points higher than the Lower Middle-Income Countries average (Global Infrastructure Hub, 2020:152). This perspective was echoed by another key informant[19] from the trade ministry who believes there has been great commitment by Kenya and other African states towards improving infrastructure in the region.

Furthermore, the informant from the trade ministry stated that Kenya has taken a leading role in promoting regional efforts towards improving infrastructure for the creation of a more integrated continent. These efforts include: developing of a blueprint on roads designed to

[18] Online Interview with Samuel Njuru August 6th, 2020.
[19] Online Interview with Key Informant from the Trade Ministry August 27th, 2020.

connect Africa i.e. Cape Town and Cairo, Mombasa and Lagos etc., the Yamoussoukro Decision to open the skies for increased connectivity, as well as the appointment of a political head, former Prime Minister of Kenya Raila Odinga to spearhead this infrastructure agenda. On top of this, the informant stressed the commitment of the entire AU summit, the entire assembly of Africa, as well as the donor community towards improving infrastructure. This section will appraise some of the key infrastructure projects undertaken by Kenya with the aim of integrating it with the rest of the region and continent.

4.2.3.1 Arusha-Holili-Taveta-Mwatate road construction project

In October 2015, the Arusha-Holili-Taveta-Mwatate road construction project was initiated after the governments of Kenya and Tanzania received US $232.5 million from the AfDB. (Privacyshield, 2020). The project's total cost net of taxes is UA[20] 173.9 million. The project is co-financed by the Bank Group (89.1%), the Government of Tanzania (4.7%), the Government of Kenya (5.9%) and the Africa Trade Fund (0.3%). The project was completed at the end of 2019 (African Development Bank Group, 2020). The main objective of this project was to create road transport infrastructure through the creation of a priority corridor that would lower transport costs between Arusha and Voi (African Development Bank Group, 2020). This was hoped to encourage cross-border trade, stimulate tourism and advance accessibility to markets and social services for the communities in the area to markets and social services (African Development Bank Group, 2020).

There are some pros and cons to the project. The journey between Mombasa and Arusha is often agonising for many travellers because of the many hours spent on the road. With the completion of the project, the journey is now four hours compared to six previously (East African Community, 2016). Additionally, it has been predicted that the earnings of populations living close to the road will rise by as much as 20% with the road impacting close to 900,000 people in Kenya and Tanzania. However, concerns over potential highways cutting across national parks like the Serengeti National Park and Tsavo West National Park has created tension between the Kenyan and Tanzanian government (East African Community, 2016) Lastly, this project could easily facilitate the continued trafficking of young Tanzanian boys and girls who come to Kenya to seek employment under exploitative conditions (Okumu, 2019). The absence of enforcement of anti-human trafficking laws especially in Kenya, coupled with lack of coordination between the Ministry of Internal Security and the Ministry

[20] UA is the official currency for the AfDB projects. 1UA = US $ 1.36331

of Labour has allowed local human trafficking networks among cross-border communities to grow. Given this, criminal networks will seek to exploit the Arusha-Holili-Taveta-Mwatate project to ensure that the lucrative human trafficking trade continues (Okumu, 2019)

4.2.3.2 LAPSSET Corridor

The Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor Initiative is one of Eastern Africa's largest and most ambitious infrastructure projects seeking to bring together Kenya, Ethiopia, and South Sudan (LAPSSET, 2020). Launched in 2012, the Corridor is meant to function as an economic corridor with the goal of lending several Eastern African nations access to a greater economic market thereby encouraging socio-economic development in the region (LAPSSET Corridor Development Authority, 2016). The LAPSSET Initiative is made up of several secondary projects in Kenya, and in the region as follows: -

i. "Lamu Port at Manda Bay consisting of 32 deep sea berths" (LAPSSET Corridor Development Authority, 2016)
ii. "Interregional Standard Gauge Railway (SGR) lines from Lamu to Isiolo, Isiolo to Nakodok (Kenya/South Sudan border) and Juba (South Sudan), Isiolo to Moyale (Kenya/Ethiopia border) and Addis Ababa (Ethiopia), and Nairobi to Isiolo" (LAPSSET Corridor Development Authority, 2016)
iii. "Interregional Highways from Lamu to Isiolo, Isiolo to Nakodok and Juba (South Sudan), Isiolo to Moyale and to Addis Ababa (Ethiopia), and Lamu to Garsen (Kenya)" (LAPSSET Corridor Development Authority, 2016)
iv. "Crude Oil Pipeline from Lamu to Isiolo, Isiolo to Nakodok and Nakodok to Juba (South Sudan)" (LAPSSET Corridor Development Authority, 2016)
v. "Product Oil Pipeline from Lamu to Isiolo, Isiolo to Moyale (Kenya) and Moyale to Addis Ababa (Ethiopia)" (LAPSSET Corridor Development Authority, 2016)
vi. "International Airports at Lamu, Isiolo, and Lake Turkana" (LAPSSET Corridor Development Authority, 2016)
vii. "Resort Cities at Lamu, Isiolo and Lake Turkana" (LAPSSET Corridor Development Authority, 2016)
viii. "Merchant Oil Refinery at Lamu" (LAPSSET Corridor Development Authority, 2016)
ix. "High Grand Falls Multipurpose Dam" (LAPSSET Corridor Development Authority, 2016)
x. "Fibre Optic Cables and Communication systems" (LAPSSET Corridor Development Authority, 2016)

Economic experts have touted the LAPSSET as a viable contributor to the African Union's regional integration vision of a peaceful, prosperous and fully integrated continent by 2063 (Kabukuru, 2016). When completed, the LAPSSET railway will link to West Africa's Douala–Lagos–Cotonou–Abidjan Corridor, running through Cameroon, Nigeria, Benin, Togo, Ghana, and Côte d'Ivoire respectively, ultimately connecting Eastern and Western Africa (Kabukuru, 2016). Such possibilities have seen the LAPSSET Initiative garner support from the AU project under the AU's Presidential Infrastructure Championship Initiative (PICI). Admission into PICI signals that a project is critical to the continent's regional integration aspiration (Kabukuru, 2016). By 2016, the project had already started yielding some tangible results such as: reducing the travel time from Isiolo (Kenya) to Hawassa (Ethiopia) to 10 hours from 3 days. The shortened travel time has reduced the cost of transport by eliminating sleep over's, as well as wear and tear and other vehicle maintenance costs. According to Enns et al. (2019:17), the project has benefitted locals by improving access to livestock markets, improving security and public service provision as well as increasing commercial activity through more marketplaces and shops. These new economic opportunities have given locals the chance to enhance their livestock-keeping activities and make extra money while diversifying the sources of nutrition within their households (Enns et al., 2019:17)

However, the project is not without its critics. Firstly, despite creating over 5000 job opportunities since its commencement in 2012, questions as to who has benefited from these employment opportunities have been on the rise as the direct first-level jobs available in LAPSSET demand certain level of literacy and education, and this is limited among community members and other nationals in the region (Kabukuru, 2016). The local pastoral community may not be able to take advantage of the increased market created through second level opportunities as they lack access to capital and credit (Kabukuru, 2016). Secondly, the government of Kenya has had to address concerns of environmental degradation from construction of the project, with future investment threatening the natural resource base along the corridor (Enns et al., 2019:18). Thirdly, pastoralists located around the corridor are subject to several hazards that come with the risk of injury or death to livestock and people. These hazards include the "moving vehicles on the highway, few or poorly placed caution signs and a near-complete lack of speed humps and safe crossing points, such as tunnels or flyovers." (Enns et al., 2019:18). Lastly, the absence of compensation for landowners compounded with the lack of community participation raises question over the long-term sustainability of the

initiative thus complicating any efforts at using the Corridor as a regional integration tool (Hakijamii, 2017; Mkutu, 2019)

4.2.3.3 Busia One Stop Border Post (OSBP)

The OSBP, launched on the 24th February 2018, joins two national (Kenya and Uganda) border controls into one. Earmarked as one of the most vital infrastructural projects fostering integration in East Africa, the Busia OSBP seeks to ensure effective border control by reducing the time taken to clear goods between the two states and enhancing coordination and collaboration between the two countries agencies (Koigi, 2018). Since the operationalisation of the OSBP in 2018, the average time to cross the Busia border has fallen by 84% according to survey results (Koigi, 2018). Clearance times are expected to keep falling, thus contributing to the objectives of the AfCFTA (Koigi, 2018).

However, despite easing movement between the two countries, the OSBP has brought several novel challenges to the governments of the region. Firstly, the non-enforcement of formal crossing processes has raised apprehensions about loss of public revenues and security (Tyson, 2018). Secondly, it was noted that the livelihoods of some low-skill, casual workers were at risk due to reduced volumes of manual transportation and handling of goods and people (Tyson, 2018. Lastly, changes in trade could corrode the differentials in commodity and foreign exchange prices (as is expected with efficient and productive trade) and this could have a negative long-lasting impact on low income households (Tyson, 2018).

4.3 Barriers to Infrastructure as A Gateway to Regional Integration in Kenya

In 2009, the National Transport Policy Committee (2009) released a report detailing several obstacles hindering the transport sector from performing its facilitative role in respect of national and regional economies. These obstacles include:

• "Poor quality of transport services" (National Transport Policy Committee, 2009)

• "Inappropriate modal split" (National Transport Policy Committee, 2009)

• "Unexploited regional role of the transport system" (National Transport Policy Committee, 2009)

• "Transport system not fully integrated" (National Transport Policy Committee, 2009)

• "Urban environmental pollution" (National Transport Policy Committee, 2009)

• "Lack of an urban/rural transport policy" (National Transport Policy Committee, 2009)

• "Institutional deficiencies" (National Transport Policy Committee, 2009)

• "Inadequate human resource capacity" (National Transport Policy Committee, 2009)

• "Lack of a vision for the transport sector" (National Transport Policy Committee, 2009)

Despite the impressive progress made by Kenya in addressing these issues and improving its infrastructure for a greater regional reach, there are still numerous barriers restricting infrastructure as a gateway to regional integration in Kenya. Firstly, is the high cost of infrastructural projects in Kenya compared with regional peers (Oxford Business Group, 2020). Transport infrastructure financing in Kenya, which is a responsibility of the government, has for the longest time been plagued with inflated costs and corruption which ultimately dampen regional integration efforts (Isaac, 2019:217). For example, the cost of building the Mombasa-to-Nairobi Expressway was estimated at US $8.8 million per km, 3.4 times more than the Adama-Awash Expressway in Ethiopia (US $2 million per km)[21] (Addis Fortune, 2019; Oxford Business Group, 2020). In another case, the cost of laying one kilometre of tarmac in Kenya was US $813,200 in 2013 but by 2018 this price had risen to US $1.8 million (Oxford Business Group, 2020). According to Raphael Otieno[22], the high cost of infrastructure development in Kenya is because of steep compensation rates, as well as high costs in moving existing infrastructure. The cost of acquiring land in Kenya is relatively high compared to the rest of the region who offer close to nothing in terms of compensation[23]. Furthermore, Otieno explained that most utility lines in Kenya are built close to the road and therefore infrastructure projects often must factor in the cost of removal and replacement of those utility lines. Such high costs put pressure on the Kenyan government to seek adequate funding for developing local and intraregional transport networks.

The second issue restricting infrastructure development for regional integration in Kenya is project delays. According to Lakmeeharan et al. (2020) most infrastructure projects in Kenya fail to get completed within the allocated time span. This can be seen from the fact that over 70% of projects started in Kenya exceed their allocated time span by over 50% (Atibu Seboru, 2015). Intraregional infrastructure projects like the SGR and the Mombasa Port Development

[21] Both expressways are 4 lanes.
[22] Online Interview with Raphael Otieno on September 10th, 2020.
[23] Online Interview with Raphael Otieno on September 10th, 2020.

Project have been subject to numerous delays, which in some cases leads to complete abandonment of the project (Ngugi, 2017; Al Jazeera, 2018; Global Construction Review, 2018). In a study using purposive sampling, Atibu Seboru (2015) sought to explain what causes project delays in Kenya using questionnaires handed out to consultants and contractors. The study revealed that the major reasons for project delays were "payment delays by clients, slow decision making and bureaucracy in the client organization, inadequate planning and scheduling, and rain" (Atibu Seboru, 2015). These delays have created a massive backlog of new infrastructure and maintenance and it has been estimated that an additional US $1 billion over the next five years is required to clear the backlog (Leonard, 2019).

According to Otieno[24] most infrastructural project delays are domestic rather than cross border. That's not to say that cross border projects are immune to delays, as just recently the planned SGR to Uganda was subject to delays with the Kenyan government eventually choosing to scrap the remaining section[25]. As of now, the proposed railway that would have linked parts of Rwanda, Kenya, Tanzania, and Uganda has been shelved. Infrastructural delays like these are a result of the government undertaking several ambitious projects despite limited budgetary allocation as well as political pressure that leads to commitment of new infrastructural projects even before the completion of others.[26] Fortunately, most cross border infrastructural projects are financed by international organizations like the World Bank and AFDB, allowing for greater scrutiny to ensure near perfect implementation. For example, the road from Arusha, Tanzania to Athi River, Kenya was financed by the World Bank and this project has been moving well.[27]

The next issue restricting infrastructure development for regional integration in Kenya is the politicization of infrastructure development. Using unique data on road building and changes in political leaders from 1961 to 1992, Burgess et al. (2015) discovered that leaders in Kenya disproportionately benefit individuals from their region of origin or who share their ethnicity when developing infrastructure. According to Burgess et al. (2015), presidents in Kenya have invested more in their districts of birth and those regions where their ethnic population is highest. Thus, most of the infrastructure investments in Kenya over that period can be explained by political appointments, which signifies deep-rooted ethno-favouritism in Kenyan

[24] Online Interview with Raphael Otieno on September 10th, 2020.
[25] Online Interview with Raphael Otieno on September 10th, 2020.
[26] Online Interview with Raphael Otieno on September 10th, 2020.
[27] Online Interview with Raphael Otieno on September 10th, 2020.

politics. Even though there has been more infrastructural development in marginalised areas, it remains a very politicised issue in Kenya with both Mwai Kibaki and Uhuru Kenyatta being accused of favouring certain regions (Friedrich-Ebert-Stiftung, n.d.). Otieno[28] and Njuru[29] acknowledged that politics does play a role when implementing infrastructural projects, but both were unwilling to state the impact it has had on recent projects in Kenya. Otieno focused on the situation in Zambia instead, stating that whenever a regime changes, the infrastructure projects under construction from the previous regime are halted in favour of new ones. This example alludes to the fact that politicization of infrastructural projects is still an ongoing issue in Africa and must be addressed if the goals of the AfCFTA are to be realised.

So how can these challenges be mitigated? According to the key informant from the Trade ministry several measures must be undertaken including: taking advantage of the role played by the transport system in achieving regional connectivity, alleviating institutional insufficiencies, aligning the transport system with national development priorities, as well as reacting to market needs of transport in a timely fashion. These measures can better equip Kenya with the necessary capacity to exploit the AfCFTA and better integrate with the rest of Africa. However, this is not enough as infrastructure challenges are not limited to Kenya. Otieno stated that these challenges can only be addressed when partner states decide to fully cooperate and commit to improving the level of infrastructure throughout the continent. Otieno provides the example of how the only way to access Western Africa from Kenya is by air since no direct road network exists. For Kenya to successfully integrate with the Western Africa, all involved states must prioritize raising the level of cross border infrastructure across the regions.[30] Without cooperation, cross border infrastructural projects will be destined to fail and this would have a negative impact on integration.

4.4 Conclusion

Compared to the rest of Africa, Kenya's infrastructure is relatively integrated with the rest of the continent. A review of Kenya's ARII Infrastructure Index and LPI revealed that Kenya is performing above the continental average in terms of infrastructure and is relatively well integrated with the rest of the continent. According to the ARII Infrastructure Index, Kenya's infrastructure is the 8th most integrated in Africa and Kenya is the country with the most

[28] Online Interview with Raphael Otieno on September 10th, 2020.
[29] Online Interview with Samuel Njuru August 6th, 2020.
[30] Online Interview with Raphael Otieno on September 10th, 2020.

integrated infrastructure in both the EAC and IGAD regional blocs. Progress still needs to be made in the CENSAD regional bloc, as Kenya's infrastructure was regarded as the 9th most integrated in the region. The World Bank's LPI revealed that Kenya's infrastructure development ranks 68th in the world and 4th in Africa, making it one of the top performers in the continent. Thanks to strong political will and the application of reforms in the region, Kenya performed better than most sub-Saharan and lower middle-income group countries on every dimension on the LPI with particularly encouraging figures for the Timeliness, and Tracking and Tracing dimensions. However, Kenya's infrastructure score on the LPI though higher than both sub-Saharan and lower middle-income group, was its lowest across all six dimensions on the LPI and this has been attributed to insufficient hard and soft infrastructure aimed at reducing transit costs in intra-regional trade. Kenya's infrastructure is moving in the right direction, but further investment and commitment is required to maintain and improve the infrastructure networks in Kenya.

By engaging in several initiatives, Kenya has become one of the central proponents for greater investment in intra-regional infrastructure. Informants interviewed cited growing commitment by Kenya and other African states towards improving infrastructure in the region. This can be seen through efforts towards developing a road network from Cape Town to Cairo, and Mombasa to Lagos, opening the skies and appointing a political figure head to champion the infrastructure agenda. Additionally, several major infrastructural projects have been implemented over the last ten years with the aim of regionally integrating Kenya with the rest of Africa. According to the informants, these projects have improved mobility, reduced time taken to trade, increased competitiveness and reduced the cost of doing business in Kenya. Lastly, there has been great commitment from the donor community and supranational institutions towards improving infrastructure in the region.

However, despite the positive steps made towards improving transport infrastructure in Kenya, several challenges threaten Kenya's successful implementation of the AfCFTA. These challenges include the high cost of implementing infrastructural projects in Kenya, project delays, the politicization of infrastructure development as well as poor execution on road investments and inadequate maintenance plans and practices. Moving forward it has been suggested that these challenges can be addressed through several avenues including correcting institutional failures, developing the transport infrastructure in tandem with national and regional development priorities, timely responses to the needs of transport infrastructure, as well as regional cooperation and commitment towards improving cross border infrastructure.

CHAPTER 5 SECURITY AS A GATEWAY TO REGIONAL INTEGRATION

5.1 Introduction

In Africa, regional integration efforts have been severely impacted by political instability (Olaniyan, 2008:9). Faced with a plethora of complex socio-economic, political and development problems, Africa's situation has been exacerbated by various security threats (Wachira, 2003:9). Across the continent, two distinct security threats have come to the fore: the rise of radical Islam which is evident in Mali, the Central African Republic (CAR), Kenya and Nigeria, and the other from increased natural resource extraction (Olaniyan, 2008). Due to the deep-rooted nature of these security threats, African security forces have failed to find long lasting solutions in response to this issue (Olaniyan, 2008). This has led to several wars and armed conflicts, highlighting the absence of capacity for conflict prevention, management, resolution, and peacebuilding in Africa (Wachira, 2003:9).

In Eastern Africa, the main obstacles to security stem from political fragility, scarce resources, and degradation of the environment (Khadiagala, 2008:1). These issues have led to a regional context that is categorized by interstate[31], intrastate[32], and/or non-state[33] conflict and often features prejudiced violence against civilians (Elowson and Lins de Albuquerque, 2016). If not addressed, these security challenges threaten the successful implementation of the AfCFTA as stability is required to facilitate cooperation in trade, infrastructure development and macroeconomic policy.[34] By assessing how secure and politically stable Kenya is compared to the rest of the continent, this chapter will determine whether Kenya's environment allows for regional integration, as well as outline any threats to national and regional security that may impact the regional integration efforts within the AfCFTA.

5.2 How secure and politically stable is Kenya?

There exist several indicators of security and political stability: some indicators provide international investors information regarding the political risk involved in investing in various

[31] "Violence between two or more states" (Szayna et al., 2017:10)
[32] "A conflict between a government and a non-governmental group, with no interference from other countries." (Uppsala Conflict Data Program, 2021)
[33] "The use of armed force between two organised armed groups, neither of which is the government of a state, which results in at least 25 battle-related deaths in a year." (Uppsala Conflict Data Program, 2021)
[34] Online Interview with Key Informant from the Trade Ministry on August 27th, 2020.

countries namely the Political Risk Services (PRS) group's International Country Risk Guide (ICRG) indices, the Business Environment Risk Intelligence (BERI), the Economist Intelligence Unit and Moody's; some indicators measure phenomena that is linked to political instability namely the Corruption Perceptions Index of Transparency International, and Freedom Houses' political risk and civil liberties indices; while others have historically been used for academic or policy purposes namely the POLITY indices and the World Bank governance indices (Rao, 2012). This study will make use of the World Bank's World Governance Indices (WGI) and the Fragile State Index (FSI) by the Fund for Peace as they are both very detailed and comprehensive datasets regarding peace and stability globally.

The WGI is made up of six composite indicators of governance covering over 200 countries since 1996 (Kaufmann, Kraay and Mastruzzi, 2011). These indicators include: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption (Kaufmann, Kraay and Mastruzzi, 2011). These indicators are sourced from several hundred variables obtained from 31 different data sources that capture governance views as informed by survey respondents, nongovernmental organizations, commercial business information providers, and public sector organizations worldwide (Kaufmann, Kraay and Mastruzzi, 2011). The units used to measure governance follow a normal distribution with a mean of zero and a standard deviation of one in each period, with practically all scores ranging between -2.5 and 2.5, with higher scores corresponding to better outcomes (Kaufmann, Kraay and Mastruzzi, 2011). From these six indicators, the Political Stability and Absence of Violence/Terrorism indicator, and the Rule of Law indicator will be used to provide a measurement of how secure and stable Kenya is compared to its neighbours. The Political Stability and Absence of Violence/Terrorism indicator estimates "perceptions of the probability of political instability and/or politically motivated violence, including terrorism" while Rule of Law measures "perceptions of the level to which agents have confidence in and abide by the laws of society, as well as the quality of contract enforcement, property rights, the police, and the courts" (World Bank, 2020). The WGI is a perception index meaning it is based on expert opinion or surveys to determine the degree of political stability in a country (Langbein and Knack, 2010:353). Because of this, critics have argued that the WGI does "not discriminate usefully among different aspects of governance" since it is based on perception (Langbein and Knack, 2010:353). Despite this criticism, the WGI has been widely used in studies of political

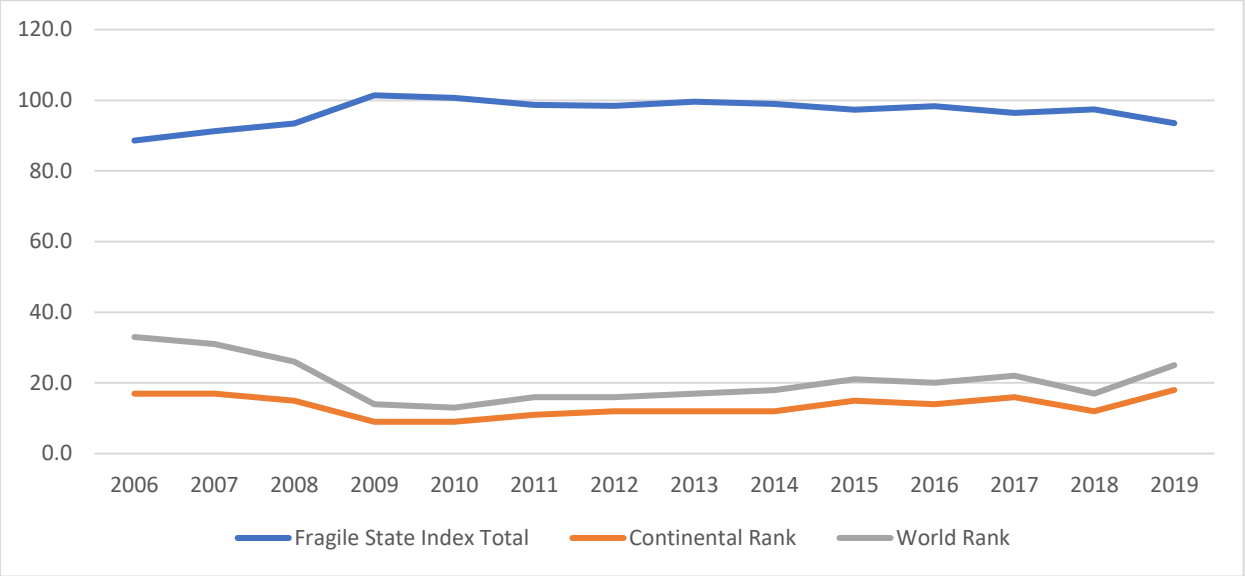
instability such as Alessina and Perrotti (1996), Svensson (1998) and Brunetti and Weder (2003).

On the other hand, the Fragile States Index (FSI) is a conflict assessment framework that was created by the Fund for Peace to assess the susceptibility of states to collapse. This index was developed to estimate this susceptibility in pre-conflict, active conflict, and post-conflict situations, and has been accepted globally by policy makers, field practitioners, and local community networks (The Fund for Peace, 2019). The method uses both qualitative and quantitative measures, is dependent on public data, and returns results that are quantifiable. Using highly specialized search parameters, scores are given to every country based on twelve key political, social and economic indicators, namely: Security Apparatus, Factionalized Elites, Group Grievance, Economic Decline, Uneven Economic Development, Human Flight and Capital Drain, State Legitimacy, Public Services, Human Rights and Rule Of Law, Demographic Pressures, Refugees and IDP's And External Intervention (The Fund for Peace, 2019). The scores of each indicator are then summed up to produce the FSI, with higher scores representing greater instability. Countries are then ranked based on their FSI: the higher the rank the greater the instability in that country while a lower rank shows less instability (The Fund for Peace, 2019). Unlike the World Bank's World Governance Indices, the FSI is an objective index that tallies the occurrence of certain phenomena (e.g., demonstrations, revolutions, assassinations, and more). Due to this, the FSI has been used in several empirical studies such as Okafor and Piesse (2016) and Nadeem et al, (2020).

5.2.1 Kenya's security and political stability relative to the rest of Africa

Figure 17

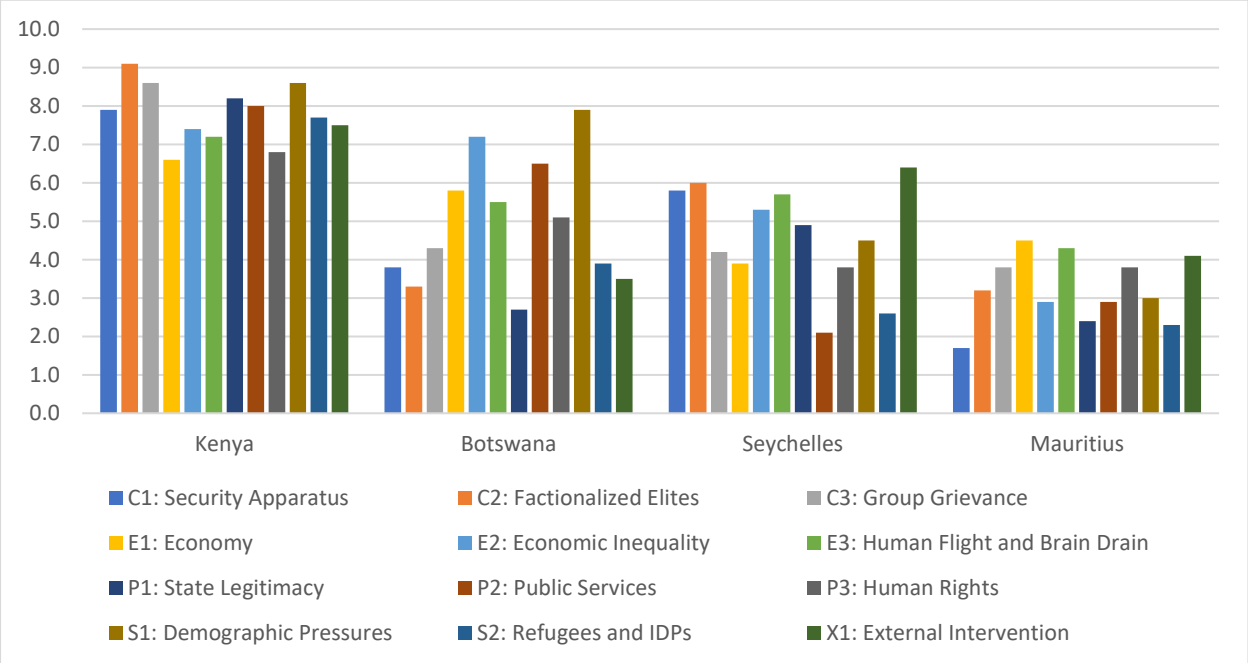
Kenya's Fragile State Index Rankings, 2006 -2019



Derived by author from The Fund for Peace (2019)

Figure 18

Fragile State Indicators for Kenya, Mauritius, Botswana, and Seychelles, 2019



Derived by author from The Fund for Peace (2019)

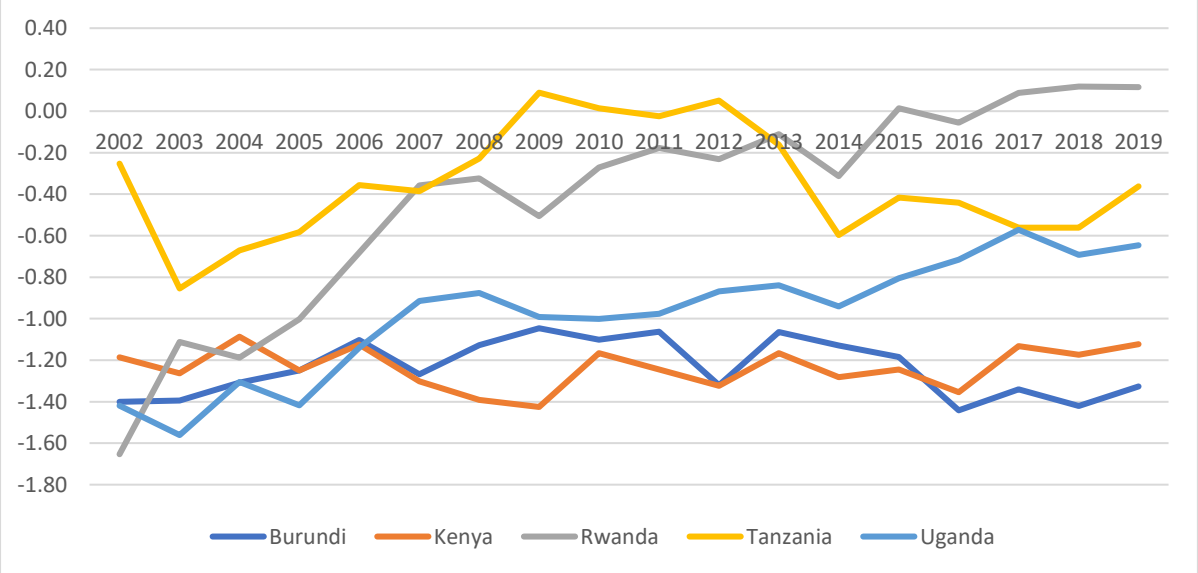
Figure 17 shows Kenya's Fragile State Index (FSI) from 2006 to 2019. Kenya's Fragile State Index has been historically high, averaging 96.7 from 2006 to 2019 with an all-time high of 101.4 in 2009. Since then, Kenya's FSI has been slowly but gradually falling, attaining a score of 93.5 in 2019, making it the 25th most fragile country in the world and the 18th most fragile country in Africa. Kenya is not only performing worse than the continental average which is 86.5 but it is also some distance behind Africa's top performing countries Mauritius (38.9), Seychelles (55.2) and Botswana (59.5). This can be seen in

Figure 18 which has all 12 FSI indicators for Kenya as well as the three top performing countries from the continent, Mauritius, Seychelles, and Botswana. Each of the top 3 countries outperform Kenya in every indicator with Factionalized Elites, Group Grievance and Demographic Pressures being Kenya's worst performing indicators.

5.2.2 Kenya's security and political stability relative to East Africa

Figure 19

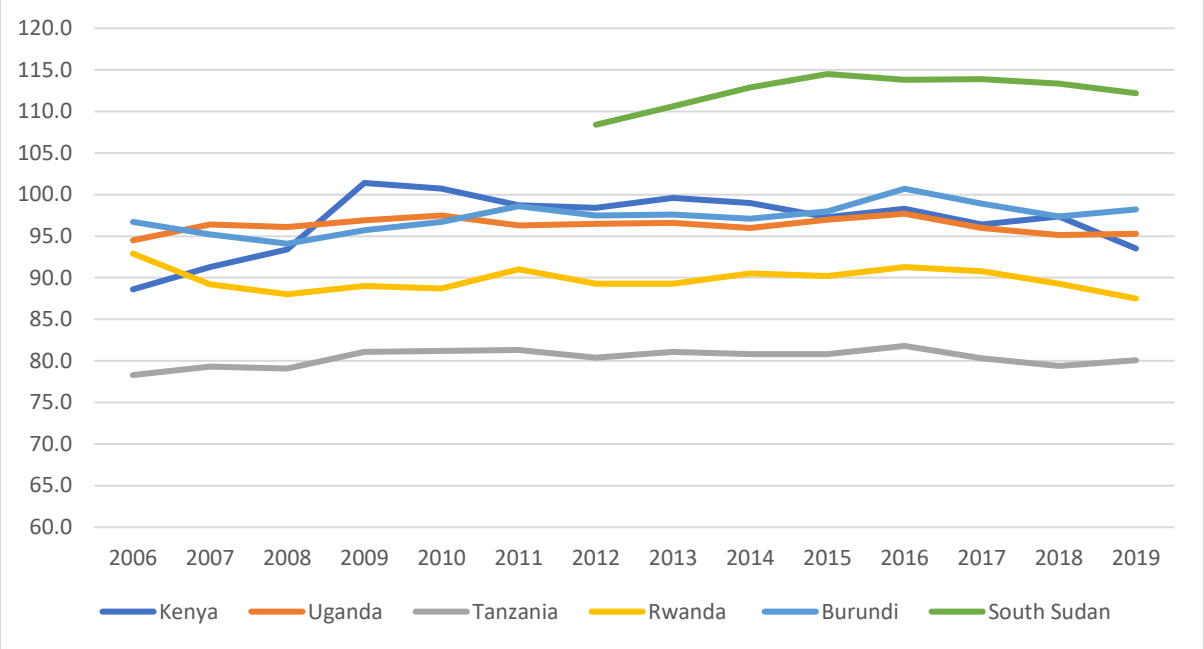
World Bank's Political Stability/No Violence Index for East African Countries, 2002 - 2019



Derived by author from World Bank's World Governance Indicators (2020)

Figure 20

Fragile State Index for East African Countries, 2006 -2019



Derived by author from The Fund for Peace (2019)

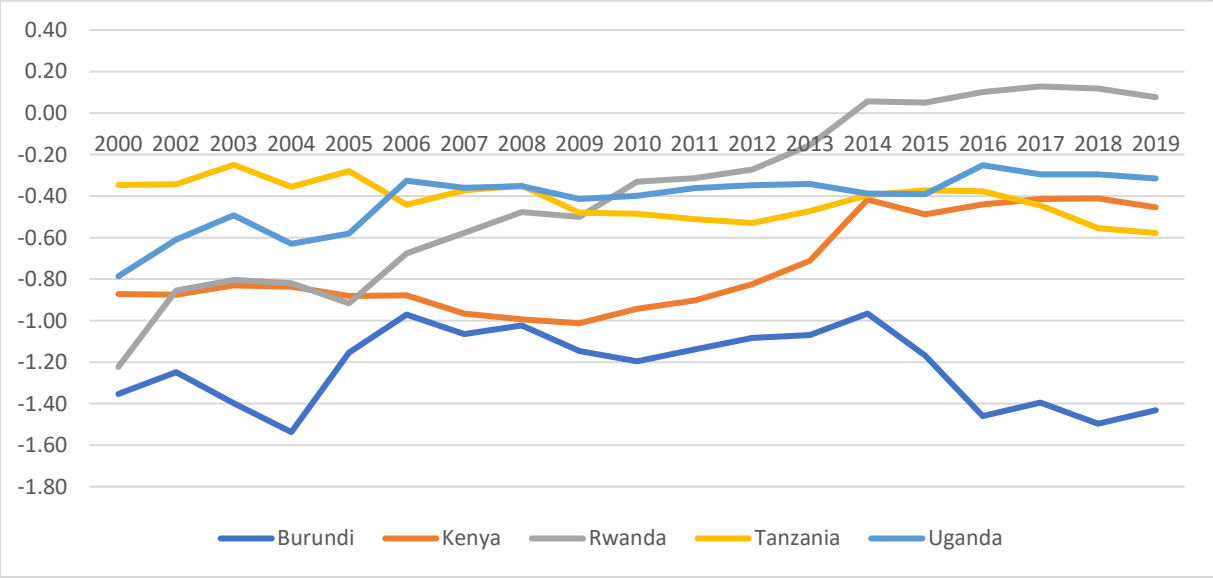
Figure 19 shows the World Bank's Political Stability/No Violence Index for East African Countries from 2000 to 2019. According to the index, Kenya is the second least politically stable country in East Africa after Burundi with a score of -1.12 in 2019. This is quite some distance from the most politically stable country in the region, Rwanda, that attained a score of 0.12 in 2019. Figure 20 shows the Fragile State Index for East African Countries from 2006 to 2019. Contrasting the World Bank's Political Stability/No Violence Index, Kenya fares better and is considered the third most stable country in East Africa with a score of 93.5, after Rwanda (87.5) and Tanzania (80.1). Unlike Kenya, the ruling parties in Rwanda and Tanzania have maintained long-term control of the presidency and parliament, and this has allowed them to dictate affairs with minimal political backlash (Egboh and Aniche, 2015; Namubiru, 2015; Arieff, 2019). However, it must be noted that such cases could breed frustration and resentment among the electorate especially if the ruling party is seen to be exploitative in nature.

In Kenya, one of the main sources of instability and tension is competitive elections coupled with a growing frustration and disillusionment with political leadership (Brownsell, 2013). Since attaining independence in 1963, the powers of the presidency have been strengthened several times at the expense of both the judicial and legislative arms of government, and the

people (Brownsell, 2013). Furthermore, the re-introduction of multi-party politics in 1992 ushered in the use of political violence as a tool for incumbents to retain power and address dissidence (Hansen, 2009). Thus, every poll contested ever since has been subject to varying degrees of violence and human rights violations (Hansen, 2009; Human Rights Watch, 2017). According to Raza (2019), elections symbolize transitions in leadership and unavoidable disturbances in local bureaucracies. Hence, if the society was unequal then political stability would ensue after a political transition since it promotes the elite to contest for power in democracies, while promoting social unrest in nondemocratic societies (Acemoglu and Robinson, 2000). Kenya is one of the most unequal countries in the world according to World Bank reports and the United Nations Development Programme's Human Development Index, and this has ultimately led to continued political instability especially after political transitions (Ouko, 2020). For example, in 2007 following highly contentious elections in December, outbreaks of violence across the country resulted in 1,133 casualties (Smart Global Health, 2009).

Figure 21

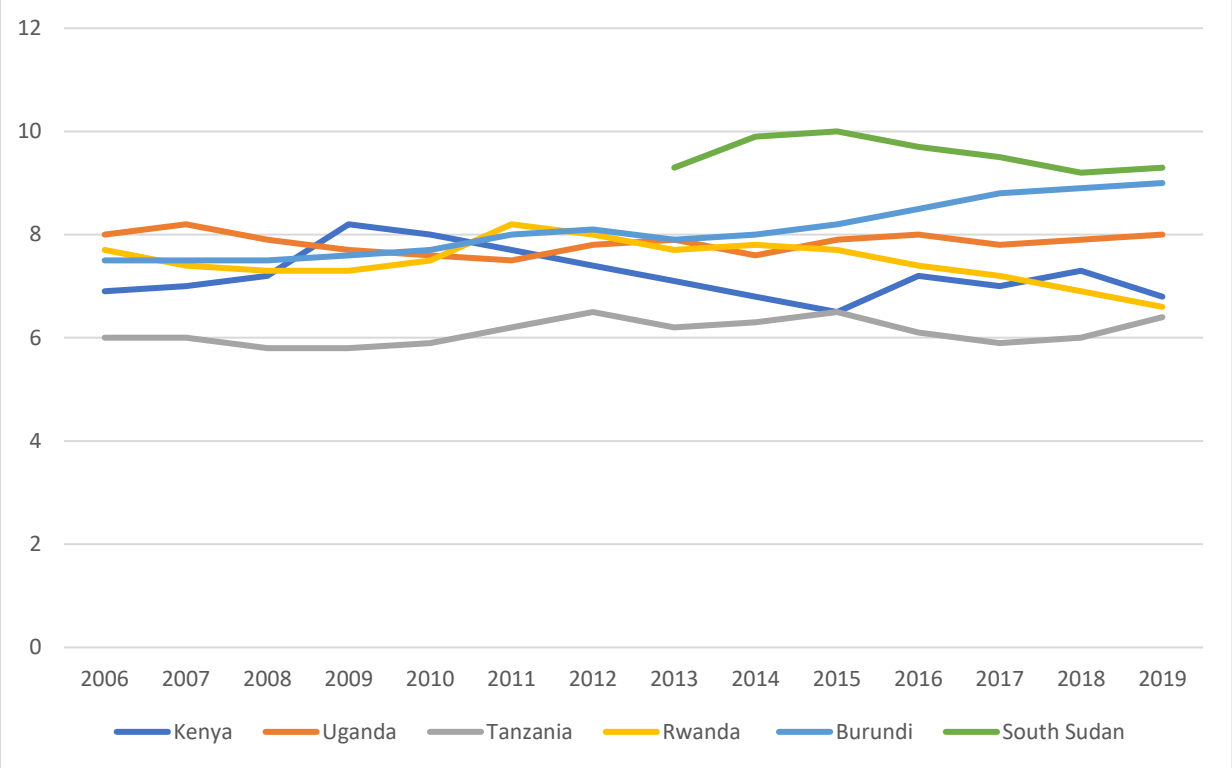
World Bank's Rule of Law Index for East African Countries, 2000 - 2019



Derived by author from World Bank's World Governance Indicators (2020)

Figure 22

Human Rights and Rule of Law Indicator from FSI for East African Countries, 2000 – 2019



Derived by author from The Fund for Peace (2019)

Figure 21 shows the World Bank's Rule of Law Index for East African Countries. According to the index, Kenya is ranked third in East Africa after Rwanda and Uganda with a score of -0.45 in 2019. According to Obala (2019), Kenya's low rule of law index is largely due to extra judicial killings, a growing number of criminal gangs and enterprises, grand scale corruption by public servants, rogue police officers and officials and recurring terrorist attacks. Interestingly, Kenya's rule of law index has been on an upward trajectory from 2009 when it registered an all-time low of -1.01. This can also be seen in Figure 22 as Kenya's Human Rights and Rule of Law Indicator from the FSI had been making steady improvements from 2009 when it stood at 8.2 to 6.8 in 2019. This improvement coincides with the adoption of a new constitution in 2010 that was meant to reflect the wishes of citizens and address the inherent social and political complexities that had plagued Kenya (UNDP, 2013). In addition to the fact that the new constitution instilled the notion of separation of powers with checks and balances, it greatly diminished the powers of what appeared to be an imperial presidency (Mbaku, 2017). The new constitution also created what most Kenyans viewed as an independent judiciary (Mbaku, 2017). Furthermore, the new constitution sought to remedy gender and tribal

inequality, rectify the unbalanced allocation of resources including land and jobs and confront corruption through several avenues that included accountability of public officers (UNDP, 2013).

5.3 Security and Political Challenges That Threaten Regional Integration

According to Onyonyi Leonard [35] the EAC believes peace and security provides an enabling environment for regional integration. However, the opening of borders has created new security challenges. Given the complex socio-political make up of East Africa, this section will seek assess challenges to national and regional security threatening Kenya and its neighbours and how these could affect regional integration efforts under the AfCFTA.

5.3.1 Porous Borders

According to Onyonyi Leonard[36], the implementation of various integration imperatives like the customs union, common market and so on has created a situation where internal borders have become weaker while external borders have become stronger. The weakening of borders has made them very porous, and this has led to unintended effects: A study by Mogusu (2008) on the effects of porous borders on Kenya's national security revealed that porous borders in Kenya facilitate illegal immigration, terrorism, smuggling, ethnic conflicts, and the proliferation of the trade in small arms and light weapons. Similar conclusions were reached in a study on security cooperation and regional integration within the EAC by Anjalo, Okoth and Kimokoti (2018:62) as porous borders were determined to have enabled the trafficking of arms, people, and counterfeit commodities within Eastern Africa. These effects are a result of criminal groupings regionalizing faster than governments since their lack of bureaucracy allows them to assemble quickly and exploit the opportunities afforded to them.[37]

Illegal routes also known as ‘panya’ routes, have aggravated the security situation. Panya routes were originally created by border communities that were divided during colonial times for the purpose of trade and pastoralist activities (Isoke, 2015). Today, these ‘panya' routes operate with implicit official clearance and allow the movement of ordinary permanent inhabitants of the border post area, who tend to have cross-border linkages through marriage, ethnicity, or business (Chikwanha, 2007:8). Unbothered by security checks when crossing the border, individuals exploit the ‘freedom’ that goes with panya routes, thus allowing criminal

[35] Online Interview with Onyonyi Leonard on August 28th, 2020.
[36] Online Interview with Onyonyi Leonard on August 28th, 2020.
[37] Online Interview with Onyonyi Leonard on August 28th, 2020.

groupings easy access to Kenya and other regions in East Africa (Chikwanha, 2007:8). It was reported that the militants that attacked Nairobi's Westgate shopping mall in 2013 entered Kenya by road, thus highlighting the need to bolster security adequately on the country's borders (Kaberia, 2014).

Furthermore, Anjalo, Okoth and Kimokoti (2018:62) discovered that the porous borders have facilitated an influx of refugees from conflict ridden areas like South Sudan, Eastern Democratic Republic of Congo, and Somalia into the region. As of 2019, Kenya is home to 479,194 refugees, with just under 80% coming from Somalia and South Sudan (UNHCR, 2019). This is no surprise as Kenya shares borders with both Somalia and South Sudan, two nations currently facing internal conflict. The influx of refugees slows development and growth for both hosts and the refugees, since it leads to greater competition for resources as well as greater demand for law enforcement to determine who is a bona fide refugee (Chikwanha, 2007:8). Without proper law enforcement scrutiny to differentiate the genuine refugees from the militia, armed elements move into refugee camps thus creating threats to both national and regional stability and cooperation (Mogire, 2011). It has been reported that Al-Shabab use refugee camps in Kenya as a source of recruits, shelter, and food. Additionally, Kenya claims that the ringleader of the Garissa attack in 2015 had a support network in the Dadaab refugee camp while one of the assailants of the 2013 Westgate Mall attack is reported to have lived in Kakuma, a camp in the northwest that also hosts Somalis (Meservey, 2015). Thus, refugees are viewed as a source of insecurity, leading to resistance and in some cases violence from citizens from the host country. This leads to a situation whereby refugee issues have become over-securitised, with discussions on the matter often containing ethnic and xenophobic undertones, especially during the electoral campaigning period (Anjalo, Okoth and Kimokoti, 2018:63). If not addressed, the refugee issue may serve to sour relations in the region, as well as complicate future integration efforts (Anjalo, Okoth and Kimokoti, 2018:63).

5.3.2 Ethnic Tensions

The EAC region has been ravaged by ethnic tension that has led to conflicts, ultimately derailing regional integration efforts (Anjalo, Okoth and Kimokoti, 2018:64). Ethnic tension in the EAC has roots in colonialism and this has resulted in ethnic profiling and stereotyping, eventually creating tensions that have crept into government institutions (Anjalo, Okoth and Kimokoti, 2018:64). Various ethnic groups have been labelled illegitimate members of society with their exclusion being used to normalise individual persecution, ethnic violence, civil war,

and genocide (Galadima and Ogbonnaya, 2018:161). This has led to the forced removal of certain ethnic groups from their homes, the loss of social networks and government protection as people are left with no choice but to seek refuge elsewhere within their own countries or across borders (Galadima and Ogbonnaya, 2018:161). These effects resulting from ethnic tension have increased the instability of the region thus preventing the creation of a conducive environment for regional integration and cooperation (Galadima and Ogbonnaya, 2018:161). Examples of conflict because of political exclusionism in the region include the 1994 Rwandan genocide, the ethnic cleansing in 1965, 1972, 1988 and 1993 in Burundi, and the 2007 post-election violence in Kenya (Adeagbo and Iyi, 2011:174; Mutahi and Ruteere, 2019:260).

Furthermore, marginalised groups try to survive by seeking control of state power and economic resources (Galadima and Ogbonnaya, 2018:162). Thus, in intense political stalemates, pressure to attain state power and resources leads to the creation of militias and armed groups to sustain these tensions by means of violence. This is evidenced by the fact that the safeguarding of ethnic hegemony is considered a prerequisite for survival by the incumbents, with the purging of rivals seen as the sole means of retaining power (Galadima and Ogbonnaya, 2018:162). Over time, these tensions affect the shape of political development as party formations and alliances, political loyalty, patronage, and apportionment of state resources all begin to assume ethnic tendencies (Galadima and Ogbonnaya, 2018:162). For example, in Kenya, President Uhuru Kenyatta was accused of funding, arming, and mobilising the Mungiki, a Kikuyu militia, to ensure the ruling Kikuyu tribe held on to power in the event of violent clashes in 2007 (Stewart, 2015). Ultimately, marginalised groups may reject development projects sanctioned by the government if they feel the gains are one-sided or insufficient to alleviate their grievances.

5.3.3 Terrorism

The effects of terrorism on regional integration are broad. This is because it destabilizes the free flow of people and goods by increasing the level of insecurity and instability, thus disrupting regional integration efforts (Fulgence, 2015:4). Historically, the threat of terrorism in Eastern Africa has been most severe when three elements of jihadism - Somali, East African, and global—have gelled in a kind of ‘triple helix’: Somalia acts as the geographic and organizational host; extremists from East Africa provide infantry who can operate efficiently across the broader region; and al-Qaeda offers the philosophical legitimacy and universal appeal (Bryden and Bahra, 2019). This triple helix first reared its head in 1998 when the U.S.

embassies in Kenya and Tanzania were subject to suicide bombings, killing over 220 people and wounding thousands more. Since then, military setbacks within Somalia have allowed Al-Shabaab to assume a greater regional approach, characterised by increased terrorist tactics including the attacking of civilians in the region (Elowson and Albuquerque, 2016). Today, functioning primarily out of Somalia, Al- Shabaab poses the greatest terrorist threat in Eastern Africa (Elowson and Albuquerque, 2016).

Kenya has become one of Al-Shabaab's most popular targets. This is largely due to several geographic, historical, regional, political, economic, and socio-cultural influences which include:

- "Islamic radicalization in the region" (Gatuiku, 2016:33).
- Kenya's flourishing coastal tourism industry that threatens local Islamic culture (Gatuiku, 2016:33)
- Poor socio-economic conditions in the country (36 percent live below the poverty line) (World Bank, 2018)
- Historical marginalization of the country's Muslim population (Gatuiku, 2016:33)
- Kenya's geographical proximity to Somalia and the Middle East (Gatuiku, 2016:33)
- Politically unstable neighbours (South Sudan and Somalia) (Gatuiku, 2016:33)
- Porous borders between Kenya and Somalia (Cannon, 2016:24).
- Kenya's sturdy historical relationship with the West[38] and Israel (Cannon, 2016).

The impact of terrorism in Kenya has been devastating. According to the United Nations Development Programme (2017:4), terrorism and violent extremism have led to the destruction of infrastructure, as well as physical and human capital. From 2011 to 2019, Kenya has suffered at least 23 Al -Shabaab linked terrorist attacks with over 400 people losing their lives as a result (U.S Department of State, 2019). This has had a negative impact on GDP growth and overall economic performance as Kenya's economic indicators have had to be adjusted downwards due to terrorist attacks (Galadima and Ogbonnaya, 2018). Additionally, the fight against terrorism has created a greater financial burden on both the private and public sector. Given regional integration requires substantial investment, terrorism diverts funds from the regional development agenda towards addressing the threats from terrorists. For example, after the attack on Garissa University, the government of Kenya raised security-related spending by

[38] Majority of terror acts in Kenya have been against Western targets in the country (Cannon, 2016:24).

0.3% of national GDP and provided extra financial support to the tourism sector (Galadima and Ogbonnaya, 2018).

On the other hand, the rise in terror attacks has led to firms incurring greater operating costs: higher insurance premiums, heightened security measures and greater wages to attract workers (UNDP, 2017:4) In urban spaces, a great amount of money has been spent on upgrading existing security infrastructure with security cameras, metal detectors and advanced security systems becoming the norm. Despite the fact these investments have come to deter terrorist activity to some extent, questions have been raised about the great economic cost of such security measures (UNDP, 2017:4).

5.3.4 Ineffective Security Cooperation in The Region

Despite having several institutional mechanisms that aim at strengthening security cooperation in East Africa, security cooperation is poorly coordinated by the EAC Secretariat. This is due to several reasons: Firstly, the absence of an outright hegemon to offer leadership in the region has contributed to the current security situation (Anjalo, Okoth and Kimokoti, 2018). The void in leadership creates a sense of disunity which ultimately derails decision-making and effective coordination on pertinent security issues that affect the region (Anjalo, Okoth and Kimokoti, 2018). For security cooperation to succeed member states must cede some element of power to a regional leader or supranational body that can lead the regional security agenda. This would enable the EAC to act as a regional actor driving the regional security agenda (Anjalo, Okoth and Kimokoti, 2018).

Secondly, because more attention is placed on economics and economic development rather than security in the EAC, less resources are available for the Community's security and peace agenda (Anjalo, Okoth and Kimokoti, 2018). According to Onyonyi Leonard[39] member states hold peace and security issues close to them, often preferring to rely on bilateral mechanisms to maintain good neighbourliness. However, majority of EAC focus is on prosperity with security being emphasized but not readily acted upon[40]. This is because development and growth objectives are straight forward, easily defined and yield results almost immediately. On the other hand, there are several issues that must be considered with respect to security and peace, as understanding and execution may vary between countries due to individual histories

[39] Online Interview with Onyonyi Leonard on August 28th, 2020.
[40] Online Interview with Onyonyi Leonard on August 28th, 2020.

of the member states[41]. For example, in Uganda, the military involvement in politics happens in parliament, something that would be deemed unacceptable in Kenya.[42] Thus, integration with greater focus on security is likely to be more profound than one on development and growth (Mwasha, 2011).

Thirdly, political leaders have sought to circumvent the EAC's participation in their internal political dealings, instead preferring to settle disagreements amongst themselves without consulting the appropriate institutions of the EAC (Anjalo, Okoth and Kimokoti, 2018:63). Mays (2003) states that RECs in Africa lack authority in the political space and are thus dependent on their member states for the setting of agendas, as well as activities undertaken. The EAC, for example, assumed no part in the negotiation for peace following political crises in South Sudan in 2012 and Burundi in 2015. The fact that the EAC has been unable to affect member states' politics suggests that these differences are likely to stunt EAC's ability to perform decisively on issues related to peace and security (Anjalo, Okoth and Kimokoti, 2018:63). According to Anjalo, Okoth and Kimokoti (2018:63), the onus of dealing with regional conflicts and transnational security threats should fall on the EAC as an institution. This would allow for proper securitization and guidance for the member states in offering sufficient contributions towards the security front at the regional level.

5.4 Conclusion

This chapter sought to assesses Kenya's security and political stability as a viable platform to strengthen integration and cooperative efforts between Kenya and the rest of Africa. To determine how secure and politically stable Kenya is compared to the rest of the continent, this study made use of the World Bank's World Governance Indices, specifically the political stability index and rule of law index, as well as the Fund For Peace's Fragile States Index (FSI). According to the Fund for Peace's Fragile States Index, Kenya was the 18th least fragile country in Africa in 2019 with a score of 93.5. Kenya is not only performing worse than the continental average which is 86.5 but it is also some distance behind Africa's top performing countries Mauritius, Seychelles, and Botswana.

Within East Africa, Kenya has historically been one of the more insecure and politically unstable countries in the region but there have been some improvements over the last five years. According to the political stability index, Kenya is the second least politically stable country

[41] Online Interview with Onyonyi Leonard on August 28th, 2020.
[42] Online Interview with Onyonyi Leonard on August 28th, 2020.

in East Africa after Burundi, while according to the FSI, Kenya is the third most politically stable country in the region after Tanzania and Rwanda. Kenya is the only country in the region to have different political regimes as all other countries have either been represented by the same political party (Tanzania and Rwanda) and/or same political leader (Uganda) since the promulgation of multi-party politics. The changes in regime have brought about competitive elections and a growing frustration and disillusionment with political leadership leading to instability in Kenya. This is because in an unequal society like Kenya, changes in the regime allow elites to contest for power as they battle to attain a share of the nation's wealth. According to World Bank's rule of law index, Kenya is ranked third in East Africa after Rwanda and Uganda, while the Human Rights and Rule of Law indicator from the FSI also ranks Kenya third after Tanzania and Rwanda. However, the promulgation of a new constitution in 2010 has seen Kenya's rule of law improve steadily since the constitution sought to address these issues and create a better environment for citizens to thrive in.

Several security and political obstacles threaten the successful implementation of the AfCFTA in Kenya and East Africa. These obstacles include terrorism, ethnic tensions, porous borders, and inefficient security cooperation. Terrorism, through destruction of infrastructure and loss of life has led to the destabilization of the flow of goods and people in the region. Porous borders have facilitated illegal immigration, terrorism, smuggling, ethnic conflicts, and the proliferation of the trade in small arms and light weapons within the East African region. Additionally, porous borders have enabled an influx of refugees from conflict ridden areas like South Sudan, Eastern Democratic Republic of Congo, and Somalia into the region, thus creating to greater competition for resources as well as greater demand for law enforcement. Ethnic tensions in the region have often led to marginalisation, violence, and gross abuse of human rights as elites fight to control land and resources within their countries. Lastly, ineffective security cooperation within the EAC has prevented any meaningful action against national and regional security threats to the region. The study identified several reasons as to why security cooperation within the EAC has not been effective and they include: lack of a clear leader or hegemon, greater emphasis on economics and economic development rather than security and the disregard of the EAC participation in national political matters.

CHAPTER 6 CONCLUSION AND RECOMMENDATIONS

The objective of this study was to determine how Kenya's trade, infrastructure and security allows for regional integration in the context of the AfCFTA. This is a significant economic issue since the AfCFTA is a landmark continental agreement that stands to benefit not only Kenya but the entire continent, and therefore it is imperative to appraise these policy areas and identify any challenges that may derail the successful implementation of the AfCFTA. The study used in-depth interviews, as well as an analysis of empirical research, texts, and documents to gain a better comprehension of the level of trade, infrastructure and security in Kenya, how integrated Kenya's trade and infrastructure is with its neighbors and the continent, and the obstacles in each of these policy areas that may impact regional integration efforts. The ongoing SARS-CoV-2 pandemic meant that the interviews had to be conducted online as opposed to face-to-face. This proved sufficient in terms of retrieving the relevant information but in future face-to-face interviews could yield better responses from the interviewees.

The study revealed that Kenya's trade is relatively integrated with the rest of Africa but is still quite some distance behind the most integrated countries which are eSwatini and Namibia. Given that the AfCFTA will lead to increasing intra-African trade, the study revealed that Kenya's export basket is relatively diverse suggesting that Kenyan industries could benefit from larger markets since its intra-African exports are spread across several commodities and industries, unlike many countries which are reliant on a few commodities. Furthermore, despite being one of the leaders in intra-African trade, Kenya's current level of intra-African trade is still relatively low therefore demonstrating the need for deeper integration into the continent. The study identified Kenya's biggest trading destination as the EAC, followed by COMESA and SADC as imports from these regions, have been on the rise over the past five years, with South Africa, Uganda and Egypt being the main contributors. Over the last 10 years, Kenya's trade surplus with the EAC has been declining. Considering that the AfCFTA seeks to increase intra-African trade, Kenya's declining trade balance with its biggest trading region raises some concern. However, the study also identified challenges to trade in the context of regional integration and they include several NTBs faced by Kenya in EAC and the continent, as well as Kenya's reliance on other regions of the world for capital and intermediate goods.

With respect to infrastructure, the study determined that Kenya's infrastructure is relatively integrated with the rest of Africa, especially within the EAC and IGAD blocs. This has been attributed to strong political will, the application of reforms, as well as the undertaking of

several initiatives and development programmes over the last decade. Development projects such as the Arusha-Holili-Taveta-Mwatate project, the LAPSSET Corridor, as well as the appointment of Raila Odinga as a political figure head to champion the regional infrastructure agenda, have meant that Kenya has assumed a more central role in improving infrastructure in the region. However, the study identified several challenges to infrastructure development in the context of regional integration and they include the high cost of implementing infrastructural projects in Kenya, project delays, the politicization of infrastructure development as well as poor execution of road investments and insufficient and unsuitable maintenance plans and practices. These challenges not only negatively impact local transport networks but also intra-regional networks that are key for connecting Kenya with the rest of the continent.

Lastly when looking at security and political stability, the study revealed that Kenya is one of most fragile countries in the EAC and the continent. Though progress has been made over the last decade in improving stability and security within its borders, mounting frustration with leadership and contentious elections have contributed to instability in Kenya. The study identified the role played by politicians in promoting electoral violence, as it was determined that intimidation and violence were tools by the incumbents to retain power and control of resources. The promulgation of a new constitution in 2010 brought renewed hope for a more peaceful and stable country but extra judicial killings, blossoming criminal gangs, grand corruption and rogue police officers have continued to compromise the rule of law in Kenya. Furthermore, the study identified several security challenges for Kenya in the context of regional integration and they include terrorism, ethnic tensions, porous borders, and inefficient security cooperation. According to key informants, these challenges have created a hostile environment that is complicating the successful implementation of the AfCFTA.

The success of Kenya's regional integration in the context of the AfCFTA will be dependent on how best Kenya addresses the challenges identified within the arenas of trade, infrastructure, and security. This study has demonstrated the importance and interdependence of these three sectors with respect to regional integration and thus efforts must be made to align the regional developmental objectives with these three sectors. Otherwise, the regional integration agenda proposed by the AfCFTA may be derailed. Furthermore, Kenya's regional integration efforts can be aided by the identification of a clear leader in the continent to drive cooperation and commitment in these three sectors with respect to regional integration, as well as granting

supranational institutions greater authority to oversee and direct the continental development agenda.

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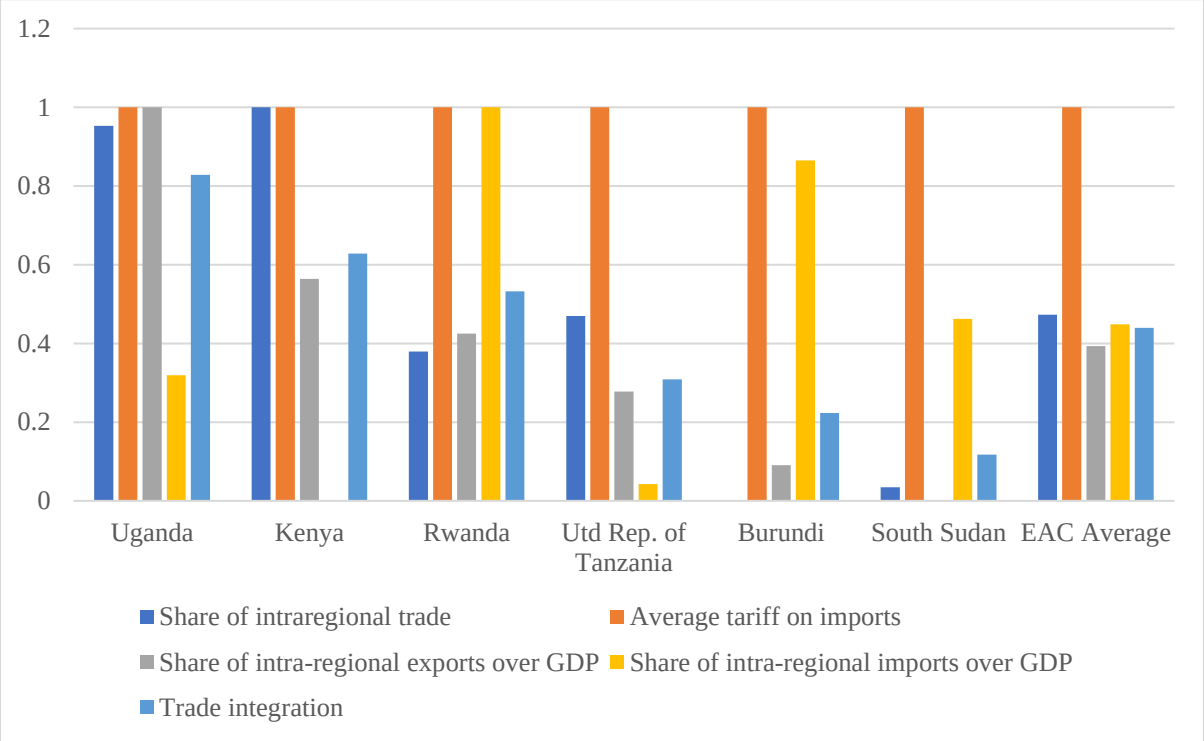
APPENDIX

ARII Trade Integration Indices for Various Regional Blocs

Appendix 1

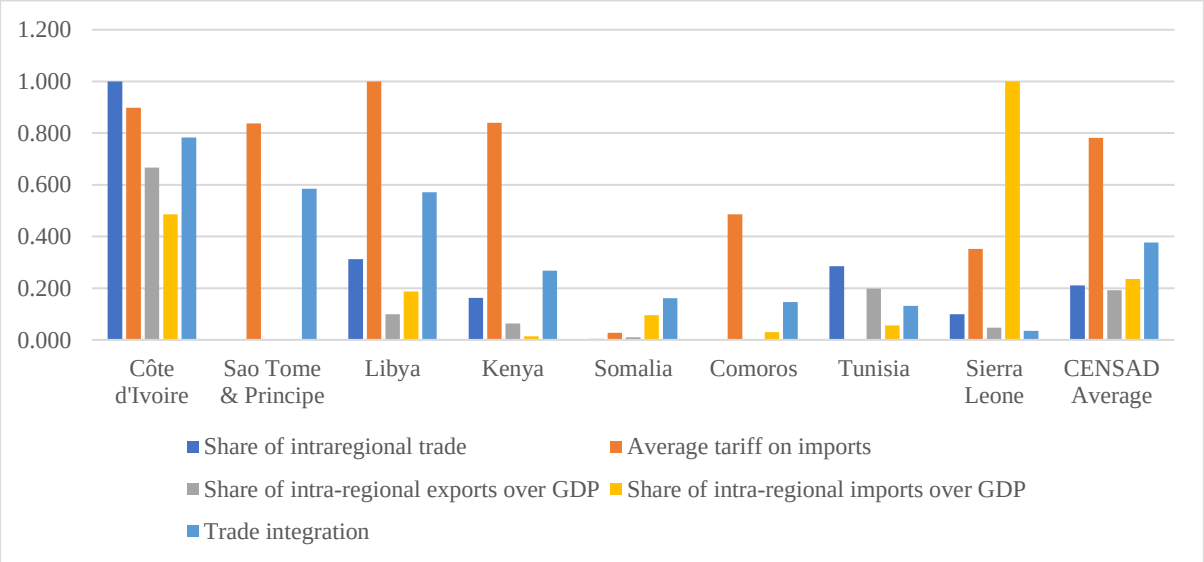
ARII Trade Integration Indices for EAC



Derived by author from Sufrauj (2019)

Appendix 2

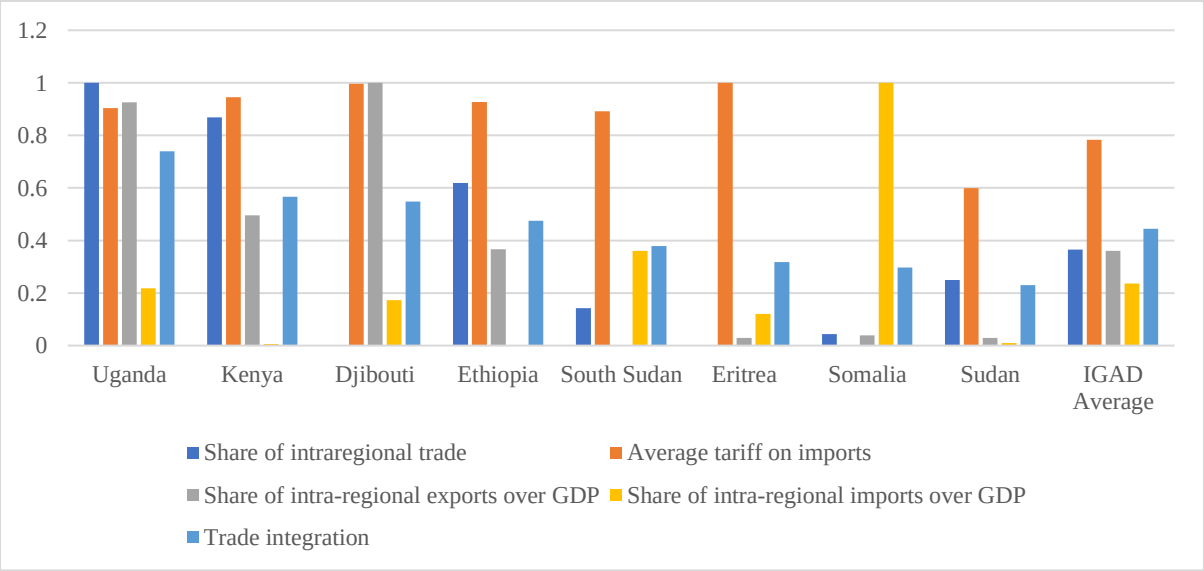
ARII Trade Integration Indices for CENSAD[43]



Derived by author from Sufrauj (2019)

Appendix 3

ARII Trade Integration Indices for IGAD

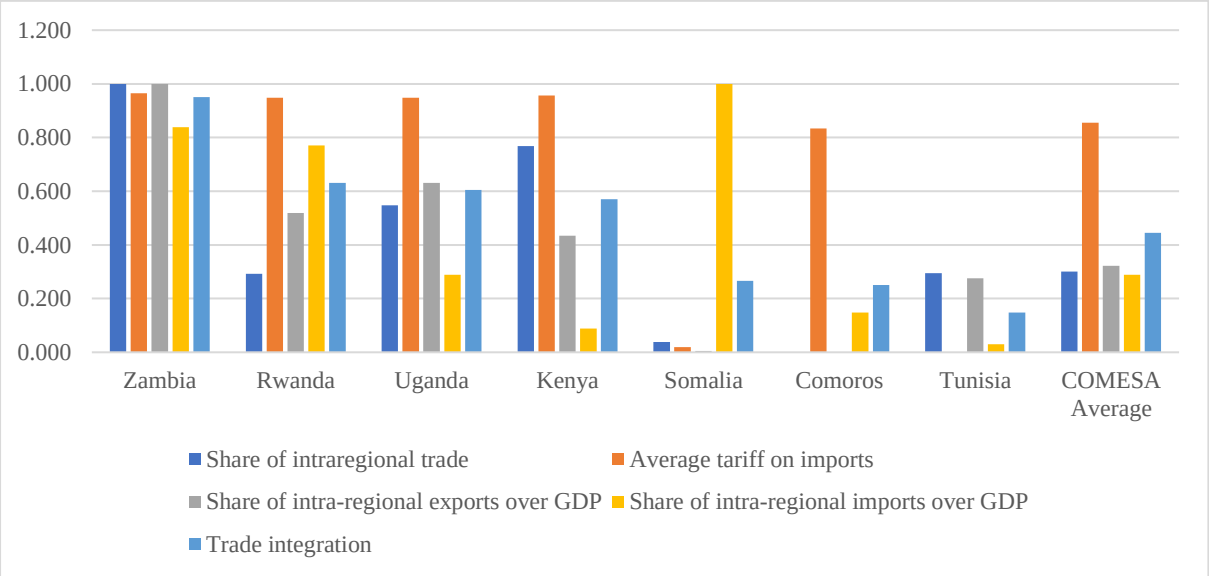


Derived by author from Sufrauj (2019)

[43] Figure does not include all countries in CENSAD, just top 3 performers, Kenya and bottom 3 performers

Appendix 4

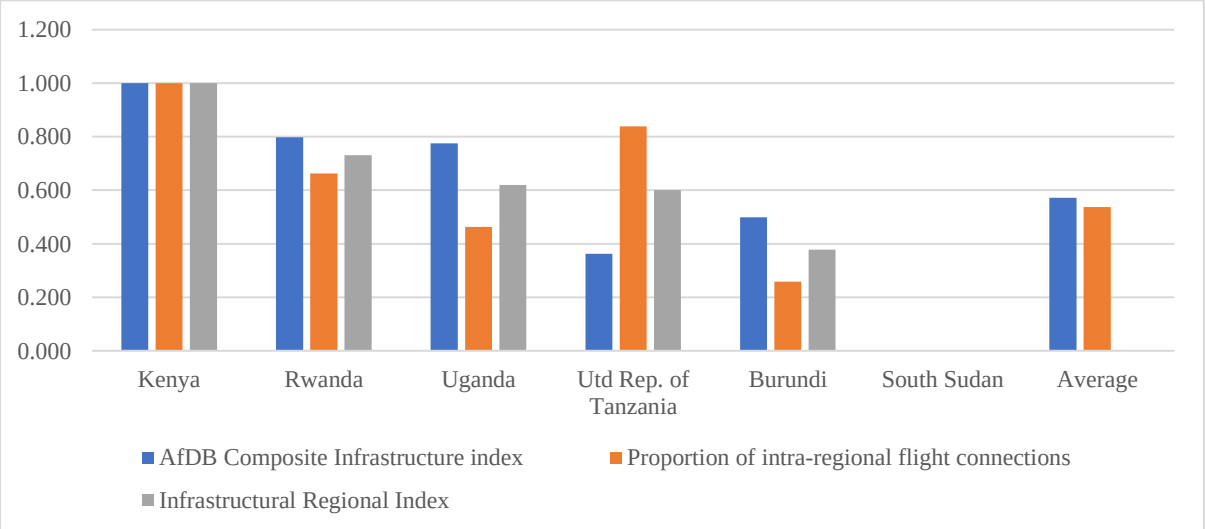
ARII Trade Integration Indices for COMESA[44]



Derived by author from Sufrauj (2019)

Appendix 5

ARII Infrastructure Integration Indices for EAC

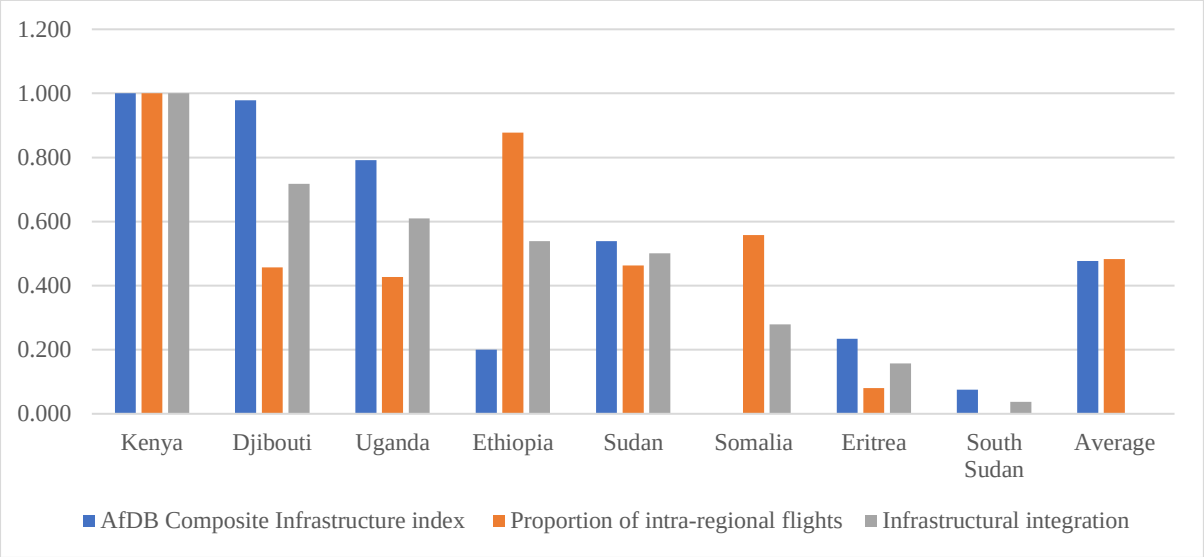


Derived by author from Sufrauj (2019)

[44] Figure does not include all countries in COMESA, just top 3 performers, Kenya and bottom 3 performers

Appendix 6

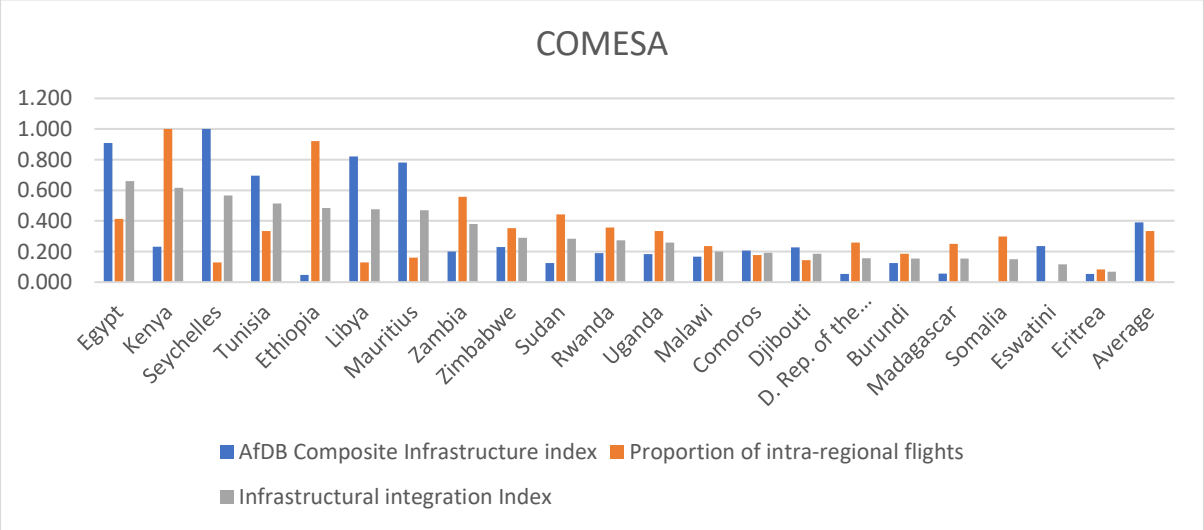
ARII Infrastructure Integration Indices for IGAD



Derived by author from Sufrauj (2019)

Appendix 7

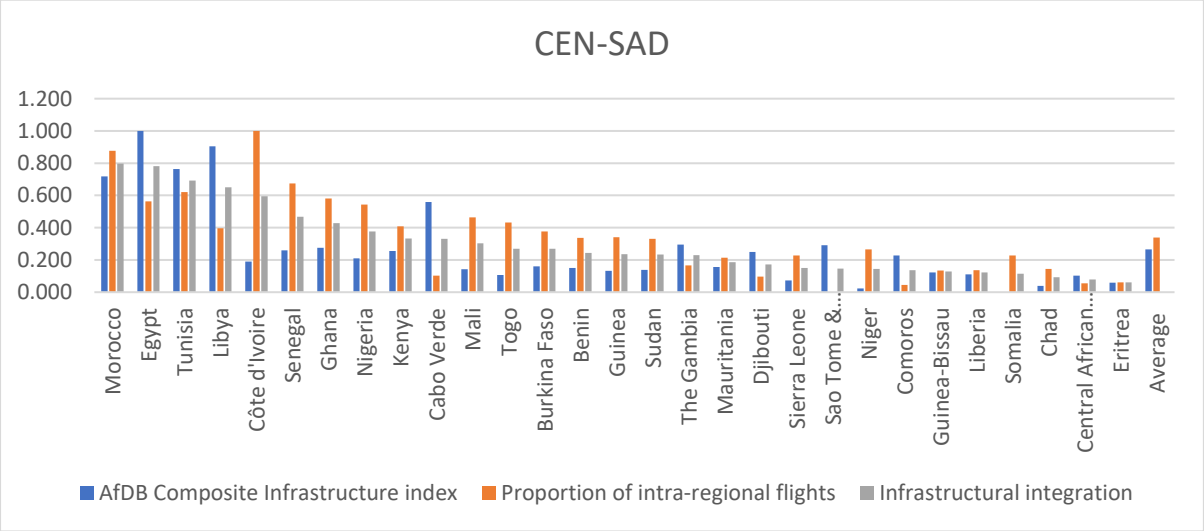
ARII Infrastructure Integration Indices for COMESA



Derived by author from Sufrauj (2019)

Appendix 8

ARII Infrastructure Integration Indices for CEN-SADs



Derived by author from Sufrauj (2019)

Appendix 9

Sample Interview Schedule

The interviews are arranged into separate categories of interviewees, as recommended by Seidman (2013:100).

The first category of interview questions relates to information on the contribution of Kenya in the trading relations. These questions apply to interviewees with expert opinion on industry and trade and transport in Kenya.

1) Do you believe that the government is facilitating the trade relations between Kenya and the rest of Africa? If so, how is this done?

2) How important are the main trading items in strengthening trade relations between Kenya and the rest of Africa?

3) Do you believe that the economic integration between Kenya and the rest of Africa will be mutually beneficial? Would you prefer the existing situation to continue or would you like to see a change?

4) What role would your Ministry play in aiding Kenya successfully assimilate in to the ACFTA?

5) Do you have anything that you would like to tell me about your profession or the trading relations between Kenya and the rest of East Africa?

6) Do you believe that the private sector is facilitating the trade relations between Kenya and the rest of Africa? If so, how is this done?

7) What challenges does overlap membership bring when trying to integrate regionally?

8) Do you think that Roads can be used by Kenya as a gateway to regional integration with the rest of Africa? And if so How?

9) Do you think Energy can be used by Kenya as a gateway to regional integration with the rest of Africa? And if so How?

10) Could you list some Transport projects and initiatives in the recent past that has attempted to link Kenya and the rest of Africa

The second category of interview Questions were helpful for assessing the contributions of Kenya to security. These questions apply to workers and officials of the Ministry of Foreign Affairs and Ministry of Security

1) What are the sources of conflicts along the international borders between Kenya and the rest of Africa? Why?

2) What are the roles of your organization in facilitating peace and stability in Kenya and the rest of Africa?

3) Do you believe that the collaboration between Kenya and the rest of Africa in peace and security areas facilitate or impede the bilateral or multilateral integration? Why?

4) What would the benefits be for Africa for working jointly in peace and security for cross-border trading relations?

5) How important is political stability when Kenya is trying to assimilate into the ACFTA?

6) What are the major strengths or weaknesses, successes, or failures of IGAD and Kenya in security areas?

7) Do you have anything that you would like to tell me about IGAD or the roles of Kenya in peace and security areas?

III. The third category of interview questions are aimed at obtaining more information with regards to Kenya's regional integration efforts in the past as well as its foreign relations with neighbouring partners. These questions apply to interviewees with expert opinion on the East African Community and regional development in Africa

1. What are the likely implications for Kenya amidst the promulgation of the ACFTA?

2. Could you please tell me about your responsibilities in your institution?

3. What lessons can be learned from the East African Community amidst the promulgation of the ACFTA?

6. What role would your department play in aiding Kenya successfully assimilate in to the ACFTA?

7. What challenges does overlapping membership bring when trying to integrate regionally?

8. Is there anyway Kenya can take advantage of the large East African population in its regional integration attempts?