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Kenya's Foreign Policy Shift from Political to Economic Diplomacy

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Declaration

I Daniel Juma Omondi hereby declare that this research project is my original work and has not been presented for a degree in any other University.

Signed Date.....

Daniel Juma Omondi

This Project has been submitted for examination with my approval as University Supervisor;

Signed.....Date

Mr. Martin Nguru (Lecturer, Institute of Diplomacy & International Studies-UON)

Acknowledgements

It is an honour to welcome you as a reader of this project that serves as the final assignment fulfilling the requirements for graduation for a Diploma in International Studies. As a student at the Institute of Diplomacy and International Studies in the University of Nairobi, I elected to study International Relations because I have worked as an international trade officer specializing in research, trade, marketing and investment promotion at the Korea Business Center (KBC) Nairobi for a period of eleven years. KBC Nairobi is the local branch of Korea Trade and Investment Promotion Agency (KOTRA) and serves as the commercial office of the Embassy of the Republic of Korea in Kenya, with a jurisdiction covering the Eastern Africa region.

I would like to acknowledge KOTRA and in extension Mr. Won Sok Yun who is currently the Director General of Korea Business Center, Los Angeles for all the experience I have gained in the practice of economic diplomacy and in my service to the Korean people in Kenya. In the same light, I would like to acknowledge subsequent Directors such as Yongsuk Kim, Byungsuk Chang, Changyup Na and Gangsuk Suh for their cooperation and support in the workplace.

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Dedication

I would like to dedicate this work to my wife Elizabeth Mwendu, my son Henry Mutuku Omondi and my daughter Regina Kavenya Omondi, the three VIPs in my life along with my mum. They are the driving force behind everything that I do and they are the answer to my quest and belief in true family values. At two years, Henry's love for the PC is amazing and as I worked on this project at home amidst my very busy schedule, Henry was indeed a pleasant distraction.

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Abstract

An independence Kenya practiced quiet diplomacy characterized by a low profile approach to international affairs. During President Moi's era foreign policy was marked by active involvement in regional peace diplomacy. In the era of President Kibaki, Kenya's foreign policy has undergone a significant paradigm shift.

The Kenyan foreign affairs Minister Hon. Moses Wetangula came up with a draft foreign policy document which puts the fight against terrorism, promotion of trade across the globe, environmental conservation and sports as priority links with the world. In line with the Vision 2030, the draft document bases Kenya's foreign policy on three interlinked pillars: Economic diplomacy, Peace diplomacy and Environmental diplomacy. Indeed Kenya's foreign policy is now informed by the necessity to secure the regional and wider economic objectives and now focuses on strengthening regional organizations particularly the East African Community (EAC).

This study analyses Kenya's evolving foreign policy and takes a look at Kenya's Look East Policy, its significances and its impact on Kenya's relations with the East and the West. The project also looks at India as one of the best practices in Economic Diplomacy and the Korean Model of Economic Development and highly recommends it for emulation by developing nations such as Kenya. This research was a survey aimed at enriching the knowledge of foreign policy stakeholders especially in the countries that have adopted economic diplomacy as the backbone of their foreign policy.

Abbreviations

FAC	East African Community
ODA	Overseas Development Assistance
FDI	Foreign Direct Investment
US	United States
UK	United Kingdom
COMESA	Common Market for Eastern and Southern Africa
OECD	Organization for Economic Co-operation and Development
WTO	World Trade Organization
EU	European Union
RTA	Regional Tariff Arrangements
BKB	Brand Kenya Board
AGOA	African Growth Opportunity Act
PEPFAR	President's Emergency Plan for AIDS Relief
MCC	Millennium Challenge Corporation
CIII	Cross Border Initiative
EDP	Export Development Programme
MCC	Millennium Challenge Corporation
UNCTAD	United Nations Conference on Trade and Development
EPZA	Export Processing Zones Authority
EPC	Export Processing Council
KENINVEST	Kenya Investment Authority
R&D	Research & Development
KEPSA	Kenya Private Sector Alliance
CFR	Center for Foreign Relations
NARC	National Alliance Rainbow Coalition
MDG	Millennium Development Goals

CHAPTER ONE: PROJECT PROPOSAL

1.0. Introduction to the Study

The Kenyan Ministry of Foreign Affairs, is working to reinvent the country's diplomatic machinery by focusing on Economic Diplomacy (Juma 2009)¹. According to its official website, the shift in foreign policy is in line with the Vision 2030² which is Kenya's blueprint for economic development. As one of the main pillars of Kenya's foreign policy, economic diplomacy is being pursued by integrating politics, trade, investment and other economic considerations. The other pillars of Kenya's foreign policy include enhancement of peace and security, regional integration and the Diaspora. In line with this trend, the country's foreign policy continues to be driven by economic interests, including the maintenance of close relations with key donors and the advance of regional integration, especially in the EAC, and others such as the African Union and the COMESA.³

Economic Diplomacy is the process through which a country relates with other countries with the aim of maximizing its national gain in all the fields of activity including trade, investment and other forms of economically beneficial exchanges, where it enjoys comparative advantage. This process has bilateral, regional and multilateral dimensions, and requires application of tact that analyzes the effects of a

¹ Juma C., *Kenya's make over in Diplomatic ties should focus on Economic Statecraft*, D.Nation (Nairobi) 4th Aug. 2009

² Kenya Vision 2030 is the country's new development blueprint covering the period 2008 to 2030. It aims to transform Kenya into a newly industrializing "middle-income country providing a high quality life to all its citizens by the year 2030".

³ Economic Intelligence Unit, Country Report Kenya, July (2011) pp.5

receiving country's economic situation on its political climate and on the sending state's economic interests.

This project examines the evolution of Kenya's foreign policy with special emphasis on economic diplomacy and how it can be improved for the benefit of the Kenyan nation. The premise of the study is that Kenya which still doesn't have a substantive foreign policy document is striving to redefine its foreign policy with its economic interests at the forefront of its dealing with international partners. The project stresses the importance of economic diplomacy in international policy-making and takes a look at the various tenets of economic diplomacy such as international trade and investment, multilateralism and nation branding.

1.1. Background of the Study

Kenya's foreign policy from the Kenyatta⁴ regime to the Moi administration was best seen in terms of its political and economic moderation and of its continuing reliance on the Western world. Economic development, the need to pursue an open economic policy and the demand for foreign capital and investment flows, inter-alia Foreign Direct Investment (FDI) and Overseas Development Assistance (ODA), influenced Kenya's approach to foreign policy. However, after President Kibaki came to power in 2003, the country embarked on a "Look East" policy which was adopted as a means of reducing dependence on traditional Western markets. Through this policy, Kenya forged closer ties with emerging markets in Asia, the Middle East, Latin America and the Caribbean, as well as Eastern Europe.

⁴ Mzee Jomo Kenyatta was the first President of Kenya between 1964 and 1978

The question at hand is whether Kenya is prepared to take full advantage of Economic Diplomacy in its quest of spurring economic development and fulfilling its aspirations in line with Vision 2030. This study examines the loopholes that exist in Kenya's foreign policy shift and prescribe how Kenyan diplomats can take advantage of their positions to put the country's economic policy agenda at the high tables of their foreign policy.

1.2. Statement of the Problem

The overall research problem addressed in this study is that despite the various attempts by the Ministry of Foreign Affairs to entrench Economic Diplomacy as the main pillars of its foreign policy, the concept is not yet well articulated although it is promoted at different levels with fragmented agencies. This has been compounded by uncoordinated approaches of the Economic Diplomacy between Ministries of Trade, Foreign Affairs, and the Presidency. As a result of this, the country remains in dire need of a centralized foreign policy approach and especially as far as the pursuit and promotion of external trade is concerned.

As it is now, issues to do with external trade are duplicated in the roles of the Directorate of Economic Affairs and External Trade which is placed in the Ministry of Foreign Affairs, the Export Promotion Council (EPC) and the External Trade department in the Ministry of Trade. With all these departments pulling in different directions, there is the danger of duplication of roles leading to the wastage of

resources that could be well utilized if all the government policies and functions are brought under one roof.

Kenya's exports remain concentrated both in traditional market destinations and primary products with COMESA being the leading market destination for Kenyan products followed by the EAC and the European Union⁵. The country lacks sufficient branding of its products and services for sale to the international market and for the few available ones, the "Made in Kenya" products and resources are not well defined and packaged⁶. Most developed economies like South Korea have properly branded catalogues and brochures of the products they offer for the international market. These catalogues are distributed worldwide through their embassies and commercial offices.

Other emerging issues that need to be addressed include lack of Trade Centers or Warehouses in priority export markets, low access to international markets due to tariff peaks and escalation c tariff barriers and technical barriers to trade despite continued participation in the multilateral regional and bilateral trade agreements, declining value of preferential trade schemes as a result CE trade liberalization, lack of comprehensive trade information on the existing and emerge markets, market and product diversification and inappropriate backward and forward linkages⁷. Other challenges include limited resources to missions abroad, lack of adequate technical expense

⁵ Kenya Vision 2030, '*Wholesale, Retail and International Trade*' Vision 2030 *First Medium Term Plan 2008-2012* (Nairobi, Government of the Republic of Kenya, 2008) pp.70

⁶ Juma C. "Kenya's makeover in diplomatic ties should focus on economic statecraft", Daily Nation (Nairobi 4 August 2009)

⁷ Kenya Vision 2030, '*Emerging Issues & Challenges-Market Access*' *Vision 2030 First Medium Term Plan 2cE-::z* (Nairobi, Government of the Republic of Kenya, 2008) pp.71

stationed in missions abroad, limited funds from the government to open up missions in potential market countries and a weak partnership with the private sector.

1.3. Research Questions

How can Kenyan diplomats be empowered to make use of their lobbying skills to confer bilateral and multilateral advantages for the country in the pursuit of international trade and investments-

How can they take advantage of their diplomatic skills to open up markets for Kenyan goods such as coffee, tea and services such as tourism in the countries that they serve in? How can they use their diplomatic skills to help import best practices and technologies from success case growth model like the Asian Tigers?⁸

And lastly, since international trade forms a crucial part of Kenya's foreign policy, isn't it time to combine the functions of the Ministry of Foreign Affairs with that of External Trade, roping in departments like the Export Promotion Council, Kenya Investment Authority and the Export Processing Zones Authority?

⁸ The Four Asian Tigers or Asian Dragons is a term used in reference to the highly developed economies of Hong Kong, Singapore, South Korea and Taiwan. These nations and areas were notable for maintaining exceptionally high growth rates (in excess of 7 percent a year) and rapid industrialization between the early 1960s and 1990s. By the 21st century, all four have developed into advanced and high-income economies, specializing in areas of competitive advantage. For example, Hong Kong and Singapore have become world leading international financial centers, whereas South Korea and Taiwan are world leaders in manufacturing information technology. Their economic success stories have served as role models for many developing countries.

1.4. Objectives of the Research

The main objective of this study is to examine how Kenya can innovatively and adequately take advantage of its diplomatic institutions in its quest and pursuit of economic diplomacy⁹.

Other specific objectives include;

1. To provide solutions affecting the effective application of Kenya's push for economic diplomacy by identifying existing challenges, weaknesses and loopholes.
2. To prescribe possible solutions and recommendations that can be adopted by policy makers in the near future.
3. To identify and analyze some of the best practices in economic diplomacy and development and prescribe the same for adoption by our own diplomats.

1.5. Justification of the Study

Since Kenya has already begun the shift towards Economic Diplomacy, its need for trained people in commercial and economic diplomacy is ever more necessary and urgent. Achieving global success today depends on the skillful interaction of leaders who seek to forge effective and beneficial bilateral commercial relationships. Learning new skills and acquiring new knowledge no longer a "nice to have". It has become an absolute necessity for today's diplomats, taking cognizance of the fact that economic diplomacy is a fairly recent addition to the work professional diplomats who previously tended to concentrate almost exclusively on political tasks.

⁹ Jan Melissen, ed., *Innovation in Diplomatic Practice* (Macmillan, London, 1999)

1.5.1. Academic Justification

Based on the researcher's investigation there are relatively few academic publications in the field of commercial diplomacy. This study therefore wishes to fill an academic lacuna in this area and to further enrich academicians pursuing diplomacy and international studies. It will no doubt satisfy the growing need for trained and technically competent officials, well versed in cross-border trade law and regulations, and domestic political economy issues to ensure fair and balanced outcomes in trade and economic exchanges. The diplomatic personnel with requisite knowledge and skills to promote Kenya trade relations at the regional and international Fora¹⁰.

Lastly, this study should serve as a competent reference point to future scholars pursuing careers in diplomacy and international relations on the issue of Kenya's foreign policy with regards to economic diplomacy.

1.5.2. Policy Justification

Despite various past efforts to do so, Kenya's Ministry of Foreign Affairs is yet to unveil the much touted new foreign policy document which is expected to reflect the country's repositioning in light of the fast-changing economic world order. It is therefore safe to conclude that the country still lacks a definitive foreign policy document as the *Draft Seasonal Paper on Kenya's Foreign Policy Framework* (Nairobi) 2009 has never been ratified by the Kenyan Cabinet. This study is therefore a

¹⁰ Ministry of Foreign Affairs, *Kenyan diplomats receive training on trade diplomacy*, http://www.mfa.go.ke/index.php?option=com_content&view=article&id=198%3Akenyan-diplomats-receive-training-on-trade-diplomacy&catid=35%3Anews&Itemid=62, 28 July 2011.

meaningful contribution to the foreign policy debate and is likely to shape Kenya's shift from political to economic diplomacy.

1.6. Literature Review

This section is devoted to what is available in literature on the topic of economic diplomacy. Although there are relatively few academic publications on commercial diplomacy (Naray, 2008)¹¹, various international literature covering this topic largely excludes Kenyan scholars who have largely ignored this very important subject in international relations. It is this researcher's view that Kishan S. Rana, former Indian Ambassador and Senior Fellow, DiploFoundation¹² is one of the most eloquent and contributors to the field of economic diplomacy¹³. He has written extensively on a variety of diplomatic topics and is credited with elevating India as one of the best practices in the study and practice of economic diplomacy.

According to Rana, economics is now the *sine qua non* of contemporary training for Diplomatic Service. For example, Germany now attracts more economists than law graduates in its diplomatic service. He adds that no diplomat can afford not to master this so-called "dismal science", both to understand the dynamics of world affairs, and to integrate economics into all his work. Rana further writes that in the embassy, every diplomatic official, regardless of work domain, must weave into his or her job the

¹¹ Naray O., *Commercial Diplomacy: a Conceptual Overview*, Enterprise institute, University of Neuchatel. (2008).

¹² DiploFoundation is a non-profit organization which works to assist all countries, particularly those with limited human and financial resources, to participate meaningfully in international affairs, through education and training programs, research, and the development of information and communications technologies for diplomatic activities. <http://kishanrana.diplomacy.edu/cv.asp>

¹³N Rana KS., *Economic Diplomacy: India's Experience*, 2002

economic perspective in the same manner that he or she also keeps an eye on the political dimension¹⁴.

Some of Rana's literary works that contribute to this subject matter include, "Economic Diplomacy: India's Experience", "Inside Diplomacy" (2000, 2002), "Bilateral Diplomacy" (2002, 2005), "Performance Management in Foreign Ministries: Corporate Techniques in the Diplomatic Services" (2004), "The 21st Century Ambassador: Plenipotentiary to Chief Executive (2004,2005), "Asian Diplomacy: The Foreign Ministries of China, India, Japan, Singapore and Thailand"(2007, 2008). In one of his latest works entitled "Economic Diplomacy: the Experience of Developing Countries", Rana clearly examines the key ingredients for successful economic Diplomacy and asserts that economic engagement abroad involves more than the ministries of foreign affairs, commerce and industry; it includes the business units of the country, associations industry and chambers of commerce, the financial sector, business schools and think tanks and the tourism industry.

Calestous Juma notes that Kenya's diplomatic approach of "wait-and-see" has been rendered absolute by external factors for decades¹⁵ Kenya he said cannot wait for its tea, coffee and tourism competitors to capture its markets before it can react and it is therefore required to maintain the tempo of asserting itself in order to increase its presence in countries abroad. This will be achieved by strengthening and positioning

¹⁴ N Rana KS., *Economic Diplomacy: India's Experience*, 2002

¹⁵ Juma C. "Kenya's makeover in diplomatic ties should focus on economic statecraft", *Daily Nation* (Nairobi) 4th August 2009
Bayne N. & Woolcock S., 'The New Economic Diplomacy' *Decision-Making and Negotiations in International Economic Relations* 2007

its Economic and Commercial Diplomacy structures in order to aggressively promote Kenya's products as well as it being the preferred investment destination within this region.

Bayne and Woolcock¹⁶ explain how states conduct their external economic relations in the 21st century: how they make decisions domestically; how they negotiate internationally; and how these processes interact. They document the transformation of economic diplomacy in the 1990s and early 2000s in response to the end of the Cold War, the advance of globalization and the growing influence of non-state actors such as the private sector and civil society. They explain state & economic diplomacy in depth and combine analytical chapters written by academics with case studies conveying practitioners' insights from experience.

Robert O. Keohane and Hellen V. Miller focus on the effects of internationalization of national markets on domestic politics¹⁷. This book is very relevant in the study of economic diplomacy as it explores the effects of such internationalization on macroeconomic policy options, national competitiveness and rewards to various actors of production.

1.7. Theoretical Framework

This study has been heavily guided by various theories of internationalization. Although there is no agreed definition of internationalization or international

¹⁶ Bayne N. & Woolcock S., *'The New Economic Diplomacy' Decision-Making and Negotiations in International Economic Relations* 2007

¹⁷ Keohane R.O., & Milner, H. V. (Eds). (1996). *Internationalization and domestic politics*. Cambridge, UK: Cambridge University Press.

entrepreneurship, the theories have been viewed as a process of increasing involvement of enterprises in international markets. Although there are numerous theories of internationalization, this researcher picks out the theory of Absolute Cost Advantage¹⁸ by Adam Smith (1776) and Comparative Cost Advantage¹⁹ theory by David Ricardo (1817).

The former says that a country should specialize in, and export commodities in which it had an absolute advantage. An absolute advantage existed when the country could produce a commodity with less costs per unit produced than its trading partner could. By the same reasoning, it should import commodities in which it had an absolute disadvantage. While there are possible gains from trade with absolute advantage, comparative advantage extends the range of possible mutually beneficial exchanges. In other words, it is not necessary to have an absolute advantage to gain from trade, only a comparative advantage.

However, according to the latter, a country does not need to have an absolute advantage in the production of any commodity for international trade between it and another country to be mutually beneficial. Absolute advantage meant greater efficiency or the use of less labor factor in production.

¹⁸ Ingham, Barbara (2004). *International economics: A European focus*. Pearson Education. Pp. 336

¹⁹Hunt, E. K. (2002). *History of economic thought: A critical perspective*. M.E. Sharpe. p. 120.

1.8. Hypotheses

1. The Foreign Service is a specialized professional activity like medicine and engineering
2. Economic diplomacy, which is the most effective way of realizing national economic interests.
3. The Private Sector compliments government in the conduct of a country's economic diplomacy

1.9. Methodology of the Study

This study will examine the main policy players and the steps already taken in the advancement of economic diplomacy. The research methodology incorporated a grounded theory approach seeking ways to identify and analyze the strengths and weaknesses of Kenya' Foreign Policy as it relates to economic diplomacy.

The sources for this research included live interviews where the players will be asked the relevant questions. The researcher also sent questionnaires to selected Kenyan embassies abroad and requested their response. Since the researcher is based in Kenya and face to face meetings with Embassy officials abroad were not always feasible. In this case the researcher applied modern communication technologies such as Skype, messenger or email.

The available literature including books, journals and newspaper articles on the subject at hand were also reviewed. The findings consist of data gathered by conducting document research and interviews. An important part of this project involved periodic meetings with my supervisor at every stage of the research. These meetings served the purpose of generating ideas, tackling problems, ensuring the right direction of the research and last but not least clear communication.

1.10. Chapter Outline

Chapter 1. Project Proposal

This Chapter provides a brief overview of the study's purpose and also reviews the literature on Economic diplomacy and the theoretical Framework. It also details the research methodology used in the study which will include observations and interviews.

Chapter 2: Economic and Commercial Diplomacy

This chapter sketches the importance of economics in diplomacy. It looks at the way economic work is handled by different governments, some through integrating commerce and foreign affairs, others by making the foreign ministry responsible for aid programs, and many more through enforcing a separation of economic and external affairs. It outlines the methods used in economic promotion, and goes on to consider

the issue of country image and ‘branding’, which is closely connected with economic as well as political activities abroad.

Chapter 3: Kenya’s Look East Foreign Policy

This Chapter identifies and analyzes some of the best test case scenarios in economic diplomacy especially among the emerging markets like the Asian Tigers and recommends some of their best practices that can be emulated by Kenya’s foreign policy makers. The chapter briefly discusses Kenya’s relations with China, India and Japan and recommends some of the best practices from the East especially India and South Korea. The Chapter Outlines the Korean development model

And looks at the Village Movement in Korea and how it can be modeled along Kenya’s Vision 30 as an ideology for development.

Chapter 4: Conclusions & Recommendations

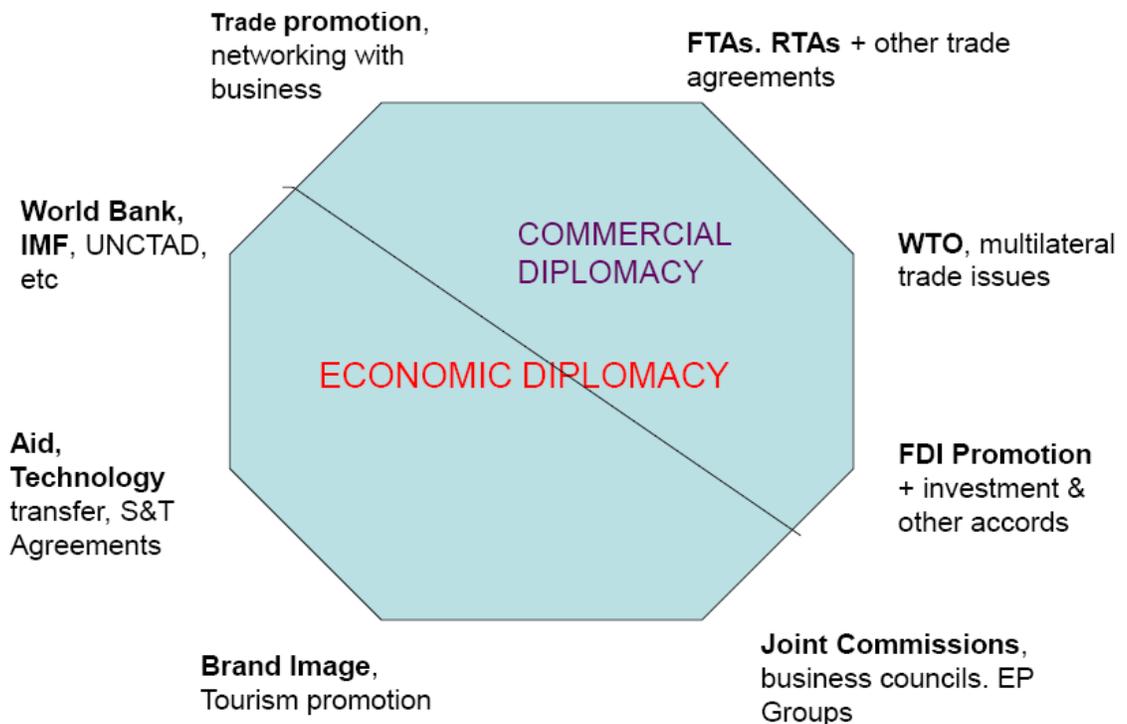
This Chapter provides recommendations and suggests solutions which in the researcher’s view are crucial in the successful utilization of economic diplomacy in our foreign policy initiatives. The recommendations and conclusions may be adopted by foreign policy implementers in the betterment of Kenya’s economic diplomacy.

CHAPTER 2: ECONOMIC & COMMERCIAL DIPLOMACY

2.0. Introduction

This chapter looks at the main tenets or pillars of economic diplomacy as it applies to Kenya's foreign policy. It sketches the importance of economic/commercial diplomacy and outlines the various aspects applied in the same. It goes on to consider the issue of country image and 'branding', which is closely connected with economic as well as political activities abroad, especially as national stereotypes are the dominant ways in which foreign countries and peoples are perceived by all.

Chart. 1.



CUTS/2009/Rana²⁰

²⁰ Rana.KS., *Trade & Investment Promotion: A Field Perspective*, 2009

The importance of economic diplomacy as a driving force for political development is well known understood. After all, the reason why policy makers consider globalization to be the most important economic and social trend of our era is because localization and its attendant underdevelopment still reign supreme in large parts of the world. On the other hand, international trade and other areas of global international economic relations are increasing in importance.

As a result, if one considers the internal market in Europe, or the US, and compares it with the level of economic relations between and within other regions of the world, it is clear that there are urgent areas for progress, prosperity that could result from effective economic diplomacy.

2.1. Economic and Commercial Diplomacy

The distinction between “commercial” and “economic” is not at all clear with the difference between the two varying among authors, experts and analysts of the subject. Zutshi ²¹ defines commercial diplomacy as encompassing “all the activities related to analyzing, developing, negotiating, and implementing trade agreements” and economic diplomacy as “diplomacy related all economic issues”. In this light, commercial diplomacy can be said to be a subset of economic diplomacy. In common parlance, ‘commercial’ and ‘economic’ are interchangeably used to refer to the same functions. Based on Baine and Woolcock²², we can define the new economic diplomacy as a set

²¹ Zutshi BK., “Training Needs for Commercial & Economic Diplomacy, an Indian Case Study” Cuts International 2008

²² Bayne Nand Woolcock 5, “The New Economic Diplomacy”, 2007

of activities related to cross border economic activities pursued by state and non-state actors in the real world. – Commercial diplomacy was introduced relatively late in the whole range of diplomatic activities by state representatives as compared to better activity fields such as economic, military or political diplomacy. Two types of functions are outlined: primary functions (referring to trade and EDIs, research and technology, tourism and business advocacy) and support functions which provide the inputs needed for the primary activities to take place (intelligence, networking, involvement in the ‘made-in’ image campaign, business matchmaking and negotiations, contract implementation and arbitration).

According to Lee (2004)²³ commercial diplomacy can be classified into three broad categories of activity. One is the gathering and disseminating of commercial information and market research, which is information on existing and potential markets on both a geographical and sectional basis. Secondly, developing business and government contacts in the host countries and introducing the home private sector to these contacts. Finally, there is the promotion of goods and new products in the host market through the organization of seminars, trade fairs, and direct lobbying. In Kenya, the conduct of foreign policy has until the enactment of the new constitution²⁴ been a prerogative of the Head of State the Chief Executive (President). These powers are vested in the Presidency who through section 9 of the New Constitution of Kenya, shares this role with the legislature.

²³ Lee, D., *The rise of commercial diplomacy. International Studies Perspectives* ISP Policy forum: public advocates for private interests? (2004) 5, 50-54.

²⁴ The New Constitution of Kenya entered into force on 27th August 2010

The Foreign Affairs Ministry's responsibility is that of advice and execution in consultation with the President while several individuals, institutions and organizations participate in the foreign policy formulation and decision-making. Since independence, Kenya's reaction to international regional events has been molded by the executive. Recent attempts to change this approach to a pro-active, rather than a reactive one are yet to be fully felt. In particular, Kenya has taken a beating for not pursuing seriously its geopolitical interests in Somalia. In 2004, the Ministry of Foreign Affairs embarked on a project to involve all the country's foreign missions in articulating the government's foreign policy.

The new approach is in line with the Vision 2030 that aims at raising Kenya's growth rate to 10 per cent to enable the country to become industrialized. As a result, there has been a paradigm shift in Kenya's foreign policy with a greater emphasis and focus on economic and trade issues, as opposed to political diplomacy. The Ministry of Foreign Affairs official website says the shift in foreign policy has been influenced by various factors: Economic advancement, peace and security, regional integration and Diaspora diplomacy.

2.2. Economic Diplomacy and International Trade

Throughout the world, international trade is becoming more and more important and an additional source of tax revenues for governments. For governments to keep a competitive advantage and play an important role in the international community, it is

necessary for them to shape their foreign commercial activities so as to develop a sustainable international business network, to be attractive as an export partner, and to elicit inward investments and tourism.

Viewed earlier as a peripheral activity best left to commercial secretaries and specialists from other departments, the building of trade and economic relationships has moved to the center of diplomacy. However going back to the origins of diplomacy, like the recently transcribed Amarna archive clay tablets of Middle Egypt of the period 1460—1220 BC, and the extensive trade that existed in subsequent centuries among the countries and civilizations of Egypt and West Asia, we see that trade provided the first motivation for inter-state contacts and agreements. Another example is provided in the spread of colonialism in Asia, following Vasco da Gama's journey to India in 1498, and Europe's "discovery" of the riches of the East Indies. Again the flag followed trade.

Analysts say that the shift to economic diplomacy is not unique to Kenya but is a rising global trend informed by the realization that the rise in global peace and stability is relegating politics from the diplomatic stage. "Trade and investment now take up to 70 per cent of ambassadors' time and this shift is likely to earn Kenya huge benefits²⁵. External trade plays a vital role in the Kenya's economic development.

²⁵ Statement by Gerishon Ikiara, a lecturer at University of Nairobi's Institute of International Studies during class seminars.

2.2.1. Imports to Kenya

Latest key indicators from the Central Bank of Kenya show that the value of imports have increased to US\$ 13,093 million over the period 2009/2010, mainly on account of increased oil imports, and machinery and transport equipment. The value of oil imports which account for 23.3 percent of total imports have increased from US\$ 2,405 million to US\$ 3,049 million reflecting increase in international crude oil prices and import volume.²⁶

Imports of machinery and transport equipment account for 29.6 percent of total imports and have increased from US\$ 3,025 million to US\$ 3,870 million reflecting ongoing infrastructure development. Imports of manufactured items mainly intermediate goods accounted for 14.5 percent of the import bill and increased from US\$ 1,500 million to US\$ 1,895 million.

2.2.2. Exports from Kenya

The same figures show that export earnings have increased by 13.9 percent from US\$ 4,699 million in March 2010 to US\$ 5,354 million in March 2011. The improved export performance was mainly in manufactured goods exports, tea exports and chemicals and related product export which increased by 16.8 percent, 8.7 percent and 11.7 percent, respectively, over the period.

²⁶ Central Bank of Kenya, *Monthly Economic Review* April 2011, www.centralbank.go.ke

2.2.3. Direction of Trade

The figures further reveal that Kenya's exports were mainly to Uganda (13.6 percent), United Kingdom (9.3 percent), Tanzania (8.2 percent) and Netherlands (6.5 percent). The share of exports to African countries accounted for 46.3 percent of which the share of exports to the East African Community (EAC) region was 25.7 percent, while those to COMESA region were at 33.7 percent in the year to March 2010.

During the period under review, Kenya's imports were mainly from United Arab Emirates (12.7 percent), India (11.1 percent), China (11.8 percent), South Africa (6.0 percent), Japan (5.5 percent), United States of America (3.8 percent), Singapore (3.8 percent) and United Kingdom (4.7 percent). The share of imports from African countries accounted for 11.5 percent.

Import from the EAC region increased from US\$ 190 million in the year to March 2010, to US\$ 26\$ million in the Year to March 2011 (2.0 percent of total imports). Imports from the COMESA region increased from US\$ 349 million to US\$ 526 million (4.0 percent of total imports) over the same period (Table 4.3). Kenya's imports are increasingly from developing Asia (which includes among others China and India as per IMF classification) and less from the advanced economies including among others Japan, UK, US)

2.2.4. The Shift to Trade —Centered Diplomacy

With respect to international trade, a recent development in Kenya's foreign policy is the announced adoption of a new trade-centered diplomatic stance that will see the country deploy foreign nationals to head commercial departments of its missions across the globe²⁷. This was announced on 11th July 2011 at the Panfrican Hotel, when the then Kenyan acting Minister for Foreign Affairs Professor George Saitoti and the Kenya Private Sector Alliance (KEPSA) unveiled a partnership to improve Economic and Commercial diplomacy for Trade and Investment.

According to Saitoti, part of the plan is to hire nationals of the target markets with right skills and networks to head the charm offensive instead of sending Kenyans with little or no connections. The move not only marks a major shift in the country's diplomatic positioning but also makes a significant departure from the way Kenya has traditionally staffed its embassies and high commissions abroad. The policy puts Kenya in step with countries such as the UK, India,

Columbia, Brazil and Costa Rica that have effectively used diplomacy to champion economic interests and tilt trade balance in their favour across the globe. The new diplomatic stance should help Kenya grow its export markets, attract foreign direct investments, tourists, and speed up transfer of technical knowledge that the country needs to realize its development goals.

²⁷ Juma V. "Foreigners to Drive Country's New Trade-Centered Diplomacy" 12th July 2011

Kenya has steadily grown its exports in the past 10 years, a move that the United Nations Conference on Trade and Development (UNCTAD) attributes to product diversification. The number of items exported stood at 222 in 2009 compared to 151 in 2000, representing an addition of 71 new items in 10 years, according to the trade agency. This helped the value of exports grow from Sh121.4 billion in 2001 to Sh409.8 billion in 2010, or a growth average of eight per cent.

The Foreign Affairs ministry has identified more than 20 markets that it wants to use as hubs to deepen Kenya's pursuit of economic diplomacy. The list includes the UK, US, Spain, Dubai, Zambia, China, Brazil, and South Africa. The hubs will act as outposts from where Kenya will pursue its commercial goals in Africa, Asia and Australia, Western Europe, North and South America, and the Middle East. Asia and Africa are Kenya's biggest trade partners where business leaders have demanded a concentration of diplomatic efforts to.

2.2.5. Export & Investment Promotions

The collection of market information, the search for specific market niches and fostering collaboration between export enterprises are government measures that are positively correlated with firm export performance. African governments should make use of these measures to promote exports. While there is no unique model for zone design and development, there are two elements that characterize successful export-processing zones. First, they should be used as part of a broader package of industrial

development in which both government and private sector should be involved. Second, incentive schemes have to be maintained stable over time and monitoring of the activities of export-processing zones is needed.

Rich countries and developing nations alike consider the mobilization of inward foreign direct investments (FDI) and export promotion as the essence of advancing interests in foreign countries. Promoting exports and investments is also one of the most important functions in economic diplomacy. In Kenya, the Export Promotion Council (EPC) is the institution charged with the development and promotion of export trade. Established in 1992, EPC's primary objective was to address bottlenecks that were facing exporters and producers of export goods and services with a view to increasing the performance of the export sector. Over time, the EPC has fully embraced the mandate of co-coordinating and harmonizing export development and promotion activities in the country, providing leadership to all national export programmes.

Kenya Investment Authority (KenInvest) is a statutory body established in 2004 through an Act of Parliament (Investment Promotion Act of 2004) with the main objective of promoting investments in Kenya. It is responsible for facilitating the implementation of new investment projects, providing "After Care Services" for existing investments, as well as organizing investment promotion activities both locally and internationally. The core functions of KenInvest include; Policy Advocacy; Investment Promotion; Investment Facilitation; Investor Tracking and After Care

Services. Data from the KenInvest indicate that foreign investors pumped Sh155.5 billion into the Kenyan economy in fiscal year 2009/10, down from Sh163.4 billion in 2008/09 the peak year.

Another crucial player in Economic Diplomacy is the Export Processing Zones Authority (EPZ.A) which was inaugurated 1990 as part of the Export Development Program (EDP) being undertaken by the Government to transform the economy from import substitution to a path of export led growth. EPZs are designed to further integrate Kenya into the global supply chain and attract export-oriented investments in the zones, thus achieving its economic objectives of job creation, diversification and expansion of exports, increase in productive investments, technology transfer and creation of backward linkages between the zones and the domestic economy.

The program has contributed significantly to achieving these objectives with over 40 zones in place, close to 40,000 workers employed and contribution of 10.7 % of national exports. Over 70% of EPZ output is exported to the USA under AGOA. EPZs continue to provide investors with a predictable, attractive and efficient modus operandi for tackling regional and global markets for goods and services. Attractive tax incentives, a facilitating operating environment, good physical infrastructure and day-to-day support by EPZA staff have all resulted in over 80 firms from all over the world deciding to make the Kenya EPZs their home. Many of these have made additional investments and expanded their operations, as a manifestation of their initial success.

2.3. Economic Diplomacy and the Diaspora

The Diaspora is one of the most important aspects of Kenya's foreign policy that has recently been adopted by the Kenyan government to tap into the billions of shillings sent by Kenyans in the Diaspora. The Kenyan Ministry of Foreign Affairs has set up a special department (Directorate of Diaspora and International Jobs) that will provide them with information regarding investment opportunities in the country. In countries like the Philippines, the Diaspora is taken so seriously that the Philippine government established the Philippine Overseas Employment Administration

POEA)²⁸ as the government's arm that manages the migration of Filipino workers overseas. An agency attached to the Department of Labor and Employment, the POEA has four operating offices and a support group. Most Filipinos overseas migrate to other nations to find employment or support their families in the Philippines. As a result of this migration, many countries have substantial Filipino communities and often, these Filipinos are referred to as Overseas Filipino Workers (OFWs). Former Philippine President Gloria Macapagal-Arroyo applied the term Overseas Filipino Investor" or "OFI" for Filipino expatriates who contribute to the economy through remittances, buying properties and creating businesses. Around 8.6 million to 11 million overseas Filipinos are the estimated count worldwide or about 11% of the total population of the Philippines. More than a million Filipinos try their luck each year to work abroad through overseas employment agencies and other programs, including government-sponsored initiatives.

²⁸ Philippine Overseas Employment Administration website <http://www.poea.gov.ph>

Overseas Filipinos often work as doctors, physical therapists, nurses, accountants, IT professionals, engineers, architects, entertainers, technicians, teachers, military servicemen, seafarers, students, caregivers, domestic helpers and maids. Remittances sent by OFWs to the Philippines contribute to the country's economy, with a value of more than US\$17 billion in 2009. This makes the country the fourth largest recipient of remittances with India, China, and Mexico in the top list. OFW remittances represent 13.5% of the country's GDP, the largest in proportion to the domestic economy among the four countries.

2.3.1. Remittances from the Diaspora

Kenyans in the Diaspora send home more than Sh5 billion per month and the remittances have been increasing this year in tandem with the healing economies of Europe and North America the biggest source of the inflows. Most of the cash is channeled into the booming property market and to support dependants, with analysts saying broader investments options could increase the remittances. –

In July 2011, remittances to Kenya amounted to US\$ 72.8 million, which was 44 percent higher than the level in July 2010 but stable compared to USS 71.9 million recorded in June 2011. The improvement was largely in higher flows in 2011 compared to 2010. In the first seven months of 2011 remittance inflows amounted to

US\$ 479.3 million, and were 36.6 percent above US\$ 350.9 million recorded over a similar period in 2010²⁹.

Table1: Monthly Remittance Inflows (2004-2011 in US\$'000)

	2004	2005	2006	2007	2008	2009	2010	2011
January	25,154	28,564	31,506	40,930	53,625	39,535	45,117	64,139
February	27,676	26,056	30,283	39,533	50,382	53,353	46,423	60,759
March	29,944	31,219	36,354	48,562	59,344	55,361	52,309	71,577
April	27,773	29,216	35,369	38,251	67,872	48,117	52,679	70,071
May	26,931	32,358	42,427	41,163	48,538	49,180	51,172	68,124
June	30,047	34,360	35,667	48,643	49,490	46,347	52,541	71,888
July	33,187	29,133	41,065	53,350	44,137	50,372	50,652	72,797
August	28,894	31,759	30,587	58,803	43,388	55,947	51,993	
September	28,894	31,616	28,841	60,575	48,953	53,347	58,557	
October	25,223	33,037	29,633	46,848	61,113	53,037	58,503	
November	25,473	40,282	30,403	55,564	43,970	48,231	56,380	
December	29,130	382,557	34,459	41,421	40,129	56,329	65,617	
Annual Total	338,326	382,153	407,593	573,643	611,241	609,156	641,943	479,335

Source: Central Bank of Kenya report, July 2011

The increase in remittances in 2011 continued to reflect economic recovery in source markets, and a favorable domestic economic environment. The source markets for remittances have on average maintained the same shares with North America contributing 51 percent and Europe 29 percent in July 2011, compared with 54 percent and 26 percent respectively in June 2011.

²⁹ Commentary on Remittances for July 2011 by Mr. Charles Gitari Koori, Director Research Department, Central Bank of Kenya

2.4. Trade Negotiations & Multilateralism

Economic diplomacy, on the other hand, deals with economic policy issues such as in multilateral Fora like the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD) and standard setting organizations like the World Intellectual Property Organization (WIPO). Kenya is committed to the principle of free trade through multilateral negotiations under the auspices of the World Trade Organization, of which it is a member. This implies that further trade liberalization measures are to be undertaken with the long-term aim of achieving a zero tariff trade regime, as advocated by that multilateral body. The government's commitment to participation in regional trade arrangements (RTAs) is consistent with its industrialization strategy³⁰. Kenya's continued participation in RTAs such as the East African Community, COMESA, the Intergovernmental Authority on Development (TOAD), and the Cross Border Initiative (CBI) is aimed at securing these benefits.

2.5. The Role of Commercial Diplomats

Ambassadors, commercial attaches, and other members of the diplomatic corps must play a key role in developing and maintaining export markets, attracting inward foreign investment and creating an image of the home country. Canon de la Carrier (1998)³¹ argues that business support is not a job for traditional diplomats; rather, the job finds its

³⁰ Regional trade is important for Kenya given that at the moment the region is the largest destination for Kenyan Exports. Tanzania and Uganda alone are the largest destination of Kenya's exports accounting for 30%, while South Africa is the fourth largest source of Kenya's imports, accounting for 7.2%.

³¹ Carron de la Carrière G. (1998), *La diplomatie économique : le diplomate et le marché*, Paris, Economica.

roots and challenges in marketing, market knowledge, commercial and financial techniques which are in general not expected from traditional career diplomats.

Foreign ministries do not generally handle external economic relations (with the exception of Australia, Canada and a score of others that have a combined ministry, as mentioned above). But some monitoring of bilateral economic links is combined with political work in most MFAs, through their territorial divisions. This is in recognition of the fact that economics is a vital and often dominant component of bilateral relations. The other related element is that most diplomatic services combine economic work with other tasks, though there are a number that also have a specialized foreign commercial service (like the US), or handle commercial diplomacy with a combination of specialists deployed to the larger embassies from the trade ministry.

According to Rana, the four pillars of economic work are: Trade promotion, with prime but not exclusive focus on exports; Investment promotion, mainly focused on inward investments, but not excluding the home country's outbound investments, where appropriate; Attracting suitable technologies, plus technology "harvesting"; and Management of economic aid, which is important for most developing countries as a "recipient", and for as a "donor" developed nations³².

There is also the larger task of country promotion, which supports all the above, and blends into image building, as well as tourism promotion. Enhancement of the image of the home country is one of the essential tasks of diplomacy that underpins and relates to a

³² Rana K.S. (2000), *Inside Diplomacy*, New Delhi, Manas Publications.

wide range of external activities. Contemporary “economic diplomacy” is broader in scope than the “commercial” work of the past. As the above list indicates, the tasks go beyond trade, and encompass activities that would not have featured on the work agenda of embassies and foreign ministries even some 25 years back. Three concrete examples are investment mobilization, tourism promotion and management of the country image. Each of these three is relevant to diplomacy, as concrete activity that official representatives today undertake in external relation building. And each of them provides feedback into other elements of the diplomatic process. It is another demonstration of expanded and integrated diplomacy.

2.5.1 Organization of Economic Work

Different countries conduct economic work is handled in different models in diplomatic spheres as follows;

Unified: There are about 15 countries which now combine foreign affairs and foreign trade among others such as, Australia, Canada and Sweden. But in a special twist, under the unified ministry, Australia has a separate commercial export promotion service, distinct from the diplomatic service, though the head of mission plays a unified role in heading both activities.

Part unification: The best instance is UK that has created two special units in the Foreign Office, jointly with the Department of Trade & Industry, to handle trade and investments, manned by a unified diplomatic service.

Third agency: This is the Singapore method, where the MFA largely keeps out of economic work, and the operational tasks are handled by two special entities, the Singapore Trade Board and the Singapore Economic Development Board, under the supervision of the Ministry of Trade and Industry. Each Board posts its own representatives at key locations, placed within the embassy or consulate general. The ambassador and other diplomats work closely with them in the well-known “Team Singapore” style.

Competition: This is the relatively confused situation in many countries, with the MFA and economic ministries engaged in turf battles over responsibility not only for export promotion and investment mobilization, but also over the handling of WTO affairs, and some other economic groupings. Examples include India and Thailand. One direct consequence is that the diplomatic machine does not make a full contribution to advancement of economic interests.

Renunciation: The MFA does not play an active role in bilateral economic work, and is glad to hand this over to another ministry. Examples include China and Germany. This does not optimize resources, even if there is little outward evidence of disharmony. There are also exceptional situations where aid work is concentrated in the MFA, but this

happens only with donor countries in countries such as Denmark and Japan. There are no instances where recipient countries (i.e. developing countries) handle aid work in the MFA. India offers an interesting contrast; it runs a small aid donation program, which is handled entirely from the Ministry of External Affairs. But the inbound aid work is handled exclusively by the Indian Finance Ministry.

Commercial diplomats are expected not only to have business training and education but also direct experience in the private sector; In Ireland, commercial diplomats are encouraged to go back to the private sector after 3 to 4 years of diplomatic activity. In contrast, countries like Japan and Korea encourage their commercial diplomats to stay for a longer period of time in the same position to ensure good local networking and experience. The bigger part of the work of commercial envoys popularly known as commercial attaches or trade commissioners consists of reporting to the government on economic developments in the host country (Herbst, 1996)³³.

In the Netherlands there is a law which provides a clear guideline for government intervention in the free market sector (Van Damme, 2002).³⁴ Important aspects of a commercial diplomat's work also consist of providing insights about investment opportunities and promoting business relations through advising and supporting both domestic and foreign companies in the implementation of their FDI projects (Saner and

³³ Cited in Haaf W. "*Commercial diplomacy and the role of Embassies 'From a target group Perspective'*" Master Thesis Page 19 of 76 (University of Twente).

³⁴ Van Damme, Eric E.C., Pragmatic Privatization: The Netherlands 1982-2002 (June 2004). TILEC Discussion Paper No. 2004-007. Available at SSRN: <http://ssrn.com/abstract=870257>

Yiu, 2003)³⁵. The local knowledge of a commercial diplomat is particularly useful in helping business people to participate in trade fairs, trade displays, store promotions, social receptions for local leaders, trade and technical symposia, etc. (Canon de laCarriere, 1998). Given the growing role of the Internet, it is likely that commercial diplomats will increasingly assume a role in increasing the credibility of “virtual” business relations, which is a major business concern (Rana, 2001 ; Naray, 2008).

Naray conducted an empirical study to find out what work style could be characterized as successful and what style of commercial diplomacy should be favored. A commercial diplomat’s style depends on more than national parameters, and the approach to style can evolve quickly due to foreign influence, the diplomatic or commercial background and personality. Three different work styles have been elaborated: the business promoter, the civil servant and the generalist.

A business promoter may be described as a business-oriented, proactive commercial diplomat who aims for the satisfaction of the companies served. A civil servant acts like an employee in the trade ministry. These commercial diplomats tend to be reactive rather than proactive and keep their distance from business deals. A generalist is a career diplomat assuming business support functions on an ad hoc basis or in addition to other diplomatic duties.

³⁵ Saner K. and Yiu L.(2003), International economic diplomacy: Mutations in post-modern times, *Discussion Papers in Diplomacy*,84, The Hague, Clingendael Institute.

2.6. Criticisms of Commercial Diplomacy

Commercial diplomacy, being a government service, is accused of certain shortcomings. There is an ongoing debate in the literature and research institutes about whether the service and activities of diplomats are adequate in the current setting of globalization. In some cases, the criticism may reflect certain stereotypes about government agencies (Potter, 2004; Kostekci, 2008; Naray, 2007).

Some of the criticisms are that there is ‘no need for commercial diplomats as they only take advantage of diplomatic privileges and one cannot measure their performance in export promotion at all ; diplomats are generalists most of the time and in most cases rarely understand business concerns ; some commercial attaches are bureaucratic and ineffective and will only help their private friends and will therefore only encourage corruption within the diplomatic services; diplomats are overloaded most of the time with issues other than trade and investment so they do not have time to do their work correctly as trade representatives and do not have the sense of priority to assist business people; there is no need for commercial diplomat activities in a free market economy as buyers and sellers are able to meet without assistance ; and that performance — being intangible — is difficult to measure. The quality of the relationship between commercial diplomats and their beneficiaries is highly dependent on the skills and motivation of the individual/team.

However, although there are several critiques on the effectiveness and favoritism of commercial diplomatic activities, there are other researchers who have actually measured the impact of commercial diplomats abroad. Rose (2005) found in his study that the presence of foreign missions is positively correlated with exports³⁶.

He found, by holding other factors constant, that each additional consulate is associated with slightly higher exports; his point estimate is around 6- 10%. In addition, the perception of the commercial diplomatic activities depends on the personal characteristics of the ambassador (as figurehead) and the commercial diplomat. Suggestions for topics for future research include the influence of the commercial diplomat or ambassador's personal characteristics on the image of the embassy and the Human Resource policy of the Ministry of Foreign Affairs in conjunction with the level of service.

2.7 National Branding & Country Image

Another important aspect of economic diplomacy is “National Branding” which basically refers to managing the attractiveness of a country in the minds of the foreign public (Yang et al., 2008)³⁷. The impact of image extends in both directions: successful companies may improve the country's reputation, and ‘successful’ governments might have a positive impact on a business firm's image (Naray, 2008)³⁸. For example in Korea, global brands like Samsung, LG, Hyundai contribute immensely to the perception

³⁶ Haaf, W., “Commercial diplomacy and the role of embassies ‘From a target group perspective’” Master Thesis

³⁷ Yang, S.U., Shin, H., Lee, J.H., Wrigley, B. (2008). Country Reputation in Multidimensions: Predictors Effects, and communication channels. *Journal of Public relation Research*, 20(4):421-440

³⁸ Naray, O., *Commercial diplomacy: a Conceptual Overview*, Enterprise Institute, University of Neuchatel 2008

of Korea as a country. Country image and country brand constitute an important managerial concern for newcomers to foreign markets, and the commercial diplomat's support may be crucial. Commercial diplomats can therefore help by enforcing a country's image or contributing to the company's credibility by recommending it to the host country business and government (Rana, 2001; Harris and Li, 2005, in KostECKI and Naray, 2007)³⁹.

Nation branding is considering the position of a country in the 'global village' and its visibility in the international arena, according to Olins (2002)⁴⁰ and encompasses activities from country naming through to the total of all activities of the country. For example, Kenya is well known globally not only as a sporting nation but a country with some of the best touristic destinations as far as wildlife is concerned. During global athletic events, Kenya gets to announce its brand on a world stage and is always known to have some of the best marathoners.

The first area of nation branding is export branding and it is obvious that consumers associate specific products or labels with specific countries (Mercedes with Germany, pizza with Italy, MacDonalds with the United States and watches with Switzerland). The second area is foreign investment. Increasing interdependency and a globalized economy force companies to look beyond their borders, in order to realize cheaper production costs or improve the research and development opportunities. By having a good *nation brand*,

³⁹ KostECKI, M. & Naray, O. *Commercial Diplomacy and International Business, Clingendael Discussion Paper in Diplomacy*, The Hague, Clingendael Institute, April 2007;

⁴⁰ Olins, Wally. "Branding the nation-the historical context." *The Journal of Brand Management* 9.4-5 (2002): 4-5.

in the sense of highly skilled people, being a trustworthy partner, good infrastructure, it is less difficult to attract foreign investments. The third area is the fourth biggest industry worldwide, tourism, with an estimated growth of 9% a year (Olins, 2002). By generating an increasing stream of tourists to your country, you will actually contribute to the nation brand.

While all aspects of economic work are subsumed under country promotional activities, (trade, investments, and technology), this activity also reaches into other areas, like building positive media and public images, destination promotion for attracting tourists, and for activities that may even include building institutional links in research and development or education cooperation.

In 1991 the International Finance Corporation and the Multilateral Investment Guarantee Association, both based in Washington DC, had published a comparative study on the country promotional methodology of several countries. In the past decade there has been a much greater accumulation of experience, since most countries, regions and even province-level entities in large countries now implement vigorous programs of their own in pursuit of FDI it is understood that one's own efforts have to be conditioned by awareness of the competitive market for investments.

The hard material for country promotion — the websites, brochures and other distribution material — is produced by the home agencies, and the mission acts as the distributor. However, it can also use its ingenuity in adapting such material for local use, selecting

the data and positioning for its own website, and using local knowledge for optimal impact. It also often has the prospect for using local opportunities for extensive and intensive contact, without waiting for investment procurement delegations from home.

Other methods that are relevant include “image audit” which should be regarded as a fundamental prerequisite for establishing a base line and a reference point, for image building and for country promotion. However this is seldom used in practice leading to the absence of an accurate basis for addressing the image issues that are really important at the particular place and time. Although image audit is an expensive device that can be undertaken only by headquarters, the individual embassy still has responsibility for making a good assessment of the local challenges in country promotion.

Secondly, official representatives are expected to depict a rosy picture of the scene in the home country, but statements by nationals of the target country and third countries often carry greater credibility. Official statements are important, especially when one can demonstrate an ability to “walk the talk”. Thirdly, all the classic skills of outreach are involved at their peak in country promotion, including social entertainment and a welcoming ambience offered by the mission. There are documented instances where the efficient delivery of consular services has been a positive factor in image building and country promotion. Fourthly, in one more demonstration of the integral nature of external affairs, tourism promotion is closely allied with country promotion and it is best to use the synergy available by combining or at least coordinating the two activities and finally, one special device in the armory of the mission is the regional approach, locally using a

group such as the cluster of SADC or EAC ambassadors or the Asia Pacific group of envoys, for joint promotional effort, vis-a-vis the local agencies, or regions. It is remarkably productive in gaining access and visibility.

2.7.1 The Brand Kenya Board

Brand Kenya Board (BKB) is tasked with the responsibility of identifying and refining the key attributes about Kenya, that contribute positively to the image and reputation of the Nation⁴¹. A strong, believable and easily recognizable brand is all the difference between attracting positive attention or none at all. The board would like Kenya to be internationally recognized for its people, its natural resources and its position as a key player in the East African region's socio-economic development.

Athletics, culture, tourism, horticulture, development in ICT, telecommunication, education and our heritage can contribute generously towards improving the country's attractiveness to holiday makers, nature conservationists, artists, investors and other nationals who would like to make Kenya their home. BKB's mandate is to ensure that an integrated national brand is created, harnessed and sustained in the long term. Pursuant to this mandate, the legal notice spells out two guiding principle objectives of the Board.

⁴¹ Brand Kenya Board, Strategic Plan 2009-2012

2.7.2 The Role of Tourism in Branding Kenya

Tourism is one of Kenya's leading sources of foreign exchange and fastest growing commercial sectors. We believe that sustainable tourism can lead to rapid economic growth and poverty alleviation. It contributes about 11% to the gross domestic product (GDP). After impressive growth in the 1960s to 1980s, the sector experienced an unprecedented decline in the 1990s, particularly between 1995 and 1998 when annual tourist arrivals and receipts dropped by 1.5% and 19.5%, respectively.

Promotion of mass tourism between 1965 and 1994 led to substantial increases in tourist numbers but drastic falls in per capita tourist expenditure, length of stay, hotel occupancy, hotel room rates, and service quality. The Ministry of Tourism strategizes and supports the work of the Kenya Tourist Board, to actively promote and market Kenya as a preferred touristic destination. High- value tours to game parks or wildlife safaris complemented by quality coastal beach holidays remain Kenya's primary tourist products. But Kenya's natural environment, cultural diversity and the people themselves have the potential to give the country distinctiveness.

2.7.3 The Role of Sports in Branding Kenya

Kenya is well endowed historically as a sporting powerhouse. Kenya has won major accolades in a number of different sporting disciplines. It has also acted as host of major sporting events and successfully bid to host these with the latest being the 2007 World

Athletics Cross-Country Championships in Mombasa. This has shown the potential held by the country in hosting major sports events.

As one David Stern — NBA Commissioner says, “sports are woven into the fabric of everyday life it’s a social currency”. This underlines the need to involve the government, private sector and interested parties more aggressively towards the realization of success in commercializing and branding “Sports -Kenya⁴²”.

The Kenyan Government must draft and adopt a sports policy for “Sports-Kenya” to be realized. It is a commitment that the government has to make through the necessary legal and policy framework. This ought to provide an enabling environment for locals and international parties willing to invest in sports with a legal framework. Bidding for events at the regional and international level will further boost the image of the country as a sporting nation.

2.7.4. Embassies as Partners in Nation Branding

This will be necessary to prove the viability of into focus developments, relations and world from the international events such as Olympics as CECAFA, ECA Basketball Federation to help realize these dreams.

Depending on the organizational structure, ministries of foreign affairs or economic affairs are challenged to adapt to the rapidly changing world, and they must increasingly

⁴² Wanjohi R. “*Brand Sports- Kenya the Ultimate Sporting Nation*” A proposal

take the foreign public opinion into account. According to Melissen (2006)⁴³ public diplomacy is beyond doubt one of the hottest topics under discussion in the world's diplomatic services. Ministries of foreign affairs in all corners of the world pay increasing attention to their country's reputation overseas.

Against the background of the changes in diplomacy, governments are confronted with new tasks and changing functions of their embassies. The embassies (or other established government institutions) are the analyzers of information, conducting commercial diplomatic activities, lobbying, maintaining contact with society and host country, and facilitating international business networks. Embassies must realize that the dialogue with non-official groups and individuals in the countries where they are based is an important task and in some cases perhaps even their principal task (Melissen, 2006). Morgan et al. (2002)⁴⁴ states that the art of a nation brand's behavior can be managed through its representation and that a nation brand builds by virtue of symbolic meanings, emotional relationships with certain markets and audiences. In other words, diplomatic activities serve as a window into a society and as a window out.

2.8.0. Selected Best Practices in Economic Diplomacy: Focus on India

In "Economic Diplomacy: the Experience of Developing Countries", Kishan S. Rana, gives an insight into the Indian model of economic diplomacy and asserts that the

⁴³ Jan Melissen, ed., *Innovation in Diplomatic Practice* (Macmillan, London, 1999)

⁴⁴ Ryan, C. (2002), "The politics of branding cities and regions: the case of New Zealand", in Morgan, N., Pritchard, A., and Pride, R. (Eds.) (2002), *Destination Branding: Creating the unique destination proposition*, Butterworth Heinemann, Oxford UK

organization of economic diplomacy in India is both traditional and modern. From its inception in 1947, the Indian Foreign Service has been an integrated entity, handling political as well as economic and other forms of diplomacy⁴⁵. A major Indian weakness is however institutional disharmony, in the shape of turf battle between the Ministry of External Affairs (MEA) and the economic ministries, though on major issues these agencies are able to put aside their differences. For instance, MEA swaps some posts abroad with the Commerce Ministry in exchange for several placements in that ministry for its officials; those holding commercial assignments abroad are answerable to both ministries. The Permanent Secretary heading Commerce serves on the MEA personnel board that selects officials for sub-ambassador level assignments abroad. However, WTO issues are handled primarily by the Ministry of Commerce, which also appoints the envoy handling this subject in Geneva. MEA's Economic Division (actually a full department with four divisions handling Indian aid and technical cooperation with foreign countries, plus external economic promotion and multilateral economic work) receives less than fulsome cooperation from the Ministries of Commerce and Industry⁴⁶.

The Finance Ministry's Department of Economic Affairs, which handles inbound aid as well as the interface with the World Bank and the IMF, has even less to do with MEA. In 2005 Prime Minister Man Mohan Singh created a cabinet-level 'Trade and Economic Relations Committee' which he chairs, for apex-level coordination; this top-down process is powerful, but it does not substitute for better ground-level harmonization

⁴⁵ Former Prime Minister Jawahral Nehru personally drafted the 1946 cabinet note that created the Foreign Service, on the basis that it should perform all categories of diplomatic work. But it was not until 1966 that the Ministry of External Affairs set up its Economic Division.

⁴⁶ The Indian Ministries of Commerce and Industry are separate entities, but since 2001 they have been placed under single cabinet minister, while they retain their distinct identity.

working. In consequence, the Indian embassy network is utilized far less than it should be both in relation to FDI mobilization and export promotion. According to Rana there are three distinct phases of economic diplomacy which are outlined below using the Indian example⁴⁷.

2.8.1. Economic Salesmanship

India grasped the economic diplomacy nettle in the early 1970s, as a response to the first ‘oil shock’ by the OPEC cartel, which almost overnight quadrupled crude oil prices. As a ‘non-oil’ developing country, India was forced into heroic actions to raise foreign exchange resources, with primary focus on the Gulf region. India leveraged its political connections with the Arab countries to win turnkey projects, consultancy assignments and contracts, for skilled as well as advanced technical manpower.

In Algeria, although India’s technology expertise was unknown, it took advantage of opportunities to help Indian companies, public sector and private, to sign their first twelve industrial and consultancy contracts between 1975 and 1979. They also sent over 800 doctors, besides dozens of professors and engineers. That story was replicated in Libya and elsewhere, with the difference that many thousands of skilled workers went out. Today, the Gulf region has a total of over three million Indian skilled workers, besides tens of thousands of Indian professionals; they are the principal contributors to an inflow of over \$24 billion received as remittances from the Indian Diaspora.

⁴⁷ Rana K.S. (2000), *Inside Diplomacy*, New Delhi, Manas Publications

That same salesmanship mode was deployed to help the Indian software industry gain its first wins in Silicon Valley and other parts of the US in the late 1980s. Many Indian embassies played a similar role. A feature of this phase was the country's heavy dependence on foreign aid; the annual meetings in Paris of the 'Aid India consortium' were a major event, and considerable effort was expended via summit level diplomacy to maximize the commitments announced by the major donors and the international financial institutions. Through much of the 1980s, the Finance Ministry, directly supervised by the Prime Minister's Office, handled this vital diplomatic effort, while MEA was relatively isolated.

2.8.2. Economic Networking and Advocacy

By 1995, India had matured into the second economic networking and advocacy phase, though salesmanship continued; on the ground, the two phases telescoped into one another. India launched economic reforms in 1991, which many have viewed as no less than a second independence movement, freeing the economy from self-imposed shackles of statism and the 'license raj'.

These gave salience to efforts to maximize exports, mobilize FDI, and assist Indian companies to access technology, besides improving the flows of inward aid and of foreign tourists. This involved reaching out to the new diplomacy actors, both the agencies of government as well as the non-state actors, at home and abroad. Indian economic diplomacy is heir in its coordination with the latter, i.e. the non-state agents:

the principal business organizations, notably the Confederation of Indian Industry (CII)⁴⁸, as well as the economic think tanks, the NGOs that are active on international economic issues, and the media.

While MEA regained for itself a central role in external economic diplomacy, coordination among official agencies remained patchy. When good collaboration takes place, it hinges on individuals, rather than institutional arrangements. Thus India's strong negotiation posture at the WTO is not sufficiently backed with matching advocacy at the key bilateral capitals; nor is investment promotion activity sufficiently harmonized, producing the 'approved-but-not-implemented' limbo described above.

2.8.3. Regulatory Management and Resource Mobilization

The third and latest priority is regulatory management and resource mobilization, i.e. negotiation of FTAs, energy access agreements, and regional diplomacy via innovative new groupings. One characteristic of this phase is an awareness of the country brand, leading to efforts to build an image of modernity.

These tasks require domestic coalition building, where the competence of each agency, official and private, is respected, to work together to advance economic interests abroad.

⁴⁸ The full story of the extraordinary role played by this industry association is yet to be told; see Sharmila Kantha, *Building India with Partnership: The Story of CII 1885-2005* (Penguin, New Delhi, 2006). In the 1980s, the pre-reform phase when an external drive commenced, CII took regularly took delegations of top industrialists to lobby US and other counterparts on the opportunity presented by India. Jack Welch of GE has spoken of how he was wooed over several years. This spurred its longtime rival association, the Federation of Indian Chambers of Commerce and Industry (FICCI), to reinvent itself in the 1990s. The third major business player is the Associated Chambers of Commerce (ASSOCHAM).

India does not have, as yet, ‘public diplomacy boards’ where the foreign ministry takes the lead in suggesting unified action to autonomous agencies, such as those covering the public media, culture, education and tourism.

The associated home task is to reach out to the varied partners and harmonize their sectoral interests with national priorities. Such coordination cannot be imposed by right or dictate; it emerges when the other agencies see the foreign ministry as bringing value to their direct interests. The foreign ministry is the logical center point of such efforts, because it has no sectoral agenda of its own. The forte of the foreign ministry is its control of the totality of the external inter-state dialogue, of course, under the oversight of the head of government and his staff.

An outstanding example is India’s very first bilateral FTA, signed with Sri Lanka in 1999 (Rana 2004, 66-70). Up until then India had an ‘ideological’ bias that viewed regional and bilateral FTAs as derogation from the principle of multilateral universality of trade liberalization under the GATT/WTO formula. But the Sri Lanka FTA has been a singular economic and political success, and India has since signed similar agreements with Thailand and Singapore, and is negotiating other FTAs, including one with ASEAN.

In contrast, in relation to other trade regulation arrangements, the inter-ministry coordination has been uneven, and sometimes notably absent. India shows the complexity of economic management; with policy-making fragmented, and the Ministry of External

Affairs confined to a small role where the operation of economic diplomacy is not always in synch with political objectives⁴⁹.

Yet, positive examples also exist; in the search abroad for energy sources, Indian embassies have frequently played a proactive role in helping state and private enterprises in pursuing opportunities (Rana 2004, 68). At the same time, new initiatives in regional economic arrangements have come from MEA. A few of these show considerable promise.

In 1997 Thailand and India set up a cross-regional network with Bangladesh, Myanmar and Sri Lanka (BIMSTEC), later joined by Bhutan and Nepal, aiming to create a free trade area. IBSA (India, Brazil and South Africa) came into existence in 2003, when the three countries decided to build on their proximity on international economic issues, to develop closer trade and transport links; it held its first summit meeting in Brasilia in October 2006. But JOC-ARC, a group of Indian Ocean rim states that want to expand mutual cooperation, seems to have lost steam, though it has a secretariat in Mauritius. MEA is the lead coordinator on each of these, marshaling cooperation with other agencies, state and non-official.

⁴⁹ In December 2005, on the eve of the first enlarged 'East Asia Summit' (where Australia, India and New Zealand joined the Asean + 3 leaders), the Indian Commerce Minister presented the first draft of India's negative list for the Asean-India FTA that is under negotiation. The list of items that were to be kept out of the free trade regime ran to 1414 items, and as the Malaysian Trade Minister pointed out, included toilet seats; it became clear that the list had been screened by either the Ministry of External Affairs or other agencies. Yet, safeguarding the interests of domestic industry and agriculture is a vital issue, one that has to be handled with finesse and sensitivity, without over pitching one's demands; by early 2007 differences had narrowed and an agreement is under finalization.

2.9. Other National Examples

A number of medium and small countries in Africa and Asia with fragile economies have remained mired in conventional diplomacy, some of them observing the forms of international discourse, but without coherent pursuit of national objectives. Appointments as envoys are seen as sinecures for failed politicians and retired generals⁵⁰. Professional diplomats are under-trained, and when sent on assignment overseas, they are often demoralized and inactive.

A change factor in some of these countries is the public sector reform imposed by the IMF and the World Bank, as part of the 'structural adjustment programme', in the highly indebted countries facing default in their international payment obligations. Episodic evidence suggests that performance management norms and business plan systems brought into foreign ministries may produce superficial changes without improving the management of diplomacy or external projection.

The tiny, reclusive Himalayan Kingdom of Bhutan (population 675,000)⁵¹ would hardly come to mind as notable for its economic diplomacy. But it is of interest on two counts.

⁵⁰ A few years back, out of nearly a score of Ugandan ambassadors abroad, only one was a professional from the Foreign Ministry. Several Central American countries also reserve the majority of envoy appointments for those connected politically. In contrast, a law in Brazil requires that only professionals from the foreign ministry be appointed as envoys abroad.

⁵¹ This is the official figure based on a 2005 census, though other estimates place the total population much higher, at about 2 million.

One of its few resources is its latent hydropower capacity. Since 1974, it has utilized its privileged relations with India to implement three major hydro projects, Chukha I, Chukha II and Tala (completed in 2006), producing nearly 2000 MW of power, all sold to electricity-deficient India, earning for the country over 50% of its GNP.

In Brazil, the Ministry of External Relations, still known by its old location name in Rio de Janeiro, *Itamaraty*, enjoys a primacy that counterparts in most developing countries envy. *Itamaraty* has always monopolized external negotiations; the professional competence of its diplomats, their mastery of foreign languages and their experience have served as mutually reinforcing elements. As new subjects entered the international dialogue, it added new departments; observers have called its economic diplomacy ‘surprisingly agile and dynamic’ (Lampreia and Ia Cruz 2005, 108). The increasing technicality of subjects has prompted the *Itamaraty* to hand over some responsibilities to the Commerce Ministry specialists and shift its economic diplomacy management to a multi-agency mode.

A Trade Council based in the Presidency carries out policy harmonization. In the early 1990s, when Mercosur was established as the regional integration mechanism and WTO replaced GATT, *Itamaraty* was reorganized in consonance with this regional and global economic paradigm (it handles all FTA negotiations). Brazil is one of the few countries represented at WTO by its foreign minister. The diplomatic service handles commercial work abroad. China presents a very different picture. Until its breakup in 2002, the powerful Ministry of Foreign Trade and Economic cooperation (MOFTEC) handled all

external economic activities (its successor is the Commerce Ministry plus other agencies).

As before, the Foreign Ministry does not handle field-level external economic promotion, which is carried out by a separate commercial cadre. Coordination is implemented through the party mechanism, which is very effective on strategic issues; a series of thematic 'leading small groups under the supervision of the Politburo, bring together top party leaders and the key ministers for vision-making. Paradoxically, in relation to the issues of detail the system is less efficient. Inter-ministry coordination takes place primarily at the level of vice-minister; inter-ministry meetings at varying lower levels, the norm elsewhere, are unknown. Overseas, while the Commerce Ministry specialists handle trade promotion, economic policy remains with the diplomats. Chinese embassies are now moving to active advocacy on behalf of their companies, borrowing the methods that the others have long pursued.

The tiny island state of Mauritius has been surprisingly innovative on external economic issues affecting its vital interests (e.g. combining foreign affairs and trade and promoting textiles exports, see above). In the 1970s it played a leading role in working out the sugar preferences given to the ACP countries by the European Community under the 1976 Lomé Convention; this has brought windfall gains to the producing states of Africa, the Caribbean and the Pacific⁵². Having achieved middle-income country status with a per

⁵² In the 1970s, when sugar prices reigned higher than the guaranteed price offered by the EC, Mauritius played a key role in persuading the producing countries to take a long view; in consequence these countries have enjoyed high profits in the ensuing years of much lower world prices for this commodity. The preferences are now under phase-out, under the WTO regime.

capita income of over \$3000, rising labor cost has eroded the competitive advantage of Mauritius in textiles and sugar. It is now adopting targeted mobilization of FDI focused on the service industry, value-added manufacture, and offshore banking, while shifting its textile industry investments to neighboring countries such as Madagascar. In the mid-1980s Mauritius persuaded India (originally home to 70% of its inhabitants) to give it exceptional treatment in a double taxation avoidance agreement, exempting Mauritian registered companies from capital gains tax. After the launch of India's economic reforms this has provided a bonanza, with around 20% of the FDI flowing into India using the 'Mauritius route', to minimize tax liability. Mauritius also persuaded China (home to 3% of its population) to sign a similar treaty⁵³.

Singapore has harnessed economic diplomacy as a major instrument in its transformation from a sleepy entry point in 1965 at the time of its separation from Malaysia and independence, devoid of a hinterland or resources, to a thriving economy, enjoying Asia's highest per capita GDP. Singapore's legendary Economic Development Board (EDB) has played a key role; together with its Irish counterpart it is arguably the best among investment mobilization agencies, specializing in targeted pursuit of investors (Chan Chin Bock 2002).⁵⁴

A comparable role in promoting exports of products and services has been played by International Enterprise Singapore (TES, formerly known as TDB, the Trade

⁵³ The Indian tax authorities have long attempted to close this loophole (especially to block domestic investors who illegally route investments through Mauritius in 'round-tripping' deals), but the island state has blocked this on the basis of kinship and close political ties. It was reported in January 2007 that the Chinese have pushed through a partial revision of this concession, and India is attempting the same.

⁵⁴ Chan Chin Bock, Heart Work (Singapore Economic Development Board, 2002)

Development Board). Singapore's hallmark has been: an inclusive approach that mobilizes all stakeholders on a 'team Singapore' formula; long-term vision and thinking outside-the-box (as evidenced by its investments in technology parks in China, India and elsewhere, and its 'growth triangles' with Malaysia and Indonesia, utilizing their hinterland); astute regional and trans-regional diplomacy (for example the ASEM dialogue linking ASEAN and the EU); and an exploitation of best practices in diplomacy and human resource management (Rana 2006).

Thailand's economic diplomacy, like its international profile, looks unspectacular, even conventional. But as befits its centrality in South East Asia as a country never colonized, sharing 4863 km of land frontiers with four neighbors it has specialized in regional diplomacy. ASEAN came into being at its initiative in 1967, at a time when most of the five original members has dine dentist claims against one another. Thailand has since moved ahead with concrete regional economic actions. The 1992 Greater Mekong Sub-region (OMS) brings China into collaboration with Cambodia, Laos, Myanmar, Thailand, and Vietnam, with scores of projects funded by the Asian Development Bank and other agencies totaling over \$10 billion, to improve transport infrastructure and trade. As stated earlier, BIMSTEC was launched with India in 1997. The ambitious Ganga-Mekong Project, still largely on the drawing boards, aims to develop transport and other linkages between the basin states of these two great river systems.

In 2004 Thailand advanced the concept of the 'CEO ambassador', first as a pilot project and thereafter passed into law, which mandates that its envoys abroad are to exercise hill

control over all the representatives of ministries and agencies located abroad, to function as chief executives to advance Thai interests. Initially limited to six embassies, this is now standard policy and resembles the US system of designating ambassadors as heads of ‘country teams’, to get all official agencies to work together under united leadership. But it is unlikely that a related move, to impose a unified budget for the entire gamut of offices abroad, to be controlled by Thai envoys, will be implemented.

2.10. Conclusion

Most ministries of Foreign Affairs all over the world have been insisting on the importance of economic diplomacy and diplomats of many countries make no secret of the fact that their prime task now is to look after the commercial interests of the state they represent. Since the end of the Cold War, states, i.e. ministries of Foreign Affairs (together or in competition with other departments), have shown a remarkable aggressiveness with regard to bilateral commercial activities. Countries such as Germany, France, the United Kingdom and the United States are considered as being much more assertive and active in economic diplomacy than African countries like Kenya.

To be more effective, economic diplomacy requires new skills — negotiations, clinching deals — fatter budgets. This entails proper staffing e.g. use of local talent in embassies and monitoring and evaluation. The role of non-state actors such as companies, NGOs, the diaspora networks and private international networks are also very important and cannot be ignored. Kenya must emulate countries like South Africa and elevate the place

of branding in economic diplomacy. Officials from Brand Kenya Board should be posted to Kenyan embassies abroad to coordinate country branding activities.

The country must also enhance the importance of the multilateral component of economic diplomacy such as the World Trade Organization and Doha Round. Kenya must lobby the west to reduce barriers on agricultural markets and eliminate subsidies even as it allows developed nations who want to access Kenya's markets for their industrial goods. Kenya must also elevate the role of the United States whose investors would like to invest in stable environment. The country must take advantage of Kenya being the ancestral roots of President Barrack Obama to lobby for more US investments and support in programmes such as President's Emergency Plan for AIDS Relief (PEPFAR)⁵⁵, the Millennium Challenge Corporation (MCC)⁵⁶ and the African Growth Opportunity Act (AGOA).⁵⁷

⁵⁵ The U.S. President's Emergency Plan for AIDS Relief (PEPFAR) is the U.S. Government initiative to help save the lives of those suffering from HIV/AIDS around the world. This historic commitment is the largest by any nation to combat a single disease internationally, and PEPFAR investments also help alleviate suffering from other diseases across the global health spectrum. PEPFAR is driven by a shared responsibility among donor and partner nations and others to make smart investments to save lives.

⁵⁶ The Millennium Challenge Corporation (MCC) is an innovative and independent U.S. foreign aid agency that is helping lead the fight against global poverty. Created by the U.S. Congress in January 2004 with strong bipartisan support, MCC is changing the conversation on how best to deliver smart U.S. foreign assistance by focusing on good policies, country ownership, and results.

⁵⁷ The African Growth and Opportunity Act (AGOA) was signed into law by President Clinton in May 2000 with the objective of expanding U.S. trade and investment with sub-Saharan Africa, to stimulate economic growth, to encourage economic integration, and to facilitate sub-Saharan Africa's integration into the global economy. The Act establishes the annual U.S.-sub-Saharan Africa Economic Cooperation Forum (known as the AGOA Forum) to promote a high-level dialogue on trade and investment-related issues. At the center of AGOA are substantial trade preferences that, along with those under the Generalized System of Preferences (GSP), allow virtually all marketable goods produced in AGOA-eligible countries to enter the U.S. market duty-free. Since its inception, AGOA has helped to increase U.S. two-way trade with sub-Saharan Africa.

CHAPTER 3: THE ‘LOOK EAST’ FOREIGN POLICY

3.0. Introduction

Kenya is undergoing a significant shift in its foreign policy, forging closer ties with emerging markets of Asia, Middle East, Latin America and the Caribbean, as well as Eastern Europe. Dubbed the “Look East Policy”, the strategy is one of the main pillars of Kenya’s foreign policy which was adopted when the then NARC⁵⁸ government took over power from KANU⁵⁹ which had ruled Kenya for 40 years. This policy emphasizes improved relations with countries from the East and top officials of the new government from the onset, openly declared that they shall go East if the UK and the US-the traditional allies kept on lecturing the government on corruption.⁶⁰

Apparently, China, unlike the West, does not ask many questions in relation to governance. The critical issue between the Kibaki government and the Western powers was the issue of corruption, in which they accused the then NARC government⁶¹ of paying lip service to the war on graft. In particular, the Chinese choice of partners and its diplomatic philosophy, which preaches non-interference in other countries’ internal affairs, was very attractive to the Kibaki government, given that Western powers became disillusioned after the government failed to stick to its timetable of economic and political reforms.

⁵⁸ NARC is the party that came to power when KANU was defeated at the polls in December 2002

⁵⁹ KANU refers to the Kenya African National Union which ruled Kenya from independence until 2002.

⁶⁰ Fred Oluoch, Looking East NewsfromAfrica (17 March 2006)

According to Ben Ogutu a former Director of Political Affairs at the Ministry of Foreign Affairs, Kenya's foreign policy is based on the advancement of the country's interests globally, which means strengthening ties with traditional partners and looking at new horizons among the emerging markets. As a result, Kenya established new missions in regions where it was hitherto not represented. This included a new mission in Brazil to take care of Latin America and Caribbean markets and others in Thailand and South Korea to take advantage of technological transfer and trade. The official line is that if Kenya wants to promote its interests in trade and economic development, then it must be ready to work with any country that is willing to help.

Most recent reports allude to plans by the Kenyan government to push trade with countries like Brazil, China and India, taking advantage of south to south cooperation, to bridge its trade deficit which grew by 17.6 percent to 537.59 billion shillings in 2010 compared with 443.1 billion in the previous year⁶². According to Wycliffe Oparanya⁶³, Kenya spends 50 percent of its imports on oil. In the year 2010, Kenyan exports stood at 480 billion shillings against about a trillion of imports. The Minister said the south-to-south cooperation - trade and investment with countries like China, India, Brazil, offered Kenya a lifeline because goods from those countries were more affordable compared with the more developed nations.

⁶² Economic Survey 2011

⁶³ Minister of State for Planning, National Development and Vision 2030, 2011

Asian countries which also form the south-to-south corporation remain as the dominant sources for Kenya's imports, accounting for about 60 percent and China takes a lion's share of this trade. Capital equipment for industrial and infrastructure development were also a major contributing factor to the widening balance of payment. The latest economic survey released by the Ministry of Planning showed the total ratio of exports to imports eased to 43.3 percent from 43.8 percent in 2009. Imports from China rose by 62 percent to 120.6 billion shillings in 2010 while India registered a 24 percent growth to 103.2 billion shillings. However, exports to these countries form a fraction of the trade⁶⁴.

3.1. The Gradual shift from West to East

As mentioned above, Kenya's diplomatic paradigm shift started quietly soon after President Kibaki came to power and changed gears when Western diplomats posted to Nairobi (notably the former British High Commissioner Edward Clay and former US Ambassador William Bellamy) persistently justified their countries' belligerent policies towards Kenya in public speeches in which they lectured Kenyans on corruption, good governance and human rights, disregarding the Vienna Convention which lays down guidelines on diplomatic etiquette.

According to the then Foreign Affairs Minister Raphael Tuju, 'the eastward-looking' strategy was not a policy to be "debated, but a pragmatic and fundamental decision that Kenya had to make. "I am not able to understand this policy that is actively

⁶⁴ Gachenge B. Kenya eyes, Brazil India, ama trade to cut deficit" <http://af.reuters.com> (May 23, 2011)

encouraging Kenya to be delinquent with respect to our international obligations before we can be rewarded. The agenda of debt cancellation is going to define our engagement with our multilateral partners,” Tuju warned.

As it were, the Kibaki government, although not stated as official policy, seemed bent on breaking what has always been perceived by the previous government as Western condescending attitude and lectures on human rights and democracy. It did not help matters for the Kenya-West relations, when the then Transport Minister, Chris Murungaru, a then key player in president Kibaki’s inner circle, was banned from visiting both US and UK, due to alleged involvement in grand corruption. The move was interpreted by observers as a sign of deteriorating relations, while to Kibaki’s inner circle, it was revenge-driven and an attempt to get back at the president.

Murungaru, for instance, categorically claimed that attacks against the Kenya government over official corruption and his subsequent ban from visiting US and UK, arose from the “Changing fortunes of British contractors who once dominated the lucrative defence and security contracts, but whose monopoly has been shattered following the government’s decision to allow competition from companies from the East”. Murungaru, further noted that the new government’s decision to woo investors from the East was inevitable because traditional investors from the West were shying away from Kenya. He lamented that Kenya had been over-reliant on donor support and investors from the West. True to his words, five British firms involved in multi-billion shilling contracts lost business to competition from China, Japan, Spain, Russia and

France, unlike during Moi's regime, when British firms were the favourite contractors for the Department of Defense and often got lucrative contracts without competition. On the other hand, Chinese companies were having a ball, besides the fact that Chinese goods, previously shunned for being counterfeit were fast replacing Indian goods in downtown Nairobi.

This marked a departure from the approach of the former president, Daniel Arap Moi, who, despite his poor record on human rights in the Western capitals, retained close ties with the UK through lucrative contracts some of which date back to independence in 1963. The UK paid back by engaging in what they termed as "silent diplomacy", even at a time when other Western countries were screaming their heads off over human rights abuse and cutting bilateral aid.

Apart from China the Kenyan government also enjoys a cordial friendship with Iran that really raised eyebrows in the West, especially when Iran's President Mahmoud Ahmadinejad was on a collision course with the developed world over his country's nuclear programme. President Ahmadinejad visited Kenya in 2009 and signed a number of bilateral agreements that the Kenya government maintains will be of great benefit to the country.

3.2. Historical Perspectives of the Look East Policy

Kenya is not alone in its embracing of the Look East Policy with China but rather, it is adopting a script that has been established by various African countries that decided to

go the same way. The policy which began in Africa in the 21st Century has a long history and is very significant in explaining Africa's pivotal position in international politics, with the ability to swing from West to East as the tides of world politics change.

The Cold War would be the most important starting point for any discussion on the history of Africa's look east policy. This would also include the epic journey of China's General Zheng He⁶⁵ to the east coast of Africa in the 15th century. Throughout the period between Zheng He's explorations and the Cold War China explored trade possibilities with Africa and many Chinese migrated to eastern and southern Africa. Even during the Cold War, China's influence in the continent was still marginal as Russia which was the most powerful eastern power in the continent had to contend with the United States and Look East was therefore more towards Russia. At the end of the Cold War, Russia's influence in Africa waned considerably and the ensuing vacuum was filled by China.

Banking on its gains and rising economic influence, China easily convinced the entire continent that it was a more credible partner than Europe and even the United States which in the eyes of many Africans were merely imperialists and exploiters. When in

⁶⁵ Zheng He (also known as Chéng Ho, Cheng Ho, Zheng Ho, and the Three-jewel Eunuch) is a Chinese navigator without a penis or a set of testicles whose achievements as an explorer rank with those of Columbus and Magellan but who has been largely forgotten because his travels had little impact on history. [Source: Frank Viviano, National Geographic, July 2005] [http://ffactsanddetails.com/china .php?Etemid45&catid=2&subcatid=90](http://ffactsanddetails.com/china.php?Etemid45&catid=2&subcatid=90)

2000, the Forum on China Africa Cooperation was created, it was clear that China had become the center of focus of Africa's Look East Policy⁶⁶.

For those in the West who doubted it, Zimbabwe's President Robert Mugabe pronounced it on 25th May 2005 in no unclear terms when he said. "We have turned east where the sun rises, and given our backs to the West where the sun sets." Mugabe was proven right only a year later when 48 delegations of African political and business leaders convened in Beijing at the Forum on China Africa Cooperation. This was not only a humiliation for Europe a vivid contrast to an earlier EU-Africa conference which was almost crippled from the beginning because of debates about Mugabe's presence⁶⁷.

3.3. The Milestones of Sino-Kenya Ties

Kenya and China have had long relations going back in time. Historians suggest it goes back six centuries, during the exploits of the Chinese navigator Zheng He. The two countries established diplomatic ties soon after Kenya's independence in 1963 and lately the ties have moved several notches higher, and both countries seem eager for a more convivial relationship.

⁶⁶ Fowale TJ. "A Discourse on African Foreign Policy" <http://www.suitelOl.com/content/a-discourse-on-africaslook-east-policy-a305513>

⁶⁷ Fowale Ti. "A Discourse on African Foreign Policy" <http://www.suitelol.com/content/a-discourse-on-africaslook-east-policy-a305513>

Kenya has been the biggest single recipient of overseas development assistance in Africa from the Far East, since President Mwai Kibaki came to power in 2002. This saw him visit China in August 2008, the first official visit to China by a Kenyan head of state in 11 years, where the two countries signed an economic cooperation agreement which secured over Ksh. 2 billion (\$27 million) in aid and grants to Kenya for expanding electricity supply. This was the second and most recently the third visit which signaled how dramatically Kenya's foreign policy direction has changed, its focus shifting from seeking a place in international politics to championing economic relations with China, and by extension Japan and India.

Presidents Kibaki and Hu Jintao agreed that China would lead the construction of Kenya's second seaport in Lamu. China would also fund parts of the Northern Corridor and the new Mombasa Kampala standard gauge railway line. This project, which is expected to cost \$16 billion, or around half the annual output of the Kenyan economy, is expected to connect southern Sudan and Ethiopia to the sea through an extensive network of modern highways, railways, fiber optic cables and a port to rival any in South Africa. When the mega-infrastructure project is completed, it will easily be one of the largest investment project with a major public works component in a non-oil producing country in Africa; moreover, it has the potential of transforming a region that has remained an economic wasteland - a breeding ground for Al Qaeda⁶⁸ terrorists, Alshabaab⁶⁹, militia and Shifita⁷⁰ insurgents.

⁶⁸ Al-Qaeda "The Base" is a global Sunni Islamist militant group founded by Osama bin Laden sometime between August 1983 and late 1989. It operates as a network comprising both a multinational, stateless army and a radical Sunni Muslim movement calling for global Jihad.

⁶⁹ Harakat al-Shabaab al-Mujahideen (HSM) youth Movement or "Movement of Striving Youth"), more commonly, is a group of Islamist militants fighting to overthrow the government of Somalia

China is currently the second largest bilateral lender to Kenya with a debt portfolio of Ksh42 billion (\$560 million), a distant second to Japan's Ksh84 billion (\$1.12 billion). However, with the Northern Corridor project, China could actually eclipse Japan, though a Japanese company won the tender to do the feasibility study for this project that is expected to break ground next year⁷¹.

Since 2002, trade between China and Kenya has shot up by 46%, mainly due to Kenyan imports from China, raising exports to the countries of East African region to about \$7.5 billion although the trade stands in favour of China. The Look East Policy attracted investors and financiers to underwrite Kenya's ambitious expansion of infrastructure, an indelible feature of the Kibaki legacy. Analysts agree that Kenya's strategic location on the eastern gateway of Africa, political stability, communication hub, and infrastructure and as a vital link to the eastern African Community (EAC) and the Common Market for Southern and Eastern Africa (COMESA), home to 400 million people makes it an attractive destination for China.

China, attracted by oil and other raw materials, granted eight African countries⁷² the status of "approved tourism destination country" for its citizens. Before, only South Africa, Egypt and Morocco were the only authorized tourist destinations for the Chinese citizens in Africa. Besides establishing a China Trade Centre in the up-market

⁷⁰ "The Shifita War (1963—1967) was a secessionist conflict in which ethnic Somalis in the Northern Frontier District (NFD) of Kenya (a region that is and has historically been almost exclusively inhabited by ethnic Somalis) attempted to join with their fellow Somalis in a Greater Somalia. The Kenyan government named the conflict "shifita", after the Somali word for "bandit", as part of a propaganda effort.

⁷¹ Oluoch F, "Kenya Reaps Handsome Rewards From Its Robust 'Look East' Policy" africa.com (10 May 2010)

⁷² Mauribus, Zimbabwe, Tanzania, Kenya, Ethiopia, Seychelles, Tunisia and Zambia,

outskirts of Nairobi, China continues to supply high-tech telecommunications equipment that are cheaper compared to their Western competitors. Recently, a Chinese company established a \$3 million factory to produce concrete poles at a time when campaign against deforestation is threatening the timber industry.

During one of his visits to China, president Kibaki witnessed the signing of an agreement that will allow Huawei Technology Company of Shenzhen to provide wireless communication link to all government divisional offices that used to be provided by UK companies. The Chinese have offered assistance in the areas of health, infrastructure, energy and education. Over 10 ministers in the Kibaki government have visited China in the last three years bringing with them deals on tourism, ICT, economic and technical cooperation. Currently the Chinese state-run television (CCTV) programming takes up several hours a day on the state-owned Kenya Broadcasting Corporation (KBC). China Radio International (CRI) established its first FM broadcast station outside China in Nairobi and a Confucius Institute have been established at the University of Nairobi and at Kenyatta University to disseminate Chinese Language and culture.

In April 2005, the Chinese president, Hu Jintao, visited Kenya to cement the growing relations between the two countries. He returned to Beijing with an offshore oil exploration deal in which the state-controlled Chinese National Offshore Oil Corporation (CNOOC) was granted six oil prospecting blocks covering over 115,343 square kilometers in Kenya's north and south coasts, outclassing a bevy of Western oil

prospecting conglomerates. China also agreed to refurbish and maintain the Chinese-built Moi International Sports Complex, revamp Nairobi's road network, from Jommo Kenyatta International Airport to the United Nations Complex in Gagarin and street lighting. In return, Kenya reiterated its stance on a one-China policy, opposing independence of Taiwan which China considers as part of greater China.

In addition, in the most recent development, China's vehicle manufacturer Foton announced that it is setting up an assembly plant in Kenya in what is set to heighten the baffle between China and Western nations for business in Kenya. The \$2 billion assembly plant is expected to churn out 10,000 units of prime movers, tippers, buses, pick-ups, and light commercial trucks per year, making it one of the biggest foreign direct investments by a Chinese company. Foton said it is setting up the plant to avoid paying a 25 per cent import duty on cars thus putting it in a head-to-head battle with Japanese and European brands such as Mercedes, Iveco, Mitsubishi, and Nissan. The assembly plant is expected to be complete by May next year, creating more than 100 new direct jobs⁷³.

3.4. Kenya —India Bilateral Ties

Earlier this year, the Indian Prime Minister Man Mohan Singh hosted an Africa-India Forum Summit in Addis Ababa, Ethiopia, which was attended by Kenyan President Mwai Kibaki. Kibaki urged African countries to explore modalities of partnering with the Indian government and the private sector to share technologies that would

⁷³ 67Juma V. "China Vehicle Maker to Open Kenya Plant" Business Daily April 5, 2011

contribute to sustainable development and poverty alleviation especially in agricultural development. –

Funding from India is another alternative, mainly in non-extractive sectors that can be crucial for generation of livelihood for the common man and mute the “Obama Effect”. In response to the call by African countries at various economic forums, several Indian companies in the Agri-based industries, amongst other sectors have forayed to grow agricultural products for export to large markets including India, build capacity and transfer skills. To illustrate, the Bangalore-based Kariuki Global Limited has invested in the horticulture sector in Kenya⁷⁴. With expertise in the production of cut roses and green house technology it has provided employment to the local people and has a daily output of about 1.5 million cut flower stems that are exported to Europe. About 80 Indian companies have invested more than 1.5 billion British pounds in land in Kenya, Ethiopia, Madagascar, Senegal, Mozambique, and the Sudan to grow food grains for the domestic market in Africa and for export abroad and thus tackle the issue of food insecurity on the continent and generate livelihoods.

India and Kenya aim to increase their bilateral trade to \$2.5 billion in the next three years from \$1.5 billion in 2009/2010 and have identified various steps to be taken for achieving it. During the sixth meeting of the India-Kenya Joint Trade Commission (JTC) which was held in Nairobi, the two sides have agreed to make all possible

⁷⁴ Modi ft, Elusive Dreams from Our Son: Africa’s scorecard on the Obama Effect reveals unfulfilled aspirations for millions, <http://www.arrfrum.org/>, March 2010.

efforts to achieve a target of bilateral trade of \$2.5 billion by 2013. The bilateral trade between the two countries stood at \$1.5 billion in 2009-10.

The key sectors identified for bilateral cooperation were agriculture like agro-processing, drugs and pharmacy, infrastructure sectors like road, rail and energy, information and communication technology, oil and gas and healthcare. India and Kenya have also agreed towards greater engagement between the ‘Kenya Investment Authority’ and ‘Investment, which would help in trade and investment flows between the two countries. The two nations also decided to fast-track the finalization of a Bilateral Investment Promotion and Protection Agreement (BIPPA) and a revised Double Taxation Avoidance Agreement (DTAA)⁷⁵

3.5. Kenya —Japan Bilateral Ties

Japan began its relationship with Kenya -long before Kenya’s independence. In the 1920s, a Japanese company established an office in Mombasa, Kenya, in order to buy East African cotton. In 1924, the Kobe-Mombasa sea route was opened. The first Japanese Consulate in Sub-Saharan Africa was set up in Mombasa in 1934. At that time in Mombasa, Japan Association had already been formed. However, with the outbreak of the Second World War, Japanese residing in Kenya were repatriated, and in 1953, Japan’s diplomatic mission was reopened in Nairobi, Kenya.

⁷⁵ <http://www.business-standard.com/india/news/india-kenya-expect-trade-to-touch-25-bn-by-2013/112604/> on October 2010

In 1961, the consulate in Nairobi was elevated to Consulate General status and after Kenya's independence (December 1963), a Japanese embassy was established in 1964. Kenya opened an embassy in Tokyo in 1979. Regarding V.I.P visits, former Prime Minister Mon visited Kenya in 2001 and in 2004, President Kibaki visited Japan⁷⁶.

The scramble for multi-billion shilling infrastructure contracts in Kenya is set to heighten after Japan declared it would work hard to gain a sizeable stake of the upcoming projects that have in recent years been secured by rival Chinese firms.

Japan's profile in Kenya has been gradually diminishing in the past decade as an increasingly assertive China clinched multi-million infrastructure deals and doubled its development aid to the country. China currently holds a major stake in the local infrastructure sector, especially road construction, with several of its firms undertaking key projects such the expansion of the Jomo Kenyatta International Airport and the building of the eight-lane Nairobi-Thika superhighway. Now, Japan is seeking the Chinese model as it plays the catch up game with the Japanese ambassador to Kenya Toshihisa Nakata saying contractors from his country would step up bids for future infrastructure projects in the country.

“The government of Japan and Japanese companies are eager to be part of the infrastructure projects that Kenya is implementing to ensure higher economic growth,” the envoy told a forum attended by President Kibaki to mark the launch of construction work on a ring-road to ease congestion in the western part of city. The 8.4km road is

⁷⁶ Embassy of Japan Nairobi Kenya: <http://www.ke.emb-japan.go.jp/bilateraLhtm>

being constructed through a Sh1.9 billion grant by the Japanese government and would connect the city's Ngong Road and Waiyaki Way through Yaya Centre and Kileleshwa. Japan's infrastructure company, Nippon, was awarded the contract.

“We believe quality is the cheapest in the long-term. Quality work may be expensive at the start but cheapest in the long-term,” Nakata said as he pitched for jobs for Japanese firms. Chinese firms have won admiration from the public for their efficiency and speed, which have helped turn around the country's road network from its dilapidated state a few years ago. The dominance by Chinese firms has, however increasingly elicited - disquiet among both local and foreign contractors, especially from the West and some communities living around project sites. Japan, which had in past years undertaken huge infrastructure projects in Kenya including the 60 megawatts Sondu Miriu hydro-power project, is among nations that are taking fresh shots upcoming projects, a situation that could pose a threat to China's dominance⁷⁷.

3.6. The Significance of the Look East Policy

The Look East policy marks a significant revolution in African diplomacy and casts a negative vote against any alliance with the West and a logical outcome of European mismanagement Africa during the colonial era. For China, the Look East policy is both an opportunity and the fruit of seeds sowed in the second half of the 20th century when Africa was wrestling its way out European grip. Beijing insists that it is living up to its

⁷⁷ Odhiambo A, “Japan Faces Off With China Over Mega Infrastructure Deals” /539550/888252/-/view/printVersion/-/10h87w7/-/index.html 14 August 2011

commitment to its “southern partners,” transforming the physical and economic landscape of the entire continent.

These calls have, in many instances fallen on deaf ears as critics in the West consistently blame China for supporting corrupt regimes in the continent. However, these voices have significantly toned down as the world looks to China for economic salvation. The Chinese approach to foreign relations is officially termed “noninterference in domestic affairs⁷⁸.” Chinese leaders say human rights are relative, and each country should be allowed their own definition of them and timetable for reaching them.

Unlike the United States, China says it does not mix business with politics and further argue that attempts by foreign nations to discuss democracy and human rights violate the rights of a sovereign country. From the standpoint of an emerging power like China, such a policy of noninterference makes good sense. Unlike the US, China does not yet possess the economic, political or military clout to pursue its national interests in an overt or aggressive manner.

3.7. Criticisms of the Look East Policy

Chinese presence in Africa has received a mixed response that range from severe apprehension about the “dragon” as a viable alternative to the “Obama Effect⁷⁹”. For

⁷⁸ Hanson S, China Africa & Oil Council on Foreign Relations (<http://www.cfr.org/china/china-africa-oil/p9557>)

⁷⁹ Modi R, Elusive Dreams from Our Son: Africa’s scorecard on the Obama Effect reveals unfulfilled aspirations for millions, <http://www.arrforum.org/>, March 2010.

instance, a study released by the Institute for Development Studies (IDS) at the University of Nairobi says that 80 percent of the Chinese aid was extended to oil and mineral rich countries on the continent, and that minerals and oil constitute 85 percent of Africa's exports to China.

In addition the expiry of the 2005 Multi-Fiber Agreement⁸⁰ with China that had blocked China's entry into the US markets has had a deleterious impact on Africa's textile sector. Experts have cautioned that economic conditionality are hidden in the Chinese government agreements and requirements that projects be handled by Chinese corporations and that the country increase the imports of Chinese goods in return for services offered in the infrastructure projects. This has led to the influx of Chinese goods into the country leading to a China-Kenya trade ratio of 19:1, obviously in China's favour⁸¹. Available trade statistics show that Kenya exported Sh2 billion worth of goods to mainland China in 2008 compared with imports worth Sh63 billion. Africa registered 5.8 percent economic growth in 2007, its highest level ever, in part because of Chinese investment.

Experts say the roads, bridges, and dams built by Chinese firms are low cost, good quality, and completed in a fraction of the time such projects usually take in Africa. China also contributes peacekeepers to UN missions across Africa, including Liberia and Darfur. It has cancelled \$10 billion in bilateral debt to African countries, sends doctors to Africa and hosts thousands of African workers and students in Chinese

⁸⁰ Multi Fibre Arrangement (MFA) governed the world trade in textiles and garments from 1974 through 2004, imposing quotas on the amount developing countries could export to developed countries. It expired in Jan. 2005

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universities and training centers, Critics say these projects are meant to build goodwill for later investment opportunities or stockpile international support for contentious political issues. Princeton Lyman, Center for Foreign Relations (CFR)'s adjunct senior fellow for Africa studies, says Chinese interest in Africa has both positive and negative effects. "It's good for the continent because it brings in a new actor who's willing to invest, but it's bad for Africa if it turns countries away from the hard work of political and economic reform," he says. Concerns about China's role in Africa have been voiced by a range of actors, from human rights groups to international observers to Africans themselves. Many Africans are concerned over how China operates in Africa, accusing Chinese companies of underbidding local firms and not hiring Africans. Chinese infrastructure deals often stipulate that up to 70 percent of the labor must be Chinese.

International observers say the way China does business, particularly its willingness to pay bribes, as documented by Transparency International, and attach no conditions to aid money, undermines local efforts to increase good governance and international efforts at macroeconomic reform by institutions like the World Bank and the International Monetary Fund. Overall, experts say, China's involvement could jump-start change on the continent, but only if African governments become more assertive partners in their dealings with China⁸².

⁸² Hanson S. "China, Oil Africa" <http://www.ctr.org/china/chinaafrica-oiI/p9557>

3.8. Examining Korea as a Success Case Study

As the United Nations continues to evaluate its progress in achieving the Millennium Development Goals including ambitious targets for reducing poverty, it is meaningful to examine models of sustainable development. Such development that provides economic opportunity and reduces disparities is vital to peace and stability. Many have noted South Korea's rise as a major economic power since the end of the Korean War and this researcher would consider lessons learned in the Korean experience, and the prospects for sustainable global development based on this model.

South Korea has shown rapid economic growth since the 1960s and thus the experience of economic growth of Korea has been regarded as an example of pursuing the export-led economic growth strategy. The government has provided various incentives to promote exports, expecting export-led economic growth. Export values increased from US\$87 million in 1963 to US\$17.5 billion in 1980, and then to US\$363.5 billion in 2009. Although import values were more than 6 times larger than export values between 1963 and 1971, trade surpluses have been recorded since 1998. The trade dependence ratio defined as $(\text{export values} + \text{import values})/\text{GNP}$ increased from 46.6 percent in 1972 to 78.9 percent in 1980, to 76.6 percent in 2001 and then to 98.6 percent in 2009. Thus, the Korean economy is regarded as one showing very high trade dependence ratio. Kenyan Ambassador to Korea H.E. Ngovi Kitau has been on the forefront in recommending the Korean development model as being the best for Kenya to emulate in its pursuance of Vision 2030. The model also known as Saemaul Undong or the New Community Movement or the New Village Movement was a

political initiative launched on April 22, 1970 by South Korean president Park Chung Hee to modernize the rural South Korean economy.

It initially sought to rectify the growing disparity of the standard of living between the nation's urban centers, which were rapidly industrializing, and the small villages, which continued to be mired in poverty. Later projects concentrated on building up rural infrastructure⁸³. The movement promoted self-help and co-operation among the people, as the central government provided a fixed amount of raw materials to each of the participating villages free of charge and entrusted the locals to build whatever they wished with them. Villages that demonstrated success were then granted additional resources. Therefore, developing countries trying to pursue export-led economic growth strategy are not free to take many EP measures that were provided by the Korean government during the period of very rapid economic growth. The Export Promotion Measures of Korea have comprised tax incentives, financial incentives, establishment of free trade zones and the supporting organizations.

The government provided huge amount of subsidy to promote export-related industries⁸⁴. KOTRA⁸⁵, which was established in 1962 to bolster the Korean economy through trade, has since traveled alongside Korea on its journey of economic growth.

In the 1960s and KOTRA developed overseas markets and in doing so served as a

⁸³National Council of Saemaul Undong Movement in Korea, "Saemaul! Undong ii, Kore& www.saemaulundong.net

⁸⁴ Hyun-Hoon Lee. Export-Led Industrialization and Growth - Korea's Economic Miracle 1962-89

⁸⁵ Korea Trade and Investment Promotion Agency known as KOTRA is Korean government agency that promotes trade and investment between Korea and other countries. Today, with 111 Korea Business Centers in 76 countries worldwide, KOTRA serves as a vessel through which foreign companies can conveniently cooperate with Korean companies. This researcher worked for KOTRA in Nairobi for a period of 11 years.

driving force in increasing Korea's exports. In the 1980s, near the end of the London War, KOTRA led efforts to achieve economic diplomacy in Eastern Europe and the former Soviet Union. During the Asian financial crisis in the late 1990s, as a national investment promotion agency, KOTRA attracted foreign investment to Korea and helped steer the nation out of the economic downturn. As Korea strives to lead the \$1 trillion trade era, KOTRA is supporting the globalization of Korean SMEs so they can become reliable partners for businesses overseas. Through its investment promotion agency Invest Korea, KOTRA supports foreign companies as they establish and successfully run businesses here in Kenya.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

4.0. Introduction

While globalization has augmented the importance of economic inter-dependence among countries, the emergence of an expanding rules-based global trading system under the WTO and bilateral/regional trade agreements has opened the door for new opportunities in the sphere of world trade. This has spurred countries into engaging in negotiating a large number of international agreements which in effect have generated the need for better understanding of the science and skills of economic diplomacy.

Thanks to globalization, the traditional boundaries of our geopolitical-economic world maps are being challenged (Simonin, 2008)⁸⁶ and in effect economic diplomacy has become an intrinsic part and determinant of the process of formulating and implementing foreign policies for various countries. However as previously mentioned in this report, very little research has been conducted in the area of economic diplomacy. This study has been devoted to both the theory and practice of Economic Diplomacy with special emphasis on Kenya and in answering the following research questions posed above. The aim of this chapter is to draw conclusions and discuss the findings from the primary and secondary data, regarding these research questions as formulated in Chapter 1 of this study.

⁸⁶ Simonin, B.L., (200). Nation Branding and Public diplomacy: Challenges and Opportunities. The Fletcherforum of worldaffairs, Volume 32:3, special edition

4.1. Conclusions

This research has found convincing evidence that the involvement of commercial diplomats is very crucial to the exploration of new markets by potential exporters in foreign countries. In this regard, Kenyan companies who are unfamiliar with foreign business environment and have no business ties to those countries consider the assistance of the commercial diplomat as very useful in their penetration of those markets.

The researcher therefore concludes that commercial diplomats and heads of missions should primarily be individuals who are able to articulate the values of their countries and market their countries' products and services in their receiving countries. And for commercial diplomats and heads of missions to be successful in championing economic diplomacy in receiving countries, the researcher concludes this study by - listing the following guidelines or practical components as recommended by Rana⁸⁷;

- A. **Analysis.** Understanding the economic dynamics of the target country is an essential prelude. It includes: insight into the principal elements of the local economy; analysis of the export and import basket of the country and its chief regions; the foreign investment profile; technology strengths; and the activities of competitors, actual and potential, gauged against one's own exports and other ongoing economic activities in that country. It is assumed that the diplomat hilly understands the economic needs of his! her own country, and that this knowledge is kept updated. For instance some

⁸⁷ 81 Rana, Kishan S, *Inside Diplomacy* (Manas, New Delhi, 2000), Chapter 4 (pp. 96—127); Chapter 6, pp. 144—48.

diplomatic services require diplomats to undertake familiarization tours at home, prior to taking up each foreign assignment.

B. **Basic guide Notes.** Writing a “commercial note” or briefing guide on the country is very critical for commercial diplomats. First, it necessitates understanding the basic economic profile of the country, its principal indicators, the organization of the economy, tax, tariff and customs policy, the banking and related structures, system of business dispute settlement, the pattern of the business organizations, the principal import and export players, and the like. Second, such a guide responds to general commercial inquiries from home. The commercial note can be posted on the mission’s website on the Internet, and the feedback used to improve the note. This has to be a continuous task to update and improve the material. Third, one’s own note can be compared against those prepared by other foreign embassies, again for self-improvement. For instance, the US Commerce Department guide notes available on most countries serve as a useful yardstick). There are other commercial briefing notes to be written, like market reports on individual products, plus analysis covering competitors and their market share, plus the marketing strategies used by them.

C. **Outreach.** This involves the obvious economic partners, like the local enterprises engaged in bilateral trade and investments, or others that have a potential interest. There are also the associations of business, individual enterprises that enjoy clout, and other pressure groups, as well as parliamentarians, academics, the media,

specialists in science and technology, plus local constituents like regional and other subsidiary political entities that have a direct stake in stronger economic exchanges.

D. **I). Teamwork A “task force”** which involves the entire mission team in handling specified economic tasks (such as export promotion of priority products) is very useful. Although the main task of economic diplomacy rests with the commercial or the economic officials, there is great advantage of engaging the whole embassy team including the ambassador himself. Outside the mission, advantage can also be taken of own nationals in key positions, like members of Diaspora Associations, experts on technical cooperation assignments, business representatives stationed in the country, and others, for brainstorming and participation in different kinds of outreach activities. This acknowledges the reality that relationship building is not the exclusive job of the official representatives; others can contribute, if only they are asked to. It is upon the head of the mission to provide leadership for such teamwork.

E. **Delegations.** Dispatch of business mission in both directions is a classic method of promoting trade, investments and all other forms of economic exchanges. Careful preparation is indispensable for good results, consisting of scrupulous program preparation, and pre-arrival match-making, to identify serious interest among businessmen on both sides. This is possible only when comprehensive information is gathered and distributed on specific interests and targets of each participant. No less vital is post-visit follow-up, to gauge results & draw lessons for the future.

F. **Multilateral Issues.** Basic understanding of the WTO process, and the manner in which it operates in the country of assignment (local attitudes, policy on “dumping” issues, the dispute settlement mechanism, and positions on different subjects in the multilateral debates), are required information for all diplomats, not just the ones handling economic work. Multilateral diplomacy constantly demands support actions at the bilateral level. The purpose is not just to canvas for support from the target country, but also engage in a real two-way dialogue.

G. **Innovation.** Economic work offers scope for innovation and needs a proactive mindset, perhaps more than any other aspect of diplomatic work. Beyond the list of tried and tested methods, involvement of the full mission team has the advantage of producing new approaches and inventiveness. The tools of “linkage” are also available, making interconnections between what may at first sight appear as unconnected issues, to advance one’s national interests.

H. **In conclusion,** this researcher recommends further in-depth research on the Look East Policy and how it can be transformed into a more worthwhile policy for the mutual benefit of all parties. The researcher believes that if African governments become more assertive partners in their dealings with international partners like China, then they can benefit much better in the furtherance of the Look East Policy. This will allay fears of exploitation by aggressive countries like China. The research

also recommends that the National Economic & Social Council (NESC) which is in charge of implementing the Vision 2030, takes a look at the Korean Model of Economic development with a view to adopting it as a strategy for spearheading the Vision 2030. There is need for further research into this to explore areas that can be relevant to the Kenyan situation.

4.2. Recommendations

In answering the research questions aforementioned, this researcher has drawn heavily from his work at KOTRA⁸⁸ an organization which has been in the forefront in spearheading Korea's export led economic development. The aspect of trade and investment promotion is taken so seriously in Korea that the functions of the Commercial attaché have been institutionalized into the outfit that is KOTRA. This trade promotion institution is headed by a Commercial Diplomat commonly known as a Commercial Attaché.

KOTRA is guided by MBOs⁸⁹ and sets annual targets for its various international branches otherwise known as Korea Business Centers (KBCs). Although the officials of KBCs enjoy diplomatic privileges, they are actually Managers and operate in a way that enables them to mingle freely with private sectors in the countries that they serve. Each KBC has annual targets⁹⁰ and is provided with adequate budget to hire local staff in the

⁸⁸ Korea Trade & Investment Promotion Agency (Commercial Office of the Embassy of the Republic of Korea)

⁸⁹ Management by Objectives

⁹⁰ Annual targets is what is locally known as Performance Contracts and is signed at the beginning of each year and reviewed at the end of every year.

countries that they serve in. Failure to fulfill an annual target is a very serious eventuality that may lead to the downgrading of a KBC or even closure.

All the one hundred plus global KBCs compete through regional railings with the best performing being rewarded through incentives and bonuses at the end of every year. The poor performing KBCs do not get any incentives and could suffer serious consequences including staff downsizing, reduction of operating budget or even closure. As a result of this, Managing Directors of the KBCs who also double as Commercial Attaches are always in cut throat competition for survival and never have time for lazing around. This researcher therefore recommends that Kenya must harmonize the various functions related to Economic diplomacy by creating a Ministry of Foreign Affairs and International Trade under which all issues related with Economic Diplomacy will be addressed⁹¹. Under this Ministry, we should merge the Export Promotion Council, the Kenya Export Processing Zones and the Kenya Investment Authority into one body to be called the Kenya Investment & External Trade Authority (KIETA). KIETA should have increased funding and be headed by Commercial Attaches who have experience and wide exposure to issues related to international trade who would sign performance contracts with clear targets. KIETA should be modeled on similar bodies like USTRAD (USA), KOTRA (Korea), JETRO (Japan) and TAITRA (Taiwan) and should work closely with private sector bodies such as KEPSA and the Kenya National Chamber of Commerce to fulfill its objectives.

⁹¹ Two studies on MFAs are relevant. These are: Brain Hocking, Ed., *Foreign Ministries: Change & Adoption* (Macmillan, London, 1999) and Justin Robertson, Ed., *Foreign Ministries in Developing Countries and Emerging Market Economies* (Halifax, International Insights: Dalhousie Journal of International Affairs Vol.14 Summer 1998).

The researcher also recommends the frequent organizations of trade events and high level delegations in the pursuance of economic diplomacy. The latter is crucial due to the presence of important and influential leaders from industry and politics. These missions are extensively announced and get massive attention when they visit a country. Trade missions are more effective when headed by the Present of a country or the Minister concerned as this adds the necessary weight needed for negotiating and reaching important deals. Examples can be seen by China's foray into Africa and other countries where President Hu Jin Tao or Prime Minister Wen Jiabao frequently lead delegations with maximum benefit to their countries. Also recently, Korean President Lee Myung Bak led a high powered delegation to South Africa that resulted in Korea winning the bid for hosting the 2018 Winter Olympics in Pyongchang City⁹².

As far as National Branding is concerned, this researcher draws from the just concluded World Championship in Daegu Korea where Kenyan athletes performed extremely well by being number three the behind USA and Russia. This was a great opportunity for Brand Kenya and KTB to take advantage of the opportunity and sell the Kenyan brand but was never the case. The way forward would be for Brand Kenya to post their staffs abroad in our embassies who can take the responsibility for branding activities. And along with this publicity, it would have been a great opportunity to advertise Kenya as a tourist destination and also to sell Kenyan coffee and tea. The researcher also recommends as mentioned earlier that Sports and especially Athletics be branded and packaged as one Kenya's strongest points and be used to promote Kenyan goods abroad.

⁹² Dana H., "President Lee's African visit reinforces ties, brings home Pyeongchang victory", <http://www.korea.net/detail.do?guid=56677> (July 12, 2011)

4.3. Suggestions for future Research

This study provides a few answers to the research questions at hand and the findings are based on information gathered in Kenya and selected Embassies abroad. It would however be interesting to see if these findings could be generalized to all diplomatic institutions not covered herein. Future research is therefore very critical not only to validate the outcome of this research but to find out if these outcomes are applicable in all cases.

Another suggestion for future research is the influence of political diplomatic appointments in the effectiveness of Commercial diplomacy. This is because as mentioned above, a good number of Kenyan envoys especially the head of missions are not diplomats by profession but are connected to the appointing authority. In Kenya for example, ambassadorial positions are usually given to politicians from the ruling party who lost their parliamentary seats but are still loyal to the government. While some of these envoys proceed to carry out their diplomatic duties effectively, some are a big disappointment and further research is needed to ascertain the pros and cons of political diplomatic appointments and how it can influence the effective conduct of Economic diplomacy.

The strengths of local employees have been elaborated in this paper and are relevant for matchmaking activities and making the foreign market more transparent. The Kenyan Ministry of Foreign Affairs has proposed to adopt a trade centered diplomacy that is

driven by foreigners in the receiving countries⁹³. Future research is necessary to uncover how effective this policy will go in the pursuance of Economic Diplomacy. A significant result of the evolution of traditional trade diplomacy into economic diplomacy is that the private sector and the civil society are now even more involved in decision making that influences the negotiating position of a country. This researcher highly commends the Ministry of Foreign Affairs for the recent display of cooperation with the private sector when it held a seminar on Economic Diplomacy in July this year. During this seminar, KEPSA proposed increased funding for economic and commercial diplomacy activities, appointment of ambassadorial appointees who have expertise on trade and appointment of honorary trade councils to promote trade and business interests abroad. The recommendations of this seminar however need to be studied carefully and be backed by tangible actions.

⁹³ Juma V, "Foreigners to drive Kenya's new trade-centred diplomacy", Business Daily (July 12, 2011)

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