

KENYA'S EXPORT POTENTIAL IN THE AFRICAN CONTINENTAL FREE TRADE
AREA ARRANGEMENT

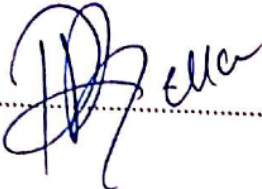
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DECLARATION

This research project is my original work and has not been submitted or presented for a degree award in any other university or any other award.


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ABSTRACT

Export growth is a crucial factor in promoting economic development, as it has been proven that there is causality between exports and economic growth. Research has shown that exports have a positive impact on economic growth, thereby validating the use of export-oriented growth strategies. In the case of Kenya, empirical evidence has demonstrated that manufactured exports have a significant impact on economic growth. This impact can be further enhanced by taking advantage of value addition opportunities presented by regional and global value chains.

Kenya has been implementing an export-led growth strategy and has been making focused efforts to integrate itself into regional value chains within Africa and across the world. Recently, Kenya ratified the Africa Continental Free Trade Area Agreement, which connects it to the African regional markets. However, there is a lack of empirical information that estimates the potential benefits for Kenya in terms of export opportunities under this agreement.

The main purpose of this study was to estimate Kenya's export potential in the Africa Continental Free Trade Area Agreement. The specific objectives are to assess Kenya's export potential of its bilateral trade with six Countries-Tunisia, Cameroon, Egypt, Ghana, Kenya, Mauritius and Tanzania that have ratified the Africa Continental Free Trade Area and to assess Kenya's export diversification to these destinations.

The project employed the stochastic frontier gravity model to assess export potential and the Theil Index to assess diversification of exports. The data was analysed using maximum likelihood estimation and the results of the regression indicate that Kenya's average export efficiency is 7.6 per cent to the countries under review, that are signatories to the Africa