

**ECONOMIC DIPLOMACY AS A STRATEGY OF BILATERAL RELATIONS
BETWEEN KENYA AND UGANDA (2010-2020)**

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DECLARATION

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

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DEDICATIONS

This research paper is dedicated to my family, especially my daughter Joan Chebet Kirui for her great support and patience with me through the entire process.

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asia Nations
AWHF	African World Heritage Fund
CVI	Content validity index
EAC	East African Community
EU	European Union
ECOWAS	Economic Community for West African States
EU	European Union
FDI	Foreign Direct Investment
NAFTA	North Atlantic Free Trade Area
RIA	Regional Integration Arrangements
WTO	World Trade Organization

DEFINITION OF TERMS

Diplomacy: A sustained attempt to influence relations between foreign sovereign nations using dialogue and negotiations (UN, 2018).

Economic diplomacy: The use of state economic tools such as common markets and tariffs within diplomatic circles to advance national interests (WTO, 2016).

Bilateral Relations: This refers to the continuous communication and establishment of mutual relations between two states (Pannier, 2020).

Interdependence Liberalism theory: This is a theory that recognizes the interpersonal relationships between states and how these relations influence each other's experience and attitudes towards each other (Copeland, 1996).

ABSTRACT

The three main East African countries (Kenya, Uganda and Tanzania) have pursued cooperation in various areas since gaining independence from the colonial masters. The cooperation has been expressed in social, economic, and security areas. This study will focus on Economic Diplomacy as a Strategy of Bilateral Relations between Kenya and Uganda. Kenya, being the region's economic hub, seeks to pursue national interests through economic diplomacy. The study sought to explore whether and how Kenya has been using economic diplomacy as a tool of bilateral relations in its dealings with Uganda between the years 2010 and 2020. Specific objectives were to examine the nature of economic diplomacy, identify the effect of economic diplomacy on bilateral relations, and establish the interaction between the variables. The Interdependence Liberalism Theory was the study's anchor, with an exploratory research design being applied. The research adopted a census sampling of the 43 employees drawn from the diplomatic missions in both the Kenyan and Ugandan High Commissions. Questionnaires were used in the collection of primary data, while intimal government reports and newsletters provided secondary data. The collected data were analyzed using both descriptive and inferential statistics. The qualitative data collected was analyzed using content analysis and presented in the form of charts, tables, and other infographics. The study garnered a 74% response rate. Analysis showed that intense bilateral and cultural relations between nationals of both countries moved freely to either country and carried out investment. The correlation tests established there existed a positive effect of the labour movement, foreign direct investment, goods, and service movement with bilateral relations. The study established there is a positive relation between economic diplomacy and bilateral relations between Kenya and Uganda. The research concluded that economic diplomacy has positively contributed to bilateral relations between the two nations. The research established that supporting the free movement of goods and services plays a vital role in fostering bilateral engagement and social welfare improvement. Further, having supportive trade policies is central to boosting regional relations between the countries. The research recommends that by supporting aggressive marketing between the two nations, there can be more coexistence between the nations. The study also recommends that both nations should advocate for increased trade negotiations which will improve trade volumes between the countries, and this can positively lead to better growth in regional relations. The study recommends that both nations should strive to minimize red tape and politics in investment matters and put in place a sound economic policy that will stimulate foreign direct investments. The research recommends that increased training of officers, negotiations, and implementation of agreements, joint verification on contentious issues, among others, as well as ensuring that commitments are duly implemented, strengthening communication, continuous training of diplomats will be critical to expanding bilateral relations. The study suggests that further studies can be conducted to examine how foreign direct investment and customs policies have affected economic growth.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globalization has offered new economic opportunities in several fields, including science, communication, and technology, but at the same time has increased the competition for capital and economic marginalization of developing countries (Borchmeyer, 2012). Globalization comes with new international threats such as terrorism, transnational organized crime, human and drug trafficking, and managing international relations has become key to managing these threats (Achieng, 2018). According to the WTO (2013), implementing preventative measures and ensuring peace between two countries requires cooperation both at local and regional levels. Kenya maintains various bilateral relations, and has signed bilateral trade and economic co-operation agreements with all her neighbours (Pannier, 2020). Kenya has had relations with Uganda since before independence and has been the country's biggest trade partner (Murday, 2018). However, recent trade bottlenecks are threatening the cooperation that has been witnessed between the countries since independence and may hamper the realization of the shared dream of achieving economic integration (Kaminchia, 2020).

A bilateral relationship is a constituent of several items that encompass politically, culturally, and economically motivated relations between two independent nations (Pay & Gitonga-Mutethia, 2021). Karki and Hari (2020) aver that bilateral relations vary from unilateral relations in that they are based on mutual respect of each other's sovereignty as

a point of departure and no nation acts as a hegemon, interfering with the 'weaker' state's internal affairs by obstructing its social, economic and political progression. Bilateral relations can involve immediate neighbours such as the India-Nepal relations (Karki & Hari, 2020), or long-distance trade partners such as the China- USA trade relations (Hasnat, Kamrul, & Abdullah, 2017). Accordingly, Hasnat et al. (2017) affirm that countries often have multiple bilateral relations, such as the United States' relations with South Korea, Japan, and Taiwan, and China's relations with India, Japan and the US. All these relations seek to build trust, understanding and mutually beneficial relationships between relating nations.

According to Ngigi (2013), bilateral relations set the stage for regional and international relations, and when countries recognize each other's sovereignty and seek to establish diplomatic relationships, foreign relations departments will pursue similar interests through dialogues and cooperation. The art of managing international relations is referred to as diplomacy, and diplomats are the main instruments used to maintain peaceful relations between individuals, groups, or nations (Barston, 2019). Hasnat et al. (2017) studied China's bilateral relations and found a difference in approach to all the relations, despite all being geared to build up strong GDP on both sides for future potential through facilitating trade.

Barston (2019) identifies economic, cultural and military diplomacy as the three main diplomatic approaches to discussing trade, conflict, security, technology, and the environment, among others. Economic diplomacy makes use of economic tools such as sanctions and regulations to advance a country's economic, political and strategic goals by

increasing trade, promoting investments, and collaborating on bilateral and multilateral trade agreements (Wanjaiya, 2019). Cultural diplomacy uses soft power aspects such as the exchange of ideas, values and traditions to enhance social cooperation and foster mutual understanding. Military diplomacy, on the other hand, involves the use of military tools such as deterrence, arms control, peacekeeping missions and deterrence to create a climate that is suitable for advancing cooperation between two states. Given the increasing nature of globalization and international competitiveness, Afesorgbor (2018) avers that economic diplomacy is becoming increasingly important in foreign policy and has proved to be a priority element of international relations in the 21st Century.

Economic diplomacy can be characterized as an arrangement of activities with respect to procedures and strategies for basic international leadership that are identified with cross-border monetary activities (trade, venture, relocation, help, loaning) sought after by state and non-state actors such as Non-Governmental Organizations (NGOs) (Hamilton & Langhorne, 2011). Ruffini (2016) argues that economic diplomacy aims to establish links between corporate players and the state for export or investment purposes. Accordingly, Okano-Heijmans (2011) notes that economic diplomacy works on the premise that economic/commercial interests and political interests reinforce each other and, therefore, need to be considered together. International and regional bodies such as the World Trade Organization (WTO), European Union (EU), Economic Community for West African States (ECOWAS), and the East African Community (EAC) have been used by nations to guide economic diplomacy approaches around the world (Borchmeyer, 2012).

Baranay et al. (2012) indicate that economic diplomacy focuses on tariffs, foreign exchange, the sale of goods, and custom negotiations. He further notes that economic diplomacy denotes the activities that concentrate on the acknowledgement of the economic interests of the country at the international level. Economic diplomacy was first used in ancient Greece to prevent wars, and the systems expanded to other independent states (Hamilton & Langhorne, 2011). In the 21st century, the World Bank (2018) affirms that European Union countries have become stronger and realized greater development under economic diplomacy relations between member states. Modern diplomacy grew out of the Napoleonic wars when between 1814 and 1815, the Congress of Vienna was convened to set new boundaries, re-create the balance of power, and guard against future French hegemony. After various international conferences and agreements, the modern-day United Nations was constituted and it aims to promote diplomatic approaches in international relations management around the world (Plouffe & van der Sterren, 2016). Generally, economic diplomacy promotes trust between and amongst actors, and creates a favourable environment for increased FDI inflows, development, and business opportunities (Barston, 2014).

Globally, nations such as China have relied on economic diplomacy to negotiate better trade deals and attract foreign direct investment, thus, amassing soft power, and Heath (2016) is affirmative that China's economic diplomacy has resulted in improved competitiveness. Garlick and Havlová (2020) argue that China's economic diplomacy is designed to achieve both political and economic goals in a coordinated manner through government-funded initiatives. The United States uses economic diplomacy to promote the

country's nationals' interests abroad, including attracting FDI to the country and promoting foreign direct investment by the country's investors (World Bank, 2018). In Croatia, Peternel and Grešš (2021) presented evidence that GDP, the distance between countries, and diplomatic personnel influence the volume of trade exports between trading partners. Macdonald (2016) affirms that adequate policy guidelines have to be developed to make bilateral relations more effective and notes that the new Trudeau government's decision to lift the visa on Mexicans is key to improving Canada-Mexico bilateral relationships.

Yakop and van Bergeijk (2011) argue that diplomatic relations are essential in developing countries, given they share similar weaknesses and can use the opportunity to achieve larger economies of scale. African states have explored economic diplomacy from two main fronts; regional integration and bilateral diplomacy, and, according to Afesorgbor (2018), establishing bilateral trade arrangements has had a more significant positive impact on countries' relations than regional trade arrangements. Mdunge (2018) examined South Africa's strategic partners and found increased international recognition of South African products after the countries' diplomatic arrangements with Chinese companies. Ndakaripa (2020) affirms that after international isolation, the Zimbabwean government has been opening up her borders to her neighbours by easing entry requirements to attract investors. Abasimi and Salim (2022) aver that in Ghana and Nigeria, creating a common market has improved bilateral trade in merchandize products between the two countries.

Kenya's diplomatic efforts are enshrined in the vision 2030 framework, and they are based on economic growth through the economic, defence, cultural and diasporic pillars of diplomacy (Vision 2030 Framework, 2012). Despite initially relying on military

diplomacy, Kenya's strategic orientation has shifted towards economic policy owing to the country's position as the regional leader (Camilla, 2016). Economic diplomacy has been pursued through several bilateral, regional, and multilateral preferential trade agreements such as the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), and the newly ratified AfCFTA, and extra-regional pacts such as AGOA, the ACP-EU Economic Partnership Agreement (EPA) and several bilateral trade agreements (Pay & Gitonga-Mutethia, 2021). These integration efforts have resulted in an increase in the volume of trade and investment from both local and international investors (Adriana, 2016).

Seno (2019) reports that after the volume of trade between Kenya and Tanzania began to fall sharply, the two countries used negotiation, delimitation and demarcation of border lines as dispute settlement strategies. Ogutu (2019) reports that Kenya and Tanzania have attempted to establish bilateral relations by harmonizing economic policies, establishing a single customs territory, embracing fair trade practices and pushing for inclusive trade regimes such as the Africa Continental Free Trade Area (AfCFTA) and the Tripartite Agreement. Musera (2020) avers that Kenya has advanced strategies such as reducing tariff and non-tariff barriers, creating incentives and facilitating technology adoption to promote the country as a secure investment destination to foreign investors. Sabala (2021) pointed to the use of the International Court of Justice (ICJ) as a diplomatic way to preside over the maritime delimitation case between Kenya and Somalia that was threatening peaceful coexistence between the two trade partners. Soy (2019) points to Kenya's use of both diplomatic and defence diplomacy as a foreign relations strategy with Somalia in

2011, at the height of the rise of the Islamist Al Shabaab regime that was destabilizing the region.

Diplomatic relationships between Kenya and Uganda had been established since before independence and the ties were strengthened after independence with both countries signalling toward future cooperation with the incorporation of the East African Community which involved a triple agreement between the three immediate East African neighbours (Arnold, 2022). Diplomatic relations between Kenya and Uganda are important given Uganda is landlocked and Kenya depends on the Ugandan market to export her produce (Achieng, 2019). Kaminchia (2020) opined that Kenya had employed a mix of economic and peace diplomacy to manage relations between the two countries. Kaminchia (2020) reported the use of cooperative arrangements to improve infrastructure development and reduce trade costs between the two countries. Tubman (2019) avers that Uganda and Kenya have also pursued cooperative diplomatic units such as the Beach Management Unit in managing conflicts over sources of income at border points.

Achieng (2019) carried out an examination of Kenya's approaches and reported that border demarcation issues, terror attacks, refugees and piracy are among the main threats to the country's territorial integrity. The study reported that diplomatic relations had had little success in managing the disputes over Migingo Island with Uganda and the Illemi Triangle dispute with South Sudan and failed in managing the maritime dispute with Somalia. Mwinyi, Okoth and Maloba (2022) affirm that transboundary disputes between Kenya and Uganda are territorial in nature and that Kenya and Uganda can pursue economic diplomacy by formulating and implementing a trans-boundary resource policy that would

harmonise policies, legislative acts, management and development of shared water resources. Njeri (2020) affirms that Kenya and Uganda have used a combination of cultural, military and economic strategies to combat cross-border ethnic conflicts between the two countries.

Uganda is one of Kenya's main trade partners, and it hosts a large number of the country's expatriates and accounts for a significant volume of external trade (Michael, 2018). Despite a rich history of trade and cultural exchange, the Kenya-Uganda relationship has been faltering recently, and this is reflected in the reduced volume of imports and exports between the two states (Rossi, 2016). The deterioration of the Kenya-Uganda relations has been blamed on multiple unresolved rows that have affected trade in commodities such as milk, sugar, and poultry products. Accordingly, Asiedu (2018) avers that both countries accuse each other of engaging in predatory business behaviours to advance personal interests. Both countries reinstated excise duties on various goods in retaliation (Andae, 2021). The feuds have also slipped out into investment decisions, with Uganda threatening to abandon the Mombasa Uganda railway project over accusations of price inflation on the Kenyan side (Achieng, 2019). Anami (2022) reports that these feuds have affected trade between the two states and Tanzania has since overtaken Uganda as Kenya's biggest export market, with the value of trade exceeding \$1 billion.

Muutambo (2021) reports that although authorities from both countries have tried to mend this relationship through diplomatic meetings, there has been little success. Agreements are often unkept and efforts decentralized. The efforts have not improved the economic situation and the volume of trade between the two states is still lower than in previous years

(Business Daily, 2021). According to Camilla and Adriana (2016), it is essential that Kenya nurtures a strong, positive, and long-lasting relationship with its strongest trade partner, Uganda. Research provides evidence that pursuing diplomatic relations not only increases the effectiveness of bilateral relationships but is also key to sustaining development. Accordingly, Sekika (2015) is adamant that diplomatic relations facilitate integration and improve access within a wider region. Thus, from the review of the contextual elements of the research this study focused on how economic diplomacy influences the bilateral relations between Kenya and Uganda. The research looked at the role played by labor movement, goods and services movement and foreign direct investments on the level of bilateral relations between the two nations.

1.2 Statement of the Problem

Bilateral relations are the backbone of sustainable international relations and countries such as Kenya have aggressively pursued democratic strategies to advance bilateral relations, encourage investment and actualize economic growth for its mainly agricultural produce (Sekika, 2015). Diplomacy is a pillar of the country's Vision 2030, and Kenya's foreign policy is centred around facilitating trade. Yueh (2020) asserts bilateral relations are a product of a sound foreign policy, without which can jeopardize investment flow from one country to another. Kenya has used a blend of approaches to building sustainable bilateral relations, receiving a mix of successes and failures (Raga, Mendez-Parra, & te Velde, 2021). According to Cohen and Radin (2019), maintaining Uganda-Kenya relations has been hard and the hostilities between the two neighbours has resulted in Tanzania overtaking Uganda as Kenya's biggest foreign market. Ogutu (2019) opines that trade

disputes have slowed down economic development and inter-state integration between the two states.

Studies show a positive relationship between economic diplomacy and inter-country relations. Fernandes (2021) studied the Chinese economic diplomacy model in Portugal and determined a mixture of business development for Portugal and geopolitical ideology advancement benefits towards the Chinese. Verma (2018) determined that India's economic diplomacy policies are centred toward the growth of its private industries through seeking markets and sources of raw materials. Herlijanto (2016) argues that Taiwan makes trade agreements and cultural exchanges with Indonesia to counter China's influence over the country. Oxford Analytica (2018) shows the use of joint development ventures to advance bilateral agreements between Rwanda and Tanzania. In a study on the drivers and barriers of digital market integration in East Africa,, Arnold (2022) avers that material and political drivers have encouraged digital regionalism between Tanzania and Rwanda.

In Kenya, Wanjiku, Maingi, and Kamau's (2018) study show the use of economic cooperation between China and Kenya which has seen Kenya benefit immensely through the expansion of her infrastructure and China gain a destination for her products. According to Okano-Heijmans and Asano (2018), the Japanese government aims to revitalize economic diplomacy by combining ODA, public funding and commercial guarantees to ease entry of Japanese private actors' into foreign commercial activities Okano-Heijmans and Asano (2018) show how the state has relaxed conditions for infrastructure financing and raised the ceilings for public-private funding to enable large scale investment projects.

Wanjiku (2019) opines that Kenya uses export promotion, investment promotion and stakeholder engagement to advance bilateral relations with her neighbours.

Empirical evidence shows the importance of pursuing bilateral relations and that countries have used a variety of strategies to maintain sustainable relations with their trade partners. Kenya has used a blend of strategies to varying degrees of success (Andae, 2021). However, according to data from Mukani (2021), Kenya's trade volume with Uganda has been deteriorating owing to frequent infighting between the two countries in recent years. According to Wanjaiya (2019), economic diplomacy has a significant impact on negotiations and shapes how countries relate to each other. Accordingly, Mwinyi et al. (2022) aver that Kenya recognizes the essence of an open market facilitated by well-thought-out and negotiated agreements and that understanding the dynamics behind sustainable bilateral relations would improve how the country approaches her future relations. To this end, this study sought to examine role of Economic Diplomacy as a strategy for enhancing Bilateral Relations between Kenya and Uganda.

1.3 Objectives of the Study

This study's general objective was to examine the role of Economic Diplomacy as a strategy for enhancing Bilateral Relations between Kenya and Uganda (2010-2020).

1.3.1 Specific Objectives

- i. To examine the nature of economic diplomacy between Kenya and Uganda
- ii. To assess the effect of Kenyan economic diplomacy on Kenya-Uganda relations
- iii. To analyze how economic diplomacy can be used to better the bilateral relations between Kenya and Uganda

1.4 Research Questions

- i.** What is the nature of economic diplomacy between Kenya and Uganda?
- ii.** What is the effect of Kenyan economic diplomacy on Kenya-Uganda relations?
- iii.** How can economic diplomacy be used to enhance bilateral relations between Kenya and Uganda?

1.5 Justification and Significance of the Study

Kenya has championed the East African community market, making large investments in development projects such as fiber optics, roads, and railways, financial markets, ports, mobile telephones and pipelines. Similarly, the country has sought to champion diplomatic relations in the region, hosting a number of regional organizations. The region has witnessed a transformation in negotiations, ranging from economic to cultural and military diplomacy, which is often the last intervention in any negotiations. With the entry of both Kenya and Uganda's defence forces in Somalia and South Sudan, there is an intent to foster peace with neighbouring countries to improve both business and trade. As a result, research on their influence on promoting bilateral relations is of vital importance.

The Kenyan and Ugandan governments both advocate for economic liberalization as a tool for advancing bilateral relations. While preceding research on economic diplomacy has focused on its financial implications, this study aims to explore broad dimensions of economic diplomacy, including the practical and policy implications on bilateral relations. Further, with both governments are advocating for a more robust African Union integration into a Federal Union, research on how both Kenya and Uganda effectively utilize economic

diplomacy to achieve the two countries' integration interests was pivotal in directing government negotiations as well as enhancing available scholarly work.

This study's findings will be of importance to both academicians and policymakers. Its findings will add additional understanding to bilateral relations and will serve as useful reference material as well as an anchor for future studies. The study also sought to serve as an important guide to policy on how to enhance the effectiveness of diplomacy as a tool for enhancing integration and economic development. The study generated empirical evidence that will help in the formulation of strategies to utilize economic diplomacy as a tool for advancing sustainable bilateral relations.

1.6 Limitations to the Study

Kenya only recently developed a modern foreign policy in 2014, which raises the limitation that the policy is not time tested; hence there is limited evidence of its efficacy in managing bilateral relations with other East African countries. This research anticipated time constraints since the execution period is controlled. This was countered by focusing on an interview involving diplomats only as opposed to holding interviews with all persons involved in formulating and enforcing the bilateral policymaking process.

The researcher also anticipated challenges in securing permission to contact government officials involved with policymaking. This was countered by obtaining a research permit and authorization from the school and also by setting up appointments early before making actual visits to the offices. Further, participants were assured that the research was only used for academic purposes to promote confidentiality. The study also anticipated limitations due to movement restrictions imposed by Covid-19 pandemic response. This

was overcome by the use of Google forms and Microsoft teams in the data collection process. The study was also limited to a mixed research approach that was anchored on the Interdependence Liberalism theory. This was complemented by the adoption of a semi-structured research instrument in the data collection process. The study will also only collect data relating to the strategies employed by the Kenyan and Ugandan governments to develop bilateral relations.

1.7 Scope of the Study

This study sought to ascertain trends in Kenya's economic diplomacy on bilateral relations with Uganda. It was carried out in the months of June and July 2021, targeting a sample of members of staff of both countries' Ministries of Foreign Affairs Uganda stationed at both countries' High Commissions. The theoretical scope of the research was focused on the interdependence liberalism theory. The methodological scope of the study was focused on a mixed research approach. Further the study was limited in scope to only two nations within the EAC; Kenya and Uganda; Foreign Ministry officials.

1.8 Assumptions of the study

The study assumed that Kenya and Uganda have been practicing economic diplomacy, which can be core to extending the bilateral engagement between both nations. The research assumed that through economic diplomacy, both nations expect that positive relations can be fostered between their citizens. Lastly, the study assumed that the selected practices of bilateral relations employed in this research are adopted within the foreign missions of both countries.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a discussion of previous researcher's findings on the study topic. The empirical section will critique the previous studies, its design and findings in an attempt to relate them to the current exploration. The chapter concluded with the theoretical underpinning of the study and the conceptual framework that depicts the interactions between the variables in the study.

2.2 Literature Review

2.2.1 Nature of Economic Diplomacy between Kenya and Uganda

Globally the U.S. has been pursuing a deliberate policy of 'economic statecraft' that seeks to harness the forces and tools of global economics to strengthen American diplomacy and presence abroad while at the same time strengthening the domestic economy. The intention of this approach is to go beyond mere wealth creation for the United States and advances into the creation of power. In other words, it is the use of economic means to pursue political objectives (Milonov, 2008). On the other hand, China uses strategic financial aid projects as an economic diplomacy tool, assuring the country secures political support for its policies (WTO, 2013). Its sovereign wealth fund to gain geopolitical benefits (Sanford, 2011). Globalization has led to the emergence of a social and economic system that affects all countries either negatively or positively. It became necessary for the country to change its foreign policy in order to adapt to the development in other countries (WTO, 2013).

Postmodern Economic diplomacy is advanced both bilaterally and multilaterally through three major strategies. Principally, it is through the promotion of trade through exports and motivation for foreign direct investment (FDI) (Rana, Chatterjee, 2011). The second strategy most common economic diplomacy tool is the minimization of vulnerabilities to national security by diversifying risk. States achieve this through multilateral approaches such as international deal-making and alliance-building, as well as through traditional bilateral approaches such as the acquisition of modern production and energy technologies (Borchmeyer, 2012). The third strategy is through participation in the establishment of new trade agreements with individual countries as well as renewal of existing trade arrangements with old partners comprises the bilateral approach (Baranay, 2009). This study focused on the third strategy as it is the most relevant to current ties with Uganda.

It is important to recognize that relations between Uganda and Kenya hinge mainly on economic diplomacy. Whereas Uganda provides Kenya with a ready market, Uganda's aim, for a long time, has been to reduce, if not overcome, its status of being the 'economic backyard' of Kenya. In 2013, the value of goods exported to Uganda from Kenya amounted to KES. Sixty-seven billion (EUR. 632 million), making it the 2nd largest export destination after the European Union. Uganda, on the other hand, shipped KES. 15 billion (EUR. 144 million) worth of goods to Kenya. Bilateral trade was valued at KES. 82.3 billion (EUR. 776 million), making Uganda Kenya's 7th largest trading partner (Kangethe, 2014).

Multiple companies in Kenya have established long-standing business operations in Uganda, including some of the biggest banks in Kenya, such as the Kenya Commercial

Bank and Equity Bank. 2014 saw the construction of an interconnected standard gauge railway which is supposed to link landlocked Uganda to the port of Mombasa, with proposals to expand the route to an express motorway. However, a breakdown in diplomatic talks has since seen Uganda exploring other expansion options (Sekika, 2015). According to Sekika (2015), the economic importance of the standard gauge railway as a means to link Uganda to the outside world cannot be understated and highlights the importance of having functional diplomatic relations between both countries.

In 2014, Kenya's Ministry of Foreign Affairs developed the country's foreign policy under the pillars of peace, economic development, diaspora diplomacy, environmental conservation, and cultural preservation and exchange (Ministry of Finance, 2015). Economic diplomacy encompasses the economic vision of Kenya as stated in Vision 2030. Kenya has a strong trade base, but it is not performing as well as it should. Kenya has therefore recognized that the East African Community provides a primary base for economic development. Kenya also seeks to explore emerging economies by strategically positioning itself to tap into existing resources with investors in those countries. Economic diplomacy has a positive impact on Kenya's Balance of Payments (BOP) in terms of increased exports, substitutes for imports, and capital investments (Kenya Sessional paper, 2012).

According to the East African Community (2017), countries under economic diplomacy have to revise their customs duty rates on imports of goods as a binding commitment. In some scenarios, for some goods, these countries under economic diplomacy need to have zero tariffs. This makes it possible for developing countries to access better and cheaper

imports from developed countries. It also allows them to export their goods and services at a considerable price, protecting them from exploitation from the larger markets. The study thus sought to find out whether Kenya has seized this opportunity to enhance the current economic diplomacy ties with Uganda.

2.2.2 Effect of Economic Diplomacy on Bilateral Relations

Bilateralism refers to the political, economic, or cultural engagement that occurs between two independent nations. This differs from unilateralism in multilateralism in that unilateralism refers to a single state influencing relation, while multilateralism involves joint cooperation between more than two nations. Bilateral relationships are achieved once two nations recognize their sovereignty and the benefits that they could accrue from forming a bilateral relationship. Arel-Bundock (2017) reports that once diplomatic relations are established, the involved states exchange agents of diplomacy referred to as ambassadors whose task is facilitating dialogue. Free trade agreements (FTA) and foreign direct investment (FDI) are among the internationally recognized bilateral deals. Bilateral deals are specifically tailored according to the needs of the participating nations, and as such, there is no established principle of how to apply bilateral relations, making it paramount that participants understand the situational differences. Bilateralism is a way for participants to explore ways to come up with tailored agreements that would benefit the contracting states (Alexander, 2013).

India and Nepal are among the oldest states to establish bilateral relations, with records dating back to 544 BC, before the birth of Buddha. These relations are now written down in both governments' historical records, with the India-Nepal friendship treaty being

declared official in July 1950. This resulted in significant economic and political developments in both nations. The countries went ahead to sign the Bilateral Investment Promotion and Protection Agreement in 2011, which revolutionized how people in both countries could conduct business. The treaty established free border crossing, which allows free trade, living, and investment in either nation. While Nepalis have lived in India for hundreds of years, the treaty saw the Gurkhas being included in the Indian Army (Victor, 2010).

Bayne et al. (2017) acknowledge that economic diplomacy is a comprehensive process that can be achieved in four main areas; a bilateral level, a regional level, a multilateral level, and a plurilateral level. These multi-level negotiations can generate a key tool for advancing foreign policy objectives between nations as well as utilizing economic policies as negotiating tools (van Bergeijk, Groot & Yakop, 2011). This explained how bilateral relations affect economic diplomacy.

Yakop and van Bergeijk (2011) noted the significance of diplomatic relations in the growth of developing economies through the promotion of South-South trade as opposed to North-North trade. This study focused on regional trade between states at a similar level of development as opposed to bilateral relations. Moons and van Bergeijk (2016), in their meta-analysis, noted that diplomatic relations is only as effective as the nature and development scores of the trading partners. The researchers further note that diplomatic representations in developing countries have been utilized as a strategic policy tool that can be utilized to drive the integration and movement of citizens and security forces within member states. The study failed to indicate how diplomatic missions enhance regional

economic relations. Further, the research did not involve relations between either Kenya or Uganda, making its findings unsuitable for the current study scope.

Woolcock (2011) argues that greater bilateral relations foster economic diplomacy, which results in less concentration on internal diplomacy by the participating states. This is supported by van Bergeijk (2011) notes that an increase in bilateral activities results in less effort to promote trade and investment since the deals facilitate economic diplomacy. The researchers, however, fail to indicate the importance of economic diplomacy on regional integration. Tarrosy (2005) asserts that the creation of regional groups in the African continent has been a goal for the politicians in the region even before independence.

Okute (2017) investigated the East African Community to identify the non-trade barriers to trade in the region. The study adopted an explanatory research design and used descriptive and correlation analysis, which revealed that excessive bureaucracy, different working hours, and technical differences were hindering trade effectiveness. The study identified diplomatic missions as a means to harmonize standards and reduce the virulence of identified barriers. This study sought after barriers to trade rather than the strategies employed to reduce these barriers, as the current study expresses. Ogutu (2019) delved into Kenya-Tanzania trade disputes and noted that imposition of non-tariff barriers, lack of political goodwill, protocol implementation mismatch, and nationalistic ambitions were hindering trade, contributing to slow economic growth and degradation of EAC's strategic value. The study called for economic diplomacy through embracing fair play and recognizing single customs territories, and sustained effort toward promoting EAC markets to private businesses. This study involved disputes at the Tanzania-Kenya border.

2.2.3 Impact of Economic Diplomacy

Globally, various studies, including Afman et al. (2010), have shown that the unification of trade missions between states yielded positive coefficients. A well-thought-out economic strategy should also be considered when it comes to collaboration. The visibility of a country abroad contributes to its potential partnerships. Embassies will to a larger extent, enhance trade compared to consulates (Afman & Maurel,2010). The principle of economic diplomacy is anchored on the understanding that countries aim to engage in economic diplomacy to move up from the status of Less Developed Countries. These countries are obligated to look for various options in order to complement their capital inflow. Some of these options used include engaging in trade partnerships, regional integration, and relying on foreign and development aid (FDI) (Kenya Sessional paper, 2012).

FDI is the inflow of foreign investment to a country from investors who are citizens of another. Thus, when Kenya acquires significant investment from multinational corporations, this is referred to as an FDI and borders on economic diplomacy (Kenya Sessional paper, 2012). A Global study on export promotion agencies and investment promotion conducted by the World Bank indicated the impact of investment advancement agencies and the contribution of export promotion agencies showed that a 7.5% increment of Foreign Direct Investment (FDI) flows for every 10% expansion in the investment promotion financial plan, therefore, justifying the reliance of FDI by developing countries (Carol et al., 2019).

Creusen and Lejour (2013) analyzed the role of economic diplomacy on international trade and its influence on FDI decisions. Analysis revealed that the presence of government support offices in middle-and-low-income countries and government trade missions increase foreign investors' intention to invest in these markets. This study focused on Dutch firms' entry decisions into middle-income nations. Didier (2018) investigated the effect of the "one-China policy" (OCP) on bilateral trade flows between China and Taiwan. The study used a structural gravity model based on worldwide panel data and revealed that diplomatic relations with China lead to a trade-promoting effect for China regardless of the nature of its trading partners. Further, the study ascertained that Chinese authorities use retaliation measures to compel trading partners to respect its foreign policy doctrine. This study investigated China-Taiwan relations which are more about territorial dominance, while the current study focused on bilateral relations wherein no party seeks to dominate the other and both recognize each other's independence.

Dizaji (2018) sought after the impact of sanctions on Iran's economic diplomacy orientation using the standard gravity model. The study determined that sanctions significantly diminished Iran's total trade, exports, and imports. The country had responded by developing diplomatic relations with partners in East Asia and MENA, affirming economic policy can mitigate the strong impacts of multilateral sanctions on its trade flows. This study focused on the effect of sanctions on diplomatic orientation and trade; the current study did not investigate sanctions as diplomatic tools. Kukharyk and Nübling (2021) assessed the role of economic diplomacy on relations in the modern environment and determined that economic diplomacy has a positive correlation with Ukraine's GDP

growth and the growth of foreign trade turnover (FTT). This study specified the effect of different bilateral arrangements on GDP growth. The current focused on bilateral trade between two states.

Maame Esi (2019) analyzed the negative effects of regional economic integration on Ghana's economic development by identifying protocols and frameworks of integration. The analysis determined that the slow implementation of ECOWAS protocols on free movement and harmonization of economic and fiscal policies had a negative impact on Ghana. Recommendations were to eliminate differentiated regulatory schemes and trade standards, improve regional industrial policy and infrastructure and build strong regional institutions. This study evaluated multiple countries' integration capacity in Ghana's development. Cannon (2016) studied Turkey-Kenya relations and ascertained that the two countries shared interests in diplomacy, trade, and security were the key source of bilateral relations. The researcher argued that the two states still have to develop a greater understanding of one another and compromise in areas such as tariffs and export quotas for the relationship to remain sustainable. This study was centered on economic diplomacy between a middle-income and a low-income state. The current study addressed the same in two low-income states.

2.3 Theoretical Framework

The study was guided by the interdependence Liberalism theory.

2.3.1 Interdependence Liberalism theory

The Interdependence Liberalism theory propagated by (Copeland, 1996) guides this study and its main argument is that states' co-relationships spring cooperation among states.

Increased technology development has improved communication and increased globalization, making countries more dependent on each other to address emerging issues such as trade, terrorism, and environmental and health matters that go beyond the national boundaries. Therefore, states are reliant on co-existence for survival. Inter-state relations are no longer guided by power dynamics but by the strength of controllable relations between international institutions (Romain, 1999). Liberal economists argue that economic interdependence between states reduces the likelihood of physical confrontation and war by prioritizing economic gains over aggression, meaning that interdependent states would rather trade than invading (Tanious, 2018).

Copeland (1996) argues that economic interdependence reduces conflict and encourages peaceful trade among states. He goes on to argue that in trade, the dependent state will pursue its needs through peace rather than through war, highlighting the importance of economic diplomacy as a tool for promoting peace and international trade sustainability. Other proponents argue that states' interdependence increase interactions within the international community, facilitating relationship development. Barbieri and Levy (1999); Keohane and Nye (1989) opined that relations through trade could be pivotal to national development. International organizations such as WTO and IMF facilitate international cooperation. The researchers reported that these internationally established regimes could enhance the benefits realized by bilateral deals by providing verified information about how different nations honor trade agreements through monitoring and reporting on compliance requirements. This would ensure that no nations are exploited and minimize the occurrence of conflict.

Keohane and Nye (1989) came up with three characteristics of this theory, the first being the existence of multiple channels between government and non-government elites. Secondly, the absence of a hierarchy of issues meant a lack of military domination. The third was the non-use of military force by the government toward other governments in the region. Liberalist thinking avers that countries can achieve greater cooperation by increasing ties in certain key fields such as trade and inter-regional collaborations and use these links to promote peace and initiate mechanisms for conflict resolution (Tanious, 2018). Copeland (1996) argues that in bilateral arrangements, the recognition of mutual benefits enhances peace.

This theory advocates for the establishment of common goals and the recognition of partnering countries' independence as the first step to maintaining healthy relations (Tanious, 2018). Copeland (1996) asserts that countries always seek to maximize welfare for their people and will pick trade over war at any particular moment. This theory calls for the recognition of the benefits of non-violent attempts at conflict resolution. This theory is key to this study which is after the use of economic diplomacy as a strategy to advance an independent state's objectives. In the context of Kenya and Uganda, this theory advances that both countries can pursue bilateral relations through economic diplomacy rather than war, which is costly and can have longer-running effects on long-term well-being of both states. This theory, thus, allowed for the examination of how economic diplomacy can foster bilateral relations between two nations.

2.4 Conceptual Framework

A conceptual framework depicts the interaction between the independent and dependent study variables. This study used economic diplomacy as the independent variable and bilateral relations as the dependent variables. The interaction is hypothesized below.

Independent Variables

Dependent Variable

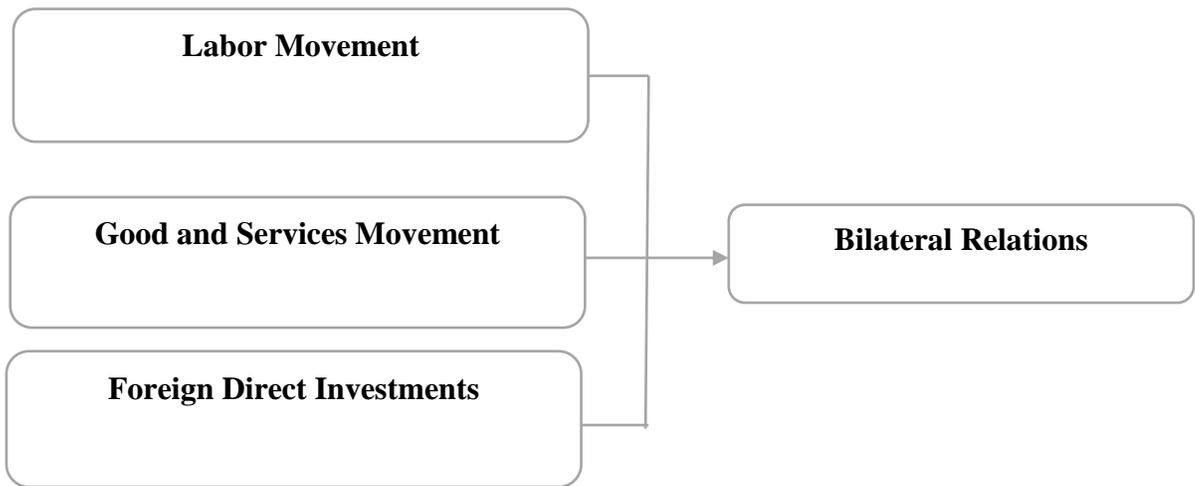


Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The study methodology and procedures were followed in answering the research questions. It presents the design, target population, sample design and size, data collection procedures and data collection instruments, and data analysis and presentation.

3.2 Research Design

The research design outlays the main blueprint and systemic procedure to be followed during the research (Cooper & Schindler, 2014; Kothari, 2008). A descriptive survey research design was employed. This design was appropriate for its ability to enable the researcher to collect data that can answer hypothetic questions (Orodho, 2005). Furthermore, a descriptive research design allows for the phenomena to be studied in their current form.

3.3 Target Population

The target population refers to the elements and objects that are of interest to solving the research problem (Cooper & Schindler, 2014; Kothari, 2008). The study targeted personnel at the Kenya High Commission in Kampala, the Uganda High Commission in Nairobi, and some officials from the Ministries of Foreign Affairs of both countries. This is because these targeted respondents have the requisite knowledge of economic diplomacy and its role in bilateral relations between Kenya and Uganda. The total target number of staff in these locations is 43, with the population of the study being drawn from the sample.

3.4 Sample Size

The sampling design refers to the elaborate technique that is utilized in obtaining a sample population from the target study (Kothari, 2008). The current study adopted purposive sampling methods. The respondents' selection used the purposive sampling approach. The research adopted a census survey of all 43 respondents. This ensured there was an equal representation of all the respondents in the survey.

3.5 Data Collection Instruments

Burns and Grove (2003) indicate that the data collection process involves the development of an appropriate research instrument that aided in the collection of data that would be used in solving the research problem. Both primary and secondary data were used. Kothari (2008) states that primary data is the data collected from respondents within their fields. Semi-structured questionnaires were utilized. Secondary research data was collected from Foreign Ministry policy documents, publications, and peer-reviewed journals.

3.6 Validity of the Instrument and Reliability of the Results

Validity is a measure of the research instrument's inference of the study objectives. A panel of experts was consulted for the assessment of the contents of the research instrument. To measure the validity of variables in the study, a validity test was carried out. The content validity index (CVI) formula assisted in determining whether the proposed questions captured the data that adequately answered the study's objectives and questions. All statements returning scores around 0.7 and above were accepted as valid.

Reliability refers to the degree of consistency of a research instrument in producing similar findings even after repeated trials (Sekaran, 2003). Cronbach's alpha is used to determine the correlation among study items, and all measures that are close to 1 show a high degree of internal consistency (Sekaran, 2003). A pilot study was used to the assessment of the level of internal consistency of the questionnaires. After making the necessary corrections, questionnaires were administered.

Table 3.1 Reliability Statistics

Construct	Cronbach's Alpha	N of Items
Bilateral relations	.0740	5
Labor movement	0.850	4
Goods and services movement	0.734	4
Foreign direct investment	0.860	3

The research findings that the study variables had Cronbach Alpha scores that were admissible for the survey adoption of the instrument.

3.7 Data Collection Procedures

Data collection was through the drop and pick method. Peer-reviewed journals, publications, and reports by various stakeholders in the diplomatic community provided secondary data. The researcher obtained a research permit from NACOSTI before embarking on the data collection. Research assistants aided in carrying out the actual

distribution and collection of questionnaires and also conducted the interviews. Secondary data was sourced from a review of previous studies.

3.8 Data Analysis and Presentation

The statistical software SPSS 23 was used in the analysis of the collected data. The study used Microsoft Excel to supplement the SPSS analysis tool. Both descriptive and inferential statistics methods of analysis were adopted. Content analysis was employed in qualitative analysis. Means, standard deviation, percentages, and figures were employed in the representation of the findings. The inferential statistics were presented using a correlation matrix.

3.9 Ethical considerations

The researcher observed all ethical recommendations from the school. The respondents' permission was sought, and they were assured of confidentiality and anonymity. A consent form was included for this purpose. Additionally, the researchers conducted themselves with respect and sensitivity, considering the profile of the respondents and the nature of their work. Further, the respondents were informed of their choice of participation and told that they could withdraw.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

The data analysis is presented in this chapter. It presents the demographic results and the descriptive analysis of the quantitative statements, correlation tests, and regression findings.

4.2 Response Rate

Responses were sought from 43 officials drawn from Kenya's diplomatic Mission in Kampala, Uganda's diplomatic Mission in Nairobi, and the officials of the Foreign Ministries of both countries. The research was able to collect 74% (n=34) responses, with only 26% of the sample participants not being involved in the research. Cooper and Schindler (2014) are of the opinion that a survey response of over 60% can be considered to be adequate for utilization in a quantitative survey and can offer reliable inferences.

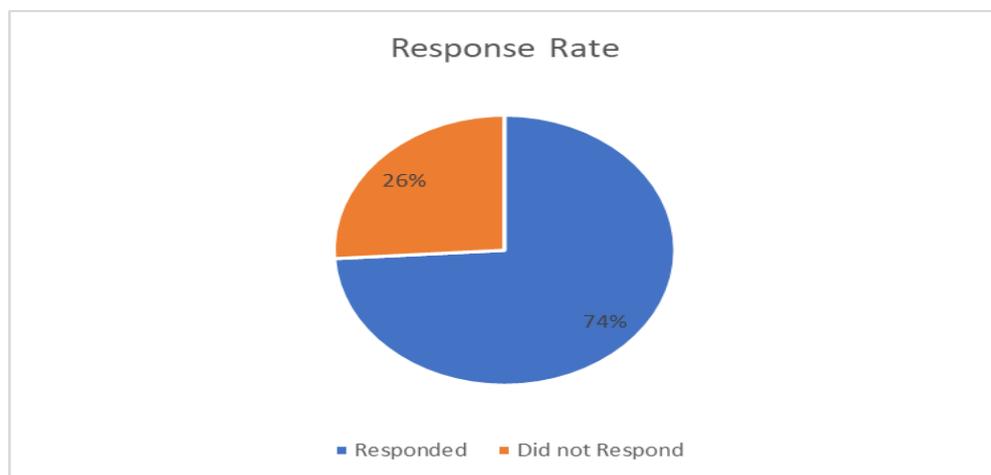


Figure 4.1 Response Rate

4.3 Background Information of Respondents

The research explored the background profile of the various staff members drawn from the two diplomatic missions and a sample of staff from their headquarters. The demographic results are thus presented.

4.3.1 Gender of Respondents

The survey findings showed that the majority of the participating staff members from the Kenyan and Ugandan missions, 62% (n=21), were male staffers, while 38% (n=13) were female officers within the missions. The survey showed there was adequate representation of female officials within the mission, as in figure 4.2 below.

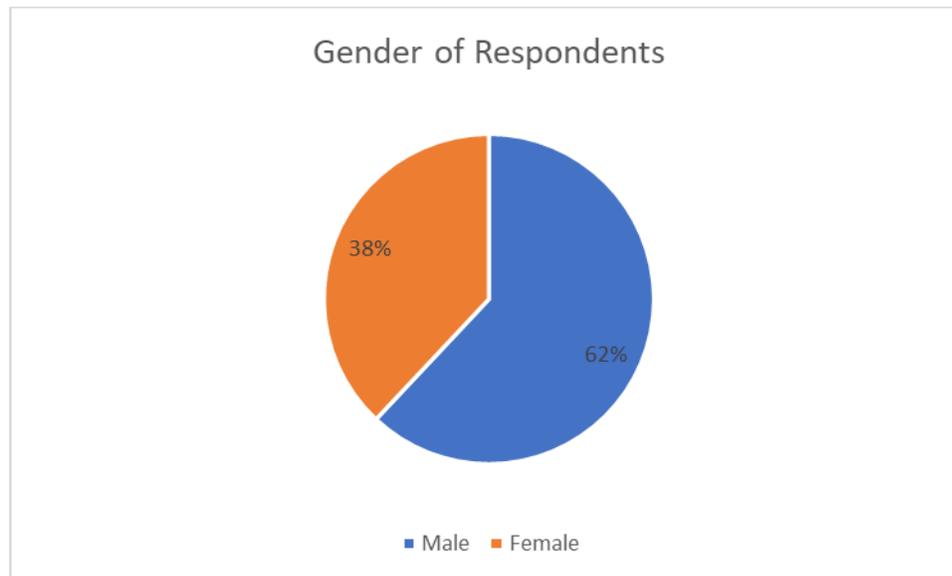


Figure 4.2 Gender of Respondents

4.3.2 Age of Respondent

The study reviewed the age profile of the various personnel within the diplomatic missions, and the findings are in Table 4.1.

Table 4.1 Age of Respondent

	Frequency	Percent
26-35 years	2	5.9
36-45 years	11	32.4
46 years and above	21	61.8
Total	34	100.0

The analysis showed that most staffers 62% (n=21), were between 46 years and above, 32% (n=11) were of the age 36-45 years, with only 6% (n=2) of the respondents being between 26-35 years age. The findings signified that there was an age diversity among the staff members within the diplomatic missions in Nairobi and Kampala.

4.3.3 Level of Education of Respondent

The study focused on a review of the educational attainment among the employees within the diplomatic mission, and the analysis revealed that 56% (n=19) had a graduate degree with 44% (n=15) had a postgraduate degree. The results established that there is a high professional qualification among the staff in the diplomatic missions in Nairobi and Kampala.

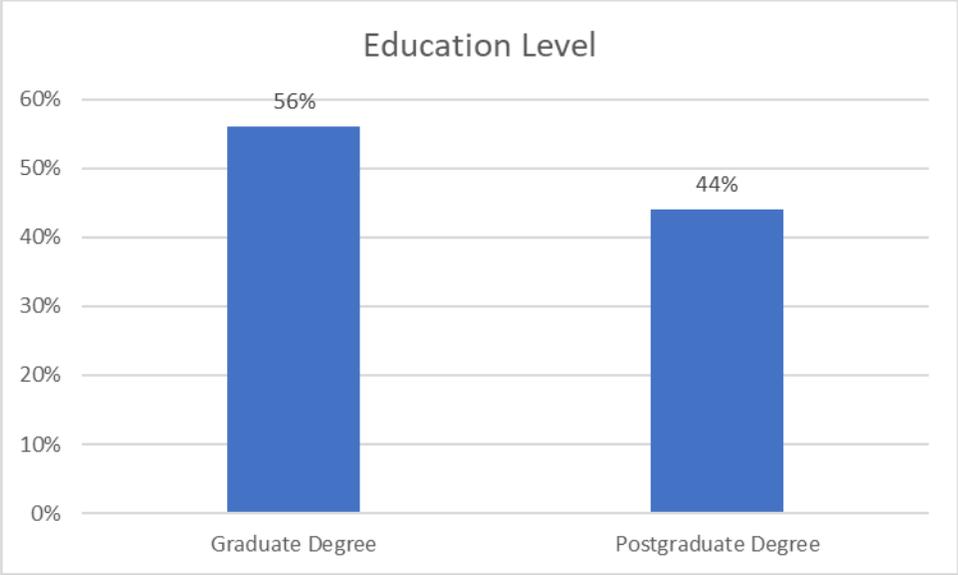


Figure 4.3 Education Level of Respondents

4.3.4 Position in the Diplomatic Mission and Ministries of Foreign Affairs

The study was also interested in determining the position held by the respondents within the diplomatic missions, and findings revealed that 31% of the respondents were Foreign Service officers, 22% were Financial Attaché, 26% were Immigration Attaché, 11% were Defense Advisors, and 10% were First Counselors and Third Secretary in the missions. The findings showed that the participants played diverse roles within the mission thus were in a position to offer reliable responses that helped in solving the research questions.



Figure 4.4 Position in the Mission

4.3.5 Number of Years in Missions and Ministries of Foreign Affairs

The participants were requested to indicate the years employed within the diplomatic missions in Kenya and Uganda. Table 4.2 presents findings.

Table 4.2 Length of years in Missions and Ministries of Foreign Affairs

	Frequency	Percent
4-6 years	2	5.9
7-9 years	16	47.1
Over 10 years	16	47.1
Total	34	100.0

The analysis pointed out that 47% (n=16) of the participants were employed within the mission for 7-9 years and over 10 years respectively with only 6% (n=2) having an experience of 4-6 years. The vast experience in the sample participants was vital to this research as it affirmed, they have an expansive knowledge of the nature of economic diplomacy and how that has impacted the bilateral relations between Kenya and Uganda.

4.4 Descriptive Analysis

A mixed-research methods was used. A questionnaire with Likert Scale statements and open-ended questions was utilized. Descriptive and content analysis were utilized in presenting the findings concerning the study variables.

4.4.1 Bilateral Relations

The dependent variable was the bilateral relations between Kenya and Uganda. Findings are as shown. The adopted Likert scale statements were utilized in calculating the mean and standard deviations for the study variable as represented in Table 4.3

Table 4.3 Bilateral Relations

	N	Sum	Mean	Std. Deviation
There are better social relations between the countries	34	151.00	4.4412	.66017
There is increased cooperation between the countries	34	144.00	4.2353	.55371
There are minimal security escalations between the countries	34	141.00	4.1471	.78363
There is free movement of citizens between the countries	34	139.00	4.0882	.90009
There is enhanced bilateral interests between the countries	34	146.00	4.2941	.79884

The findings showed a strong agreement that there are better social relations between the countries, as revealed by a 4.44 mean and .660 deviation. There was also strong agreement that there are enhanced bilateral interests between the countries (mean = 4.2941, dev= .7988). The results revealed an agreement among participants that there were minimal security escalations between the countries as denoted by a 4.147 mean, with a .784 deviation. There was agreement that there is free movement of citizens between the countries, as noted by a mean of 4.088. Findings further revealed there was strong agreement among participants there is increased cooperation between the countries (Mean = 4.235, Dev = .554).

Concerning the bilateral relations, there was consensus among participants that;

'There were common tribes across the two borders sharing similar cultures. These factors can be used to enhance relationships between the two countries. More so, the intense cultural relations between nationals of both countries move freely to either country or carryout investment.'

The respondents also noted that fostering bilateral relations between the two countries can be expanded through;

'Enhanced trade, cooperation in migration and security sector, the stronger trade relationship between the two countries and fostering joint verification missions and bilateral meetings

More so; it was vital for the countries to expand their relations in other areas such as;

'Environmental relations, social integration, broadening areas of bilateral cooperation, enhancing opportunities of educational scholarship, and fostering cooperation in the sharing of natural resources

The results are aligned with Camilla (2016), who noted that Kenya being the regional hub in East Africa, has experienced robust cultural, social, and trade relations with neighboring countries. Through interaction in bilateral arrangements, the country has been able to develop long-term sustainable growth and relations. Consistent with this, the Kenya Trade Policy (2014) recognizes the need for the country to focus more on bilateral relations as key to developing and strengthening partnerships. Sekika (2015) is also of a similar view that developing and developed economies have established bilateral engagements as key to developing stronger relations and fostering security.

4.4.2 Labor Movement

The first indicator for economic diplomacy between the two countries was assessed using the level of the labor movement, and the collected responses are presented in Table 4.4

Table 4.4 Labor Movement

	N	Sum	Mean	Std. Deviation
Better labor laws between the two countries foster social cohesion	34	134.00	3.9412	.85071
Minimal restrictions on labour movement between the two countries foster social relations	34	139.00	4.0882	.93315
An increase in labor movement promotes better trade negotiation between the two countries	34	130.00	3.8235	1.08629
Labor movement increases the availability of skilled labor within the countries	34	138.00	4.0588	1.09934

The study showed agreement among participants that labor movement increases the availability of skilled labor in the participating countries (4.058=mean, 1.099=deviation). Findings showed agreement that minimal restriction on labor movement between the two countries fosters social relations (mean = 4.088, dev = .933). The participants also agreed that better labor laws between the two countries foster social cohesion as noted by a 3.941 mean with a .851 deviation. The staff also agreed that an increase in labor movement promotes trade negotiation between the two countries as denoted by a 3.824 mean, with a 1.086 deviation.

The study further queried the opinions of the mission staff and their responses pointed out that;

'Labor movement can be utilized through effective implementation of EAC Common Market Protocol and signing or bilateral labor Agreement between the two Countries. Further, there was consensus that best practices imported across countries when there is labor movement would demand economic growth benefitting both nations'

The participants also revealed that labor movement can be amplified to enhance bilateral relations by among other things;

'Enhancing skills transfers, increase in foreign exchange and increased foreign direct investment in both countries. Both Kenya and Ugandan should put in place policies to allow citizens of both countries to work without restrictions in any of the nations'

There was consensus that both nations should strive to;

'Advocate for organized labor unions fights for better wages, reasonable hours, and safer working conditions. This will be key to reducing the cost of doing business due to supply and demand law. Further, there is a need to require for standardization of labor qualifications between the two countries which will expand the access to work permits and support capacity building between citizens of both countries'

These findings are supported by earlier literature by Baranay (2009) who noted that developing multilateral approaches in trade has been key to alliance-building within regions. Further, the introduction of new trade arrangements between countries has supported better labor movement which is key to keeping ties open between countries. Borchmeyer's (2012) study showed that international deal-making in trade has been central to sustaining long-term partnerships and positive coexistence between nations. Bayne et al.

(2017) note that trade arrangement can be utilized as a vibrant tool of expanding bilateral engagement and a tool of supporting peaceful coexistence between nations.

4.4.3 Good and Services Movement

The second construct of economic diplomacy that was considered in the study examined the goods and services movement between the two countries and the findings are in Table 4.5

Table 4.5 Good and Services Movement

	N	Sum	Mean	Std. Deviation
Increase in movement of goods enhances the social welfare within the countries	34	142.00	4.1765	.99911
Movement of products and services between the countries creates a ready market which can act as a tool of bilateral engagement	34	142.00	4.1765	1.08629
Free movements of goods and service eradicate the fear of domination between the countries	34	132.00	3.8824	1.06642
Operation of better trade policies between the countries can act as a tool of fostering regional relations	34	132.00	3.8824	1.12181

The analysis revealed agreement among mission staff that an increase in movement of goods enhances the social welfare within the countries (mean=4.176, deviation=.999).

There was agreement the movement of products and services between the countries creates a ready market which can act as a tool of bilateral engagement (mean = 4.176, dev = 1.086).

The respondents also agreed that free movements of goods and service eradicate the fear of domination between the countries as noted by a mean of 3.882 and deviation of 1.066. There was also agreement among mission staff that the operation of better trade policies between the countries can act as a tool of fostering regional relations (3.882 mean, 1.121 deviation).

Regarding goods and services movement, respondents showed that the two countries can expand in terms of;

‘Supporting the availability of essential products like medical supplies such Personal Protective types of equipment (PPEs) during the Covid-19 pandemic period. Further, both nations could help increase joint trade, which strengthens the economies of the partner countries and improves the lives of their citizens’

The participants also noted that the two countries can;

‘Ensure that there is easy movement of goods and services at the border points between Kenya and Uganda. This will help the two countries avoid shortages which can be highly minimized and economic fundamentals will be relatively stable’

The respondents also noted there is a need for the two countries to;

‘Exhibit through political goodwill the effective implementation of EAC Common Market Protocol. This will be critical to expanding trading between the two countries and support future negotiating power with other trading blocs. More so, the removal of NTBs would promote bilateral relations between the two countries

‘Further, through the promotion of mutual relationships between citizens of the two countries will be key to allowing the forces of demand and supply determine prices which can foster the performance of the bilateral markets’

Chatterjee (2011) similarly opined that the promotion of trade through greater exports and imports between two nations is a major motivation of the countries to ensure there are positive relations. Through building alliances, the countries can put in place structures that

will minimize vulnerabilities that may impact their security and relations negatively. Kangethe (2014) noted that bilateral trade between Kenya and Uganda has been flourishing over the last few decades and this has supported peaceful relations between the two nations. Further, Sekika (2015) acknowledges that expansion and renovation of the standard gauge railway are expected to drive improvement in the movement of goods and services which will be key to the attainment of peace, cultural relations, and economic development.

4.4.4 Foreign Direct Investments

The third construct of the economic diplomacy between the two countries was assessed using foreign direct investment and the analysis is shown in Table 4.6.

Table 4.6 Foreign Direct Investments

	N	Sum	Mean	Std. Deviation
An increase in mutual investments between the countries promotes better social growth in both nations	34	139.00	4.0882	.99598
Creating a conducive environment for foreign direct investment can be used as a tool of bilateral engagements with other nations	34	143.00	4.2059	1.00843
Increasing investment between nations creates vested interest which both nations protect for better mutual relations	34	126.00	3.7059	1.16851

The participants strongly agreed that creating a conducive environment for foreign direct investment can be used as a tool of bilateral engagements with other nations (mean = 4.205, deviation = 1.008). There was consensus among respondents that an increase in mutual

investments between the countries promotes better social growth in both nations as denoted by a mean of 4.088. Findings demonstrated agreement that increasing investment between nations creates vested interest which both nations protect for better mutual relations according to the 3.7059 mean and 1.169 deviation.

The analysis of the open-ended questions highlighted consensus among respondents that;

'Allowing citizens of each country to work in the companies, skills and technology sharing, allowing products and services from the companies to access each other's market freely. Further providing simplified procedures will allow for ease of transfer of technology and capital which can drive economic growth between the two nations'

Further through;

'Joint tailor-made initiatives for FDI to increase the presence of investors in Kenya and Uganda respectively is key to fostering mutual dependency and win-win situation which creates employment opportunities and better bilateral relations'

The findings resonate with Arel-Bundock (2017) who advocated for increased expansion of foreign direct investments as tools of ensuring the participating nations churn out bilateral deals that serve their needs. Alexander (2013) study revealed that increased foreign direct investments have been vital to driving bilateralism between nations globally. Bayne et al. (2017) in their research concluded that FDI has become a central tool for advancing foreign policy objectives between nations as well as utilizing economic policies as negotiating tools. These similar views are held by van Bergeijk, Groot, and Yakop (2011) who noted that economic tools can be used to strengthen bilateral relations.

4.5 Correlation Analysis

The research examined the association between economic diplomacy and bilateral relations using Spearman rank correlation. The results of the correlation tests are in Table 4.7.

Table 4.7 Correlation Results

			Bilateral Relations	Labor Movement	Goods and Services Movement	Foreign Direct Investments
Spearman's rho	Bilateral Relations	Correlation Coefficient	1.000			
		Sig. (1-tailed)	.			
		N	34			
	Labor Movement	Correlation Coefficient	.363*	1.000		
		Sig. (1-tailed)	.018	.		
		N	34	34		
	Goods and Services Movement	Correlation Coefficient	.437**	.712**	1.000	
		Sig. (1-tailed)	.005	.000	.	
		N	34	34	34	
	Foreign Direct Investments	Correlation Coefficient	.245	.601**	.920**	1.000
		Sig. (1-tailed)	.032	.000	.000	.
		N	34	34	34	34

*. Correlation is significant at the 0.05 level (1-tailed).

Results showed a positive and significant relation between the labor movement and bilateral relations between Kenya and Uganda ($r = .363$, $\text{sig} = .018 < .05$). The findings

noted a positive and significant relation between good and services movement with the bilateral relations between Kenya and Uganda ($r = .437$, $\text{sig} = .005 < .05$). The analysis revealed an improvement in foreign direct investments on the bilateral relations between Kenya and Uganda ($r = .245$, $\text{sig} = .032 < .05$).

4.6 Regression Analysis

The study's main aim was to examine the role of Economic Diplomacy as a strategy for enhancing Bilateral Relations between Kenya and Uganda. The research adopted a multiple regression analysis. Table 4.8 presents findings.

Table 4.8 Regression Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.604 ^a	.364	.301	2.51958

a. Predictors: (Constant), Foreign Direct Investments, Labor Movement, Goods, and Services Movement

The above findings showed a coefficient of the regression analysis $R^2 = .364$ which signified that economic diplomacy played a positive role in enhancing bilateral relations between Kenya and Uganda. The analysis showed that 36.4% of the changes in bilateral relations between Kenya and Uganda can be determined by the economic diplomacy between the countries through foreign direct investments, labor movement as well as goods and services movement. van Bergeijk, Groot, and Yakop (2011) also concluded that economic diplomacy has a positive influence in forging bilateral relations between

countries. Afman et al. (2010) showed that unification of economic policies has been key to building collaborations and potential partnerships between countries.

Table 4.9 ANOVA Summary

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	109.110	3	36.370	5.729	.003 ^b
	Residual	190.449	30	6.348		
	Total	299.559	33			

a. Dependent Variable: Bilateral Relations

b. Predictors: (Constant), Foreign Direct Investments, Labor Movement, Goods, and Services Movement

The ANOVA analysis was adopted in the study to determine the adopted regression model's statistical significance. The above findings showed an F-value = 5.729, Sig = .003<.05 which signified there is a positive and significant role of economic diplomacy in enhancing bilateral relations between Kenya and Uganda.

Table 4.10 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	15.091	2.560		5.895	.000
Labor Movement	.294	.120	.185	.2450	.006
Goods and Services Movement	.991	.297	1.052	3.331	.002
Foreign Direct Investments	1.078	.344	.920	3.135	.004

a. Dependent Variable: Bilateral Relations

From the above results, the labor movement had a positive and significant coefficient $\beta = .294$, Sig = .006 < .05. The findings showed that changing labor movement by a unit will lead to a .294 or 29.6% improvement in the bilateral relations between Kenya and Uganda. Moons and van Bergeijk (2016) revealed that integration and movement of citizens have been key to driving diplomatic relations and as a tool of advancing policies between the countries.

The analysis showed a coefficient of movement of goods and services coefficient $\beta = .991$, Sig = .002 < .05. The findings showed that changing goods and services movement by a unit will lead to .991 positive change in the bilateral relations between Kenya and Uganda. Yakop and van Bergeijk (2011) similarly noted that trade has been used as a significant tool for developing diplomatic relations between countries.

The findings revealed a positive and significant coefficient of foreign direct investments $\beta = 1.078$, Sig = .004 < .05. The findings showed that changing foreign direct investments by a unit will lead to a 1.078 positive change in the bilateral relations between Kenya and Uganda. van Bergeijk (2011) also contends that trade and investment deals facilitate economic diplomacy which is central to regional integration.

4.7 Summary

The fourth chapter of the study focused on the presentation of the findings drawn from the analysis of the study data. The chapter showed the research was able to collect 74% responses, with only 26% of the sample participants not being involved in the research. The correlation tests indicated that labor movement, good and services movement and foreign direct investments with bilateral relations between Kenya and Uganda. The

regression established that economic diplomacy accounts for 36.4% changes in bilateral relations between the two countries. The ANOVA test supported the conclusion that there exists a positive and significant role of economic diplomacy in enhancing bilateral relations between Kenya and Uganda.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary` of the research and the findings derived from the analysis. It also presents the conclusions and recommendations that were drawn from the study findings. Lastly, the suggestions for further research were then presented.

5.2 Summary

The study focused on how economic diplomacy tools; labor movement, goods, and services movement, and foreign direct investment can be used to drive bilateral relations. The survey was anchored on the interdependence liberalism theory that theorizes that states that co-exist and depended on each other will be able to foster peaceful cooperation and integration. The research adopted a descriptive research design, drawing the population from the 43 officials working within the Kenyan and Ugandan missions and their headquarters. The study developed a semi-structured questionnaire that was used in the collection of responses from the officials. The research employed both quantitative and content analysis.

5.2.1 The nature of economic diplomacy between Kenya and Uganda bilateral relations

The findings showed a strong agreement that there are better social relations between the countries further respondents indicated there are enhanced bilateral interests between the countries. The results revealed an agreement among participants that there were minimal

security escalations between the countries and there is free movement of citizens between the countries. Findings demonstrated that enhanced trade, cooperation in migration and security sector, the stronger trade relationship between the two countries and fostering joint verification missions and bilateral meetings’

5.2.2 The effect of economic diplomacy on Kenya-Uganda Bilateral relations

The analysis pointed out that both countries have been able to sustain better social relations, have witnessed minimal security escalations, movement of citizens, and increased bilateral interests. Concerning the labor movement, the study showed that labor laws between the two countries have fostered social cohesion due to the minimal restrictions on the labor movement. The study also noted that the labor movement has expanded the availability of skilled labor. The results showed that the labor movement significantly improved bilateral relations between Kenya and Uganda.

5.2.3 How to improve the use of economic diplomacy to improve the effectiveness of Kenya-Uganda Bilateral relations

Concerning the goods and services movement, the results noted there was improved social welfare between the two countries due to the movement of goods. Further, the free movement of goods between the two nations contributes to bilateral engagement and eradicates fear of domination. More so, trade policies put in place by both countries have been used to advance regional relations. The study showed significant improvements in goods and service movement with bilateral relations between Kenya and Uganda. The research showed that the two nations have been undertaking mutual investments which have enhanced social growth. Further, creating a conducive environment for investment

has been a key bilateral tool for fostering mutual relations. Further, foreign direct investment and bilateral relations were determined to be positively correlated.

5.3 Conclusions

From the findings, conclusions were that

- Economic diplomacy improves bilateral relations between Kenya and Uganda. The study found out that the existence of economic diplomacy tools such as foreign direct investments, labor movement, goods, and services movement leads to a growth in bilateral relations.
- The regression results led to the conclusion that the labor movement has a positive impact on bilateral relations. The study found out that better labor movement, minimal labor restrictions, and advocating for conducive labor laws are key to strengthening bilateral relations between the nations.
- The study concluded that the goods and services movement improve bilateral relations between Kenya and Uganda. The research established that supporting the free movement of goods and services plays a vital role in fostering bilateral engagement and social welfare improvement. Further, having supportive trade policies is central to boosting regional relations between the countries.
- The analysis led to the conclusion that foreign direct investment positively improves the bilateral relations between Kenya and Uganda. The results revealed that having a conducive environment for mutual investments will contribute to better bilateral engagements, social relations, and protection of existing vested national interests between the two countries.

5.4 Recommendations

The recommendations from the research are as follows;

- Both countries to formulate a mutual Economic Diplomacy Pillar that will help to address current global realities in the event of disruption of global trade by the COVID-19 Pandemic and widen its scope from marketing Kenya's products at the International Market. Further, through supporting aggressive marketing between the two nations there can be more coexistence between the nations.
- Further, the study recommends that both nations should adopt better negotiation for market access of sensitive products such as sugar, maize, milk which will ensure that both countries continue to enjoy cordial economic relationships.
- The study also recommends that both nations should advocate for increased trade negotiations which will improve trade volumes between the countries and this can positively lead to better growth in regional relations. Further utilization of various trade policies and extending marketing for domestic products will lead to strengthened mutual relationships.
- The research recommends that increased training of officers, negotiations, and implementation of agreements, joint verification on contentious issues among others as well as ensuring that commitments are duly implemented, strengthening communication, continuous training of diplomats will be critical to expanding bilateral relations.
- The study recommends that both nations should strive to minimize red-tape and politics in investment matters and put in place a sound economic policy that will

stimulate foreign direct investments between the two countries. This will lead to prospering and the creation of a conducive environment which will support the development of industries and relations between the two countries.

- The study also recommends that the two nations should review their customs policies to guide the movement of goods and services. This will be key to controlling the flow of goods and limiting any dumping or smuggling of goods between the countries.
- The research recommends that both nations should put in place policy tools to support knowledge sharing and transfer of technology which can spur investment and innovation between the two nations. Through the utilization of these economic tools, both nations can be able to experience mutual growth in relations between Kenya and Uganda.

5.5 Suggestions for Further Research

- The research was limited to an examination of bilateral relations between Kenya and Uganda. Thus, to expand available empirical evidence there is a need for further research to examine how economic diplomacy has impacted regional integration within the East African Community.
- Further suggestions are for further studies to be conducted to examine how foreign direct investment and customs policies have affected economic growth between the countries within the EAC.

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APPENDICES

Appendix I: Graduate School Authorization Letter



**KENYATTA UNIVERSITY
GRADUATE SCHOOL**

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: C50/CTY/PT/29457/2014

DATE: 9th September, 2021

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

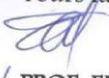
RE: RESEARCH AUTHORIZATION FOR KIRUI MARY CHERONO – REG. NO. C50/CTY/PT/29457/2014

I write to introduce Ms. Kirui Mary Cherono who is a Postgraduate Student of this University. She is registered for M.A degree programme in the **Department of International, Relations, Conflict and Strategic Studies**.

Ms. Kirui intends to conduct research for a M.A thesis Proposal entitled, “**Economic Diplomacy as a Strategy to Bilateral Relations between Kenya and Uganda (2020-2020)**”.

Any assistance given will be highly appreciated.

Yours faithfully,


/ **PROF. ELISHIBA KIMANI**
DEAN, GRADUATE SCHOOL

EK/nn

Appendix II: NACOSTI Research License


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**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

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**This is to Certify that Miss.. Mary Kirui of Kenyatta University, has been licensed to conduct research in Nairobi on the topic:
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Appendix III: Questionnaire

Kindly fill the below questions as appropriate as possible.

PART A: GENERAL INFORMATION

1) Gender

.....

2) Age Bracket

.....

3) Education Level

.....

4) Position within the diplomatic mission?

.....

5) Number of years in this mission?

.....

PART B: EXAMINE THE ECONOMIC DIPLOMACY AS A STRATEGY TO BILATERAL RELATIONS BETWEEN KENYA AND UGANDA (2010-2020).

Please use a tick (✓) or a cross (×) your agreement level based on the following scale

No	Bilateral Relations	1	2	3	4	5
1.	There are better social relations between the countries					
2.	There is increased cooperation between the countries					
3.	There are minimal security escalations between the countries					

4.	There is free movement of citizens between the countries					
5.	There is enhanced bilateral interests between the countries					

What are the other indicators of bilateral relations between the two nations?

.....

.....

.....

From your own perspective how would you categorize the economic diplomacy policies advocated between Kenya and Uganda?

.....

.....

.....

How has Kenya’s economic diplomacy enhanced its relations with Uganda?

.....

.....

PART C: EFFECT OF ECONOMIC DIPLOMACY ON BILATERAL RELATIONS BETWEEN KENYA AND UGANDA (2010-2020).

No	Labor Movement and Bilateral Relations	1	2	3	4	5
1.	Better labor laws between the two countries foster social cohesion					
2.	Minimal restrictions on labor movement between the two countries fosters social relations					

3.	Increase in labor movement promotes better trade negotiation between the two countries					
4.	Labor movement increases the availability of skilled labor within the countries					

From your own perspective, in what other ways would labor movement be utilized as tool of promoting bilateral relations between Kenya and Uganda?

.....

.....

.....

No	Goods and Service Movement and Bilateral Relations	1	2	3	4	5
1.	Increase in movement of goods enhances the social welfare within the countries					
2.	Movement of products and services between the countries creates a ready market which can act as a tool of bilateral engagement					
3.	Free movements of goods and service eradicates the fear of domination between the countries.					
4.	Operation of better trade policies between the countries can act as a tool of fostering regional relations.					

From your own experience in what other ways would goods and services movement be utilized as tool of promoting bilateral relations between Kenya and Uganda?

.....

.....

.....

No	Foreign direct investment and Bilateral relations	1	2	3	4	5
1.	Increase in mutual investments between the countries promotes better social growth in both nations					
2.	Creating a conducive environment for foreign direct investment can be used as a tool of bilateral engagements with other nations					
3.	Increasing investment between nations creates vested interest which both nations protect for better mutual relations					

In what other ways would foreign direct investment be utilized as tool of promoting bilateral relations between Kenya and Uganda?

.....

.....

How else has economic diplomacy impacted the bilateral relations between Kenya and Uganda between 2010-2020?

.....

.....

.....

In your own opinion, how Kenya's economic diplomacy be improved to make more effective?

.....

.....

.....

Thank you for your Time