ADDIS ABABA UNIVERSITY
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SPECIAL STATUS AGREEMENT BETWEEN ETHIOPIA AND KENYA: ETHIOPIAN PERSPECTIVE ON LAPSSET PROJECT.

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A THESIS SUBMITTED TO

CENTRE FOR AFRICAN AND ASIAN STUDIES

PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF THE MASTER OF ARTS IN AFRICAN AND ASIAN STUDIES; SPECIALIZATION ON HUMAN AND ECONOMIC DEVELOPMENT IN AFRICA.

ADDIS ABABA UNIVERSITY

MARCH 2023

ADDIS ABABA UNIVERSITY

COLLEGE OF SOCIAL SCIENCES

CENTRE FOR AFRICAN AND ASIAN STUDIES

This is to certify that the thesis prepared by Abdurhman Temam, by a title: Special Status Agreement between Ethiopia and Kenya; Ethiopian perspective on LAPSSET Project: submitted in partial fulfillment of the requirements for the Degree of the Master of Arts in African and Asian Studies specialization on Human and Economic Development in Africa conforms with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Acknowledgements

This thesis would have not been finalized without the help and cooperation of friends and number colleagues working at different organizations. I am profoundly grateful and indebted to a number of individuals for their valuable support in bringing my study to its completion. I would like to express my gratitude to my advisor, Dr. Zerihun Berhane, for his corrections, guidance, comments and who dedicated his valuable time to assist me to successfully complete this study.

I am profoundly grateful and indebted to my friends Tesfaye, Nahom, Yedenekachew and Serkalem without their support, cooperation and encouragement this thesis would never have been completed. I really appreciate the support and cooperation of Ambassador Mels Alem, Spokesperson of the Ministry of Foreign Affairs, Ato Gissela SahileSelasse, Director of Neighboring Countries at MoFA, and Mrs Hayt Abdu Desk officer of Kenya at MoFA.

I would like to express immense gratitude to Ato Gebretsadik Tassew; Director of Bilateral Negotiation at Ministry of Trade and Regional Integration for his deep incite during the interview I conducted with him and for providing me data and statics on the bilateral trade between Ethiopia and Kenya.

I would also like to thank W/ro Seadiya Mohammed; Team Leader of Road Network Planning Team under the Plan and Program Management Directorate at ERA, Ato Terefe Damesa, Senior Energy Expert, at Ministry of Water and Energy for their valuable information and interview. Last but not least, Mr. Stanley Mwangi Trade Attaché at Embassy of the Republic of Kenya in Addis Ababa for the insightful interview.

ACRONYMS

AfCFTA	African Continental Free Trade Area
AU	African Union
CEWARN	Conflict Early Warning and Response Mechanism
COMESA	Common Market for East Southern African Africa
EAC	East African Community
GERD	Grand Ethiopian Renaissance Dam
ERA	Ethiopian Roads Administration
IGAD	Intergovernmental Authority on Development
IGADD	Inter-Governmental Authority on Drought and Development
IMF	International Monetary Fund
LAPSSET	Lamu Port South Sudan and Ethiopia Transport
MOFA	Ministry of Foreign Affairs
MOTRI	Ministry of Trade and Regional Integration
REC	Regional Economic Community
SSA	Special Status Agreement

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Abstract

Ethiopia and Kenya signed several agreements and have been developing joint infrastructural projects. Mainly, the study would assess the Special Status Agreement between Ethiopia and Kenya and explore perspectives on LAPSSET. This study employed Qualitative approach method. Drawing on qualitative method, data were collected from primary and secondary sources. Interviews were conducted and furthermore, secondary data was used to corroborate the primary data collected. The significant finding is that the SSA signed with the objective of elevating the economic relations of the two countries and granting special status to trade, investment, infrastructure and food security and sustainable livelihoods seems to lack commitment from both sides. Besides, the LAPSSET brings in South Sudan in to the equation to significantly boost trade, tourism and investment. Low level of trade has been noted throughout because of tariff and non-tariff barriers. By conclusion, implementation of SSA is very low, much more needed to be done to ensure the effective implementation, and Ethiopia has to give much emphasis to the realization of big infrastructural projects in the frame work of LAPSSET.

Keywords: LAPSSET, Special Status Agreement, Implementation, Trade, Ethiopia and Kenya.

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CHAPTER ONE

INTRODUCTION

Ethiopia and Kenya are countries located in the East of Africa, a region mostly known for drought, poverty and starvation, civil conflicts and inter-state wars as well as political instability. It is also called the deadliest conflict cluster in the world.[1] Eastern Africa hosts one of the largest displaced populations in the world; with a total refugee population of 4.5 million and 8.8 million internally displaced people (IDPs) as of June 2021.[2] The sub-region hosts some of the longest running civil wars, fought in some of the world's poorest countries. These wars and political instabilities have produced estimated 2.5 million causalities.[3]

The push and pull factors of migration have also led to massive refugee flows. The region of the Horn of Africa has the largest number of displaced persons in the world. Even though the said region faces many challenges and problems, it didn't fully collapse. As a result, the region has developed mechanisms to respond through the Intergovernmental Authority on Development (IGAD) in resolving civil wars through peace settlements as well as the role of institutions such as UN, EU, and AU.[4]

Ethiopia has warm relations with Kenya; since the 1950s' Mau Mau rebellion against British colonial rule, Kenyan freedom fighters were able to operate from Ethiopian territory across the shared border. The former Prime Minster of Ethiopia Hailemariam Desalegn was the first head of state to visit Kenya after the new administration of President Uhuru Kenyatta took office in April 2013. Kenyatta described relations between the two countries as 'warm and cordial', and added that he would work to enhance Kenya's long-standing friendship with Ethiopia. Kenya and Ethiopia have a defense pact and work together on revising border controls to encourage trade, ease inter-ethnic tensions, and disrupt illicit small arms trade.[5]

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[1] Anwar Ayano (2019). The Role of IGAD (Intergovernmental Authority for Development) in Facilitating Civil War Peace Settlements in the Horn of Africa. International Affairs and Global Strategy.

[2] Regional refuge, (2021) WFP East Africa: Regional Refugee Update - June 2021.availble from https://reliefweb.int/report/uganda/wfp-east-africa-regional-refugee-update-june-2021(Accessed on 08 June 2022).

[3] Bayeh, E. (2014). The Eastern Africa Standby Force: Roles, challenges and prospects. International Journal of Political Science and Development, 2(9), 197-204.

[4] Ibid.

[5] Makonnen, T., & Lulie, H. (2014). Ethiopia, regional integration and the COMESA free trade area interventions in Sudan and Somalia. African Security, 2(2-3), 136-157.

Ethiopia is one of the oldest independent nations in the world. It has long been an intersection between the civilizations of North Africa, the Middle East and Sub-Saharan Africa. Unique among African countries, Ethiopia was never colonized, maintaining its independence throughout the scramble for Africa. It is the second largest country in the Horn of Africa and shares borders with Eritrea, Somalia, Djibouti, Sudan, South Sudan and Kenya.[6]

Kenya lies in the East African region of the African continent. In December 1963, Kenya attained full independence from Britain, becoming a Republic on the first anniversary of her independence in December 1964. Since then, Kenya has been, and continues to be a beacon of peace and stability, witnessing steady prosperity in a region has been characterized by among others, political chaos, coups, violence and high poverty levels.[7]

Kenya as a sovereign state has the duty to find avenues through which it can enhance her development initiatives by collaborating with other countries and states, and groupings of countries and states, within and without the continent in various areas; Healthcare, Education, Military Support, Technology Exchange, as well as in Trade and in Agriculture. Since independence, Kenya has fared better on the economic front as compared to her neighboring states by relying mainly on the agricultural sector, specifically the export of cash crops such as Coffee, Tea, and Pyrethrum.[8]

1.1. Statement of the Problem

High levels of poverty are entrenched in the Horn of Africa despite the existence of natural resource wealth and some of the world's rapidly growing economies. Existing on the periphery of state control, the borderlands face major development challenges including violent conflict, forced displacement, low agricultural productivity, food insecurity, environmental degradation, climate change vulnerability, natural hazard risks, poor public health, and high levels of illicit money flows as well as human and small-arms trafficking. Violent extremism is an increasing threat.[9]

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[6] Gebru, A. L., & Zeray, Y. (2017). Ethiopia's growth and transformation plan and its implications for synergic sum effect contextualized into regional cooperation in the horn of Africa. African Journal of Political Science and International Relations, 11(6), 162-171.

[7] Mohan, S. (2010). Value chain upgrading for competitiveness and sustainability: A comparative study of tea value chains in Kenya, Sri Lanka and Nepal. Geneva: International Centre for Trade and Sustainable Development (ICTSD).

[8] Ibid.

[9] Vemuru, V., Stephens, M., Sarkar, A., Roberts, A. J., & Baare, A. K. G. (2020). An Overview of the Borderlands of the Horn of Africa.

There are numerous integration-related policy issues, including commerce, security, transportation, and power. To determine which policy areas are crucial for accelerating integration between the two countries, there isn't enough research available. The effects of these policy areas may depend on a person's affiliation with various economic groups. For instance, Ethiopia's participation in IGAD and COMESA has an impact on its economic and security policy.[10]

The East African Community member states there are trade barriers such as inefficient and malfunctioning institutions and export-import requirement that affect trade relation across the region. East Africa region also lacks harmonized trade policies and information exchange strategies that can facilitate for improve trading activities among member countries.[11]

An analysis of the two countries ‘relations show that despite change of leadership in both Kenya and Ethiopia and the fact that the two countries had different ideologies and different colonial backgrounds, Kenya - Ethiopia relations remained good. There was co-operation between them for more than two decades.[12]

Kenya and Ethiopia have long -standing historical political, economic and People to People relations. However, the trade relation is weak due to different challenges that impair trade exchanges between the two countries. The poor performance of trade facilitation is one of the reasons why the relationship between Kenya and Ethiopia is weak. This poor performance is particularly due to non-tariff barriers such as long bureaucratic procedures, poor implementation of bilateral trade agreement and related obstacles to trade between Kenya and Ethiopia. However, research has shown that economic integration helps to promote and harmonize the economic development between participating countries. Also, it is a vital strategy for economic growth and wellbeing of nations as it enables them to acquire collective power to negotiate in international forums.[13]

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[10] Alemneh, D. (2017). *Economic Integration in East Africa: The Case of Ethiopia and Kenya*. Syracuse.

[11] Hangi, M. A. (2010). The Non-Tariff Barriers in Trading within the East African Community. Research Paper.

[12] Oduogo, C. O. (2005). Kenya-Ethiopia relations: a study of the significance of economic and political factors contributing to co-operation, 1963-199 (Thesis, University of Kenya).

[13] Martínez, D. (2004). The world of work in the context of economic integration and trade liberalization. Geneva: ILO publications.

Concerning the trade sector, they put much emphasis on textiles, agricultural goods, and food complexes. There is a steady growth of trade between Ethiopia and Kenya. If we take, for instance, the 2012 data, Kenyan exports to Ethiopia account for 56.4 million US dollars while Ethiopian exports to Kenya were 4.3 million US. Since commerce and exchange of goods among Africans are poor. Officials of both countries also agreed to attract investors by building infrastructures. Positive, continuous consultations between the two states at ambassadorial, ministerial, and heads of state levels show their determination to the realization of their agreements on trade, investment, food security.[14]

Particular focus is given by the researcher to Ethiopia and Kenya is because they have been committed to implement the agreements signed between them mainly the Special Status Agreement, which was supposed to grant special privileges to traders and investors of Ethiopia and Kenya, as a result to ameliorate the trade, investment and tourism of the two countries. Joint infrastructure development projects in the framework of LAPSSET, which have been underway, tend to bring economic integration of the two countries need due attention.[15] In the year 2012 the two governments signed Special Status Agreement to enhance trade and investment which was expected to elevate the economic relation to a new high.[16]

Looking at the main tenets of the Special Status Agreement signed between Ethiopia and Kenya and Ethiopia's perspective on LAPSSET project, where few studies don't say much or nothing about the issue under study. The researcher has a strong conviction that Ethiopia's perspective on LAPPSET project in light of its contribution to Ethiopia and Kenya as well as for regional integration much has not been reflected. Thus, in this study, the implementation of the special status agreement signed between Ethiopia and Kenya is critically assessed and the Ethiopian perspective on the LAPSSET project is explored.

[14] Addis fortune, 2022.available from https://addisfortune.net/articles/ethio-kenyan-commercial-ties- strengthened-by-ssa-ratification. (Accessed December, June 2022).

[15] Brown, A. (2015). LAPSSET: The History and Politics of an Eastern African Megaproject. Nairobi: Rift Valley Institute.

[16] Special Status Agreement, (2012), Eth. - Ken. Nov. 21, 2012.https://www.comesa.int/wp-content/uploads/2020/10/Implications-of-African-Continental-Free-Trade-Area-on-Intra-COMESA-Trade.pdf(Accessed on 08 June 2022).

1.2. Justification of the Study

This study aims to analyze the Special Status Agreement between Ethiopia and Kenya; and explore Ethiopian perspective on LAPSSET project. It has become important to examine the bilateral agreements and joint projects and explore their contribution for a lasting impact on the over-all relations between the two countries. Various researches have been conducted on economic integration, regional economic communities and their contribution to continental integration. These studies gave emphasis only on regional economic communities and most of them ignored the assessment of bilateral trade agreements and the contribution of projects such as LAPSSET for regional integration.[17]

The research will take in to account socio-economic aspects of the two countries regarding their stance in sub-regional organizations examining issues that pertain to overall welfare of citizens through systemic look in to regional projects and efforts exerted by the two countries by signing the Special Status Agreement to boost trade, investment and tourism. The study recognized that the economic relation between the two countries is low owing to their excellent diplomatic relations. The researcher believes that effective implementation of SSA and successfully carrying out LAPSSET project will result in improved trade relations between the two countries facilitate regional economic integration. The findings of the study may be used as an input for both Kenya and Ethiopia's respective Ministries, which are mandated to implement the Agreement. The study also tries to offer additional findings on the issue and may also be used as complement to do other correlated research topics.

1.3. Research Questions

1. How do you evaluate the implantation of special status agreement?
2. How could a regional project such as LAPSSET contribute to the socio-economic development Ethiopia and Kenya?
3. How do you evaluate the trade relations between Ethiopia and Kenya?

[17] Shewaye, M. (2021). *The Impact of Non-tariff Trade Barriers on Economic Integration Between Kenya and Ethiopia* (Thesis, University of Nairobi).

1.4 Research Objectives

1.4.1. General Objectives

Assess the Special Status Agreement between Ethiopia and Kenya: explores Ethiopian perspective on LAPSSET project.

1.4.2. Specific Oobjectives

- ✓ Identify the challenges of the trade relations between the two countries.
- ✓ Asses the contribution of the Special Status Agreement; by examining the state of economic relations after the signing of the agreement in 2012.
- ✓ Explore the prospects of the LAPSSET Corridor Development for Ethiopia-Kenya bilateral economic relations.

1.5. Scope of the Study

The study is limited to particularly asses the Special Status Agreement signed between Ethiopia and Kenya, and explores Ethiopian perspective on the LAPSSET project. And it refrained from delving in to deep examination of the overall relations. Hence, the study only tried to examine limited aspects of the overall bilateral relations.

1.6. Research Methods

1.6.1 Study design

The study employed a qualitative research methodology. As stated by Creswell, qualitative method deals with assessing, or categorizing, facts and then producing an interpretation, or drawing conclusions. Another way to think about qualitative analysis is that it relies on leveraging suggestions, remarks, or opinions of diverse individuals to give evidence and supports for arguments. In light of this, the opinions, recommendations, and comments of people were regarded as the study's primary input in order to assess the Special Status Agreement between Ethiopia and Kenya; explore Ethiopia's perspective on LAPSSET project.[i]

1.6.2. Sampling Method

The researcher used criterion sampling, in which participants meet predefined criteria and the most prominent criterion is the participant's experience.

1.6.3. Sample Size

Designing a qualitative sampling model mostly tends to plan estimates work for sample size. For qualitative approach, sample sizes between six and ten would be adequate and for case studies, any sample size between four to six data sources would be ideal.[18] Therefore, in the conduct of research for this paper 10 interviews would be required according to qualitative phenomenological approach.

1.6.4. Method of Data Collection

Data for this study is typically collected in the participant's setting. And data was analyzed inductively building from particulars to general themes. The researcher made interpretations of the meaning of the data. The final written report has a flexible structure. The following data collection approaches were applied to the data collection process. Data from both primary and secondary sources are used.

1.6.4.1. Primary Data

Primary data were gathered personally by researcher from selected informants. The respondents were interviewed by using structured interview and semi- structured interviews. To collect first-hand data regarding the research topic, the researcher conducted interviews with different professionals through recording. They were asked to share their knowledge and expertise on the issue. Informants were selected according to relevance from the Ministry of Affairs of the Federal Democratic Republic of Ethiopia, experts at Ministry of Trade and Integration, Ethiopian Roads Administration as well as expert Ministry of Water and Energy and a diplomat from Embassy of Kenya in Addis Ababa.

English and Amharic languages were used as the medium of communication during the interviews with the participants.

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[18] Marshall, Bryan., Cardon, Peter., Poddar, Amit., & Fontenot, Renee. (2013). 'Does sample size matter in qualitative research? A review of qualitative interviews in IS research'. Journal of Computer Information Systems. 54(1), 11–22.

1.6.4.2. Secondary Data

Secondary data were mostly collected from different books, published and unpublished materials, on line newspapers, and trade-related information available on the internet. Archival sources that reveal relations between the two nations are used. Agreed minutes from joint ministerial commission meetings, bilateral agreements such as the Special Status Agreement as well as reports on LAPSSET and as other relevant documents from the Ministry of Foreign Affairs were also referred to. Trade related data and statistics from Ministry of Trade and Integration were employed. Data illustrating the status of road projects connecting Ethiopia with Kenya and road projects associated with LAPSSET from Ethiopian Road Administration were also used.

1.6.5. Sampling Procedure

Following a review of both published and unpublished secondary sources of data related to this research; the researcher conducted a total of seven interviews in the following manner.

Semi-structured interviews were conducted to gather detailed information on the challenges and prospects in relation to the two countries. Key organizations and potential respondents for the interviews were identified and purposeful sampling was used. Respondents were chosen based on their understanding of the Horn of Africa, their expertise in regional affairs, their familiarity with the Special Status Agreement between Ethiopia and Kenya, and insight into the LAPSSET project. The interviews were conducted using an interview guide that includes open-ended questions as well as probing and follow-up questions.

1.6.6. Data Analysis

Data gathered was interpreted in describing meaning, by identifying essential subordinate and major themes. The researcher then proceeded in to transcribing interviews, and immersing oneself within the data to gain detailed insights.

1.6.7. Description of the Study Area

This study focuses on socio-economic relations between Kenya and Ethiopia. Conducting general assessment of the Special Status Agreement signed between the two countries and explores Ethiopia’s perspective on the LAPSSET project with a particular focus. To understand the subject under consideration thoroughly first hand and second-hand information was accessed from the Ethiopian Ministry of Foreign Affairs, Ministry of Trade and Integration, Ministry of Water and Energy, Ethiopian Roads Administration, and the Embassy Republic of Kenya in Addis Ababa. Besides, appropriate scholars and diplomats were part of the study population.

1.6.8. Ethical Consideration

The researcher needs to build rapport to build trust with respondents providing information and separating what can be personal or controversial as well as protecting respondents' privacy and information. The researcher paid due attention to cross cultural communication skills. Respondents were made comfortable discussing details that might be sensitive or controversial information. Most importantly, the researcher respected confidentiality and prepared paragraph to sign a consent form to make sure that participation in the research is voluntary.

1.6.9. Limitations

This study is limited by the availability a few researches on the issue of the Special Status Agreement signed between Kenya and Ethiopia and shortage of an Ethiopian perspective on LAPSSET project.

1.6.10. Organization of the Study

This thesis is arranged in five chapters: The first Chapter deals with introduction; the second chapter is allocated to the review of related literature; the third chapter describes methods used to conduct the research. In the fourth chapter data analysis and findings are discussed. The last chapter provides conclusions and recommendations based on the analysis result.

CHAPTER: TWO

REVIEW OF RELATED LITERATURE

2. TRADE AND REGIONAL INTEGRATION IN THE HORN OF AFRICA

2.1. Conceptual and Theoretical Framework

Defining the term economic integration and related concepts and theories is a complex matter. The issues are closely related to various economic, social and political science concepts and theories. Equally the concepts and theories of economic integration itself have been the subject of wide variety of approaches by economists, political scientists' academics and Scholars as well as practitioners' economic integration.[19]

This chapter briefly reviews various concepts and theories of integration, and assess their relevance to the study**.** It also briefly reviews the political economic cooperation of Ethiopia and Kenya, Special status Agreement, LAPSSET and joint projects of electricity and roads between the two countries.

2.2. Conceptual Definitions

2.2.1. Integration

The term integration ordinary denotes the process of bringing parts of an object into a complete whole. From the economic point of view, it implies in its narrowest sense, the coordination of economic activities with a country to enhance its economic growth and development.[20]

In its wider sense integration, describes the process of amalgamating various economies in a given area or origin into a single unit for the purpose of regional economic growth and development. Integration at a national, regional or international level involves inter alia the removal of border protections that hinder the mobility of factors of production. More precisely, integration occurs when two or more nations adopt implement joints policies that result greater mutual economic interdependence.[21]

[19] Mutharika, B. W. T. (1972). Toward multinational economic cooperation in Africa. Praeger Publishers.
[20] Ibid.
[21] Ibid.

2.2.2. Economic Integration

Economists have defined the term economic integration in several different ways over time, but common to all of them is the process of eliminating restrictions on across border trade, payments and mobility. Economic integration results in uniting of two or more national economies in regional trade agreements and integrating economies need to deal with the removal of hindrances through continuous negotiation between states in question.[22]

The term can refer to regional or international economic integration with the later tantamount to globalization which symbolizes the economies of the world cooperating in wider economic space of international membership. Economic integration is an economic agreement between different countries to reduce or eliminate trade barriers and coordinate their monetary and financial policies.[23]It implies integrating various economies in a given area or region into a single regional economic development unit. It is a strategy applied by many countries to achieve economic development and growth underlines that regional economic integration involves trade, economic, and financial convergence of integrating states.[24]

As indicated above, the term used here by Biswaro, 'economic area or region' signifies the other dimensions of economic integration in the concept. The underlying objective though the betterment of lives on all sides is also integral integration.

Regional integration has the potential to achieve equitable economic growth, poverty reduction, minimize the cost of trade, facilitate market access, increase investment by creating employment opportunities, and increase traders' competitiveness. The vital importance of regional integration stems from the desire to minimize the cost of trade among states, and increase member states' bargaining power towards third parties overall to achieve economic development and political

[22] Balassa, B. (2013). *The Theory of Economic Integration (routledge revivals)*. Routledge.

[23] Kayizzi- Mugerwa, S., Anyanwu, J. C., & Conceição, P. (2014). Regional integration in Africa: an introduction. African Development Review, 26(S1), 1-6.

[24] Biswaro J., (2006) Perspectives on Africa's integration and cooperation from OAU to AU: An Old Wine in a New Bottle.Tanzania Publishing House.

stability.[25] Kayizzi's approach seems better in that, various elements in the concept of economic integration though politically the reach has been limited to stability rather than full integration.

2.2.3. Theoretical Framework

In this section the researcher opted for the Ricardian Theory of Free Trade and Heckscher–Ohlin Theory as concepts that shade light on the Ethiopia and Kenya socio-economic relations. The fundamentals of international commerce and its role in promoting economic integration between nations will be covered. In order to understand the subject at hand, key applicable theories of global trade that support economic integration will be addressed, particularly the Heckscher Ohlin theory and the Ricardian model theory.[26] In examining this theory, the author will try and be critical vis-à-vis the socio-economic relationship between Ethiopia and Kenya.

2.2.4. Ricardian Theory of Free Trade

The Ricardian model of international commerce describes the drivers of cross-border trade and how it affects economic growth. This explains the significance of commerce in enabling economic integration across countries that can raise people's standards of living.[27] According to the ideas of free trade, a country may focus on creating and exporting commodities and services that have comparative advantage. A certain country with a possibility of producing items cheaply than another country and import those commodities with the least amount of comparative advantage. One of the measures for economic integration is free trade policy. Trade obstacles, such as protracted customs procedures severely restrict international trade.[28]

This theory explains why nations use protectionist policies in global commerce through tariffs and non-tariff barriers. The Ethiopia and Kenya trade relationship seen based on the tenants of the Ricardian theory would be beneficial if the two countries focus on their comparative advantages to boost bilateral commerce by focusing on producing items that benefit consumers the most, thereby facilitating the free flow of people and goods and accelerating economic

[25] Kayizzi- Mugerwa, S., Anyanwu, J. C., &Conceição, P. (2014). Regional integration in Africa: an introduction. African Development Review, 26(S1), 1-6.

[26] Ibid.

[27] Krugman, P. R., & Obstfeld, M. (2009). International economics: Theory and policy. Pearson Education.

[28] Suranovic, S. (2010). A moderate compromise: Economic policy choice in an era of globalization.Springer.

integration.[29] Of course, economic relations should also be based on competitive advantage while comparative advantages are taken in to consideration.

2.2.5. Heckscher–Ohlin Theory

According to the Ohlin theory, nations develop goods and services for export using a variety of resources that are readily available to them domestically.[30] Accordingly, trade between nations with unequal factor endowments will lead to economic integration. It pertains to the idea of a single market, one of the phases of economic integration that has to do with the free flow of production-related inputs and outputs. This model uses factors of production like labour and capital/land to explain how nations with ample labour can manufacture agricultural goods that are labour intensive and export them while countries with scarce production factors are at a disadvantage.[31]

The theory further argues that the application of these non-tariff obstacles by trading partners prevents the effective use of free trade, making it impossible to fully utilize the idea of using plentiful factors of production. This theory aids the researcher in explaining what kind of policy alternatives Ethiopia and Kenya might employ to boost their trade volume and deepen their economic integration.[32]

The student researcher disagrees with Dominick in those states not only base economic activities-based resources but also based on industrial learning and other types of competitive advantages that states create. But the author agrees with Dominick with the lamentation that effective trade the removal of tariff and non-tariff barriers allowing the free movement of people and goods.

2.3. Intra-African Trade Landscape

Africa’s international trade participation was not more than two percent of the entire world, with a primary concentration on food and agricultural products.[33] Currently, the Intra Africa trade has

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[29] Ibid.

[30] Dominick, S. (2013). International economics.Wiley.

[31] Leamer, E. E. (1995). The Heckscher-Ohlin model in theory and practice. Princeton: Princeton University Printing Services.

[32] Dominick, S. (2013).International economics. Wiley.

[33] Ajumbo, G., & Briggs, I. (2015). Taking stock of the proposed continental free trade area.

shown significant progress, mainly in the past two decades. However, it remains low compared to other regions. Intra-regional trade refers to trade which focuses on economic exchange, primarily between countries of the same region or economic zone.[34]

According to UNCTAD economic development report in 2019, the total trade from Africa to the rest of the world in the period 2015-2017 was $760 million, compared with $ 481 billion from Oceania, $4,109 billion from Europe, $5,140 billion from America, and $6,801 billion from Asia. Intra-Africa trade accounts for a small part of the total trade in Africa.[35]

Intra-Africa trade is more diversified compared to African exports to the rest of the world. For instance, between 2007- 2017, total exports of minerals from Africa to other continents accounts 75 percent while the export of manufactured goods accounts for only 16 percent. On the other hand, the Intra-Africa export of manufactured goods accounts for 40 percent within the same period.[36]

It is true that trade among and between African countries is less than expected. And main traders of states in the continent remain to be out of the continent. Much remains to be done to change this hard fact.

2.4. Regional Economic Communities

African states have established several regional Economic Communities (RECs) throughout the continent that works closely with the African Union to facilitate intra-Africa trade. Many protocols and declarations to enhance the cooperation between the RECs and the AU, has been adopted. In 1998, AU adopted the Protocol on Relations between the AEC and the RECs to strengthen the existing RECs, promote the coordination of policies, and promote cooperation among RECs.[37]

It is within this context that the author has tried to examine the existing trade and commerce facilitation agreement between Ethiopia and Kenya. The correct documents have been put in

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[34] UNCTAD (United Nations Conference on Trade and Development). (2020). (Accessed 1 June 20222).

[35] Ibid.

[36] International Monetary Fund (2019), "Regional Economic Outlook Sub-Saharan Africa: Recovery. (Accessed on 6 December, 2022).

[37] Protocol on the Relation between African Economic Communities and Regional Economic Communities (1998).

place begging for more vigour from both states towards implementation. The author is also of the view that enhanced trading regime between the two countries under question would lead to a better regional trade blocs that the two countries are members.

The Protocol on Relations between AU and RECs in 2007 has replaced the previous one for better cooperation and coordination between the AU and RECs. The Sirte Declaration, which was adopted in 1999, is another important document that has minimized the Abuja Treaty's implementation period and established the institutions, including the African Central Bank, the African Monetary Union, the African Court of Justice, and the Pan African Parliament.[38]

The primary purpose of RECs is to facilitate regional economic integration among member countries through the wider. The 1980 Lagos Plan of Action for Development of Africa and the 1991 Abuja Treaty suggested the establishment of RECs for regional and continental integration.[39]

The East African Community that Kenya is a leading member of, is in a better position in this regard. On the other hand, the Inter-Governmental Authority that Ethiopia is a member of lags behind in many respects including the free movement of people and goods. In terms of performance continentally the Economic Community of West African States is in a better position.

In 2006, AU's "Decision on the Moratorium on the Recognition of Regional Economic Communities" has recognized eight RECs and urge them to coordinate and harmonize their policies among themselves.[40]

The RECs recognized by AU are the Arab Maghreb Union, the Common Market for Eastern and Southern Africa, the Community of Sahel-Saharan States, the East African Community, the Economic Community of Central African States, the Economic Community of West African States, the Intergovernmental Authority on Development, and the Southern African Development

[38] Ajumbo, G., & Briggs, I. (2015). Taking stock of the proposed continental free trade area. Abidjan: African Development Bank.

[39] UNCTAD (United Nations Conference on Trade and Development). (2020). (Accessed 1 June 20222).

[40] Decision on the Moratorium on the Recognition of Regional Economic Communities DOC. EX.CL/278 (IX) (2006).

Community.[41] Scholars in this regard have been critical of the fact that many member states subscribe to more than one community; compounding financial and other implications.

2.4.1. The Common Market for Eastern and Southern Africa (COMESA)

Common Market for Eastern and Southern Africa was established in December 1994 to replace the former Preferential Trade Area from the early 1980s in Eastern and Southern Africa.[42] The main focus of COMESA is regional integration in all fields of development, with particular emphasis on trade, customs, and monetary affairs, transport, communication and information, technology, industry and energy, gender, agriculture, the environment, and natural resources.[43]

Free Trade Area was achieved in 2000 when nine member states eliminated tariffs on COMESA originating products.[44] As of January 2019, 16 countries participated in FTA while other member states of COMESA trade on preferential terms. COMESA launched Custom Union in 2009 and preparations are underway for its implementation.[45]

The total import from Africa to COMESA was 34 percent in 2017; from which 34 percent is from countries that COMESA shared FTAs. COMESA successfully integrates the region through financial institutions such as the COMESA Trade and Development Bank, the Africa Trade Insurance Agency, and the COMESA Reinsurance Company. However, donor dependency, poor infrastructure, limited policy coordination, and human capacity constraints are the main challenges to the integration.[46]

COMESA by its nature is multi regional; it encompasses member states from varying regional designations of the AU. This automatically brings to mind the proliferation of membership in more than one community as states above. This in turn would cause conflict of interest in terms

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41 African Union Regional Economic Communities (RECs) https://au.int/en/organs/recsaccessed (Accessed on 25 May 2022).

42 COMESA Objectives and Priorities https://www.comesa.int/company-overview-2/ (Accessed on 03 July 2022).

43 COMESA (2016). COMESA Simplified Trade Regime Handbook. Lusaka: (Accessed on 01 July 2022).

44 Ibid.

45 Common Market for Eastern and Southern Africa, "COMESA in Brief" https://www.comesa.int/wp-content/uploads/2019/02/COMESA-in-brief-FINAL-_web.pdf.(Accessed on 28 October 2022).

46 Africa Development Bank Group, African Union and Economic Commission for Africa, "Assessing Regional Integration in Africa IV: EnhancingIntraAfricanTrade"(2010),https://www.unece.org/fileadmin/DAM/trade/TF_JointUNRCsApproach/ECA_IntraAfricanTrade.pdf (Accessed on 25 June 2022).

of carrying out responsibilities that accrue from for instance the FTA that COMESA intends to put in place.

2.4.2. The East African Community (EAC)

EAC is a regional intergovernmental organization of 6 Partner States: The Republic of Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania, and the Republic of Uganda, with its headquarters in Arusha, Tanzania. EAC was initially founded in 1967, dissolved in 1977, and revived with the Treaty for the Establishment of the East African Community signed in 1999 by Kenya, Uganda, and the United Republic of Tanzania. Burundi and Rwanda became members in 2007 while South Sudan gained accession in April 2016.[47]

EAC aims to gradually establish a Customs Union, a Common Market, a Monetary Union, and ultimately a Political Federation of the East African States to strengthen and regulate the industrial, commercial, infrastructural, cultural, social, political, and other relations.[48]

Customs Union is the first regional integration milestone that has been in force since 2005, where member states agreed to establish free trade on goods and services among themselves and agreed on a common external tariff. The common market is the second regional integration milestone, which has been in force since 2010. Under this pillar, partner states agreed on the free movement of goods, persons, labour, services and capital, and the right of establishment and residence. In 2013 monetary union, which will come into force in 2023, was signed. Under this phase, partner states aim to achieve a single currency and to establish the East African Central Bank. The Political Federation is the ultimate goal of the EAC Regional Integration.[49]

Currently, the regional integration process is in full swing as reflected by the encouraging progress of the East African Customs Union, the establishment of the Common Market in 2010, the implementation of the East African Monetary Union Protocol, and the adoption of political confederation as a transitional model of the East African Political Federation.[50] It is the researcher's opinion that Compared to its immediate neighbour, IGAD, the EAC is said to be in a better condition. The region has achieved common passport and common external tariff with a

[47] East African Community available from: https://www.eac.int/overview-of-eac. (Accessed on 15 September 2022).

[48] Ibid.
[49] Ibid.
[50] Ibid.

robust trade amongst member states. Again, some members are also in the IGAD region while others in the Great Lakes region and all of COMESA.

2.4.3. The Intergovernmental Authority on Development (IGAD)

IGAD was founded in 1996 to succeed the Intergovernmental Authority on Drought and Development that was founded in 1986 to deal with issues related to drought and desertification in the Horn Africa. IGAD came to existence with a new name, organizational structure, and a revitalized ambition of expanded cooperation among its member States.[51]

On the Agreement establishing the Intergovernmental Authority on Development; the major areas of engagement of IGAD are peace and security, institutional development, economic cooperation and integration, food security, and environmental protection. Due to member countries' poor incentives and overlapping membership in other RECs, IGAD has not yet achieved a free trade area agreement.[52]

IGAD successfully establishes effective mechanisms to resolve conflicts, environmental protection, food security, and progress in infrastructural development such as the LAPSSET corridor and the Great Ethiopian Renaissance Dam. Conflicts, terrorism, and extreme weather conditions remain the main challenges. Members of IGAD are Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda.[53]

It has been observed that the region has a potential for an impactful trade and commerce. Unfortunately, lack of stability remains a major challenge. Ethiopia given its size and economic command in the region has a potential to be an anchor state. Drought is also another common challenge to many of the member states resulting in disrupted production patterns which in turn feeds political schisms and instability.

[51] Intergovernmental Authority on Development https://igad.int/about-us (Accessed on 08 July 2022).

[52] UN economic commission for Africa Report on Macroeconomic and Social Developments, 2021.https://www.uneca.org/sites/default/files/SROs/Presentation_Report%20on%20Macroeconomic%20and%20Social%20Developments%202021.pdf.(Accessed: 15 June 2022). (Accessed: 10 June 2022).

[53] Ibid.

2.5. Opportunities of Regional economic Communities in the Horn of Africa

1. **Economic Complementarity:** Differences of economic endowment among states can stimulate greater economic interdependence and integration. In the Horn region, for example, Ethiopia can offer cheap power to its neighbors while it can benefit from Sudan's oil and from use of the ports of Somalia and Djibouti. Other possible exchanges of complementary goods and services are numerous in the region, making regional integration an attractive venture.[54]

2. **Shared Identities and Commonalities**: Socio-cultural, livelihood modalities, demographic and topographic complementarities all contribute towards a sustainable regional integration process. As elsewhere in Africa, most international boundaries in the Horn region are products of the colonial period. Boundaries in the region divide ethnic communities. Today, we have the Afar people in Ethiopia, Eritrea and in Djibouti; the Tigray and Kunama in Ethiopia and Eritrea; the Beja in Sudan and Eritrea; Somalis in Somalia, Ethiopia, Kenya and Djibouti. Proponents of regional integration rightly argue that this state of affairs can serve as an important enabler to assist regional economic integration in the Horn region.[55]

3. **The Imperative to Jointly Manage Shared Resources:** In a similar fashion, countries of the region also share important natural resources. The river Nile, and the Tekze/ Atbara in Ethiopia and Sudan, and the Wabi Shebelle and Juba in Ethiopia and Somalia are two cases in point.[56]

4. **Improved Economies of Scale**: Any functional economic community offers real opportunities for improved trading links, encouraged by harmonized tariffs. Common economic policies benefit all members of the community. They also improve the possibilities of free movement of labor and capital. Allowing for major joint developments where appropriate, for smaller countries with smaller national markets, regional integration has the

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[54] Verhoeven, H. (2011). *Black Gold for Blue Gold?Sudan's Oil, Ethiopia's Water and Regional Integration*. London: Chatham House.

[55] Ibid.

[56] Ibid.

added value of providing the benefits of economy of scale and specialization and. implication, offers the attraction of more foreign investment.[57]

5. **Improved Governance:** An economic community can assist in providing for effective Government both centrally, in terms of democratic development, and more generally in increasing Government revenues and improving governance structures.[58]

2.6. Achievements of Regional Integration in the Horn of Africa

A. Trade Integration

Currently, two RECs, namely; COMESA and EAC are implementing free trade areas.[59] According to COMESA statistics, intra COMESA trade has grown at an average of 7 percent every year since the establishment of the Free Trade Area with, a higher increase reflected between the intra-FTA states.[60]

IGAD as the only community in the Horn could be labelled as an under performer. For instance, the movement of people and goods across borders needs improvement. Many require visas to cross borders and tax and tariff regimes are still in place. This is the main reason why the author persistently laments that to bring about community wide change enhanced relations between Ethiopia and Kenya remains critical.

B. Peace and Security

One of the other achievements of regional integration in the horn Africa is in terms of securing peace and security in the continent. Peace and security play a crucial role in achieving the objectives laid down by the regional economic communities. Even though economic integration is the major focus of RECs in Africa, they have also contributed to the prevalence of peace and

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57 Ibid.

58 Ibid.

59 UN economic commission for Africa Report on Macroeconomic and Social Developments, 2021.https://www.uneca.org/sites/default/files/SROs/Presentation_Report%20on%20Macroeconomic%20and%20Social%20Developments%202021.pdf.(Accessed: 15 June 2022).(Accessed: 10 June 2022).

60 Common Market for Eastern and Southern Africa, "COMESA in Brief" https://www.comesa.int/wp-content/uploads/2019/02/COMESA-in-brief-FINAL-_web.pdf.(Accessed on 28 October 2022).

security in the continent. In east Africa, EAC and IGAD are working closely with AU to resolve the conflict in Somalia, South Sudan, and Darfur.[61]

The Horn of Africa remains one of the hot spots in the continent. Many active conflicts plague the region and as extension the Red Sea cost. The trials by IGAD to reach to a resolve though commendable have not resulted in the preconditions allowing normal life.

C. Free Movement of Persons

Free movement of persons enhances productivity by transferring skill, knowledge, and capital from one country to another. It enables firms to find the necessary skills and talent, reduces illegal migration, and increases cultural exchange. In general, it has a potential effect to facilitate Foreign Direct Investment (FDI), tourism, and trade. Despite its benefits, there is a fear of competition by the recipient countries, the potential risk of violent incidents, and brain drain fear.[62]

D. Improvement of Transport and Communication Infrastructure

Regional and continental infrastructures on the road, railway and air transport, and energy are underway in Africa. Northern Corridor Integration project that links the landlocked countries of the Great Lakes region with port Mombasa to promote efficient and competitive transport, the Lamu Port-South Sudan-Ethiopia Transport, a large infrastructure project in East Africa, which brings more than 175 million people of Ethiopia, Kenya and South Sudan are few to mention.[63]

There is an opinion that, this is the area that the region could boost about. Especially the rail and road network between Ethiopia and Kenya as well as Ethiopia and Sudan and Djibouti are good progress. Though are still critical gaps in terms of infrastructure as well as logistics which the countries in the region need to address in a concerted manner.

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[61] Africa Development Bank Group, African Union and Economic Commission for Africa, “Assessing Regional Integration in Africa IV: EnhancingIntraAfricanTrade”(2010),https://www.unece.org/fileadmin/DAM/trade/TF_JointUNRCsApproach/ECA_IntraAfricanTrade.pdf (Accessed on 25 June 2022).

[62] Free Movement of Persons in Africa: What are the Challenges and Benefits (2018) https://medium.com/@UNmigration/free-movement-of-persons-in-africa-what-are-the-benefits-and-challenges-f096c1ef6149 (Accessed on 06 July, 2022).

[63] Africa Development Bank Group, African Union and Economic Commission for Africa, “Assessing Regional Integration in Africa IV: EnhancingIntraAfricanTrade”(2010),https://www.unece.org/fileadmin/DAM/trade/TF_JointUNRCsApproach/ECA_IntraAfricanTrade.pdf (Accessed on 25 June 2022).

2.7. Challenges of Regional Integration in the Horn

A. Insecurity and Conflicts

Regional economic communities involved in mediating conflicts in their respective regions. However, only a few of them are successful in alleviating the problems. For instance, in 2017, SADC failed to mediate Zimbabwe during the replacement of the long-serving president Robert Mugabe.[64]

B. Overlapping Membership

Overlapping membership is another challenge for regional integration in Africa. For instance, eleven SADC members are members of COMESA and party to the Tripartite Free Trade Area negotiations. Ten COMESA members are also SADC members, four are EAC members, and two are party to the Agadir Agreement. All SADC members are party to the Tripartite Free Trade Area negotiations. Ten COMESA members are also SADC members, four are members of EAC, and two are party to the Agadir Agreement.[65]

C. Limited Infrastructure Development

Infrastructural developments are underway in different regional blocks in Africa. However, they are inadequate to realize the intended regional integration program. According to African development Bank, Africa has forgone an estimated 25 per cent of cumulative economic growth in the last two decades due to low infrastructural development. Lack of energy supply is one of the other constraints. Even though the continent is endowed with substantial energy resources, Access to energy is one of the lowest in the World. This is resulted due to financial constraints, inefficient utilities, and weak collaboration among countries.[66]

D. Limited Financial Resource

Lack of finance remains one of the major challenges of regional integration in Africa. For instance, AU receives 75 percent of its funding from partners, and many RECs in Africa are also dependent on donors. High dependency on donors compels African states to use the funding in conformity with donors' interest rather than on their objectives. The decision by AU members to

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[64] Ibid.
[65] Ibid.
[66] Ibid.

contribute to the tune of 0.2% of its imports has been adopted, but progress remains extremely slow because it is subject to state interests.[67]

E. Threat to Sovereignty

As already noted, regional economic communities essentially operate on the basis of the principles of removing barriers to trade, labor and capital and harmonization of policies on critical matters of national economy. This process is bound to reduce the space for economic policy-making and independent action of individual countries.[68]

Indeed, some students of political economy argue that regional integration offers a real challenge to the predominance of the territory-based nation state. Regional integration requires de-territorialization of identity and citizenship that, in turn, requires nurturing and developing alternative regional identities and citizenship.[69]

Threats such as threat of losing sovereignty mostly is perceived and almost all countries are following a modes operando that in one way or another have necessitated some degree of their sovereignty compromised on a voluntary basis. In the Horn Ethiopia as a big country in terms of population generates fear real or perceived again of being overwhelmed.

F. Structural Asymmetry

Another challenge comes when countries, structurally asymmetric in economic, size, and population terms, attempt to conclude regional integration without putting in place the mechanisms that can guarantee the smaller or weaker unity will not be dominated, but will be able to benefit proportionally from the integration. If the stronger element aims to use its dominant position for selfish goals, then creation of functional and sustainable regional integration will require more effort. Attempts at economic integration between countries with

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[67] Ibid.

[68] Geda, A., Haile Kibret, A. G., &Kibret, H. (2002).us to access part of their database. Regional Economic Integration in Africa Alemayehu and Haile 2 Regional Economic Integration in Africa: A Review of Problems and Prospects with a Case Study of COMESA.

[69] Bereketeab, R. (2014). The Challenges of Regional Integration in the Horn of Africa. *Journal of US-China Public Administration*, *11*(5), 401-414.

development disparity can also cause anxiety to the relatively more developed economy when it comes to free movement of labor.[70]

2.8. The African Continental Free Trade Area (AFCFTA)

The signing of the AfCFTA in 2018 was a historical moment for Africa, which lays a foundation for greater economic integration. The initiative for establishing a continental free trade area was realized at the 18th ordinary session of the African Union Assembly in 2012. Negotiations on the agreement were launched in 2015. AfCFTA is the most ambitious trade agreement that brings 54 African states together. Its full implementation is expected to cover all 55 African nations, with an estimated $2.5 trillion GD.[71]

AfCFTA is a flagship project of Agenda 2063 in the first 10-year implementation plan that enables free movement of goods and services among member states without restriction.[72]The signing of the AfCFTA in 2018 was a historical moment for Africa, which lays a foundation for greater economic integration. AfCFTA will bring together 55 member states of the African Union, covering a market of 1.2 billion people and a combined gross domestic product of more than 3.4 trillion US dollars.[73]

According to the African Development Bank forecasts, African GDP which is estimated 3 trillion $ is forecasted to grow to 16 trillion $ by 2060. According to the United Nations Economic Commission for Africa, the AfCFTA's implementation could increase intra-Africa trade by 52.3 percent by eliminating import duties and double this if non-tariff barriers are also reduced.[74]

In terms of member countries, AfCFTA has become the world's largest trade agreement since the formation of the World Trade Organization (WTO). The 22 countries' threshold to deposit

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[70] Ibid.

[71] African Union and United Nations Economic Commission for Africa "Africa Continental Free Trade Area, Updated Questions &Answers"2020UNECA https://www.uneca.org/sites/default/files/uploadeddocuments/ATPC/updated_q_a_21jan2020.pdf (Accessed on 19 May 2022).

[72] African Union Agenda 2063: The Africa we want https://au.int/en/agenda2063/overview (Accessed on 20 May 2022).

[73] United Nations Economic Commission for Africa available from: https://www.uneca.org/oria/pages/igad-trade-and-market-integration (Accessed on 08 July 2021).

[74] Ibid.

their instrument of accession required for entry into force of the agreement was achieved, and the framework agreement establishing the AfCFTA entered into force by 30 May 2019. Trading under the AfCFTA agreement was expected to be started on 01 July 2020; however, it is postponed due to COVID 19 pandemic. On January 2021, trading has been started among the 35 countries which have ratified the agreement.[75]

2.8.1. Objectives of the African Continental Free Trade Area

The main objective of AfCFTA is to create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Continental Customs Union and the African customs union.[76]AfCFTA will be used as a means to eliminate tariffs on intra-Africa trade. It will also promote the socio-economic development of the continent and enhances competitiveness among industries.[77]

AfCFTA has general and specific objectives that are mutually reinforcing. The general objectives of AfCFTA are set under Art 3 are Creating a single market for goods, services, to create a liberalized market for goods and services through successive rounds of negotiations, to contribute to the movement of capital and natural persons, to lay the foundation for the establishment of a continental customs union to promote and attain sustainable and inclusive socio-economic development to enhance the competitiveness of the economies of the state parties, to promote industrial development and to resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.[78]

To achieve these goals, specific objectives are outlining what is to be done by member states. These are: progressively eliminate tariffs and non-tariff barriers, progressively liberalize trade in services, cooperate on investment, intellectual property rights, and competition policy, and cooperate on all trade-related areas. Cooperate on custom matters and the implementation of

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[75] Tralac, "African Continental Free Trade Area (AfCFTA) Legal Texts and Policy Documents." https://www.tralac.org/resources/by-region/cfta.html (Accessed on 11 July 2022.

[76] African Union and United Nations Economic Commission for Africa "Africa Continental Free Trade Area, Updated Questions &Answers"2020UNECA https://www.uneca.org/sites/default/files/uploadeddocuments/ATPC/updated_q_a_21jan2020.pdf (Accessed on 19 May 2022).

[77] Tralac, "African Continental Free Trade Area (AfCFTA) Legal Texts and Policy Documents." https://www.tralac.org/resources/by-region/cfta.html (Accessed on 11 July 2022

[78] Ibid.

trade facilitation measures, establish a mechanism for the settlement of disputes concerning their rights and obligations and establish and maintain an institutional framework for the implementation and administration of AfCFTA.[79]

AfCFTA comprises legal instruments covering trade in goods, trade in services, investment, intellectual property rights, and competition policy. It also commits countries to remove tariffs on 90 percent of goods, progressively liberalize trade in services and eliminate tariff and non-tariff barriers by creating NTB mechanism.[80]

Countries can implement tariff reductions over a longer period for seven percent of tariff lines and maintain existing tariffs for the remaining three percent of tariff lines, provided that the value of trade does not exceed 10 percent of the total trade with Africa. Member countries have also agreed to propose liberalization through a request and offer approach, based on seven identified priority sectors: logistics and transport, financial services, tourism, professional services, energy services, construction, and communications.[81]

However, the author has an opinion that Agreements and deals out of the continent still are hurdles to sticking points such as rules of origin. The AfCFTA requires the political will of member states to trade openly. All the document work regarding putting in place the right framework seems to go in the right direction. List of items that states have to submit might take a long time but states depending on the type of trade they might conduct could still use the agreement to their advantage.

2.9 Ethiopia - Kenya Political and Economic Cooperation

Ethiopia and Kenya share a long common border, common people and some what a relatively stronger economic, business, trade and political relations and prospects than with other countries in the IGAD region. To bring the regional integration project to fruition in the IGAD context strengthening socio-economic ties between the two countries would be imperative. Yet overall

[79] African Union and United Nations Economic Commission for Africa "Africa Continental Free Trade Area, Updated Questions &Answers"2020UNECA https://www.uneca.org/sites/default/files/uploadeddocuments/ATPC/updated_q_a_21jan2020.pdf (Accessed on 19 May 2022).

[80] Ibid.
[81] Ibid.

relations between Ethiopia and Kenya, though one of the strongest in the IGAD region, has not yet produced desired effect.[82]

2.9.1 Political Cooperation between Ethiopia and Kenya

Due to clear historical, geographic, and strategic factors, Ethiopia has long prioritized its relations with its neighbours. Ethiopia is aware that it shares a great deal of similarities with all of its neighbours. The historical connections and the common borders as well as long-standing links, cross-border ties and the normal cooperation among the peoples of the Horn of Africa over many centuries are the bedrock of good relations between Ethiopia and its neighbours.[83]

Ethiopia and Kenya started formal diplomatic relations in 1954 when Ethiopia opened an honorary consulate general. In 1961 Ethiopia named its first ambassador to Kenya and six years later, Kenya established an Embassy in Addis Ababa. Earlier, during the Italian occupation of Ethiopia, Ethiopian forces were able to operate across the common border, getting medical and other supplies from Kenya. Similarly, during the Mau Mau Liberation Struggle for Kenyan independence, Kenyan fighters were able to operate from Ethiopian territory.[84] Following Kenya's independence, President Jomo Kenyatta's friendship with Emperor Haile Selassie strengthened already-existing ties, and both nations started working together in a variety of fields, particularly in advancing the pinnacle of the Charter of the Organization of African Unity, non-interference.[85]

Cross-border security, terrorism, piracy, regional integration under the auspices of IGAD, and the paramount importance of peace and security in the Horn of Africa and beyond are all subjects that Ethiopia and Kenya agree upon. Their shared participation in IGAD is an important indicator of how well they get along. Both nations have repeatedly shown their commitment to

[82] Anwar Ayano (2019). The Role of IGAD (Intergovernmental Authority for Development) in Facilitating Civil War Peace Settlements in the Horn of Africa.

[83] Ministry of Foreign affairs Ethiopia and Kenya bilateral relations article available at http://www.mfa.gov.et/BilateralMore.php?pg=22 Archived 2015-01-06 accessed on November 24 2022 (Accessed on 08 June 2022).

[84] Ibid.
[85] Ibid.

the organization, their support for reviving IGAD, and their desire to see that it serves as the foundation for one of the AU's Regional Economic Units.[86]

Particularly, Kenya and Ethiopia have collaborated to bring about enduring peace in Somalia and have demonstrated their dedication by hosting a number of national reconciliation meetings in Somalia. The Conflict Early Warning and Response Mechanism is a crucial component of IGAD for both Ethiopia and Kenya. The Maikona and Dukana Peace Accords, which have improved relations between the Borana and Gabbra populations of the two countries.[87]

These have considerably decreased violent episodes among these groups since they were implemented in 2008–2009, while also fostering peaceful engagement and resource sharing. Other communities along the border have expressed their commitment to adopt similar accords, pledging to work towards living peacefully and sharing resources both internally and along the border. Committees are being set up within the framework of CEWARN to be tasked to follow up peace and security issues.[88]

In fact, the relationship and accompanying cultural understanding that exist between the two peoples have a very firm base, and government interactions and cooperation have always been characterized as amicable and strong. Cooperation between the two countries currently spans around political, economic, and cultural issues. The biannual Joint Ministerial and the annual Joint Border Commission meetings, held alternatively in each country, provide opportunities to exchange views on issues of common concern. There have been numerous exchanges of high-level visits.[89]

2.9.2 Economic Cooperation between Ethiopia and Kenya

These bilateral relationships have substantially boosted cooperation. Both nations have started a number of joint development projects in trade, business, and other fields. Ethiopia has been looking into using the Port of Mombasa and is paying close attention to ideas about building a new port in Lamu. The expansion of the Omo River valley is one significant recent project that frightened some Kenyan conservationists who were concerned about the effects on Lake

[86] Ibid.
[87] Ibid.
[88] Ibid.
[89] Ibid.

Turkana. In actuality, the Omo Valley dam complex, in particular Gilgel Gibe III, will produce close to 2,000 MWs of hydroelectricity. A large portion of this will go to Kenya.[90]

Trade

For Ethiopia, Kenya, and Somalia, agricultural items account for the majority of exports, whilst industrial goods make up the majority of imports. Given the importance of coffee, tea, and sesame, a significant portion of Ethiopian and Kenyan exports are vegetables. Ethiopia's recorded exports to Kenya have a very varied product mix throughout time. In 2018, beans (26.75%), cotton textiles (11.2%), vegetables (11%), and rye (5.2%) were Ethiopia's top exports to Kenya. 2017 saw maize rank as Ethiopia's second-largest export, making up 28% of all exports to Kenya.[91]

Produced items are Kenya's main exports to Ethiopia. Ethiopia received 7.5 million or 11.3% of Kenya's exports of medicines, 7.4 million or 11% of pens, and 7.24 million barrels of petroleum. Studies indicate that along the various value chains, it provides employment for around 17 million individuals, including crop farmers, brokers, crop merchants, livestock keepers, fodder providers, ranch owners, itinerant traders, major animal traders, and transporters.[92]

It is estimated that this cross-border trade accounts for more than 95 per cent of total (officially recorded and unrecorded) value of Ethiopia's cattle exports to Somalia per year between 1998 and 2014, the approximate value of the cattle trade in Kenya and Puntland was estimated to be $25, $9, and $10.5 million, respectively, significantly more than the trade's official records. Ethiopia really has the largest cow herd in Africa and ranks fifth in the world, after Brazil, India, China, and the United States. Additionally, Kenya and Somalia also have sizable herds of cattle, with respective numbers of 20 million and 4.7 million.[93]

[90] Ministry of Foreign affairs Ethiopia and Kenya bilateral relations article available at http://www.mfa.gov.et/BilateralMore.php?pg=22 Archived 2015-01-06 accessed on November 24 2022 (Accessed on 08 June 2022).

[91] Brenton, P., & Edjigu, H. (2021). A Review of Cross-Border Trade in the Horn of Africa. Washington: world Bank.

[92] Tesfaye, A., &Amaha, N. (2018). A Review on Cross-Border Livestock Trade Across Dry Land Borders of Ethiopia: The Trends and Implications. *Journal of Scientific and Innovative Research*, *7*(2), 36-42.

[93] Ibid.

Therefore, like in most of the region, trade between the two countries even in livestock remain in the informal mainly due to price and tax issues. In the following section the author will try and look at trials to formalize and facilitate trade.

2.10 Special Status Agreement

In order to boost bilateral trade and remove investment bottlenecks, the governments of Ethiopia and Kenya signed a Special Status Agreement in 2012. It also offers a framework for Kenya and Ethiopia to coordinate their policies and harmonize their approaches to trade, investment, and market access. However, despite the fact that it indicates an institutional structure, there is no independent institutional organization that monitors the implementation of the special status agreement in both Kenya and Ethiopia.[94]

Sustainable livelihoods, investment, food security, and commerce are the four main sectors designated for giving special status of cooperation. The deal aims to make trade between the two neighbours' easier, with a focus on textiles, food and beverage manufacturing, agriculture, and raw commodities.[95]

Areas of Cooperation

Trade

The Special Status Deal's Article 3 makes it very clear where the two countries stand on their trade agreement. Kenya and Ethiopia decided to establish cooperative business and trade groups to collaborate on marketing campaigns, reciprocal trade, and economic cooperation by opening up markets for locally produced goods and gradually reducing tariffs.[96]

Accordingly, another significant step that can facilitate trade relations and, as a result, promote economic integration between Kenya and Ethiopia is the Special Status Agreement between the governments of the republics of Kenya and the Federal Democratic Republic of Ethiopia, signed on November 21, 2012 regarding their respective custom territories.[97]

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[94] Shewaye, M. (2021). *The Impact of Non-tariff Trade Barriers on Economic Integration Between Kenya and Ethiopia* (Thesis, University of Nairobi).

[95] Ibid.

[96] Ibid.

[97] Ibid.

Investment

Article 4 of the Special Status Agreement addresses the relationship between investors between the two countries. Investors from both countries were given priorities to have access to market and avoiding double taxation. The agreement focused on establishing Joint private investment council to promote investment and collaborate in research and innovation on investment.[98]

Infrastructure

The special status agreement gives proper emphasis to the promotion of power trade, amenities along transportation corridors, and the extension of energy in the economic development corridor between Kenya and Ethiopia. Infrastructure, such as building regional commercial corridors, is crucial for the continent's economic development and integration, according to the African Union Assembly 2012. To encourage cross-border trade, Ethiopia and Kenya have agreed to construct the Moyale Joint City and Economic Zone corridor and open the One Stop Border Post. In addition, the high road from Nairobi to Addis Ababa is being built to connect commerce and interpersonal relationships.[99]

Food Security and Sustainable Livelihoods

The main cooperation areas highlighted on article of the special status agreement between Kenya and Ethiopia include collective initiative measures for the development of sustainable livelihoods for the border communities, pro-poor economic programs in irrigation that promote food security, the establishment of livestock trade and disease control centres, as well as management of shared trans-boundary natural resources.[100]

2.11 LAPSSET

Africa is currently re-enchanted with huge infrastructure [101]and this is part and parcel of a global "emergent regime of infrastructure-led development whose ultimate objective is to produce functional transnational territories that can be 'plugged in' to global networks of production and

[98] Ibid.
[99] Ibid.
[100] Ibid.

[101] Nugent, P. 2018. Africa's Re-enchantment with Big Infrastructure: White Elephants Dancing in Virtuous Circles? In *Extractive Industries and Changing State Dynamics in Africa*, ed. J. Schubert, U. Engel, and E. Macamo, 22–40. Abingdon: Routledge.

trade".[102] Infrastructure has again become central to global development discourse and practice. The narrative that infrastructure needs to be built, upgraded, and rendered more efficient to increase African states' ability to deliver economic and social development is now hegemonic.[103]

Over the past two decades, African governments, regional organizations, the private sector, as well as multilateral and bilateral development financiers have mainstreamed infrastructure in their development planning and mobilized resources to close the so-called 'infrastructure gap', which the African Development Bank (AfDB) estimates at $68–108 billion per year.[104]

The LAPSSET Corridor is part of the larger land bridge that will connect the East African coast from Lamu Port to the West coast of Africa at Douala Port. The program encompasses main components such as ports, oil pipelines, new roads, airports, cities, and standard gauge railways. The project focal areas are Lamu and Isiolo in Kenya, Juba in South Sudan, and Addis Ababa in Ethiopia. It is, a novel integrative infrastructure project conceived in 2009 to transform the region through efficient transport, trade and improved security.[105] LAPSSET was officially launched in Lamu in March 2012. Ethiopia publicly expressed support for LAPSSET. At the same time, the country has been forging ahead with its own infrastructure initiatives, which are largely funded and built by China. In March 2013, the Kenyan side established LAPSSET Corridor Development Authority.[106]

2.12 Electricity

Kenya and Ethiopia have signed a Power Purchase Agreement (PPA) establishing a 500-kilo volts transmission line between the two countries. This new power interconnection agreement supported by the African Development Bank, the French Development Agency, and the World

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[102] Schindler, S., and J.M. Kanai. 2021. Getting the Territory Right: Infrastructure-Led Development and the Re-emergence of Spatial Planning Strategies. *Regional Studies* 55.

[103] Cissokho, S. 2022. Infrastructure, Development and Neoliberalism in Africa: Review of the Concept of Transport Corridor (1945–2019). In *Transport Corridors in Africa*, ed. P. Nugent and H. Lamarque. James Currey: Melton.

[104] African Development Bank. 2018. *Africa's Infrastructure Great Potential but Little Impact on Inclusive Growth*. Abidjan: African Development Bank. (Accessed on 20 May 2022).

[105] LAPSSET Corridor Development Authority.Brief on LAPSSET Corridor Project. Kenya: Nairobi (2016). Available from;https://s3-eu-west1.amazonaws.com/s3.sourceafrica.net/documents/118442/lapsset-project-report-july-2016-1.pdf.(Accessed on 4 June 2022).

[106] Brown, A. (2015). LAPSSET: The History and Politics of an Eastern African Megaproject. Nairobi: Rift Valley Institute.

Bank, will provide reliable and affordable energy to an estimated 870,000 to 1.4 million Kenyan households of which 18% will be located in rural areas.[107]

Due to global climate change and pressure from population growth, East African nations have experienced severe and persistent droughts since the 1960's. In addition, these countries face a growing demand for electricity due to increasing populations and ambitions to deliver more equitable energy access for all. With the exceptions of Kenya (64%) and Djibouti (60%), less than 50% of the populations within EARS countries have access to electricity. For Ethiopia, this number stands at 44% and includes a large contrast between urban (97%) and rural (31%) population accessibility.[108]

2.13 Road

Africa's socioeconomic development is the subject of a 50-year plan called Agenda 2063 that was created by the AU. It is feasible if a number of conditions are met. Better infrastructure is needed for the economies that are expanding to facilitate the movement of people and goods across Africa in general and between Ethiopia and Kenya in particular is important.[109]

Road transportation has played a dynamic role in developing economy, commercial life and trade, traditions, and generally shaped the thought, the culture and the socio-economic life of people of sub-Saharan countries particularly in Ethiopia, where other means of transportation is not easily available.[110]

Road transport facilitates exchange of agricultural produce, industrial products, and services from the surplus regions to deficit and remote areas and has contributed to national development in Ethiopia since last centuries.[111]

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[107] Ethiopia-Kenya Power System Interconnection Project.Available from (https://tractebelengie.com/en/references/ethiopia-kenya-power-system-interconnection-project.(Accessed on 08 June 2022).

[108] World Bank (2018). World Bank open data. Retrieved from https://data.worldbank.org (Accessed on 19 July 2022.

[109] African Union Agenda 2063: The Africa we want https://au.int/en/agenda2063/overview (Accessed on 20 May 2022).

[110] Gwilliam, K., Foster, V., Archondo-Callao, R., Briceno-Garmendia, C., Nogales, A., &Kavita, S. (2008). Africa infrastructure country diagnostic: roads in Sub-Saharan Africa. *Summary of background paper*, *14*.

[111] Tunde, A. M., &Adeniyi, E. E. (2012). Impact of road transport on agricultural development: a Nigerian example. *Ethiopian Journal of Environmental Studies and Management*, *5*(3), 232-238.

Roads are relevant to understanding the processes taking place in Kenya. Kenya's national development plan, Kenya Vision 2030, gives a prominent role to infrastructures like roads, railways and pipelines as connecting regions to the centre and bringing development and transformation. In Kenya Vision 2030, infrastructure is a way of fundamentally altering not only the development opportunities for its northern populations but also their identities.[112]

It is a fact that development of infrastructure such as roads connecting neighbouring countries such as Ethiopia and Kenya has a paramount importance and it will also contribute to accelerate regional integration.

[112] Dalakoglou, D., & Harvey, P. (2012). Roads and anthropology: Ethnographic perspectives on space, time and (im) mobility. *Mobilities*, *7*(4), 459-465.

CHAPTER THREE

FINDINGS AND DISCUSSIONS

After gathering the essential data for this study, the researcher investigated the perspectives offered by the interviewees. This research tries to assess the Special Status Agreement and explore Ethiopian perspective on the LAPSSET project and points out opportunities that could be utilized.

The empirical data of this research discusses the perspectives gained from in-depth interviews have been illustrated through the major theme has been highlighted. It further identified the challenges and prospects of bilateral trade and explored the opportunities of ongoing constructions of roads and electricity interconnection between the two countries.

3.1 Assessment of the Iimplementation of the Special Status Agreement (SSA)

The Special Status Agreement is an agreement signed between the then leaders of the Governments of Ethiopia and Kenya, on 21 November 2012, with the objective of elevating the economic relations between the two countries. The Agreement takes into consideration of the long-standing excellent relations and cooperation as well as the contiguous border existing between Ethiopia and Kenya.[113]

Countries can take different measures to guarantee effective implementations of trade Agreements for the wellbeing of their citizens. The measures can be mainstreaming trade policy to development plans and building institutional capacities and strengthening regulatory mechanisms to follow up proper implementation, improving infrastructures to trade exchanges, and enhancing government performing capacities are vital measures for trade agreements.[114] There is a strong conviction that regional trade agreements help nations achieve economic integration as well as to a sustainable development. However effective implementation is necessitated.

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[113] Special Status Agreement, (2012), Eth. - Ken. Nov. 21, 2012.https://www.comesa.int/wp-content/uploads/2020/10/Implications-of-African-Continental-Free-Trade-Area-on-Intra-COMESA-Trade.pdf(Accessed on 08 June 2022).

[114] Sui, H., Li, X., Raza, A., & Zhang, S. (2022). Impact of trade policy uncertainty on export products quality: new evidence by considering role of social capital. Journal of Applied Economics, 25(1), 997-1024.40–51.

As a background to the examination of the Special Status Agreement a conceptual model dealing with regional trade agreements is provided by the researcher. Other than trade creation and diversion, regional trade agreements have three effects. These are the allocation, accumulation and location effects. The allocation effects arise in circumstances where regional trade agreements assume perfect competition. Thus, the formation of the free trade area, coupled with a reduction in all forms of barriers leads to a better allocation of resources. Allocation effects are the static effects and relatively short-term effects which are not associated with changes in costs of production and technological processes.[115]

Dynamic effects arise from an enlarged market size, investment levels, competitiveness, economies of scale and other common policies such as regional policies. Enlarged markets allow producers to take advantage of economies of scale that would not have occurred in smaller markets. Subsequently there will be a reduction in the costs of production and better quality of products in the market. Considering regional integration, dynamic effects are considered more important than static effects despite being difficult to measure.[116]

Regional trade integration is associated with location effects. Location effects are associated with the potential effects of regional integration which intensifies or reduces inequalities between countries or whether integration blocs create new inequalities. If there are new inequalities arising, then regional integration is said to have agglomeration effect.[117]

The report by Africa News quoted the leaders who reportedly emphasized for an invigorated approach for an 'effective implementation, by introducing clear timelines and deliverables in our implementation strategies.' Ethiopia and Kenya were said to trade in complementarity; to enhance efforts to that end. The agreement was said to be revamped by the power purchase agreement between Ethiopia and Kenya nearing realization. Ethiopia was said to consider Kenya as 'transit corridor and logistics.[118]

[115] Masunda, S. (2020). Export diversification effects of aid for trade in sub-Saharan Africa. Journal of African Trade, 7(1-2), 29-36.

[116] Ibid.

[117] Ibid.

[118] African news, (2014) available from: https://www.africanews.com/2018/05/07/ethiopia-kenya-to-accelerate-implementation-of-bilateral-agreements-on-trade(Accessed on 08 June 2021).

Ato Gesilla Sahleselassie from MoFA explains that the rationale behind the signing of the special status agreement in the following manner,

The SSA was signed to enhance trade, investment and infrastructure. It was meant to bolster the socio-economic relations between the two countries. The agreement provided the traders of the two nations special privileges. However, the implementation of the agreement is low or not yet fully implemented. It has not been evaluated and according to the interviewee the special status agreement could fall under the influence of CFTA (Interview with Ato. Gesilla Sahleselassie, Director of Neighboring Countries, MoFA, on 13 June 2022at MoFA Headquarters).

Looking at the Special Status Agreement to examine what the intents of the authors were. Accordingly, the Agreement aims to ease conduct of business and deepen trade related processes by eliminating barriers to trade so as to stimulate economic development for the good of the citizens of the two countries. Cognizant of challenges in trade it aims to address these challenges and boost trade and investment. It grants priority to specific areas of trade and investment that have remained underdeveloped between the territories of the two countries.[119]

Mr. Mwangi from Embassy of Kenya in Addis Ababa explains the rationales behind signing of the special status agreement between Kenya and Ethiopia in the following manner,

The rationale was to elevate economic relations between the two countries, especially in the areas of trade and investment. There already is a vibrant trade regime mostly in the informal sector. However, the implementation process is still not at par with the desired outcome. It has taken longer than anticipated. This may put the rational for the agreement under question. Yet both sides do have the desire for the implementation of the agreement which is an impetus for rigor. (Interview with Mr. Stanley Mwangi, trade Attaché, at Embassy of the Republic of Kenya in Addis Ababa., on December 10, 2022 virtually).

However, it is clear that there is lack of coordination among the Ministries mandated to implement the agreement in planning, implementing, monitoring and evaluation and the agreement.

3.2. The Special Status Agreement Overview

3.2.1. Areas and priorities of the agreement

In terms of trade, the agreement aspires to work towards progressive tariff concessions, affirmative agreement on harmonized goods nomenclature and tariff lines as well as establishing

[119] Special Status Agreement, (2012), Eth. - Ken. Nov. 21, 2012.https://www.comesa.int/wp-content/uploads/2020/10/Implications-of-African-Continental-Free-Trade-Area-on-Intra-COMESA-Trade.pdf(Accessed on 08 June 2022).

trading facilities such as warehouses and Inland Container Depots (ICD) in custom territories of the two countries. The Agreement also puts a framework to establish one-stop border posts (OSBP) to facilitate seamless movement of persons, goods and services across the border; Permit free movement of commercial vehicles, transit cargo and axle weights into and within the territory of either of the two countries.[120]

The Kenya - Ethiopia Business Forum, in the report, was quoted to attributing the increase of trade between the two countries. Referring to the Special Status Agreement put that: The areas of interest in Kenya – Ethiopia to the business community is provided for in the SSA articles 2 to 6. The SSA provides for the enhancement of trade, investments, infrastructure development, food security and sustainable livelihoods.[121] In order to jointly enable investors from their territories to access both markets, the Parties agreed to sign and implement agreements on promotion and protection of investment and agreement on avoidance of double taxation.[122]

In addition to the Power Purchase Agreement of December 2011 of the two Governments have agreed to explore other avenues for enhanced cooperation in the energy sector; work towards the extension of energy in support of growth within the economic development corridor; and share knowledge and experience in power generation and open up the Economic and Transport Corridor.[123]

Ethiopia and Kenya have also agreed to fast track development of trade facilitation infrastructure; encourage partnership between the two Parties' national shipping companies for trade facilitation; and exchange and share applied technology and knowledge in infrastructure development and management. Moreover, the Parties agreed to promote cooperation in cross-border oil and gas exploration; and collaborate in research and training in oil and gas sector.[124]

Ambassador Meles Alem, explains the rationales for Ethiopian infrastructure development his views are as follows,

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120 Ibid.

121 African news, (2014) available from: https://www.africanews.com/2018/05/07/ethiopia-kenya-to-accelerate-implementation-of-bilateral-agreements-on-trade(Accessed on 08 June 2021).

122 Special Status Agreement, (2012), Eth. - Ken. Nov. 21, 2012.https://www.comesa.int/wp-content/uploads/2020/10/Implications-of-African-Continental-Free-Trade-Area-on-Intra-COMESA-Trade.pdf(Accessed on 08 June 2022).

123 Ibid.

124 Ibid.

Development would be impossible without infrastructure. Building up the infrastructure would not only improve relationships but also make it easier for people and goods to travel freely. Typically, cities grow along the paths of recently built highways and railways. Additionally, numerous cities in Kenya and Ethiopia have prospered. (Interview with, former Ethiopian Ambassador to Kenya and current Ministry's spokesperson, Ambassador Meles Alem, on August 19 2022, at MOFA Headquarters).

The two countries have agreed to jointly develop, manage and utilize shared trans-boundary natural resources in accordance with international law. They have also agreed to jointly explore and develop pro-poor economic initiatives in irrigated agriculture to promote food security. The Agreement also puts a framework for promoting and encouraging joint investment in the growth of legal trade in the livestock sector through measures such as establishment of livestock trade and disease control centers; and collectively initiate measures for development of sustainable livelihoods for the border communities.[125]

3.2.2. Assessment of the Implementation

According to the website of the Embassy of the Republic of Kenya, Addis Ababa, the relevance of a Special Status Agreement in order to strategically transform the bilateral relations was also noted. The establishment of the Joint Trade Review Committee to implement the Bilateral Trade Agreement signed in June 2012; to expeditiously establish the Joint Border Trade Committee, speed up negotiations towards conclusion of the Bilateral Trade Protocol; and to finalize the common list of commodities agreed under COMESA facilitated negotiations on the Simplified Trade Regime.[126]

By comparing the examination of the agreement and the conceptual frameworks with first-hand information gathered from the Ministry of Trade and Integration; Ato Gebretsadik Tassew's assessment regarding implementation of SSA is as follows,

The Ministry of Trade has jointly held two consultations to evaluate the implementation Special Status Agreement. The said sessions were held in Kenya and the third joint consultation which was set to be held in Ethiopia had been postponed due to Covid 19. The infrastructure (transport) sector is better faring well. However, when it comes to trade, though the agreement provides for 10 % Tariff reduction reluctance to implement it has become an impediment (Interview with Ato Gebretsadik Tassew, Director,

[125] Ibid.

[126] The Embassy of the Republic of Kenya in Addis Ababa, (2012) available from :https://www.kenyaembassyaddis.org/2012/05/27th-kenya-ethiopia-joint-border-commissionersadministrators-meeting/(Accessed on 08 July 2021).

Bilateral Negotiation, Ministry of Trade and Regional Integration, on 22 June 2022 at MoTRI Headquarters).

The researcher has come to a conclusion that Ethiopia and Kenya have implemented little part of the Special status agreement both countries have to exert concerted efforts to implement the agreement as it will contribute to elevate the existing economic relation between the two countries.

3.3 Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor Project

Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor project, also known as Lamu corridor is a transport and infrastructure project in Kenya that, when complete, will be the country's second transport corridor.[127]

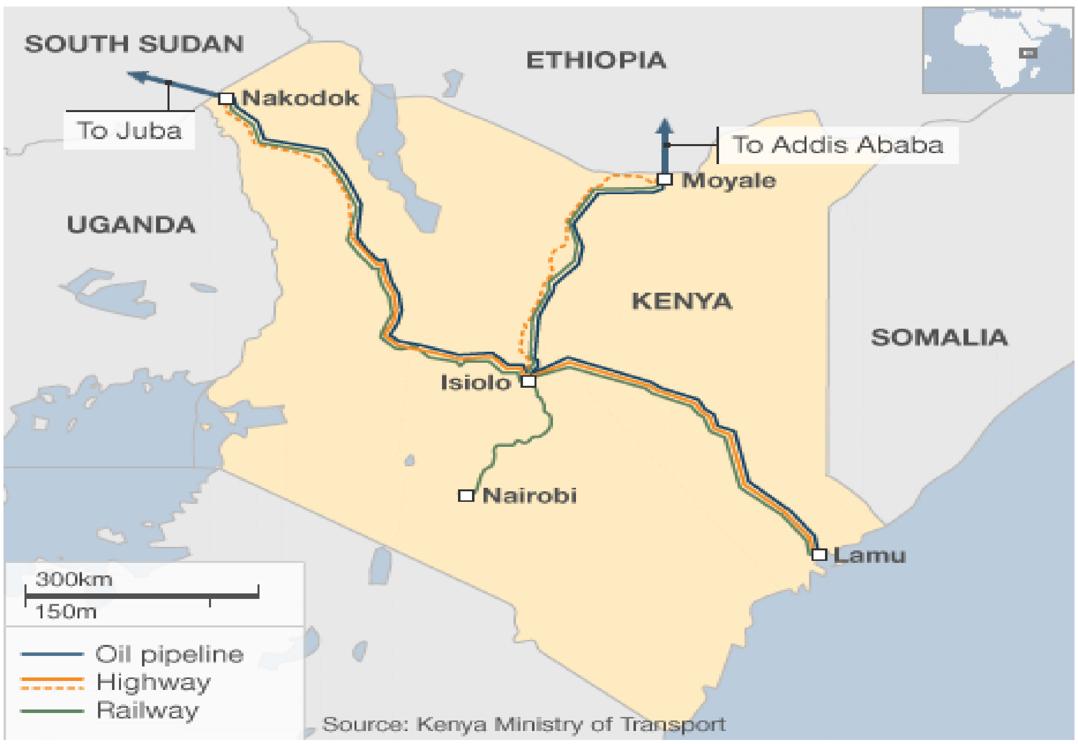

Figure 1. Map of LAPSSET Corridor Project

Source: (Kenya Ministry of Transport, 2012)

The LAPSSET Corridor Project is a regional flagship project intended to provide transport and logistics infrastructure aimed at creating seamless connectivity between the Eastern African

[127] Lapsset-corridore-project-appresial-report,(2020).https://www.afdb.org/ar/documents/lamu-port-south-sudan-ethiopia-transport-lapsset-corridor-project-project-appraisal-report) Accessed on 04 June 2022).

Countries of Kenya, Ethiopia and South Sudan. It is Corridor is part of the larger land bridge that will connect the East African coast from Lamu Port to the West coast of Africa at Douala Port. The program encompasses main components such as ports, oil pipelines, new roads, airports, cities, and standard gauge railways. The project focal areas are Lamu and Isiolo in Kenya, Juba in South Sudan, and Addis Ababa in Ethiopia.[128] It is believed that fully accessible, functional and efficient physical infrastructure is essential to facilitate trade, reduce poverty and to permit the free transport of goods and services and the free movement of persons and eventually to achieve regional integration for sustained economic development.

3.3.1 The benefits of LAPSSET to Ethiopia, Kenya and South Sudan

Upon completion of LAPSSET project it is expected to enhance the economic growth of all three countries by facilitating trade, investment and tourism. If successfully completed, project will bolster economic integration not only among Kenya, South Sudan and Ethiopia but also with central and western African countries. Financing such a big project will be a challenge, but commitments have already been mad.[129]

Similarly, Ambassador Meles Alem expresses the benefits of LAPSSET to Ethiopia, Kenya and South Sudan as follows,

> *The completion of LAPSSET corridor Project will further pave the way to nurture the people-to-people relations. It will create an opportunity for Ethiopia, Kenya and South Sudan to connect by road and by rail. New cities will flourish. This project apart from the three countries it is a part of African flagship project. It is expected to connect Indian Ocean with Atlantic Ocean. (Interview with former Ethiopian Ambassador to Kenya, and current Ministry's spokesperson, Meles Alem, on August 19, 2022, at MOFA Headquarters).*

3.3.2. Ethiopian perspective on LAPSSET

A development corridor is a geographical area identified as a priority for investment to catalyze economic growth and development. This is usually through the creation of infrastructure such as

[128] LAPSSET Corridor Development Authority.Brief on LAPSSET Corridor Project. Kenya: Nairobi (2016). Available from;https://s3-eu-west1.amazonaws.com/s3.sourceafrica.net/documents/118442/lapsset-project-report-july-2016-1.pdf.(Accessed on 4 June 2022).

[129] Makonnen, T., &Lulie, H. (2014). Ethiopia, regional integration and the COMESA free trade area interventions in Sudan and Somalia. African Security, 2(2-3), 136-157.

railways or pipelines. They can be designed to attract new investments, boost agricultural production, open access to natural resources and facilitate their export to world markets.[130]

Ambassador Meles reveals the significance of Lamu port to Ethiopia in the following manner,

> *Ethiopia is vast country with a huge population but land locked and it is economy is growing. Thus, Lamu port is good alternative. Lamu port is better than Mombasa port in its holding capacity its capacity to hold bigger ships. The construction of the ports has big significance and meaning to Ethiopia. Two Berths of Lamu port are now completed. (Interview with former Ethiopian Ambassador to Kenya, and current Ministry's spokesperson, Meles Alem, on August 19, 2022, at MOFA Headquarters).*

It is widely agreed that port servicers facilitate import export a country; Ethiopia as a land locked nation should diversify its port alterntives. Lamu port is a good alternative. As it is the second populous nation in Africa and its economy continues to grow demands alternative and competitive port services.

Development corridors have the potential to diversify and improve livelihoods by making trade, communications and services more efficient. They can also spread development opportunities to remote, poor and marginalized communities and regions, thus enabling countries to better achieve their Sustainable Development Goals.[131]

Mr. Stanley Mwangi Trade Attaché at Embassy of the Republic of Kenya in Addis Ababa indicates the benefits of developing infrastructure under the frame work of LAPSSET project for both Ethiopia and Kenya in the following manner,

> *The respondent indicated that prospects include more employment opportunities due to increased economic activities associated with the project. Increased employment and economic opportunities in turn would result in increased revenue and tax base. (Interview with Mr. Stanley Mwangi, trade Attaché at Embassy of the Republic of Kenya in Addis Ababa, on December 10, 2022 virtually).*

There is a construction of oil pipeline to transport oil from Lamu to Isiolo, Isiolo to Juba, and Juba to Addis Ababa. Railway lines will be stretched from Lamu to Isiolo, from Isiolo to Juba, from Isiolo to Addis Ababa, and from Nairobi to Isiolo. There is also a program to construct

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[130] Development Corridors Partnership, (2019).Development corridors - Development Corridors Partnership.Development Corridors Partnership. Available from:https://developmentcorridors.org/development-corridors/s://developmentcorridors.org/development-corridors/(Accessed on 08 august 2022).

[131] Ibid.

three international airports and resort cities in three places: Lamu, Isiolo, and Lake Turkana. The project has no timeline or dead line though it was launched in March 2012.[132]

Ambassador Meles illustrated about the economic prospects of various projects as follows,

> *In relation with the LAPSSET project new cities have begun flourishing in Kenya. It will provide better opportunity to be an economic zone. It will also be beneficial to other nearby towns by creating: Dry ports and construction of roads will increase the problem is the Kenyan side has not done much. In our side it emanates from our policy. (Interview, with former Ethiopian Ambassador to Kenya, and current Ministry's spokesperson, Ambassador Meles Alem, on August 19, 2022, at MOFA headquarters).*

The realization of the LAPSSET will also further accelerate the rate of urbanization and rapid, shared growth among the footprint countries of Ethiopia, Kenya and South Sudan along with the creation of jobs for the youth that comprises almost two thirds of the respective countries. The proper implementation of the LAPSSET basically also creates an enabling environment for the private sector to invest and diversify the region's economic potential thus contributing the overall GDP.[133]

The representative from the Embassy of Kenya in Addis Ababa elaborated the benefits of joint port development between Ethiopia and Kenya in the following manner,

> *In terms of port utilization, the respondent asserted that Lamu port presents a huge potential for Ethiopia as well as other countries within the region as it will open up trade and logistics a significantly competitive port service in the region would surely be source of additional income and employment. (Interview, with Mr. Stanley Mwangi Trade Attaché at Embassy of the Republic of Kenya in Addis Ababa, on December 10, 2022 virtually).*

Development corridors have the potential to diversify and improve livelihoods by making trade, communications and services more efficient. They can also spread development opportunities to remote, poor and marginalized communities and regions, thus enabling countries to better achieve their Sustainable Development Goals.[134]

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[132] LAPSSET Corridor Development Authority.Brief on LAPSSET Corridor Project. Kenya: Nairobi (2016). Available from;https://s3-eu-west1.amazonaws.com/s3.sourceafrica.net/documents/118442/lapsset-project-report-july-2016-1.pdf.(Accessed on 4 June 2022).

[133] Fana broadcasting (FBC), (2022). available from: https://www.fanabc.com/english/ethiopia-reaffirms-commitment-for-a-revitalized-lapsset/.(Accessed on 18 June 2022).

[134] Development Corridors Partnership, (2019). Development corridors - Development Corridors Partnership. Development Corridors Partnership. Available from:https://developmentcorridors.org/development-corridors/s://developmentcorridors.org/development-corridors/(Accessed on 08 august 2022).

Ambassador Meles Alem underlines the importance of Lamu port to Ethiopia as follows,

> *Ethiopia is a big, landlocked nation with a sizable population and a developing economy. Lamu port is a good substitute as a result. Mombasa port's holding capacity is inferior to Lamu ports. Lamu port has a higher capacity to hold larger ships than Mombasa. Ethiopia attaches great importance to and meaning to the building of the ports. (Interview with, former Ethiopian Ambassador to Kenya, and current Ministry's spokesperson, Ambassador Meles Alem, on August 19, 2022, at MOFA Headquarters).*

Corridors could also have serious negative impacts on nature and people if poorly designed and implemented. As well as achieving economic goals, development corridors need to protect the integrity of ecosystems and respect the rights and livelihoods of communities from the earliest stages of planning and throughout their development.[135]

However, Ato Gisella from MOFA indicates the challenges the project may face from different angle his views are as follows,

> *The project faces challenges of such as poor condition of high ways as well as infrastructure development leading to the complete benefit of the port would necessitate the consent of Uganda as the highway from South - Sudan passes through Uganda. Difficulty in fully exploiting the full capacity of Lamu port considering the low level of Trade between the two countries was also noted besides the fact that the port is far from the northern part of Ethiopia. (Interview with Ato Gesilla Sahleselassie, Director of Neighboring countries MoFA, on 13 June 2022, at MoFA Head Quarter).*

As the LAPSSET Project gets underway, pastoral land is cleared for economic investment. It is expected that communities and livelihood capitals will be affected and that the potential for cross-border conflict will increase. Appropriate mitigation strategies need to be put in place to prevent this.[136]

A respondent from Embassy of Kenya in Addis Ababa highlights the challenges of the project in as follows,

> *When it comes to challenges in executing the LAPSSET project, the respondent expressed dismay in the difficulty in integrating the two different driving sides between the two countries. Lack of policy harmonization and the amount of attention that is given on equal footing on both sides were said to be addressed for effective implementation. (Interview with Mr. Stanley Mwangi, trade Attaché Embassy of the Republic of Kenya in Addis Ababa on December 10, 2022 virtually).*

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[135] Ibid.

[136] Peace insight (2014) available from https://www.peaceinsight.org/en/articles/kenya-lapsset-conflict/?location=kenya&theme (Accessed on 1 June 2022).

Therefore, the two countries would be required to coordinate and harmonize their policies and provide proper and equal attention for effective implementation of the projects.

3.4 Trade relation between the two Countries

Most Intra - African trade occurs between African countries that are members of the same regional economic communities, and much trade between African countries is not recorded in official statistics because it is informal; the data is very limited.[137]

In general, East African Countries export agricultural products to the global economy and primarily import manufactures. Exports are concentrated on agricultural products for Ethiopia, Kenya and Somalia while imports are mainly industrial products. Vegetable products comprise a high share of exports from Ethiopia and Kenya reflecting the importance of coffee, tea and sesame.[138]

[137] ECA, AU.,& Union, A. (2017). Assessing regional integration in Africa VIII: bringing the Continental Free Trade Area about. (Accessed on 08 august 2022).

[138] Brenton, P., &Edjigu, H. (2021). A Review of Cross-Border Trade in the Horn of Africa.

Table 3.1 Ethio-Kenya 10 Years (2010-2019) trade statistics

year	Ethiopia's Overall export (USD	Growth %	Ethiopia's Export to Kenya in USD	Growth %	Kenya shares in Ethiopian overall Export	Ethiopia's Over all Import	Growth %	Ethiopia's Import from Kenya in USD	Growth %	Kenya shares in Ethiopian overall import (in %)	Trade turnover with Kenya	Growth	Ethiopia's trade balance with Kenya	Growth %	Ethiopia's trade balance with Kenya
2010	2,147,314,405		3,631,787		0	8,327,332,580		31,674,180		0	35,305,967		-28,042,392		-28,042,392
2011	2,542,304,496	18	10,869,116	199	0	8,758,393,035	5	33,996,338	7	0.388	44,865,454	27	-23,127,223	27	-23,127,223
2012	2,741,297,676	8	11,083,899	2	0	11,659,257,528	33	39,540,268	16	0.339	50,624,167	13	-28,456,370	13	-28,456,370
2013	2,591,041,909	-5	15,157,556	37	1	10,955,385,470	-6	32,421,934	-18	0.296	47,579,490	-6	-17,264,378	-6	-17,264,378
2014	2,977,916,072	15	21,627,090	43	1	14,718,276,075	34	36,167,008	12	0.246	57,794,098	-10	-14,539,918	-10	-14,539,918
2015	2,697,079,937	-9	31,738,154	47	1	16,282,654,224	11	36,434,370	1	0.224	68,172,525	-10	-4,696,216	-10	-4,696,216
2016	2,615,930,716	-3	30,853,783	-3	1	16,830,902,431	3	32,608,307	-11	0.194	63,462,090	-10	-1,754,525	-10	-1,754,525
2017	2,862,593,187	9	67,716,538	119	2	15,019,443,324	-11	35,684,843	9	0.238	103,401,380	-10	32,031,695	-10	32,031,695
2018	2,827,472,627	-1	41,141,597	-39	1	16,607,574,192	11	50,551,689	42	0.304	91,693,285	-10	-9,410,092	-10	-9,410,092
2019	2,680,584,023	-5	24,066,249	-42	1	14,607,647,904	-12	77,284,448	53	0.529	101,350,697	-10	-53,218,199	-10	-53,218,199
Total	**26,683,535,047**		**257,885,768**			**133,766,866,763**		**406,363,385**			**664,249,153**		**-148,477,617**		**-148,477,617**
Average	**2,668,353,505**		**25,788,577**			**13,376,686,6766**		**40,636,338**			**66,424,915**		**-14,847,762**		**-14,847,762**

Source: Table made from the data obtained from Ministry of Trade and Regional Integration of the FDRE 2022).

As can be seen from Table 3.1, the value of Ethiopian exports to Kenya has shown a considerable growth from 2010 - 2015. However, it started to fluctuate from the year 2016 onwards. It is also noted that the imports of Ethiopia have shown fluctuation in the same period.

However, recently substantial increase has been witnessed. Hence, from the year 2010 - 219 the bilateral trade volume between Ethiopia and Kenya had exceeded $ 664,249,153 million with balance of trade favoring mostly Kenya due to its export of manufactured goods into Ethiopian market. The table above summarizes, Kenya's share in Ethiopian overall Export which is miniscule is ranging from (0 - 1 %) except the year 2017 which was 2 % and Kenya's share in Ethiopian overall import is (below 1 %).

Mr. Stanley Mwangi Trade Attaché at Embassy of the Republic of Kenya in Addis Ababa, explains the existing state of the bilateral trade relations between the two countries his views are as follows,

> *The respondent stated that trade relations have been improving although at a slower rate considering the excellent diplomatic relations between the two countries. Respondent also expressed hope that relations could take a better shape in the future in the face of imminent projects that could affect logistics and trade facilitations in general. (Interview with Mr. Stanley Mwangi, trade Attaché Embassy of the Republic of Kenya in Addis Ababa, on December 10, 2022 virtually).*

3.4.1 Ethiopia's Export to Kenya

Table 3.2: Ethiopia's Top 10 exported items to Kenya

Ethiopia's Top 10 exported items to Kenya-2015-19		
Exported items	**Sum of the 5 yrs export (USD)**	**share to Grand total**
Dried kidney beans, incl. white pea beans, shelled	80,364,814.05	41.10
Telephone for cellular networks or for other wireless networks	23,198,504.42	11.87
Maize seed	22,767,167.84	11.64
White cement, whether or not artificially colored	11,002,785.13	5.63
Footwear with leather or composition leather uppers	10,641,282.02	5.44
Seed	5,192,151.39	2.66
Other/Shoes	4,467,701.38	2.29
Cane or beet sugar, in solid form	4,301,239.92	2.20
Other/chemical and construction materials	4,009,546.35	2.05
Black tea fermented/partly Fermented; Flavored or not, in packings of >=3kg	3,652,288.22	1.87
Vegetables.	2,486,305.28	1.27
footwear with outer soles of leather or composition leather	2,194,029.08	1.12
other products	21,238,505.13	10.86
Grand Total	**195,516,320.21**	100.00

Source: Table made from the data obtained from Ministry of Trade and Regional Integration of the FDRE (2022)

As observed from table 3. 2; starting from the year 2015 – 2019 more than 58 % of Ethiopia's export to Kenya is derived from primary agricultural products. From these primary products, most of the export quantity is covered by five items. The major export commodities of Ethiopia to Kenya were dried kidney beans, white pea, beans shelled 41.10 % followed by maize seeds 11.84 %, seeds 2.66, Cane or beet sugar 2.20 %, and vegetables 1.27 %.

In the other hand value added export products comprises of Cellphone apparatus for cellular network 11. 87 %, white cement 5.63, foot wears with leather or composition 5.44 %, black Tea in packing's 1.87 %, Shoes 2.29, chemical and construction materials 2.05 % and other products 10 % were industrial products exported to Kenya. As it can be observed from table two the share of industrial products is showing substantial increase in the period.

3.4.2. Ethiopia's Trade Balance with Kenya

Year	**Ethiopia's Export to Kenya in USD**	**Ethiopia's Import from Kenya in USD**	**Ethiopia's trade balance with Kenya**
2010	3,631,787	31,674,180	-28,042,392
2011	10,869,116	33,996,338	-23,127,223
2012	11,083,899	39,540,268	-28,456,370
2013	15,157,556	32,421,934	-17,264,378
2014	21,627,090	36,167,008	-14,539,918
2015	31,738,154	36,434,370	4,696,216
2016	30,853,783	32,608,307	-1,754,525
2017	67,716,538	35,684,843	32,031,695
2018	41,141,597	50,551,689	-9,410,092
2019	24,066,249	77,284,448	53,218,199
Total	257,885,768	406,363,385	148,477,617
Average	**25,788,577**	**40,636,338**	**-14,847,762**

Table 3.3 Ethiopia - Kenya 10 Years Trade balance source: (Ministry of Trade and Regional Integration of the FDRE (2022).

Table 3.3 demonstrates the trade balance between the two countries; trade deficit has remained the defining feature of Ethiopia's bilateral trade with Kenya with the exception of the year 2017, in which balance of trade inclined to Ethiopia.

The possible reason why the trade balance favored Ethiopia in 2017 is, maize exports from Ethiopia to Kenya reached about 95,000 MT, considerably higher than in years before resulting from the drought conditions in Kenya in that year. Ethiopia is also a key source of dry beans.

During the period from 2016 to 2020, nearly 122,031MT of beans were exported from Ethiopia to Kenya.[139]

Generally, all respondents from Ministry of Foreign Affairs and Ministry of Trade and integration confirm that the trade balance between Ethiopia and Kenya goes in favor of Kenya and the need to improve the trade deficit.

3.4.3. Kenya's Export items to Ethiopia

Table 3.4 below shows the top ten imports of Ethiopia from Kenya. Ethiopia imports are mostly manufactured products from Kenya. Ethiopia's import from Kenya is characterized by imports of ball points, machinery's, different chemicals, and live animals such as camels, sheep, goats as well as different industrial products. The commodity composition of Ethiopia's import dominated by ball point pens which accounts to 14.4 % of total imports followed by Boring or Sinking Machinery 6.9 % and lives animals 3. 4 % the rest are different chemicals and other industrial products.

Camels moved from the main production areas of Kenya such as; Mandera, Wajir, Garisa, Bangale, Isiolo, Marsabit and Moyale into southern Ethiopia, through Moyale cross-border market. With supplementation form other primary markets (in Borana zone), the camels were trucked from Moyale to Nazaret, for further fattening purpose and later trucked to Djibouti, to be exported. However, a few camels found their ways to the Addis Ababa city. The net flow of camel was from Kenya to Ethiopia.[140]

In other hand, sheep and goats flowed in both directions. Those originating from northern Kenya crossed the border around Elewaye and Mega in southern Ethiopia. Then, they were trucked via a series of sales transactions in various markets finally ending in either Addis Ababa city, for domestic consumption or Djibouti for export. In contrary, those originating southern pastoral

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139 Brenton, P., &Edjigu, H. (2021). A Review of Cross-Border Trade in the Horn of Africa.

140 NBI (Nile Basin Initiative), (2012.) Analysis of Cross Border Trade in Agricultural Product Along Selected Corridors of the Nile Basin Region. The NILESAP (Nile Equatorial Lakes Subsidiary Action Program). Regional Agricultural Trade and Productivity Project Final Report, Bujum.(Accessed on December 5, 2022).

areas of Ethiopia crossed the border, though, Sololo border point in Kenya, from where they are trucked to Nairobi for sale. The net flow of sheep and goats was from Kenya to Ethiopia.[141]

Experience shows that for weaker economies, the removal of barriers on goods, labor and capital can bring about negative consequences, at least in short run. There is a danger that for the least industrialized countries, the removal of trade barriers can make them a dumping ground for manufactured products from better developed neighbors.[142]

Table 3.4: Ethiopia's Top 10 imported items from Kenya (2015-19)

Imported Items	**Sum of the 5 years imports (USD)**	**Share to Grand total**
Ball-Point Pens	33,502,925	**14.4**
other boring or sinking Machinery (excl. self-propelled)	16,152,314	6.9
Polishes, creams and similar preparations for footwear or leather	9,558,032	4.1
live Animals	7,860,612	3.4
other printed materials (lottery tickets)	6,710,740	2.9
other/aluminum and article thereof	6,515,295	2.8
bottle performs of plastics	6,280,387	2.7
Organic surface-active agents, (soap)	5,995,396	2.6
Crown corks of base metal	5,988,487	2.6
Plates, of polymers of ethylene, not reinforced, etc	5,967,584	2.6
other products	128,031,884	55.1
Grand Total	**232,563,657**	**100.0**

Source: Table made from the data obtained from Ministry of Trade and Regional Integration of the FDRE (2022)

Trade relations between Ethiopia and Kenya have greatly increased, but still, it is smaller than what Kenya has with EAC Countries. Kenya takes advantage of such ascendancy to sell industrial goods with a relatively high price, and benefits from this while Ethiopia does not. The completion of the road that connects them, the presence of large population leading to a massive consumer, and the involvement of the private sector investment in manufacturing, construction,

141 Ibid.

142 Geda, A., Haile Kibret, A. G., &Kibret, H. (2002).us to access part of their database. Regional Economic Integration in Africa Alemayehu and Haile 2 Regional Economic Integration in Africa: A Review of Problems and Prospects with a Case Study of COMESA.

education, agriculture, and software services, it is anticipated that exchange of goods will increase.[143]

3.4.4. Challenges

Ethiopia remains protectionist tariff policy; with high tariff peaks in some sectors its neighbor Kenya member of East African Community (EAC) imposes a high common external tariff on imports of Ethiopian commodities though both countries are members of regional community the Common Market for Eastern and Southern Africa (COMESA). Why Ethiopia has not yet acceded to the COMESA Free Trade Area, and, hence, relatively high tariffs are still imposed on bilateral trade.[144]

Ambassador Melese Alem, outlined challenges that have led to low level of trade between the two countries is summarized as follows,

> *Differences in the economic policy outlook, lack of proper promotional activities informal trade and Security challenges around the border are the major impediments that have made the bilateral trade not to be as desired. (Interview with Ambassador Meles Alem, on August 19, 2022 at MoFA Head Quarter.)*

Trade between member states is restricted by a variety of non- tariff barriers, internal taxes and list of sensitive goods.[145] The researcher is optimistic that the challenges in the bilateral trade will gradually get remedy and various initiatives that are aimed at improving the economic relations of the two Countries have been implemented and encouraging results has been registered.

Ato Gebretsadik Tassew from Ministry of Trade and Integration; takes Tariff and Non-tariff barriers as challenges to the bilateral trade; his views are illustrated like so,

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[143] Alemneh, D. (2017). *Economic Integration in East Africa: The Case of Ethiopia and Kenya*. Syracuse.

[144] UN economic commission for Africa Report on Macroeconomic and Social Developments, 2021.https://www.uneca.org/sites/default/files/SROs/Presentation_Report%20on%20Macroeconomic%20and%20Social%20Developments%202021.pdf.(Accessed: 15 June 2022). (Accessed: 10 June 2022).

[145] Bilal, S., Hoekman, B., &Njinkeu, D. (2021). EU-Africa trade and investment relations: towards greater convergence? In *Revisiting EU-Africa Relations in a Changing World* (pp. 131-144). Edward Elgar Publishing.

Tariff barriers and non-tariff barriers such as customs, trade procedures, rules of origin clauses, non-acceptance of certificates, less quality of inspection, procedures retarding commercial vehicles were said to be discouraging factors especially to informal traders. Informal cross border traders have been heard of complaining about the non-tariff barriers pushing informal traders to keep to traditional and informal means. (Interview with Ato Gebretsadik Tassew, Director of Bilateral Negotiation at the Ministry of Trade and Regional Integration, on June 22, 2022 at Headquarters of the Ministry).

Formal trade flows between IGAD member states are by far low compared to the average trade flows of inter-African countries in general while informal trade or economic exchange between IGAD member states constitute more than 40% of the GDP of the region.[146]

A respondent from the Ministry of Trade and Integration alludes that there is high flow of informal trade between the two countries and indicates the remedy as follows,

Informal trade is common between the two countries notably at the border town of Moyalle. Residents of Moyalle share similar cultures and speak the same language. There are said to be about thirteen (13) cross border informal trade routes. Kenya and Ethiopia are trying to integrate informal trade to their economies. The respondent has a strong conviction that, the simplified border trade agreement is being negotiated will minimize the negative impact of informal trade. (Interview with Ato Gebretsadik Tassew, Director of Bilateral Negotiation at the Ministry of Trade and Regional Integration, on June 22, 2022 at Headquarters of the Ministry).

The rationale behind the STR program is that it aims to transform and mainstream informal cross-border trade into formal cross-border trade by facilitating trade among small scale traders. It also aims to work as an incentive to enhance intra-regional trade. It recognizes that majority of the small-scale traders in Africa find it difficult to meet the Conventional customs procedures and requirements.[147]

There are some benefits that the STR is meant or foreseen to achieve among small-scale traders. STR is supposed to reduce transaction costs that come about in trade whereby small-scale cross-border traders face financial resource constraints. It reduces the human capacity to deal with

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[146] Byiers, Bruce (2016). The political economy of regional integration in Africa, IGAD Report.Embassy of Sweden, Nairobi.

[147] COMESA. (2016). COMESA Simplified Trade Regime Handbook. Lusaka: (Accessed on 01 July 2022).

administrative procedures by not necessitating the use of clearing agents to fill administrative documents and clear the goods.[148]

The researcher also believes that formal regional agreements such as STR will contribute to legalize informal traders.

An informant from the Ministry of Trade and Regional Integration explains how formal trade agreements will minimize the impact of informal trade as follows,

> *Formal trade agreements such as COMESA simplified agreements will pave the way for informal trades to transform themselves to formal cross border traders. The main commodities traded in Moyale market informally are food commodities maize, beans, soya bean, wheat grains, green grams, rice, maize flour and livestock cattle, goats, sheep and camels. (Interview with Ato Gebretsadik Tassew, Director of Bilateral Negotiation at the Ministry of Trade and Regional Integration, on June 22, 2022 at Headquarters of the Ministry).*

3.4.5. Prospects

East Africa has already made strides in establishing one stop border posts, 25 one-stop border posts have been installed, significantly reducing the time taken for goods to pass through customs.[149]

Ambassador Meles, taking into consideration the joint efforts that have been exerted by the two countries; reveals the socio-economic prospects between the two countries in this manner,

> *The completion of the road construction and one stop border post. as well as the reform launched by the Ethiopian Government and the introduction of home-grown economic policy are already attracting Kenyan investors interested to invest in the banking sector as instance Safari com has already become operational. (Interview with former Ethiopian Ambassador to Kenya, and current Ministry's spokesperson, Meles Alem, on August 19, 2022, at MoFA Headquarters).*

The implementation of the AfCFTA will also pave the way for a rapid dismantling; impediments to cross-border trade. Alongside the removal of tariff barriers, the AfCFTA will also focus

[148] Nzohabonimana, D. (2018). Boosting cross-border trade through simplified trade regimes: Supporting local businesses to address the informal economy in Africa. (Thesis University of Nairobi).

[149] UN economic commission for Africa Report on Macroeconomic and Social Developments, 2021.https://www.uneca.org/sites/default/files/SROs/Presentation_Report%20on%20Macroeconomic%20and%20Social%20Developm ents%202021.pdf.(Accessed: 15 June 2022). (Accessed: 10 June 2022).

attention on outstanding nontariff barriers (NTBs), and contribute for trade facilitation already become operational.[150]

Ato Gesilla also expresses Prospects of the bilateral trade along these lines,

> *When projects in the frame work of LAPSSET come to fruition there would be a high probability of improved trade between the two countries. Comparing trade relations between Ethiopia and Kenya currently, Ethiopia has better trade relations with Djibouti and Somalia. (Interview with Ato Gesilla Sahleselassie, Director, Neighboring Countries Affairs, MoFA, on 13 Jun 2022, at MoFA Headquarter).*

Ethiopia's export to Djibouti, Sudan and Somalia have shown very dramatic increases in years, they consist predominantly of single commodity, Chat, which is widely consumed as a part of cultural practices in the region. Meanwhile, Kenya and Uganda have not been prominent destinations for Ethiopia's exports since the two countries are also primary commodity exporters, and their external trade is more oriented towards the developed economies and the EAC.[151]

W/ro Hayat Abdu, also believes that there are high prospects; the respondent express's its hope along these lines,

> *The recent establishment and implementation of the Moyale One - Stop border post was said to help in facilitating trade between the two countries. The preferential trade agreement being negotiated was also expected to solve the cross-border trade. (Interview with W/ro. Hayat Abdu Kenyan desk officer at MoFA, on July 13, 2022 MoFA Head office).*

3.4.6 The nexus between Security and Trade

The process of regional integration becomes a reality when there is a real and firm political commitment from governments of countries concerned. Such commitment is associated with the level of peace and stability in the region usually.[152]

Ato Gesilla from MoFA explains security cooperation between the two countries as follows,

> *The two countries cooperate; in the fight against extremism and other peace and security concerns such as Al Shebab. Kenya has been at the receiving end of vicious attacks by the terrorist group. Both countries have sent their troops to Somalia to bring*

[150] Ibid.

[151] Cheru, F., Cramer, C., &Oqubay, A. (Eds.). (2019). The Oxford handbook of the Ethiopian economy. Oxford University Press.

[152] RedieBerektab (2014) the challenges of regional integration in the horn of Africa'' the Nordic African institute, Uppsala, Sweden, journal of US- China public Administration., vol.11, No. 5, 401 -414.

peace and stability to both Somalia and the IGAD region. Besides, the two countries are working closely to assure border security. The two countries have also bilateral controlling and cooperation mechanisms of regional security engaged in controlling illicit border trade. (Interview with Ato Gesilla Sahleselassie, Director of Neighboring Countries, MoFA, on 13 June, 2022 at MoFA Headquarters).

Contraband is one of the difficult issues that Northern Kenya and the Southern region of Ethiopia are unable to find a lasting remedy. By encouraging local populations to participate on both sides, the two nations are dedicated to resolving this problem. They are also actively striving to eliminate illegal trade by promoting cross-border trade and setting up custom offices at the border.[153]

Improving cross-border trade between the two nations will ultimately help to find a solution to this issue. If taxes are not reduced to stimulate legal trade, many people will turn to illegal means of selling items in order to avoid paying taxes, and consumers will benefit from having access to cheap goods. This has a huge impact on lawful merchants' ability to compete.[154]

W/ro Hayat expresses the security challenges in the following manner,

Absence of legal framework, small arms trafficking, clash over grazing land around the border area are security challenges which often hindered smooth cross-border trade between people of the two countries living at the border towns. The respondent believes that if a strong trade relationship exists between two countries the tendency of going to conflict is very low. (Interview with W/ro Hayat Abdu,Kenyan desk officer at MoFA, on July 13, 2022 MoFA Head Quarter).

The practice of killing each other while cattle rustling is common among different pastoralist groups in the border areas of Ethiopia and Kenya. The way of curbing this among these societies living at border areas has its own impact on economic integration. The pastoralist communities of the two countries also compete for resources and clash at different times.[155]

However, Ambassador Meles Alem argues that the peace and security situation between the two countries is not at the level of hindering the bilateral trade his comments are as follows,

Ethiopia and Kenya have very peaceful relations. Their relation has not been challenged through course of changes of Governments and time. It can be taken as an

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153 Fufa, M. Z. (2018). The Impacts of Corruption on Socio-Economic Development: The Case of Shambu Town, Oromia Regional State, Ethiopia.(Thesis, Department of Civics and Ethics Studies, College of Law and Governance, Jimma University).

154 Alemneh, D. (2017). *Economic Integration in East Africa: The Case of Ethiopia and Kenya*. Syracuse.

155 Ibid.

exemplary in our relations with other countries. Though there are different challenges around the border. However, it is not at the level of hindering the bilateral trade. (Interview with the former Ethiopian Ambassador to Kenya, and current Ministry's spokesperson, Ambassador Meles Alem, on August 19, 2022, at MOFA Headquarters).

3.4.7 Electricity

Hydropower generation can serve as a catalyst and entry point for regional collaboration, regional integration and the formation of broader regional markets and industrialization in trans-boundary Rivers. It also provides a platform for inter-riparian win-win cooperation to engage in terms of energy and power trade, in the coordination and regulation of water infrastructure, and in the maintenance and rehabilitation of ecosystems.[156]

The Horn of Africa has huge potential of hydropower which could enhance interstate relations among states of the region. Ethiopia, being at the heart of the region, with huge potential of hydropower, has good opportunity to accelerate regional relations and cooperation among states of the region.[157]

The ongoing hydropower projects of Ethiopia have good promise to promote economic integration; electricity integration; infrastructural expansion; people to people relation, and latter political cooperation in the entire region[158]. Among others, hydropower exports of Ethiopia to Sudan and Djibouti could be best example in furthering regional relations.[159]

Ethiopia is endowed with an aggregate capacity of 45,000 MW of hydro-electric power, which is enough to meet most of Sub-Saharan Africa's current energy demand. The GERD can play a

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[156] Hydropower development in Ethiopia to attain sustainable growth, (2018) available from:https://www.hydropower.org/blog/blog-hydropower-development-in-ethiopia-to-attain-sustainable. (Accessed on 08 June 2022).

[157] Endalkachew, C., &Lahitte, J. F. (2014). Development of Gas/Liquid Catalytic Membrane Reactor. *DOI*, *10*, S0376-7388.

[158] Ibid.

[159] Doris, E., McLaren, J., Healey, V., &Hockett, S. (2009). *State of the states 2009: Renewable energy development and the role of policy* (No. NREL/TP-6A2-46667). National Renewable Energy Lab .(NREL), Golden, CO (United States).

pivotal role in boosting integration of the Horn of African countries.[160] Furthermore, the completion of GERD is a symbol of regional integration in the Horn of Africa.[161]

Ethiopia might export 200 MW to Djibouti, which would enable Ethiopia to pay for its port service at Djibouti, 500 MW to Kenya, which would enable Ethiopia to pay for its port usage at Mombasa, and 200 MW to Sudan which would enable Ethiopia to buy fuel oil from Sudan in exchange". Moreover, GERD will also reinforce the EAPP.[162]

To corroborate with the reality on the ground with the above citations, Ato Terefe Damesa, Senior Energy Expert addressed some of the challenges in the energy sector are summarized as follows,

> *For the concern of adequate power generation for the Kenyan market the respondent indicated that energy concerns globally were dominated by fossil fuel resources dominated by international political economy, pricing, supply and demand, and safety of transit routes. In a way the respondent tried to highlight that the energy demand of the Kenyan energy market is yet to be satisfied. (Interview with Ato Terefe Damesa, Senior Energy Expert, Ministry of Water and Energy, Addis Ababa Ethiopia 22 June 2022).*

However, Ethiopia was said to face capacity, low connectivity and poor reliability of transmission and distribution all of which constrain development. The Ethiopian power sector reform is necessitated by poor technical and financial performance of the power sector.

Ethiopia successfully tested the supply of electricity to Kenya via the 500KV cross-border transmission power line constructed to connect the power grids of the two neighbours. Ethiopia has finished its actions to ensure continuous and dependable electricity supply to Kenya. Electricity exports to Kenya are expected to bring in up to $100 million yearly for Ethiopia.[163] The researcher believes that power export from Ethiopia to Kenya will significantly change the

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[160] Endalkachew, C., &Lahitte, J. F. (2014). Development of Gas/Liquid Catalytic Membrane Reactor. *DOI*, *10*, S0376-7388.

[161] Tesfa, B. (2013). Benefit of grand Ethiopian renaissance dam project (GERDP) for Sudan and Egypt.

[162] Ferrari, E., McDonald, S., & Osman, R. (2013). Grand ethiopian Renaissance dam: Implications for Ethiopia and the Nile basin.

[163] East Africa News, (2022) available from https://www.theeastafrican.co.ke/tea/business/ethiopia-starts-selling-power-to-kenya.(Accessed on 30 November, 2022).

trade balance between the two countries. The trade balance is expected to be in favour of Ethiopia.

Similarly, a respondent from Embassy of Kenya in Addis Ababa is also optimistic about the relation in energy sector particularly power export from Ethiopia to Kenya it is explained as follows,

The Trade Attaché deemed relations in the energy sector satisfactory. And it was said to represent one of the strongest areas of cooperation between Kenya and Ethiopia. Increased power generation and export from the Ethiopian side would benefit manufacturers in Kenya. (Interview with Mr. Stanley Mwangi,Trade Attaché at Embassy of the Republic of Kenya in Addis Ababa, on December 10, 2022, virtually).

The trade relation is showing improvement from time to time, however owing to their excellent relations and proximity much more is expected.

3.4.8 Road

It is clear that connection through railways, roads air links, energy telecom, banking, or sea are catalyst to regional integration as they facilitate the mobility of people, goods, and capital from one member country to the other.[164]

A respondent from Ethiopian Roads Administration (ERA) explains the benefits of constructing roads connecting the two countries as summarized in the following manner,

The Road network makes easy the connectivity of Ethiopia and Kenya creates the platform for alternate outlet of seaport for Ethiopia and facilitates trade and transport between the two countries. In addition to the major trunk road connecting the two countries; the two sections of Modjo – Hawassa expressway, Modjo - Meki and Meki – Zeway are completed and are open to traffic which provide good road infrastructure for both countries. (Interview with W/ro Seadiya Mohammed, Team Leader of Road Network Planning Team under the Plan and Program Management Directorate at ERA, on June 7, 2022 at ERA Head office).

Table 3.5 Status of road projects connecting Ethiopia with Kenya**,** shows that road projects which connect Ethiopia with Kenya through Moyale corridor, those constructed and for future planned trunk roads that will be constructed by Federal Government of Ethiopia.

[164] Redie Berektab (2014) the challenges of regional integration in the horn of Africa'' the Nordic African institute, Uppsala, Sweden, journal of US- China public Administration., vol.11, No. 5, 401 -414.

Table 3.5 Status of road projects connecting Ethiopia with Kenya

No	*Road Project Name*	*Length*	*Status*	*Remark*
1	Ageremariam- Yabelo- Mega-Moyale road project	306.56 km	Completed	
2	Filtu- Moyale Road project	228 km	Under Design process	
3	Toltawond- Abot- Jenya-Moyale Road project	347.59 km	Prefeasibility	

Source: Ethiopian Roads Administration (2022)

Table 3.6 Construction of Expressway Road towards Kenya boarder

No	***Segment Name of Road Project***	***Length***	***Status***	***Remark***
1	Addis –Modjo	52	Completed	
2	Modjo – Meki	56	Completed	
3	Meki – Ziway	37	Completed	
4	Ziway – Arsi Negele	57	Ongoing	
5	Arsi Negele – Hawssa	52	Ongoing	

Source: Ethiopian Roads Administration (2022)

Table 3.6 demonstrates construction of road projects from Ageremariam to Yabelo, from Mega to Moyale is completed. However, projects in the two sites are not yet complete. Construction of Expressway high ways connecting Kenya boarder Addis to Modjo, Modjo to Meki. Meki to Ziway, but from Ziway to Arsi Negele, and Arsi Negele to Hawssa is ongoing.

Generally, most of the construction on sections along the roads connecting the two countries is completed and the remaining two sections of Modjo – Hawassa expressway; from Zeway – Hawassa is under construction. On the other hand, a respondent from Ethiopian Roads Administration (ERA) argues that,

> *Road is the hard infrastructure; the soft structure, which is the legal framework and agreement of facilitating trade and transport between the two countries, is not yet functional. Though the road infrastructure and the Moyale One Stop Border Post is built; the level of trade is low since the trade and transport agreement between the two countries has not yet taken place (Interview with W/ro Seadiya Mohamed Team leader at Planning and programming Directorate at ERA, on June 7, at 2022 ERA Head office).*

Over loading is one of the major causes for damaging roads before their life expectancy and often has an economic impact down the road. Currently, ERA is working to curb the challenge and the new regulation is said to be of great boost to combating the issue.[165] The respondent from ERA further comments on the challenge of load limit as follows,

Ethiopia and Kenya have different axle configurations; that are the major issue which should be harmonized before the load limits. If the axle configuration of Ethiopia is harmonized with other COMESA, countries, load limits won't have significant impact on trade. But as part of facilitating the soft structure for trade and transport between the two countries; uniform axle configuration should be given emphasis. (Interview with W/ro Seadiya Mohammed; Team Leader of Road Network Planning Team under the Plan and Program Management Directorate at ERA, on June 7, 2022 at ERA Head office).

Generally, Roads being constructed in the frame work of the LAPSSET Project are connecting together each infrastructure in each country; a road from Addis Ababa to Moyale to Hawassa Industrial Park. A road from Adama highway to Mojo highway mojo dry port is also part of LAPSSET.

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165 Capital Newspaper, 2022.Newly amended regulation harmonizes with regional vehicle overload control - Capital Newspaper. https://www.capitalethiopia.com/2022/02/14/newly-amended-regulation-harmonizes-with-regional-vehicle-overload-control/(Accessed on 08 June 2022).

CHAPTER FOUR

CONCLUSION AND RECOMMENDATIONS

4.1. Conclusions

The main objectives of this research have been to assess the Special Status Agreement signed between Ethiopia and Kenya; and to explore Ethiopian perspective on LAPSSET project. Based on the presentation and analysis of the data obtained, the main findings and recommendations are summarized below.

There is wide agreement that deeper and accelerated integration between two counties or more will allow not only to achieve sustained and robust socio- economic growth and development but will also provide an opportunity for poverty alleviation, socio economic policy coordination and harmonization, infrastructure development as well as the promotion of peace and security.

In order to attain these objectives Ethiopia and Kenya have introduced different initiatives and have taken actions to begin with the two countries have signed some forty (40) bilateral agreements including agreement on Visa abolition, Friendship and Trade, Power Inter Connection System Agreement, Standard Gauge Railway Network Management and Power purchase agreements and most importantly the Special Status Agreement signed in 2012.

The SSA grants special status to trade, investment, infrastructure; as well as food security and sustainable livelihoods for the enhancement of the relations between the two countries. However, both nations seem to lack commitment to the effective implementation of the agreement.

The two countries have enjoyed almost sixty years of excellent and long standing formal diplomatic relations. However, based on the findings, their trade relation is low, despite the amount of trade between Kenya and Ethiopia has significantly increased. Given that Kenya has been exporting manufactured goods to Ethiopia, this provided Kenya an advantage to offer industrial goods for a comparatively high price. As a result, the trade balance favors Kenya, and it has become the defining feature of the existing trade relation between them.

The informal trade has significant an impact on the formal trade, it is estimated that almost half of the trade between the two countries is said to be informal. Tariff and non-tariff barriers, differences in ideology, Ideological orientations led to protectionism, lack of proper promotion, the low quality of infrastructure development, and security are all taken as challenges for low level of trade. It has come to conclusion that; their trade relation is below expectation.

The two countries are engaged in developing coordinated infrastructure developments in the framework LAPSSET corridor project along with participation of South Sudan with the objective bringing about meaningful socio-economic development to the people of the three countries.

LAPSSET corridor project when completed is expected to significantly boost the trade, Tourism and investment between the two countries and beyond. This project will provide Ethiopia alternative port access. However, reluctance donors to finance such a huge project may delay its completion and it is clear that such delays will have debt burden pressure on both countries. It could also decrease the pressure on Djibouti Port and provide alternative and competitive advantage to Ethiopia.

So far roads that have been constructed to connect Ethiopia and Kenya have begun to meet their objectives; already people living at the two sides of the borders are witnessing tangible benefits in their livelihoods.

The other initiative is in the power sector already the two countries have signed power purchase deal in which Ethiopia will provide 200 MW of electricity relatively for cheaper price. Ethiopia has abundant energy resources; however, supplying energy to Kenya as well as to the sub region has its own challenges. This has mainly been because of poor infrastructure, lack of modern technology and high cost of energy production. Joint efforts must be made to improve this situation.

Ethiopia is working hard to integrate the region by providing power for a relatively cheaper price. Ethiopia has finished its actions to ensure continuous and dependable electricity supply to Kenya; Ethiopia has recently launched electricity export to Kenya is expected to bring in up to $100 million yearly for Ethiopia. It is believed that power export from Ethiopia to Kenya will significantly change the trade balance between the two countries. The trade balance is expected to be in favor of Ethiopia.

Peace and security is the other dimension of their robust cooperation both countries are working in maintenance of peace security at their shared border and at sub- region in order to curb the impact of illicit trade as well as to fight terrorist organizations operating in the region.

Despite the challenges there is high prospect of bringing socio economic development of the two nations. It is anticipated that there will be an increase in the trade volume due to their economies' rapid economic growth, the launching of one stop border post, completion of the roads connecting them, power connection, the presence of more than 160 million populations largely a huge consumer will accelerate the socio-economic development of the two nations.

Thus, if the desired socio-economic development in both countries is achieved their interdependence will increase; consequently, it will contribute to deeper Regional economic integration.

4.2. Recommendations

The impact of the already implemented parts of the Special status agreement on the economic front as well as the livelihoods of the citizens of the two countries has to be evaluated. Much more needs to be done to ensure the effective implementation of the agreement. Hence, the two governments have to show in practice their commitment to the implementation of the agreement. And, as a matter of priority, assessment of what has been implemented and what remains to be done has to be done forthwith. The impact of the AfCFTA on such kind of agreements has to be properly studied; and modification, if any, to the agreement needs to be pursued.

Establishing the Ethiopia -Kenya Corridor Authority as an inter-governmental body with legal personality should be considered.

Recognizing the informal traders should be considered, besides barriers that made them to choose the informal way have to get due attention. The implementation of the AfCFTA will pave the way for a rapid dismantling of such impediments to cross-border trade. Alongside, the removal of tariff barriers of the AfCFTA.

This study has generally tried to critically examine the Special Status Agreement between Ethiopia and Kenya; Ethiopian perspective on LAPSSET project is explored. It has come to a conclusion that Ethiopia and Kenya have implemented little part of the Special status agreement need to find ways to the effective implementation. Both countries have to consider implementing such an important agreement is a big step forward towards economic integration. Ethiopia has to give much emphasis than ever to the realization of big infrastructural projects in the frame work of LAPSSET to achieve sustained development and bring regional economic integration with its neighbours such as Kenya.

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Appendix I

For fulfillment of masters in African Studies from Addis Ababa University the researcher has opted to delve in to a assessing the Special Status Agreement signed between Ethiopia and Kenya; and to explore Ethiopian perspective on LAPSSET project.

To that end, besides literature review the researcher intends to reinforce review of publications with primary examination of detailed interview questions designed to enrich the study. The following interview questions have been conceived and crafted to enhance the researchers understanding of the subject.

The researcher would like to indicate that information provided will be used to improve the socio-economic relations between Ethiopia and Kenya identify the challenges and prospects, of course, with full confidentiality as well as credit to institutional and personal professional knowledge by the way of protection of intellectual rights. Conditions of anonymity will also be respected as per the interviewee's wishes. Credit with specific mention would only be done so with expressed verbal or written consent. Participation is voluntary and could halt at the choosing of the interviewee. The interview questions were arranged into two separate categories.

I. The first category focuses on the implication of infrastructure development for the socio-economic betterment between Ethiopia and Kenya. The interview questions were directed at Ministry of Trade and Regional Integration, Ethiopian Roads Authority and Ministry of water and Energy and officials of the Ministry of Foreign Affairs as well.

II. The second category focuses on the interplay of relations helpful in assessing activities, implications and recommendations, if any, of Ethiopia and Kenya relations. The interviews focused on officials of the Ministry of Foreign Affairs and Kenyan Embassy in Addis Ababa.

Interview Questions

The research questions to an official of the Ministry of Trade and Regional Integration

1. What are the major export items between Ethiopia and Kenya? And how important are these items in strengthening trade relations?
2. Do you observe any overlap of export items?
3. How does the balance of trade look like between the two countries? Would you please touch on major challenges and prospects of the relation?
4. How would you describe the Ministry's role in trade facilitation as well as regional integration? How coordinated is trade between the two countries especially in terms of cross border trade facilitation?
5. Would you say that the completion of LAPASSET project could accelerate the trade between the two countries? And as Co-Chair of the Joint Technical Committee established to monitor the implementation of the Special Status Agreement, how do you asses the implementation of the agreement so far?
6. Have there been efforts exerted to integrate informal trade in to the economies of the two countries and what factors keep traders at bay from integrating in to a more formal and more beneficial trading regime?
7. What is the effect of overlapping membership of Regional Economic Communities on trade and integration between Ethiopia Kenya as well as the region?
8. Would you please enumerate what type of tariff and non-tariff trade barriers exist in trade between the two countries? What effect does it have on the bilateral trade?

The research questions to an official of Ethiopian Roads Administration, Mrs. Seadiya, Mohammed Team leader at Planning and programming Directorate.

1. Would you please enumerate the main benefits the road network between Ethiopia and Kenya? And how would you gauge the road network between the two countries?
2. Do you believe that the roads constructed so far improved the socio-economic challenges of the people of the two countries? Let's please also look at prospects of roads under construction in improving the trade exchange between the two countries

3. How do you evaluate the quality of roads connecting Ethiopia and Kenya? How do you asses the quality of roads vis-à-vis trade?
4. How do you evaluate the implementation of LAPASSET in the road sector Ethiopian side?
5. How do you evaluate the effect of load limits on trade between Ethiopia and Kenya?

The research questions for Ambassador Meles Alem, Former Ambassador of Ethiopia to Kenya and currently Spokes Person of the Ministry, Mr. Gesilla Sahlissilase, Director of East African Countries Affairs at the Directorate General of African Affairs and Mrs. Hayat Abdu, Desk Officer of Kenya, African Affairs Directorate General, Ministry of Foreign Affairs; on political and socio-economic issues as well as logistics and transport.

1. Why do you think that the trade relations between Kenya and Ethiopia are relatively not up to expectations considering the long standing excellent diplomatic relations?
2. How would you put the nexus between peace and security and cross-border trade vis-à-vis cooperation of the countries under consideration as well as in the framework of IGAD?
3. Could the completion of LAPASSET project accelerate the implementation SSA? What challenges exist in terms of illicit border trade and how would this be explained taking in to consideration challenges and prospects of LAPPASET project to Ethiopia and Kenya in particular and to IGAD member states in general?
4. What are the rationales behind signing the Special Status Agreement (SSA) between Ethiopia and Kenya and would it improve the socio-economic relations? What is the status of implementation of SSA? And has it been evaluated so far?
5. What does the future hold in terms of socio- economic relations between Ethiopia and Kenya? And would you say that there is a coordinated trade regime between the two countries?

B. logistics and transport issues

1. Infrastructure, transport and logistics being central for trade facilitation as well as socio economic activity, how would you assess what has been accomplished so far and what the relation requires for betterment of livelihoods on both sides of the border?

2. What are the expectations of completion of the Lamu port and once completed what would its regional implications be? What is the potential of Lamu Port for Ethiopia and regional integration?
3. How are funds for the LAPASSET project mobilized from the Ethiopian side?
4. Which means of transport is commonly used for goods trade between the two countries? And which mode would say is more efficient?
5. Are there factors that hinder trade between Ethiopia and Kenya apart from means of transport such as legislatives, procedures, logistics and shipment? And what are the barriers to the logistics operators of both sides and how would ineffective logistical chain affect trade?
6. Would the construction of pipelines alleviate the problem of logistics (refinery) or fuel transport to Ethiopia?
7. How Does the LAPPASET corridor project fit into Ethiopia's National infrastructure development projects?
8. Would you say that rail connection could ease the movement of goods and People on both sides of the border?
9. Is there any bilateral agreement between the two countries to establish the Ethiopia-Kenya Corridor Authority or Corridor Management Institution?

The research questions to an official of the Ministry of Water and Energy

1. How would you describe the relation in the energy sector between the two countries?
2. What is the prospect of GERD for power purchase agreement between Kenya and Ethiopia? and its implication to the regional integration?
3. What are the challenges in efficient power connectivity between the two countries?
4. Do you think that, in the power purchase scheme, enough power supply from the Ethiopian?
5. Side is generated or could be generated to satisfy the energy need of Kenya?

6. Would you say that the establishment of the Eastern African Power Pool could affect the power purchase agreements that Ethiopia entered in to with Kenya as well as other neighboring states in the region?

The research questions to diplomats of the Embassy of the Republic of Kenya in Addis Ababa.

1. How do you evaluate the trade relations between Kenya and Ethiopia considering the long standing excellent diplomatic relations?
2. What are the expected socio-economic prospects and challenges of LAPASSET project to Ethiopia and Kenya?
3. What was the rationale behind signing the Special Status Agreement (SSA) between Ethiopia and Kenya? How do you gauge the status of implementation of SSA? And has it been evaluated so far?
4. What is the effect of overlapping membership of Regional Economic Communities on trade and integration between Ethiopia Kenya as well as the region?
5. How would you explain the potential of Lamu Port for Ethiopia and Kenya as well as for regional integration?
6. How do you evaluate the relation in the energy sector between the two countries?

Appendix II List of interviewees

No.	Date of Interview	Name of Interviewee	Organization	Position
1	August 19,2022	Ambassador. Meles Alem	Ministry of Foreign Affairs	Spokesperson
2	June 13, 2022	Mr.Gesilla Sahlissilase	Ministry of Foreign Affairs	Director of Neighboring Countries
3	July 13, 2022	Mrs. Hayat Abdu	Ministry of Foreign Affairs	Desk Officer for Kenya
4	June 22, 2022	Mr.Gebretsadik Tassew	Ministry of Trade and Regional Integration	Director of Bilateral Negotiation
5	June 7, 2022	Mrs. Seadiya Mohammed	Ethiopian Roads Administration	Team Leader
6	June ,22 2022	Mr. Terefe Damesa	Senior Energy Expert	Ministry of Water and Energy
7	December 10,2022	Mr. Stanley Mwangi	Embassy of Kenya	Trade Attaché

Appendix III Special Status Agreement

Special Status Agreement, (2012), Eth. - Ken. Nov. 21, 2012.https://www.comesa.int/wp-content/uploads/2020/10/Implications-of-African-Continental-Free-Trade-Area-on-Intra-COMESA-Trade.pdf(Accessed on 08 June 2022).