



STRATHMORE BUSINESS SCHOOL
MASTER OF SCIENCE IN DEVELOPMENT FINANCE
END OF SEMESTER EXAMINATION
MDF 8204: INTERNATIONAL TRADE AND NEGOTIATION

DATE: Friday, 10th April 2026

TIME: 3 Hours

INSTRUCTIONS

1. This examination consists of **FIVE** questions.
2. Answer **QUESTION ONE** and **ANY OTHER TWO** questions.

QUESTION ONE

(30 MARKS)

Read the Case study and then answer the questions.

In July 2022, the Governments of Kenya and the United States formally launched negotiations under the U.S.-Kenya Strategic Trade and Investment Partnership (STIP), signaling a significant shift in the trajectory of their economic relationship. The initiative emerged after earlier attempts to conclude a traditional Free Trade Agreement (FTA) stalled amid political transitions and strategic reconsiderations in both countries. Rather than reviving a conventional tariff-reduction agreement focused primarily on customs duties and market access, the two governments agreed to pursue what they described as a “high-standard” trade partnership one centered on regulatory cooperation, institutional reform, and rule-setting in emerging areas of global commerce.

The STIP differs fundamentally from classical FTAs. Instead of concentrating on reciprocal tariff elimination, it is structured around thematic negotiating pillars that aim to align regulatory systems and establish enforceable commitments in areas such as digital trade, agriculture and sanitary and phytosanitary standards, customs administration and trade facilitation, good regulatory practices, anti-corruption, labor standards, environmental protection, investment facilitation, and small and medium enterprise (SME) participation. The emphasis is not merely on reducing barriers at the border, but on shaping domestic governance frameworks behind the border. In practical terms, this means that implementation of the STIP would require both Kenya and the United States to review, amend, and in some instances enact legislation to ensure compliance with agreed obligations.

In light of this, one of the most controversial aspects of the STIP negotiations has been the level of confidentiality surrounding them. The launch of negotiations was not preceded by a publicly debated parliamentary mandate clearly outlining Kenya’s negotiating objectives. Draft texts were not released to the public during the negotiation process, and stakeholder consultations were criticized as limited and selective. Civil society organizations, labor unions, and digital rights groups expressed concern that decisions with far-reaching economic

and constitutional implications were being shaped without sufficient transparency. Domestically, stakeholders remain divided. Export-oriented manufacturers and segments of the private sector support efforts to secure predictable U.S. market access. Small-scale farmers worry about exposure to stringent sanitary and phytosanitary standards and increased competition. As a result, the negotiation process itself became a subject of political debate, raising concerns about democratic legitimacy and constitutional compliance.

The negotiations must also be understood against the backdrop of Kenya's existing preferential access to the U.S. market under the African Growth and Opportunity Act (AGOA). AGOA is a unilateral U.S. trade preference program granting eligible African countries duty-free access for certain exports. Kenya's textile, apparel, and horticulture sectors have benefited significantly from this arrangement. However, AGOA is time-bound and subject to periodic renewal by the U.S. Congress, creating uncertainty for long-term planning. For Kenyan policymakers, the STIP represents an opportunity to secure a more stable and potentially permanent trade framework beyond AGOA's lifespan. Yet unlike AGOA, which imposes conditions without requiring reciprocal concessions, the STIP is expected to create binding and enforceable obligations on both sides, including commitments that may constrain domestic regulatory flexibility.

The negotiations also unfold within the context of structural economic asymmetry. The United States possesses a vastly larger economy and greater bargaining leverage. Kenya's dependence on continued U.S. market access for key exports heightens this imbalance. Nevertheless, Kenya retains strategic importance as a regional economic hub in East Africa, a logistics and financial gateway, and a key geopolitical partner. For the United States, the STIP represents an opportunity to deepen economic engagement in Africa while promoting regulatory standards consistent with its broader trade policy priorities. For Kenya, it represents both an opportunity to attract investment, integrate into global supply chains, and secure long-term trade stability, and a risk of limiting future industrial policy space.

Regional dynamics further complicate the negotiation landscape. Kenya is a member of the East African Community (EAC) and a State Party to the African Continental Free Trade Area (AfCFTA). Entering a deep bilateral regulatory alignment arrangement with a major external economy raises questions about compatibility with regional trade commitments and the broader continental integration agenda. Critics argue that a bilateral high-standard agreement could create regulatory divergence within the region or place pressure on neighboring states to adopt similar commitments without comparable negotiating leverage.

Taken together, the STIP represents a strategic recalibration of the U.S.–Kenya economic relations from a unilateral preference-based model toward reciprocal, rule-based integration. At its core, the STIP negotiations confront Kenya with a central dilemma: how to leverage deeper economic integration with the United States to advance development, investment, and strategic positioning, while preserving legislative sovereignty, regional commitments, and domestic democratic legitimacy.

You have been formally appointed as a member of the bilateral negotiation delegation participating in the forthcoming round of the U.S.-Kenya Strategic Trade and Investment Partnership (STIP) negotiations in Washington, D.C.

a) Explain how you would prepare for the above negotiations **(10 Marks)**

- b) Discuss **FIVE** negotiation skills you would deploy to uncover US's interests in the said negotiations (10 Marks)
- c) Discuss techniques that Kenya can deploy to address the bargaining power imbalance in the negotiations with the USA (10 Marks)

QUESTION TWO (15 MARKS)

G. Richard Shell opines that your preferred negotiation style is “...*the ways you communicate most confidently when you face a negotiation.*”

Discuss the above statement while assessing the veracity (accuracy) of what the author is saying.

QUESTION THREE (15 MARKS)

“Cultural differences feature in all negotiations.” Anonymous.

Assess the veracity of the above claim and illustrate how cultural gaps can be bridged in negotiations

QUESTION FOUR (15 MARKS)

- a. Explain what rules of origin are used for (5 Marks)
- b. Provide the criteria that can be used to determine rules of origin, and in each case provide an example. (10 Marks)

QUESTION FIVE (15 MARKS)

- a. Distinguish the theory of absolute advantage and comparative advantage of international trade, and in each case, provide a numerical example. (6 Marks)
- b. The African Continental Free Trade Area (AfCFTA) was opened for signature and signed by 44 African Union (AU) Member States on 21 March 2018. It is estimated that this market will integrate 1.3 billion people with a combined gross domestic product (GDP) valued at US\$3.4 trillion. Discuss any **THREE** protocols that have been developed to support this initiative and how these protocols seek to enhance the achievement of market integration. (9 Marks)