

**INTERNATIONAL TRADE PROMOTION PRACTICES ADOPTED BY EXPORT
PROMOTION COUNCIL, KENYA.**

BY

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DECLARATION

This is my original work and has not been presented for any award in this or any other university.

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ABSTRACT

The objective of the study is to determine the influence of export promotion council on international trade of services in Kenya. This study will be anchored two theories of international trade namely: Mercantilism, and theory of Comparative advantage. Mercantilism theory states that trade develops wealth, which is stimulated by positive balance of payments. The theory is key as nations are currently reverting to it by promoting exports through imposing restrictions on imports. (Protectionism.) In the absence of developed theories to explain international trade in both goods and services, then comparative advantage theory by David Ricardo can apply. A country will export more, a product that makes use of intensive factors of production it is endowed with in plenty. This research was premised on a case study of Export Promotion Council. The target population was the heads of business units at the Export Promotion Council. They included head of: Export marketing, Small and Medium Enterprise, Research and Development, Finance and Trade Manager and the Information Technology Manager. Data analysis was done through content analysis to evaluate the collected data. Content analysis makes compelling inferences by interpreting and electronically coding textual material. Through systematically assessing complex texts on documents and verbal communication, qualitative data can be turned into quantitative data. Based on the data collected, from all the five senior managers projected the response rate was 100%. The research findings as discussed above support various literature on the role of export promotion agencies in helping firms looking to export and grow trade. A positive relationship between using export promotion council practices and export performance. The study recommends that the government should see to the end the successful merger of Export Promotion Council and Brand Kenya Board to form Kenya Export Promotion and Branding Agency. The new body should be sufficiently resourced to deliver on its core mandate of promoting international trade for Kenyan exports and thus putting Kenya on the path of national economic growth target set under Kenya Vision 2030.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Success of most governments including Kenya is measured on its overall achievement on economic growth. In this regard most governments aim at formulating policies that are geared towards ensuring a high and sustainable economic growth. This growth is only achievable through international trade. Kenya inherited a trade policy from colonialists aimed at substitution of imports (Gertz, 2008). The policy emphasized on domestic industry protection of at the expense of competitiveness. This enabled manufacturers to make profits even in cases of under utilized capacity. Kenyan organisations became inward oriented and avoided to venturing into international markets. Kenya trade policies have evolved over time, it has shifted from an inward looking policy to one whose main goal is exports promotion. Kenya's current trade vision is to become an export led internationally competitive economy by the year 2030. This is anticipated to lead to more gains in foreign exchange, that will help reduce the balance of payments deficit and lower unemployment.

According to a recent report World Trade Organisation Kenya's trade policy is designed to create a conducive environment to promote its products in international markets, such as Europe, America and Japan and also promote intra-African trade. Trade policies are formulated with the view to speeding up Kenya's industrialization process and make access to foreign markets easier for Kenyan products. The business environment in Kenya has over the time undergone major modifications. Some of the alterations are augmented operationalization of economic reforms, the liberalization of the economy, halting of controls on pricing, privatization and commercialization of public sector and increased competition. In this rapidly changing environment, firms have to constantly adapt their actions and internal formations to reflect the

new truths. Failure to do this may put the future success of the organizations in jeopardy (Aosa, 1998).

Thompson & Strickland, (2003) describe internationalization is the process of integrating markets through trade, technology, flow of financial resources and exchange of information and movement of people, goods and services. International trade is meant to fill certain market gaps such as: lack of self-sufficiency, no country big or small is self-sufficient hence each country would out of necessity desire goods and services from other countries. These results in imports of the goods or services desired and exports of goods or services that other countries desire ultimately leading to specialization and elimination of surpluses and deficiencies of goods in various countries (Yabs, 2007). International business also provide a wide variety of chances related to the domestic markets, although it is fundamentally more risky than the domestic trade. However, the firm prefers to engage in international trade, if it is certain of the potential benefits (expansion of market share, sales revenue and increased in profit) against the expected risks (Ademola, Bankole, & Adewuyi, 2013).

International trade provides a way through which products and services are more available to various customers. It encourages and facilitates the exchange of scarce resources between countries. It involves exchange of products which are scarce between countries, and this exchange can be seen to be mutually beneficial to countries. Consumers are therefore provided with an opportunity to access services and goods which may not be present or may be limited in their own country. This is beneficial to the economy since it increases the level of GDP, encourages investment and leads to economic growth in a country. It therefore translates to better living standards of citizens if the resources are managed effectively by the government. (Brookes & Shin, 2012).

International trade plays a crucial part in the growth and development of a nation due its linkage with all other spheres of the economy. Trade is crucial role in reducing poverty because it creates opportunities for employment. For these reasons, significant attention has been directed towards the review of the impact of international trade on a countries economic growth. The importance of international trade on economic growth was first highlighted in economic literature by classical economists Smith (1776) and Ricardo (1817). They strongly believed that trade surpluses were the most favourable returns that could be derived from international trade relations. According to Smith (1776), this meant that nations or regions should specialize in producing goods for which they particularly had an absolute advantage on.

The question asked is whether international trade affects growth. Trading activities lead to growth example exchange of or trade of products such as capital goods and technological transfers help boost a country's Gross Domestic Product. These factors help a country establish their position in attracting investments. Through this demand and supply, many countries are able to attract new and different investors as well as improve the quality of their goods through increased competition. Africa's export potential in other sectors other than the traditional ones (e.g. tourism) is fast growing and this is according to World bank data. These non-traditional sectors include business services such as engineering and financial services which were initially overlooked. This may be because Africa is mostly known for possessing natural products and minerals such as oil. However Africa is seen to be an increasing exporter of goods but is more of an importers of services. This brings about a trading deficit.

Studies on trade and economic growth have been undertaken in the past. For example Zestos & Tao (2002) look at the causal relations between growth rates of imports, exports and the gross domestic product (GDP) of Canada and United States using the vector correction model. Li,

Chen, and San (2010) looked at the causal relationship between trade and GDP in East Asia. Economists have also constructed models that are solely based on explaining how trade through exports contributes to economic growth. This includes the Granger causality model that is used to establish the causal relationship between two variables that are co-integrated.

This study will be anchored two theories of international trade namely: Mercantilism and theory of Comparative advantage. Mercantilism is the economic theory that states that trade develops wealth, which is stimulated by positive balance of payments (Heckscher, 2013). The theory is key as nations are currently reverting to it by promoting exports through imposing restrictions on imports. (Protectionism.) Comparative advantage theory. In the absence of developed theories to explain international trade in both goods and services, then comparative advantage theory can apply. A country will export more, a product that makes use of intensive factors of production it is endowed with in plenty. Countries which export more of a products are the ones which have tertiary level of education attained, qualified workers, have developed information technology (IT) and communication services (Nasir, 2012). Kenya has a comparative advantage in production and it exports a much more than other countries with similar levels of development, this is per data from the World Bank.

1.1.1. Dimensions of International Trade.

International trade is the exchange of capital, goods and services across the national borders. In majority of countries international trade contributes significantly to the Gross Domestic Product (GDP). It allows countries sell their locally produced goods and services to foreign nations. International trade is the engine of growth that leads to stable advancement in livelihoods by increasing the variety of choices and preferences that people have (Otsuki, Wilson, & Sewadeh 2011). International trade is in the following forms, it is either by Multilateral, Regional and or

Preferential Tariff Arrangements. According to US Department of Commerce (2016), bilateral trade is an economic agreement between two countries with the aim of growing trade and investment between the two nations and exchanging of market intelligence. This is done through the elimination of trade barriers between the members. A good example is Kenya's bilateral trade agreement with India to develop the field of Medicine.

A Multilateral Trade Agreement (MTA) is between three or more countries at the same time. Nations sign a MTA with the sole purpose of promoting, enhancing and regulating business between the contracting nations. This is achieved through trade barrier reduction among the signatories and promoting economic integration (Robert & Joseph, 2002). Regional trade agreements are preferential trade agreements between two or more countries not necessarily belonging to the same region. Kenya is a member of the East African Community whose total population is estimated to be 147 million people from Kenya, Tanzania, Uganda, Rwanda and Burundi (Okumu & Nyankori, 2010). Trade within member nations enjoy special/lower tax rates. DOC (2016.) The EAC is the lead market for Kenya's exports, it accounted for 23% in 2014.

Preferential trade arrangements (PTAs) refers to unilateral trade privileges some WTO members implement for products from developing and least-developed countries. Wacziarg & Welch, (2008) Kenyan exports enjoy preferential rates and access to global markets under various special access and duty discount programs. Kenya is a signatory of African Growth and Opportunity Act (AGOA) The Act provides for entry of Kenyan (among other Sub-Saharan Countries) exports in textiles and apparel to the USA at preferential rates.

1.1.2 International Trade Promotion Practices.

Many firms are unable or are not willing to follow international trade vigorously as they lack the requisite experience, have little resources or face other perceived or real obstacles. International

trade promotion practices are programs provided by government to assist businesses, mainly small and medium-sized ones, overcome real or perceived obstacles to exporting. (Wheeler 2010). The objective of international trade promotion practices is to improve the performance of exports by improving business' capabilities, resources, and strategies and competitive position. There are existing export promotion organizations which with the support of the government have come up with various strategies in assisting firms in exporting their products. feasibility studies, export management seminars, export documentation, training and information booklets among others. Seringhaus and Rosson, (1990) stated that some of the crucial international trade promotion practices were provision of information from, foreign market research, export-marketing seminars, and news letters.

International trade promotion practices are the measures set up to assist firms' enagaging in export activities. They include conferences for budding exporters, advice, 'exporting skills brochures, export financing and market and product development programmes like, market promotion through taking part in overseas trade shows (Gencturk and Kotabe, 2001; Spence, 2003). These practises morror the desire of national governments in export stimulation. Developing proper International trade promotion practices are key to growing trade and policy makers should consider the different impacts of the various practices have on attracting and promoting the performance of exports.

1.1.3 Export Promotion Council in Kenya.

The Export Promotion Council (EPC) is Kenya's first institution that is mandated to promote Kenya's exports globally through intelligent, timely and accurate product and market Information.

The Council was set up in 1992 to take over the export promotion activities previously carried out by the disbanded Kenya Export Trade Authority (KETA), which was also under the Ministry of Trade. The “Export Promotion Council at a glance” publication indicates that the council is registered as a company limited by guarantee and it operates independently but receives financial and logistical support from the Kenya government. Members of the board are senior executives from private sectors, and government representatives, which include the Governor of Central Bank of Kenya and permanent secretaries to the Ministries of Trade, Finance and Industry, and Agriculture.

The institution’s core aim at the time of its formation was to address the challenges faced by exporters and manufacturers of export goods and services so as to improve the performance of the country’s’ exports. It was also to offer a medium for continuous discourse amongst significant public and private sector organizations for the reason of building consensus on issues affecting exports. By doing so the institution was viewed as a reference towards promotion of the Key exports thus posting good performance. Currently the council remains at the core of trade enhancement, that is the simplification and synchronization of import and export processes.

1.2 Research Problem

Despite the significant role played by Kenyan firms in promoting international trade, the sector has continued to experience many constraints that have inhibited its full potential. World Bank (2016) highlighted, several challenges facing the Kenyan firms engaging in international trade. These challenges include unfavourable policies, high tariffs, prohibitive regulatory and legal framework, poor access to banking and other finance services and markets, limited access to skills and technology, poor of access to physical infrastructure, lack of business know-how and poor linkage to multinational firms, gender inequality, poor access to information among others.

Most firms in Kenya are small and medium in sized and they greatly rely on the trade promotion practices implemented by the government. “The concept of marketing assistance holds particular relevance to small and medium sized firms since they do not have abundant resources” (Seringhaus 1986).

One of Kenya’s key strategies in its economic development efforts is the achievement of an export led growth. It is felt that an export led growth would bring more investors and earn the country the much needed foreign exchange which would in turn enable it procure vital goods and services. Increase in the flow of foreign currency to the country from the country’s exports would lead to increase in investments which would further lead to creation of new jobs in the country (Ministry of Trade, 2009). The government of Kenya through the Export Promotion Council sees to it that the Kenyan firms especially SMEs can get assistance in export related issues. EPC is tasked with carrying out research on potential markets, developing the exporting skills of existing firms, leading in promotional events so as to build awareness of Kenyan products, advising on areas of product development, creating space for exporters to advocate for policy changes.

Various researchers have done several studies. Jalali, (2012) in his study evaluated the mutual relationship between export promotion programmes and the performance of exports for Iran food producers. He confirmed that export performance significantly relies on export promotion programmes. Paliwoda and Thomas (1993) in their study on International marketing found out that Export promotion programs should be focused on driving sales via personal selling, exhibitions and trade fairs. However the study failed to review other aspects that help boost foreign trade such as Market research, product and market development among others. Ahmed, Mohamed, Johnson and Leong (2002) in their study on Export promotion programs of Malaysian

firms: an international marketing perspective found out numerous export promotion activities are available across the globe to support businesses penetrate export markets. However the gap is some of the means proposed are unique to Malaysia big business and not adequate for Kenya.

Albaum, Straskov and Duer (1998) in their study on International marketing and export management found out Brentwood institutions should provide Financial and information service on economic, social and political data on countries, special export opportunities in the different countries. The gap is that this institutions can only give general information and can not be solely relied on to make an informed decision on international trade venture.

However, no research was found done on ‘the effectiveness of strategies adopted by the Export Promotion Council in assisting the Kenya’s export oriented firms. This study thus purposed to determine the international trade promotion practices adopted by the Export Promotion Council in assisting Kenya’s export oriented firms since the EPC has fully embraced her obligation of complementing the growth in exports, export promotion activities within the country. EPC provides guidance to Kenya’s export programmes. It thus raises the research proposal question: what international trade promotion practices have been adapted by Export Promotion Council, Kenya?

1.3 Research Objective

The objective of the study was to establish international trade promotion practices adopted by Export Promotion Council, Kenya.

1.4 Value of the Study

This study is of great importance to the Kenyan firms interested in engaging in the export business and those who are registered with the council since through this study the council might find new ways of assisting the firms in their international trade venture. The study will fill the

information gap, as well as contribute more towards scientific knowledge with regard to Kenya's external trade position.

The study expects to generate relevant policy debate that could possibly lead to comprehending the impact of export promotion agencies in the modern world. The study provides empirical information to policy makers for development of trade towards the achievement of the Kenya vision 2030. This study will be useful to the Ministry of trade and that of foreign affairs as a source of information for making sound decisions on trade.

Finally, the study also contributed to the existing literature to other researchers on the development of external trade in the country. It will also stimulate further research on the impact of trade and economic growth in Kenya. It will open up opportunities for scholars to do further research into the field of international business. The study further added knowledge to the academicians by contributing to the existing knowledge in the area of external trade in general.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is a summary of the knowledge and information from other researchers who have carried out their extensive research in a similar field of study. More specifically, it covers the theoretical literature review, empirical literature reviews and the summary of literature.

2.2 Theoretical Foundations

International trade is defined as acquisition, exchange or sale of goods and services across national boundaries (Purlys, 2007). It is important because countries are not self sufficient, No country big or small can sustain herself hence each country would out of necessity desire goods and services from other countries. These results in imports of the goods desired and exports of goods that other countries desire ultimately leading to specialization and elimination of surpluses and deficiencies of goods in various countries. It leads to structural shifts in the economic organization of nations and this provides fresh opportunities for employees and consumers. For many countries especially advanced economies the world market is huge and expanding often offers greater growth and profit opportunities better than domestic market. There are many theories on international trade namely:

2.2.1 Mercantilist Theory

According to Thomas (1664) the foundation of mercantilism theory was “commercial revolution”, which is the conversion from local economies to national economies. This could also be seen as evolution of economies from elementary trade to a superior international trade. The Mercantilism economic system existed from 16th, to 18th century and was underpinned on the hypothesis of a nation’s riches and power. The mercantilists were of the belief that the national wealth and power could only be achieved via increasing exports of gold. The theory

further asserts that discoveries in different geographical jurisdictions tend to trigger international trade to occur. (Magnusson, 2008.) According to this theory the trade would come in to necessitate the flow of precious metals such as gold. This theory is based on the precious metals such as gold being the core medium of exchange. Therefore under the mercantilism economic system the loss of gold of one country is the gain of the other. As such engaging in the trade under this system would mean that the country that amasses more gold ends up having more wealth and power. Proponents of the mercantilism theory therefore advocate for more exports as they are good (in increasing national wealth and power) and the discourage imports as they are bad since imports leads to loss of gold implying less national wealth and power (Heckscher, 2013).

In modern day, mercantilist theory is attimes associated with policies, including: devaluation of currency, meaning the rate at which the currency trades with other world currencies is too low thus making the products unreasonably cheap. Other policies such as protectionist sentiments such as ‘Buy American.’ and government subsidies of industry leading to unfair advantage as other countries would struggle to compete. The theory received criticism from Adam Smith. In his book “The Wealth of Nations” (1776), he argued for benefits of free trade and criticised the inefficiency of monopolies. He stated that mercantilism lead to retaliation in trade policies.

2.2.2 The Theory of Comparative Advantage.

The theory of Comparative advantage as proposed by a classical economist David Ricardo. Ricardo (1817) stated that the proposition that a country is capable of producing a given good or service at both the opportunity cost marginal cost that is lower than the production of the same by another country. Ricardo developed this theory to solve the problem that would lead to the collapse of the absolute advantage theory in which one country may have an absolute advantage

in the production of the two commodities. In such a scenario, comparative advantage theory comes in to justify that trade can still take place provided that the two countries have different relative efficiencies in their production. When trading takes place in such a context, the gains from such trade is the net benefits from trade. The theory holds that if one country is capable of efficiently producing a commodity then its better of concentrating in its production and import the other commodities from the country that produces the other commodity efficiently as well. (Sodersten, & Reed, 1994).

Although, most theories of trade can be used to examine export of goods, trade in services is different from trade in goods because services are just flows and not storable. Therefore, their trade more often requires the proximity of a supplier and consumer. Francois and Hockman (2009) came up with the concept of proximity burden because of the need to have suppliers and consumers in trade of services. The traditional view is that services are subject to proximity burden as they are intangible, invisible and often require simultaneous production and consumption. (Meehan, 2014).

The limitations of this theory include unrealistic assumption on labor cost. In computing the costs of production, it factors only labour while ignoring all other costs involved in the production. It also assumes that that labor is homogeneous; this is not true, as labor is heterogeneous, it is of different kinds and grades. The theory assumes that the labour is used in equal fixed proportions in the production of all commodities. This is unrealistic because labour is used in varying proportions in the production of commodities. It also assumes that the labor costs remain constant. If the production in large scale of reduces costs, then comparative advantage will be increased (Yang, 2004).

2.3 International Trade Promotion Practices

International trade is vital to Kenya's economy. The share of trade in goods to the GDP averages 43%. Trade in services raises the importance of international trade even more. International trade provides opportunity for industrial and agricultural development through export opportunities for industrial and agricultural produce. It also offers a platform for enhancing the country's competitiveness through the importation of raw material and capital goods that are required by the productive sectors but which are either in short supply or unavailable domestically. (Gencturk and Kotabe, 2001)

The Export Promotion Council is Kenya's agency charged with promoting exports by Kenya internationally via smart, appropriate and precise product and market information. Its core aim at the time of formation was to address the challenges facing exporters and manufacturers of export goods and services in order to improve the performance of Kenya's export sector. EPC activities are complimented by Brand Kenya, a state corporation established to coordinate activities for marketing the country so as to optimize on efficiency; and to build and sustain the Kenya brand, to identify and distinguish Kenyan product. Luseka, M. (2018, August 20). Branding Kenya. Retrieved from <http://brandkenya.go.ke/brand-kenya/about.php>)

2.3.1 International Market Development

According to Ansoff (1987) market development is approach in which the firms concentrate on the existing range of products but focusses on ways of marketing these same goods or services into new markets. This can translate to exploiting and spreading to new geographical areas. Kenyan firms have traditionally developed markets by opening branches in new countries.

The Council is tasked with identifying new export market opportunities for Kenyan products and formulating appropriate market penetration strategies. This would be realized through informed

market research and surveys, trade missions, buyer/ seller meetings, trade fairs and exhibitions. The council in collaboration with the private sector undertakes joint annual research with the aim of consolidating and enlarging Kenya's traditional export markets beyond EAC, COMESA and EU. The joint initiatives seek to penetrate new export markets in eastern Europe, North America and Asia.

2.3.2 International Market Promotion.

Kotler & Armstrong (2009) defined marketing promotion as communication meant to educate customers about product usage, increase customer awareness, grow demand, build brand value and image and provide differentiation from existing competitors. Marketing promotion is effective when introducing a new product or encouraging people to try their product over other existing products. There are several means of communication used for international business promotion: traditional media that is newspapers, magazines, television or radio. Digital Marketing is one of the best methods of promotion. The use of Social Media platforms extensively for promoting to targeted customers allows for brand visibility. Events, exhibitions and trade expos are other channels used to market the products abroad.

The Council decides on which promotional events should be prioritized to guide the export market development. The events are courtesy of partnerships between public and private sectors, in consolidating and growing Kenya's traditional export markets. The promotion is informed by extensive market analysis prioritising Kenya's markets into four tiers, namely: traditional, growth, emerging and future markets. according to the World Bank, the emerging and future markets are those enjoying the fastest economic growth rates. They are mainly in East Asia and the Pacific with China's economy expected to grow at a 6.4 per cent this year. (Reuters, 2018).

2.3.3 Product Development and Innovation.

Kotler & Armstrong (2009) product development is the process of creating goods and services with new and improved features to offer new or additional benefits to the customer. It may involve improving an existing product design or its presentation, or the building an entirely new product so as to satisfy attract new customers or maintain the competitive edge. Firms grow by innovating, gradually replacing old products with new ones; developing new potential products based on customer wants and needs. (Cooper 2001). The council enhances competitiveness and diversification of Kenya's exports through interventions in product development such as product design, value-added processing, packaging, labelling, branding and enhancement of exporting skills at both sectoral and firm levels.

2.3.4 Market Research

Market research is the process of gathering, analyzing and interpreting information about customers or a product. It provides crucial information to identify and examine the needs of the market, its size and competition. The research also analysis the spending habits, purchase power, position and needs of the target market, the competitors and the industry (Kotler & Armstrong 2009.) The Council conducts research in priority markets to identify export opportunities. The findings also shed knowledge on how to build a brand, how to rejuvenate the existing products.

EPC gathers data on political environment, condition of the economy, high performing business sectors, customs and regulations. It put together trade figures between Kenya and other countries over time. One is also able to access information on the: anticipated challenges such prohibitive tariffs on the country's exports, available opportunities, Market penetration strategies, Customs and regulation standards. Information on leading sectors for Kenya exports in various emerging markets is obtainable (Goswami 2011).

2.3.5 Exporting Skills Development.

EPC offers a variety of capacity building services to businesses such as: analysis of the training needs for both the current and potential export community in Kenya, what are the priority areas for exporters. EPC develops export training courses and other learning material in partnership with other learning institutions. The topics covered include learning how to design an export business strategy, what to do before you go get export orders (Cupman 2014).

The skills provided give firms a better understanding of the information it needs in researching in the export market, where one can find it, and how to use it. Firms learn what is crucial in identifying new export markets, How to build a web presence and how to use the internet to identify buyers, competitors and suppliers. EPC helps identify the distribution channels that might be most suitable for your organization. Unrelenting skills and capacity development is part of the EPC services. (Biwott, 2017).

2.3.6 Export Trade Information Services.

The Council is mandated with gathering, organizing, storing, analysing and disseminating information related to global trade so as to aid local firms be more competitive. Moreover, to the findings from the market research, EPC also obtains export market information from credible sources such as WTO, organizations that promote trade such as JETRO, among others. The information is accessible to the public. The Council offers counselling to both existing and potential exporters (Goswami 2011).

EPC offers access to economic and political research on many foreign markets. It provides important country specific information to exporters, such as the top-export sectors in the country, value of exports to that country from Kenya and much more. Firms also get valuable match-

making insights via the list of countries Kenya enjoys close ties with, and the companies within these countries. Kenya has negotiated free trade agreements with more than 30 countries to support easier movement of goods across the border. In the previous years, Kenya partner countries accounted for nearly half of all goods' exports. Kenyan products get to benefit by gaining a competitive advantage by reduced import duties on goods, making these products cheaper for consumers (Ntara, 2015).

2.3.7 Advocacy and Trade Policy Facilitation

Advocacy is a series of activities that influence policy making in favour of a particular agenda and sensitize policymakers and stakeholders. The main objectives for advocacy in international trade are to boost the country's competitive position in foreign markets. Firms fight for better access to overseas markets and support regulations that enhance their competitive position in those markets. Firms lobby for trade policies that protect them from outside competition through tariffs, and quotas. WTO recognizes there is need to protect certain infant industries in developing countries through tariffs (Kostecki, 2002).

The Council organizes sector specific panels to critically analyse policy. The forums have eminent personalities from the public and private sectors. They discuss key policy and operational issues and provide recommendations for consideration by the Executive. The panels cover finance and banking, infrastructure, manufacturing, services, coffee and tea, horticulture, textiles and garments among others (Kostecki, 2002). This role also includes trouble-shooting and offering direction on legal and course of action challenges hindering the growth of exports.

2.4 Empirical Studies and Knowledge Gaps.

This section will examine past studies on trade and economic growth and how the different researchers were able to demonstrate the association between trade promotion practices and the

growth of economic. Before taking the initiative to promote exports, countries should be aware of the benefits that exports bring to a country. This would encourage the government of each country to come up with better strategies to promote exports in their countries. Countries benefit from job creation, improvement of people's standards of living, improvement in the country's national income, favourable balance of trade, disposing of surplus, international diplomacy

Paliwoda and Thomas (1993) noted that promotion within foreign markets can be done through personal selling, exhibitions and trade fairs, public relations, sales promotion through trade shows and advertising. Samiee, Walters and DuBois (1993) noted that some of the important export assistance needs of firms are potential contacts, individual consulting, market feasibility studies, export management seminars, export documentation, training and information booklets among others. Gencturk and Kotabe (2001) describes export marketing assistance as all government efforts meant to assist firms exporting activity. They range from counselling, tax incentives and export financing all with the goal of acting as an external resource for firms to gain the know how and requisite experience that is key to successful overseas market survival.

Various governments provide export facilitating activities to increase on the rate of exports which include operating trade development offices abroad, sponsoring trade missions of firms, operating and taking part in trade fairs and exhibitions and operating long-lasting trade centers in overseas market areas. Keegan (1995) note that there are three commonly used government activities designed to support export activities of national firms. These are; tax inducements, absolute subsidies to exporters, and support to exporters which may take the form of providing information, establishing trade fairs, and trade missions.

SMEs can access financial services and information services which would be relevant in their business so as to promote their investments abroad. Albaum, Strandskov and Duerr (1998) noted

that Financial assistance to firms can be provided through membership in international financial organizations such as International Finance Corporation, and guaranteeing of subsidiaries. Albaum, et al (1998) further stated that information service includes information on economic, social and political data on individual countries, reports on foreign firms, special export opportunities; list of potential overseas buyers, distributors and agent for various products, relevant government regulations and sources of information.

Seringhaus (1986) in a study on impact of government export market assistance concluded that the assistance holds particular relevance for small and medium sized firms because they do not possess the advantage of abundance in resources as compared to larger organizations. Paliwoda and Thomas (1993) noted that small firms could be attracted into exporting by improving the trading environment and simplifying trade operations, and by encouraging trade associations to participate in exporting on behalf of their members and developing export market research data banks and development of voluntary export consortia which can provide financial strength and marketing resources. Spence (2000) noted the importance of effective strategies in promoting firms in their export businesses. He noted that trade missions can be considered as an effective catalyst to new foreign market entry by small sized enterprises, which due to lack of resources are hesitant in committing themselves to ventures that are viewed as riskier than the domestic ones.

Practices used to promote firms in their export ventures may however fail if they do not specifically address the needs of the firms and also if various firms are not aware of these export promotion activities. Vernon and Lawrence (1997) noted that support by the government in export trade may have negative effects. The competitive antics employed by governments in trade policy such as extreme protectionism can have negative international repercussions.

Ahmed, Mohamed, Johnson and Leong (2002) noted that although varying export promotion activities are available to assist firms penetrate export markets, organisations should be aware of the availability of the activities prior to making use of them. Albaum, et al (1998) noted that export promotion organizations can be effective in providing marketing assistance if they enjoy the support of business community, are adequately funded, staffed with qualified personnel, and are somewhat independent of the government. Shields (1997) noted the negative effects of export promotion activities on international trade and recommended a reduction of export promotion activities to help developing countries compete globally.

Dihel, Fernandes, Gicho & Strychacz. (2011) provides a case study of Kenya. They describe how technology and enhancement in information communication technology and mobile phone internet connectivity have pushed mobile phone and access to internet and reinforced the development of internationally economical services sellers like Ushahidi; M-Pesa from Safaricom. Kenyan services exports also comprise of insurance, accounting, non-bank financial, and business process outsourcing services. More than 50% of exporters in Kenya have clientele in Tanzania and/or Uganda and 33% have customers in Rwanda. Kenyan entrepreneurs have also evolved and are exporting software designs applications for example mobile phone and tablet games, friendly computer systems that allow users with little IT knowledge interact effectively with computers and highly valuable technology services like data security and recovery.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The intention of this chapter is to present the selected research design, methods and procedures that were followed to obtain and analyze the data on influence of export promotion council on trade in services in Kenya. It comprises of the research design, data collection methods, data sources, data analysis techniques and presentation.

3.2 Research Design

This research was premised on a case study of Export Promotion Council. A case study is defined as a rigorous, methodical examination of a sole person, group, community or unit, that the researcher examines holistically all the data relating to a number of variables (Gustafsson, 2017). A case study approach, permits the researcher to take a multifaceted and wide topics, or occurrence, and narrow it down into a practicable research question(s). By collecting qualitative datasets about the phenomenon, the researcher gained a more in-depth insight into the phenomenon than would have been obtained using quantitative of data (Skate, 2010).

The research relied on a case study because it examines key persons/subjects so as to extrapolate key themes and results (Yin, 2012). Case study provide an opportunity to pursue action may result in findings that reveal ways in which to resolve an existing problem. A case study is useful tool for exploratory research that points to a need for further examination of the research problem, especially when there are few prior studies. Therefore, the target population was the management team at the export promotion council.

3.3 Data Collection

The study relied on primary data sources. Primary data was collected from the management of the export promotion council through interviews. The interviewees were conducted on the heads of units that is the Export market, Small and Medium Enterprise, Research and Development, Finance and Trade Manager and the head of Information Technology. The interview guide consisted of a few questions that helped steer the conversation to specific areas that explored and to pursued an idea or answer in detail. The elasticity of this approach, as compared to structured interviews, gives room for the discovery or elaboration of information that is critical to the researcher but may not have previously been thought of as relevant.. Self-administration is preferred as it offers me opportunity to probe as well as seek clarifications on the responses given. The research will also be thorough and note taking will be meticulous and systematic.

3.4 Data Analysis

Data analysis is a process through which data is translated into useable information by looking for patterns, making comparisons and contrasts, and seeking to explain causality using the appropriate statistical techniques (Cooper & Schindler, 2014). Upon completion of data collection, content analysis was employed to evaluate the collected data.

Content analysis is a technique of research that makes compelling inferences by interpreting and electronically coding textual material (Klaus, 2013). Through systematically assessing complex texts on documents and verbal communication, qualitative data can be turned into quantitative data. It is valuable in organizational research as it allows researcher to uncover and scrutinize the subtle differences of organizational behaviors, stakeholder perceptions and society trends. Content analysis is divided into two categories, conceptual and relational analysis. Conceptual analysis examines the existence and rate of occurrence of concepts in a text, while relational

analysis improves on conceptual analysis by examining the inter-relationships between the concepts in a text. Responses from the interview are available in the form of electronically readable texts. This was analyzed to determine how regular some concepts were mentioned and coded into blocks to build inferences.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data findings from the field, its analysis and interpretation. The data was collected using interview guide and analyzed using content analysis. Data was on international trade promotional being applied by Export Promotion Council in Kenya.

4.2 Respondents' Profile

Based on the data collected, all the five senior managers Export market, Small and Medium Enterprise, Research and Development, Finance and Trade Manager and the head of Information Technology projected in the previous chapter were interviewed which makes a response rate of 100%. The commendable response persistent follow ups by the researcher. Based on the respondents' profiles, their responses had the advantage of good command and authority being that they were senior managers and had experience and aptitude owing to their years of experience in the organization.

4.3 Research Findings

The interview guide sought response on wthe international trade promotion practices that have been adopted by Export Promotion Council. The respondents stated that based on their job descriptions and the role of their departments, they implented of the international trade promotion practices by the Council. The research also went further to determine the challenges they face in implementation. From the responses received from the interviewees, it was clear that the objectives were entrenched in the daily schedules. All respondents understood their mandate in propelling Kenya into an Export led economy.

4.3.1 Export Markets Development

The respondents were asked on what new markets they have developed in the last three years. The marketing manager responded that his department identifies export market opportunities for Kenyan products and formulates appropriate market entry and penetration strategies. The interviewees were asked on what promotional events have they held In the last three years. The marketing manager stated that the council has held international trade fairs in Beijing, Hong Kong, Bangkok and New Delhi. The marketing department recently developed National Export Market Development Programme (NEMDP) to lead in the development of activated in the export market.

The study revealed that the marketing department also carries out export readiness assessment practice so as to ensure that the businesses who are willing to engage into the export business are ready for export trade. The Small and Medium-size Enterprises manager responded that the department undertakes to guide the small firms on the best strategy to enter into international trade depending on the product at hand by carrying out regular market research, Surveys, trade fairs and exhibitions and inward buying missions. This ensures that they find out the products required in the various markets and ensure that the mode used for entering into international trade is the best for the product.

Moreover on the question on promotion events undertaken, It was unanimously agreed by all that it was through their joint efforts that EPC has held a number of the promotional events that include but not limited to the Egyptian-Kenya Expo Promotional Trade fair, China-Kenya Expo. This has lead to the raising awareness of Kenya's export products and it persuaded purchases especially on the innovative Kenyan products in the market. EPC was also planning of having an

African International promotion fair probably in the year 2019, this will expose the exports products to the African countries and the world at large.

4.3.2 Product development

The respondents were asked what product development features they can advise Kenyan exporters to improve on so as to have a competitive edge. The SMES manager responses that they visit firms from time to time to see how they are doing and recommend on the appropriate measures to take to ensure that the produce meets the exporting quality standards. They also recommend on the packaging to use incase of perishable products. The marketing manager stated that the department enables the growth and development of the country's export product range by intervening in branding, product design, styling, and packaging for value addition. The department also gives training and counselling on the quality standards of a good product for export and the requirements by various buyers according to past information.

The research revealed that this strategy was very effective to businesses. It is through the information shared by the marketing department that firms have been able to know the quality standards of an export product. They marketing and Research and development departments stated that they do give advise on how best to brand their product, how to design their products to best suit the target audience, how to give different and variety of styles to their products and the best packages in terms of creating awareness about the product, security for the product and advertising purposes.

4.3.3 Developing of Exporting Skills

The respondents were asked what export skills Kenyan firms are lacking and whether the council has the capacity to offer the skills. According to the respondents firms lack knowledge on the

legal hurdles on International trade. Some firms lack knowledge on exchange rate negotiations. The respondents stated that the council in partnership with development partners such as USAID and EU carry out capacity building exercises on areas that interest the exporting firms to grow their knowledge and expertise in export trade. The IT manager added that public awareness has been raised on the culture of exporting through dissemination by print and electronic media.

The finance manager agreed that development of exporting skills was very effective to SME's since it is through the EPC that they have enhanced their knowledge and skills on export business. EPC has been training those already in the export business and also those who are thinking of joining the business. Firms have appreciated that they have gained a lot of insight and EPC has acted as an eye opener on the exports business. The trainings and seminars have been effective since no charges are placed on them. EPC have also been employing the right personnel for the trainings who are well informed of the current matters of trade this was emphasis.

4.3.4 Trade Information & Delivery Services

The respondents were asked on the type of research they conduct and how the results of the research are beneficial. According to the Research and Development manager her department collects and analyses trade data. The department shares the synthesised information with the Marketing Manager who disseminates the information on trade to support the entrepreneurs and firms through the Centre for Business Information in Kenya (CBIK). CBIK has up to date and professionally generated information on existing and potential export markets from credible sources such as the Export Promotion Council and trade promotion organizations such as Japan External Trade Organization among many others. This information is accessible via print and digital media networks.

4.3.5 Trade Policy Facilitation

The interviewees were asked on what the council role has been in the formulation and facilitation of trade policy. They stated that the EPC is regularly monitoring and reviewing both in country and external policies guiding the trading environment and makes recommendations of activities that grow the competition in the trade of exports. The Council also plays a crucial role in formulation of product sector policies and publishes papers that facilitate the trade in exports. It also provides opportunity for continuous engagement and building of consensus between the exports and significant government and private sector organizations on issues concerning to the trade of export through sector discussions.

The respondents confirmed that EPC has been a link between SMES and the potential and active buyers since it is through the Council that SMES were able to know and reach to their buyers. The study found out that the Council advises the SME's on the strategies that they should come up with for export success.

4.3.6 Export Credit, Insurance & Trade Finance

The respondents were asked whether firms that adapted the services of the council enjoy more success. Under this question, the interviewees indicated that these services that are meant to help exporters in reducing their costs of production so as to offer more competitive products in the global market at a fair price.

The study revealed that EPC assist exporters to reduce the costs of production in assisting them get credit facilities from banks and other financial institutions. The Council has recently launched the SME banking partnership in collaboration with KCB so as to ensure that the SME's are able to access finances for start up or growth of their businesses. EPC does this by offering advice on the financial access and also making it easy to access the finances by communicating

with the financial institutions. EPC also gives information on ATI and what the firms need to have to get services from ATI. EPC assists SME's to be able to offer competitive products in the international market by ensuring that they are covered by the ATI.

4.3.7 Local market outreach

Moreover on the question of whether firms that adopt a variety of international trade promotion practices by the council enjoy better success. The SME manager stated the department carries out the local market outreach activity as one of the strategies for assisting the export oriented SME's in Kenya. This is done through follow ups on the firms and the growth in their products category as well as checking on how their exports are fairing. Once the firms have engaged in the export business, the Council visits them to see how their business is doing, it gives advice on the areas of improvement like on quality, quantity, pricing, diversification strategies and the new export opportunities that have come up. This assist firms to know what to cut on and what to add on their businesses. The Council also gets to communicate the new terms and regulations that have come up in exports and the entire export environmental changes.

4.4 Consultations and Feedback Mechanisms by Export Promotion Council

The respondents felt that EPC has been consulting businesses when making improvements on their strategies and programs since the Council's staff has been visiting the firms to establish their areas of weaknesses and the various challenges they face in exporting. Through the trainings, the Council has been able to get feedback on SME's when the council carries out evaluation for each training and this has enabled the Council get feedback from SME's on which areas they would like assistance in hence enabling the Council come up with programs based on SME's needs. EPC has been giving questionnaires for the SME's to fill on various specific areas of need. This has been one significant mechanism since the SME's have been able to air their view and express felt needs and grievances. The study thus determined that the practices adopted

by the EPC in international trade promotion were effective since all those strategies addressed the needs of businesses especially the SME's and ensured that the export business grows.

4.5 Challenges faced by the Export Promotion Council

The respondents stated that the challenges affecting Export Promotion Council as it seeks to promote international trade include: Duplication of mandate, other corporations that perform similar roles that should be merged or scrapped to improve efficiency and cut wastage. Numerous institutions have been created which leads to failure in service delivery. Some of them not necessary and end up being shells. Politicization of the appointment process leading to lack of commitment and poor performance. Irregular appointment and removal of persons, Such appointees are threatened with sacking for failure to strictly adhere to the orders of the “appointing authority” (Ireru 2016). Politically appointed staff will bow to pressure or interests of those who appointed them to these positions rather than act in the respective best interests of the Export Promotion Council. The other main constraint is inadequate financial resources. This leads to the council's inability to follow through on its detailed implementation plan. To address the limitation of the financial resources, the Director of Finance emphasized optimal use of the financial resources

4.6 Discussions of the Findings

The researcher set out to establish the international trade promotion practices adopted by the Export Promotion Council. The research findings as discussed above support various literature on the role of export promotion agencies in helping firms looking to export and grow trade. Usually, the export promotion is part of the government agenda to facilitate trade. Some of the services identified are; building the country's image through promotional events, and advocacy, export support services such as exporter training and information on trade finance, logistics,

and customs marketing through trade fairs or exporter and importer missions, and market research and publications.

These findings are consistent with Sutton, (2017) who stated that although many agencies have been criticised for lack of efficiency, research suggests that, if run well, they can be very effective in increasing a country's exports. The study revealed that the challenges encountered by firms in exports were as a result of economic laws, regulations and trading patterns. Different countries have different trade laws, different taxation rates and also different tariffs that determine the trading environment. The trading environment in the global markets is complicated from three angles, Majority of firms are unaware if this regulations.

Export promotion practices were conventionally vindicated as involvements that help in correcting market failures such as information externalities and limited of knowledge. It was and still is widely believed that knowledge reinforces the capability to compete; exporting organisations should work to gain both obvious and inferred knowledge about global markets. The obvious knowledge can be generated through standardised methods and acquired by formal studies. Export promotion programmes can provide obvious knowledge about a number of social, legal, economic, political and technological factors in export market.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusions drawn from the findings highlighted and recommendations. The conclusion and recommendations were made in attempt

to address the research question or achieving the research objectives which were to establish the international trade promotional practices adopted at Export Promotion Council, Kenya.

5.2 Summary of Findings

This study was set out to achieve the following objective; to determine the international trade promotion practices adopted by the Export Promotion Council. This is the main government body charged with in assisting Kenya's export oriented businesses. The study found out that Export Promotion Council plays a vital role in aiding firms that encounter various challenges while they were in the export business and hence they needed assistance in trying to face the international market. The various challenges that the researcher found out are; lack of means to market the existing products and diversify the market, limited avenues to reach new customers, Lack of information on preferences in the international market, lack of skills on how to design an export business strategy restrictive legislation and regulation, lack/unaffordable finances, poor infrastructure and poor access to land and inadequate market information. These proved to be a major hindrance for firms in exporting their goods and services since majority of them start their businesses low and end up limiting their opportunities locally.

The study confirmed that one of Kenya's key strategies in its economic development efforts is the achievement of an export led growth. It is felt that an export led growth would bring more investors and earn the country the much needed foreign exchange which would in turn enable it procure vital goods and services that are critical to its overall socio economic development drive. By this, EPC has adopted various practices to assist the firms in export so that the above is achieved as well as making them successful for better living standards. These practices help reduce the challenges that firms face in exports. The practices are; Development of Exporting Skills, Trade Information & Delivery Services, Product Development, Trade Policy Facilitation,

Export credit, insurance & trade finance, Export Market, Development and Local Market Outreach. EPC adopts these challenges with the help of firms through the feedback mechanisms as well as the recommendations that the council gets from evaluating the trainings it carries out to firms.

The respondents regarded these strategies to be effective since they confirmed that it is due to these strategies that the many firms registered by the Export Promotion Council have reached where they are. The respondents suggested that they look forward to the harmonization of Kenyan agencies working towards promotion of International trade as per the recent presidential directive.

5.3 Conclusion

A good strategy contributes to growth, improved profits, market penetration and reduction in costs, innovative differentiation of products and sustainable competitive advantage of business enterprises. The strategies therefore that a country adopts for furtherance of her trade activities will highly determine a country's competitive advantage and generally her ability to out do other players in the market. The study revealed that the council services are of great benefit to firms and that the some of the firms struggling with the challenges have not sort EPC assistance. The researcher discovered that before the some firms got registered with the EPC they had challenges in knowledge of the quality requirement for their products, poor market access, restrictive legislation and regulation, lack/unaffordable finances, poor infrastructure and poor access to land, limited skills and knowledge, poor market linkages and inadequate market information. The study further revealed that on registering with the Council, there are benefits that go by it and SME's get to export with no much challenges. The study was carried out with the aim of determining the of International trade promotion practices used by the Export Promotion Council

Kenya in assisting export oriented firms. Based on the responses received, the study gave clear knowledge of the strategies used and it was further established that these practices assist firms and are very effective in their export business especially to Small and Medium size enterprises.

5.4 Recommendations

5.4.1 Recommendation for Policy

The study recommends that the government should see to the end the successful merger of Export Promotion Council and Brand Kenya. This would as per an previous decree by the head of state. The commands main goal is for an integrated National Exports Development and Promotion Strategy (NEDPS) that the government rolled out in June 2018, and purposes at increase exports by Kenya at an average rate of 25 percent every year.

The study further recommends that KEPROBA should work on improving the convenience of firms engaging in International trade. Nobody wants to go through so many confusing processes or meet too many different requirements to do business. If the Kenyan Government truly wants to be an export economy, it needs to simplify things by minimizing the back and forth.

5.4.2 Recommendation for Practice

Based on the findings of this research, the study recommends that Kenyan exports adopt the recommendations by the Ministry of Industry, Investment and Trade that were arrived at through input from the EPC. Despite the great quality of Kenyan products, increased competition is a real threat to Exports, Kenya must therefore have a unique and distinct differentiator, Kenyan goods lose their originality and hence their preference in the global market. To address this, and equally grow the competitive ability of the Kenya's goods and services, the Kenyan products should contain a mark of identity with the tag line "Made in Kenya". This mark will distinguish our

goods and services internationally. This Mark of Identity combines both excellence and identity. Additionally, it's a consistent communication for Kenyan products.

5.5 Limitations of the Study

Being that this was a case study on one organisation, the information gathered may differ from promotional practices that other export promotion organisations in other jurisdictions adopt in their quest to promote international trade. This is because different companies adopt different promotion practices based on their both short and long term goals. The study however, constructed an effective research instrument that sort to elicit general and specific information on the promotional practices that companies adopt to drive competitiveness in the international.

The research faced both time and financial limitations. The period that the study was to be conducted and completed was limited hence exhaustive and exhaustive indepth research was difficult to carry out on promotional practices. The managers involved in this study have tight schedules and it was hard to get enough time to interview them exhaustively since they were always in a hurry.

5.6 Suggestion for Further Research

The study recommends that further research should be undertaken on the new organization Kenya Export Promotion and Branding Agency (KEPROBA) so as to establish in what ways export oriented firms get assistance in exports. This is with an aim of ensuring that the goal of an export led nation is achieved. Furthermore research should be done on the effectiveness of KEPROBA, the new and final place for promoting international trading and marketing activities for local, regional and global activities so as to rid off duplication and thus creating a uniform brand of Kenya.

Further research needs to be undertaken to establish what effect the merging of the two bodies charged with promoting international trade and uplifting the Kenyan brand will have in improving international trade. Will economic benefits can be achieved or will it be full of chaos and infighting? Will realization of synergism be achieved? Will the organisations be able to complement each others efforts towards the common objective of growing international trade?

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APPENDICIES

Appendix i: Introductory Letter

Anthony Mbugua

School of Business,

University of Nairobi,

P.O Box 30197, Nairobi.

October 22nd 2018.

Dear Sir/Madam,

RE: COLLECTION OF DATA FOR MBA RESEARCH PROJECT

I am a post graduate student at the University Of Nairobi School Of Business. In order to fulfill the degree requirements, I am undertaking a research project on the internationalisation of operation by your firm .The research is for purpose of growing knowledge on international trade promotional being adopted by the Export Promotion Council in Kenya.

This is to kindly request for your assistance, by means of providing information based on the questions provided. The information will be exclusively used for academic purposes and will be treated in strict confidence. A final copy of the final paper will be availed to you upon your request. Thank you.

Yours faithfully,

Anthony Mbugua

Appendix ii: Interview Guide

International Trade Promotion Practices Adopted By Export Promotion Council, Kenya.

This study instrument is for purposes of data collection on International trade promotion practices adopted by Export Promotion Council, Kenya. The information obtained is for academic purposes and will be used in confidence.

Section A: International trade promotion practices adopted by EPC

1. What International trade promotion practices have been adopted by EPC?
2. Which new markets have you developed in the last three years?
3. What market promotional events have you held in the last year? What promotional event are you planning to undertake in the coming year?
4. What are the product development features you can advice Kenyan exporters to improve on so as to have a competitive edge?
5. From experience what export skills are Kenyan firms lacking?
6. Does EPC has the capacity to offer the required skills?
7. Based on the most recent market research which markets are of major priority to Kenya?
8. What policy guidelines have you shared with the government? Does the government take into consideration your advice when drafting trade policies?
9. Do firms that adopt the usage if a variety of the International trade promotion practices enjoy more benefits?
10. What are the main challenges the organization is facing? How have you been able to overcome them?