

**AN INVESTIGATION INTO THE FACTORS INFLUENCING EXPORT  
TRADE IN KENYA: THE CASE OF MANUFACTURING FIRMS IN THE  
PHARMACEUTICAL INDUSTRY.**

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*A Management Research Project submitted in partial fulfillment of  
the requirements for the Master of Business Administration (MBA)  
Degree, Faculty of Commerce, University of Nairobi.*

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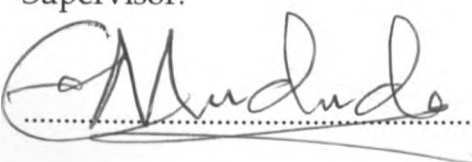
This management project is my original work and has not been presented for a degree in any other University.

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4-10-02

ELIUD OMONDI MUDUDA

**DEDICATION:**

**To my Mother and My Daughters,  
You can be anything you want, if you believe,**

**AND**

**To my Husband and my Father,  
Your Support saw me through.**

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## **List of Abbreviations**

<b>ASEAN</b>	<i>Association of South East Asian Nations</i>
<b>COMESA</b>	<i>Common Market for East and Southern Africa</i>
<b>CSA</b>	<i>Country Specific Advantages</i>
<b>EAC</b>	<i>East Africa Community</i>
<b>ECOWAS</b>	<i>Economic Community of West African States</i>
<b>EU</b>	<i>European Union</i>
<b>FDI</b>	<i>Foreign Direct Investment</i>
<b>Forex</b>	<i>Foreign Exchange</i>
<b>FSA</b>	<i>Firm Specific Advantages</i>
<b>GATT</b>	<i>General Agreement on Tariffs and Trade</i>
<b>KETA</b>	<i>Kenya External Trade Authority</i>
<b>MNE</b>	<i>Multinational Enterprise</i>
<b>MUB</b>	<i>Manufacturing Under Bond</i>
<b>NAFTA</b>	<i>North American Free Trade Area</i>
<b>NIC`s</b>	<i>Newly Industrialised Countries</i>
<b>NTB`s</b>	<i>Non Tariff Barriers</i>
<b>OPEC</b>	<i>Organisation of Petroleum Exporting Countries</i>
<b>UNCTAD</b>	<i>United Nations Conference on Trade and Development</i>
<b>WTO</b>	<i>World Trade Organisation</i>

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**Beth Wanjiru Kinuthia**

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## ABSTRACT

The objective of this study was to identify the factors that influence trade in locally manufactured pharmaceutical products both from multinationals manufacturing locally and locally owned manufacturing companies.

The population under study included all local pharmaceutical manufacturers. This included both the multinational and the locally owned firms.

In total, at the time of the study there were twenty registered local manufactures. Two multinationals and eighteen locally owned firms. The data collection method was through questionnaires which were administered to three people in each organization. The target respondents were the Managing directors, Production Managers (Quality control Managers), and the Finance managers in each company.

The results of the study indicated that there were indeed various factors that influenced export trade in the industry. These factors were both internal and external to the firm. Most critical factors external to the firm that were significant included lack of support and guidance from the home country government, presence of uncertain and imperfect market and information situations and restrictive trade practices by host country governments.

The study also revealed that there were capability gaps within the industry that hindered export trade advancement. This included lack of proprietary knowledge and lack of capital for research and development.

The study also revealed that most local pharmaceutical produce was destined for the nearby markets of East Africa, West Africa and Sub-Saharan Africa. Developed market Economies e.g. Europe, America, Asia and the Middle East had not been exploited.

The above results should be viewed and adopted in the light of the limitations of the study, which included time and resource constraints and non-participation of seven local manufacturers

## CHAPTER ONE:

### INTRODUCTION

#### 1.1 Background

The Kenyan pharmaceutical industry is estimated at Kshs 10 billion annually. (Image Dynamics, Import/Export report, 2001)

The size of the pharmaceutical market fluctuates widely based on procurement patterns of the government. These in turn depend ,among other things ,on donor support..

Stiff competition and aggressive sales strategies characterize the pharmaceutical industry in Kenya.

The industry is made up of 122 registered companies. The Multi-national Enterprises form 15 % of the entire industry and Generic Companies form 85 % of the industry. The

Multi - national enterprises are foreign pharmaceutical firms that market and/or manufacture their pharmaceutical products in the country (locally). They engage in proprietary drug research and development in their home countries and they therefore market original patented pharmaceutical products. Mainly, these companies are from Western Europe and America. Most Multinational Enterprises have operations in most areas of the world. Examples of Multi-national enterprises present in Kenya are, GlaxoSmithKline, Pfizer Laboratories, Eli Lilly Suisse among others.

The Generic companies on the other hand are those Companies that are involved in the manufacture and marketing of such medicines

In the pharmaceutical industry the term "Generic" refers to Medicines manufactured by other than the proprietary rights owner for purposes of marketing.

A third class belongs to the distributors; these are companies whose main business is to retail drugs to chemists and /or other small-scale buyers. They are therefore stockists of both medicines from the Multi-

national companies and the Generic Companies. In recent times, the industry has seen these traditional distributors turn into importers of generic medicines. The ownership of these companies is predominately local. Comprising of Kenya Asians or Kenyan Africans. Examples include Surgipharm, Omaera, and Sal Healthcare. This group plays a very important role in making sure that all types of medicines, both generic and original medicines reach the intended consumers.

The pharmaceutical industry is characterized by considerable complexity. Part of the complexity is intrinsic to the industry relating to the large number of similar products that are available and the number of companies competing for market share. The past decade has witnessed unprecedented emergence of various forces that have posed serious challenges to the traditional premises. These forces include stiff competition, globalization of product markets, and deregulation, increasing convergence of consumer preferences, dumping, explosion of information technology and liberalization of the local market.

The Kenyan pharmaceutical industry has expanded steadily over the past few years. This is largely due to the increasing demand for medicines to prevent and treat tropical diseases as well as HIV/AIDS. The industry was liberalized in 1991 and during this period, the industry saw an influx of many pharmaceuticals companies into the market either directly investing or through franchise holders.

The environment in which the firms are operating in is composed of legal, political, social, economic and technological factors. The external environment forms a part of systems that enter into a relationship with any firm, the firm being part of the system. Firms are social-economic entities that are goal directed with identifiable boundaries (Bedeian 1980). The achievements of a firm's goal are only possible through appropriate interactions with the environment. Thuo (1999) observes that dominant forces that impact on the Kenyan pharmaceutical industry include history and traditions, government, economy, political forces, technological advances, consumerism, organizational restraints and social factors.

Most countries including Kenya and other African states are characterized by low levels of living, low-level of productivity, high rates of population growth, high unemployment and insufficient dependence on agricultural production and primary products (World Bank report 1994). A general tendency to rely on foreign aid to Kenya, has reduced the purchasing power of most Kenyan consumers. Hoferand and Schendel (1978) observed that for firms to be effective and hence successful, they should respond appropriately to changes that occur in their respective environments. Owino (1998) observed that most pharmaceutical firms in Kenya were operating at or below 30 % capacity and the way forward was through export promotion to utilize the excess capacity.

The major players in the industry are the multinationals. (Ndiho, 2001). The annual growth of the local industry is about 5 % (Drugs Import Report, Image dynamic 1999). Mehl and Santell (World Bank Report, 2000) observe that the world pharmaceutical market growth rate is about 12 % with an investment of Kshs 1920 billion in research and development. The sale of generic drugs in year 2000 was also expected to increase from Kshs 960 billion to 1120 billion.

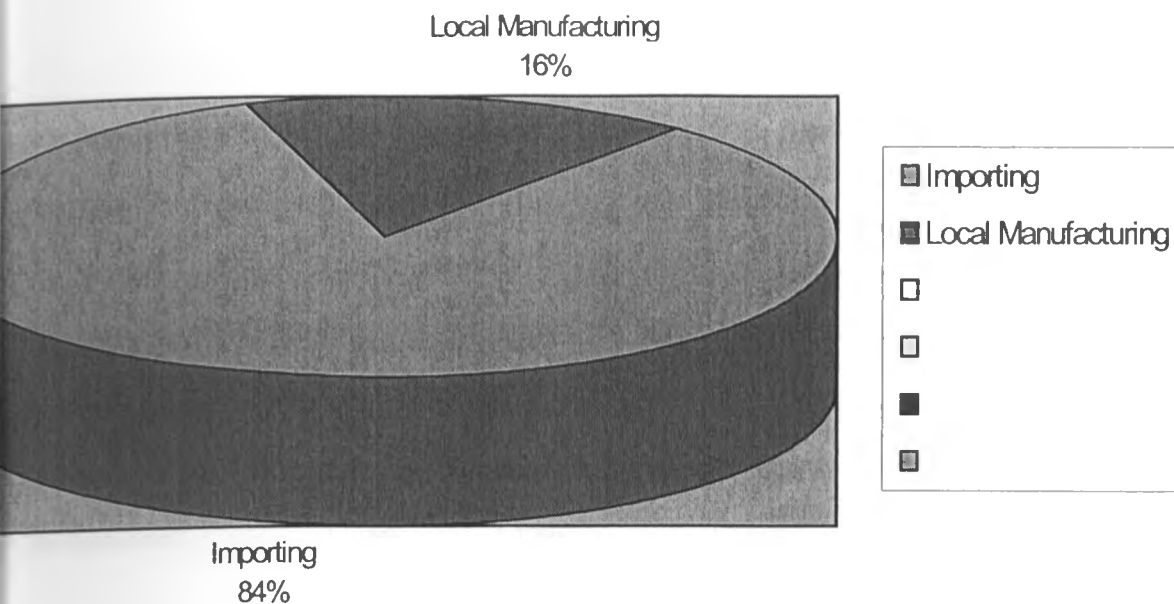
The Distributors, the Multinationals and the Importing Generic Companies mainly market imported medicines, From this we can deduce that the pharmaceutical industry is dominated by foreign MNE's as opposed to domestic companies.

Out of the data available in 1999 that account for 65 % of the total market, the market shares for Imported Drugs versus locally manufactured were as follows:

Type Of Company	Percentage Market Share
Importing (Distributors, Multinationals & Importing Generic Companies) <sup>1</sup>	84%
Locally Manufacturing ( Local Companies Only)	16%

*(See Appendix IV)*

<sup>1</sup> The figure includes all locally manufactured medicines by multinationals within the country. These have not been considered as locally manufactured products in this context.



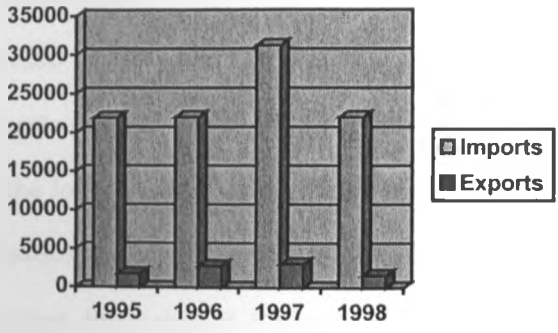
**Table 1.1-1:** *Percentage Market Shares of the local Pharmaceutical Industry in 1999. Imports Vs Local Manufactures: (Source: Drugs Import Report, Image Dynamics, 1999).*

The value of total Kenyan exports stood at USD 152 Million in 1999, out of this, Medicaments, in dosage form accounted for only USD 16 Million. This is approximately 1.05%. In the same period, imports stood at USD 3.460 Billion Of this, medicaments in dosage form accounted for USD 62 Million. *(Source: Trade statistics on Kenya, the International Trade Center website.) (See Appendix v)*

The Graph below shows the value of imports and exports in Pharmaceuticals Exec Medicaments from 1995 to 1998

Pharmaceutical Exec Medicaments Imports Vs Exports, 1995-1998.

Pharmaceutical Exec Medicaments.	Value	Value	Value	Value
	1995	1996	1997	1998
	US\$ `000	US\$ `000	US\$ `000	US\$ `000
Exports	1,784	2,810	3,081	1,627
Imports	21,910	21,999	31,216	21,987



(Source: Trade Statistics on Kenya, the International Trade Center Website, and April 2002. See Appendix)

It is evident that the number of imports dwarfs the export numbers.

The industry is therefore dominated by foreign Multi-nationals (MNE'S). These are Both Research and Development companies who manufacture original patented medicines or Generic drug companies.

## 1.2 Statement of the problem:

While the general trend in international trade has been and remains for firms to emphasize on export trade, Kenyan firms seem not to have done well in this respect. As is common with traditional trade trends in developing countries, they tend to concentrate more on local trade (*Lwanga, 1980*). This is not different when it comes to the pharmaceutical industry. The industry is dominated by Multi-national Enterprises from Western Europe and North America. (*Kenya Medical Directory, 2000*).

Local pharmaceutical manufacturing firms tend to concentrate on production for the domestic market as opposed to production destined for foreign markets abroad (*International Trade Center, Statistics on Kenya, 2002*). Their counterparts on the other hand in North Africa, mainly Egypt and South Africa are marketing their locally produced in Africa, the Middle East and some parts of America (*Company Report Amoun Pharmaceutical Industries of Egypt 1998*).

As stated by, (Rugman, et al, 1985) one of the reasons that make companies to seek markets abroad is because of stiff competition at home from other local firms and the influx by foreign firms in the local market.

Despite these factors being prevalent in the Kenyan pharmaceutical industry, following the liberalisation of the industry back in 1991, the local companies have not responded as expected, As supported by the literature on imports versus exports, the value of total Kenyan exports stood at USD 16 million in 1999 whereas the value of Kenyan imports stood at USD 62 Million This data shows that the Kenyan pharmaceutical exports still perform way below the import statistics.

What are the contributing factors to this state?

A number of studies have been conducted in the Kenyan pharmaceutical industry. These were done by Muiva (2001), Naikuni (2001), Ndiho (2001) and Rakesh (2001). All these studies have either focused on marketing and strategic management. Though they provide valuable insights no specific studies have been carried out in the area of international export trade in the industry-featuring local manufacturing firms.



This study therefore seeks to fill this gap and in particular answer the question raised in the preceding paragraph.

### **1.3 Objectives of the Study:**

The objective of this study is

1. To determine the factors that influence export trade of locally manufactured pharmaceutical products both from multinationals manufacturing locally and locally owned manufacturing companies.

### **1.4 Importance of the study:**

Export trade is crucial to a developing country. It is therefore expected that this study will be beneficial to the following:

#### **a) The manufacturing companies:**

The study will provide an insight to these companies on factors that hinder their full exploitation of export trade and how to overcome these factors.

#### **b) The Government:**

This study will help government organizations that deal with promotion of export trade in determining which areas of weaknesses they should concentrate on in order to assist local manufacturing pharmaceutical companies to fully exploit their full potential.

It will form as a basis for further research in the area of international trade

## CHAPTER TWO:

### 2 LITERATURE REVIEW:

It is argued that Kenya's export has the potential of a leading role in Kenya's development strategy (Asiko 1989).

Kenya has the goal of getting industrialised by the year 2020. As reiterated by Adam Smith in his book *wealth of Nations*, a country's wealth more than often is a direct consequence of its industrial and its ability to export locally grown, manufactured or semi- manufactured goods to other countries in exchange of the much valued Foreign Exchange.

The importance of international trade on the overall economic growth of a country cannot be over emphasised. Many industrialised nations such as Japan, West Germany France England and Italy rely crucially on international trade. Exports provide employment opportunities and earnings.

A rough measure of the economic relationship among nations or their interdependence is given by the percentage of their merchandise imports to their gross national product (GNP). This ranges from a low of about 9% In the United States to a high of 31% in some industrialised Nations, and from a low of 7% in India to a high of 46% in Malaysia and Costa Rica among developing Nations.

This paper sets then to determine the factors that limit trade in manufactures between Kenya and her external trade partners in Europe, America, Asia and within Africa herself.

Developing countries of Africa have been net importers of goods and services from the rest of the world, mainly from North America and Japan. The pattern has been and continues to be that

African countries send their primary agricultural produce and minerals to traditional European Markets. (Lwanga 1980). However, the buyers as opposed to the sellers dictate the prices of these commodities. Therefore for Kenya to get industrialised she needs to trade more in manufactures and or semi -manufactured goods.

The international export trade of Least Developed Countries (LDC`s) is characterised by:

- i) A narrow range of products mostly of products  
and
- ii) A high geographical concentration of the trade in traditional ( Lwanga 1980)

This phenomenon coupled with limited purchasing power of local markets calls for enlightened and aggressive polices to stimulate and guide the establishment of sound to diversified export oriented economic policies. (Lwanga 1980).

When we look back to the theories of trade, the mercantilists maintained that the way for a nation to become wealthy and powerful was to export more than it imported. This is somewhat still in effect today. Indeed when we consider nations such as Japan, Switzerland and Austria that strive for independence they strive to export more than they import.

Kenya needs to manage and re- direct her export strategy. Exports of primary products keep Kenya away from the dynamic benefits of industry resulting from industrialisation. These are a more trained labour force, more innovations, and stable and higher prices for national exports and lastly higher income for her people.

With the developed nations leading the way in industrial exports all the benefits then of industrialisation accrue only to developed nations leaving developing nations poor, undeveloped and dependent.

Trade acts as an engine for growth. For instance in the Century 1815 - 1913, large increases in industrial production and population in resource poor Britain lead to a rapidly rising demand for food and raw materials exports in the regions of recent settlement, that is United States, Britain, New-Zealand and South Africa. Thus according to Narkse (1978) the export sector was the leading sector that propelled these economies into rapid growth and development. Therefore this sector functioned as an engine of growth for these nations during the 19<sup>th</sup> century.

There are still many ways by which international trade can contribute to the economic development of today's developing nations. *Haberler, (1978)* among others has pointed out that the following are some of the important beneficial effects that international trade can have on economic development.

1. Trade can lead to the full utilisation of otherwise under-employed domestic resources. That is through trade, a developing nation can move from an inefficient production point inside its production frontier with unutilised resources because of insufficient internal demand to a point on its production frontier with trade. For such a nation trade would represent a vent for surplus or an outlet for its potential surplus of agricultural commodities and raw materials. This has indeed occurred in many developing nations, particularly those in South East Asia and West Africa.

2. By expanding the size of the market, trade makes possible division of labour and economies of scale. This is especially important and has actually taken place in the production of light manufactures in such small economic units such as Taiwan, Hong-Kong and Singapore.
3. International trade is the vehicle for the transmission of new ideas, new technology, and new management ideas and other skills.
4. Trade stimulates and facilitates the international flow of capital from developed nations to the developing nations.
5. International trade is an excellent anti monopoly weapon, because it stimulates greater efficiency by domestic products to meet foreign competition. This is particularly important to keep low the cost and price of intermediate and/or semi-finished products such as inputs in the domestic production of other commodities.

Trade therefore can be expected to provide invaluable assistance to the development process. This has been confirmed empirically by Michaely et al (1985). In the more recent past, the world has witnessed the soviet and China, which for, security and ideological reasons strive for self sufficiency recently come to appreciate the benefits that international trade can make to their growth and development process

## 2.1 Importance of Export Trade to Kenya.

Agriculture is the mainstay of the Kenyan economy and thus the dismal performance in this sector adversely affects the rest of the economy (Asiko 1980).

Exports provide stable and rapid growth of earnings. These export earnings enable the economy to acquire co-operant factor e.g. raw materials, fuel, spare parts and new capital from foreign sources. They also enable the country to settle its external debt obligations. Export trade also provides an opportunity for developing the industrial sector.

While recognizing the importance of exports , Kenya government has taken various steps aimed at export promotion. These measures include Manufacturing under Bond (MUB) and formation of Export Processing Zones (EPZ). Other measures include the establishment of bodies specifically charged with the responsibility of promoting exports. These are Kenya External Trade Authority (K.E.T.A), the Export Promotion Council) EPC) and the Export Promotion Office in the Ministry of Planning and National Development. Kenyan companies are also accorded financial and consultancy assistance under the Kenya Export Assistance Scheme (KEAS)

Despite the steps taken by the Kenyan government, Kenyan exporters experience problems Musoke (1980) found that lack of pertinent information contributed to the mediocre Performance of many exporting firms while Doggerel (1982) summarizes problems facing Kenyan exporters to the middle East as:

- ❖ Lack of adequate shipping links with the markets.
- ❖ High freight rates on the route
- ❖ Complicated documentation
- ❖ Lack of proper airlinks
- ❖ Poor paymasters
- ❖ Long and cumbersome procedures for the export for foodstuffs

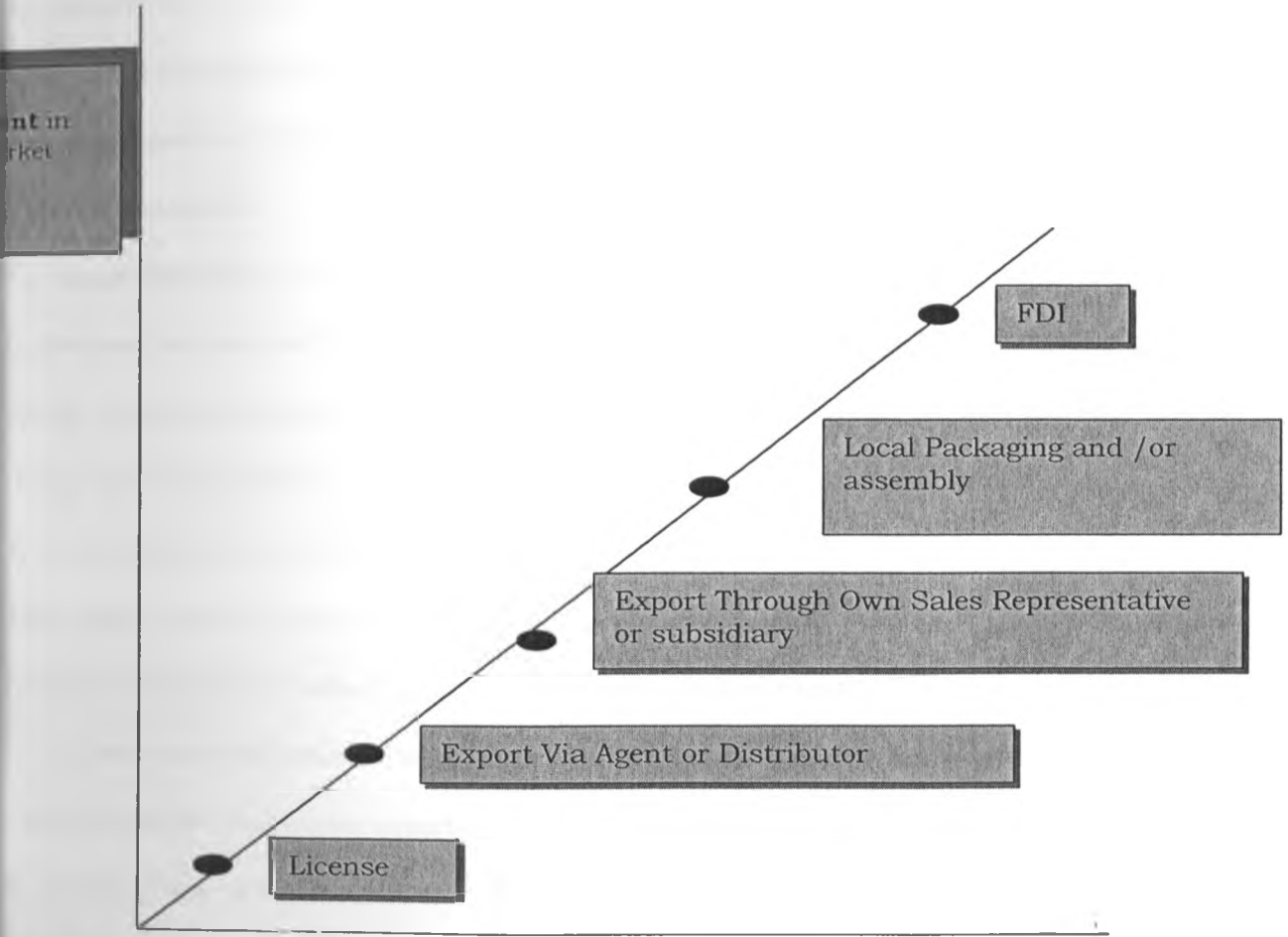
among others.

For Kenya to achieve export expansion, domestic firms have to pursue export markets vigorously. Exporting firms need to constantly pursue export markets and the country needs a continued flow of new firms into the exporting scene (Munene, 1986).

There has been a definite feeling that indigenous business have a definite role to play in international trade. The writer subscribes to this feeling too and considers that opportunities for export marketing do abound not only on an intra-African level but also on a more global level.

**2.1.1 The Process of Internationalization.**

The process of marketing or selling produce abroad is referred to as internationalization. The Figure below outlines the typical process by which the local manufacturing pharmaceutical companies can seek to involve themselves in foreign markets.



**Table 2.1-1: Entry into foreign markets: The Internationalisation process:**  
**Source: Rugman, Lecraw & Booth. International Business, (1985) Pg. 90**



1) License:

The firm may seek to avoid the risks associated with foreign marketing by getting into a licensing deal. This strategy may be suitable for a standardized product where there is no risk of dissipation of the firm's technological advantage

2) Export via Sales Agent:

In this case the firm may see potential extra sales by exporting. In this case the firm may use the exporting agent as a vent for any surplus production and may have no long-term commitment to the international market.

3) Export through own sales subsidiary or representative:

In this case the firm may have chosen to increase its exporting capacity. At this stage the firm may set up an export department to manage foreign sales and production for such markets. Product design and the production process may be modified to suit the international market.

4) Local Packaging and Assembly.

This comes after the firm is more familiar with the international market. The firm may move to foreign production and initially engage in local assembly and packaging of its product lines. This is a crucial step since the firm must start to deal with environmental variables such as local wage rates, cultural attitudes, and worker expectations.

5) Foreign Direct Investment (FDI).

This forms the final stage of foreign involvement. The firm at this time has sufficient knowledge of the foreign market to overcome its perceptions on risk. In this activity the firm will produce the entire product line in the host nation and sell it there, or it may even be able to export to other countries. This form of investment calls for a high capital base.

## 2.2 Theories of International Trade

It is an accepted fact of life that no nation can achieve a completely independent existence because of the differences in factor endowment of nations. The global economy is an epitome of interdependence characterised by a complex flow of goods and products between countries normally referred to as international trade. The term international trade is basically defined as transactions between sovereign nations which include the sale of consumer services, such as travel, industrial raw materials and services; producer and capital goods such as plant and machinery, securities in the form of promissory notes and stock ownership certificates; and national resources such as crude oil, gold and other minerals.

International trade provides the opportunity for less endowed countries to acquire goods and products that are either not available or in short supply within the local economy.

The impetus for international trade stems from the knowledge that, although most nations may have sufficient variety of productive factors to produce almost every kind of good and product, they would not be able to produce each product and service with equal level of effectiveness (Roebuck and Simmons, 1989.) The global economy therefore thrives on the basis of interdependence

## 2.2.1 Mercantilism:

Economics as an organised science can be said to have originated with the publication in 1776 of the *wealth of nations* by Adam Smith. However, writings on international trade preceded this date in such countries as England, Spain , France, Portugal and the Netherlands as they developed into modern national states. Specifically during the 17<sup>th</sup> and the 18<sup>th</sup> centuries, a group of merchants, bankers and other government officials and even philosophers wrote essays and pamphlets on international trade that advocated an economic philosophy known as mercantilism

Briefly, the mercantilists maintained that the way for a nation to become rich and powerful was to export more than it imported. The mercantilists measured the wealth of a nation by the stock of precious metals it possessed. With more gold, rulers could maintain larger and better armies and consolidate their power at home. In addition more gold meant more money and greater business activity.

Further, by encouraging exports and restricting imports, the government would stimulate national output and employment. There seems to be a resurgence of neo- mercantilists today as nations plagued by high levels of unemployment seek to restrict imports in an effort to stimulate domestic production of employment

Other trade theories have been advanced on the mercantilist view of trade and the role of government.

## 2.2.2 Other trade theories

### a) The Theory of Absolute Advantage:

This theory of trade states that, by specializing in the production of goods that a country is most efficient, the country can increase its welfare through international trade.

A simple example illustrates this point.

Labor Cost (Hours) of Production for One Unit.

	Cloth	Grain
North	10	20
South	20	10

*NOTE: A nation is doing well if it has a low number of labor-hours per unit of production,*

North therefore has an absolute advantage in the production of cloth and south has an absolute advantage in the production of Grain.

Both countries gain from trades in the following ways.

If they specialize and exchange cloth for grain at relative price ratio of 1:1, North can employ more of its resources to produce cloth and South, more of its resources to produce grain. North can import one unit of grain in exchange for one unit of cloth thereby paying in effect only 10 labor-hours for one unit of grain, If it had produced the grain itself, North would have used 20 labor hours, so it gains 10 labor hours from the trade. In a similar fashion South gains from trade when it imports one unit of cloth in exchange for the export of one unit of grain. The effective cost to South for one unit of cloth is only the 10 labor -hours required to make its one unit of grain.

This theory therefore proves that there are definite gains from trade, since it reduces global prices for product and countries are encouraged to specialize in the goods they are most efficient in.

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b) The Theory of Comparative Advantage.

This theory was advanced by Ricardo .It states that nations can still trade despite the fact that one nation has an absolute advantage in the production of both goods as long as the other country has a comparative advantage in the production of t one of the goods being traded.

**Illustration.**

**Labour cost (hours) of production of one unit.**

	Cloth	Grain
North	50	100
South	200	200

In the example above, it seems that North has an absolute advantage in the production of both cloth and grain, so it would appear at first sight that trade would be unprofitable. Yet trade is still advantageous to both nations provided the *relative* costs of production differ in the two countries.

Before trade, in North one unit of cloth costs (50/100) hours of grain, so one unit of cloth can be exchanged for one and a half unit of grain. In the North the price of cloth is half the price of grain. In South, one unit of cloth costs (200/200) hours of grain or one grain unit. In South the price of cloth equals the price grain. If North can import more than a half unit of grain for one unit of cloth, it will gain from trade. Similarly, if South can import one unit of cloth for less than one unit of grain, it will also gain from trade. These relative price ratios set the boundaries for trade. Trade is profitable therefore between price ratios. This therefore supports that total world efficiency and consumption increase under free trade.

### 2.2.3 Economic gains from trade

Trade results to efficiency in a nation. Nations are complex organisations . Economic ,financial ,marketing and human resource decisions are made at any point in time. All the business and economic activities that take place in any nation can be dived into two categories:

- The production Factors
- The Consumption Factors.

The production side represents all goods and services extracted processed manufactured and distributed by members of its society. It is the supply side of the economy. The other category of a nation's business is the demand side and it represents the consumption of all the output coming from the supply side. The demand side represents the individual tastes and preferences of all the consumers in the nation.

Equilibrium quantities and prices of all consumption and production are set by the competitive market system, where the invisible hand of Adam Smith guides the allocation of resources and the distribution of output and consumption in the most efficient manner

With no trade, the relative prices of goods in each country usually differ as a result of different resource bases levels of income preference among goods and production technologies in each country. Autarkic relative prices differ between countries; thus gains from trade are possible.

## 2.3 World Trade Patterns.

The forty years that have passed since the ending of the 2<sup>nd</sup> world war have been a period of extremely rapid economic growth. World output has grown at a faster rate than in any other period in history. The rapid growth of world trade relative to world output has meant an increase in the degree of international economic integration.

### 1. The growth of world output

Real GDP differs from money GDP in that it has been adjusted for inflation. GDP per capital differs from GDP in that it has been adjusted for growth in population. Developed market economies have enjoyed fast growth. Of the major developed market economies (DMEs) Japan had the highest growth rate.

### 2) The Commodity Composition of World Output

Major changes have taken place in the sectoral composition of GDP over the past war period. In the DME, the most significant change has been the growth in services sector. The growth of services took place at the expense of agriculture and manufacturing. In the developing countries also the services sector has increased in importance but not as dramatically as the developing countries.

The growth of the manufacturing sector in developing countries mainly in Asia has enabled developing countries to increase their share of world manufacture. In 1960, DME (Developing Market Economies) accounted for 78% of world manufacturing .By 1981 DMEs share had fallen to 64.7% and that of Developed Economies risen by 24.91 % Thus in the recent past developing countries have succeeded in increasing their share of world output. Finally, the fastest growth in world commodity output occurred in manufacturing.

### 3) Growth of World Trade

Over the period post world war II, world merchandise exports have increased nine fold in volume terms, this compares with an increase in the volume of world communication output roughly five fold. Thus world trade has grown nearly twice as fast as world output. Gradual lowering of tariffs in trade in manufactured goods and the removal of other quantitative barriers has made this growth in trade possible.

The most dynamic element in world trade has been trade in manufactures. Over the period trade in manufactures has risen, more than sixteen fold. It follows that the increase of world trade in manufactured goods has been the primary cause of the fast growth of world trade as a whole. The growth in trade has in turn, played a major role in stimulating world output. The kind of economic growth enjoyed by the DME after 1945 may be described as having been trade - led growth. (Nigel 1989).

Trade in agricultural products has grown more slowly than world output. This is consistent with the fact that the demand for food is income inelastic. The demand for food has not grown as fast as the increase in world per capital incomes; in fact trade in agricultural products has grown only slightly faster than world output

Thus the single most dynamic factor in the growth, of world trade over the post war period has been increased specialisation in manufactured products. Trade in primary products (Food and raw materials) has tended to follow output whereas trade in manufactured goods has led output (Nigel 1989).



This then follows that, the future course of world output is heavily dependant upon a revival of trade dependant upon a revival of the pattern of trade lead growth of the past war period is to be maintained.

#### 4) Changes in the commodity composition of world trade

The growth of world trade over the period since 1945 has brought major changes in the commodity composition of world trade. This refers to the share of world trade accounted for by different groups of products. .

The changes in the share of world trade accounted for by any particular group of products may be due to either:

1. A faster (or slower) growth in the volume trade taking place in the product in growth relative to other products.
2. A faster (or slower) rise in the unit values of prices.

#### 5) Changes in the directional flow of world trade

This refers to the flow of world trade between different geographical regions of the world. It is concerned with both the origin and the destination. Developed countries account for 66.3 % of world trade as of 1985 (*GATT 85-86 GENEVA.*). The developing countries remain extremely dependent on the developed countries for a market for their exports. The geographical network of world trade in manufactured goods has changed over the period since 1963. In particular, there occurred a big increase in the shares of the Middle Eastern countries and the Southeast Asian countries. Part of the explanation for this was the rise in world out prices, which increased the value of exports from Middle Eastern Countries. The other explanation was the rapid growth of the Newly industrialized countries (NIC's) especially the South East Asia countries (Hong Kong, Singapore, Taiwan and South Korea). After 1983, the share of the South and East Asian Nations continued to rise. However, the share of the Middle East countries fell.

As with commodities changes in a particular region countries share of world trade may be due to:

1. A faster (or slower) growth in volume of the exports of the country than in the volume of total world exports.
2. A faster (or slower) rise in the average price of a country's exports relative to the average price of total world exports.
3. Both of the above.

### 2.3.1 Worlds Leading Exporters Of Manufactures

Earlier we saw that the largest and most dynamic capital of world trade over the post-war period has been manufactured goods. It is important to examine the geographical composition of trade in manufactured goods.

Country	GNP per capita (\$) 1983	Average annual growth rate 1965-83 (%)	Share of manufacturing in GNP 1983 (%)	Merchandise exports 1983 (%)	Average annual growth rate of merchandise exports, 1973-83
Singapore	6620	7.8	24	58	
Hong Kong	6000	6.2	22	92	10.3
Israel	5370	2.9	-	80	9.0
Greece	3920	4.0	18	51	9.7
Yugoslavia	2570	4.7	32	78	-
South Africa	2490	1.6	-	74	5.6
Portugal	2230	3.2	22	12	14.4
Mexico	2240	3.2	22	12	14.4
Brazil	1880	5.0	27	39	8.2
Korea	2010	6.7	27	92	14.8

Uruguay	2490	2.0	26	32	9.2
Argentina	2070	.5	28	24	8.6
Chile	1870	-1	20	10	9.7
Malaysia	1860	4.5	19	23	4.9
Jordan	1640	6.9	15	50	17.8
Colombia	1430	3.2	17	25	2.5
Tunisia	1290	5.0	14	33	-0.2
Turkey	1240	3.0	24	43	6.3
Venezuela	3840	1.5	17	-	-6.8

*Table 2.3-1: World's leading exporters of manufactures.*

Source: GATT, *International Trade, 85-86* (Geneva 1986)

As the table shows, the 20 countries listed in the table account almost 88% of all manufactured exports.

The most noticeable change over the period from 1973-1985 was the increase in share of world manufacturing exports by the NIC's. Thus it is apparent that the increase in the NIC's share of world trade was entirely due to a rapid rise in the Volume of their manufacturing export.

## 2.4 The Newly Industrialized Countries (NICS)

In hindsight, Japan maybe regarded as being the first of the post-war newly industrializing countries. In the last ten or twenty years the Japanese experience has been partially repeated by a number of other developing countries. It is with reference to these countries that the expression newly industrializing country NIC is most commonly used.

The Organisation of Economic Community Devepoment (OECD) adopted three fold criteria for identifying a developing country as newly industrializing country:

- Fast growth in both the absolute level of industrial employment and the share of industrial employment in total employment
- A rising share of world exports of manufactures
- Fast growth in real per capita GDP such that the country was successful in narrowing the gap with the advanced industrial countries ( *OECD 1979*)

Using this criteria the OECD has listed ten countries as NIC`s.

These are:

Spain, Portugal and Yugoslavia in Europe; Brazil and Mexico in Latin America; Hong Kong, Korea, Singapore and Taiwan in South -East Asia

One common thing that other countries willing to industrialize can learn from the NIC`s is their strategy of aggressive export oriented economic polices. Terms of trade have not been in been favor of the developing countries. This is because they mainly export primary products that are subject to sharper and more frequent fluctuations in price.

Therefore to promote and encourage economic development. It is important that Kenya starts to pay more attention to export in manufactures as opposed to primary products. The NIC`s encouraged

Export Oriented industrialization in manufactures as opposed to Import Substitution industrialization. Due to their aggressive export oriented trade policies, approximately two thirds of all manufactured exports from developing countries were made by countries in South and East-Asia, particularly HongKong, Taiwan, South Korea, India Singapore and Malaysia.

From the literature review it is clearly evident that trade in manufactures played and is till playing a significant role in the growth of world trade.

Trade is beneficial to countries, creates employment opportunities, brings in much desired foreign Exchange and overall improves the welfare of the society as whole.

Kenya and other developing countries have a lot to learn from the NIC`s.

It is very evident that indeed export Trade has played a significant role in their economic growth and development of these countries.

This research will therefore seek to understand the reasons behind our non-aggressive export trade strategies by our local industries. As a distinguished economist W.Arthur Lewis once remarked

*"The fundamental problem regarding industrial exporting by developing countries is not that they lack a comparative advantage in manufactured goods; rather it is a lack of initiative, a lack of imagination, a lack of willingness to take the challenge"*

It is the challenge of this research to prove whether this is indeed true.

## CHAPTER THREE:

### 3 RESEARCH DESIGN:

#### 3.1 Population of study:

This was an exploratory study carried out among manufacturing pharmaceutical firms in Kenya. The study included both locally owned manufacturing firms and manufacturing multinationals. The population of interest therefore comprised eighteen local pharmaceutical manufacturing companies and two Multinationals. The Kenya Medical directory (2001) indicates that there are Twenty- (20) local pharmaceutical manufacturing companies. This census approach has been necessitated by the fact that the sample was relatively small (20) and therefore there was no need for sampling. This approach had been used before successfully by Bett (1995) in the study of strategic marketing of dairy products in Kenya; by Okutoyi (1988) in the study of strategic marketing in the banking industry; by Bii (1992) in the study of promotional elements by Kenya's commercial banks, by Kassamani (1999) in the study of the state of strategic marketing in Kenya's sugar companies and by Hussein, A.K (2000) in the study of the state of the soft drink industry in Kenya.

### 3.2 Data collection:

The relevant primary data was collected using a questionnaire that had open -ended and close-ended questions. (Appendix 1). The questionnaire carried questions on whether the subjects carried out any form of export trade .It primarily concentrated on gathering data on the company mission and vision. It then focused on current markets for produce and any future targeted markets for produce.

The questionnaire also sought to establish what percentage of produce was marketed in foreign markets and what methods were used to market produce abroad.

The questionnaire also sought to establish what problems internal or external to the company that hindered or promoted export trade.

Primary data was used to determine which were the preferred export markets for the local manufacturing companies and why.

The questionnaire was dropped and the subjects asked to fill out the details. It was then picked at an agreed date with the respondents. The targeted respondents were the Finance managers, the Marketing Managers and the Production Managers in all the twenty companies.

This method was chosen due to the high response rate and the nature and structure of the questions.

A number of questions were open ended in order to encourage the respondents to give answers without any limitations. This has also been used to analyze the similarity of various parameters in the sample.

### 3.3 Data Analysis.

The data analysis techniques used in this research were

- ◆ Descriptive statistics such as, percentages, means and frequencies.
- ◆ Cross tabulations were used to measure the overall ranking of the various factors that hinder or promote export trade.
- ◆ Ranking was used to identify the most prominent factors that influenced the success of export trade
- ◆ Qualitative techniques were applied to compare results of the personal interviews.



## CHAPTER FOUR

### 4 DATA ANALYSIS AND INTERPRETATION:

In this section, the data from the completed questionnaires was summarised and presented in the form of tables, percentages, frequencies and mean scores.

Out of the 20 pharmaceutical manufacturing companies, all were given the questionnaires.

In each company three people were requested to fill in the questionnaire. The target groups were,

- ◆ Managing Director
- ◆ Export Marketing Managers
- ◆ Production Managers
- ◆ Quality Control Mangers (where the Production Managers were unavailable)
- ◆ Finance Manger (where the Managing Director was unavailable)
- ◆

The study was aimed at finding out how much of the local pharmaceutical produce was destined for export markets. It also set out to determine to which areas the product was destined.

The study also aimed at finding out why producers preferred some markets to others and which internal or external factors to the firm influenced export trade.

The role of both host country and home country governments was also investigated.

Out of the twenty companies (20) targeted for study seven (7) declined to fill out the questionnaires. The reasons given for decline were , among others

- ◆ No authority to disclose company information
- ◆ Management not available to give authority to fill out the questionnaires
- ◆ Lack of time to fill out the questionnaires.

Out of the remaining 13 companies, all the targeted respondents filled out the questionnaires. In total the response rate to the study was sixty five percent (65%)

#### 4.1 Company Ownership:

The aim of determining the company ownership was in an effort to determine whether ownership affected the company's mission and vision.

The results were as follows:

**Table 4.1-1: Owners Of the Company:**

	Local	Foreign	Mixed.	Total
<b>Owners Of the Company</b>	77%	15%	8%	100%
	Sole Proprietary	Partnership	Corporation	Total
<b>Company Ownership</b>	75%	10%	15%	100%
	Yes	NO	Not sure	Total
<b>Does the company have a mission statement?</b>	89%	6%	5%	100%

Table 4.1 reveals that in the local pharmaceutical industry the company ownership was as follows:

FACTORS	% OF SAMPLE
Local Ownership	77%
Foreign Ownership	15%
Mixed Ownership	8%
Sole Proprietary	75%
Partnership	10%
Corporation	15%
Have a Mission Statement	89%
Do not have a Mission Statement	6%
Are not Sure	6%

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From the above data it was clear that majority of the local pharmaceutical manufacturing were locally owned. Only 23% were foreign owned or had a mixed ownership.

Further to this it is evident that majority of the companies are sole proprietorships as opposed to the 25% that was either in partnership or corporations.

However across the industry it is evident that mission statements were considered useful business tools and 89% of the sample had mission statements in written form.

## 4.2 Export Trade.

This was investigated in an attempt to understand the organisation of the company in orientation to export trade. It was aimed at determining whether the organisation had an export trade department and what were the functions of the department.

**Table 4.2-1: Export Trade Department.**

	Yes	No
Does The Company have an Export Trade Department?	92%	8%

**Table 4.2-2: Functions of the Export Department:**

Function	Percentage of Sample:
Marketing Only	8%
Export and Marketing	84%
Export Only	8%
Others	0%
Total	100%

**Table 4.2-3: Products Manufactured:**

Products Manufactured	Percentage of Sample
Antiviral	23%
Antibiotics	100%
Antipyretics	100%
Antacids	100%
Antimalarials	92%
Analgesics	100%
Antihistamines	100%

**Table 4.2-4: Mode of Export Market Entry.**

Mode Of entry	% of sample
Foreign Direct Investment	0%
Export Via Agent or Distributor	50%
Export via own sales subsidiary	50%
Local packaging and assembly	0%
Licence	0%

From the table 4.2.-1 it is evident that Majority of companies did have an export trade and did engage foreign trade (92%) ninety two percent.

The functions of the department were mainly the combined role of Export and Marketing. This represented Eighty Four percent (84%) of the sample.

Other functions of the Export trade department include Marketing only and Export Only.

The products manufactured were mainly the Less technology intensive products like Antacids, Antihistamines, Antipyretics and Antimalarials.

However, the technology and Research Intensive products were not widely locally manufactured For Example Antivirals.

The local manufacturing companies made use of two modes of foreign market entry.

These are:

- 1 Export Via Agent or Distributor, with fifty percent of the respondents attesting to this(50%)
- 2 Export Via own Subsidiary or Sales Office.

On the other hand it is quite evident that none of the local companies used the other modes of foreign market entry namely. Foreign Direct Investment (FDI), Local packaging and Assembly and Licensing.

This could be attributed to the lack of capital which is required for FDI and Local packaging and Assembly

### 4.3 Export Market Shares and Regions of Exports:

This section surveyed the various shares of produce destined for foreign markets versus those destined for local markets.

It also examined the various preferred regions of export and what proportions went to the various preferred areas.

#### 4.3.1 Export Market Shares Versus Local Market Shares.

Table 4.3-1(a) : Export Market shares Versus Local Market Shares.

	0-10%	11-20%	21-30%	31-40%	41-50%	51-60%	61-90%	100%	Total
Local Market	0%	0%	0%	0%	31%	53%	8%	8%	100%

**Table 4.3-1 (b): Percentage of Produce Destined for Foreign Market.**

	0-10%	11-20%	21-30%	31-40%	41-50%	51-60%	100%	Total
<b>Foreign Market</b>	8%	38%	23%	8%	0%	23%	0%	100%

From the above two tables it was evident that: most local pharmaceutical produce is destined for local markets.

<b>% Destined For Local Market</b>	<b>% of Sample</b>
0-10%	0%
11-20%	0%
21-30%	0%
31-40%	0%
41-50%	31%
51-60%	53%
61-90%	8%
91-100%	8%

This report indicated that sixty nine percent of the companies (69%) had more that 51% of produce sold in the local market. This confirms that most pharmaceutical produce was mainly destined for the local market as opposed to the export market.

<b>% Destined For foreign Market</b>	<b>% of Sample</b>
0-10%	8%
11-20%	38%
21-30%	23%
31-40%	8%
41-50%	0%
51-60%	23%
61-100%	0%

On the other hand, seventy seven percent (77%) of the companies had less than forty percent (40%) of their produce destined for foreign markets.

<b>% Destined For Foreign Market</b>	<b>% of Sample</b>
0-10%	8%
11-20%	38%
21-30%	23%
31-40%	8%
41-50%	0%
51-60%	23%

On the other hand seventy percent (77%) of the sample had exports accounting for less than thirty percent (30%) of total sales.

### 4.3.2 Regions of Export:

This section attempted to find out which were the preferred export markets and why?

Table 4.3-2 (a): Regions of Export.

Regions	% of sample
East Africa	92%
West Africa	76%
Sub-Saharan Africa	46%
Eastern Europe	0%
Western Europe	0%
North America	0%
South America	0%
Asia	0%
The Middle East	0%
Others	0%

This table shows that the preferred market for produce were:

<i>Region</i>	<i>% of sample</i>
East Africa	92%
West Africa	76%
Sub Saharan Africa	46%

However it was evident that the local pharmaceutical industry did not export to the European, American, Asian and Middle East Markets.



<i>Region</i>	<i>% of Sample</i>
Eastern Europe	0%
Western Europe	0%
North America	0%
South America	0%
Asia	0%
The Middle East	0%

**Table 4.3-2 (b) Proportions of Export to Preferred Markets.**

<b>Region</b>	<b>0-20%</b>	<b>21-40%</b>	<b>41-60%</b>	<b>61-80%</b>	<b>81-100%</b>	<b>Total</b>
<b>East Africa</b>	31%	23%	0%	31%	15%	100%
<b>West Africa</b>	31%	69%	0%	0%	0%	100%
<b>Sub-Saharan Africa</b>	54%	46%	0%	0%	0%	100%

The table above shows that The bulk of local pharmaceutical produce was destined for the East African Market with sixty nine percent (69%) of the companies exporting between 20 and 100 % of their export produce to this market.

However other closer to home markets like West Africa and Sub -Saharan Africa had a substantial share of produce with sixty nine percent (69%) of the companies exporting between 21 and 40 % of their produce to West Africa and Forty six percent (46%) exporting between 21 and 40 percent to the Sub Saharan Market.

#### 4.4 Leading Factors Prompting Start of Export Trade.

This section explored the various reasons that prompted the various companies into engaging in export trade.

This was aimed at exploring the various limiting factors and the Enhancing factors.

**Table 4.4-1: Factors that Drove Company into Export Trade.**

In this section the respondents were requested to classify each factor on a scale of 1-5 with 1 being the least important and 5 the most important.

Factor	Scale						Total
	0%	1	2	3	4	5	
Stiff Competition at Home	8%	0%	8%	0%	76%	8%	100%
Reduced Demand at Home	8%	0%	8%	0%	76%	8%	100%
Economic Downturn at Home	8%	0%	8%	0%	46%	36%	100%
To Increase Market Share	8%	0%	22%	8%	23%	38%	100%
Attractive Incentives By Home Government	8%	77%	15%	0%	0%	0%	100%
Attractive Incentives by Host Government	8%	77%	15%	0%	0%	0%	100%

From the table above it was evident that the following were the most important factors that drove the company to seek export markets.

Factor	% of sample	Importance (scale)
Stiff Competition at Home	86%	4 and 5
Reduced Demand at Home	86%	4 and 5
Economic Downturn at Home	82%	4 and 5
To Increase Market Share	61%	4 and 5
Attractive Incentives By Home Government	92%	1 and 2
Attractive Incentives by Host Government	92%	1 and 2

The most important factors lay between 4 and 5 and the least important factor between 1 and 2. The above table shows the most important factors that drove the company to seek markets abroad were:

1	Stiff Competition at Home	86%
2	Reduced Demand at Home	86%
3	Economic downturn at Home	82%

On the other some factors were viewed as the least important reasons for seeking export markets. These were:

1.	Attractive Incentives by Home government to export	92%
2.	Attractive incentives by host governments	92%

#### 4.5 Leading Factors in Choice of Export Destination for Manufactures.

This section investigated the reasons why the exporting companies chose the various destinations as markets for their goods. The respondents were requested to rank the choices in order of importance on a scale of 1 to 5 where 1 was the least important factor and 5 the most important factor.

Table 4.5-1: Factors considered important in the choice of export market.

<i>Factor</i>	<i>Scale</i>						<i>Total</i>
	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	
<i>Proximity</i>	8%	0%	0%	8%	30%	54%	100%
<i>Familiarity to the New Market</i>	8%	0%	0%	8%	76	8	100%
<i>Exchange Rate Differentials</i>	8%	54	38	0	0%	0%	100%
<i>Ready market for Goods</i>	8%	0%	0%	46	23	23	100%
<i>Availability of Skilled Personnel</i>	8%	0%	77	0%	15%	0%	100%
<i>Favourable Trading Terms</i>	8%	0%	0%	0%	0%	92%	100%
<i>Reduced Exchange rate risk</i>	8%	77%	0%	15%	0%	0%	100%
<i>Reduced Tariff and Non Tariff Barriers</i>	8%	0%	15%	77%	0%	0%	100%

Table 4.5-1 shows that the leading factors in choice of export destination were

<i>Factor</i>	<i>Importance (Scale)</i>	<i>% of sample</i>
Favourable Trading Terms	5(Most Important)	92%
Proximity	5(Most Important)	54%
Familiarity to the new market	4(Important)	76%

On the other hand the least important factors were

<i>Factor</i>	<i>Importance (Scale)</i>	<i>% of sample</i>
Reduced Exchange rate Risk	1(least Important)	77%
Exchange rate differentials	1 ( least Important)	54%
Availability of skilled personnel	2(Unimportant)	77%

Other factors not included in the questionnaire but were critical in choice of destination markets were:

- |    |                                        |     |
|----|----------------------------------------|-----|
| 1. | Political Stability                    | 92% |
| 2. | Economic Prospects of the host country | 84% |

Political stability (92%) and economic prospects of the host country (84%) were also significant factors in choice of the export markets. If the host country did not seem to be politically stable , then this was avoided as a destination for produce. Poor economic prospects in a particular host country also deterred the industry from exporting to such a country.

Favourable trading terms (92%) and proximity to home (54%) were the most significant factors in arriving at an export destination for goods.

#### 4.6 Exploitation of foreign Markets:

This section sought to establish whether in their opinion the pharmaceutical firms had exploited fully foreign markets abroad and if not why?

It also sought to establish which potential markets they would want to venture to and the reasons thereof.

**Table 4.6-1: Exploitation of Foreign Markets.**

	Yes	No
% of Sample	0%	100%

All the companies in the sample admitted that they had not fully exploited foreign markets.

The reasons given for this were:

<i>Reason</i>	<i>% of sample</i>
Lack of Knowledge for overseas markets	86%
Stringent quality controls by host countries	92%
Lack of technical Know-how	85%

These showed that local companies are willing to market produce and supported the study by Doggerel

(1982) that summarized problems facing Kenyan exporters as:

- ❖ Lack of adequate shipping links with the markets.
- ❖ High freight rates on the route
- ❖ Complicated documentation
- ❖ Lack of proper airlinks
- ❖ Poor paymasters

among others.

**Table 4.6-2: Potential Markets for Manufactures.**

The sample listed the following, as the most preferred potential markets

<i>Location</i>	<i>% of Sample</i>
Zaire	86%
Central Africa	75%
South Africa	64%
Nigeria	32%
East Africa(Uganda, Tanzania, Rwanda, Burundi)	16%

It is evident that the pharmaceutical industry was keen to exploit other international markets for their produce. However from the above, it is evident that the industry was most comfortable with markets closer to home and which they were more similar or familiar to. It is important to note that all the markets mentioned were in Africa. No out of Africa market was mentioned as a preferred potential market.

#### 4.7 Factors Limiting Export Capability:

This section sought to determine the factors both internal and external to the firm that limited export capability. The respondents were requested to rank the choices in order of importance on a scale of 1 to 5 where 1 was the least important factor and 5 the most important factor.

Table 4.7-1: Factors Internal to the firm that limit Export Capability.

Factor	Scale						Total
	0	1	2	3	4	5	
<i>Lack of Knowledge on export markets</i>	8%	0%	0%	8%	30%	54%	100%
<i>Lack of Appropriate technology in Research and Development</i>	8%	0%	0%	8%	76	8	100%
<i>Lack of Appropriate technology in Manufacturing.</i>	8%	54%	38	0	0%	0%	100%
<i>Lack of Appropriate technology on Information systems</i>	8%	0%	0%	46	23	23	100%
<i>Lack of capable personnel to handle overseas markets</i>	8%	0%	77%	0%	15%	0%	100%
<i>Firm not ready to undertake risky ventures</i>	8%	0%	0%	0%	0%	92%	100%
<i>Lack of Capital</i>	8%	0%	0%	0%	15%	77%	100%
<i>Unable to meet quality Standards.</i>	8%	0%	0%	15%	77%	0%	100%



The table above indicates that the following were the most important factors internal to the firm that limited export trade.

<i>Factor</i>	<i>Scale</i>	<i>% of sample</i>
.Firm not ready to undertake risky ventures	5 (Most Important)	92%
Lack of Capital	5(most important)	77%
Lack of Knowledge on export markets	5 (Most Important)	54%
Unable to meet quality standards	4(Important)	77%
Lack of appropriate technology in research and development	4(Important)	76%

The table also indicates that the following were the least important factors internal to the firm that limited export trade.

<i>Factor</i>	<i>Scale</i>	<i>% of sample</i>
Lack of appropriate technology in manufacturing technology	1 (Least Important)	54%
Lack of capable personnel to handle overseas markets	2 (unimportant)	77%

The analysis above indicates that the industry felt that they had the personnel and the manufacturing technology to be able to manufacture products capable of competing in the international market.

However lack of proprietary technology and Capability in Research and Development remained a handicap

Table 4.7-2: Factors External to the firm that Limit Export Capability.

<i>Factor</i>	<i>Scale</i>						<i>Total</i>
	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	
<i>Prohibitive Trade Restrictions by host Government.</i>	8%	0%	0%	0%	92%	0%	100%
<i>Lack of support and Guidance from Home Government</i>	8%	0%	0%	8%	0%	84%	100%
<i>Foreign Exchange Risks</i>	8%	0%	0%	0%	85%	8%	100%
<i>The Emergence of Trade unions and Common Markets</i>	8%	0%	0%	0%	85%	8%	100%
<i>Buyer and Seller Uncertainty</i>	8%	0%	8%	31%	23%	31%	100%
<i>Uncertain and Imperfect Information situations</i>	8%	0%	0%	0%	0%	92%	100%

The table above indicates that the following were the most important factors external to the firm that limited export trade.

<i>Factor</i>	<i>Scale</i>	<i>% of sample</i>
1. Uncertain and Imperfect Information Situations	5 (Most Important)	92%
2. Lack of Guidance and Support from Home government	5 (Most Important)	84%
3. Prohibitive Trade Restrictions by host	4(Important)	76%

On the other hand only one factor emerged as the least important to the firm that limited export trade.

<i>Factor</i>	<i>Scale</i>	<i>% of sample</i>
1. Buyer and Seller	3(Neutral)	31%

Other factors that the respondents mentioned (external to the firm) as heavily impacting negatively on their export capability were (In order of Importance)

<i>Factor</i>	<i>% of sample</i>
Political Risk	92%
Internal Strife	92%
Financial Insecurity	84%
Social Insecurity	54%

The fact that the industry mainly exported to African markets, Internal strife, Social insecurity and political risk remained a stumbling block. This can be attributed to the high level of political instability and internal strife in the region. Ninety two percent (92%) of the sample saw internal strife as the single most limiting factor to their export trade.

Financial insecurity also posed a significant problem with eighty four percent (84%) of the sample listing it. Financial risk could be in the form of Loss of property and confiscation of property by host governments.

#### 4.8 Firm Specific and Country Specific Advantages that would leverage local companies' export Trade. (FSA and CSA)

This section was set to determine the various FSA's and CSA's that the local companies could make advantage of to leverage their export trade. The respondents were requested to rank the choices in order of importance on a scale of 1 to 5 where 1 was the least important factor and 5 the most important factor.

Table 4.8-1: Firm Specific Advantages:

<i>Factor</i>	<i>Scale</i>						<i>Total</i>
	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	
<i>Proprietary Technology due to Research and Development</i>	8%	69%	0%	23%	0%	0%	100%
<i>Managerial , Marketing or other skills</i>	8%	0%	0%	54%	38%	0	100%
<i>Product Differentiation</i>	8%	23%	0%	38%	8%	23%	100%
<i>Large size of the company reflecting economies of scale</i>	8%	0%	0%	31%	15%	46%	100%
<i>Availability of Capital</i>	8%	0%	38%	15%	15%	23%	100%

The table above indicates that the most important firm specific advantage enjoyed by local firms was

<i>Factor</i>	<i>Scale</i>	<i>% of Sample</i>
Large size of the company reflecting economies of scale	5(most important)	46%

On the other hand the following came up as the least important Firm Specific Advantages that leverage export trade

<i>Factor</i>	<i>Scale</i>	<i>% of Sample</i>
Proprietary Technology due to reassert	1( non existent)	69%
Availability of capital	2(Non Existent)	38%

It is evident from the above that local firms did have a firm specific advantage over other firms in term of size and economies of scale.

However, they lacked capital and access to proprietary technology due to lack of research and development facilities and / or capability.

**Table 4.8-2: Country Specific Advantages that would leverage Export Trade:**

<i>Factor</i>	<i>Scale</i>						<i>Total</i>
	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	
<i>Raw materials readily available</i>	8%	53%	0%	8%	31%	0%	100%
<i>Efficient and Low Cost Labour Force</i>	8%	0%	0%	0%	0%	92%	100%
<i>Trade Barriers Restricting Imports</i>	8%	92%	0%	0%	0%	0%	100%

The table above shows that the most important Country specific enjoyed by the local pharmaceutical industry was;

<i>Factor</i>	<i>Scale</i>	<i>% of Sample</i>
Efficient and Skilled Low cost Labour Force	5(Most Important)	92%

On the other hand the table shows that the following country specific advantages were lacking in the local industry.

<i>Factor</i>	<i>Scale</i>	<i>% of Sample</i>
Trade barriers restricting imports	1( non existent)	92%
Raw material availability	1( non existent)	53%

Trade barriers restricting or regulating imports into the country were lacking (92%). This may have led to unfair competition by the importers on the case of local manufacturers. On the other hand, Raw materials for manufacture of pharmaceuticals were lacking in the local market. This may have served to the disadvantage of the local manufacturers.

#### **4.9 Host and Home Country Government Regulations and Polices that enhance or Limit Export Trade:**

This section forms Part .D of the questionnaire. It was designed to gather information on Government polices and regulations that enhanced or hindered export trade.

This part of the questionnaire was open-ended and the results were classified in terms of frequency.

#### 4.9.1 Which Home Government Policies support export trade.

In this section only one policy emerged and only sixty five percent (65%) of the companies mentioned it.

This policy was:

<i>Policy</i>	<i>% of Sample</i>
Import of Raw materials for export of manufactured goods are free of Duty and Value Added Tax (VAT)	65%

This policy had assisted the local companies in cutting down the costs of their produce hence making their products more competitive in the export markets.

#### 4.9.2 Which Home Government Policies and Regulations Limit export trade?

In this section, various regulations and policies came up. They were as follows.

<i>Policy</i>	<i>% of Sample</i>
High Duty levied on Import of Packaging Material	92%
High Duty on Import of Raw material for local Products	85%
High costs of Infrastructure and Electricity	92%
Harassment and corruption from government officials	100%
Import of Finished pharmaceutical products duty free.	92%

According to the respondents the above policies had the following business implications.

- ◆ **High Duty levied on Import of Packaging Material**

This high duty gave the local companies a due disadvantage since it increased their cost of doing business with other countries where their counterparts imported the same duty free.

- ◆ **High Duty on Import of Raw materials for local Products and Import of Finished pharmaceutical products duty free.**

For most companies they claimed that it was difficult to do business abroad when they could not do business locally. Finished goods (through local importers) were allowed into the country duty whereas duty was levied on raw materials for local manufacture of the same. This made the local playing field uneven , with importers getting the advantage of lower costs of doing business compared to the manufacturers.

- ◆ **High costs of Infrastructure and Factors of Production, and Harassment and corruption from government officials**

Inefficiency in the government sector and corruption increased the cost of doing business locally. Capital that would have otherwise been allocated for expansion into overseas markets was pent on financing the cost of doing business locally. On the other hand lack of proper polices and commitment to protect the local manufactures was lacking. One case cited to support this was the permission by the ministry of health to any importer to import any type of drug including the ones manufactured locally. Local manufactures (76%) felt that the government should have introduced quotas on importation of drugs that were manufactured locally. This can be considered as a government's role to protect it's infant industries.

#### **4.9.3 Which Host Country Government Polices and Regulations support your Export Trade?**

**Table 4.9-3 (a) : Host County Government Polices Supporting Export Trade.**

In this section the respondents answered as follows.

<i>Policy and/ or Regulation</i>	<i>% of Sample</i>
Uganda Pre-shipment inspection not required	68%
Mozambique, no registration of drugs required	56%



These were the only two polices and / or regulations in the region that came up as enhancing (supporting) export business.

The implications of the above to the business were as follows.

◆ **Uganda Pre-shipment inspection not required**

This regulations assisted in faster processing of export documents and hence faster product delivery form home country to the host country market place.

◆ **Mozambique, no registration of drugs required**

This regulation assisted in that in Mozambique the bureaucratic registration of drugs, which usually takes a long period was non existent therefore it was possible for local manufacturers to enter the market (no entry barriers)

**Table 4.9-3(b) : Host County Government Polices Limiting Export Trade.**

<i>Policy. and/ or Regulation</i>	<i>% of Sample</i>
Tanzania has stringent pre - shipment requirements that delay product	78%
In Tanzania one can only import goods with a minimum worth of USD 5000	56%
In Uganda, Registration of drugs with the Ministry of health takes a long time	58%
Stiff Internal Competition in the host country	42%
High Import Duties in Tanzania	38%

The above regulations and polices had the following implications on business.

◆ **Tanzania has stringent pre – shipment requirements that delay product**

This implied that it took longer to get goods into the host country market. (Tanzania)

This affected sales, Product Distribution and Product Availability.

◆ **In Tanzania one can only import goods with a minimum worth of USD 50000**

This implied that for smaller companies with goods worth than the minimum requirement, export of surplus produce was not possible to this market. They therefore had to either market the produce locally or seek alternative export destinations.

◆ **In Uganda, Registration of drugs with the Ministry of health takes a long time**

This regulation Increased the entry barriers into this market. New product penetration was much slower.

This had an impact on sales and marketing of new products into this market.

◆ **High Import Duties in Tanzania**

This regulation definitely puts the host countries local manufacturers at an advantage over their importing counterparts. This requirement also increases the cost of doing business in this country.

#### **4.10 Regional Groupings and their Impact on Local Export Trade.**

This section was designed to collect data on how regional groupings had influenced local export trade in the pharmaceutical industry.

The various Groupings that were discussed in the questionnaire were:

- COMESA
- ECOWAS
- EU
- NAFTA
- EAC.

The respondents however were generally familiar with all the common markets and trade unions mentioned. However only two common markets had direct implications on their trade.

These were:

Regional Grouping	% of sample affected
EAC	100%
COMESA	63%

The above groupings influenced the trade both negatively and positively.

#### **COMESA. (The Common Market for East and Southern Africa)**

This is the regional grouping as a common market for the East and Southern Africa nations.

##### **Positive Influence.**

Tariffs for all the member countries were uniform hence a level playing field.

##### **Negative influences.**

There was a lot of disparity in tariffs among member countries hence there was a trade imbalance skewed in favour of the more developed countries like Egypt.

This also gave an unfair playing field for the member countries.

#### **EAC. (The East Africa Community)**

This is the more recent union of the three east African countries namely, Kenya Uganda and Tanzania.

The EAC is working towards harmonising the trade in the region

The budgets for the year 2002 for the three member countries were read on the same day for the first time. There is already an EAC parliament with council of ministers.

##### **Positive Influence.**

Tariffs for all the member countries are uniform hence a level playing field.

The opening of three markets has definitely increased market share and regions of export.

Negative influences.

Harmonisation of tariffs in the three countries is still under way.

Removal of tariff barriers among the member countries has also not been finalised. Finalisation of the above will lead to greater business activity and more export trade among the member state for the industry,

#### 4.11 Respondents' Opinion on The most Crucial Factors Internal or external to the Firm that can enhance their companies export trade.

This section was designed to get from the respondents what factors that are lacking but if present would greatly enhance their export trade. The respondents were requested to rank the choices in order of importance on a scale of 1 to 5 where 1 was the least important factor and 5 the most important factor.

Table 4.11-1: The most Crucial Factors External to the Firm that can enhance export trade.

Factor	Scale					Total
	1	2	3	4	5	
<i>Removal of Tariff Barriers by host Governments</i>	0%	0%	0%	0%	100%	100%
<i>Removal of Non-Tariff Barriers by Host Governments</i>	0%	0%	0%	0%	100%	100%
<i>Export Incentives By home country governments</i>	0%	0%	0%	0%	100%	100%
<i>Export Incentives by Host Country governments</i>	100%	0%	0%	0%	100%	100%

The table above indicates that, according to the industry players the most crucial external factors that would boost their export trade were

- 1 Removal of tariff barriers
- 2 Removal of non-tariff barriers
- 3 Export Incentives by home country government

On the other hand the following came up as the least important external factor in enhancing export trade

- 1 Export Incentives by host country governments.

Besides the above factors, respondents also cited the following as various crucial factors external to the firm that would enhance export trade.

In order of importance.

<i>Factor</i>	<i>% Of sample.</i>
Restriction by the government of new entrants into the market especially importers ( Raise the entry barriers )	100%
Regulate through quotas the number of drugs imported that have locally manufactured substitutes	100%
Government subsidies on factors of production	100%
Regulation of new product registration(more stringent controls and measures to be enforced)	92%
Protection By the government from unfair local and international competition	92%
Government to revoke her signatory to the World Trade organisation (WTO) on patent recognition for drugs.	77%

**Table 4.11-2: The most Crucial Factors Internal to the Firm that can enhance export trade.**

Scale						
<i>Factor</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>Total</i>
<i>Knowledge on Export Markets</i>	62%	0%	38%	0%	0%	100%
<i>Availability of Insurance cover for overseas markets</i>	0%	0%	38%	62%	0%	100%
<i>Availability of skilled personnel to handle export markets</i>	62%	0%	38%	0%	0%	100%
<i>Availability of capital for expansion</i>	23%	0%	0%	38%	38%	100%
<i>Availability of risk covers against exchange rate fluctuation losses.</i>	0%	0%	0%	77%	23%	100%

The table above indicates that the following were the most crucial factors internal to the firm that were lacking currently but if available would greatly enhance export trade.

<i>Factor</i>	<i>Scale</i>	<i>% of Sample</i>
<i>Availability of Insurance cover for overseas markets</i>	<i>5 (Most Important)</i>	<i>62%</i>
<i>Availability of risk cover against exchange rate fluctuation losses</i>	<i>4 (Important)</i>	<i>77%</i>
<i>Availability of capital for expansion</i>	<i>4 and 5</i>	<i>76%</i>

The results clearly indicate that availability of insurance and risk cover against exchange rate losses and availability of capital were very important factors that would encourage most firms to expand their international trade. However at the time of the study the above three factors were lacking. On the other hand the respondents felt that more government intervention in the regulation and the running of the industry was required. This may have been in the form of protection by the government from cheaper import substitutes or through government subsidies to the manufactures.

The industry also felt that the recognition of drug patents by Kenya (77%) clearly put them at a disadvantage since this hampered the pace of technology transfer from the developed nations to Kenya.

## CHAPTER FIVE

### 5 SUMMARY OF FINDINGS AND CONCLUSION

The result reported in this study were guided by the objective of the study which was To determine the factors that influence trade in locally manufactured pharmaceutical products both form multinationals manufacturing locally and locally owned manufacturing companies.

#### 5.1 Summary of Findings

Data was collected using semi-structured questionnaires. The questionnaires were filled by the respondents both open ended and closed questionnaires were used in order to encourage the respondent's answer freely on all aspects influencing export trade whether positively or negatively.

The findings of this study confirmed that majority of the local pharmaceutical companies are locally owned with no foreign company affiliation. Most of the firms are also sole proprietorships. However ,most of the firms, both corporations and sole proprietorships, have clear vision and mission statements and they are available in written form. Export trade and expansion form part of their strategic visions.

All the companies in the sample except for one engage in export trade. All companies engaging in foreign trade do have an export trade department. The roles of the export trade department is mainly export and marketing with this constituting eighty four percent of the sample (84%)

The products primarily manufactured are Antimalarials, Antihistamines ,Antacids, Analgesics ,among others. Research and Development intensive medicines like Antivirals are not locally manufactured.

At the time of the study the local pharmaceutical industry was mainly marketing to East Africa, West Africa and sub-Saharan Africa. This regions accounted for more than ninety percent (94%) of the total export market . However , there were no exports to Eastern Europe, Western Europe, South America,



North America, Asia and the Middle east. There were also no pharmaceutical exports to North Africa and South Africa.

Of the total produce destined for export markets East Africa had the highest proportions ,followed by west Africa and then by Sub Saharan Africa.

As a proportion of total company produce, the product destined for export, were still much lower (10-30%) compared to the products destined for the local market. As a percentage of the total produce locally sold products varied from a high of Fifty percent to one hundred percent (50-100%) .

There were various reasons that prompted the companies to go into export trade. The most common and important reasons being stiff competition at home, reduced local demand, economic downturn at home and the most obvious to increase market share.

As stated by (Rugman, et al, 1985) one of the reasons that companies seek markets abroad is because of stiff competition at home from other local firms and the influx by foreign firms in the local market. it seems that this is right as stiff competition was one of the main reasons that companies sought markets across borders.

On the other hand attractive incentives by either host or home government seemed to be the least important reasons why these companies chose to trade across the national border.

The modes of entry into foreign markets by the companies were mainly export via agent or distributor and export through own sales subsidiary or scientific offices. Other capital-intensive methods like FDI and local packaging and assembly were lacking. The lack of licensing can be attributed to the lack of proprietary technology ownership within the local industry.

The choice of export destination was influenced by several factors the most important being favorable trading terms with the host country, proximity to the host country and familiarity with the export market. Other important factors that influenced this choice were the political stability and economic stability of the host country.

The industry expressed the opinion that they had not as yet fully exploited the export markets at their disposal. They expressed that they would wish to actually maximize the potential of export trade.

The preferred potential markets in order of importance were Zaire, Central Africa, South Africa, Nigeria and the greater East Africa (Rwanda, Burundi and the Sudan)

Factors limiting trade were several. The respondents thoroughly exhausted this and then explained their implications on their businesses. The respondents discussed these factors in two categories, those internal to the firm and those external to the firm.

The factors limiting export capability internal to the firm were, the firm was not ready to undertake risky venture, lack of capital for expansion, existence of knowledge gaps on export markets, stringent quality requirements and lack of capability for research and development.

The factors external to the firm that limited export capability were Uncertain and Imperfect information and market situations, lack of support and guidance from home country government and prohibitive trade restrictions by host county governments.

Other important factors that respondents mentioned were, in order of importance, Political security internal strife in host countries, financial security and social security.

The companies admitted that they had firm specific advantages that could leverage their export trade.

The most important FSA was large size of the companies that reflected economies of scale. However they felt that there were gaps in Research and Development and Capital availability

The industry appreciated that Kenya had a few Country specific advantages that could enhance or leverage the local export trade. The most significant CSA was availability of efficient and highly skilled low cost labour force. However some critical CSA`s were found to be wanting among them Raw material availability and Regulations to protect infant industries.

The industry players' felt that both the host and home country government polices either enhanced or limited their export capability.

The home country polices and regulations that limited export capability were, High costs of duty for packaging materials, Import of finished pharmaceutical products duty free giving importers an undue advantage over the manufactures, Duty levy on raw material for manufacturers and high cost of factors of production like infrastructure and electricity

On the hand the industry felt that the low duties on importation of raw materials for export actually served to enhance their export trade.

Host country regulations and polices also had a role to play. The industry identified a number of polices that limited export capability. These were Stringent and high pre-shipment standards and requirements by the Tanzania government, Minimum export of goods worth USD 5,000 for Tanzania (this minimized chances of manufactures with surplus worth less than USD 5,000), Laborious and slow drug registration process in Uganda and high import duties in Tanzania.

On the other hand no pre-shipment requirement in Uganda and lack of drug registration in Mozambique worked to the advantage of their export business.

Regional groupings, i.e. Common markets, customs unions and free trade areas affect the strategy, tactics and day - to day operations of a firm engaging in international business especially since their goals are often complex and even contradictory This is not different for the local pharmaceutical companies once they are on the across border trade. Of the five groupings on the questionnaire the companies only cited

two as having the greatest impact on their business. These were, the EAC (East African Community) and the COMESA (Common Market for East and Southern Africa).

The industry felt that the EAC was influencing trade positively since there was access to the three markets, however they felt that faster harmonization of the disparity on tariffs and duties would further enhance their business.

On the other hand the industry players felt that COMESA was influencing business negatively since factors of production in more developed member states like South Africa and Egypt were much lower than in Kenya and thus this gave an undue advantage to South Africa and Egypt.

They felt that disparity in import duty was also a significant issue in that countries like Egypt could import into their country at 3% duty and then re-export this into the member countries whose import duties were as high as 15%. This gave an undue advantage to Egypt. The industry players felt that rules and regulations needed to be enforced in the COMESA in order to enhance positive trade and avoid re-export.

Factors crucial to export trade enhancement both internal and external to the firm were explored.

The most crucial factors if implemented that could enhance export trade external to the firm were removal of tariff and non-tariff barriers to trade and export incentives by home country government.

Others that came up strongly were, Restriction by home government on new entrants into the market, especially drug importers in order to protect the industry, introduction of quota on imports of drugs that are locally manufactured, regulate the number of imports of drugs with locally manufactured substitutes and revoke the country's adherence to the world trade organization declaration on patent recognition on drugs that stifle the growth of the industry.

## 5.2 Conclusion.

The findings of this research have brought to light many important highlights.

The most significant being, the state of the industry, and, the aspirations of the industry.

It is very evident that home government has a great role play both in policy making and as advisor to the export trading community. The firms on the other hand have a role to play in developing their own internal capability and in understanding the foreign market environment in order to fully exploit this to the full potential.

The industry has concentrated on marketing in only across border trade and has not yet fully realized the benefits of high impact markets like Europe Asia and the Middle East. The firms also lack a research and development capability and this is further compounded by lack of capital for expansion and research.

The role of the government in the growth of export trade is very clear from this study. As was the case in 1970 , a law in the India government stopped recognising product patents on drugs. This allowed Indian scientist to reverse engineer western pharmaceuticals technology without paying the hefty licence fees (Forbes Dec 2001). Foreigners market share India fell from 75% to 30 % this allowed for more investments into the local industry and also gave a chance for local manufactures to learn and perfect the business.

India is set to revoke this law, and become a signatory to the WTO regime on drug patents by 2005.

However, as of now India has already developed scientifically literate people and multinationals that are ready to face stiff competition. To be precise, the industry is already very well developed with local pharmaceutical giants like CIPLA, Dr.Reddy`s and Ranbaxy exporting to Africa, The Middle East, South Africa and America (Forbes December 2001)

It is therefore important for the government to protect the industry in order to enable it develop its internal capabilities to compete in the global market. The firms on the other hand need to build up their internal capability to face and meet the challenges of the export trade.

### 5.3 Limitations of the Study.

The study was constrained by a number of factors. Time was the limiting factor and this limited the scope and depth of the study. Owing to the short time during which the study was conducted a number of managers did not fill the questionnaires citing reasons such as

- ◆ Lack of Time to fill in the questioners
- ◆ Managerial policy not to release any information relating to the firm
- ◆ Management not being able to commit to filling in the questionnaire

The study sought to identify the factors that influenced trade in locally manufactured pharmaceutical products both from multinationals manufacturing locally and locally owned manufacturing companies. It would be interesting to compare the findings of the entire industry inclusive of the importers.

Lastly there were limitations of measurement, which are common to all surveys. Beliefs and feelings that are expressed in the study may change over time and respondents may give biased or dishonest answers.

## 5.4 Suggestions for Further Research

The researcher recommends that since study was limited to the local manufacturing companies a similar study should be extended to include all the players in the industry especially the importers.

The same research could also be extended to other industry other than the pharmaceutical industry to check for similarity and / or discrepancies.

It would also be critical to undertake other studies targeting the government policy makers to investigate what influences their policy making in matters that relate to international and export trade and also new drug legalisation and registration.

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*Appendix i*

**QUESTIONNAIRE:**

This questionnaire is divided into two parts. The first part requires you to fill information about your organisation. It will be used for classifying the results of the study. The second part is meant to highlight the various aspects of export trade that your company engages in.

**Part A:**

- 1. Name of the company.....
- 2. Year of establishment.....
- 3. Title of respondent.....
- 3. Duration of Employment.....

1. Who are the owners of the company?

- Local            ()
- Foreign         ()
- Mixed           ()

2. What is the company ownership?

- Sole proprietary   [  ]
- Partnership        [  ]
- Corporation        [  ]

3. Are the company shares traded in NSE?

- Yes    [  ]
- No     [  ]

4. Does the company have a mission statement ?   Yes ()   No ()

**Appendix i**

2. Which factors influence choice of export destination? *(Give a score in order of importance. On a scale of 1-5, 1 being the least important and 5 the most important)*

- ❖ Familiarity to the Market ( )
- ❖ Proximity to the market. ( )
- ❖ Local Government support ( )
- ❖ Host government support ( )
- ❖ Availability of skilled personnel to handle those particular markets ( )
- ❖ Favourable trading terms ( )
- ❖ Reduced exchange rate risk ( )
- ❖ Reduced tariff and non-tariff barriers in those markets. ( )

3. Have you fully exploited foreign markets? Yes ( ) No ( )

If not why?.....  
.....  
.....

4. Which potential Markets would you like to venture to and why ?

.....  
.....

5. Which internal factors limit your export capability? *(Give a score in order of importance. On a scale of 1-5, 1 being the least important and 5 the most important)*

- a) Lack of knowledge on export markets ( )

**Appendix i**

- 2. West Africa ( )
- 3. Sub-Saharan Africa ( )
- 4. Eastern Europe ( )
- 5. Western Europe ( )
- 6. North America ( )
- 7. South America ( )
- 8. Asia ( )
- 9. The Middle East ( )
- 10. Others.....
- .....

6. Which proportions go to these areas?

- a) East Africa ( )
- b) West Africa ( )
- c) Sub-Saharan Africa ( )
- d) Eastern Europe ( )
- e) Western Europe ( )
- f) North America ( )
- g) South America ( )
- h) Asia ( )
- i) The Middle East ( )
- j) Others.....
- .....
- .....

Appendix i

.....

7. When did you start engaging in foreign trade?

- 1-5 years ago ( )
- 5-10 years ago ( )
- 11-15 years ago ( )
- 16-20 years ago ( )
- 21-25 years ago ( )
- 26-30 years ago ( )
- Other (please specify).....

8. What was the leading factor that promoted this company to go into export trade?

*( give a score of 1-5 in order of importance, 1 being the least important and 5 the most important)*

- |                                      |   |   |   |   |   |
|--------------------------------------|---|---|---|---|---|
| a) Stiff Competition at home         | 1 | 2 | 3 | 4 | 5 |
| b) Reduced Demand at home            | 1 | 2 | 3 | 4 | 5 |
| c) Economic Downturn at home         | 1 | 2 | 3 | 4 | 5 |
| d) To increase Market share          | 1 | 2 | 3 | 4 | 5 |
| e) Attractive Incentives by the home | 1 | 2 | 3 | 4 | 5 |

Government to export

f) Attractive incentives by the host governments.

1      2      3      4      5

Appendix i

9. What factors do you consider important when choosing a foreign market destination for your goods? ( give a score of 1-5 in order of importance, 1 being the least important and 5 the most important)

- a) Proximity ( )
- b) Familiarity to the new market ( )
- c) Exchange rate differentials ( )
- d) Ready market for your goods ( )
- e) Others( Please Specify).....  
.....  
.....  
.....

Part C:

1. What methods of foreign market penetration do you make use of:
- a) Foreign Direct Investment. ( )
  - b) Export Via Agent or distributor ( )
  - c) Export through own subsidiary or sales representative ( )
  - d) Local packaging and assembly ( )
  - e) License ( )
  - f) Others( Please Specify).....  
.....  
.....



Appendix i

2. Which factors influence choice of export destination? *(Give a score in order of importance. On a scale of 1-5, 1 being the least important and 5 the most important)*

- ❖ Familiarity to the Market ( )
- ❖ Proximity to the market. ( )
- ❖ Local Government support ( )
- ❖ Host government support ( )
- ❖ Availability of skilled personnel to handle those particular markets ( )
- ❖ Favourable trading terms ( )
- ❖ Reduced exchange rate risk ( )
- ❖ Reduced tariff and non-tariff barriers in those markets. ( )

3. Have you fully exploited foreign markets? Yes ( ) No ( )

If not why?.....  
.....  
.....

4. Which potential Markets would you like to venture to and why ?

.....  
.....

5. Which internal factors limit your export capability? *(Give a score in order of importance. On a scale of 1-5, 1 being the least important and 5 the most important)*

- a) Lack of knowledge on export markets ( )

Appendix i

- b) Lack of Appropriate Technology in Research and Development. ( )
- c) Lack of Appropriate Technology in Manufacturing. ( )
- d) Lack of Appropriate Technology in Information Systems. ( )
- e) lack of capable personnel to handle overseas markets ( )
- f) Firm not ready to undertake risky ventures ( )
- g) Lack of capital ( )
- h) Unable to meet quality standards demanded by the foreign market ( )
- i) Others( Please Specify).....  
.....  
.....  
.....

6. Which external factors (market) limit your export capability? *(Give a score in order of importance. On a scale of 1-5, 1 being the least important and 5 the most important)*

- a) Prohibitive trade restrictions by host governments ( )
- b) Prohibitive trade restrictions on products from Kenya by host governments
- c) Lack of support and guidance form home government ( )
- d) Foreign exchange risks ( )
- e) The emergence of common markets and trade unions around the world ( )
- f) Buyer and seller uncertainty ( )
- g) Uncertain and imperfect information situations ( )
- h) Others (Please Specify).....  
.....

Appendix i

7. What are your firm Specific advantages that would leverage your trade / company beyond the national borders? (Give a score in order of importance. On a scale of 1-5, 1 being the least important and 5 the most important)

- a) Proprietary Technology due to research and development ( )
- b) Managerial , marketing or other skills ( )
- c) Product differentiation ( )
- d) Large size of company reflecting economies of scale ( )
- e) Availability of capital ( )

f) Others( Please Specify).....  
.....  
.....  
.....

8. What country specific advantages do you have that can enhance your export trade

- a) Raw materials readily available ( )
- b) Efficient and skilled low cost labour force ( )
- c) Trade barriers restricting imports ( )
- d) Others (Please Specify).....

.....  
.....  
.....

**Part D:**

1. Which government regulations or policies promote or support your export strategy?

.....  
.....  
.....

2. Which government regulations and policies limit export strategy and why ?

.....  
.....  
.....

3. Which host country government policies limit your export trade?

.....  
.....  
.....

Appendix i

4. Which host country government trade polices enhance your export trade?

.....  
.....  
.....

5. How have regional groupings affected you export trade?

- COMESA .....
- ECOWAS .....
- EU .....
- NAFTA .....
- EAC .....

7. What do you in your opinion feel are the most crucial external factors that can enhance your export trade? *(Give a score in order of importance. On a scale of 1-5, 1 being the least important and 5 the most important)*

- a) Removal of Tariff Barriers ( )
- b) Removal of non tariff barriers ( )
- c) Export incentives by home country government ( )
- d) Export Incentives by host country governments ( )
- e) Others( Please Specify).....  
.....  
.....  
.....

*Appendix i*

7. What do you in your opinion feel are the most crucial internal ( to the firm) factors that can enhance your export trade? *(Give a score in order of importance. On a scale of 1-5, 1 being the least important and 5 the most important)*

- a) Knowledge on export markets ( )
- b) Availability of insurance cover for overseas markets ( )
- c) Availability of skilled personnel to handle export markets ( )
- d) Availability of capital for expansion ( )
- e) Availability of risk cover against exchange rate fluctuation losses ( )
- f) Others (Please Specify).....

.....  
.....  
.....

**List Of Local Manufacturing Companies:**

Aesthetics	LGM
Beta Healthcare International	LGM
Bayer East Africa	MMC
Biodeal Laboratories	LGM
Cosmos LTD	LGM
Didy Pharmaceuticals LTD	LGM
Ely`s Chemical Industries LTD	LGM
Gesto Pharmaceuticals LTD	LGM
GlaxoSmithKline	MMC
infusion (K) LTD	LGM
Kenya sterile supplies	LGM
Kenya veterinary vaccines production	LGM
Laboratory and Allied LTD	LGM
Mac`s Pharmaceuticals	LGM
Manhar Brothers (K) LTD	LGM
Medivet Products	LGM
Novelty Manufacturing	LGM
Pharmaceutical Manufacturing	LGM
Pharmaceutical Manufacturing co.	LGM
Regal Pharmaceuticals	LGM
sphinx pharmaceuticals	LGM
Universal Pharmacy	LGM

LGM: Local Manufacturing Company;

MMC: Multi-National Manufacturing Company.

Source: The Kenya Gazette, 15<sup>th</sup> June 2000.

LIST OF REGISTERED PHARMACEUTICAL COMPANIES:

<i>Company</i>	<i>Type</i>
<i>A.S lundebeck, Overseas</i>	MG*
<i>Aashpharm Ltd</i>	MG
<i>Abacus Pharma</i>	MG
<i>Africon Sales Ltd</i>	MG
<i>Alliance Enterprise and Salitone</i>	MG
<i>Alsafr Healthcare ltd</i>	MG
<i>Amoun Pharmaceuticals</i>	MG
<i>Apple Pharmaceuticals</i>	MG
<i>Assia Pharmaceuticals</i>	MG
<i>aesthetics</i>	LGM**
<i>Aventis</i>	OM***
<i>Bakphrm Ltd</i>	MG
<i>Bayer East Africa</i>	MMC
<i>Beta Healthcare International</i>	LGM
<i>Betroy Pharmaceuticals</i>	MG
<i>Biochemie GMBH Austria</i>	OM
<i>Biodeal Laboratories</i>	LGM
<i>Boehringer Ingelheim</i>	OM
<i>Boma Drughouse</i>	MG
<i>Bristol Meyers Squibb Co.</i>	OM
<i>Bulk Medicals</i>	MG
<i>Business Frontiers Ltd</i>	D****
<i>C.Mehta Co. Healthcare</i>	D
<i>Cadilla Healthcare</i>	MG
<i>Caroga Pharma Kenya ltd</i>	MG
<i>Cedar Pharmacare</i>	MG
<i>Central Drug Company</i>	D
<i>Central Medical Stores</i>	D
<i>Choice Meds Limited</i>	D
<i>Chemid Kenya Limited</i>	D
<i>Cooper Pharmaceuticals</i>	D
<i>Core Healthcare Ltd</i>	MG
<i>Cosmos Ltd</i>	LGM
<i>Countrywide Pharmaceuticals</i>	D
<i>Cussons and Company Ltd</i>	FOM
<i>Curamed Pharmaceuticals</i>	MG
<i>Denken pharmaceuticals Ltd</i>	MG
<i>Didy Pharmaceuticals Ltd</i>	LGM
<i>Donvet Pharmaceuticals Ltd</i>	MG
<i>DrugPharm Services Ltd</i>	D
<i>E.T.Monks Ltd</i>	D



## Appendix iii

<i>Eli-Lilly (Suisse) SA</i>	OM
<i>Ely`s Chemical Industries Ltd</i>	LGM
<i>Europa Healthcare Ltd</i>	MG
<i>ForetPharma Ltd</i>	MG
<i>Framin Kenya Ltd</i>	OM
<i>Gesto Pharmaceuticals Ltd</i>	LGM
<i>Glaxo SmithKline</i>	MMC
<i>Globe Pharmacy</i>	D
<i>Goodman Agencies Ltd</i>	MG
<i>Harleys Limited</i>	D
<i>Healthcare Pharmaceutical Products</i>	MG
<i>High Fields Pharmaceutical</i>	MG
<i>Howse and McGeorge Ltd</i>	D
<i>infusion kltl</i>	LGM
<i>Janssen Pharmaceutica</i>	OM
<i>Johnson &amp; Johnson Kenya Ltd</i>	FOM
<i>Jos .Hanssen and Soehne</i>	OM
<i>Karuri Stores Pharmaceuticals</i>	D
<i>Kemipharm Ltd</i>	D
<i>Kenya sterile supplies</i>	LGM
<i>Kenya veterinary vaccines production</i>	LGM
<i>Laboratory and Allied Ltd</i>	LGM
<i>Ladopharma Company Ltd</i>	MG
<i>Letap Kenya Ltd</i>	D
<i>Lord`s Healthcare Ltd</i>	MG
<i>Mac`s Pharmaceuticals</i>	LGM
<i>Manhar Brothers (K) Ltd</i>	LGM
<i>Maruti Pharmaceuticals</i>	D
<i>Medical and Healthcare products</i>	D
<i>Medivet Products</i>	LGM
<i>Merck Sharp and Dohme</i>	OM
<i>Merrel Dow Pharmaceutical</i>	OM
<i>Metro Pharmaceuticals</i>	D
<i>Mombassa Medical Stores</i>	D
<i>Nairobi Enterprises</i>	D
<i>Nairobi Medical Stores</i>	D
<i>Nairobi Pharmaceuticals</i>	D
<i>Nakuchem (k) ltd</i>	D
<i>Nakuru Medical Stores</i>	D
<i>Neema Pharmaceuticals</i>	D
<i>Norvartis Pharma Inc</i>	OM
<i>Novelty Manufacturing</i>	LGM
<i>Orient Pharmaceuticals</i>	MG
<i>Pan Pharmaceuticals</i>	MG
<i>Pharmaceutical Manufacturing</i>	LGM
<i>Pharmaceutical Manufacturing co.</i>	LGM
<i>Petterson Pharmaceutical Ltd</i>	MG
<i>Phillips Pharmaceuticals Ltd</i>	MG

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<i>Polymetrics Pharmaceuticals Limited</i>	MG
<i>Polystra (k) ltd</i>	MG
<i>Ray Pharmaceuticals</i>	MG
<i>Regal Pharmaceuticals</i>	LGM
<i>Regency Pharmaceuticals</i>	MG
<i>Riverlyne Pharmaceuticals</i>	MG
<i>Roche Products</i>	OM
<i>Sal Healthcare</i>	D
<i>Schering Africa GMBH</i>	OM
<i>Schering Plough</i>	OM
<i>Sipri Pharmaceuticals</i>	D
<i>Spectropharm</i>	MG
<i>sphinx pharmaceuticals</i>	LGM
<i>Spin Pharmaceuticals</i>	MG
<i>Statim Pharmaceuticals</i>	D
<i>Surgilinks</i>	D
<i>SurgiPharm</i>	D
<i>Syner-Med Pharmaceuticals</i>	D
<i>Tenlands Pharmaceuticals</i>	D
<i>Temple Stores Pharmaceuticals</i>	D
<i>Transwide Pharmaceuticals</i>	D
<i>Trinity Pharma</i>	D
<i>Twiga Pharmaceuticals</i>	D
<i>Universal Pharmacy</i>	LGM
<i>Upjohn E.A</i>	OM
<i>Vantage Pharmaceuticals</i>	D
<i>Vinci Pharmaceuticals</i>	D
<i>WestWay Pharmaceuticals</i>	D
<i>Pfizer</i>	OM
<i>Wockaine ( K) Ltd</i>	MG
<i>Wockhart Ltd</i>	MG
<i>Wyeth Ayerst Promotions Ltd</i>	OM
<i>Zeneth Pharmaceuticals.</i>	MG

**Source: Adapted from the Kenya Gazette, 15<sup>th</sup> June 2000**

**LGM: Local Generic manufacturing company**

**MG: Marketing Generic company**

**OM: Original Marketing company**

**D: Distributor**

**MMC: Multi-national Manufacturing Company.**

*Appendix iv*

**Pharmaceutical Market Shares (1999)**

Company Name	Sales1999 in Khs Millions	Total Market Kshs.M	% Market Share	Type of Company.
Smithkline Beecham	1200	6157	19%	Importing Company
Glaxo Welcome	720	6157	12%	Importing Company
ROCHE	450	6157	7%	Importing Company
PFIZER	320	6157	5%	Importing Company
UPJOHN	300	6157	5%	Importing Company
Bristol Meyers Squibb	280	6157	5%	Importing Company
Astra Zeneca	220	6157	4%	Importing Company
AVENTIS	180	6157	3%	Importing Company
Merck Sharpe & Dohme	160	6157	3%	Importing Company
BAYER	160	6157	3%	Importing Company
Eli LILLY	144	6157	2%	Importing Company
Norvatis	100	6157	2%	Importing Company
Boehringer Inglehem	90	6157	1%	Importing Company
Janssen Cilag	70	6157	1%	Importing Company
Warner Lmabert	66	6157	1%	Importing Company
Abbott Laboratories	28	6157	0%	Importing Company
Organon	15	6157	0%	Importing Company
Cosmos	500	6157	8%	Local

*Appendix iv*

Laboratories				Manufacturing
Regal Pharmaceutic als	260	6157	4%	Local Manufacturing
Lord`s Healthcare	220	6157	4%	Importing Company
Lab & Allied	200	6157	3%	Local Manufacturing
Mepha	180	6157	3%	Importing Company
Bulk Medicals	120	6157	2%	Importing Company
Europa Healthcare	100	6157	2%	Importing Company
Cadilla Healthcare	38	6157	1%	Importing Company
Ranbaxy	36	6157	1%	Importing Company

World's exports to  
Kenya

RANK	HS code and product label	Value 1998 (US\$ m.)	Trend 94-98 (%)	Trend stability	Regional trend (%)	World trend (%)	Share in world (%)	Rel. Unit value (reg.=1)	Imports Per capita (US\$)	Rel. per capita (reg.=1)	Leading exporting countries		Underused exporting countries	
											1st	2nd	1st	2nd
	ALL GOODS	2'072	4	volatile	5	6			68					
	ALL GOODS (IMF/DOTS, 1998)	3'460							115					
6	1001 Wheat and meslin	59	4	volatile	5	2	0.4	1.0	2.0	1.9	ARG	USA	USA	GBR
7	1005 Maize (corn)	51	19	volatile	4	1	0.6	1.2	1.7	5.2	USA	MEX	ZAF	FRA
10	1511 Palm oil & its fraction, wh refined but not chemically modified	36	27	medium	18	7	0.6	1.0	1.2	7.1	MYS	IDN	SGP	ZAF
8	1701 Cane or beet sugar and chemically pure sucrose, in solid form	50	-3	volatile	12	-1	0.6	0.7	1.7	1.3	ZAF	MEX	BRA	FRA
25	2710 Petroleum products	15	-9	volatile	-3	2	0.0	2.0	0.5	0.4	FRA	AUS	SGP	ITA
5	3004 Medicaments of mxd/unmixed prods for therap/prophiltc uses, in dosage	62	10	stable	8	15	0.1	0.6	2.0	1.4	GBR	FRA	FRA	ITA
14	3105 Mineral/chem fert of 2/3 of amnt N phosph./pot./fert ne;ln pack<=10kg	30	10	medium	0	6	0.5	1.1	1.0	4.2	FIN	USA	ZAF	GRC
12	3808 Insecticides, fungicides, herbicides etc packd for retail sale	34	12	stable	5	8	0.3	0.9	1.1	2.6	DEU	FRA	FRA	ZAF
32	3901 Polymers of ethylene, in primary forms	12	3	volatile	9	7	0.1	0.9	0.4	1.2	KOR	ZAF	KOR	USA
28	3902 Polymers of propylene or of other olefins, in primary forms	13	8	stable	0	6	0.2	0.9	0.4	2.6	ZAF	KOR	FRA	BRA
31	3907 Polyacetal, o polyether, epoxide resin, polycarbonate, etc, in primary form	12	-7	volatile	4	7	0.1	0.7	0.4	2.7	NLD	ZAF	FRA	BEL
24	4011 New pneumatic tires, of rubber	16	8	medium	8	6	0.1	2.9	0.5	1.0	JPN	KOR	ZAF	FRA
4	6308 Worn clothing and other worn articles	62	40	stable	13	3	5.4	1.5	2.0	2.9	GBR	CAN	BEL	USA
9	7208 Flat-rolled products of iron/non-als wth>=600mm hr, not clad, pltd/ctd	43	-10	medium	-4	4	0.3	1.0	1.4	7.0	JPN	ZAF	RUS	BEL
19	7210 Flat-rolled prod of iron or non-als wtd>=600mm clad, plated or coated	21	8	volatile	1	6	0.1	1.2	0.7	1.6	JPN	DEU	ZAF	FRA
33	7901 Unwrought zinc	11	16	medium	11	10	0.3	1.0	0.4	10.2	ZAF	NLD	BEL	
15	8408 Compression-ignition int combu piston eng (diesel or semi-diesel eng)	28	75	medium	10	7	0.2	0.9	0.9	4.9	JPN	USA	FRA	GBR
17	8411 Turbo-jets, turbo-propellers and other gas turbines	23	40	stable	12	15	0.1	1.5	0.8	2.3	GBR	BEL	USA	CHE
28	8418 Refrigerator/freezer, electo, heat pump or air cond mach of headg 84.18	13	22	stable	7	7	0.1	0.8	0.4	1.5	GRC	ZAF	FRA	ITA
27	8422 Dish washg mach; mchy for clean/drying/fil/clo/etc mchy for aeratg bev	13	9	medium	5	4	0.1	1.8	0.4	1.9	DEU	SWE	BEL	FRA
28	8438 Machinery, nes in this ch, for the ind prep or mfr of food or drink	13	21	medium	12	1	0.2	0.5	0.4	1.5	ZAF	GBR	FRA	ITA
16	8471 Automatic data proces mach; optical reader mach for transcrib data etc	28	12	volatile	11	11	0.0	7.5	0.9	1.6	NLD	GBR	FRA	ZAF
21	8473 Parts&access of cover/casing cases&sim for use with htd 84.69.84.72	18	14	volatile	8	13	0.0	2.6	0.6	1.8	GBR	FRA	ZAF	FRA
23	8506 Primary cells and primary batteries	17	43	stable	23	7	0.4	0.3	0.6	2.2	CHN	IDN	FRA	ZAF
20	8517 Electric app for line telephony/line telegraphy, incl curr line system	18	4	volatile	20	16	0.0	1.0	0.6	0.9	DNK	ITA	FRA	DEU
18	8525 Transmissn app for radio-telephony radio-broadcastg television camera	22	22	medium	27	11	0.1	3.5	0.7	1.6	GBR	FRA	ZAF	ISR
22	8701 Tractors (other than tractors of heading no 87.09)	18	-1	volatile	4	7	0.1	0.7	0.8	1.5	GBR	ITA	FRA	USA
1	8703 Motor veh princ designd for transp person (ot 8702) incl car/sta wag	76	-5	volatile	4	7	0.0	0.9	2.5	1.5	JPN	ZAF	BEL	FRA
2	8704 Motor vehicles for the transport of goods	66	-5	volatile	4	8	0.1	0.6	2.2	1.5	JPN	GBR	ZAF	FRA
11	8708 Parts & access of the motor vehicles of heading nos 87.01 to 87.05	34	4	volatile	2	8	0.0	1.5	1.1	1.4	GBR	JPN	FRA	ZAF
3	8802 Aircraft (helicopter, aeroplanes) ne; spacecraft (satellites) launch veh	63	65	stable	11	9	0.1	0.4	2.1	3.4	USA	ZAF	ITA	CAN
34	8803 Parts of goods of heading no 88.01 or 88.02	11	6	volatile	5	15	0.0	0.8	0.4	1.8	USA	FRA	FRA	ITA
10	9018 Instrument&appl used in vet/med/surg/dental, other electro-medical appar	12	24	stable	-5	8	0.0	0.4	0.4	1.6	NLD	DEU	ESP	FRA
35	9027 Instruments&app for physical/chem analysis; inst for viscosity, heat, etc	10	24	volatile	8	8	0.1	3.9	0.3	4.3	GBR	DEU	FRA	NLD
3	9999 Special Transaction Trade	34	-4	volatile	-2	8	0.0	0.7	1.1	0.8	IDN	USA	DEU	JPN
	Other services, credit	210	-1	volatile		7	0.0							
	Transport services, credit	309	-5	volatile		3	0.1							
	Travel, credit	147	8	medium		5	0.0							

Note: the indicators are based on the partner countries' export statistics (mirror)

## Exports (based on partner countries' statistics) of

## Kenya

(Value in US\$ million, growth rates in % p.a., market share in %)

Rank value	HS Rev.0	Product	Value 1999	Growth 95-99	Growth pattern	Volume growth	World trade gr.	Market share	Unit value	--- Leading markets ---			
										No.	1st	2nd	3rd
		All goods (mirror stat.)	1'520	-1	Volat.	13	2	0.0	n.a.				
		All goods (ifs)	2'192						n.a.				
7	030420	Fish fillets frozen	42	-1	Volat.	18	4	0.9	0.8	15	ISR	AUS	JPN
18	060210	Cuttings and slips, unrooted	12	22	Med	76	2	6.4	0.7	18	NLD	DEU	FRA
3	060310	Cut flowers & flower buds for bouquets or ornamental purposes, fresh	143	8	Stable	15	0	3.7	1.0	25	NLD	GBR	DEU
8	070810	Peas, shelled or unshelled, fresh or chilled	26	37	Stable	35	8	15.9	3.6	12	GBR	NLD	DEU
5	070820	Beans, shelled or unshelled, fresh or chilled	61	6	Med	7	0	21.5	2.3	13	GBR	FRA	NLD
10	070990	Vegetables, fresh or chilled nes	22	7	Stable	6	2	2.2	3.0	12	GBR	DEU	FRA
13	080440	Avocados, fresh or dried	16	-1	Volat.	2	10	4.2	0.9	15	FRA	NLD	DEU
2	090111	Coffee, not roasted, not decaffeinated	187	-14	Stable	-11	-6	2.0	1.5	38	DEU	GBR	USA
1	090240	Black tea (fermented) & partly fermented tea in packages exceedg 3 kg	241	4	Med	-1	3	20.6	2.5	31	GBR	EGY	IRL
20	130214	Pyrethrum or roots of plants containing rotenone, extracts	11	-23	Stable	-19	-13	42.9	1.3	21	USA	NLD	ARG
21	160414	Tunas, skipjack&atl bonito, prepard/ preservd, whole/in pieces, ex mincd	11				7	0.5	1.3	3	ITA	FRA	PRT
9	200559	Beans nes prepard or preservd, o/t by vinegar or acetic acid, not frozen	23	4	Volat.	8	-1	14.3	2.2	5	FRA	BEL	NLD
6	200820	Pineapples nes, o/w prep or presvd, sugared, sweetened, spirited or not	52	0	Volat.	1	4	6.5	1.3	19	DEU	ITA	ESP
15	200940	Pineapple juice, unfermented&not spiritd, whether or not sugard or sweet	16	-3	Volat.	0	3	4.4	1.5	10	NLD	ITA	GBR
28	210120	Tea or mat- extracts, essences & concentrates & preparations thereof	8	-1	Volat.	8	12	3.9	2.3	17	GBR	USA	DEU
26	220300	Beer made from malt	9	-1	Volat.	-41	3	0.2	0.5	7	TZA	UGA	GBR
25	240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	10	48	Med	65	4	0.2	0.8	10	GBR	DEU	JPN
29	250100	Salt (includg table salt&denaturd salt) pure sodium chloride&sea water	8	21	Med	20	-1	0.7	4.5	3	UGA	TZA	GBR
11	252329	Portland cement nes	22	-8	Volat.	29	3	0.8	n.a.	3	UGA	FRA	TZA
27	252922	Fluorspar, containing by weight more than 97% of calcium fluoride	9	6	Volat.	12	4	5.3	0.9	5	DEU	ITA	MEX
4	271000	Petroleum oils&oils obtained from bituminous minerals, o/than crude etc	93	-81	Med		-33	2.2	n.a.	1	UGA		
14	271026	Gas oils - bunker oil, no.1 furnace, motor diesel	16	175	Stable	131	4	0.1	1.3	3	TZA	THA	FRA
17	283620	Disodium carbonate	13	-3	Volat.	50	0	1.3	n.a.	5	THA	ZAF	MYS
16	300490	Medicaments nes, in dosage	16	24	Stable	-31	16	0.0	0.5	8	UGA	TZA	MUS
30	530410	Sisal and other textile fibres of the genus agave, raw	7	-16	Stable	-10	-8	20.9	0.8	22	GBR	ESP	PRT
23	620342	Mens/boys trousers and shorts, of cotton, not knitted	11	5	Med	2	6	0.1	0.9	2	USA	GBR	
12	620462	Womens/girls trousers and shorts, of cotton, not knitted	19	145	Med	148	14	0.2	0.6	2	USA	CAN	
19	620520	Mens/boys shirts, of cotton, not knitted	11	-16	Med	-15	-2	0.2	0.7	4	USA	UGA	GBR
24	720924	Flat rolled prod, i/nas, in coil, cr, w/>=600mm, less than 0.5mm thk, nes	10				7	0.7	1.3	2	UGA	TZA	
22	847191	Digital process units whether/not presentd w the rest of a system etc	11	89	Med		6	0.0	0.5	6	USA	JPN	GBR
		Transport service, credit	350	5	Stable		1	0.1					
		Travel, credit	304	-13	Stable		3	0.1					
		Other services, credit	259	2	Volat.		5	0.0					

Notes: (\*) may include re-exports. (\*\*) including ships registration

Indicators on export performance  
(value in US\$ million, growth in % p.a.)

Group of products	Value 1999	Growth 95-99	Share in exports
Primary products	1'129	-2	74
Natural-res. int. manuf.	48	-10	3
Labour intens. manuf.	78	1	5
Technology int. manuf.	117	9	8
Human capital int. manuf.	107	-7	7