ANALYSIS OF THE PERFORMANCE OF THE GARMENT INDUSTRY IN NAIROBI AND ITS CONTRIBUTION TO EXPORT TRADE AFTER TRADE LIBERALIZATION.

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DECLARATION

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

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DEDICATION

This project is dedicated to my parents Mr.& Mrs. Nyaga, my brother, sisters for their constant love and encouragement that kept me to successfully complete the project.

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DEFINITIONS.

Textile: A textile was originally a woven fabric, but the terms textile and the plural textiles are now also applied to fibres, filaments and yarns. natural and manufactured, and most products for which these are a principal raw material.

Note.. This definition embraces, for example. Fibre-based products in the following categories: threads, cords, ropes and braids; woven, knitted and nonwoven fabrics, lace, nets, and embroidery; hosiery, knitwear and made-up apparel; household textiles, soft furnishings and upholstery; carpets and other floor coverings.

Cloth: A generic term embracing most textile fabrics. Note: The term was originally applied to wool cloth suitable for clothing

Material: A product formed by intimately combining two or more discrete physical phases, usually a fibrous material.

Apparel: Personal outfit, garments, clothing or attire, including headwear and footwear.

Note: This definition includes all apparel even if made of non-fibrous materials. Some dictionaries imply the inclusion of other, non-clothing habiliments and attached or carried accessories such as jewelry, handbags or walking sticks within the definition of apparel.

Garment: Personal outfit, final item of clothing, or article of clothing made from fibrous material.

International Trade: Is the concept of exchanging goods and services for money between two or more nations

Export trade: This is the act of sending goods to another country for sale.

ABSTRACT

The garment industry in Kenya is a mature industry in sense the sense that it has developed processes in the manufacture of garments and there is a fair competition. The garment industry has been identified by the Kenyan government as having a huge potential for leading the country into the next phase of industrialization.

Garment Manufacture had been primarily oriented to the domestic market and had for a lot of years been sheltered from foreign competition by both quantitative and qualitative competition on the import of garments. However, the large scale smuggling in of second hand clothing popularly known as "mitumba" has periodically diluted such protection.

This has brought a lot of concern about the performance of the Kenya's garment industry but there is still scarcity of information on how the firms in the industry are performing and their contribution to the export trade even after the introduction of the African Growth and opportunity Act (AGOA) which offers garment manufacturers opportunities to expand trade and investment.

This study follows a line of investigation that analyzes the performance of the garment industry in Nairobi and seeks to answer why the garment industries are not breaking even in the International market and what can be done to improve their competitive advantage in the export market.

A survey was conducted on the garment industries in Nairobi including those firms outside Nairobi but have offices in Nairobi. The quantitative data was analyzed using descriptive statistics, which included tables, percentages, frequencies, ranks, and mean scores to achieve the set objectives.

The study discovered the local manufacturer has potential to compete successfully in the global market but can do so only when certain factors are put in place: ie

- The business environment must be continually improved in order to build up existing production and technical learning as well as attractive new investment. This also includes government and private sector awareness of relevant international trade policies, like garment quota, so that government can effectively negotiate levels, which allow growth and investment.
- Another factor that came out strongly was the transaction costs, which link local manufacturers to international markets need to be lowered, and the process streamlined. Foreign buyers, indirect exporting opportunities via subcontracting and the presence of pre-existing private networks that can facilitate entry to particular countries and markets can reduce transaction costs through the use of private mechanism like trading intermediaries.
- The third factor that was also made known from the study was that technical training within the firms needs to be an outgoing process so that the Kenyan manufacturers can remain competitive. Companies need encouragement to adopt systematic research and development with staff and facilities dedicated to these tasks, and they must tap into the international network of technical information.
- Access to credit for the garment manufacturers should also be re-examined if the industry is to perform excellently in the international market.
- Lastly, the infrastructure, particularly ports and roads, need to be improved to eliminate the barriers which limit the garment industry from performing exceptionally.

CHAPTER ONE

INTRODUCTION

1.0: Background of the garment industry

Garment manufacturing has been a human being occupation since man begun to clothe himself. Garments can be used to refer to articles made from fabric, which is woven into material and are used in everyday life of the human beings. Garments could be dresses, kanzus, shukas, kikois, trousers, sweaters, caps, jackets and any other form of fabric made to clothe man. Garment industry is well established in Kenya. It was started long before independence in Kenya though after independence there was a lot of spinning mills as well as garment constructing companies supported by the government between 1963 and 1985. The cotton lint and seed marketing board also boosted Cotton growing and there were many ginneries established through out the country

1.1 Status of the Garment Industries in Kenya

Garments and Apparel manufacturing are well-established activities in Kenya. The size and mature state of the garments industry have contributed to its rapid expansion and growth. Presently, there are over 51 textiles manufacturing facilities in Kenya with an installed capacity to produce 83 million square meters per annum, and employing some 128,000 people (GoK). The garments industry in Kenya has traditionally concentrated on cotton garments manufacture, predominantly using local cotton fiber. The basic raw material inputs such as dyes and chemicals are imported, as well as all garments equipments and most spares.

Garment manufacture is generally considered to be one of the "starter industries" for a countries industrial development. Although it is hard to judge to what extent garment manufacture has contributed to the overall industrial development of countries, the historical record suggests that garment exporters do aid development by the creation of local industries; the historical record suggests that garment exporters do aid development by the creation of local industrial capacity and skill formation. Experience in countries such as Bangladesh, Sri Lanka and Mauritius has borne this out.

It is a highly labor intensive industry and uses systematic form of manufacture, which does not depend on heavily sophisticated technical skills or technology. Most garments are manufactured accordingly to buyer designs and specifications, no advanced design expertise is required locally, and thus most standard garments can be manufactured with ease. Buyers' source garments from all corners of the globe, using established purchasing criteria. The garment industry does not depend on heavy capital investments or long lead times to come on stream. Fabric is the single largest input of a garment, representing up to 62 percent of the cost of the finished product (as shown in table 1.1).

Because of its weight and volume characteristics, fabric can be transported over long distances without a significant impact on the unit cost. For instance using fabric imported from China to manufacture a shirt in Kenya would not add more than US$0.15 to the cost of the garment. Thus garment manufacturers can locate in Kenya irrespective of whether there is a local supply of fabric or not. Nor is the industries mobility constrained by a requirement to be close to the market- by all accounts, it costs a maximum of US$ 0.25 to transport a shirt from a port in the Far East to New York!

The textile and garment industries have been identified by the Kenyan government as having great potential for leading the country into the next phase of industrialization. Yet these industries are inefficient and uncompetitive on both domestic and world markets. Many observers -- both within and outside the industries the unstable macro-economic environment also posed problems. During the early 1990s, Kenya experienced a serious recession. On the growth of GDP per capita was negative in both 1992 and 1993. Inflation peaked in 1993 at about 46%. (Economic survey, GoK 1996)

During this period, there were shortages of foreign exchange, fluctuating interest rates and fiscal deficits. A trade-liberalization scheme was implemented including significant tariffs reductions. The textile sector was hit particularly hard by these measures, and output was almost cut in half from 1992 to 1994. (Economic Survey, GoK 1996)

1.2 Garment Production in Nairobi

Nairobi has two large garment-making clusters, housed in city council markets on the eastern side of the city.

Most of the firms in the two markets are 'mini-manufacturers', i.e. small firms with limited division of labor. (McCormick et al. 1997). In addition to approximately 600 producers, the markets support traders in inputs and finished products, machine repairers, scissors sharpeners, transporters, and food kiosks. Although there are no formal financial institutions within the clusters, several NGOs offer credit to businesses in the markets.

1.3 History and turning points of the Nairobi Garment Markets

Uhuru and Quarry Road markets were built in 1974 to replace older makeshift premises dating from colonial times. Quarry Road market, consisting of three concrete-block buildings, is in Gikomba, about two kilometers east of Nairobi's city center. Uhuru market, a similar, but larger complex of five buildings, is a few kilometers to the south.

Two clear turning points can be identified. In the late 1970s businesses turned from retailing second-hand clothes to making new clothing (McCormick et al. 1994). The products sold well, both in Nairobi and secondary towns. The 1984 ban on imports of second-hand clothes strengthened their position. The cluster's second turning point came when this ban was lifted in 1991 (Ongile and McCormick 1996). At that point the Combination of increased competition and already slack demand caused by a depressed economy was a real blow to small-scale production.

In 1989 Uhuru market housed 361 garment manufacturers, and Gikomba market, 235 (McCormick 1997). The premises, though clearly better than the outdoor sites of the jua kali metalworkers and carpenters, are unsuitable for garment manufacturing. Lighting is poor, electricity supply erratic, and business services lacking. The semi-open stalls are too cramped to allow for efficient flow of work and lack the privacy needed for new product

1.4 Economic context for the Clothing Production

Kenyan garment producers face complex markets. A few large-scale producers have managed to break into the export market (McCormick 1992, Biggs et al. 1994, 1996). Domestic markets can be roughly divided into the markets for general men's, women's, and children's wear and specialized markets such as those for uniforms, overalls, wedding dresses, etc. Each market segment can be further divided according to product price and quality.

The domestic market for new clothes is constrained by the poverty and declining purchasing power of most Kenyans, the local nature of distribution systems, and the availability of cheap alternatives. In Kenya one hears "mitumba". Which means, " used clothing" Which is a cheaper alternative to economic improvement. Unfortunately, for Africa and Kenya in particular, the current problems in the textile and clothing sector begin with used clothing. Only the eradication of the international trade second hand clothing is likely to ease these problems and halt the current growth in poverty experienced by former textile workers and clothing workers.

However, the vast majority of second-hand clothing imports is wholly commercial and brings no benefits whatsoever to the Kenyan garment industry – only destruction. Tons of clothing donated to leading charities are bought by shrewd groups of used clothes dealers in Europe and the US who have turned this generosity into a multi-million dollar business. The clothing purchased for perhaps 5 to 10 Pennies per kilo are roughly sorted and baled and shipped to Kenya where they will command prices at between 600 and 3,000% over what the wholesales paid for them. (Biggs et all.1996)

Used clothing is big business, both in Europe and the US. In the latter, nearly US$ 300 millions worth are shipped annually to 130 countries across the globe. This is a scavenging trade, where companies get their product practically for free before converting it into cash. US exporting company, Domsey Trading Corporation, for example, reports annual sales of more than US$ 45 million.

Unfortunately, few Europeans or Americans realize where their cast-offs end up. If they do, they may share the view of the European exporter that Africa has no textile industry worth mentioning. However, they would be far wrong. In many African countries, Kenya not excluded, the textile sector leads manufacturing industry in terms of employment provision. The last available figures for employment suggest that 1,000 people earn a livelihood in the textile industry in Malawi, 27,000 in Zambia 35,000 in Kenya 47,000 in Ethiopia, 48,000 in Zimbabwe, 85,000 in Mauritius and in South Africa 225,000.

(Economic review, 1999)

In these 7 countries alone, between 4 and 5 million people maybe dependent on the earnings of the half million workers employed producing textiles and clothing.

Average real wages declined by 57% in the private sector and 49% in the public sector between 1988 and 1994. Unlike Zimbabwe and South Africa, Kenya does not have a national clothing distribution system (Pedersen 1993, October 1996).

Large chains of clothing retailers do not exist, and except in Nairobi and a few large towns, even small retail shops are few. This means that producers must either sell to traders who travel to specific 'up-country' locations, or go themselves to sell their wares. Naturally, this limits the size of the market that garment manufacturers can access. The market is further limited by the availability of cheap alternatives to new clothing. For poor consumers and, increasingly for those in the middle-income range, second-hand clothes compete with new ones for the family clothing budget (Ongile and McCormick 1996).

Economies of scale and scope are theoretically available, but may be difficult for these producers to realize.

The mini-manufacturers averaged only 3.5 workers per firm compared with a developing country average of 13.4 workers in apparel firms. Their total factor productivity (TFP) was also lower than any other group of garment producers in Nairobi. Both of these facts indicate ample room for realizing scale economies. Studies elsewhere suggest that economies of scope may also be available in clothing production (October 1996, Visser 1996).

1.5 External Economies in the Garment Markets

The main external economies for these firms are market access and, to a lesser degree, the availability of intermediate inputs and services. Neither labor market pooling nor technological spillovers appear to support their activity.

Market access is a major benefit to location in these clusters. The garment markets have become known in Nairobi as places where inexpensive clothing can be bought at either retail or wholesale prices. Particularly important, though not fully described, is the markets' ability to attract traders who will carry clothing to the smaller towns and rural areas (McCormick 1997).

These garment producers have given rise to limited trade in intermediate inputs and have also spawned some basic services. Gikomba has three fabric sellers and six shops selling buttons, thread, and other materials. Uhuru has ten fabric retailers in the open-air market outside the main market, but clothing producers claim that prices are so high that they are forced to go to wholesale and retail shops in the center of Nairobi. There are also mobile traders who bring cloth, scissors, buttons, and other items to the markets. Each market has several machines repairers, scissors sharpeners, and food kiosks to cater for the needs of the workers. Outside of each are transporters with pickup trucks and handcarts ready to be hired to take products to market or transport inputs from town.

The garments industries have been identified by the Kenya government as having great potential for leading the country into the next phase of industrialization. Yet these industries are inefficient and uncompetitive on both domestic and world markets. Many observers -- both within and outside the industries -- point to outdated technology as one reason for this situation. After briefly examining the technology used in garments and garment production, the paper draws on case studies of selected small and medium scale firms to identify and analyze those components of the institutional framework that act as facilitators of change and those that tend to impede technological development.

Table 1.1 Components of cost in a Mans Causal Long sleeved shirt

Component	Appropriate range of costs as a percentage of total
Fabric	52-62
Direct and indirect labor	17-18
Miscellaneous Material	12-14
Labels and Packaging	3-8
Garment washing	2
Transport from factory to nearest port	1

Source: Authors estimates based on interviews with manufacturers in Kenya, Ghana and Zimbabwe.

Of all inputs, labor is the one input where cost differentials do matter greatly. Consequently, the cost of labor is one of the determinants of locating a garment factory. Countries such as Bangladesh, Sri Lanka and Mauritius- all of which offer low cost labor but no significant local sources of garments are far more removed from their principal markets and lack elaborate infrastructures – have developed a substantial export Garment manufacture industry.

Kenyan industry is in a pitiful state. The garment industries, which I am currently studying, are typical. Production has declined and with it, employment. New investment is minimal, so firms are producing inefficiently using outdated equipment. Many medium and large-scale firms have closed and those still producing say they are barely breaking even. Small-scale producers are there -- over 6,000 of them in Nairobi alone -- but it is not clear how profitable they are. The questions constantly before us are, "Why should this be so?" and "What can be done to improve the situation?" primarily on labor cost advantage. But even where labor costs have increased significantly, as in the case of Mauritius, there has not necessarily been a decline in output. A recent study illustrates how garment manufacturers in Mauritius, faced with higher labor costs adopted a strategy to move upstream into the production of higher value apparel with positive results: while employment growth in the garment industry in Mauritius leveled off between 1988 and 1990, the value of exporters increased by 44 percent during the same period (D.Ferrill, 1993). In other words, even when the cost of a particular input goes up, production can be redesigned to take advantage of different niches.

In addition, the industry offers opportunities for indigenous entrepreneurs to develop local capacity. Even in the case of Mauritius, where most of the pioneering manufacturers came from abroad, over time they contributed to the development of indigenous garment industry by encouraging local entrepreneurs to follow their example.

The fact that some smaller enterprises in the same industry have survived shows that all is not lost and that if sufficient research is done on them we can salvage the industry as a whole. As is generally known, overseas sales of garments products have grown by leaps and bounds since 1985 to become the one of Kenya's top export commodity. According to the customs Department to the Customs Department, in 1990 alone overseas shipments of garments - - exclusive of cotton fibre - - totaled 92,267.7 million bath, representing an increase of 14.3 per cent over the previous year.(Economic survey,1993).

However, the growth of garments exports was based largely on the quantitative expansion of lower grade fabrics and garments rather than on sophisticated apparel items for developed markets.

CHAPTER TWO

STATEMENT OF THE PROBLEM

2.0 Research Problem

The garments industries have been identified by the Kenya government as having great potential for leading the country into the next phase of industrialization. Yet these industries are inefficient and uncompetitive on both domestic and world markets. Many observers -- both within and outside the industries -- point to outdated technology as one reason for this situation. After briefly examining the technology used in garments and garment production, the paper draws on case studies of selected medium and large scale firms to identify and analyze those components of the institutional framework that act as facilitators of change and those that tend to impede technological development.

Most garments are manufactured accordingly to buyer designs and specifications, no advanced design expertise is required locally, thus most standard garments can be manufactured with ease. Until the end of the 1980s, most of the companies in the garments industries traded extensively. As of 1990 Kenya shipped 30-45 percent of total exports to global markets, after 1990 the share of the total exports going to global markets decreased significantly and even the local market suffered drastically, (We can see by the shutdown of the major garments firms that is, KICOMI and RIVATEX),.

The garment industry does not depend on heavy capital investments or long lead times to come on stream. Fabric is the single largest input of a garment, representing up to 62 percent of the cost of the finished product (as shown in table 1.1). Because of its weight and volume characteristics, fabric can be transported over long distances without a significant impact on the unit cost. Thus, garment manufacturing is an industry, which is relatively easy to enter and has the potential for creation of local capability.

However, Kenyan industry is in a pitiful state. The garments and garment industries, like all textile manufacturing industries in Kenya face lot of problems. Production has declined and with it, employment. New investment is minimal, so firms are producing inefficiently using outdated equipment. Many medium and large-scale firms have closed and those still producing say they are barely breaking even. Small-scale producers are there -- over 6,000 of them in Nairobi alone -- but it is not clear how profitable they are.

The study will seek to answer two very significant questions:

1. Why should this be so that the garment manufacturers in Kenya are not breaking-even in the international market and what can be done to improve the situation?"
2. What measures can be taken to increase Kenya's competitive advantage in export of garments?

2.1 Objectives of the Study

Garments and garment industries in Kenya have great potential to compete in the global market, which has not been properly, exploited Therefore this study is aimed at the following:

i. To establish which factors can increase the production and export of garment in Kenya?

ii. To establish how Kenyan manufacturers can increase the competitive edge of these firms in the global market.

2.2 Importance of the Study

The results of this study will be of help to the following:

i. To the government: The findings of the study would guide the policy makers in formulating relevant policies that support garment export decisions, review of existing bottlenecks to garment exports for example tax laws.

ii. To small and medium scale garment manufacturers: Who are involved in International trade and are more export oriented. Recommendations will be given on appropriate ways of increasing competitiveness so as to enhance exports.

iii. To students: Who are pursuing studies in International business, it will serve as a benchmark for further studies, which will help them identify areas, which need more concentration in the garment industry.

CHAPTER THREE

LITERATURE REVIEW

3.0 The Concepts of International Trade and Garment Trade

International trade has often played a crucial part in the historical development of the third world, through Africa, Asia, the Middle East and Latin America primary products exports have traditionally accounted for a sizeable portion of individual national products. It is an important stimulator of economic growth, since it enhances a countries consumption capacity, increases world output and provides access to scarce resources and worldwide markets for products without which poor countries would be unable to grow.

International trade creates value. It increases the efficiency of resource allocation worldwide, reduces the production costs through economies of scale, lowers input costs and through the international division of labor, lowers prices paid by consumers and increases product variety and availability.

In today's' world of unlimited wants, no nation by itself can produce all the goods and services which its people require for their consumption. Nature has distributed the factors of production unequally over the surface of the earth. Countries differ in terms of natural resource endowments, climatic conditions, mineral resources and mines, labour and capital resources, technological capabilities, entrepreneurial and managerial skills and a whole host of others variables, which determine the capacities of countries to produce goods and services. All these differences in production possibilities lead to situations where some countries can produce some goods and services more efficiently than others and no country can produce all the goods and services in the most efficient manner, i.e. at the lowest possible cost of production. Japan, for example, can produce automobiles or electronic goods more efficiently than any other country in the world; .Malaysia can produce rubber and palm oil more efficiently than other countries can do. Their capacity to produce these goods like electronics or rubber is far in excess of their capacity to consume them Japan and Malaysia can therefore, export these goods to other countries at relatively lower prices. Brazil or Thailand can import these goods at lower prices from Japan and Malaysia and in return Japan and Malaysia can import Brazilian coffee or Thailand rice at a lower price, because Brazil and Thailand have the capacity to produce coffee and rice at much lower costs of production, and hence to sell them at lower prices to Malaysia or Japan or the other countries.

3.0 (a) Export Trade

It is an accepted business fact that when an enterprise has established a viable and ongoing local market it should look for exports to expand its business. Besides the world is rapidly shrinking with the advent of faster communication, transportation and financial flows, hence companies need to enter and compete in foreign markets and the normal way to get into a foreign market is through exports.(Kotler, P 9th Edition).

Export trade can be classified either as indirect or direct.

Indirect export: Companies often start with this type of exports whereby the companies work through independent intermediaries to export their product. Indirect export has two advantages, first it involves less investment since the firm does not have to develop an export department, an overseas sales force, or a set of foreign contacts, second it involves less risk. Because international marketing intermediaries bring know-how and services to the relationship, the seller will normally make fewer mistakes.

Direct export: Companies may eventually decide to handle their own exports. The investment and risk are somewhat greater, but also the potential return as a result of not paying an intermediary.

3.0(b) Benefits of Exporting

There is no doubt that exporting if approached in the proper way with sound and proven business practices will bring many advantages to manufactures.(Manur.H.G,1993) Some of these advantages are as follows:

- Increased profit
- Technology transfer
- Quality enhancement
- Productivity gains
- Better accounting controls
- Improved management skills
- Foreign exchange earnings
- High company morale
- Better company image
- Improved local product

The drawback for exporting is that it involves business risks in the capital formation and the financial structure, Exporting also involves sophisticated management techniques and account controls.

The study shall focus on the contribution of the garments and apparel industries to export trade, because clothing is a major need in the hierarchy of needs (Manslow) and yet the industry has been hit very badly and we can see closure of the major enterprises in the garments industry for example KICOMI and RIVATEX.,

The garments and garment industries have been identified by the Kenya government as having great potential for leading the country into the next phase of industrialization. Yet these industries are inefficient and uncompetitive on both domestic and world markets. Many observers -- both within and outside the industries -- point to outdated technology as one reason for this situation. After briefly examining the technology used in garments and garment production, the paper draws on case studies of selected medium and large scale firms to identify and analyze those components of the institutional framework that act as facilitators of change and those that tend to impede technological development.

The fact that some smaller enterprises in the same industry have survived shows that all is not lost and that if sufficient research is done on them we can salvage the industry as a whole.

3.1 The role of Garment manufacturing in industrialization

For about forty years the international trade in garments and clothing has been covered by several special arrangements, namely the Short Term Arrangement Regarding International Trade in Cotton Garments (STA) in 1961 and the Long Term Arrangement (LTA)(1963-1973) followed by the Multifibre Arrangement – the MFA. The MFA was extended five times and eventually came to an end 31.12.1994 when the Agreement on Garments and Clothing (AGC) was introduced on the following day. Since these arrangements were restricting the volume of trade they were not in conformity with the existing GATT Rules. Therefore this sector has remained outside the GATT (WTO) Rules. The MFA extended the coverage from cotton products also to include wool and Man-Made-Fibre (MMF) products. MFA was following the Cotton Arrangements through the provision of rules for imposition of restraints when a sudden increase in imports was about to cause market disruption or threat thereof in importing countries.

Over the years this sector has become increasingly important for a large number of developing countries and transition economies. Today this sector represents about 9% of the global trade in manufactures and it employs some 24 million people. The following figures highlight the importance of this sector for a large number of developing countries: in 1998 some 72% of the export earnings of Bangladesh came from clothing exports. In India the figure for garments and clothing exports was about 30%, in Pakistan 60%, in Sri Lanka 45% and in China 25% just to name a few. Consequently, the future developments in this sector are very closely followed in many parts of the world.

3.2 International Trade in Garments and Clothing

Over the last thirty years, the clothing industry has declined in almost all first world countries, as garment factories have sprung up like mushrooms across the developing world. Developing countries doubled their share of world clothes exports from 30 per cent in the early 1970s to over 60 per cent by the mid-1990s.

By the late 1990s, China had become the world leader in clothes exports. Adding together the exports of China and Hong Kong - which are largely made up of Chinese-produced garments, re-exported - China exported garments worth US$47 billion (£28 billion) in 1996, comprising 29 per cent of world exports. The next largest exporter, Italy, exported just a third of that amount. Other Asian exporters include Thailand, Indonesia, and Bangladesh; in Southern and Eastern Europe and North Africa exporters include Turkey, Poland, Romania, and Tunisia.

A number of factors account for this drastic restructuring of a major world industry, employing over 7.5 million people worldwide.

In a sophisticated modern factory in Bangladesh, CAFOD researchers calculated the wages earned by the women sewing large quilted Nike ski jackets, based on figures provided by the management. The total came to 51p per jacket. A similar jacket on sale in the United Kingdom costs £100. The workers earn half a per cent of the jacket's retail value. Trade in garments in 1998 totaled US$ 151 billion, a drop of 5% from the corresponding figure for 1997, which was US$ 159 billion. This was the first time the value of the international garments trade was actually reduced, largely due to the recession in the South East Asia.

The value of the global trade in clothing in 1998 was US$ 180 billion or 1% less than the previous year. China was the largest exporter of clothing in the world (over US$ 30 billion) and the US market was by far the biggest importer of clothing (US$ 55,7 billion) in the world.

There has been a very fast growth of garment imports from Mexico to the U.S. and Canadian markets, which has been facilitated by the regional NAFTA agreement. Latin and Central American suppliers have lately continued to increase their exports to North American market. Mexico is now the largest supplier of clothing in the US market: in 1999 (about 2,370 million Square Meter Equivalents=SME). In addition to Mexico, some of the fastest growing suppliers in the U.S. market include Honduras (990 million SMEs), El Salvador (650 million SME). Recently the Central and Eastern European countries have been increasing their market share in Europe through an intensified co-operation (OPT = Outward Processing Trade) with several EU member countries.

3.3 Role of African Producers of Garments and Clothing

Africa has been traditionally a significant producer of raw materials, such as coffee, cocoa, sisal, tea, cotton etc. However, Africa does not appear as a significant processor of raw cotton into semi-finished and finished products. The easy quota- and duty-free access into the EU-markets accorded to African suppliers as signatories of the Lomé Convention has not been utilized to a large extent, Mauritius being an exception to this rule. However, it may be mentioned here that in cotton yarn imports into the EU in 1999 Egypt was ranked the third and Zambia the eight.

The Trade and Development Act of 2000 is an important step towards the expansion of trade in the U.S. The new legislation will help both CBI (Caribbean Basin Initiative) and selected Sub-Saharan countries to have an easier access into the US market. The Act gives duty-free and quota-free benefits for some garments and garments from eligible Sub-Saharan countries as of 01 October 2000 to 30 September 2008.

Two North African countries, namely Morocco and Tunisia, have been benefiting from the duty-and quota-free access into the EU markets, where they are prominently amongst the largest clothing suppliers. In fact, in 1999 Tunisia (Euro 2,339 million) and Morocco (Euro 2,072 million) ranked fourth and fifth in value of garment exports into the EU after China P.R, Turkey and Hong Kong. The two countries were the largest suppliers of trousers into the EU in 1999, supplying 94 and 83 million pairs of trousers respectively. Mauritius, Morocco and Tunisia were amongst the top ten suppliers of T-shirts into the EU in 1999.

According to the USA-ITA the top Sub-Saharan African suppliers of apparel in the US market in 1999 were Mauritius (about 40 million Square Metre Equivalents=SME) followed by Lesotho (about 32 million SMEs), South Africa (about 32 million), Madagascar (about 15 million) and Kenya (about 13 million). The total US apparel trade during the same period was some 16 billion SMEs.

In Sub-Saharan countries there are several countries, which depend very heavily on cotton growing and exports of raw cotton. For a number of reasons most of these producers/exporters of raw cotton have remained, and most probably will remain, raw cotton exporters. The establishment of garments production requires heavy investments, and therefore, for most cotton producers, it has not been possible to find the necessary funds to import the required machinery. Some countries, such as Tanzania, have a large installed garments industry, with production capacities exceeding local demand. However, the capacity utilization over the years has been very low due to a lack of electricity, water, skilled labour etc.

In addition, a recent problem for local garment manufacturers in Sub-Saharan countries has been the very fast increase in imports of second-hand clothing, or "mitumba" as it is called in East Africa. According to Eurostat in 1998 the European Community exported some 515,800 tons of second-hand clothing at a value of some 486 million ECUs. Germany alone exported some 150,000 tons of worn clothing to a value of 121,5 million ECUs. Some of the clothing was distributed to the poor through various charitable organizations in a number of African and South American countries, but a significant part of worn clothing was sold on the local street market of capital cities. As a result many small garment manufacturers in Africa were not able to compete and quickly went out of business.

3.4 Contemporary Studies and Developments in Garment industries

Firms producing for the Kenyan domestic market, especially those in garments, complained of the power, imports, investment climate, productive efficiency, and marketing. The main points are summarized briefly. Power availability and cost is a key issue. Stringent power rationing since May 2000 means that many of the firms have been forced to run their own generators or to shut down for specified periods. The costs associated with either option are, according to those affected, substantial. Power costs (tariffs) seemed to be an even more important issue because their direct effects on the cost of production make Kenyan goods uncompetitive on both domestic and export markets. One interviewee cited a recent 3 _ newspaper article, which placed Kenya second only to Japan in its power cost (US$0.10 per KWH in Kenya, compared to US$0.108 per KWH in Japan) and far higher than South Africa (US$0.028), Kenya's rival to the south (East African Standard 5 September 2000). Analysts of the power sector point to poor planning, poor administration, and corruption as key reasons for Kenya's high power costs and current power shortage (Okech and Nyoike 2000).

Firms producing for the domestic market, especially those in garments complained of the apparently duty-free entry of a wide variety of imports. Some of these enter the country in the suitcases of small traders who travel to places such as Dubai. In other cases, whole container loads are brought in by or through well-connected individuals. Items are then sold at prices below the statutory duty and well below the cost of producing a comparable Kenyan product. The situation is aggravated by the Kenya Bureau of Standards' (KBS) double standards. KBS enforces its labeling requirements, including country of manufacture, on Kenyan goods, but not on imported items. In a few cases, the duty-free status of imports is legal, but nonetheless damaging. One of Kenya's few remaining polyester fibre mills felt that Kenya's membership in COMESA is problematic because it means that competing polyester fibre produced in Egypt is likely to enter the country duty-free.

Since the early 1990s Kenya's investment climate has been poor due mainly to economic and political instability. One respondent said that the industry has suffered four major shocks, which he called the 'four Es' of ethnic clashes, El Nino, elections, and economic liberalization. These have hurt industry generally and Mombasa tourism in particular. Since many of the textile and garment firms supply hotels with towels, linen, and uniforms, any downturn in tourism has repercussions on them.

To illustrate the effects of the poor investment climate, one firm showed its three sets of equipment. The first group was mechanical, dating from the 1960s. The second, smaller group, consisted of partially automated machines, and the third and smallest group had computerized machines. The general manager said that if Kenya's economy were more stable, he would have replaced the entire oldest group by now. As it is, he is waiting to see whether he can continue in business. The discussion thus far points to another critical issue: productive efficiency. Several of the firms acknowledged that, although they could produce good quality items, they could not compete with imports on the basis of price. They named several reasons for this. The high costs of power and outdated machinery have already been discussed. In addition, garment firms in particular mentioned the need for better training of workers. One firm wanted to change its production system, but felt that it would be difficult to do this with its present workforce.

Textile firms cited problems with water availability. Some had sunk boreholes to supplement the Municipality's supply, but said that borehole water was too hard and affected the quality of dying. One of these used the borehole water only for peripheral operations, while the other had installed its own water treatment facility. In both cases, water is more expensive than it should be. The final issue is marketing. The lack of marketing skill was strongly evident in only one of the Mombasa interviews, but it has emerged in other contexts (see McCormick and Pedersen 1999). Some medium- scale firms, accustomed to producing in controlled markets, have had difficulty adjusting to liberalization. They lack both the experience and the training needed to position them in a competitive market.

They need marketing assistance, but it is not clear whether relevant specialized services are available in Kenya. The issues raised by the respondents point to a number of institutional factors which, in turn, underscore the need for explicit attention to institutions in industry analysis. As already mentioned, the nature of the interview questions tended to elicit responses at the level of markets and social/political institutions, especially the state. Many of the industrialists' complaints are clearly attributable to failure on the part of the state and state- related institutions to support these industries and industry in general. The state controls both the power and water sectors, where shortages and high tariffs are a major source of productive inefficiency. The state is also blamed for an ill-conceived market liberalization process.

For this industry, the worst effect of market liberalization has been the flooding of the market with cheap imports. The institutional cause of this is the failure of the customs section of the Kenya Revenue Authority to collect statutory duties on new textiles and clothing.

The double standards of the Kenya Bureau of Standards are not as serious, but certainly aggravating to some producers. Finally, the state and the political process are implicated in the general instability that makes investment in Kenya unattractive. Only two firm-level concerns emerged strongly in these interviews. One was the need for industry-specific training, and the other the lack of marketing skills. Both point to institutions, the labour system on the one hand, and the fall-out from Kenya's previously restricted market.

The report by Mr. Tyler Biggs entitled Why the Emperor's New Clothes Are Not Made In Kenya was prepared at the request of US congressional representatives who are proposing a sweeping liberalization of American trade policy toward Africa. Kenya's textile exporters would benefit greatly from this envisioned loosening of US restrictions on garment imports from sub-Saharan countries.

According to the report, Kenya lost an estimated 10,000 jobs in the promising clothing export sector as a direct result of import quotas imposed by the US in 1994. The resulting loss of wages delivered a $6 million annual blow to the Kenyan economy. That amount equals two per cent of the country's yearly manufacturing output.

The new US export ceiling of 360,000 dozen shirts from Kenya left no room for expansion of Kenya's textile exports and was in fact below the existing production capacity of Kenyan manufacturers. About 1500 Kenyan workers could supply the total number of permitted shirt imports, Mr. Biggs calculates. At the time the quota was set, Kenya's largest garment factory, Rayshian Apparels Ltd., alone employed more workers than that.

The US quota, along with the Kenyan government's supine response to it, had the effect of short-circuiting ``a mini garments export boom," Biggs concludes. Kenya's entire economic growth strategy was adversely affected as well.

Donor countries, including the US, had been collaborating with the Kenyan government to stimulate development of privately owned, light manufacturing companies. These efforts were yielding encouraging results in the early 1990s and Kenya appeared to be starting along the path that led to prosperity for some Asian countries.

Mr. Biggs says: ``Just about all-emerging developing countries have historically gotten their manufacturing growth stimulus from the garments industry. Once workers build up skill and dexterity in garments production, they are generally ready for the introduction of new manufacturing industries."

Kenya's ``nascent garments boom" was evident in a nearly 800 per cent jump in the dollar value of textile exports from a 1989 level of only $200,000. By December 1994, more than 16,000 workers were employed in 55 licensed garments export factories, Biggs points out. In March 1996, however, only 3300 Kenyans were working in the surviving half-dozen or so firms.

``Surely a country as rich as the US, with its enormous apparel market, can leave some room for a poor country, like Kenya, to export and learn how to industrialize so that it can make some modest gains in raising living standards," the report says. It rejects the American rationale for restricting shirt imports. US trade officials, he notes, maintain that small African suppliers would not be competitive if the US were to lift quotas, especially those that constrain such large, low-cost suppliers as China. This reasoning rests on the assumption that Africa is not price-competitive with Asia, (Mr. Biggs). But he supplies statistics indicating that Kenya has lower unit labor costs in shirt production than China. ``Kenya is price competitive without any assistance from US quotas," (Mr. Biggs)

According to Washington file staff writer, Kenya has made an excellent start among the more than 30 nations deemed eligible for trade benefits under the African Growth and

Opportunity Act (AGOA) and is "starting to see a revitalization" of its textile exports to the United States, says lawyer and trade specialist Tony Carroll.

3.5_African growth and opportunity act (AGOA)

President Clinton signed the African Growth and Opportunity Act (AGOA) into law on May 18, 2000 as Title 1 of The Trade and Development Act of 2000. The Act offers tangible incentives for African countries to continue their efforts to open their economies and build free markets.

AGOA provides reforming African countries with the most liberal access to the U.S. market available to any country or region with which the United States does not have a Free Trade Agreement. It supports U.S. business by encouraging reform of Africa's economic and commercial regimes, which will build stronger markets and more effective partners for U.S. firms.

AGOA can change the course of trade relations between Africa and the United States for the long term, while helping millions of African families find opportunities to build prosperity by reinforcing African reform efforts; by providing improved access to U.S. technical expertise, credit, and markets; by establishing a high-level dialogue on trade and investment.

Exports covered under AGOA must have accompanying visas, or entry documents, describing the goods and their point of origin. The U.S. Customs Service, which is charged with regulating the visa regime, also gets high marks for its work in relation to

AGOA, he said. It has conducted a number of training sessions with African counterparts to help them make sure their goods are not transshipped from other nations, which is forbidden under the new law.

Vast opportunities under the African Growth and Opportunity Act (Agoa) passed by the US Congress to allow sub-Saharan economies duty-free exports to the American market - have galvanized the Kenyan business community into prolific manufacture and trade programs.

"The statistics of trade growth from Kenya to America are mind-boggling," says the AGOA Association of Kenya chief executive, Dr Peter Njenga Kariuki. "Last year, Kenya exported Sh546 million worth of manufactured textiles. From January to July 2001, it has risen to a massive Sh2.34 billion, a growth of over 150 per cent in real terms, and is still growing".

Kenyans have a real stake in carefully observing AGOA's rules, Carroll said, since at one time they were "shut out of the U.S. market almost entirely because of the over-export of T-shirts and questions of transshipment." In 1994-95, "it was difficult for them to attract textile investors, so when AGOA lifted the quotas they saw it almost as redemption to get back into the U.S. market and also build up their industry," he added.

Part of that redemption, he explained, involved "an excellent synergy that developed between the Kenyan government and the private sector in advance of AGOA, aimed at getting their textile industry back on its feet. Margaret Chenengich, permanent secretary in the Ministry for Tourism, Trade and Industry, facilitated the process by putting a visa workshop together, and did a good job."

As a site for investment, Carroll said, Kenya has "good port access, good roads, an experienced labor force in garment making. They've had problems with power supply, but generally they have the physical and human infrastructure in place that should support a good textile export sector."

The challenge now, he said, is "attracting other investors and sticking to the economic reforms mandated by the act, and for that the [Kenyan] government will have an increasingly larger role to play."(The Washington File is a product of the Office of International Information Programs, U.S. Department of State. Web site: http://usinfo.state.gov)

CHAPTER FOUR

RESEARCH METHODOLOGY

4.0 Population

The research focused on medium and large-scale garment manufacturers in Nairobi, Kenya. There are 70 garment manufacturers listed currently in Nairobi.

4.1 Sampling Procedure

The study focused on garment industries in Nairobi, even those outside Nairobi but have offices in Nairobi. Most of the firms have collapsed but the sample represented 50% of the operating firms in Nairobi. The sample was arrived at purposively in consideration to research cost and time limits.

4.2 Data Collection

The study used of both the primary data and secondary data. Primary data was collected through personal interviews and through structured questionnaires. A questionnaire (see appendix 3 was used to collect data and a drop and pick method was used. Secondary data was collected from documents of various companies, which I included annual reports, news bulleting, and other statistical reports, which were all incorporated together.

4.3 Data Analysis

The data was analyzed using descriptive statistics and the first step in the analysis was to classify and tabulate the information collected from the questionnaires and rearrange the information collected from the published reports into new groups and tabulate the new arrangement. The pattern of the performance was then scrutinized to see the indication in performance of the garment industries. Then this tabulated information was presented in form of diagrams i.e. tables, which facilitated comparison of data relating to different periods of time and also brought out hidden facts and relationships, which aided in the analytical thinking and investigation.

CHAPTER FIVE

DATA PRESENTATION, ANALYSIS & INTERPRETATION

5.1 Introduction.

The chapter documents data analysis and interpretation of research findings. It's divided into 2 main sections, which are further divided into subsections. The first section consists of the firms' background information, whereas the 2nd section is on the parameters, which indicate the performance of the organizations.

The final subsection is the summary and discussions of the findings.

SECTION A - FIRMS BACKGROUND INFORMATION

TABLE 5.2.1- Year of Establishment

Yr of establishment	Before 1960	1960-1969	1970-1979	1980-1989	1990-2000
No. Of textile firms	0	2	4	4	3

The above table shows that all the firms which were established before 1960 in Nairobi have collapsed, but from personal interviews conducted all the 6 firms incorporated after 1980 were in the process of changing hands- also all existing firms are jointly (foreign and locally owned private businesses.

Kenyan citizens of Asian origin own 10 out of 12 firms interviewed with Africans in lower management positions. The top management is composed of Asians who are members of the same family.

Table 5.2.2-

Number of employees

Company	1985	1991	Currently
1	-	-	300
2	-	-	250
3	1600	2000	1660
4	1500	10	3
5	1300	900	800
6	-	46	34
7	-	-	-
8	-	-	1500
9	500	500	350
10	1200	1100	900
11	-	-	200
12	-	-	-

Liberalization of the Kenyan economy was a major outcome of the structural adjustment program, which was wholly adopted in 1985, but its effect intensified in 1992 when the country was experiencing some political changes. The table 5.2.2 indicates that companies greatly downsized their staff in response to these changes.

Table: 5.2.3-Size of Firms-

According to the distribution of firms in terms of capital employed Asset values and sales turnover estimates.

Amount	Capital employed	Asset Values	Sales turnover
1-100 million	3	2	4
101-200 million	1	3	1
201-300 million	-	1	2
301-400 million	1	-	-
Over 400 million	1	-	1
Not indicated	6	6	4

The table 5.2.3 shows that 50% of the firms could not reveal their capital employed and asset values estimates. Also 33% of the firms could not reveal their sales turnover values, but from those who indicated their values the table depicts that all the firms are large in size.

Table 5.2.4- Frequencies as per Market Served.

Market served	Number of firms
Domestic Only	3
Foreign Only	3
Foreign & Domestic	6

The table 5.2.4 shows that 50% of the firms serve both domestic and foreign markets. Three of the interviewed firms (25%) serve domestic market only and the other 25% serve foreign market only as far as the foreign market is concerned the firms sell their products in the European markets such as Britain and most of the Scandinavian countries, and some to the other African countries in the COMESA region. In domestic markets, the firms sell fabrics and finished products. A few firms have taken advantage of the AGOA lobby group that was currently introduced.

Table 5.2.5: Existence of Training and Development activities in the organizations.

	Frequency	%
YES	9	75
NO	3	25
TOTAL	12	100

Table 5.2.5 shows that 75% of the firms train and improve the qualification of the employees while 25% do not.

Further probing during the research interviews revealed that the firms don't have a well-established training program and that most of the employees learn on the job, which is one of the responsibilities of the managers on the shop floor.

Although most respondents portrayed a considerable amount of expertise and technical know-how, academic knowledge lacked.

5.3: - PARAMETERS OF THE ORGANIZATIONS PERFORMANCE.

5.3.1- Perception of sales by the firms after liberalization

Perception	Frequency	Percentage (%)
Very Increased	1	8.3
Moderately increased	2	16.7
Not Changed	0	0
Moderately decreased	4	41.7
Very decreased	5	33.3
Total	12	100

The table 5.3.1 indicates that 75% of the firms perceived sales after liberalization as a decrease and 25% of the firms as an increase. The managers who were interviewed attributed the drastic decrease in their sales due to competition that emerged when the market was liberalized allowing smuggling of second hand clothes popularly known as "mitumba". Those who perceived as an increase argued that liberalization of the, market have opened the doors for them to sell their products to many markets. The AGOA faction has opened up markets especially in America, which were previously, not open. However, there was a general impression by all respondents that the second hand clothes have greatly affected the sales.

5.3.2: Firms Perception on Competition.

Perception	Frequency	Percentage (%)
Very Stiff	6	50
Fairly stiff	5	41.7
No Competition	1	8.3
	12	100

From the table above 50% of the companies' perceived completion to be fairly stiff, 41.7% perceived as fairly stiff and 8.3% or one company out of the 12 viewed no competion.

Further probing of the respondents revealed that all companies view the competition as unfair. The managers argued that the government has not provided the textile industry a level playing ground since it had not regulated the importation o 2nd hand clothes and ensured that there were no tax evasion cases.

5.3.3: Unique Characteristics in a garment industry ranked.

Rank	Low commercial rent	Abundant industrial space	Location of firm to Port/road	Large skilled labor force	Transport infrastructure
1	5x5=25	0x5=0	4x5=20	5x5=25	3x5=15
2	3x4=12	1x4=4	3x4=12	4x4=16	3x4=12
3	2x3=6	2x3=6	2x3=6	2x3=6	2x3=6
4	1x2=2	4x2=8	1x2=2	1x2=2	3x2=6
5	1x1=1	5x1=5	2x1=1	0x1=0	1x1=1
Total	46	23	41	49	40

The table above shows that after overall rank order calculated whereas ranking based on a weighting scale where 1st rank is points, 2nd rank is 4 points, 3rd rank is 3 points and 4th rank is 2 points and the 5th rank is 1 point.

Large skilled labor force came first, then low commercial rent, followed by location of firm to either road or port which was followed by transport infrastructure, and finally abundant industrial space.

5.3.4: Rating of New products and marketing before liberalization In terms of importance.

Rating/new product strategies	Very important (%)	Important (%)	Fairly important (%)	Not important (%)	Mean Scores (%)
Product quality	50	35	10	0	23.75
New quality improvement	25	35	40	60	40
Introduction of new features	25	30	50	40	36.25

Mean scores ranked on a 5 point likert scale with 1 taken to be most important and 5 as least important.

The table shows that New products and quality improvement was rated to be very important and introduction of new features followed closely then actual product quality.

The table above shows that after overall rank order calculated whereas ranking based on a weighting scale where 1st rank is points, 2nd rank is 4 points, 3rd rank is 3 points and 4th rank is 2 points and the 5th rank is 1 point.

Large skilled labor force came first, then low commercial rent, followed by location of firm to either road or port which was followed by transport infrastructure, and finally abundant industrial space.

5.3.4: Rating of New products and marketing before liberalization In terms of importance.

Rating/new product strategies	Very important (%)	Important (%)	Fairly important (%)	Not important (%)	Mean Scores (%)
Product quality	50	35	10	0	23.75
New quality improvement	25	35	40	60	40
Introduction of new features	25	30	50	40	36.25

Mean scores ranked on a 5 point likert scale with 1 taken to be most important and 5 as least important.

The table shows that New products and quality improvement was rated to be very important and introduction of new features followed closely then actual product quality.

Table 5.3.5: Rating of New products and marketing after liberalization In terms of importance.

Rating/New prdt strategy	Very important (%)	Important (%)	Fairly important (%)	Not important (%)
Pdt quality	66.7	16.7	0	16.7
New quality improvement	33.3	41.7	16.7	8.3
Introduction of new features	25.0	25.0	41.7	8.3

From the table 5.3.5 it clearly indicates that product quality is highly considered very important by many firms after trade liberalization, 41.7% of the firms considered new quality improvement as important after trade liberalization. Introduction of new features was also considered fairly important after trade liberalization.

Table 5.3.6: Firms Perception of Competition

Perception	Frequency	Percentage (%)
Very Stiff	6	50
Fairly Stiff	5	41.7
No Competition	1	8.3
	12	100

From the table 50% of the companies perceived competition to be very stiff, 41.7 perceived it as fairly stiff while 8.3% (or 1 firm) viewed no competition.

Further probing of the respondents revealed that all companies viewed the competition as unfair. The managers argued that the government had not provided the textile industry a level playing ground since it has not regulated the importation of 2nd hand clothes and ensured that there are no tax evasion cases.

Table 5.3.7: Unique Characteristics in a garment Industry ranked

Rank	Low Commercial rent	Abundant Industrial space	Location of Firm to Port/Road	Large skilled labor force	Transport infrastructure
1	5x1=5	5x1=5	3x1=3	0x1=0	4x1=4
2	4x2=8	3x2=6	3x2=6	1x2=2	3x2=6
3	2x3=6	2x3=6	2x3=6	2x3=6	2x3=6
4	1x4=4	2x4=8	3x4=12	4x4=16	1x4=4
5	0x5=0	0x50	1x5=5	5x5=25	0x5=0
Total	23	25	32	72	20

The table indicates that after overall rank order calculated whereas ranking is based on a weighting scale, 1st rank is 5 points, 2nd is 4 points, 3rd is 3 points, 4th is 2 points and 5th is 1 point.

Large skilled labor force came first, which was followed by the location of the firm to port/road, abundant industrial space, Low commercial rent and transport infrastructure in that order in the overall ranking.

5.3.8 New Products and Marketing Strategies

Table 5.3.8: Rating of New products before Liberalization in terms of Importance

Rating/New product strategies	Very important (%)	Important (%)	Fairly important (%)	Not important (%)
Product quality	58.3	33.3	8.3	0
New Quality improvement	16.7	33.3	41.7	8.3
Introduction of new features	16.7	16.7	50.0	16.7

The table shows that 58.3% of the firms rated product quality improvement as very important while 16.7% rated introduction of new features as not important.

Table 5.3.9: Rating of New products after Liberalization in terms of Importance

New product strategy	Very important (%)	Important (%)	Fairly important (%)	Not important (%
Product quality	66.7	16.7	0	16.7
New quality improvement	33.3	41.7	16.7	8.3
Introduction of new features	25	25	8.3	41.7

As shown in the table 66.7% of the firms rated the product quality improvement as very important and 41.7% found introduction of unique features unimportant. This shows that a considerable number of firms changed their perception to this aspect of product strategies after liberalization.

Table 5.3.10: Rating of Promotion and marketing of products before Liberalization.

Rating/Promotion& Marketing	Very important	Fairly important	Unimportant
Magazines	4	4	4
Radio	3	6	3
TV	3	3	6
Advertising	4	4	4

The table shows that 50% of the firms rated radio fairly important in promotion and marketing another 50 % found TV unimportant in the promotion of their products. A very small percentage of the firms rated all the promotional elements as very important or even important.

Table 5.3.11: Rating of Promotion and marketing of products after Liberalization

Rating/Promotion& Marketing	Very important	Fairly important	Unimportant
Magazines	4	4	4
Radio	6	3	3
TV	3	5	4
Advertising	5	4	3

The table shows that 50% found radio promotion very important and 25% found TV unimportant. A slight change of perception by firms is evident on how they have gone about promoting and marketing their products after liberalization.

Table 5.3.12: Rating of importance of Distribution channels before Liberalization

Distribution Channels	Very important	Fairly Important	Unimportant
Formal procedure	3	3	6
Various distribution channels	3	4	5
Sales office in strategic areas	4	4	4

The table shows that 50% rated following a formal distribution procedure in selecting channel members and using of the sales office in strategic areas as unimportant. Also 41.7 found using various distribution channels as unimportant. A very small percentage of the firms rated all distribution channels as very important. The managers argued that distribution strategies were not important before liberalization since customers used to buy their products from factory premises.

Table 5.3.13: Rating of importance of Distribution channels after Liberalization

Distribution Channels	Very important	Fairly Important	Unimportant	Total
Formal procedure	6	5	1	12
Various distribution channels	6	1	5	12
Sales office in strategic areas	6	3	3	12

After liberalization the table shows that 50% of the firms found use of various distribution channels and use of sales offices in strategic places as very important. Following a formal procedure in selecting channel members was rated as unimportant by 41.7%. The table depicts that the firms changed their perception on the distribution after liberalization. Further probing revealed that the customers are now buying new products, which are more accessible to them.

Costs & Finances

Table 5.3.14: Rating of importance of Costs and Finances before Liberalization

Costs& Finances Rating	Very important	Important	Fairly important	Unimportant	Total
Staff downsizing	1	2	3	6	12
Cost of production	5	4	3	0	12
Operational efficiency	6	5	1	0	12
Technological investment	7	3	2	0	12
Substitution of domestic for imported inputs	5	4	2	1	12
Information systems	2	2	4	4	12

The table shows that 50% of the firms rated staff downsizing as unimportant and 50% of the firms also found costs on information based systems as unimportant.. 58.3% found technological investment/ improvement important and another 50% found operational efficiency as very important.

Cost of production was not totally considered important by most firms though a few did not even consider downsizing.

Table 5.3.15: Rating of importance of Costs and Finances after Liberalization

Costs& Finances Rating	Very important	Important	Fairly important	Unimportant
Staff downsizing	6	4	2	0
Cost of production	8	3	1	0
Operational efficiency	8	2	1	0
Technological investment	7	4	1	0
Substitution of domestic for imported inputs	6	5	2	0
Information systems	7	3	2	0

The table shows that 83.3% of the firms found cost of production and operational efficiency very important and 66.7% of the firms rated technological investment quite important, 50% rated staff downsizing and substitution of domestic for imported inputs as very important. The table definitely depicts a change of firm's perception on cost structure strategies after liberation and a higher percentage of the firms rated highly operational efficiency and determination of costs of production.

Government Contribution

Table 5.3.16: Rating of Government Contribution in terms of Importance

Government Initiative	Very important (%)	Important (%)	Fairly Important (%)	Unimportant (%)
AGOA	85	10	5	0
Restriction of importation of Mitumba	100	0	0	0
Tax Relief	100	0	0	0
Operational Efficiency/Power	95	4	1	0
Operational Efficiency/Water	95	4	1	0
Trade Leads	85	11	4	0

From the above table it is very distinct that the firms feel that the government role is extremely important in facilitating the garment industry.

SUMMARY AND DISCUSSION

The study was undertaken specifically to investigate the current and the actual performance of Garment industries in Nairobi, in accordance to the trade liberalization.

The study discovered that all firms in the textile industry are undergoing a serious phase after trade liberalization especially in relations to exportation. This is mainly since they feel that they are not taken care of by the government unless they are under the EPZ zone. So many of the firms of the medium and large scaled firms have closed and those still producing are doing so and are barely breaking even.

The study also discovered that the firms in Nairobi are family businesses and 83.3% owned by Kenyan citizens of Asian origins. The top management personnel are family members who most of them as observed during the interviews lack both management and specialized skills on export. The lower management personnel who are mostly Africans seem to be more skilled but the management suppresses their abilities.

The costs of productions have made Kenyan goods uncompetitive on both the domestic and local markets, Analysis of the power sector point to poor planning, poor administration and corruption as Key reasons for Kenyans high power costs and current power shortage. Firms producing only for the domestic market complained about the entry of the duty free imports which are competing with their goods, there are cases where whole container loads are brought in by or through well connected individuals, they complained of items been sold at prices below the statutory duty and well below the cost of producing a comparable Kenyan product.

In addition, the garment firms in particular mentioned the need of better training their workers. One firm wanted to change its production system but felt that would be difficult to do so with its present workforce.

Some medium scale firms accustomed to producing in controlled markets admitted to having difficulty to liberalization, they lack both the experience and training needed to position them in a competitive market. It came out clearly that they need marketing assistance, but its not clear whether relevant specialized services are available in Kenya.

However, It came out clear through two firms that they have an excellent start among more than 30 nations deemed eligible for trade benefits under the African Growth and opportunity Act (AGOA) and that they are starting to see a revitalization of their garments for exports to the united States. They saw it as redemption when AGOA lifted their quotas, and now they are able to export to the US market.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1: Introduction.

Based on the findings, this chapter presents suggestions of some possible pointers of strengthening the local manufacturer to compete successfully in the global market..

The limitations of the study are also discussed and the chapter concludes with suggestions of the areas for further research.

6.2: Conclusion and recommendations

The findings of this research clearly indicate that the local manufacturer has potential to compete successfully in the global market but can only do so when various factors are put into place.

1. First, the business environment must be continually improved in order to build up existing production and technical learning as well as attracted new investment. This also includes government and private sector awareness of relevant international trade policies, like the garment quota, so that government can effectively negotiate levels, which allow for growth and investment.
2. Second, the transaction costs, which link local manufacturers to international markets need to be lowered, and the process streamlined. Foreign buyers, indirect exporting opportunities via subcontracting and the presence of pre-existing private networks that can facilitate entry to particular countries and

markets can reduce transaction costs through the use of private mechanisms like trading intermediaries, search efforts.

3. Third, technical learning within the factory needs to be an outgoing process so that Kenyan manufacturers can remain competitive. Companies need encouragement to adopt systematic research and development with staff and facilities dedicated to these tasks, and they must tap into the international network of technical information.
4. Fourth, Access to credit for the manufacturing sector needs to be re-examined.
5. Lastly, infrastructure, particularly ports and roads, need to be improved to eliminate its barriers limiting the manufacturing sector's ability to grow.

6.3 Limitations of the Study

The study focused only on spinning, weaving, and finishing textiles firms in Nairobi. Most of these firms had collapsed by the time the research was conducted which reduced the sample size to 12 firms, from the operational firms, 50% of them had changed hands and among these, one was under receivership. So the information before liberation was not fully articulated. Also most of the firms are owned by Kenyan citizen of Asian origin who were not willing to provide adequately the information anticipated but a persuasive approach was employed such that much information was solicited through probing.

Although most correspondents seem to have a considerable amount of Knowledge in some technical aspects, a few could not fully comprehend some variables and hence there is some probability that they did not respond relevantly.

Other limitations were financial and time constraints.

6.4 Suggestions For Further Research.

The study focused only on spinning, weaving and finishing garment firms in Nairobi, thus leaving other categories of the garment industries such as rope and twine industries, leather and footwear, buttons and zips and other apparel manufacturers. A similar research can be done to establish their performance and their contribution to export trade in Kenya.

On the other hand, in spite of many people predictions of the causes of poor performance and closure of a larger number of the garment firms, a research should be conducted to investigate the actual root cause of this crisis. Also a further research should be done to investigate the possible measures that can be adopted to protect our local industry.

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APPENDIX 1

List of Medium and large scale

Garment Manufacturing Industries Registered in Nairobi

1. Active Wear ltd
2. Afri Fashions Ltd-
3. Africana manufacturers-
4. Ajay Garments-
5. Allied industries ltd-
6. Amit wholesalers-
7. Amrit enterprises-
8. Arjun apparells-
9. Aura garment manufacturing-
10. Bhupco textiles-
11. Bima manufacturers-
12. Birch investments –
13. Bloomingdale-
14. Bonny fashions-
15. Bosky industries-
16. Brook garments manufacturers
17. Bunny industries-
18. C&C apparels-
19. Chase collectors-
20. Chick fashions-
21. Claytons –
22. Cosmo garment manufacturers
23. Cortex manufacturers-
24. Crystal clothing
25. Crystal Emporium
26. Denamal Garments
27. Diamond industries
28. Dipco Garments factory
29. Dixy fashions
30. Earth Emporium
31. Fahari fashions ltd.
32. Garment crafts
33. Gohil mens wear
34. Golden Garments
35. Haria Cash Stores
36. Hima ltd
37. Interfashionsgarment manufacturers
38. Integrated garments
39. Jar (EPZ) Kenya
40. JD Sharma & sons
41. Jambo manufacturing
42. Jassi garments
43. Keekorok Garments
44. Kemp Garments
45. Kenafranka Enterprises
46. Kerrok Garment manufacturing
47. Kingly fashion
48. Le stud ltd
49. Madhura garments
50. Mazuri garment manufacturers
51. Move fashions.
52. Mukta enterprises
53. Nelco enterprises
54. Nixo garments
55. Norton Fashions
56. Oshwal clothings
57. Pradeep garments

APPENDIX 2

SPECIMEN LETTER TO RESPONDENTS

Dear Sir/Madam,

I am an MBA student at the University of Nairobi and I wish to carry out a research on the performance of Garment industries in Nairobi and their contribution to export trade. I would like to restrict my study to only reputed professionals to make the results all the more rich and focused. With respect to this purpose, your firm has been identified as one of the players in the market. I therefore kindly request you to facilitate the collection of the necessary data by answering the questions therein as precisely and factually as possible.

I would be extremely glad and obliged if you would allow me to conduct a 25 minute interview with a senior member of your staff. I will be contacting you within the next few days to arrange a mutually acceptable time for this interview.

The information sought is purely for academic purposes and I assure you of strict confidentiality.

Yours faithfully,

Zipporah Wanjira Nyaga.

University of Nairobi.

Faculty of Commerce

Appendix 3

RESEARCH QUESTIONNAIRE

Below are the questions related to the current position of the garment manufacturers in Nairobi.

Please provide an appropriate response to each.

Section A

Firms General Information

I. Name of organization...

II. Address..

III. Physical location...

IV. Telephone number...

V. Year of establishment..

VI. Name of respondent..

VII. Job title of respondent..

Please describe the ownership of the company

I. 100% foreign/Multinational

II. 100% local/family owned

III. Foreign controlled with local partner

IV. Locally controlled with foreign partner

V. Public limited company

VI. Public company with foreign partners

VII. Multiple shareholders

How many employees do you have in the establishment?(Please tick where applicable)

I. Between 1-50 ( )

II. Between 51-100 ( )

III. Over 101 ( )

On average, how many casual employees does your company employ? Per month?

I. Between 1-50 ( )

II. Between 51-100 ( )

III. Over 101 ( )

Do you train or improve the qualifications of the employees?

Skills /Technical training	Yes	No
Academic Knowledge	Yes	No
Other		

On a scale of 1-5 how do you consider the following unique characteristics in a garment industry? (1 being least favorable and 5 being most favorable)

I. Low commercial rent

II. Abundant industrial space

III. Location of the firm to the port/road

IV. Large skilled labor force

V. Transport infrastructure

What do you consider as some of the valuable strengths that companies in Kenyan garment industry should take advantage of?..

What are the most important threats against the growth of the garment industry in Kenya:?

I. Locally...

II. Internationally......................................

What are your company's most valuable strengths in relation to your competitors?

I. Locally?...

II. Internationally?..

What do you regard as your greatest potential weakness/shortcomings as a company against?

I. Local competitors..............................

II. International Competitors.......................

What opportunities for growth do you foresee in the next 5 years?

SECTION B

The following are parameters, which indicate the performance of the organization

Financial Details

Where do you go for additional finances?

I. Self? ( )

II. Cooperative? ( )

III. Government? ( )

IV. Other?

V. Please

specify...

....

Please approximate the following:

Sales	
Cost of sales	

Production capacity

What is your company's main annual garment capacity?

Total value(ksh) of main garment actually produced	
Total number of units/ volume of main garments produced	
Achievable capacity of main garment	

Sales

15 Please indicate approximates for the following:

What are the five major garments sold by your company?............

What are the total sales volumes (i.e. No. Of units not value of sales)..........

How much of -------------- are sold locally?

How much of ----------------are exported?

What would you approximate as your annual sales value for each garment?

Product	Total Units	Local sales	Export sales	Total annual sales

In the last 5 years which of the mentioned garments have experienced fastest growth?

I. In the local market?

II. In the international market?

III. What would you attribute to the growth of this garments/?

Which of the mentioned garments have experienced the greatest decline in sales in the

I. Local market?

II. Internationally?

Which outlets do your company use to distribute your products

I. Producer______Consumer

II. Producer___Agent_ Consumer

III. Producer____Agent ___Retailer___Consumer

IV. Producer___Agent___Wholesaleer___Retailer____Consumer

Do you consider this chain to be them best for the distribution of your garments?

Y/N?

If N, which channel would you prefer to use and why are you not using it now?

....

<u>New products & Marketing</u>

What are the main reasons for your company to adopt new garments?

I. Demand

II. Competition

III. Others.

Has your company introduced any new garments in the last 5 years?

I. Locally Y/N...if Y specify garment...................

II. Internationally? Y/N...if Y specify garment...........

III. If yes to the above, how does your company conduct marketing programmes for new garments?...

	Newspaper	Radio	TV	Ad.Posters	Others
Local					
International					

How else can a garment industry best reach its customers either Locally or Internationally?

Where you sell your products?:-

I. Domestic market only...............Y/N

II. Foreign markets only......Y/N

III. If foreign where specifically

a. America

b. Europe

c. Asia

d. COMESA regions

e. Other African regions

Machinery

Which of the following statements best describes the levels of your mechanization?

I. Non- power machinery

II. Limited powered machinery

III. High powered machinery for garment making

a. If (i) why hasn't your company invested in any Machinery?

b. If (ii) why hasn't your company upgraded its machinery?

c. If (iii) what are the main reasons for your company investing in such machinery?

d. If (i) and (ii) how would you describe the machinery you have?

e. Outdated but functional

f. Modern but not the latest

g. State of the art machinery in the garment industry as per developed nations

Imports

What other inputs does your company import to assist in the manufacture of your garments?

Fabric?	Y/N	Reason:
Dyes	Y/N	Reason
Buttons	Y/N	Reason
Zips	Y/N	Reason
Threads	Y/N	Reason
Others?	Y/N	Reason

Where do you import?..

I. America

II. Europe

III. Asia

IV. COMESA regions

V. Other African regions

Government

I. What can you identify as the government's key contribution to the garment industry?

II. What steps has your company taken in order to benefit from the AGOA commencement?

III. What more do you think the government can do to assist the garment industry?

Other

I. Is there any other factor you think should be mentioned and has a contribution on the performance of the garment industry?

II. Y/N

III. If Y, please specify...

Thank you for your assistance.