

**FACTORS THAT INFLUENCE THE EXTENT OF
COUNTERFEITING OF GOODS IN EAST AFRICAN
COMMUNITY**

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DEDICATION

I sincerely dedicate this study to my wife Karen and my son Rylan for their immense support during research, writing and finalization of this project.

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My sincere gratitude goes to the University of Nairobi for granting me the opportunity to pursue my post graduate degree. I appreciate the efforts of my supervisor Dr. John Yabs for bringing out the best in me. I am also grateful for the efforts of other lecturers who assisted me in building a strong academic foundation during the coursework.

I wish to express my sincere thanks to my parents for their moral support and continued encouragement. Indeed it was out of their encouragement that I decided to ascend to greater heights of academia. I also wish also to express my sincere thanks to my wife for her continued support throughout the entire period I was undertaking my MBA.

The list is too long to permit individual mention and so I give gratitude to everyone who played a role directly or indirectly to enable me complete successfully my MBA.

LIST OF ABBREVIATIONS

DVD	Digital Versatile Disk
EAC	East African Community
EC	European Commission
IPR	Intellectual Properties Rights
KEBS	Kenya Bureau of Standards
MBA	Master of Business Administration
ICPSK	Institute of Certified Public Secretaries of Kenya
OECD	Organization for Economic Co-operation & Development
WTO	World Trade Organization

ABSTRACT

This study aims at finding out key factors that influence counterfeiting of goods in East African Community. Chapter one gives the background of the study and some citations of the people who have done a similar or a related study. The objectives of the study are to establish factors that influence the increment of counterfeit products in EAC. Chapter one also includes statement of the problem

Chapter two entails the literature review which contains past studies and analyses of the principles and definitions of counterfeits, economic framework and integration. Chapter 3 involves the methodology of carrying out the research which details the population of the study, the method of collection of data and how data is analyzed. This paper assesses those factors that influence the increase of counterfeiting of goods in the EAC by collecting and analyzing views from various firms operating in the region

For the purpose of this project, the term "counterfeiting" is used in its broadest sense and encompasses any manufacturing of a product which so closely imitates the appearance of the product of another to mislead a consumer that it is the product of another. Hence, it may include trademark infringing goods, as well as copyright infringements. The concept also includes copying of packaging, labeling and any other significant features of the product. It is very hard to obtain accurate statistics on counterfeiting, mainly because it is a clandestine activity.

In East Africa, most goods that are counterfeited range from software, textile, electronics, spare parts etc. In the spare-parts industries, counterfeits are part of the overall problem of unapproved spare parts. They are traded on the grey market, together with over-runs, recycled items, copy parts and stolen goods, making it very difficult to control the market and separate the illegal items from the legal. Industry world-wide loses large amounts to counterfeiters. These losses not only affect the producers of genuine items, but they also involve social costs

The Partner States and the Community must put in place adequate capacity both financial and human for timely implementation of preventive measure to curb this menace and protect industries and consumers of these goods as some of the counterfeit goods can be dangerous since they could be substandard

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CHAPTER 1: INTRODUCTION

1.1.1 Background of the Study

International trade is an essential driver for economic prosperity. Many potential forms of regional economic schemes exist, ranging from simple preferential trading areas to political federations that characterize deep integration. But regional integration is vulnerable to terrorist trade exploitation practices such as counterfeiting and dumping that would severely damage the entire regional economy (Khandelwal, 2004).

Counterfeiting has become a well-known issue globally and more specifically in East Africa. In recent years counterfeiting practices have reached a point that threatens the trademark value of major companies whose brand names are well known internationally. The rates of piracy within the copyright industries in Kenya are among the highest in the world. According to industry reports and a report from the World Bank, music piracy was estimated at over 90%. Over 85% of the software and 30% of the books sold in the Kenyan market are pirated. Close to 90% of the films on DVD and Video are pirated. These result in losses to the copyright owners and loss of revenue to the government in terms of unpaid royalties, sale of counterfeit and pirated goods as well as revenue

According to the European Commission (EC), the number of counterfeit articles that were seized in 2001 had reached an alarming figure of 95 million. The fact that the figure was almost 10 times the 1998 statistics should give one an illustration of how the problem had been increasingly exacerbating in merely three years. Hence, EC predicted that the figure may swell in an accelerated rate in the upcoming years if current conditions persist, i.e. if no real combating political actions were simultaneously taken by most developing country governments whom are often accused of being deliberately ignorant and fully tolerant of such practices for, what the developed countries often called as, inconceivable reasons (DeRosa, et al 2003).

The general opinion in East Africa is that counterfeiting is a widespread issue in this region, largely due to its vast yet partially unregulated market coupled with weak law enforcement on counterfeiting practices and corruption.

Although no effective estimate has been made of the incidence of counterfeit products in the region, most companies, particularly Eveready East Africa have started to give out estimates of the value of counterfeiting based on the market sales value of the counterfeit products captured in the sudden legal raids. Unfortunately, such individual company data has not been further consolidated and employed to derive wider analysis pertaining to more profound macroeconomic policy implications, such as due to loss of jobs, loss of potential sales revenues for companies, and loss of potential tax revenues for government from at least sales tax, value added tax, import tax, income tax and corporate tax. Needless to say, the negative impact would be more enormous if the impact to other stakeholders, such as consumers and investors can also be incorporated (DeRosa, et al 2003).

Counterfeiting is a severe problem and the common perception is that it is increasing. However, it is virtually impossible to find accurate statistics to substantiate these perceptions, not least because of the clandestine nature of the activity. The overall costs of counterfeiting in the world today are normally estimated to be 5-7 per cent of world trade. There is no substantial aggregated data to support the high percentages, but the figures are now accepted and used to illustrate the extent of the counterfeiting problem.

Various industries are hit by counterfeit and the most cited ones are software, luxurious goods, fashion and apparel, music recording, motion pictures, sportswear, perfume, machine and spare parts, lubricants, pesticides and also pharmaceutical and the list is growing longer over time.

Africa as a region is facing a hard time fighting counterfeiting as is the case with all economies in the world. As it is, due to the current recession taking place globally and specifically in our region, counterfeit goods find ready market as consumers are always looking for a bargain and is worsened by the fact that the consumers have little information about these products and their disastrous effects. The main issue which any manufacturer should always take into account is that they should educate the consumers with general knowledge. For example, the pharmaceutical companies should inform the

consumers about the health hazards caused by counterfeit medicines. Or take another, counterfeit tyres causing accidents.

The manufacturer loses revenue in turn down sizes and employees are reduced who now have lost their basic income. The Governments also loses a lot of revenue, that means, does not have sufficient monies in the official coffers to offer services to its citizens. Everyone loses in the counterfeit trade; the only one person who wins is the counterfeiter who has no right to benefit in the first place especially at the expense of consumers. The Government and the rightful owner. The level of counterfeiting also worsens when some industry players and manufacturers take a soft approach against counterfeiters and/or have weak anti counterfeiting strategies. Lack of proper monitoring services is a cause too.

Many countries in our region have tightened laws, brought in new laws, have special administrative secretariats, special police squads. Taking an example in Kenya, a special secretariat has been established which has proved a good force as in the last one year; it has raided almost 83 places, in 14 major towns. Or let's see how a special incentive in South Africa helps our fight against counterfeiting, any person who hands over to the IPR enforcements division the counterfeit purchase with proof of purchase, that person is rewarded three times the amount of purchase under certain conditions.

1.1.2 Counterfeits in EAC

The East African region has had its fair share of disputes and disagreements. The main bone of contention has been the long-held perception by Uganda and Tanzania that Kenya's economy - mainly the manufacturing sector - was more competitive than theirs despite the fact that it has been declining over the past few years under pressure from imports from the Middle East and inadequate infrastructure (Ng'eno, 2002). Kenya exports approximately three-fifths of its goods to Uganda and Tanzania and had been facing tariffs of between 10 and 20 per cent before the establishment of the East African Community. However, the EAC is expected to present a good investment platform for both domestic and foreign investors due to their economies of scale. Benefits should also

accrue to Uganda and Tanzania, who have, of late, reaped immensely from food commodity supply fluctuations in Kenya.

Counterfeit products and the brand pirates who make, distribute, and sell them continue to be a challenge in east Africa and around the globe. Estimates of global sales for bogus products are in the hundreds of billions of dollars and recent evidence suggests that fakes are prevalent in both developed and developing countries. Consumers are willing to pay more for counterfeits than for generic merchandise of similar quality because they value the prestige associated with brand-name trademarks. Counterfeiters of status goods impose a negative externality on consumers of genuine items, as fakes degrade the status associated with a given label. But counterfeits allow consumers to abandon the status and quality attributes of the brand-name products, and alter the competition among oligopolistic trademark owners. This scenario is not only worrying in east Africa but it is a major concern to all trading blocks around the world (Panagariya, 2000).

1.2 Statement of the Problem

Integration of economies in the world has been increasing in the recent past. Multiple institutions and organizations have been developed to facilitate trade and other economic matters, combine resources for the achievement of common goals, and strengthen international and intercultural dialogue.

Within the context of globalisation and regional integration, the various administrations have had to reassert their role in fighting illegal trade in counterfeit and pirated goods. In the case of a Customs union, there is free movement of goods across borders and this seamless movement is bound to encourage this unfair trade practice if not vigorously monitored. Economic integration provides member states with a regional co-operation network to identify the cross-border movement of high-risk goods and to undertake joint action to stamp out the illegal trade in fake goods. There is international consensus that illicit trade flourishes because of consumer demand. Without the consumer, the market would not survive (Panagariya, 2000).

While the qualitative impact of counterfeiting is very clear and unambiguous for the producers of the original products, such as loss of potential sales revenue and the erosion of the product trademark value, whether gradually or rapidly, the qualitative impact of counterfeiting for consumers may involve more debatable and, often, conflicting arguments (Ng'eno, 2002).

Strategies have been developed to advance international co-operation such as the electronic customs enforcement network, regional intelligence liaison offices, and sophisticated risk management and targeting instruments. The East Africa Customs Union is also realigning itself to effectively tackle the illegal trade by strengthening customs co-operation throughout the region with key trading partners and stakeholders as well as focused enforcement activities. Plans are under way to strengthen the bloc legal powers to take action and to sharpen its ability to detect illicit goods. The organisation is in the process of creating a new customs border control unit that will greatly enhance existing antismuggling activities. Dedicated customs intellectual property rights teams are already operating at major ports of entry. Today, member states of East Africa are part of the global offensive against the illicit trade and smuggling of counterfeit goods.

Whether the static outcomes of integration are beneficial to member countries depends on the balance between trade creation or the shifting of the production of goods from less efficient to more efficient members, and trade diversion or shifting of production from an efficient nonmember to a less efficient member. Trade diversion and creation tend to follow tariff changes associated with a customs union. Its from this background that the study seeks to identify and document the factors favouring the influx of this illegal trade of counterfeit goods.

1.3 Objective of the Research

The objective of the research is to establish the factors that influence the increment of counterfeit products in EAC.

1.4 Importance of the Research

This study is of importance to the following: Policy makers that are concerned with discouraging the use of counterfeit products. They will use the findings to come up with informed decisions and put in place proper framework to deal with the problem.

Investors will also use the information to make decisions regarding investments in the region. If the East Africa market is attractive in terms of dealing with counterfeiting it may be a guarantee of returns to investment hence attracting investors.

The research findings will be of value to the various industry players in the region who will have available information on the factors that increase counterfeiting and dumping as a whole. Further it will help individual companies to formulate strategies on how to deal with the problem.

Scholars in the field of international business management will use the information to understand the state of counterfeiting better. They can also use the information as a reference point to research further on counterfeiting.

Analysts will use the findings to assess the effects of counterfeit products on the profitability of various industries in the region.

Finally the Governments in the region will find the information useful in establishing the factors that has led to the increase of counterfeit products.

Many studies in East Africa have focused mainly on integration process, but none has been written on counterfeiting.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This study is important to the scholars in the region and beyond as it seeks to fill this Knowledge gap. According to research by the European Commission, the trade in some counterfeit goods is more profitable than drug trafficking. Counterfeits and cheap exports find their way into the market because of poorly enforced regulations, which enables these products to be priced cheaper and hence compete unfairly with Eveready products (Eveready East Africa Prospectus 2006).

Scholars and policy makers have commented differently on the issue of counterfeiting. Counterfeiting has become a potential threat for many industries from the loss of trademark value of a brand to the loss of market sales. Government also suffers from the loss of taxes. For certain products such as pharmaceutical and consumer products, counterfeit products jeopardize not only the industry but also the consumers, as the consumer inability to differentiate the original and the counterfeit medicine may cost the consumers their health. At this point, it is important to give out different definition of counterfeiting and dumping by different scholars (Venables, 2000).

2.2 Understanding Counterfeit

The definition of counterfeit is crucial not only for understanding the subject, but also in terms of measuring the extent and nature of the problem. In practice, the boundaries of counterfeiting are blurred for at least two reasons: first, that the definition rests on views about consumer perceptions; second, goods are counterfeit and which are legitimately parallel traded is not always immediately obvious and may have to be determined under the law.

The use of the term "counterfeiting" has evolved and now, "... encompasses any manufacturing of a product which so closely imitates the appearance of the product of another to mislead a consumer that it is the product of another it may include trade mark infringing goods, as well as copyright infringements. The concept also includes the copying of packaging, labeling and any other significant features of the product"

(OECD, 1998, p.3) The effect of counterfeiting can be extremely debilitating for the "originator" of the goods, as the fake ones are usually of lower quality and lower price. Thus, insofar as such goods confuse or mislead consumers, they tend to eat into the originator's market and the value of the originator's intellectual capital.

About forty years ago the first cases of brand counterfeiting emerged. At that time, only a few manufacturers of very highly priced and very prestigious products like textiles, jewelry and accessories were affected and it was assumed that this phenomenon would be of minor significance. Since then, however, counterfeiting has become widespread and has developed into an economic problem of international significance. Recent figures estimate that seven percent of the world's merchandise trade, or \$512 billion in 2004, may be based on trade with counterfeit products (Halfour, 2005). This global economy for illicit goods is massive and it is growing. The number of counterfeit items seized at European Union borders has increased by more than 1,000%, rising to over 103 million in 2004 from 10 million in 1998. At U.S. borders, seizures of counterfeit goods have more than doubled since 2001 (Gutierrez et al.2006).

With the ever-increasing success of counterfeiting, harm to economic systems and societies has also been on the rise. Although counterfeiting can have positive impacts on companies as well as on society, most nations prosecute trade with counterfeits as they expect a total of negative effects. For instance, counterfeiting is said to be responsible for the loss of about 300,000 jobs in Europe every year.

The seriousness of the problem is troubling and has led to a variety of countermeasures based on lawful, political, administrative, or business techniques. In order to develop appropriate countermeasures it becomes necessary to understand the phenomenon of counterfeiting as a whole and, in particular, the reasons why people buy counterfeit goods. At first glance, it seems that consumers purchase counterfeit products primarily because of the low price. This would imply that counterfeits are primarily attractive to low income consumers. However, although they can afford the genuine brands, high income consumers in well-developed countries also buy counterfeits (Gentry, et al 2002).

Venables, (2000) classified counterfeit products into four categories, based on the degree of infringement, i.e. true Counterfeit, where the product's both physical appearance and the brand are perfectly similar to the original one. Secondly, The Look-alikes counterfeit goods, in this classification the product is a copy of the physical appearance of the original product, but the brand it uses is not the original.

Thirdly, the reproductions of counterfeit products, which only have some similarities with the original and lastly, Unconvincing Imitations which are goods that can be easily differentiated with the original. Wonnacott, et al (1989) in their research classified counterfeit products based on the consumer's knowledge of the product, i.e. deceptive Counterfeiting, these are the counterfeit goods which the consumers cannot distinguish the fake from the original one. The consumers are fully unconscious of buying the fake product and Non-deceptive Counterfeiting which the Counterfeit goods can be distinguished from the original one. Those who do not buy the goods from the official distributor can be assumed as not 'being fooled' as they are fully aware of how to get the original product, which is through the official distribution channel. Overall, from these two different classifications, it can be said that the first classification is based on the price changes while the second one is based on the consumer's consciousness.

Most of counterfeit products are luxurious goods and high technology products (computer software). In this case, the high price for certain products is set to keep its exclusivity. The high price usually resembles the trademark value, or price of a trademark (brand). The trademark value has given some producers an incentive to produce fake products and sell them at a lower price. Nevertheless, the counterfeiting trend today has gone a dramatic change, as expensive products are not the only one targeted but more and cheaper mass products, such as consumer goods, are counterfeited. It is interesting that many counterfeits found in East Africa have been reported to be produced in China (Wonnacott et al, 1989).

Industries worldwide lose billions of dollars every year to counterfeiters. These costs impact on victim countries in a number of different ways. First of all, industries, which find themselves in direct competition with counterfeiters, suffer a direct loss in sales. Indeed, some markets are even dominated by counterfeiters, creating barriers of entry for the producers of the genuine product. Many counterfeit products today are of higher quality and compete directly with the genuine items.

Anti-counterfeiting technologies are increasingly being used to protect and authenticate products (OECD, 2000, pp.31-32). This trend reflects the increasing availability of such technologies, their falling cost and the rising losses from counterfeiting. While solutions offering complete protection are rare, in many areas (some combination of) technologies can significantly delay or reduce the magnitude of counterfeiting. OECD (2000, p.32) argues that the technology must be "... cost-effective, compatible with the distribution of the product, consumer-friendly, resistant and durable". Peticolas, et al, (1999) argue that, while there are no general solutions, there are a "... wide range of tools, which if applied intelligently should be sufficient to solve most of the problems that we meet in practice." Such technologies range from, "...simple cost effective printing technologies through optical technology, biotechnology, chemical and electronic fields" (*op cit.* pp.32-34). The technologies can be covert or overt, where covert devices constitute a key trade secret of the enterprise and should form a carefully guarded secret.

2.3 Economic Framework

Stylized Model

This model has two assumptions that: (i) trademarks and branding lead to higher future consumer welfare because they encourage discretionary investments such as research and development, advertising and training; (ii) counterfeit goods cause confusion and therefore reduce consumer welfare.

The original goods manufacturers and their governments offer a view which is heavily dependent on the roles of price and quality. Originator firms are argued to have spent significant amounts to develop the quality and brand image of their products, through

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invention, design, informative advertising, etc. The result is a high quality product, occupying a market niche offering the originator some degree of monopoly, power and protection from counterfeits. This raises the originator firm's current and expected future profits, enabling it to pay for future discretionary investments, which maintain their position in the longer term by generating future monopoly power (Cowling, 1978). These actions are legal and characterize the dynamic process of competition through quality improvement.

In this model still, counterfeiting impinges on this virtuous circle of dynamic performance in at least two ways: first, transferring demand from the originator to the counterfeiter; second, because counterfeits are of lower quality, it confuses consumers about the quality of the originator's goods and reduces the value they command. The effect of both is analogous to the imitation of an invention in the absence of patents – a free-rider issue, where the counterfeiter trades on the name and the quality of the originator's products.

The counterfeiter does not incur the costs of brand development and the originator fails to receive the due revenue from the branded product, as the counterfeiter takes part of their market and pays no royalties (Chen, 1996). Hence, official dealers and retailers also suffer, as does their special relationship with the originator. The originator's brand image may be undermined, reducing their intangible assets, market valuation and their returns on discretionary investments. OECD (2002, p.31) suggests that the (potential) counterfeiter undertakes "... some form of direct or indirect cost-benefit analysis before embarking on criminal enterprises".

Their expenses not only include the direct production and distribution costs of fake goods, but also the penalties if caught, appropriately weighted by the risk of capture. The risks are complex, comprising the chance of being caught, redress the originator seeks (i.e. confiscation, etc.), probability of conviction, and other penalties. The risk-return profile varies across sectors and countries, in particular, between "deceptive" and

"nondeceptive" counterfeits (Grossman, 1988). Thus, anti-counterfeiting schemes attempt to reduce the risk adjusted returns (OECD, 2002, p.31).

Based on Grossman (1988) definition of counterfeit products, fake pharmaceutical products can be classified as non-deceptive counterfeiting, as consumers may unconsciously consume the fake drugs as it is difficult if not impossible to tell apart. The negative impact of counterfeiting deals with consumer's product knowledge. For pharmaceutical and consumers products, counterfeiting also harms their health, as these products cannot be differentiated by their physical appearance. It takes laboratory test for pharmaceutical products to be tested. In the case of pharmaceutical product, consumers might suffer from the cost of faulty product.

2.4 Regional and Economic Integration

Africa's regional economic schemes have not been limited to narrowly defined regions as there have also been attempts to establish continental equivalents. As an example is the African Economic Treaty that came into force in 1994, the Abuja Treaty initially sought to strengthen existing regional schemes and promote formation of new ones that would be the frontrunners of a continental integration scheme.

Fitzgerald, (1996) referred to political integration as a process that may lead to a condition in which a group of people has attained within a territory a sense of community and of institutions and practices strong to assure, for a long time, dependable expectations of peaceful change among its population. Langenfeld, (1996) writing about the unity in Europe, defined integration as, "A process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities towards new center, whose institutions possess or demand jurisdiction over the pre-existing national states." The successes of the European Union have informed both scholars and policy makers the benefits of integration for development of any region. Integrative initiatives have been seen not only as a strategy to be adopted for enhancement of economic security, but also, as a vehicle, which will lead to regional security and hence global security (Lawrence, 1995).

The economic success of East Asian economies is based on sharing the benefits of global markets from exports in their societies through investment on human capital, physical infrastructure, and poverty reduction. East Asian countries also took advantage of the globalization of knowledge and information by closing the global gap in knowledge and technology. Thus, the problem is not with globalization, but how it has been managed or governed.

Regional integration has been seen as a useful component on the way towards global integration, but not a substitute for it. Such arrangements help to overcome the disadvantages of small economic size, enhance export competitiveness, minimize adjustment costs, and provide an effective framework for financial sector, legal and regulatory reforms, investment promotion, and the implementation of sectoral policies. They can also contribute to increasing the stability and predictability of macroeconomic policy. Finally, regional integration can be a powerful instrument of conflict prevention and resolution, and can foster the conditions of peace necessary for successful economic development (Lawrence, 1995).

2.4.1 East African Community

The East African Community (E.A.C) is an intergovernmental organization with plans to form a country called East African Federation with one president by 2010. The history of the cooperation between East African states especially between Kenya, Uganda and Tanzania date back the Early 20th century, it began with the customs union between Kenya and Uganda in 1917 which then Tanganyika joined in 1927, The East African High Commission (1948-1961), The East Africa Common Services organization 1961-1967 and the East African Community (1967-1977).

In 1977 The East African Community collapsed after 10 years due to demands by Kenya to have more seats than Uganda & Tanzania in decision making organs, amid disagreements caused by dictatorship under Idi Amin in Uganda, socialism in Tanzania and capitalism in Kenya. And the three member states lost over sixty years of cooperation

and benefits of economies of Scale. Each of the former member states had to embark, at great expense and at lower efficiency, upon the establishment of services and industries that had previously been provided at the Community level.

However on November 30th, 1993 a treaty for East African Cooperation was signed which established a tri-partite Commission for cooperation. A process of re-integration was embarked on involving trio-positive programmers of co-operation in political, economic, social and cultural fields, research and technology, defence, Security, Legal and Judicial affairs.

The East African Community was finally revived on 30 November 1999 when the treaty for it's re-establishment was signed. It came into force on 7th July 2000. Currently the East African Community has five member states having incorporated Rwanda and Burundi. The community has an area of 1,817,945 Km². a population of about 124,858,568 persons, GDP (PPP) of 104,239 millions and a GDP per capital value of US\$ 1,065

2.5 Effect of Counterfeits on Trade and Economy

From the economy point of view, counterfeiting causes several impacts; fiscal loss, and its multiplier. As the sales from the original producers are plunging, the country's economy is also losing its potential tax revenues, i.e. from potential corporate income tax, personal income tax, import duties, and value-added tax. In the case of luxury goods, the country should have also suffered from the loss of potential sales tax on luxury goods.

Massive counterfeiting action in one country also jeopardize the country's economy as World Trade Organization (WTO); an international organization who controls the international trade, has strict regulation about counterfeiting and penalty for country that has never been serious in combating counterfeiting. Even cheaper and obvious copies that are bought in good faith represent a serious threat to the company that wants its brands associated with quality and exclusivity.

2.5.1 Costs to Countries where Counterfeiting Takes Place.

First, foreign producers of reputable products become reluctant to manufacture their products in countries where counterfeiting is rife as they cannot rely on the enforcement of their intellectual property rights. Hence, such countries not only lose direct foreign investment but also miss out on foreign know-how. Second, if many products from such countries, including genuine ones, gain a reputation of being of poor quality, this will cause export losses, which in turn implies both job losses and loss of foreign exchange. It could be argued that the counterfeiting industry creates jobs but these jobs are often poorly paid, often involve substandard working conditions and sometimes use child labour (Durham, 1996).

Third, the foundation for new business development in a country is the existence of a legal system to protect the rights of the entrepreneur and to promote fair competition. The prevalence of counterfeiters in a market discourages inventiveness in that country since it deters honest producers from investing resources in new products and market development. A further direct loss for the government of countries that become havens for counterfeiters, are tax losses, since the counterfeits are normally sold through clandestine channels and counterfeiters are not generally keen to pay tax on their ill gotten gains. Fiscal losses are increasingly shown to justify action by enforcement officials (Meredith, 2005).

2.5.2 Costs to Countries where Counterfeits are Sold.

Countries promoting tougher enforcement of intellectual property rights in the world have a strong case for doing so. The economic costs of counterfeiting for such "victim" countries include job losses missed sales opportunities and lost tax revenues.

In the long run counterfeiting discourages investment in product development since a company will not get all the benefit from its investment. The governments of countries where counterfeits are sold will also have to expend increasing amounts of money in funding police and other investigation and enforcement operations. Furthermore, the

judicial authorities, including the courts and prison service, need to spend additional time and money in sentencing and dealing with counterfeiters.

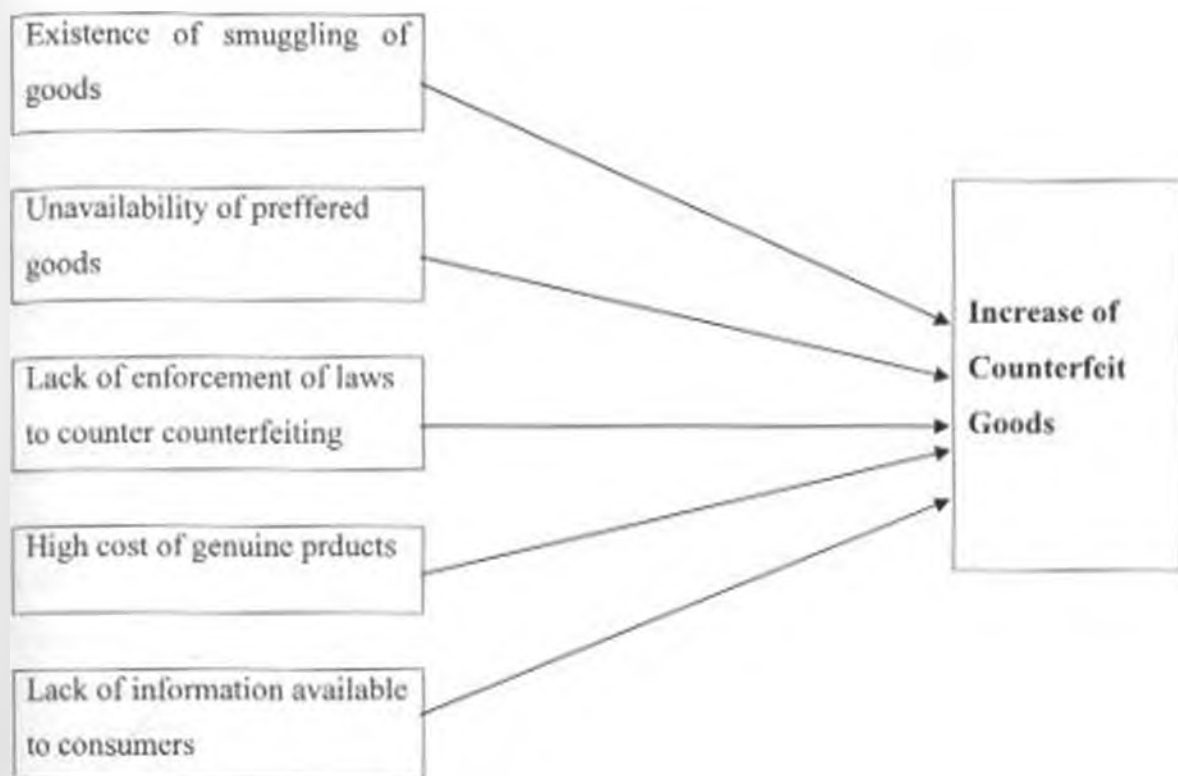
2.5.3 Social Costs

Ultimately, it is the consumer who pays the cost of unfair competition. Although many consumers believe they are getting a bargain when they buy counterfeits, the actual value of the product is normally much lower. Hence, they end up paying an excessive price for an inferior product.

The inferior quality of many counterfeits, particularly those relating to health and safety, has had disastrous effects. It is no longer rare to find counterfeit parts in aircraft and other vehicles causing death and injuries, or counterfeit pharmaceuticals in hospitals. Workers in factories where counterfeits are produced are frequently exploited. They often work in a poor working environment and are repeatedly exposed to health and safety risks. In addition, they are generally poorly paid (Durham, 1996).

2.6 Conceptual Framework

Factors influencing the increase of counterfeit goods in EAC.



We expect that once consumers have experienced a counterfeit item, they will prefer both counterfeits and genuine items more than consumers who have no such experience. In other words, consumers of counterfeits simultaneously develop a preference for counterfeits as well as genuine items rather than reduce their preference for one type of product and increase their preference for the other kind. Consumers of counterfeits will prefer counterfeits more than will non consumers of counterfeits for four reasons. First, many consumers buy counterfeits for novelty and playfulness purposes out of curiosity. For example, Silk Alley in Beijing used to be a tourist place for backpackers to shop fake handbags, sneakers, and designer fashion items. Many consumers are motivated to buy counterfeits for novelty and variety because such novelty- and variety-seeking behavior is more frequently found for less expensive products (Wee et al, 1995).

Consumers find that the brand name, the label, and identifying design characteristics such as logo and distinctive materials are themselves valuable. Such a hedonic and novelty benefit values a product for its own sake, whereas the utilitarian benefit values the degree to which a product serves its intended functional purpose (Babin et al, 1994). When consumers pursue hedonic rather than utilitarian needs, they will easily keep purchasing counterfeits. For example, tourists often purchase counterfeits to represent the fact that they have traveled to Beijing, Bali, or Bangkok. Furthermore, they may not mind low quality. Even in case others notice they consume counterfeits, consumers who do so for a pure hedonic reason will not feel embarrassed. Therefore, they do not consider a consumer image built on fake products an issue of fragility.

Second, counterfeits separate prestige from quality aspects of status goods, while genuine items offer both (Grossman, 1988). Counterfeits allow consumers to buy prestige only at a lower price as opposed to buying quality at a high price. In the context of counterfeits, a symbolic benefit can be achieved to the degree that consumers enjoy the status associated with the genuine items by successfully impressing casual observers (Grossman et al, 1988). As long as it is difficult to distinguish counterfeits from genuine items, symbolic shopping purposes will reinforce consumers to stay with counterfeits.

Third, counterfeits provide price advantages because they are much more affordable than the genuine items. Researchers find price advantage to be a dominant reason for buying counterfeits (Albers et al, 1999). Value-conscious consumers are likely to develop counterfeit proneness mainly because of the savings resulting from the lower prices of counterfeits. They are engaged in counterfeit purchase behaviors when they experience price pressures. Economic consequences influence the tolerance of illicit purchase behaviors by consumers (Dodge et al. 1996).

The consumer income level must be a primary driving force of counterfeit proneness, but non income factors may also contribute. For example, consumers will choose counterfeits when they feel a high risk in spending a lot of money to buy genuine items that have a high chance of being replaced by newer models or are too fashionable to last.

Fourth, consumers may not easily change their shopping patterns. Once consumers try counterfeits, they may be encouraged to buy them again because they are likely to depend on the previous shopping experience, although such product choice inertia or loyalty may diminish in the long run. Setharaman et al, (1999) find power in inertial choice behavior in which consumers make repeat same-purchase patterns. Consumers who become inert in one product category tend to be equally inert in other categories, and inert consumers are less sensitive to marketing programs developed to change their choice behaviors. These findings about inertial shopping behaviors suggest that the more consumers experience counterfeits, the more they will prefer counterfeits.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

This Survey method was used in this study because it provided a comprehensive basis for analyzing and gathering primary data. This survey employed random sampling of firms operating within EAC. This has a higher advantage in collecting a large no of observations. Sample can spread over a wide area and the questions can cover a wider scope of subject matter and more complex issues.

3.2 Population

The population studied composed of manufacturing companies that are operating in the East Africa region. This study utilized random sampling method to pick a sample of sixty companies out of which twenty comes from each country.

3.3 Data Collection Method

This survey used primary data that was collected using a semi- structured questionnaire which was served on respondents through personal interviews of a situation that was presented to them. The response rate for personal interviews was higher than that of either mail or telephone interviews.

3.4 Data Analysis

Data was cleaned, validated, edited and coded then summarized using descriptive statistics, frequency counts, percentages, and mean scores. Key characteristics of the industries within the region were identified

Factor analysis method was used to identify the related factors that explain the phenomenon in question.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.1 Response Analysis

In this chapter data pertaining to the factors that influence the extent of counterfeit goods in the East Africa Community are analysed and interpreted. The collected data was analysed and summarised using SPSS multi response tables.

A total of 20 firms were issued with questionnaires in manufacturing companies in Kenya registered with the Kenya Association of Manufacturers.

Out of these, fourteen firms responded by completing and returning the questionnaires six did not respond. This gave a response rate of 70% which the researcher deemed adequate and sufficient for the study and for proper data analysis.

The returned questionnaires were returned and coded. Multi response tables were used to determine the factors that influence the extent of counterfeit goods in the East Africa Community.

4.2 Multi Response Table

FACTOR	CODE	NO. OF COMPANIES	KEY	PERCENTAGE
Existence of company policy	1	7	1 represents Yes	50%
	2	7	2 represents No	50%
Effect of company policy on counterfeit	2	8	1 represents Negligible	57%
	3	2	2 represents Low	14%
	4	1	3 represents Moderate	7%
	5	3	4 represents High	21%
			5 represents Very High	
Opinion on Counterfeiting	2	8	1 represents No extent	57%
	4	2	2 represents Small extent	14%
	3	4	3 represents Some	29%

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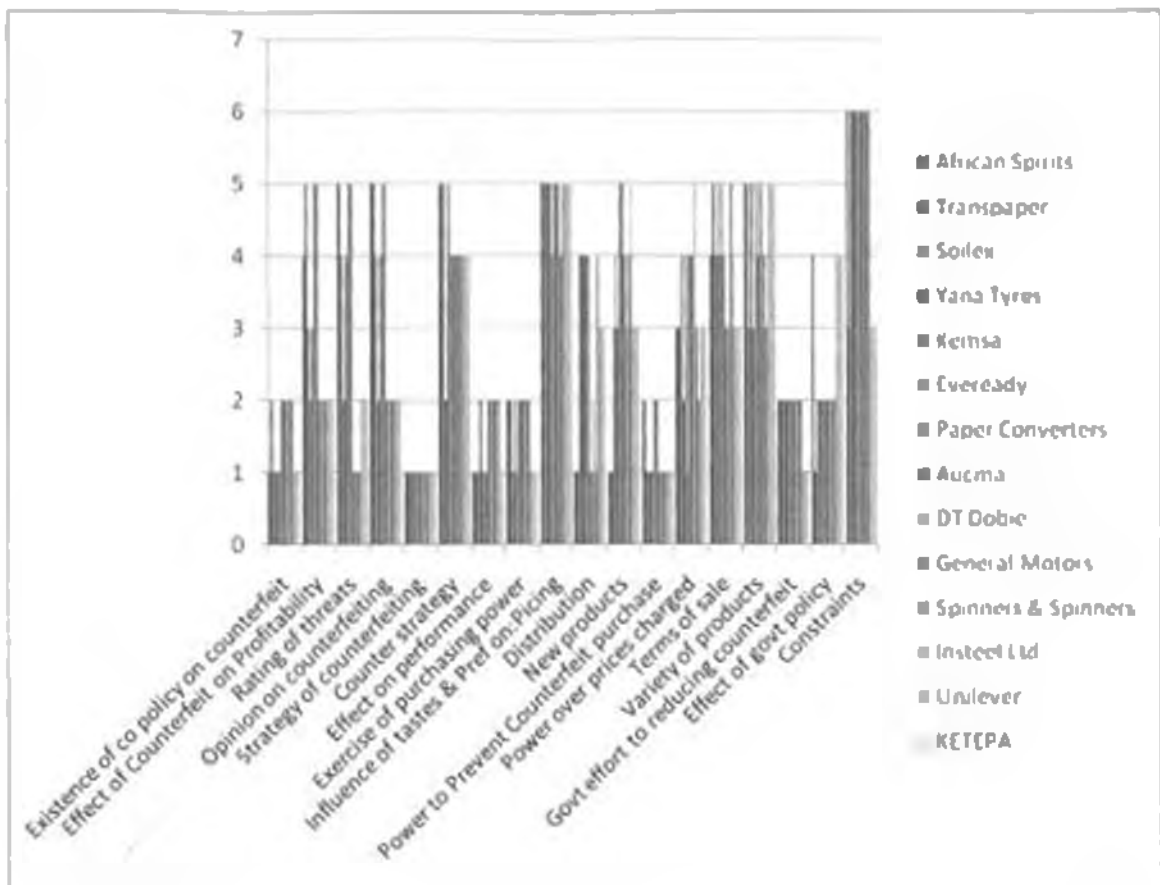
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Regulation on Counterfeiting	2	8	1 represents No extent	57%
	4	2	2 represents Small extent	14%
	5	4	3 represents Some	29%

			extent 4 represents Large extent	
Strategy of Counterfeiting	1 2 3	14	1 represents Pricing 2 represents Promotion and advertising 3 represents Use of e-commerce	100%
Exercise of purchasing power	1 2	5 9	1 represents Yes 2 represents No	36% 64%
Power to prevent counterfeit purchase	1 2	10 4	1 represents Yes 2 represents No	71% 29%
Power over prices charged	1 2 3 4 5	1 2 6 4 1	1 represents No extent 2 represents Small extent 3 represents Some extent 4 represents Large extent 5 represents Very large extent	7% 14% 43% 29% 7%
Govt effort in reducing counterfeit	1 2	3 11	1 represents Yes 2 represents No	21% 79%
Effort of Govt policy	1 2 4	1 9 4	1 represents Negligible 2 represents Low 3 represents Moderate	7% 64% 29%

			4 represents High 5 represents Very High	
Constraints	3 6	4 10	1 represents Poor infrastructure 2 represents Insecurity 3 represents Poor state of the economy 4 represents Lack of skilled personnel 5 represents Low purchasing power 6 represents at least two of the above constraints	29% 71%

The above multi response table results can be summarized and represented by a graph as below



71% of the companies interviewed were owned locally while the rest were foreign. 50% of the companies interviewed had an existing company policy on counterfeit goods. 57% of the companies said the extent of counterfeiting on their profitability was low, 14% said the extent of counterfeiting on their profitability was moderate, 7% said it was high, while 21% believed it was very high. 56% of the companies rated the threats of counterfeiting as low, while 44% rated the threats of counterfeiting as high. 57% of the companies have the opinion that counterfeiting affects their industry on a small extent while the rest believe that counterfeiting has affected their industry to a large extent. 100% of the companies believe that counterfeiters use lower pricing as the most effective strategy. 64% of the respondents believe that product enhancement is the best counter strategy against counterfeit. 50% of the respondents believe that counterfeits have affected their performance in the region negatively while 50% believe it has not. Only 35% of the respondents believe that customers exercise their purchasing power over counterfeiters.

100% of the respondents believe that customer tastes and preferences have influenced the pricing of counterfeits. 71% of the respondents believe that they have power to prevent counterfeit purchase. 78% of the respondents believe that the government is not doing enough to reduce counterfeits in the region. 71% of the respondents rated the effect of the government policy on counterfeiters as having a low impact. 29% of the respondents believe that the poor state of the economy is the biggest constraint counterfeiters take advantage of while the remaining 71% believe it is a combination of at least two factors either poor infrastructure, insecurity, poor state of economy, lack of skilled personnel or low purchasing power.

4.3 Protection against Counterfeiting

More companies are taking a proactive role in preventing their products from being counterfeited. It would be unrealistic to expect any measures to eliminate counterfeiting forever, but the aim should be to make it unattractive for the fraudsters to target the company's products. Safeguards against counterfeiting within private organizations have three main ingredients: Anti-counterfeiting policy, technologies and legal enforcement.

- **Anti-counterfeiting policy**

Most companies that market their products internationally have experienced some problems with counterfeiting. Yet, for many, it is only during the last few years that they have formulated any systematic anti-counterfeiting policy. Strategies are now discussed in wider groups and most conferences on product counterfeiting will have at least one company sharing its experiences of combating counterfeiting. Anti-counterfeiting work is regarded as goodwill rising, and more and more companies are seeing the advantages of publicizing their efforts. It is not only the most heavily counterfeited industries, such as software and music, but also companies from the wine and spirits and motor industries that participate at these conferences

- **Due diligence**

The concept of due diligence is most developed in the finance sector in the preparation of financial documents. It involves taking steps to ensure, as far as is reasonable, that if challenged, it can be proved that all due care was in fact taken. It goes beyond the duty of care into strict regulatory mechanisms involving not only the basic care theme but also a series of well-defined procedures and tests. This is particularly important where counterfeits can cause injuries and health hazards, such as pharmaceuticals, spirits and motor parts, etc. Here, due diligence not only provides a shield for liability, but also protection against loss of reputation and adverse public opinion.

The series of procedures that form the basis of due diligence are in fact proactive measures implemented to reduce the negative effects of counterfeiting. These measures reduce the risk of counterfeiting in the first instance, as well as enabling the company to react much faster should it occur. Procedures such as training, internal control and adherence to accepted codes of practice are likely to have commercial benefits. In order to implement a due diligence strategy, an organization must comprehend almost every risk-related function that it faces and implement response procedures accordingly. The concept, therefore, enters into the realm of risk management. The three member states of EAC namely Uganda, Kenya and Tanzania should support manufacturers, firms, organizations and importers to practice the diligence.

- **Anti-counterfeiting Technologies**

Technologies are increasingly employed to protect and authenticate products. In the past, this field was somewhat neglected partly because of the limited availability of suitable technologies as well as the perception that the implementation of the technologies would not be cost-effective. However, this trend has changed with more victims of counterfeiting becoming aware of the potential that technological solutions hold out and the falling costs of implementing these.

The overriding requirement of any anti-counterfeiting system is to change the risk-return profile for the counterfeiters – raising the risk and thereby minimizing the return. The

counterfeiter will carry out some form of direct or indirect cost-benefit analysis before embarking on criminal enterprises. The total cost of crime for a counterfeiter includes, beside the direct costs of producing and distributing the fakes, an indirect risk factor. The risk factor weighs the risk of being caught, the probability of being convicted, and the severity of any penalties likely to be imposed. The risk varies considerably across countries

It is impossible, however, to fully protect products from being counterfeited for "what one man can make, another can copy". Indeed one only has to look at the counterfeiting problem in the banknote field, where numerous sophisticated security features are incorporated and which has historically been plagued by counterfeiting, to see that total protection is impossibility. Despite this, few people would nowadays argue against the fact that the use of anti-counterfeiting technologies can significantly reduce the risk of counterfeiting. The problem is more to identify the best solution for the company's particular problem.

In general, the technology has to be cost-effective, compatible with the distribution of the product, consumer-friendly, resistant and durable. For the most part it is only possible to build in security that will frustrate the counterfeiter for a period of time. Effective product protection can only generally be achieved by using a combination of different product-protection devices.

The various technologies available today vary considerably in the degree of sophistication and in the principles on which the protection against counterfeiting is based. They range from simple cost effective printing technologies through optical technology, biotechnology, chemical and electronic fields. The nature of the product and the type of counterfeit risks will determine the most appropriate technology.

It is common nowadays to have a system of solutions that comprise a combination of covert and overt technologies. Besides its primary use as a means of protection, the overt (or easily visible) device also serves to indicate the product's authenticity to consumers

and distribution staff. The covert (or secret) device, on the other hand, needs to be carefully guarded and only disclosed to certain individuals charged with product protection since it serves as a back-up security device in the event that the overt feature is compromised and provides a means of protecting the integrity of the distribution chain.

The available technologies can broadly be categorized as follows.

- **Optical Technologies**

Some of the leading anti-counterfeiting technologies are found in the optical field and involve the use of light and its many properties. Among the optical technologies, holograms have become widely used as a means of product protection. There is a large range of other optically variable anti-counterfeiting devices, including optically variable thin films, retro-reflective material and scrambled images.

- **Electronics**

The electronic anti-counterfeiting technologies encompass a range of different options. Magnetic stripes are the leading security technology used to protect bank and credit cards. They are able to store a considerable amount of information in coded form in magnetisable particles which can be read by a contact scanner.

- **Biotechnology**

Breakthroughs in biotechnology have improved the understanding of the unique characteristics of biological proteins such as antibodies, enzymes and DNA. The identification of certain chemical structures and their capabilities to bring about specific reactions has made biotechnology an increasingly important field among anti-counterfeiting technologies.

- **Chemical technologies**

In what can broadly be termed the chemical field, anti-counterfeiting technologies include photo chromic (or light-reactive) and thermo chromic (or heat-reactive) inks. These are typically applied on product labels and packaging. When exposed to either heat or light they change color, and when exposed again the color reverts to the original.

Generally the effect is reversible as often as required. Inks have also been developed that are invisible to the human eye but which can be read by bar-code scanners.

4.4 Enforcement of Rights: Public - Private Partnership

Infringement of intellectual property rights is still seen as a white-collar crime among many enforcement officials, and enforcement of rights is regarded as an aid to self-help. There is no doubt that the right holder has to be proactive in pursuing the enforcement of his rights and provide all the necessary support to police and customs in order to achieve success.

Up to the beginning of the 1990s, most companies would bring civil actions against counterfeiters rather than notifying police or customs. However, during the last decade this has changed and there has been an increased interest in public-private partnership against counterfeiting.

The industry had to understand that, although the enforcement agencies do work against counterfeiting, tight budgets and other crimes, such as drug smuggling, make it difficult for the officials to give it the priority it deserves. Another problem has been information sharing. Companies receiving regular reports on counterfeiting of their products did not know how to share the information with the police, while the police could not justify concerted action since the crimes were not reported often enough.

Some EAC member states still consider counterfeiting to be a normal economic activity and that there are significant problems in connection with certain countries, but a sufficiently high level of complaints filed is necessary in order to obtain a mandate to act. Co-operation between private industry and enforcement agencies needs to be re-enforced. Police and customs officers lack sufficient expertise to be able to identify goods that infringe a company's intellectual property rights.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The objective of this study was to establish the factors that influence the extent of counterfeiting of goods in EAC. The general opinion that the unregulated market coupled with weak law enforcement on counterfeiting practices and corruption increase counterfeiting has to a great extent been confirmed by the findings. This study established that counterfeit products and the brand pirates who make, distribute and sell them continue to be a challenge in East Africa. East Africa sadly has no shelter against counterfeits. Counterfeiting has become a potential threat for many industries from the loss of trademark value of a brand to the loss of market sales. Government has also suffered from the loss of taxes.

5.2 Summary

In the past ten years counterfeits have grown from a small scale problem on luxury goods to one which now encompasses virtually every product category be they pharmaceuticals, car parts, agricultural chemicals, foods, electronics to soap and tooth pastes. More and more counterfeit manufacturers are now targeting developing markets where enforcement and resources are weakest counterfeits affect not only the large multinational companies but even more so, governments, business and populations of a country.

Governments lose far greater revenue than businesses do due to lower tax revenues (import duties, VAT and company taxes). It has been estimated that for every dollar businesses lose in profits, governments lose \$2 in lower tax revenue. Of far greater concern is that consumers are being increasingly exposed to major health and safety risks e.g. electrical conductors and cables which catch fire to fertilizers which could result in total loss of crops, batteries which explode or leak, personal care products which can cause skin and mouth irritation and food products which have exposed populations to great health risks. There are a number of issues and factors supporting anti-counterfeiting:

- Only the manufacturer of the genuine product knows whether an item is fake or genuine. Therefore, it makes sense that manufacturers should be obliged to assist in identifying copies of their products.
- The financial burden is shifted to the right holder, who is usually the financially stronger party compared with enforcement agencies. Many companies are already financing training and the setting up of data bases for enforcement agencies.
- The diversity of products targeted by counterfeiters will require a more proactive approach from the industry groups in order to obtain protection for their specific products.
- Increased competition in the market for genuine goods makes it necessary for the company to maintain consumer confidence. Too many competing substitutes are ready to replace the market leader as soon as consumers lose confidence in that brand.

5.3 Conclusion

The EAC Partner States should address the problem of counterfeits effectively and enforce Intellectual Property Rights. The states must marshal collaborative effort of all key stakeholders, from both EAC Governments (Customs, Finance, Police and Judiciary) and the private sector, working as an integrated team, to tackle the problem of counterfeits effectively; and develop a regional Intellectual Property Law, with harmonized penalties for manufacturing, importing or selling counterfeits. Countries which do not support private sector concerns, particularly on the counterfeits issue, were far less likely to attract new investments, for existing and potential new business

If EAC does not act especially now, a time when EAC is promoting the East African region as a common investment destination, it would be sending a wrong signal to investors in the Common Market to find that they would be undermined by piracy, counterfeits and cheap and shoddy imports, into the region.

Counterfeits undermined fair trade while enriching a few unscrupulous actors to the detriment of millions of East Africans in terms of their health and safety, apart from

revenue foregone by the exchequers that is badly needed for investment in poverty eradication programs. At a time of increasing consolidation by major companies of their global manufacturing, and supply chain planning, governments which fail to adequately address and enforce Intellectual Property rights could face local divestment or closure of manufacturing operations, with the resulting negative impact on the local economy and employment.

However, there has been some progress and measures by the EAC to curb the menace and it is so commendable, EAC has instituted an intergovernmental forum that has been addressing the issues and will be expanded to include stakeholders from the private sector and civil society. Already the East African Legislative Assembly (EAL.A) has enacted relevant legislation on Standards, Quality Assurance and Metrology as well as the East African Competition Law. The Secretary General of the East African Community, Ambassador Juma Mwapachu said recently that in further addressing the issue, EAC has developed a Concept Paper on the formulation of an East African Community Regional Anti- Counterfeiting and Anti-Piracy Programme whose first step would be to push legislation through the EAL.A for an Act on Anti-Counterfeiting and Piracy.

5.4 Limitations of the Study

There is little secondary data that exists regarding counterfeit goods, this can be attributed to the fact that counterfeit goods are prohibited goods and therefore the information is not readily available. The second limitation was lack of sufficient time to collect data from companies in the other two countries of EAC namely Uganda and Tanzania. Thirdly, it was challenging to identify the counterfeiters and interview them. This could give an insight on the factors influencing counterfeit from a different angle.

5.5 Suggestions for Further Research

It is important that a similar study be conducted with a bigger sample and geographical horizon of EAC by using advanced analysis models to enhance our understanding of the factors that influence the extent of counterfeit goods in the East African Community.

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**UNIVERSITY OF NAIROBI
LOWIER KABETE LIBRARY**

APPENDIX 1: LETTER TO THE RESPONDENT
UNIVERSITY OF NAIROBI,
SCHOOL OF BUSINESS,
P.O. Box 30197,
NAIROBI.

TO.....

P.O. Box

Date.....

Dear Sir/ Madam,

**RE: FACTORS THAT INFLUENCE THE INCREASE OF COUNTERFEIT
GOODS IN EAST AFRICAN COMMUNITY.**

I am a postgraduate student undertaking a Master of Business Administration Degree at the School of Business, University of Nairobi. I am currently carrying out a research on the factors influencing the increase in counterfeit goods in EAC.

My approach to this survey is both consultative and collaborative and ensures that it causes minimum disruption to your schedule of activities. I kindly request you to provide the required information by responding to the questions in the questionnaire. The information required is purely for academic purposes and will be treated in the strictest confidentiality.

A copy of the research project will be made available to you upon request. I will appreciate your co-operation in this academic exercise.

Thanking you in advance.

Yours faithfully,

.....

Reuben W. M

APPENDIX 2: QUESTIONNAIRE

University of Nairobi

School of Business

Department of Business Administration

Note: The information in this questionnaire will be treated confidentially and will not be used for any other purpose other than academic.

-
- 1 Company Ownership Local [] Foreign [] Both []
- 2 Origin of the Company African [] Europe [] Asia []
- Other specify _____
- 3 Number of employees Local [] Foreign [] Total []
- 4 Year your operations started in the region []
- 5 Number of branches operated []
- 6 Do you have company policy fighting counterfeits []
- 7 To what extent can you say counterfeits have reduced profitability in your company?
- | | | | | |
|---------|-------|----------|-------|------------|
| V. High | High | Moderate | Low | Negligible |
| [] | [] | [] | [] | [] |
- 8 How would you rate this continued threats of counterfeits to your sales?
- | | | | | |
|---------|-------|----------|-------|------------|
| V. High | High | Moderate | Low | Negligible |
| [] | [] | [] | [] | [] |
- 9 Which of the following strategies do counterfeiters use? Tick as appropriate
- a) Pricing /Fee []
- b) Promotion and advertising []
- c) Use of e-commerce []

10 Which strategy (ies) do you mostly apply so as to reduce this competition?

- a) Pricing
- b) Promotion
- c) Distribution
- d) Product enhancement

11 Has counterfeiting affected your performance in the region negatively?

Yes No

12 Do you think customer exercise their purchasing powers over counterfeiters?

Yes No

13 If no give reason(s) _____

14 To what extent do you think customer tastes/preferences have influenced the rate of counterfeiting on the following?

	V. High	High	Moderate	Low	Negligible
a) Pricing			<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>				
b) Distribution		<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> <input type="checkbox"/>					
c) New products		<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> <input type="checkbox"/>					

15 Do you think you have some powers to prevent your customers from buying from counterfeiters? Yes No

16 Please rate your power over customers on following aspects;

V. High High Moderate Low Negligible

- a) Prices charged
-
- b) Terms of sale
- c) Variety of Products

17 Do you think the Governments is doing enough to reduce counterfeits in the region?

Yes No

18 If yes, are they doing enough? _____

19 Overall how would you rate the effect of Government policy on counterfeiters?

V. High	High	Moderate	Low	Negligible
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20 What general constraints do you face in your operations in the region that counterfeiters take advantage of? Tick as appropriate

- a) Poor infrastructure
- b) Insecurity
- c) Poor state of the economy
- d) Lack of skilled personnel
- e) Low purchasing power

Many thanks for completing this questionnaire.