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Institutions and the Industrialisation Process
A Proposal for a Study of the Textile and Textile Products Industry in Kenya

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1. Introduction

African countries increasingly look to industrialisation as a key development strategy. Manufactured goods offer higher unit values and less volatile prices than either food or cash crops, and industrial jobs promise higher family incomes and improved quality of life, especially for the growing numbers of workers who have little land. Yet in many parts of the continent, including Kenya, industrialisation has not taken off as expected.

Earlier discussions of the problem tended to focus on economic variables and, to a lesser extent, on the state apparatus that sets economic policy. Recent studies of business systems in Asia, Europe, and Latin America, however, suggest that economics alone cannot explain the failure of industrial development. These studies reveal the importance of institutions of all types in shaping the industrialisation process (see, for example, Whitley 1992, Fukayama 1995, Evans 1995, Whitley and Kristensen 1996). Comparable studies in the African context have thus far been lacking.

To fill this research gap, the Institute for Development Studies, University of Nairobi, and the Centre for Development Research, Copenhagen, will undertake a comprehensive study of the Kenyan business system. The study will examine Kenyan industrialisation through research into key sectors and subsectors. One facet of that research, outlined in this proposal, will be the study of Kenya's textile and textile products industry.[1] While the approach will be essentially institutional, emanating from the business systems literature, it will also draw on other theories, especially the global commodity chains and industrial district literature, for a more complete understanding of industry organisation and the dynamic factors responsible for changes in the industry.

2. Institutions and the Industrialisation Process

Existing institutions have important potential implications on enterprise performance and transformation. Such institutions can be viewed as formal and informal rules that guide human interactions such as commercial exchanges (North, 1990; Ferrand, 1998).

Ferrand (1998) posits that the type of exchange on which markets thrive takes place in economic, political and social arrangements which vary in structure from simple relationships such as local community networks to complex organisational structures such as those represented by multinational corporations. The nature of these structures and their levels impact differently on co-operation and co-ordination, both of which facilitate exchange. If the impacts are favourable, then exchange can be expected to occur. Institutions, including the set of constraints that direct and govern relationships between individuals and groups of individuals are therefore central to the understanding the evolution of businesses. The literature relating institutions to industrialisation tends to fall into two broad strands. One of these stresses national and local level institutions, while the other emphasises the global institutional framework. We treat each of these in turn.

2.1 *The impact of national and local institutions on industrialisation*

Formal rules such as those spelt out in the country's constitution and laws provide the framework for interactions at different levels of society. Informal institutions include such societal attributes as customs, social norms, traditions and taboos. Formality is simply a presentation in written form and

existence of explicit mechanisms for enforcement. The line separating formal and informal institutions is thin since written constitutions and laws often draw from existing customs and traditions. The formalisation process does not obviate/eliminate informal institutions, and the application and interpretation of formal rules inherently draws from informal institutions. The structuring of actions implied in formalised law is often nested in the wider informal institutional context.

The usefulness of rules depends on their enforceability, and voluntary compliance is a consequence of credible threat of enforcement. There is also a conceptual link between habits and institutions in the sense that institutions are embodied in the habits of individuals within groups. From this perspective, institutions can be viewed simply as individual habits held in common across members of community. Performance and agency of socially embedded actions produces and reproduces structures. Such agency is conditioned and produced by institutional structures in which it occurs. Although it may be sometimes useful to distinguish between the culture and institutions for analytical purposes, such separation is often not easy as both are interwoven.[2]

Development literature recognises that unfettering of market forces is not enough to get markets to work. Institutions that support exchange must be in place (Goldsmith, 1998). Societies have multiples of state and non-state institutions that influence the process of exchange (Kahkonen & Meagher, 1998). The nature of such institutions is the joint product of culture, history, and political systems. State institutions facilitate exchange among anonymous parties and offer impartial and predictable mechanisms for contract enforcement. In the absence of state institutions, exchange would be supported by social ties only and therefore restricted to members of the same

community or acquaintances, hindering 'external' exchange. State mechanisms therefore permit wider transactions by reducing uncertainty, obviating risks associated with transactions among strangers and offering feasible mechanisms for contract enforcement.

Different markets have peculiar institutional arrangements that in turn impact on the structure and overall behaviour of enterprises. The development of successful Japanese companies with unique characteristics underscored the close link between social institutions and management approaches (Whitley, 1992). Organisational forms and corporate strategies are therefore intertwined with institutional contexts. Differences in the environment in which businesses operate inform the evolution of management and organisational structures. The mechanisms for control, authority relationships, division of labour and evolution of comparative advantages are closely related with relevant institutional contexts. There may also develop business organisations with unique links with major institutions. Exploring how different businesses and economic organisations evolve under different institutional arrangements is central in understanding developmental processes such as industrialisation.

Adherents of economic rationalism argue that competitive market forces should rationalise business organisations by preserving efficient ones and destroying those that are not efficient. While accepting that institutions and industrialisation patterns do vary significantly, economic rationalists view market forces as efficacious enough to ensure the firms that survive by successfully competing internationally converge towards the same practices, strategic posture and organisational structures that meet technological and market requirements of staying in international commerce. However, such

presumed market determinism has been challenged by those who share a 'commitment to the social embeddedness of economic activities… and the socially constituted nature of firms and markets' (Whitley, 1992 p.2). The implication is that economic efficiency has a social dimension and such efficiency is likely to vary significantly under different social contexts. In support of those who argue for the social embeddedness of enterprises, Schlossberg (undated mimeo) adds that socio-economic prospects and development have important cultural roots.

The institutional context influences development and performance of businesses by shaping the different components of a business system. Important elements of such a context may be financial institutions, social structures, markets structures, infrastructure, provisions and enforcement mechanisms, systems of innovation and technological capabilities (Pedersen and McCormick, 1999). The functioning of these different elements influence business systems decisively. For example, formal and informal financial systems determine access to credit and capital, and therefore the direction of enterprise accountability. Differences in management practices, trust, social responsibilities, hierarchies and direction in an enterprise's internal labour markets are influenced by the processes of socialisation and systems of education and in turn determine enterprise performance. Similarly, legal and information systems, market structures and infrastructure influence contracting and trust relations, collaboration and interactions among enterprises and opportunities for either externalisation or internalisation of activities at the individual enterprise level. In other words, businesses operate within an institutional context which in turn affects their performance (Whitley 1992).[3]

In the literature, at least three main features of business systems are observed, namely the nature of the firms itself, firm linkages, co-ordination and control. There are both structural aspects to the nature of the firm such as firm size, legal status, degree of competition, nature of collaboration and/or cooperation, strategic focus, growth patterns, degree of specialisation and management of risks and uncertainty. Firm linkages as aspect of business system involves formal and informal, structural and behavioural connections within and across individual businesses and business sub-sectors.

An important structural aspect of businesses is integration, both vertical such as when firms are simultaneously involved in upstream and downstream activities, and horizontal through sucking-in of activities not directly depending on the main activity. Behavioural attributes of firm linkages are many, although the most important of these are contracting, information sharing, distribution and exchange, mutual networks, credit and supply arrangements, risk sharing and general hedging and technical relationships.

Co-ordination and control systems define the manner in which business resources such as financial, human and technical are managed, co-ordinated and controlled and include modes of decision processes. Important elements of co-ordination and control are behavioural, and include subordination and dependence relationships, bases of managerial authority, dominant components of managerial roles, appointment practices, division of labour, and methods of organising different activities.

The concept of social capital also embodies an important aspect of institutions and determines the quality of relationships among people. Recent literature recognises that social capital has a major influence on economic performance, and that such capital particularly facilitates the transition from artisan production demanded by local markets to mass production for the

national and international markets (Bazan and Schmitz, 1997). Social capital mops ups such things as civic traditions, norms of reciprocity and networks of civil engagement. Social capital is viewed as created when social relations among people alter in ways that facilitate action. Social capital is embodied in relations and while often intangible. It facilitates productive activity just as much as physical and human capital.[4]

Social capital is both relational and functional. Social ties are useful in furthering personal interest: former class-mates inform each other about job openings, families provide safety nets against risky decisions, and friends offer useful business contacts.

Bazan and Schmitz (1997) argue that social capital can arise either as a direct outcome of social interactions meant to meet a well defined objective such as the successful realisation of production targets requiring input from other actors, or as a by-product of existing social relations in which agents are historically rooted such as family or ethnic ties. Strong social ties that generate social capital can be either group or community specific. The relevant social relations can be either bilateral or multilateral. Social capital can be institutionalised either informally as in bilateral interactions or formally as in business associations. A further aspect of social capital is balance of status and power between interacting agents. Such a balance can be symmetric with significant implication for social capital outcomes. There could also be differences in the social capital enforcement mechanisms. Enforcement may, for example, be through internal sanctions such as sense of morality or guilt, or externally such as threats of ostracism for no-compliance. There are also traditional and modern social ties as those related

to professional ties. These attributes co-exist within a community with a wide range of possible interaction and combinations, and impact decisively on the outcomes of corporate pursuits.

Bates (1996) argues that trade involves exchanges that are separated by time and therefore require bridging capital. The time factor creates an avenue for opportunistic behaviour so that where promises for repayment have been made, the temptation to defect may create complication in honouring such promises. Trade can therefore flourish only where it is protected by non-market institutions. These institutions may simply characterise the culture of a community. However, whereas such informal institutions may be adequate for commerce, they are unlikely to support industrialisation. Bates further argues that the efficacy of informal institutions is the opportunity for repeated interactions. Since industrial investments are lumpy and often irreversible, they offer limited opportunity for repeated interactions in the future. Whereas 'informal sanctions of interpersonal behaviour...may support the kind of repeated inter-temporal transactions encountered in trade and commerce, they are insufficient for investments in fixed, lumpy and specialised capital, or in a setting in which some hold coercive power and others do not' (Bates, 1996: 14). In other words, although certain cultures may encourage industrialisation, meaningful industrialisation falls back on institutional props such as those provided through national constitutions and legislation.

2.2 *Global institutions and industrialisation*

The second institutional perspective takes globalisation as its point of departure. While not ignoring the nation-state, the globalisation focus emanates from a conceptualisation of the world as a global system (Sklair, 1994; Gereffi, 1994b, 1996). It therefore emphasises the importance of transnational practices and, institutions as determiners of capitalist development worldwide. Sklair (1994) hypothesises that although local practices exist, they are becoming increasingly marginalised and, if fact, only those that do not threaten global capitalism can be expected to survive.

Arguing that contemporary industrialisation is the result of an integrated system of global trade and production, Gereffi (1994b) attempts to describe that system in terms of global commodity chains. A commodity chain has three main dimensions: An *input-output structure* consisting of a set of products and services linked together in a series of value-adding economic activities, a *spatial dimension* that specifies the dispersion or concentration of production and marketing networks, and a *governance structure* that consists of authority and power relationships determining resource allocation.

We regard to the governance structure, Gereffi (1994b) distinguishes between producer-driven and buyer-driven commodity chains. In producer-driven chains, transnational or other large integrated industrial enterprises play a central role in controlling the production system. This form of commodity chain is most common in capital- and technology-intensive industries like automobiles, computers, and electrical machinery. In buyer-drive chains, the buyers drive the system. Large retailers, brand-name merchandisers, and trading companies typically exercise a pivotal role in setting up decentralised production networks in a variety of exporting

countries, often located in developing countries. Product specifications are provided by the buyers and branded companies that designed the goods. Many of these brand-name companies own no production facilities of their own. Rather they engage in international 'specification contracting' in order to obtain goods from independent factories working under original equipment manufacturer (OEM) arrangements.

2.3 *Framework for analysis*

Although much of the current literature on industrialisation tends to emphasise either the domestic or the global institutions, the two perspectives are in fact complementary rather than competing theoretical frameworks (Whitley 1996, Gereffi 1996). Both provide insights into the interplay between institutions and the industrialisation process, and the predominance of one type over the other remains a matter for case-by-case empirical investigation.

Before taking up the details of how that investigation will be carried out in this particular case, we briefly review the place of textiles and clothing in Kenyan manufacturing.

3. Importance of Textiles and Textile Products in Kenyan Manufacturing

Kenya's textile industry consists of firms of varying sizes and technologies producing a wide range of products for the domestic, regional, and global markets. Textile producing firms are all large-scale. Garment producers range from large factories to micro-enterprises. The larger producers use

industrial machines and employ a mass-production type work organisation, while many of the small firms use electric or foot-powered domestic machines. Women own more than half of the small-scale garment firms, while men predominate in both ownership and as workers in medium and large firms (McCormick *et al* 1997; Delahanty 1999). Products include cotton, woolen, blended, and synthetic fabric, clothing for men, women, and children, and home products such as bed sheets, towels, and curtains.

The industry grew rapidly in the immediate post-independence period,but then stagnated and declined until by 1997, production of both clothing and textiles stood barely above their 1976 levels (See figure 1). The clothing industry increased its output fourfold between 1976 and 1983. Output then dipped and rose again through the rest of the 1980s before dropping sharply after 1993. Textile production grew more slowly. The quantity index of output rose from 100 in 1976 to 252 in 1993. Like clothing, textile production then declined precipitously until by 1997 the output index stood only 20% higher than it had been two decades earlier.

The market liberalisation of the 1990s has apparently been at the root of many of the problems in the industry. By the end of the import-substitution era in the 1980s, the failure of Kenya's cotton industry and the general move toward greater use of synthetic fibres had put textile producers at the mercy of fluctuating global markets (Coughlin 1988). Effective rates of protection ranging from 72-93%, however, allowed them to retain their hold on the domestic market despite their uncertain cost structure. With the opening of markets, the picture changed dramatically. The total volume of non-oil imports doubled between 1993 and 1997 (Kenya 1998). Textile imports apparently rose even more sharply. Table 1 illustrates the magnitude of the problem.

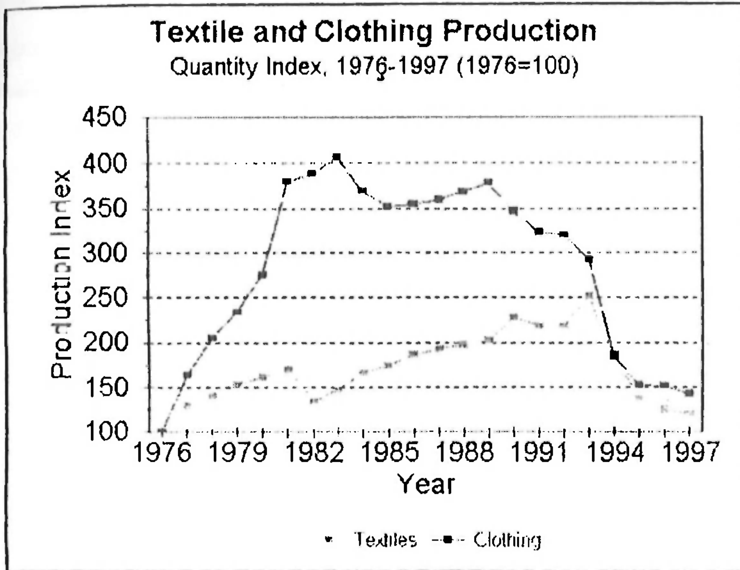

Figure 1: *Source:* Statistical Abstracts and Economic Surveys, various years

Table 1: **Imports of Textile Fabric from India and Pakistan, 1993 and 1997**

Item	India		Pakistan	
	1993	1997	1993	1997
Woven cotton fabrics (M^2)	479,182	2,266,451	12,850	910,665
Woven man-made fabrics (M^2)	105,353	823,311	27,901	371,822

Source: Central Bureau of Statistics

Imports of cotton fabric from India went from under a half million square metres in 1993 to over two million square metres in 1997, an increase of 373%. Other increases are even more dramatic: over 600% 'man-made' fabric from India, over 1200% for 'man-made' fabric from Pakistan, and a whopping 6000% for cotton fabric from Pakistan. Not only are these figures staggering in percentage terms, but they also represent a significant share of the Kenyan market in absolute terms. For example, the combined 1997 imports of cotton woven fabric these two countries alone was equivalent to 7% of Kenya's 1990 production (Kenya 1991[Stat Abstr]). When imports from other countries is added, the impact on the market is substantial.

Clothing production, which was essentially stagnant in the 1980s, also began to decline in the 1990s. The second hand clothes that began to flood the Kenyan market in the early 1990s drastically reduced domestic demand (Billetoft 1996, McCormick *et al* 1997, Njenga 1997). Exports, which could have taken up the slack, failed to take off.

Despite this decline, the industry remains important to Kenya's future. It is listed as one of the industries to be promoted in phase one of the Kenya Government's current industrial strategy (Kenya 1996). One reason for this is that its labour intensive technology makes it able to employ large numbers of workers. Total employment in the industry may be as high as 50,000. Formal sector firms employed 31,000 in 1994, or 16% of the total formal sector manufacturing employment (Kenya 1995[Stat.Abstr]). The following year's survey of the micro- and small-enterprise sector suggests

that an additional 19,000 workers are involved in clothing production (Daniels *et al.* 1995). Presumably if the current decline can be reversed, the industry could become an even more important employer.

The industry also has export potential. Many countries, especially in East and Southeast Asia, industrialised initially by becoming competitive in textile and clothing exports. In the mid 1990s only about 20% of Kenya's formal textile firms were exporting, and these export, on average, just over one quarter of their production (Granér and Isaksson 1998:182). Preliminary evidence suggests that Kenya can be competitive in both standard garments and Afrocentric niche markets. One study found, for example, that Kenya could produce and ship men's casual long-sleeved shirts to the US market more cheaply than Zimbabwe, Senegal, or India (Biggs *et al.* 1994). A later study, focused on the European market, showed similar findings (Biggs *et al.* 1996). Another study placed Kenya with Bangladesh, Sri Lanka, and Mauritius in the category of low-cost exporters of standardised goods (Gereffi 1994a). Market research in the US also supports the contention that the growing middle and upper-middle class African American population has both the resources and the desire to buy quality African garments and home products (Biggs *et al.* 1994).

The Kenyan textile industry is, however, fragile. Many firms are new to exporting and have not developed alternative markets. When in 1994 the US imposed quotas on imports of textile products from Kenya, neither the Kenya government nor the exporters appeared able to fight back. As a result, over half (53%) of the firms that had exported to the US in 1994 exported nothing in 1995.[5] An earlier survey of garment producers in Nairobi found that no small or medium-scale firms were involved, even indirectly, in export production (McCormick 1992). In general, exporting

firms are larger, more productive, and more capital intensive than other firms in the industry (Granér and Isaksson 1998:183). This means that realising the export potential may require careful strategising on the part of key players in the industry and the Kenya government.

4. Research Objectives and Questions

The objectives of the study will be:

1. To map the textile and textile products subsector by describing its main participants and their interactions;
2. To identify the growth paths and major turning points in the evolution of the industry thus far;
3. To describe and analyse the domestic, regional, and global markets for the industry's products;
4. To identify the main institutions that have shaped the development of the industry and analyse their effects on various sizes and types of firms;
5. To propose industrialisation strategies that can be implemented by government, NGOs, and the business community to enable Kenya to realise its development goals.

Throughout the research the focus will be on competitiveness, in particular the effect of the institutional framework on industry efforts to compete in national, regional, and global markets. The research will examine the industry by looking at firms, inter-firm linkages, and the institutional framework.

The study will include an examination of institutions such as trust and cooperation in society as well as the technology system, the financial system, the market, and contract enforcement/property rights. Since many of the industry's small firms are owned by women, it might also be appropriate to include social institutions affecting gender relations (see McCormick 1998a).

5. Research Plan

The research will be carried out in four phases spread over a 26-month period, beginning 1 April 1999.

Phase 1: 1 April - 31 July 1999

The first phase of the research will entail a comprehensive review of existing theoretical and empirical literature. The theoretical review will provide a detailed examination of the growing literature linking various types of institutions and economic development. The empirical review will be conducted at two levels. At the global level will be a review of literature describing and analysing the current international context for garment production. Next will be 5-7 case studies which will trace the organisation and development of the industry in a number of newly industrialising and developing countries (NICs and DCs) and attempt to identify the main institutions that have shaped the industry in each country. It is expected that these reviews will provide both the background and the analytical framework for the rest of the study.

Cases will be selected on the bases of availability of literature, the importance of textiles and textile products to the country's industrialisation, and expected relevance to the Kenyan case. Three cases have already been selected (see Appendix) and others will be added as information becomes available. The final list of case studies should include, in addition to Kenya, at least one country from Latin America, South Asia, East Asia, and Africa. In selecting cases, attention will also be paid to the countries' production quality levels and client bases (see Gereffi 1994a, Elson 1994).

A tentative outline for case study reports has been developed and is included as Appendix 2. In addition to covering the material in this outline, the Kenyan case should include a detailed subsector map that identifies the key players in the industry, and their linkages with one another and with firms in other sectors. The subsector analysis methodology of Boomgard *et al* (1992) will be adapted for this purpose. Work in process on the transport sector should be taken into account in this phase of the research.

The outputs of this phase will include several papers to be presented as IDS and/or IPAR working papers. The first will be a background paper covering theory, conceptual issues, and a description of the international context for textile manufacture and trade. Next will be separate case study papers on each country studied. Finally, we hope to publish at least one article in an international journal.

Phase 2: 1 August 1999- 31 January 2000

Revisiting the garment industry in Nairobi. This part of the research will include a rapid survey aimed at identifying firm characteristics and main products combined with in-depth interviews and focus group discussions

designed to raise the major issues surrounding competitiveness of garment firms. As in McCormick's 1989 survey, the sampling frame will include *all firms that make or sell new clothing in Nairobi.* The sample will be structured so as to include some firms interviewed in the 1989 survey as well as others not included in that sample. The study will also include at least four case studies of micro, small, medium, and large firms. The information obtained from case studies will supplement that gathered in the rapid survey, especially in the area of qualitative information.

Output will include a conference paper showing the changes in Nairobi's garment industry between 1989 and 1999 (drawing on McCormick's 1989 data), one or more IDS and/or IPAR working papers reporting on the qualitative data, and at least one journal article.

Phase 3 1 February - 31 July 2000

Market survey aimed at identifying the contours of the domestic, regional, and global market for Kenyan textiles and textile products. The focus in this phase will be on the requirements of buyers of textiles and textile products and on ascertaining the extent to which Kenyan producers can meet those requirements. For the domestic market, we expect to make use of a consumer survey. For the regional and international markets, we expect to combine the methodology used in the two "Africa Can Compete!" publications (Biggs *et al.* 1994, 1996) with some sort of direct contact with foreign buyers.

Output will include an IDS and/or IPAR working paper and a policy brief discussing the market and possible interventions in support of Kenyan textiles and textile products.

Phase 4 1 August 2000 - 31 May 2001

Full study of the relationship between institutions and the competitiveness of the industry. The full study will build on all that has gone before. It will include an industry survey, key informant interviews, and in-depth interviews designed to trace changes in the industry and to identify the links between the present institutional framework and industry competitiveness.

Output for this phase will include IDS and/or IPAR working papers, a research report, one or more policy briefs, and at least one journal article detailing the results of the research.

6. Methodology

6.1 Data Collection

The research will incorporate six methods and/or sources of data:

1. Secondary sources, especially published articles and books, unpublished papers, official statistics, and data from business associations.
2. Interviews with key informants who can give an overview of the development of the industry and describe the relationships among key actors.
3. Surveys of firms engaged in textile manufacture and/or the manufacture of textile products.
4. Survey of actual or potential customers.

5. Detailed case studies of selected firms and their relationships with suppliers of inputs, buyers of outputs, firms with which they compete/cooperate, and of institutions relevant to their businesses. Relationships to be studied include both economic and socio-cultural ties.
6. Workshops and seminars to present preliminary findings and obtain feedback from key informants, survey respondents, and owners of case study firms.

Instruments, including structured and semi-structured interview schedules, check lists, and questions for focus-group discussions, will be developed at the beginning of each phase of the research.

6.2 Data Analysis

Analysis of quantitative data will in all phases include preparation of frequency distributions, calculation of various measures of central tendency and dispersion, cross tabulations and comparisons of means. Tabulations will be done using SPSS or another suitable computer program. At the beginning of each phase, we will discuss the appropriateness of subjecting the data to be gathered in that phase to more detailed multivariate analysis.

Case study material, focus group interview notes, and other qualitative data will be subjected to various types of content analysis aimed at understanding the processes by which the industry operates, its structure, the varieties of firm-level structures and interactions, and the multiple meanings attached to key terms used by industry actors (see Feldman 1995). As in the case of quantitative analysis, the design for qualitative data analysis will be established at the beginning of each phase.

7. Dissemination

The papers mentioned above will be presented at IDS and/or IPAR seminars. Revised versions, incorporating comments from seminar participants, will be published as discussion papers and/or sent to international journals for consideration.

At the end of each phase, there will be a participants' seminar that will present findings to industry partners, policy makers, and others with an interest in the industry.

We hope that the final product can be a book on Kenya's textile industry.

Appendix 1: Choice of Case Studies for Phase One

1. Sri Lanka

Sri Lanka is a low income country with unusually good human development indicators: high literacy rates and near perfect gender balance in formal education. It has had two phases of liberalisation, the first one in 1977 viewed as having increased inequality but encouraged domestic and foreign investment in manufacturing and accelerated GDP growth (Fontana, Joekes & Masika 1998). Since 1977, the industrial sector, particularly garments and textiles, has been one of the fastest growing. Sri Lanka's textile industry has two distinct sectors: the garment and fabric manufacturing sectors. Both resulted from import substitution policies in 1960s but expanded rapidly after the adjustment policies of 1980s (Slater, 1997). Much of the growth in manufacturing is attributed to the presence of Export Processing Zones which have a largely female workforce. Although garments industries initially dominated, these were followed by food processing and non-metallic mineral industries.

Up to the late 1980s textile production technology was minimal and as local production was especially targeted for the domestic market. Export interest in the 1980s led to technological changes in the direction of higher quality. Slater (1997) argues that there are some 13,000 power looms most of which are conventional. Since 1977, investments in the industry have been directed in expanding the width of the fabric. Nevertheless the production technology remains very low despite further technological improvements after 1990.

The second Sri Lankan reform interfaced closely with Kenyan Structural Adjustment, both in timing and content. Undertaken between 1989 and 1993 under the encouragement of the IMF and World Bank, the reform programme attempted to promote private sector activity by means of trade policy reforms, privatisation, reduction of export and import duties, and

fiscal and administrative measures designed to improve civil service efficiency. The reforms also addressed financial, capital market, and foreign exchange matters.

Other similarities between Kenya and Sri Lanka influenced our choice of case study. The textile sectors in the two countries partly depend on imported yarn, posing challenges in attempts to exploit existing concessions. The industries also developed under import substitution circumstances to cater for domestic needs, which made them inward looking and unable to compete on the international market. Neither country had incentives directed to the textile sector, but in both the export component of the textile markets benefited from the establishment of export processing zones. Textile production technology in both Sri Lanka and Kenya is low. The domestic markets are rather limited, and the textile industries in both countries have domestic and export components.

2. South Africa

Although both its general level of development and its level of industrialisation make the South African economy more advanced than most of the African continent, careful study of the country's textile industry could offer useful lessons for Kenya. Like their counterparts in Kenya, South African textile and clothing firms have had difficulty in breaking into the global market. By one estimate, only about 10% of production was

exported in the mid 1990s (October 1996). Also similar to the Kenyan experience is the difficulty South African firms have had in adjusting to the increased competition brought about by market liberalisation.

South Africa's growing role as investor in and competitor of other African countries offers a further reason for including its textile and clothing

industry among our case studies. Kenya has already experienced significant South African investment in industries as diverse as beer and fast food. A quick perusal of the racks of Nairobi shops indicates that South African garments are beginning to make an appearance.

Another reason for the choice lies in the diversity of the industry, in terms of its industrial structure, institutional framework, and output. The industry has firms ranging in size from micro-enterprises to large factories employing hundreds of workers (October 1996). These firms include mass producers, firms producing specialised inputs, and subcontracting cut-make-and-trim (CMT) operators. The industry has a fairly wide variety of institutions, including producers' associations, labour organisations, and specialised support organisations. Products range from standard garments to high fashion items.

Availability of literature was the final factor favouring the choice of South Africa for inclusion among the case studies. Earlier work on enterprise clusters provided an introduction to the South African clothing industry (McCormick 1998b). Additional information has been made available through personal contacts.

3. Zimbabwe

Zimbabwe was chosen as a case for study in this project because the pattern of its textile and clothing production resembles that of Kenya. After a period of fast growth, both textile and garment output declined significantly. According to Pedersen (1997) from a low in 1984, the industry grew rapidly on both the domestic and export markets. Employment rose from 15,000 people in 1984 to 24,000 in 1991. Manufacturing value added for textiles increased from 147 million dollars in 1980 for textiles to 255 million dollars in 1990, but by 1994 had dropped to 157 million dollars (UNIDO 1996). Manufacturing value added

for wearing apparel followed a similar path. It rose from 70 million dollars in 1980 to 102 million dollars in 1990, but then fell to 52 million dollars in 1994.

A second reason for the choice of Zimbabwe is that both Kenya and Zimbabwe are considered to be among the more industrialised countries of the SubSaharan African region. Zimbabwe is actually the more industrialised of the two, though it has been growing more slowly. In 1994, manufacturing accounted for 30% of Zimbabwe's GDP, compared with only 11% for Kenya (UNIDO 1996). The growth rate in manufacturing value added between 1975 and 1984 for Zimbabwe was -1.0% and that of 1985-1989 was 5.4%. The comparative figures for Kenya were 4.7% in 1975-1985 and 5.2% for 1985-1989 (World Bank 1998)

A further reason for the selection is the fact that both Kenya and Zimbabwe are have recently entered the textile export market. Gereffi (1994) places Kenya and Zimbabwe in the fourth zone of the production frontiers for global sourcing of US textile retailers. The fourth zone supplies low fashion textiles, pilot purchases and special items, to small importers in small orders.

Appendix 2: Tentative Outline for Case Study Reports

1. Introduction

2. Industry in Country X

2.1 History and institutional framework

Relevant historical facts/trends

National and local institutions: the State; firms, markets, and contracts; labour system; financial system; gender relations; other

2.2 Industrial development

3. Garments and Textiles in Country X

3.1 Dimensions of the industry

Quantity of output

Variety and quality of output

Locational differences

3.2 Industry structure and linkages

Firm size and organisation

Linkages

3.3 Employment and technology

Human capital

Labour relations

Technology

3.4 Competitiveness

The domestic market

Exports to Africa

Exports to the world market

3.5 Constraints to industry development

4. Conclusions

4.1 Impact of global institutions on the Country X's textile/clothing industry

4.2 Impact of national and local institutions on the industry

4.3 Prospects for growth

Notes:

1. The industry for our purposes will include firms manufacturing textiles (three-digit ISIC code 321) and wearing apparel (ISIC code 322). For the latter group this paper uses the terms "clothing," "apparel," and "garments" interchangeably except when referring to specific laws or trade agreements using only one of the terms.

2. Ferrand (1998) defines culture as the socially constructed backdrop to social actions while institutions involve the rules, whether implicit or explicit, forming the basis on which exchange is structured.

3. This point was emphasised in the presentation of a parallel proposal for research into Kenya's metal products' industries by Benjamin Okech, Winnie Mitullah and Rosemary Atieno, in March 1999.

4. The conceptual discussion reproduced in Bazan and Schmitz (1997) is credited to Coleman (1990).

5. This information, which was much publicised in the popular press, was confirmed by interviews with officials at the Export Processing Zones Authority.

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