

**FACTORS THAT INFLUENCE TRADE BETWEEN KENYA
AND THAILAND**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION**

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

OCTOBER, 2015

DECLARATION

This research project is my original work and has not been presented for examination in any other university.

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ACKNOWLEDGEMENT

I thank God for achieving this academic milestone. I sincerely thank my supervisor, senior lecturer, Dr. John Yabs, for his guidance, support, invaluable insights and supervision of my research work throughout the entire research process. I wish to sincerely, thank and acknowledge, Ministry of Foreign Affairs and International Trade, Kenya and Department of International Trade Promotion, Ministry of Commerce, Thailand, for sharing their immense knowledge and experience in the international trade sector.

My deepest gratitude goes to my family for their consistent and overwhelming support in all my pursuits. I thank my parents for instilling in me the importance of education, encouraging me to pursue it to the highest level and providing financial and moral support to enable me achieve my goals. I thank my siblings for their constant, questionable support and encouragement, to always follow my dreams. In a special way, I remember my late friend, Peter Karuga, who believe in my dreams and inspired me to enroll for this Masters Degree. To my close friends and other family, I would not have successfully completed my studies without your support, motivation, love and care, thank you all.

I am grateful to the University of Nairobi whose infrastructure enabled me to navigate through my graduate studies. I also thank the M.B.A class of 2015 for making my M.B.A journey a wonderful one through the sharing of knowledge and the many happy non-academic memories. There are other people who in a small or great way inspired me through this and might not be able to mention them all. I salute them.

God bless you all!

DEDICATION

To my parents, Prof. and Mrs. Kiarie who have always believed in me, to my siblings, George, Priscilla, Francis and James, who have always supported me, it was not and is not in vain. To my friends and other family, thank you. Finally, to my country Kenya, I hope this work adds some value to the national discourse.

ABSTRACT

International business comprises of three broad aspects; the participants, activities and environment. International business has various importance one of it being that it enables countries to have access to bigger markets, other than its domestic market. It opens up the boundaries of a country and makes trading accessible to other markets all over the world. It encourages the wealth generation of a country, this is through increase of income among the people. It also encourages the purchase of services and goods, which provides revenue to the government in various forms such as through tax imposition. International business provides a way through which products and services are more available to various customers. It encourages and facilitates the exchange of scarce resources between countries. International business provides an exchange process which serves as a bridge through which countries are united together for a common cause. International business is important to the economic development of a country as well as the living standards of its people. Kenya is one of the largest economies in Eastern and Central Africa. In terms of its international trade profile Kenya is a leading exporter of agricultural products with agriculture contributing to one of its largest share of the GDP. Kenya's economy is market-based, with a few state-owned infrastructure enterprises, and maintains a liberalized external trade system. The country is generally perceived as Eastern and central Africa's hub for Financial, Communication and Transportation services. Since 1999, prices for Africa's leading commodity exports have increased noticeably. The price rise was engendered largely by the rapid growth of Asia's developing countries, notably China and India. At the same time, the desire of these Asian countries' middle classes for manufactured goods has been rising. These demand dynamics create important opportunities for Africa's businesses to increase and diversify exports. They also create the potential for African entrepreneurs to extract more value locally by further processing commodities before exporting them. Asia is now Africa's third most important export destination after the European Union and the United States. Africa's imports from Asia have also grown, but less rapidly than exports. Thailand is the second-largest economy in South-east Asia and the 34th-largest worldwide. Over the past decade, the economy has expanded at an average rate of 4.3%. Over the years, however, there have been large economic swings that have been exacerbated by seasonal changes. The opening session of the Kenya -Thailand Joint Commission for Bilateral Cooperation between Kenya and Thailand was concluded in Nairobi 2010. The two countries agreed to cooperate in economic and investment promotion and trade areas; agreements on double taxation and tax evasion; tourism, geology and mining; cultural exchange, education, science and technology, agriculture and agro-processing, housing, labor, security and health sectors among others. Kenya and Thailand have done business over the years and different problems have arisen as part of the trade. The objective of this study was to determine factors that influence trade between Kenya and Thailand. It provides evidence that will enable better understanding of the trade between the two countries, how to mitigate challenges involved and ways of strengthening business ties between Kenya and Thailand.

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CHAPTER ONE:

INTRODUCTION

1:1 Background of the study

International business comprises of three broad aspects; the participants, activities and environment. Participants of international business, refers to the individuals, companies or corporates, governments, countries and even non-governmental organizations (NGOs.) There are different activities that are involved in international business, these are imports, exports, Foreign Direct Investments (FDIs), licensing, franchising among others. The third aspect is the environment; this is the financial, economic, socio-economic, competitive nature, distribution, physical and ecological forces. All these make international business possible. International business has various importance one of it being that it enables countries to have access to bigger markets, other than its domestic market. It opens up the boundaries of a country and makes trading accessible to other markets all over the world.

International business encourages the wealth generation of a country, this is through increase of income among the people. International business encourages the purchase of services and goods, which provides revenue to the government in various forms such as through tax imposition. It also provides revenue in from of export earnings. This is beneficial to the economy since it facilitates economic growth and development which will uplift the standards of living of the population. It also provides revenue needed for development of the infrastructure which is crucial for attracting local and foreign investment.

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

International business provides an exchange process which serves as a bridge through which countries are united together for a common cause. International business encourages the building of relationships between the countries and the formation of trading blocs. These relationships are likely to go beyond business and lead to countries being involved in the development and improvement of standards of living of various citizens. For instance, a country which engages in a trade lead with a trading block is likely to receive support from the trading block in the event that an unfortunate event, disaster or catastrophe occurs. The trading block will also intervene in cases of conflict between members states.

International business encourages growth opportunities for various participants. This is through the efficiency in business which is increased through the various technological advancements. The internet has various trade websites and search engines where sellers and buyers are linked up. Business barriers such as distance between business people have been significantly minimized over the years because of modern technology and business approaches especially in international trade. It has also assisted our government to better strategize and encourage specialization in what our various counties invest and produce.

1.1.1 Concept of international business

International business is important to the economic development of a country as well as the living standards of its people. It deals with decisions that are made by international firms and governments of different countries in connection with the production, distribution and consumption of goods and services. These decisions influence trade as well as creating rules and regulations to be observed. Many trading treaties have been signed between different parties on how to conduct international business. There are various hallmarks of international business development that have led to our current business systems. International business can be traced back to the antiquity that is the ancient past, especially the period before the middle ages. Where Phoenician traders carried business to the Mediterranean seaports and expanded inland to most areas of Asia Minor.

Development of credit was the first stage in which the growth of international business began. This can be traced back to the bill of exchange which was created to deal with the problem that arose from transportation and shortage in money. This led to the creation of a promissory note. Actual transfers and the use of silver and gold were only necessary when there was unfavorable balance of trade. Development of banking later followed, this was done by wealthy families who had accumulated a lot of money over the years. Merchants were able to access loans by holding various instrument of exchange such as promissory notes. The leading borrowers then were kings who needed to finance their high living and wars. Over the years there was need to pool capital together which lead to the creation of joint stock companies.

During the late fifteenth century there was a shift in the balance of economic and political power, thus the rising of nation states. The industrial revolution followed afterwards. This cut across the application of machinery to transportation, mining manufacturing, agriculture and communication. There was a great shift in the economic organization due to the innovations that were discovered at that period of time. There was development of cheap and portable power, the textile industry began making different types of cloth, agriculture changed through the machineries invented, small scale productions changed into massive ways of production and standardization of products arose. In addition, there was an accelerated move towards international economic interdependence that began in the sixteenth and seventeenth century. The last phase of the industrial revolutions lead to the use of new sources of energy such as gas, electricity and oil, the increase in the use of science in the creation of items that did not exist naturally and the use of machines to develop of more complex tools and manufacture of different parts that were assembled to make the final product.

Development of the multinational corporation arose and lead to introduction of payment of royalties, management fees, license fees, use of trademarks, patents and technological know-how. Globalization and the multinational cooperation followed, this occurred after the Second World War. Politicians came together to try break factors that hindered trade which would lead to prosperity of the various country and increase in interdependence therefore decreasing the chance of future war. This move lead to the Bretton Woods conference, an agreement by world's leading politicians to create a framework for international commerce and finance, the founding of several international institutions that were to overlook the various processes of globalization. Such institutions were the World Bank and the International Monetary Fund. (I. M. F) Multinational banking was the last stage of international business development. The

development of multinational corporations lead to the need of investment capital and encouraged international banking. International investment banking firms thus arose. Most modern banks operate globally to meet the constant need of their customers.

1.1.2 Foreign trade in Kenya

Kenya is one of the largest economies in Eastern and Central Africa. In terms of its international trade profile Kenya is a leading exporter of agricultural products with agriculture contributing to one of its largest share of the GDP. Kenya's economy is market-based, with a few state-owned infrastructure enterprises, and maintains a liberalized external trade system. The country is generally perceived as Eastern and central Africa's hub for Financial, Communication and Transportation services. Its Mombasa Port, located on the South Coast, is a gateway to East African trade.

Kenya is a member of the East African Community (EAC) with a population of about 80 million. It is also a member of the Common Market for Eastern and Southern Africa (COMESA) with a population of about 380 million. Exports and imports within member countries enjoy preferential tariff rates. EAC Member States have signed a Protocol to establish a Customs Union. The main export sectors are United Arab Emirates (U.A.E) and Rwanda.

Kenya is a pioneer member of The World Trade Organization (WTO) since January 1995, and actively participates in its negotiation processes. WTO is the only international organization dealing with the global rules of trade between nations. The overriding objective of the WTO is to ensure that trade flows as smoothly, freely and predictably as possible. It has signed bilateral

trade agreements with several countries around the world. Some of the countries are already members of existing schemes offering market access/duty reduction preferences as above.

Kenya has signed bilateral trade agreements with more than 20 countries around the world, including Argentina, China, Egypt, India, the Netherlands, Poland, Thailand, Tanzania, South Korea and Pakistan. Kenya is currently negotiating agreements with nine additional countries including Belarus, the Czech Republic, Mozambique and South Africa.

1.1.3 Kenya's trade with Asia

Since 1999, prices for Africa's leading commodity exports have increased noticeably. The price rise was engendered largely by the rapid growth of Asia's developing countries, notably China and India. At the same time, the desire of these Asian countries' middle classes for manufactured goods has been rising. These demand dynamics create important opportunities for Africa's businesses to increase and diversify exports. They also create the potential for African entrepreneurs to extract more value locally by further processing commodities before exporting them. Asia is now Africa's third most important export destination after the European Union and the United States. Africa's imports from Asia have also grown, but less rapidly than exports. (Africa's Silk Road: China and India's New Economic Frontier, 2007). Currently, Kenya, in search of diversity among its trade partners, has set its sights on the East. Asia is the fastest-growing economic region and the largest continental economy by Gross Domestic Product (G.D.P) in the world. Kenya's development assistance has come from increasingly diverse sources in recent years with China taking an increasingly higher prominent role than the west. The share of funding provided by the United Kingdom has fallen significantly, while that of

multilateral agencies, particularly the World Bank and the European Development Fund, has increased.

Kenya and Asia trade ties were established years ago and continue to grow each and every day. Currently, India is the leading country that trades with Kenya. China follows through the numerous business projects and trade transactions they have in Kenya. In 2007, a renowned economist Dr. Harry Broadman wrote a detailed book which was published by the World Bank which analyzed trade between two Asia countries, China and India and also their trade with Africa. This book can directly show the various factors that influence trade between the two countries and two continents. It is a source of literature review for this research study. China and India's New Economic Frontier, the new South-South economic relations present real opportunities, as well as challenges, to African countries. They also highlight the need for complementary reforms by China and India to support more vigorous African development. In analyzing Africa's intensifying relationships with China and India, Africa's Silk Road examines the trends to date and considers the implications of these developments for the economic future of the African continent. The diagnosis cautions that the opportunities engendered by China and India's trade and investment with Africa will not necessarily be converted into growth and poverty reduction in the region. A critical finding of the study is that it is not just the quantity of these trade and investment flows that matters, it is also the quality of the overall commercial relationships underlying as well as shaping these flows. (Africa's Silk Road: China and India's New Economic Frontier, 2007)

1.1.4 Kenya trade with Thailand

Thailand is the second-largest economy in South-east Asia and the 34th-largest worldwide. Over the past decade, the economy has expanded at an average rate of 4.3%. Over the years, however, there have been large economic swings that have been exacerbated by seasonal changes.

In 2008, the trade value of both countries was \$162.82 million. With the value of imports from Kenya to into Thailand worth \$32.42 million and exports from Thailand to Kenya worth \$130.41 million, Thailand had a balance of trade surplus equivalent to \$97.99 million. As far as the trade between Thailand and Kenya is concerned, Thailand has gained a balance of trade surplus.

The opening session of the Kenya -Thailand Joint Commission for Bilateral Cooperation between Kenya and Thailand was concluded in Nairobi 2010. The two countries agreed to cooperate in economic and investment promotion and trade areas; agreements on double taxation and tax evasion; tourism, geology and mining; cultural exchange, education, science and technology, agriculture and agro-processing, housing, labor, security and health sectors among others.

1:2 Research problem

Kenya and Thailand have done business over the years and different problems have arisen as part of the trade. The study has analyzed these problems and determined the best ways to mitigate them. These factors have been divided into four; political, economic, socio-cultural and technical factors.

Political factors are concerned with government policies, laws and administrative orientations of different countries and regional economic blocks. The political factors form the basis for regulating international trade with respect to tariffs, quotas and technical standards. The economic environment has been classified in three different categories which are the economy of at a global level, the economy in the host country and the economy in the home country. The home country economy includes the various policies found in it and how liberal they are is key for successful international activities to be carried out. These policies include, economic policies, promotional and regulatory measures and trade and commercial policies. The host country economy is also important and affects how international business is carried within a country. The Gross Domestic Product (G.D.P), size of the market, the purchasing power of the people in the hosting country, banking system, the country's industrialization level, economic diversity, income levels and foreign exchange systems in the host county dictate how business will be carried out. The global economy affects how business is run throughout the world and thus deemed as an important factor.

Social and cultural factors are important to consider while carrying out international business. Basically, socio-cultural factors are customs, lifestyles and values that characterize a society. More specifically, cultural aspects include aesthetics, education, language, law and politics, religion, social organizations, technology and material culture, values and attitudes. Social factors include reference groups, family, role and status in the society.

The availability of technological infrastructure and technical capacities determine the prosperity of a multinational corporation in host countries. Factors such as broadband connectivity and technical training have become essential ingredients of successful operations in the modern business world. Moreover, the levels of technological developments in a given country determine

the scope of technical understanding among its population. While it may be easier to establish and maintain technical operations in high-technology countries, the same cannot be said of low-technology countries. Thus this study has analyzed all these factors and sought how they affect trade between Kenya and Thailand.

1:3 Research objectives

The objective of this study was to determine factors that influence trade between Kenya and Thailand.

1:4 Value of study

This study has finally provided evidence that will enable better understanding of the trade between Kenya and Thailand. This study has also investigated the factors affecting trade between these two countries. This is beneficial to both countries. The government of Kenya and Thailand will be in better position to make decisions from the information that has been gathered and conclusions made from this research.

Traders from both Kenya and Thailand will both find value in the research done through this study. They will get a realization of the main factors that affect their business activities. The study has assisted to ensure their resources are well utilized, relationships between importers and exporters between the two countries are more efficient and trading prospers between all parties involved.

The study will also be beneficial to other business people and firms, who are not traders or involved in trade. This research has provided information highlights the various concepts and

factors found in of international business. Given the business world is dynamic in nature and we are turning into a global village, better understanding of the general direction business is moving to is very advantageous to these business people and business firms that are in the trading business.

Future researches will be able to use the exposed knowledge from this study as secondary data. The study will assist in investigations that will be carried in future along this line of knowledge. The research will be an addition to academia and the concepts, literature. Data collected will be used to further relevant argument using the findings as evidence.

CHAPTER TWO

LITERATURE REVIEW

2:1 Introduction

This chapter reviewed existing literature related to the objectives of this research. Psychic distance theory, the theory of comparative advantage and theory of Foreign Direct Investment provided the theoretical foundations for the study.

2:2 Theoretical Foundations

Several theories provide an explanation of the phenomenon of international business. These are psychic distance theory, the theory of comparative advantage and theory of Foreign Direct Investment.

2.2.1 Psychic Distance Theory

The concept of psychic distance was first introduced in the study of Beckerman (1956) related to trade flows between European countries. However, it became well known after studies by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) known as Uppsala internationalization model. These studies define psychic distance as factors which impact the information flow between the firm and the host market. The factors are related to differences in language, culture, political system, level of education, level of industrial development. (Johanson & Wiedersheim-Paul, 1975.) Thus, according to the Uppsala internationalization model, firms

tend to start their foreign operations in countries with low psychic distance and thereafter subsequently enter to countries with greater psychic distance. In other words, firms favor countries that share similar environment with their home country. These environment related factors described in the Uppsala internationalization model have been difficult to measure and authors have employed several approaches to estimate psychic distance between countries and its impacts to firms' international activities.

Several authors (Petersen & Pedersen, 1997; Sousa & Bradley, 2006) have also argued that psychic distance should be measured only at individual level because it is more related to managers' personal experiences and skills rather than macro level differences between countries. In their study, Sousa and Bradley (2006) indicate that psychic distance captures the manager's individual perception of the differences between the home and the host country and is highly subjective interpretation of reality. Thus, psychic distance is subjective and does not impact employees within a firm equally (Sousa & Bradley, 2006.) For this reason, some employees are more conformable to differences between the home and the target country than others.

2.2.2 The Theory of Comparative Advantage

David Ricardo, in 1819 wrote 'On the Principles of Political Economy and Taxation.' Ricardo noted that even if a country possessed absolute advantage in the production of two products, it still must be relatively more efficient than the other country in one good's production than the other. Ricardo termed this the comparative advantage. Each country would then possess comparative advantage in the production of one of the two products, and both countries would then benefit by specializing completely in one product and trading

for the other.

According to this classical theory of international trade, every country will produce their commodities for the production of which it is most suited in terms of its natural endowments climate quality of soil, means of transport, capital and many more. It will produce these commodities in excess of its own requirement and will exchange the surplus with the imports of goods from other countries for the production of which it is not well suited or which it cannot produce at all. Thus all countries produce and export these commodities in which they have cost advantages and import those commodities in which they have cost disadvantages.

2.2.3 Theory of Foreign Direct Investment

The theory of Foreign Direct Investment analyses a business environment that is constantly attempting to satisfy increasingly sophisticated consumer demands, while the means of production, resources, skills, and technology needed become more complex and competitive. There are various reasons firms go beyond exporting or licensing and establish a physical presence in other countries. This theory of foreign direct investment analyzes these reasons.

A firm that expands across borders may be seeking any of a number of specific sources of profit or opportunity. One is seeking resources. There is no question that much of the initial foreign direct investment of the eighteenth and nineteenth centuries was the result of firms seeking unique and valuable natural resources for their products. Secondly, firms seek factor advantages. The resources needed for production are often combined with other advantages that are inherent in the country of production. The same low-cost labor at the heart of classical trade theory provides incentives for firms to move production to countries

possessing this factor advantage. Firms might also expand across borders as a way of seeking knowledge, security that is political stability, and even new markets. Firms also act as exploiters of imperfections. These imperfections include access, many of the world's developing countries have long sought to create domestic industry by restricting imports of competitive products in order to allow smaller, less competitive domestic firms to grow and prosper. Multinational firms have sought to maintain access to these markets by establishing their own productive presence within the country, effectively bypassing the tariff restriction. Also firms seek to take advantage of the factor mobility. The low-cost resources verses labor costs. In the developing countries, both are low thus advantageous. In addition multinationals exploit the market through the fact they can successfully exploit or at least manage these given imperfections. Market advantages are seen in international markets as in domestic markets; cost advantages, marketing techniques and knowledge, financial resources and economies of scale and scope.

2:3 Ethocentric Polycentric Regiocentric Geocentric (E.P.R.G) Model

The model was created by Dr. Howard V. Perlmutter a world authority on globalization and pioneer on the internationalization of firms, cities and other institutions. Perlmutter's E.P.R.G model states that senior management at an international organization holds one of these orientations when building and expanding its multinational capabilities; ethnocentric, polycentric, regiocentric or geocentric orientations. In ethocentric orientation the general attitude of a firm's senior management team is that nationals from the organization's home country are more capable to drive international activities forward than non-native employees working at its

headquarters or subsidiaries. The practices and policies of headquarters and of the operating company in the home country become the default standard to which all subsidiaries need to comply. This mind set has as advantages that it overcomes a potential shortage of qualified managers in host nations by expatriating managers from the home country, creates a unified corporate culture and helps transfer core competences more easily by deploying nationals throughout the organization. The main disadvantages are that an ethnocentric mindset can lead to cultural short sightedness and to not promoting the best and brightest in a firm.

Polycentric orientation has as dominant assumption that host country cultures are different making a centralized, one size fits all approach unfeasible. Local people know what is best for their operation and should be given maximum freedom to run their affairs as they see fit. This view alleviates the chance of cultural myopia and is often less expensive to implement than ethnocentricity because it needs less expatriate managers to be send out and centralized policies to be maintained. The drawbacks of this attitude are that it can limit career mobility for both local and foreign nationals, isolate headquarters from foreign subsidiaries and reduces opportunities to achieve synergy. In 1979, Perlmutter and his colleague David A. Heenan added a fourth orientation to create the whole E.P.R.G model, regiocentric orientation which felt in between a polycentric and geocentric orientation. Regiocentric or regional orientation is defined as a functional rationalization on a more than one country basis. Subsidiaries get grouped into larger regional entities. Regions are consistent with some natural boundaries, such as the Europe, America and Asia-Pacific. Both polycentric and regiocentric approaches allow for more local responsiveness, with less corporate integration.

Geocentric orientation does not equate superiority with nationality. Within legal and political limits, executives try to seek the best men, regardless of nationality, to solve the company's

problems wherever in the world they occur. This attitude uses human resources efficiently and furthermore enables to build a strong culture and informal management networks. Drawbacks are that national immigration policies may put limits to its implementation and it might be a bit expensive compared to polycentrism. It attempts to balance both global integration and local responsiveness. Perlmutter's observation was that most Multi-National Corporations start out with an ethnocentric view, slowly evolve to polycentrism and finally adopt geocentrism as the organization familiarizes itself more and more with conducting business on a global playing field.

CHAPTER THREE

RESEARCH METHODOLOGY

3:1 Introduction

This chapter provides an outline of the approach that was used to gather data. The data collected was used to answer the research question. This chapter in particular states the research methodology used to collect data, how it was collected and analyzed to come up with findings, interpretations and conclusion of the study.

3:2 Research Design

The research design adopted was a case study. Researcher Robert K. Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1984.) The use of case study as the research design analyzed theoretical models and ideas against real world situations.

3:3 Data Collection

Data collection in this study was both primary and secondary. Primary data was collected by conducting interviews. The interview sessions were aided by an interview guide containing open ended questions. Secondary data was collected from two general sources, internal and external. The internal source was information from both Kenya and Thailand government. External

sources were from other organizations that work in the trade industry alongside both governments.

3:4 Data Analysis

The data collected was analyzed. Content analysis was used to analyze data collected against the theoretical foundations and literature review.

CHAPTER FOUR:

DATA ANALYSIS, RESULTS AND DISCUSSION

4:1 Introduction

This chapter provides details of the data gathered, its analysis, the results and discussion of it. The data collected was used to answer the research question through the use of an interview guide. This chapter gives details of the research project and facilitated in its conclusion.

4.2 Response Rate

The research project was a case study and thus targeted two top government officers in the offices of trade for Kenya and Thailand. They both responded and the information given has been documented in this chapter.

4.3 Findings on Kenya and Thailand Trade

The study gathered general and specific information relating to the research objectives. The general information were factors that influence trade between Kenya and Thailand. The specific information was challenges hindering trade, ways of mitigating them, and how Kenyan and Thai business ties can be strengthened.

4.4 Factors that influence trade

The study gathered there are four key factors that influence trade between Kenya and Thailand. The factors include politics, the economy, social and cultural aspects and technology.

4.4.1 Politics

Political factors are concerned with government and the degree they intervene in the economy. From the interviews, it was found that political factors influenced trade between Kenya and Thailand. These are factors such as political stability. Kenya is a democratic country while Thailand is a parliamentary democracy with a Constitutional Monarchy. In Kenya, the president is the Head of State and Commander-In-Chief of the Armed Forces, while in Thailand the King holds the positions. Kenya concluded a peaceful transition following the March 2013 elections. However, more effort is needed to improve governance. The 2013 elections and smooth change of government was a positive departure from the December 2007 elections, which resulted in widespread violence, fuelled by ethnical issues. Political reforms in recent years and the peaceful transition in 2013 have rebuilt the country's political momentum and led to the establishment of a leaner government. (African Development Bank Group, Kenya Country Strategy Paper, 2014-2018)

In Thailand, the Prime Minister is designated from among the members of the House of Representatives. The leader of the party that manages to organize a majority coalition is usually appointed Prime Minister by the King. Political unrest, coup de tat and instability of the government are a threat to security. An interview with Department of International Trade Promotion, Ministry of Commerce, Thailand official disclosed that Thai had a military coup last year. Safety of investments is a major factor that investors consider when deciding on the location of their investment. The new Thai government however is out to maintain peace and order in Thai society and to promote national reconciliation.

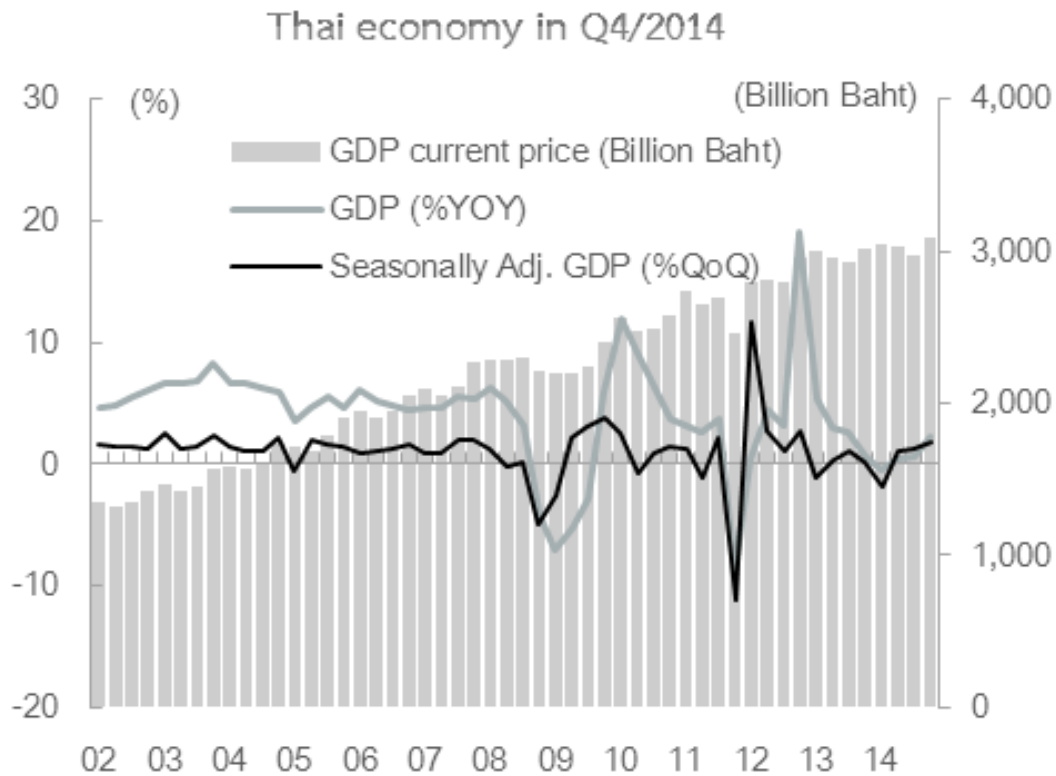
The political factors form the basis for regulating international trade with respect to tariffs, quotas, technical standard, [trade restrictions](#), administrative orientations of different countries

and regional economic blocks. Politics influences trade by placing barriers and restrictions such as heavy taxes. The government is the determinant of the restrictions placed and the countries they are placed on. Politics is intrinsically linked to a government's attitude to business and the freedom within which it allows firms to operate. Employment laws were indicated to be a challenge by the respondents in this study. They indicated that the law requires that a certain number of employees in a company have to be from the host country. This influences the trade in human resource services between these countries, Kenya and Thailand. The Kenyan government indicated that they had laws in place which were against importation of sub-standard goods. National Environmental Management Authority (N.E.M.A) and Kenya Bureau of Standards (K.E.B.S) check and monitor entry of goods from other countries through the port of Mombasa, airport and border points to restrict entry of illegal and substandard products. The respondent indicated that consumers were protected from dumping, substandard goods and piracy. The respondent from the Ministry of Foreign Affairs and International Trade, Kenya, also disclosed that the Kenya Bureau of Standards has instituted public awareness campaign by arresting culprits who sell illegal products from Thai into the Kenyan market. The Thai respondent also noted there was need for better infrastructure in Kenya. For instance, the LAPSETT Corridor Project, which stands for Lamu Port in Kenya, South Sudan and Ethiopia Transport Corridor, was estimated to cost 30 billion US Dollars, nearly half of Kenya's 2012 GDP. LAPSETT is one of the key infrastructure projects in Kenya's development blueprint, Vision 2030. It includes a new port in Lamu 1,500 km standard gauge railways line to Ethiopia, South Sudan and Uganda, road network and oil pipe line, connecting Lamu with South Sudan and Ethiopia, an oil refinery in Baragoni, airports and resorts in Lamu, Isiolo and Lake Turkana. This will attract more investors to trade with the government of Kenya.

4.4.2 Economy

The global, home and host country economy was noted by the respondents to influence how foreign trade is carried out between the two countries. Kenya's GDP growth in recent years was moderate, remaining below the average of East African countries. Kenya's economy is service-based, with a relatively small industrial sector: in 2013, agriculture contributed 20.7% of real GDP, the industrial sector 15.9%. (African Development Bank Group, Kenya Country Strategy Paper, 2014-2018.) The Thai economy in the fourth quarter of 2014 grew by 2.3 percent, accelerating from 0.2 percent in the previous quarter. After seasonal adjustment, the Thai economy expanded from the third quarter by 1.7 percent. (Thai Economic Performance in Q4 and 2014 and Outlook for 2015, Macroeconomic Strategy and Planning Office, Press Release, 2015.) The year 2014 was a record-breaking year for Board of Investments applications in 50 years with a total value of USD 67.51 billion (Baht 2.19 trillion) and over 3,000 applications for investment. In 2015, Thailand continues to place great importance on fostering a business and investment climate that is conducive to trade and investment, while enhancing our country's competitiveness. Thailand has a competitive 'Seven Year Investment Strategy,' spanning from 2015-2021, emphasizes promoting investment that creates value for Thailand and also has a positive impact socially and environmentally. The new investment plan aims to promote investment both domestically and internationally, as well as to increase national competitiveness in order to achieve long-run sustainable growth. It is tailored to incentivize investments in knowledge based industries, Research and Development, high-technology industries and projects that will strengthen the country's industrial foundation. (Division of Economic Information, Department of International Economic Affairs report, 2015.)

Figure 4.1 Thailand Economy in 4th Quarter 2014



Source: NESDB

Source: Office of The National Economic and Social Development Board (N.E.S.D.B)

The Thai respondent indicated Thailand has an infrastructure development plan, which spans from 2015-2022, has five target areas, consisting of revamping the inter-city rail network, improving public transport systems to ease traffic congestion in Bangkok and the greater metropolitan area, boosting the capacity of highways to connect with production bases in rural areas and neighboring countries, and improving the efficiency of water and air transport systems. The plan demonstrates Thailand's strong determination to improve our

logistics and infrastructure network. It will enhance connectivity which has been one of their priorities, holistically upgrading their logistics network which will lower transport costs and boost Thailand's competitiveness in a sustainable manner. The country is also committed to increase linkages with other countries in the world. The study went further to investigate the economic factors influencing trade between Kenya and Thailand. The respondents disclosed that the two governments have signed various economic policies and partnerships agreements. Although a closer examination with Ministry of Foreign Affairs and International trade, Kenya revealed that despite the mutual relationship that the country share, Kenyan products have less demand in the Thai market. This is supported by previous findings made by others researchers who observed that Thai products are cheap thereby creating competition for local manufacturers. However, the Thai official revealed despite lack of balance in the trade, Thailand is looking at the opportunities through which Kenyan can export more into their country.

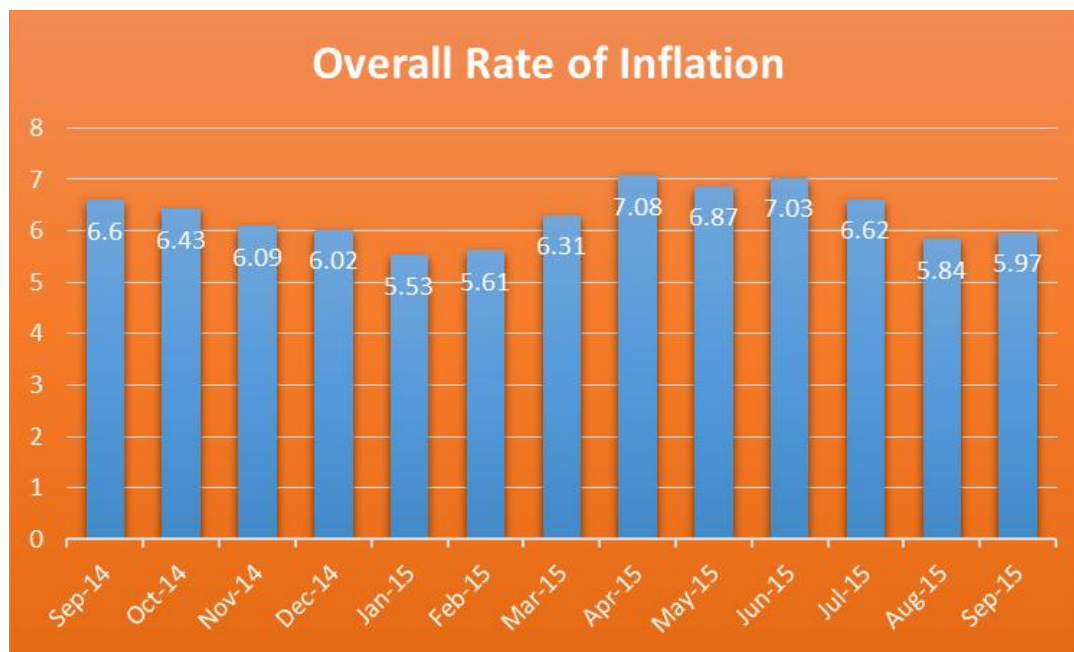
Table 4.1 Kenya Import/Export Trade Statistics with Thailand

YEAR	EXPORTS IN KSH	IMPORTS IN KSH	BALANCE
2012	1,727,873,082	11,375,161,043	-9,647,287,961
2011	2,205,936,678	11,349,051,640	-9,143,114,963
2010	1,119,823,384	8,514,882,200	-7,395,058,816
2009	880,530,674	7,073,481,780	-6,192,951,106
2008	3,597,666,875	9,095,916,160	-5,498,249,285

Source: Ministry of Foreign Affairs and International Trade, Kenya

Both respondents also indicated [exchange rates](#) influenced how trade is carried out between Kenya and Thailand. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in a country.

Figure 4.2 Rate of Inflation Rate Kenya, (September 2014-2015)



Source: Kenya National Bureau of Statistics (K.N.B.S)

4.4.3 Social and culture aspects

This study further sought to find out the socio-cultural factors that influence Kenya and Thai trade. Income distribution was found to be one of socio-cultural aspects that influenced trade between the two countries. From the interviews, it was found out that higher income increases the amount spent in the household. Thai products are mostly highly priced and thus targeted the

high income earners in the society. Also growing middle class, and the youngest and fastest growing population will also drive consumption and the businesses of consumer goods.

Table 4.2 Wage Employment in Modern Sector, Kenya 2011-2014

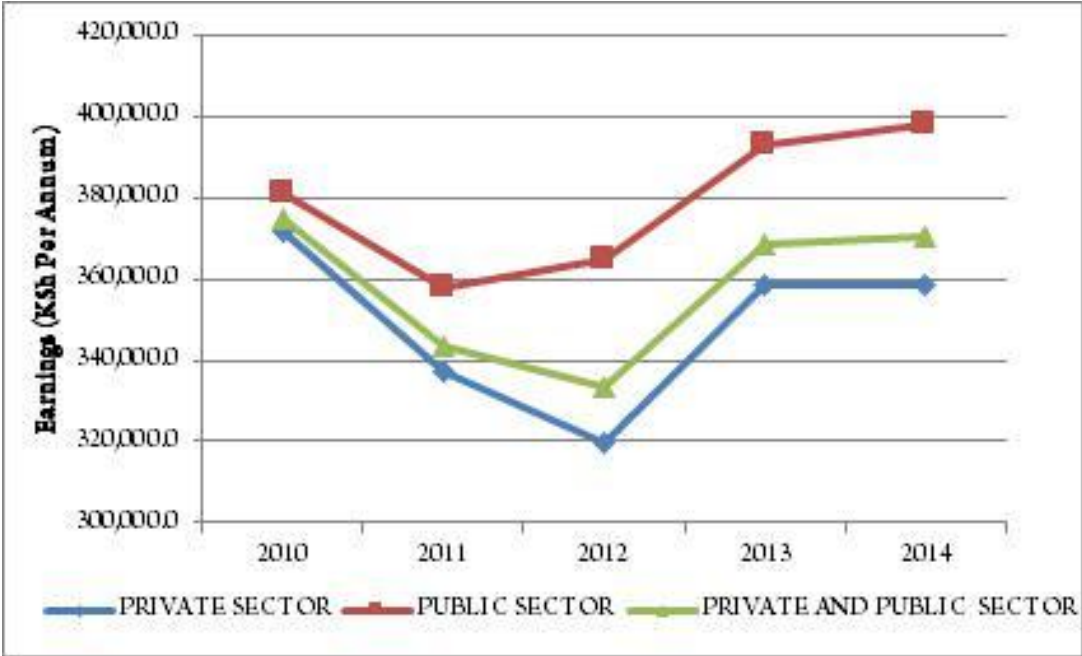
Sector				Number `000
Year	2011	2012	2013	2014
Public	643.3	662.1	683.3	700.8
Private	1,440.8	1,493.6	1,599.8	1,669.4
Total	2,084.1	2,155.8	2,283.1	2,370.2

Source: Kenya National Bureau of Statistics (K.N.B.S)

In Thailand declined, unemployment rate decreased while income increased slowly. In the fourth quarter of 2014, employment declined by 0.1 percent. Agricultural employment fell by 4.9 percent while employment in non-agricultural sector went up by 2.5 percent. Unemployment rate was recorded at 0.16 percent, lower than 0.66 percent in the same period last year. The fall in agricultural employment was partly absorbed by the non-agricultural sector whose demand for basic labor remained high. This helped mitigate the unemployment problem and the labor shortage in non-agricultural sector. Average working hours stood at 44.5 hours per person per week, a 0.3 percentage lower than the same period last year. Wages and salaries in the private sector excluding overtime pay and other benefits in the fourth quarter of 2014 rose by 3.0 percent

from the same period last year. (Division of Economic Information, Department of International Economic Affairs report, 2015.) According to data collected, Vision 2030, Kenya’s long-term development blueprint, Vision 2030, aims to transform the country into a newly industrializing, middle-income country that provides a high quality of life 11 to all citizens by 2030. The vision is grounded on three pillars: an economic pillar which aims at economic growth of 10% per annum; a social pillar which seeks just, cohesive and equitable social development in a clean and secured environment; and a political pillar which aims to install an issue-based, people-centred, result-oriented and accountable political system that respects rule of law and protects the rights and freedoms of every Kenyan. The pillars are anchored on infrastructure development, public sector reform and macroeconomic stability. (African Development Bank Group, Kenya Country Strategy Paper, 2014-2018.)

Figure 4.3 Estimated Real Average Earnings per Employee, 2010 - 2014



Source: Kenya National Bureau of Statistics (K.N.B.S)

Respondents also found cultural aspects include aesthetics, education, language, religion, social and material culture, values and attitudes play a role in how trade between Kenya and Thailand is carried out. As economic interaction grows, people to people, humanitarian and social interaction will also grow. With greater movement of goods and persons, we have seen more Asians including Thais in Africa and more Africans in Asia and Thailand. It has not the mere presence on each other's soil that has increased, economic interests have brought about more social implications. Social and cultural exchanges have increased, adding to diverse social and cultural bonds. Such bonds have served as another solid foundation for greater cooperation in all other fields including trade.

4.4.4 Technology

The respondents in this study were further asked to indicate the technological factors influencing Kenya and Thai trade. One of the factors indicated was technological incentives. Offering technological incentives creates attraction to investors from either country. The respondent from the Ministry of Foreign Affairs and International Trade, Kenya, also identified research and collaboration in the same was another crucial factor. The Thai government had previously offered several short term scholarships and training courses to Kenyans among them included, the fields of Aeronautical Operations, Mid-wifely, Family Planning, Community Health and Child health, population studies, Community Development and Computer Engineering, Agriculture related courses, Groundwater Development and Groundwater Database management. The government of Thailand had also offered to employ Kenyan English teachers in the country's learning institutions. Thailand places high importance on promoting Science,

Technology and Innovation. (S.T.I). Not only is S.T.I key to boosting economic growth and increasing national competitiveness but it will also help us to surpass the middle income trap as well as achieve long term sustainable development. The government is doing utmost to develop and promote the application of science, technology, research and development, and innovation in the country. (Division of Economic Information, Department of International Economic Affairs report, 2015)

The study found from the respondents that internet connection also influenced trade. Factors such as broadband connectivity and technical training have become essential ingredients of successful operations in the modern business world. The availability of internet enabled competitive pricing of products. Internet has become a source of information from all fields. Investors can research on markets and sources of cheaper materials. Moreover, the levels of technological developments in a given country determine the scope of technical understanding among its population.

4.5 Challenges hindering trade between Kenya and Thailand

The study indicated there were various challenges that hindered trade between Kenya and Thailand. Politics was seen as a key challenge since it directly dealt with government and the degree it intervened in the economy. It was found that political factors influenced trade between Kenya and Thailand in aspects such as political stability, government policies and laws such as [tax policy](#), [labor law](#), [environmental law](#), [trade restrictions](#), quotas and [tariffs](#). Kenya and Thailand belong to different trading blocs and thus administrative orientations of different countries and regional economic blocks was critical for their trading. The different levels of

infrastructure available between the two countries was found as a challenge as well. Economic factors in the global, home and host country were noted to as challenges to trade between the two countries, in these aspects [economic growth](#), [exchange rates](#), interest rate and the [inflation rate](#). Socio-cultural factors such as income distribution were found to be challenges of trade between the two countries. More specifically, cultural aspects include aesthetics, education, language, law and politics, religion, social organizations, technology and material culture, values and attitudes. Social factors referred to reference groups, family, role and status in the society. The availability of technological infrastructure and technical capacities being at different levels between the two countries was seen as a challenge as well. Other challenges that were identified were that not all markets have been exploited by Kenya. The standards of negotiations were high in Thailand as compared to Kenya. The configuration of the population, meaning number of people in the ready market differed between the two countries. Also the composition of Kenya's exports were unfavorable.

4.6 Ways of mitigating challenges

Challenges that arose during the study can be mitigated through various ways. Good political practices and a stable government rule can mitigate the influence politics has on trade between Kenya and Thailand. Policies and laws that directly influence trade should be created in ways that accommodate and support trade between countries. This is key especially in regards to administrative orientations of different regional economic and trading blocs. Both Thailand and Kenya governments need to invest more in their infrastructure, especially Kenya which is a developing country. A great infrastructure promotes a competitive edge for any given country.

By placing in place aspects that encourage economic growth of a country is key. This will assist bring down the rate of inflation, bring about favorable exchange rates and interest rates that are important for trade to prosper in a country. Social integration among Kenyans and Thais is also key. Cultural acceptance between people from both countries is important. Though mutual acceptance of socio-cultural differences between the two groups of people international trade will run smoother and will be beneficial to all parties involved. While it may be easier to establish and maintain technical operations in high-technology countries, such as Thailand the same cannot be said of low-technology countries as Kenya. Thus the need for more technological infrastructure to be put into place. Markets need to be exploited more by Kenya. There are so many emerging markets such as Thailand that Kenya has not fully tapped into which would be essential for future prosperity of the country. The standards of negotiations need to be revised and favorably set up for both countries to effectively trade among themselves. The configuration of the population for different markets need to be revised in order to ensure the ready market for a given export or import matches the logistics behind the produced product. Kenya exports also need to be revised in composition, in that the different sectors of production seek more value added produce. All these ways will assist mitigate the challenges in trade between Kenya and Thailand.

4.7 Strengthening of Kenyan and Thai business ties

Kenyan and Thai business ties can be strengthened. This can be done through better governance and policies creation. Laws and policies that directly influence trade should be created in ways that accommodate and support trade between countries. Both Thailand and Kenya governments

need to invest more in their infrastructure. Better infrastructure will facilitate economic growth that is directly linked to trade between the two countries. This will also assist bring down the rate of inflation. There is need for more social programs between the two countries this will allow integration between Kenyans and Thais. Mutual acceptance of socio-cultural differences between the two groups of people international trade will run smoother and will be beneficial. Trade events such as business matching, that directly involve importers and exporters of a country are also a way through which ties can be strengthened. There is need for better technological infrastructure in Kenya. Establishing and maintaining good technological infrastructure will go a long way to effectively give Kenya a competitive edge, if not match it to Thailand's. Market exploitation by Kenya is necessary given there is a lot of untapped potential in the world. The standards of negotiations need to be revised and favorably set up for both countries to effectively trade among themselves. Also the configuration of the population for different markets need to be revised and composition of exports reviewed by Kenya. Another key way of strengthening the ties between the two countries is the review and conclusion of bilateral agreements. In addition to the signing of an agreement that will end double taxation between Kenya and Thailand.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5:1 Introduction

This chapter presents the summary of all data that was gathered, analyzed, conclusions that were made and recommendations.

5.2 Summary of the Findings

This research study gathered that there are four key factors that influence trade between Kenya and Thailand. The factors include politics, the economy, social and cultural aspects and technology. Politics was found to be a major challenge since it directly dealt with government and the degree it intervened in the economy. Political aspects such as political stability, government policies and laws such as [tax policy](#), [labor law](#), [environmental law](#), [trade restrictions](#), quotas and [tariffs influenced trade between Kenya and Thailand](#). Different levels of infrastructure available between the two countries was found to be a challenge as well. Other challenges were untapped markets by Kenya, different standards of negotiations between the two countries, uneven population configuration and unfavorable export composition by Kenya.

5.3 Conclusion

The first and overall objective of this research was to determine factors that influence trade between Kenya and Thailand. The research found that the major that there are four key factors that influence trade between Kenya and Thailand. The factors include politics, the economy,

social and cultural aspects and technology. In addition, different standards of negotiations between the two countries, untapped markets, uneven population configuration and unfavorable export composition by Kenya were found as more challenges.

5.4 Recommendations of the Study

The study established that good political practices, stable government rule, accommodative policies and laws, better infrastructure, mutual socio-cultural acceptance between Kenyans and Thai and the establishment and maintenance of high technical operation were ways to mitigate the challenges found to hinder trade between Kenya and Thailand. In addition, revision of population configuration and export composition by Kenya, the review and conclusion of bilateral investment treaty and signing of an agreement that will end double taxation were found as further ways to strengthen and encourage trade between Kenya and Thailand.

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APPENDIX I



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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DATE...10th Sept 2015

TO WHOM IT MAY CONCERN

The bearer of this letter ...KIARIE CHRISTINE WAMBARE


Registration No...D61/6907A/2013

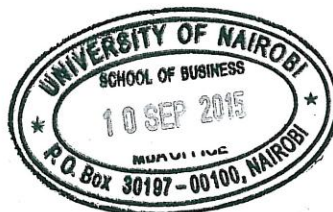
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



APPENDIX II
INTERVIEW GUIDE

Interview I

(Ministry of Foreign Affairs and International Trade, Kenya)

Kindly answer all the questions:

1. How does politics influence how trade is carried out between Kenya and Thailand?

2. How does government influence how trade is carried out between Kenya and Thailand?

3. How do economic systems influence how trade is carried out between Kenya and Thailand?

4. How do social systems influence how trade is carried out between Kenya and Thailand?

5. How does culture influence how trade is carried out between Kenya and Thailand?

6. How does technology influence how trade is carried out between Kenya and Thailand?

7. What other challenges do you think exist between Kenya and Thailand that are hindering maximum trade between the two countries?

8. What are some of the policies Kenya and Thailand need to adapt in order to improve their trade relations?

9. What are some of the development projects Kenya and Thailand can partner in?

10. In your opinion how can Kenyan and Thai relations be strengthened?

Interview II

(Department of International Trade Promotion, Ministry of Commerce, Thailand)

Kindly answer all the questions:

1. How does politics influence how trade is carried out between Thailand and Kenya?
2. How does government influence how trade is carried out between Thailand and Kenya?
3. How do economic systems influence how trade is carried out between Thailand and Kenya?
4. How do social systems influence how trade is carried out between Thailand and Kenya?
5. How does culture influence how trade is carried out between Thailand and Kenya?
6. How does technology influence how trade is carried out between Thailand and Kenya?
7. What other challenges do you think exist between Thailand and Kenya that are hindering maximum trade between the two countries?
8. What are some of the policies Thailand and Kenya need to adapt in order to improve their trade relations?
9. What are some of the development projects Thailand and Kenya can partner in?
10. In your opinion how can Thai and Kenyan relations be strengthened?