TRADE POLICIES AND EXPORT PROMOTION FOR THE ZIMBABWE CLOTHING SECTOR

(with particular reference to the United Kingdom and Germany)

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I hereby declare that this thesis has not been submitted, either in the same or different form, to this or any other University for a degree.

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ABSTRACT

This study explored Porter's "diamond" Theory relating to export competitiveness and examined in depth the efficacy of the theory in relation to trade policy and export promotion for the Zimbabwe clothing sector (with particular reference to the United Kingdom and Germany). Competitiveness is an issue of major concern to governments, as well as firms. Governments are concerned because competitiveness is central to economic growth and prosperity; it also fulfils the wider economic objectives such as creating and sustaining employment, raising and sustaining the standard of living, and achieving a trade surplus and favourable balance of payments. Firms are concerned with competitiveness because it is central to their survival and growth. The study is set in the context of developing countries.

Porter's central thesis is that domestic competition (because of its stimulating effect on the other diamond factors) explains the export success of a nation's industry in international markets. The evidence from this author's research is that domestic competition does not give rise to the export success of a nation's industry in international markets. Domestic competition in the Zimbabwe clothing industry is intense, but the industry is not competitive on the United Kingdom and German export markets, and the other international markets. The findings from the research show that the export success of a nation's industry in international markets depends on choice of a competitive strategy, full utilisation of skills in the industry, a competitive supporting industry, and technology orientation (use of up-to-date technology). The intense domestic competition which exists in the Zimbabwe clothing industry failed to create an industry which pursues a competitive strategy, an industry which fully utilises skills (let alone the upgrading of skills), a competitive supporting industry and an industry which is technology orientated. The analysis of these findings revealed that the export success of a nation's industry in international markets derives from international competition because of its

stimulating effect on these competitive factors. It is the absence of international competition on the domestic market which explains why the Zimbabwe clothing industry is pursuing an uncompetitive strategy and underutilising skills, why the industry is using outdated machinery and the supporting industry uncompetitive. The findings reveal that although the "diamond" theory is not valid in its present form based on domestic competition, it is applicable in a modified form based on international competition. In the modified form, international competition becomes the central thesis of the theory because of its stimulating effect on the other competitive factors. Domestic competition does not have the stimulating effect. The policy implication for developing countries is that they should expose their industries to international competition, in order to gain export competitiveness.

The "diamond" theory bases the export success of a nation's industry in international markets on competition. The evidence from the research is that the export success of a nation's industry in international markets is not only dependent on competition, but also on factors such as entrepreneurship, foreign investment, alliances, collaboration, export promotion and good management. The implication for developing countries is that gaining export competitiveness is not only achieved by exposing their industries to international competition, but can also be achieved by promoting entrepreneurship, foreign investment, alliances, collaboration, as well as export promotion (export planning and providing export promotion support) and management development.

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Chapter 1
INTRODUCTION

1.1 Research Title

The research title is "Trade Policies and Export Promotion for the Clothing Sector in Zimbabwe with particular reference to the United Kingdom and Germany".

The focus of the research is the clothing industry. It is pertinent to make this point because many writers and commentators do not distinguish the clothing industry from the textile industry; they treat the two industries as one industry - textile industry. The textile industry and the clothing industry are discrete, and yet closely related. Three activities distinguish the textile industry from the clothing industry i.e. ginning, spinning and weaving. Production of the end product (garments) is what constitutes the clothing industry. The close relationship between the two industries arises from the supply factor; the textile industry supplies the clothing industry with its vital input (fabric) and should therefore be treated as the supporting industry.

1.2 Aim of the Investigation

The aim of the investigation is to explore Porter's "diamond" theory relating to export competitiveness, and to examine in depth the efficacy of the theory in relation to trade policy and export promotion for the Zimbabwe clothing sector (with particular reference to the United Kingdom and Germany).

To start with, it is important to put competitiveness into its proper perspective. Competitiveness can be analysed at the level of the country, industry, and firm. Kirsty Hughes points out that competitiveness is a concept that is widely but not consistently used[1]. The literature on competitiveness reveals two broad attitudes.

The first one is that competitiveness is a question of relative efficiency. This can be measured by looking at relative performance levels - productivity and productivity growth. Competitiveness can also be based on the efficiency with which factor resources (land, plant and labour) are used to manufacture goods for international markets. The second is that competitiveness is a reflection of relative international trade performance. This can be measured as shares of world export markets, the degree of import penetration or as an index of revealed comparative advantage. Kirsty Hughes highlights the flaw of relying on either approach as a measure of competitiveness. For instance, the country with the highest level of productivity may not have the highest trade shares; in addition, trade shares may depend on strategic competition on world markets. The competitiveness of a country is the final outcome of a combination of factors, including efficiency and strategic factors. The measure and definition of competitiveness should therefore be related to the final outcome. The OECD puts competitiveness into its proper perspective when it defines it as "the degree to which a nation can produce goods and services that meet the test of international markets."[2] Accordingly, competitiveness is the capability of a nation's goods to compete at home and abroad against competitors around the world. By the same token, export competitiveness is the capability of a nation's goods and services to compete on the export market against other foreign suppliers or competitors. The focus of this research work is export competitiveness.

The subject was chosen because competitiveness is an issue of major concern to all governments and to all firms. Governments are concerned with competitiveness because it is central to economic growth and prosperity. Competitiveness also fulfils the wider economic objectives: creating and sustaining employment, raising and sustaining the standard of living, achievement of a trade surplus and favourable balance of payments (a country has to pay its way in the world). Goh Choh Tong, Prime Minister of Singapore, fully captures the importance of competitiveness, when he noted that:

> "A country is like one big corporation. Its gross national product is equivalent to a company's revenue and its population, its employees. A national economy competes with other national economies for market shares in the world. If it fails to compete, its population or employees will not be paid well. If it is competitive, its standard of living will rise."[3]

At the firm level, the central concern with competitiveness is survival. A firm which is already competitive has to maintain its competitiveness in order to survive against competitors at home and abroad. A firm which is uncompetitive has to gain competitiveness, also in order to survive against competitors at home and abroad.

Although both governments in developing countries and developed countries are concerned with competitiveness, their competitive objectives differ in context. The share of world merchandise exports in 1992 was estimated by the IMF (International Monetary Fund) to be 29% for developing countries and 71% for developed countries.[4] The statistics reveal that developed counties are more export competitive than developing countries, as they account for over two-thirds of world merchandise exports while developing countries account for less than a third. This reflects that many industries in developing countries lack export competitiveness. Hence, the competitive objective of developing countries governments largely centre on gaining export competitiveness and creating an export base. Since most of the industries in developed countries have attained export competitiveness, the competitive objective of their governments mainly centre on sustaining that competitiveness, maintaining their world market share (and possibly increase it), and preventing a decline of the competitive manufacturing base.

Trade policies and export promotion are instruments used by both governments in developing countries and developed countries to achieve their respective competitive objectives. E.P. Hibbert defines trade policy as "government negotiations and measures in the field of multi-lateral or bilateral trade agreements and other aspects such as fiscal, monetary and social policies, which influence levels of trade, access

to markets and terms of trade" and export promotion as a term which denotes "national policies and operations, both in the private and public sectors, designed to promote a country's exports of commodities and manufactures."[5] This research work focuses on exports from the manufacturing sector, not exports from the commodity sector.

Porter's research work, in which the "diamond" theory is born, was based on ten countries (eight of them developed counties and the other two newly industrialised countries).[6] The eight developed countries are the United Kingdom, Germany, Denmark, Italy, Japan, Sweden, Switzerland and the United States of America. The two newly industrialised countries are Singapore and South Korea.

The "diamond" theory explains the export competitiveness of industries in the ten countries (and the lack of export competitiveness of some of the industries). The author's research work is positioned in a different context from Porter's, i.e. the context of a developing country: Zimbabwe is a developing country. As mentioned above, the competitive objectives of developing countries' governments differ in context from those of developed countries' governments. Hence, the author's research work will make a contribution to export competitiveness from the perspective of developing countries.

1.3 Chapter Contents

Chapter 2 critically reviews Porter's "diamond" theory, which constitutes the analytical framework of the research work. Reference is made to the classical and neo-classical trade theories in order to highlight Porter's contribution to international trade theory.

Chapter 3 reviews the international market environment in which the clothing industry operates (and the supporting textile industry). It is of relevance to every marketing study to establish the market environment of the product in question.

Particular attention is paid to the three countries germane to the research study: the United Kingdom, Germany and Zimbabwe. The chapter also examines the structure of the clothing and textile industries in the three countries. The chapter ends with a review of the trade policies and export promotion policies pursued by the Zimbabwe Government, with respect to the clothing and textile industries. The review of the trade policies and export promotion policies is essential, since the objective of the research work is to explore Porter's "diamond" theory relating to export competitiveness and to examine in depth the efficacy of the theory in relation to *trade policies and export promotion* for the Zimbabwe clothing sector. This analysis is developed in Chapter 7.

Chapter 4 explains the Methodology which was used in the research work and the relevance of the research approach.

In Chapter 5 data is analysed and evaluated, based on quantitative and qualitative primary data collected. The chapter ends with a summary of the main findings.

Chapter 6 is devoted to analysis of the findings in Chapter 5.

In Chapter 7 the survey research findings are related to the wider context of the authoritative research findings in this area. An assessment of the applicability, effectiveness and relevance of the "diamond" theory to the outcome of the research is carried out.

Chapter 8 gives the conclusions of the research work. The chapter begins with a summary of the findings, followed by the conclusion. The direction for future research is suggested at the end of the chapter.

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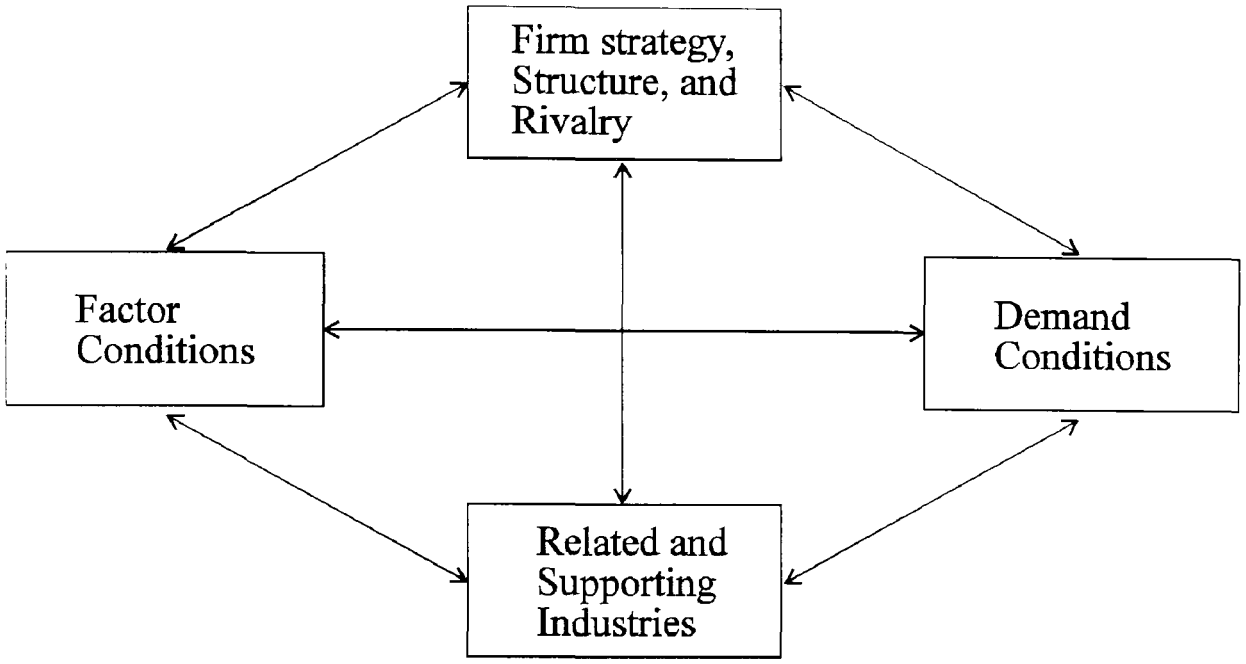
Chapter 2
LITERATURE SURVEY OF THEORY

2.1 Introduction

The purpose of this chapter is to critically review Porter's "diamond" theory (henceforth referred to as Porter's model), which constitutes the analytical framework of the research. The chapter begins by giving an outline of Porter's model, which explains why a nation's particular industry becomes internationally competitive and dominate world exports in the products. Porter's model is a contribution to the arguments on trade theory. For more than two centuries, several attempts have been made to explain what determines the pattern of exports and why particular nations are more successful in exports of certain products. Classical and neo-classical trade theories are highlighted in order to bring into perspective Porter's contribution. This is followed by a critical review of literature relevant to Porter's model. The critical review is carried out in relation to trade policies and export promotion, with particular reference to the competitive objectives of developing countries, as outlined in Chapter 1 (Introduction). The chapter ends with a summary of the critical review and a conclusion of the review.

2.2 An Outline of Porter's Model

Porter's model consists of four attributes, namely factor conditions, demand conditions, firm strategy, structure, and rivalry, and related and supporting industries.[1] These four attributes are the determinants of national competitive advantage and explain why a nation is internationally competitive in a particular industry. Porter's argument is that it is the national environment which determines competitive success.



Porter's model traces its development over several books and articles he wrote, and reaches its climax in his book *The Competitive Advantage of Nations*, 1990[2]. His first book, *Competitive Strategy*, 1980, sets out techniques for analysing industries and competitors.[3]

He identifies five factors or forces that drive competition (and employs them as the basic tool for analysing a company's competitive position) as:

- existing rivalry between firms
- the threat of new entrants to a market
- the threat of substitute products and services
- the bargaining power of suppliers
- the bargaining power of buyers.

Porter also identifies five generic descriptions of industries, namely - fragmented, emerging, mature, declining, and global. He projects corporate strategy in terms of the market place, rather than as a theoretical concept linking various functions in an organisation. In his other book *Competitive Advantage*, 1985, Porter argues that a company may possess two kinds of competitive advantage - low cost or

differentiation.[4] His central argument is that "competitive advantage is a function of either providing comparable buyer value more efficiently than competitors (low cost), or performing activities at comparable cost but in unique ways that create more buyer value than competitors and, hence, command a premium price (differentiation)".

Porter's research work until 1985, sought to explain why a company was competitive in the market place. His research work from 1986, took a new focus (although drawing from his earlier work) - he sought to explain why a particular nation's industry was internationally competitive or successful on the international market. It is this new focus which resulted in Porter's "diamond" theory.

2.2.1 Factor Conditions

Porter's line of argument is that the success of nations in particular industries is created, not inherited. Thus, success is not based on natural endowments such as land, labour, capital and natural resources. Competitive advantage (a nation's ability to compete in a given industry) is therefore created. This ability to compete requires skilled labour (an educated workforce) and good infrastructure as a back up.

A nation possessing skilled labour can turn natural resources into a specialised advantage or competitive advantage; whereas a nation with abundant natural resources, but without skilled labour, is unable to turn the natural resources into a competitive advantage. Also, a nation with skilled labour is innovative (broadly defined to include improvements in technology and production processes, new product design, and better methods or ways of doing things, such as a new approach to marketing). Porter argues that the key to sustaining competitive advantage is to continue upgrading skills in a nation. The value added concept constitutes an integral part of the explanation of why a particular industry is internationally competitive, since value added is related to productivity, which depends on skills.

2.2.2 Demand Conditions

Porter's argument is that the nature of home-market demand influences the success of a nation's industry in international markets.

This is dependant on the size of the home-market, the number and level of sophistication of the consumers and media exposure of products on the home-market. The behaviour of the consumers and local retailers is of crucial importance. If consumers are strict and discriminate among producers, this would stimulate producers to make products which satisfy the strict demands of the consumers. Similarly, if the local retailers are strict and discriminate among the producers, this would also stimulate the producers to make products which satisfy the strict demands of the retailers. For instance, if domestic consumers demand high quality products, this would force producers to pay particular attention to quality; on the other hand, if consumers are not strict on quality, producers are less likely to pay particular attention to quality. The same applies for local retailers.

Porter's contention is that, if an industry is used to satisfying strict and discriminating consumers on the home-market, it will not have difficulties satisfying the same demands on the international market, and will have a competitive advantage over industries from other nations, where consumers are not strict and discriminating. This argument will be used as a basis for comparison between developed and developing countries, and will be explored in more depth at some stage.

2.2.3 Related and Supporting Industries

Porter argues that related and supporting industries play a major role in an industry's ability to compete internationally. An industry vying for export competitiveness needs suppliers at home with internationally competitive inputs. Their absence will

negatively impact on the industry's ability to compete. Related industries must also be internationally competitive.

2.2.4 Company Strategy, Structure and Rivalry

Porter's central argument is that the creation and sustaining of competitive advantage is a highly localised process. It is the differences in national economic structures, values, cultures, institutions, and histories, which have significant contribution to competitive success. It is these national circumstances and the local environment, which determine how companies are created, organised, and managed, as well as the nature of domestic rivalry. Thus, the home nation is pivotal to competitive advantage, and hence competitive success. The home nation is also the source of the skills and technology that underpin competitive advantage.

Porter concludes that "among all the points on the diamond, domestic rivalry is arguably the most important because of the powerfully stimulating effect it has on all the others."[5]

Therefore, the central thesis of Porter's model is that competitiveness is born of intense (or fierce) domestic rivalry. Accordingly, he advocates an active anti-trust policy and avoidance of protectionism as policy prescriptions.

2.2.5 Role of Government

Regarding the role of Government in the economy, Porter challenges the two often held arguments. The first argument is that Government should be a helper or supporter of industry, using various policies that contribute directly to the competitive performance of strategic or targeted industries.

The second one is that the operation of the economy should be left to the workings of the invisible hand (free market forces). Porter's argument is that Government

cannot create competitive industries, but only companies can create competitive industries.

Porter concludes his argument by saying that Government's proper role should be creating an environment in which companies can gain competitive advantage (rather than involve itself directly in the process) by influencing the four points (attributes) on the diamond - the determinants of national competitive advantage.

2.3 Classical and Neo-classical Trade Theories

The traditional theory of international trade was based on comparative advantage and the assumption that markets were perfectly competitive. The comparative advantage theory evolved from Adam Smith, with his publication *Wealth of Nations*, 1776.[6] He argued that self-sufficiency at the individual level or national level resulted in reduced wealth and in consequence overall human welfare will not be enhanced. The central theme of his argument was that the advantages of specialisation within a country and among countries would bring about increased prosperity and raise the standard of living of mankind. Adam Smith's contribution is referred to as the principle of absolute advantage. It was based on a two country model.

Ricardo took the argument of comparative advantage a step further than Adam Smith, with the publication of *Principles of Political Economy*, 1817.[7]

Whereas Smith established that trade between counties was mutually beneficial if each has absolute advantage over the other in the production of a commodity, Ricardo concluded that trade was still mutually profitable even in the case where one country had an absolute advantage over the other in the production of both commodities (but where its advantage was greater in one commodity than in the other).

Contributions by Heckscher (1919) and Ohlin (1933) constituted the cornerstone of what is referred to as the Modern Theory of International trade.[8] Both Adam Smith and Ricardo models are based on only one factor of production. Heckscher and Ohlin addressed the situation where more than one factor of production was available. The basic tenet of the Heckscher - Ohlin model is that trade is only profitable when countries take advantage of their differing factor endowments. Even if two countries are equally endowed, opportunities for mutually profitable trade still exist due to differences in factor prices and differences in demand patterns between the two countries. The different demand patterns may be a result of different income distribution or differences in tastes between the two countries.

In his study of the structure of American trade 'Domestic Production and Foreign Trade: The American Capital Position Re-Examined', 1953, W. Leontief finding was that the U.S.A., seemingly well endowed with capital, tended to export labour-intensive products and import capital-intensive products (which is the reverse of the Heckscher-Ohlin model).[9] This has been referred to as the Leontief Paradox.

Keesing, in his book 'Labour Skills and the Structure of Trade in Manufactures', 1968, provided the evidence that skill availability was a major determinant of international trade patterns.[10] He measured the skill content of exports and imports from U.S.A., Japan, and seven European countries and found out that countries like Japan and the U.S.A. with the most skill - intensive exports, had the least skill intensive imports. Keesing labour skills approach solved the Leontief Paradox by highlighting that differences in skill - intensity of products explain the pattern of international trade. The training and competence of the labour force is one key factor which distinguishes one country from another. Countries which are relatively well endowed with highly trained professional personnel (i.e. managers, technicians, engineers,scientists, etc) will specialise in and export skill-intensive products, while countries with a relative abundance of unskilled labour will specialise in and export non-skill-intensive products.

Economists have broadened the definition of capital to cover human skills (i.e. capital is physical plus human skills) making it possible that the relative factor intensity of exports and imports will be in accordance with the Heckscher-Ohlin model.

Helpman and Krugman draw attention to the fact that the past decade has seen a major change in the theory of international trade.[11] They note that the traditional theory of trade based on comparative advantage has been complemented, and to some extent supplemented, by a new theoretical view in which "increasing returns are a major source of trade".

Increasing returns have played a co-equal role with comparative advantage in explaining the pattern of trade. Increasing returns are inconsistent with perfect competition, so this approach models markets as imperfectly competitive. The new trade theory incorporates industrial organisation. In other words, there is a link between business organisation and national economic performance (trade performance).

2.3.1 Porter's Contribution to International Trade Theory

Porter's contribution to the theory of international trade is to reinvigorate the role of the home country (the national environment) as the key factor in determining the pattern of world exports. His contribution is that the pattern of world exports is determined by country's competitive advantages. He identified four determinants of competitive advantage as vigorous domestic rivalry home-market demand, factor conditions, and related and supporting industries. He contended that, of these four determinants of competitive advantage, the pivotal one is vigorous domestic rivalry because of its overall influence on the other three.

The implication of Porter's contribution, is that countries with industries with the most intense domestic competition, the most demanding buyers, and the best

infrastructures and skills, will be the leading trading nations in those particular industries.

2.4 Critical Review of Porter's Model

The review will focus on the four points of Porter's "diamond" - domestic rivalry, home-market demand, factor conditions, and related and supporting industries. The role of Government will also be reviewed. The review will be related to the competitive objectives of developing countries, which have been stated in Chapter 1 (Introduction) as to gain export competitiveness, and create an export base.

2.4.1 Domestic Rivalry

Porter's central thesis is that competitiveness is a localised process and that the basis of competitive advantage is the home nation. Porter cites Japan as one of the countries providing evidence to his thesis that vigorous domestic rivalry gives rise to an internationally competitive industry. He gives the example of the automobile industry and the electronic industry in Japan. Kenichi Ohmae, who is both Japanese and a renowned world management guru, has done some extensive research work on the international competitiveness of Japanese industries, including the same automobile industry and the electronic industry given by Porter as examples.[12] His finding is that competitiveness goes beyond national boundaries and that domestic rivalry does not have a decisive effect on the international competitiveness of Japanese industries. Ohmae's thesis is based on the premise that the world is borderless, and therefore the home nation does not have a decisive effect on competitiveness.[13]

The author will use the example of the automobile industry (referred to by both Porter and Ohmae as evidence for their opposed theses) to evaluate their different arguments. In the USA, the automobile industry became competitive after it was exposed to foreign competition on its own home ground, especially Japanese

competition. Similarly, the United Kingdom automobile industry became competitive after it was exposed to foreign competition on its own home ground. This suggests that exposing an industry to foreign competition is a more powerful stimuli than domestic rivalry. Domestic rivalry on its own failed to make the automobile industries of the USA and the United Kingdom internationally competitive. The attainment of competitiveness by the United Kingdom and USA automobile industries was borne out of the presence of foreign competition in the two countries; it was not as a result of Ohmae's borderless world concept. Foreign competition acted as the most powerful stimulant by setting competitive standards in terms of quality standards, production standards, and business practices.

While it is true that vigorous domestic rivalry in Japan's automobile industry has helped the industry's competitiveness (because of the presence of world-class companies in the domestic industry), it is also true that an injection of foreign competition of other world-class companies (or products) into Japan's automobile industry, would enhance the domestic industry's competitiveness by exposing it to greater competition. Domestic rivalry limits the scope of competition; international competition broadens the scope of competition. A study carried out by McKinsey on the competitiveness of the USA services sector reinforces this argument.[14] The study concluded that "the most powerful reason for productivity differences in services was not, as often argued, investment in high technology, but openness to competition." The services sector was sheltered from international competition, compared to other sectors.

The author's evaluation points to the conclusion that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. The author will make this evaluation the hypothesis which will be tested in the research study. This hypothesis is of great significance to the research study as domestic rivalry constitutes the central pillar of the "diamond" theory.

The domestic rivalry point on the "diamond" also fails to capture the impact of global competition on a nation's firms' competitiveness. What underpins global competition is the need to survive. As stated in the Introduction chapter, the competitive objectives of developed counties are to maintain the competitiveness of their industries. These survival concerns by companies manifest themselves in alliances. Alliances encompass joint ventures, collaborations, and take place between companies of different nationalities, and companies of the same nationality. Peter Buckley and Pervez Ghauri state that such arrangements must be seen as part of a global competitive game.[15]

Alliances between or among companies broadly cover the following objectives:

- a way of entering difficult markets (and sourcing arrangements)
- to develop sizeable international business
- to achieve scale economies in case of mergers
- to remove costs (or reduce costs) and management time to develop technology and new products
- to combine complementary skills and assets e.g. strength in product of a partner (and know how), and strength of the other partner in international distribution.

Partners often share resources. The underlying recognition is that intense global competition makes it difficult for a company to survive on its own. Kathryn Harrigan argues that such arrangements are sources of competitive advantage.[16] Hence, they can result in the international competitiveness of a nation's industry on the global market. Since alliances can take place between companies of different nationalities, and between companies of the same nationality, as part of a global strategy to win on the global market, it follows that competitiveness (or competitive advantage) is not a localised process. Developing countries companies can therefore gain export competitiveness by forming alliances with companies in developed countries.

Multi-national companies also compete global and their strategies are globally based. They can locate their production in a particular country for the sole purpose of servicing their export markets. Their concern may be to maintain their world market share or increase it. To them, domestic rivalry in the country they locate production for their export markets, is irrelevant. But they can still influence the international competitiveness of the host industry by creating an export base (which as explained in the introductory chapter is the objective of developing countries). John Stopford and Susan Strange (in a study of 50 multi-nationals and more than 100 investment projects covering three developing countries - Kenya, Brazil and Malaysia) found out that developing countries can improve their economic development by harnessing the resources of the multi-nationals.[17]

2.4.2 Home-market Demand

Porter argues that home-market demand influences the international competitiveness of a nation's industry. Ted Levitt argued in the 1970s that technology was driving global markets towards consumer convergence in such a way as to make "different cultural preferences, national tastes and standards vestiges of the past.[18] Such a development would render home-market demand irrelevant. The internationalisation of the media, easy flow of information from one country to another because of electronic communication e.g. faxes, the ease with which people travel from one country to another due to improved infrastructures and frequent flights across borders, all appear to make local demand irrelevant. People become aware of international demand and can demand the same products from their own industries. It also becomes easy for industry to be aware of foreign demand, and for it to be influenced by international demand rather than home-market demand.

Kenichi Ohmae refers to this phenomena as the "equidistant perspective".[19] The emergence of international brands such as Coca Cola, McDonalds, Levi, IKEA, Nike, and Toys R Us also lend credence to the equidistant perspective. The author wishes to emphasize that, despite the existence of international brands and common

consumer trends, markets are not homogeneous. Significant national differences remain due to legislation, Government policy, demography and tastes. Such differences provide sizeable export market niches, which can be positively related to a nation's home-market demand. Therefore, the home-market demand factor can be a useful tool in international marketing, in terms of identifying export niches which equate with home-market and targeting export promotion efforts at them.

As mentioned (in 2.4.1 above), multi-nationals which locate in host developing countries to produce solely for their export markets, do so as part of a global strategy. The host country local demand would be irrelevant to them and yet they create an export base for the host industry. Thus home demand can be irrelevant to export expansion.

There are also indigenous companies which set up themselves solely to export and become competitive. To such companies home-market demand is irrelevant. A number of Governments have set up Export Processing Zones, where companies (both local and foreign) locate there solely to produce for export, and local demand also becomes an irrelevant factor.

Alliances, mentioned in 2.4.1 above, are borne out of the need to survive the intense competition on the global market. For such companies, home-market demand is irrelevant; what is relevant to them is demand on the global market and as already noted such arrangements between companies of developing countries and companies of developed countries can be the route for companies in developing countries to gain export competitiveness.

Production of products under foreign franchise by an indigenous company can make it competitive, irrespective of its home-market demand. This is one way for developing countries companies to gain export competitiveness.

The above critical review of Porter's home-market demand point on the "diamond", points to the fact that home-market demand is irrelevant to the developing countries objective of gaining export competitiveness and creating an export base for their industries. In the case of Japan, one of the countries on which Porter bases his thesis, the extremely demanding Japanese consumers have contributed to the competitiveness of the nation's industries, but the author argued in 2.4.1 above, that what sustains international competitiveness is open competition. It follows, therefore, that home market demand is irrelevant on the open market.

Under open competition domestic rivalry and home-market demand appear to be deeply intertwined. The above exposition brings the author to the conclusion that these two factors were important in the past, before international business became truly global.

With the intensification of global competition and the consequent global strategies being adopted, coupled with open competition, the two factors are no longer important in determining the international competitiveness of a nation's industry. Companies from countries which had vigorous domestic rivalry and extremely demanding consumers had an advantage when first entering a foreign market, but such advantage were eventually eroded by open competition.

For instance, the U.S.A. automobile industry lost market share to Japanese companies, when they first entered the U.S.A. market. With more open competition on the U.S.A. market, the U.S.A. automobile industry started to regain competitiveness. One example is that the Honda Accord (Japanese Car) had topped the U.S.A. sales charts every year since 1989. In 1992, Ford (a U.S.A. Company) won victory when it sold 409751 cars, compared to 393477 Honda Accords.[20] Some of the Honda Accords are made in U.S.A. and some are imported from Japan. This example, demonstrates that Japan's vigorous domestic rivalry and extremely demanding consumers on the Japanese home market are no longer sufficient to

guarantee continuous victory of the Japanese automobile industry on the international market.

In addition, competition on the global market is no longer between firms of one nation versus firms of other nations. Mitroff put this phenomenon into its proper perspective when he stated that "all business today is global. Those individual business, firms, industries, and whole societies that clearly understand the new rules of doing business in a world economy will prosper; those that do not will perish".[21]

For instance, a Japanese automobile company sees its competitors as other Japanese automobile companies, U.S.A. automobile companies, Italian automobile companies, French automobile companies, and the U.K. automobile companies. Its competitors comprise companies from its own nationality and companies from the various nationalities. This debases the importance of vigorous domestic rivalry in Japan and home market demand in Japan, since the challenge will now be winning the global competition. A Japanese company can also form an alliance with a company from a different nationality (thereby internationalising both competition and demand) e.g. NUMMI, a joint venture between Toyota (Japan) and General Motors (U.S.A.).[22]

The following question can be posed. If home-market demand no longer underpins a nation's industry competitiveness on the open market, what then underpins it? The suggested answer is innovation. As Stopford points out, it is rivals' innovations which drive the marketplace by creating the new recipes or rules against which others compete.[23] The author would like to point out that history shows that an innovation can occur without both local competition and international competition. For example, innovations during the Industrial Revolution were not borne out of competition, so much as entrepreneurship and enterprise, but they had a profound effect on the world. Hence, there are factors other than competition, which can produce an internationally competitive company or industry.

2.4.3 Factor Conditions

Factor conditions which Porter regard as vital to the competitiveness of a nation's industry are skilled labour and infrastructure.

Many authors recognise the importance of skilled labour in any given industry or sector. In his latest book, Peter Drucker argues that "the basic economic resource - 'the means of production' to use the economist's term - is no longer capital, nor natural resources (the economist's land), nor labour. It is and will be knowledge."[24] He adds that the economic challenge of the future will therefore be the productivity of knowledge work and knowledge worker. Thus, knowledge is and will remain at the centre of the wealth-producing process.

Some commentators have argued that, although knowledge is of importance in the production process, the absence of skilled labour in a nation will not affect its industries' competitiveness, since the country can recruit the skilled labour it requires from other countries. Such people base their argument on the premise that there is more mobility of labour in the modern world. The creation of the Single Market in Europe tends to lend credence to this view, because it allows free movement of people and labour among the member countries which constitute the Single Market; but this in itself, significantly, will not correct some of the decline in the competitiveness of European manufacturing industry. A similar argument is that the phenomena of global production (which covers multinationals and foreign owned companies) will of necessity make companies transfer skilled labour from Head Office or from one country they operate to another where there is a shortage of the required skills.

An optimal competitive base (or manufacturing base) is the basis for national economic prosperity, which ensures that the nation continues to enjoy a high standard of living. The continuous upgrading of skills will enable industry to maintain world market share or to increase world market share.

Possession of a good infrastructure also influences the international competitiveness of a nation's industry. A country with a good infrastructure will be able to attract location of global production, joint ventures, and foreign investment (which as already explained, are the routes for an industry to attain competitiveness). It can also be argued that the United Kingdom and United States of America automobile industries attained competitiveness because of the possession of a good infrastructure which attracted foreign investment.

Skilled labour and a good infrastructure are deeply intertwined and operate as a system. They jointly constitute the back up support for industry. Availability of skilled labour without a good infrastructure, will not attract global production, joint ventures, and foreign investment. The converse is true. The presence of both skilled labour and good infrastructure in a country, therefore, constitutes a locational competitive advantage for global production.

The fact that some countries possess good infrastructures some poor infrastructures, and some have a highly skilled labour force, some an unskilled workforce, implies that Ohmae's thesis that the world is borderless is incorrect.[25] Such differences constitute national borders.

Firstly, skilled labour is a scarce commodity on the world labour market. Secondly, the phenomenon of global competition and the consequent adoption of global production strategies will make availability of labour in a country even more important. A country with a large pool of skilled labour will attract location of global production, joint ventures, and foreign investment. As argued under sections 2.4.1 and 2.4.2, a nation's industry can attain competitiveness through forming joint ventures with foreign partners, acting as centres for global production, and attracting foreign investment (factors which give rise to the export competitiveness of a nation's industry). Therefore, countries without availability of skilled labour, will lose out to countries with abundant skilled labour. As an example, it can be argued that the U.S.A. and the U.K. automobile industries attained competitiveness because

of the availability of skilled labour. The availability of skilled labour attracted global production, joint ventures, and foreign investment.

There is the perspective of developed countries which concerns itself with maintaining an optimal competitive manufacturing base. As noted in the Introductory Chapter, one of the concerns of developed countries is to maintain competitiveness of their home industries. This is where Porter's prescription of continuously upgrading skills is very relevant. The continuous upgrading of skills will prevent a decline or fall of the number of companies which are competitive, thereby maintaining a competitive base.

2.4.4 Related and Supporting Industries

Porter's argument is that the presence of internationally competitive supplier industries and related industries will give rise to an internationally competitive industry and that the converse is also true. The gamut of supporting industries includes finance institutions or companies.

A number of authors have argued that local resources are no longer important to the international competitiveness of a nation's industry. For instance, Richard Nelson and Gavin Wright, state in their recent publication that "commodity and resource trade, business and finance, and technological communities, have all become increasingly transnational rather than national".[26] The implication of this phenomenon of internationalisation is that companies can procure supplies from another country and remain internationally competitive. Similarly, they can obtain finance from the international money market and remain internationally competitive. Stopford makes a similar argument - that multi-nationals do not depend on local resources; they can move resources across national borders.[27] A critical examination of availability of resources shows that international finance is a scarce commodity. It is limited in availability. For example, developing countries cannot obtain all the finance they need for their industries from the international money

market. They also cannot obtain all the finance they need from international institutions such as the World Bank and the International Monetary Fund. Multi-nationals are in a better position to raise finance from the international money market, and they also have their own financial muscle (in terms of cash reserves) to finance their subsidiaries in the various countries they operate.

It is also easier for companies in the developed countries to raise money on the international market than companies in developing countries.

Secondly, the phenomenon of transnational business or internationalisation makes availability of internationally competitive suppliers and related industries even more important. As the author argued earlier on, the increasing globalisation of international business and the consequent intense global competition which manifests itself in global production strategies, would make countries with internationally competitive suppliers and related industries, attract location of global production, joint ventures, and foreign investment (which are all pivotal to the competitiveness of a nation's industries). The same argument applies to multinationals when it comes to locating global production. Although multi-nationals can move resources across national borders (making them not dependent on local resources), the imperatives of global competition would still make a country with internationally competitive suppliers a more attractive production location. This has advantages - transport costs of moving supplies across national borders are eliminated, and the multinational would have the advantage of proximity to competitive suppliers, which gives it quick response.

A country with internationally competitive suppliers and related industries, is also likely to be chosen for licensing agreements or franchise by foreign companies with world mandate products. Licensing agreements can result in the export expansion of an industry, and they are of particular relevance to the objectives of developing countries, explained in the Introductory chapter as to gain export competitiveness and to create an export base.

2.4.5 Role of Government

The economic debate on the role of Government centres on whether Government should step out of the economy and leave everything to Adam Smith's 'invisible hand' - free market forces, or whether Government should intervene by directing the economy by way of industrial strategy or industrial policy. Porter positions himself differently in the debate by arguing that the Government should confine itself only to influencing the four attributes on the "diamond" theory. He argues that "Government's proper role is as a catalyst and challenger; it is to encourage - or even push - companies to raise their aspirations and move to higher levels of competitive performance".[28] He sees Government's role as one of minor player (a minimal role), not one of a central player, to the dynamics of competitiveness.

There are several studies which have been undertaken, which highlight the central role of Government in industrial transformation and giving rise to competitiveness. Of particular interest, is a study on the role of the state in South Korea's economic transformation by Alice Amsden, a colleague of Porter at Harvard Business School.[29] South Korea is one of the countries on which the "diamond" theory is based. Alice Amsden carried out her project, more or less the same time Porter was doing his research which gave birth to the diamond theory. Alice Amsden's research was presented as seminal work in 1989. Her finding was that the economic transformation of South Korea was due to effective interventionist policies by the state. In other words, the state successfully managed the economy into competitiveness.

Jeffrey Henderson, in a study of 'States and Development in the Asian Pacific Rim', also argues that the industrial success of the states was state orchestrated, with the states playing a central role.[30] The states central role was formulating an industrial strategy and channelling funds into production, despite the underdevelopment of the capital markets of some of the states. The states continue to play a central role up to now. For instance, Taiwan's Government has chosen ten strategic industries to

develop the country's industrial base.[31] One of the strategic industries is aerospace. British Aerospace has already located production for the manufacture of BAe 146 jet. Such state-orchestrated success lends credence to Laura D'Andrea Tyson argument that comparative advantage (competitive advantage) "can be created by Government action".[32] Another convincing evidence on how Government action can create competitive advantage is given by Victor Keegan, in the United Kingdom - "As a result of collaboration between the Milk Marketing Board and a cheese manufacturer, the volume of mozzarella produced in England and Wales has risen from nothing to 23 000 tonnes in three years ... As a result of 'collaboration' between a Government body and a manufacturer, a new industry has been spawned. When did you last hear of anything like that happening to manufacturing industry, from which Government has long been banished as an evil, ineffectual force".[33]

William Keegan attributes the economic success of Japan to "competitive planning".[34] This involved industrial planning by the state and introducing vigorous domestic rivalry by the private sector into the plan. Thus the Japanese State believed in both planning and competition i.e. competitive planning. Government and industry worked in partnership to produce a powerful economic nation. The success of the United States of America military industry (especially air superiority in the world) is often cited as an example of how partnership or collaboration between Government and the private sector can produce an internationally competitive industry.

There are also studies which give examples to counter the arguments that state intervention can create comparative advantage or competitive advantage. Such counter arguments cannot be uncritically accepted. For instance, state intervention cannot create a competitive industry in a country without skilled labour or infrastructure. Also state intervention will not create a competitive industry in a country without political stability. Investors are unwilling to invest their money in a country with political instability. Also intervention will not be effective in a country with an unstable financial framework and unstable economic policies.

The author takes the view that for intervention to work, many things have to be put right first, or put in place. The financial system has to be developed or financial institutions to support industry have to be created. The same applies to skill development by the education system. Doing one important thing right and not attending to other important things, will make intervention ineffective. Lack of coherence in an industrial policy will also make intervention ineffective. A taxation which does not reward enterprise, will also make intervention ineffective. Finally, it is the quality of the intervention; what is needed is a set of realistic coherent economic objectives for such intervention, agreed possible with industry.

Increasing globalisation of industry, strategic alliances, and internationalisation of markets have led some scholars to question the effectiveness of Government policy or to discount the importance of the role of Government. Kenichi Ohmae argues that once a company enters the global arena it is no longer dependent on Government; it has to figure out how to survive on its own.[35] Ohmae's argument is with particular reference to global firms. Cyrus Freidheim, in a study entitled 'The Global Corporation Obsolete So Soon?', predicts that current economic and political developments will mean that global firms will be taken over by the "relationship - enterprise" a network of strategic alliances among big firms, covering different industries and countries, and held together by common objectives which make them act as a single firm.[36] A senior official in Olivetti also made a similar observation - "In the 1990s, competition will no longer be between individual companies but between new, complex corporate groupings. A company's competitive position no longer (solely) depends on its internal capabilities; it also depends on the type of relationships it has been able to establish with other firms and the scope of those relationships".[37] The author will now critically evaluate how these developments impact on the role of Government, and Government policy.

Global firms are made up of multi-nationals and transnationals. Although such firms are emerging as major players in determining the direction of trade, the home

Government still has an important role to play in trade relations (both at the bilateral level and the multilateral level).

For instance, the recent threat by the U.S.A. Government to take measures against Japan's exports necessitated the Japanese Government to intervene on behalf of the Japanese global firms.[38]

Governments also look after the interests of their firms in multi-lateral trade agreements or trading blocs e.g. the EEC, GATT, NAFTA, PTA. All Governments recognise the importance of foreign trade as a means of creating wealth for their nations. As Rimei Honda, a philosopher, puts it "foreign trade is a war in that each party (nation) seeks to extract wealth from the other".[39] The philosophical implication is that competition is not only at the level of firms, but also at the Government level. There is therefore mutual interest between a State and its firms.

Relation-enterprises (strategic alliances) which comprise companies of different nationalities, do not have one home country. They have more than one home country, constituting the nationalities of companies in the alliance.

The role of Government remains relevant if the strategic alliances comprise of companies whose nations belong to the same trading bloc - since the trading bloc negotiates on behalf of its companies, with other trading blocs or countries e.g. when the European Community holds trade negotiations with the U.S.A. Governments of a trading bloc can also initiate strategic alliances among companies of different nationalities in the trading bloc e.g. the Air Bus project was initiated by the European Community governments.[40]

Internationalisation implies that we have internationalised capital markets (mobile capital), international processes determine performance rather than differential performance of national economies, and that domestic policies would be subsumed by open world market processes. R. Nelson and G. Wright recently argued that

Government policies aimed at giving national companies an edge, do not work very well any more due to internationalisation which limits effectiveness of Government policy.[41] Their study was based on the United States of America technology i e. techno-nationalism.

Earlier on, the author argued that international competition is a more powerful stimuli than domestic rivalry. Therefore any Government policy which rules out international competition in its national industry is counter productive. The United States of America automobile industry was cited as an industry which attained competitiveness as a result of international competition. Also the finding of a McKinsey study on the competitiveness of the United States of America services sector, was cited earlier on; it was lack of exposure of the services sector to greater competition which explained its uncompetitiveness. It was also argued that even in an industry where vigorous domestic rivalry has produced internationally competitive firms, the competitiveness of the firms will be enhanced by injecting international competition into the industry. It was pointed out that Domestic rivalry limits the scope of competition, whereas international competition broadens the scope of competition. Accordingly, arguments which defend the policy of protectionism on the ground that in some countries, the policy has produced internationally competitive firms, are flawed in the sense that, that competitiveness will not be sustained by domestic rivalry but by international competition.

The author will now focus on the competitive objectives of developing countries, which the reader is already familiar with i.e. gaining export competitiveness and creating an export base. Government policy is pivotal to the fulfilment of these competitive objectives. R. Aggrawal and T. Agmon, in their study 'The International Success of Developing Country Firms' Role of Government Directed, Comparative Advantage', reveal that the international competitiveness of local firms is positively related to Government policy.[42] The same argument was recently made by David Yoffie that government "has the capacity to restructure trade flows and even manipulate a firm or industry's competitive advantage".[43]

The role of foreign investment is vital to competitiveness. In the majority of cases, developing countries companies do not have established distribution channels or marketing resources in the developed countries. Multi-nationals, transnationals, and other companies based in developed countries, either have established distribution channels or marketing resources in their respective countries. Developing countries can therefore create an export base for their industries by attracting foreign investment from multi-nationals, transnationals, and companies based in developed countries. A Government foreign investment policy becomes very crucial. An unfavourable foreign investment climate will not attract foreign investment and will detract from the competitive goal of gaining export competitiveness.

Foreign investment would also expose the developing countries industries to international competition (which as the author has already argued, is the most powerful stimuli on a nation's industry). Thus, the competitive objectives of developing countries to gain export competitiveness, and to create an export base for their industries, would both be fulfilled by foreign investment. The foreign investment should focus on companies which are world class or companies with internationally competitive products, for it to be effective. Foreign investment by companies with uncompetitive products will not help the competitive objectives of developing countries. Porter's theory does not address this vital role played by foreign investment in making a nation's industry attain international competitiveness.

Simon Caulkin fully captures the importance of foreign investment on a nation's competitiveness, in his report about the United Kingdom manufacturing industry, when he commented that "it is these foreign-owned plants that are redefining the nature of the British industrial base and hauling it into the late 20th century. There may be no indigenous motor industry bar Rover and Rolls-Royce, but courtesy of the transplants the United Kingdom will be a major car exporter by mid-decade".[44]

Government competition policy also has a strong influence on export performance. J. Love, D.J.C. Forsyth and C.D. Jebunil, in their study on "Market Structure and

LDCs' Manufactured Export Performance", concluded that policy prescriptions among developing countries should vary.[45]

There finding was that, where market power is positively related to export performance, policy emphasis on eliminating monopolistic elements or creating small competitive establishments to promote exports of manufactured goods may be misplaced. In such a situation, measures to restrict the development of large firms in favour of smaller competing firms may be counterproductive. Conversely, where market structure is negatively related to export performance, policy should be aimed at preventing the creation of domestic monopolies. Export success may depend on having a concentrated domestic market structure, or may depend otherwise. The study covered twelve developing countries - Fiji, Bangladesh, Guatemala, Hong Kong, Kenya, Malawi, Malaysia, Mexico, Peru, Sri Lanka, Tanzania and Turkey. Their finding contrasts with Porter's uniform prescription of an anti-trust policy for all countries. Their finding is even more significant to today's world characterised by intense global competition, and a proliferation of both national and international alliances.

Government export promotion policy also strongly influences the export competitiveness and export expansion of a nation's industry. E.P. Hibbert, highlights the need for a clearly defined policy for export promotion expansion on part of Governments, particularly those for developing countries.[46] He points out that ineffective export promotion (and lack of export planning) in developing countries has been a major constraining factor on export success.

F.H. Rolf Seringhaus and P.J. Rosson make a similar argument by noting that the pursuit of competitive advantage - the critical business activity - seems more difficult now and in the future (because of intensifying international competition) and on this basis a "convincing argument can be made for a continuing or even enhanced role for Government export promotion programmes."[47] Many Governments are increasingly recognising that effective export promotion constitutes a source of

competitive advantage. For instance, Mr Richard Needham (the United Kingdom Trade and Industry Minister) urged the United Kingdom exporters to work more closely together in bidding for large projects in foreign markets.[48]

Mr Needham announced that the Government aim would be to pinpoint "national champions" to take the lead in particular export sectors as part of the Government's wide-ranging effort to boost the United Kingdom exports. He noted that the change would "provide focus and strategy and administrative structure to back winners, and stop us murdering each other to the delight of our competitors". Contracts had been lost in the past because the United Kingdom companies have been fighting against each other rather than against foreign competitors in their efforts to win a contract. This underpins the importance of organisation in export promotion, at both the Government level and the industry level.

The importance of organising for exporting (at the national level) is appreciated in full, when expressed in military terms. The concept of winning in the international marketplace is analogous to the military concept of seizing and holding ground.

As Ivan Yates puts it, "no sane commander would put a ship into action or take an army into battle on the basis that every individual simply acted on what he could see going around him: to the military the importance of overall command structure, organisation and discipline and the management of information is well understood".[49] Yates adds that the frequently used analogy of a playing field for international competition is less appropriate than the use of the battlefield analogy, i.e. "the encouragement of the untrammelled play of market forces can be, like some forms of unilateral disarmament, very unwise". Thus Porter's anti-trust policy is incompatible with the export marketing imperative of organising at the national level (and the industry level).

2.5 Summary of Review

2.5.1 Domestic Rivalry

The critical review established that domestic rivalry is not a decisive factor on the competitiveness of a nation's industry. It only helps in an industry with world class companies or an industry with world mandate products. Open competition is the decisive factor on competitiveness. This point is fully captured by the statement made by Mr Eberhard von Kuenheim, chairman of BMW (German car company) that "to be successful in the world (with respect to the car industry) a company has to be successful in the United States of America", because of the presence of the most open car market in the world.[50] The review gave examples of nation's industries which owe their competitiveness to open competition rather than domestic competition. Such industries were hitherto uncompetitive, until exposed to open competition.

The United States of America automobile industry and the United Kingdom automobile industry were cited as such examples. Under open competition rivals' innovations set the standards or rules against which others compete e.g. production standards and product standards. The review points to the fact the competitiveness is borne out of international competition rather than domestic competition. This will be the hypothesis to be tested in the research study, as domestic competition constitutes the central pillar of the "diamond" theory.

It also emerged from the review that the phenomenon of increasing global competition and globalisation of industry renders domestic rivalry irrelevant. The spectre of global competition manifests itself in alliances (both alliances of companies from different nationalities and from the same nationality). The survival of a company under global competition also depends on the type of relations it has with other companies. A senior official from Olivetti put this into its proper perspective when he stated that "in the 1990s, competition will no longer be between

individual companies but between new, complex corporate groupings. A company's competitive position no longer (solely) depends on its internal capabilities; it also depends on the type of relationship it has been able to establish with other firms and the scope of those relationships".[51] Such groupings between and among companies of both different nationalities and the same nationalities debases domestic rivalry as a factor on the competitiveness of a nation's industry. The implication is that export competitiveness can be borne out of fostering alliances between domestic companies rather than fostering domestic competition among them. Also, export competitiveness can be attained through fostering alliances between domestic companies and companies from other nationalities.

The globalisation of industry is highlighted by the recent 1993 World Investment Report by the United Nations.[52] The report notes that "international production has become a central structural characteristic of the world economy". Multinationals have become a big force in the world economy and can locate production in any country in the world from which they can export to service their world markets. The 1993 World Investment Report cites statistical evidence which shows that overseas investment by Multinationals is now greater than world trade. According to this statistical evidence, in 1992 sales generated by Multinationals outside their country of origin totalled US$5.5 trillion, compared with total world exports of US$4 trillion.

The implication of the globalisation of industry (which manifests itself in international production) is that, it is factors associated with the location of international production which are relevant to the export competitiveness of a nation's industry, rather than domestic rivalry. It is the existence of these factors in a country, which attract the location of international production. The home country (national environment) is, therefore, still an important determinant of the pattern of world exports.

In addition to multinationals which operate on a global production basis. there are other foreign owned companies which locate production in a particular country to service their export markets.

Like the multinationals, domestic rivalry in the host country, is irrelevant to them, and yet they expand the export base of the country and enhance the export competitiveness of that nation's industry. Factors associated with international production also apply to these foreign owned companies.

There are also indigenous companies which are established from the onset, solely to service the export market and they perform successfully. For such companies, domestic rivalry is an irrelevant factor to their export competitiveness. Their export competitiveness is explained by factors other than domestic rivalry.

2.5.2 Home-Market demand

The home-market demand of a country is irrelevant to competitiveness when open competition exists in an industry. Under open competition, it is innovation by the competing rivals from the different nationalities, which is a deciding factor on competitiveness. As pointed out in section 2.5.1 above, rivals' innovations set the standards or rules against which others compete. It was also pointed out in the review that innovation can occur without any competition pressure, and such an innovation gives export competitiveness to the innovative country. The implication is that innovation is another decisive factor on competitiveness.

The home-market demand of a country is also irrelevant to competitiveness under the phenomenon of global competition and international production.

Multinationals were identified in Section 2.5.1 as the major players in international production. They engage in international production to service their export markets, and to them the home-market demand of the country they locate production is an

irrelevant factor. The same applies to any foreign investment made in a country solely for export production. Also, strategic alliances entered into by companies of different nationalities to maintain a competitive position under global competition, debase home-market demand as a factor on competitiveness.

Home-market demand is also irrelevant to indigenous companies which solely set up to export. What matters to them is demand on the export market. The factors behind their export success are what explain export competitiveness.

Finally, it was noted in the review that the home-market demand factor is relevant to competitiveness in so far as it can be translated into export competitiveness by targeting export markets or niches whose demand equates with home demand. It was noted that effective export promotion strategies or export planning techniques can translate the home-market demand factor into export competitiveness.

2.5.3 Factor Conditions

The critical review established that, of the four attributes of Porter's model, factor conditions (skilled labour and infrastructure) are the most critical factors which give rise to a nation's competitiveness in a particular industry.

For instance, Holland is the home for significant research and development in antifriction bearings because it possesses the required skills and infrastructure.[53] The country has virtually no home-market demand for the product, and there is little production of the product in Holland. The implication is that skills and infrastructure alone, without home-market demand, can give rise to a nation's competitiveness in a particular industry.

Factor conditions are also a critical factor under the phenomena of global competition and international production (globalisation of world industry). The increasing globalisation of industry, manifest itself by divorcing manufacturing from

its country of origin. As global companies (multinationals and transnationals) and other foreign investors, scan the globe in search of a country to locate production, factor conditions become a key factor in the decision making. For example, to a Japanese multinational wanting to locate production overseas, the relevant point about the United Kingdom and the United States of America, is that they possess an industrial infrastructure. Similarly, when global firms and other foreign owned firms want to locate production in developing countries they look at countries which possess skills and industrial infrastructure. International production brings foreign investment to the country hosting the production. The review established that foreign investment gives rise to the export competitiveness of the host country. Firstly, export oriented foreign investment creates an export base to a country without one, and expands the export base of a country already having one. Many foreign owned companies have established distribution channels on the export market. Secondly, foreign investment exposes the indigenous (domestic) companies to foreign competition. It was pointed out in section 2.5.1 that competition is a more powerful stimulus on competitiveness than domestic competition. The example of the United Kingdom and the United States of America automobile industries were given as evidence to demonstrate that international competition brings about competitiveness to an industry which was previously uncompetitive.

Domestic companies in a country with skills and a good infrastructure are more attractive to foreign companies interested in alliances, than those in a country without the skills and a good infrastructure. It was pointed out in the review that alliances give rise to export competitiveness.

2.5.4 Related and Supporting Industries

After factor conditions, the other critical factor to competitiveness is related and supporting industries, that is the presence of internationally competitive suppliers in an industry. Companies supported by an internationally competitive industry are more competitive than those supported by an uncompetitive industry.

The review also established that the presence of competitive suppliers in a country with skills and a good infrastructure, enhances the competitive advantage of the country as a preferred location for international production (which as already mentioned, gives rise to the export competitiveness of the host country).

The same applies with the prospects of alliances with foreign companies with respect to the host country. Conversely, the absence of competitive suppliers in a country, will undermine the competitiveness of the country as it will be unattractive for international production and alliances with foreign companies.

2.5.5 Role of Government

The review established that an active role by Government (as opposed to the minimal role of confining government to only influencing the four determinants of competitive advantage in Porter's model) can give rise to the competitiveness of a nation's industry. A number of studies and evidence were highlighted to show that government starring role can create an internationally competitive industry. This included the industrial competitiveness of South Korea which was state-orchestrated (with the state playing a central role). Japan, Taiwan and the other countries in the Asian Pacific Rim were also cited as evidence. The key ingredient to success was collaboration between government and industry. To demonstrate that collaboration is not unique to the Asian culture (as some economic studies tend to suggest) examples of collaboration in the West were given. The first one was collaboration between the United Kingdom Milk Marketing Board and a cheese manufacturer of mozzarella, which spawned a new industry. The second example was collaboration between the United States of America government and the military industry, which led to the United States of America air superiority in the world.

In addition to collaboration between government and industry, government action can alter the balance of factor cost advantage (altering the relative balance between

firms) - thus influencing the competitiveness of the nation's economy and the direction of international trade.

The review established that the national environment is at the heart of competitiveness. Although Porter reaches the same conclusion, his model fails to put the role of government into its proper perspective. The role of government is fully captured, when we take into account that in addition to government influencing the four determinants of competitive advantage, government policies in their own right shape the national environment. Government policies can have a decisive effect on competitiveness. Such government policies include foreign investment policy, competition policy, trade policy, and export promotion.

It was mentioned that when multinationals and other foreign owned companies scan the globe in search of a country to locate international production, factor conditions are a key factor in the decision making. The foreign investment climate can also be added to factor conditions as another key factor in the decision making. The effect of foreign investment on the competitiveness of a nation's industry has already been explained above. Foreign investment is therefore one of the critical factors to competitiveness. The *World Investment Report 1993* by the United Nations calls on developing countries' governments to "play an active role in improving their economies as locations for foreign investment".[54] Government foreign investment policy is crucial to competitiveness, as it directly shapes the foreign investment climate.

Competition policy was also identified as crucial to competitiveness. The review established that in the light of increasing global competition, Porter's prescription of an anti-policy is not always advisable. For instance, where size or dominant market position is positively related to export performance, it is not advisable to break the industry into smaller competing companies. However, if a dominant market position is negatively related to export performance, it is advisable to break the industry into smaller competing companies.

Trade policies and export promotion constitute the focal point of this research work. The review established that international competition is the decisive factor on the competitiveness of a nation's industry, as opposed to domestic competition. The implication for trade policy is to adopt policy measures which lead to open competition, rather than policy measures which promote domestic competition. For example, policy measures which promote foreign investment are appropriate as they lead to international competition by exposing the domestic industry to foreign competition. The review suggests that Porter's prescription of encouraging domestic competition (although it bolsters the efficiency of the wider economy) is not a sufficient trade policy measure.

The review also established that government role in export promotion can have a decisive effect on the export competitiveness of a nation's industry. The role of government in export promotion was found to be of particular importance to developing countries, because many lack a developed export sector. For instance, export planning was identified as crucial to competitiveness. Organising the industry for export is another essential ingredient - a country's export products should not compete with each other on the export market, but should compete with products supplied from other countries. This need to organise for export was highlighted in the review by the statement made by Mr R. Needham (the United Kingdom Trade and Industry Minister) in which he urged the United Kingdom exporters to work more closely together, noting that in the past the exporters had lost contracts due to competing against each other, rather than against foreign competitors. The implication of the need for co-operation among exporters, is that Porter's prescription of an anti-trust policy is incompatible with export success.

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Chapter 3
SURVEY OF THE MARKET ENVIRONMENT AND STRUCTURE OF THE TEXTILE AND CLOTHING INDUSTRIES

3.1 Introduction

This chapter reviews the market environment in which the textile and clothing industries operate in terms of the legal environment (ie trade agreements) and the economic environment. It is of relevance to any marketing study to establish the market environment of the product in question. At the global level, trade in textiles and clothing is governed by the Multi-Fibre Arrangement. In addition to the Multi-Fibre Arrangement, there are other multi-lateral trade agreements, such as the Generalised System of Preferences and the Lome Convention. Trading blocks also exist at the regional level eg the North American Free Trade Agreement and the EEC. Bilateral trade agreements also exist between countries. These trade agreements, at all their levels (global level, multi-lateral level, regional level, bilateral level), have had a strong influence on the development of trade in textiles and clothing. The economic environment for the textile and clothing industries has also had a strong influence on the development of trade in textiles and clothing; for instance, production costs have played a central role. In reviewing the market environment, particular attention is paid to the three countries germane to the research study: the UK, Germany and Zimbabwe.

The chapter also reviews the structure of the textile and clothing industries in the three countries germane to the research study. The chapter ends with a review of the trade policies and export promotion policies pursued by the Zimbabwe Government, with respect to the textile and clothing industries, and how the policies have impacted on the development of the textile and clothing industries. The review of

the trade policies and export promotion policies is of great importance, since the objective of the research work is to explore Porter's "diamond" theory relating to export competitiveness, and to examine in depth the efficacy of the theory in relation to *trade policy and export promotion* for the Zimbabwe clothing sector (with particular reference to exports to the United Kingdom and Germany).

3.2 Market Environment for the Textile and Clothing Industries

There is no other international trade in a product, which is as comprehensively regulated and managed as that in textiles and clothing. The management and regulation of international trade in textiles and clothing takes a variety of forms - legal agreements, tariff barriers and quotas.

3.2.1 The Multi-Fibre Arrangement

The Multi-Fibre Arrangement (MFA) was set up in 1974, under the auspices of the General Agreement on Tariffs and Trade (GATT).[1] The MFA is a legal agreement, whose provisions allow for an importing country and an exporting country to enter into a bilateral agreement to restrain the flow of textiles and clothing from the exporting country into the importing country. Although the MFA was negotiated under the auspices of GATT, it derogates from the three basic principles of GATT aimed at achieving free trade: non-discrimination, non-restrictive trade practices and a set of common international trade rules. The MFA runs contrary to the principle of non-discrimination by allowing an importing country to pick off certain countries for export quotas, while leaving other countries untouched. The imposition of quantitative limits (quotas) on products is precisely what GATT is supposed to end. Last, but not least, the MFA is based on a bilateral arrangement, rather than a set of common international rules applied evenly.

Restrictive trade practices in textiles and clothing date back to the 1930s.[2] In the 1930s Britain and the USA used measures to limit the then growing textile exports

from Japan. In 1959, the UK negotiated with Hong Kong, India and Pakistan for the voluntary restraint of their exports of cotton goods to the UK; the USA was not able to secure a similar agreement with Hong Kong. A Working Party of GATT was set up in 1960 to look at ways to avoid 'market disruption' purportedly caused by imports of textiles and clothing from low-wage exporters. The first formal restriction was the Short Term Arrangement Regarding International Trade in Cotton Textiles (STA) set up in 1961 between the USA and Japan. The STA was replaced the following year by the Long-Term Arrangement (LTA), which controlled trade in cotton exports for the next ten years. The LTA was replaced by the Multi-Fibre Arrangement in 1974. Unlike the STA and LTA, which were confined to cotton products, the MFA covered a wider range of products - including those made out of wool and synthetic fibres. Since its birth in 1974, the MFA has been renegotiated and renewed three times: 1978, 1982 and 1986. Negotiations for the fifth Multi-Fibre Arrangement (MFA V) are at an advanced stage in the current Uruguay Round of Multi-Lateral Trade Negotiations for GATT.

Like the STA in 1961 and the LTA in 1962, the MFA is based on the notion of 'market disruption' caused by imports from low wage exporters. Countries which have experienced export limits have been mainly the Third World countries, because of their low wage economies. The MFA was created to deal with an economic concept of 'market disruption' but its application over the years assumed a political dimension, rather than the economic dimension. Protection of jobs in importing countries (mainly the industrialised countries) became the key issue as opposed to economic efficiency.

The MFA has had far reaching repercussions on the pattern of international trade in textiles and clothing; in some instances, it has defeated its purpose of resolving the problem of 'market disruption' in the industrialised countries. The imposition of quotas by importing countries has witnessed the following reactions from the affected exporting countries: upgrading, product diversification, and foreign investment.

The MFA operates through setting quantitative limits of a product item of the exporting country, from which the importing country feels an economic threat. Upgrading has been one of the reactions by the affected exporting countries. A good example is Hong Kong. Hong Kong is one of the first exporting countries to be affected by restrictive trade practices in textile and clothing. Through the process of upgrading Hong Kong now achieves higher unit export values within the quota ceilings. Hong Kong adopted a conscious effort to improve quality and a strategy of adding value in the form of fabric development and product design. In consequence, Hong Kong has emerged as a design centre. Other low income exporters are making strides to add value to the products they export within the quota ceilings eg Bangladesh and India.

Product diversification has been another response to the product-specific quotas. This has involved moving into the production of other product ranges not covered by the quotas once the quotas are filled. In actual fact, much of the history of the MFA has witnessed many attempts by exporting countries to open up new product lines faster than importing countries can close them. In some cases, this has involved acquisition of modern technology and substantial investment.

Relocating production in countries unaffected by quotas has been another reaction by the exporting countries affected by quota impositions. The MFA has therefore resulted in a rise in foreign investment. In addition to upgrading, Hong Kong has reacted to the quota impositions by locating production (investing) in Singapore, Taiwan, Malaysia, Thailand, and recently in China, Indonesia, Philippines, Jamaica, Costa Rica, Panama, Bangladesh, Mauritius, and the Dominical Republic. One survey identified around 20 Korean investments in the Caribbean and Central America (ie Honduras, Dominican Republic, Costa Rica, Jamaica, St Lucia and Guatemala[3]). Indian firms have also reacted to quota impositions by investing in Nepal, Sri Lanka, Bangladesh, Mauritius, Indonesia, the Caribbean, and Pakistan. A recent development is that some exporting countries are now jumping quota restrictions by investing directly in the importing countries imposing the quota

restrictions. Hong Kong and Korean firms now have foreign investments in the UK and the USA; in some of the cases, the firms have found a low cost route in OECD countries, eg Hong Kong firms in the US Virgin Islands as well as in Spain, Portugal, and Ireland. Mention must be made of the fact that although the MFA quotas have created a wave of foreign investment, they have also deterred foreign investment in some of the exporting countries affected by the quotas. There is evidence (from Pakistan and India) that the prospect of reaching quota limits has deterred new foreign investment and also new domestic investment. On balance, the continuing trend in foreign investment is one of locating production in countries unaffected by quotas and in the importing countries (imposing the MFA quotas).

The irony of the MFA is that instead of lessening competition from 'cheap imports' in the importing countries from low wage exporters, it has actually intensified the competition as affected exporting countries have reacted to MFA quotas by relocating production in many countries which are not affected by the MFA quotas. The other outcome of the MFA quotas is that they have also increased competition in the middle and up-market segments of the importing countries, as the affected exporting countries upgrade their products within their quota ceilings and also invest in the importing countries. One can logically conclude that the MFA has created more 'market disruption' and has failed in its intention of resolving the problem of 'market disruption'.

The textile and clothing industries have traditionally been labour intensive. Advances in technology have helped to lower the production costs, especially in the textile industry. Despite these advances in technology, the clothing industry remains labour intensive. The use of computer aided design and cutting reduces the manpower required for the task, but garment assembly requires a lot of labour and it has not yet been automated. Technical efforts to automate garment assembly have been unsuccessful in the past and it is doubtful whether it will be achievable. The labour intensive nature of the clothing industry means that labour costs constitute a substantial proportion of total production costs.

Despite the existence of the MFA, which seeks protection from cheap imports, the behaviour of many firms in the importing countries (industrialised countries) has been dictated by production costs and competition in the industry. The trend by many firms in the importing countries has been to re-locate low cost production to countries with lower wages and retain higher added value production. Relocating low cost production (or off-shore production) has been a long phenomenon for the German clothing industry and the USA clothing industry. For a long time, German firms have been utilising outward processing, mainly with countries in Eastern Europe - where labour costs are lower than Germany. The German firms provide the firms in Eastern Europe with the fabric and the garment assembly takes place there and the German firm imports the finished garment. Higher added value production has remained in Germany. The USA firms have also used outward processing with firms in Mexico and the Caribbean countries - also providing the fabric for garment assembly and importing the finished garment, while retaining higher added value production in the USA. Outward processing is still a new phenomenon in the UK clothing industry, and it is on the increase. Some firms in the importing countries have actually closed down their production facilities and moved the entire production facilities to low wage countries. Production costs have therefore influenced the pattern of international trade in textiles and clothing.

Competition in the importing countries is not only attributable to 'cheap imports' from the low wage exporters (the Third World), but also from among the importing countries themselves. Ben Jackson points out that over 80% of textile imports to the UK come from other rich countries (mostly from other EC countries).[4] He also points out that over 80% of textile imports to the UK rose from 43% in 1975 to 64% in 1992. In clothing, the Third World's share of imports to the UK is significant - but the share has actually fallen since 1975, while that of EC countries has risen from less than 25% to over 40%. Hence, the main competitor in the UK is the other EC countries, not counties in the Third World; the rise in the tide of imports to the UK has been coming from the other EC countries, not the Third

World countries. The UK has a textile and clothing deficit with the rest of the Community of over £2 billion compared to the large surplus it had in 1971.

The question which begs an answer is: what would be the pattern of international trade in textiles and clothing without the MFA? The MFA has resulted in the globalisation of international trade in textiles and clothing through setting in train a wave of foreign investment by firms in countries which are affected by the MFA quotas into exporting countries unaffected by the MFA quotas (and those unable to fulfil their quotas) and also foreign investment by the affected firms into the importing countries, applying the MFA quotas. IN addition to the globalisation of trade in textiles and clothing through foreign investment, the MFA has improved the international competitiveness of the affected countries as a result of the upgrading of export products within the quota ceilings through value adding and the diversification of export products, as firms moved into production lines unaffected by quotas. The other outcome of the MFA was to intensify competition in the importing countries in all market segments - as low cost exports from countries unaffected by the MFA quotas increased due to foreign investment from firms affected by the MFA quotas, and as a result of countries affected by MFA quotas moving up-market. When the MFA came into force in 1974, the objective was to curb 'cheap imports' and import competition in the up-market had not been envisaged; the final outcome of the MFA was the opposite effect. The MFA actually increased the import competition of 'cheap imports' and expanded the import competition into the up-market.

As mentioned above, firms in the importing countries (industrialised countries) have been reacting to the production economics of the clothing industry, which is labour intensive, through outward processing and re-locating production to low wage countries. Without the existence of the MFA firms in the industrialised, where labour costs are high, were still going to follow the dictates of the economic environment of the clothing industry by relocating production to low wage economies and retaining high value added production in the industrialised countries.

The existence of the MFA, which sheltered firms in the industrialised countries from the full force of import competition, only slowed the reaction of firms in the industrialised countries to the realities of the economic environment for the clothing industry.

A number of studies suggest that the MFA has cost both exporters and consumers dearly. One study suggests that the MFA costs the USA around $8 billion (net) a year and saves 235,000 jobs at the cost of $82000 to the consumers for each garment job and $135,000 for each textile job.[5] The estimates take into account price effects and employment and welfare effects. Another study suggests a net economic gain to the USA of $13 billion from the abolition of the MFA, at a cost of 150,000 jobs in the industry. The British National Consumer Council has also suggested that: "The Multi-Fibre Arrangement harms UK consumers by increasing the costs of textiles and clothing and by restricting their choice of low-cost items."[6] In an official report (1989) evaluating the impact of the MFA on the UK economy, Silberston arrives at the conclusion that the termination of the MFA will lead to a 5% reduction in shop prices; he reckoned that the total cost of the MFA to British consumers is nearly £1 billion a year (at 1988 prices) - because of the existence of the MFA, the average British household spends £44 extra a year on its annual clothes bill.[7] Trade restrictions on textiles and clothing cost rich countries $22 billion a year.[8]

Using 1986 figures, Trela and Whaley calculate that the MFA has cost the Third World $26 billion a year, and all trade restrictions in clothing and textiles put together about $31 billion.[9] Trela and Whaley conclude that, assuming the potential benefits to the Third World to grow in line with the overall growth of the trade, the barriers now cost the Third World around $50 billion a year (which is nearly as much as all western aid put together). In 1990 world trade in textile and clothing products was estimated at $200 billion; world exports of clothing stood at $100 billion, equalling exports of textiles ($100 billion). Traditionally, exports of textiles have been larger; in 1974, textile exports amounted to $28 billion, almost twice as much as clothing exports, but clothing exports have consistently expanded faster.

If the MFA was not in existence, the full force of import competition in industrialised countries would have transformed the clothing industry into a global industry, as many firms in industrialised countries would have come to total terms with the economic environment for the clothing industry (in which production costs play a central role). The adjustment process would have produced losers and winners. However, for entirely different reasons (reasons unrelated to market forces, but of a strategic nature) the MFA has achieved what market forces would have achieved, ie accelerating the globalisation of the clothing industry.

The recently concluded GATT agreement stipulates that the MFA has to be phased out over a period of 10 to 15 years. During the phasing out period two factors, already set in motion, are going to combine to make the clothing industry a truly global industry:

(a) firms in countries affected by MFA quotas will continue to invest in countries unaffected by MFA quotas or those unable to fulfil their export quotas.

(b) firms in the industrialised countries will continue with outward processing or locating low cost production in countries with low wages; this process is going to intensify, now that every firm in the industrialised countries knows that in 10 to 15 years protection from import competition is going to be over. High added value production will remain in the industrialised countries; but competition will be stiffer as exporters affected by MFA quotas will continue to move up-market.

3.2.2 Regional Trading Blocks

Regional trade agreements which constitute trading blocks, such as the European Economic Community (EEC) and the North American Free Trade Agreement (NAFTA) have a strong influence on the pattern of world trade in textiles and

clothing. The EEC has been in existence for a longer time (about three decades); the UK joined in 1973. NAFTA was formed recently. Asia also has its own trading block. The EEC is in the process of expanding its membership to include countries in Eastern Europe. The emergence of these trading blocks and the strengthening of the EEC into a Single Market (with expanded membership) is transforming the world trading environment into one based more heavily on regional blocks, revolving on the Americas, Europe and Asia.

The three trading blocks - the EEC, NAFTA, and that of Asia, comprise countries which are the leading trading nations in the world. The composition of each of the three trading blocks also comprise both high wage countries and low wage countries. In the case of NAFTA, the USA is a high wage economy and Mexico is low wage economy; for the EEC, countries like Germany have a high wage economy and Turkey has a low wage economy. Spain and Portugal have comparable low wages. Inclusion of Eastern Europe into the EEC would also add low wage countries. The Asian block also has low wage countries and high wage countries. It has already been mentioned in Section 3.2.1 above, that the economic environment for the clothing industry is one whereby production costs play a central role. Because of the tariff-free arrangement within NAFTA and the EEC (as a result of the creation of the Single Market) clothing manufacturers in a high wage economies are likely to move low cost production to a member country of the trading block with a lower wage economy. This scenario has already taken place in NAFTA - some clothing firms in the USA have already relocated low cost production in Mexico. In the EEC, outward processing which has been popular in Germany for a long time with countries in Eastern Europe is also likely to increase (and the relocation of low cost production) as firms in the other EEC countries gear up for the phasing of the MFA. A recent study carried out by David Rigby Associates confirms the suggestion that outward processing is likely to increase in the EEC.[10]

Concern in trade circles has been expressed that the creation of trading blocks might create fortress markets, where countries outside the trading block might be shut out

of the market. It must be pointed out that the industrialised countries in the EEC and NAFTA are part of other multi-lateral trade agreements which affect the flow of world trade, such as the Lome Convention and the Generalised Scheme of Preferences (which will be reviewed in the next section below). The existence of the three trading blocks in question will certainly have a strong influence on production and world trade in textiles and clothing. However, the trading blocks still exist side by side with the Multi-Fibre Arrangement, which will be phased out after ten years. NAFTA and the EEC comprise the importing countries which initiated the creation of the MFA. The Asian trading block include countries which are subject to MFA quotas and countries not subject to MFA quotas. As mentioned in Section 3.2.1 above, firms in Asia in countries affected by MFA quotas, have reacted by locating production in countries unaffected by MFA quotas both in the Asian trading block and outside the block; they have also reacted by locating production in the importing markets applying the MFA quotas. Some of the firms have found a low cost route to the importing markets by locating production in low cost countries like Spain and Portugal, and the US Virgin Islands. The phenomenon of foreign investment by firms outside a trading block (into another trading block) eg firms from the Asian block investing in the EEC or NAFTA, invalidates the concern that the world is retreating into fortress markets.

The review of the effect of the three regional trading blocks on world trade in textiles and clothing (of which one of the blocks - the Asian block has some of the members subject to MFA quotas) points to the following trends:

(a) trade in textiles and clothing within the EEC and within NAFTA will increase as firms in high wage economies locate production in countries of the same block with lower wages. Outward processing will also increase.

(b) firms in the EEC and NAFTA, from countries with high wage economies, will also locate production in countries outside the EEC and NAFTA which have lower wages than countries which make up the EEC or

NAFTA. In other words, low wage countries which are part of the EEC or NAFTA will compete with countries outside the trading blocks which have lower wages. Production costs at the global level will continue to play a significant role. For instance, a number of firms from the EEC and NAFTA are investing in the textile and clothing industries in China, because China has lower wage costs than countries which make up the EEC and NAFTA.

(c) firms in the Asian block, from countries affected by MFA quotas, will continue to react by locating production in countries unaffected by the MFA quotas within the trading block and outside the trading block. The firms will also continue to establish their foothold in the EEC and NAFTA by locating production inside the trading blocks.

3.2.3 Other Multi-lateral Trade Agreements

The Lome Convention and the Generalised System of Preferences have some influence on textile and clothing exports from the developing countries.

The Lome Convention is a trade pact between the EEC and the Africa-Caribbean Pacific countries (ACP); put in other words, it is a trade pact between the EEC and developing counties. The objective of the pact is to afford the ACP countries to develop their exports to the EEC. The pact allows duty free access to the Community for most of the products from the ACP countries. Zimbabwe's textile and clothing exports have duty free access to the community. Of particular interest is the fact that the two export markets concerned with this research study are part of the community. The objective of the research study is trade policies and export promotion for the Zimbabwe textile sector, with particular reference to the United Kingdom and Germany. Zimbabwe has been an exporter of textiles and clothing to the Community, especially to the UK and Germany.

In addition to duty free access of Zimbabwe's textile and clothing exports to the Community, Zimbabwe's exports are not subject to MFA quotas. Zimbabwe's textile and clothing exports are not also subjected to MFA quotas by other clothing importers around the world.

Z.A. Silberston noted in his official report, *The Future of the Multi-Fibre Arrangement (Implications for the UK economy)*, that the Lome Convention has not had much impact on imports of textiles and clothing into the EEC.[11] The implication is that most ACP countries have not been important exporters of textiles and clothing. Mauritius is one exception - its exports of sweatshirts to the EEC have been subjected to MFA quotas in the past. There are signs that a number of ACP countries, especially Caribbean countries, are going to become important exporters in the future. As mentioned in Section 3.2.1 above, several firms in Asia, from countries affected by MFA quotas, have relocated production in countries unaffected by MFA quotas; many firms have relocated production in the Caribbean countries which are unaffected by MFA quotas. One survey was cited in Section 3.2.1, which traced around 20 Korean investments in the Caribbean and Central America in 1987. This included a number of Caribbean countries such as Jamaica, Costa Rica, St Lucia, and the Dominican Republic. There are no firms from the countries affected by MFA quotas which have relocated production in Zimbabwe; approaches to relocate production in Zimbabwe have been made by a large clothing exporter from Korea (one of the countries affected by MFA quotas). Zimbabwe has recently stepped up its foreign investment promotion and an official delegation has already visited Asia to promote Zimbabwe as a destination for foreign investment. There are promising signs that firms in Asia, from countries affected by MFA quotas, will relocate production in Zimbabwe.

The Generalised System of Preferences (GSP) is a trade arrangement between developed countries and developing countries to facilitate exports from developing countries into developed countries through tariff-free access or preferential

treatment. Zimbabwe is a signatory to the GSP. Zimbabwe exports textiles and clothing to the USA under the scheme.

3.2.4 Zimbabwe's Bilateral Trade Agreements

Zimbabwe has bilateral trade agreements with South Africa and Botswana. The bilateral agreements have had a significant influence on the development of Zimbabwe's trade in textiles and clothing.

Zimbabwe's trade agreement with South Africa has been in existence for the past 28 years. A historical background is of importance to the understanding of how the trade agreement has influenced the development of Zimbabwe's trade in textiles and clothing. In 1965 the then Government of Rhodesia led by Ian Smith declared UDI (Unilateral Declaration of Independence) from the British Government and the world community, under the auspices of the United Nations, reacted by imposing economic sanctions on the country. South Africa did not impose or observe the sanctions and continued to trade with Rhodesia, culminating in being the largest trading partner for Rhodesia. The country attained its Independence in April 1980 giving birth to Zimbabwe. During the UDI period (1965 to 1979) the country was dependent on South Africa for its external trade. At the time of Independence, over 90% of Rhodesia's clothing exports went to South Africa.[12] The trade agreement gave preferential treatment to Rhodesia's export products to South Africa. During UDI, the clothing industry's export strategies were geared to export successfully to the South African market, as it was the only export market available. The scope of export competition was regional in character not international in character; South Africa was also under economic sanctions imposed by the world community as a reaction to its political system of apartheid.

The trade agreement with Botswana has also had a significant influence on the development of Zimbabwe's textile and clothing industries. Botswana is a member of the South African Customs Union. After Independence, the trade agreement with

South Africa became unattractive to export expansion due to tariffs and imposition of quotas in Zimbabwe's textile and clothing exports. A few large textile companies located production in Botswana as a way of penetrating the South African market. through circumventing the quotas as Botswana is a member of the South African Customs Union. The factories located in Botswana are supplied fabric by the parent companies in Zimbabwe. As Riddell rightly points out, such exports of textiles to Botswana, and the foreign investment should be seen in the context of furthering Zimbabwe clothing industry's exports.[13]

There are parallels between how some of the Zimbabwe companies have reacted to the imposition of quotas by South Africa and how several companies in Asia have reacted to the imposition of MFA quotas. In both cases, quotas have been circumvented by relocating production in another country unaffected by the quotas. It was pointed out in Section 3.2.1 that the MFA quotas defeated their purpose - they failed to stem the flow of imports into the countries imposing them as exporting countries relocated production in countries unaffected by the MFA quotas. Similarly, the imposition of quotas on Zimbabwe by South Africa failed to stem the flow of imports as some exporting companies relocated production in Botswana. It was also pointed out in Section 3.2.1 that the MFA quotas resulted in the globalisation of the clothing industry as affected companies relocated production in countries unaffected by the MFA quotas, across regions and continents. In the same vein, the imposition of quotas on Zimbabwe by South Africa also resulted in the regionalisation of the clothing industry as affected firms relocated production in Botswana. It can therefore be concluded that quotas are not an effective means of controlling bilateral trade as they can easily be circumvented.

3.3 Structure of the Textile and Clothing Industries in the United Kingdom, Germany and Zimbabwe

This section examines the structure of the textile and clothing industries in the three countries germane to the research study - the United Kingdom, Germany and

Zimbabwe. The section also traces the historical development of the two industries in the three respective countries for the simple reason that the present structures evolved over the years and are a historical by-product.

3.3.1 Structure of the United Kingdom Textile and Clothing Industries

The textile and clothing industries wove the back-cloth to Britain's Industrial Revolution. At that time Britain was at the forefront of the technology which transformed the textile and clothing industries. In 1912 Britain's share of world trade in textiles was 25%.[14] Since then Britain's share of the world trade in textiles and clothing has been declining; this reflected some underlying weaknesses in the British textile and clothing industries.

The textile and clothing industries modern history in the UK dates back to the 1960s. In response to the first wave of imports from the Far East (mainly Hong Kong) the big textile and clothing companies decided to build up tight vertically-integrated organisations that manufactured everything from yarn to the final product. This resulted in a highly concentrated industrial structure, with 30% of output in the hands of four companies - Coats Viyella, Courtaulds, Tootal and Dawson International.[15] Other leading companies included J. Crowther and William Baird, Corah and S.R. Ghent. The highly concentrated industrial structure was also nurtured by the retail sector, which is also highly concentrated; for instance, Marks and Spencer which has about 20% of the retail clothing market, was pursuing a policy of UK sourcing.[16] This fostered the development of economies of scale (production of long runs) in order to meet the huge requirements of the highly concentrated retail sector. Two factors have therefore influenced the development of the structure of the UK textile and clothing industries: import competition and the marketing power of retailers and distribution chains.

A number of commentators attribute the decline of the UK textile and clothing industries to the market power of the retailers. The market power of the retailer has

resulted in the customisation of large chains. For example, a customer buying a garment in a Marks & Spencer is unaware of the manufacturer, since the garment is branded in the name of the retailer, not that of the manufacturer. The market power of the producer has been virtually eroded since the retailers dictate product specification, pricing and manufacturing terms; the clothing manufacturer became more of an executor. The market power of the retailer hindered the development of design capabilities of the clothing producers. The following comment highlights the market power of the retailer.

> "Marks and Spencer's past control of the products offered to the mass market meant that most manufacturers had abdicated their design responsibilities and had become little more than order-takers. Now that consumers are more fickle, the lack of a serious capability in design has placed UK producers at a major disadvantage."[17]

Marks & Spencer, in particular, has had a significant influence on the development of the textile and clothing industries in the UK as it accounts for some 20% of clothing retailed in the UK and pursued a policy of 'buy British made' for several years.

The industrial structure of the UK textile and clothing industries consist of three distinct groups of manufacturers: contract knitters, high-quality knitters and independent. The contract knitters are the largest firms in the industry, such as Coats Viyella and Courtaulds. The contract knitters concentrated on producing long runs for the mass-market retailers and in the 1980s they accounted for 60-70% of UK production.[18] This further highlights the high concentration in the industry. The high-quality knitters are small specialists or small units of the large groups focusing on the specialist market. Their production is for the up-market or specialist outlets. The high-quality knitters account for 20% of UK production. The independents are small firms, mostly Asian owned, producing limited runs for UK retailers. The independents account for 10-20% of UK production.

The mass market producers suffered most from import competition as the UK producers were unable to match competitors from the Far Eat, where production costs are lower than in the UK. The mass market is a commodity market (with standardised products) where cost is the competitive weapon. One manufacturer noted that:

> "We cannot compete on cost. You could import a T-shirt from Hong Kong for 70p. The yarn alone would cost us that. The cheapest we could produce a bottom-of-the-range T-shirt is 150p. Where we compete is by being close to the ground and being flexible. Let me give you an example. We know our customers very well. They are wholesalers. If they import some garments which turn out not to be the right colour they often turn to us. We can supply them within days."[19]

The labour content of a blouse is 68p in Malaysia, and in Britain it would be £2.88.[20]

The high quality knitters have experienced real growth and it is the group which is highly export oriented. The fastest growth (of around 10% each year) has been experienced by the independents.[21] As mentioned above, the independents are small firms and produce limited runs. The continuous growth of independents (as a result of their limited runs and flexibility) and the continuous decline of the large mass market producer (characterised by long run production) reflects changing consumer behaviour. Consumers now demand greater product variety. The new demand now requires shorter production runs, which is uneconomic for the large producer, whose viability derives from long runs and economies of scale. The following statement from a company director illustrates the changes which have taken place.

> "Ten years ago a production run could be set up for a week with just one or two colours, and one style. Now the variety has increased from, say, 50 to 2-300 styles. We have also added more colours and more sizes."[22]

The Burton Group's 1986 annual report fully portrayed the change in consumer behaviour when it noted that:

> "The retail revolution has just begun. Britain is now witnessing the transformation of its retail industry. Leading the revolution is a new style of shopper - keen to assert individuality, uncompromising on quality an value. Burton (has) built its success and market presence on a portfolio of speciality businesses focused on clearly defined groups of people."[23]

In addition to the market power of retailers, the overall decline of the textile and clothing industries in the UK is attributed to a host of other factors. The first one is productivity of the workforce. A study carried out by H. Steedman and K. Wagner on *Productivity, Machinery and Skills: Clothing Manufacturing in Britain and Germany* revealed that the UK workforce is less productive compared to competitors such as Germany.[24] The UK workforce has low skills and is less flexible. They attribute the low productivity to lack of vocational training, especially at the intermediate-level crafts. Low skills mean that the workforce is less adaptable; low skills also mean that there are more breakdowns and delays last longer because the worker cannot put even simple faults right. The lack of intermediate skills also means that higher-skilled workers often have to do jobs performed in other countries by less well trained people, which reduces their productivity. Related to low productivity is under-investment in the industry; the UK has failed to match the rate of investment in other major textile and clothing producers. Steedman and Wagner concluded that "efficient production even of technically unsophisticated products, in today's world of international competition, benefits from technically advanced machinery operated by a workforce with a higher level of skills - but, more particularly, that these higher skills were a pre-condition for the successful selection of appropriate machinery and its efficient utilisation."[25] The lack of a general technical skilled workforce traps the industry - it hinders the industry's capacity to add more value to products and to move up-market. Another factor attributed to the decline of the industry is management. As Jeff Hewitt, Group Director of Strategy for Coats Viyella, noted, "by and large the industry is under-resourced in management."[26] This reflects a bias against manufacturing jobs; the best brains in the UK are not in manufacturing jobs compared to major competitors. The onset of the recession, which resulted in tight consumer spending, also contributed to the

decline of the industry. However, recession is only part of the problem since the underlying weaknesses of the industry persist.

Despite the textile and clothing industries decline, the two industries still constitute huge business. The two industries together employ 9% of manufacturing workers and with sales of £15 billion.[27] The two industries also constitute the fifth largest industrial sector, with total employment of about 400,000 people.

The clothing industry (and the textile industry) is both an importer and an exporter. Exports have risen by over 50% in value terms since 1980; clothing has shown the biggest growth over the period: 77% in seven years against only 37% in textiles.[28] Imports have grown much faster and from a larger base. Imports of textiles rose by 126% from 1980 to 1987; clothing imports also rose by 126% in the same period. The trade deficit in textiles increased from £198 million in 1980 to £1.6 billion and the clothing deficit increased from £424 million to £1.3 billion in the same period. Low-cost goods continue to dominate the UK import market, especially those from Hong Kong, India and China. Recent years have witnessed the emergence of China as one of the major exporters to the UK - its exports rose dramatically in 1992, with a 47% increase on the previous year.[29] Indonesia increased its exports to the UK in 1992 by 39.5%, India by 16.5%, Turkey by 10.1%, and Portugal by 4.5%.[30] The UK also imports a considerable amount of clothing from Europe, mostly Germany and Italy.

Mention needs to be made of the fact that part of the clothing imports into the UK emanate from UK investments abroad. A number of UK companies have reacted to low cost import competition by locating production in low cost countries, from which they then import the product into the UK.

3.3.2 Structure of the German Textile and Clothing Industries

The two industries experienced their boom period during the post-war reconstruction and were at their peak in 1957, with employment of 648,000 people working in 4489 manufacturing plants.[31] Like the UK textile and clothing industries, the two industries underwent a process of contraction of output and employment as a result of severe competition from the low wage economies (developing countries). By 1986 the two industries were down to 230,000 employees, working in not more than 1700 manufacturing plants.[32] However, the process of adjusting to competition from the low wage countries did not culminate in a concentrated industrial structure, as is the case in the UK.

The structure of the textile and clothing industries in Germany can be explained by the structure of the clothing retail sector. In Germany the clothing retail sector is also not concentrated; small independent retailers account for 50% sales in Germany, multiple outlets 10%. There is no dominance by the larger retailers: for instance, C&A (one of the largest retailers in Germany) accounts for 11% of clothing sales.[33] It was pointed out in section 3.3.1 that the highly concentrated industrial structure of the textile and clothing industries in the UK can be explained by the highly concentrated retail clothing structure, where the large retailers are dominant. There is therefore a relationship between the structure of the retail sector and the structure of the industry - effected through bargaining power or its absence.

Reflective of the structure of the textile and clothing industries in Germany and the structure of the retail sector, manufacturers concentrate on production of small batches in greater product variety, in contrast to the UK production of long runs of standard items to satisfy the requirements of the dominant retailers, with numerous outlets throughout the country.

Production of long runs in the UK enabled the clothing industry to compete against the low wage countries, due to economies of scale which brought down the cost of

production; wages in the UK clothing industry are also lower than in Germany. Germany has only retained the production of high added value production because of its high wages. H. Steedman and K. Wagner estimated that wages in German clothing industry are between 50% to 100% higher than in the UK.[34] The retention of high value added production in Germany is also explained by the presence of a highly skilled workforce. Low cost production takes place outside Germany.

Subcontracting is the main strategy used by the German clothing manufacturers for importing clothes. The subcontracting arrangements in low cost countries are either direct or via outward processing. Outward processing has been used by German clothing manufacturers over a long period; the German manufacturers supply the fabric for garment assembly in the low cost countries and then import the assembled garment. The outward processing mainly takes place in Eastern Europe and the Far East; Eastern Europe has been popular because of its proximity to Germany. The importance of Turkey as a destination for outward processing is increasing. A recent phenomenon (which is on the increase) is that some UK manufacturers have adopted the concept of subcontracting low cost production to low wage countries, as competition from imports from low wage countries intensifies. Clothing manufacturers in other countries in the EEC are also adopting the concept of subcontracting. The concept has been used by clothing manufacturers in the USA for several years.

A sizeable proportion of the clothing imports into Germany is manufactured under the technical supervision of the German clothing manufacturers and to their detailed design. The German personnel sent out for the technical supervision ensures that the quality of the product is right and that delivery is on time. The German clothing manufacturer therefore maintains quality control over imports into Germany and the imports are produced under contract to the German clothing manufacturer. In the UK most of the goods imported are produced under contract to the retailers, in contrast to Germany where most of the imports are produced under contract to clothing manufacturers; this is a reflection of the strength of the brand names of the

retailers in the UK, which is owed to their dominance, eg the Marks & Spencer label.

Another feature which distinguishes the German clothing industry from that of the UK is investment, in both human capital and machinery. It was pointed out in Section 3.3.1 that there is under-investment in the UK clothing industry (in both machinery and human capital). In their study of the German and the UK clothing industries, H. Steedman and Wagner found out that three-quarters of all machinery used in the UK clothing industry was more than five years old and in Germany three quarters of all machinery was less than five years old. The system of education in Germany, with its excellent apprentice system, produces many technical skills (in a wider range of trades and professions than the UK). In addition, the system imparts many technical skills which enable the workers to perform various manufacturing tasks compared to their counterparts in the UK. The productivity of the German workforce is therefore higher than that of the UK workforce. This combined investment in machinery and human capital gives Germany an edge over the production of high added value products, compared to those clothing manufacturers in the UK who produce high value added goods. For example, in 1986 the average wholesale price of a dress exported from Germany was £23 and the average price for a dress was 338, compared to £9 and £13 respectively for the UK.[35]

In 1987 clothing imports in Germany comprised 60% of retail sales and 36% of retail sales for the UK.[36] Import penetration is higher in Germany because of the established tradition of outward processing and subcontracting low cost production. Germany is also the largest clothing exporter in Europe (part of the exports are from subcontracted or out-processed clothing); in the world, Germany is the fifth largest exporter of clothing coming after Hong Kong, Italy, China and South Korea.[37]

3.3.3 Structure of the Zimbabwe Textile and Clothing Industries

The establishment of the textile and clothing industries in Zimbabwe is traceable to the 1930s. The operations were on a small scale. Some expansion took place in the 1950s. Significant expansion of the two industries took place between 1965-75. The expansion continued after 1980. There are some explanations for these different phases of expansion.

The creation of the Federation of Rhodesia and Nyasaland between 1953 to 1963 caused some expansion of the textile and clothing industries as a result of the enlarged captive market. By then Rhodesia comprised two countries, Northern Rhodesia - now Zambia, Southern Rhodesia - now Zimbabwe, Nyasaland is now Malawi. The coming into power of the National Party in South Africa in 1948 also had some influence on the expansion of the textile and clothing industries in Zimbabwe in the 1950s. Some industrialists who were disillusioned by the policy of apartheid pursued by the National Party invested in Southern Rhodesia. The Federation of Rhodesia and Nyasaland was dissolved in 1963.

1965 is the year when Ian Smith, the Prime Minister of Rhodesia (formerly Southern Rhodesia before Zambia got its Independence in 1964) declared UDI - Unilateral Declaration of Independence, from the British government. As mentioned in Section 3.2.4, the world community, under the aegis of the United Nations, reacted by imposing sanctions. Between 1965 and 1975 the Smith government actively pursued a policy of import substitution in response to the imposition of sanctions. It is this period that a significant expansion of the textile and clothing industries took place. There was also expansion in the other manufacturing sectors.

When Zimbabwe attained its independence from the British Government on April 18, 1980, the expansion of the textile and clothing industries resumed. Sanctions which had been imposed on the country in 1965 were lifted; the country started trading with the world community. A review of the trade policies and export promotion

policies pursued by the Zimbabwe government will be carried out in Section 3.4 below.

The Zimbabwe clothing industry is cotton based. The country produces abundant cotton. Cotton production increased remarkably from Independence. The table below shows the output of cotton produced from the 1980/81 season to the 1987/88 season.

Cotton Production in Zimbabwe

Season	Tonnes
1980/1981	199,000
1981/1982	155,000
1982/1983	164,000
1983/1984	250,000
1984/1985	296,000
1985/1986	248,000
1986/1987	240,000
1987/1988	323,000

Source: Central Statistics Office, Harare, 1990

The increase in cotton production is attributed to production incentives by the government. Prior to Independence, cotton production was largely confined to the commercial farm sector. Incentives introduced by the government after independence spread the production of cotton to the smallholders in communal areas. The Government operated through the Cotton Marketing Board, a statutory board, with the responsibility for promoting the growth of the cotton sector through provision of marketing and processing services, and development planning. In 1980 large-scale commercial farmers produced about 93% of the national cotton output and smallholders produced about 7%; by 1987 the share of smallholders had risen to 53%.[38] The Cotton Marketing Board stimulated the production of cotton by largely relying on the price mechanism. Producer prices were announced before the planting season. The Board purchases all the cotton grown in Zimbabwe, is responsible for the ginning of the cotton (it operates its own gins) and is also responsible for marketing the cotton lint, both on the domestic market and export market.

In 1988, two-thirds of the cotton lint was exported and the remaining one-third was processed into textile and clothing products for both the domestic market and the export market.[39] Concern has been expressed that Zimbabwe can increase its export earnings through value added by transforming the cotton lint into exports of finished goods. It is estimated that a kilogramme of raw cotton lint (which fetches 600 Zimbabwe cents on the export market) can bring in as much as Zimbabwe $100 in foreign exchange if the lint was channelled through the domestic industry.[40]

The Cotton Marketing Board has a handling capacity of about 300,000 tonnes. In a good season, a cotton crop in the region of 250,000 to 300,000 tonnes is expected. In the 1991/92 crop season, Zimbabwe experienced its worst drought in living memory and the Government imported 70,000 tons of cotton lint to fill the deficit caused by the drought.

Because of the production of cotton, the industrial structure is a vertical one. At the spinning level, there are five major manufacturers producing a wide range of yarns - to use vertically in their own businesses, to sell to other manufacturers in the country, and for direct export. At the weaving, dyeing, printing, coating and finishing level, there are also five major manufacturers producing fabrics of all types (including apparel, household textiles, towels, interlinings, blankets, industrial and surgicals).

At the clothing manufacturing level, there are about 230 manufacturers. Out of the 230 manufacturers, 73 companies have more than 50 sewing machines and upwards of 75 employees. Around 95% of the clothing production comes from these 73 companies. The textile and clothing firms are concentrated in two cities - Harare (the capital city) and Bulawayo (the second largest city). The vertical production chain for the clothing industry can be depicted as follows:

Cotton lint

↓

Yarn

↓

Fabric

↓

Garments

It was pointed out in Chapter 1 (Introduction) that the clothing industry is distinct from the textile industry, although the two industries are closely related. Garment manufacturing is what constitutes the clothing industry. Yarn and fabric manufacturing constitutes the textile industry. Invoking Porter's "diamond" theory, the textile industry is the supporting industry to the clothing industry.

Competition in the clothing industry is extensive. This is due to the existence of dozens of firms in the clothing industry (about 230 clothing firms). Mention must be made of the *Study of Monopolies and Competition Policy in Zimbabwe* undertaken by the USAID for the Government of Zimbabwe, which concluded that:

> "Three quarters of the 54 manufacturing industries in Zimbabwe show high levels of concentration. In half of the industries, single enterprises account for over 50% of total production. The only industry with extensive competition is wearing and apparel."[41]

The state of machinery in the clothing industry varies from the 'state of the art' technology to old machinery; some companies have embarked on major expansion projects. A World Bank study found that the vast majority of equipment was more than ten years old, while one-quarter of the weaving industry's equipment was at least 20 years old.[42]

Both the textile industry and the clothing industry suffer from the shortage of skills. There is no formalised training programme for textile technologists. One textile

company, David Whitehead, has operated a training centre for its textile employees for many years; it has expanded the training programme to cater for employees from the other companies in the industry. The centre is linked with Bolton Technical College in the United Kingdom. The Harare Polytechnic and Bulawayo Technical College run courses related to the textile and clothing industries. However, the output of skills falls far short of the requirements of the textile and clothing industries.

The clothing industry is represented at the national level by the Zimbabwe Clothing Council and the textile industry by the Central African Textile Manufacturers' Association. There is also the Zimbabwe Clothing Manufacturers' Association.

At the time of Independence in 1980, over 90% of Zimbabwe's clothing exports went to South Africa. It was explained in Section 3.2.4 that South Africa did not observe the sanctions imposed on Rhodesia by the United Nations, in reaction to the Unilateral Declaration of Independence by the Smith Government in 1965. In addition, trade between Rhodesia and South Africa was fostered by a bilateral trade agreement between the two countries. It must also be noted that in the early 1960s one company did export clothing to the UK and this ended after the imposition of sanctions on Rhodesia.[43] The pattern of trade changed after Independence, partly due to the lifting of sanctions and the trade policies and export promotion policies pursued by the new Zimbabwe Government (which are reviewed in the next Section). By 1984, the EEC accounted for 37% of Zimbabwe's clothing exports, and 50% by 1987, rising to 55% in 1988; South Africa's share had declined from over 90% in 1980 to 20% in 1988.[44] The 1980s did not only witness a shift in the pattern of clothing exports, but also an expansion in the volume of clothing exports. There was, however, a temporary fall in exports, from Z$12.3 million in 1980 to a low of Z$4.7 million in 1983; from 1984 the value of exports rose by an average of over 60% a year, reaching Z$45.4 million in 1988. The composition of clothing exports is shown in the table below. This rising trend was sustained from 1988 to 1991, as demonstrated by the statistics.

Composition of Zimbabwe's Clothing Exports (1981-1988) (Z$000)

Year	Suits, jackets, trousers	Dresses, blouses, skirts	Other clothing
1981	2766	4222	5320
1982	1415	2762	2778
1983	967	1978	1760
1984	3138	4784	3691
1985	5203	7189	5218
1986	7055	8652	5580
1987	14379	13788	7712
1988	14803	14668	18545
1990	41462	26186	25569
1991	64258	25180	52067

Source: *Quarterly Digest of Statistics*, June 1993, Central Statistical Office, Harare

By 1988 the EEC with its share of 55% of total clothing exports, had become Zimbabwe's largest export market, followed by South Africa in second place with a share of 20%, USA in third place with a share of 13%, and finally the other regional countries with a share of 11%. The main product exported to South Africa was underwear. The EEC share of total Zimbabwe textile exports has also been rising: from 20% in 1984 to 37% in 1987. Zimbabwe's global textile exports rose from Z$14 million in 1983 to Z$53 million in 1987, exceeding clothing exports which rose to Z$45.4 million in 1988.

Details of composition of exports to the EEC are shown in the following table from 1984 to 1987.

Composition and share of clothing exports to the EEC (Z$000)

	1984	1985	1986	1987
A Men and boys' outerwear				
Zimbabwe's global exports	4426	5931	8042	16430
Exports to the EEC	1686	1358	2500	8541
EEC percentage share (%)	38	23	31	52
Men and boys' outerwear as % of total	32	36	40	49
B Women and infants' outerwear				
Zimbabwe's global exports	4970	8440	9843	14269
Exports to the EEC	2633	4565	5427	7168
EEC percentage share (%)	53	54	55	50
Women and infants' outerwear as % of total	36	52	49	42
C Women and infants' underwear				
Zimbabwe's global exports	2002	1332	1872	2398
Exports to the EEC	536	450	870	1113
EEC percentage share (%)	27	34	46	47
Women and infants' underwear as % of total	15	8	9	7
D Total for sub group A (above) plus both men's and boy's underwear and clothing not otherwise categorised	13629	16315	20054	33690

Source: Central Statistical Office, Harare

The table below shows Zimbabwe's clothing exports to the United Kingdom from 1988 to 1992. Exports of textile yarns and fabrics are also shown.

Zimbabwe's exports to the UK (£ million)

	1987	1988	1989	1990	1991	1992
Clothing	3.4	3.6	4.3	7.0	5.7	7.2
Textile yarns and fabrics	4.2	5.5	6.1	7.2	6.8	9.4

Source: Overseas Trade Statistics, United Kingdom

Zimbabwe's clothing exports to the UK show a rising trend; they doubled from 1988 (£3.6 million) to 1992 (£7.2 million) as demonstrated by the statistics. Exports of yarn and fabric to th UK exceed exports of clothing; they have also shown a rising trend - they have increased from £5.5 million in 1988 to £9.4 million in 1992.

Zimbabwe's clothing exports to Germany reached DM16.01 million in 1989; there was a sharp decline to DM6.5 million the following year and in 1991 exports rose again to DM16.4 million. To compare the export performance of Zimbabwe's clothing in Germany and the UK, an average exchange rate of DM2.8 to a £ is used. Based on this exchange rate, Zimbabwe's exports to Germany were £5.7 million in 1989, £2.3 million in 1990, and £5.86 million in 1991. As shown in the table above, Zimbabwe's exports to the UK were £4.3 million in 1989, £7.0 million in 1990, and £5.7 million in 1991. This comparative export performance is shown in the table below.

Comparative export performance of Zimbabwe's clothing exports to UK and Germany (£ million)

	1989	1990	1991
United Kingdom	4.3	7.0	5.7
Germany	5.7	2.3	5.86

Both the UK and German clothing markets are important export markets for the Zimbabwe clothing sector, despite the temporary sharp decline of exports to Germany in 1990. It was noted above that Zimbabwe's exports to the UK and Germany have exhibited a rising trend in the 1980s. Statistical data also shows that both the UK and Germany constitute Zimbabwe's largest clothing export markets in the EEC.

Sectoral Analysis of the Export Performance of the Zimbabwe clothing sector

It was pointed out in the Methodology Chapter (Section 4.4.3) that a technique called Sectoral Analysis will be used to analyse the export performance of the Zimbabwe clothing sector. The technique reveals the competitive position of a country compared to its main competitors. Zimbabwe's competitors in the UK and German export markets are the other developing countries.

Imports from developing countries (referred to as low cost imports) into the UK rose from £1,443 million in 1987 to £2,323 million in 1991 (Source: Overseas Trade Statistics, UK). This is an increase of 62%. Zimbabwe's exports to the UK rose from £3.4 million in 1987 to £5.7 million in 1991 (as shown by the UK Trade Statistics above). This is an increase of almost 60%. Zimbabwe's increase in import share of 60% compared to the increase of 62% of developing countries' imports into the UK for the five year period, implies that the Zimbabwe clothing sector is faring well on the UK market.

The sectoral analysis of the export performance of the Zimbabwe clothing sector on the German export market is difficult to measure, as German imports mainly consist of outward processing and subcontracting.

It is pertinent to mention that about 40 clothing manufacturers in Zimbabwe (out of a total of about 230 clothing manufacturers) are exporters. Out of the 40 exporters, less than 10 companies account for over 80% of total clothing exports. Only about 15% of the clothing industry's production is exported; 85% of the output is consumed on the domestic market.

3.4 Review of Government Trade Policies and Export Promotion Policies

This section reviews Government trade policies and export promotion policies, and how the policies have impacted on the export development of the clothing industry.

The Zimbabwe Government recognised the importance of foreign trade to the economy. The Transitional National Development Plan noted that:

> "The economy's foreign trade is closely related to the level of GDP. During 1969-1974 the average annual elasticity of foreign trade turnover to GDP is estimated to be 1.3. This means that to achieve an 8% growth rate, trade turnover would have to increase at a significantly higher rate of 10.4%."[45]

The thrust of Government foreign trade policy was export promotion. The underlying logic was that over the previous 15 years an upwards of 90% of industrial growth had been domestically oriented due to the import substitution policy pursued by the Smith Government. At Independence in 1980 only about 10% of industrial output was exported, down from 20% in 1965.[46] The import substitution policy, combined with sanctions from 1965 to 1980, which effectively protected domestic industry from import competition, had created an inward looking attitude.

In-built into Zimbabwe's foreign trade policy was the reduction of external economic dependence. The total effect of UDI (Unilateral Declaration of Independence) was to strengthen trade relations between Rhodesia and South Africa; at Independence in 1980, the country was dependent on South Africa for its external trade. The Zimbabwe Government addressed this situation by encouraging diversification of export destinations. To facilitate the diversification, the Government acceded to the Lome Convention, became a signatory member of the Generalised System of Preferences and also became a member of the PTA (Preferential Trade Area for the Eastern and Southern African States). Bilateral trade agreements were also signed. The twin objectives were to expand regional trade and overseas trade.

With respect to foreign trade, the First Five Year National Development Plan (1986-1990) stated that:

> "During the Plan period, Zimbabwe will intensify promotion of exports. In this connection, industries that have export potential will be encouraged to expand production ... Unless an aggressive export policy is pursued, exports would grow at about 4% per year and this rate is not sufficient to meet the country's international obligations and to support the projected growth in GDP."[47]

The planned target growth rate of GDP in the Transitional National Development Plan was 8%, and this was scaled down to 5.1% in the First Five Year National Development Plan.

It is pertinent to mention that economic growth and expansion in the two national Development Plans (referred to above) hinged on two factors: expanding export potential and substituting imports. Accordingly, the domestic industry was protected from import competition through tariff barriers and the system of allocating foreign exchange for imports. Zimbabwe's trade policy in the 1980s can therefore be described as one of export promotion and protection.

To encourage exports of manufactured goods, the Government introduced incentives. The first one was the Export Incentive Scheme introduced in 1982. The scheme was in effect a subsidy for the manufacturer, calculated as a percentage of the export value of the goods, which then enabled the manufacturer to sell the goods at a lower price on the export market. The central objective of the Export Incentive Scheme was to make exports of manufactured products more competitive on the world market. The second incentive was the Export Revolving Fund put in place in 1983. Due to the existence of foreign exchange controls, the Export Revolving Fund was intended to provide foreign exchange for inputs required for goods which were going to be exported. Raw materials, machinery and spare parts which were to be used for the manufacture of exports could be purchased under the Export Revolving Fund. As part of a programme to promote manufactured products from Zimbabwe, the World Bank contributed Z$83 million in 1983. The Export Revolving Fund was self-sustaining because a proportion of the net export proceeds of the manufactured goods were paid into the Fund. However, manufacturers could only draw from the Fund if they were in possession of a valid export order. Later on, the Export Retention Scheme was introduced as an extra export incentive. Funds from the Scheme could be used to freely import goods (excepting those on the prohibited list). Under the Scheme, an exporter was entitled to a certain percentage of his export earnings - originally the level was 5%, and it increased to 25% by the first half of 1992 and 30% the second half of 1992. Government also negotiated Commodity Import Programmes for the importation of materials and equipment for the export sector. The Export Revolving Fund was replaced by the Export Support Facility which catered for raw materials requirements for both existing exporters and new

exporters. To date, the Export Retention Scheme stands at 60%, while the Export Incentive Scheme was abolished on 1 January, 1994.

The Government also used monetary policy as an instrument to promote exports. The Zimbabwe dollar was devalued by 25% in 1982 and there was a shift to a more flexible system of exchange rate management. Reform measures announced on 31 December, 1993, aim at achieving a market based foreign exchange rate. The devaluation of the Zimbabwe dollar in 1982 was aimed at making Zimbabwe's exports more competitive on the world market.

The Government itself was also actively involved in export promotion through the Ministry of Trade and Commerce (now the Ministry of Industry and Commerce). Within the Ministry there was an Export Promotion Division and the Ministry sent trade representatives to Zimbabwe's embassies around the world (a practice which continues up to now) to promote trade. The Ministry also carried out a number of export promotion activities such as organising and sponsoring the participation of Zimbabwe's companies in external trade fairs, sponsoring inward-buyer missions to Zimbabwe and engaging consultants to carry out market surveys for some of Zimbabwe's products with export potential. In September 1987, the Government established the Zimbabwe Export Promotion Programme which culminated in the creation of a national export promotion organisation: ZIMTRADE. ZIMTRADE is jointly funded by Government and the private sector.

The author will now evaluate how these policy measures have impacted on the export development of the clothing industry. It was mentioned in Section 3.3 that Zimbabwe's clothing exports have been rising since 1983 and that the value of the exports to the EEC rose by an average of over 65% a year, from 1984 to 1988. The rising trend continues to date; for instance, the statistics provided in Section 3.3 show that clothing exports to the UK doubled between 1988 and 1992 and for Germany the exports increased to £5.86 million in 1991. This suggests that the devaluation of the Zimbabwe dollar in 1982 and the export incentives, plus the

Government export promotion activities through the Ministry of Trade and Commerce, have had a positive impact on the export growth of Zimbabwe's clothing exports. The Government also achieved its other objective of reducing trade dependence on South Africa as the industry diversified its export markets, with the EEC becoming the single largest market and South Africa in second place.

However, it was noted in Section 3.3 that out of about 230 clothing companies in Zimbabwe, only about 40 companies are exporters and less than ten companies account for over 80% of total clothing exports. In addition, clothing exports constitute about 15% of the industry's total output. The fact that less than ten companies account for over 80% of total clothing exports implies that the export growth, referred to above, is confined to a few companies. Also, the fact that about 15% of total clothing output is exported implies that the clothing industry as a whole is largely inward looking.

The conclusion which can be drawn from this analysis is that although the Government export promotion measures (devaluation of the Zimbabwe dollar and the other export incentives) resulted in an increase in the volume of clothing exports, the measures failed to create a wide export manufacturing base as over 80% of the exports are only accounted for by less than ten companies. The failure of these export promotion measures to widen the export manufacturing base suggests that the policy of protecting the domestic industry from import competition is counterproductive to export success. The implication of the analysis is that export success derives from import competition (international competition). This analysis will be developed in Chapter 7. The clothing industry, along with the other industries, has enjoyed protection for 27 years: from 1965 to 1979 when the country was under economic sanctions, and after Independence in 1980 when the Government pursued the trade policy of protection.

In 1991 Zimbabwe embarked on an Economic Structural Adjustment Programme aimed at liberalising the economy (including trade liberalisation). The policy document *Zimbabwe: A Framework for Economic Reform (1991-1995)*, states that:

> "Export growth overall, however, has been disappointing, increasing by only 3.4% per annum in real terms between 1980 and 1989. This slow export performance, coupled with debt service payments rising to a peak of 34% of export earnings in 1987, severely constrained the growth of exports."[48]

The disappointing overall export growth of 3.4% and the slow export performance in the 1980s occurred when the Zimbabwe dollar had been devalued and when the other export incentives were in place. This reinforces the analysis that export success derives from international competition, as devaluation and the other export incentives failed to deliver satisfactory export growth in the economy.

In the 1980s the textile industry and the clothing industry exhibited the fastest growth in the manufacturing sector (8% in volume); growth was slowest in furniture and wood products where output declined by 12%, and for metals growth averaged 1%.[49] The textile and clothing industries are the only one which fulfilled the original envisaged growth rate of 8% in the Transitional National Development Plan. However, the growth of the clothing industry was not export-led as exports accounted for about 15% of total clothing production and 85% of the production was for the domestic market; the growth was therefore a result of rising demand on the domestic market, rather than demand on the export market. This reflects the inward looking character of the industry.

The First Five Year National Development Plan (1986-1990) recognised the export potential which exists in the clothing industry as indicated by the following statement:

> "Government will also encourage and support production of new export products, especially those based on locally produced raw materials and intermediate goods. Export potential exists in the food manufacturing, textile (includes clothing), leather, wood and metal products."[50]

The Economic Structural Adjustment Programme (ESAP) is a five year programme which will culminate in opening up the economy (through the elimination of the various forms of economic controls). Export growth and enhancement are pivotal to the success of the programme which will require substantial foreign exchange resources to sustain it. To this end, the Government envisages establishing export and free trade zones. Investment promotion (both local and foreign) is critical to the success of the programme. To facilitate the promotion of investment, the Government has set up an Investment Centre. These new measures are aimed at addressing the disappointing export performance of the 1980s (cited in the ESAP policy document) and exploiting the export potential which exists in the manufacturing sector. As stated above, the clothing industry has been identified as one of the industries where export potential exists.

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Chapter 4
RESEARCH METHODOLOGY

4.1 Introduction

The chapter explains the methodology which was used in this research work and the methods (including techniques) which were employed in analysing and evaluating data. The chapter begins with the literature survey relevant to the research work, followed by the survey design, and ends with the methods and techniques used in data analysis and evaluation.

4.2 Literature Survey

The literature survey relevant to the research study can be classified into three parts. The first part is a literature survey of the analytical framework of the research work i.e. Porter's "diamond" theory. The second part includes a survey of the world market environment in which the textile and clothing industries operate. Particular attention is paid to the three countries germane to the research study, ie the United Kingdom, Germany and Zimbabwe. Also included, is a survey of the structure of the textile and clothing industries in the United Kingdom, Germany and Zimbabwe. The last part of the survey is a review of the trade policies and export promotion measures adopted by the Zimbabwe government, with respect to the textile and clothing industries.

4.2.1 Literature Survey of Porter's "diamond" theory

The aim of the survey was to critically review Porter's "diamond" theory. The survey was based on book review, journal review and business periodicals review. An additional reference source was the BBC2 Business Matter's Programme (The

Competitive Edge: David Lomax takes a critical look at the relationship between the academic world and big business, 3 September 1992, 7.30p.m.). This particular programme was relevant to the review as the topic under discussion was Porter's "diamond" theory and the competitiveness of a nation's industry. The programme featured a live debate between Porter (whose research work gave birth to the "diamond" theory), Kenichi Ohmae (renowned as the leading business management guru in Japan) and Rugman (Director of the Management Centre, University of Toronto). Both Ohmae and Rugman have carried out their own research on competitiveness of nations.

Porter's "diamond" theory was critically reviewed in relation to trade policies and export promotion, with particular reference to the competitive objectives of developing countries, as outlined in Chapter 1 (Introduction).

4.2.2 Literature Survey of the world market environment for the textile and clothing industries and the structure of the textile and clothing industries in the United Kingdom, Germany and Zimbabwe

It is of relevance to any Marketing study to establish the market environment of the product in question. At the global level, the textile and clothing industries are governed by the Multi-Fibre Arrangement.

The survey was to examine how the Multi-Fibre Arrangement has impacted on the development of the world textile and clothing industries, and the pattern of international trade in textiles and clothing. Particular attention is paid to the three countries germane to the research study - the United Kingdom, Germany and Zimbabwe. There is also the Generalised System of Preferences, a multi-lateral arrangement, which accords favourable treatment to exports from developing countries into developed countries, in terms of reduced tariffs. The survey was also to examine how the Generalised System of Preferences has impacted on trade in

textiles and clothing, with particular reference to the three countries pertinent to the research study.

Zimbabwe is a member of the Lome-Convention, a trade pact between the European Economic Community (EEC) and the African-Caribbean Pacific (ACP) countries, which gives market access to exports from the ACP countries into the EEC. The survey was to establish the extent to which the Lome Convention has influenced the exports of textiles and clothing from Zimbabwe into the EEC. Bilateral trade agreements exist between Zimbabwe and Botswana, and between Zimbabwe and South Africa. Also, the aim of the survey was to establish how the bilateral trade agreements have influenced the development of the Zimbabwe textile and clothing industries, with respect to exports.

The survey on textiles and clothing ends with a study of the structure of the industries in Zimbabwe, the United Kingdom and Germany. A detailed study of the structure of the Zimbabwe industry is carried out with the aim of defining the clothing industry. As stated in Chapter 1, the focus of the research is the clothing industry.

The literature survey was based on reviewing published material on the textile and clothing industries, which included journals, business periodicals, books, and studies undertaken on the textile and clothing industries. The British Textile Confederation collaborated in providing detailed secondary data about the United Kingdom textile and clothing industries, and other information about the world textile and clothing industries, which it had at its disposal. The Textile Institute of the Fachhochschule, Reutlingen, Germany, collaborated in providing detailed secondary data about the German textile and clothing industries. The Zimbabwe High Commission in London, officially the Collaborating Establishment in the research work, provided data about the textile and clothing industries in Zimbabwe.

4.2.3 Trade Policies and Export Promotion measures adopted by the Zimbabwe Government

As mentioned in the Introduction (Chapter 1), the research title is ,"Trade Policies and Export Promotion for the Clothing Sector in Zimbabwe with particular reference to the United Kingdom and Germany". It was therefore necessary to carry out a review of trade policies and export promotion measures adopted by the Zimbabwe Government, with respect to the textile and clothing industries. The aim of the review was to find out how the trade policies and role of Government in export promotion have impacted on the export performance of the clothing industry. To get a full picture of the impact of Government policies, the review also examined policies at each particular point in the supply chain i.e. from cotton growing to marketing of the cotton, processing of the cotton lint into fabric (the key input used by the clothing industry).

Government policies with respect to the supply chain, inevitably affect the export performance of the clothing industry.

4.3 Survey Design

The survey design explains the steps taken in the survey process, culminating in the collection of primary data.

Step 1

The first step was to identify the clothing market requirements in the United Kingdom and Germany. Market requirements in the United Kingdom and Germany are central to the research study, as the aim of the investigation hinges on Zimbabwe's export competitiveness with particular reference to exports to the United Kingdom and Germany.

In the United Kingdom appointments were made with the British Textile Confederation (a trade association whose membership is made up of textile manufacturers) and the Clothing Manufacturers Association (also a trade association whose membership is made up of clothing manufacturers). Interviews with these two trade associations provided useful insights about the United Kingdom clothing market requirements. Data about the United Kingdom clothing output and data on the United Kingdom clothing imports was provided. The data was broken down into product categories.

As for Germany, a visit was made to the Textile Institute of the Fachhochschule, Reutlingen.

An interview was held with the Director of the Textile Institute, who gave useful insights as to the clothing market requirements in Germany. The Director also provided data on Germany's clothing output and data on clothing imports (broken down into product categories).

Step 2

The second step was to identify the clothing importers in the United Kingdom and Germany, as well as the identification of those who import clothing from Zimbabwe. This information was vital because it constituted the basis for collection of primary data relevant to the research work.

The list of clothing importers in the United Kingdom was obtained from DECTA (Developing Countries Trade Agency) and the United Kingdom Clothing Manufacturers Association. A list of German clothing importers was obtained from the German Confederation of Chambers of Commerce, which has an office in London.

The list of the United Kingdom clothing importers, who import the Zimbabwe product, was provided by the Zimbabwe High Commission in London. The list of the German clothing importers, who import the Zimbabwe product, was provided by the Zimbabwe Embassy in Bonn, Germany. The aim of identifying those who import the Zimbabwe product was to enable an analysis of the competitive position of the Zimbabwe product in the two respective export markets.

Step 3

This stage involved holding interviews in Zimbabwe with organisations and bodies, whose activities relate to the textile industry and the clothing industry. Interviews were held with the following organisations and bodies - the Zimbabwe Clothing Council, the Zimbabwe Clothing Manufacturer's Association, Central Africa Textile Manufacturers Association, ZIMTRADE, the Cotton Marketing Board, and the Ministry of Industry and Commerce.

The Zimbabwe Clothing Council is a representative body of the clothing industry. The objective of the meeting was to get some insights as to the clothing market requirements in Zimbabwe, and to establish the nature of home-market demand, the nature of domestic rivalry in the industry, and the degree of co-operation in the industry.

The Zimbabwe Clothing Manufacturers Association is a representative body of the clothing manufacturers. The aim of the meeting was to find out if there are any problems faced by the clothing manufacturers, with respect to availability of skills required by the clothing manufacturers, support they receive from the textile industry, support they receive from the financial institutions. The other aim was to ascertain whether the clothing manufacturers were happy with the Government trade policies with respect to the clothing industry, and also whether they were satisfied with the export promotion support given by the Government.

The Central Africa Textile Manufacturers Association is an association of the textile manufacturers. The objective of the meeting was also to find out if the textile manufacturers are experiencing problems with respect to availability of skills required by the textile industry, and whether they were happy with the Government trade policies with respect to the textile industry. The other objective was to establish the support which the textile industry gives to the clothing industry, since the clothing industry depends on the textile industry for its vital input i.e. fabric. The textile industry is in turn dependent on the Cotton Marketing Board for its input of cotton lint. Another objective of the meeting was to establish whether the textile industry was happy with the support from the Cotton Marketing Board.

The Cotton Marketing Board is a parastatal organisation; charged with the duty of stimulating and supporting cotton production in Zimbabwe, buying all cotton produced by the growers, ginning the cotton and marketing the lint internally and externally. This meeting further down the supply chain was aimed at finding out the operations of the Cotton Marketing Board and how supportive the Board was to the textile industry. Although the Cotton Marketing Board is further down the supply chain, its activities invariably affect the textile industry, and by extension the clothing industry. The export performance of the clothing industry is intrinsically linked to what happens down the whole supply chain i.e. from cotton growing.

ZIMTRADE is the national export organisation. It is a partnership between the Government and the private sector. The objective of the meeting with ZIMTRADE was to establish the organisation's export promotion activities for the clothing industry, with particular reference to the United Kingdom and Germany. A list of registered exporters was made available to the author. The list of registered exporters consisted on companies who are currently exporting, and those who are not exporting, but have registered their intention to export. Companies which are exporting to the United Kingdom and Germany were identified and those who intend to export to the United Kingdom and Germany were also identified. This information

provided the basis for collection of primary data (relevant to the research study) through interviews and questionnaires.

The last meeting was held with the Ministry of Industry and Commerce. The Ministry is responsible for the nation's trade policy and export promotion policy. The aim of the meeting was to establish Government trade policy and export promotion policy with respect to the clothing industry. The meeting was of particular importance to the research study, since the research title is 'Trade Policies and Export Promotion for the Zimbabwe Clothing Sector (with particular reference to the United Kingdom and Germany)'.

Step 4

This step entailed drawing up a sampling plan (and implementing the plan) for the United Kingdom and Germany, and for Zimbabwe.

Clothing importers in the United Kingdom and Germany constitute the target population under investigation, with respect to the research objectives of the study i.e. to explore Porter's "diamond" theory relating to export competitiveness, and to examine in depth the efficacy of the theory in relation to trade policy and export promotion for the Zimbabwe clothing sector (with particular reference to the United Kingdom and Germany). The clothing importers were identified under Step 2 above; the list of clothing importers in the United Kingdom was obtained from DECTA (Developing Countries Trade Agency) and the list of those who import the Zimbabwe product was obtained from the Zimbabwe High Commission in London. A list of German clothing importers was obtained from the German Confederation of Chambers of Commerce and the list of those who import the Zimbabwe product was obtained from the Zimbabwe Embassy in Bonn. The population under investigation in Zimbabwe consisted of all the successful exporters and companies which have not yet been successful on the export market. The exporters were identified under Step 3 above, from the meeting held with ZIMTRADE (the national

export organisation). ZIMTRADE provided the list of the exporters and those who had registered their intention to export. Those who are exporting to the United Kingdom and Germany were identified.

In order to satisfy the objectives of the research inquiry, with respect to the United Kingdom and German population, quota sampling was used. Quota sampling ensured that each group pertinent to the research inquiry was included. Firstly, clothing importers who import the Zimbabwe product were all included in the sample. This was essential as it would allow a comparative analysis of data between companies who import the Zimbabwe product and those who import from elsewhere. Secondly, key players in the two markets (who happen to be importers as well) were also included in the sample. It was felt that the results would not capture the true picture, if the key players in the market were left out in a random selection of the sample. After listing down clothing importers of the Zimbabwe product and the key players in the two markets, the other clothing importers included in the sample were selected at random. The total sample for the United Kingdom came to 100 companies. For Germany, the total sample also came to 100 companies.

It was decided to draw up the same questionnaire for the United Kingdom sample and the German sample. The advantage of having the same questionnaire was that the overall result will be enhanced by building into the data analysis and evaluation, the comparative component between the United Kingdom population and the German population. The questionnaire for the German sample was translated into German language. This was deemed necessary as some of the German importers might not be fully conversant with the English language. The added advantage of a translated questionnaire was that it would increase the response rate.

The questionnaire was first piloted with 10 companies in the United Kingdom. Personal interviews were arranged with the Directors of the ten companies, and the first draft of the questionnaire was administered to them through personal interviewing. As a result of the pilot scheme a few amendments were made to the

questionnaire and it was the amended questionnaire on which the primary data collection was based. The questionnaire was structured in a manner to allow collection of both quantitative data and qualitative data from the respondents. This would enrich the overall result by combining quantitative analysis and qualitative analysis of data. The questionnaire consisted of twenty nine questions. For questions which required respondents to indicate the degree of their feeling, the Likert five-point scale was used.[1] The five-point scale is a technique commonly used in attitude scaling.

Due to constraints on resources, in terms of time and money to personally administer the questionnaire to a total of two hundred companies (both in the United Kingdom and German samples) it was decided to post the questionnaire to the respondents. Sixty questionnaires were completed and returned by respondents in the United Kingdom and forty questionnaires by respondents in Germany. Considering all the problems associated with postal questionnaires, the response rate was taken as satisfactory. Forty questionnaires from the United Kingdom respondents were usable for the research enquiry and thirty questionnaires from the German respondents were also usable. In addition, the usable questionnaires from the two samples covered the groups pertinent to the research enquiry, ie importers of the Zimbabwe product, key players in the two markets, and the others (who were randomly selected).

Quota sampling was also used for the Zimbabwe population, also in order to ensure that each group pertinent to the research inquiry was included. Firstly, all clothing exporters who export to the UK and Germany were included in the sample. Key players on the Zimbabwe clothing market (who also happen to be exporters) were also included in the sample. Like the inclusion of the key players in the UK and German samples, the key players in Zimbabwe were included so as to capture the true picture. These companies who are not exporting, but have registered their intention to export to the UK and Germany, were also included in the sample. The other companies included in the sample were randomly selected from the list of exporters. The total sample came to forty companies.

One questionnaire was drawn up for all companies in the sample. Having one questionnaire had a number of advantages. Firstly, it would enhance the overall result by building into the data analysis and evaluation, the comparative component between those companies who export to the United Kingdom and those who export to Germany.

This comparative analysis would also be evaluated against the comparative analysis between the United Kingdom clothing importers and the German clothing importers (mentioned above). Secondly, a comparative analysis will be made between companies who are successfully exporting to the United Kingdom or Germany and those who are not exporting, but have registered their intention to export. Finally, a comparative analysis will also be made between companies exporting to the United Kingdom or Germany and those exporting elsewhere.

The questionnaire was first piloted with five companies. Appointments were made with the Managing Directors of the five companies and the first draft of the questionnaire was administered to them through personal interviewing. A few refinements were made to the final questionnaire. The questionnaire consisted of forty five questions. The questionnaire had more questions than the questionnaire for the United Kingdom and German samples because it covered a wider range of issues - such as assessing the impact of Government trade policies and role of Government export promotion, testing the four attributes of Porter's "diamond" theory, and collection of quantitative data and qualitative data about the companies. The forty five questions constituted sufficient primary data to fulfil the aim of the research enquiry i.e. to explore Porter's "diamond" theory relating to export competitiveness and to examine in depth the efficacy of the theory in relation to trade policy and export promotion for the Zimbabwe clothing sector (with particular reference to exports to the United Kingdom and Germany). The Likert five-point scale was used for questions which required the scaling of feelings or satisfaction.

Also due to constraints on resources, in terms of time to personal administer the questionnaire to forty companies, it was decided to post the questionnaire to the respondents. Twenty-five companies responded, and twenty of the responses were usable for the research enquiry. Also considering all the problems associated with postal questionnaires the response rate was taken as satisfactory. The twenty usable responses covered the quota groups i.e. exporters to the United Kingdom and Germany, key players in the Zimbabwe clothing market, and those companies who have not yet been successful on the export market.

Step 5

It was pointed out under Step 3, that ZIMTRADE (the national export organisation) runs various export promotion programmes. One major export promotion programme with respect to the clothing industry, is organising and supporting participation of the clothing companies at international trade fairs. The author attended two trade fairs in Germany in 1992, where the clothing companies participated under the sponsorship of ZIMTRADE. The first one was the Inter-Jeans (Herrenmodewoche) held in Cologne from 14 to 16 August. Five Zimbabwe companies exhibited at this fair and there was a separate stand for Zimbabwe. The second one was the Children's Wear (Kund und Jugend) also held in Cologne, from 21 to 23 August. Five Zimbabwe companies (different from those which exhibited at Herrenmodewoche) exhibited at the fair.

The ten Zimbabwe companies which participated at the two trade fairs were among those who had been included in the sample sent the questionnaire and had returned their questionnaires.

The author's objectives were two fold: to assess the effectiveness of trade fairs as an export promotion tool for the Zimbabwe clothing industry, and to follow up on answers provided in the questionnaire, as part of the qualitative research to get a more rounded picture. As Louella Miles puts it, "if quantitative research provides

a one-dimensional answer, qualitative (research), when used in tandem, provides a more rounded picture".[2] Such qualitative research, fills in the gaps between the facts and figures, and enriches the overall research findings.

The author held personal interviews with each company all of which, were represented at the level of Managing Director. The author was able to dig deeper into the information the companies had provided in the questionnaire. Although ten out of the twenty five companies who had responded to the questionnaire were involved in this exercise, the answers were assumed to be representative of the population.

4.4 Methods used in Data Analysis and Evaluation

This section explains the methods (including techniques) which were used to analyse and evaluate data.

4.4.1 Likert scales

For questions which were based on the Likert five point scale, scores were used to analyse and evaluate the data. The scoring was based on 5, 4, 3, 2, 1, respectively for favourable answers to each item, and the reverse order for unfavourable answers.

Individual scores are achieved by totalling the item scores of each answer. Item analysis was then based on the total score. For example, in the case where there were twenty respondents, the maximum possible score for each item is one hundred (5 x 20) and the minimum possible score would be twenty (1 x 20). If an item achieves a high score, this would imply that the item is of significance to the research enquiry, and conversely, if an item achieves a low score, it would imply that the item is not of significance.

Different sets of data (based on Likert scores) which required comparative analysis between the United Kingdom and Germany, plus Zimbabwe, were expressed in percentage for each respective item, to facilitate the comparative analysis. For instance, the United Kingdom sample had forty usable questionnaires and the German sample had thirty usable questionnaires. If a particular item in the United Kingdom sample, achieved a total score of one hundred out of a maximum possible score of one hundred and sixty, the percentage score would be 62.5% (100 ÷ 160 x 100). If the same item in the German sample, achieved a total score of one hundred and fifteen out of a maximum possible score of one hundred and twenty, the percentage score would be 95.83% (115 ÷ 120 x 100). The comparative analysis of the two samples in respect of the particular item, would be carried out on the basis of 62.5% and 95.83%.

4.4.2 Rank-order scales

Rank-order scales were used to analyse and evaluate data for questions which only required respondents to rank items in terms of importance.

For example, in a case where forty respondents were asked to rank four items in terms of importance, the scoring was based on 4, 3, 2, 1, - 4 standing for the most important item, and 1 for the least important item; in that sample, the maximum possible score would be 160 (4 x 40) and the minimum possible score would be 40 (1 x 40).

Different sets of data which required comparative analysis were also expressed in percentage for each respective item. For instance, in a sample of forty respondents, if the total score for a particular score was 120 out of a maximum possible score of 140, the percentage score would be 85.7% (120 ÷ 140 x 100). If the same item in the other sample of thirty had a total score of 100 out of a maximum possible score of 120, the percentage score would be 83.3% (100 ÷ 120 x 100). The comparative

analysis of the two samples in respect of the particular item would then be carried out on the basis of 85.7% and 83%.

4.4.3 Sectoral Analysis of Export Performance

A technique called Sectoral Analysis was used to analyse the export performance of the Zimbabwe clothing sector in both the United Kingdom and German markets. The technique was developed by the International Trade Centre UNCTAD/GATT.[3] In addition to analysing export performance, the technique can also be used for export planning. Poor export performance may be a result of lack of export planning.

The technique measures the export performance of individual products and of product ranges. The following points are taken into account:

(a) how much of the product was exported by the country to each of the market (in volume and value).

(b) how the country's exports compared with those of other supplies in each of the market.

(c) fluctuations in the export sales.

(d) export sales trend in each market.

(e) import value of one unit of the product in each market.

A period of five years is considered as sufficient for the purpose of analysing export performance. The data is based on the import statistics of the market countries, not the export statistics of the supplying countries, so as to show the competitive position of the country compared to its competitors.

The technique has been applied by Edgar Hibbert to the export performance of British industry (it had not previously been applied to the export performance of British industry).[4] Hibbert analysed the export performance of the following British industries: packaging machinery, electrical machinery, commercial vehicles, building materials and fabricated components, based on secondary data from the UK Customs Statistical Office and the BOTB Export Intelligence Service. He examined the export performance of the industries in 10 of the 50 United Kingdom export markets. He revealed areas where there were marketing weaknesses and those areas where there were marketing strengths. The findings had different implications for export marketing strategy and export planning. For instance, active promotional efforts were required in export markets where the exporters had not tapped the large market in existence. There were other export markets which offered unfavourable prospects for increased exports. The essence of export planning is classifying markets into priorities i.e. top priority, medium priority, and low priority targets. Resources would be devoted to markets with better potential. The implication of the technique is that export promotion without export planning, will not be effective.

Marketing weaknesses in exporting to countries where demand is high often reflect weakness in product design and adaptation, in supply and delivery, pricing or promotion, compared to other countries supplying the same products. It is of paramount importance for both government and industry (or firms) to carry out an audit of why their industry is not performing well in growth export markets. The fault may lie in government trade policies or export promotion. This strengthens the case that government trade policies and export promotion policies can have a decisive effect on the export competitiveness of a nation's industry.

The sectoral analysis of the export performance of the Zimbabwe clothing industry in the United Kingdom and Germany will be evaluated against the results of primary data analysis in the questionnaires.

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Chapter 5
DATA ANALYSIS AND EVALUATION

5.1 Introduction

In this chapter, primary data collected from the survey, using the three questionnaires attached in the appendices, is analysed and evaluated using methods and techniques explained in the Methodology Chapter (Chapter 4). To enable a systematic analysis and evaluation of the data, the chapter is divided into the following sections.

Section 5.2 analyses the clothing market requirements in the United Kingdom and Germany. This is followed by an analysis of the Competitive position of the Zimbabwe product imported into the United Kingdom and German markets, in **Section 5.3**. In **Section 5.4** a data analysis of those companies who do not import the Zimbabwe product is carried out. Comparative analyses of the data between the United Kingdom and Germany will be made.

Section 5.5 analyses the Zimbabwe clothing market requirements. The data will be compared with the analysis of the clothing market requirements in the United Kingdom and Germany in Section 5.2. In **Section 5.6** an analysis of the four attributes of Porter's "diamond" theory in Zimbabwe is carried out. The data will be evaluated against the findings in Section 5.3 and Section 5.4.

Section 5.7 analyses the external factors which have contributed to the export competitiveness of the Zimbabwe clothing industry. These external factors are evaluated against the attributes of the "diamond" theory.

Section 5.8 analyses factors at the company level, which have contributed to the export competitiveness of the Zimbabwe clothing industry.

Section 5.9 gives the main findings of the above data analysis.

5.2 Clothing Market requirements in the U.K. and Germany

Tables A and B give the analysis of the clothing market requirements in the U.K. and Germany in terms of the critical marketing variables, namely, quality, price, design or style, and delivery on time. The Likert scale was used. Respondents were asked to rank the variables using scores 4, 3, 2, 1, - 4 standing for the most important variable and 1 standing for the least important variable, in that respective order. As mentioned in Section 4.4, there were 40 usable responses from the United Kingdom respondents and 30 usable responses from the German respondents. The scores are totalled for each variable. The maximum possible score for the United Kingdom sample is 160 (4 x 40) and the minimum possible score is 40 (1 x 40). The maximum possible score for the German sample is 120 (4 x 30), and the minimum possible score 30 (1 x 30). To allow for comparison between the U.K. sample and the German sample, the score for each variable is expressed as a percentage of the maximum possible score.

TABLE A: Clothing Market requirements in the U.K.

	Score for each variable	Maximum possible score for each variable	Score for each variable as % of maximum score
Quality	100	160	62.50
Price	150	160	93.75
Design or style	60	160	37.75
Delivery on time	60	160	37.75

TABLE B: Clothing market requirements in Germany

	Score for each variable	Maximum number possible score for each variable	Score for each variable as % of maximum score
Quality	115	120	95.83
Price	75	120	62.50
Design or style	80	120	66.66
Delivery on time	40	120	33.33

The data analysis reveals that in the United Kingdom clothing market, price is a key factor in the market. In other words, the market is price sensitive. Quality ranks number two in terms of importance. Design or style and delivery on time are of equal importance, both coming after price and quality. In the German clothing market the key factor is quality. The Market can be described as quality sensitive. The design or style factor ranks number two in terms of importance. Price is also a significant factor in the German market (having a percentage score of 62.5% compared to 66.66% for design or style). The general conclusion to be drawn from the data analysis is that the United Kingdom market is price sensitive, whereas the German clothing market is quality sensitive.

It must be noted that although delivery on time and design or style factors occupy the last position in the United Kingdom data analysis (both having a percentage score of 37.75%), they are not unimportant factors. They can turn out to be the decisive factors for a company's success on the market.

As one company put it in the questionnaire:

"Excellent quality is useless, if the goods are delivered a month or two late".

Another company also stated in the questionnaire that:

> "We will buy the cheapest, but not at the cost of delivery on time".

One other company wrote in the questionnaire:

> "The most important factor is delivery on time. But quality and pricing are just as important".

Data in the German questionnaire also shows that, although the delivery on time factor occupies the last position, it is not an unimportant factor. It can also be the decisive factor for a company's success.

As one company put it:

> "If the quality is first rate and the price competitive, but they don't deliver on time, we would not place an order".

Another company indicated that the four factors are of equal importance:

> "If the quality is good but they don't deliver on time, or they are too expensive, or the designs aren't suitable - for any one of these reasons not coming up to standards expected, we would not consider placing an order".

The data analysis reflect the market at the macro level i.e. the general characteristics of the two clothing markets. At the micro level (the individual company level) substantial differences exist, depending on the market segment the company is serving. The United Kingdom clothing market can be classified into three segments: the low market, the middle market, and the up market. The low market (the mass market) is the one most sensitive to price. For the middle market there is generally a trade-off between price and quality. Quality and design are the key factors for the up-market.

One company serving the mass market put it as follows:

> "Price continues to be the most important in buying our garments. We continue looking for new sources of supply".

These different characteristics of the market segments are of crucial importance to marketing success.

The German clothing market can also be classified into three market segments: the low market, the middle market, and the up-market. The low market can be described as both price sensitive and quality sensitive. The middle market is quality sensitive and the up-market is both quality and design sensitive. There are therefore differences in the behaviour of the low market segment in the United Kingdom and its counterpart in Germany. The same applies to the middle market segment. The data analysis points to the fact that the behaviour of the middle market in the United Kingdom is similar to the behaviour of the low market in Germany. Likewise, the behaviour of the up-market in the United Kingdom is similar to the behaviour of the middle market in Germany. These differences in the characteristics of the market segments (in the United Kingdom and Germany) are of significance to export marketing. For example, an exporter who defines the low market in Germany as his target market segment, should focus on the middle market in the United Kingdom as also his other target market segment. Also if an exporter's products fit into the requirements of the low market in the United Kingdom, the products are unlikely to fit into the low market segment in Germany. Such an exporter, may not have a market for his products in Germany.

A recent development in the United Kingdom market is that the recession seems to have changed consumer behaviour.

One company stated in the questionnaire:

> "Because of the recession our customers are asking for lower prices for better quality".

Another company also mentioned that:

> "The recession is making consumers to search for value for money".

The data in the German questionnaire does not show a change in consumer behaviour as a result of the recession. This may be attributed to the fact that the German clothing consumer has always been quality sensitive. The emerging phenomenon of value for money in the United Kingdom market, could be an indicator that the two markets are moving towards consumer convergence. This may be transforming the low market segment in the United Kingdom to behave like the low market segment in Germany. If the trend becomes irreversible, the implication to export marketing is that a company's products which fit into the low market segment in the United Kingdom, will equally fit into the low market segment in Germany.

5.3 The Competitive position of Zimbabwe clothing products in the United Kingdom and Germany

Tables C and D give an analysis of the competitive position of Zimbabwe clothing products in the United Kingdom market and the German market. Respondents (who are importers of clothing products from Zimbabwe) were asked how the Zimbabwe product compares with products supplied to the market by other countries, in terms of quality, price, design or style, and delivery on time. The United Kingdom sample included six companies who import Zimbabwe clothing, and the German sample included six companies who import Zimbabwe clothing. All responded to the questionnaire. The Likert - five-point scale was used in the questionnaire, and the scoring is based on 5, 4, 3, 2, 1, respectively, for favourable answers, and the reverse order for unfavourable answers. The maximum possible score is 30 (5 x 6) and the minimum possible score is 6 (1 x 6). Since the United Kingdom sample had six companies and the German sample also six companies, it was not necessary to

convert the scores into percentages for comparison. There was already a common denominator for comparison purposes.

TABLE C: Competitive position of Zimbabwe clothing products in the United Kingdom

	Score for each variable	**Maximum possible score for each variable**	**Score for each variable as % of maximum score**
Quality	24	30	80
Price	18	30	60
Design or style	20	30	66.66
Delivery on time	18	30	60

TABLE D: Competitive position of Zimbabwe clothing products in Germany

	Score for each variable	**Maximum possible score for each variable**	**Score for each variable as % of maximum score**
Quality	21	30	70
Price	21	30	70
Design or style	18	30	60
Delivery on time	15	30	50

Table C shows that the quality of the Zimbabwe product on the United Kingdom market is competitive. Quality achieved the highest score of 24. Th design or style factor received a score of 20 (the lowest score). Price and delivery on time both received a score of 18. The implication is that Zimbabwe is not very competitive on price and delivery on time. In other words, the price factor and the delivery on time factor appear to act as constraints to the export performance of the Zimbabwe clothing sector on the United Kingdom market. The score of 20 for the design or style factor indicates that Zimbabwe is fairly competitive on design and style.

Table D shows that Zimbabwe is fairly competitive on quality and price on the German market. Both quality and price achieved a score of 21. The score for design

or style was 18. This implies that Zimbabwe is not very competitive on design and style. Delivery on time received the lowest score of 15. The implication is that the delivery on time factor is acting as a constraint to the export performance of the Zimbabwe clothing market on the German market.

Comparison of data between the United Kingdom market and the German market, reveals that the delivery on time factor is a common constraint to the export performance of the Zimbabwe clothing sector in the two markets; in both samples, delivery on time received the lowest score. Price received a lower score in the United Kingdom sample (of 18 compared to 21 in the German sample). The implication is that Zimbabwe faces stiff competition on price in the United Kingdom market, from other countries supplying the United Kingdom market. There is less competition on price in the German market. This is a reflection of the different market requirements between the United Kingdom and Germany.

An analysis of the clothing market requirements in the United Kingdom and Germany (Section 5.2 above) established that the United Kingdom market is more price sensitive than the German Market and the German market more quality sensitive. The stiff competition which the Zimbabwe clothing sector faces on the United Kingdom market, suggests that competing countries have lower production costs or freight costs than Zimbabwe. Quality received a higher score in the United Kingdom sample (of 24, compared to 21 in the German sample). In other words, demands on quality are less stringent in the United Kingdom than Germany.

5.4 Data Analysis of those companies who do not import from Zimbabwe

The data of those companies who import elsewhere, other than Zimbabwe, was analysed to establish the reasons why they are not importing the Zimbabwe product. The United Kingdom sample consisted of 34 companies who do not import the Zimbabwe product, and 24 companies for the German sample. The companies were asked in the questionnaire to indicate the reasons why they are not importing the

Zimbabwe product. Possible reasons were suggested in the questionnaire as follows: you are unaware of what Zimbabwe offers, you are dissatisfied with the price, you are dissatisfied with the quality, you are dissatisfied with the design or style, plus other reasons. Respondents were asked to tick the box relating to the reason.

Table E shows the data analysis of the United Kingdom importers, and Table F, for the German importers. The number of importers who ticked each box relating to a particular reason were counted.

To allow for comparison between the United Kingdom sample and the German sample, the total number for each respective reason was expressed as a percentage of the total. For example, if 18 importers in the German sample consisting of 24 importers, indicated that the reason why they are not importing from Zimbabwe is because they are not aware of what Zimbabwe offers, the calculation would be 18 ÷ 24 x 100 (75%).

TABLE E: Data Analysis of the United Kingdom companies who do not import from Zimbabwe

Reason for not importing the Zimbabwe produce	**Number of companies**	**Number expressed as a percentage of total in sample (34)**
Unaware of what Zimbabwe offers	24	70%
Dissatisfied with the price	5	15%
Dissatisfied with the quality	2	6%
Dissatisfied with the designs or styles	1	3%
Other reasons	2	6%

TABLE F: Data Analysis of the German companies who do not import from Zimbabwe

Reason for not importing the Zimbabwe produce	**Number of companies**	**Number expressed as a percentage of total in sample (34)**
Unaware of what Zimbabwe offers	18	75%
Dissatisfied with the price	5	4%
Dissatisfied with the quality	3	13%
Dissatisfied with the designs or styles	1	4%
Other reasons	1	4%

Table E reveals that 70% of the United Kingdom importers, who are not importing the Zimbabwe product, are not aware of what Zimbabwe offers. The finding suggests that there is a weakness in Zimbabwe's export promotion. One company wrote in the questionnaire:

> "Until now, I have not been offered goods manufactured in Zimbabwe and the key to a company like ourselves would be to follow through an indigenous source of fabric which can be utilised in the United Kingdom market. I believe that the industry based in Zimbabwe, to date, uses entirely imported fabric and certainly imported yarn. This point is usually the key to the development of the garment industry".

The statement demonstrates a weakness in Zimbabwe's export promotion. This company has not been offered goods manufactured in Zimbabwe, and is also unaware that Zimbabwe produces its own cotton yarn and fabric on which its clothing industry is based. This company is a potential buyer of the Zimbabwe product, if the full range of products manufactured in Zimbabwe and the correct facts about the Zimbabwe clothing industry are brought to its attention. The untapped potential of Zimbabwe's products in the United Kingdom market is further highlighted by another paragraph in the company's comments:

> "In common with many other Importers, we are a specialised company, dealing in ladies garments, T-shirts, blouses etc. etc., which are manufactured

> in various Far Eastern countries to our designs. Therefore, our most important trading aspect is not 'sourcing the goods' but, in fact, design and marketing here in the United Kingdom. What has happened over the last twenty years has been a turn towards the low cost countries".

In this instance, the untapped export potential exists in the form of design and marketing offered by such importers. Another company (one of the large high street retailers) which indicated that it was unaware of what Zimbabwe offers, made a comment which reflects Zimbabwe's marketing weakness in promotion, as a constraint to the export competitiveness of the clothing industry:

> "Traditional markets, i.e. Hong Kong, are changing due to quota restrictions and increased labour costs. This forces us to look at cheaper labour cost markets who do not suffer from quota restrictions in the same way that most Far East Markets suffer".

Zimbabwe is one of the countries without quota restrictions on its clothing exports to the United Kingdom, yet this large high street retailer is not aware of the fact, and is also not aware of what Zimbabwe can offer. In this case, Zimbabwe's export potential derives from lack of quota restrictions.

Fifteen percent of the United Kingdom importers who do not import from Zimbabwe, indicated that price was the reason. The implication is that the Zimbabwe product is not very competitive on price. This reinforces the earlier analysis of the competitive position of the Zimbabwe product in the United Kingdom market (section 5.3) which revealed that Zimbabwe faces stiff competition on price from competing countries. This point is highlighted by a comment put by one company in the questionnaire:

> "Found prices were high for quality of garment offered - can source more competitively".

This company had previously been offered the Zimbabwe product and found the price high compared to suppliers of same quality garments from other countries.

Three percent of the United Kingdom importers indicated that they are not importing the Zimbabwe product because they are dissatisfied with the designs and style. The implication is that Zimbabwe can gain export competitiveness on the United Kingdom market by improving its design and styles.

Six percent of the United Kingdom importers indicated that they are not importing the Zimbabwe product because they are dissatisfied with the quality of the product. The implication is that quality does not act as a major export constraint to Zimbabwe's exports to the United Kingdom compared to price. This reinforces the earlier finding on the analysis of the competitive position of the Zimbabwe product in the United Kingdom market (Section 5.3) that the quality of the Zimbabwe product is fairly competitive on the United Kingdom market.

Six percent of the United Kingdom importers indicated that they are not importing the Zimbabwe product because of reasons other than stated above. The reasons put down in the questionnaire ranged from delivery on time, limited fabric sources, limited design output, and proximity to the United Kingdom market. Although it is only six percent of the importers, who stated other reasons for not importing the Zimbabwe product, the reasons are relevant to the export competitiveness of the Zimbabwe clothing sector. For instance, the competitive analysis of the Zimbabwe product on the United Kingdom market (Section 5.3) established that Zimbabwe is not very competitive on delivery on time.

The limitation of fabric sources as one of the other reasons given, suggests that the supporting industry is not internationally competitive. The other reason given is limited design output in the clothing industry.

Seventy-five per cent of the German clothing importers, who do not import the Zimbabwe product, indicated that they are not aware of what Zimbabwe offers. This also reflects a marketing weakness in Zimbabwe's export promotion. For instance, one large importer noted that:

> "We are not aware of the full range of Zimbabwe's products, and quantities of each range which can be supplied".

The other main reason why the German importers are not importing the Zimbabwe product is quality. Thirteen percent of the importers indicated that they are not satisfied with the quality of the products. The implication is that quality is a constraint to Zimbabwe's exports to Germany. The analysis of the German clothing market requirements - (Section 5.2) established that the market is quality sensitive. One company commented in the questionnaire:

> "We do not think we will continue to explore the possibility of sourcing from Zimbabwe, until quality of fabric and consistency is improved"

This also suggests that the supporting industry is not internationally competitive.

Dissatisfaction with price, dissatisfaction with design or style, and other reasons, received a share of 4% each. They collectively constitute 12%. The implication is that export success is born out of paying meticulous attention to all aspects of the export concept.

Comparison of data between the United Kingdom and German importers, who do not import the Zimbabwe product, shows that unawareness of what Zimbabwe offers is the main reason in both markets, why they are not importing the Zimbabwe product. The United Kingdom sample comprised 70% importers who are unaware of what Zimbabwe offers, and 75% for the German sample. This finding suggests that there are weaknesses in Zimbabwe's export promotion. This point will be analysed and discussed at greater length at some stage, in order to establish whether it is the cause or effect of the lack of export competitiveness of the Zimbabwe clothing industry on the UK and German export markets. Price was identified as the other major reason why the UK importers are not importing the Zimbabwe product, and quality is the other major reason for the German importers; fifteen per cent of

the UK importers were dissatisfied with price, and thirteen per cent of the German importers were dissatisfied with quality. Six per cent of the UK importers were dissatisfied with quality. The statistics imply that the Zimbabwe clothing sector faces stiff competition on price in the UK from other competing countries and less competition on quality. For the German market the Zimbabwe clothing sector faces stiff competition on quality from suppliers from other countries, and less competition on price.

A common strand does exist in all the above data analysis (ie the analysis of the clothing market requirements in the UK and Germany, the analysis of the competitive position of the Zimbabwe product in the UK and Germany, and the analysis of those importers in the UK and Germany who import elsewhere). The analysis of the United Kingdom clothing market revealed that price is the key factor on the United Kingdom market. The analysis of the competitive position of the Zimbabwe product revealed that price is the area where Zimbabwe is not very competitive on the United Kingdom market. The analysis of those United Kingdom importers who import elsewhere, established that price is one of the major constraints to Zimbabwe's export success on the United Kingdom market. Compared to its competitors, Zimbabwe lacks a competitive advantage in fulfilling the price requirement in the United Kingdom market.

The analysis of the German clothing market requirements revealed that quality is the key factor in the German market. The analysis of the competitive position of the Zimbabwe product on the German market established that the Zimbabwe product on the German market is fairly competitive on quality. The analysis of those German importers who import elsewhere, established that quality of the Zimbabwe product is one of the major constraints to Zimbabwe's export success on the German market. It emerges from the analysis of the competitive position of the Zimbabwe product on the German market and the analysis of those German importers who import elsewhere, that there are two categories of companies (or products) in Zimbabwe the

category of companies (or products) which are quality competitive on the German market, and the other category, which is not quality competitive.

The contrast between the United Kingdom export market and the German export market is that the Zimbabwe clothing industry lacks competitive advantage in the key success factor on the United Kingdom export market i.e. price, whereas it does not lack competitive advantage in the key success factor on the German export market i.e. quality.

Moreover it is possible for Zimbabwe to improve its market access (or gain competitive advantage) on the German market by improving the quality of those products which are not competitive, whereas it is not possible for Zimbabwe to gain competitive advantage on the United Kingdom export market by improving on labour costs i.e. lowering wages to the level below its competitors. However, it was noted in the analysis that there are some market segments in the United Kingdom clothing market, which are quality sensitive. Zimbabwe can gain competitive advantage in such segments by improving the quality of products which are not competitive. It was also mentioned that the recession is changing consumer behaviour in the United Kingdom - consumers who were previously only price sensitive, are now demanding quality for lower prices (ie value for money). Quality is increasingly becoming an important part of the competitive armoury.

The implication of the analysis between the United Kingdom export market and the German export is that Zimbabwe can improve its export competitiveness in the two markets through improving the quality of its uncompetitive products. Suppliers of fabric to the Zimbabwe clothing industry are therefore critical to the export competitiveness of the clothing industry in terms of providing the quality of fabric competitive on the United Kingdom market and the German market.

5.5 The Zimbabwe Clothing Market Requirements

Table G gives the analysis of the Zimbabwe clothing market requirements in terms of the critical market variables - quality, price, design or style, and delivery on time based on the Likert scale. Respondents were asked to rank the variables using scores 4, 3, 2, 1 - 4 standing for the most important variable and 1, the least important variable in that respective order. As mentioned in Chapter 4, there were 20 usable responses. The scores are totalled for each variable. The maximum possible score is 80 (4 x 20) and the minimum possible score is 20 (1 x 20). The scores are expressed in percentage to allow for comparison with data on the clothing market requirements in the United Kingdom and Germany.

TABLE G: Zimbabwe Clothing Market Requirements

	Score for each variable	**Maximum score for each variable**	**Score for each variable as a percentage of the maximum score**
Quality	50	80	62.5%
Price	75	80	93.75%
Design or style	50	80	62.50%
Delivery on time	25	80	32.25%

Price is the most critical variable on the Zimbabwe clothing market. Price has a percentage score of 93.75%. The Zimbabwe clothing market is therefore price sensitive. Quality and design or style are the other important variables. They are of equal importance, having a percentage score of 62.5% each. Delivery on time received a percentage score of 31.25%. Although delivery on time received the lowest score among the four variables, it does not imply that it is an unimportant factor on the market; delivery on time can give a company a competitive edge over those companies who do not deliver on time. It can become the decisive factor for a company's success on the domestic market.

There are strong similarities between the Zimbabwe clothing market and the United Kingdom clothing market. In both markets price is the most critical variable. Quality occupies a second position in the Zimbabwe market and also a second position in the United Kingdom market. Incidentally, price has a percentage share of 93.75% of the score in the Zimbabwe market, and also a percentage share of 93.75% in the United Kingdom Market; quality has a percentage share of 62.50% of the score in the Zimbabwe market and also a percentage share of 62.50% in the United Kingdom Market. The difference between the two markets is that design or style is more important in the Zimbabwe market than the United Kingdom market. The design or style factor has a percentage score of 62.50% in the Zimbabwe market, and a percentage score of 37.75% in the United Kingdom market. The Zimbabwe market places equal emphasis on design/style and quality, whereas the United Kingdom market places more emphasis on quality. Delivery on time has the lowest score in both markets.

There is a noticeable relationship between the competitive position of the Zimbabwe product on the United Kingdom market and the similarities of the two markets. The competitive analysis of the Zimbabwe product on the United Kingdom market showed that the Zimbabwe product is competitive on quality. Quality received the same score of 62.50% in the two markets with respect to market requirements. The point of departure is that although price received the same percentage score of 93.75% in the two respective markets, Zimbabwe's price is not competitive on the United Kingdom market because of competition from lower cost producing countries.

The Zimbabwe clothing market differs from the German clothing market in the same way with the United Kingdom market, with respect to quality and price. Quality is the key success factor on the German market, whereas for the Zimbabwe market and the United Kingdom market, price is the key success factor. The similarity between the Zimbabwe market and the German market is with respect to design or style. Design/style received high scores in Zimbabwe and Germany, compared to the

United Kingdom. It was 62.50% in Zimbabwe, 66.66% in Germany, and 37.75% in the United Kingdom. The data on the competitive position of the Zimbabwe product reflects that competition on design/style is stiffer in the German market than the United Kingdom market. The competitive position of the Zimbabwe product on design/style was 60% in Germany and 66.66% in the United Kingdom. The implication is that Zimbabwe must improve on its designs and styles in order to be competitive on the German market.

The quality of the Zimbabwe products also need to be improved in order to increase competitiveness on the German market; the quality of the Zimbabwe product is less competitive on the German market compared to the United Kingdom (the competitive position of the Zimbabwe product with respect to quality, was 70% in Germany, and 80% in the United Kingdom).

5.6 Analysis of the Four Attributes of Porter's "diamond" theory in Zimbabwe

As explained in Chapter 2, the four attributes of Porter's "diamond" theory comprise of factor conditions (skilled labour and infrastructure), demand conditions, domestic rivalry, and related and supporting industries. The Zimbabwe respondents were asked questions regarding their feeling about the intensity of domestic rivalry on the Zimbabwe clothing market and the sophistication of home market demand. They were also asked questions about their satisfaction with respect to availability of skills in the industry, infrastructure, and the supporting industry (suppliers). The Likert five-point scale was used to analyse the data. The scoring was based on 5, 4, 3, 2, 1, respectively for favourable answers, and the reverse order for unfavourable answers. As mentioned in Chapter 4, there were 20 usable responses. The maximum possible score for each item is 100 (5 x 20) and the minimum possible score is 20 (1 x 20). Table H gives the data analysis.

TABLE H: Analysis of Attributes of Porter's "diamond" theory in Zimbabwe

	Score for each item	Maximum possible score for each item	Score for each item expressed as a percentage of maximum score
Intensity of domestic rivalry	80	100	80%
Sophistication of home market demand	55	100	55%
Availability of skills	40	100	40%
Infrastructure	60	100	60%
Supporting industry (suppliers)	50	100	50%

5.6.1 Domestic Rivalry

The score for intensity of domestic rivalry is 80%. The implication of the high score is that rivalry on the domestic market is intense.

In Chapter 4 (Methodology) it was stated that an analysis of the Zimbabwe clothing companies which export to the UK and Germany will be carried out, and will be compared with an analysis of the companies exporting elsewhere. It was also stated that the analysis will be compared with those companies which have not been successful on the export market.

The data analysis of the Zimbabwe companies which export to the UK and Germany shows a link between choice of strategy and export success. The link is with respect to choice of generic strategy. Generic strategies are attributed to Michael Porter.[1] The basic tenet of generic strategies is that although a company may have many strengths and weaknesses against its competitors, there are two fundamental types of competitive advantage the company can possess - low cost or differentiation. Therefore "the significance of any strength or weakness a firm possesses is

ultimately a function of its impact on relative cost or differentiation." The low cost strategy applies to selling standardised products or commodity-type necessities. These are products normally for the mass market or the low market. The differentiation strategy applies to unique products in an industry, of which the attributes are valued by buyers and fetch a premium price e.g. quality attribute and design or style attribute. Such products are often for the middle market or the up-market, and are not affordable by the mass market because of the premium on price. The data analysis shows that export success on the UK and German export markets is limited to those companies pursuing the differentiation strategy on the domestic market.

The data analysis of the companies exporting to the USA and other EEC countries also show a link between choice of strategy and export success. The companies are also pursuing the differentiation strategy on the domestic market. Some of the companies export to both the UK or Germany and the other overseas markets. None of the companies pursuing the low cost strategy on the domestic market has been successful on the UK and German export markets, and the other EEC markets, plus the USA. However, there are some companies which are successfully exporting to South Africa who are pursuing the low cost strategy on the domestic market.

The implication of the link between choice of strategy and export success is that choice of strategy is at the root of export competitiveness. The United Kingdom and German export markets, the other EEC export markets, and the USA export market, are characterised by open competition. Zimbabwe's main competitors in these open markets have lower labour costs. Labour costs in the clothing industry constitute a substantial proportion of the total production costs. Zimbabwe's competitors, mainly from the Far East, have a cost advantage over Zimbabwe when it comes to the low cost strategy because of their lower labour costs. The companies pursuing the differentiation strategy on the Zimbabwe domestic market have been able to translate that strategy into export success in these export markets; unlike a domestic cost advantage which can be wiped out by a cost advantage from another lower cost

producing country, a differentiation strategy is difficult to wipe out. For instance, an advantage in design constitutes a distinctive advantage. Differentiation in terms of quality constitutes an advantage which cannot easily be eroded by competition. Furthermore, the differentiation strategy, centred on design and quality, adds value to the product (which can offset the effect of high labour costs in the country).

Some companies pursuing the low cost strategy have successfully exported to South Africa, because unlike the UK, Germany, USA and the other EEC markets, the South African market does not face the same import competition. South Africa has been under economic sanctions (which restricted trade with the country) as a result of its apartheid system of government.

The bulk of the 230 clothing firms in Zimbabwe are pursuing the low cost strategy, which does not translate into export success on the overseas export markets because of competition from countries with lower labour costs. High labour costs have also hampered the export success of several companies pursuing the differentiation strategy. This reflects why the competitive position of the Zimbabwe product in the UK is weak on price (see Section 5.3 on analysis of the competitive position of the Zimbabwe product on the UK and Germany). The fact that the bulk of the clothing firms pursue an uncompetitive strategy (the low cost strategy) and that not all companies pursuing the differentiation strategy are successful on the export market leaves the Zimbabwe clothing industry with a small competitive manufacturing base. In consequence, the industry cannot be described as competitive. Ivan Yates draws attention to the fact that what matters to competitiveness is an optimal size, not a small competitive manufacturing base (as is the case in Zimbabwe).[2] The existence of a small competitive manufacturing base, when domestic competition is intense in the industry, implies that domestic competition does not give rise to competitiveness.

The link between choice of strategy and export success has also implications for export promotion. The implication is that export promotion support should focus on building the capacity required for the implementation of the strategy linked to export

success. In the case of the Zimbabwe clothing industry, the evidence is that it is the differentiation strategy which is associated with export success. Differentiation in the clothing industry manifests itself in design or style and quality of products. The appropriate role of export promotion support should therefore be to build design capability and design output in the industry. For instance, this can be achieved through the provision of design support to firms and related technical services. Other export promotion activities such as trade fairs, etc. should focus on products linked to the strategy which is compatible with export success.

5.6.2 Home-market demand

The score for home-market demand is 55%. The implication of the score is that the Zimbabwe clothing consumer is fairly sophisticated.

The Zimbabwe clothing market has three segments - the low market (mass market), the middle market and the up-market. The majority of the clothing consumers are in the mass market segment. An analysis of the clothing market requirements in Zimbabwe (Section 5.5) showed that consumers are price sensitive. It is this mass market, which constitute the majority which is price sensitive. The middle market tends to be style or quality oriented. The up-market is more quality conscious.

Companies serving the mass market compete on price and little emphasis is paid on quality. Their competition strategy centres on the low cost strategy. As revealed in Section 5.6.1, it is such companies who pursue the low cost strategy who have been unsuccessful on the overseas export markets. They have been unsuccessful on the United Kingdom market because competing countries have lower production costs, resulting from lower labour costs. The companies have also been unsuccessful on the German export market because the market is quality sensitive. It is the companies pursuing the differentiation strategy who are associated with export success on both the UK and German export markets. It was explained in Section 5.6.1 that the thrust of the differentiation strategy in the clothing industry is either

quality or design and style. In Zimbabwe companies which pursue the differentiation strategy serve the middle market and up-market segments. The link between home-market demand and export competitiveness applies to those companies pursuing the differentiation strategy ie those companies serving the middle market and up-market segments.

It was stated in Section 2.2.2 that Porter's contention that sophisticated demand influences the export competitiveness of a nation's industry will be explored in more depth at some stage and used as a basis for comparison between developed and developing countries. This analysis will be carried out in Chapter 6 (Analysis of Findings), Section 6.6.

5.6.3 Availability of Skills

The score for availability of skills is 40%. The implication of the score is that there is a shortage of skills in the clothing industry. In other words, the skills required by the clothing manufacturers are in short supply.

Interviews with the Zimbabwe Clothing Council and the Zimbabwe Clothing Manufacturers' Association revealed that the greatest shortage is in technical skills. It is technical skills which are critical to the competitiveness of the clothing industry. The gamut of technical skills includes designers, quality controllers, technicians, and dyers for dyeing the fabric. Another area where there is a shortage of skills is with respect to marketing specialists for the textile and clothing industries. There are no educational or training institutes specialising in textile or clothing technology in the country. Both the textile industry and the clothing industry are highly technical. The polytechnics and the University of Zimbabwe, and the recently formed University of Science and Technology, offer training related to technical skills utilised by the textile and clothing industries. However, their output compared to the needs of the two industries (plus other industries) is very limited. This limited output and the lack

of an educational institute for textile and clothing technology, constitute a constraint to the export competitiveness of the clothing industry.

The analysis of the competitive position of the Zimbabwe product (Section 5.3) revealed that the Zimbabwe product is weak on design/style. A German clothing importer who imports elsewhere, stated in the data questionnaire that the reason why he is not importing from Zimbabwe is due to the fact that the country is "poor in design output". This statement is evidence that the shortage of designers in the clothing industry is acting as a constraint to the export success of the clothing companies.

5.6.4 Infrastructure

Infrastructure received a score of 60%. The implication of the score is that the Zimbabwe clothing industry is fairly satisfied with the infrastructure which supports the clothing industry. In this context infrastructure refers to the transport system within Zimbabwe, and from Zimbabwe to the export markets in the United Kingdom and Germany. Utilities such as power supply and the communication system (telephones, telexes, faxes) also fall under infrastructure.

There is a good transport network system in Zimbabwe which sustains the industrial and commercial activities taking place. The transport network system in the country consists of a railway link and a road network. There is also a good transport network which links Zimbabwe to the export markets in the United Kingdom and Germany, and other overseas markets. There are daily flights between London and Zimbabwe which carry merchandise. There are also frequent flights between Zimbabwe and Germany. In addition, Zimbabwe has a national cargo airline, which flies frequently between Zimbabwe and the United Kingdom plus Germany. Zimbabwe is also well connected to the ocean by road and rail to Mozambique and South Africa (Zimbabwe's outlets to the sea). In turn there is a good sea linkage between South Africa and Mozambique, and Zimbabwe's overseas markets.

The communication links between the Zimbabwe and (the United Kingdom and Germany) in terms of telephone, telexes and faxes is also good. The power supply inside the country is also good, although there was a temporary disruption caused by drought in 1991/92. Most of Zimbabwe's power supply is hydro electricity generated at Kariba Dam.

Although there may be shortcomings here and there (which do not give clothing manufacturers total satisfaction) there is no evidence to suggest that the infrastructure has acted as a constraint to the export competitiveness of the Zimbabwe clothing industry. Zimbabwe is far away from the United Kingdom and German export markets, but its competitors in the Far East are even further away. Zimbabwe's only disadvantage is that it is a landlocked country whereas many of its competitors in the Far East are not landlocked. Their landed cost of export merchandise by sea on the United Kingdom and German export markets is slightly cheaper than Zimbabwe, which has to use either road or rail first, to get the goods to the Mozambique and South Africa ports. By air, Zimbabwe is closer to the United Kingdom and Germany export markets compared to the competitors.

Zimbabwe's cost disadvantage with its competitors in the Far East cannot be explained in terms of distance and infrastructure, but in terms of higher labour costs.

The analysis of the competitive position of the Zimbabwe product in both the United Kingdom and German export markets (Section 5.3) revealed that delivery on time constitutes a common weakness in the two markets. There is no evidence to attribute this weakness to Zimbabwe's transport infrastructure.

5.6.5 Supporting Industry (Suppliers)

The score for supporting industry is 50%. The industry which supports the clothing industry with its key input i.e. fabric, is the textile industry. The clothing industry is therefore dependent on the textile industry for its supplies. The implication of the

score is that many clothing manufacturers are not satisfied with the support they get from suppliers. Comments by companies in the Zimbabwe questionnaire reveal the salient features of the dissatisfaction with suppliers.

A number of companies noted that they have difficulties sourcing quality fabric on the local market. One company commented that:

> "The quality expected on the export market is too high compared to local requirements".

Some Zimbabwe companies utilise export support facilities (discussed in Chapter 3) to import the quality fabric required on the export market, which cannot be sourced locally. Clamours by many other Zimbabwe companies for fabric to be put on the Open General Import Licence (also discussed in Chapter 3) also reflect the extent of dissatisfaction with the local suppliers.

Difficulties in sourcing quality fabric on the local market are echoed as a constraint to the export success of the clothing industry, in the data analysis of the United Kingdom and German questionnaire. For instance, one German importer who is importing elsewhere stated that:

> "We do not think we will continue to explore the possibility of sourcing from Zimbabwe, until quality of fabric and consistency is improved".

Another German importer who is importing elsewhere, indicated the shortage of quality fabric as the reason why he has not considered importing from Zimbabwe. His comment is as follows:

> "Zimbabwe is limited in fabric sources".

The comparison of data in the Zimbabwe questionnaire and the United Kingdom and German questionnaire with respect to quality, establishes that there is a small competitive supply base in Zimbabwe.

Another common feature in the data provided by the Zimbabwe companies is that locally made fabric is expensive compared to fabric on the world market. This leads to the final product being more expensive than that of competitors. This is corroborated by data in the United Kingdom and German questionnaire. For example one importer, who imports elsewhere wrote:

> "Found prices were high for quality of garment offered - can source more competitively".

This implies that suppliers are not internationally competitive in terms of price. This can be attributed to higher labour costs in Zimbabwe compared to its competitors from the Far East.

A number of the clothing manufacturers also indicated that they do not get their orders for fabric delivered on time. The data analysis of the competitive position of the Zimbabwe product in the United Kingdom and German export markets revealed that delivery on time is a common weakness in the two markets.

Part of the explanation of why delivery on time constitutes a weakness in the two markets should be attributed to suppliers who do not deliver fabric orders in time to the clothing manufacturers. The late delivery of fabric, in turn adversely affects the export performance of the clothing manufacturers in terms of delivery on time.

It should be noted that some of the clothing manufacturers have a vertical integrated structure. Such clothing manufacturers act as their own suppliers. They therefore do not experience the supply problems faced by the other manufacturers who do not have a vertical integrated structure. The data analysis shows a positive relationship between a vertical integrated structure and export performance. The largest clothing

exporter in Zimbabwe has a vertical integrated structure and it carries its own dyeing and printing operations. The company is also the largest clothing manufacturer in Zimbabwe. Vertical integration constitutes a competitive advantage in the absence of nationwide competitive and reliable suppliers. The positive relationship between a vertical integrated structure and export performance, highlights the critical role of the supply factor to export competitiveness. This demonstrates that a nationwide competitive supply base is essential to the export competitiveness of the entire clothing industry.

The conclusion from the data analysis points to the fact that a nationwide competitive supply base is absent, and this has seriously undermined the export competitiveness of the clothing industry. In other words, the supporting industry has a small competitive manufacturing base, insufficient to meet the needs of the clothing exporters. Invoking Ivan Yates' argument that what matters to competitiveness is an optimal size (i.e. a sizeable competitive manufacturing base), we can describe the supporting industry as internationally uncompetitive.[3]

5.7 Analysis of External Factors which have contributed to the export success of the Zimbabwe clothing industry

In addition to choice of strategy, as an explanation of the export success of the Zimbabwe clothing companies, there are other factors external to the country which explain the export success of some of the companies. These factors are analysed in this section. The analysis will be carried out in relation to trade policy and export promotion, using the "diamond" theory as the analytical framework.

5.7.1 Foreign Investment

Some of the clothing companies are subsidiaries of companies headquartered in the United Kingdom. There are no clothing companies which are subsidiaries of German

companies, excepting for one company which is a member of a group of companies of which the corporation has its headquarters in Germany.

The data analysis of the subsidiary companies owned by the United Kingdom parent companies, reveals that their export success in the United Kingdom is owed to the external resources of the parent companies. The parent companies provide the subsidiaries with a technical back up in design, technology, quality aspects and market trends in the market. The subsidiary companies also use the established distribution channels of the parent companies in the United Kingdom market for their export products.

The data analysis establishes that foreign investment gives rise to the export success of a nation's industry. The foreign owned companies have overcome certain constraints in the national environment by falling back on external resources possessed by the parent companies. For example, in Section 5.6.3 above (Availability of Skills), it was noted tha the shortage of skills in the critical areas such as designing and marketing, constitutes a constraint to the export competitiveness of the Zimbabwe clothing industry. The subsidiaries of the foreign owned companies have filled the skill shortage gap by utilising the manpower resources of their parent companies in such areas as design and marketing. The revolution in information technology has facilitated the sharing of such resources between the subsidiary and the parent company. Some of the foreign owned companies have also overcome constraints in the supply base (analysed in Section 5.6.5. above) by creating vertical integrated structures, thereby creating their own supply base and acting as suppliers to other clothing companies. Without foreign investment, the export base would have been smaller.

In the Zimbabwe clothing industry, the foreign investment has only overcome constraints such as skills shortage and the supply base. Constraints which exist in the local infrastructure are beyond the solution of foreign owned companies. The implication is that foreign owned companies are entirely dependant on the local

infrastructure, but are not entirely dependent on local skills and to a large extent on the local supply base (as the foreign investor can create his own supply base).

Therefore, the only factor in Porter's "diamond" theory on which foreign investors are entirely dependent upon in the country for their export competitiveness, is local infrastructure. However, it was mentioned in Section 5.6.4 above, that there is no evidence that the local infrastructure in Zimbabwe has hampered the export competitiveness of the clothing companies.

The analysis has implications for export promotion. Constraints in the national environment which hamper the export competitiveness of a nation's industry, such as lack of design skills and lack of adequate marketing skills, can be resolved by promoting foreign investment in the local industry. Foreign investment should therefore be seen as a major export promotion instrument. National export promotion efforts should be aimed at promoting foreign investment.

The result of the analysis in relation to Porter's "diamond" theory is that foreign investment is another factor which explains the export competitiveness of a nation's industry. Although foreign investment is an external factor, the export competitiveness of the foreign owned companies is entirely dependent on the local infrastructure; the export competitiveness is not entirely dependent on local skills, home market demand, and to a large extent the local supporting industry. In addition, foreign owned companies are not dependent on the local financial institutions, as the parent company can use its own finance (or external financial resources) to finance the subsidiary company.

Therefore, the only attribute of Porter's "diamond" theory which is indispensable to the export competitiveness of foreign owned companies is infrastructure.

5.7.2 Alliances/Joint Ventures

The export success of some of the Zimbabwe clothing companies is attributable to the external factor of international competition on the United Kingdom and Germany export markets, which led some United Kingdom and German clothing manufacturers to enter into alliances or joint ventures with the Zimbabwe clothing manufacturers.

It was noted in Section 5.7.1. above, that the United Kingdom and German clothing markets are characterised by open competition. Clothing manufacturers around the world compete in these two markets; the United Kingdom and German clothing manufacturers also compete in their home markets, against each other and against the foreign competitors. In other words. the competition is between companies of the same nationality and companies of different nationalities. The pressures created by international competition have compelled many United Kingdom and German clothing manufacturers to find a new way of competing in order to stay afloat. It was mentioned earlier on that labour costs constitute a substantial proportion of the total production cost in the clothing industry. The United Kingdom and German have higher labour costs than many clothing producers around the world; especially clothing producers in developing countries. Hence, the United Kingdom and German manufacturers do not have a cost advantage over developing countries for the same price and quality products.

The data analysis of the United Kingdom and German clothing importers reveals that, although the clothing manufacturers/importers have lost competitive advantage on cost, they have not lost their competitive advantage in design and marketing. Many of them have well established distribution channels in their home markets. One United Kingdom importer put this analysis into its proper perspective when he noted in the questionnaire that:

> "Our most important trading aspect is not 'sourcing the goods' but, in fact, design and marketing here in the United Kingdom. What has happened over the last twenty years has been a turn towards the low cost countries".

The data analysis also shows that the largest United Kingdom importer of clothing from Zimbabwe, imports on a joint venture basis from four Zimbabwe clothing manufacturers. The importer is also a clothing manufacturer in the United Kingdom and has well established distribution channels. The company has its own personnel on secondment to Zimbabwe to assist with production and supervise the quality control of the products it is importing. The Zimbabwe partners are also provided with designs by their United Kingdom partner. The United Kingdom partner made the following comment in the questionnaire:

> "They are short on design and do not understand the needs of the world textile market, hence our design input to them. Trends change and we change with them, and pass on our information to our suppliers in Zimbabwe, so that they can make for us what we need to supply our customers on the world market. The trends allow us to source better, and our design team are there to pass on to our suppliers our knowledge of these trends, which change every season. Our suppliers in Zimbabwe can then produce for us to our specification".

The Zimbabwe companies have attained export competitiveness by gaining access to the design resources and distribution channels of their United Kingdom partner. It was noted in Section 5.6.3 (Availability of Skills in Zimbabwe) that there is a critical shortage of skills in areas such as designing and marketing, which hampers the export competitiveness of the Zimbabwe clothing industry. The joint venture between the four Zimbabwe companies and the United Kingdom partner has overcome the skill shortage constraints in Zimbabwe, by providing the Zimbabwe partners with the external design resources and the use of the partner's distribution channels on the export market. Joint ventures therefore have implications for export promotion. They should be seen as one of the major export promotion instrument. National export promotion efforts should also be aimed at creating joint venturers between local companies and foreign companies.

One of the large clothing manufacturers and exporter in Zimbabwe entered into a joint venture with a prominent United Kingdom retailer, whose aim is to produce environmentally friendly T-shirts at the company's factory in Zimbabwe, and export them to the retailer in the United Kingdom. The joint venture centre on developing a new product for export with a retailer who already has a distribution network. Hence, in addition to giving local companies access to external design resources and established distribution channels on the export market, joint venturers can offer local companies the opportunity to develop new products sharing skill resources of the foreign partner, which are unavailable locally.

A few of the Zimbabwe companies who export to Germany have some companies who represent them in the German clothing market. The representatives canvas for orders on behalf of the Zimbabwe clothing manufacturers and pass on relevant market information to the Zimbabwe companies. This form of partnership, although it helps the Zimbabwe companies to secure export orders, is less effective than the above partnerships between United Kingdom companies and Zimbabwe companies. In other words, for a joint venture to be effective, the foreign partner must have established market access or distribution channels.

The result of the analysis in relation to Porter's "diamond" theory is that alliances or joint ventures constitute another factor which explains the export competitiveness of a nation's industry. The export competitiveness born out of alliances with external partners is not dependent on local skills, home market demand and intense domestic competition; it is dictated by the pressures of international competition. Therefore, international competition has a major influence on the export competitiveness of a nation's industry. However, the local infrastructure and the supporting industry remain indispensable to export competitiveness.

5.7.3 Franchises/Licensing

The data analysis reveals that the export competitiveness of some of the Zimbabwe clothing manufacturers is owed to manufacturing some of their products under franchise from well renowned international brands/or labels. The franchises have been given by companies in the United Kingdom and United States of America.

The International brands or labels have an established reputation in terms of design and quality; their marketplace is already guaranteed on the export market. Brand image is a powerful marketing tool.

The manufacturing of products under franchise overcomes the constraint of the shortage of design skills or design output in Zimbabwe referred to in Section 5.6.3, on availability of skills. The export competitiveness derived from the manufacturing of products under franchise is therefore not dependent on local skills as the design resources are externally based. Local skills only have to ensure that the quality of the product and its design are maintained in accordance with the specifications of the franchise/license.

The only limitation with manufacturing under licence is that although the manufacturer gains export competitiveness from manufacturing the product, he is not free to export the product to any country he wishes. Licensing normally has a geographical demarcation, and the license is often given to more than one company: which are located in different countries or areas. For instance, one of the Zimbabwe companies which manufacture one of its products under license from a United Kingdom clothing company is prohibited by the license agreement to export the franchised product to the United Kingdom market and many other markets. The company can only export the franchised product to countries which surround Zimbabwe, excepting only two surrounding countries.

Licensing seems to satisfy the export objectives of the licence giver of penetrating new export markets he wishes to expand to, rather than the export objectives of the franchise holder of gaining export competitiveness in markets he wishes to export to.

If the company given as an example, wishes to export to the United Kingdom, it has to market its other product ranges and exclude the franchised product which it is prohibited from exporting to the United Kingdom. Joint ventures and foreign investment are therefore superior to franchises as export promotion instruments since they lack export prohibition clauses.

5.8 Analysis of Factors which have contributed to export success at the company level

In addition to choice of strategy, foreign investment, and alliances/joint ventures, as explanations for the export competitiveness of the Zimbabwe clothing companies, there are also factors at the individual company level which explain the export success of the companies. Moreover, the export performance of the individual companies differ; some companies are more competitive than others on the export market and some have not yet met with export success on the export market - although the strategy they are both pursuing on the domestic market is compatible with export success on the United Kingdom and German export markets. These differences suggest that there are other factors at the company level which explain export competitiveness. The implication is that although choice of strategy is fundamental to export competitiveness, it is not a sufficient condition. The other factors are analysed in this section, in relation to trade policies and export promotion.

5.8.1 Size of Company

The data analysis reveals that size is a major factor on export competitiveness. The implication is that critical mass is needed to compete effectively on the United Kingdom and German export markets, plus the other overseas export markets.

The largest clothing exporter in Zimbabwe is also the largest clothing manufacturer in Zimbabwe in terms of output, market share, and employment. The company employs close to three thousand people. More often than not, when importers in the United Kingdom and Germany, other EEC countries, and the U.S.A., place orders with a manufacturer, they require large quantities of the particular product item. Being big offers a critical advantage, as a large manufacturer has the capacity to fulfil the order in the time required. Quick response is a major determinant of success in the clothing industry. For instance, if the delivery time required is three weeks, a large manufacturer can meet such a deadline, whereas a small manufacturer will be unable to fulfil the order within the given time. One of the small clothing manufacturers indicated that he lost a lucrative export order to the United Kingdom because it was not possible for him to fulfil the order within the delivery time required by the importer. Another clothing manufacturer also mentioned that he lost an export order to the U.S.A. because it was beyond his manufacturing capacity; he added that it was going to take him a full year of his entire production to fulfil that order, yet the importer required delivery in eight weeks.

Being big also offers another advantage in terms of bargaining power when negotiating with suppliers. It was pointed out in Section 5.6.5 (Supporting Industry), that the supporting industry constitute a constraint to the export competitiveness of the Zimbabwe clothing industry, relating to delivering supplies on time, and quality of the fabric. Furthermore, textile mills have their own economic constraints - the order size should be sufficient to meet textile mill production minimums. Big clothing manufacturers, because of their size, always meet textile mill production minimums.

They also have bargaining power, by virtue of being the key clients to the suppliers, to get what they want i.e. delivery on time and quality. A small manufacturer lacks such bargaining power and the order size does not always meet textile mill production minimums.

It is pertinent to note that the notion of size differs between Zimbabwe and Europe, and the same applies with many other developing countries. For example, a clothing manufacturer who employs three thousand people in the United Kingdom would not be classified as a big manufacturer, whereas in Zimbabwe a clothing manufacturer who employs three thousand people is classified as a big manufacturer. However, for analytical purposes, a common parameter for measuring size exists in all countries (both developing and developed) i.e. the criteria of national market share.

The essence of size centres on the capacity to supply. The inability to supply is responsible for loss of export competitiveness. This factor is highlighted by a merger of three small clothing manufacturers in Zimbabwe. Prior to the merger, the three separate companies could not make inroads into the export market. After the merger, when the three companies became one entity, the merged company became a successful exporter as a result of the newly acquired capacity to supply and fulfil orders in the delivery time required.

Three other companies mentioned that they have been able to export successfully to the United Kingdom and Germany because each time one of the companies receives an export order, it collaborates with the other two companies to fulfil the export order in the required delivery time.

Operating on its own, the company would not have been able to fulfil the export order within the required delivery time because of its production capacity which did not match with the big export order. The other two companies also cooperate with the company, and with each other, to fulfil export orders they secure which are beyond the capacity of each one of them.

Collaboration or cooperation has implications for export promotion. The implication is that collaboration can give rise to the export competitiveness of a nation's industry. The export success of the three companies mentioned in the data analysis derives from collaboration. The other companies mentioned, who lost export orders because the orders were beyond their individual capacity to supply were operating in isolation. If they had collaborated with the other companies in the industry, those lost export orders could have been fulfilled by the industry.

The result of the analysis in relation to the "diamond" theory is that an anti-trust policy is counterproductive to export competitiveness. The data analysis revealed that size is positively related to export performance. Firstly, the biggest clothing manufacturer in Zimbabwe is also the biggest exporter. Secondly, the three companies who merged into one company, achieved export success after the merger. Finally, three companies achieved export success as a result of collaboration. An anti-trust policy would prohibit the formation of mergers and collaboration among the manufacturers. The evidence from the data analysis shows that mergers and collaboration bring about export success.

5.8.2 Good Management

The data analysis reveals a link between good management and export success. The implication is that good management is a major factor on export competitiveness. Good management encompasses effective marketing, prudent financial control, and developing skills of employees.

The largest clothing exporter in Zimbabwe provides a shining example of how export success can be achieved through effective marketing. The company is a classic example of the importance of proper marketing in a business organisation. The company proves that deficiency in marketing is part of the reason why many other companies are unsuccessful on the export market. It is wholly locally owned, as is the case with most of the Zimbabwe clothing manufacturers. The company

exports high quality merchandise to France, Holland, Germany; the United Kingdom and the United States of America. Its largest export market is the U.S.A. The company expanded its export business enormously in the past three years. After identifying a market opportunity and securing the export order with a major U.S.A. buyer of men's casual wear, the company reorganised its manufacturing base and dedicated an entire factory to production of garments for the American market. This expansion and growth was accompanied by prudent financial management and production efficiency. The change in the manufacturing base was followed by the purchase of new modern equipment.

One of the large clothing companies (whose product had a good export market) ran into difficulties; resulting from lack of prudent financial management.

The company almost collapsed, but banks came to its rescue. This demonstrates that, although the existence of an export market for a company's product is necessary, this is not sufficient for export success - this must be followed by good financial management and efficient production. In other words, success is born out of a combination of good marketing, good financial management and efficient production.

Good management also recognises the need to train employees and upgrade skills of its staff to make them more productive. A trained labour force is crucial to meeting quality standards which are increasingly becoming the determining success factor on the international market. For instance, the largest clothing exporter in Zimbabwe (referred to above) runs a training and skill development programme for its workers. A number of other companies also operate in house training programmes for their employees. Some of the companies send their staff for specialised training (absent in the country) overseas in order to develop their own skill base. It was pointed out in Section 5.6.3 (Availability of Skills in Zimbabwe), that the shortage of skills in the country is one of the factors which hampers the export competitiveness of the Zimbabwe clothing industry. In the absence of the skills required by the industry in the country, good management fills that deficit by developing its own skill base. In

his "diamond" theory, Porter addresses the skill factor from a national point of view i.e. that a country without a skill base is not internationally competitive. Good management addresses the skill factor from the company point of view i.e. that a company without a skill base is not internationally competitive.

The essence of the analysis is that a company can gain competitiveness by creating its own skill base; companies which fail to create and upgrade their skill base will inevitably become internationally uncompetitive. Hence, competitiveness is not only influenced by Government making skills available to the industry, it is also influenced by management making skills available to the company.

The result of the analysis in relation to the "diamond" theory is that good management is another key factor on the export competitiveness of a nation's industry.

5.8.3 Process Technology

The data analysis reveals that companies which use up-to-date process technology are more competitive than those which do not use up to date process technology. The implication is that process technology is a major factor on export competitiveness.

It was pointed out in Section 5.6.1. above that choice of strategy distinguishes those companies successful on the United Kingdom and German export markets, from the unsuccessful. The differentiation strategy is the one which links with export success in the Zimbabwe clothing industry. The major component of the differentiation strategy is quality and design. In the textile and clothing industries, process technology is positively related to the quality of the final product. Because of improvements in process technology, the quality of the product produced by modern technology is better than the quality of the product produced by outdated technology.

The analysis of the clothing requirements in Germany (Section 5.2 above) revealed that the German market is quality sensitive. In addition, competition in the German market is open. This implies that process technology matters to the export competitiveness of a company in the German market. Process technology also matters to the export competitiveness of a company in the United Kingdom, with respect to the market segments which are quality sensitive. A number of companies in the Zimbabwe clothing industry are equipped with modern machinery. However, most of the companies are not equipped with modern machinery. This also explains why the Zimbabwe clothing industry has a small competitive manufacturing base. The successful implementation of the differentiation strategy is hampered by the lack of modern equipment by many companies. The successful exporters, such as the largest exporter of clothing in Zimbabwe, are equipped with up to date machinery.

Modern technology also offers advantages in designing. The design and cutting of cloth can be made with precision using computer aided designing. In addition, computer aided designing reduces the workforce required for designing; wastage in cloth cutting is also reduced since computer aided designs have precision. Modern technology also offers advantages in knitting and sewing; computer aided knitting and sewing reduces the workforce required and also reduces the amount of time required to finish a garment. Time is of the essence in the clothing industry as lead times are becoming shorter and shorter. It was pointed out that in the clothing industry labour costs constitute a substantial proportion of the total costs.

Hence, the effect of modern technology is to reduce total production costs (by reducing the workforce), while at the same time improving the quality of the product. Mention must be made of the fact that due to diffusion of technology, both countries with lower labour costs and those with higher labour costs have access to the same technology. Therefore labour costs still remain a determinant factor of competitive advantage. The result of the analysis is that competitiveness also depends on technology orientation, as much as on labour costs.

5.8.4 Entrepreneurship and Innovation

The data analysis establishes that there is a link between export success and entrepreneurship/innovation.

The best example of entrepreneurship is provided by the largest exporter of clothing (and the largest clothing manufacturer in Zimbabwe). The company is privately owned and the owner is Zimbabwean. The owner created the company and transformed it to be the largest clothing manufacturer in Zimbabwe, as well as the largest clothing exporter. The company owes its birth, phenomenal growth and expansion to be a leader on the domestic market and export market to one man - the owner. It was mentioned in Section 5.6.1. that competition on the Zimbabwe clothing market is international in character, because of the presence of foreign owned companies and products manufactured under license. It was also mentioned that foreign owned companies are not dependent on local skills for their competitiveness; the same applies to licensed products of which the design input is based on external resources.

This locally owned company rose above this international challenge to become the leading clothing manufacturer in Zimbabwe and to be the leading exporter. This meteoric rise by the company is a manifestation of a high degree of entrepreneurship by the owner.

Entrepreneurship is underpinned by innovation and creativity, vision, ability to perceive opportunities for business development, and risk taking (and planning a successful strategy). The company started by building up advantages for itself on the domestic market in order to meet the challenges of the intense competition on the domestic market. It created a vertical integrated structure: setting up its own dyeing and printing operations, into which it channelled significant capital investment. This enabled the company to respond quickly to fashion changes on the domestic market; thereby achieving a competitive edge over its competitors. To meet the challenges

of international competition on the export market, the company carries constant research in design, marketing, production and distribution. The company is therefore fashion conscious in terms of domestic market needs and export market needs. The owner has created an entrepreneurial organisation.

Another example of how innovation can bring about export success is provided by a local company which redesigned the University of Zimbabwe graduation apparel to suit local standards. Soon after the redesign, the company began receiving enquiries from other Universities and Colleges in the region. The company was awarded a contract to redesign the entire academic dress for Zambia's new Copperbelt University in Kitwe, as well as the University of Zambia in Lusaka.

Foreign Universities in the region are also placing their orders with the company. The graduation apparel at the University of Zimbabwe previously had to be imported. Now the apparel is locally made i.e. import substitution. In addition to the import substitution, the company has created an export base for Zimbabwe through its innovation.

The result of the analysis in relation to the "diamond" theory is that entrepreneurship and innovation are major factors on export competitiveness. The emergence of the privately owned company to be a leader on the domestic market and to be the leading exporter, is explained by entrepreneurship and innovation. The export success of the Company which exports graduation apparel to the region is explained by innovation in design. The implication to trade policy is that a national environment which promotes entrepreneurship and innovation must be created, as export competitiveness is born out of entrepreneurship and innovation. Constraints which hinder the release of entrepreneurial energy should be removed.

5.8.5 Export Promotion

The data analysis shows a link between export promotion and export success. Those companies which have been successful on the export market, owe their success from either export promotion efforts at the company level or at the national level. It was pointed out in Chapter 3 that at the national level, there is ZIMTRADE (the national export organisation) which was created to promote Zimbabwe's exports. Government also has trade representatives at its embassies abroad (including the two countries pertinent to this research: the United Kingdom and Germany) who are responsible for promoting Zimbabwe's exports.

The link between export promotion and export success at the Company level is demonstrated by the leading exporter of clothing in Zimbabwe. The company has as its policy the aggressive pursuit of new export markets. It is this aggressive export strategy which transformed it to be the leading exporter of clothing in Zimbabwe. As mentioned earlier on, the company currently exports to France, Holland, Germany, the United Kingdom and the U.S.A. The company has resources allocated to export promotion. The implication is that vigorous export promotion at the company level is a major factor on export success. The export success of some of the companies is also owed to their own export promotion programmes - such as making trips to meet importers in markets where the company's products have export potential.

The export success of the other companies is owed to export promotion efforts at the national level, i.e export promotion efforts by ZIMTRADE and trade representatives at Zimbabwe embassies abroad. The trade representatives have been instrumental to the export expansion of Zimbabwe's products (including the product which is the focus of this research work: clothing). The trade representatives act as a link between the Zimbabwe manufacturers and importers in the respective countries, the trade representatives are based. For instance, the trade representative in London was instrumental in persuading the company which is now the largest UK importer of

Zimbabwe clothing, to look at Zimbabwe as a source of supply. At that time, the company had its eyes fixed on the Far East as the potential supplier. The company is now in alliance with four Zimbabwe clothing manufacturers. Trade representatives also provide market information to the Zimbabwe manufacturers.

It was mentioned in Chapter 4 that ZIMTRADE export promotion activities for the clothing industry include organising and sponsoring the industry's participation in international trade fairs. The author attended two such trade fairs in Germany in which ten Zimbabwe clothing companies exhibited their products. The first one was Herrenmodewoche (Inter Jeans), which was held in Cologne from 14 to 16 August, 1992, and the second one was Kund und Jugend (Children's Wear), which was also held in Cologne from 21 to 23 August, 1992. Five Zimbabwe clothing companies exhibited at the Herrenmodewoche trade fair and five other companies exhibited at the Kund und Jugend trade fair. Such programmes have resulted in the export success of some of the companies who participate.

Export promotion support at the national level is of crucial importance to small firms which lack financial resources to mount their own export promotion campaigns. National export promotion bridges this financial resource gap.

It is pertinent to mention that out of many clothing companies who have participated in the export promotion activities organised by ZIMTRADE or mounted their own export promotion campaigns, only a small number have been successful in exporting. In 1991 and 1992 unprecedented export promotion campaigns were mounted by firms in the clothing industry. This was sparked by the worst drought in living memory which the country experienced. The drought virtually decimated domestic demand for clothing. The backbone of Zimbabwe's economy is agriculture. About 70% of the population live in rural areas and their livelihood depends on agriculture. The effect of the drought was to deprive the rural people of the income they normally earn from sales of agricultural produce. This adversely affected local demand for clothing as about 70% of the population was deprived of its normal

disposable income; the little disposable income available was spent on basics like food. Clothing is not a priority item under drought conditions, when people struggle to survive. Similarly, disposable income in urban areas was also affected since many industries depend on agriculture for their inputs. Several industries laid off workers as they were unable to run at full capacity. The demand for clothing was drastically reduced from two fronts: the rural front and the urban front. The Government made provisions for cotton lint to be imported to fill the deficit caused by the drought. For survival, several clothing companies turned to export markets. Many clothing manufacturers who were previously contended with only selling on the domestic market, entered the export fray for the first time. Clothing manufacturers who were already exporters, intensified their export efforts in order to sell on the export market what used to be taken by the domestic market.

The results of the unprecedented export campaign differed. The leading clothing exporter in Zimbabwe (referred to earlier on in the Section) was able to export its excess production resulting from the decline in domestic demand. Many companies who were already exporters were able to export their excess production. Only a few companies who entered the export fray for the first time were successful in exporting their excess production. Several companies closed down because they were unable to sell their products on the export market. The Zimbabwe Clothing Council estimated that 15% of the companies closed down. This unprecedented export campaign (which also took place at both the company level and national level) did not result in the export success of many companies. The export success was largely confined to companies who were already exporters. The majority of companies which closed down were those pursuing the low cost strategy on the domestic market (which, as pointed out in Section 5.6.1, is incompatible with export success on overseas export markets because of competition from counties with lower labour costs). The export promotion campaigns of these companies were not successful because the price of their products was not competitive.

The export promotion campaigns of some companies pursuing the differentiation strategy (the one identified as compatible with export success in Section 5.6.1.) were not successful. This reveals that, in addition to choice of strategy, there are other factors which underpin export success. Effective marketing was identified in Section 5.8.2 as one of the factors which distinguishes successful companies from the unsuccessful ones. Another factor which distinguishes successful companies from the unsuccessful, is export planning. The successful companies have a clearly defined export plan, conducted on the basis of export market opportunities in targeted markets. The implication of the finding is that exporting is not a bolt-on activity. This explains why most of the unprecedented export promotion campaigns during the drought period were unsuccessful. Most of the companies, who were entirely dependent on the domestic market, just turned to the export market without any export planning. The companies assumed that they would just off-load on the export market their excess production; this proved otherwise and many companies closed down.

5.9 Main Findings

This section gives a summary of the main findings.

5.9.1 Choice of Strategy

The data analysis established that choice of strategy is fundamental to export competitiveness. The choice of strategy is with respect to generic strategies. The basic tenet of generic strategies is that the competitive advantage of companies derives from either being a low cost producer or differentiated producer. A low-cost producer competes on cost, whereas a differentiated producer competes on other product attributes e.g. quality and design. The evidence from the data analysis of Zimbabwe clothing manufacturers shows a link between export success on the United Kingdom and German export markets and choice of the differentiation strategy. None of the companies pursuing the low cost strategy has been successful

in the two export markets. Data analysis showed that the United Kingdom clothing market is price sensitive and the German clothing market quality sensitive. Zimbabwe's competitors in the United Kingdom, mainly the Far East countries, have lower labour costs; hence the Zimbabwe clothing manufacturers pursuing the low cost strategy, do not have a competitive advantage over competitors from the Far East countries also pursuing the low cost strategy. The same Zimbabwe clothing manufacturers also do not have any competitive advantage in the German export market, as competition centres on the differentiation strategy (not the low cost strategy).

The implication of the finding for export promotion is that Government can transform an uncompetitive industry into a competitive one by identifying a strategy compatible with export success and channelling export promotion support into the successful implementation of that strategy.

5.9.2 Intense domestic competition

The finding is that domestic competition does not give rise to export competitiveness. Domestic competition in the Zimbabwe clothing industry is intense, yet the industry is not competitive on the UK and German export markets (and the other overseas export markets).

The Zimbabwe clothing industry is protected from import competition. The implication of the finding is that the competitiveness of a nation's industry derives from international competition (import competition).

5.9.3 Factor Conditions

The finding from the data analysis is that skills are crucial to export competitiveness. The data analysis revealed that the shortage of skills in the industry has hampered the export success of many clothing companies on the UK and German export

markets. There is a critical shortage of skills in vital areas such as designing, quality control and the other technical areas. The shortage of skills has manifested itself in poor designs and quality control problems. For instance, some companies who import elsewhere, indicated that the reason they are not buying the Zimbabwe product is because of limited design output and quality control problems in the Zimbabwe clothing industry.

5.9.4 Foreign Investment

The data analysis also established that foreign investment is another attribute which explains the export competitiveness of a nation's industry. Foreign owned companies are not dependent on local skills, home market demand (as production can solely be for export), and to a large extent the local supporting industry for their export competitiveness. Foreign owned firms are, however, entirely dependent on the local infrastructure for their export competitiveness.

Foreign investment can overcome certain constraints in the national environment which hamper export competitiveness by falling back on external resources possessed by the parent company. For example, the shortage of skills in critical areas such as designing and marketing in the Zimbabwe clothing industry, can be overcome by using design and marketing resources of the parent company. In some cases the parent company already has established distribution channels which the subsidiary company can use for its export products. Where a competitive supply base does not exist, foreign owned companies can create their own supply base using their external resources.

The implication for export promotion is that constraints in the national environment (which hamper the export competitiveness of a nation's industry) can be resolved by promoting foreign investment in the local industry, as long as the local infrastructure exists. The small competitive manufacturing base of the Zimbabwe clothing industry can be partly attributed to insufficient foreign investment. Foreign investment should

therefore be seen as a major export promotion instrument. National export promotion efforts should also focus on investment promotion.

5.9.5 Alliances/Joint Ventures

The data analysis established that alliances/joint ventures is another attribute which explains export competitiveness. The export success of some of the Zimbabwe clothing manufacturers is owed to alliances or joint ventures. The pressures created by international competition have compelled some clothing manufacturers/importers in the United Kingdom to enter into joint ventures with Zimbabwe clothing manufacturers. Because of international competition on the United Kingdom and German clothing markets, dictated by production costs, clothing manufacturers in the United Kingdom and Germany have lost cost advantage to developing countries for the same price and quality products. Labour costs are higher in the United Kingdom and Germany. However, many of the clothing manufacturers in the two markets still retain their competitive advantage in design and marketing (some have well established distribution channels).

The Zimbabwe clothing manufacturers have attained export competitiveness by gaining access to the design resources and distribution channels of their external partners. The alliances have solved the problem of the critical shortage of skills in Zimbabwe with respect to designing and marketing. The implication for export promotion is that joint ventures or alliances between the local clothing manufacturers and foreign clothing manufacturers should also be seen as a major export promotion instrument. National export promotion efforts should also focus on promoting such joint ventures.

The data analysis also reveals that international competition is a major factor on the competitiveness of a nation's industry due to the world economics of production, which manifests itself in labour costs in the clothing industry. The phenomenon of international competition (open competition) also helps to explain why many firms

in the Zimbabwe clothing industry are uncompetitive as a direct result of the policy of protection which shelters the domestic industry from import competition. The Zimbabwe clothing industry only tastes open competition on the United Kingdom and German export markets. Charity begins at home.

5.9.6 Franchises/Licensing

The data analysis also reveals that the export competitiveness of some Zimbabwe clothing manufacturers is owed to manufacturing export products under franchise or license from well renowned international labels. This also overcomes the problem of the shortage of skills in design and marketing. The product is not dependent on local skills as the design resources are externally based; the problem of marketing resources does also not exist - the brand image has already established a marketplace for the product.

However, manufacturing products under license has a severe limitation on the export competitiveness of a company. The manufacturer is not free to export the product to any country he wishes, since many license agreements define the area or countries the manufacturer can export to. License givers always avoid to let products carrying their label compete with each other.

The implication for export promotion is that franchises and licences are still a source of export competitiveness, although the competitiveness will be restricted to specific areas or countries.

5.9.7 Factors at the company level which explain export competitiveness

In addition to the factors mentioned above, there are specific factors at the individual company level, which explain export success and export competitiveness. These factors are highlighted by the fact that the export performance of the individual companies differ; some companies are more competitive than others on the export

market and some have not met with success on the export market. It has already been mentioned in Section 5.9.1 that a common factor which underpins the export success of the Zimbabwe clothing manufacturers is choice of strategy. The other factors are given below.

(a) Size of company

The data analysis established that size is a major factor on export competitiveness. The implication of the finding is that critical mass is needed to compete effectively on the United Kingdom and German export markets, and the other overseas export markets. Some of the small Zimbabwe clothing manufacturers have lost export orders in the past on account of small size.

The essence of size is the capacity to supply; the inability to supply is what was responsible for the loss of export orders. Three small companies which collaborate with each, when one of them receives a big order have been able to export successfully.

Three other small companies which merged, achieved export success after the merger; prior to the merger, the companies were individually not able to export.

The findings have implications for both trade policy and export promotion. The implication for trade policy is that where size is positively related to export performance, an anti-trust policy would be counterproductive to export performance. An anti-trust policy would prohibit the formation of mergers or break down the dominant position of companies. The implication for export promotion is that collaboration or cooperation between companies can give rise to the export competitiveness of a nation's industry.

(b) Good Management

The data reveals a link between good management and export success. The implication is that good management is a major factor on export competitiveness. Good management encompasses effective marketing, prudent financial control, and development of skills of the employees.

Effective marketing can bring about export success. The largest clothing exporter in Zimbabwe (as well as the largest clothing manufacturer) provides a classic example of the importance of proper marketing in a business organisation. The company demonstrates that deficiency in marketing is part of the reason why many companies are unsuccessful on the export market.

Although the existence of an export market for a company's products is necessary, this is not sufficient for export success - this must be followed by good financial management and efficient production. Put simply, success is born out of a combination of good marketing, good financial management and efficient production.

Good management also recognises that human skills are the greatest asset in any company or organisation. A trained workforce is crucial to meeting quality standards which are increasingly becoming the determining success factor on the international market. Good management can therefore fill the skill shortage gap in the industry by developing its own skill base. Porter addresses the skill factor from the national point of view i.e. that a country without a skill base will not be internationally competitive. Good management addresses the skill factor from the company point of view i.e. that a company should develop its own skill base in order to be competitive. The implication of the analysis is that competitiveness is not only influenced by Government making skills available to the industry; the

company itself is also at the centre stage of competitiveness - through the development of its own skill base.

(c) Process Technology

The data shows that companies which are technology oriented are more competitive than companies which are not.

In the textile and clothing industries, process technology is positively related to the quality of the final product. Because of improvements in process technology, the quality of the product produced by modern technology is better than the product produced by outdated technology. Modern technology also improves the designing through computer aided designing. Modern technology has the overall effect of reducing total costs through reducing the workforce required to perform the same task e.g. computer aided designing. However, labour costs still remain a determinant factor of competitive advantage in the clothing industry due to diffusion of technology - the same technology is accessible to both countries with high labour costs and low labour costs.

The successful implementation of the differentiation strategy (which centres on quality and design) requires modern technology. Many companies in the Zimbabwe clothing industry are not equipped with modern technology. The successful exporters, such as the leading exporter in Zimbabwe, are equipped with modern technology. Lack of modern technology by many Zimbabwe clothing manufacturers, also explains why some companies pursuing the differentiation strategy are not successful on the United Kingdom and German export markets.

(d) Entrepreneurship and Innovation

The data shows that there is a link between export competitiveness and entrepreneurship/innovation. The best example of entrepreneurship is provided by the leading clothing exporter in Zimbabwe and the largest clothing manufacturer in Zimbabwe.

The company is privately owned by one individual who is a Zimbabwean national. The individual created the company and transformed it into the largest clothing manufacturer in Zimbabwe and the leading exporter. This meteoric rise by the company (in the presence of foreign owned companies supported by external resources of parent companies and licensed products on the domestic market) is a manifestation of a high degree of entrepreneurship by the owner. Entrepreneurship is underpinned by innovation. It is various innovations which led the company to be the largest clothing manufacturer and the leading exporter.

Another example of how innovation can bring about export competitiveness is provided by a local company which redesigned the University of Zimbabwe graduation apparel to suit local standards. Previously the graduation apparel was imported. Soon after the redesign, the company started receiving export orders from Universities and Colleges in the region.

The implication of the finding to trade policy is that Government must create a national environment which encourages and promotes entrepreneurship and innovation. Constraints which hinder the release of entrepreneurial energy and innovation must be removed.

The largest clothing manufacturer in Zimbabwe (and leading exporter) provides a model of the factors which constitute export competitiveness at

the individual company level. The company demonstrates that four factors (or four orientations) are essential to competitiveness as follows:

marketing orientation
cost orientation
technology orientation
innovation orientation

The export competitiveness of a company derives from being orientated to the four factors; one without the other is insufficient.

It was pointed out that a common factor which underpins the export success of the Zimbabwe clothing manufacturers is choice of strategy (ie choice of competitive strategy). This implies that for a company to be successful on the export market, it must be competition orientated. Taking the competitive factor into account, competition orientation should be added to the four orientations listed above.

(e) Export Promotion

The data analysis of the Zimbabwe clothing exporters shows a link between export promotion and export success. The export success of the companies derives from either export promotion efforts at the company level or export promotion at the national level, ie by the national export promotion organisation, ZIMTRADE, and Government export promotion efforts through trade representatives at embassies abroad.

Export promotion efforts at the company level are best illustrated by the leading clothing exporter in Zimbabwe. The company has a clearly defined export promotion policy which it pursues aggressively.

It is the aggressive pursuit of new export markets which transformed the company into the leading clothing exporter in Zimbabwe. It was mentioned that the company currently exports to France, Holland, Germany, the UK, and the USA. Some of the other companies' export success is also owed to individual export promotion efforts.

The export success of the other companies is owed to export promotion efforts at the national level. The export promotion programmes run by ZIMTRADE have resulted in the export success of some of the companies. Such export promotion programmes include organising and sponsoring the clothing companies' participation in international trade fairs. The author attended two such trade fairs in Germany. Government export promotion efforts through trade representation have also resulted in the export success of some companies. For example, it was mentioned that the trade representative in London played a key role in the export promotion success of the four companies now exporting to the largest UK importer of Zimbabwe's clothing; previously his eyes were fixed on the Far East countries. Export promotion support at the national level is very crucial as some companies (especially small companies) lack the financial resources to mount their own export promotion campaigns.

References

1. Porter, M.E. (1985) *Competitive Advantage (Creating and Sustaining Superior Performance)*, New York, The Free Press.

2. Yates, I. (1992) *Innovation, Investment and Survival of the UK Economy*. London, The Royal Academy of Engineering.

3. *Ibid*

Chapter 6
ANALYSIS OF FINDINGS

6.1 Introduction

In this chapter, an analysis of the findings in Chapter 5 will be carried out. The findings will be analysed in relation to the research hypothesis and the export competitiveness of the Zimbabwe clothing industry. It was stated in Section 2.4.1 that the hypothesis which will be tested in the research study is that: it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. It was pointed out that the hypothesis is of great significance to the research study since domestic competition constitutes the central pillar of the "diamond" theory used as the analytical framework of the research work. The author's finding that domestic competition in the Zimbabwe clothing industry is intense, makes the industry a good case study for testing the hypothesis.

The author's finding that competition in the Zimbabwe clothing industry is intense, is corroborated by other research. A study by the USAID, in 1992, on *Monopolies and Competition in Zimbabwe*, found out that competition in the clothing industry is extensive.[1] The analytical techniques used in the USAID study were Concentration Ratios and the Concentration Index (Hirschman-Herfindahl Index). The concentration ratio (Ci) is defined as the proportion of sales accounted for by the (i) largest suppliers to a market. The four firm concentration ration (CR4) is used as a common measure of the intensity of competition, ie the percentage of market share accounted for by the four largest firms. The Hirschman-Herfindahl Index (HHI) is defined as the sum of the squared market shares (expressed as a percentage) for all suppliers in a competition market. The HHI ranges between 0 and 10000. The HHI would be very small for competitive industries, where there are

many small suppliers. It can be as high as 10000 (100% x 100%) for a monopolist. The USAID study found out that the CR4 (concentration ratio of the four largest clothing producers) was 25.4% and HHI was 320. The analytical technique used by the author to measure the intensity of domestic competition in the Zimbabwe clothing industry is the Likert scale (which was explained in the Methodology Chapter). The score for domestic competition is 80%. The high score implies that domestic competition is intense.

Mention needs to be made of the fact that domestic competition in the Zimbabwe clothing industry is international in character because of the presence of foreign owned companies in the industry. Some of the companies are owned by multi-nationals, some by other foreign based companies, and many are owned by the indigenous people (or the Zimbabwe nationals). A number of companies also manufacture their products under international labels (franchise).

It is also pertinent to point out that the domestic competition in the clothing industry is not open competition, because of the trade policy which effectively protects the industry from import competition. The intense domestic competition which exists in the industry is therefore confined to the domestically based companies. It was mentioned in Chapter 3 that open competition has never existed on the domestic market throughout the entire history of the Zimbabwe clothing industry: firstly, as a result of economic sanctions between 1965 and 1980 and secondly, as a result of the trade policy of protection from 1980 to date.

6.2 Choice of Strategy

The evidence from the data analysis is that choice of strategy is fundamental to the export competitiveness of the Zimbabwe clothing industry on the UK and German export markets, as well as the other EEC export markets and the USA export market. Export success in these markets is associated with the differentiation strategy. The low cost strategy is incompatible with export success because

Zimbabwe's main competitors in these export markets have lower labour costs. It was pointed out that labour costs are crucial to export competitiveness as they constitute a substantial proportion of total production costs due to the labour intensive nature of the clothing industry. At the industry level, the Zimbabwe clothing industry is not competitive on the UK and German export markets, and the other overseas export markets, because the majority of the clothing firms (which account for the larger part of the manufacturing base) are pursuing an uncompetitive strategy ie the low cost strategy. Companies pursuing the strategy associated with export success (the differentiation strategy) are in the minority and their manufacturing base is small compared to that of the companies pursuing the low cost strategy.

It was also mentioned that, although the differentiation strategy is linked to export success, not all companies pursuing the differentiation strategy are successful exporters. This leaves the industry with an even smaller competitive manufacturing base from two counts: firstly, the larger part of the manufacturing base is accounted for by an uncompetitive strategy and secondly, some of the companies pursuing the strategy linked to export success are not competitive; this implies that there are other factors which underpin export competitiveness, on top of choice of strategy. The purpose of this Section is to analyse why the majority of the clothing firms are pursuing an uncompetitive strategy (the low cost strategy). The other factors which underpin export success will be analysed later in the Chapter.

The explanation lies in the profit motive. Companies set themselves up to make profit and seek to maximise profit; it is the business environment which determines the profitable market opportunities. The profitable market opportunities in any business environment are dictated by domestic competition or international competition. It was pointed out that the clothing market in Zimbabwe consists of three segments; the mass market, the middle market and the up-market. The mass market is the largest segment (larger than the other two segments combined). It was also pointed out that the domestic market is protected from import competition;

hence, the profitable market opportunities were only available to the domestically based companies. By virtue of its size, the mass market segment had the greatest consumer demand, which led more companies to establish themselves to serve it, compared to those serving the middle market and the up-market. The mass market segment is price sensitive and competition in the segment is based on cost ie the low cost strategy. The rise in domestic demand throughout the 1980s also guaranteed profitability on the domestic market. It was mentioned in Chapter 3 that the growth of the clothing industry in the 1980s by an annual average of 8% in the 1980s (the fastest growth) is attributable to a rise in domestic demand. The absence of import competition and the rise in domestic demand guaranteed a market for the companies pursuing the low cost strategy.

Since the low cost strategy bases competition on cost, international competition (import competition) on the domestic market would have rendered the low cost strategy unviable to the Zimbabwe clothing firms, as competing firms are located in countries with lower labour costs than Zimbabwe. It is therefore the absence of international competition on the domestic market which led the majority of the clothing firms to pursue the low cost strategy (which explains why the companies are uncompetitive on the UK and German export markets). Import competition would have resulted in a large competitive manufacturing base by forcing companies to abandon the low cost strategy and adopt the differentiation strategy in order to remain competitive against imports. It is also the adoption of the differentiation strategy which will make the Zimbabwe clothing industry successful on the UK and German export markets.

The analysis shows that the small competitive manufacturing base in the Zimbabwe clothing industry is attributable to lack of international competition in the industry. The intense domestic competition which exists in the industry still rendered the uncompetitive low cost strategy viable on the protected domestic market; hence domestic competition does not give rise to the international competitiveness of a nation's industry. The analysis supports the hypothesis that it is international

competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry.

6.3 Factor Conditions

Evidence from the findings showed that the shortage of skills in the Zimbabwe clothing industry has hampered the export success of several companies. The skills in short supply were identified as design skills, marketing skills, quality controllers and technicians. These skills are crucial to export success.

On the other hand, there are many firms in the clothing industry with the requisite skills for exporting but they have developed an anti-export bias. Some of these companies are utilising the skills to pursue the low cost strategy on the domestic market. As argued already, the low cost strategy does not translate into export success on the UK and German export markets, and the other overseas export markets. If the skills were used to exploit the export market, the Zimbabwe clothing industry would not be having a small competitive manufacturing base. In other words, there is an underutilisation of skills in the industry. There are also companies utilising the skills to pursue the differentiation strategy (which translate into export success on the UK and German export markets, and the other overseas export markets) but are totally dependent on the profitable domestic market. If such companies did not have an anti-export bias, the Zimbabwe clothing industry would not be having a small export base. The underutilisation of skills and the anti-export bias by companies can all be explained by the lack of import competition on the domestic market. Import competition would have two effects on the industry. Firstly, it would eliminate the underutilisation of skills by forcing the companies to abandon the low cost strategy and adopt the differentiation strategy: the strategy which transforms the industry into a competitive one. Secondly, it would eliminate the anti-export bias of the companies pursuing the differentiation strategy as their high profit margins on the domestic market would be eroded by the import competition. The

two combined effects of import competition would result in a large competitive manufacturing base in the clothing industry and a large export base.

The analysis on skills shows that the small competitive manufacturing base in the Zimbabwe clothing industry is not only explained by the shortage of skills in the industry, but also by the underutilisation of available skills. The implication of the analysis is that the export competitiveness of a nation's industry is also dependent on the utilisation of skills. Underutilisation of skills can undermine the export competitiveness of an industry in the same way as the shortage of skills undermines the export competitiveness of an industry. In the Zimbabwe clothing industry skills which can be utilised to produce products in which Zimbabwe has competitive advantage (ie differentiated products) are being utilised to produce products in which Zimbabwe lacks a competitive advantage (ie low cost products). It is the absence of import competition on the domestic market which has led to the underutilisation of skills. The analysis supports the hypothesis that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. The absence of import competition has also resulted in a narrow export base as some companies with products which can be competitive on the export market, are contended with only serving the domestic market because of the high profit margins offered by protection of the domestic market. The intense domestic competition which exists in the clothing industry failed to produce an industry which fully utilises skills and an industry which is not biased against exports.

The analysis on skills indicates that the lack of export competitiveness of the Zimbabwe clothing industry is both a trade policy issue and an export promotion issue. It is a trade policy issue because protection of the clothing industry has led to the underutilisation of skills by companies with the requisite skills for the export market, and an anti-export bias by companies whose products are competitive on the export market. It is an export promotion issue because companies, whose export success has been hindered by shortage of skills, require export promotion support.

Such export promotion support would increase the export base of the industry. For instance, the shortage of design skills in the industry can be overcome by providing design support to the companies, and the shortage of marketing skills can be overcome by providing marketing support to the companies.

The data analysis confirms that the other factor condition (infrastructure) is crucial to export competitiveness. The existence of a good infrastructure in Zimbabwe, and good transport and communication links between Zimbabwe and the UK, as well as Germany, have enabled the clothing companies exporting to the UK and Germany to be successful exporters. Without the infrastructure, the companies would not have been competitive on the UK and German export markets.

6.4 Supporting Industry

Evidence from the findings show that the supporting industry (textile industry) is not internationally competitive and this has hampered the export success of a number of companies on the UK and German export markets. One finding was that there are limited fabric ranges produced by the Zimbabwe textile industry compared to what other countries produce. Another finding was that some of the fabrics produced by the textile industry cost more than the same quality fabric on the world market. The other finding was that the textile industry is not responsive to the needs of the clothing firms: sometimes fabric orders are not delivered on time and sometimes insufficient quantities are delivered. This has adversely affected the export performance of the clothing manufacturers in terms of delivery on time and reliability of supply. The evidence was corroborated by an analysis of the competitive performance of the Zimbabwe product in both UK and German export markets (Section 5.3). In both the two export markets, the Zimbabwe product was weak on delivery on time.

As a major exporter, the textile industry is not dependent on the clothing industry for its profitability. This partly explains why the industry is not responsive to the

needs of the clothing manufacturers. The export incentive schemes outlined in Chapter 3 also apply to the textile industry. The existence of export incentives like the Export Incentive Scheme, Export Retention Scheme, Export Bonus Scheme, make it more beneficial to the textile manufacturers to export top quality fabric than to sell it to the local clothing manufacturers, because of the premium price it fetches on the export market. One of the findings was that there is a shortage of quality fabric on the domestic market. The export incentive schemes explain why the local clothing manufacturers experience a shortage of quality fabric. The export incentive schemes also apply to the clothing industry. The export incentive schemes were designed to encourage industry to export and make it competitive on the export market, thereby increasing the export earnings of the country. The irony is that the application of the export incentives to the textile industry has negatively impacted on the export performance of the clothing industry by creating a shortage of quality fabric. The country maximises its export earnings by exporting the finished product because of the value added factor. The implication of the analysis is that export incentives, though intended to increase the overall export earnings of a country, can defeat their purpose when applied to each stage of the production chain of a product.

The lack of a competitive supply base can also be partly explained by the oligopolistic structure of the textile industry. The textile industry comprises five major fabric producers who supply the bulk of the fabric required by the clothing industry. This oligopolistic structure makes the textile manufacturers unresponsive to the needs of their clients, ie the clothing manufacturers. The USAID study, on *Monopolies and Competition Policy in Zimbabwe*, referred in Section 6.1, found out that the concentration ratio of the four largest fabric producers (CR4) was 86 and the Hirschman-Herfindahl Index was 2870.[2] This implies that the textile market is not a competitive one. Introducing competition into the textile industry is one of the solutions to make the industry more responsive to the needs of the clothing industry in terms of delivery on time, delivering sufficient quantities and production of more fabric ranges. Nevertheless, this would not result in a competitive supply base in relation to price of the fabrics, since Zimbabwe has higher labour costs than other

producing countries. The local textile industry is also protected from import competition. It is only import competition on the textile market, which will ensure that the clothing manufacturers obtain fabric at world market prices by forcing the textile manufacturers to produce those fabrics in which they have competitive advantage, and those fabrics in which the industry lacks competitive advantage can be purchased at world market prices from foreign suppliers. Moreover, import competition will force the local textile manufacturers to be more efficient in production: this would lower the cost of production and price of the fabric.

All the supply problems identified in the findings as hampering the export success of the Zimbabwe clothing industry, will be eliminated by introducing import competition on the textile market. These problems range from limited fabric ranges produced by the industry, the unresponsiveness of textile manufacturers to the needs of the clothing manufacturers (manifested by not delivering fabric on time and in insufficient quantities, and the shortage of quality fabric arising from the export incentive schemes), and the price of local fabric being higher than same quality fabric on the world market. The lack of a competitive supply based in the industry can therefore be attributed to the lack of import competition on the domestic textile market. The implication of the analysis is that the international competitiveness of a supporting industry is also dependent on international competition. The intense domestic competition which exists in the clothing industry failed to produce a competitive supporting industry. The evidence and argument support the hypothesis that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry.

6.5 Process Technology

The finding from the data analysis is that process technology is a major factor on export competitiveness. Companies using modern technology (up-to-date technology) are competitive on the UK and German export markets, and the other international markets.

Firstly, up-to-date technology improves the quality of the final product. The relationship between process technology and export competitiveness is demonstrated by the leading clothing exporter and leading clothing manufacturer in Zimbabwe. The company has a vertical integrated structure ie the company has its own dyeing and printing operations of fabric, which it uses for garment assembly. Up-to-date technology is used in the dyeing and printing operations: which results in high quality fabric. Computer aided designing and cutting is also used. This enables the company to increase its design output and cut the designs with precision. Process technology is of importance both to the supporting industry and the clothing industry.

Secondly, up-to-date technology like computer aided designing and cutting, computer aided knitting and sewing, reduce costs by cutting down the workforce required compared to the workforce employed when these operations are done manually. It has been pointed out that labour costs constitute a substantial portion of total costs in the clothing industry.

The differentiation strategy was identified as the strategy associated with export success for the Zimbabwe clothing industry, on the UK and German export markets, and the other overseas export markets. The major components of the differentiation strategy in the clothing industry are quality and design; these two components are dependent on up-to-date technology. A review of secondary data in Chapter 3 revealed that the majority of clothing firms in the Zimbabwe clothing industry do not have modern machinery. Many are using outdated technology; only a small proportion of the clothing firms use up-to-date technology. The export competitiveness of the Zimbabwe clothing industry on the UK and German export markets is dependent on the use of modern technology. The fact that only a small proportion of the firms use modern machinery also explains why the Zimbabwe clothing industry is not competitive on the UK and German export markets. The use of outdated machinery by the majority of clothing firms keeps the cost of production high as most of the designing, knitting and sewing has to be done manually -

requiring a larger workforce. It has already been noted that Zimbabwe has higher labour costs than competing countries on the UK and German export markets. The high labour costs and the resultant employment of a larger workforce, due to use of outdated technology, pushes the total production costs high (rendering the Zimbabwe produce uncompetitive in the two markets).

Poor designs were cited as one reason why some importers are not buying the Zimbabwe product and this can be partly attributed to use of outdated technology in the industry. High prices were also cited as another reason why some importers are not buying the Zimbabwe product. This can also be partly attributed to the use of outdated technology by those companies pursuing the differentiation strategy.

Mention needs to be made that these companies using outdated technology are still competitive on the domestic market, due to the absence of import competition. The pressure for the companies to update their technology does not exist. Import competition on the domestic market would have had two effects. The first one would have been to force the companies already pursuing the differentiation strategy to update their process technology in order to remain competitive against imports. This would have also enabled them to be competitive on the UK and German export markets. It has already been argued in Section 6.2 (with respect to choice of strategy) that import competition would have forced the companies pursuing the low cost strategy to abandon it and adopt the differentiation strategy. The other effect of import competition, with respect to process technology, would have been to force the companies abandoning the low cost strategy to use up-to-date technology in their pursuit of the differentiation strategy, thereby becoming export competitive on the UK and German export markets.

The analysis on process technology establishes that the absence of import competition has led many clothing firms to continue using outdated technology since profitability is guaranteed by protection of the domestic market against imports. It was argued in Section 6.3 that the industry has a lot of skills which are being

underutilised by companies. Such skills can be successfully utilised in operating up-to-date process technology. In addition, several companies operate in-house training programmes for their workforce, such as operating the different machines in the factory. Such workers can also be successfully trained to operate up-to-date technology. The argument on skills and training is relevant to the analysis on process technology, as it helps to explain that the use of outdated technology in the Zimbabwe clothing industry is not attributable to the shortage of skills or lack of training, but lack of import competition. The workforce is being trained to operate outdated technology instead of up-to-date technology.

The analysis on process technology supports the hypothesis that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. Import competition would result in the clothing industry as a whole being technology orientated, ie adopting up-to-date technology. The intense domestic competition which exists in the clothing industry failed to produce an industry which is technology orientated.

6.6 Home-market demand

It was stated in Section 2.2.2 that Porter's contention that sophisticated demand on the home market gives rise to export competitiveness will be explored in more depth at some stage and will be used as a basis for comparison between developed and developing countries. This analysis is carried out in this section.

The data analysis (Section 5.6.2) established a link between home-market demand and export competitiveness with the middle market and up-market segments. There was no link with the mass market segment. It was mentioned that companies serving the middle market and up-market segments pursue the differentiation strategy and those serving the mass market segment pursue the low cost strategy. An analysis of home-market demand in Zimbabwe established that the Zimbabwe clothing consumer is fairly sophisticated. However, it is pertinent to note that the middle market and

up-market segments comprise very sophisticated consumers. The two segments include many people who have studied and lived abroad. The segments also include a sizeable number of people who migrated to Zimbabwe, especially from the UK because of the colonial linkage between Zimbabwe and the UK. In consequence, the middle market and up-market segments have sophisticated tastes which have an international influence. Demand in the two segments is therefore international in character since a large number of the consumers have had an international exposure. Consumers in the two segments are very strict and are quality or design/style sensitive. Consumers in the mass market segment are less sophisticated and this segment is the largest in volume (accounting for about two thirds of the clothing output in the industry).

Mention must be made of the fact that although a link exists between export success and those companies serving the middle market and up-market segments, not all the companies serving the two segments have been successful on the UK and German export markets. In other words, not all companies pursuing the differentiation strategy have been successful on the two export markets. Production costs distinguish the successful companies from the unsuccessful ones. Companies which succeeded had lower production costs due to the use of modern process technology. It was argued in Section 6.5 that process technology is crucial to Zimbabwe's export competitiveness in the UK and German export markets since Zimbabwe has higher labour costs than its main competitors in the two markets. Up-to-date process technology lowers production costs by cutting down on the workforce required, thereby making the price of the finished clothing competitive. Outdated technology keeps production costs high due to the inherent need to employ a larger workforce. Both the companies who have been successful and unsuccessful on the UK and German export markets are successful on the Zimbabwe domestic market. It was argued in Section 6.5 that the use of outdated technology by companies in the Zimbabwe clothing industry is attributed to lack of import competition. Import competition would have forced the companies to update their process technology in order to remain competitive against imports. The analysis indicates that satisfying

sophisticated demand alone is not sufficient for export competitiveness; production costs are even more important. The same product item which meets the criteria of strict demand can be either produced at a high cost or low cost; hence labour costs and process technology become crucial to competitiveness. On the export market, what determines success between two companies or two countries producing the same quality item, is who produces it at a lower cost (or price). This logic leads to the conclusion that the decisive factor on competitiveness is competition, not demand. The same logic explains why the firms pursuing the low cost strategy in Zimbabwe are not competitive on the UK and German export markets, since competing countries have lower labour costs.

An analysis of the UK clothing market requirements and the Zimbabwe clothing market requirements revealed that the two markets share common demand characteristics. If home-market demand was a decisive factor on export competitiveness, the common demand characteristics between the two markets would make the Zimbabwe clothing industry competitive on the UK export market. But this is not the case. The Zimbabwe clothing industry is not competitive on one count: Zimbabwe's main competitors on the UK export market (other developing countries have lower labour costs). As pointed out already, the majority of the Zimbabwe clothing firms pursue the low cost strategy (of which competition is based on costs). This implies that the export competitiveness of an industry is determined by competition prevailing on the target export market, as opposed to home-market demand. The UK export market is characterised by open competition. It was noted in the data analysis that some Zimbabwe clothing firms pursuing the low cost strategy have successfully exported to South Africa. This is because the prevailing competition on the South African market is not open; South Africa has been under economic sanctions as a result of its political system of apartheid. Very few countries traded with South Africa, hence competition from countries with lower wages than Zimbabwe was less intense compared to the UK. If the other countries (with lower costs than Zimbabwe) who are competing with Zimbabwe on the UK export market, were also competing with the Zimbabwe clothing industry on its

domestic market (ie import competition) the Zimbabwe clothing industry would be competitive on the UK export market. It has been argued in Section 6.2 that import competition on the Zimbabwe clothing market would have resulted in a large manufacturing base in the Zimbabwe clothing industry.

The analysis on the home-market demand factor supports the hypothesis that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry.

It was stated at the beginning of this Section that home-market demand will be used as a basis for comparison between developed and developing countries. It was stated in the Introductory Chapter that most of the industries in developing countries are uncompetitive as reflected by the share of world merchandise exports of 29% for developing countries, compared to 71% for developed countries. Most of the industries in developing countries are protected from import competition (as is the case in the Zimbabwe clothing industry). The analysis of the home-market demand factor in the Zimbabwe clothing industry has established that what determines export competitiveness is international competition. The Zimbabwe clothing industry is uncompetitive because of the absence of international competition, not because of the absence of sophisticated demand. The analysis is of significance for the other developing countries. The lack of their export competitiveness can also be explained by the absence of international competition; resulting from protection of their domestic industries, rather than the absence of sophisticated demand. By way of contrast, most industries in developed countries are exposed to international competition. The competitiveness of the industries has much to do with international competition, as opposed to sophisticated demand.

6.7 Export Promotion

In this section, the findings are analysed in relation to export promotion and export competitiveness. The analysis is related to the export competitivness of the Zimbabwe clothing industry.

What emerges from the overall analysis of the findings is that export promotion is successful on the basis of a competitive product and effective export promotion. For instance, the leading clothing exporter, was successful on the export market because of the combined effect of a competitive product and effective export promotion (or marketing). The unprecedented export campaign which took place during the drought period, also highlights the fact that export promotion is successful on the basis of a competitive product and effective export promotion. The drought virtually decimated domestic demand for clothing and firms turned to the export market to sell their excess production which used to be consumed on the domestic market; survival depended on exporting. Many firms embarked on the export market for the first time and those who were already exporters intensified their export promotion efforts. The export campaigns did not result in the export success of every company. Several companies closed down as they were unable to export their production. Export success was largely confined to companies which were already exporters. For example, the leading clothing exporter (referred to above) was able to export all its excess production. Companies pursuing the low cost strategy on the domestic market were unsuccessful on the export market and some of the companies pursuing the differentiation strategy were also unsuccessful.

The lack of export promotion success for companies pursuing the low cost strategy on the domestic market is attributable to an uncompetitive product (uncompetitive in terms of price). It has already been mentioned that the low cost strategy does not translate into export success on the UK and German export markets, plus the other overseas export markets, as competitors have lower labour costs. It was argued in Section 6.2 that the pursuit of the low cost strategy by the majority of the clothing

firms is attributable to lack of import competition. Hence, the lack of import competition on the domestic market explains why the majority of the clothing firms are producing an uncompetitive product.

The companies pursuing the differentiation strategy who were unsuccessful on the UK and German export markets fall into two categories. The first one is companies whose products were uncompetitive. The second one is companies whose products were competitive but effective export promotion was lacking.

An analysis of the findings reveals that the lack of export promotion success for the first category of the companies pursuing the differentiation strategy is attributable to factors ranging from an internationally uncompetitive supply base (supporting industry), use of outdated technology, shortage of skills and poor designs. One importer who imports elsewhere stated in the data questionnaire that he does not buy the Zimbabwe product because the price of fabric is higher than comparable quality fabric from other countries: this leads to a higher price for the final clothing product. The reason given by this importer reflects that the supporting industry is not internationally competitive. The lack of an internationally competitive supporting industry was corroborated by findings from the data analysis of the Zimbabwe clothing companies. For instance, one company noted that the price of fabric in Zimbabwe is higher than comparable quality fabric on the world market. It was argued in Section 6.4 that the lack of an internationally competitive supporting industry in Zimbabwe is largely explained by the lack of import competition in the textile industry. It was also mentioned in Section 6.4 that the Export Incentive Scheme, the Export Retention Scheme, and the Export Bonus Scheme, have also undermined the export competitiveness of the clothing companies. Some of the textile firms take advantage of the export incentive schemes by exporting top quality fabric (which fetches a premium price on the export market) while local firms experience a shortage of top quality fabric; yet top quality fabric is crucial for export success under the differentiation strategy. It is this lack of an internationally competitive supporting industry and lack of support by the industry, which has

rendered products of some of the companies pursuing the differentiation strategy uncompetitive on the UK and German export markets.

The use of outdated technology also explains why products of some of the companies pursuing the differentiation strategy were uncompetitive on the UK and German export markets. It was stated in Section 6.5 that outdated technology keeps production costs high compared to up-to-date technology. Outdated technology results in an uncompetitive product in terms of cost (which manifests itself in higher prices). For instance, high prices were cited as one of the reasons why some clothing importers in both the UK and Germany are not buying the Zimbabwe product. Process technology is crucial to Zimbabwe's export competitiveness due to higher labour costs compared to Zimbabwe's competitors on the export market. The use of outdated technology in the Zimbabwe clothing industry was attributed to lack of import competition.

Poor designs also explain why products of some companies pursuing the differentiation strategy were uncompetitive on the UK and German export markets. One importer who imports elsewhere stated in the data questionnaire that he does not buy the Zimbabwe product because of poor designs. This reflects the shortage of design skills in the industry which several companies experience. It also reflects that companies lack export promotion support in the design area. The design factor is crucial to export success. The lack of export promotion success for such companies can be attributed to lack of export promotion support in design. The country does not have a Design Centre for the clothing industry. Most of Zimbabwe's competitors (mainly Far East countries) on the UK and German export markets, have design centres which support their clothing industries.

The other category of companies relate to those companies producing competitive products, but have been unsuccessful on the UK and German export markets. One finding from the data analysis is that critical mass (scale) is needed to compete effectively on the UK and German export markets, and the other overseas export

markets. Importers in these markets normally place huge orders with manufacturers. Large manufacturers have been successful in these export markets because they have the scale or the capacity to supply the huge export orders. For example, critical mass explains why the largest clothing manufacturer in Zimbabwe has been successful on the export market. This ability to supply can be acquired through collaboration among firms, who individually lack the scale to supply big orders. A few companies in the Zimbabwe clothing industry owe their export success to collaboration. However, collaboration in the industry is still confined to a small number of companies. A number of companies whose products are competitive have lost export orders on account of lack of capacity to supply, yet if they had collaborated on the execution of such huge export orders, they would be successful exporters today. Collaboration is a practice which has not yet permeated the industry as a whole. An adoption of the concept would result in the export success of many companies. A case in point is the export success of the Italian clothing industry, which is made up of several small producers (as is the case in the Zimbabwe clothing industry). G. Lorenzoni and O.A. Ornati found out that much of Italy's clothing exports come from small producers and that it is collaboration which explains their export success.[3] On an individual basis, the Italian firms cannot command the scale needed for export success, but collectively they constitute the scale needed. The firms also share design resources, export intelligence information and other functions necessary for competitiveness.

The concept of collaboration should not only be confined to the clothing firms. It should embrace the production chain and the entire marketing system. The collaboration should extend beyond the clothing industry to the supporting industry. For instance, if one textile firm cannot on its own meet the fabric requirement of a clothing firm, it should collaborate with the other textile firms in the textile industry in fulfilling the order. In the Italian clothing industry, the entire marketing system is one of collaboration. There is collaboration among firms in the clothing industry and among firms in the textile industry (the supporting industry), and there is also collaboration between the textile industry and the clothing industry. Italy is now one

of the leading exporters of clothing in the world. Collaboration is therefore of significance to export success.

The narrow export base in the Zimbabwe clothing industry can be attributed to weaknesses in the marketing system. Findings from the data analysis demonstrate that there is no collaboration between the fabric producers and the clothing producers. For example, the fabric manufacturers export quality fabric while the clothing manufacturers are experiencing a shortage of that quality fabric. Qualitative data obtained from interviewing the clothing manufacturers revealed that relations between the clothing manufacturers and the fabric manufacturers are sometimes tense. This reflects the lack of collaboration which exists between the fabric manufacturers and the clothing manufacturers. On the other hand, collaboration has not yet permeated the clothing manufacturers themselves; they do not share design resources, export intelligence information, as is done in the Italian clothing industry. It is the areas where the Zimbabwe clothing industry is weak, which collaboration will remedy. For example, the evidence from the findings is that poor designs have hampered the export success of many companies. Collaboration by way of sharing design resources will resolve the problem of poor designs. Similarly, collaboration in marketing will result in the export success of several companies. By the same token, collaboration between the fabric manufacturers and the clothing manufacturers will ensure that the clothing manufacturers will get all their fabric requirements.

Other companies with competitive products on the UK and German export markets were unsuccessful because of lack of export planning. Exporting is not a bolt-on activity; it requires careful planning and addressing the market niches where a company's product (or products) have export demand. The need for export planning is demonstrated by the leading clothing export in Zimbabwe. It was pointed out that the company has a clearly defined export policy backed by effective marketing. The failure of companies with competitive products to succeed on the export market also reflects a shortage of marketing skills in the industry. The implication for export promotion is that such companies require marketing support. Mention needs to be

made of the fact that the export promotion support in marketing provided by ZIMTRADE (the national export organisation) and Government trade representatives in Zimbabwe's embassies has resulted in the export success of a number of companies. It was pointed out in Chapter 4 that ZIMTRADE organises and sponsors the participation of clothing companies in international trade fairs. Government trade representatives also support the clothing companies by providing them with market information. However, more marketing support is still required to make companies with competitive products succeed on the export market.

It was pointed out in Section 5.4 that the finding that 70% of the UK importers and 75% of the German importers are unaware of what Zimbabwe offers, will be analysed and discussed at greater length at some stage, in order to establish whether it is the cause or effect of the lack of export competitiveness of the Zimbabwe clothing industry in the two markets. The analysis in this Chapter indicates that the unawareness of what Zimbabwe offers by the majority of the UK and German clothing importers, is not the cause but the effect of the lack of export competitiveness of the Zimbabwe clothing industry. Firstly, the majority of the clothing firms produce an uncompetitive product: they pursue that low cost strategy which does not translate into export success against competition from countries with lower labour costs than Zimbabwe. Also, the firms constitute the larger part of the manufacturing base in the clothing industry. The smaller part of the manufacturing base is made up of the companies pursuing the differentiation strategy. The companies include those whose products are competitive in the two markets, but are totally dependent on the domestic market (they have an anti-export bias). Some of the other companies use outdated technology which renders their products uncompetitive, as this pushes up production costs and hence the final price of the product. The shortage of skills (which manifests itself in poor designs and deficient marketing) has hampered the export success of the other firms. Finally, the lack of an internationally competitive supporting industry and lack of solid support by the supporting industry have undermined the export competitiveness of several companies pursuing the differentiation strategy. The cumulative effect of these

factors leave the Zimbabwe clothing industry with a small and narrow export base, insufficient to draw the awareness of most of the UK and German clothing importers on what the Zimbabwe clothing industry offers for the export market.

The overall analysis of the findings reveals that the export competitiveness of the Zimbabwe clothing industry on the UK and German export markets depends on correct choice of strategy (the differentiation strategy), full utilisation of available skills, use of up-to-date process technology, and an internationally competitive supporting industry. It has been argued that the wrong choice of strategy (the low cost strategy) by the majority of the clothing firms in the industry, the underutilisation of skills in the industry, the use of outdated technology in the industry, and the lack of an internationally competitive supporting industry, occurred because of the absence of international competition. This occurred in the midst of the intense domestic competition which exists in the clothing industry. This proves the hypothesis that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. The significance of the analysis is that the protection of a domestic industry is counterproductive to export competitiveness.

6.8 Entrepreneurship

The analysis of the findings so far has explained export competitiveness at the company level in terms of three factors: competition orientation, marketing orientation, and technology orientation (or cost orientation). Competition orientation explains the export success of the clothing firms on the UK and German export markets, and the other overseas export markets, in terms of a competitive strategy. The strategy competitive on these export markets is the differentiation strategy. Marketing orientation explains the export success of the firms in terms of effective export promotion, ie identifying niches or market opportunities where a company's product (or products) have export demand. Technology orientation is gaining competitiveness by using up-to-date process technology. Up-to-date technology

lowers production costs by cutting down on the workforce required and making the product competitive in terms of cost. The high labour costs in Zimbabwe make technology crucial to export competitiveness.

The fourth factor which explains export competitiveness at the company level is entrepreneurship. Entrepreneurship manifests itself in vision, creativity and innovation, the ability to perceive opportunities for business development, and risk taking. Entrepreneurship is best illustrated by the largest clothing manufacturer in Zimbabwe and the leading clothing exporter. The company is locally owned and owes its success to the owner. The owner created the company and transformed it to be the largest clothing manufacturer in Zimbabwe. The owner achieved this success in the midst of foreign owned companies (which are not dependent on local resources), products manufactured under renowned international labels (franchise), and the intense domestic competition which exists in the clothing industry. It is also the hallmark of entrepreneurship which transformed the company into the leading clothing exporter in Zimbabwe. The company's largest export market is the USA. After identifying a business export opportunity with a major buyer of men's casual wear in the USA, the company dedicated an entire factory to production of garments for the American market. Its other export markets are the UK, Germany, France, Holland and South Africa. The company currently exports half of its clothing production.

The other example of how entrepreneurship brings about export success is demonstrated by another locally owned company which redesigned the University of Zimbabwe graduation apparel to suit local standards. The graduation apparel used to be imported from abroad. Soon after the innovation the company started receiving export enquiries from other Universities and Colleges in the region. The innovation in design has created an export base in the clothing industry, in addition to replacing imported graduation apparel.

The significance of entrepreneurship is that it is a factor which enables a nation's industry to establish an export base, replace imports, and successfully challenge world class products. The analysis suggests that entrepreneurship is the most potent factor on the export competitiveness of a nation's industry, as it transcends the other three factors. The other three factors (competition orientation, marketing orientation and technology orientation) only confine themselves to explaining competitiveness in terms of international competition, ie in terms of the hypothesis that it is international competition (rather than domestic competition) which gives rise to the export competitiveness of a nation's industry. Entrepreneurship goes beyond explaining competitiveness in terms of international competition, to explaining it in terms of innovation (creating new products and setting new standards) on which the new competition will be based upon. For instance, an innovation in process technology can set the standard on which technology orientation becomes the reference point. Entrepreneurship actually drives the other three factors. Hence, competitiveness thrives on entrepreneurship. The implication of the analysis is that countries without entrepreneurs will lag behind in competitiveness. The policy implication is that governments should create national environments which promote and encourage entrepreneurship.

6.9 Foreign Investment and Alliances

Foreign investment and alliances are external factors which have contributed to the export success of the Zimbabwe clothing exporters. An analysis of these two factors is carried out in this Section, in relation to the export competitiveness of the Zimbabwe clothing industry.

6.9.1 Foreign Investment

The evidence from the data analysis is that foreign investment has contributed to the export success of the Zimbabwe clothing industry in two main ways. Firstly, foreign investment has contributed to the expansion of the supply base. Some of the major

fabric producers are foreign owned companies. They supply the clothing exporters with fabric for clothing manufacturing. Some of the foreign owned companies have vertical integrated structure; in addition to supplying the other clothing exporters with fabric, they also act as their own suppliers for the clothing they manufacture for export. Without the foreign investment in the supporting industry, the clothing industry's supply base would be smaller than what it is.

The foreign owned companies (some who are subsidiaries of the multi-nationals) are not dependent on local resources. They draw on resources from their parent companies, such as financial resources and manpower resources (design, marketing and technical skills). Findings from the data analysis have revealed that the shortage of skills in the clothing industry have hampered the export success of many clothing companies. The shortage of skills is critical in the design, marketing and technical areas. By drawing on resources from the parent companies (in areas where there is a shortage of skills) foreign investment has contributed to the export success in the clothing industry. The foreign owned companies also use the established distribution channels of the parent companies for their export products.

The clothing industry increased its export base by tapping into external resources: financial and manpower resources of parent companies with subsidiaries in the industry. On the other hand, some foreign owned firms devoted their business operations to serving the mass market segment because its size offered a profitable market opportunity on the protected domestic market. It was pointed out that competition in the mass market segment is based on the low cost strategy. It was argued in Section 6.2 that companies pursued the uncompetitive low cost strategy because of the absence of import competition on the domestic market. Some of the foreign owned companies who pursued the low cost strategy had the requisite skills (at the subsidiary company and the parent company) for the differentiation strategy: the strategy competitive on the UK and German export markets. It was argued in Section 6.3 that this underutilisation of skills (anti-export bias) is explained by the absence of import competition on the domestic market.

The analysis indicates that although foreign investment contributes to the export success of a nation's industry, lack of import competition in the industry can create an anti-export bias on the part of the foreign investor. The small export base in the Zimbabwe clothing industry is also explained by the anti-export bias of foreign owned firms, resulting from the lack of import competition in the industry. It was argued in Section 6.3 that import competition would eliminate the anti-export bias and increase the export base in the industry. The analysis on foreign investment also supports the hypothesis that it is international competition (rather than domestic competition) which gives rise to the export competitiveness of a nation's industry.

6.9.2 Alliances

Alliances (or joint ventures) with external partners explain the export success of some of the Zimbabwe clothing exporters. For example, the four Zimbabwe clothing manufacturers who export to the largest importer of Zimbabwe clothing in the UK, owe their export success to an alliance with the importer. The alliance covers design, marketing and production. The UK partner is also a clothing manufacturer in the UK and has established distribution channels. The UK partner carries out market research into clothing trends in the UK and his designers make designs, based on the research results, which are then passed on to the Zimbabwe partners for production of the garments. The UK partner also sends his quality control personnel to Zimbabwe to assist the partners with quality control of the products. An alliance of this nature addresses the problems which the Zimbabwe clothing industry experiences in terms of shortage of skills. One finding was that the shortage of skills in the areas crucial for export success (design skills, marketing skills and quality controllers) has hampered the export success of many Zimbabwe clothing manufacturers. The four Zimbabwe clothing manufacturers became successful on the UK export market by drawing on the design skills, marketing skills and quality control skills of their external partner.

Another large Zimbabwe clothing manufacturer entered into an alliance with a renowned UK retailer to develop environmentally friendly T-shirts. The UK retailer shared its human and financial resources with the Zimbabwe partner to develop the new products, which will be manufactured by the Zimbabwe partner and exported to the UK partner and distributed for sale in his retail outlets in the UK.

There are other alliances which some of the Zimbabwe clothing manufacturers have entered into such as appointing agents in the UK and Germany. The alliances have not been effective since the agents do not have established distribution channels and the technical skills to back up the Zimbabwe partners (in the areas which the Zimbabwe partners experience a shortage of skills).

The significance of the analysis is that alliances are effective in export promotion only if they address the export constraints faced by the companies.

The analysis of the alliance between the Zimbabwe clothing manufacturers and their UK partners has established that the Zimbabwe clothing manufacturers have gained export competitiveness through having access to the human resources (skills and expertise) of their UK partners, as well as having market access to the distribution channels of their partners. An analysis of the competitive position of the UK partner (the largest clothing importer from Zimbabwe) also reveals a competitive gain. By entering into an alliance with the four Zimbabwe clothing manufacturers, the UK partner (who is also a clothing manufacturer in the UK) has maintained his market share in the UK. The UK has higher labour costs than Zimbabwe. The pressure of international competition on the UK market from countries with lower labour costs, has shifted cost advantage to low wage countries. The UK partner has retained production of high added value garments (which offsets high labour costs) and shifted production of the other garments to the Zimbabwe clothing manufacturers. The UK partner has maintained his market share in the UK by shifting production of the other garments (in which he does not have cost advantage) to the Zimbabwe clothing manufacturers.

The analysis reveals that alliances satisfy the competitive objectives of both developing countries and developed countries. It was stated in Chapter 1 that the competitive objective of developing countries' governments is for their industries (or firms) to gain export competitiveness and that one of the competitive objectives of developed countries' governments is for their industries (or firms) to maintain market share on the world market. The alliance between the four Zimbabwe clothing manufacturers and the UK clothing manufacturer has enabled the Zimbabwe clothing firms to gain export competitiveness on the UK market, while at the same time enabling the UK clothing firm to maintain its market share on the UK market against the pressure of international competition. Similarly, the alliance between the other Zimbabwe clothing firm and the large UK retailer in developing environmentally friendly T-shirts, enables the Zimbabwe clothing firm to gain export competitiveness on the UK market, while enabling the UK retailer to maintain its market share on the UK market against the intensifying international competition. The implication of the analysis is that firms in developing countries can gain export competitiveness by entering into alliances with firms in developed countries and firms in developed countries can maintain their market share by entering into alliances with firms in developing countries. Firms in developing countries and firms in developed countries have complementary competitive advantages. The firms in developing countries have a competitive advantage on production costs because labour costs are lower. Firms in developed countries have a competitive advantage in design and marketing skills (built over a long period); they also have market access through established distribution channels and loyal customers.

The analysis also reveals that a company's competitive position does not only depend on its own competitive advantages, but on the competitive advantages of other firms (beyond its own borders). The UK clothing firm, which is in partnership with four Zimbabwe clothing firms, has competitive advantages in design and marketing (including established distribution channels), but lacks another essential competitive advantage, ie cost advantage. The company has sustained its competitive position on the UK market by tapping into the competitive advantage (cost advantage) of the

four Zimbabwe clothing firms. Similarly, the four Zimbabwe clothing firms have a competitive advantage in cost, but lack the other essential competitive advantages, ie design and marketing. They gained competitiveness by tapping into the competitive advantages (design and marketing) of the UK clothing firm. The wide array of competitive advantages (cost, design, marketing, technical skills), essential for a company to be competitive, are not all possessed by one company. Companies have to tap into each other's competitive advantages in order to sustain their competitive position.

In Chapter 3 it was noted that several companies in developed countries have relocated their plants in low cost countries. This should be seen in the context of trying to keep all the competitive advantages essential for sustaining their competitive position. By relocating manufacturing facilities in low cost countries, the companies maintain the cost advantage which they would have lost in their home country. In other words, the companies have successfully maintained the cost advantage through foreign investment. Hence, foreign investment is also part of the competitive game, just like alliances. Such foreign investment also satisfies the competitive objectives of developing countries by expanding the export base of their industries or creating an export base, where there is none. The foreign investment also satisfies the competitive objectives of developed countries by enabling the firms to sustain their market share at home or on the world market.

A separate analysis on foreign investment in Zimbabwe (Section 6.9.1) established that foreign investment contributes to the export success of a nation's industry. The analysis in this Section also establishes that foreign investment can expand the export base of a nation's industry or create one, where it is absent. The implication of the analysis is that developing countries can gain export competitiveness by promoting foreign investment into their industries.

It was mentioned in Chapter 3 that foreign investment and alliances which have occurred in some of the developing countries can be attributed to the Multi-Fibre

Arrangement. The Multi-Fibre Arrangement (fully explained in Chapter 3) is an arrangement to protect the textile and clothing industries in developed countries from low cost imports from developing countries. It operates at the bilateral level. For instance, a developed country can impose quotas on imports from a particular country. Countries which have experienced the quotas are mainly those in the Far East. Many other developing countries have not been affected by the MFA quotas (Zimbabwe included). Several companies from developed countries are locating production (or seeking alliances) in countries which are not affected by the MFA quotas. Some companies in the countries affected by the MFA quotas are also investing in countries unaffected by the quotas to beat the quotas imposed on their countries.

The firms in countries affected by MFA quotas invest in other developing countries unaffected by the quotas, in order to increase their share of exports; such companies already have established distribution channels on the export market. This leaves the other developing countries unaffected by MFA quotas with two foreign investment catchments: the developed countries and the countries affected by the MFA quotas. The promotion of foreign investment into their industries should be directed at both firms in developed countries and firms in the countries affected by the MFA quotas. Such countries include Hong Kong and South Korea. It was mentioned in Section 3.3.2 that Hong Kong is the largest exporter of clothing in the world and South Korea the fourth largest exporter. Many clothing firms in these countries already have established distribution channels in developed countries. Foreign investment from (and alliances with) such firms serve the same export promotion objective as with established importers in developed countries.

References:

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Chapter 7
DISCUSSION OF FINDINGS AND THE "DIAMOND" THEORY

7.1 Introduction

In this chapter, the survey research findings are related to the literature reported in the body of the thesis and the wider context of the authoritative research in this area. The findings are discussed in terms of the thesis argument and the competitive objectives of developing countries. The thesis argument is that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. The analysis of the findings in Chapter 6 proved the hypothesis that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. As explained in Chapter 1, the competitive objectives of developing countries are to gain export competitiveness or create an export base for their industries.

An assessment of the applicability, effectiveness and relevance of the "diamond" theory to the outcome of the research will also be carried out.

7.2 Factor Conditions

The review of literature in Chapter 2 established that skills are fundamental to the export competitiveness of a nation's industry. For instance, the study by Keesing (cited in Section 2.3) on 'Labour Skills and the Structure of Trade in Manufacturers', in 1968, provided evidence that skill availability was a major determinant of international trade patterns. Keesing's study covered the USA, Japan and seven European countries. His finding was that differences in skill endowment

explain the pattern of international trade. The importance of skills is not only recognised in trade theory, it is also recognised in economic theory and management theory. In economic theory, economists have broadened the definition of capital to cover human skills. In management theory human skills are considered as the greatest asset in any organisation (or company). For example, Peter Drucker (the management guru) cited in Section 2.4.3, has argued that knowledge is and will remain at the centre of the wealth-producing process. The knowledge worker (or skilled worker) will be the key factor to success. Porter's "diamond" theory also emphasises the skill factor as one of the key factors to the success of a nation's industry.

Evidence from the author's research findings confirms that skills are crucial to success. The data analysis revealed that the shortage of skills has hampered the export success of many companies. However, the overall analysis of the skill factor revealed that what matters to the competitiveness of a nation's industry is the utilisation of skills rather than their availability in an industry. One of the findings was that the requisite skills for exporting in the Zimbabwe clothing industry are being underutilised; they are not being utilised for export purposes. Hence, the lack of export competitiveness of the Zimbabwe clothing industry cannot only be explained by the shortage of skills, but also by the underutilisation of skills. It was argued that it is the absence of international competition which led to the underutilisation of skills. Most of the developing countries protect their industries from import competition (international competition) using the infant industry argument, ie that as infant industries they should be protected from import competition. The lack of export competitiveness in many industries in developing countries has been exacerbated by the underutilisation of skills. The shortage of skills is the reason often given for their lack of export competitiveness. The contribution from the author's research work is that what matters to competitiveness is not only the availability of skills in an industry (or making skills available) but the utilisation of the skills. If the requisite skills for exporting available in the Zimbabwe

clothing industry were utilised for export purposes, the industry would not be having the small export base which exists.

The fact that the shortage of skills has hampered the export success of many clothing companies implies that export promotion support has a significant role to play. Export promotion support is of significance to their success in terms of providing design and marketing support(areas identified as having a shortage of skills). Export promotion support in the design field has been weak throughout the 1980s. It's only at the beginning of the 1990s that serious attempts have been made to provide design support. One example was getting a designer under the German government technical assistance programme to Zimbabwe, to assist clothing companies in the design area. There are also plans to set up a design centre for the clothing industry. ZIMTRADE (the national export organisation) also plans to set up an industrial design infrastructure to assist various companies in design. Export promotion support is weak in many developing countries. The small export bases or their non-existence in developing countries can be partly attributed to weakness in export promotion support. The significance of the analysis is that export promotion support at the national level in developing countries will result in the export success of many companies and an expansion of the export base.

The analysis on the skill factor explains the lack of export competitiveness of most industries in developing countries not only in terms of shortage of skills, but also in terms of underutilisation of skills and weakness in export promotion support.

7.3 Home-market demand

Classical and neo-classical trade theories highlighted the role of demand in determining the pattern of international trade. The Heckscher and Ohlin model cited in Section 2.3 explained trade patterns in terms of differences in demand patterns of countries. Porter builds on this model by emphasising the strictness or discrimination of consumers over what is produced by manufacturers; the more strict or

discriminating consumers are (ie the more sophisticated consumers are), the more successful a nation's industry becomes. Porter's model would explain the general lack of export competitiveness of industries in developing countries, compared to developed countries, in terms of less sophisticated consumers (or the absence of sophisticated consumers).

The author's finding is that what determines the export competitiveness of a nation's industry is not home-market demand, but international competition. For example, the same quality product to satisfy strict demand in the home market can be produced at a lower cost in another country with strict demand of the same magnitude. This international competition factor is highlighted by the data analysis which revealed that the Zimbabwe clothing market shares common demand characteristics with the UK clothing market, but the Zimbabwe clothing industry is not competitive on the UK market because competing countries can satisfy the demand at a lower cost, due to lower labour costs. The Zimbabwe clothing industry's lack of export competitiveness on the UK market is explained in terms of international competition, rather than in terms of home demand.

The author's analysis of home-market demand reveals that what matters to competitiveness is the cost factor. This cost factor manifests itself in choice of a competitive strategy or efficient production. One of the findings in the research was that the Zimbabwe clothing industry is not competitive on the export market because the majority of the clothing firms are pursuing the low cost strategy, which does not translate into export success against competition from countries with lower labour costs. The other finding was that some companies, whose strategy is compatible with export success (the differentiation strategy), are not competitive on the export market due to use of outdated technology. Outdated technology leads to inefficient production by pushing up production costs because of the inherent need to employ a large workforce. Up-to-date process technology leads to cost efficiency by cutting down on the workforce required. It was pointed out in Section 6.2 that the absence of import competition on the Zimbabwe domestic market presented the market

opportunity for domestic companies to pursue the low cost strategy. The mass market segment, on which the low cost strategy is targeted, constituted the largest market segment and the absence of the threat of import competition made this vast mass market segment secure. The absence of import competition also made companies using outdated technology secure on the domestic market. If a company's profit is secure from any threat, the company will not change its strategy, production process and method of doing business. Import competition delivers the pressure needed for companies to change an uncompetitive strategy and to update process technology, in order to remain competitive against imports (thereby becoming competitive). The cost factor also applies to the supporting industry. Import competition forces the supporting industry to be competitive, resulting in a competitive supply base for the clothing industry.

The USA automobile industry was cited in the literature as an industry which attained competitiveness after exposure to international competition (especially Japanese competition). It was the pressure of international competition which forced the US automobile firms to change their method of doing business, become more efficient, and update their process technology. The chairman of Ford (US automobile company), Alex Trotman, accordingly portrayed the need to avoid complacency when he noted that "we are going to have to work like mad, get more and more efficient, to survive and prosper in this global industrial environment."[1] Before the international competition, the vast USA domestic market was secure to the American companies. The sophisticated USA consumer demand was not responsible for the gaining of competitiveness by the USA automobile firms. It was international competition which provided the stimulus. This provides separate evidence that what determines competitiveness is not home-market demand, but international competition.

The lack of export competitiveness of most industries in developing countries can be attributed to lack of international competition (not absence of sophisticated demand) as most of the industries are protected from international competition.

7.4 Foreign Investment

The literature on investment recognises the role of foreign investment in giving rise to the export competitiveness of nations' industries and in the economic development process as a whole. For instance, it was noted in Chapter 2 that it is foreign investment which gave rise to the export competitiveness of the UK automobile industries. Leading exporters of cars from the UK car industry are foreign owned firms. In Section 2.4.1, a study by J. Stopford and S. Strange of 50 multi-nationals and more than 100 investment projects covering three developing countries (Kenya, Brazil and Malaysia) was also cited. The study found out that developing countries can improve their economic development by harnessing the resources of the multi-nationals (this is foreign investment).

Findings from this research study confirm that foreign investment gives rise to export competitiveness. The findings show that foreign investment has contributed to the expansion of the export base in the Zimbabwe clothing industry in two ways. Firstly, foreign investment in the supporting industry (textile industry) has increased the supply base of fabric used by clothing exporters. Without that foreign investment in the supporting industry, the export base in the clothing industry would be smaller than what it is. Secondly, foreign investment in the clothing industry has contributed to the expansion of the export base in the clothing industry by overcoming the export constraints in the industry. Constraints to the export success of the clothing industry were identified as shortage of skills in the areas crucial to export success such as design skills, marketing skills and market access. Foreign owned companies have overcome these constraints by drawing on the design and marketing resources at their head offices. Some of the parent companies have established distribution channels on the export market into which products manufactured by their subsidiaries are marketed through.

On the other hand, there are findings from the research study which show that foreign investment can fail to contribute to the export success of a nation's industry.

One finding was that foreign owned firms can also develop an anti-export bias. Foreign owned firms, like any other firm, are driven by the profit motive and can also seize the market opportunities in their business environment and react accordingly to threats in their business environment. The absence of international competition on the Zimbabwe clothing market led some foreign owned companies, whose products are competitive on the export market, to be totally dependent on the domestic market. The absence of international competition also led some foreign owned firms (with the requisite skills for the export market at the firm or at their parent office) to under-utilise the skills by pursuing the low cost strategy. It was pointed out that the low cost strategy does not translate into export success. It was argued that international competition would have wiped out the anti-export bias and the underutilisation of skills in the industry.

The contribution from the author's findings is that although foreign investment contributes to the export success of a nation's industry, it can also fail to contribute to the export success of a nation's industry. The lack of export competitiveness of industries in developing countries can therefore be attributed to two reasons. The first one is little foreign investment. Like Zimbabwe, many developing countries have a shortage of the skills crucial for export success (and also lack export market access). The little foreign investment in their industries is not sufficient to remedy the export constraint of shortage of skills and lack of market access. The second is protection of domestic markets from international competition (which has created an anti-export bias on the part of some foreign owned firms). It has been pointed out that most developing countries' industries are protected from international competition. The implication of the findings is that governments in developing industries can gain export competitiveness for their industries by promoting foreign investment and opening up their markets to international competition.

7.5 Alliances

The literature review in Chapter 2 established that alliances give rise to the competitiveness of a nation's industry. As pointed out in Section 2.4.1, Kathryn Harrigan's authoritative research revealed that alliances are a source of competitive advantage.

The author's research findings also confirm that alliances give rise to the export competitiveness of a nation's industry. The alliance between four Zimbabwe clothing manufacturers and a UK clothing manufacturer (now the largest importer of Zimbabwe clothing) gave rise to the export success of the four clothing manufacturers. The four Zimbabwe clothing manufacturers gained export competitiveness by tapping into the design skills, marketing skills and quality control skills of the UK manufacturer, and having market access to the established distribution network of the UK clothing manufacturer. The alliance resolved the export constraints faced by the four Zimbabwe clothing manufacturers, ie shortage of skills and export market access. Another large Zimbabwe clothing manufacturer entered into an alliance with a large UK retailer, to develop a new product: friendly environmentally T-shirts. The Zimbabwe clothing manufacturer shares the human and financial resources of the UK partner in the project. The T-shirts will be exported to the UK retailer and sold throughout its retail outlets. The Zimbabwe clothing manufacturer will gain export competitiveness through sharing the expertise of the UK retailer and market access through the partner's retail outlets.

Alliances with external partners are also of significance to the export promotion of industries in developing countries. They resolve the export constraints which many developing countries face (lack of export market access and shortage of skills). The implication is that developing countries' governments can gain export competitiveness for their industries by promoting alliances between their firms and firms in developed countries.

Another finding was that alliances between firms in developing countries and firms in developed countries are also of significance to the firms in developed countries. As pointed out in Section 7.3, the cost factor matters to competitiveness. Labour costs in developed countries are higher than in developing countries. The alliances enable firms in developed countries to remain competitive by maintaining or increasing their market share, through shifting production of product items in which they have lost competitive advantage to their partners in developing countries. Most of the firms in developed countries retain competitive advantage in design, marketing, quality control and distribution. Firms in developing countries have a competitive advantage in cost. All the factors are essential to competitiveness, and an alliance embodying the factors makes it operate as one competitive entity. It is very rare these days (because of the pressure of international competition) to find one company possessing all the competitive advantages necessary for it to maintain its competitive position. The finding confirms the literature review in Chapter 2 that for firms to survive and compete effectively, they will increasingly become interdependent. Hence, alliances constitute a potent source of competitive advantage to every firm (firms in developing countries and firms in developed countries).

The cost factor also manifests itself in relocating the entire production plant in low wage countries. This constitutes foreign investment to the host country. Such foreign investment enables the company to keep all the competitive advantages necessary to maintain a competitive position. As pointed out in Section 7.4, this type of foreign investment designed to maintain competitiveness, contributes to the export success of the host nation's industry. It is export-oriented investment, as opposed to anti-export bias investment.

7.6 Entrepreneurship

The literature review revealed that entrepreneurship is a powerful factor on the competitiveness of a nation's industry. In Section 2.4.2, Stopford pointed out that it is rivals' innovations which drive the marketplace by creating the new recipes or

rules against which others compete. In the same section, the author pointed out that entrepreneurship could probably be the most potent force on the competitiveness of a nation's industry. For instance, innovations during the Industrial Revolution were not borne out of competition, yet they had a profound effect on the world.

The thesis argument is that it is international competition which determines the export competitiveness of a nation's industry. Three factors were identified in the analysis as essential to competitiveness within the framework of international competition: competition orientation (choice of a competitive strategy), cost/technology orientation, and marketing orientation. It was pointed out that entrepreneurship transcends the three factors essential to export competitiveness. For example, an innovation in process technology (or improvements in process technology) becomes the reference point for cost/technology orientation. Similarly, product innovations become the reference point for the market. The analysis of the findings confirms that entrepreneurship is the most powerful factor on the export competitiveness of a nation's industry.

The largest clothing manufacturer and largest clothing exporter (accounting for a significant share of the export base in the clothing industry) provides evidence that entrepreneurship is the most potent force on the export competitiveness of a nation's industry. The company is locally owned. Its creation and transformation to be the largest clothing manufacturer in Zimbabwe, as well as the largest clothing exporter, is owed to one person: the owner. The company rose to be the largest clothing manufacturer (as well a the largest exporter) in the midst of and against the challenge of foreign owned companies and products manufactured under internationally renowned labels. The foreign owned companies are dependent on external human and financial resources at their parent head offices; companies who manufacture franchised products are dependent on the external design resources of the licensing company. This locally owned company is not dependent on external resources. The company rose to be the leading player on the domestic market and export market through the entrepreneurship of the local owner.

Another example of how entrepreneurship leads to export success, is provided by the company which redesigned the graduation apparel of the local University of Zimbabwe to suit local standards. Previously the apparel was imported from overseas. The innovation in design led to other universities and colleges in the region to place their own orders with the company. The innovation in design established an export base in the clothing industry and also led to import substitution, since the graduation apparel used to be imported.

If there were many entrepreneurs in the Zimbabwe clothing industry, like the two entrepreneurs, the export base in the industry would be very large. The small export base in the industry can be explained by the dearth of entrepreneurs. Entrepreneurs are in short supply in many developing countries. The implication of the finding is that developing countries' governments can gain export competitiveness for their industries by encouraging, promoting and developing entrepreneurship.

7.7 Collaboration in the industry

The literature revealed that collaboration in an industry can give rise to the export competitiveness of a nation's industry. In Section 2.4.5, the essence of collaboration is fully captured by Ivan Yates by using military analogy. He notes that "the encouragement of the untrammelled play of market forces can be, like some forms of unilateral disarmament, very unwise." He adds that "no sane commander would put a ship into action or take an army into battle on the basis that every individual simply acted on what he could see going around him." The need for collaboration is also highlighted by the statement made by Mr R Needham, the UK Trade Minister (in Section 2.4.5) when he stated that some UK companies had lost export orders in the past because they were fighting against each other rather than against foreign competitors. Collaboration between government and industry can also result in export success. Collaboration between the UK Milk Marketing Board and a cheese manufacturer was cited as an example in the literature review. This collaboration between a government body and a manufacturer spawned a new industry in the

production of mozzarella (from nothing to 23000 tonnes in three years). The levels of collaboration in an industry are three: collaboration among exporters, collaboration between the exporting industry and the supporting industry, and collaboration between exporting industry and government.

Findings from the author's research study confirm that collaboration in an industry is essential to export success. Lack of collaboration among clothing manufacturers, and lack of collaboration between clothing manufacturers and the supporting industry, have hampered the export success of the clothing industry.

One finding is that scale (critical mass) is necessary for the Zimbabwe clothing manufacturers to compete effectively on the overseas export market. Large manufacturers, like the leading clothing exporter in Zimbabwe, compete effectively on the export market on account of their large size. Small manufacturers do not have the scale required to compete or to succeed on the export market. For instance, a number of manufacturers have lost export orders because they do not have the capacity to meet the huge orders required by the overseas importers. On the other hand, there are manufacturers who collaborate with each other to fulfil huge export orders, which on an individual basis they cannot fulfil. Their export success derives from collaboration. The other manufacturers who have lost export orders could have been successful on the export market had they collaborated with the other clothing manufacturers. Many clothing firms in developing countries are small and do not command the scale needed to compete effectively on the overseas export market. Collaboration among the exporters would lead to the export success of industries in developing countries.

The other finding is that some fabric manufacturers export quality fabric while the clothing manufacturers are experiencing a shortage of that fabric (which they require to fulfil their export orders). If there was Collaboration between the clothing manufacturers and the supporting industry, the export base in the clothing industry would be larger than what it is today; also the country would increase its export

earnings through the value added component, ie exporting finished garments rather than fabric.

The Italian clothing industry was referred to in chapter 6 as an example of a clothing industry whose export success was built on the bedrock of collaboration. Collaboration in the Italian clothing industry is extensive. It includes sharing design and marketing resources, and export intelligence information. Fabric manufacturers also collaborate with each other to fulfil the fabric requirements of the clothing manufacturers.

The other level of collaboration is between Government and industry. ZIMTRADE, the national export organisation, is jointly funded by industry and government. This collaboration between government and industry has led to the export success of several companies. It was mentioned that ZIMTRADE runs a number of export promotion programmes for industry (including the clothing industry). The programmes include organising and sponsoring the participation of companies in external trade fairs and providing export market information to the companies. In addition, government also supports export promotion through its trade representatives in its embassies around the world. It was mentioned that this export promotion support has resulted in the export success of some companies. If there was no collaboration between industry and government, the export base in the Zimbabwe clothing industry would be smaller than it is today. The implication for other developing countries is that collaboration between government and industry increases the export base of their industries.

7.8 Export Planning

Findings from the research work show that export planning, at both the company level and the national level, is crucial to export success.

During the unprecedented drought in 1991/92 (which virtually decimated demand on the domestic market) firms turned to the export market in order to sell the excess production, which used to be absorbed on the domestic market. The majority of the firms were not successful on the export market, including companies whose products (or product ranges) would be competitive on the export market. This illustrates that exporting is not a bolt-on activity; companies just turned on the export market hoping that they will export what they used to sell on the domestic market. Most of the companies did not match their products to the export opportunities in each respective market. For example, companies targeted markets where their products had no export opportunities, instead of going for markets where their products (or product ranges) had export opportunities. Export promotion is successful on the basis of export planning (or effective marketing).

The leading clothing exporter in Zimbabwe provides the best example showing that export promotion is successful on the basis of export planning and effective marketing. After identifying an export opportunity for men's casual wear on the USA market, the company dedicated an entire factory to production of the garments for the American market. The company supplies the garments to a major importer in the USA. Its export production is related to market opportunities on the export market. This contrasts with the other companies who did not relate their production to specific opportunities on the export market. On the whole, the unprecedented export campaign which took place during the drought period was not accompanied by export planning (or effective marketing) at both the company level and national level.

The author's findings confirm the literature that export planning is crucial to export success. In particular, E.P. Hibbert (Section 2.4.5) highlights the need for export planning and a clearly defined export policy on the part of both government and companies. The Sectoral Analysis Approach (which was explained in Chapter 4) is useful in identifying export market opportunities and improving export performance by way of identifying areas where there are weaknesses and strengths.

The implication of the finding for other developing countries is that they can expand their export bases through export planning at both the government level and the company level.

7.9 Role of Government

The literature review of the role of government in Chapter 2 indicates that an active role by government can transform an uncompetitive industry into a competitive one. This contrasts with confining the role of government to a minimal one (ie creating an enabling environment and influencing the determinants of competitive advantage as spelt out in the "diamond" theory).

Findings from the author's research study place the role of government at the forefront of export competitiveness. The findings confirm the literature review that government should play an active role, rather than a minimal role. One finding is that the promotion of foreign investment gives rise to the export competitiveness of a nation's industry. This places government at the forefront of competitiveness as foreign investment policy becomes crucial; the investment climate should be attractive to foreign investors in terms of dividends remittance and incentives. The promotion of investment also requires the setting up of an institution (or institutions) to promote the foreign investment. This can take the form of an Investment Centre or Investment Agency. The promotion of foreign investment was identified as crucial to the export competitiveness of industries in developing countries in Section 7.4.

Another finding is that the role of government in export promotion is crucial to the export success of a nation's industry. In Section 7.7 it was pointed out that collaboration between government and industry is essential to export success. In Zimbabwe the collaboration which exists between government and industry has resulted in the export success of many companies. In addition to collaboration with industry, government also plays an active role in promoting exports through trade representatives in its embassies around the world. Without this government role as

a partner and as an active player, the export base in the Zimbabwe clothing industry would be smaller than what it is. It was also pointed out in the analysis that the role of government as an active player is of particular importance in developing countries, as many companies lack the financial and human resources to mount their own export promotion campaigns.

The findings also show that government policies are central to competitiveness. The analysis of the findings in Chapter 6 revealed that the lack of export competitiveness of the Zimbabwe clothing industry is attributable to the trade policy of protection. Protection of the domestic market created an anti-export bias in the industry. The anti-export bias manifest itself in the underutilisation of skills, pursuit of an uncompetitive strategy (the low cost strategy), and use of outdated technology in the industry. The thesis argument is that international competition (import competition) would deliver the pressure needed for companies to change their anti-export bias by eroding the profitability of the domestic market. The pressure would force companies to change from the uncompetitive low cost strategy, to fully utilise skills, to use up-to-date process technology, in order to remain competitive against imports (thereby becoming competitive on the export market). The fiscal and monetary export incentives (explained in Section 3.4) also failed to expand the export base in the clothing industry due to the trade policy of protection. Most of the clothing firms were contended with the high profit margins on the protected domestic market. The domestic market remained more profitable than the export market, hence there was no real incentive for companies to export. The single threat to the profit obtainable on the domestic market was import competition and the companies were sheltered from this threat. If a company's profit is secure from any threat, the company will not change its strategy or method of doing business. The analysis highlights the fact that government trade policy is at the centre of competitiveness as it directly influences the competitive behaviour of its firms (or industry). The thesis argument is that it is the trade policy of opening up the domestic market to international competition which creates a competitive industry.

Anti-trust policies can adversely affect the export performance of an industry. Most of the firms in developing counties are small in size. The evidence from the author's research study is that size is necessary for competing effectively on the overseas export market. The scale needed to compete effectively can be acquired through the merging of small firms or collaboration among the small firms.

The existence of small firms in most industries in developing counties implies that anti-trust policies would hinder export success. the intended objective of an anti-trust policy is to foster domestic competition among firms and, as such, an anti-trust policy would prohibit mergers and collaboration in the industry. The analysis on anti-trust policies also highlights the fact that government policies are at the centre of competitiveness.

7.10 Assessment of the "diamond" theory

In this section an assessment of the applicability, effectiveness and relevance of the "diamond" theory to the outcome of the research is carried out.

7.10.1 Home demand

As stated in Section 2.2.2, Porter's argument is that the nature of home market demand influences the success of a nation's industry in international markets, ie, if an industry is used to satisfying strict and discriminating consumers on the home market, it will be successful on the export market.

The outcome of the author's research is that home demand is not a decisive factor on the export success of a nation's industry in international markets. The decisive factor is international competition. It was pointed out in Section 7.3 that the same quality product to satisfy strict demand in the home market can be produced at a lower cost in another country with strict demand of the same magnitude. This point is highlighted by the data analysis which revealed that the Zimbabwe clothing market

shares common demand characteristics with the UK clothing market, but the Zimbabwe clothing industry is not competitive on the UK market because competing countries can satisfy the demand at a lower cost (due to lower labour costs than Zimbabwe and production efficiency). If demand was the decisive factor on the export success of a nation's industry, the Zimbabwe clothing industry would be competitive on the UK market. The outcome of the research shows that home demand is not relevant to the export success of a nation's industry in international markets.

7.10.2 Factor Conditions

Porter's argument is that the export success of a nation's industry is dependent on skills, not on natural endowments: land, labour, capital and natural resources.

The evidence from the research shows that skills are crucial to the export success of a nation's industry. The shortage of skills in the Zimbabwe clothing industry has hampered the export success of many companies. But the overall analysis of the skill factor in the industry revealed that the small competitive manufacturing base in the industry is not only attributable to the shortage of skills, but is also attributable to the underutilisation of skills. There are some companies with the requisite skills for exporting, who are not utilising the skills for exporting; the skills are being utilised to exploit opportunities on the domestic market and not opportunities on the export market. The outcome of the research is that skills are necessary for export success, but the export success of a nation's industry is dependent on the utilisation of the skills rather than their mere availability in the industry. The underutilisation of skills does not create an industry which is successful on the export market, just like the shortage of skills does not create one. The evidence from the research also confirms that the other factor condition (infrastructure) is necessary for export success. Without good transport links in Zimbabwe, and from Zimbabwe to the UK and Germany, companies exporting to these export markets would not have been competitive.

7.10.3 Supporting Industry

Porter's contention is that a nation's industry becomes successful in international markets, if its suppliers at home are internationally competitive.

The outcome of the research confirms that international competitive suppliers are essential to the export success of a nation's industry. The evidence from the research is that the export success of many clothing companies has been hampered by suppliers who are not internationally competitive. For instance, the price of fabric in Zimbabwe is higher than comparable quality fabric produced by competing countries. This renders the final product (clothing) uncompetitive on price on the export market. The supporting industry in Zimbabwe also produces limited fabric ranges compared to competing countries. This limits the variety of products the clothing industry can produce; this adversely affects the export competitiveness of the industry. Limited fabric ranges and higher fabric prices were cited as reasons why some clothing importers in the UK and Germany are not buying the Zimbabwe product.

7.10.4 Domestic Competition

It was stated in Section 2.2.4 that the central thesis of the "diamond" theory is that competitiveness is born of intense domestic competition. Porter's argument is that domestic competition is central to competitiveness "because of the powerfully stimulating effect it has on all the others", ie the other factors on the "diamond".

The outcome of the author's research is that competitiveness is born of international competition, rather than domestic competition. The analysis of the findings in chapter 6 proved the hypothesis that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. The analysis of the findings established that international competitiveness is dependent on choice of a competitive strategy, a competitive

supporting industry, technology orientation (use of up-to-date process technology), and full utilisation of skills. The intense domestic competition which exists in the Zimbabwe clothing industry failed to create a competitive industry because of the absence of international competition. The domestic market is protected from import competition. Firstly, the absence of international competition led to the choice of an uncompetitive strategy (the low cost strategy) by the majority of the clothing firms, who comprise about two-thirds of the manufacturing base in the industry. The low cost strategy does not translate into success on the overseas export market, as competing industries have lower labour costs than Zimbabwe. Secondly, the absence of international competition led to the underutilisation of skills. Skills which could be successfully utilised to exploit export markets, were utilised to exploit domestic market opportunities (ie an anti-export bias). This included utilising such skills to pursue the low cost strategy which does not translate into export success. Thirdly, the absence of international competition led to the wide use of outdated process technology n the industry. There was no import pressure to force companies to update their process technology in order to remain competitive. The lack of international competition also resulted in an uncompetitive supporting industry.

If domestic competition gave rise to the international competitiveness of a nation's industry, the intense domestic competition which exists in the Zimbabwe clothing industry would have resulted in an international competitive industry. But the Zimbabwe clothing industry is not internationally competitive. The factors on which the international competitiveness of the Zimbabwe clothing industry is dependent on, are the factors which intense domestic competition failed to stimulate. The intense domestic competition failed to stimulate firms into adopting a strategy competitive on the export market (the differentiation strategy). The differentiation strategy is the one associated with export success on the overseas export market. The intense domestic competition also failed to create an internationally competitive supporting industry. The intense domestic competition also failed to stimulate firms into using up-to-date process technology. Finally, the intense domestic competition failed to

stimulate the full utilisation of the skills available in the industry, let alone the upgrading of skills.

Since domestic competition constitutes the central pillar of the "diamond" theory, the failure of the intense domestic competition which exists in the Zimbabwe clothing industry to stimulate the other factors on which the international competitiveness of the industry is dependent on, implies that the "diamond" theory is not a valid explanation of a nation's export success. The outcome of the research is that it is international competition which stimulates the other factors on which the international competitiveness of a nation's industry is dependent upon. This implies that it is international competition which explains the export success of a nation's industry.

The outcome of the research shows that although the "diamond" theory is not valid in its present form, it is applicable in a modified form consisting of three factors: international competition, factor conditions and supporting industry. In this modified form, international competition replaces domestic competition as the central pillar of the theory because of the powerfully stimulating effect it has on the other two factors. International competition would stimulate the full utilisation of skills (and the upgrading of skills) by eliminating the anti-export bias and forcing companies to pursue an international competitive strategy and to update process technology (in-house worker training will also be based on modern technology rather than outdated technology). International competition also stimulates the creation of an internationally competitive supporting industry. It has already been stated in Section 7.10.1 that the other factor on the "diamond", the home demand factor, is not relevant to the export success of a nation's industry, since international competition is the determining factor.

The research also revealed that, apart from international competition, there are other factors which explain the export success of a nation's industry. These factors are set out below.

7.10.5 Other factors which explain export success

The other factors which explain the export success of a nation's industry are entrepreneurship, foreign investment, alliances, collaboration, export promotion and good management.

Entrepreneurship

It was pointed out in Section 7.6 that entrepreneurship is the most powerful factor on the competitiveness of a nation's industry, as it is not dependent on competition but transcends competition.

The data analysis revealed that the export success of the largest clothing exporter (and largest clothing manufacturer) in Zimbabwe is owed to entrepreneurship. The locally owned company rose to be the largest clothing manufacturer and largest clothing exporter in the midst of and against the challenge of foreign owned companies (some multinationals) and products manufactured under international renowned labels. It is entrepreneurship which explains the success of the company. Another company's export success is also owed to entrepreneurship, ie innovation in design. The company redesigned the graduation apparel of the local University of Zimbabwe to suit local standards. The graduation apparel was previously imported. This innovation in design resulted in other universities and colleges in the region placing orders with the company. Entrepreneurship enabled the company to win the international challenge, as the graduation apparel was previously supplied from overseas.

The "diamond" theory fails to capture the role of entrepreneurship in explaining the export success of a nation's industry.

Foreign Investment

The evidence from the research is that foreign investment has contributed to the export success of the Zimbabwe clothing industry in two ways. Firstly, foreign investment in the textile industry expanded the supply base for the clothing manufacturers. Without foreign investment in the supporting industry (textile industry), the export base in the Zimbabwe clothing industry would be smaller than what it is. Secondly, foreign investment in the clothing industry has contributed to the export success of the Zimbabwe clothing industry by overcoming the export constraints which exist in the industry - such as lack of export market access and shortage of skills. The foreign owned companies use the established distribution channels of the parent companies on the export market; they also draw on the skills at the parent companies.

The "diamond" theory fails to capture the role of foreign investment in explaining the export success of a nation's industry. The role of foreign investment in contributing to export success also demonstrates that competitiveness is not a localised process (as Porter argues in his theory). Foreign owned companies are not dependent on local resources for their skills and financing.

Alliances

The evidence from the research is that alliances contribute to the export success of a nation's industry. Alliances between Zimbabwe clothing manufacturers and external clothing manufacturers (or retailers) led to the export success of the Zimbabwe clothing manufacturers by overcoming the export constraints which exist in the industry - lack of export market access and shortage of skills (design, marketing and technical skills). The Zimbabwe clothing manufacturers became successful exporters through having access to the design resources, marketing resources, technical resources, and distribution channels or retail outlets of their external partner.

The "diamond" theory also fails to capture the role of alliances in explaining the export success of a nation's industry. The export success arising from the alliances is also not dependent on local resources, but dependent on the resources of the external partner. This also demonstrates that competitiveness is not a localised process.

Collaboration

The evidence from the research is that collaboration in an industry leads to the export success of a nation's industry. Three levels of collaboration are essential to the export success of an industry. The first level is collaboration among exporters. Size or scale is needed to compete effectively on the overseas export market and many firms in the Zimbabwe clothing industry do not command the scale needed to compete. The small firms which collaborate have become successful exporters compared to other small firms which do not collaborate. Collaboration enables the small firms to command the scale needed to compete on the overseas export market.

The other level of collaboration is between industry and government. The collaboration in export promotion which exists between government and industry has resulted in the export success of a number of clothing firms. Government and industry jointly created ZIMTRADE (the national export promotion organisation) which they jointly fund. ZIMTRADE provides marketing support to firms in terms of providing market intelligence information and mounting and sponsoring export campaigns for industry, eg sponsoring participation in external trade fairs. Without this collaboration between government and industry, the export base in the Zimbabwe clothing industry would be smaller than what it is.

The third level of collaboration is between the exporting industry and the supporting industry. The evidence from the research is that some of the suppliers are not supportive to the export efforts of the clothing manufacturers. For instance, some suppliers export quality fabric while clothing manufacturers are experiencing a

supportive to the export efforts of the clothing manufacturers. For instance, some suppliers export quality fabric while clothing manufacturers are experiencing a shortage of that fabric (which they require to fulfil export orders). This lack of collaboration has hampered the export success of many clothing manufacturers.

The "diamond" theory fails to capture the role played by collaboration in explaining the export success of a nation's industry. On the contrary, Porter advocates anti-trust policies in an industry. The objective of anti-trust policies is to foster competition among manufacturers. Porter's argument is based on the premise that competitiveness derives from intense domestic competition in a nation's industry. The evidence from the research is that collaboration among exporters, instead of competition, leads to success on the export market.

Effective Export Promotion

The evidence from the research is that effective export promotion leads to export success. The largest clothing exporter in Zimbabwe clearly demonstrates the link between export success and effective export promotion (or effective marketing). The company's largest export market is the USA. After identifying a market opportunity for men's casual wear with a major importer in the USA, the company dedicated an entire factory to supply the USA market. The company equipped the factory with modern machinery.

A number of companies in the Zimbabwe clothing industry, whose products (or product ranges) are competitive on the export market, have not been successful exporters because of lack of export planning. The companies did not match their products or some of their product ranges to market opportunities in the targeted export market. For instance, they targeted their products in markets where the export opportunities did not exist and left out those markets where export opportunities existed for their products. Export promotion is successful on the basis of export planning. A clearly defined policy is also necessary.

The "diamond" theory fails to capture the role of effective marketing or effective export promotion in explaining the export success of a nation's industry.

Good management

The evidence from the research is that good management leads to the export success (or sustains the export success) of a nation's industry. A company which was a successful exporter collapsed because of poor financial management. Prudent financial management is crucial to the export success of companies.

Good management also recognises that human resources are the greatest asset to a company and develops its own skill base through upgrading skills of its staff and training its employees. The leading clothing exporter provides the best example of how good management leads to export success.

The "diamond" theory also misses out the role of good management in explaining the export success of a nation's industry.

7.10.6 Conclusion of the assessment of the "diamond" theory

The outcome of the research shows that the "diamond" theory is not valid in its present form based on domestic competition, but is applicable in a modified form based on international competition. The evidence from the research is that domestic competition has no "powerfully stimulating effect" on the other factors relevant to export success: factor conditions (skills) and the supporting industry. The research established that the other factor, home demand, is not relevant to export success. The evidence from the research is that it is international competition which has a "powerfully stimulating effect" on skills and the supporting industry, including other competitive factors such as choice of a competitive strategy and process technology.

Both the original "diamond" theory and the modified theory base the export success of a nation's industry on competition (domestic competition in the original "diamond" theory and international competition in the modified theory). The outcome of the research shows that the export success of a nation's industry is not only dependent on competition (though a significant factor), but is also dependent on other factors like entrepreneurship, foreign investment, alliances, collaboration, effective export promotion and good management. These factors are also of significance to the export success of a nation's industry. Competition is not the only significant factor, hence the "diamond" theory is not a sufficient explanation of why a nation's industry becomes successful in international markets.

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Chapter 8
CONCLUSIONS

8.1 Introduction

This study explored Porter's "diamond" theory relating to export competitiveness and examined in depth the efficacy of the theory in relation to trade policy and export promotion for the Zimbabwe clothing sector (with particular reference to the United Kingdom and Germany). Competitiveness is an issue of major concern to all governments and to firms. Governments are concerned because competitiveness is central to economic growth and prosperity; it also fulfils the wider economic objectives such as creating and sustaining employment, raising and sustaining the standard of living, and achieving a trade surplus and favourable balance of payments. Companies are concerned with competitiveness because it is central to their survival and growth.

The study is set in the context of developing countries. Zimbabwe, on which the study is based, is a developing country. Most of the industries in developing countries lack export competitiveness, compared to industries in developed countries. Developed countries account for over two thirds of world merchandise exports, compared to less than a third for developing countries. The competitive objectives of governments in developing countries therefore centre on gaining export competitiveness or creating export bases for their industries. The competitive objectives of governments in developed countries centre on sustaining the competitiveness of their industries and preventing a decline of the competitive manufacturing base.

The Chapter starts with a summary of the findings, followed by the conclusion. The direction for future research is suggested at the end of the Chapter.

8.2 Summary of Findings

8.2.1 Home market demand

The author's finding is that home market demand does not determine the export competitiveness of a nation's industry. International competition is the determining factor.

The data analysis of the Zimbabwe clothing market requirements and the UK clothing market requirements revealed that the two markets share common demand characteristics. If home market demand was a decisive factor on export success, the Zimbabwe clothing industry would be competitive on the UK clothing market. But the Zimbabwe clothing industry is not competitive on the UK market because competitors can satisfy the same demand at a lower cost. Firstly, Zimbabwe has higher labour costs than its main competitors on the UK market. Secondly, competing firms from the other countries are more efficient in production, compared to many Zimbabwe firms.

The analysis of the home market demand factor revealed that what matters to competitiveness is the cost factor, not the demand factor: the same quality product to satisfy strict demand in the home market can be produced at a lower cost in another country with strict demand of the same magnitude. Competitiveness, in terms of the cost factor, manifests itself in choice of a competitive strategy and efficient production. The author argued that the Zimbabwe clothing industry is not competitive on the export market because the majority of the firms (who make up about two-thirds of the manufacturing base in the industry) pursue an uncompetitive strategy (the low cost strategy) and some of the companies who pursue a competitive strategy (the differentiation strategy) are not efficient in production. The low cost strategy does not translate into export success because competitors have lower labour costs. Inefficient production results from the use of outdated technology (which is widespread in the industry) which pushes up production costs because of the need

to employ a larger workforce in a country where labour costs are already higher than competitors. The pursuit of an uncompetitive strategy by the majority of the clothing firms and inefficient production are attributed to lack of international competition on the domestic market. The author argued that international competition would have forced firms to abandon their uncompetitive low cost strategy and adopt the competitive differentiation strategy. International competition would have also forced firms to update their process technology in order to remain competitive against imports. Up-to-date technology results in cost efficiency by lowering production costs through cutting down on the labour force required. The lack of export competitiveness of the Zimbabwe clothing industry should therefore be explained in terms of international competition, rather than in terms of home demand.

The implication of the finding is that the lack of export competitiveness of most industries in developing countries, should be attributed to lack of international competition rather than the absence of sophisticated demand. Most of the industries in developing countries are protected from import competition, compared to industries in developed countries.

8.2.2 Factor conditions

The findings confirm that skills are crucial to the export success of a nation's industry. The data analysis revealed that the shortage of skills in the clothing industry in the critical areas (such as design skills, marketing skills, and quality control skills) has hampered the export success of many companies. For instance, some companies who do not buy the Zimbabwe product indicated that the reason why they are not buying the Zimbabwe product is because of limited design output and quality control problems. This reflects the shortage of design skills and quality control skills in the industry. However, the overall analysis of the skill factor in the industry revealed that there are companies with the requisite skills for exporting, who are not utilising the skills for exporting but are utilising them to pursue opportunities on the domestic market. In other words, there is an underutilisation of

skills in the industry. Hence, the lack of export competitiveness of the Zimbabwe clothing industry cannot solely be explained by the shortage of skills in the industry, but also by the under-utilisation of skills. The author argued that the underutilisation of skills in the industry can be explained by the absence of international competition on the domestic market, which created an anti-export bias.

The implication of the finding is that the lack of export competitiveness of most industries in developing countries should not only be attributed to the shortage of skills, but should also be attributed to the underutilisation of skills. The export competitiveness of a nation's industry also depends on the full utilisation of skills. Most of the industries in developing countries are protected from international competition (which as argued results in the under-utilisation of skills).

The fact that the shortage of skills has hampered the export success of many firms, has implications for export promotion. The provision of export promotion support in the areas where firms experience a shortage of skills (such as design support, marketing support and quality control support) can result in the export success of such companies. Developing countries can actually stimulate exports by providing export promotion support to their firms. The lack of export competitiveness of industries in developing countries can be attributed to weakness in export promotion support.

The findings confirm that the other factor condition (infrastructure) is also crucial to export success. There are frequent flights between Zimbabwe and the UK, and between Zimbabwe and Germany. There is also a good transport network in Zimbabwe. Without this infrastructure, those clothing companies which export to Germany and the UK would not have been competitive.

8.2.3 Supporting industry

The findings confirm that the supporting industry is crucial to the export success of a nation's industry. The lack of a wide competitive supply base has hampered the export success of many companies on the export market. For instance, the data analysis of importers who do not buy the Zimbabwe product, revealed that some of the importers do not buy from Zimbabwe because of inadequate fabric resources and higher fabric prices, compared to competing countries producing the same quality fabrics.

An analysis of the competitive position of the Zimbabwe product in German and UK markets revealed that delivery on time constitutes a common weakness in the two markets. This weakness is attributed to suppliers. The data analysis of the Zimbabwe questionnaire showed that suppliers do not always deliver fabric on time and in sufficient quantities. This in turn adversely affects the export performance of the clothing manufacturers in terms of delivery on time.

It was argued that the lack of a competitive supporting industry is also attributable to the lack of international competition in the textile industry. International competition would force the textile manufacturers to produce those fabric ranges in which they have competitive advantage. International competition will also force the textile manufacturers to be more efficient in production and to be responsive to the marketing needs of the clothing manufacturers.

8.2.4 Domestic competition

The finding from the data analysis is that domestic competition in the Zimbabwe clothing industry is intense. The clothing industry in Zimbabwe is therefore an ideal industry for testing Porter's "diamond" theory, of which the 'intense domestic competition factor' constitutes the central pillar of the theory.

The analysis of the research findings established that the international competitiveness of a nation's industry is dependent on choice of a competitive strategy (which is the differentiation strategy in the case of the Zimbabwe clothing industry), technology orientation (use of up-to-date technology), full utilisation of skills, and a competitive supporting industry. It was pointed out in the analysis that the Zimbabwe clothing industry lacks export competitiveness on the UK and German export markets, plus the other overseas export markets, because the majority of the clothing firms (who make up about two thirds of the manufacturing base in the industry) pursue an uncompetitive strategy: the low cost strategy. The low cost strategy does not translate into export success because competitors have lower labour costs. It was also pointed out that some of the companies pursuing the differentiation strategy (the one associated with export success) are not competitive because they are using outdated technology which pushes up production costs in a country where labour costs are already higher than competing countries. The analysis also revealed that the small export base in the industry is also attributable to the underutilisation of skills in the industry and to the lack of a competitive supporting industry. The intense domestic competition which exists in the clothing industry failed to create an industry which pursues an internationally competitive strategy, an industry which uses up-to-date technology, an industry which fully utilises skills, and a competitive supporting industry. Hence, domestic competition does not give rise to the international competitiveness of a nation's industry.

The author's research hypothesis was that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. The analysis of the findings showed that it is the absence of international competition on the domestic market which explains why the Zimbabwe clothing industry is uncompetitive on the overseas export markets.

The absence of import competition (international competition) on the domestic market made the low cost strategy viable. The market segment on which the low cost strategy is focused at is the mass market segment. It was pointed out that the

mass market segment constitutes the largest segment (larger than the middle market and up-market segments combined). By virtue of its demand size, more companies set up themselves to serve it than those serving the other two segments. This explains why the majority of the clothing firms in the industry pursue the low cost strategy. Import competition would have made the low cost strategy unviable, as competing countries have lower labour costs. The absence of import competition on the domestic market also resulted in the widespread use of outdated technology. Import competition would have also forced firms to adopt up-to-date process technology, in order to remain competitive against imports. Import competition would have also eliminated the anti-export bias which resulted in the underutilisation of skills. Finally, import competition in the supporting industry would also have created a competitive supporting industry by forcing fabric manufacturers to be more efficient and produce those fabric ranges in which they have competitive advantage, as well as being responsive to the needs of the clothing manufacturers.

The evidence and analysis of the findings confirm the hypothesis that it is international competition (rather than domestic competition) which gives rise to the international competitiveness of a nation's industry. It is therefore the lack of international competition which explains why the Zimbabwe clothing industry is uncompetitive on the UK and German export markets, and the other overseas export markets. The implication of the finding is that the trade policy of protection is counterproductive to the export success of a nation's industry. As most of the industries in developing countries are protected from import competition, the lack of export competitiveness of industries in developing countries can be explained by the trade policy of protection. Developing countries can gain export competitiveness by exposing their industries to international competition.

The data analysis also revealed that, apart from international competition, there are other factors which explain the export success of a nation's industry. These factors are explained in the next section.

8.2.5 Other factors which explain the export success of a nation's industry

The other factors which explain the export success of a nation's industry were identified as entrepreneurship, foreign investment, alliances, collaboration, effective export promotion and good management.

Entrepreneurship

The findings show that entrepreneurship is the most powerful factor on the competitiveness of a nation's industry as it transcends competition. For instance, the export success of the largest clothing exporter (and largest clothing manufacturer) in Zimbabwe is explained by entrepreneurship. The company, which is locally owned, rose to be the largest clothing manufacturer and largest clothing exporter in the midst of and against the challenge of international companies and products manufactured under international labels in the industry.

Another company's export success is also explained by entrepreneurship. The company redesigned the graduation apparel at the local university. This innovation created an export base for the company, as other universities and colleges in the region started placing their own orders with the company.

The implication of the finding is that developing countries can gain export competitiveness by encouraging and promoting entrepreneurship.

Foreign Investment

The data analysis revealed that foreign investment is another factor which explains the export success of a nation's industry. Foreign owned companies have contributed to the export success of the Zimbabwe clothing industry in two ways. The first one is that foreign investment in the supporting industry (the textile industry) has increased the supply base on which the clothing exporters are dependent upon.

Without foreign investment in the supporting industry, the supply base in the clothing industry (and consequently the export base in the industry) would be smaller than what it is. Secondly, foreign investment in the clothing industry has also increased the export base of the industry by overcoming the export constraints in the industry such as shortage of skills and lack of export market access. The foreign owned companies draw on skills at their parent company and also use the established distribution channels of the parent company for their export products.

The implication of the finding is that developing countries can gain export competitiveness for their industries by promoting foreign investment into both the exporting and supporting industries.

Alliances

The data analysis also revealed that alliances is another factor which contributes to the export success of a nation's industry. The alliances between the Zimbabwe clothing manufacturers and external partners have contributed to the export success of the Zimbabwe clothing manufacturers by overcoming the export constraints which they face, such as lack of export market access and the shortage of skills. The manufacturers have gained export competitiveness through having access to the skills of their external partners and their established distribution channels (or retail outlets).

The implication of the finding is that developing countries' firms can gain export competitiveness by forging alliances with external partners (especially external partners who are in a position to overcome the export constraints which they will be facing).

Collaboration

The findings from the data analysis show that collaboration in a nation's industry brings about the export success of the industry. Three levels of collaboration were identified as essential to export success. The first level is collaboration among the exporters, the second level is collaboration between the exporting industry and the supporting industry, and the third level is collaboration between the exporting industry and the government.

The data analysis revealed that scale is needed to compete effectively on the overseas market. The majority of firms in the Zimbabwe clothing industry are small in size and do not command the scale needed to compete on the export market. The firms which collaborate have been successful on the export market. They have acquired the scale needed to compete through collaboration; they co-operate with each other to fulfil huge export orders, which one company cannot fulfil alone. On the other hand, some companies have lost export orders on account of small size, yet if they had collaborated with other small firms, they would have been successful exporters.

The data analysis also revealed that lack of collaboration between fabric producers and clothing manufacturers, has hampered the export success of many clothing firms. For instance, some fabric producers export quality fabric, while the clothing manufacturers are experiencing a shortage of that fabric.

Collaboration between the exporting industry in Zimbabwe and government has contributed to the export success of many companies. Government and industry have created a national export organisation, ZIMTRADE, which is jointly funded by industry and government. The institution has stimulated the export success of many companies through providing export promotion support such as marketing support.

The implication of the finding is that developing countries can gain export competitiveness for their industries through collaboration.

Export promotion

Another finding is that export promotion leads to the export success of a nation's industry. The data analysis revealed that export promotion is successful on the basis of export planning and effective marketing. This link between export success and effective export promotion is best illustrated by the largest clothing exporter in Zimbabwe. It was pointed out that the company has a clearly defined export policy which has resulted in the expansion of the company's manufacturing base, with half of its production exported. The company dedicated an entire factory to export production after identifying a market opportunity for men's casual wear in the USA.

It was also pointed out that some companies with products (or product ranges) which are competitive on the export market, have not been successful exporters because of lack of export planning. The companies did not match their products or product ranges to market opportunities existing in the target export market. For example, they targeted some of their product items in markets where the export opportunities did not exist, and left out the markets where the export opportunities existed.

Export opportunities in each respective market can be identified using export planning techniques such as the Sectoral Analysis Approach.

The implication of the finding is that developing countries can gain export competitiveness for their industries through export promotion (based on export planning and effective marketing).

Good management

The data analysis revealed that the export success of a nation's industry is underpinned by good management. Poor management detracts from the export success of a nation's industry. One finding was that a company which was a very

successful exporter (with a very competitive product on the export market) collapsed because of poor financial management.

It was pointed out in the analysis that one other hallmark of good management is the development of a company's own skill base. Good management takes the burden of training and upgrading skills into its own hands, and does not rely on government to provide skills to the firm through the labour market.

The implication of the finding is that developing countries can gain export competitiveness for their industries by providing facilities for management education, so that industry has a supply of well trained managers.

8.3 Conclusion

The objective of this research study was to explore Porter's "diamond" theory relating to export competitiveness and to examine in depth the efficacy of the theory in relation to trade policy and export promotion (in the context of developing countries). It was stated in Chapter 2 that the central thesis of the "diamond" theory is that the success of a nation's industry in international markets derives from domestic competition. The outcome of the research is that the success of a nation's industry in international markets derives from international competition, not from domestic competition. The research established that although the "diamond" theory is not valid in its present form based on domestic competition, it is applicable in a modified form based on international competition. In the modified form, international competition becomes the central thesis of the theory. The policy implication for developing countries is that they should expose their industries to international competition, in order to achieve their competitive goal of gaining export competitiveness.

The "diamond" theory bases the export success of a nation's industry in international markets on competition. The research has established that the export success of a

nation's industry is not only dependent on competition, but is also dependent on other factors such as entrepreneurship, foreign investment, alliances, collaboration, export promotion and good management.

The implication for developing countries is that gaining export competitiveness is not only dependent on exposing their industries to international competition. It is also dependent on creating an environment which allows entrepreneurship to emerge and thrive, the promotion of foreign investment (and creating an investment climate attractive to foreign investment), the promotion of alliances, encouraging collaboration in the industry (as well as government collaborating with industry), export promotion (export planning and providing export promotion support), and management development (through education and training).

8.4 Direction for Future Research

The research study explored the "diamond" theory which bases the export success of a nation's industry in international markets on domestic competition. The research hypothesis was also based on competition (international competition). The research was therefore focused on competition. The outcome of the research is that the export success of a nation's industry is not only dependent on competition, but also on other factors. The author's research identified some of the factors. These factors may actually explain the success of a nation's industry in international markets. Future research on export competitiveness should therefore be directed at factors other than competition, eg cultural factors.

The author's research approach satisfies the objective of the research study in the sense that the two export markets on which the study of the export competitiveness of the Zimbabwe clothing industry is based (the UK and Germany) meet the criteria of international markets. The two markets are characterised by open competition. Export success in these two markets reflects the competitiveness of a nation's industry, as the industry (or firms) will be producing goods that meet the test of

international markets. Conversely, if a nation's industry does not produce goods that are competitive in the two markets, then it lacks export competitiveness.

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QUESTIONNAIRE: FOR THE ZIMBABWE SAMPLE

NAME OF YOUR COMPANY AND ADDRESS

_____

_____

NAME AND POSITION OF PERSON COMPLETING QUESTIONNAIRE

_____

Note: If you are not exporting, please answer those questions applicable to your company.

1. What are the product items you export?

_____

_____

2. a) What ratio of production output is exported by your company?

_____

b) Has this ratio of exports been increasing or decreasing over the past few years?

_____

c) Has the volume of your exports been increasing or decreasing over the past few years?

_____

3. Which countries do you export to?

_____

4. Which country is your largest export market?

_____

5. Do you export products for the upmarket, middle market or low market?

_____

6. a) Which countries compete with your products on the export market?

_____

b) Which of these countries is your main competitor?_____

_____

7. Which year was your company formed?

_____

8. Which year did your company start exporting?

_____

9. What is the total number of employees employed by your company?

_____

10. Is your company part of a multinational corporation?

_____

11. If your company is part of a multinational corporation, in which country is the multinational headquartered?

_____

12. Is your company wholly owned in Zimbabwe?

_____

13. Do you manufacture your export products under franchise?

_____

14. Does your company participate in external trade fairs?

15. Do you make sales trips to your targeted export markets to meet potential importers or buyers?

16. What is the average value you add to the products you manufacture?

17. What is the ratio of labour costs to total costs?

18. Does your company operate a skill training programme or skill development programme? If so, what is the nature of the programme?

19. Is your company operating at full capacity? If not, what is the reason?

20. Is your company equipped with modern machinery?

21. What is your company's percentage of investment in design to total investment?

22. Do you export your own designs or you are given the designs and specifications by the importer?

23. a) Do you export direct to retail shops or to agents?

b) What sort of retail shops do you supply on the export market? Indicate in the boxes.

Multiple store ☐

Independent store ☐

Department store ☐

Discount store ☐

Mail order ☐

24. How do you evaluate your company's export sales for the next five years?

25. In your opinion, how can the Government improve the export performance of the clothing sector?

Note: Questions 26 to 32 relate to your opinion about the clothing market in Zimbabwe. For each question, indicate your opinion by ticking the appropriate box.

	Agree Strongly	Agree Slightly	Disagree Slightly	Disagree Strongly
26. The demand for clothing by Zimbabweans is sophisticated	☐	☐	☐	☐
27. The Zimbabwean clothing buyer is price sensitive	☐	☐	☐	☐
28. The Zimbabwean clothing buyer is quality conscious	☐	☐	☐	☐
29. The Zimbabwean clothing buyer is fashion conscious	☐	☐	☐	☐
30. Competition in Zimbabwe among clothing manufacturers is very intense	☐	☐	☐	☐
31. The Zimbabwean education system produces adequate technical skills required by the clothing sector	☐	☐	☐	☐
32. Clothing retail shops in Zimbabwe are strict on manufacturers to meet delivery dates	☐	☐	☐	☐

Note: Questions 33 to 37 are about the level of satisfaction you get from services or support rendered to exporters. For each question, tick the appropriate box.

	Very Satisfied	Fairly Satisfied	Slightly Satisfied	Slightly Dissatisfied
33. Are you satisfied with the support you get from the Zimbabwe fabric manufacturers, i.e. in terms of meeting your fabric requirements?	☐	☐	☐	☐
34. Are you satisfied with the financial backing you receive from the financial institutions in Zimbabwe?	☐	☐	☐	☐
35. Are you satisfied with the services offered by ZIMTRADE?	☐	☐	☐	☐
36. Are you satisfied with the air-freight services of clothing products from Zimbabwe to overseas markets or other transport modes for exports?	☐	☐	☐	☐
37. Are you satisfied with the support and incentives which Government gives to clothing exporters?	☐	☐	☐	☐

38. Rank the following marketing factors in order of importance (1 standing for the most important factor, and 4 the least important factor) in determining your company's success on the domestic market. Indicate in the boxes provided.

38. Continued:-

Price ☐

Quality ☐

Design or style ☐

Delivery on time ☐

39. If your company exports to Germany, please answer the following questions concerning your exports to Germany:

a) What are the products you export?

_____

b) What is the value of your exports per year?

_____

c) Has the value of your exports been increasing or decreasing over the past few years?

_____

d) Are the products you export for the upmarket, middle market or low market?

_____

e) Name the retail shops you export to or the importers?

_____

f) Comment on your export sales prospects in Germany for the next five years. Comment in the light of market trends and demand in Germany.

_____

_____

_____

40. If you do not export to Germany, are there any particular reasons?

_____

_____

_____

41. If your company exports to the United Kingdom, please answer the following questions concerning your exports to the United Kingdon:

a) What are the product items you export?

_____

b) What is the value of your exports per year?

_____

c) Has the volume of your exports been increasing or decreasing over the past few years?

_____

d) Name the retail shops you export to or the importers.

_____

e) Are the products you export for the upmarket, middle market or low market?

_____

41. If your company exports to the United Kingdom, please answer the following questions concerning your exports to the United Kingdom: **Continued**

f) Comment on your export sales prospects in the U.K. for the next five years. Comment in the light of market trends and demand in the U.K.

_____

_____

_____

42. If you do not export to the U.K., are there any particular reasons?

_____

_____

_____

43. If you export to Germany, rank the following marketing factors in order of importance (1 standing for the most important factor, and 4 the least important factor) in determining your company's export success to Germany. Indicate in the boxes provided.

Price ☐

Quality ☐

Design or style ☐

Delivery on time ☐

44. If you export to the U.K., rank the following marketing factors in order of importance (1 standing for the most important factor, and 4 the least important factor) in determining your company's export success to the U.K. Indicate in the boxes provided.

Price ☐

Quality ☐

Design or style ☐

Delivery on time ☐

45. If your company is not exporting to any country, please indicate the reasons.

_____

_____

_____

_____

N.B. Please post questionnaire to the following address:

Sam Undenge
Zimbabwean High Commission
Zimbabwe House
429 Strand
LONDON WC2R OSA
UNITED KINGDOM

APPENDIX II

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QUESTIONNAIRE: FOR THE UNITED KINGDOM SAMPLE

NAME OF YOUR COMPANY AND ADDRESS

_____

_____

NAME AND POSITION OF PERSON COMPLETING QUESTIONNAIRE

_____

1. What product items does your company import?

_____

2. Which countries do you import from?

_____

3. What is the country you import the largest quantity from?

_____

4. Have your total imports been rising over the past years?

_____

5. Are your imports for the upmarket. middle market or low market?

_____

6. What sort of retail outlets do you supply? Tick boxes provided.

Multiple store ☐

Independent store ☐

Department store ☐

Discount store ☐

Note: If your company is both a manufacturer and an importer, please answer questions 7 to 9.

7. What is the ratio of your imports to manufactured output?

_____

8. What product items do you manufacture?

_____

_____

9. Do you manufacture items for the upmarket, middle market or low market?

_____

Note: If you import from Zimbabwe, please answer questions 10 to 23. If you do not import from Zimbabwe, proceed to question 24.

10. What are the product items you import from Zimbabwe?

_____

11. Have your imports from Zimbabwe (in proportion to your total imports) been increasing?

_____

12. Which year did you start importing from Zimbabwe?

_____

13. List the names of the Zimbabwe companies you import from?

_____

Question 15 to 19 relate to marketing variables regarding your satisfaction from the Zimbabwe products you import. Indicate your level of satisfaction in the four boxes provided by ticking the appropriate box for each question.

		Very satisfied	Fairly satisfied	Fairly dissatisfied	Very dissatisfied
15.	Are you satisfied with the quality of the product?	☐	☐	☐	☐
16.	Are you satisfied with the price of the product?	☐	☐	☐	☐
17.	Are you satisfied with the design or style of the product?	☐	☐	☐	☐
18.	Are you satisfied with 'delivery on time' of the product?	☐	☐	☐	☐
19.	Are you satisfied with their continuity of supply?	☐	☐	☐	☐

Questions 20 to 23 relate to how the Zimbabwe products you import compare with products from other countries. Indicate your opinion in the boxes provided.

		Very competitive	Fairly competitive	Fairly uncompetitive	Very uncompetitive
20.	Is the quality of the products competitive?	☐	☐	☐	☐
21.	Is the price of the products competitive?	☐	☐	☐	☐
22.	Is the design or style of the products competitive?	☐	☐	☐	☐
23.	Is Zimbabwe competitive on 'delivery on time' of the products?	☐	☐	☐	☐

---

24. Do you provide designs or specifications to your exporters (or you import their designs or styles)?

---

25. Do you send your personnel to supervise the manufacturing of your imports?

---

26. Rank the following marketing variables in order of importance (1 standing for the most important variable and 4 the least important variable) in determining your decision to import. Indicate in boxes.

Quality ☐

Price ☐

Design or style ☐

Delivery on time ☐

27. If you are not importing from Zimbabwe, please indicate the appropriate reason (possible reasons suggested). Tick in box.

You are unaware of what Zimbabwe offers. ☐

You are dissatisfied with the price. ☐

You are dissatisfied with the quality. ☐

You are dissatisfied with the designs or styles. ☐

---

28. What important market trends, in your experience, are taking place in the international textile trade? Please specify whether (as a result of these trends) you will change your business policy and sourcing policy.

29. How will these trends (you referred to in Question 28) affect your business policy and sourcing towards Zimbabwe?

N.B. Please post questionnaire to the following address:

Samuel Undenge
4 Westchester Drive
Hendon
LONDON NW4 1RD
UNITED KINGDOM

APPENDIX III
QUESTIONNAIRE FOR THE GERMANY SAMPLE

FRAGEBOGEN

NAME UND ANSCHRIFT IHRES UNTERNEHMENS

_____

_____

NAME UND POSITION DER PERSON, DIE DEN FRAGEBOGEN AUSFÜLLT

_____

1. Welche Art von Produkten importiert Ihr Unternehmen?

_____

2. Aus welchen Ländern importieren Sie?

_____

3 Aus welchem Land importieren Sie die größten Mengen?

_____

4. Sind Ihre Gesamtimporte während der vergangenen Jahre gestiegen?

_____

5. Importieren Sie für den anspruchsvollen, mittleren oder billigen Markt?

_____

6. An welche Art von Einzelhandelsgeschäften liefern Sie? Das zutreffende Kästchen abhaken.

- ☐ Kettengeschäfte
- ☐ Unabhängige Geschäfte
- ☐ Warenhäuser
- ☐ Discontgeschäfte

Anmerkung: Wenn Ihr Unternehmen sowohl Hersteller als Importeur ist, bitte die Fragen 7 bis 9 beantworten

7. In welchem Verhältnis stehen Ihre Importe zu der Produktion?

_____

8. Welche Art von Produkten stellen Sie her?

_____

9. Stellen Sie Produkte für den anspruchsvollen, mittleren oder billigen Markt her?

_____

Anmerkung: Wenn Sie aus Zimbabwe importieren, bitte die Fragen 10 bis 23 beantworten. Wenn Sie nicht aus Zimbabwe importieren, bitte zur Frage 24 übergehen.

10. Welche Art von Produkten importieren Sie aus Zimbabwe?

_____

11. Sind Ihre Importe aus Zimbabwe (im Verhältnis zu Ihren Gesamtimporten) angestiegen?

_____

12. In welchem Jahr begannen Sie mit dem Import aus Zimbabwe?

_____

13. Führen Sie die Namen der Unternehmen in Zimbabwe auf, von denen Sie importieren:

_____

14. Welches Unternehmen ist Ihr größter Lieferant in Zimbabwe?

_____

Fragen 15 bis 19 beziehen sich auf die Marketing-Varianten hinsichtlich Ihrer Zufriedenstellung mit den Produkten, die Sie aus Zimbabwe importieren. Geben Sie den Grad Ihrer Zufriedenheit in den vier Kästchen an, indem Sie das für jede Frage zutreffende Kästchen ankreuzen.

	Sehr zufrieden	Ziemlich zufrieden	Ziemlich unzufrieden	Sehr unzufrieden
15. Sind Sie mit der Qualität der Produkte zufrieden?	☐	☐	☐	☐
16. Sind Sie mit dem Preis der Produkte zufrieden?	☐	☐	☐	☐
17. Sind Sie mit dem Design bzw. dem Stil der Produkte zufrieden?	☐	☐	☐	☐
18. Sind Sie mit der "rechtzeitigen" Lieferung der Produkte zufrieden?	☐	☐	☐	☐
19. Sind Sie mit der Kontinuität der Lieferung zufrieden?	☐	☐	☐	☐

Fragen 20 bis 23 beziehen sich darauf, wie die Produkte, die Sie aus Zimbabwe importieren, mit Produkten aus anderen Ländern verglichen werden können. Bitte teilen Sie Ihre Meinung in den nachstehenden Kästchen mit.

	Sehr konkurrenz-fähig	Ziemlich konkurrenz-fähig	Nicht sehr konkurrenz-fähig	Überhaupt konkurrenz-fähig
20. Ist die Qualität der Produkte konkurrenzfähig?	☐	☐	☐	☐
21. Ist der Preis der Produkte konkurrenzfähig?	☐	☐	☐	☐
22. Ist das Design bzw. der Stil der Produkte konkurrenzfähig?	☐	☐	☐	☐
23. Ist Zimbabwe hinsichtlich der rechtzeitigen Lieferung der Produkte konkurrenzfähig?	☐	☐	☐	☐

24. Stellen Sie Ihren Exporteuren Designs oder Spezifikationen bereit (oder importieren Sie ihre Designs oder Stilarten)?

_____

_____

25. Schicken Sie Mitarbeiter zur Beaufsichtigung der Herstellung Ihrer Produkte?

_____

_____

26. Stufen Sie die nachstehenden Marketing-Varianten nach dem Grad ihrer Wichtigkeit ein (1 stellt die wichtigste Variante und 4 die am wenigsten wichtige Variante) bei Ihrer Entscheidung zum Import dar. In den Kästchen angeben.

Qualität ☐

Preis ☐

Design oder Stil ☐

Rechtzeitige Lieferung ☐

27. Wenn Sie nicht aus Zimbabwe importieren, bitte den entsprechenden Grund angeben (mögliche Gründe werden vorgeschlagen). Bitte das entsprechende Kästchen ankreuzen.

es ist Ihnen nicht bekannt, was Zimbabwe anbietet ☐

Sie sind mit dem Preis nicht zufrieden ☐

Sie sind mit der Qualität nicht zufrieden ☐

Sie sind mit den Designs oder Stilarten nicht zufrieden ☐

28. Welche wichtigen Marktentwicklungen finden Ihrer Meinung nach im internationalen Textilhandel statt? Bitte geben Sie an, ob Sie (als Ergebnis dieser Entwicklungen) Ihre Geschäfts- und Einkaufspolitik ändern werden.

29. ~~28~~. Welchen Einfluß werden diese Entwicklungen (auf die Sie in Frage 28 bezug nahmen) auf Ihre Geschäfts- und Einkaufspolitik gegenüber Zimbabwe haben?

P.S. Bitte senden Sie den Fragebogen an die nachstehende Anschrift:

Samuel Undenge
~~4 Westchester Drive~~ 429 STRAND
~~Hendon~~ LONDON WC2R 0SA
~~London NW4 1RD~~
Vereinigtes Königreich