Influence of International Trade Agreements on Entry Strategy

Pramuk Perera

A thesis submitted for the degree of Doctor of Philosophy in International Business at the University of Otago, New Zealand
August, 2016
Abstract

International trade agreements (TAs), which include custom unions, free trade agreements, preferential trade agreements and regional trade agreements, are increasing in number and importance. This thesis explores the influence of TAs on firms’ international market entry strategies, investigating the influence of TAs as a whole, and the New Zealand China Free Trade Agreement (NZCFTA) in particular, on the international market entry strategies of New Zealand firms. The thesis is the first to explore the influence of TAs on the international market entry strategies of New Zealand firms.

This work has adopted a mixed-method research approach. Quantitative analysis provided the necessary familiarity and validation to form a foundation for the qualitative component. The key data for the thesis are derived from information received from 45 one-on-one interviews with top-level executives in New Zealand firms and organisations.

The findings indicate that the influences of TAs are industry-specific. The market entry strategies of firms in larger, export revenue-generating industries are more likely to be affected by TAs and the NZCFTA. It appears that, as export revenues decline, so too do the influences of TAs and NZCFTA on market entry strategy. TAs influence both institutional conditions and industry-based competition, which ultimately influence the strategic entry decisions (where, when and how to enter). This empirical study extends the theoretical framework of how TAs influence foreign market entry strategies. The resulting model provides a basis for international business researchers to further explore this connection.

Keywords: International trade agreements, international business, international economics, World Trade Organization, market entry strategy, institutional conditions.
Acknowledgements

First of all, I am truly thankful to my kind-hearted supervisors. Thank you Associate Professor Lisa McNeill for accepting my proposal, offering me a PhD studentship and being my supervisor throughout this journey. The guidance, advice and constructive criticism of Professor Elizabeth Rose, Fellow of the Academy of International Business, made a remarkable difference to this thesis. Thank you Beth, you have been absolutely marvellous. The time both Beth and Lisa devoted, alongside their own busy work schedules in order to look at my work and help me achieve success is truly appreciated. Without their valuable support I would never have been able to complete this thesis. Thanks also to the internal and external examiners and the convener for taking the time to review this thesis.

I must thank some incredibly nice people at the university who helped and guided me. Professor Alan King and Professor Andre Everett have the gentlest of hearts. Thank you so much for your specialist advice, support and guidance. You are much appreciated.

Also, thank you to the Heads of Department of Marketing and Management, Associate Professor Robert Aitken and Associate Professor Ian McAndrew, respectively, for providing the necessary resources to carry out my research. I am also thankful to the PhD co-ordinators: Professor John Knight and Associate Professor Ben Wooliscroft.

I could have not completed my PhD without the help of some outstanding non-academic staff. Very special thanks to Doreen Gillam, Kaye Jeffries, Leanne Skryba, Stephen Geddes, Sue McSkimming and Trudi McLaren. Not forgetting Eddie Skillander, Fiona Clarkson, Frances Hopkins, Gail Goodger, Joanne Galer, Kim Connelly, Megan McPherson, Nancy Benington, Richard Horne, Simon Ancell, Steven Doig and many more.

I am also grateful to all 45 industry respondents for being willing to share their knowledge, expertise, views and opinions, in order to enhance my knowledge in international business.

The blessings of my mother Swarna Perera and my father Henry Perera were the greatest strength during this successful journey and words cannot explain how much I owe them. I am truly thankful to them. My loving sister Senali Amarasinghe and her husband Yoshan
Amarasinghe always wished me all the luck and success. My two beautiful nieces Milesha and Yonali gave me happiness. I am so very thankful to my sister and her family for everything they have done for me. Also not forgetting all my other relatives who wished me success!

I do not think I would have started, let alone completed, my PhD if it wasn’t for the absolutely marvellous person, Dr. Indika Perera. He motivated me to do a PhD and provided guidance and support from the start to the end. I consider him a gentleman with honour. I owe him and his family a huge thank you for everything he did for me.

Also I would like to thank my best friends Tharanga Gonsaluge, Rishi Malinda Silva, Ayodya Umayanga, Aflal Izzedeen, Buddihika Wimalarathne, Yasantha Udayakumara, Prasanna Ariyathilaka, Prageeth Perera, Banduka Samaratunge, Asanka Sandakalum, Asanka Bandara, Jayantha Wanigathunga, Narada Jayathilake and Nuwan Yapa, thank you very much for being my true friends. Thanks are also owed to all my other school and university friends back in Sri Lanka.

I am also indebted to all my former teachers and lecturers who contributed to my education from Montessori level up to PhD level in various countries.

I would also like to thank the companies and businesses which employed me and looked after me before I came to New Zealand. In New Zealand I am truly grateful to Gardens New World Supermarket and its Checkout Manager Selena Carnahan, Grocery Manager Christopher Burrows, and other colleagues, for employing me and being so kind and nice to me. Also to ADInstruments, and its CEO Michael Macknight, for recognising my capabilities and opening doors again to the professional world by offering a job in a period when jobs are difficult to find in Dunedin. Also I am thankful to my colleagues Chris Wright, David Newstead, Marissa Scandlyn, Katie Hope, Dianne Gilchrist, Erin Bowkett, Ellen Miller, Mairead Fountain, Marian Baxter, Nicola Grant, Hannah Farr, Trevor McIntyre and Amy Bucher. Special thanks to David for being so flexible to help me to manage my PhD work and professional work. I can’t forget my supervisors Lisa and Beth, Professor Andre Everett and Virginia Cathro who offered me tutoring positions at the University. All of you mean a lot to me and you made my fully self-funded PhD journey possible.
I met two marvellous ladies, who are extremely professional and well regarded in Dunedin and New Zealand, who connected me with relevant people and specialists. These two ladies encouraged me, advised me, talked about me, and most importantly they believed in my capabilities. They are absolutely the best a human can be. Thank you so much Chanel O'Brien and Fi McKay.

I am also thankful to Alan Richardson who provided lot of practical guidance to my research, and Bibiana Marsh for her help. Also thankful to Dr. Auke Schade for his advice. I like your Nemonik Thinking Auke!

I am thankful to all the academic journals who published my work, directly and indirectly related to this PhD. Also I am thankful to all the local, national and international media for recognising my views and opinions, and taking them to the wider public. Special thanks to Michelle Bunt and staff at the University of Otago’s Marketing and Communications division for their help regarding some of my writings.

Very special thanks to my fellow PhD colleagues Prabash Edirisingha, Duminda Kuruppuarchchi, Rosemarie Neuninger, Fatima Ng, Jamal Abarashi, Albee Chow and Shabnam Seyedmehdi. Also not forgetting Cle-Anne Gabriel, Donia Waseem, Kamal Rahmani, Katayoun Zafari, Ken Sumida, Nikki Lloyd, Rahul Sen, Raymond Xia, Regina Maniam, Ruth Mrabure, Shijiao Chen, Shobhit Eusebius and Tabitha Thomas. Thanks to my super flatmates Supattra Sroypetch, Normala Mesbah and Moritz Katz. Also not forgetting my other friends Manish Singh, Fiona Bakas, Kate Hand, Tertius Jacobs and Braydon Moloney.

Then comes the lady with that big smile, Dr. Marissa Scandlyn, you are a star. Thank you so much for spending so much time with me to make this thesis perfect. You read this thesis so many times and I am so grateful to you. I cannot forget that you took time even from your annual leave to look into my work. You are so very kind Marissa! Also Katie Hope, Dianne Gilchrist and Erin Bowkett, I am so thankful to your outstanding help and for the proof read. Thank you to Michelle Bunt for the final professional proof read. Without all of your proofreading, I would not be able to complete this thesis. You made it happen.
I am so grateful to my colleague, Dr. James Elworthy for professionally designing the figures. Thank you James you made the thesis look great and clear! Also, thanks to my racing competitor in swimming, Kevin Crump for helping me out with the formatting of the thesis. I was just waiting until I submitted the thesis to compete in that non-stop 100-lengths swim with you. You better practice hard!

Last, but not least, to the so many great people that helped me successfully complete my PhD journey. You all will be remembered with love and gratitude for the rest of my life. Thank you all, you made my journey a great learning experience and made a difference in my life! Finally, I believe in what John F. Kennedy said: “We must find time to stop and thank the people who make a difference in our lives.”
Dedication

To Ammi, Thaththi, Akki, Aiya, Loku Baba and Podi Baba.
# Table of Contents

**ABSTRACT** .................................................................................................................. II

**ACKNOWLEDGEMENTS** ................................................................................................. III

**DEDICATION** ................................................................................................................. 7

**TABLE OF CONTENTS** ................................................................................................ VIII

**TABLE OF FIGURES** .................................................................................................. XIV

**TABLE OF TABLES** .................................................................................................. XVI

**GLOSSARY OF TERMS AND ABBREVIATIONS** ........................................................ XVIII

1  **INTRODUCTION** ........................................................................................................... 1

1.1 **INTRODUCTION** ......................................................................................................... 2

1.2 **WHY THIS RESEARCH?** ............................................................................................. 3

1.2.1 Background and Research Problem ........................................................................... 3

1.2.2 Theoretical Contribution and Research Questions ....................................................... 8

1.3 **HOW WAS THIS RESEARCH CONDUCTED?** ........................................................... 10

1.3.1 Methodology in Brief ................................................................................................... 10

1.4 **WHAT THE RESEARCH FOUND?** ............................................................................. 10

1.4.1 Results .......................................................................................................................... 10

1.4.2 Theoretical Implications .............................................................................................. 13

1.5 **STRUCTURE OF THE THESIS** .................................................................................. 13

2  **LITERATURE REVIEW** ................................................................................................ 15

2.1 **INTRODUCTION** ......................................................................................................... 16

2.2 **WHY FOREIGN MARKET ENTRY?** .............................................................................. 18

2.2.1 Definition ...................................................................................................................... 18

2.2.2 Why Firms Enter Foreign Markets ............................................................................. 18

2.3 **HOW FOREIGN MARKET ENTRY TAKES PLACE** ..................................................... 20

2.3.1 Economic School: FDI View ...................................................................................... 20

2.3.2 The Behavioural School: Stages Model of Internationalisation ................................. 21

2.3.3 The Relationship School: Network Perspective on Internationalisation .................... 23

2.3.4 Entrepreneurial Perspective on Internationalisation ..................................................... 24

2.3.5 Born Global Firms ....................................................................................................... 25

2.3.6 Born Again Global Firms ............................................................................................ 26
2.4 WHAT FACTORS AFFECT ENTRY STRATEGY? ................................................................. 26
  2.4.1 Knowledge ........................................................................................................ 27
  2.4.2 Competition/Mimicry ........................................................................................ 28
  2.4.3 Institutional Conditions .................................................................................... 29
    2.4.3.1 Location ....................................................................................................... 29
    2.4.3.2 Time ............................................................................................................. 30
    2.4.3.3 Mode .......................................................................................................... 30
    2.4.3.4 Legitimacy ................................................................................................... 31
  2.4.4 Transaction Cost ............................................................................................... 31
  2.4.5 Culture .............................................................................................................. 32
    2.4.5.1 Cultural links .............................................................................................. 32
    2.4.5.2 Psychic, Geographical and Cultural Distance ............................................. 33
  2.4.6 Networks .......................................................................................................... 35
  2.4.7 Resources ......................................................................................................... 36
  2.4.8 Market ............................................................................................................... 37
  2.4.9 Agency ............................................................................................................... 38

2.5 WHAT MIGHT ENTRY STRATEGY LOOK LIKE? ......................................................... 39
  2.5.1 Where to Enter – Entry Location ................................................................. 40
  2.5.2 When to Enter – Entry Time ......................................................................... 41
  2.5.3 How to Enter – Entry Mode .......................................................................... 43
  2.5.4 Schools of Thought Related to Choice of Entry Mode .................................. 44
    2.5.4.1 The Uppsala Model Approach ................................................................. 45
    2.5.4.2 Transaction Cost Approach ...................................................................... 45
    2.5.4.3 Real Option Approach .............................................................................. 46
    2.5.4.4 Eclectic Paradigm Approach .................................................................... 46
    2.5.4.5 Industrial Network Approach .................................................................... 47
    2.5.4.6 Institutional Approach .............................................................................. 47

2.6 INTERNATIONAL TRADE AGREEMENTS ............................................................... 48
  2.6.1 Introduction ...................................................................................................... 48
  2.6.2 Existing Theory on TAs ................................................................................ 50
    2.6.2.1 Prominent Theories ................................................................................ 50
    2.6.2.2 Trade Contagion ....................................................................................... 52
Appendix 8: Exports to China – Actual and Adjusted .............................................. LXXVII
Appendix 9: Export to China and World – Actual and Adjusted ............................. LXXVIII
Appendix 10: Dairy Exports to World and Countries with TAs – Actual and Adjusted .............................................................................................................. LXXXIX
Appendix 11: Dairy Exports to World and China – Actual and Adjusted .................. LXXX
Appendix 12: Meat Exports to World and Countries with TAs – Actual and Adjusted ............................................................................................................. LXXXI
Appendix 13: Meat Exports to World and China – Actual and Adjusted ................ LXXXII
Appendix 14: Beverage Exports to World and Countries with TAs – Actual and Adjusted ........................................................................................................... LXXXIII
Appendix 15: Beverage Exports to World and China – Actual and Adjusted ......... LXXXIV
Appendix 16: Fruit Exports to World and Countries with TAs – Actual and Adjusted ............................................................................................................. LXXXV
Appendix 17: Fruit Exports to World and China – Actual and Adjusted .............. LXXXVI
Appendix 18: Fish Exports to World and Countries with TAs – Actual and Adjusted ............................................................................................................. LXXXVII
Appendix 19: Fish Exports to World and China – Actual and Adjusted .......... LXXXVIII
Appendix 20: Wool Exports to World and Countries with TAs – Actual and Adjusted ........................................................................................................... LXXXIX
Appendix 21: Wool Exports to World and China – Actual and Adjusted ............ XC
Appendix 22: Wood Exports World and Countries with TAs – Actual and Adjusted XCI
Appendix 23: Wood Exports World and China – Actual and Adjusted ............... XCII
Appendix 24: Ethics Approval Documents for the Research ................................... XCIII
Appendix 25: Publications, Working Papers, Lectures, Speeches and Media Involvements ................................................................................................ CVI
Appendix 26: Published Paper ............................................................................... CX
# Table of Figures

Figure 1-1: Influence of TAs on Institutional Conditions .................................................. 6
Figure 1-2: International Trade Agreements’ Influence on International Market Entry Strategy .................................................................................................................. 7
Figure 1-3: Influence of TAs on International Market Entry .............................................. 12
Figure 2-1: International Trade Agreements’ Influence on International Market Entry Strategy .................................................................................................................. 17
Figure 2-2: Chapter 2 Structure ....................................................................................... 17
Figure 2-3: Reasons for Foreign Market Entry ................................................................. 19
Figure 2-4: International Trade Agreements’ Influence on International Market Entry – Focus area of section 2.5 is indicated in yellow ......................................................... 40
Figure 2-5: A Hierarchical Model of Choice of Entry Modes ............................................. 44
Figure 2-6: Regional Trade Agreements (RTAs) in the World ........................................... 49
Figure 2-7: International Trade Agreements' Influence on International Market Entry - Focus area of section 2.6 is indicated in yellow ......................................................... 50
Figure 2-8: Three Types of Common Member Agreements ............................................... 64
Figure 2-9: International Trade Agreements’ Influence on International Market Entry – Focus area of section 2.7 is indicated in yellow ......................................................... 71
Figure 3-1: Chapter 3 Structure ....................................................................................... 85
Figure 3-2: Key Decisions in Mixed-Method .................................................................... 90
Figure 3-3: Recruitment of Respondents ......................................................................... 94
Figure 3-4: Firm Location, Industry and Size .................................................................. 97
Figure 3-5: Interview Guide ......................................................................................... 99
Figure 3-6: Initial Coding Template Used for Analysing the Research Interviews .......... 101
Figure 4-1: Chapter 4 Structure ..................................................................................... 108
Figure 4-2: Total Trade 2000-2013 ............................................................................... 110
Figure 4-3: New Zealand Exports .................................................................................. 111
Figure 4-4: New Zealand Exports to Countries with TAs ............................................... 112
Figure 4-5: New Zealand Exports to China .................................................................... 113
Figure 4-6: Dairy Exports ............................................................................................ 115
Figure 4-7: Meat Exports ............................................................................................. 117
Figure 4-8: Beverage Exports.................................................................119
Figure 4-9: Fruits Exports.................................................................121
Figure 4-10: Fish Exports.................................................................123
Figure 4-11: Wool Exports.................................................................125
Figure 4-12: Wood Exports.................................................................127
Figure 4-13: How the Dairy, Meat and Beverage Industry Perceive the Impact of TAs ..... 137
Figure 4-14: How the Fruit, Fish and Wool Industry Perceive the Impact of TAs .......... 148
Figure 4-15: How the Wood and Other Industries Perceive the Impact of TAs .......... 157
Figure 5-1: Influence of TAs on International Market Entry ............................................. 167
Figure 5-2: Influence of TAs on International Market Entry – Revised Conceptual Model 173
Table of Tables

Table 1-1: Influence of TAs on New Zealand Firms Foreign Market Entry Strategy - Results Summary.................................................................11
Table 1-2: Influence of NZCFTA on New Zealand Firms’ Foreign Market Entry Strategy - Results Summary.................................................................11
Table 2-1: Stages Models of Internationalisation ..................................................22
Table 2-2: Main Macroeconomic Indicators in Top 10 Trading Nations in the World ........57
Table 2-3: New Zealand Trade Agreements – Highlights (Considering Overseas Merchandise Trade) ........................................................................62
Table 2-4: Import Tariffs by Product Groups in United States 2014-2006 .....................67
Table 2-5: TAs’ Influence on Regulative, Normative and Cognitive Environments ..........76
Table 3-1: Purpose of Adopting Mixed-Method Approach ...................................88
Table 3-2: Methods Used to Gather Details About Firms ......................................95
Table 3-3: Firm Categorisation - Based on Size ..................................................96
Table 3-4: Respondent and Industry ...................................................................102
Table 3-5: TAs in General - Dairy Industry ..........................................................102
Table 3-6: TAs in General - Influence Levels .....................................................103
Table 3-7: How Firms in the Dairy, Meat and Beverage Industries Perceive the Impacts of TAs .............................................................................104
Table 3-8: How Firms in the Dairy, Meat and Beverage Industries Perceive the Impacts of NZCFTA ......................................................................105
Table 4-1: Influence Levels ..................................................................................107
Table 4-2: New Zealand Trade Agreements ..........................................................108
Table 4-3: Interview Summary ...........................................................................128
Table 4-4: How Firms in the Dairy, Meat and Beverage Industries Perceive the Impacts of TAs .............................................................................130
Table 4-5: How Firms in the Dairy, Meat and Beverage Industries Perceive the Impacts of NZCFTA ......................................................................139
Table 4-6: How Firms in the Fruit, Fish and Wool Industries Perceive the Impacts of TAs .............................................................................141
Table 4-7: How Firms in the Fruit, Fish and Wool Industries Perceive the Impacts of NZCFTA ................................................................. 149

Table 4-8: How Firms in the Wood and Other Industries Perceive the Impacts of TAs ...... 151

Table 4-9: How Firms in the Wood and Other Industry Perceive the Impacts of NZCFTA 159

Table 5-1: Export Rank and TAs Influence ........................................................................ 162

Table 5-2: Influence of TAs on Firms in the Dairy, Meat and Beverage Industries ........... 163

Table 5-3: Influence of NZCFTA on Firms in the Dairy, Meat and Beverage Industries ... 164

Table 5-4: Influence of TAs on Firms in the Fruit, Fish and Wool Industries ................. 164

Table 5-5: Influence of NZCFTA on Firms in the Fruit, Fish and Wool Industries .......... 164

Table 5-6: Influence of TAs on Firms in the Wood and Other Industries ....................... 164

Table 5-7: Influence of NZCFTA on Firms in the Wood and Other Industries ............... 165
# Glossary of Terms and Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>APTA:</td>
<td>Asia Pacific Trade Agreement</td>
</tr>
<tr>
<td>ASEAN:</td>
<td>Association of South East Asian Nations</td>
</tr>
<tr>
<td>BPO:</td>
<td>Business Process Outsourcing</td>
</tr>
<tr>
<td>CAFTA:</td>
<td>Central American Free Trade Agreement</td>
</tr>
<tr>
<td>CU:</td>
<td>Custom Union</td>
</tr>
<tr>
<td>EU:</td>
<td>European Union</td>
</tr>
<tr>
<td>FDI:</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FTA:</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>GATS:</td>
<td>General Agreement on Trade in Services</td>
</tr>
<tr>
<td>GATT:</td>
<td>General Agreement of Tariffs and Trade</td>
</tr>
<tr>
<td>GCC:</td>
<td>Gulf Cooperation Council</td>
</tr>
<tr>
<td>GDP:</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IB:</td>
<td>International Business</td>
</tr>
<tr>
<td>IMF:</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IPR:</td>
<td>Intellectual Property Rights</td>
</tr>
<tr>
<td>IT:</td>
<td>Information Technology</td>
</tr>
<tr>
<td>LCU:</td>
<td>Local Currency Unit</td>
</tr>
<tr>
<td>M&amp;A:</td>
<td>Mergers and Acquisition</td>
</tr>
<tr>
<td>MFN:</td>
<td>Most Favoured Nation</td>
</tr>
<tr>
<td>MNE:</td>
<td>Multinational Enterprise</td>
</tr>
<tr>
<td>NAFTA:</td>
<td>North American Free Trade Agreement</td>
</tr>
<tr>
<td>NATO:</td>
<td>North Atlantic Treaty Organization</td>
</tr>
<tr>
<td>NZCFTA:</td>
<td>New Zealand China Free Trade Agreement</td>
</tr>
<tr>
<td>NZTE:</td>
<td>New Zealand Trade and Enterprise</td>
</tr>
<tr>
<td>OECD:</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PTA:</td>
<td>Preferential Trade Agreement</td>
</tr>
<tr>
<td>RTA:</td>
<td>Regional Trade Agreement</td>
</tr>
<tr>
<td>TA:</td>
<td>International Trade Agreement</td>
</tr>
<tr>
<td>TiSA:</td>
<td>Trade in Services Agreement</td>
</tr>
<tr>
<td>TPPA:</td>
<td>Trans Pacific Partnership Agreement</td>
</tr>
</tbody>
</table>
TTIP: Transatlantic Trade and Investment Partnership
UN: United Nations
WWII: World War II
WTO: World Trade Organisation
1 INTRODUCTION
1.1 Introduction

Recent history shows a massive increase in international trade and business, which has led to the proliferation of international trade agreements (TAs). Almost all countries have recognised the importance of TAs, as illustrated by the clear resolve to develop bilateral and multilateral TAs independently of the World Trade Organisation (WTO), which had attempted to achieve a multilateral trade deal across all partner nations during the Doha round of talks. While these talks are still ongoing, TAs have continued to increase rapidly among nations.

One of the key objectives of TAs is to increase firms’ international business through the opening of doors to partner countries. The existing empirical evidence in international business research does not fully explore the influence of TAs on international market entry. It is essential to gain a firmer understanding of how TAs influence market entry, because a considerable portion of world trade takes place under TAs.

This thesis explores the influence of TAs in general, and the NZCFTA in particular, on the international business activities of firms based in New Zealand. Specifically, this research attempts to understand the impact of TAs on the market entry strategies of New Zealand firms. Results of the study provide evidence to develop a theoretical framework of international market entry, to explain how market entry strategy behaves in the context of TAs. The theoretical framework of international market entry is extended by empirically assessing the connection among TAs, institutional conditions (regulative, normative and cognitive environments) and entry strategy (where, when and how to enter).

The next sections in this chapter explain how this thesis was designed, how it was conducted, and the nature of its outcomes.
1.2 Why this Research?

1.2.1 Background and Research Problem

International business theory deals extensively with firm internationalisation, which is logically influenced by TAs. According to Kotler, Brown, Burton, Deans and Armstrong (2010) “The firm that stays at home to play it safe not only may lose its chance to enter other markets, but also may risk losing its home market” (p. 578). Local firms are experiencing increasing competition and decreasing opportunities in their local markets, especially in small markets. Firms are also becoming international more quickly and in higher numbers (Axinn and Matthysssen, 2002; Cavusgil and Knight, 2015; Cavusgil, Knight, Riesenberger, Rammal and Rose, 2014; Gaur, Kumar and Singh, 2014). This situation may have not occurred purely due to the firms’ interest, but also due to their home-country governments’ interest in connecting with foreign countries to enhance international trade and relations. Nearly two millennia ago, Greek historian Plutarch (AD 46-120) explained why there should be international business, stating that “the sea brought the Greeks the wine from India, from Greece transmitted the use of grain across the sea, [and] from Phoenicia imported letters as a memorial against forgetfulness, thus preventing the greater part of mankind from being wineless, grainless and unlettered” (Irwin, 1996, p. 11).

Market entry decisions are some of the significant strategic decisions a firm makes when internationalising (García-Villaverde, Ruiz-Ortega and Parra-Requena, 2012). A firm’s international market entry strategy includes three interlocking questions: (1) location, or where to enter; (2) time, or when to enter; and (3) mode, or how to enter (e.g., Gaba, Pan and Ungson, 2002; Graf and Mudambi, 2005; Huang and Sternquist, 2007; Mudambi and Mudambi, 2002; Peng, 2006; Tse, Pan and Au, 1997). Though research has explored the areas of when, where, and how to enter a market, the theoretical frameworks used to explain international market entry need further development to explain how entry strategy works in the context of TAs. One reason for this is the increasing global interest in TAs. In simple terms, a TA is a bilateral or multilateral legal agreement signed between countries to provide free or preferential market access to each other’s products and services. Theoretical frameworks used to explain international market entry indicate that institutional conditions
influence the entry strategy (Peng, 2006; Peng, Wang, and Jiang, 2008). Research related to institutional conditions highlights how firms try to work within them to maintain the legitimacy of their behaviour (e.g., Kostova and Zaheer, 1999; Kostova, Roth, Dacin, 2008; Kostova, Roth, Dacin, 2009; Leung, Bhagat, Buchan, Erez, and Gibson, 2005; Peng et al., 2008; Phillips and Tracy, 2009; Redding, 2005; Westney, 1993). Empirical evidence suggests that TAs can influence the institutional conditions of the partner countries (e.g., Franko, 1990; Karacaoglu and Limao, 2008; Kawai and Wignaraja, 2011; Lee, Owen, and Mensbrugghe, 2009B; Malkawi, 2011). If TAs influence institutional conditions and institutional conditions influence market entry strategy, then it is logical to expect that TAs have an influence on market entry strategy.

Theoretical frameworks used to explain international market entry also suggest that international entry strategy depends on three areas: (1) firm-specific resources and capabilities, including strengths and weaknesses of the firm (Barney, 1991; Hymer, 1960; Wernerfelt, 1984); (2) industry-based competition, which considers opportunities and threats in the foreign and domestic market (e.g., Porter’s (1979, 1980, 2008) five forces of rivalry among existing competitors, threat of new entrants, bargaining power of buyers, threats of substitute products or services and bargaining power of suppliers); and (3) institutional conditions, which refer to regulative, normative, and cognitive environments of the foreign and domestic market (e.g., Peng, 2006; Peng et al, 2008; Scott, 2014). TAs have the potential to influence the institutional conditions of both the foreign and domestic markets (partner countries). On a broader scale, the increasing power of the World Trade Organisation (WTO), the governing body of international trade, and its influence on almost all areas of government in member countries, may reshape the institutional conditions, law and order, regulatory barriers, property rights, government effectiveness and corruption. Mushkat and Mushkat (2011) state that “WTO is not merely a body purporting to govern trade and investment flows, but one seeking to reach inside country borders with the aim of liberalising administrative, economic and legal institutions” (p.13). Therefore, understanding how firm’s entry strategies may change in the context of TAs is essential to enhancing existing knowledge of market entry.
The WTO reports that TAs have become increasingly prevalent since the early 1990s. “As of 1 February 2016, some 625 notifications of RTAs [Regional Trade Agreements] … had been received by the GATT [General Agreement of Tariffs and Trade]/WTO. Of these, 419 were in force” (World Trade Organization, 2016C, online). Due to the increase in TAs, almost all countries are members of at least one TA, and at least one third of world trade is taking place under TAs (Baier and Bergstrand, 2009; Bhattacharya and Bhattacharyay, 2007; Chen and Joshi, 2010; Karacaovali and Limao, 2008). Previous studies (e.g., Arnold and Reeves, 2006; Gani and Prasad, 2008; Gani, 2011; Gupta, Goh, Desouza and Garg, 2011; Hochman, Tabakis and Zilberman, 2012; Karacaovali and Limao, 2008; Lee, Chan and Oh, 2009A; Marangos, 2006; Medvedev, 2012; Mushkat and Mushkat, 2011; Viju and Kerr, 2012) suggest that TAs influence institutional conditions and thereby may exert considerable impact on the strategy of a firm involved in international business. Xie, Zhao, Xie, and Arnold (2011) state that institutional differences between the host and home countries affect the strategic positioning of the firm in the host country. Because TAs are legally binding, they may exert greater influence on institutional conditions, than other industry and firm conditions that are known to influence the entry strategy (Goode, 2007; Peng, 2006; Peng et al, 2008).

Institutional conditions may emphasise legal and ethical aspects of firm internationalisation in addition to economical aspects. In this regard, institutional conditions encourage firms to undertake activities that are desirable and appropriate in order to gain social acceptance and credibility, i.e. "legitimacy". (Haunschild and Miner, 1997; Javalgi, Deligonul, Ghosh, Lambert and Cavusgil, 2010; Palmer et al., 1993). Legitimacy is important for firms to be sustainable and to prosper (Chan, Makino, and Isobe, 2006; Gunawan and Rose, 2014; Kostova et al., 2008). Hence, in addition to strategic considerations, such as economic benefit, market power and transaction cost, firms may also need to factor in social considerations (e.g., Oliver, 1992; Chan et al., 2006). “The process of aligning organisational strategies and structures with the expectation of external legitimacy providers has been defined as institutional isomorphism” (Ang, Benischke and Doh, 2015, p. 1538). DiMaggio and Powell (1983) explain three methods to gain institutional legitimacy: coercive, normative and mimetic isomorphism. Scott’s (1995) regulative, normative and cognitive pillars of institutional conditions explain how the legal, social and psychological elements
(Huang and Sternquist, 2007) may be gained by coercive normative and mimetic isomorphism (see Figure 1-1). If TAs impact the institutional conditions of the host country, this would indicate TAs may influence the legitimacy of the foreign market entry decisions (where, when and how) (Guillén, 2002; Chan et al., 2006), therefore this relationship merits investigation. Therefore, this research is designed to expand the firm internationalisation theoretical framework to incorporate the effect of TAs on entry strategy.

Figure 1-1: Influence of TAs on Institutional Conditions

![Figure 1-1](image)

Figure 1-1 provides a view of how TAs can impact institutional conditions. Firms work within the limits of these institutional conditions to gain social acceptance and credibility, which are important factors for business success (see Chapter 2: Section 2.7).

Little is known about the effect of the proliferation of TAs on the institutional conditions of both participating and non-participating countries, and the literature has been slow to address how TAs affect a firm’s international market entry strategy. Although there are some studies related to TAs, by international business and international economics scholars (e.g., Baldwin and Jaimovich, 2012; Eicher and Henn, 2011; Javalgi et al., 2010; Limão and Tovar, 2011; Saggi and Yildiz, 2010), the influence of TAs specifically on foreign market entry (where, when and how to enter) have not been empirically tested (Figure 1-2).
The conceptual model shown in Figure 1-2 demonstrates the importance of developing the international market entry theoretical framework to incorporate TAs. This model shows a connection between TAs and foreign market entry strategy, based on a review of existing studies related to international business, TAs, and institutional conditions. The literature provides evidence that TAs influence the institutional conditions of partner countries’ markets. Studies of institutional conditions explain the regulative, normative, and cognitive aspects of institutional environments and how firms try to operate within the institutional environment in order to gain and maintain legitimacy. The international business literature explains how institutional conditions influence entry strategy. This thesis has been designed to link these two relationships, to fill the existing literature gap shown in Figure 1-2.

As a legal agreement, a TA may influence the regulative environments of the participating countries, as indicated in Figures 1-1 and 1-2. The other two aspects, the normative and cognitive environments, may have lesser impact than the regulative environment; this is represented by the broken arrows in Figures 1-1 and 1-2.
1.2.2 Theoretical Contribution and Research Questions

Previous studies in international business (see Chapter 2: Section 2.2) emphasise that decisions related to where, when, and how to enter foreign markets are critical to a firm’s internationalisation strategy (e.g., Gaba et al., 2002; García-Villaverde et al., 2012; Graf and Mudambi, 2005; Huang and Sternquist, 2007; Mudambi and Mudambi, 2002; Peng, 2006; Tse et al., 1997). During international market entry, firms aim to minimise the associated transaction costs (e.g., Peng et al., 2008; Madhok, 1998; Dunning, 1988A, 1988B; Pan and Tse, 2000; Kedia and Mukherjee, 2009; Gulamhussen, 2009; Kawai and Wignaraja, 2011).

Research related to institutional conditions (see Chapter 2: Section 2.7) explains how such conditions influence transaction costs (e.g., Bevan, Estrin and Meyer, 2004; Franko, 1990; Oxley, 1999; Peng et al., 2008; Smarzynska, 2002). In context of this thesis, a key issue is that trade-friendly institutional conditions lower the transaction costs associated with international market entry (e.g., Bevan et al., 2004; Chan et al., 2006; Coeurderoy and Murray, 2008; Davis et al., 2000; DiMaggio and Powell, 1983; Franko, 1990; Gaba et al., 2002; Guillen, 2002; Huang and Sternquist, 2007; Javalgi et al., 2010; Mackelburger et al., 2012; North, 1990; Oliver, 1992; Oxley, 1999; Pan and Tse, 2000; Smarzynska, 2002; Suchman, 1995). In addition, unfavourable institutional conditions can delay or prevent market entry (Gaba et al., 2002).

Literature related to TAs (see Chapter 2: Section 2.6) indicate that one objective of TAs is to increase the trade among member nations by motivating firms to enter into the partner country (Chen and Joshi, 2010; Donnenfeld, 2003). Another objective of TAs is to try to minimise the cost of entry to partner markets (i.e. minimise the transaction cost of entry) (Bhattacharya and Bhattacharyay, 2007; Kawai and Wignaraja, 2011). It has also been suggested that TAs influence the institutional conditions of partner nations in the direction of building more trade-friendly environments, narrowing the institutional distance between the partner nations and, in turn, reducing transaction costs (Arnold and Reeves, 2006; Franko, 1990; Karacaovali and Limao, 2008; Kostova, 1999; Lee et al., 2009B; Lee, 2007; Malkawi, 2011; Ornelas, 2008; Papageorgiadis, Cross and Alexiou, 2013; Viju and Kerr,
While it is well-accepted that the partner nation’s institutional conditions influence a firm’s market entry strategy, however, the influence of TAs on a firm’s international market entry strategy has not been empirically tested (see Figure 1-2: existing theoretical gap). Therefore, this research asks: **How do TAs influence firms’ entry strategies (where to enter, when to enter and how to enter)?**

According to the existing literature, TAs first influence institutional conditions, which then influence the market entry strategy. Therefore, this research empirically tests the first level of influence by asking: **How do TAs influence institutional conditions (regulative environment, normative environment and cognitive environment)?**

The research also tests the second level of influence by asking: **In the context of TAs, how do institutional conditions impact a firm’s entry strategy?**

This thesis extends the international market entry theoretical framework (see Figure 1-2: existing theoretical gap) by carrying out an exploratory study to investigate the connection among TAs, institutional conditions, and international market entry. This investigation helps identify a conceptual model that explains the connection between TAs and foreign market entry. Therefore, the thesis also asks: **What is an appropriate conceptual model that describes the influence of TAs on foreign market entry?**

With regard to the context of the study, New Zealand businesses, the above research questions can be interpreted as follows:

- How do TAs influence New Zealand based firms with respect to entering foreign markets?
- How do TAs impact government rules and policies?
- How do changes in government rules and policies impact New Zealand firms’ entry strategies?
- How do TAs and institutional conditions combine to affect foreign market entry strategy?
1.3 How was this Research Conducted?

1.3.1 Methodology in Brief

The aim of this study was to explore the influence of TAs on firms’ entry strategies. To accomplish this goal, a mixed methodology approach was used. The research focused on a real-world, practical situation; therefore, a pragmatic worldview was proposed. Pragmatism is derived from actions, situations and consequences. It follows that a pragmatic worldview considers the range of research options available to investigate the problem, and thus, provides a platform to apply a mixed research method. The research methods employed in this study involve both quantitative and qualitative data.

The quantitative data (trade statistics from 2000 to 2013) was utilised to understand the trend of international business between New Zealand and the world, countries with TA in force, and China (New Zealand China Free Trade Agreement – NZCFTA). Descriptive tools, such as bar charts and time series plots, were used to analyse the secondary data. The quantitative approach to studying trade statistics was used to gain familiarity of the area explored, and the qualitative method, analysing data from one-on-one interviews, was used to gain an in-depth understanding of the influence of TAs on entry strategy. Semi-structured one-on-one interviews were conducted with 45 industry experts to find out their views and opinions about TAs and NZCFTA with respect to market entry. These experts included Chief Executive Officers and senior executives mainly from the beverage, dairy, fish, fruit, meat, wood and wool industries in New Zealand.

1.4 What the Research Found?

1.4.1 Results

This study recognises a relationship between TAs and international market entry strategies. It also shows how TAs influence entry strategies, and reveals that the results are industry-specific (see Table 1-1). Among the industries studied, TAs exert strong (see overall influence in Table 1-1) influence in the New Zealand dairy, meat, and beverage sectors. The
fruit, fish, and wool industries are moderately influenced, while wood and other industries are weakly affected. It appears that the TAs’ influence is related to export revenues i.e. those industries generating larger export revenues are more affected.

Table 1-1: Influence of TAs on New Zealand Firms Foreign Market Entry Strategy - Results Summary

<table>
<thead>
<tr>
<th>Industry</th>
<th>Overall Influence</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>Dairy, Meat and Beverage</td>
<td>Strong</td>
<td>Strong</td>
<td></td>
</tr>
<tr>
<td>Fruit, Fish and Wool</td>
<td>Moderate</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Wood and other</td>
<td>Weak</td>
<td>Weak</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

In particular, this study highlights a relationship between NZCFTA and international market entry strategies. Again, the results are industry specific: NZCFTA has a moderate influence on New Zealand firms operating in the dairy, meat, and beverage industries. The fruit, fish, and wool industries are very weakly influenced, as are the wood and other industries (see Table 1-2).

Table 1-2: Influence of NZCFTA on New Zealand Firms’ Foreign Market Entry Strategy - Results Summary

<table>
<thead>
<tr>
<th>Industry</th>
<th>Overall Influence</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>Dairy, Meat and Beverage</td>
<td>Moderate</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Fruit, Fish and Wool</td>
<td>Very weak</td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td>Wood and other</td>
<td>Very weak</td>
<td>Weak</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

A similar type of pattern is observed when considering institutional conditions, as also shown in Table 1-1. The dairy, meat and beverage industries indicated that TAs have a strong influence on the institutional conditions of partner countries. The fruit, fish and wool industries indicated a moderate influence, while wood and other industries indicated a weak influence. In terms of entry strategy decisions, the dairy, meat and beverage industries indicated that TAs have a moderate influence on entry strategy. The fruit, fish, wool, wood and other industries all indicated a weak influence.

In terms of NZCFTA, the dairy, meat and beverage industries indicated that NZCFTA has a moderate influence on institutional conditions (see Table 1-2). The fruit, fish and wool
industries indicated an average influence, while the wood and other industries indicated a weak influence. In terms of NZCFTA, the dairy, meat and beverage industries indicated that NZCFTA has a very weak influence on entry strategy. The fruit, fish and wool industry, and the wood and other industries, both found a negligible influence.

According to the results pertaining to TAs, the model proposed in this study is strongly supported for the dairy, meat, and beverage industries. It is moderately supported for the fruit, fish, and wool industries and only weakly supported in the wood and other industries. With respect to the NZCFTA in particular, the model is moderately supported by the evidence from the dairy, meat, and beverage industries, but very weakly supported by the others. According to the responses received from key executives from firms representing the dairy, meat, beverage, fruit, fish, wool, wood and other industries in New Zealand, the influence of TAs on entry strategy is industry specific, as some industries are strongly influenced, while others are only moderately or weakly influenced. Therefore, the concluding model (see Figure 1-3) shows that TAs influence both institutional conditions and industry-based competition, which influence the entry strategy of the firm.

Figure 1-3: Influence of TAs on International Market Entry

Source: Author illustration
1.4.2 Theoretical Implications

The empirical evidence extends the theoretical framework used to explain the international market entry into the context of TAs by showing an industry specific influence from TAs to international market entry (see Figure 1-3).

The connection between TAs affecting institutional conditions, and institutional conditions, in turn, influencing entry strategy is especially evident in the firms studied that operate in larger export revenue-generating industries. Within larger export revenue generating industries this study finds that New Zealand firms view the regulative environment as very strongly influenced by TAs, while cognitive environment receives strong influence and normative environment receives moderate influence. Within these industries, the decision of where to enter is very strongly influenced by TAs, and the decision of when to enter is strongly influenced. However, the decision of how to enter is only very weakly influenced. Overall, within the larger export revenue generating industries, this thesis finds that TAs have a strong influence on a firm’s entry strategy. However, when considering a particular TA, the NZCFTA, this thesis finds a moderate influence from TAs to a firm’s market entry strategy, and the influence towards institutional conditions and entry strategy are both lower. A reason for finding a lower influence from NZCFTA may be that many of the interviewed firms had entered China prior to the NZCFTA coming into force. However, despite the difficulties of operating in China, many firms continue to enter it, due to its enormous market size.

1.5 Structure of the Thesis

This thesis consists of five chapters. The next four chapters are structured as follows. The second chapter reviews previous studies related to international market entry, covering the reasons for foreign market entry, how it takes place, factors affecting market entry and three key strategic decisions pertaining to market entry. This chapter also provides a review of previous studies related to TAs, addressing the theoretical background of trade, reasons for trade collaboration, and effects and challenges associated with TAs. Finally, the chapter
reviews the literature related to institutional conditions, by considering studies related to the regulatory, normative and cognitive environments as well as legitimacy.

The third chapter explains the philosophical foundation of the research, the rationale for adopting the mixed-method approach, and details regarding how the research was conducted.

The fourth chapter presents the analysis of the quantitative and qualitative data.

Finally, the fifth chapter provides results, theoretical and practical implications, concluding remarks and suggestions for research extensions.
2 LITERATURE REVIEW

This chapter reviews existing literature related to international market entry, international trade agreements and institutional conditions, and explores how these areas are connected and their relationship to the current study.
2.1 Introduction

This thesis investigates a potential relationship between TAs and international market entry strategy. Current research indicates that TAs facilitate international trade by motivating firms to enter a partner nation’s country for business. In their capacity as a legal and political instrument, TAs may influence the partner nation’s legal environment to create a better trade environment. Thus, TAs facilitate trade by influencing the institutional conditions of partner nations.

The institutional conditions of a country include the regulative, normative and cognitive environments. Previous research (e.g., Javalgi et al., 2010; Kostova and Zaheer, 1999; Peng et al., 2008) suggests TAs can affect institutional conditions, for instance by triggering amendments to the rules and regulations of participating nations. Furthermore, TAs have become a business norm, and attract much business and media attention. Such publicity can influence the attitudes and behaviours of the business communities of partner nations towards entering a foreign market. In addition to firm-specific resources and capabilities, and industry-based competition, institutional conditions impact the decisions of a firm’s international market entry strategy specifically the decisions relating to where, when, and how to enter a foreign market (Barney, 1991; Peng, 2006; Porter, 1980). If TAs influence the institutional conditions of a country, and institutional conditions are known to affect market entry strategy (see Figure 2-1), it can be proposed that TAs will also influence international market entry strategy.
Figure 2-1: International Trade Agreements’ Influence on International Market Entry Strategy

Figure 2-1 highlights a conceptual relationship between TAs and foreign market entry strategy. TAs may influence the regulative environment of institutional conditions, which in turn can influence entry strategy. This thesis attempts to address the existing literature gap between TAs and entry strategy. Figure 2-2 explains how the next sections of this chapter are structured.

Figure 2-2: Chapter 2 Structure
2.2 Why Foreign Market Entry?

2.2.1 Definition

Beamish, Morrison and Rosenzweig (1997) define internationalisation as "the process by which firms increase their awareness of the influence of international activities on their future, and establish and conduct transactions with firms from other countries" (p. 3). The global reach of a firm or industry is not only dependent on where their sales come from and where they have invested, but also their sources of production (Curran and Zignago, 2011). Most business activities are international in scope (Darling and Seristo, 2004). As a result, despite whether or not a firm wants to engage in international business them self, there is no escaping the increasing number of other firms participating in international business.

Internationalisation has been rapid since the 1970s and 1980s (Rialp, Rialp and Knight, 2005). Since then, firms are internationalising in greater numbers, and faster than ever before (Axinn and Matthyssens, 2002; Cavusgil, Knight, Riesenberger, Rammal and Freeman, 2012; Gaur, Kumar and Sing, 2014). Today there are many early-internationalising firms around the world (Cavusgil and Knight, 2015). These new and more dynamic firms tend to expand beyond national boundaries very quickly (Rialp et al., 2005). Some of the reasons for firms to internationalise sooner may include insufficient home demand, intensive competition at home, or additional sales opportunities overseas (Coeurderoy and Murray, 2008). Increased internationalisation is very visible in cross-border trade data. There was tremendous growth of trade from 1960 to recent years with cross-border trade growing from just over US$70 billion to over US$9 trillion during this period (Cavusgil et al., 2012). It is not only firms from developed countries that enter the international market, emerging nation multinationals (such as Samsung and Lenovo) have also become aggressive international players (Buckley et al., 2008; Yaprak and Karademir, 2010).

2.2.2 Why Firms Enter Foreign Markets

International market entry may occur for four reasons. Firstly, firms may move overseas predominantly in search of raw material. Secondly, firms may move overseas for new markets. Thirdly, firms may move overseas to acquire cost benefits through investing in low-
cost production sites (Kirsch et al., 2000; Shapiro, 1989). Previous studies have categorised these as resource seekers, market seekers and efficiency seekers, respectively (see Figure 2-3) (e.g., Behrman, 1981; Mudambi and Mudambi, 2002). In addition, knowledge or capability seeking can be identified as the fourth motivation for firms to enter foreign markets (Baum, Schwens and Kabst, 2015; Teece, 2014).

Figure 2-3: Reasons for Foreign Market Entry

Globalisation, technological advancements, liberalisation of emerging economies and competition may have driven both small and large firms to enter foreign markets to survive, compete and grow (Burpitt and Rondinelli, 2004; Graf and Mudambi, 2005). As accessibility to markets, labour and natural resources has expanded, the perceived geographical, cultural or temporal distance between countries has also shrunk. Corporations have moved into other countries as local markets became saturated, and new players from emerging economies have intensified global competition (Kirsch et al., 2000). Firms realise that their supply chains now reach beyond country boundaries – capital, technology, know-how, raw materials, intermediate components and even labour may come from various locations around the world (Burpitt and Rondinelli, 2004).
2.3 How Foreign Market Entry Takes Place

A key decision in internationalisation is deciding how to go about entering a new market. Coviello and McAuley (1999) first proposed nearly two decades ago that internationalisation is a broad and dynamic subject that cannot be adequately explained by a single ideology. This is still the case today. There are various ideologies of, and motivations for, internationalisation: (1) economic school: Foreign Direct Investment (FDI) view (Coviello and McAuley, 1999), (2) the behavioural school: stages model of internationalisation (Coviello and McAuley, 1999; Johanson and Vahlne, 1977, 2009) (3) the relationship school: network perspective on internationalisation (Coviello and McAuley, 1999), (4) entrepreneurial perspective on internationalisation (Ibeh and Young, 2001; Oviatt and McDougall, 1994; Schumpeter, 1934, 1947), (5) born global firms (Luostarinen and Gabrielsson, 2006; McDougall, 1989; Knight and Cavusgil, 2004; Oviatt and McDougall, 1994), and (6) born again global firms (Bell et al., 2001, 2003; Tuppura et al., 2008). More recently, some researchers have suggested an additional category of ‘born regionals’, the firms that internationalise to countries from similar geographical regions shortly after their inception (Baum et al., 2015). Furthermore, Buckley (2014) has suggested that by 2020 the major ideologies (or applications) for internationalisation will be based around: (1) networked multinationals and the global factory; (2) emerging country multinational enterprises (EMNEs); (3) the increasing importance of location and economic geography; and (4) implications for growth, development and welfare of the evolution of the MNE (Buckley, 2014). The prominent views are discussed below.

2.3.1 Economic School: FDI View

The economic school assumes the rational choice, i.e. the assumption that perfect information is available to make a logical decision (Williamson, 1985). FDI view connects theories related to transaction cost and market imperfection (Hymer, 1976; Williamson, 1975). Arrow (1969) defines transaction cost as the “cost of running the economic system” (p. 48). Therefore, transaction cost encompasses almost all costs of international market entry, from research to complete commercialisation of firms’ activities in the foreign market. The FDI view seeks to minimise this cost by selecting the economically beneficial structure and location, which may impact where, when and how to enter decisions of foreign market.
entry. The FDI entry incorporates two interconnected areas: (1) when it is more efficient to internalise or own the business functions and agents in other countries, and (2) when it is economically beneficial to coordinate activities related to business functions and agents in other countries (Hennart, 2001; Hymer, 1976; Rugman, 1980). In both cases, the firm is trying to avoid market imperfections by gaining ownership and control (Buckley and Casson, 1976). Thus the FDI theory of internationalisation is based on theories related to transaction cost and market imperfection.

The FDI theory also encompasses three alternative views. These are the monopolistic advantage, internalisation and Dunning’s (1977) eclectic paradigm. Monopolistic advantage suggests that FDI entry is intended to gain control of certain resources and capabilities which provide the firm a certain level of monopoly over competitors (Cavusgil et al., 2012).

Internalisation refers to acquiring some value chain activities to gain control and mitigate the disadvantage of dealing with external parties (Dunning, 1977).

On the other hand, Dunning (1977, 1988A, 1988B, 1988C) combines theoretical perspectives such as comparative advantage relating to factor proportions, monopolistic advantage and internalisation in the eclectic paradigm (Ricardo, 1817; Smith, 1776). This paradigm presents three areas to consider related to FDI market entry decisions: (1) ownership-specific advantages, such as proprietary technology, managerial skills and trademarks, (2) location specific advantages, such as natural resources, skilled labour and low-cost labour, (3) internalisation advantages, such as the ability to control how the firm’s products are produced or marketed, the ability to control dissemination of the firm’s proprietary knowledge and the ability to reduce buyer uncertainty about the value of products the firm offers (Cavusgil et al., 2012; De Villa, Rajwani and Lawton, 2015; Dunning 1977, 1988A, 1988B).

2.3.2 The Behavioural School: Stages Model of Internationalisation

The behavioural school assumes bounded rationality, i.e. decision making is constrained by the available information. It has roots in the behavioural theory (Cyert and March, 1963;
Simon, 1982). In simple terms, the stages model of traditional internationalisation describes a step-by-step approach to foreign market entry. There are several stages models of internationalisation, of which the Uppsala model is the most prominent (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). However, Bilkey and Tesar (1977), Cavusgil (1980), Reid (1981) and Czinkota (1982) have also introduced stages models of internationalisation (see Table 2-1).

Table 2-1: Stages Models of Internationalisation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal export</td>
<td>Stage 1: Management is not interested in exporting</td>
<td>Stage 1: Domestic marketing: The firm sells only to the home market</td>
<td>Stage 1: Completely uninterested firm</td>
<td>Stage 1: Export awareness: Problem of opportunity recognition arising of need</td>
</tr>
<tr>
<td></td>
<td>Stage 2: Management is willing to fill unsolicited orders, but makes no effort to explore feasibility of active exporting</td>
<td>Stage 2: The partially interested firm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information search</td>
<td>Stage 3: Management actively explores the feasibility of active exporting</td>
<td>Stage 2: Pre-export stage: the firm searches information and evaluates the feasibility of undertaking exporting</td>
<td>Stage 3: The exploring firm</td>
<td>Stage 2: Export intension: Motivation, attitude, beliefs and expectancy about exporting</td>
</tr>
<tr>
<td>Trial export</td>
<td>Stage 4: The firm exports on an experimental basis to some psychologically close country</td>
<td>Stage 3: Experimental involvement: The firm starts exporting on a limited basis to some psychologically close country</td>
<td>Stage 4: The experimental firm</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stage 5: The firm is an experienced exporter</td>
<td>Stage 4: Active involvement: Exporting to more new countries-direct exporting-increase in sales volume</td>
<td>Stage 5: The experienced small exporter</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stage 6: Management explores the feasibility of exporting to other more psychologically distant countries</td>
<td>Stage 5: Committed involvement: management constantly makes choices in allocating limited resources between domestic and foreign markets</td>
<td>Stage 6: The experienced large exporter</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Andersen (1993, p. 213)

The stages models of internationalisation described in Table 2-1 are specific to exporting. These models suggest four possible options for non-equity modes: (1) no formal exports, (2) information search, (3) trial export and (4) export. Psychic distance, first proposed by Beckerman (1956), plays a role in the stages models of internationalisation. “The psychic distance is defined as the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business practices, culture, and industrial development” (Johanson and Vahlne, 1977, p. 24). As a firm increases its knowledge of a foreign market it is more likely to increase its export commitment towards
that market, which is the underlying assumption of the Johanson and Vahlne (1977, 2009) model. Thus, foreign market entry decision may depend on psychic distance.

Johanson and Vahlne’s (1977) model goes beyond non-equity (export) mode to equity (production subsidiary) mode. They suggest four stages of internationalisation: (1) no regular exports, (2) selling via agent, (3) sales subsidiary and (4) production subsidiary. The third and fourth stages represent the equity modes. The firms falling into traditional internationalisation, as described in the stages models, tend to enter foreign markets in a slow and reactive manner in contrast to born global firms, who actively seek growth in the foreign market (Baum et al., 2015).

“It should also be stressed that the concept of a sequential, cumulative process of internationalisation does not necessarily mean some smooth, immutable path of development” (Welch and Luostarinen, 1988, p. 91). Firms may follow various paths to internationalisation (e.g., Buckley, Mirza, and Sparkes, 1987; Reid, 1983; Root, 1987; Turnbull, 1987). In recognition of this, Johanson and Vahlne (1990, 2009) have extended their original model to acknowledge the importance of networks in addition to foreign market knowledge (De Villa et al., 2015; Rugman, Verbeke and Nguyen, 2011).

2.3.3 The Relationship School: Network Perspective on Internationalisation

The network perspective on internationalisation has ties to social exchange and resource dependancy theories, as it focuses on inter-organisational and inter-personal relationships when making decisions (Axelsson and Easton, 1992). According to this, internationalisation may be more influenced by external relationships than firm specific resources, leading to externalisation (Coviello and McAuley, 1999). It appears that networks play a considerable role in market entry (Baum et al., 2015). Even Dunning (1993), who is the theorist of the FDI view, stated “… as firms become more dynamic and more pluralistic in the extent and form of their foreign value activities, it seems likely that they will take a holistic approach to the multitude of relationships they form with foreign firms. Therefore, the network perspective is a useful variant to the traditional models of interfirm relationships” (in Coviello and McAuley, 1999, p. 243).
Networks may impact foreign market entry decisions (Nerkar and Paruchuri, 2005; Selnes and Sallis, 2003), and may also reduce uncertainty (Freeman, Edwards and Schroder, 2006; Weerawardena, Mort, Liesch and Knight, 2007) by providing knowledge and learnings of the foreign market (Johanson and Vahlne, 2009; Schwens and Kabst, 2009, 2011; Johanson and Mattson, 1988; Oviatt and McDougall, 1994). In addition, networks may also provide financial backup (Shane and Cable, 2002). There are no clear boundaries as to what constitutes a network; networks may include both formal and informal links such as customers, suppliers, family and friends (Cavusgil et al., 2012; Coviello and McAuley, 1999; Johanson and Mattson, 1988).

2.3.4 Entrepreneurial Perspective on Internationalisation

Schumpeter (1934, 1947) viewed entrepreneurship as doing new things (new products, new methods, new markets etc.), or things in different ways (e.g. reorganisation of an industry). Internationalisation is an entrepreneurial action (Schumpeter, 1934), i.e. internationalisation is driven by entrepreneurial vision and thinking and therefore cannot start without the action of an entrepreneur (Boddewyn, 1988; Andersson, 2000). As suggested by Andersson (2000), internationalisation can be “the consequence of different entrepreneurial actions” (p. 82). Though Schumpeter (1934) tends to view the entrepreneur in a functional role in the economic development process, an entrepreneur’s personal goals and objectives may influence his/her entrepreneurial function (Endres and Woods, 2010). In other words, an entrepreneur can be considered as a person influenced by the environment and also who influences the environment (Andersson, 2000). The environment consists of three levels: (1) firm level (such as organisational structure and product development), (2) meso level (such as customers and competitors), and (3) macro level (such as factor conditions) (Andersson, 2000).

Therefore, the behaviour of an entrepreneur plays a role in the decision-making process related to entering a foreign market (Ibeh and Young, 2001; Oviatt and McDougall, 1994). Entrepreneurship literature suggests that internationalisation occurs through entrepreneurial observation and strategic action, not just through a sequence of stages or due to comparative advantages (Mathews and Zander, 2007). In foreign market entry an entrepreneur may be
involved in three processes (Mathews and Zander, 2007): (1) the discovery of opportunities, (2) the deployment of resources in the exploitation of these opportunities and (3) the engagement with international competitors. An entrepreneur sees and discovers new business opportunities and determines whether the opportunity is profitable to pursue. Then the entrepreneur takes action to coordinate internal and external resources to engage in the new opportunity. Such actions are taken in the context of international competition for the success of the business. This requires adaptation of resources and capabilities to face the competition (Mathews and Zander, 2007).

2.3.5 Born Global Firms

Literature related to born global firms contrast with that of traditional internationalisation (Cavusgil and Knight, 2015; Baum et al., 2015). The traditional view of internationalisation is that it starts once the firm is well established in the home market (Cavusgil, Bilkey and Tesar, 1979; Johanson and Vahlne, 1977). However, born global firms have challenged this. The term ‘born global’ was first used by McKinsey and Company (1993) to describe “entrepreneurial start-ups that, from or near their founding, seek to derive a substantial proportion of their revenue from the sale of products in international markets” (Cavusgil and Knight, 2015, p. 4).

Growing international competition, gaining worldwide clientele, communication, transportation, technology, integration of world economies and globalisation may have motivated firms to be born global (Cavusgil et al., 2012; Cavusgil and Knight, 2015). In other words, operating globally may offer these firms more advantages (Dewhurst, Harris and Heywood, 2012). Though born global firms have lower tangible resources and financial capabilities, they may use intangible knowledge and capabilities to internationalise early (Knight and Cavusgil, 2004).

Born global firms combine the views of entrepreneurship and networks. Leadership tends to be internationally oriented, proactive and have lower perceptions of risk in internationalisation (Acedo and Jones, 2007; Zhou, 2007). Born global firms are capable of building effective networks for early internationalisation (Cavusgil and Knight, 2009, 2015; Chetty and Campbell-Hunt, 2003; Schwens and Kabst, 2009). Networks may help these
firms to identify market opportunities, facilitate in developing knowledge-intensive products and support international performance (Mort and Weerawardena, 2006). In sum, these young and resource-constrained firms highlight a logic of profit, opportunity creation and resourceful innovativeness in contrast to large and well established MNE’s logic of monopolistic or oligopolistic rents, efficiency-seeking and power (Knight and Liesch, 2016; Zander, McDougall-Covin and Rose, 2015).

2.3.6 Born Again Global Firms

Born again global firms are similar to born global firms (Baum et al., 2015; Bell et al., 2001; Bell et al., 2003; Sheppard and McNaughton, 2012; Tuppura et al., 2008). The term “born again global firm” was introduced by Bell et al. (2001) with the notion that born global behaviour may be identified not only in new firms, but firms that already exist. Events such as management or ownership changes may trigger firms already operating in the domestic market to adapt to proactive internationalisation in a similar way to born global firms (Baum et al., 2015; Bell et al., 2001, Bell et al., 2003).

Born global and born again global firms may differ in terms of size and the proportion of investment in research and development (R&D). Born again firms can be larger than born global firms as they have already been in operation for a considerable period of time. Born global firms may generate lower revenue in comparison to born again global firms. Therefore, as a portion of revenue, born global firms may have a higher proportion of R&D in comparison to born again global firms (Sheppard and McNaughton, 2012).

2.4 What Factors Affect Entry Strategy?

The drive to internationalise can come from many parties, including the seller, the buyer, a broker (entrepreneurial middleman, agency, or government), or as a result of a trade fair or chance encounter (Ellis, 2000). The underlying reasons vary from responding to foreign market needs, imitating competitors, following customer moves, earning extra return on existing assets, chasing new growth opportunities in foreign markets and rivalry with competitors (Lei and Chen, 2011). Like many other decisions in the corporate world,
internationalisation can also be affected by the characteristics of the decision maker or management team (Ellis, 2000). Previous research highlights a number of factors that shape entry strategy, as explained below.

2.4.1 Knowledge

Knowledge-based resources play a critical role in today’s international business strategy, particularly in terms of market entry. Knowledge-based assets include: (1) accumulated expertise, (2) resource-based versatility and (3) network dependence (Tuppura et al, 2008).

In terms of accumulated expertise, there is evidence that firms with higher international experience tend to make foreign market entry decisions sooner (Coeurderoy and Murray, 2008; Gaba et al., 2002). According to organisational learning theory, firms are routine-based and rely on past experience to replicate success (Zhu et al., 2012). Prior knowledge of markets, of ways to serve markets and of customer problems may help firms gain expertise (Shane, 2000). Successful internationalisation facilitates the transfer of organisational knowledge between parent firms and foreign subsidiaries in both directions (Ahlbrecht and Eckert, 2013; Kirsch et al., 2000). For example, Brown, Dev and Zhou’s (2003) investigation of knowledge transfer in the hotel industry found that transferability of the entrant’s competitive advantages, the local market’s absorptive capacity and the availability of trustworthy local partners, all affected the ownership and control level.

In terms of resource-based versatility, Barney, Wright and Ketchen (2001) argue that internationalisation knowledge is unique to each firm and falls into the category of tacit knowledge that cannot be easily copied by competitors (Xie et al., 2011). With the trend of economies shifting from manufacturing to services, firms that build their competencies with regard to human resources and knowledge are more likely to be successful (Kedia and Mukherjee, 2009). A firm’s resource fungibility (i.e. the extent to which resources may be deployed for alternative uses at a low cost) may enhance firm growth by reallocating resources to new markets (Sapienza, Autio, George and Zahra, 2006). However, when firms do not have their own overseas market information, they may follow other firms’ knowledge. “Learning from the actions of other firms” (Terlaak and Gong, 2008, p. 836) can be called vicarious (second-hand experience) learning – an important aspect in a firm’s
strategic decision making (Jiang et al., 2013), as second hand experience may provide useful insights into the foreign market. Successful international operations require firms to gain knowledge through their own (first-hand) or other firms (second-hand) experience (Gunawan and Rose, 2014; Levitt and March, 1988).

Networks can also be a source of knowledge. Networks may provide information about foreign markets that minimise the “outsidership” factor (Johanson and Vahlne, 2009), thereby helping to mitigate the risk and uncertainty (Weerawardena et al., 2007). The knowledge, learning, resources and capabilities gained by networking and partnerships all increase the benefits and ability of a firm to predict the market and environmental opportunities (e.g. Capello and Faggian, 2005; Chetty and Holm, 2000; Coviello and Munro, 1997; Garcia-Villaverde, Ruiz-Ortega and Parra-Requena, 2012; Suarez and Lanzolla, 2007).

2.4.2 Competition/Mimicry

A firm can either choose a location with close proximity to rivals to be competitive and capture market share, choose an under-served location to avoid direct competition and increase profits, or choose a location without considering rivals (Knickerbocker, 1973; Rose and Ito, 2009). The model suggested by Levesque and Shepherd (2004) to optimise entry strategy addresses the time and mimicry of entry decisions. It captures entry decisions such as whether the firm should enter now or wait to enter later, and, if entry is chosen, whether the entry mechanism should represent a high or low level of mimicry. Their model suggests that firms that choose a higher mimicry entry method into emerging economies may choose this due to the fact that the cost/benefit ratio from using a higher mimicry entry method is lower in emerging economies than developed economies. Early entrants may gain sustainable competitive advantage and high performance (Ahlbrecht and Eckert, 2013; Lou and Peng, 1998). For example, early entrants may attempt to increase entry barriers for late entrants or block access to information (Ahlbrecht and Eckert, 2013; Lou and Peng, 1998). Therefore, when the pioneering firm enters a market, close competitors may follow suit to prevent the first entrant from monopolising the market (Chan et al., 2006). However, late entrants may receive better market information, learn from the pioneer’s experience and may
freeride efforts made by the early entrant (Ahlbrecht and Eckert, 2013; Lieberman and Montgomery, 1988; Zachary, Gianiodis, Payne and Markman, 2015).

Mimicry refers to the “degree to which new ventures imitate the key practices of other referent firms” (Levesque and Shepherd, 2004, p. 35). Firms with less knowledge of the foreign market tend to imitate the firms that are already operating in the new market (Chan et al., 2006; Guillen, 2002). Such firms may consider the market entry strategy used by other firms as legitimate, and so replicate those actions in their own market entry (Chan et al., 2006; Maekelburger et al., 2012). However, if competitors can imitate easily and quickly, firms tend to delay entry (Garcia-Villaverde et al., 2012; Lieberman and Asaba, 2006; Suarez and Lanzolla, 2007). Thus competition plays a role in strategic entry decisions of a firm.

2.4.3 Institutional Conditions

2.4.3.1 Location

A weak institutional environment in the foreign market increases the transaction cost due to increases in research, negotiation and enforcement costs, which also decreases the attractiveness of the location. For example, weak institutional frameworks related to property rights tend to demotivate the attractiveness of the location (Bevan et al., 2004; Oxley, 1999; Smarzynska, 2002). Also, Coeurderoy and Murray (2008) found that immature new-technology-based firms tend to select markets with better regulatory conditions. Transitional economies with formal institutions, such as private ownership of business, banking sector reforms, foreign exchange, trade liberalisation and legal development, may attract firms (Bevan et al., 2004). For example, due to inadequate laws and regulations, and most likely negative attitudes towards foreign investments, historically China was not attractive for foreign investors. However, China has taken measures, such as special economic zones, tax incentives and lower foreign exchange restrictions, in addition to changes in national policies, to attract businesses (Grewal and Dharwadkar, 2002; Ma and Delios, 2007; Tse et al., 1997). Trade reforms also have an impact on transaction cost, as trade barriers can protect the high cost factors of the production and can make a location unattractive (Franko, 1990) (see Section 2.5.1).
2.4.3.2 Time

Weak legal and political conditions (i.e. weak institutional conditions) increase the risk of entering a market, and as such, tend to delay market entry (Gaba et al., 2002A). Weak institutional conditions increase the instability of the environment, and can expose a firm to corruption, as well as illegal and unethical business practices. Conversely, a favourable political and business environment drives early market entry (Gaba et al., 2002A) (see Section 2.5.2).

Sometimes, small changes in institutional conditions may have dramatic effects on a market. For instance, the deregulation of the telecommunication industry in India quickly attracted many foreign firms to the market, and has turned India into the second largest telecommunications market in the world (Gaur, Kumar and Sing, 2014). In addition, studies such as Coeurderoy and Murray (2008), Kiss and Danis (2008) and Luo, Zhao and Du (2005), also indicate that institutional conditions may influence the time of entry.

2.4.3.3 Mode

Though many factors affect a firm’s mode of entry, the rules and regulations of a country can potentially override all other considerations (Pan and Tse, 2000). Sometimes firms do not have any choice other than to follow the entry mode set by the host country government. For example, in terms of investments, Singapore and the Solomon Islands have few restrictions, while China and Indonesia impose foreign equity limits (Dezan Shira and Associates, 2015; Investment Climate Advisory Services, 2010). However, Chinese FDI reforms in 2014 lifted restrictions on foreign investments in many sectors (Yao and Elsinga, 2014). More restrictive policies and socio-political instability impede firms’ use of equity modes and encourage non-equity modes (Agarwal and Ramaswami 1992; Fatehi-Sedeh and Safizadeh, 1988). However, sometimes a firm may choose the equity mode in a location with weak institutional conditions, like weak property rights, in order to safeguard their assets. For example, Maekelburger et al. (2012) found that high specificity firms tend to choose equity entry modes when property rights protection is lower in the foreign market. Some studies have suggested that trade cooperation may positively influence equity-based entry (Baltagi, Egger and Pfaffermayr, 2005; Macdermott, 2007; Motta and Norman, 1996), while
other studies found alternative factors, other than trade cooperation, to influence FDI (Balasubramanyam, Sapsford and Griffiths, 2002) (see Section 2.5.3).

### 2.4.3.4 Legitimacy

In addition to strategic considerations such as economic benefit, market power and transaction cost, firms also factor in social aspects when considering internationalisation (Chan et al., 2006; Oliver, 1992). As firms enter a certain market, this enhances the legitimacy of that market for other firms, and motivates them to also enter the new market (Chan et al., 2006; Guillén, 2002). According to Suchman (1995), legitimacy is “a generalised perception, or assumption, that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (p. 574). Legitimacy is important for firms to be socially acceptable and credible in a market (Chan et al., 2006). Movement of firms into and out of a market influences the perceived legitimacy of that market. For example, Chan et al. (2006) found an inverted U-shaped relationship between MNE foreign market entry and the entry/exit decisions of other MNEs at the local industry level. That is, as firms enter a market, other firms are motivated to also enter the same market. Studies of institutional conditions indicate that selection of entry mode depends largely on the level of legitimacy: firms choose entry mode structures that comply with institutional requirements specific to those locations (Javalgi et al., 2010) (see Section 2.7.4). Likewise, managers with more international business experience are more likely to reduce the regulatory hazards or, in other words, select the most appropriate mode for the existing institutional framework of the foreign market (Coeurderoy and Murray, 2008).

### 2.4.4 Transaction Cost

“The paradigmatic question in internationalisation theory is that, upon deciding to enter a foreign market, should a firm do so through internalisation within its own boundaries (a subsidiary) or through some form of collaboration with a partner? This decision depends pivotally upon the level of transaction costs involved” (Madhok, 1998, p. 260). Transaction cost may determine the level of engagement a firm develops with other firms (Meyer and Wang, 2015). Transaction cost was initially recognised as the factor that influences a firm’s
transactions and its boundaries (Coase, 1937). Transaction cost has three characteristics: asset specificity, uncertainty and low frequency (Williamson, 1975, 1985). Asset specificity refers that investment in partner specific assets cannot be re-deployed outside of that partnership, and results in a lost sunk cost in the case of a change in partner. Uncertainty refers to unpredictability, whereas frequency refers to the recurrence of transaction between the same partners (Meyer and Wang, 2015). Although transaction cost covers almost all the costs according to the above characteristics, it may play a role in mode of entry in foreign market entry decisions when deciding if a firm should link with an external party or not, due to the possibility of opportunistic behaviour of the partner.

Both international business and transaction cost viewpoints may focus on minimising transaction cost and the conditions of market failure, but where internationalisation theory is centred on market know-how, transaction cost theory is more concerned with micro-level transaction characteristics (Madhok, 1998). From an international business perspective, there is a risk related to non-specificity of knowledge, for example, the partner may use the knowledge received to establish an operation that will generate competition (Buckley and Casson, 1976). Recently Verbeke and Greidanus (2009) highlighted the term ‘bounded reliability’ and argued it is not the opportunism, but rather the lack of trust or anticipation of opportunistic behaviour that determines the mode of entry (Meyer and Wang, 2015).

2.4.5 Culture

2.4.5.1 Cultural links

Cultural links between host and home countries may facilitate international business. Previous studies have shown that immigrants can create transnational communities between their home country and resident country, and firms can use these communities to facilitate international business (Chung and Tung, 2013; Chung, Rose, and Huang, 2012; Faist, 2000; Saxenian, 2002B; Snel, Engbersen and Leerkes, 2006; Vertovec, 1999). The language, economic, political and socio-cultural ties immigrants build between their home country and resident country may help firms reduce the liability of foreignness (Li, Zheng and Shao, 2009; Chung et al., 2012). Jean et al. (2011) found that ethnic ties, such as shared mother tongue, national origins, ethnic group and region of birth between host and home country, all matter when selecting the location. Their study shows that ethnic ties play a role in terms of
equity (FDI) market entry in emerging markets. These relationships may influence the mode of entry towards selecting a more resource commitment mode (i.e. equity-based) (Chung and Tung, 2013). For example, when a Taiwanese firm decides to enter China with an FDI, it is likely to select a Chinese location with strong economic, cultural and historic links, because of the cultural ties (Filatotchev, Strange, Piesse and Lien, 2007). These types of ethnic ties may also help smaller firms to compete with larger firms in the host market by gaining reliable market intelligence (Saxenian, 2002A, 2002B; Zhao and Hsu, 2007). Some studies argue that social networks and culture, such as guanxi in China, play a major role in business activities by providing infrastructure to overcome the limitations of institutional support (Burt, 1997; Jean et al., 2011; Park and Luo, 2001).

Furthermore, entrepreneurs tend to rely on social ties to gain physical, organisational, financial and human resources required for international entry (Chetty and Campbell-Hunt, 2003; Domurath and Patzelt, 2015; Oviatt and McDougall, 1995). The level of social ties may influence location, mode and time of entry into the foreign market. More social ties provide more information, and diversity of social ties provide the benefit of gaining a variety of knowledge to assist in gathering accurate information about the foreign market (Domurath and Patzelt, 2015).

2.4.5.2 Psychic, Geographical and Cultural Distance

Psychic, geographical and cultural distance are probably the most commonly discussed distance dimensions in international business literature (see Child, Rodrigues and Frynas, 2009; Dow and Karunaratna, 2006; Ellis, 2008; Ojala and Tyrvainen, 2007, 2008; Ojala, 2015; Ragozzino, 2009). As explained in Section 2.3.2, psychic distance plays a role in internationalisation. A recent study done by Ojala (2015) states that “psychic distance encompasses the disturbance in information flow between organisations and foreign markets caused by actors’ perceptions” (p. 827). Human awareness, understanding and perceptions on factors such as differences in language, business practices and political systems, may all influence the psychic distance (Nebus and Chai, 2014; Ojala, 2015). Psychic distance may differ from buyer to seller (Beckerman, 1956; Ellis, 2008; Ojala, 2015). For example, if a New Zealand businessman could hypothetically better understand the likely behaviour of an Australian businessman than the Australian businessman could of the New Zealand
businessman, this would mean that the psychic distance of the New Zealand businessman to the Australian businessman is shorter than the reverse.

The shared values, beliefs, norms and symbols of a society can be considered as the culture (Siegel, Licht and Schwartz, 2012). Hofstede’s (1980) five-dimensional cultural framework provides a basis to examine the cultural differences between countries and indicate the value of having cultural links for international business. Hofstede’s cultural framework considers: (1) power distance, (2) individualism/collectivism, (3) uncertainty avoidance, (4) masculinity/femininity and (5) long-term/short-term orientation. Cultural distance explains the gaps between cultures of different countries, which are beyond a firm’s control (Sousa and Bradley, 2006). From an international business perspective, it is the fundamental differences in norms and values between the firms’ home country and the host country of their foreign operations (Chang, Kao, Kuo and Chiu 2012; Kogut and Singh, 1988; Tihanyi, Griffith and Russell, 2005). Previous research indicates that cultural distance may influence mode of entry, and hence affect the foreign market entry strategy of a firm (Chang et al., 2012; Morschett, Schramm-Klein and Swoboda, 2010; Tihanyi et al., 2005; Zhao, Luo and Suh, 2004).

Geographical distance is the physical distance between the host country and home country (Ojala, 2015). As greater physical distances may increase the cost of commercial operations, firms may be motivated to enter geographically closer countries to benefit from lower economic and managerial costs, rapid and effective information exchange and environmental familiarity (Dunning, 2001; Ojala, 2015). Even though geographic distance between locations remains constant, travel time may differ based on the travel mode and infrastructure. A less experienced firm may select a location that is geographically close, whereas an experienced firm may select a location that is easily accessible but not necessarily geographically close. This is because it is not the distance, but managers’ time that matters, and an easily accessible location can minimise transit time (Boeh and Beamish, 2012).

It appears that psychic, geographical and cultural distances all influence the foreign market entry. For example, culturally the Netherlands and Sweden have more in common than either country does with Germany. But in psychic terms, Germany and Sweden may be closer than
either is to the Netherlands (Nordstrom and Vahlne, 1994). The idea that operations in a market with narrow psychic distance are easier to manage suggests a negative relationship between psychic distance and firm performance (Child et al., 2002; Dow and Karunaratna, 2006; Ellis, 2000, 2008; Sousa and Bradley, 2006). However, as managers gain experience in foreign markets, the psychic distance effects tend to lessen (Ellis, 2008). On the other hand, previous studies indicate operating in a culturally distant market is costly, as differences in culture create knowledge barriers, which may limit the transfer of knowledge and core competencies of the firm (Anand and Delios, 1997; Chang et al., 2012).

2.4.6 Networks

Networks, colonial ties and common language all tend to increase trade (Filatotchev et al., 2007; Rauch and Trindade, 2002; Rauch, 1999). Social networks facilitate internationalisation in terms of resources and activities through providing knowledge, advice and learning about overseas operations. Ethnic ties, an aspect of social networks, enable firms to overcome foreignness and newness in market entry, and also may help build trust among partners (Jean et al., 2011). As small and medium size enterprises (SMEs) have limited resources to engage in internationalisation, they tend to overcome the weakness of limited resources by building relationships and exploiting business opportunities using those relationships (Agndal, Chetty and Wilson, 2008).

A firm’s network, and the ability to gain resources through that network, can be referred to as social capital (Agndal et al., 2008). There are two dimensions to social capital: (1) structural – the network of relationships (direct and indirect) and (2) economic – the usefulness of the relationship (efficacy and serendipity). Efficacy refers to the proactive use of social capital and serendipity refers to passive use of social capital for the benefit of internationalisation. Social capital provides access to market knowledge, product and distribution advice, knowledge of business practices and joint ventures. Direct relationships can be identified with the closest stakeholders, such as distributors, customers and suppliers. Indirect relationships encompass the next level of stakeholders, such as customers’ customers and suppliers’ suppliers (Agndal et al., 2008). Agndal et al. (2008) find direct and efficacious relationships are linked with earlier foreign market entry, while serendipitous and indirect relationships are linked with later foreign market entry.
From a network-based point of view, internationalisation is an on-going process involving a firm and its network, where firms receive opportunities and information from their network partners (Ellis, 2000). Networks are useful instruments for firms to access external resources and make internationalisation decisions (Lei and Chen, 2011). SMEs attempt to find opportunities to internationalise through social ties. Decision makers rely on existing connections with others when making foreign market entry decisions (Ellis, 2000).

Another area related to networks is clusters. “Clusters are geographic concentrations of interconnected companies and institutions in a particular field” (Porter 1998, p. 78). For example, Asian banks entering the United States tend to locate in places where other entrants from the same home country are located (Zhu et al., 2012). Studies argue that it is advantageous for firms to locate in places where there are other firms from the same home country, or in places where the same industry players are located. According to the agglomeration literature, there are benefits to choosing the location where players from the same industry are based, such as availability of knowledge, suitable labour and supporting industries (Burpitt and Rondinelli, 2004; Chang and Park, 2005; Kuilman and Li, 2009; Zhu et al., 2012).

It appears that networks may influence location (Zain and Ng, 2006), mode (Coviello and Munro, 1997) and time (Belso-Martinez, 2006; Freeman et al., 2006) of foreign market entry decisions (Hohenthal, Johanson and Johanson, 2014; Manolova et al., 2010; Harris and Wheeler, 2005).

2.4.7 Resources

In the resource dependence theory, firms are viewed as an open system that is influenced by the changes in the external environment (Hillman, Withers and Collins, 2009; Pfeffer and Salancik, 1978). Therefore, a firm’s behaviour reflects the ecosystem in which it exists, and the resources available to them (such as physical capital resources, human capital resources and organisational capital resources) (Becker, 1964; Tomer, 1987; Williamson, 1975). In general, firms attempt to monopolise the resources available in the ecosystem, thereby reducing competitors’ share (Hillman et al., 2009; Ulrich and Barney, 1984).
In terms of the resource-based view described by Barney (1991), resources are distributed heterogeneously across firms, and cannot be transferred from firm to firm without incurring cost. Furthermore, Barney (1991) states that if those resources are rare and valuable, or not easily imitable or sustainable, the firm will gain a competitive advantage (Priem and Butler, 2001).

Firms seek assets that support their operation, such as a strong labour pool, good transportation, high quality education and training resources, and an attractive quality of life (Burpitt and Rondinelli, 2004). However, the resource requirement depends on the industry and firm (Bunyaratavej, Hahn and Doh, 2008; Graf and Mudambi, 2005; Richardson and Marshall, 1999). In terms of infrastructure, a manufacturing firm may consider road, airport or railway facilities beneficial whereas a service area firm may prefer information technology and telecommunications facilities. Likewise, in terms of resources, a service firm may look for a highly skilled labour pool, but a manufacturing firm may favour a low-skilled labour force (Bunyaratavej et al., 2008).

A firm’s resources may also influence entry timing. Tuppura et al. (2008) suggest that firms with broader assets, such as accumulated expertise and prior knowledge in markets, are more likely to be first movers because they are better equipped to deploy assets suitable to each market. Conversely, Mitchell (1989) found that firms with specialised resources, such as a distribution network, may enter markets earlier. Additional studies show that higher intangible assets (such as corporate image, technical and marketing capabilities) drive early market entry, and firms with a broader product range tend to enter earlier than firms with narrow product range (Gaba et al., 2002; García-Villaverde et al., 2012; Lieberman and Montgomery, 1988).

2.4.8 Market

A lucrative overseas market may prompt a firm to start exporting to that market. Markets allowing firms to offer and compete with their strongest products may be more attractive (Burpitt and Rondinelli, 2004). Market selection may depend on ownership advantages, network, market size and resource availability (Lei and Chen, 2011). However, firms with a
high degree of networking may be more confident investing in less developed regions. Furthermore, Lei and Chen’s (2011) study indicates the larger the firm size, the higher the tendency to invest in more developed locations, and firms with international experience have the capacity to invest in culturally distant locations (Lei and Chen, 2011).

Many studies (e.g., DiBenedetto and Song, 2008; Gaba et al., 2002; Garcia-Villaverde et al., 2012; Lévesque and Shepherd, 2004; Lieberman and Montgomery, 1988; Mascarenhas, 1992; Rose and Ito, 2009) have shown that early movers enjoy certain profit and market share advantages due to economic, pre-emptive, technological and behavioural factors. Early entrants possibly attain increased brand and product awareness, plus access to scarce resources, information, distribution channels, new technological leadership and management skills and knowledge. In addition, pioneering firms may have the opportunity to set barriers to competitors, such as gaining low cost positions (Garcia-Villaverde et al., 2012; Lieberman and Montgomery, 1988). Thus, a market pioneer gains a competitive edge over followers, which may lead to increased performance, as well as weakening their rival’s position in the new market. Although the early mover has the advantage of dominating the market and locking in customers, it also faces higher risk due to market, product and technology uncertainties (Lévesque and Shepherd, 2004). Some studies argue that the market share and profitability advantages of the first mover are dependent on entry mode and resources, and suggest a combined decision on entry mode and time (Cui and Lui, 2005; Garcia-Villaverde et al., 2012; Isobe et al., 2000; Pan et al., 1999).

2.4.9 Agency

In countries with less developed legal and business environments, entry strategy decisions related to FDI may depend on the level of information irregularity and risk. Risk may be associated with overseas partners and their behaviour (e.g., the opportunistic behaviour of partners), so agency framework also plays a role in entry decisions. Some firms may use their networks to mitigate the possible agency cost (Filatotchev et al., 2007). When there is inadequate governance, agency managers may make entry decisions that are beneficial for them rather than investors. Normally the principal (investor) grants the authority to the agent (manager) to work on their behalf. The manager can then work for their personal benefit rather than for the best interest of the principal. The same situation can occur when a firm
appoints an agent to perform on their behalf in a foreign market. One of the methods firms follow to reduce the agency risk is by providing ownership as an incentive to reduce the agency cost and to align the principal’s and agent’s objectives (Musteen, Datta and Herrmann, 2009).

2.5 What Might Entry Strategy Look Like?

Strategic foreign market entry decisions are some of the most important decisions for a firm (García-Villaverde et al., 2012). The entry strategy of a firm includes the three interlocking questions of location, time and mode, or, in other words, where, when and how to enter (Gaba et al., 2002; Peng, 2006; Mudambi and Mudambi, 2002; Graf and Mudambi, 2005; Huang and Sterngquist, 2007; Tse et al., 1997). Business owners often have to make a series of entry decisions about the where, when and how dimensions which then form part of their overall entry strategy (Peng, 2006) (see Figure 2–4). In the environment of international business, firms’ objectives may differ. Firms can aim for geographical diversification, where the firm enters many markets in many countries, and/or geographical concentration, where the firm focuses on serving a limited number of foreign markets (Tuppara et al., 2008). However, it appears that, due to the competitive environment of the 21st century, key questions of international market entry may no longer be whether or not to enter, but when and how to enter (Lévesque and Shepherd, 2004).

As shown in Figure 2-4, entry strategy includes three questions: where to enter, when to enter and how to enter. Entry strategy of a firm is influenced by institutional conditions, firm specific resources and industry-based competition. Institutional conditions further consist of three areas: regulative, normative and cognitive environment. These areas, and in particular the regulatory environment, may be influenced by TAs.
2.5.1 Where to Enter – Entry Location

“Once a firm has decided to expand internationally, the first important step is to decide which foreign market(s) to select (Ayal and Zif, 1978). Given the importance of this decision, it is surprising how little research has examined this issue” (Brouthers and Nakos, 2005, p. 366). The stages model of internationalisation (see Johanson and Vahlne, 1977, 2009) suggests psychic distance is the trigger for a firm to shift from “no export” to “export” stage. Dow (2000) finds that low psychic distance is a significant predictor of early export market selection for Australian firms. Some of the factors determining psychic distance include differences in language, education, business practices, culture, religion, political systems and industrial development (Carlson, 1974; Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). Dow’s (2000) findings may be somewhat similar to previous research in finding a positive relationship between international experience and export performance, as psychic distance drops with the gaining of experience of the foreign market (Cavusgil and Zou, 1994; Kirpalani and MacIntosh, 1980).

On the other end there are born global firms (see Baum et al., 2015; Knight and Cavusgil, 2004; McDougall, 1989; Oviatt and McDougall, 1994). These firms have international knowledge and innovative products and services, and seek to internationalise from inception (Knight and Liesch, 2016). Cuervo-Cazurra (2011) propose a non-sequential
internationalisation model that falls into the middle ground between two extreme levels (stages model and born global). This new model considers knowledge as the basis of internationalisation, and posits that knowledge of international business and institutions affect the internationalisation process. Cuervo-Cazurra (2011) argues that some firms gain knowledge from the home market and may select a non-sequential internationalisation. However, there can be many other factors that influence a firm to enter a foreign market, as highlighted by Bilkey (1978), who stated that “the huge number of variables that influence the export behaviour of firms implies an important problem in predicting moves. The crux of this problem is in the lack of a proper theory” (p. 40).

Previous research (e.g., Bevan et al., 2004; Burpitt and Rondinelli, 2004; Dunning, 1988B; Filatotchev et al., 2007; Jean et al., 2011; Richardson and Marshall, 1999; Somlev and Hoshino, 2005; Zhu et al., 2012) indicates that entry location depends on various factors, of which (1) competition, (2) culture, (3) institutional conditions, (4) clusters, (5) distance, (6) infrastructure and resources, and (7) market appear to be the most important. It appears that the traditional perspective is that firms may start with a less committed approach (export) and then shift to a committed approach (FDI), if the market warrants strong commitment (Andersen 1993; Andersson, 2000; Bilkey and Tesar 1977; Cavusgil, 1980; Czinkota, 1982; Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975; Reid, 1981). However, a more recent study by Li, Qian and Yao (2015) suggests that in equity entry, a firm is more likely to follow closely the location choices of the experienced investors. The findings of Yao and Li (2016) suggest that the impacts of multi-market competition may play a role in FDI location selection. Further research indicates that the location decision for market entry can be firm specific (Burpitt and Rondinelli, 2004; Shaver, 1998; Ulgado, 1997). Also, firms may use the entry as a learning experience to move to other locations (Burpitt and Rondinelli, 2004), to benefit from disintegration, location and externalisation (Kedia and Mukherjee, 2009).

### 2.5.2 When to Enter – Entry Time

In general terms market entry time refers to the time a firm takes to internationalise from its inception (Chetty and Campbell-Hunt, 2004; Chetty, Johanson and Martin, 2014; Zahra, Ireland and Hitt, 2000). Market entry timing can be categorised in several ways, but in
general, firms can be categorised as earlier entrants or later entrants based on their time of entry to a foreign market. Entry timing can also be categorised into five tiers: pioneer, early followers, late followers, late entrants and laggards (Cui and Lui, 2005) or three stages: pioneers, early followers and late entrants (Lambkin, 1988). Tuppura et al. (2008) classified firms according to the path they follow to internationalise, as born globals, born again globals and traditionally internationalising firms. Born global firms carry an international vision from inception and display rapid internationalisation. Born again globals are firms that are well established in the local context with no initial intention to internationalise, however, due to some stimulus, such as a change in ownership or management, decide to enter foreign markets rapidly. Traditionally internationalising firms are those that take a more step-by-step, or incremental approach when entering international markets. Product life cycle may be a determining factor for some firms to enter foreign markets (Vernon, 1966). Product life cycle can turn innovative high value products into non-innovative low cost products (such as televisions). The transition of the product life may force firms to find low cost production destinations to survive in the marketplace.

More recently, Zhu et al. (2012) proposed a macro level view of internationalisation, recognising two waves of international market entry: first, the early movers – developed country multinationals; and second, late movers – the emerging economy multinationals. By the time of late mover entry, the early movers may have already established their operations. Ultimately, the behaviour of some firms goes against traditional knowledge of market entry. For example, many firms challenge the Uppsala model (Oviatt and McDougall, 1994; Bell, 1995), such as international new ventures and born global firms (Coeurderoy and Murray, 2008; Knight and Liesch, 2016).

The literature indicates that market entry time can also be influenced by the entry mode. Firms opting for a non-equity (export) mode of entry appear to internationalise sooner on average than those firms following an equity (FDI) mode (Gaba et al., 2002). In addition, a firm’s international market experience (Casillas and Moreno-Menendez, 2013; Luo et al., 2005; Zhou, 2007), networks (Freeman et al., 2006; Lee, Abosag, and Kwak, 2012), technology (Freeman et al., 2006; Morgan-Thomas and Jones, 2009), institutional conditions of the host country (Coeurderoy and Murray, 2008; Kiss and Danis, 2008; Luo et al., 2005) and product knowledge and marketing capability (Weerawardena et al., 2007) may influence
the entry time. There may be other factors that influence entry time, and it seems that “the concept of speed of internationalisation is under researched” (Chetty et al., 2014, p. 633).

2.5.3 How to Enter – Entry Mode

Entry mode is an important issue in international business and an important strategic entry decision (Gatignon and Anderson, 1998; Herrmann and Datta, 2002). “Foreign market entry modes are institutional arrangements for organising and conducting international business transactions in host markets” (De Villa et al., 2015, p. 419).

Previous studies indicate that mode of entry is related to resource commitment, risk, control, performance and institutional conditions (e.g., Anderson and Gatignon, 1986; Brouthers, 2013; Domke-Damonte 2000; Hennart, 2009; Hennart, Sheng and Pimenta, 2015; Hill, Hwang and Kim, 1990; Pan and Tse, 2000; Puck, Rogers and Mohr, 2013; Rasheed, 2005; De Villa et al., 2015; Yiu and Makino, 2002). In other words, mode of entry may depend on firm-specific factors (Erramilli and Rao, 1993; Kim and Hwang, 1992; Kumar and Subramaniam, 1997; Madhok, 1997), industry-specific factors, and country-specific factors (Anderson and Gatignon, 1986; Kogut and Singh, 1988; Pen and Tse, 2000; Tse et al., 1997; Yiu and Makino, 2002). Based on these considerations several schools of thought related to mode of entry choice have emerged (see Section 2.5.4).

As shown in Figure 2-5, mode of entry (according to Pan and Tse, 2000) can be divided into non-equity and equity based entry. Equity modes require a considerable level of investment, direct management and interaction with local partners, which is more risky, but provides greater control. On the other hand, non-equity modes tend to require less investment, management support and interaction with local partners, by comparison. The non-equity mode of entry can be divided into exports and contractual agreements. Exports refer to the movements of goods from a firm to a foreign market. Contractual agreements include contracts between a firm and an agent to produce or distribute goods in the foreign market. Joint ventures under equity mode refer to jointly owned formed enterprises by two or more firms that share know-how or resources. Wholly owned subsidiaries are enterprises that are fully owned by the firm (Pan and Tse, 2000). This could occur through greenfield investments or acquisitions (see Pan and Tse, 2000; De Villa et al., 2015). Fully owned entry
modes may be affected by environmental uncertainties (e.g. political risk), and require a higher level of committed resources that are not easily redeployable without a considerable level of cost. Jointly owned entry modes, conversely, such as joint ventures and licensing, are comparably less risky as they involve moderate investment, control and return (Herrmann and Datta, 2002; Musteen et al., 2009). In sum “exporting is located domestically and is controlled administratively; foreign licensing is foreign located and is controlled contractually; and FDI is foreign located and is controlled administratively” (Rasheed, 2005, p. 43).

**Figure 2-5: A Hierarchical Model of Choice of Entry Modes**

![Hierarchical Model of Choice of Entry Modes](image)

Source: Pan and Tse (2000, p. 538)

### 2.5.4 Schools of Thought Related to Choice of Entry Mode

Past studies related to mode of entry show various streams of literature to explain how firms approach the choice of entry mode decisions. A recent study by De Villa et al. (2015) identify six such schools of thought: (1) Uppsala model, (2) transaction cost analysis, (3) real options, (4) the eclectic paradigm, (5) industrial networks, and the (6) institutional approach.
2.5.4.1 The Uppsala Model Approach

Aharoni (1966) explains the foreign investment decision process but acknowledges that in real life it is a very complicated process and stages cannot be well defined. The Uppsala Model, an early and prominent school of thought, explains that firms take an incremental approach to internationalise (Johanson and Vahlne, 1977, 1990; Johanson and Wiedersheim-Paul, 1975). In terms of entry mode selection, firms’ knowledge about the foreign market plays a role. When a firm has little knowledge of the foreign market it may choose a low resource commitment mode (non-equity mode), such as export. As the firm grows in knowledge and experience, it may start to commit more resources. In the last stage a firm may commit to a wholly owned subsidiary. Therefore, the perspective of overseas business risk suggests a gradual involvement in the foreign market with a subsequent increase of resource commitment, risk exposure, control, and profit potential from non-equity mode to equity mode (Chu and Anderson, 1992; Johanson and Vahlne, 1977, 1990; Pan and Tse, 2000; Root, 1987; De Villa et al., 2015). This approach tries to minimise the risk of failure of a firm’s foreign operation by increasing its resource commitment over a period of time (Rhee and Cheng, 2002). Therefore, the main characteristic of this approach is that the mode of entry choice is a time-dependent process. However, this approach has been criticised as being too deterministic, and highly dependant on the variable of knowledge (De Villa et al., 2015). These criticisms have led Johanson and Vahlne (1990, 2009) to suggest changes to their original approach (1977).

2.5.4.2 Transaction Cost Approach

Additionally, entry mode selection may be influenced by transaction cost (Anderson and Gatignon, 1986; Beamish and Banks, 1987; Caves, 1982; Erramilli and Rao, 1993; Pan and Tse, 2000; Williamson, 1986). In this regard, entry mode selection can be seen as a trade-off between control and resource commitment (Anderson and Gatignon, 1986). The transaction cost perspective mainly focuses on the impacts of firm and industry specific factors, and may provide first insights into the mode of entry choice (Brouthers, 2013; Yiu and Makino, 2002). This is a rational approach to the choice of entry mode based on the cost minimisation rationale (De Villa et al., 2015), i.e. a firm may analyse the costs related to various market entry modes and compare with the expected outcome, in order to select the most appropriate
entry mode. But further studies have indicated that other factors, such as market power (Teece, 1981), contractual and cooperation hazards (Oxley, 1997; Oxley and Sampson, 2004) and increased control or integration (Hill et al., 1990; Kobrin, 1988) can influence the transaction cost approach (Madhok, 1997).

2.5.4.3 Real Option Approach

The central idea of the real option approach is evaluating endogenous and exogenous uncertainties as sources of threats and opportunities (De Villa et al., 2015; Li, 2007). Therefore, the real option approach contributes to the choice of entry mode by analysing risks and opportunities in various modes (Chi and McGuire, 1996; Tong and Reur, 2007). This approach considers market entry modes to be non-static, i.e. needing to be flexible in order to gain advantages from uncertainty. More of a financial perspective is embedded in this approach, as it considers that the decisions should be evaluated in terms of net present value of its future profits, as well as accrued value gain from adjusting future entry modes in response to new information (De Villa et al., 2015; Myers, 1997). Even though the real option approach is predominantly used to analyse the joint venture entry modes, its use is relatively low (De Villa et al., 2015; Li, 2007).

2.5.4.4 Eclectic Paradigm Approach

Dunning’s (1979, 1988C) OLI, or eclectic paradigm, explains three factors that may influence the choice of entry mode: (1) ownership advantages, (2) location advantages and (3) internalisation advantages. A firm’s assets (firm size and internationalisation experience) and skills (organisational capabilities) refer to ownership advantage. Attractive market characteristics (such as potential market share, competition and risk) refer to location advantages. Internalisation advantage refers to the cost associated with selecting a non-equity or equity entry mode (Dunning, 1993; De Villa et al., 2015).

This approach is similar to the firm specific advantages and country specific advantages study by Rugman (1981). Rugman (1981) refers to organisational capabilities and country-specific advantages, which are similar to Dunning’s (1979, 1988C) ownership and location advantages, respectively. Hennart (2009) further explains the relationship between firm- and country-specific advantages. Specifically, when it is difficult to gain country-specific
advantages, firms will rely on networks in order to attain those advantages. How these relationships are built may determine the mode of entry. Madhok’s (1997) argument builds on those of Rugman (1981) and Dunning (1979, 1988C), by suggesting that the choice of mode of entry should take into account managing and developing organisational capabilities in addition to cost consideration.

2.5.4.5 Industrial Network Approach

This approach highlights the industrial systems’ influence on mode of entry choice (Johanson and Mattsson, 1986; Turnbull and Ellwood, 1986; De Villa et al., 2015). An industrial system is a network of firms involved in various business related activities. These business activities build, maintain and enhance business relationships (Turnbull and Ellwood, 1986). The elements and processes of the relationship, characteristics of the parties involved, the atmosphere surrounding the relationship and the environment within which the interactions take place, influence the choice of entry mode (De Villa et al., 2015). The industrial network approach suggests a firm not only takes into account the potential customers in the foreign market, but also the entire industrial network environment when making internationalisation decisions (De Villa et al., 2015).

2.5.4.6 Institutional Approach

The main idea of the institutional approach is that firms adopt certain structures and practices to build the legitimacy of their activities (Yiu and Makino, 2002). Countries have different institutional conditions that create various formal and informal constraints on a firm’s operations (Henisz and Swaminathan, 2008; Scott, 1995). Scott (1995) divides these institutional conditions into regulative (rules), normative (social) and cognitive (psychological) environments. Rules may fall into the formal institutional conditions, which provide stability for business activities, while informal institutional conditions, such as culture and norms, influence the behaviour of managers and decision-makers of the firm (North, 1990; De Villa et al., 2015). Therefore, institutional conditions affect the mode of entry choice (Henisz, 2000; Meyer and Nguyen, 2005). In addition, institutional conditions can influence foreign investors’ perceived risk, and may affect the level of equity commitment (Brouthers, 2002).
2.6 International Trade Agreements

2.6.1 Introduction

Formal trade cooperation dates back to the 19th century, when a customs union (CU) was formed between Prussia and Hesse-Darmstadt in 1828 (Perez-Batres, 2012). This was followed by a flurry of trade-related agreements in the mid 20th century – including the Treaty of Rome (1957), Central American Common Market (1960), Latin American Free Trade Association (1960), Association of Southeast Asian Nations (1967) and the Andean Pact (1969). Today, the EU-Korea free trade agreement (FTA) established in 2011, eliminates 97 per cent of all tariff barriers, and is one of the most comprehensive contemporary trade agreements in the world (Jugurnath, Stewart, and Brookes, 2007; Kawai and Wignaraja, 2011; Melatos and Woodland, 2007; Ornelas, 2008; Perera, 2015; Perez-Batres, 2012).

TAs have been successful facilitators of strong business links among participating countries (e.g. The North American Free Trade Agreement (NAFTA), European Union (EU), Association of Southeast Asian Nations (ASEAN), Asia-Pacific Trade Agreement (APTA) and Australia New Zealand Closer Economic Agreement (ANZCERTA)). International trade and business has increased due to TAs, and there are currently over 400 TAs enforced (Baier and Bergstrand, 2009; Bhattacharya and Bhattacharyay, 2007; Chen and Joshi, 2010; World Trade Organization, 2016C). It appears almost every country is a member of at least one TA, and at least one third of world trade is taking place under TAs (Karacaoglu and Limao, 2008; Johns and Peritz, 2015).

Figure 2-6 shows the regional trade agreements (RTAs) in the world. The World Trade Organisation (2016G) defines RTAs as “reciprocal trade agreements between two or more partners. They include free trade agreements and customs unions” (online).
Exports have noticeably increased under FTAs. APEC (APEC Policy Support Unit, 2015) recently reported that “Preliminary analysis of the effects of FTAs on exports showed that the average exports five years after an FTA is enforced is higher and statistically significant vis-à-vis the average exports five years before” (p. Executive Summary). The proliferation of TAs during the last few decades has reduced trade barriers in a preferential way. A recent study by Hayakawa and Kimura (2014) analysing tariff data of 178 countries between 1997 and 2010 found that TAs under GATT Article XXIV and the Enabling Clause (which allows more favourable treatment to developing countries) have contributed to reducing tariff rates by 2.1 per cent and 1.5 per cent, respectively. The same study also investigated the non-tariff barriers (NTBs) data of 158 countries between 1995-2010, and found that GATT Article XXIV and the Enabling Clause have contributed to reducing NTBs by 6.6 per cent and 5.7 per cent, respectively.

The connection of TAs to this thesis is explained in Figure 2-7. TAs mainly influence regulative environment of institutional conditions. Institutional conditions influence the entry strategy.
Figure 2-7: International Trade Agreements' Influence on International Market Entry
- Focus area of section 2.6 is indicated in yellow

Source: Adapted from Peng (2006, p. 15) and Peng, Wang and Jiang (2008, p. 923)

2.6.2 Existing Theory on TAs

2.6.2.1 Prominent Theories

The early foreign trade doctrines, such as the universal economy, philosophies of the natural law philosophers and mercantilism, all supported international trade (Irwin, 1996). Conversely, it appears that ancient attitudes, including early Christian and scholastic economic thought, viewed trade as a gateway to greed, a materialistic lifestyle and alien culture, all of which represented a threat to their current way of life (Irwin, 1996). These philosophies were later challenged by Adam Smith’s (1723-1790) absolute advantage and David Ricardo’s (1772-1823) comparative advantage theories (Feenstra and Taylor, 2008; Krugman and Obstfeld, 2006; Yarbrough and Yarbrough, 2006).

Free trade and its associated benefits and disadvantages have been much debated over the years (Hume, 1752; Krugman and Obstfeld, 2009; Smith, 1776). According to Smith’s (1776) absolute advantage theory, a country would benefit by producing and exporting goods that it can produce more efficiently than other countries, due to superior labour and natural resources. Likewise, Ricardo’s (1817) comparative advantage theory argues that a country should specialise in the products it produces efficiently, but import what it produces with less efficiency (Gounder and Prasad, 2011; Malkawi, 2011; Perez-Batres, 2012).
In addition, Vernon’s (1966) product-cycle hypothesis suggested that low-skilled labour-intensive countries have a comparative advantage, as the end product is more important than the factor-cost proportion. Another likely driver of international trade is competitive advantage. A country’s competitive advantage depends on their ability to specialise, or the ability of their industries to innovate and upgrade (Porter, 1990). Hence, a country with a competitive advantage may outperform competitors and gain foreign market share. Economies of scale, or in other words increasing returns, can also drive international trade. The basic assumption of economies of scale is that production will become more efficient as the scale of production increases. In simple terms, doubling the inputs should more than double the output. This motivates countries to produce a restricted range of goods to gain economies of scale advantages and import goods that other countries produce with economies of scale (Krugman, Obstfeld and Melitz, 2012; Krugman and Venables, 1995; Perez-Batres, 2012).

However, what can be seen today is a two-way exchange of similar products. Manufacturers try to differentiate products, but due to differentiation and economies of scale, countries without comparative advantage are trading with each other. This is known as intra-industry trade, when countries both export and import the same goods. For example, New Zealand is both an importer and an exporter of wine. Intra-industry trade may provide a greater variety of products at lower cost (Krugman et al., 2012). Linder (1961) shed some light on intra-industry trade. Linder (1961) suggests that intra-industry trade is lower when the per capita difference between countries is high. However, countries with higher per capita income have higher economic development, which increases the demand for differentiated products, and expands intra-industry trade (Bergstrand, 1990). However, standard trade theories may not adequately explain intra-industry trade. Current trade theories explain why a country imports one good and exports a different good. They equate this trade to certain specific differences (in terms of resource endowment, technology, or tastes and preferences) between countries that encourage them to specialise in the production of different goods (thus trading their surplus production with each other). Krugman’s (1979, 1980, 1981) New Trade Theory attempts to explain why intra-industry trade takes place, but it also offers other explanations for why normal trade (i.e. non-intra-industry trade) takes place between countries (e.g. it takes into account factors such as imperfect competition, production differentiation and economies of scale that the standard models ignore). Therefore, New Trade Theory can be
considered a collection of theories that together attempt to explain why intra-industry trade takes place.

### 2.6.2.2 Trade Contagion

A country’s decision to participate in a TA is influenced by many factors, including other countries’ interest or disinterest in forming TAs. Baldwin (1995, 1997) explains this situation using the domino theory on regionalism, describing how the actions of one country to reduce tariff barriers leads to other countries following suit. Countries may form “defensive FTAs” or “FTAs signed to reduce discrimination created by third-nation FTAs” (Baldwin and Jaimovich, 2012, p. 1) – a situation whereby countries obtain FTAs as a method of avoiding trade discrimination resulting from a TA between other countries. For example, the Japan-Mexico FTA can be viewed as a defensive measure to avoid discrimination faced by Japanese firms due to NAFTA (Manger, 2005). This effect can be referred to as contagion, when despite initially opposing a TA, a government goes ahead because other countries have signed TAs (Bagwell and Staiger, 2004; Baldwin and Jaimovich, 2012; Egger and Larch, 2008; Hamanaka, 2012).

It appears that a country with an existing FTA has a clear motivation to form an FTA with another country (Chen and Joshi, 2010). In addition, when two countries have existing FTAs with a third country, they have a strong motivation to form an FTA between themselves. The formation of a FTA generally depends on partner countries’ economic characteristics (e.g. market size, production cost and distance), and may also depend on participating countries’ existing FTAs with other countries (Chen and Joshi, 2010).

### 2.6.3 GATT and WTO

#### 2.6.3.1 Role of GATT and WTO

In 1947, an inter-governmental treaty known as GATT was created, with the participation of 23 countries, as an international institution (controlling body) to implement the trade liberalisation process. This combined with The Marrakesh Agreement of 1994 led to the formation of the WTO (World Trade Organisation), which requires members to respect the principles of sustainable development when involved in international trade (Eicher and
Henn, 2011; Laxman and Ansari, 2012; Malkawi, 2011). In 1995, a more formalised WTO was formed, and this replaced GATT (Gounder and Prasad, 2011). Nevertheless, there are differences between GATT and WTO; GATT was a treaty that sought to control or govern free trade, whereas the WTO is a structured organisation. In addition to trade in goods covered by GATT, WTO also includes trade in services and intellectual property (Chanda, 2003). WTO is more active in its role, and has a more powerful dispute settlement process than GATT. Furthermore, by providing a platform for weaker or smaller countries to have their voice heard, the WTO has reduced the capacity of larger countries to use their power to determine the market price and gain higher returns. The practice of reaching decisions by consensus (i.e. rules agreed to by all countries - big, small, weak or powerful) may have created a more level playing field between countries. In addition, the WTO provides developing countries technical assistance and training, legal advice, and helps their academic institutions to increase trade knowledge – all activities that may strengthen the developing country’s voice (World Trade Organisation, undated).

For many decades GATT and WTO pushed for multilateral trade liberalisation among member nations by pursuing market access concessions and the most favoured nation (MFN) rule (MFN rule avoids discrimination between WTO trading partners by requesting countries to provide same tariff rate to all WTO members). Both GATT and WTO incorporate principles such as non-discrimination, reciprocity and nullification of impairment. The non-discrimination principle requests that trade follow the MFN basis when tariff reductions of bilateral agreements extend to a non-participant. The second principle, reciprocity, requires both parties to liberalise tariffs to minimise trade loss. The third principle, nullification, allows a government to lodge a complaint if a partner government fails to liberalise tariffs (Bagwell and Staiger, 2004; Ederington and McCalman, 2003).

### 2.6.3.2 Regulatory Background

GATT is a provisional agreement made up of 38 articles that outline the rules for much of world trade (World Trade Organization, 2016E). WTO uses GATT articles in its activities related to world trade. Of these, GATT Article XXIV is perhaps the most important, as it allows countries to form RTAs. Although GATT requires FTAs to cover all trade, in reality this rarely occurs, especially regarding agricultural trade. Furthermore, there is confusion
regarding some WTO/GATT rules. For example, GATT Article I requires member countries to undertake trade liberalisation on a non-discriminatory basis. In contrast, Article XXIV allows WTO member countries to pursue preferential trade agreements (PTAs), under which participating countries have the ability to grant tariffs (and other trade policy) concessions to each other that they do not have to extend to all member countries of the WTO (Baier and Bergstrand, 2004; Francois, McQueen and Wignaraja, 2005; Ornelas, 2008; Saggi and Yildiz, 2010).

Likewise, confusion arises through the poorly defined terms provided by WTO. For example, according to the Article XXIV of the WTO, two forms of PTAs are FTAs and Custom Unions (Hur and Park, 2012), but there is no WTO definition for an FTA. When queried about the definitions WTO’s answer was:

“The most authoritative WTO definitions are found in the agreements themselves. But sometimes, terms are not defined, and it is left up to jurisprudence. For example, GATT Article XXIV defines customs unions, but not free trade agreements — other than to state the conditions the agreements are required to meet to be compatible with the WTO. However, for practical purposes when terms like ‘free trade agreement’ are not legally defined in the agreements, WTO members, their delegations and governments generally follow common usage and sometimes dictionary definitions” (WTO Enquiries, 2013).

The table in Appendix 1 lists some of the explanations given by Goode (2007) of the terms used in TAs and allied studies.

The WTO has become a powerful organisation with the capacity to set rules and regulations for countries specially related to trade (Mushkat and Mushkat, 2011). It facilitates the negotiations of agreements to reduce obstacles and promote a level playing field that helps develop countries’ economies (World Trade Organization, 2016A). In terms of TAs, most are governed by the WTO and, therefore, actions taken by the WTO related to TAs and trade in general may have direct consequences on nations around the world.
2.6.3.3 Achievements

Since the inception of GATT in 1947, world trade has achieved considerable liberalisation. The average tariff has fallen from 50 per cent to less than five per cent (Lee, 2007; Ornelas, 2008; Zissimos, 2007). WTO, ITC and UNCTAD (2015) state “today, most of North-North trade is subjected to duties lower than five per cent while 80 per cent of developing countries’ exports to developed countries’ markets are duty free” (p. 179). However, several countries undertook unilateral trade liberalisation between 1986 and 1992. Australia, Chile, Hong Kong, Indonesia, New Zealand, Singapore and US are some of the countries that have adopted unilateral liberalisation (Bhagwati, 2002). Their liberalisation was unilateral because it was undertaken outside of GATT and WTO negotiations without an expectation that it would be reciprocated (Karacaovali and Limao, 2008).

2.6.3.4 Future of Multilateralism

GATT was formed in 1947 with a goal of creating a rule-based trading system to avoid the protectionist attitude of previous decades (Baldwin, 2016). GATT focused on designing, implementing, updating and enforcing the rules and guidelines of the international trade under the principles of non-discrimination, transparency, reciprocity, flexibility and consensus decision-making.

After substantial tariff cuts occurred with GATT’s inception in 1947, GATT’s initial focus was avoiding trade barriers such as wartime restrictions, state trading and inconvertible currencies. Partly due to GATT and non-GATT reasons regional and multilateral tariff reductions occurred in the GATT era (Baldwin, 2016; Estevadeordal, Freund and Ornelas, 2008). However, agricultural tariffs and developing nation tariffs did not fall during the GATT era (Baldwin, 2016).

After the successful Uruguay Round of multilateral trade negotiations in 1994, GATT was transitioned into the more formalised WTO (Bhagwati, Krishna and Panagariya, 2015). However, it appears that the WTO has achieved much less in comparison to GATT. Apart from considerable success in the dispute resolution system, WTO has made little progress on multilateral trade liberalisation (Baldwin, 2016; Bhagwati et al., 2015). Baldwin (2016) presents three complications for multilateral trade talks: firstly, multilateral negotiations
under the WTO are more difficult due to changes in dominance and an increased number of members. During the GATT period the US, EU, Japan and Canada dominated and controlled two third of world imports. However, today, due to the growth of emerging economies, the dominance of these countries has dropped and they now account for only half of the world’s imports (Ikenberry, 2015). The increasing number of developing nation members has also made WTO negotiations difficult. Secondly, unilateral tariff cutting has made the Doha Round of trade negotiations less attractive. An increasing number of regional trade agreements from the 1990s onwards have gone beyond tariff cutting to create a more business-friendly environment between partner nations which has challenged the WTO’s drive towards global free trade (Baldwin, 2016; Bhagwati et al., 2015; Lawrence, 1996). These regional agreements can weaken the global system of governance (Ikenberry, 2015). Thirdly, the rise of offshoring has prompted emerging economies’ governments to offer attractive conditions to developed countries designed to encourage them to set up production networks in their countries. Perhaps due to these reasons, the Doha Round of trade negotiations (which aim to achieve global free trade through major trade reforms) is in its 15th year, but has yet to achieve its goal. Furthermore, the Doha Round is focused on 20th century trade issues that may have already been achieved through regional trade agreements. As a result, global free trade remains out of reach (Baldwin, 2016). However, the WTO Ministerial Conference in Bali in 2013 achieved some success in areas such as trade facilitation, reduction of trade barriers for imports from less developed countries, and food security programmes for developing countries (Bhagwati et al., 2015).

2.6.4 Reasons for Trade Collaboration

2.6.4.1 Macroeconomical Factors

Economic fundamentals such as country size, factor endowments, and trade and investment costs influence the likelihood of reaching a new TA (Baier and Bergstrand, 2004; Egger and Larch, 2011; Egger, Egger and Greenaway, 2008). Jugurnath et al. (2007) describe the factors that affect cross-country trade as:

- GDP (rich countries tend to trade more),

56
• population (trade tends to increase as population rises),
• distance (transport cost determines the trade level),
• area (geographically large countries trade less),
• exchange rate (currency depreciation encourages exports and discourages imports),
• tax (taxation decreases bilateral trade), and;
• language (cultural similarities make trade contracts smoother)

(Baier and Bergstrand, 2004; Clark, 2011; Datta et al., 2006).

The relationship between these factors and trade is explored in Table 2-2, which summarises the macroeconomic indicators for the top 10 trading nations. Overall, the data in Table 2-2 suggests that trade is lower in countries with smaller land areas, despite the macroeconomic factor theories described in Section 2.6.4.1.

Table 2-2: Main Macroeconomic Indicators in Top 10 Trading Nations in the World

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>3881240</td>
<td>217778</td>
<td>14</td>
<td>16163200</td>
<td>314</td>
<td>9147420</td>
<td>1.49</td>
<td>2.81</td>
<td>16390500</td>
<td>English 82.1%, Spanish 10.7%, other Indo-European 3.8%, Asian and Pacific Island 2.7%, other 0.7%</td>
</tr>
<tr>
<td>China</td>
<td>3867119</td>
<td>295626</td>
<td>12</td>
<td>8229409</td>
<td>1351</td>
<td>9388211</td>
<td>6.31</td>
<td>.</td>
<td></td>
<td>8209603</td>
</tr>
<tr>
<td>Germany</td>
<td>2568335</td>
<td>50580</td>
<td>37</td>
<td>3353242</td>
<td>80</td>
<td>348540</td>
<td>.</td>
<td>1.49</td>
<td>3626148</td>
<td>German</td>
</tr>
<tr>
<td>Japan</td>
<td>1684411</td>
<td>849</td>
<td>14</td>
<td>5954477</td>
<td>128</td>
<td>364360</td>
<td>79.79</td>
<td>2.41</td>
<td>6143151</td>
<td>Japanese</td>
</tr>
<tr>
<td>Netherlands</td>
<td>244244</td>
<td>4736</td>
<td>37</td>
<td>823139</td>
<td>17</td>
<td>33720</td>
<td>.</td>
<td>1.49</td>
<td>832279</td>
<td>Dutch</td>
</tr>
<tr>
<td>France</td>
<td>243123</td>
<td>5885</td>
<td>37</td>
<td>2686723</td>
<td>66</td>
<td>547561</td>
<td>.</td>
<td>1.49</td>
<td>2728707</td>
<td>French</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1563536</td>
<td>60827</td>
<td>37</td>
<td>2614946</td>
<td>64</td>
<td>241930</td>
<td>0.63</td>
<td>1.49</td>
<td>2606637</td>
<td>English</td>
</tr>
<tr>
<td>Korea, Rep.</td>
<td>106745</td>
<td>9496</td>
<td>14</td>
<td>1222807</td>
<td>50</td>
<td>97350</td>
<td>1126.47</td>
<td>.</td>
<td></td>
<td>1235359</td>
</tr>
<tr>
<td>Hong Kong, SAR, China</td>
<td>1046594</td>
<td>74687</td>
<td>4</td>
<td>262630</td>
<td>7</td>
<td>1050</td>
<td>7.76</td>
<td>0</td>
<td>266428</td>
<td>Cantones 93.5%, English 5.5%, Putonghua 1.4%, other Chinese dialects 4%, other 1.0%</td>
</tr>
<tr>
<td>Italy</td>
<td>989906</td>
<td>6683</td>
<td>37</td>
<td>2091761</td>
<td>60</td>
<td>294140</td>
<td>.</td>
<td>1.49</td>
<td>2087404</td>
<td>Italian, German, French, Slovak</td>
</tr>
</tbody>
</table>

..: no data

LCU: Local currency unit

Source: Asian Development Bank (2015); Central Intelligence Agency (2015); European Commission (2015); Ministry of Foreign Affairs of Japan (2015); Ministry of Foreign Affairs Republic of Korea (2015); Ministry of Commerce People’s Republic of China (2015); Trade and Industry Department (2015); The World Bank (2015); United States Trade Representative (2015); World Trade Organization (2015B)
2.6.4.2 Scope of the Agreement – FDI and other Considerations

It appears that the scope of TAs go well beyond trade. TAs may more closely resemble international policy initiatives that cover areas of trade, investment liberalisation, intellectual property protection, technical assistance and development cooperation (Lee et al., 2009A). “The likelihood of the two countries' governments selecting into an FTA may be high if there is a large expected welfare gain from potential bilateral trade creation if the FTA deepens liberalisation beyond tariff barriers into domestic regulations (and other non-tariff barriers)” (Baier and Bergstrand, 2007, p. 78). Liberalisation beyond tariff barriers may include areas such as competition and antitrust rules, corporate governance, product standards, worker safety, regulation and supervision of financial institutions and environmental protection (Baier and Bergstrand, 2007; Lawrence, 1996).

Another area that extends beyond trade is FDI. Incorporating FDI into the scope of the TA is a means of motivating inflow and outflow of investments in addition to trade. The opportunity to attract FDI is also considered a reason to build trade relationships. International agreements, such as TAs, reassure foreign investors by binding its members to a certain set of policies; any change in those policies may considered a breach of international commitments (Buthe and Milner, 2008). Preferential liberalisation might affect FDI in four ways: (1) the effects of investment and other non-trade provisions (particularly in “deep integration" PTAs); (2) the effects of changes in trade flows; (3) creation of an extended market, and (4) long-term growth effects (Medvedev, 2012). There is a positive relationship between trade and investment (see Globerman, 2002; Markusen, 2002). A number of factors increase FDI, such as provisions related to investments (Adams, Dee, Gali and McGuire, 2003), reduced political risk (Kolstad and Tondel, 2002), increased market size, and increased economic growth (Berthelon, 2004). Medvedev (2012) considered over 150 countries and found that PTAs (and deep integration PTAs in particular) are associated with increases in the net FDI inflows of their participants. For example, Asian countries, such as Hong Kong, saw the African Growth and Opportunity Act (AGOA) as an opportunity to increase their trade with participating nations, leading to increased investment in African nations (Baier and Bergstrand, 2007; Gibbon, 2003; Lee et al., 2009B; Medvedev, 2012). In terms of investments, bilateral investment treaties (BITs) and investment chapters in PTAs play a role. There are domestic and international objectives of PTAs and BITs;
wherein the host government expects low priced goods and services in adequate supply and FDI, the foreign firm expects stable and sufficient profit (Manger, 2008).

2.6.4.3 Country Specific Advantages

There are four arguments in favour of trade liberalisation: (1) efficiency increases due to specialisation (Ricardo's comparative advantage argument), (2) dynamic effects such as enhanced technological change, learning and economic growth (somewhat related to Vernon's product cycle theory), (3) strengthening of a country's economy so that the country is better able to withstand adverse external shocks (tangential to Porter's competitive advantage of nations) and (4) reduction of rent-seeking behaviours (Rodrik, 1994). For example, New Zealand actively negotiates and implements TAs to help business by improving access to overseas markets, removing obstacles to trade and providing greater certainty and lower costs for entering new markets (New Zealand Foreign Affairs and Trade, 2016B). Furthermore, trade integration may bring reduced transaction costs by reducing costly tariff and non-tariff barriers, more productive infrastructure services, faster communication of ideas, goods and services, and rising capital flows in addition to lower trade barriers (Bhattacharya and Bhattacharya, 2007).

2.6.4.4 Regional Collaboration

According to Krueger (1999), there is some evidence to indicate that a TA formed between a developed and a developing country is more likely to be beneficial than an agreement between two developing, or developed, countries. This may be due to mitigation of market imperfections, which occurs due to the differences in the factor endowment. Additionally, Egger et al. (2008) state that TAs are beneficial if the partner country shares similar economic fundamentals. Egger et al.’s (2005) study predicts that intra-industry trade shares tend to rise after trade liberalisation, especially if both the endowments of the two economies and investment costs for setting up multinational enterprises are not too different.

TAs may minimise transaction and administrative costs, while maximising benefits such as preferential tariffs, better market access and new business opportunities (Kawai and Wignaraja, 2011). The Asian financial crisis in 1997 served as a warning for governments in Asia to take necessary actions to improve regional cooperation in order to increase stability.
Asian TAs have increased due to (1) large Asian economies such as China, Japan and Korea utilising FTAs to achieve their trade objectives; (2) FTAs becoming the vehicle for trade liberalisation after the WTO’s stalled Doha Round; and (3) encompassing areas such as investment, competition, intellectual property (IP) and public procurement (Kawai and Wignaraja, 2011).

Many Asian countries are now moving beyond traditional FTAs to more comprehensive WTO-plus FTAs that cover issues of investment, competition, IPs and procurement. WTO-plus FTAs are commonly signed between developed and developing nations such as New Zealand-China and Singapore-India. Also, the Trans-Pacific Partnership Agreement (TPPA) covers many WTO-plus elements; including rule of origin (ROO), trade remedies, technical barriers to trade, intellectual property, government procurement and competition policy. Even Pacific region countries, with their smaller populations, which are regarded (with the exception of Australia and New Zealand) as “structurally weak, vulnerable and small economies” by UNCTAD (Trade and Development Board, 2007), are now focusing on economic collaboration via TAs (Bhattacharya and Bhattacharyay, 2007; Gounder and Prasad, 2011; Kawai and Wignaraja, 2011).

2.6.4.5 Governments’ Political Motivations

Governments are more likely to enter into TAs when they perceive higher returns than costs. Countries may gain benefits from working together that may not be possible through individual effort (Bhattacharya and Bhattacharyay, 2007). Integration requires a strong political will, not only at the national level, but also at the regional level (Bhattacharya and Bhattacharyay, 2007). Governments’ political motivations may act as barriers to achieving global free trade, but TAs encourage governments to work towards economic efficiency while also working for their own political goals (Ornelas, 2008). Politically, TAs can evolve from the desire to further historic bonds and friendships (Lawrence, 2006) and reduce potential security risks (Malkawi, 2011). In the case of the EU custom union (a form of TA that covers many areas other than trade) members collectively make some political decisions related to immigration, environment, development of poorer regions, foreign policy and judicial matters (Abbott, Bentzen and Tarp, 2009; Franko, 1990; Karacaoglu and Limao, 2008).
2.6.4.6 Competition

Another reason to form TAs is competition among nations. The EU’s FTA with Mexico, Chile, and MERCOSUR (South American trade bloc) countries was formed to meet the competition posed by the US under NAFTA. Likewise, one of the objectives for founding the EU was to increase the bargaining power of GATT with US. Similarly, MERCOSUR was formed by Brazil, Argentina, Uruguay and Paraguay to increase their bargaining power when entering NAFTA (Abrego, Riezman and Whalley, 2006; Francois et al., 2005; Jugurnath et al., 2007).

A recent study by Solis and Katada (2015) explored the role of competition among Asian nations in forming TAs. Until recently, Japan lagged behind China and South Korea in pursuing TAs. China was actively engaging in TAs with South East Asian countries, while South Korea pursued TAs with larger economies such as the US and EU. Japan attempted, albeit unsuccessfully, to also initiate TA negotiations with the EU as a counter-move to South Korea-EU negotiations. More recently, in 2010, Japan announced its intention to join the Trans-Pacific Partnership Agreement (TPPA), and this triggered dramatic moves by other countries on the international trade stage. China accelerated its commitment to actively form a China, Japan and Korea FTA and completed its feasibility study ahead of schedule. The EU also reversed its decision regarding a TA with Japan. Furthermore, the stalemate for a region-wide FTA came to an end with the launch of the Regional Comprehensive Economic Partnership among 16 countries including China and Japan (Solis and Katada, 2015).

2.6.5 Effects of TAs

2.6.5.1 Growth of Trade

In general, TAs increase trade and investments, though this depends on factors such as financial crises, currency depreciation, technology change, and tariff cuts (Clark, 2011). Occasionally, anticipation of TA benefits may lead to trade growth even before the TA becomes effective. After a TA is signed, most developing nations experience a boost in trade (Abbott et al., 2009). Some studies estimate that FTAs may increase the trade between two
members by 100 per cent after 10 years (Baier and Bergstrand, 2007, 2009). Furthermore, Magee (2008) states that trade grows for more than a decade after the agreement, and the average long-term trade growth is about 89 per cent. Recent merchandise trade statistics for New Zealand TAs are shown in Table 2-3. New Zealand has recorded growth in trade with all their active TAs except the New Zealand-Australia-ASEAN and New Zealand-Hong Kong TAs.

Table 2-3: New Zealand Trade Agreements – Highlights (Considering Overseas Merchandise Trade)

<table>
<thead>
<tr>
<th>TA*</th>
<th>Year Enacted</th>
<th>Total Trade in the Year Enacted (NZ$ millions)</th>
<th>Total Trade in 2014 (NZ$ millions)</th>
<th>Total Trade Growth Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1st January 1983</td>
<td>12764**</td>
<td>15013</td>
<td>18%</td>
</tr>
<tr>
<td>Singapore</td>
<td>1st January 2001</td>
<td>1017</td>
<td>3071</td>
<td>202%</td>
</tr>
<tr>
<td>Thailand</td>
<td>1st July 2005</td>
<td>1289</td>
<td>2552</td>
<td>98%</td>
</tr>
<tr>
<td>Brunei, Chile, Singapore</td>
<td>28th May 2006</td>
<td>3017</td>
<td>3790</td>
<td>26%</td>
</tr>
<tr>
<td>China</td>
<td>1st October 2008</td>
<td>8977</td>
<td>18665</td>
<td>108%</td>
</tr>
<tr>
<td>Australia, ASEAN</td>
<td>1st January 2010</td>
<td>28262</td>
<td>28171</td>
<td>0%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1st August 2010</td>
<td>2299</td>
<td>3323</td>
<td>45%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1st January 2011</td>
<td>954</td>
<td>862</td>
<td>-10%</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>1st December 2013</td>
<td>1664</td>
<td>1777</td>
<td>7%</td>
</tr>
</tbody>
</table>

*New Zealand-Korea Free Trade Agreement is not included as it came into force in December 2015
**Year 2000 data used due to non-availability of 1983-1999 data
Source: New Zealand Foreign Affairs and Trade (2016A); Statistics New Zealand (2016B)

However, there can be irregular outcomes across countries engaged in FTAs. Hur and Park (2012) analysed 88 countries and did not find a significant effect during the 10-year period after the establishment of an FTA, but noted significant improvement in per capita GDP after the establishment of a bilateral FTA. The Hur, Alba and Park (2010) study on the hub-and-spoke effect of FTAs found that the hub country generates an annual export growth rate of over five per cent, doubling exports after 12 years. Some of the effects of TAs indicate considerable growth in trade. Major players of AGOA (Kenya, Lesotho, Madagascar, Mauritius and South Africa) recorded significant growth of over 85 per cent during 1999–2002 (Gibbon, 2003). Likewise, NAFTA indicated an over 11 per cent increase in US exports to Mexico during the initial period (Hashemzadeh, 1997; Nica, Swaidan and Grayson, 2006).
2.6.5.2 Growth of Intra-bloc Trade

Another outcome of TAs is the increase in trade among members of trading blocs. “A trading bloc [is] an association of countries that reduces intra-regional barriers to trade in goods (and sometimes services, investment and capital as well)” (Schott, 1991, p. 1). While trading blocs are generally more effective than FTAs at increasing overall average trade (Magee, 2008), not all trading blocs are so successful. For example, the EU trading bloc has generated greater trade increases in the EU than the APEC bloc has in the Asia-Pacific region (Eicher and Henn, 2011). Likewise, individual countries of a trading bloc are impacted differently, and an agreement with a closer and larger country may generate larger increases in trade (Magee, 2008).

2.6.5.3 Overlapping Agreements

The proliferation of TAs has resulted in multiple, overlapping agreements (Chacha, 2014). This extensive duplication has the potential to confuse firms about which rules to follow when engaging in cross-border business. As shown in Figure 2-8, if a country has participated in multiple TAs, there can be three different member agreements in place. “Nested” agreements occur when a small agreement is made between some members of a larger group that already has an agreement in place. An “intersected” agreement occurs when one country has separate agreements with different partners. But if a country has separate agreements with different countries that are also part of a larger agreement, this is known as an “overlapped” agreement (Hamanaka, 2012). These types of overlapped agreements may confuse firms in determining what rule to follow when entering the partner nation’s market. Nested, intersected and overlapped agreements may create strong, weak and mixed ruling problems, respectively. Tumbarello (2007) states “countries should guard against participation in multiple memberships in bilateral and regional trade agreements, which could have mutually inconsistent rules of origin that can substantially complicate production and sourcing decision by firms” (p. 13).
For example, Sri Lanka, Bangladesh and India have overlapping agreements due to South Asian Association for Regional Cooperation (SAARC) and Bengal Initiative for Multi-sector Technical and Economic Cooperation (BIMSTEC) (Chacha, 2014). Overlapping TAs may occur when countries consider them an alternative to stagnated or unpredictable trade talks by the WTO (Baldwin, 2006; Mansfield and Reinhardt 2003). However, the uncertainties in obligations that accompany multiple TAs may harm regional integration (Khandelwal 2004; Krueger 1997; Jakobeit, Hartzenberg and Charalambides, 2005). Also, overlapping TAs may increase the personal and financial cost (Geda and Kebret, 2007). Together, these uncertainties and costs may restrict TAs from reaching their full potential (Nyirabu, 2004; Feng and Genna, 2005). For example, Chacha (2014) found that overlapping memberships negatively affect the growth of intra-RTA trade among developing countries. Overlapping TAs may also complicate the Rule of Origin (ROO), which is a key determinant of preferential tariff to member countries (Chacha, 2014). For example, complication of ROO due to ASEAN and other East Asian TAs have increased the administration cost of determining the origin of goods traded (Medella, 2008).

2.6.6 Challenges

2.6.6.1 Lack of Obligations

In many TAs, the contracting parties are free to withdraw their obligations without the consent of the partnering country, and the partnering country is, in turn, allowed to retaliate by suspending obligations. In contrast, GATT article XIX states that departures are only allowed on consultation with the Safeguards Committee other than in exceptional situations.
According to Zissimos (2007), TAs signed under GATT require nations to remove tariffs, but GATT lacks the ability to punish deviating countries. There is also great confusion about compensation, leading to tit-for-tat pattern behaviour occurring among countries with regards to disputes and legal actions (Beshkar, 2010; Blanchard, 2010; Klimenko et al., 2008).

2.6.6.2 Concerns Related to WTO Dispute Resolution System

GATT’s dispute settlement procedure has two objectives: (1) partner nations are required to respect GATT obligations through the warning of punitive sanctions, and (2) procedures used should primarily continue the balance of tariff reductions and avoid retaliatory sanctions (Zissimos, 2007). Therefore, any country wanting to punish a partner nation can only impose tariff actions (or in other words, withdrawal of equal concessions). Zissimos (2007), in the study of post war trade liberalisation under GATT until the formation of the WTO, states that “…yet it is clear that the GATT would achieve greater efficiency if it sanctioned more severe punishments of deviators” (p. 411). The WTO dispute settlement system succeeded the GATT dispute settlement system in 1995 (Pfumorodze, 2011).

Since the formation of the WTO in 1995 until the end of 2014, the WTO dispute settlement system has received nearly 500 complaints. The heaviest users of the dispute settlement system were the EU and the USA (Leitner and Lester, 2015). One of the important aspects that the WTO dispute settlement offers is the appellate review (which did not exist in GATT dispute settlement). The appellate body reviews the appeals by the parties involved in the dispute (Leitner and Lester, 2015). However, Brutger and Morse (2015) finds that WTO panels are biased in favour of the US and EU, and try to limit the negative judgments against the US and EU. In other words, panelists most likely use judicial economy (“when a panel decides not to rule on certain legal arguments raised by the complainant” (Brutger and Morse, 2015, p. 180)) in favour of powerful members (the US and EU) for the benefit of their career progress. Furthermore, because panelists may be selected by the disputing parties, there may be situations where panellists are rejected or accepted based on their previous decisions (Goldstein and Steinberg, 2009; Hufbauer, 2011).
It appears that despite dispute settlement rulings, only developed countries are realistically in a position to use retaliatory action or make threats to others. Developing countries are limited in their ability to take action against developed countries in particular, as doing so places their own economies at risk (Pfumurodze, 2011). For example, in the EC-Banana III dispute, although Ecuador was granted the authority to take retaliatory measures against European Communities, it realised that such retaliatory actions may harm its own economy (Pfumurodze, 2011; World Trade Organization, 2015A). Furthermore, dispute parties may experience costly delays in the dispute settlement process (Klimenko et al., 2008).

2.6.6.3 Protection of Local Industry and Services

Despite WTO rules, countries sometimes implement domestic policies to protect their local industries. For example, the US uses domestic policies to protect local industries by undertaxing, and over-taxing, import and export competitive industries respectively (Ederington and Minier, 2003; Lee, 2007). As shown in Table 2-4 there has been no major change in the average tax level on import products in the US between 2006 and 2014. Products such as dairy, beverages, tobacco and clothing had high import tariffs in both years. An alternative measure taken to protect local industries is to exclude them from TAs. For instance, agricultural products are commonly excluded from TAs due to pressure groups, and to safeguard farmers. This can be a source of frustration for agriculturally strong countries such as New Zealand, and can jeopardise the signing of a TA. For example, rice has been excluded in all FTAs signed by Japan and Korea. Liberalising the rice trade is highly unlikely due to the importance of rice in these cultures (Blanchard, 2010; Francois et al., 2005; Kawai and Wignaraja, 2011; Lee et al., 2009B; Perez-Batres, 2012).
Table 2-4: Import Tariffs by Product Groups in United States 2014-2006

<table>
<thead>
<tr>
<th>Product groups</th>
<th>Final bound duties average</th>
<th>MFN applied duties average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animal products</td>
<td>2.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Dairy products</td>
<td>19.9</td>
<td>25</td>
</tr>
<tr>
<td>Fruit, vegetables, plants</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Coffee, tea</td>
<td>3.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Cereals &amp; preparations</td>
<td>3.6</td>
<td>3.9</td>
</tr>
<tr>
<td>Oilseeds, fats &amp; oils</td>
<td>4.4</td>
<td>4.7</td>
</tr>
<tr>
<td>Sugars and confectionery</td>
<td>11</td>
<td>20.4</td>
</tr>
<tr>
<td>Beverages &amp; tobacco</td>
<td>15.3</td>
<td>16.9</td>
</tr>
<tr>
<td>Cotton</td>
<td>4</td>
<td>5.2</td>
</tr>
<tr>
<td>Other agricultural products</td>
<td>1.2</td>
<td>1</td>
</tr>
<tr>
<td>Fish &amp; fish products</td>
<td>1</td>
<td>1.2</td>
</tr>
<tr>
<td>Minerals &amp; metals</td>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Petroleum</td>
<td>1.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Chemicals</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Wood, paper, etc.</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Textiles</td>
<td>8</td>
<td>7.7</td>
</tr>
<tr>
<td>Clothing</td>
<td>11.6</td>
<td>11.4</td>
</tr>
<tr>
<td>Leather, footwear, etc.</td>
<td>3.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Non-electrical machinery</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>1.7</td>
<td>1.6</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>3</td>
<td>3.1</td>
</tr>
<tr>
<td>Manufactures, n.e.s.</td>
<td>2.4</td>
<td>2.2</td>
</tr>
</tbody>
</table>


2.6.6.4 Non-Tariff Barriers

Tariff commitments in TAs can increase non-tariff barriers (NTBs), such as technical regulations and other measures. Technical barriers to trade require products to comply with certain rules and conditions when entering a particular market. For example, the EU sets standards for products sold between its members. However, even though the WTO states that standards should not be restrictions in disguise, countries still follow various trade protection methods, such as Rule of Origin, and Sanitary and Phytosanitary (SPS) conditions. “ROO is the criteria needed to determine the national source of a product” (World Trade Organization, 2016D, online). Countries mostly set tariff and barriers based on the source of imports. The WTO has minimal control over non-tariff barriers (Costinot, 2008; Limao and Tovar, 2011). ROO is an area that is important yet it is also a burden for exporters. It is a
great tool to avoid free riders receiving the preferential benefits from a TA. Although ROO should be simple and straightforward in principle, in reality it is complex and can hinder trade. For example, rules related to ROO in US-Arab countries FTAs may include costly and difficult compliance terms, which act as a trade barrier, thus hindering trade (Francois et al., 2005; Malkawi, 2011). SPS conditions include various conditions such as import licences, inspection requirements, testing and certification requirements. Murina and Nicita’s (2015) study indicate that cost of compliance with SPS conditions may disadvantage some countries compared to the countries that have the capacity to comply to SPS conditions at a lower cost.

2.6.6.5 Political Rivalries

The political tension between China and Japan has hampered trade cooperation in the past. Hamanaka (2012) has described two reasons for difficulties in reaching an agreement. Firstly, both countries strongly aspire to be the leader in their region. For example, when China was pursuing an East Asia Free Trade Area (EAFTA), Japan made a counter-proposal through the Comprehensive Economic Partnership in East Asia (CEPEA). Secondly, both countries have heterogenous policy preferences. Hamanaka (2012) states “Japan prefers rapid implementation and strong discipline in the enforcement of rules, particularly with respect to investment, while China does not seek this” (p. 390). However, it appears that since Japan’s involvement in TPPA, China is now more open to a trade cooperation with Japan (Solis and Katada, 2015).

The recent crisis in Ukraine highlights how political rivalries have created issues in trade cooperation. Russia maintains its stance to not allow a rival power to cooperate with their neighbouring countries to build a military alliance (Wade, 2015). However, Ukraine and Georgia’s intention of joining the North Atlantic Treaty Organisation (NATO) created complex political issues among Russia, Ukraine, US and EU. The Russian annex of Crimea further fuelled the political issues. As a result, trade ties between Russia and Ukraine have dropped dramatically (Roth, 2015). This situation has also affected the countries located far away from Russia or Ukraine. For example, New Zealand stopped negotiating a TA with Russia, Belarus and Kazakhstan due to Russia’s involvements in Ukraine (Hutching, 2014).
2.6.7 Firm Level Consequences

It appears that TAs may have both positive (new markets) and negative (competition) consequences for local firms. Tariff reductions can introduce foreign competition into a market, putting strain on local companies and leaving them at risk of closure. Therefore, firms may seek other business models to maintain the sustainability of their business. Breinlich’s (2008) examination of the Canada-US FTA indicated that a one per cent reduction in Canadian tariffs could have the potential to increase mergers and acquisitions (M&As) by 11 per cent in Canada.

When countries sign a TA, both experience an increase in competition due to foreign products entering their home markets, thereby reducing profits for local firms. But, on the other hand, firms may receive preferential market access to a foreign country. Due to NAFTA and EU, firms based in these countries received market access to other countries and, as a result, manufacturing plants received capital flow (Chen and Joshi, 2010; Egger and Larch, 2008; Franko, 1990).

Higher investment costs increase the cost of establishing subsidiaries in the foreign country, and tend to make export more popular, and trade liberalisation via TAs more attractive (Egger et al., 2008; Ludema, 2002). Furthermore, international ownership may influence governments to reduce tariff barriers between countries (Blanchard, 2010). Firms with international ownership may lobby their government for bilateral or multilateral trade concessions. A recent study by Aldaba, Medalla, Yap, Rosellon, del Prado, Mantaring and Ledda (2015A, 2015B) on the usage of FTAs in the Philippines found a higher concentration of FTA users among firms with foreign equity. Also, industries that foreign investors have considerable stake in are more likely to face fewer barriers than other industries (Blanchard, 2010). It may be that larger firms pressure their governments to create avenues to enter the market they want to penetrate. For example, US-based AT&T (www.att.com) pushed the US government to pressure Chile to open up its telecommunications market (Blanchard, 2010; Egger et al., 2008; Ludema, 2002; Manager, 2008). Likewise, a major goal of the EU was to provide a larger market for imports and exports for firms based in Europe (Franko, 1990).
It appears that firms involved in international markets tend to be relatively larger, more productive, have more capital, pay higher wages, and have a more skilled labour-intensive workforce than firms not involved in international markets (Bernard, Eaton, Jensen and Kortum, 2003; Bernard, Jensen and Schott, 2009; Eaton, Kortum and Kramarz, 2011; Kasahara and Lapham, 2013; Ciuriak, Lapham, Wolfe, Collins-Williams and Curtis, 2015).

2.7 Institutional Conditions

2.7.1 Introduction

“What drives firm strategy in international business? What determines the success and failure of firms around the world?” (Peng, et al. 2008, p. 920). These important questions are discussed in several studies (e.g. Peng, 2006; Ricart, Enright, Ghemawat, Hart and Khanna, 2004). Two traditional perspectives address these questions: firstly, the industry-based view presented by Porter (1980), which describes the opportunities and threats of the firm, and secondly, the resource-based view (Barney, 1991; Wernerfelt, 1984), which explains the strengths and weaknesses of the firm. As both perspectives relate mainly to competition, it is important to also address the context of competition (i.e. the informal and formal institutions of the country) (Hall and Soskice, 2001; Kogut, 2003; Lewin and Kim, 2004; Redding, 2005; Ring, Bigley, D’Aunno and Khanna, 2005; Whitley, 1994). Institutional conditions may influence the strategy and performance of the firm in both domestic and foreign environments (Hoskisson, Eden, Lau and Wright, 2000; Peng et al., 2008; Wright, Filatotchev, Hoskisson, and Peng, 2005). Previous studies (e.g., Kostova and Zaheer, 1999; Kostova, Roth and Dacin, 2008; Kostova, Roth and Dacin, 2009; Leung et al., 2005; Peng et al., 2008; Phillips and Tracy, 2009; Redding, 2005; Westney, 1993) highlight the importance of institutions in international business research. The basic idea of institutional conditions is that firms must align their operations with the institutional environment of the host country in order to gain legitimacy and enhance the likelihood of their survival (Gunawan and Rose, 2014; Kostova et al., 2008). Acknowledging the importance of institutional conditions, Peng et al. (2008) state that institutional conditions represent the third leg in the strategic tripod (along with the resource- and industry-based views) (see Figure 2-9). Figure 2-9 shows the
three pillars of institutional conditions: regulative, normative and cognitive environments which are discussed in detail under section 2.7.

**Figure 2-9: International Trade Agreements’ Influence on International Market Entry – Focus area of section 2.7 is indicated in yellow**

Source: Adapted from Peng (2006, p. 15) and Peng, Wang and Jiang (2008, p. 923)

### 2.7.2 Definition

North (1990) states that “institutions are the rules of the game in a society or, more formally, are the humanly-devised constraints that shape human interaction” (p. 3). Scott (1995) interprets institutions as “regulative, normative, and cognitive structures and activities that provide stability and meaning to social behaviour” (p. 33). Peng et al. (2007) highlight that “institutions govern societal transactions in the areas of politics (e.g. corruption and transparency), law (e.g. economic liberalisation and regulatory regime), and society (e.g. ethical norms and attitudes toward entrepreneurship)” (p. 6). A recent definition by Scott (2014) states “institutions comprise regulative, normative, and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to life” (p. 56).

The institutional conditions consist of individual beliefs and values, as well as the legal, political and economic systems where the firm has to function. Previous studies have referred to either North’s (1990) or Scott’s (1995) definitions of institutional conditions (e.g. Brouthers, 2013). North (1990) describes informal and formal institutional environments.
Customs, cultural traditions and religious norms are examples of informal institutions, whereas codified rules, such as property rights, and ownership arrangements, are examples of formal institutions (Estrin, Meyer, Nielsen and Nielsen, 2016). Meanwhile, Scott (1995) defines institutional conditions as the combination of three pillars: (1) regulatory environment – rules that govern economic activity; (2) normative environment – societal values and beliefs; and (3) cognitive environment – implicit assumptions surrounding economic activity (Kumar and Worm, 2004; Scott, 1995). These pillars act as the central building blocks of institutional structure, and are affected by both endogenous processes (conflicts and contradictions between institutional elements) and exogenous (e.g. wars and financial crises) factors (Scott, 2014; Tolbert and Zucker, 1996). Institutional conditions within countries are relatively stable, but may differ between countries (Chan et al., 2006; Murtha and Lenway, 1994; Westney, 1993). The differences between formal institutional conditions in different countries can be referred to as the institutional distance (Baum et al., 2015; Schwens, Eiche and Kabst, 2011). The regulatory, normative and cognitive environments affecting institutional conditions are discussed in more detail below.

### 2.7.3 The Three Pillars of Institutions

#### 2.7.3.1 Regulatory Environment

Some scholars, such as North (1995), consider institutions to be predominantly focused on the regulatory environment. The regulatory environment encompasses the setting and monitoring of rules, and uses reward and punishment to influence future behaviour (Chan et al., 2006; Scott, 2014). Political scientists view the formation of rule systems as a continuum of values which vary among three characteristics: (1) obligation: the level to which actors are bound to obey because their actions are subject to careful examination by internal motivations and external parties; (2) precision: the level to which the rules clearly state the required actions; and (3) delegation: the extent to which third parties are given power to apply the rules to resolve problems (Abbott, Keohane, Moravcsik, Slaughter and Snidal, 2000; Scott, 2014).

The regulative pillar consists of factors such as rule of law, government impositions, politics, order and the judicial system. These factors are unique to each individual country and may differ between countries (Chan et al., 2006; Murtha and Lenway, 1994; Westney, 1993).
These institutions explain what is allowed and what is not allowed in the country, and firms are obliged to follow the regulations (Hernandez and Nieto, 2015). The ability of a firm to understand local regulatory requirements may depend on the regulatory distance between the home and host country (Ang et al., 2015). A recent study by Hernandez and Nieto (2015) found that firms from more developed regulatory environments face greater problems obtaining legitimacy when they enter destination countries with less developed regulatory frameworks. This may be due to the greater institutional difference between the host and home country. In contrast, when firms move from a less to a more developed regulatory environment they find it easier to achieve legitimacy (Hernandez and Nieto, 2015). While some regulations protect local firms from foreign competition, others may restrict consumer options. Sometimes countries provide incentives, such as tax benefits, to attract foreign firms (Grewal and Dharwadkar, 2002). Therefore, the regulative pillar may play a role in the decisions of where, when and how to enter a new market. In terms of TAs’ influence on institutional conditions, it is likely that TAs exert greater influence over the regulative environment than the normative or cognitive environments, as TAs bind countries with rules and regulations in the agreement (Hollander, 1970; Hoskisson et al., 2000; Huang and Sternquist, 2007; Leung, Rigby and Young, 2003; Ma and Delios, 2007; Meyer and Scott, 1992; Scott, 1995; Tse et al., 1997).

2.7.3.2 Normative Environment

The normative environment includes societal values, norms and beliefs about human behaviour (Ang et al., 2015; Chan et al., 2006; Scott, 2014). Values are ideas believed by a group of people to be preferable and desirable. In terms of the operations of a firm, norms are unspoken rules which dictate how operations should be conducted (e.g. goal setting and fair business practices) (Blake and Davis, 1964; Scott, 2014).

‘Appropriateness’ of actions plays a role in the normative environment. What matters most in the normative environment is not what the available actions are that a firm or individual can take to achieve its goals, but what are the appropriate actions that a firm/individual can take. Scott (2014) states “The central imperative confronting actors is not ‘what choice is in my own best interests?’ but rather, ‘given this situation, and my role within it, what is the appropriate behaviour for me to carry out?’” (Scott, 2014, p. 65). This may be a contributing
reason for firms to seek accreditations and certifications with industry bodies – aligning themselves with professional standards, organisations and professional associations guides the firm in following appropriate behaviours in line with norms of the society they operate in (Casile and Davis-Blake, 2002; Gunawan and Rose, 2014; Ruef and Scott, 1988).

The normative environment focuses on social values and beliefs, and takes into account cultural distance and characteristics, and market distance between home and host country. Firms tend to initially enter countries with which they have cultural similarities. For example, UK retailers choose Ireland, and Japanese retailers choose Hong Kong and Taiwan (Sternquist, 2007; Vida, 2000). Culture is known as the “software of the mind” (Hofstede, 1991, p. 4), and may provide the continuity to normative institutions. They may even provide the basis for the development of broader institutional conditions of a country (Estrin et al., 2016; North, 1990). Hofstede (1984, 1993) describes further cultural characteristics that may influence market entry, such as individualism, masculinity, uncertainty avoidance and power distance. Such cultural characteristics may influence the choice of market entry mode (Pan and Tse, 2000). Firms from risk avoidance cultures tend to lean toward non-equity modes (Pan and Tse, 2000; Tse et al., 1997). For example, when there are differences between home and host country markets, firms may look to partner with local firms (Huang and Sternquist, 2007; Kogut and Singh, 1988; Kumar and Worm, 2004; Scott, 1995).

2.7.3.3 Cognitive Environment

The cognitive environment of institutional conditions is focused on an individual’s views of the external world (Scott, 2014). "In the cognitive paradigm, what a creature does is, in large part, a function of the creature's internal representation of its environment" (D'Andrade, 1984, p. 88). Culture contributes to the cognitive environment, as an individual’s internal representation of the environment is reshaped or influenced by the external cultural framework (Douglas, 1982; Hofstede, 1991; Scott, 2014). However, there are several views about the role culture plays in the cognitive environment. For instance, beliefs may differ from person to person, and people may perceive the same situation in many different ways (DiMaggio, 1997; Martin, 1992, 2002; Seo and Creed, 2002; Swidler, 1986).
The cognitive environment focuses on implicit assumptions surrounding economic activities (Kumar and Worm, 2004; Scott, 1995). For example, Brahmanical worldview in India and Confucianism in China may have affected the economic activities of these countries historically (Chaudhri, 1985; Embree, 1989; Jain and Kussman, 1994; Kumar, 2000; Kumar and Worm, 2004). Firms exemplify the cognitive dimension by following the methods used by many similar firms (known as frequency-based mimicry) or the methods of other successful firms (known as trait-based mimicry) (Haunschild and Miner, 1997; Lu, 2002). For instance, firms identify the most appropriate strategy by considering the behaviour of other firms (Ang et al., 2015). A recent study by Ang et al. (2015) about emerging economy firms’ cross-border acquisitions and alliances indicated significant mimicking of local firms’ choice of ownership modes by emerging economy firms.

2.7.3.4 Boundaries of Three Pillars

As stated by Kumar and Worm (2004) “it is important to note, however, that the three dimensions are not entirely independent of one another (Kostova and Zaheer, 1998). Each dimension may simultaneously influence another and be influenced by another” (p. 306). The preceding paragraphs related to the regulative, normative and cognitive environments described this overlap. In addition, Gronow (2008) has proposed a fourth pillar called habitual dispositions, which is related to actions that have been repeated in stable contexts. “It is important to restate the truth that in most empirically observed institutional forms, we observe not one single element at work but varying combinations of elements” (Scott, 2014, p. 70). Furthermore, “where cognitive, normative, and regulative supports are not well aligned, they provide resources that different actors can employ for different ends” (Strang and Sine, 2002, p. 49). Even the recent study of Ang et al. (2015) highlights that mimetic behaviour of firms from emerging economies in their cross-border acquisitions and alliances, is not derived from a single source of institutional environment, but rather the outcome of the interplay between different environments. These situations can generate confusion when studying the implications of regulative, normative and cognitive environments of institutional conditions. Brouthers (2002, 2013) suggested researchers focus on the most important component of the institutional environment for their studies. In other words, Brouthers (2002, 2013) indicates it is appropriate to measure the institutional environments in the context of the study to provide an accurate picture within the boundaries of that
particular study. But beyond that there needs to be a broader measurement that ensures that the whole institutional conditions (regulative, normative and cognitive environments) are appropriately represented, and that the chosen measures are not biased or selectively true. Therefore, it seems that there are no clear boundaries between institutional environments. However, it is important to focus on the key components of each institutional environment, and also the institutional conditions as a whole (combining all three environments).

This thesis has made an attempt to address the issues related to the boundaries of institutional environments by identifying the main component of each environment (see Table 2-5).

**Table 2-5: TAs’ Influence on Regulative, Normative and Cognitive Environments**

<table>
<thead>
<tr>
<th>Environment</th>
<th>Concerned Component</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory</td>
<td>Regulations</td>
<td>TAs influence rules and regulations of partner nations. E.g., Firms consider that TAs change rules and regulations of the partner countries.</td>
</tr>
<tr>
<td>Normative</td>
<td>Norms</td>
<td>TAs influence on business norms of firms. E.g., Firms consider TAs influencing business norms of partner countries.</td>
</tr>
<tr>
<td>Cognitive</td>
<td>Psychology</td>
<td>Psychological influence of TAs on firms’ actions. E.g., Firms consider TAs (publicity, trade missions) provide a psychological influence to businesses in partner countries to welcome partner products.</td>
</tr>
</tbody>
</table>

This thesis looks at the influence of TAs on market entry strategy. Changes in the trading environment affect the institutional conditions, which by extension can affect firms’ entry strategies.

However, there are other perspectives about institutional conditions in the literature. Kostova et al. (2008) claim that multinational companies form their own intraorganisational fields,
and that these intraorganisational fields serve as institutional environments. Further, Kostova et al. (2008) state that, since multinational companies bring something distinctive to their countries that is valued and appreciated by local constituents, it is less likely that multinational companies will be expected to adopt locally established practices. Therefore, Kostova et al. (2008) call on international business scholars to break away from the basic institutional concepts that dominate the literature.

Scott (1987) presents various views on institutional theory, by examining both the internal and the external perspectives. Scott (1987) highlights the internal perspective by stating that “effective leaders are able to define and defend [an] organisation's institutional values – its distinctive mission” (Scott, 1987, p. 494). However, in a 2001 book, Scott (2001) moves from the singular focus of how institutions affect organisations to consider recursive relationship and the mutual impact that institutions and organisations have on one another (Cameron, 2003). More recently, Scott (2014) highlights various views of institutions, and talks about institutional entrepreneurs as creators of institutions. These entrepreneurs can be nation states, cooperations, business organisations, professional associations, and social movements. Therefore, Scott (2014) states that “institutions have many fathers and mothers, only some of which recognise and acknowledge their parental role” (p. 119). North (1990) explains the notion of informal institutions, in addition to formal institutions. North (1990) highlights evidence of self-imposed codes of behaviour in informal institutions, but states that our understanding in this area is limited. Therefore, in addition to the perspective of institutional changes in the external environment, there are also other views in the literature. This thesis looks at how changes in the trading environment affect the institutional conditions, which then affect firms' entry strategies in turn.

### 2.7.4 Why Do Firms Consider Legitimacy?

Institutions draw boundaries between acceptable and unacceptable legal, moral and cultural boundaries (Scott, 2014). “Organisations require more than material resources and technical information if they are to survive and thrive in their social environments. They also need social acceptability and credibility” (Scott, Ruef, Mendel and Caronna, 2000, p. 237). In other words, firms require legitimacy, and need to take action to increase their social acceptance and credibility (Weber, 1924, 1968) (as mentioned previously (see p. 31).
According to Suchman (1995), legitimacy is “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (p. 574). The basic idea of institutional theory is that firms require legitimacy to survive and prosper (Gunawan and Rose, 2014; Kostova et al., 2008). Firms may adjust their strategies and structures to meet the requirements of external legitimacy providers, known as institutional isomorphism (Ang et al., 2015). DiMaggio and Powell (1983) state that legitimacy can be gained by coercive, normative or mimetic isomorphism. This falls in line with Scott’s (1995) regulative, normative and cognitive pillars of institutional conditions that explain the legal, social and psychological elements (Huang and Sternquist, 2007). This is to say that, firms must conform to the rules and laws of a host country, accept their social values and adapt a common frame of reference in order to gain legitimacy (Chan et al., 2006).

Studies suggest that institutional conditions can change over time (Brothurs, 2013; Cantwell, Dunning and Lundan, 2010). For example, in Indonesia, government policy changes take place approximately every five years, which may change the institutional conditions of the country (Gunwan and Rose, 2014). Firms may find it harder to gain legitimacy when institutional conditions change regularly, and when the institutional distance is high (Hernandez and Nieto, 2015; Kostova, 1999; Kostova and Zaheer, 1999; Xu and Shenkar, 2002). Studies (e.g. Gani, 2007; Globerman and Shapiro, 2003; López-Duarte and Vidal-Suárez, 2010; Slangen and van Tulder, 2009) indicate that governance quality (i.e. the reliability of public institutions and policies) and infrastructure influence a firm’s entry decision. Firms are more likely to enter a market when there is a high quality of governance and infrastructure (Chang et al., 2012; Globerman and Shapiro, 2003).

A key challenge of foreign market entry is in understanding the institutional conditions of the host country. A firm may encounter a situation where the host country’s government and activist groups demand a foreign firm to satisfy different sets of legitimating requirements (Chan et al., 2006). When there are such high institutional differences, firms are more likely to follow other firms to enter countries (Guillen, 2002), or mimic the actions of local firms (Ang et al., 2015; Salomon and Wu, 2012). High entry into a market indicates legitimacy of the market and encourages further foreign market entry (Chan et al., 2006). Therefore, firms considering foreign market entry not only have to evaluate efficiency (cost versus risk) but
also the rationale of their entry (Hernandez and Nieto, 2015). It appears that differences in institutional conditions increase the uncertainty in foreign markets, and influence firms’ decision-making processes, behaviours and structures (Ang et al., 2015; Kostova and Roth, 2002; Xu and Shenkar, 2002). In other words, institutional conditions limit or enhance the strategic choices (Estrin et al., 2016). Chang et al. (2012) state that unfavourable formal (poor quality governance) and informal (high cultural distance) institutions in the host country make contracting costs high, and lead firms to select full control entry modes.

2.7.4.1 Legitimacy and Trade Cooperation

Although most institutional differences begin and end with national borders (Blevins, Moschieri, Pinkham and Ragozzino, 2016; Chan et al., 2006; Westney, 1993; Murtha and Lenway, 1994), it is worthwhile to consider how trade cooperation activities can also determine institutional conditions. The institutional framework of TAs, such as those of the North American Free Trade Agreement (NAFTA), Association of South East Asian Nations (ASEAN) and European Union (EU), may influence the institutional conditions of partner countries. They may also define similar institutional conditions in areas such as production, labour, immigration and quality standards among member countries (Blevins et al., 2016; De Villa et al., 2015). These agreements may create opportunities, or threats, to firms dealing with member countries (Brewer and Young, 2006; Rugman and Verbeke, 2004). Blevins et al.’s (2016) recent study found that institutional changes in Europe (e.g. EU membership and global cities) have shaped the governance choices of firms. This indicates that firms operating in countries with operational TAs may have to adjust their strategies to satisfy both country and TA requirements to gain legitimacy.

Corporate lobbies may use TAs to pressure governments to make sure those agreements cover their specific commercial interests. For example, in the Australian-US FTA, the pharmaceutical lobby was successful in including provisions that limit state authority to control drug prices between countries (Arnold and Reeves, 2006). Political influence is a way to achieve a profitable operating environment for a firm. Unsurprisingly, large firms are more influential and receive more benefits from subsidies and low tax (Aisbett and McAusland, 2013). There are arguments that nation states are losing the controlling power of
their economies due to regional or global forces (Arnold and Reeves, 2006; Curran and Zignago, 2011; Mushkat and Mushkat, 2011; Ohmae, 2005; Weiss, 2005).

In addition, countries may take unilateral actions to be more trade friendly and competitive on the global stage. Trade friendliness, or openness, refers to the smooth flow of goods through ports with hassle-free documentation procedures. Quotas and tariff barriers decrease trade friendliness and may increase the administrative costs (Gupta et al., 2011). The World Bank (2006) noted that, between 2005 and 2006, over 200 institutional reforms were introduced in over 100 countries to target regulations, strengthen property rights, ease tax burdens, increase access to credits and reduce costs of exporting and importing (Gani, 2011). Countries with an inward-focused or nationalist trade policy tend to maintain more restrictions and barriers. In contrast, an outward focused trade policy looks to connect the domestic economy with the rest of the world (Ahlerup and Hansson, 2011; Gani and Prasad, 2008). Following eras under Western and Japanese control, China has been very protective of its sovereignty. However, with the trade liberalisation of China in 1979, the government took measures to reduce the foreign trade monopoly held by the central government. They transferred authority to local governments, and set up special economic zones for foreign investors. China’s interest in joining the WTO, and pressure from WTO members, heavily influenced the country to make necessary adjustments to areas such as quotas, tariffs and exchange (Marangos, 2006; Mushkat and Mushkat, 2011).

2.8 Discussion

There is a suggestion that firms that avoid internationalisation (due to the perceived risk of doing so) may also jeopardise their home market (Kotler et al., 2010). Firms that decide to stay local may face competition from foreign firms resulting in less opportunities in the local market (Kotler et al, 2010). Therefore, international market entry continues to remain an important topic in international business literature. This review of the existing literature explains that TAs influence international market entry strategy via their effects on institutional conditions. In other words, TAs influence institutional conditions of the foreign market, and, by extension, institutional conditions influence the entry strategy of the firm.
Therefore, this review highlights a relationship between TAs, institutional conditions and entry strategy, suggesting that TAs can influence the foreign market entry strategy of firms.

Increasing trade among partner countries is a prime objective of TA’s (Chen and Joshi, 2010; Donnenfeld, 2003). TAs influence the institutional conditions of partner nations to promote smooth flow of trade. This may reduce the institutional difference between partner nations. Thus, another objective of TAs is minimising the transaction cost of international business between partner nations by influencing the institutional conditions (Franko, 1990; Karacaoglan and Limao, 2008; Kawai and Wignaraja, 2011; Lee et al., 2009B; Malkawi, 2011). Furthermore, the behaviour of the WTO, the governing body of world trade, influences the institutional conditions of partner nations to remove barriers to trade (Lee, 2007; Ornelas, 2008; Papageorgiadis et al., 2013; Zissimos, 2007).

In addition to firm-specific resources and industry-based competition, the literature suggests that institutional conditions influence foreign market entry decisions (Davis et al., 2000; DiMaggio and Powell, 1983; Huang and Sternquist, 2007; North, 1990). Institutional conditions consist of regulative, normative and cognitive environments (Scott, 1995). Firms have to consider the regulative, normative and cognitive environments of institutional conditions to make sure their activities fall inside the boundaries of legitimacy (Haunschild and Miner, 1997; Kumar and Worm, 2004; North, 1990; Palmer et al., 1993; Peng et al., 2008; Scott, 1995, 2014). Legitimacy is important for firms to survive and prosper (Gunawan and Rose, 2014; Kostova et al., 2008).

Reasons for firms to enter foreign markets may include searching for new markets, raw materials, lower cost operations and/or knowledge and expertise. Today firms appear to look for foreign market opportunities more than ever before (Axinn and Matthyssens, 2002; Cavusgil et al., 2012; Gaur, Kumar and Sing, 2014). Therefore, for many firms, the question is not whether to enter into a foreign market, but rather how and when to enter the foreign market (Axinn and Matthyssens, 2002; Darling and Seristo, 2004; Kirsch et al., 2000; Levesque and Shepherd, 2004). Therefore, when considering international market entry, the three key strategic decisions of firms’ market entry strategy are where, when and how to enter (Gaba et al., 2002; Garcia-Villaverde et al., 2012; Graf and Mudambi, 2005; Huang and Sternquist, 2007; Mudambi and Mudambi, 2002; Peng, 2006; Tse et al., 1997).
review of the literature related to international business, TAs and institutional conditions, indicates that TAs may influence the key strategic decisions of foreign market entry due to their effects on institutional conditions.
This chapter explains the research methodology undertaken in this thesis, including the research paradigm and mixed-method methodology rationale. Quantitative and qualitative components of this thesis are also explained.
3.1 Introduction - The Philosophical Foundation of the Research

“Debates regarding research methods in the social sciences are linked directly to assumptions about ontology, epistemology and human nature” (Morgan and Smircich, 1980, p. 491). The literature review described a connection between TAs and international market entry, and the objective of this thesis is to collect evidence that supports such a connection.

Ontology is concerned with reality, or what exists. As Blaikie (2007) states, from a social science research perspective, ontology focuses on “the nature of what exists” (p. 13), or as Grix (2002) states “what is out there to know about” (p. 175). One school of ontology claims there is no absolute reality (idealists), while the other asserts that some form of reality exists (realists) (e.g. Blaikie, 2007; Bloomberg and Volpe, 2012). Researchers may take different viewpoints that combine both idealist and realistic perspectives. Such combinations may result in multiple research approaches. Researchers’ beliefs and practices that govern their research can be simply referred to as a research paradigm. Weaver and Olson (2006) state: “paradigms are patterns of beliefs and practices that regulate inquiry within a discipline by providing lenses, frames and processes through which investigation is accomplished” (p. 460). This thesis adopts a pragmatic worldview, in the belief that it may provide the opportunity to utilise all available research methods (e.g. Creswell, 2009). Furthermore, since this thesis explores an area lacking well-defined theories or previous research, the opportunity to use all available methods is beneficial (e.g. Hurmerinta and Nummela, 2011; Yeung, 1995).

In addition to ontology, it is important to understand the epistemology of a study. “If ontology is about what we may know, then epistemology is about how we come to know what we know” (Grix, 2002, p. 175) or “how what is assumed to exist can be known” (Blaikie, 2000, p. 8). The focus of epistemology is on the knowledge-gathering process, or the methodology that enables a researcher to build new models and theories (Grix, 2002). The current research analyses the published trade data and the views and opinions of industry experts, which includes both quantitative and qualitative data analysis (i.e. a mixed-method approach). This mixed-method approach includes, firstly, a descriptive analysis of published trade data, to gain a familiarity of the area of study, then, secondly, interviews
from New Zealand firms and industry bodies, to gain an insight about their views and opinions. Figure 3-1 explains how the next sections of this chapter are structured.

**Figure 3-1: Chapter 3 Structure**

<table>
<thead>
<tr>
<th>Chapter 3 Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 What is a Mixed-Method Approach?</td>
</tr>
<tr>
<td>3.3 Purpose of Adapting Mixed-Method Research</td>
</tr>
<tr>
<td>3.4 Justification of the Mixed-Method Approach</td>
</tr>
<tr>
<td>3.5 Chapter Summary</td>
</tr>
</tbody>
</table>

### 3.2 What is a Mixed-Method Approach?

A mixed-method approach combines both qualitative and quantitative approaches, and may bring more strength and value to a study than a single method alone can provide (Creswell, 2009; Hurmerinta-Peltomaki and Nummela, 2006) by using qualitative and quantitative methods to complement each other (Jick, 1979). In other words, a mixed-method approach stands between the two extremes of quantitative and qualitative methods, and endeavours to find a middle ground that combines both methods (Johnson, Onwuegbuzie and Turner, 2007).

One can still debate the limits of a mixed-method approach and what constitutes a mixed-method approach. For example, some consider an analysis of a questionnaire that includes open-ended questions as mixed-method (Creswell et al., 2003; Creswell, 2003; Johnson and Turner, 2003) while others do not (Bryman, 1992; Morse, 2003). It can also be argued that the level of sophistication of analysis tools used in a study determines whether or not the methodology can be classified as mixed-method. However, Hurmerinta-Peltomaki and Nummela (2004, 2006) and Hurmerinta and Nummela (2011), who studied mixed-method approaches in international business research, provide a broader interpretation, and categorise studies with no sophisticated statistical tools or qualitative analysis as mixed-method (Hurmerinta-Peltomaki and Nummela, 2006). This thesis does not present a sophisticated statistical analysis, but is still considered to be mixed-method. It appears that
mixed-method is relatively new to business disciplines and the most appropriate way of applying it is yet to be understood (Hurmerinta and Nummela, 2011). In other words, it is hard to envision that there is a single optimal approach to applying the mixed-method. On the other hand, the lack of theoretical roadmaps in international business research provides an opportunity to incorporate and adapt various methods to achieve the purpose of the research (Hurmerinta-Peltomaki and Nummela, 2006).

Mixed-method represents a form of triangulation (Hurmerinta-Peltomaki and Nummela, 2004). Triangulation is the “combination of methodologies in the study of the same phenomenon” (Denzin, 1978, p. 291). Triangulation can occur when research adapts multiple research strategies into a single methodological approach (within-method) or more than one methodological approach (across-method) in a single piece of research (Denzin, 1978). This thesis adopts the across-method approach as this research adapts both quantitative and qualitative methods to explore the same phenomena.

The conceptual foundations of a case study are unclear and the term “case” has different meanings in different disciplines (Eisenhardt 1989; Hurmerinta and Nummela, 2011; Yin, 1994, 2009). Hurmerinta and Nummela (2011) state that “a study can be considered a case study if it investigates the phenomenon and its dynamics in its natural settings (Eisenhardt, 1989). It may also confront theory with the empirical world and apply data from multiple sources, but this is not necessary (see Piekkari et al., 2009)” (p. 212). Therefore, according to this broader view of a case study proposed by Hurmerinta and Nummela (2011), and based on the philosophical foundation, pragmatic viewpoint and purpose of research this thesis can be considered a mixed method case study.

3.3 Purpose of Adapting Mixed-Method Research

3.3.1 Background Assumptions of the Study

A pragmatic worldview is adopted in this study. Pragmatism is derived from actions, situations and consequences. The pragmatic worldview considers that all available research options may be used to investigate the research problem (Creswell, 2009). Therefore, the
pragmatic worldview provides an appropriate platform to apply mixed-method research (Morgan, 2007).

Quantitative research represents a deductive, objective and generalising approach, while qualitative research represents an inductive, subjective and contextual approach. The pragmatic approach is abductive, intersubjective and transferable (Morgan, 2007). This approach connects theory and data based on abductive reasoning, where abductive reasoning moves between induction and deduction (Hamlin, 2015; Morgan, 2007). The pragmatic approach also recognises that researchers have to work between different frames of reference (i.e. intersubjectivity) and does not require the usual forced dichotomy between subjectivity and objectivity (Hamlin, 2015; Morgan, 2007). Furthermore, the pragmatic approach represents transferability as it separates, or loosely couples, the metaphysical aspects of ontology from epistemological and methodological issues (Hamlin, 2015; Morgan, 2007). Johnson et al. (2007) state that pragmatism is a well-developed philosophy that supports mixed-method research. Pragmatism takes a liberal view; it considers that there is no way of knowing that one approach is better than another approach in generating the desired outcome (Cherryholmes, 1992).

3.3.2 Facilitate Interpretation, Improve Validity and/or Gain Deeper Understanding

Since the initial use of mixed-method by Campbell and Fiske (1959), research has highlighted several benefits of this approach (e.g. Caracelli and Greene, 1993; Creswell, 2009; Greene, Caracelli and Graham, 1989; Johnson et al., 2007). As explained below, mixed-method approaches may facilitate interpretation, improve validity and/or gain deeper understanding of the results (Hurmerinta-Peltomaki and Nummela, 2004).

In this thesis, the quantitative data analysis revealed that the largest export contribution of the New Zealand economy came from countries with whom New Zealand has active trade agreements with, compared to non-TA-participating countries (Research data, 2016). These findings were further explored through the qualitative data (i.e. one-on-one interviews with a selection of representatives from New Zealand exporting companies). The one-on-one interviews improved the validity of the quantitative data by reinforcing the statistics and
revealing some of the underlying motivations and opinions of why companies chose to export to TA member countries. Using quantitative data analysis (i.e the macro level view) as a basis for further exploration through qualitative data has been thought to improve the validity of results (Bryman, 1992; Hammersley, 2008; Jick, 1979; Patton, 1990). Please see Table 3-1 for an explanation of the three-fold purpose of adopting a mixed-method approach.

Table 3-1: Purpose of Adopting Mixed-Method Approach

<table>
<thead>
<tr>
<th>#</th>
<th>Purpose</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Facilitation</td>
<td>Quantitative data analysis of published trade data provided the familiarity to gather qualitative data by conducting one-on-one interviews with industry experts.</td>
</tr>
<tr>
<td>2</td>
<td>Improve the validity</td>
<td>The findings of quantitative data (published trade data) analysis were further explored by using qualitative data (one-on-one interviews).</td>
</tr>
<tr>
<td>3</td>
<td>Deeper understanding</td>
<td>The macro level view gained through quantitative data (published trade data) analysis was used to gain an in-depth firm and industry level understanding by carrying out one-on-one interviews.</td>
</tr>
</tbody>
</table>

3.3.3 Research Questions

The research objective was to explore the relationship between trade agreements and entry strategy and this was examined through the usage of the following research questions:

1. How do TAs influence firms’ entry strategies (where to enter, when to enter and how to enter)?
2. How do TAs influence institutional conditions (regulative environment, normative environment and cognitive environment)?
3. In the context of TAs, how do institutional conditions impact a firm’s entry strategy?
4. What is an appropriate conceptual model that describes the influence of TAs on foreign market entry?

These questions were answered by interviewing industry experts, and their responses were analysed.
3.4 Justification of the Mixed-Method Approach

Creswell (2009) discusses the issue of the weighting between quantitative and qualitative methods in mixed-method research. The weighting can be approximately equal, or either qualitative or quantitative can be more dominant (Morse, 1991; Johnson et al, 2007).

It is understandable that in a mixed-method study qualitative researchers may lean toward a stronger qualitative focus and quantitative researchers may emphasise the quantitative aspect. As Hurmerinta and Nummela (2011), who write about mixed methods in the international business context state, “compared to other social sciences, discussion on mixed methods in business disciplines is much more recent and best practices on how to apply them are yet to be developed” (p. 225). In international business, mixed method work tends to be weighted one way or the other. Primarily quantitative studies may use interviews to aid questionnaire development, which is then used to collect primary data. Primarily qualitative studies may use quantitative data to develop the contextual understanding necessary to develop the interview protocol. This is the approach used by Hurmerinta and Nummela (2011), who are leading proponents of qualitative-driven mixed methods research in the field of international business. They consider if the qualitative part has a clear and significant role in the study, the study has more potential for novel contribution (see Hurmerinta-Peltomäki and Nummela, 2006).

This thesis follows the approach of Humerinta and Nummela, and is a qualitative dominant mixed method study (Figure 3-2). Since this study pertains to international trade, it was essential to gain a deep understanding of the behaviour of New Zealand trade by analysing trade data. Then interviews were conducted to explore the key interest - the influence of TAs on market entry strategy.

The following explanation of the order, role and purpose (Hurmerinta-Peltomaki and Nummela, 2004) in mixing quantitative and qualitative methods provides understanding of how this thesis mixed the quantitative and qualitative methods.

**Order:** The order of mixing quantitative and qualitative data can be sequential or parallel. In the sequential mode, the researcher begins with one method before progressing to use the
alternative method (Creswell, 2009; Hirsjarvi and Hurme, 2001; Tashakkori and Teddlie, 1998). In the parallel mode, the researcher begins both methods simultaneously. This thesis uses a sequential mode; first the quantitative analysis was carried out, then the qualitative component. The first phase informs the research activity, while the second phase validates and complements the results.

**Role:** In mixed-method research, more emphasis may be placed on one method over the other, or both methods can be viewed as equally important (Creswell 1994; Morse, 1991). The qualitative method played a dominant role in this thesis. Quantitative data explained the background of the area of the study. A qualitative method enabled an in-depth exploration to derive conclusions.

**Purpose:** The choice to mix quantitative and qualitative methods was predominantly related to the topic of this thesis. Information related to areas explored in this thesis is insufficient or scattered. This thesis attempts to extend the existing theoretical frameworks to a novel context (use of existing international business theoretical frameworks on foreign market entry in the context of TAs). The quantitative method was used to gain familiarity of the area explored and a qualitative method was used to gain an in-depth understanding (see Figure 3-2).

**Figure 3-2: Key Decisions in Mixed-Method**

Source: Adapted from Hurmerinta-Peltomaki and Nummela (2004, p. 166)
3.4.1 Quantitative Method

New Zealand export revenue data to countries worldwide, comparative to countries that New Zealand has trade agreements with, formed the basis of the quantitative method. This data was collected from Statistics New Zealand (http://www.stats.govt.nz/), the New Zealand government’s national statistics office (Statistics New Zealand, 2016A). In addition, currency-related data was collected from the Reserve Bank of New Zealand (http://www.rbnz.govt.nz), the central bank of the country (Reserve Bank of New Zealand, 2015).

3.4.1.1 Why New Zealand Export Data?

This thesis chose to examine New Zealand export data as New Zealand export data shows a relationship between trade agreements and an increase in exports (Research data, 2016).

A key objective of the New Zealand government is to increase the ratio of exports to gross domestic product (GDP) to 40 per cent by 2025 (Ministry of Business, Innovation and Employment, 2015A, 2015B). The World Bank (2016) indicates that New Zealand’s total exports in 2014 were NZ$70 billion, or around 30 per cent of its GDP. According to 2014 figures, reaching 40 per cent of GDP means approaching a total export target of nearly NZ$100 billion. This ambitious target enhances the importance of exports to the country. New Zealand firms involved in international business may bring important benefits to the country, such as economic growth, innovation, capital and employment (Ministry of Business, Innovation and Employment, 2015A, 2015B).

New Zealand has strong trade relationships with many Asian nations including China, Hong Kong, Thailand, Malaysia and other ASEAN members (New Zealand Foreign Affairs and Trade, 2016A). The government is actively involved in trade negotiations with other countries and regions to increase the international business opportunities for New Zealand firms. For example, New Zealand is now part of TPPA, involved in trade negotiations with the EU, and developing an economic relationship with Latin America’s Pacific Alliance Countries (New Zealand Foreign Affairs and Trade, 2015A).
A key indicator of New Zealand firms’ involvement in international business is the country’s exports to the world. Therefore, this thesis analyses New Zealand export data to gain an understanding of how New Zealand, and each industry, has behaved in terms of international business. Currency-related data was collected to adjust the currency depreciation/appreciation of export data.

3.4.1.2 How New Zealand Trade Data was Analysed

Step 1: New Zealand’s trading history with the world, from 2000-2013, was analysed using both import and exports data. This thesis has not used any sophisticated quantitative data analysis techniques. What the thesis required, in terms of published trade data, was to gain an understanding of New Zealand and its various industries’ behaviour on international business (particularly exports) to carry out a thorough analysis using qualitative data (one-on-one interviews). In addition, quantitative data was used to identify the top 10 trading partners of New Zealand.

Step 2: New Zealand exports to the world, currency adjusted exports to the world and top 10 exporting destinations, were studied to gain a general understanding of the country’s exports.

Step 3: New Zealand’s exports to the countries that New Zealand has a TA with were studied. New Zealand exports and adjusted exports to its contractual trade partners were highlighted.

Step 4: New Zealand’s exports to China were studied. New Zealand exports and exchange rate adjusted exports to China were studied.

Step 5: New Zealand’s top 20 exporting industries were studied. For example, the dairy industry analysis includes: dairy exports to the world, dairy exports to countries with TAs, dairy exports to countries without TAs, dairy exports to China and dairy exports to the rest of the world, excluding China. Data includes both exports in actual NZ$ value and currency adjusted value.
3.4.1.3 Quantitative Data Presentation

Quantitative data revealed information specific to the industries represented by the interviewees. Interviewees mainly represented the dairy, meat, wood, beverage, fruit, fish and wool industries. All other respondents were categorised as “other”. Hence the analysis of only these (dairy, meat, wood, beverage, fruit, fish and wool) industries is presented in Chapter 4. Descriptive tools such as bar charts and time series plots were used to present the quantitative data analysis.

3.4.2 Qualitative Method

A one-on-one semi-structured interview approach, using an interview guide as the springboard for the interviews, was used to collect qualitative data. Interviews are recognised as a useful method in international business research (Eisenhardt and Graebner, 2007), and are particularly suitable for this kind of exploratory study (Daniels and Cannice, 2004; Eisenhardt, 1993; Parkhe, 1993). In addition, interviews help develop a good rapport with informants to gain in-depth understanding of the area of study (Daniels and Cannice, 2004). This is an important advantage for an exploratory study. “The beauty of this method lies in its validity (i.e. dealing directly with decision makers and the richness of information collected) and reliability (i.e. replicable in practice)” (Yeung, 1995, p. 314). As mentioned earlier, the main purpose of interviews in this thesis was to gain deeper understanding of the phenomena.

3.4.2.1 Recruitment of Respondents

The process of recruiting respondents for qualitative research is more purposeful in comparison to the quantitative method (Eisenhardt, 1989; Miles and Huberman, 1994). The qualitative method actively recruits a very focused sample pool rather than a generic cross-section of the population (depending on the analytical approach) in recruiting respondents, whereas the quantitative method uses random sampling (Miles and Huberman, 1994; Palinkas, Horwitz, Green, Wisdom, Duan and Hoagwood, 2015). In line with these understandings this thesis adapted the purposeful sampling approach to recruit respondents.
The main criteria for interview selection included being a representative of a New Zealand based firm, involved in tangible product selling, and engaged in international business, particularly exporting (see Figure 3-3).

**Figure 3-3: Recruitment of Respondents**

Potential participants for the study were identified in several ways, of which four methods were used to gather details about firms:

1. **Published industry lists:** Company details are provided by various industry bodies, such as a list of meat companies available on Beef + Lamb New Zealand Ltd’s website: http://mwnztradedirectory.co.nz
2. **Recommendations from organisations:** Organisations, such as the Otago Chamber of Commerce, recommended firms that could be contacted.
3. **Email newsletter/mailer invitations to membership groups:** An invitation to participate in the research interviews was included in various newsletters and mailers of organisations, such as New Zealand Trade and Enterprise (newsletter) and New Zealand China Trade Association (mailer).
4. **Direct requests with industry and governmental bodies:** Communication with industry bodies, such as Pipfruit New Zealand, and other offices, such as Office of
Hon. Tim Groser (Minister of Trade), requesting them to invite their members/contacts to participate.

Table 3-2 includes a breakdown of how all the participants were sourced, using the above four methods.

**Table 3-2: Methods Used to Gather Details About Firms**

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Published List</th>
<th>Recommendations</th>
<th>Newsletter/ Email to members</th>
<th>Informing members/ contacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef + Lamb New Zealand Ltd</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Dunedin City Council</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experts</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interviewee recommendations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Products New Zealand (NPNZ)</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>New Zealand China Council</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>New Zealand China Trade Association</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand Manufacturers and Exporters Association</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand Winegrowers</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>New Zealand Trade and Enterprise</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Office of Hon Tim Groser - Minister of Trade</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Otago Chamber of Commerce</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pipfruit New Zealand Inc</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Seafood New Zealand</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>The Dairy Companies Association of New Zealand (DCANZ)</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Dunedin Shanghai Association</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Meat Industry Association of New Zealand (MIA)</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Wood Processors Association of New Zealand (WPA)</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Identified firms were contacted via email and invited to have a representative participate in the study. The group of interviewees was further developed using a snowball approach (i.e. requesting respondents for referrals from their contacts). Of the 505 firms invited, 35 agreed
to participate and a representative from each firm was interviewed. Where there were three or more respondents from the same industry (according to the Statistics New Zealand categorisation of New Zealand industries) those respondents were categorised under their industry name. For example, there were eight respondents from dairy and four respondents from beverage, therefore those respondents were categorised under the dairy and the beverage industry respectively. There were three or more respondents from each of dairy, meat, wood, beverage, fruit, fish and wool industries. Where there were less than three respondents from the same industry they were categorised as “other”. Respondents represented eight small firms (those with 0-19 employees), 13 medium firms (those with 20-99 employees) and 14 large firms (those with over 100 employees). Firm sizes for the purposes of this research were based lightly on the New Zealand Ministry of Business, Innovation and Employment (MBIE) categorisation of firms (see Table 3-3). However, for simplicity purposes, the MBIE categories of “zero”, “micro” and “small” were amalgamated into one category labelled “small”. Likewise, the MBIE categories of “small-medium” and “medium” were also amalgamated and labelled as “medium”. The MBIE category of “large” remains unchanged (see Table 3-3).

Over 97 per cent of firms in New Zealand are classified as small firms (Ministry of Business, Innovation and Employment, 2014). Therefore, all sizes of firms were taken into consideration. Interviewed firms were scattered throughout New Zealand. The region from which the highest number of firms was interviewed was Otago (seven out of 35) (see Figure 3-4).

Table 3-3: Firm Categorisation - Based on Size

<table>
<thead>
<tr>
<th>Thesis Categorisation</th>
<th>MBIE Categorisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Employees</td>
</tr>
<tr>
<td>Small</td>
<td>0 to 19</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>20 to 99</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>100 and over</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

In addition, 10 industry bodies were contacted to gather their views about TAs in general, and all agreed to participate. An industry body is an association formed by firms to represent their industry and to consult on industry matters. For example, the Dairy Companies Association of New Zealand (DCANZ) is a dairy industry body that works collectively on issues such as manufacturing, trade and marketing for dairy companies (Dairy Companies Association of New Zealand, 2016). In total, 45 (35 firms + 10 industry bodies) interviews were conducted. The number of interviews conducted in this thesis was sufficient according to the suggested number of interviews by previous studies. Creswell (1998) suggests 5-25 and 20-30 interviews for phenomenological and grounded theory studies respectively. Kuzel (1992) suggests 6-8 and 12-20 interviews for homogenous and heterogeneity samples respectively. Furthermore, Guest, Bunce and Johnson (2006) proposed a sample size of 6-12 interviews for homogenous samples. According to Guest et al. (2006) purposeful samples have a certain degree of homogeneity, as participants are chosen according to some common criteria. In addition, the template analysis, the technique used to analyse the data in this thesis (see section 3.4.2.3), normally has 20-30 participants (King, 2004).
3.4.2.2 Qualitative Data Collection

Interviews were conducted with owners, Chief Executive Officers (CEOs) or key executives of the identified firms involved in international business. The average length of an interview was one hour and included discussions on the firm’s international business, TAs (TAs in general and New Zealand China Free Trade Agreement (NZCFTA) in specific), and the impacts of TAs on institutional conditions and foreign entry strategies. If there was confusion during the analysis stage respondents were re-contacted for clarification. The use of semi-structured interviews, based on an interview guide, ensured that the qualitative data collection process was consistent enough between interviewees that the data could be compared, categorised and analysed (Morse, 2005).

Interviews were conducted face-to-face at the respondent’s premises, by telephone, or over Skype. Prior to their interview, respondents completed a consent form detailing the voluntary nature of participation and assurance of confidentiality. The consent form satisfied the University of Otago’s research ethics requirements (see Appendix 24).

An interview guide (Figure 3-5) was used to ensure all relevant areas were discussed, but the order in which information was covered varied from interview to interview. Likewise, it should be noted that the researcher did not necessarily ask questions using the exact terminology of the interview guide.

Semi-structured interviews with open-ended questions were used. Interviews were conducted as discussions, with the goal of allowing researcher to gain a deep understanding of relevant areas. As mentioned in the literature on qualitative interviewing (Creswell, 2009; King, 2004), semi-structured interviews tend to be emergent in nature. This means that the initial plan for research – and the interview guide – cannot be prescribed too tightly. If the interview guide is overly structured, the researcher risks constraining the responses and missing some important perspectives (see Cresswell, 2009; King 2004). It is expected that the precise nature of the interview questions will be modified somewhat as the project progresses.
3.4.2.3 Qualitative Data Analysis

There are various qualitative data analysis approaches such as interpretative phenomenological analysis (e.g. Jarman, Smith and Walsh, 1997; Smith, 1996), content analysis (e.g. Mayring, 2000), discourse analysis (e.g. Van Dijk, 2003) and template analysis (e.g. King, 1998, 2004). Template analysis was used for the purpose of this thesis (King, 1998, 2004). Template analysis is a combination of techniques and does not have a single, clearly delineated method. It requires the researcher to develop a list of codes, known as a template, to represent the different themes. The researcher designs the template in a way that highlights the relationship among themes. Codes may be defined prior to the analysis, or modified as the researcher reads the transcripts (King, 1998, 2004). Hence, template analysis offers the flexibility necessary for exploring the influence of TAs on foreign market entry.
strategy in this thesis. Template analysis suggests the researcher should define an approach suitable to the research topic. “You must remember that there are no absolute rules here; in the end you must define an approach to analysis that suits your own research topic and the epistemological position you wish to take” (King, 2004, p. 269).

This thesis attempts to extend the existing theoretical frameworks of foreign market entry by considering TAs in the context of those frameworks. Also, since international business research is a relatively new field (Hurmerinta-Peltomaki and Nummela, 2006), template analysis enables the researcher to be innovative. As Hurmerinta-Peltomaki and Nummela (2006) states, “The research field – international business – has a special character that calls for innovative methodological solutions” (p. 453). In addition, the pragmatic paradigm encourages researchers to find innovative solutions, and considers relevant and useful information more important than purity of the method (Hurmerinta-Peltomaki and Nummela, 2004; Jick 1979; Patton 1990). The steps below are followed in the qualitative data analysis:

**Step 1:** All the interviews were audio recorded and then transcribed into Microsoft Word documents.

**Step 2:** Responses of the interviews were grouped into four broad sections (see Figure 3-6). In the first section, information was gathered about a firm’s background including the industry, size and location of the firm. The remaining three sections focused on TAs, institutional conditions and entry strategy, as per the topics discussed in the literature review section. These four broad themes were used as the basis for the template analysis. Under the broad sections there are subsections. For example, under the section institutional conditions, there are regulatory, normative and cognitive environments.
Figure 3-6: Initial Coding Template Used for Analysing the Research Interviews

<table>
<thead>
<tr>
<th>Coding template</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Firm background</strong></td>
</tr>
<tr>
<td>a. Location</td>
</tr>
<tr>
<td>b. Industry</td>
</tr>
<tr>
<td>c. Size</td>
</tr>
<tr>
<td><strong>2. TAs</strong></td>
</tr>
<tr>
<td>a. Advantages and disadvantages</td>
</tr>
<tr>
<td><strong>3. Institutional conditions</strong></td>
</tr>
<tr>
<td>a. Regulatory environment</td>
</tr>
<tr>
<td>b. Normative environment</td>
</tr>
<tr>
<td>c. Cognitive environment</td>
</tr>
<tr>
<td><strong>3. Entry strategy</strong></td>
</tr>
<tr>
<td>a. Where</td>
</tr>
<tr>
<td>b. When</td>
</tr>
<tr>
<td>c. How</td>
</tr>
<tr>
<td><strong>2. NZCFTA</strong></td>
</tr>
<tr>
<td>a. Advantages and disadvantages</td>
</tr>
<tr>
<td><strong>3. Institutional conditions</strong></td>
</tr>
<tr>
<td>a. Regulatory environment</td>
</tr>
<tr>
<td>b. Normative environment</td>
</tr>
<tr>
<td>c. Cognitive environment</td>
</tr>
<tr>
<td><strong>3. Entry strategy</strong></td>
</tr>
<tr>
<td>a. Where</td>
</tr>
<tr>
<td>b. When</td>
</tr>
<tr>
<td>c. How</td>
</tr>
</tbody>
</table>

**Step 3:** Where there were three or more respondents from the same industry, those responses were grouped based on industry. From this, seven groups were formed: dairy, meat, wood, beverage, fruit, fish and wool industries. A separate group was created for all the other respondents which was categorised as “other” (Table 3-4).
Step 4: Based on the data analysis of TAs in general, percentages were assigned to each theme to show the level of influence (see Table 3-5). For example, all respondents from the dairy industry indicated that TAs influence the regulative environment of institutional conditions. Therefore 100% was assigned. However, only 60 per cent of the respondents believed that TAs influence the normative environment of institutional conditions. Likewise, percentages were calculated for all seven areas (TA, regulative, normative, cognitive, where, when and how). Therefore, the overall influence level is calculated by averaging all the influencing factors (see Table 3-6).

### Table 3-5: TAs in General - Dairy Industry

<table>
<thead>
<tr>
<th>Res. #</th>
<th>TA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Influence</td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>6</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>7</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>12</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>20</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>26</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>28</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>29</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>40</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>41</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>44</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
</tbody>
</table>

| Influence | 100% | 100% | 60% | 60% | 100% | 80% | 40% |
| No Influence | 0% | 0% | 40% | 40% | 0% | 20% | 60% |
Step 5: Based on the overall average, three categories of influence level were formed: high, moderate and weak (see Table 3-6). If the overall average was over 75 per cent those industries (in this case dairy, meat and beverage) were categorised as highly influenced. Industries that recorded an overall average of 50-75 per cent (in this case fruits, fish and wool) were categorised as moderately influenced, and the industries that recorded less than 50 per cent (wood and other) were categorised as weakly influenced. Percentages were calculated for all seven areas (TA, regulative, normative, cognitive, where, when and how). Therefore, the overall influence level is calculated by averaging all the influencing factors. Looking at the quartiles of the population, the only marginal industry was wool, which recorded 50 per cent. Therefore, cut-off points were set at 0-50, 50-75, 75-100 (see Table 3-6).

Step 6: Analyses were carried out based on the category. All industries were analysed in terms of TAs in general and NZCFTA in specific (see Table 3-8).

Table 3-7 shows the data for the dairy, meat and beverage industries in relation to TAs in general, and Table 3-8 shows the data for the dairy, meat and beverage industries specific to the NZCFTA.
Table 3-7: How Firms in the Dairy, Meat and Beverage Industries Perceive the Impacts of TAs

<table>
<thead>
<tr>
<th>Res. #</th>
<th>TA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>2</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>5</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>6</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>7</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>8</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>12</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>14</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>18</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>19</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>20</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>22</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>26</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>27</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>28</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>29</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>34</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>40</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>41</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>43</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>44</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>Influence</td>
<td>100%</td>
<td>100%</td>
<td>60%</td>
</tr>
<tr>
<td>No Influence</td>
<td>0%</td>
<td>0%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Step 7: Industry body feedback was removed when analysing the influence of NZCFTA. Industry bodies are not operationally involved in international market entry, but they work on behalf of the industry on trade matters. Although industry bodies were very precise on providing feedback about TAs in general, they exhibited difficulties in providing comments specific to a certain TA due to lack of operational expertise. Taking this situation into consideration their comments on NZCFTA were removed when analysing the influence of NZCFTA on foreign market entry.
Table 3-8: How Firms in the Dairy, Meat and Beverage Industries Perceive the Impacts of NZCFTA

<table>
<thead>
<tr>
<th>Res #</th>
<th>NZCFTA helped business</th>
<th>Entry to China, after NZCFTA</th>
<th>NZCFTA influenced regulatory environment</th>
<th>NZCFTA influenced normative environment</th>
<th>NZCFTA influenced cognitive environment</th>
<th>Where - NZCFTA influenced location</th>
<th>When - NZCFTA influenced entry time</th>
<th>How - NZCFTA influenced entry mode</th>
<th>If started business after NZCFTA that will influence entry decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>5</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>6</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>7</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A</td>
</tr>
<tr>
<td>8</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>12</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>14</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>19</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>20</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>26</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>28</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>29</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>34</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>41</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>43</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Yes</td>
<td>15 7 10 14 3 4 2 6</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>0 8 5 6 1 12 11 13 2</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Step 8: Based on the purpose of this research, direct quotations of the respondents were presented under each theme for TAs in general and about NZCFTA in specific. In addition, tables of influence levels were also presented (see Chapter 4). Data was presented according to the category (highly, moderately and weakly influenced).

3.5 Chapter Summary

This chapter focused on the methodology used in this thesis. It provided the philosophical background to the study and the reasons for adopting a mixed-method approach. The mixed-method approach provided the opportunity to gain familiarity of the areas of study by analysing quantitative data and further explore the data using qualitative interviews. The research began with the quantitative method before progressing on to the qualitative method. The qualitative method enabled an in-depth exploration to derive conclusions, which made this thesis a qualitative-dominant study. Predominantly, New Zealand’s export data to China and the world was analysed using bar charts and time series plots. In addition, information gathered from 45 one-on-one interviews were analysed using the template analysis technique.
This chapter presents the analysis of quantitative and qualitative data of the thesis.
4.1 Introduction

This chapter presents the quantitative and qualitative data gathered by the methods described in the previous chapter. Based on the responses received from the interviewed industry experts, three TA influence levels were identified: (1) industries that reported > 75 per cent overall average influence were categorised as highly influenced; (2) industries that recorded 50-75 per cent overall average were categorised as moderately influenced; (3) industries reporting < 50 per cent overall average were categorised as weakly influenced (see Table 4-1).

Table 4-1: Influence Levels

<table>
<thead>
<tr>
<th>Industry</th>
<th>TA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
<th>Overall Average</th>
<th>Range</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
<td>Cognitive</td>
<td>Where</td>
<td>When</td>
</tr>
<tr>
<td>Dairy</td>
<td>100%</td>
<td>100%</td>
<td>60%</td>
<td>40%</td>
<td>100%</td>
<td>60%</td>
</tr>
<tr>
<td>Meat</td>
<td>100%</td>
<td>100%</td>
<td>60%</td>
<td>40%</td>
<td>100%</td>
<td>60%</td>
</tr>
<tr>
<td>Beverage</td>
<td>100%</td>
<td>100%</td>
<td>60%</td>
<td>40%</td>
<td>100%</td>
<td>60%</td>
</tr>
<tr>
<td>Fruits</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Fish</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Wood</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Other</td>
<td>55%</td>
<td>45%</td>
<td>22%</td>
<td>55%</td>
<td>55%</td>
<td>33%</td>
</tr>
</tbody>
</table>

The overall influence level is calculated by averaging all the influencing factors. Looking at the quartiles of the population, the only marginal industry was wool, which recorded 50 per cent. Therefore, cut-off points were set at 0-50, 50-75, 75-100.

Source: Research data

Quantitative data was generated using trade statistics published by Statistics New Zealand, and is presented in bar charts and time series plots. In addition, currency exchange statistics published by the Reserve Bank of New Zealand were also considered. The quantitative data presents New Zealand’s total trade, exports, exports to countries with TAs (see Table 4-2), exports to China and exports specific to the industries discussed in this thesis.
Table 4-2: New Zealand Trade Agreements

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade Agreement (Entry into force date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>New Zealand-Australia Closer Economic Relations (1st January 1983), ASEAN, Australia and New Zealand Free Trade Agreement (1st January 2010)</td>
</tr>
<tr>
<td>Cambodia</td>
<td>ASEAN, Australia and New Zealand Free Trade Agreement (4th January 2011)</td>
</tr>
<tr>
<td>Chile</td>
<td>Trans-Pacific Strategic Economic Partnership (P4) Agreement (28th May 2006)</td>
</tr>
<tr>
<td>China</td>
<td>New Zealand-China Free Trade Agreement (1st October 2008)</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>The Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC) (1st December 2013)</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>New Zealand-Hong Kong, China Closer Economic Partnership (1st January 2011)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>ASEAN, Australia and New Zealand Free Trade Agreement (10th January 2012)</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>ASEAN, Australia and New Zealand Free Trade Agreement (1st January 2011)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>ASEAN, Australia and New Zealand Free Trade Agreement (1st January 2010), New Zealand - Malaysia Free Trade Agreement (1st August 2010)</td>
</tr>
<tr>
<td>Myanmar</td>
<td>ASEAN, Australia and New Zealand Free Trade Agreement (1st January 2010)</td>
</tr>
<tr>
<td>The Philippines</td>
<td>ASEAN, Australia and New Zealand Free Trade Agreement (1st January 2010)</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>ASEAN, Australia and New Zealand Free Trade Agreement (1st January 2010)</td>
</tr>
</tbody>
</table>

New Zealand-Korea Free Trade Agreement is not included as it came into force in December 2015.

Source: New Zealand Foreign Affairs and Trade (2016A)

The interview findings are presented under six themes: Regulative environment, Normative environment, Cognitive environment, Where, When and How. Under each theme responses are recorded for each influence level: highly, moderately and weakly influenced. Figure 4-1 illustrates how the next sections of this chapter are structured.

Figure 4-1: Chapter 4 Structure
4.2 Quantitative Data Analysis

4.2.1 Total Trade

International trade contributes to nearly two thirds of New Zealand’s economic activities. New Zealand maintains an open economy and provides free access to 85 per cent of goods from around the world (Ministry of Foreign Affairs and Trade, 2008). New Zealand is highly dependent on markets such as China and Australia, both in terms of exports and imports (Statistics New Zealand, 2015).

Exports to World

New Zealand recorded over NZ$96 billion worth of overseas merchandise trade (i.e. excluding services) in 2013, with over NZ$48 billion coming from exports (NZ$48.04 billion) and an almost equal contribution coming from imports (NZ$48.03 billion) (Figure 4-2: Exports and Imports – Actual: i.e. NZ$ terms). Between 2000 and 2013 there was a continuous growth in trade. However, by adjusting the NZ$ rate against US$ (by using the December 2000 NZ$ per US$ rate as the base), it appears that the currency exchange rate has a considerable influence on exports and imports value (Figure 4-2: Exports and Imports – Adjusted). The years 2000–2002 and 2008 recorded the highest levels of trade. During 2003 and 2007 there was slight growth, but during 2009–2013 trade growth was almost stable.

Exports to Countries with TAs

A similar pattern is seen in New Zealand’s trade with countries it has TAs with (Table 4-2). There was a continuous growth of trade during 2000 and 2013, and New Zealand recorded over NZ$49 billion worth of trade with countries with TAs in 2013. This is more than half of the country’s total trade with the world. Exports and imports recorded over NZ$25 and NZ$23 billion, respectively. Again, data shows that the currency exchange rate has a considerable influence on trade value (Figure 4-2: Exports and Imports – Countries with TAs – Actual and Adjusted). Trade was highest in the years 2000–2002 and 2008, with slight growth during 2003 and 2007. But during 2009 and 2013 trade growth was relatively stable.
New Zealand’s high dependency on China and Australia was visible in the 2013 trade figures where New Zealand’s two-way trade with China was worth over NZ$18 billion. Trade with Australia recorded over NZ$15 billion (Figure 4-2: Top 10 Export Destinations). The USA, Japan and South Korea are the third, fourth and fifth largest trade partners for New Zealand in 2013 respectively.

**Figure 4-2: Total Trade 2000-2013**

See Appendix: 2, 3 and 4
4.2.2 New Zealand Exports

New Zealand has recorded a continuous increase in exports from 2000–2013. Highest exports of over NZ$48 billion were recorded in 2013 (Figure 4-3: Exports to World – Actual: i.e. exports in NZ$ terms). However, as already explained, when the NZ$ rate is adjusted, it appears that exports are influenced by the currency exchange rate (Figure 4-3: Exports to World – Adjusted). Years 2000, 2001 and 2008 have recorded higher level of exports. During 2003 and 2005 exports were stable, and in 2006 and 2007 slight growth can be seen. However, following sudden growth in 2008, exports were essentially stable in the following years.

Figure 4-3: New Zealand Exports

![Chart showing New Zealand Exports 2000-2013 in NZ$ millions](image)

Source: Statistics New Zealand (2015) and Reserve Bank of New Zealand (2015)

See Appendix: 5

4.2.3 New Zealand Exports to Countries with TAs

New Zealand exports to countries with TAs indicate a continuous growth from 2000-2013. The highest export revenue of over NZ$25 billion was recorded in 2013. A similar trend can be identified when the NZS rate is adjusted with US$ by using the December 2000 NZS per US$ rate as the base. However, exports in 2000, 2001, 2002 and 2008 were much higher than other years (Figure 4-4: Exports to Countries with TAs – Actual and Adjusted). Time series plots indicate that New Zealand’s exports to countries with TAs are growing faster than to exports to countries without TAs. The data also shows that during the last couple of years (2012-2013) greater export revenue has come from countries with TAs. This trend is
visible in both actual and currency adjusted time series plots (Figure 4-4: Exports to Countries with TAs and World – Actual and Adjusted).

**Figure 4-4: New Zealand Exports to Countries with TAs**

![Graph showing New Zealand Exports to Countries with TAs](image)

*New Zealand Exports to Countries with TAs and World 2000-2013 in NZ$ millions*
*Adapted from Statistics New Zealand (2015) and Reserve Bank of New Zealand (2015)*

See Appendix: 6 and 7

### 4.2.4 New Zealand Exports to China

Trade statistics show an exponential growth of exports from New Zealand to China after 2007. In 2013 exports to China reached almost NZ$10 billion (Figure 4-5: Exports to China – Actual). The major trade event that took place between the two countries was the signing of the New Zealand China Free Trade Agreement (NZCFTA), which came into force in 2008. Even when the NZ$ rate is adjusted with US$ using the December 2000 NZ$ per US$ rate as the base, New Zealand’s exports to China record an exponential growth after 2007 (Figure 4-5: Exports to China – Adjusted).
Time series plots indicate a clear growth in exports to China, particularly from 2007 onwards. In addition, time series plots of exports to China, and exports to the world without China, indicate that considerable contribution to total exports has come from exports to China. In 2013 over 20 per cent (around NZ$10 billion) of New Zealand’s total export revenue came from China. When considering exports excluding China, New Zealand has recorded a drop in exports since 2011 (Figure 4-5: Export to China and World – Actual). With the exception of two peaks in 2001 and 2008, a similar trend is seen when the NZ$ rate is adjusted with US$ taking the December 2000 NZ$ per US$ rate as the base. China accounts for a significant portion of New Zealand’s total exports to the world since 2008 (Figure 4-5: Exports to China – Adjusted).

**Figure 4-5: New Zealand Exports to China**

See Appendix: 8 and 9
4.2.5 New Zealand Exports by Industry

4.2.5.1 Highly Influenced – Dairy Exports

Dairy Exports to Countries with TAs – Actual
New Zealand dairy exports in actual NZ$ show a growth in dairy exports to countries with TAs. (Figure 4-6: Dairy Exports to Countries with TAs – Actual: i.e, exports in NZ$ terms). In 2000, New Zealand’s dairy exports in actual NZ$ were worth over NZ$4.5 billion; 42 per cent of that export revenue came from exports to countries with TAs. By 2013, New Zealand’s dairy exports in actual NZ$ had grown to be worth over NZ$13.5 billion, of which almost 60 per cent came from exports to countries with TAs.

Dairy Exports to Countries with TAs – Adjusted
The trend described above persists when the NZ$ rate is adjusted with US$ taking the December 2000 NZ$ per US$ rate as the base (Figure 4-6: Dairy Exports to Countries with TAs – Adjusted).

Dairy Exports to China– Actual
New Zealand’s total dairy exports to China in actual NZ$ show exponential growth from 2008, the year the NZCFTA came into force. Although a growth in exports to the world is evident, after 2008 growth has predominantly come from exports to China. In 2000, New Zealand’s dairy exports to China was two per cent of the total dairy exports. In 2007, the year before NZCFTA came into force, New Zealand’s dairy exports to China were five per cent of the total dairy exports. But in 2013, New Zealand’s dairy exports to China contributed more than 33 per cent to New Zealand’s total dairy exports. This can be clearly seen when comparing the trends of New Zealand’s dairy exports to the world against New Zealand’s dairy exports to China (Figure 4-6: Dairy Exports to China – Actual).

Dairy Exports to China – Adjusted
A similar trend, as described above, can be viewed when the NZ$ rate is adjusted. That is, New Zealand’s exponential growth in dairy exports to China comprises a significant contribution of New Zealand’s total dairy exports to the world after 2008 (Figure 4-6: Dairy Exports to China – Adjusted).
4.2.5.2 Highly Influenced – Meat Exports

*Meat Exports to Countries with TAs – Actual*

Statistics of New Zealand meat exports in actual NZ$’s show that there has been a growth of meat exports to countries with TAs (Figure 4-7: Meat Exports to Countries with TAs – Actual). In 2000, meat exports in actual NZ$ were worth over NZ$3.6 billion, and eight per cent of that export revenue came from exports to countries with TAs. By 2013, New Zealand’s total meat exports in actual NZ$ were worth over NZ$5.2 billion, of which over 27 per cent came from exports to countries with TAs.
Meat Exports to Countries with TAs – Adjusted
When New Zealand’s meat exports to countries with TAs were currency adjusted by taking the December 2000 NZ$ per US$ rate as the base (Figure 4-7: Meat Exports to Countries with TAs – Adjusted), total exports were relatively stable from 2000-2013, with the exception of two peaks in 2001 and 2008. However, New Zealand’s meat exports to countries with TAs have grown over this period.

Meat Exports to China – Actual
Exports to China in actual NZ$ terms also indicate a similar pattern, with higher growth particularly after 2008, when the NZCFTA came into force. Although a growth in meat exports from New Zealand to the world can be seen, after the 2008 growth has predominantly come from exports to China. This is evident when observing the trends of New Zealand’s meat exports to the world with, and without, China (Figure 4-7: Meat Exports China – Actual). In 2000, meat exports to China comprised less than one per cent of total meat exports. In 2007, the year before NZCFTA came into force, meat exports to China were nearly two per cent of the total meat exports. But in 2013, meat exports to China contributed nearly 17 per cent to New Zealand’s total meat exports.

Meat Exports to China – Adjusted
When New Zealand’s meat exports to China were currency adjusted by using the December 2000 NZ$ per US$ as the base, growth of exports to China can be seen. This growth in New Zealand’s meat exports to China has a significant contribution to New Zealand’s total meat exports to the world after 2008 (Figure 4-7: Meat Exports to China – Adjusted).
4.2.5.3 Highly Influenced – Beverage Exports

Beverage Exports to Countries with TAs – Actual

An exponential growth of beverage exports in actual NZ$’s to the world is seen after 2003. Beverage exports to countries with TAs also show a similar pattern (Figure 4-8: Beverages Exports to Countries with TAs – Actual). In 2000 beverage exports in actual NZ$ were worth over NZ$350 million, of which over 44 per cent of the export revenue came from exports to countries with TAs. In 2013 beverage exports in actual NZ$ were worth nearly NZ$1.5 billion, of which over 42 per cent of that export revenue came from exports to countries with TAs. Though there was growth, the contribution to New Zealand’s total beverage exports from trading with countries with TAs has dropped slightly during this period.

See Appendix: 12 and 13
Beverages Exports to Countries with TAs – Adjusted
When the NZ$ rate is currency adjusted with US$ taking the December 2000 NZ$ per US$ rate as the base, a similar pattern persists, barring a peak in 2008. Exponential growth of exports to the world after 2003 can be seen even when NZ$ is adjusted (Figure 4-8: Beverages Exports to Countries with TAs – Adjusted).

Beverage Exports to China – Actual
There is not a significant contribution to total exports from the exports to China (Figure 4-8: Beverages Exports to China – Actual). In 2000, beverage export to China were zero per cent of the total beverage exports. Similarly, in 2007, the year before NZCFTA came into force, beverage exports to China were also zero per cent of the total beverage exports. In 2013, beverage exports to China contributed over one per cent to New Zealand’s total beverage exports.

Beverage Exports to China – Adjusted
A similar pattern can be seen in New Zealand’s beverage exports to China even when the NZ$ rate is adjusted (Figure 4-8: Beverages Exports to China – Adjusted).
Figure 4-8: Beverage Exports

New Zealand Beverage Exports 2000-2013 in NZ$ millions
Adapted from: Statistics New Zealand (2015) and Reserve Bank of New Zealand (2015)

See Appendix: 14 and 15

4.2.5.4 Moderately Influenced – Fruit Exports

Fruit Exports to Countries with TAs – Actual

Statistics show a growth of New Zealand’s actual fruit exports to the world after 2000, reaching a peak in 2009 and then dropping in recent years. A similar pattern can be identified in New Zealand’s fruit exports to countries with TAs (Figure 4-9: Fruit Exports to Countries with TAs – Actual). In 2000, fruit exports in actual NZ$ were worth nearly NZ$1.1 billion, of which over 16 per cent of that export revenue came from exports to countries with TAs. In 2013, fruit exports in actual NZ$ were worth nearly NZ$1.5 billion, of which over 34 per cent of that export revenue came from exports to countries with TAs. Though there was a slight drop in 2013, the contribution to total exports from the countries with TAs has grown.
**Fruit Exports to Countries with TAs – Adjusted**

When the NZ$ rate is adjusted with US$ taking the December 2000 NZ$ per US$ rate as the base, a different pattern is revealed. Two peaks can be seen in 2000 and 2008. From 2001-2007 exports dropped, and from 2009-2013 exports declined even further, despite the fact that New Zealand’s actual fruit exports to countries with TAs have grown (Figure 4-9: Fruit Exports to Countries with TAs – Adjusted).

**Fruit Exports to China – Actual**

The contribution of New Zealand’s fruit exports to China to total exports has grown, especially after 2007, when there was a significant growth of exports after the NZCFTA came into force (Figure 4-9: Fruit Exports to China – Actual). In 2000, fruit export to China was nearly one per cent of the total fruit exports. In 2007, fruit exports to China were nearly 1.5 per cent of New Zealand’s total fruit exports. In 2013, fruit exports to China contributed over seven per cent to New Zealand’s total fruit exports.

**Fruit Exports to China – Adjusted**

When the NZ$ rate is adjusted with US$ taking the December 2000 NZ$ per US$ rate as the base, New Zealand’s fruit exports to China show a growth and an increasing contribution to total New Zealand fruit exports (Figure 4-9: Fruit Exports to Countries with TAs – Adjusted).
4.2.5.5 Moderately Influenced - Fish Exports

Fish Exports to Countries with TAs – Actual

New Zealand fish exports to the world show the highest export levels in 2002 and 2012. New Zealand’s fish exports to countries with TAs show continuous growth. From 2008 onwards the contribution to New Zealand’s total exports of fish has come more from countries with TAs (Figure 4-10: Fish Exports to Countries with TAs – Actual). In 2000, fish exports in actual NZ$ were worth nearly NZ$1.3 billion, of which 31 per cent of that export revenue came from exports to countries with TAs. In 2013, fish exports in actual NZ$ were worth over NZ$1.3 billion, of which over 55 per cent of that export revenue came from exports to countries with TAs.
Fish Exports to Countries with TAs – Adjusted
However, when the NZ$ rate is adjusted with the US$ taking the December 2000 NZ$ per US$ rate as the base, a different pattern is seen. After a peak in 2001 fish exports to the world have dropped and remained relatively stable. Exports to countries with TAs show a similar pattern, but countries with TAs have started to contribute more to the total fish exports. (Figure 4-10: Fish Exports to Countries with TAs – Adjusted).

Fish Exports to China – Actual
New Zealand’s fish exports to China in actual NZ$ show continuous growth and, particularly after 2010, growth has become exponential. New Zealand’s fish exports to China have contributed heavily to the world exports in the last few years (Figure 4-10: Fish Exports to China - Actual). In 2000, fish exports to China were nearly three per cent of the total fish exports. In 2007, the year before NZCFTA came into force, fish exports to China were over eight per cent of the total fish exports. However, in 2013, fish exports to China contributed nearly 30 per cent to New Zealand’s total fish exports.

Fish Exports to China – Adjusted
Adjusting the NZ$ rate with US$ taking the December 2000 NZ$ per US$ rate as the base, reveals a continuous growth of New Zealand’s fish exports to China, particularly in the last few years (Figure 4-10: Fish Exports to China - Adjusted).
4.2.5.6 Moderately Influenced – Wool Exports

**Wool Exports to Countries with TAs – Actual**

New Zealand’s wool exports in actual NZ$ to the world have fluctuated during 2000-2013. Wool exports declined from year 2000-2009 and grew from 2009-2011, only to decline again over 2012-2013. New Zealand’s wool exports to countries with TAs have grown and have contributed highly to total wool exports from 2012-2013 (Figure 4-11: Wool Exports to Countries with TAs – Actual). In 2000, wool exports in actual NZ$ were worth over NZ$1 billion, of which over 30 per cent of that export revenue came from exports to countries with TAs. In 2013, wool exports in actual NZ$ were worth over NZ$0.75 billion, however, over 61 per cent of that export revenue came from exports to countries with TAs.
**Wool Exports to Countries with TAs – Adjusted**

Adjusting the NZ$ rate with US$ taking the December 2000 NZ$ per US$ rate as the base, indicates that total exports have declined sharply from 2000-2007. There was a slight increase in exports in 2008, but in 2009 exports have declined again. However, this contrasts with the actual contribution from wool exports to countries with TAs which have grown over this period (Figure 4-11: Wool Exports to Countries with TAs – Adjusted).

**Wool Exports to China – Actual**

New Zealand’s wool exports to China have grown and stabilised over 2011-2013, and have considerably contributed to the total exports to the world (Figure 4-11: Wool Exports to Countries with TAs – Actual). In 2000, wool exports to China were nearly 15 per cent of the total wool exports. In 2007, the year before NZCFTA came into force, wool exports to China were over 22 per cent of the total wool exports. In 2013, wool exports to China contributed over 52 per cent to New Zealand’s total wool exports.

**Wool Exports to China – Adjusted**

Adjusting the NZ$ rate with US$ by using the December 2000 NZ$ per US$ rate as the base, indicates a similar pattern (Figure 4-11: Wool Exports to China - Adjusted).
4.2.5.7 Weakly Influenced – Wood Exports

**Wood Exports to Countries with TAs – Actual**

New Zealand wood exports in actual NZ$ to the world show an exponential growth. Wood exports have grown continuously to countries with TAs (Figure 4-12: Wood Exports to Countries with TAs – Actual). In 2000, wood exports in actual NZ$ were worth nearly NZ$2.2 billion, of which over 34 per cent of that export revenue came from exports to countries with TAs. In 2013, wood exports in actual NZ$ had grown to over NZ$3.8 billion, of which over 65 per cent of that export revenue came from exports to countries with TAs.

**Wood Exports to Countries with TAs – Adjusted**

When the NZ$ rate is adjusted with US$ taking the December 2000 NZ$ per US$ rate as the base, a different pattern emerges (Figure 4-12: Wood Exports – Adjusted). Highest total
adjusted exports were recorded in 2001. From 2002, the adjusted exports have dropped until 2007. Over 2008-2013 adjusted wood exports showed a growing trend. Adjusted wood exports to the countries with TAs were low during the 2003-2007 period. From 2008-2013, adjusted wood exports have grown and have contributed considerably to total adjusted exports.

**Wood Exports to China – Actual**
Although an exponential growth in exports to the world from New Zealand can be seen after 2008, this growth has mainly come from exports to China. (Figure 4-12: Wood Exports to China – Actual). In 2000, wood exports to China were nearly four per cent of the total wood exports. In 2007, the year before NZCFTA came into force, wood exports to China were over 11 per cent of the total wood exports. In 2013, wood exports to China contributed over 49 per cent to New Zealand’s total wood exports.

**Wood Exports to China – Adjusted**
Adjusting the NZ$ rate with US$ taking the December 2000 NZ$ per US$ rate as the base, indicates almost a similar pattern (Figure 4-12: Wood Exports to China - Adjusted).
The above figures (i.e. Figure 4-2 to 4-12) illustrate the trends of New Zealand’s international export business. Not all industries that fall into the categories of highly, moderately and weakly influenced show a similar trend. Therefore, it was of interest to explore the views and opinions of industries about TAs in general, and also about the NZCFTA. Section 4.3 provides information gathered from the interviews.
4.3 Qualitative Data Analysis

Semi-structured one-on-one interviews were conducted with 45 top-level executives in firms and organisations from the dairy, meat, wood, beverage, fruit, fish, wool and other exporting industries in New Zealand to explore their views and opinions on the influence of TAs on entry strategy (Table 4-3). Three categories were defined based on the average influence level of TAs, institutional conditions and entry strategy: (1) industries that recorded an overall influence > 75 per cent were categorised as highly influenced; (2) industries that recorded an overall influence of between 50-75 per cent were categorised as moderately influenced; (3) industries that recorded overall influence < 50 per cent were categorised as weakly influenced. Interview data is presented under these three categories.

Table 4-3: Interview Summary

<table>
<thead>
<tr>
<th>#</th>
<th>Industry</th>
<th>Number of Companies Interviewed</th>
<th>Number of Industry Bodies Interviewed</th>
<th>Total (Companies + Industry Bodies)</th>
<th>Export Value 2013 (fob NZ$ millions)</th>
<th>Export Rank in 2013</th>
<th>Level of Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dairy</td>
<td>8</td>
<td>2</td>
<td>10</td>
<td>13591</td>
<td>1</td>
<td>Highly Influenced</td>
</tr>
<tr>
<td>2</td>
<td>Meat</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>5277</td>
<td>2</td>
<td>Highly Influenced</td>
</tr>
<tr>
<td>3</td>
<td>Wood</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>3859</td>
<td>3</td>
<td>Weakly Influenced</td>
</tr>
<tr>
<td>4</td>
<td>Beverage</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>1492</td>
<td>6</td>
<td>Highly Influenced</td>
</tr>
<tr>
<td>5</td>
<td>Fruit</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>1483</td>
<td>7</td>
<td>Moderately Influenced</td>
</tr>
<tr>
<td>6</td>
<td>Fish</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>1328</td>
<td>8</td>
<td>Moderately Influenced</td>
</tr>
<tr>
<td>7</td>
<td>Wool</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>756</td>
<td>15</td>
<td>Moderately Influenced</td>
</tr>
<tr>
<td>8</td>
<td>Other</td>
<td>8</td>
<td>1</td>
<td>9</td>
<td></td>
<td></td>
<td>Weakly Influenced</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>35</td>
<td>10</td>
<td>45</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data
4.3.1 Highly Influenced

The dairy, meat and beverage industries are all highly influenced by TAs. In general, members of the dairy, meat and beverage industries indicated that TAs may have a very strong influence on their entry strategy to foreign markets, and they made very positive comments about TAs. Respondent 12 (dairy) highlighted that TAs open doors to markets:

“I think at a very high level, trade agreements that can be agreed between countries and governmental levels really do open doors for companies like ours to be able to say ‘hey the recognition is there, the measurement has been done’. If you like, it almost gives us the permission to get on and do business there. It is still up to us to do the hard work. We’ve still got to get in and go and meet the individual but there is a climate or an environment that has been created” (Res_12_dairy).

In addition, respondent 19 (beverage) said it increases the ease of doing business:

“Trade agreements make trade much easier between two countries. For example, the usual process in other countries maybe that it takes ten days, but once they sign the agreement, maybe it takes five days. Just as simple as that. The free trade agreements reduce a lot of barriers for trade. The barriers, you know, include lot of things; relationships, the process, the time” (Res_19_beverage).

Furthermore, respondent 14 (meat) stated that they focus more on countries with TAs:

“We tend to focus more on the countries with an FTA, I guess it just opens up more possibilities, like Taiwan. For example, people taking on different products that they traditionally haven’t had or haven’t bought off us… Obviously it is cheaper for the importer to import the product, so it is less expensive for them and at the same time it doesn’t necessarily decrease the price that they are willing to pay from us. It just makes it cheaper on their side. I think that can only be a good thing really. Yeah, that would be my experience” (Res_14_meat).

In summary, the dairy, meat and beverage industries see TAs as a component of international business that influences their market entry or international business decisions. This was well summarised by respondent 29 (dairy):
“As I said, to a degree, it is not so much setting our business strategy, it is actually underpinning it, as it is the basis of the way in which we work. So, trade agreements can work, they can open doors... The job of the government in this case is to do the opening, the job of the business is actually to take advantage of those openings through” (Res_29_dairy).

Table 4-4 provides a snapshot of the impressions of the interviewees under the three main themes; TAs, institutional conditions and entry strategy. Under institutional conditions, everyone indicated that TAs influence the regulatory environment. Sixty percent of the respondents recognised that TAs influence the normative environment. Seventy-five percent of the respondents recognised that TAs influence the cognitive environment. In terms of entry strategy, all respondents indicated that their decision of where to enter may be influenced by a TA. While 85 per cent of the respondents agreed that their decision of when to enter may also be influenced by a TA, only 30 per cent indicated that TAs may influence their entry mode.

Table 4-4: How Firms in the Dairy, Meat and Beverage Industries Perceive the Impacts of TAs

<table>
<thead>
<tr>
<th>Res. #</th>
<th>TA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>2</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>5</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>6</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>7</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>8</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>12</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>14</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>18</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>19</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>20</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>22</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>26</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>27</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>28</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>29</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>34</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>40</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>41</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>43</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>44</td>
<td>Influence</td>
<td>Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>Influence</td>
<td>100%</td>
<td>100%</td>
<td>60%</td>
</tr>
<tr>
<td>No Influence</td>
<td>0%</td>
<td>0%</td>
<td>40%</td>
</tr>
</tbody>
</table>
Responses received from interviewees were studied and are presented below under six themes: Regulatory environment; normative environment; cognitive environment; where; when; and how.

**Regulatory Environment**

Everyone agreed that TAs influence the regulatory environment. Respondents recognised that the regulative environment has a greater impact than normative and cognitive environments. Since tariff reduction or elimination is a major regulatory measure of any TA, it is fair for respondents to consider that TAs have a major impact on the regulatory environment of the participating countries. Respondent 26 (dairy) stated that they can see the changes in regulatory environment:

“They do actually start changing regulations, and they will start modifying regulations to get better overlap, better alignment between the countries they are trading with” (Res_26_dairy).

Respondent 34 (meat) also indicated that TAs may lead to regulatory changes in the participating country:

“Trade agreements cover a whole host of things, but basically they agree to the rules of the game which then means people have to play the game by the rules” (Res_34_meat).

Furthermore, respondent 8 (beverage) highlighted how TAs influence government to make business smooth:

“The free trade agreement necessitates or prompts the governments to actually give greater clarity around the processes of doing business in developing markets. So there’s greater information shared between the two countries” (Res_8_beverage).

All of the respondents indicated that TAs influence the regulatory environment of the participating country (see Table 4-4). And they viewed that as a positive outcome, since it reduces the regulatory barriers or increases the ease of doing business. This may show that dairy, meat and beverage respondents view a very strong influence from TAs on the regulatory environment.
Normative Environment

It is interesting to see that more than half of the respondents considered that TAs influence the normative environment. Some even considered it as imperative for their survival. Respondent 6 (dairy) mentioned that New Zealand, as a country, would suffer if it was not involved in TAs:

“The fact is everyone is doing it. If you don’t do it, like in the Korean example, or if you don’t do it in the same time frame as your competitors, then you will end up, or New Zealand as a country, will end up suffering” (Res_6_dairy).

Respondent 27 (beverage) made a similar comment and expressed the idea that New Zealand may be left at the back of the line if the country does not have TAs:

“I think it is important for New Zealand to have these trade agreements, and really, I guess, you kind of have to see them as relationships between New Zealand and these countries. In the wine industry, some of the TAs have been great and in others there hasn’t been that much in it for us. For example, in the ASEAN agreement, there were some things concerning wine but not seriously good concessions for us in terms of tariffs. That reflects the difficulties in places like Malaysia when it comes to dealing with alcohol. However, as a whole I think it [TAs] is essential. We rely on trade. In the wine industry itself, we export 75 per cent of our production, so we can’t be sort of at the back of the line in terms of the conditions in which we’re trading in these markets. And we need to have relationships with the markets that we are trading into” (Res_27_beverage).

In line with the above respondents, respondent 2 (beverage) provided a higher level view that again highlighted that TAs are now being considered as business norms to break barriers to trade:

“Look, what I see in the world is this, if you’re not trying to create those relationships you’re going to be disadvantaged in the long-term as a country. So, look, all these things [such as TAs] are a passport to trade and so you actually have to be engaging with others. Others are involved in these activities to give themselves a competitive advantage in the global economy and, that’s what its about, so you know I think we as
an industry need to look at the free trade agreements that have been entered into. For example, the free trade agreement with mainland China has been greatly beneficial to us” (Res_2_beverage).

In summary, although everyone did not see TAs influencing the normative environment, the majority (60 per cent) of respondents believed that TAs may influence the normative environment of the institutional conditions (see Table 4-4). This may indicate that dairy, meat and beverage respondents perceive a moderate influence from TAs on normative environment.

**Cognitive Environment**

Many respondents expressed beliefs that TAs provide some sort of psychological confidence in doing business with partner countries. Respondent 41 (dairy) indicated that the psychological impact plays a role in addition to other regulatory changes:

“In the mindset of the country we are exporting to, if our governments have an agreement, then it obviously get promoted a bit more which makes people think about our country a lot more. So, I think that is a big factor. Not necessarily just the tariffs and duties, but everything else, including the mindset of the people. If they know that there is an agreement between the two countries, it really does make a difference” (Res_41_dairy).

Respondent 22 (meat) commented using NZCFTA as an example:

“All of a sudden China signed its first FTA with an OECD country and that would have turned some heads I am sure, so, all of a sudden, people start paying attention. You know, Chinese ministers started coming down to New Zealand and bringing big business delegation with them. All of this stuff makes a really big difference” (Res_22_meat).

Respondent 5 (beverage)’s comment indicated that due to NZCFTA they started focusing more on China than other Asian destinations highlighting the fact that a TA may have increased their confidence in doing business with the partner nation:
“We are trying to get our foothold into Markets like India, China, Japan and all the Asian markets, you know, but, because of, I guess, the focus of the New Zealand Government on our trading relationship with China, that gets the majority of my focus and that’s another reason why I live here [China]” (Res_5_beverage).

Results highlighted that a higher number (75 per cent) of dairy, meat and beverage industry representatives see a positive influence from TAs to the cognitive environment (see Table 4-4). This may indicate that dairy, meat and beverage respondents consider TAs to exert a strong influence on the cognitive environment.

**Where**
Everyone stated that a TA can influence their country selection decision. Respondent 20 (dairy) provided a good example, taking the TPPA into consideration:

“I think in relation to the United States, we can’t economically export ice cream to the US at the moment. The tariff absolutely kills us, so, I think the TPPA will allow us to expand into the United States, which we can’t do at the moment… Also Canada. Canada’s untouchable for us at the moment. Out of quota, the tariff’s something incredible like 279 per cent. Obviously, if someone rings from Canada, we say, ‘you know, don’t waste your money on the toll call’. So that might open up Canada for us” (Res_20_dairy).

Furthermore, respondent 18 (meat) stated:

“If an FTA lowers the cost of doing business in that country, that therefore increases the return, either through removing tariffs or giving some certainty on regulatory risk. That all helps you when entering new markets, I think. Of course once you’ve entered that market, it helps deliver bigger returns, so, certainly FTAs can have an influence” (Res_18_meat).

Respondent 5 (beverage) further confirms that a TA would influence them to enter into a partner country:

“If we’re not already in a market that the New Zealand Government has decided to sign a free trade agreement with, then we are very slow. We would always like to think we
are ahead of the game, but, you know, New Zealand is only going to sign a free trade agreement with some country that is very lucrative to us. So, I would surely hope that (company name - removed) has been there before the free trade agreement is signed. But let’s say there was an example where we weren’t, let’s say Africa, for example, the African continent, we don’t export a lot to but yeah, let’s say something was signed with one of those countries, yeah, if we weren’t there already, of course, we will jump in” (Res_5_beverage).

In summary everyone considered that TAs may influence their country decision. This may indicate that dairy, meat and beverage respondents view TAs to exert a very strong influence on the where to enter decision (see Table 4-4).

When
Many respondents, such as respondent 12 (dairy), considered that “timing obviously may get impacted” (Res_12_dairy).

Respondent 26 (dairy) indicated that removing the barriers and making it easy to do business with the partner country through TAs connects with the time of entry:

“If there was a trade agreement in place that lowers those hurdles, you would assume that its probably part of the timing. If there is no trade agreement in place, then it is either going to be hard to get in or at least unknown where you don’t know how much work’s involved to get in there. So, having a trade agreement in place means that there is a lot more being done by our government to help you get in” (Res_26_dairy).

In addition, respondent 22 (meat) provided a detailed explanation.

“So, I guess you could say, there’s kind of two reasons why you might want a deal. One is to get ahead of your competitors, so, you know we did that with China. We have an advantage into the Chinese market. The other one is to make sure that other people don’t get ahead of you, don’t get advantage ahead of you. So that is very much the case with the Korea deal. We are falling behind and our competitiveness will be affected by that” (Res_22_meat).
Furthermore, NZCFTA and the entry timing were highlighted by respondent 27 (beverage) as follows:

“Yes, we did [notice that due to this TA more NZ firms are going into China]. I mean, the interesting thing is, of course, the timing of the trade agreement. I guess it really coincides with the boom in interest in China globally, so, it is quite difficult to separate one from the other, but I would say that certainly the free trade agreement has had a positive impact” (Res_27_beverage).

In summary, a higher number (85 per cent) of respondents considered that a TA may influence their time of entry into the partner country (see Table 4-4). This may indicate that dairy, meat and beverage respondents consider that TAs strongly influence the when to enter decision.

**How**

Only a few respondents recognized that a TA can influence the business model, suggesting that larger firms who have the resources and capacity to make changes to their business models get the maximum advantage from a TA. Respondent 29 (dairy) stated that:

“The business model follows, and I think is certainly predicated, on an open market with declining duties and eventually a zero tariff for the dairy products. So, certainly, our model is based on that” (Res_29_dairy).

Though respondent 14 (meat) also accepted TAs can influence their mode of entry, they did not show much confidence:

“I mean, I am not sure so much on the business model, I guess, it can influence you, yeah, I guess it could, because you can change your business model or change your product range to suit like we have, that kind of thing” (Res_14_meat).

However, a higher portion (70 per cent) of respondents did not see a TA having the capacity to make changes to their business model or mode of entry. Respondent 18 (meat), for instance, stated:
“Companies do have sales offices and some of them own importing operations in other countries but that tends to be much later in the piece, once the markets very or reasonably well developed, so, I can’t think of an example where that’s happened recently, where companies have moved to go into some sort of joint venture or something… certainly not as a result of an FTA” (Res_18_meat).

In summary, many respondents (70 per cent) did not consider that a TA can cause changes to their mode of entry or the business model. Only a very small proportion of respondents agreed that TAs can influence the business model or mode of entry (see Table 4-4). This may indicate that dairy, meat and beverage respondents perceive TAs to have a very weak influence on the how to enter decision.

As a whole, the dairy, meat and beverage industries in New Zealand consider TAs may have a very strong impact on the regulatory environment of partner nations. Normative and cognitive environments also may be affected by TAs, but not to the level of the regulatory environment. TAs may influence their market selection and entry timing. However, the mode or the business model may not be impacted from trade deals. How this outcome affected the conceptual model is explained in Figure 4-13.

**Figure 4-13: How the Dairy, Meat and Beverage Industry Perceive the Impact of TAs**

Percentages recorded in the yellow boxes indicate the influence level. TAs influence institutional conditions up to 78 per cent which is the average influence level related to regulative, normative and cognitive environments. TAs influence the entry strategy up to 72 per cent, which is the average influence level of where, when and how to enter.
NZCFTA
In terms of the NZCFTA, the dairy, meat and beverage industry representatives’ responses were positive. All participants highlighted that the NZCFTA assisted business activities. Respondent 20 (dairy) stated as follows:

“I think its an absolutely fantastic thing for the country and a good thing for us in long-term. It did take a long time, or it has taken quite a while to really show any benefits, and I don’t think it has really allowed us to improve our margin. I think its probably allowed our importer to improve theirs. But, that in turn obviously leads to them potentially purchasing more, you know, so, therefore we can sell more volume, but I don’t think our margin percentage will be greatly enhanced” (Res_20_dairy).

Respondent 34 (meat) added:

“Well, it’s fantastic… Whether you like it or not, we’re in the box seat, we’ve got the most competitive position going into China because we’ve got a free trade agreement… If you look at the growth in sheep meat export to China, and now beef’s starting to go in the same way, and I should highlight through the legal channels, not through the grey channel, the growth has just been enormous. You know, five years ago, China didn’t even feature in our list. It was just in the other category in terms of beef market. In terms of sheep meat ten years ago it didn’t appear, now it is the biggest one. So, it has had a major impact” (Res_34_meat).

Furthermore, respondent 5 (beverage) sees huge benefits from the NZCFTA:

“Well, I think it is fantastic. We are the envy of all the other countries who are still battling to sign them [TAs]. I mean, Australia, if they have not signed already, they are very very close to signing it, but you know, they are five years behind us. The fact that we got it signed so early on, I mean, that’s just been monumental and it’s very good for the ego. You know, we are a small country, and this shows that we are a country that China values. So it is a good thing” (Res_5_beverage).

Similar comments from all of the respondents show that the NZCFTA has heavily benefitted the international business of the dairy, meat and beverage industries (Table 4-5).
Table 4-5: How Firms in the Dairy, Meat and Beverage Industries Perceive the Impacts of NZCFTA

<table>
<thead>
<tr>
<th>Res #</th>
<th>TA</th>
<th>NZCFTA helped business</th>
<th>Entry to China, after NZCFTA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
<th>If started business after NZCFTA that will influence entry decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>NZCFTA influenced regulatory environment</td>
<td>NZCFTA influenced normative environment</td>
<td>NZCFTA influenced cognitive environment</td>
<td>Where - NZCFTA influenced location</td>
</tr>
<tr>
<td>2</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>5</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>6</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>7</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>8</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>12</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>14</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>19</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>20</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>26</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>28</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>29</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>34</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>41</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>43</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
<td>15</td>
<td>7</td>
<td>10</td>
<td>9</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>8</td>
<td>5</td>
<td>6</td>
<td>1</td>
<td>12</td>
</tr>
</tbody>
</table>

Some of the impressions gathered with regard to NZCFTA indicate similar responses to those gathered from TAs in general. A higher number of respondents consider that the NZCFTA influenced the regulatory, normative and cognitive environment. But, they see the highest influence in the cognitive environment.

Out of the interviewed firms, seven firms have entered China after the NZCFTA came into force. Eight firms had already entered China before NZCFTA came into force. Out of the seven firms that started their businesses after the NZCFTA came into force, three firms indicated that their location selection decision was influenced by the NZCFTA, four firms indicated that they were influenced as to their entry timing, and none of the firms considered that the NZCFTA had influenced them to make changes to their business model.

Most interestingly, six out of eight firms who were involved in business in China before the NZCFTA came into force highlighted the fact that their entry decision would have been influenced by the NZCFTA if they had started their business after the NZCFTA came into force. 
force. This may indicate that the NZCFTA has influenced the entry strategy of the dairy, meat and beverage industries.

4.3.2 Moderately Influenced

The fruit, fish and wool industries are moderately influenced by TAs. In general, members of these industries indicated that TAs could influence their entry strategy to foreign markets to a considerable extent. Respondent 37 (fruit) highlighted the importance as follows:

“I think they are absolutely useful and I actually think it doesn’t matter which governments we are dealing with as New Zealand does a fantastic job of effectively negotiating… This is what it comes down to. In our industry we currently have a 45 per cent tariff in Korea, and our competitors don’t. We would love, and actually, we need that tariff to be reduced, because it sort of gets to the point where it’s not just about leading the world, and maintaining your edge. It is actually when you struggle to catch up with your competitors because they’ve got such a big advantage. So, in that respect, absolutely, that free trade agreement is one of the most important things that can happen for our industry at the moment” (Res_37_fruit).

Respondent 4 (fish) stated that the recent New Zealand–Taiwan trade agreement triggered them to reconsider entering the Taiwan market:

“It is of interest to us. For instance the free trade agreement with Taiwan has us currently looking at Taiwan as an opportunity to re-visit. We did some business in Taiwan back in 80s, maybe the 90s, but it wasn’t huge. It was regular for a short period of time. It was an opportunity outside China. So that free trade agreement has got us interested again to look and see if we can uncover some opportunities in Taiwan” (Res_4_fish).

Furthermore, respondent 33 (wool) indicated that TAs helped their industry to expand:

“I think it [TAs] helped our industry to mature, without a doubt, and to get a bit of geographical spread and balance our business, yes most definitely. Day one, of course,
we didn’t know that, but it definitely helped us to find new markets and not be so complacent, for sure” (Res_33_wool).

Table 4-6 provides a snapshot of the impressions of the interviewees under the three main themes; TAs, institutional conditions and entry strategy. Under institutional conditions, 83 per cent indicated that TAs influence regulatory environment. Fifty-eight per cent of the respondents recognised that the changes taking place to the cognitive environments through a TA may affect their entry strategy. However, only 50 per cent of respondents perceived an influence on the normative environment. In terms of entry strategy, 58 per cent of the respondents indicated that their decision of where to enter may be influenced by a TA, and 42 per cent indicated that a TA may influence their entry mode. Surprisingly, only 25 per cent of the respondents agreed that a TA could also influence their decision of entry time.

Table 4-6: How Firms in the Fruit, Fish and Wool Industries Perceive the Impacts of TAs

<table>
<thead>
<tr>
<th>Res. #</th>
<th>TA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>1</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>4</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>10</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>13</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>17</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>31</td>
<td>Influence</td>
<td>No influence</td>
<td>No influence</td>
</tr>
<tr>
<td>32</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>33</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>37</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>38</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>39</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>45</td>
<td>Influence</td>
<td>No influence</td>
<td>No influence</td>
</tr>
<tr>
<td>Influence</td>
<td>100%</td>
<td>83%</td>
<td>50%</td>
</tr>
<tr>
<td>No Influence</td>
<td>0%</td>
<td>17%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Responses received from interviewees were studied and presented below under six themes: Regulatory environment; normative environment; cognitive environment; where; when and how.

**Regulatory Environment**

A higher number (83 per cent) of interviewees agreed that TAs influence the regulatory environment. Respondents recognised that the regulative environment has a much greater impact than normative and cognitive environments. Since tariff reduction or elimination is a
major regulatory measure of any TA, it is understandable that respondents recognised that TAs have a major impact towards the regulatory environment of the participating countries. Respondent 37 (fruit) explained how government relationships provide the platform to reshape the regulatory environment:

“Yes the tariff does matter, but probably not as much as saying ‘OK, what are the regulations to get in there? What undertakings need to be made?’ All of that sort of stuff is very important and to actually have an infrastructure around it to deal with it or to get in there and go ‘Oh shoot, this country actually requires this thing which we think is unnecessary and we think actually, if we work together we could get around that barrier.’ If you have a free trade agreement, then it’s a hell of a lot easier to work with both governments” (Res_37_fruit).

Respondent 17 (fish) provided an operational level example of influences in regulatory environment taking NZCFTA into consideration, as follows:

“In the last five years, particularly in the last two years, you can clearly see from export statistics for live lobster from New Zealand that business to Hong Kong has disappeared and business into China has emerged. It is the same business. Ninety plus percent of lobsters from New Zealand are exported for final consumption in China and have been for last 10 years. But instead of going through Hong Kong, they are going into mainland China and the change that is there for New Zealand and that is not there for Australia, is a preferential free trade agreement” (Res_17_fish).

Furthermore, respondent 33 (wool) points out how TAs influence tariff and the volume of exports to partner countries, which highlights the regulatory influence:

“I see how reduction in tariffs on exports is a benefit [of a TA]. If those countries have tariffs, generally they have to reduce them or do away with them completely. And for countries that have volume restrictions, generally those restrictions are either lifted or they’re increased… The freedom of trade and the lower cost of that trade seems to me to be the net benefit” (Res_33_wool).
The above comments, and the views and opinions received from other respondents may indicate that fruit, fish and wool firm respondents view TAs as having a strong influence on the regulatory environment.

**Normative Environment**

It is interesting to note that half of the respondents’ comments indicated that they do consider TAs that influence the normative environment. Respondent 39 (wool)’s comments highlight the fact that some see TAs as influencing the normative environment:

> “I think, because of the type of country we are, that we want to be able to export without encountering barriers to trade. Yeah, because of the fact that we are an export nation, I think it is imperative that the government of the day continues to try and remove the barriers to export that exist in lot of countries” (Res_39_wool).

Conversely, respondent 10 (fruit) mentioned that TAs do not necessarily influence the normative environment:

> “The FTA is no substitute for going out to China and developing strong relationships with both the government agencies and with the different businesses that you would need to deal with. And I suppose understanding the political and commercial context and structures over there. You simply need to go, there is no substitute for that. The FTA creates the direction and strategy perhaps, and aligns it. But it is certainly not a substitute for it” (Res_10_fruit).

Responses may indicate that individuals from fruit, fish and wool firms perceive an average influence from TAs on the normative environment.

**Cognitive Environment**

A little more than half of the respondents expressed an opinion that TAs provide some sort of psychological confidence in doing business with partner countries. In the context of the discussion, Respondent 17’s (fish) views highlighted that TAs make them feel better in doing business:
“They would certainly [make us] feel more comfortable trading with countries where the acceptance of the required documentation for origin, for food safety, and for other technical matters, is accepted at the frontier and the product gets a clear entry, or if anything, even a favoured entry such as reduced inspection or reduced audit, because of the confidence in the control regimes and control systems that we have here. That’s worth a lot in avoiding the cost of delay and demurrage and uncertainty. So for an example, doing business in Russia is extraordinarily risky” (Res_17_fish).

Furthermore, respondent 31 (wool) provided an example of the country’s perception of Australia and New Zealand’s relationship with China. This provides a good example of the psychological confidence the industry has gained from TAs;

“The Australians, on the other hand, their relationship is nowhere near as strong [as ours with the Chinese] and it ends up getting quite mucky to the extent that about five years ago a whole bunch of Chinese traders took out a full page of advertisements in Australian newspapers telling Australians what a bunch of assholes the Australian wool exporters were. Quite a different reaction. So, has the FTA done us any good? I think yeah, that whole perception of New Zealand as being cooperative throughout the trade, I think it has done us some good” (Res_31_woo).

Conversely, some did not see an influence on the cognitive environment. Respondent 38 (fruit) highlighted an example when taking China into consideration:

“If you said to customers in China, you’ve got a free trade agreement now, the recognition of New Zealand might improve, but it doesn’t make any difference because we’ve got more than enough people to deal with in China, we just haven’t been able to get meaningful access. We’ve got plenty of customers but we can’t get the volume of fruit in there.” (Res_38_fruit).

As a whole, responses indicate that fruit, fish and wool firm respondents may perceive an average influence from TAs on the cognitive environment, highlighting that TAs may build psychological confidence to engage in business with the partner country.
Where
A little more than half of the respondents expressed comments that highlighted the fact that TAs can influence their country selection decision. Although not everyone agrees that TAs can influence their country selection decision, respondent 10 (fruit) was among those respondents who provided positive comments:

“Yes [country and time can be influenced by a TA], I think they can if they are coordinated. India is probably a good example for us, in that we see the services within the free trade agreement [under negotiation] being potentially quite helpful to us” (Res_10_fruit).

In addition, respondent 31 (wool) provided similar views:

“You know, if you have a free trade agreement, you can then start working on new markets, trying to convince these people. Because of the subsidies and tax relief they have on capital items, if you can actually get in there and start talking somebody into expanding their business then you can have access to create standard markets or even new markets” (Res_31_wool).

However, several respondents did not view TAs as influencing their country selection decision, such as respondent 13 (fish):

“We’re certainly looking at markets all around the world including what are the official market requirements. That can be a make or break for us which could stop us getting products into a new market straight away. So, we wouldn’t make a decision on entering a particular market based on whether or not it has a free trade agreement. It tends to be more around practicalities… I am trying to think about the countries that we do have free trade agreements with and, like I say, we probably do business with more countries that don’t have TAs, than do. So, it is not really a determining factor… Free trade agreements can be important but are not the game changer for us” (Res_13_fish).

Overall, responses of representatives from fruits, fish and wool firms may indicate that TAs provide an average influence on the where to enter decision.
When

Overall, only very weak responses were received in terms of time of entry. This implies that TAs do not have much influence on time of entry. Perhaps the comment of respondent 45 (wool) summarises the situation:

“I am not too sure. I doubt it. Yeah, not too sure, really. I don’t think it has really got anything to do with trade agreements… We are a private company, we’ve got to make/find our own way of doing business and government intervention doesn’t really make any difference. You know, if a person in Japan wants to buy our wool, we make them an offer, they import it, end of story. TAs have nothing to do with… If there was no import duty, then obviously it is easier to do” (Res_45_wood).

There were very few respondents that felt TAs influenced their entry time, such as the comment made by respondent 32 (fruit):

“As for regulatory barriers, that is the first priority in our decision behind the market direction/strategy. That’s number one and then number two is probably competition. So, how competitive the environment is in those particular markets. And then, a factor within that is, of course, any trade agreement New Zealand might have” (Res_32_fruit).

A very small portion (25%) of respondents considered that TAs influence entry time. Thus the responses of representatives of fruit, fish and wool firms may indicate a very weak influence from TAs on the when to enter decision. Entry time recorded the lowest level of impact of all the themes analysed.

How

Most of the respondents felt that TAs did not have the capacity to change their business model. Respondent 10 (fruit) provided a precise explanation:

“I think that in the first instance for lot of organisations there isn’t the critical mass to be able to necessarily set up those JVs (joint ventures), I think in the first instance there is often a lot of trade of commodity…I am sure there are ways in FTAs and support around the FTAs in terms of expediting some of that, but to me, depending on the size of industry, it tends to be more evolutionary. For example, something like Fonterra, who
turn up and are able to develop an in-country capability very quickly and be very strongly on JVs right from the start, I mean, that is too expensive and out of the reach of a lot of the smaller commodity groups” (Res_10_fruit).

Furthermore, the responses received from the wool firms indicated the industry may not perceive TAs as influencing the mode of entry. This view was summarised by respondent 39 (wool) as follows:

“Everything to do with the free trade agreement revolves around the quota, whatever the quota is going to be. But, I don’t believe anyone’s [business] model has changed” (Res_39_wool).

Respondent 17 (fish) provided a more complete explanation and highlighted how New Zealand’s business with Australia has changed gradually from a non-equity based model to a more equity based model:

“The trade agreement itself doesn’t necessarily change the business model. What it does is it levels the access to an equal playing field into the market. But once you are in the market, you actually have to play by the rules i.e. by the business rules of the market, the business culture of the market and by being present and on the ground and being part of the furniture of that business. At least that’s a necessity for the seafood sector… but if you have look at Australia, now, the Australian agriculture sector has got significant investment from New Zealand in agriculture in Australia” (Res_17_fish).

Comments from respondents of fruits, fish and wool firms highlighted that TAs may exert a weak influence on the how to enter decision.

As a whole, the fruit, fish and wool industries in New Zealand consider that TAs may have a higher (83 per cent) impact on the regulatory environment of partner nations. Cognitive environments may also be effected (58 per cent) by TAs, but not to the level of the regulatory environment. Half of the respondents highlighted an influence on the normative environment. Also, respondents highlighted little more than average influence (58 per cent) on their market selection decision. However, less (42 per cent) respondents consider that a business model may be influenced by a TA. Results also indicate that there is almost no
effect (25 per cent) on entry time. The effect of this outcome on the conceptual model is explained in Figure 4-14.

**Figure 4-14: How the Fruit, Fish and Wool Industry Perceive the Impact of TAs**

Percentages recorded in the yellow boxes indicate the influence level. TAs influence institutional conditions up to 64 per cent which is the average influence level received to regulative, normative and cognitive environments. TAs influence the entry strategy up to 42 per cent which is the average percentage relating to the influence level of where, when and how to enter.

**NZCFTA**

Mixed responses were received regarding the NZCFTA. Some saw it as a positive agreement for their business, such as respondent 4 (fish):

“`You know, I feel that, our experience with this free trade agreement has been very good. There are some constraints as I have highlighted that have not been fixed in two years and the free trade agreement’s been put in play, for probably almost for five years, but it didn’t really achieve anything for us as an industry until it [the tariff] went to zero” (Res_4_fish).

Some did not see much influence, not because the NZCFTA was weak, but because their industry is so mature and they had adjusted everything with China before the NZCFTA came into force. Wool industry representatives, such as respondent 33 (wool), commented as follows:
“As far as wool is concerned we already had a tariff of one per cent on greasy wool and three per cent on manufactured or on processed wool, scoured wool. Now, we’ve got a special dispensation for New Zealand of 25,000 tonnes quota-free. So, in that respect it was a quite a benefit for New Zealand incorporated, if you like. But as far as the access for New Zealand wool was concerned, it [NZCFTA] mean nothing” (Res_33_ wool).

Respondent 38 (fruit) highlighted that the NZCFTA has not been much help:

“For example, we’ve got a free trade agreement in Taiwan now, where we’ve managed to reduce the tariff and that’s been very positive. We haven’t had anything else that’s popped up to keep us out. So, that’s been very useful, but in China, of course that hasn’t been the case... China’s [non-tariff barriers] gotten worse. It’s gone the opposite way... That is what happened in China. We’ve given up [our] access for someone else, for some other industry, I believe, some other category” (Res_38_fruit).

As a whole, the fish, wool and fruit industry saw TAs having a moderate influence on their international market entry, but they have mixed views regarding the NZCFTA (see Table 4-7).

Table 4-7: How Firms in the Fruit, Fish and Wool Industries Perceive the Impacts of NZCFTA

<table>
<thead>
<tr>
<th>Res #</th>
<th>TA</th>
<th>NZCFTA helped business</th>
<th>Entry to China, after NZCFTA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
<th>If started business after NZCFTA that will influence entry decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>NZCFTA influenced regulatory environment</td>
<td>No</td>
<td>No No No Yes Yes</td>
</tr>
<tr>
<td>4</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>NZCFTA influenced normative environment</td>
<td>No</td>
<td>No No Yes Yes Yes</td>
</tr>
<tr>
<td>13</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>NZCFTA influenced cognitive environment</td>
<td>No</td>
<td>No No No No No</td>
</tr>
<tr>
<td>32</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>NZCFTA influenced location</td>
<td>No</td>
<td>No No Yes Yes Yes</td>
</tr>
<tr>
<td>33</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>NZCFTA influenced regulatory environment</td>
<td>No</td>
<td>No No No No No</td>
</tr>
<tr>
<td>37</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>NZCFTA influenced normative environment</td>
<td>Yes</td>
<td>No No No No Yes</td>
</tr>
<tr>
<td>38</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>NZCFTA influenced cognitive environment</td>
<td>No</td>
<td>No No No No No</td>
</tr>
<tr>
<td>39</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>NZCFTA influenced location</td>
<td>No</td>
<td>No No No No Yes</td>
</tr>
<tr>
<td>45</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>NZCFTA influenced regulatory environment</td>
<td>No</td>
<td>No No No No No</td>
</tr>
<tr>
<td>Yes</td>
<td>4</td>
<td>0</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>0 0 2 5</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>0</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>9 9 7 4</td>
</tr>
</tbody>
</table>
All nine firms indicated that they started business in China before the NZCFTA came into force. Therefore, their entry location and entry timing cannot be influenced by NZCFTA. Interestingly, two firms indicated that the NZCFTA influenced their business model, but the majority did not see any effect.

In terms of institutional conditions, mixed responses were received. The majority of firms saw influences in regulatory and cognitive environments, but not on the normative environment. Perhaps one reason is that the wool industry was involved in export for many years and may have already broken the barriers to entry. Thus they see the value of TAs in general, but there is not much influence when it comes to individual agreements.

Most interestingly, five companies highlighted the fact that their entry decision would have been influenced by the NZCFTA if they had started business after the NZCFTA came into force. This highlights the possibility of the NZCFTA becoming an influencing factor on entry decisions.

### 4.3.3 Weakly Influenced

Wood and other industries were only weakly influenced by TAs. In general, members of wood and other industries indicated that TAs may only very weakly influence their entry strategy to foreign markets, and they made less positive comments about TAs. In the context of discussion, respondent 21 (wood) highlighted that TAs may be helpful for other industries, but do not make much sense to their industry:

“From a higher point of view, there is no question in my mind, that free trade agreements are useful for lot of [other] industries, especially those ones, you know, that face high tariffs. But it doesn’t really apply to the timber industry unfortunately, or fortunately. Depending on which way you look at it” (Res_21_wood).

Respondent 24 (other) also gave a similar view to respondent 21 (wood) and pointed out that it may benefit other industries, but not industries such as theirs:

“It comes down to the point that trade agreements work really well for large substantial companies that are well established, have well oiled pipelines, know what they’re doing,
and have got counterparts in the other countries. At that level, they are streamlining the pipeline so that they get a benefit… But [for other industries such as ours] because of the language difference, the culture difference, the marketing issues, although you have a trade agreement you still have to do all the other things, so, you get stuck” (Res_24_other).

Though not a widely held view, some viewed TAs positively, as illustrated by respondent 9 (other)’s comments:

“I think it [a trade agreement] is a very good basis for making a decision. Because, at the highest level if there is compatibility and agreed formalities and protocol, I think [it makes business easier]” (Res_9_other).

Table 4-8 provides a snapshot of the impressions of interviewees under the three main themes: TAs, institutional conditions, and entry strategy. Under institutional conditions, 31 per cent considered TAs influence the regulative environment. Thirty-eight per cent indicated that TAs might influence the normative environment. Conversely, 77 per cent indicated that TAs might influence cognitive environment. In terms of entry strategy, 69 per cent of respondents indicated that their decision of where to enter might be influenced by a TA. In contrast, 46 per cent of the respondents considered that TAs might influence entry time, while 31 per cent indicated that a TA may influence their entry mode (see Table 4-8).

Table 4-8: How Firms in the Wood and Other Industries Perceive the Impacts of TAs

<table>
<thead>
<tr>
<th>Res. #</th>
<th>TA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>3</td>
<td>No influence</td>
<td>No influence</td>
<td>No influence</td>
</tr>
<tr>
<td>9</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>11</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>15</td>
<td>Influence</td>
<td>Influence</td>
<td>No influence</td>
</tr>
<tr>
<td>16</td>
<td>No Influence</td>
<td>No Influence</td>
<td>No Influence</td>
</tr>
<tr>
<td>21</td>
<td>No Influence</td>
<td>No Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>23</td>
<td>No influence</td>
<td>No influence</td>
<td>No influence</td>
</tr>
<tr>
<td>24</td>
<td>No influence</td>
<td>No influence</td>
<td>No influence</td>
</tr>
<tr>
<td>25</td>
<td>Influence</td>
<td>No influence</td>
<td>No influence</td>
</tr>
<tr>
<td>30</td>
<td>Influence</td>
<td>No influence</td>
<td>No influence</td>
</tr>
<tr>
<td>35</td>
<td>No influence</td>
<td>No influence</td>
<td>No influence</td>
</tr>
<tr>
<td>36</td>
<td>No influence</td>
<td>No influence</td>
<td>Influence</td>
</tr>
<tr>
<td>42</td>
<td>No Influence</td>
<td>No Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>Influence</td>
<td>38%</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>No Influence</td>
<td>62%</td>
<td>69%</td>
<td>62%</td>
</tr>
</tbody>
</table>

151
Responses received from interviewees were captured and presented below under six themes: regulatory environment; normative environment; cognitive environment; where; when and how.

**Regulatory Environment**
Most did not consider that TAs influenced the regulatory environment. Respondents recognised that the regulatory environment is impacted lower than the normative and cognitive environments. This view is encapsulated by respondent 23 (other)’s comments:

“I think that it’s relevant and it sounds wonderful, but the regulatory systems for products like ours, almost always stand outside of that. So, it might be that, say we do a trade agreement with outer Mongolia, and maybe it would make the initial approaches a little bit easier, but outer Mongolia will have some quite extensive regulations about natural health products that are sold in capsules that people swallow. And those regulations wouldn’t change in anyway because of the trade agreement” (Res_23_other).

Respondent 16 (wood) used the NZCFTA as an example and highlighted that their industry has not been given enough recognition in trade deals in comparison to other main industries. Respondent 16 (wood)’s comments indicated that if the government attempted to look into their industry that could destabilise the existing relationship with China:

“I think there seems to be hesitancy at governmental level about rocking the boat, unless it is a big boat that is worth rocking. If it was Fonterra [dairy], they would rock it” (Res_16_wood).

Though the majority did not recognise any regulatory influence, a few saw TAs in a positive light. Respondent 15 (other) highlighted the importance of tariff reduction:

“Trade agreements are obviously very important for free trade but, I think, it is important that they also look at tax, because tax is very important in terms of actually being able to trade profitably or perpetuate profits or whatever it may be” (Res_15_other).
A small proportion (31 per cent) of the respondents agreed that TAs influence the regulatory environment. This indicates that wood and other firm’s representatives consider TAs have a very weak influence on the regulatory environment.

**Normative Environment**

Similar to the regulatory environment, a lower percentage (38 per cent) of respondents considered TAs influence the normative environment. Respondent 15 (other)’s comment highlighted that TAs influence the normative environment:

“So TAs are very important. For example, the tariffs going into Korea are very high… The New Zealand tariffs are enormous, because we don’t have an agreement. Australia is entering into one and by the end of the year, there will be a free trade agreement working for goods sold from Australia to Korea” (Res_15_other).

Similar comments were heard from respondent 21 (wood) as well, suggesting that it has become a norm to remove barriers and enjoy the benefits others experience:

“In Japan, for example, we have some of our products still subject to an import tariff. Yet the Chileans, for example, because they are classified as an emerging economy, were exempt from that. There is an issue there. A free trade agreement with Japan, for example, or some other type of agreement that wipe that out would be an advantage for us” (Res_21_wood).

However, the majority of respondents did not consider TAs influence the normative environment, and only a very small portion thought that TAs could influence the normative environment. This may indicate that wood and other firm representatives consider normative environment to be very weakly influenced by TAs.

**Cognitive Environment**

Interestingly, many respondents indicated that TAs could influence the cognitive environment. According to the responses related to institutional conditions, TAs mostly influence the cognitive environment. Respondent 23 (other) stated how this happens:
“I guess it creates a knowledge base in the country that you are doing the agreement with about New Zealand and the sort of products that we have that can go there and it creates a pocket of interested parties who want to do business” (Res_23_other).

Some respondents viewed that the TAs are just an attempt to make partners feel that they are good partners to do business with. Therefore, their responses indicate that it is more a psychological attempt than a tangible effort.

In the context of the discussion Respondent 16 (wood) indicated that the NZCFTA was “almost a marketing exercise, you know New Zealand has been ticked off as a good supplier shop, someone worth considering” (Res_16 wood).

Respondent 36 also views NZCFTA in a similar to respondent 16 (wood):

“I think because you end up with a lot of media about the free trade agreement and NZTE starts to do a bit more promotion in that country and then they’ve got seminars and, you know, there might be a trade mission to that area. So [because of that] it definitely pops to the forefront of your mind. So, that would probably have an impact. It might not mean that you would take advantage of the free trade agreement or necessarily even know what was in it that benefitted you. But, it would just make you start thinking more about that market” (Res_36_wood).

Ten out of twelve respondents recognized TAs have the capacity to influence the cognitive environment, highlighting that wood and other firm representatives consider TAs to strongly influence the cognitive environment.

Where
A moderate number of respondents stated that a TA can influence their country selection decision. Respondent 21 (wood) explained the situation taking hypotherical example into consideration:

“A TA would definitely put that country on our radar screen, that’s for sure. For a country without a TA where we have done no research, we just kind of have a vague idea of it as a potential future market out there. We are not doing anything proactive at
the moment, we are not looking at that market, but if it came on to a free trade agreement, and we thought there were advantages, then it could definitely come on to our radar screen and we would start to look at what the structure of the industry is, and what the potential for our products would be out there. There are times when a free trade agreement would be a catalyst for some kind of investigative market development” (Res_21_wood).

Respondent 9 (other) provided similar views:

“I think it [TA] certainly will [influence where, when and how]. I think if you look at it in a macro point of view where, you know, I am sitting there making a decision on whether to invest a few million dollars in a sales network for example or a distribution hub. You know, if I was [doing that], I would be looking very closely at how robust the arrangement is between New Zealand and China, Japan, Korea, wherever, United States. I would be looking at the trade history too. I would be looking at what has gone on? What has gone wrong? Where are the problems that have happened in the past? What they have done to overcome those issues in the past? So I think, those are the practical things I would be looking at very closely. The more robust those trade agreements are, the better… [I’m] sitting here thinking that if I came across information that was at the political level and there was a free trade agreement with a country which I thought might have some potential prior to that agreement and I was in a position to take advantage of that opportunity, I would certainly look at it. I would look at it with relish, as a person in the private sector. Who wouldn’t? Who would not look at the opportunity, if you are an exporting [business] and searching for growth and stable markets and new clients. I think that is a great thing” (Res_9_other).

But respondent 24 (other) did not see any influence:

“I think my key underlying thing is that trade agreements don’t make a difference at all, unless you’ve got someone on the other side that is willing to take up your products. Trade agreements don’t give you any more chances of making something successful, unless once again, you are in that top bracket. So, trade agreements are great discussion points, I don’t think that they are valuable in practice” (Res_24_other).
The majority (69 per cent) of respondents provided views that indicated TAs influence their country selection decision. This highlighted that wood and other industry representatives may perceive a moderate influence from TAs on the where to enter decision.

When
Less than half (46 per cent) of respondents indicated that TAs can influence their time of entry. Respondent 21 (wood) was one of the few who considered that TAs can influence entry time:

“I think potentially they could and again, for me, the best example that I could point out to you would be India, because at the moment, if we had a trade agreement with India and that affected the tariffs, then that would definitely accelerate our time frame and we would have a much stronger look at India. We would bring that forward on our radar screen and probably be proactively influencing the development of the industry” (Res_21_wood).

In contrast, respondent 36 (wood) said that it will affect neither timing nor business model, only the country at the initial stage:

“No, I don’t think so. I don’t really know that a trade agreement would have that much impact on a market strategy. You know, certainly from our side it’s more about opportunity and where opportunity presents itself. Because we are fairly established, no, it probably not make any difference at all” (Res_36_wood).

Less than half (46 per cent) of respondents indicated that TAs have the capacity to influence the time frame of entry. Most respondents did not recognise an influence. This highlights that representatives of wood and other firms may consider TAs to be a weak influence on the when to enter decision.

How
The mode of entry recorded the lowest influence level under all the themes related to entry strategy. Only four out of 13 respondents took the view that TAs could influence their entry mode. Consider respondent 16 (wood)’s comments about their decision to move on to their preferred business model in China:
Certainly with the work we did in China we were very much looking at was there an opportunity for us as a company, and I am talking about [company name - removed] as a group, to establish in China and participate in the distribution in China. Recognising that, generally speaking, that is our preferred model, is to move from being just a supplier of materials or an importer who sells it on to somebody else, to actually taking control of the distribution. We have control of our distribution in Australia, we have an operation we set up in Australia…China we saw as potentially being a big opportunity and we were wanting to see if there was the ability to enter into China. As I said, we couldn’t find [that opportunity] in the work we did. But it is fair to say we are still looking and still considering. There may be an opportunity (Res_16_wood).

No other respondent highlighted a considerable influence on entry mode indicating that wood and other firm representatives view TAs as having only a very weak influence on the how to enter decision.

As a whole, firms in the wood and other industries in New Zealand consider that TAs may have a higher impact on the cognitive environment, while regulatory and normative environments are affected only to a limited extent. In regards to market entry, TAs may influence their market selection. However, the majority of respondents did not consider that time of entry would be affected by a TA. Results also indicated that there is low influence on entry mode. The effects of this outcome on the conceptual model is explained in Figure 4-15.

**Figure 4-15: How the Wood and Other Industries Perceive the Impact of TAs**

Percentages recorded in the yellow boxes indicate the influence level. TAs influence institutional conditions up to 49 per cent which is the average percentage of the influence level received to regulative, normative and cognitive environments.
TAs influence the entry strategy up to 49 per cent which is the average percentage of the influence level of where, when and how to enter.

**NZCFTA**

Of the 11 respondents, three have not yet started doing business in China. The remaining eight respondents provided mixed responses, but most did not see much benefit from the NZCFTA on their business. Although respondent 9 (other) said: “I don’t have anything negative against it” (Res_9_other), most other respondents were generally ambivalent to the NZCFTA.

Respondent 24 (other), who has not yet entered the Chinese market, felt that some of their regulations on animal testing restricted them from entering the market:

“For instance, the free trade agreement with China allows products from New Zealand to be exported to China very easily at very low cost. However, there are other barriers. China has decided to protect their domestic market, by making it compulsory for cosmetic products to be animal tested. It is completely contrary to what the free trade agreement tries to achieve… it is not in the spirit of free trade agreement” (Res_24_other).

Most respondents, including respondent 36 (wood), indicated that the NZCFTA has not made a difference to their business:

“I think that free trade agreements are good. In saying that, the other side of it is we’ve got the China-New Zealand free trade agreement. That makes no difference to us whatsoever. There was a lot of promotion around how it was going to make a big difference to clearance. You know, our stuff would get through faster, you know, it would be less hassle for our customers, all of that kind of thing. Unfortunately, a lot of those countries, China included, are not as straight up as New Zealand. There is a lot of corruption and underhanded things going on. So, when I talked to my customers about the free trade agreement, they said ‘yeah that is really great’ but in reality they [the Chinese] can just hold it up on another matter, they’ll just use whatever. They will say ‘yeah, things put through quickly, free trade agreement’, but actually it’s another department that wants to hold that container up and inspect it and we got to pay for the inspection and this and that. So, from that side, my customers tell me that it actually
didn’t make a difference to them, that free trade agreement. Which is really interesting, because you wouldn’t know otherwise” (Res_36_wood).

However, respondent 11 (other) was positive towards the NZCFTA:

“I mean whilst it was good, I guess, I always say that with little bit of nervousness. But, I mean obviously it is good. We have lot of product that there is huge appetite for up in China. So, it is good for us as a country, I guess I would always, its [just good to be careful of ] that whole all your eggs in one basket scenario” (Res_11_other).

As a whole, firms in the wood and other industries considered TAs to have a weak influence on their international market entry. Regarding the NZCFTA in particular, they see a very weak influence as many see that it has not made a big difference to their existing business (Table 4-9).

<table>
<thead>
<tr>
<th>TA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZCFTA</td>
<td>NZCFTA</td>
<td>NZCFTA</td>
</tr>
<tr>
<td>Res #</td>
<td>helped business</td>
<td>Entry to China, after NZCFTA</td>
</tr>
<tr>
<td>3</td>
<td>N/A</td>
<td>No entry</td>
</tr>
<tr>
<td>9</td>
<td>N/A</td>
<td>No entry</td>
</tr>
<tr>
<td>11</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>15</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>16</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>21</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>24</td>
<td>N/A</td>
<td>No entry</td>
</tr>
<tr>
<td>25</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>30</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>35</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>36</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>11</td>
</tr>
</tbody>
</table>

Eight of 11 firms indicated that they had commenced business in China before the NZCFTA came into force. Therefore, their entry location and entry timing cannot be influenced by the NZCFTA. The remaining three have not yet entered China.
In terms of institutional conditions, mixed responses were received. The majority observed an influence on the cognitive environment. They consider trade deals and the publicity related to them will bring some psychological influence. However, most did not see an effect on the regulatory environment or normative environment.

Most interestingly, five of the eight firms that have already entered the market indicated that their entry decisions would have been influenced by the NZCFTA if they had started business after the NZCFTA came into force. This indicates the possibility of NZCFTA becoming an influencing factor on market entry. However, the three firms who have not entered China did not consider the NZCFTA would influence their decision to enter into the Chinese market.

4.4 Chapter Summary

This chapter presents the quantitative and qualitative data gathered by the collection methods utilised in this research. The data received from the qualitative research allowed the exporting industries to be categorised based on the level of influence these industries received from TAs: (1) highly influenced, (2) moderately influenced and (3) weakly influenced. The dairy, meat and beverage industries fall into the category of highly influenced; fruit, fish and wool industries are moderately influenced, while wood and other industries showed a weak level of influence. Quantitative data comprised the New Zealand export trends from the year 2000-2013.

The next chapter discusses the findings and derives conclusions.
5 CONCLUSIONS AND IMPLICATIONS
5.1 Introduction

This thesis addressed a gap in the understanding of the influence that TAs have on international market entry. The findings indicated that TAs’ influence on firms’ international market entry strategies is industry-specific. While some industries are highly influenced by TAs, others are only moderately or weakly influenced. The results of this thesis suggest that New Zealand firms in the dairy, meat and beverage industries are generally strongly influenced by TAs. Firms in the fruit, fish and wool industries record moderate levels of influence, while TAs exert rather weak influence on firms in the wood and other industries. It is interesting to see the relationship between the level of influence and the merchandise export value (or export rank) that each industry generates for New Zealand (see Table 5-1).

Table 5-1: Export Rank and TAs Influence

<table>
<thead>
<tr>
<th>#</th>
<th>Industry</th>
<th>Export Value 2013 (fob NZ$ millions)</th>
<th>Export Rank in 2013</th>
<th>Observed influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dairy</td>
<td>13591</td>
<td>1</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>Meat</td>
<td>5277</td>
<td>2</td>
<td>High</td>
</tr>
<tr>
<td>3</td>
<td>Wood</td>
<td>3859</td>
<td>3</td>
<td>Weak</td>
</tr>
<tr>
<td>4</td>
<td>Beverage</td>
<td>1492</td>
<td>6</td>
<td>High</td>
</tr>
<tr>
<td>5</td>
<td>Fruit</td>
<td>1483</td>
<td>7</td>
<td>Moderate</td>
</tr>
<tr>
<td>6</td>
<td>Fish</td>
<td>1328</td>
<td>8</td>
<td>Moderate</td>
</tr>
<tr>
<td>7</td>
<td>Wool</td>
<td>756</td>
<td>15</td>
<td>Moderate</td>
</tr>
<tr>
<td>8</td>
<td>Other</td>
<td>N/A</td>
<td>N/A</td>
<td>Weak</td>
</tr>
</tbody>
</table>

Source: Research data

The wood industry stands out from the rest. Although wood represents the third-largest exporting industry in New Zealand, the respondents from firms in this industry recorded the lowest level of influence from TAs. This New Zealand industry generally faces fewer barriers in foreign countries than many other industries, which is consistent with the finding that TAs do not seem to exert substantial influence on it.

5.2 Results

TAs in general: It is clear that the government has a strong incentive to facilitate the opening of foreign markets for industries that are strong and have the potential to bring larger revenue into the country. Therefore, it is logical that firms from larger export revenue-
generating industries view TAs much more positively than other industries. Firms from different industries perceive TAs as possessing various levels of influence on the partner markets’ institutional conditions and the three associated pillars (regulative, normative and cognitive environments), as well as entry strategy and its three key decisions (where, when and how to enter).

**New Zealand China Free Trade Agreement (NZCFTA):** The findings are less clear for the NZCFTA as compared to TAs in general. This may be due to the fact that some of the firms interviewed for this study had already entered China prior to the NZCFTA’s being enacted (which is a limitation of this thesis: see Section 5.6); because they had already learned to deal with many of the constraints that the NZCFTA seeks to ease, the agreement can be expected to have a weaker impact on their subsequent expansion (although a consistent finding was that the NZCFTA would have been important to the firms if they were now contemplating entering the Chinese market). Similar to TAs in general, various levels of influence were recorded for the impact of the NZCFTA on institutional conditions and entry strategy, along industry lines.

Key results of the thesis are summarised in the following sections, corresponding to each of the research questions.

### 5.2.1 How Do TAs Influence Firms’ Entry Strategies?

TAs have had strong influence (see the “overall influence” row in Table 5-2) on dairy, meat and beverage firms based in New Zealand, with respect to their international market entry. In terms of the NZCFTA, the results were not as clear. Overall, the NZCFTA shows a moderate influence (see the “overall influence” row in Table 5-3).

**Table 5-2: Influence of TAs on Firms in the Dairy, Meat and Beverage Industries**

<table>
<thead>
<tr>
<th>Dairy, Meat and Beverage</th>
<th>TAs</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>Influence</td>
<td>Very strong</td>
<td>Very strong</td>
<td>Moderate</td>
</tr>
<tr>
<td>Average influence</td>
<td>Very strong</td>
<td>Strong</td>
<td></td>
</tr>
<tr>
<td>Overall influence</td>
<td>Very strong</td>
<td>Strong</td>
<td></td>
</tr>
</tbody>
</table>
Table 5-3: Influence of NZCFTA on Firms in the Dairy, Meat and Beverage Industries

<table>
<thead>
<tr>
<th>Dairy, Meat and Beverage</th>
<th>NZCFTA Influence</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>Influence</td>
<td>Very strong</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Average influence</td>
<td>Very strong</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Overall influence</td>
<td></td>
<td></td>
<td>Moderate</td>
</tr>
</tbody>
</table>

TAs have had moderate influence (see Table 5-4) on fruit, fish and wool firms based in New Zealand, with respect to their international market entry. The results were less influential with regard to the NZCFTA, which had a very weak influence overall (see Table 5-5).

Table 5-4: Influence of TAs on Firms in the Fruit, Fish and Wool Industries

<table>
<thead>
<tr>
<th>Fruit, Fish and Wool</th>
<th>TAs Influence</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>Influence</td>
<td>Very strong</td>
<td>Strong</td>
<td>Average</td>
</tr>
<tr>
<td>Average influence</td>
<td>Very strong</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Overall influence</td>
<td>Very strong</td>
<td></td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Table 5-5: Influence of NZCFTA on Firms in the Fruit, Fish and Wool Industries

<table>
<thead>
<tr>
<th>Fruit, Fish and Wool</th>
<th>NZCFTA Influence</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weak</td>
<td>Average</td>
<td>Weak</td>
</tr>
<tr>
<td>Average influence</td>
<td>Weak</td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td>Overall influence</td>
<td>Weak</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TAs have had weak influence (see Table 5-6) on the wood and other firms based in New Zealand, with respect to their foreign market entry. The NZCFTA has had very weak influence (see Table 5-7).

Table 5-6: Influence of TAs on Firms in the Wood and Other Industries

<table>
<thead>
<tr>
<th>Wood and Other</th>
<th>TAs Influence</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weak</td>
<td>Very weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Average influence</td>
<td>Weak</td>
<td>Weak</td>
<td></td>
</tr>
<tr>
<td>Overall influence</td>
<td>Weak</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 5-7: Influence of NZCFTA on Firms in the Wood and Other Industries

<table>
<thead>
<tr>
<th>Wood and Other</th>
<th>NZCFTA</th>
<th>Institutional Conditions</th>
<th>Entry Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulative</td>
<td>Normative</td>
</tr>
<tr>
<td>Influence</td>
<td>Weak</td>
<td>Very weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Average influence</td>
<td>Weak</td>
<td>Weak</td>
<td></td>
</tr>
<tr>
<td>Overall influence</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.2.2 How Do TAs Influence Institutional Conditions?

The interviewed firms in the dairy, meat and beverage industries see TAs as having very strong, strong and moderate influence on the regulatory, cognitive and normative environments, respectively (see the “influence” row in Table 5-2). In other words, firms in the dairy, meat and beverage industries view TAs as being strong influencers of institutional conditions (see the “average influence” row in Table 5-2). More specifically, the NZCFTA has very strongly influenced the cognitive environment, and had moderate influence on the regulatory and normative environments (see the “influence” row in Table 5-3). Therefore, the NZCFTA has had a moderate influence on institutional conditions overall (see the “average influence” row in Table 5-3).

Within the areas of institutional conditions, the interviewed firms representing the fruit, fish and wool industries see TAs as having a strong influence on the regulatory environment, and an average influence on the normative and cognitive environments (see Table 5-4). Thus, the fruit, fish and wool industries see TAs as a moderate influencer of institutional conditions. The NZCFTA exerted average influence on the regulative and cognitive environments, and weak influence on the normative environment (see Table 5-5). Therefore, the NZCFTA has had an average influence on institutional conditions overall.

Interviewed firms in the wood and other industries see TAs as having a strong influence on the cognitive environment, but a weak influence on the normative environment and a very weak influence on regulative environment (see Table 5-6). In other words, the firms in the wood and other industries see TAs as weak influencers of institutional conditions (see Table 5-6). In terms of the NZCFTA, the cognitive environment has been subject to strong influence, whereas the normative and regulative have been weakly and very weakly influenced respectively (see Table 5-7). Therefore, the NZCFTA has had a weak influence on institutional conditions overall.
5.2.3 In The Context of TAs, How Do Institutional Conditions Impact a Firm’s Entry Strategy?

Firms in the dairy, meat and beverage industries see TAs having a very strong influence on international location choices, and a strong influence on timing decisions regarding international market entry strategy (see the “influence” row in Table 5-2). However, TAs have had very weak influence on the entry mode decision. On the whole, these firms indicated that TAs have had moderate influence on their international market entry strategies (see the “average influence” row in Table 5-2). As a whole, the NZCFTA’s influence on international market entry strategy is very weak (see the “average influence” row in Table 5-3), as illustrated by a very weak influence on each aspect of entry strategy (i.e. location, time and mode) (see the “influence” row in Table 5-3). However, the fact that most of the dairy, meat and beverage firms in the study had already started business in China before the NZCFTA clouds this issue. Most of those firms indicated that their entry decisions would have been affected by the NZCFTA, if they had started business after the agreement had come into force.

On the other hand, firms representing the fruit, fish and wood industries saw TAs as having an average influence on which markets to enter (see Table 5-4). They considered TAs as having weak influence on decisions related to how to enter, and very weak influence on decisions about when to enter international markets. On the whole, firms in the fruit, fish and wood industries considered TAs to have weak influence on their international market entry strategies (see Table 5-4). In terms of the NZCFTA, the level of influence on entry strategy was negligible (see Table 5-5). Both location and timing decisions experienced negligible influence, and decisions regarding entry mode registered very weak influence (see Table 5-5).

The interviewed firms representing the wood and other industries see TAs as having moderate, weak and very weak influence on the where, when and how to enter decisions, respectively (see Table 5-6). Thus, these firms view TAs as weak influencers of entry strategy (see Table 5-6). In terms of the NZCFTA, the level of influence towards entry
strategy was negligible (Table 5-7). All the location, timing and mode decisions had negligible influence from the NZCFTA.

5.2.4 What is an Appropriate Conceptual Model that Describes the Influence of TAs on Foreign Market Entry?

According to the findings from the firms in the dairy, meat and beverage industries, the proposed model seems to capture the relationship between TAs and international market entry quite effectively. It also shows how TAs influence the overall international market entry strategy of a firm (Figure 5-1). The findings for the remaining industries show low support for the proposed model. Therefore, the findings of this thesis indicate that TAs exert particular influence on institutional conditions for larger export revenue-generating industries. All three pillars of institutional conditions – the regulative, normative and cognitive environments – are influenced by TAs, however the regulative environment is the most affected. This helps to shape the firm’s entry strategy and its three inter-locking questions of where, when and how to enter. The findings of this thesis clearly highlight that the level of influence TAs exert on the international market entry of a firm is industry-specific. In this thesis, firms in the dairy, meat and beverage industries perceived substantially higher influence than firms in other industries (see section 5.5 and Figure 5.2).

Figure 5-1: Influence of TAs on International Market Entry

Source: Adapted from Peng (2006, p. 15) and Peng, Wang and Jiang (2008, p. 923)
5.3 Discussion and Theoretical Implications

The findings of this study extend the theoretical framework used to explain international market entry into the context of TAs. This exploratory study suggests that TAs exert greater influence on the entry strategies of firms in larger export revenue-generating industries. This finding is important, especially in an environment of rapidly increasing numbers of TAs.

The number of firms entering foreign markets to seek resources, markets, cost savings and/or knowledge and capabilities has increased during recent times (Baum et al., 2015; Behrman, 1981; Cavusgil et al., 2014; Kirsch et al., 2000; Mudambi and Mudambi, 2002; Shapiro, 1989; Teece, 2014). Arguably, increasing bilateral and multilateral trade cooperation has redefined the business environment. This means that understanding more about firms’ foreign market entry strategies, in an environment of expanding influence of TAs, is of both academic and practical interest.

The international market entry literature emphasises the importance of understanding the three key strategic decisions of location, timing and mode of entry to foreign markets. These decisions are influenced by institutional conditions, firm resources, and industry competition (e.g., Barney, 1991; Peng et al., 2008; Porter, 1980). The empirical evidence suggests that New Zealand firms view TAs as an influencing factor to their key strategic entry decisions, especially those firms representing the country’s larger export revenue-generating industries. The interviewed firms, particularly those from the larger export revenue-generating industries, see TAs as having an influence on the institutional conditions of partner country markets, which ultimately impact the firms’ strategic entry decisions. However, the amount of influence varies substantially by industry. Firms representing larger export revenue-generating industries observed that the regulative environment receives the strongest influence from TAs, among the three institutional pillars, while the normative environment is least affected. In terms of the three aspects of entry strategy (where, when and how), firms in larger export revenue-generating industries viewed the location decision to be most influenced by TAs, and the entry mode decision to be least affected. The Javalgi et al. (2010) exploration of firms’ entry mode decisions, taking the North American Free Trade Agreement (NAFTA) into consideration, found that firms’ entry mode decisions may be influenced by the partner market. However, according to the findings of this thesis, firms
representing larger export revenue-generating industries indicated that entry mode decision is the least affected out of the three strategic entry decisions.

Peng (2006) and Peng et al. (2008) discussed institutional conditions as one leg of the strategy tripod, explaining that, in addition to firm resources and industry competition, institutional conditions influence market entry. The impact on institutional conditions, or the ‘rules of the game’ (North, 1990), may reshape the entry strategy of firms operating across countries. In addition to supporting the Peng et al. (2008) argument that institutional conditions impact firm strategy, the findings of this thesis show that TAs influence the institutional conditions and the manner in which that goes on to influence the three interlocking decisions (where, when and how to enter) of market entry.

The findings further stress the notion that ‘institutions matter’ (North, 1990, Peng et al., 2008; Scott, 2014), providing insights into the question of why this is the case, on the basis that TAs have the capacity to influence institutional conditions, which then influence firms’ foreign market entry strategies. In this regard, the results offer some support for the findings of Westney (1993), along with more recent studies including Blevins et al. (2016), Gunawan and Rose (2014) and Hernandez and Nieto (2015), which highlight the important role played by institutional conditions, in terms of firms’ behaviour.

Peng et al. (2008) presented four aspects that highlight the importance of institutions in international business: (1) antidumping as entry barriers, (2) competing in and out of India, (3) growing the firm in China, and (4) governing the corporation in emerging economies. They also indicated that the influence is not limited to those four areas, stating that “while the selection of these four areas is driven in part by the availability of an emerging body of literature on these topics, there are other interests at play” (Peng et al., 2008, p. 924). The results of this thesis suggest that one such other area could be the global proliferation of TAs.

A clear objective of TAs is the reduction or elimination of entry barriers, which can reduce the liability of foreignness (Zaheer, 1995) by narrowing the institutional differences between partner nations; this may motivate, or at least facilitate, firms’ entry into the partner market. There may be firms that deliberately attempt to shape the host country’s institutional
conditions in their favour (for a discussion, see Ring et al., 2005), by influencing
governments to negotiate better terms for their industries. This behaviour was evident in the
recent Trans Pacific Partnership Agreement (TPPA) negotiations, as New Zealand dairy
firms worked to gain better terms for their industry (O'Sullivan, 2015). Such influence by
firms, industry bodies or lobby groups, may lead governments to make changes in their
international business policies. Porter (2008) identified government policy as having the
capacity to hinder market entry through licensing, foreign investment restrictions and
expensive patenting processes. In contrast, governments may aid entry by using subsidiaries.
TAs present challenges to government policies that restrict market entry, and may influence
governments to alter those polices in order to provide better market access. The industry-
specific nature of the findings of this thesis suggest that the policy alterations due to TAs are
perceived as positive influences on firms’ foreign market entry, with the extent being
industry-specific.

This thesis adds to the body of knowledge in international business, in terms of both theory
and empirical evidence, by presenting a link between TAs and foreign market entry. The
empirical evidence is used to extend the theoretical framework aimed at explaining the
influence of TAs on international market entry. The revised conceptual model (see Figure 5-
2), which connects TAs and international market entry, not only highlights the influence of
TAs on institutional conditions, but also on industry conditions, extending our understanding
of the interplay between international market entry and TAs.

Although this thesis does not directly provide evidence that TAs influence firm-specific
resources and capabilities, it is reasonable to argue that firms may need to adjust their
resources and capabilities, in order to prosper when there are changes in institutional
conditions and industry-based competition due to TAs. Firm-specific resources pertain to the
firm’s strengths and weaknesses, while industry-based competition pertains to the
opportunities and threats presented by the market. Institutional conditions determine whether
firms’ interactions with the opportunities and threats, by using their strengths and
weaknesses, are likely to be effective. Therefore, when there are changes to institutional
conditions and industry-based competition, due to TAs, firms may have to reshape their
firm-specific resources, in order to prosper in that market.
Finally, the findings of this thesis imply that it is timely to consider adding the global proliferation of TAs as a consideration of firm internationalisation for scholarly debate.

5.4 Practical Implications

A TA may not create trade; rather, it is designed to facilitate trade. Firms make use of TAs to facilitate trade through the preferential or free market access that the agreement provides. For the business community, TAs are mainly about exports and other related activities, such as business travel and investments. For the government, though, TAs have wider implications. The US Secretary of Defence, Ashton Carter, provides the following explanation of how governments view TAs:

In terms of our rebalance in the broadest sense, passing TPP[A] is as important to me as another aircraft carrier... TPP[A] would deepen our alliances and partnerships abroad and underscore our lasting commitment to the Asia-Pacific. And it would help us promote a global order that reflects both our interests and our values (United States Department of Defence, 2015, online).

This statement highlights that TAs are not only designed to facilitate trade, but also to achieve strategic political objectives.

Today, there are over 400 TAs in force across the world’s 193 UN member countries (United Nations, 2016; World Trade Organisation, 2016C). While the WTO attempted to reduce tariff and trade barriers at the global level in the Doha Round of talks, that goal has not been accomplished. As a result, given the difficulty associated with breaking down barriers globally, countries started negotiating in earnest with each other, or among small groups, to generate more localised agreements. Although different names are used, such as preferential trade agreement, free trade agreement, economic cooperation and economic partnership, in principle, all of these are TAs.

TAs encompass more than just trade. The NZCFTA, for example, is quite comprehensive, and covers areas such as tariff and non-tariff barriers, sanitary and phytosanitary measures, trade in services, the movement of people and investments. There are many benefits afforded by TAs, including the reduction or elimination of tariffs. For example, the New Zealand-
Korea FTA provides duty-free access to over 48 per cent of New Zealand exports, including wine, cherries, hides and skins, some forestry products, some aluminium, and many industrial goods (New Zealand Foreign Affairs and Trade, 2015).

Currently, New Zealand exports represent approximately 30 per cent of GDP, which is lower than most other developed countries, and the country is ambitiously targeting 40 per cent exports as a percentage of GDP by 2025 (Ministry of Business, Innovation and Employment, 2015A: 2015B). That target will require the gain of nearly NZ$100 billion in exports from the 2014 level of around NZ$70 billion (The World Bank, 2016). The New Zealand government’s strong interest towards TAs suggests that it views such trade arrangements as facilitators for achieving this target.

However, a TA is a two-way agreement. Governments may need to settle for less attractive terms pertaining to some industries, in order to gain better access for other industries and conclude the deal. In that context, the government will logically try to gain better terms for industries that can bring in larger revenue. In New Zealand, it is quite understandable that the government has worked to gain better access for industries such as dairy and meat, which have the capacity to generate more substantial revenues for the country. This is consistent with the finding that dairy, meat and beverage firm representatives in this study perceive more impact from TAs, relative to firms in other industries. However, wood is a large export revenue generator for New Zealand, and the results for this incumbent exporting industry stood out in the findings. Discussions with industry representatives provided insights for this situation. The wood industry is well-established, and firms do not face barriers to entry in many of the nations in which they operate. It is understandable, therefore, that this industry has not seen much change from the enactment of TAs.

5.5 Conclusion

This study highlighted the relationship between TAs and international market entry strategies, shedding light on how TAs influence firms’ market entry choices. It is important to note that these results are industry-specific. The strongest influence on entry strategies was found among firms in the dairy, meat and beverage industries. Firms in the fruit, fish and wool industries were also moderately influenced, while those in the wood and other
industries were influenced weakly. Regarding the NZCFTA specifically, firms in the dairy, meat and beverage industries experienced moderate influence from the agreement, while firms in the other industries studied reported very weak influence.

The model proposed in this study illustrates the connection between TAs and international market entry. The findings from firms in the dairy, meat and beverage industries offer strong support for this model; firms in the fruit, fish and wool industries show moderate support; and firms in the wood and other industries show weak support. The evidence suggests that TAs affect both the industry (different industries are affected at different levels) and institutional conditions. On this basis, this thesis includes a revised conceptual model that incorporates the influence of TAs on industries and institutional conditions, which then influence entry strategies. As illustrated in Figure 5-2, a new link is created from TAs to industry-based competition, to indicate this influence.

**Figure 5-2: Influence of TAs on International Market Entry – Revised Conceptual Model**

In conclusion, this study has shed light on firms’ foreign market entry strategies in the context of TAs. It will be of considerable interest to see how firms’ foreign market entry strategies progress in this current climate of growing interest in, and implementation of, TAs. The results of this thesis suggest that the appropriate use of international TAs can increase New Zealand’s prospects of achieving its trade goals. Evidence of this has been shown with
respect to the country’s main exporting industries of dairy, meat, and beverages, in the context of the country’s existing TAs, including the NZCFTA.

5.6 Limitations of Applicability

As with any research, this thesis also faces limitations. While actions were taken to minimise these, they still merit discussion. Despite strong efforts, the study did not include firms representing all of New Zealand’s export industries. However, the country’s key exporting industries were included, and provided evidence to uncover a relationship between market entry and TAs. In addition, the fact that quite a few of the interviewed firms had already entered China before the NZCFTA was enacted means that the observed influence of this TA on entry strategies will have been under-estimated in this study. Many of the firms interviewed were based in Otago region in New Zealand thus there may have been an over-representation of Otago-based firms. The findings of this thesis will also be more applicable to firms that sell tangible products, as this was the focus of the research. Furthermore, the findings of this thesis are likely to be most applicable to firms from small and open economy firms, especially those with similar industrial structures to that of New Zealand.

5.7 Research Extensions

The findings of this research represent just the beginning of a wider agenda of international business research centred upon TAs. This study raises the potential for several research extensions, to further strengthen the theoretical frameworks related to foreign market entry strategy.

Firstly, it will be interesting to investigate the influence that TAs bring to the industry-based view introduced by Porter (1979, 1980, 2008), which focuses on the broader industry-level implications based on five forces: rivalry among existing competitors, threat of new entrants, bargaining power of buyers, threats of substitute products or services and bargaining power of suppliers. Since Porter’s five forces are widely discussed in several subject areas, such as international business, marketing and strategic management, it is worth exploring what influence a consideration of TAs can bring to this view. In particular, exploration in terms of how changes in government policies, due to TAs, affect these five forces may be beneficial.
Secondly, deeper exploration of the resource-based view (Barney, 1991; Wernerfelt, 1984) in the context of TAs may be useful for the international business literature. The resource-based view’s focus on specific resources and capabilities, or firm level strengths and weaknesses, may shed light on how successful firms are in their engagement with opportunities and threats in the market, or industry-based competition. TAs can influence industry-based competition and institutional conditions. Therefore, it is logical to argue that firms may have to adjust their firm-specific resources and capabilities accordingly to the changes in institutional conditions and industry-based competition, in order to be successful and prosper in that market. This issue is worth investigating, and opens up a research extension.

Thirdly, deeper exploration of the eclectic paradigm, or OLI model, introduced by Dunning (1979), in the context of TAs, is another timely area of research. The eclectic paradigm provides a theoretical framework for the entry choices of a firm. This framework can be further extended by analysing the influence that TAs bring to decisions regarding the form of entry (e.g., licensing, exporting and FDI) and the categories of advantages (ownership, location and internationalisation) that affect the internationalisation decision.

Finally, in addition to the global proliferation of smaller TAs, member nations of the TPPA are on the verge of enforcing the agreement, which is known as the largest TA in the world. Discussions are also under way for some other major trade deals, such as the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the US, and the Trade in Services Agreement (TiSA) among 23 WTO member countries, including the EU. The TTIP could bring economic gains of €119 billion and €95 billion per year for the EU and the US, respectively (Francois, Manchin, Norberg, Pindyuk and Tomberger, 2013). The TiSA would account for 70 per cent of the world’s trade in services (European Commission, 2016). These huge TAs should be considered an important factor contributing to firm internationalisation and thus merit scholarly debate.
5.8 What Other Economies Can Learn from the New Zealand Experience?

The Swedish statistician Hans Rosling once said “the world will be normal again; it will be an Asian world, as it always was, except for these last thousand years” (Brand, 2010, p. 29). It appears that New Zealand, a small open economy is managing its trade networks to suit the shift of trade dominance in the world.

As a member of Commonwealth, Britain's shifting focus from the Commonwealth to the EU has generated negative consequences for New Zealand. However, New Zealand recovered its economic prosperity by building strong trade networks in Asia Pacific. Today, New Zealand has 10 TAs in force covering 16 countries, of which 14 are with Asian nations. It is the first developed country to sign a TA with China, and negotiations for a TA with India are ongoing. In addition, New Zealand is part of TPPA, which will be the largest TA in the world once enacted. These TAs have made New Zealand a global player in international business (New Zealand Foreign Affairs and Trade, 2016A).

Over last three decades, New Zealand has shifted from being a highly regulated OECD economy to one of the least regulated, free market based economies (New Zealand Immigration, 2016). According to the World Bank, New Zealand is ranked as the easiest place in the world to start a business and the world’s second easiest country in which to do business (World Bank Group, 2016). Being an active trading nation this small country with 4.6 million population has managed to maintain its stability. New Zealand’s exports account for 30 per cent of the GDP in 2014. In the same year its GDP recorded over USD$200 billion, GDP growth stood at 3.2 per cent and GDP per capita recorded over US$44000. The unemployment rate was 5.8 per cent in 2014 (The World Bank, 2016).

New Zealand story is worth exploring for other smaller economies. Although New Zealand has less barriers to remove (such import barriers are already low), New Zealand has shown outstanding trade negotiation skills when concluding TAs. It is targeting 40 per cent exports as a percentage of GDP by 2025 (Ministry of Business, Innovation and Employment, 2015A, 2015B). In addition to working towards this countrywide trade goal, New Zealand has set trade goals for strategically important countries such as China, Australia and India to work
together with that country to achieve the bilateral trade goals. Several government agencies such as New Zealand Trade and Enterprise, Ministry of Primary Industries and Ministry of Business, Innovation and Employment are there to help New Zealand firms to internationalise. In addition, other organisations such as Dunedin-Shanghai Association, New Zealand Manufacturers and Exporters Association, Chamber of Commerce and various industry bodies work towards improving international business. Importantly, New Zealand’s friendly and welcoming diplomatic links with the rest of the world may have helped this geographically isolated small nation to build successful international business relationships to maintain its prosperity. Exploration of New Zealand’s success in international business may build a valuable case study for other nations who are aspiring to be more international.
References


XXIII


XXVII


Hurmerinta-Peltomäki, L. & Nummela, N. (2004). First the sugar, then the eggs... or the other way round? Mixing methods in international business research. In Piekkari, R. &


XXXIV


XXXVI


LVI


Appendix
### Appendix 1: List of Explanations

<table>
<thead>
<tr>
<th>Term</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilateral investment treaties (BIT)</td>
<td>A name given by many countries to their investment promotion and protection agreements. The model United States agreement contains rights and obligations concerning the application of most favoured-nation treatment and national treatment, whichever is the better; fair and equitable treatment more generally; permission for aliens to enter the other party’s territory to establish, develop, administer and advise on an investment and to engage top managerial personnel regardless of nationality; an undertaking not to impose performance requirements; the provision of effective means for asserting claims and enforcing rights; transparency of regulation; procedures to be followed in case of expropriation; and freedom to transfer funds.</td>
</tr>
<tr>
<td>Bilateral trade agreement</td>
<td>An agreement between two countries setting out the conditions under which trade between them will be conducted. If both parties are already WTO members enjoying the attendant non-discrimination, market access and other benefits, the main additional reason for a bilateral agreement may be a program of bilateral trade facilitation and trade promotion activities. If one party is not a member of the WTO, the agreement will normally provide for most favored nation treatment and national treatment, protection of intellectual property rights, consultation and dispute settlement, and other principles and mechanisms necessary for ensuring smooth trade flows and the speedy resolution of problems.</td>
</tr>
<tr>
<td>Customs union (CU)</td>
<td>An area consisting of two or more individual economies or customs territories which remove all tariffs and sometimes broader trade impediments between them. The members making up the area then apply a common external tariff.</td>
</tr>
<tr>
<td>Deep integration</td>
<td>The integration by two or more countries of national policy frameworks that usually are the preserve of national governments. These include competition policy, technical standards, subsidies, monetary and fiscal policies, regulation and supervision of financial institutions, environmental issues, government procurement and more.</td>
</tr>
<tr>
<td>Free trade agreement (FTA)</td>
<td>A contractual agreement between two or more countries under which they give each other preferential market access, usually called free trade. In practice, free trade agreements tend to allow for all sorts of exceptions, many of them temporary, to cover sensitive products. In some cases, free trade is no more than a longer-term aim. In other cases the agreement creates a form of managed trade liberalization.</td>
</tr>
<tr>
<td>Generalized system of preferences (GSP)</td>
<td>It gives developing countries a margin of preference in the tariff rates their goods face in the markets of developed countries and in this way increases their competitiveness. Countries maintaining GSP schemes are usually called donor countries. Those using them are called beneficiary countries.</td>
</tr>
<tr>
<td>Most favoured nation treatment (MFN)</td>
<td>This is the rule, usually established through a trade agreement, that a country gives each of the trading partners with which it has concluded relevant agreements the best treatment it gives to any of them in a given product. MFN is not in itself an obligation to extend any favourable treatment to another party, nor is it an obligation to negotiate for better treatment. The fundamental point of MFN therefore is equality of treatment of other countries, and in some older treaties it is indeed called “foreign parity”. Despite the apparently static nature of MFN, it has acted as a powerful motor for trade liberalization. Together with national treatment, MFN makes up the principle of non-discrimination.</td>
</tr>
<tr>
<td>Multilateral trade agreement</td>
<td>Intergovernmental agreements aimed at expanding and liberalizing international trade under non-discriminatory, predictable and transparent conditions set out in an array of rights and obligations. The motivation for taking on these obligations is that all members will increase their welfare by adhering to a common standard of conduct in the management of their trade relations.</td>
</tr>
<tr>
<td>Preferential trade agreement (PTA)</td>
<td>These are trade arrangements under which a party agrees, either unilaterally or as a result of negotiations, to accord one or more other parties preferential treatment in trade in goods or services. The scope for establishing such arrangements is subject to reasonable precise WTO rules, though developing countries have more flexibility. They may give each other preference in the form of reduced tariffs, their complete elimination or, in the case of services, partial or complete liberalization. Developed countries must establish a free-trade area, a customs union under Article XXIV of the GATT or, in the case of services, an economic integration agreement under Article V of the General Agreement on Trade in Services. That is they must remove substantially all barriers to trade among those receiving preferences.</td>
</tr>
<tr>
<td>Regional trade agreement (RTA)</td>
<td>A free trade agreement, customs union or common market consisting of two or more countries.</td>
</tr>
<tr>
<td>Rule of origin (ROO)</td>
<td>These are any laws, regulations, administrative rulings, etc., applied by governments to determine the country of origin of goods, services or investments. The origin of goods, services or investment is important because it may influence how they are treated in the receiving country.</td>
</tr>
<tr>
<td>Trade promotional agreement (TPA)</td>
<td>Used especially for provisions in free-trade agreements and other economic cooperation agreements that go beyond the WTO framework of rules.</td>
</tr>
</tbody>
</table>

Source: Good (2007)
## Appendix 2: Exports and Imports – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Export (fob NZ$ Millions)</th>
<th>Actual Import (fob NZ$ Millions)</th>
<th>Actual Total (fob NZ$ Millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports (fob NZ$ Millions)</th>
<th>Adjusted Imports (fob NZ$ Millions)</th>
<th>Adjusted Total (fob NZ$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>29257</td>
<td>30736</td>
<td>59993</td>
<td>0.4284</td>
<td>29257</td>
<td>30736</td>
<td>59993</td>
</tr>
<tr>
<td>2001</td>
<td>32670</td>
<td>31682</td>
<td>64352</td>
<td>0.4157</td>
<td>33668</td>
<td>32650</td>
<td>66318</td>
</tr>
<tr>
<td>2002</td>
<td>31034</td>
<td>32337</td>
<td>63371</td>
<td>0.5095</td>
<td>26094</td>
<td>27190</td>
<td>53284</td>
</tr>
<tr>
<td>2003</td>
<td>28397</td>
<td>31782</td>
<td>60179</td>
<td>0.6466</td>
<td>18814</td>
<td>21057</td>
<td>39871</td>
</tr>
<tr>
<td>2004</td>
<td>30712</td>
<td>34915</td>
<td>65627</td>
<td>0.7142</td>
<td>18422</td>
<td>20943</td>
<td>39365</td>
</tr>
<tr>
<td>2005</td>
<td>30817</td>
<td>37279</td>
<td>68096</td>
<td>0.6961</td>
<td>18966</td>
<td>22942</td>
<td>41908</td>
</tr>
<tr>
<td>2006</td>
<td>34634</td>
<td>40716</td>
<td>75349</td>
<td>0.6918</td>
<td>21447</td>
<td>25213</td>
<td>46660</td>
</tr>
<tr>
<td>2007</td>
<td>36557</td>
<td>41869</td>
<td>78425</td>
<td>0.7686</td>
<td>20376</td>
<td>23337</td>
<td>43712</td>
</tr>
<tr>
<td>2008</td>
<td>42900</td>
<td>48514</td>
<td>91414</td>
<td>0.5569</td>
<td>33001</td>
<td>37320</td>
<td>70321</td>
</tr>
<tr>
<td>2009</td>
<td>39672</td>
<td>40221</td>
<td>79893</td>
<td>0.7162</td>
<td>23730</td>
<td>24058</td>
<td>47789</td>
</tr>
<tr>
<td>2010</td>
<td>43529</td>
<td>42360</td>
<td>85890</td>
<td>0.7504</td>
<td>24851</td>
<td>24183</td>
<td>49034</td>
</tr>
<tr>
<td>2011</td>
<td>47702</td>
<td>46896</td>
<td>94598</td>
<td>0.7697</td>
<td>26550</td>
<td>26101</td>
<td>52651</td>
</tr>
<tr>
<td>2012</td>
<td>46064</td>
<td>47219</td>
<td>93283</td>
<td>0.8318</td>
<td>23724</td>
<td>24319</td>
<td>48043</td>
</tr>
<tr>
<td>2013</td>
<td>48044</td>
<td>48360</td>
<td>96404</td>
<td>0.8228</td>
<td>25014</td>
<td>25179</td>
<td>50194</td>
</tr>
</tbody>
</table>

Appendix 3: Exports and Imports to Countries with TAs – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Export (fob NZ$ Millions)</th>
<th>Actual Import (fob NZ$ Millions)</th>
<th>Actual Total (fob NZ$ Millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports (fob NZ$ Millions)</th>
<th>Adjusted Imports (fob NZ$ Millions)</th>
<th>Adjusted Total (fob NZ$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>10968</td>
<td>11807</td>
<td>22775</td>
<td>0.4284</td>
<td>10968</td>
<td>11807</td>
<td>22775</td>
</tr>
<tr>
<td>2001</td>
<td>12097</td>
<td>12731</td>
<td>24828</td>
<td>0.4157</td>
<td>12467</td>
<td>13120</td>
<td>25587</td>
</tr>
<tr>
<td>2002</td>
<td>11401</td>
<td>13495</td>
<td>24896</td>
<td>0.5095</td>
<td>9586</td>
<td>11347</td>
<td>20933</td>
</tr>
<tr>
<td>2003</td>
<td>10937</td>
<td>13596</td>
<td>24533</td>
<td>0.6466</td>
<td>7246</td>
<td>9008</td>
<td>16254</td>
</tr>
<tr>
<td>2004</td>
<td>11772</td>
<td>15590</td>
<td>27362</td>
<td>0.7142</td>
<td>7061</td>
<td>9351</td>
<td>16412</td>
</tr>
<tr>
<td>2005</td>
<td>11868</td>
<td>16920</td>
<td>28787</td>
<td>0.6918</td>
<td>8230</td>
<td>12193</td>
<td>20423</td>
</tr>
<tr>
<td>2006</td>
<td>13290</td>
<td>19690</td>
<td>32980</td>
<td>0.6918</td>
<td>8230</td>
<td>12193</td>
<td>20423</td>
</tr>
<tr>
<td>2007</td>
<td>15108</td>
<td>21047</td>
<td>36154</td>
<td>0.7686</td>
<td>8421</td>
<td>11731</td>
<td>20152</td>
</tr>
<tr>
<td>2008</td>
<td>18746</td>
<td>23974</td>
<td>42720</td>
<td>0.5569</td>
<td>14421</td>
<td>18442</td>
<td>32863</td>
</tr>
<tr>
<td>2009</td>
<td>18494</td>
<td>19561</td>
<td>38055</td>
<td>0.7162</td>
<td>11062</td>
<td>11700</td>
<td>22763</td>
</tr>
<tr>
<td>2010</td>
<td>21007</td>
<td>21534</td>
<td>42541</td>
<td>0.7504</td>
<td>11993</td>
<td>12293</td>
<td>24286</td>
</tr>
<tr>
<td>2011</td>
<td>22985</td>
<td>22285</td>
<td>45270</td>
<td>0.7697</td>
<td>12793</td>
<td>12404</td>
<td>25196</td>
</tr>
<tr>
<td>2012</td>
<td>22901</td>
<td>23688</td>
<td>46589</td>
<td>0.8318</td>
<td>11795</td>
<td>12200</td>
<td>23995</td>
</tr>
<tr>
<td>2013</td>
<td>25683</td>
<td>23458</td>
<td>49141</td>
<td>0.8228</td>
<td>13372</td>
<td>12214</td>
<td>25586</td>
</tr>
</tbody>
</table>

Appendix 4: New Zealand's Top Ten Trading Partners in 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>Actual Export (fob NZ$ Millions)</th>
<th>Actual Import (fob NZ$ Millions)</th>
<th>Actual Total (fob NZ$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>9965</td>
<td>8260</td>
<td>18225</td>
</tr>
<tr>
<td>Australia</td>
<td>9125</td>
<td>6424</td>
<td>15549</td>
</tr>
<tr>
<td>USA</td>
<td>4071</td>
<td>4527</td>
<td>8599</td>
</tr>
<tr>
<td>Japan</td>
<td>2829</td>
<td>3087</td>
<td>5916</td>
</tr>
<tr>
<td>S. Korea</td>
<td>1633</td>
<td>1962</td>
<td>3595</td>
</tr>
<tr>
<td>Singapore</td>
<td>1021</td>
<td>2023</td>
<td>3044</td>
</tr>
<tr>
<td>Germany</td>
<td>737</td>
<td>2229</td>
<td>2966</td>
</tr>
<tr>
<td>Malaysia</td>
<td>911</td>
<td>2026</td>
<td>2937</td>
</tr>
<tr>
<td>UK</td>
<td>1397</td>
<td>1228</td>
<td>2625</td>
</tr>
<tr>
<td>Thailand</td>
<td>703</td>
<td>1658</td>
<td>2361</td>
</tr>
</tbody>
</table>

## Appendix 5: Exports to World – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Export (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports (fob NZ$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>29257</td>
<td>0.4284</td>
<td>29257</td>
</tr>
<tr>
<td>2001</td>
<td>32670</td>
<td>0.4157</td>
<td>33668</td>
</tr>
<tr>
<td>2002</td>
<td>31034</td>
<td>0.5095</td>
<td>26094</td>
</tr>
<tr>
<td>2003</td>
<td>28397</td>
<td>0.6466</td>
<td>18814</td>
</tr>
<tr>
<td>2004</td>
<td>30712</td>
<td>0.7142</td>
<td>18422</td>
</tr>
<tr>
<td>2005</td>
<td>30817</td>
<td>0.6961</td>
<td>18966</td>
</tr>
<tr>
<td>2006</td>
<td>34634</td>
<td>0.6918</td>
<td>21447</td>
</tr>
<tr>
<td>2007</td>
<td>36557</td>
<td>0.7686</td>
<td>20376</td>
</tr>
<tr>
<td>2008</td>
<td>42900</td>
<td>0.5569</td>
<td>33001</td>
</tr>
<tr>
<td>2009</td>
<td>39672</td>
<td>0.7162</td>
<td>23730</td>
</tr>
<tr>
<td>2010</td>
<td>43529</td>
<td>0.7504</td>
<td>24851</td>
</tr>
<tr>
<td>2011</td>
<td>47702</td>
<td>0.7697</td>
<td>26550</td>
</tr>
<tr>
<td>2012</td>
<td>46064</td>
<td>0.8318</td>
<td>23724</td>
</tr>
<tr>
<td>2013</td>
<td>48044</td>
<td>0.8228</td>
<td>25015</td>
</tr>
</tbody>
</table>

Appendix 6: Exports to Countries with TAs – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports (fob NZ$ Millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports (fob NZ$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>10968</td>
<td>0.4284</td>
<td>10968</td>
</tr>
<tr>
<td>2001</td>
<td>12097</td>
<td>0.4157</td>
<td>12467</td>
</tr>
<tr>
<td>2002</td>
<td>11401</td>
<td>0.5095</td>
<td>9586</td>
</tr>
<tr>
<td>2003</td>
<td>10937</td>
<td>0.6466</td>
<td>7246</td>
</tr>
<tr>
<td>2004</td>
<td>11772</td>
<td>0.7142</td>
<td>7061</td>
</tr>
<tr>
<td>2005</td>
<td>11868</td>
<td>0.6961</td>
<td>7304</td>
</tr>
<tr>
<td>2006</td>
<td>13290</td>
<td>0.6918</td>
<td>8230</td>
</tr>
<tr>
<td>2007</td>
<td>15108</td>
<td>0.7686</td>
<td>8421</td>
</tr>
<tr>
<td>2008</td>
<td>18746</td>
<td>0.5569</td>
<td>14421</td>
</tr>
<tr>
<td>2009</td>
<td>18494</td>
<td>0.7162</td>
<td>11062</td>
</tr>
<tr>
<td>2010</td>
<td>21007</td>
<td>0.7504</td>
<td>11993</td>
</tr>
<tr>
<td>2011</td>
<td>22985</td>
<td>0.7697</td>
<td>12793</td>
</tr>
<tr>
<td>2012</td>
<td>22901</td>
<td>0.8318</td>
<td>11795</td>
</tr>
<tr>
<td>2013</td>
<td>25683</td>
<td>0.8228</td>
<td>13372</td>
</tr>
</tbody>
</table>

## Appendix 7: Exports to Countries with TAs and World – Actual and Adjusted

### Actual:

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>Countries with TAs</th>
<th>World Without TAs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual Export (fob NZ$ millions)</td>
<td>Actual Export (fob NZ$ millions)</td>
<td>Actual Export (fob NZ$ millions)</td>
</tr>
<tr>
<td>2000</td>
<td>29257</td>
<td>10968</td>
<td>18289</td>
</tr>
<tr>
<td>2001</td>
<td>32670</td>
<td>12097</td>
<td>20573</td>
</tr>
<tr>
<td>2002</td>
<td>31034</td>
<td>11401</td>
<td>19633</td>
</tr>
<tr>
<td>2003</td>
<td>28397</td>
<td>10937</td>
<td>17460</td>
</tr>
<tr>
<td>2004</td>
<td>30712</td>
<td>11772</td>
<td>18940</td>
</tr>
<tr>
<td>2005</td>
<td>30817</td>
<td>11868</td>
<td>18949</td>
</tr>
<tr>
<td>2006</td>
<td>34634</td>
<td>13290</td>
<td>21344</td>
</tr>
<tr>
<td>2007</td>
<td>36557</td>
<td>15108</td>
<td>21449</td>
</tr>
<tr>
<td>2008</td>
<td>42900</td>
<td>18746</td>
<td>24154</td>
</tr>
<tr>
<td>2009</td>
<td>39672</td>
<td>18494</td>
<td>21178</td>
</tr>
<tr>
<td>2010</td>
<td>43529</td>
<td>21007</td>
<td>22522</td>
</tr>
<tr>
<td>2011</td>
<td>47702</td>
<td>22985</td>
<td>24717</td>
</tr>
<tr>
<td>2012</td>
<td>46064</td>
<td>22901</td>
<td>23163</td>
</tr>
<tr>
<td>2013</td>
<td>48044</td>
<td>25683</td>
<td>22361</td>
</tr>
</tbody>
</table>

### Adjusted:

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>Countries with TAs</th>
<th>World Without TAs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adjusted Export (fob NZ$ millions)</td>
<td>Adjusted Export (fob NZ$ millions)</td>
<td>Adjusted Export (fob NZ$ millions)</td>
</tr>
<tr>
<td>2000</td>
<td>29257</td>
<td>10968</td>
<td>18289</td>
</tr>
<tr>
<td>2001</td>
<td>33668</td>
<td>12467</td>
<td>21201</td>
</tr>
<tr>
<td>2002</td>
<td>26094</td>
<td>9586</td>
<td>16508</td>
</tr>
<tr>
<td>2003</td>
<td>18814</td>
<td>7246</td>
<td>11568</td>
</tr>
<tr>
<td>2004</td>
<td>18422</td>
<td>7061</td>
<td>11361</td>
</tr>
<tr>
<td>2005</td>
<td>18966</td>
<td>7304</td>
<td>11662</td>
</tr>
<tr>
<td>2006</td>
<td>21447</td>
<td>8230</td>
<td>13218</td>
</tr>
<tr>
<td>2007</td>
<td>20376</td>
<td>8421</td>
<td>11955</td>
</tr>
<tr>
<td>2008</td>
<td>33001</td>
<td>14421</td>
<td>18580</td>
</tr>
<tr>
<td>2009</td>
<td>23730</td>
<td>11062</td>
<td>12668</td>
</tr>
<tr>
<td>2010</td>
<td>24851</td>
<td>11993</td>
<td>12858</td>
</tr>
<tr>
<td>2011</td>
<td>26550</td>
<td>12793</td>
<td>13757</td>
</tr>
<tr>
<td>2012</td>
<td>23724</td>
<td>11795</td>
<td>11930</td>
</tr>
<tr>
<td>2013</td>
<td>25015</td>
<td>13372</td>
<td>11643</td>
</tr>
</tbody>
</table>

## Appendix 8: Exports to China – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Export (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports (fob NZ$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>930</td>
<td>0.4284</td>
<td>930</td>
</tr>
<tr>
<td>2001</td>
<td>1349</td>
<td>0.4157</td>
<td>1391</td>
</tr>
<tr>
<td>2002</td>
<td>1430</td>
<td>0.5095</td>
<td>1202</td>
</tr>
<tr>
<td>2003</td>
<td>1376</td>
<td>0.6466</td>
<td>912</td>
</tr>
<tr>
<td>2004</td>
<td>1745</td>
<td>0.7142</td>
<td>1047</td>
</tr>
<tr>
<td>2005</td>
<td>1566</td>
<td>0.6961</td>
<td>963</td>
</tr>
<tr>
<td>2006</td>
<td>1875</td>
<td>0.6918</td>
<td>1161</td>
</tr>
<tr>
<td>2007</td>
<td>1953</td>
<td>0.7686</td>
<td>1089</td>
</tr>
<tr>
<td>2008</td>
<td>2534</td>
<td>0.5569</td>
<td>1949</td>
</tr>
<tr>
<td>2009</td>
<td>3628</td>
<td>0.7162</td>
<td>2170</td>
</tr>
<tr>
<td>2010</td>
<td>4826</td>
<td>0.7504</td>
<td>2755</td>
</tr>
<tr>
<td>2011</td>
<td>5887</td>
<td>0.7697</td>
<td>3277</td>
</tr>
<tr>
<td>2012</td>
<td>6859</td>
<td>0.8318</td>
<td>3533</td>
</tr>
<tr>
<td>2013</td>
<td>9965</td>
<td>0.8228</td>
<td>5189</td>
</tr>
</tbody>
</table>

## Appendix 9: Export to China and World – Actual and Adjusted

### Actual:

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>China</th>
<th>World Without China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual Export (fob NZ$ millions)</td>
<td>Actual Export (fob NZ$ millions)</td>
<td>Actual Export (fob NZ$ millions)</td>
</tr>
<tr>
<td>2000</td>
<td>29257</td>
<td>930</td>
<td>28328</td>
</tr>
<tr>
<td>2001</td>
<td>32670</td>
<td>1349</td>
<td>31321</td>
</tr>
<tr>
<td>2002</td>
<td>31034</td>
<td>1430</td>
<td>29604</td>
</tr>
<tr>
<td>2003</td>
<td>28397</td>
<td>1376</td>
<td>27021</td>
</tr>
<tr>
<td>2004</td>
<td>30712</td>
<td>1745</td>
<td>28966</td>
</tr>
<tr>
<td>2005</td>
<td>30817</td>
<td>1566</td>
<td>29252</td>
</tr>
<tr>
<td>2006</td>
<td>34634</td>
<td>1875</td>
<td>32759</td>
</tr>
<tr>
<td>2007</td>
<td>36557</td>
<td>1953</td>
<td>34603</td>
</tr>
<tr>
<td>2008</td>
<td>42900</td>
<td>2534</td>
<td>40367</td>
</tr>
<tr>
<td>2009</td>
<td>39672</td>
<td>3628</td>
<td>36045</td>
</tr>
<tr>
<td>2010</td>
<td>43529</td>
<td>4826</td>
<td>38703</td>
</tr>
<tr>
<td>2011</td>
<td>47702</td>
<td>5887</td>
<td>41815</td>
</tr>
<tr>
<td>2012</td>
<td>46064</td>
<td>6859</td>
<td>39205</td>
</tr>
<tr>
<td>2013</td>
<td>48044</td>
<td>9965</td>
<td>38078</td>
</tr>
</tbody>
</table>

### Adjusted:

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>China</th>
<th>World Without China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adjusted Export (fob NZ$ millions)</td>
<td>Adjusted Export (fob NZ$ millions)</td>
<td>Adjusted Export (fob NZ$ millions)</td>
</tr>
<tr>
<td>2000</td>
<td>29257</td>
<td>930</td>
<td>28328</td>
</tr>
<tr>
<td>2001</td>
<td>33668</td>
<td>1391</td>
<td>32278</td>
</tr>
<tr>
<td>2002</td>
<td>26094</td>
<td>1202</td>
<td>24891</td>
</tr>
<tr>
<td>2003</td>
<td>18814</td>
<td>912</td>
<td>17902</td>
</tr>
<tr>
<td>2004</td>
<td>18422</td>
<td>1047</td>
<td>17375</td>
</tr>
<tr>
<td>2005</td>
<td>18966</td>
<td>963</td>
<td>18002</td>
</tr>
<tr>
<td>2006</td>
<td>21447</td>
<td>1161</td>
<td>20286</td>
</tr>
<tr>
<td>2007</td>
<td>20376</td>
<td>1089</td>
<td>19287</td>
</tr>
<tr>
<td>2008</td>
<td>33001</td>
<td>1949</td>
<td>31052</td>
</tr>
<tr>
<td>2009</td>
<td>23730</td>
<td>2170</td>
<td>21560</td>
</tr>
<tr>
<td>2010</td>
<td>24851</td>
<td>2755</td>
<td>22095</td>
</tr>
<tr>
<td>2011</td>
<td>26550</td>
<td>3277</td>
<td>23273</td>
</tr>
<tr>
<td>2012</td>
<td>23724</td>
<td>3533</td>
<td>20191</td>
</tr>
<tr>
<td>2013</td>
<td>25014</td>
<td>5189</td>
<td>19826</td>
</tr>
</tbody>
</table>

Appendix 10: Dairy Exports to World and Countries with TAs – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Actual Exports to World without TAs (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Adjusted Exports to World without TAs (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4595</td>
<td>1959</td>
<td>2636</td>
<td>0.4284</td>
<td>4595</td>
<td>1959</td>
<td>2636</td>
</tr>
<tr>
<td>2001</td>
<td>6366</td>
<td>2714</td>
<td>3652</td>
<td>0.4157</td>
<td>6561</td>
<td>2797</td>
<td>3764</td>
</tr>
<tr>
<td>2002</td>
<td>5210</td>
<td>1996</td>
<td>3215</td>
<td>0.5095</td>
<td>4381</td>
<td>1678</td>
<td>2703</td>
</tr>
<tr>
<td>2003</td>
<td>4763</td>
<td>1910</td>
<td>2853</td>
<td>0.6466</td>
<td>3156</td>
<td>1265</td>
<td>1890</td>
</tr>
<tr>
<td>2004</td>
<td>5007</td>
<td>1980</td>
<td>3026</td>
<td>0.7142</td>
<td>3003</td>
<td>1188</td>
<td>1815</td>
</tr>
<tr>
<td>2005</td>
<td>5198</td>
<td>1861</td>
<td>3337</td>
<td>0.6961</td>
<td>3199</td>
<td>1145</td>
<td>2054</td>
</tr>
<tr>
<td>2006</td>
<td>6255</td>
<td>2239</td>
<td>4016</td>
<td>0.6918</td>
<td>3873</td>
<td>1386</td>
<td>2487</td>
</tr>
<tr>
<td>2007</td>
<td>7557</td>
<td>2841</td>
<td>4716</td>
<td>0.7686</td>
<td>4212</td>
<td>1584</td>
<td>2628</td>
</tr>
<tr>
<td>2008</td>
<td>9285</td>
<td>3463</td>
<td>5822</td>
<td>0.5569</td>
<td>7142</td>
<td>2664</td>
<td>4479</td>
</tr>
<tr>
<td>2009</td>
<td>8116</td>
<td>3341</td>
<td>4775</td>
<td>0.7162</td>
<td>4855</td>
<td>1999</td>
<td>2856</td>
</tr>
<tr>
<td>2010</td>
<td>10415</td>
<td>4876</td>
<td>5539</td>
<td>0.7504</td>
<td>5946</td>
<td>2784</td>
<td>3162</td>
</tr>
<tr>
<td>2011</td>
<td>12021</td>
<td>5431</td>
<td>6590</td>
<td>0.7697</td>
<td>6691</td>
<td>3023</td>
<td>3668</td>
</tr>
<tr>
<td>2012</td>
<td>11562</td>
<td>5578</td>
<td>5984</td>
<td>0.8318</td>
<td>5955</td>
<td>2873</td>
<td>3082</td>
</tr>
<tr>
<td>2013</td>
<td>13591</td>
<td>8047</td>
<td>5544</td>
<td>0.8228</td>
<td>7076</td>
<td>4190</td>
<td>2887</td>
</tr>
</tbody>
</table>

Appendix 11: Dairy Exports to World and China – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Actual Exports to World without China (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Adjusted Exports to World without China (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4595</td>
<td>115</td>
<td>4481</td>
<td>0.4284</td>
<td>4595</td>
<td>115</td>
<td>4481</td>
</tr>
<tr>
<td>2001</td>
<td>6366</td>
<td>174</td>
<td>6192</td>
<td>0.4157</td>
<td>6561</td>
<td>179</td>
<td>6381</td>
</tr>
<tr>
<td>2002</td>
<td>5210</td>
<td>233</td>
<td>4977</td>
<td>0.5095</td>
<td>4381</td>
<td>196</td>
<td>4185</td>
</tr>
<tr>
<td>2003</td>
<td>4763</td>
<td>307</td>
<td>4456</td>
<td>0.6466</td>
<td>3156</td>
<td>203</td>
<td>2952</td>
</tr>
<tr>
<td>2004</td>
<td>5007</td>
<td>349</td>
<td>4657</td>
<td>0.7142</td>
<td>3003</td>
<td>210</td>
<td>2794</td>
</tr>
<tr>
<td>2005</td>
<td>5198</td>
<td>300</td>
<td>4898</td>
<td>0.6961</td>
<td>3199</td>
<td>185</td>
<td>3014</td>
</tr>
<tr>
<td>2006</td>
<td>6255</td>
<td>384</td>
<td>5871</td>
<td>0.6918</td>
<td>3873</td>
<td>238</td>
<td>3636</td>
</tr>
<tr>
<td>2007</td>
<td>7557</td>
<td>391</td>
<td>7166</td>
<td>0.7686</td>
<td>4212</td>
<td>218</td>
<td>3994</td>
</tr>
<tr>
<td>2008</td>
<td>9285</td>
<td>521</td>
<td>8764</td>
<td>0.5569</td>
<td>7142</td>
<td>401</td>
<td>6741</td>
</tr>
<tr>
<td>2009</td>
<td>8116</td>
<td>978</td>
<td>7138</td>
<td>0.7162</td>
<td>4855</td>
<td>585</td>
<td>4270</td>
</tr>
<tr>
<td>2010</td>
<td>10415</td>
<td>1828</td>
<td>8587</td>
<td>0.7504</td>
<td>5946</td>
<td>1044</td>
<td>4902</td>
</tr>
<tr>
<td>2011</td>
<td>12021</td>
<td>2172</td>
<td>9849</td>
<td>0.7697</td>
<td>6691</td>
<td>1209</td>
<td>5482</td>
</tr>
<tr>
<td>2012</td>
<td>11562</td>
<td>2568</td>
<td>8994</td>
<td>0.8318</td>
<td>5955</td>
<td>1322</td>
<td>4632</td>
</tr>
<tr>
<td>2013</td>
<td>13591</td>
<td>4592</td>
<td>8999</td>
<td>0.8228</td>
<td>7076</td>
<td>2391</td>
<td>4686</td>
</tr>
</tbody>
</table>

Appendix 12: Meat Exports to World and Countries with TAs – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Actual Exports to World without TAs (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Adjusted Exports to World without TAs (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3695</td>
<td>306</td>
<td>3389</td>
<td>0.4284</td>
<td>3695</td>
<td>306</td>
<td>3389</td>
</tr>
<tr>
<td>2001</td>
<td>4316</td>
<td>344</td>
<td>3972</td>
<td>0.4157</td>
<td>4448</td>
<td>354</td>
<td>4094</td>
</tr>
<tr>
<td>2002</td>
<td>4286</td>
<td>354</td>
<td>3932</td>
<td>0.5095</td>
<td>3604</td>
<td>298</td>
<td>3306</td>
</tr>
<tr>
<td>2003</td>
<td>4160</td>
<td>418</td>
<td>3742</td>
<td>0.6466</td>
<td>2756</td>
<td>277</td>
<td>2479</td>
</tr>
<tr>
<td>2004</td>
<td>4576</td>
<td>504</td>
<td>4072</td>
<td>0.7142</td>
<td>2745</td>
<td>302</td>
<td>2443</td>
</tr>
<tr>
<td>2005</td>
<td>4655</td>
<td>494</td>
<td>4161</td>
<td>0.6961</td>
<td>2865</td>
<td>304</td>
<td>2561</td>
</tr>
<tr>
<td>2006</td>
<td>4668</td>
<td>466</td>
<td>4202</td>
<td>0.6918</td>
<td>2891</td>
<td>289</td>
<td>2602</td>
</tr>
<tr>
<td>2007</td>
<td>4346</td>
<td>479</td>
<td>3867</td>
<td>0.7686</td>
<td>2422</td>
<td>267</td>
<td>2155</td>
</tr>
<tr>
<td>2008</td>
<td>5145</td>
<td>596</td>
<td>4549</td>
<td>0.5569</td>
<td>3958</td>
<td>458</td>
<td>3500</td>
</tr>
<tr>
<td>2009</td>
<td>5142</td>
<td>683</td>
<td>4458</td>
<td>0.7162</td>
<td>3076</td>
<td>409</td>
<td>2667</td>
</tr>
<tr>
<td>2010</td>
<td>5089</td>
<td>851</td>
<td>4239</td>
<td>0.7504</td>
<td>2906</td>
<td>486</td>
<td>2420</td>
</tr>
<tr>
<td>2011</td>
<td>5529</td>
<td>878</td>
<td>4651</td>
<td>0.7697</td>
<td>3078</td>
<td>489</td>
<td>2589</td>
</tr>
<tr>
<td>2012</td>
<td>5166</td>
<td>1031</td>
<td>4135</td>
<td>0.8318</td>
<td>2661</td>
<td>531</td>
<td>2130</td>
</tr>
<tr>
<td>2013</td>
<td>5277</td>
<td>1439</td>
<td>3838</td>
<td>0.8228</td>
<td>2747</td>
<td>749</td>
<td>1998</td>
</tr>
</tbody>
</table>

## Appendix 13: Meat Exports to World and China – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Actual Exports to World without China (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Adjusted Exports to World without China (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3695</td>
<td>26</td>
<td>3669</td>
<td>0.4284</td>
<td>3695</td>
<td>26</td>
<td>3669</td>
</tr>
<tr>
<td>2001</td>
<td>4316</td>
<td>48</td>
<td>4268</td>
<td>0.4157</td>
<td>4448</td>
<td>50</td>
<td>4398</td>
</tr>
<tr>
<td>2002</td>
<td>4286</td>
<td>58</td>
<td>4228</td>
<td>0.5095</td>
<td>3604</td>
<td>49</td>
<td>3555</td>
</tr>
<tr>
<td>2003</td>
<td>4160</td>
<td>63</td>
<td>4097</td>
<td>0.6466</td>
<td>2756</td>
<td>42</td>
<td>2714</td>
</tr>
<tr>
<td>2004</td>
<td>4576</td>
<td>51</td>
<td>4525</td>
<td>0.7142</td>
<td>2745</td>
<td>30</td>
<td>2714</td>
</tr>
<tr>
<td>2005</td>
<td>4655</td>
<td>48</td>
<td>4608</td>
<td>0.6961</td>
<td>2865</td>
<td>29</td>
<td>2836</td>
</tr>
<tr>
<td>2006</td>
<td>4668</td>
<td>52</td>
<td>4617</td>
<td>0.6918</td>
<td>2891</td>
<td>32</td>
<td>2859</td>
</tr>
<tr>
<td>2007</td>
<td>4346</td>
<td>70</td>
<td>4276</td>
<td>0.7686</td>
<td>2422</td>
<td>39</td>
<td>2383</td>
</tr>
<tr>
<td>2008</td>
<td>5145</td>
<td>96</td>
<td>5049</td>
<td>0.5569</td>
<td>3958</td>
<td>74</td>
<td>3884</td>
</tr>
<tr>
<td>2009</td>
<td>5142</td>
<td>141</td>
<td>5001</td>
<td>0.7162</td>
<td>3076</td>
<td>84</td>
<td>2992</td>
</tr>
<tr>
<td>2010</td>
<td>5089</td>
<td>136</td>
<td>4954</td>
<td>0.7504</td>
<td>2906</td>
<td>77</td>
<td>2828</td>
</tr>
<tr>
<td>2011</td>
<td>5529</td>
<td>215</td>
<td>5314</td>
<td>0.7697</td>
<td>3078</td>
<td>120</td>
<td>2958</td>
</tr>
<tr>
<td>2012</td>
<td>5166</td>
<td>412</td>
<td>4754</td>
<td>0.8318</td>
<td>2661</td>
<td>212</td>
<td>2449</td>
</tr>
<tr>
<td>2013</td>
<td>5277</td>
<td>881</td>
<td>4396</td>
<td>0.8228</td>
<td>2747</td>
<td>459</td>
<td>2289</td>
</tr>
</tbody>
</table>

Appendix 14: Beverage Exports to World and Countries with TAs – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Actual Exports to World without TAs (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Adjusted Exports to World without TAs (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>351</td>
<td>157</td>
<td>194</td>
<td>0.4284</td>
<td>351</td>
<td>157</td>
<td>194</td>
</tr>
<tr>
<td>2001</td>
<td>392</td>
<td>160</td>
<td>232</td>
<td>0.4157</td>
<td>404</td>
<td>165</td>
<td>239</td>
</tr>
<tr>
<td>2002</td>
<td>416</td>
<td>149</td>
<td>267</td>
<td>0.5095</td>
<td>350</td>
<td>126</td>
<td>224</td>
</tr>
<tr>
<td>2003</td>
<td>416</td>
<td>151</td>
<td>265</td>
<td>0.6466</td>
<td>275</td>
<td>100</td>
<td>175</td>
</tr>
<tr>
<td>2004</td>
<td>522</td>
<td>197</td>
<td>325</td>
<td>0.7142</td>
<td>313</td>
<td>118</td>
<td>195</td>
</tr>
<tr>
<td>2005</td>
<td>612</td>
<td>215</td>
<td>397</td>
<td>0.6961</td>
<td>376</td>
<td>132</td>
<td>244</td>
</tr>
<tr>
<td>2006</td>
<td>769</td>
<td>282</td>
<td>487</td>
<td>0.6918</td>
<td>476</td>
<td>174</td>
<td>302</td>
</tr>
<tr>
<td>2007</td>
<td>941</td>
<td>358</td>
<td>583</td>
<td>0.7686</td>
<td>525</td>
<td>200</td>
<td>325</td>
</tr>
<tr>
<td>2008</td>
<td>1081</td>
<td>467</td>
<td>614</td>
<td>0.5569</td>
<td>832</td>
<td>359</td>
<td>473</td>
</tr>
<tr>
<td>2009</td>
<td>1201</td>
<td>505</td>
<td>696</td>
<td>0.7162</td>
<td>719</td>
<td>302</td>
<td>416</td>
</tr>
<tr>
<td>2010</td>
<td>1313</td>
<td>542</td>
<td>771</td>
<td>0.7504</td>
<td>750</td>
<td>310</td>
<td>440</td>
</tr>
<tr>
<td>2011</td>
<td>1360</td>
<td>585</td>
<td>775</td>
<td>0.7697</td>
<td>757</td>
<td>326</td>
<td>431</td>
</tr>
<tr>
<td>2012</td>
<td>1475</td>
<td>655</td>
<td>820</td>
<td>0.8318</td>
<td>759</td>
<td>337</td>
<td>422</td>
</tr>
<tr>
<td>2013</td>
<td>1492</td>
<td>631</td>
<td>860</td>
<td>0.8228</td>
<td>777</td>
<td>329</td>
<td>448</td>
</tr>
</tbody>
</table>

## Appendix 15: Beverage Exports to World and China – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Actual Exports to World without China (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Adjusted Exports to World without China (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>351</td>
<td>0</td>
<td>351</td>
<td>0.4284</td>
<td>351</td>
<td>0</td>
<td>351</td>
</tr>
<tr>
<td>2001</td>
<td>392</td>
<td>1</td>
<td>392</td>
<td>0.4157</td>
<td>404</td>
<td>1</td>
<td>404</td>
</tr>
<tr>
<td>2002</td>
<td>416</td>
<td>1</td>
<td>415</td>
<td>0.5095</td>
<td>350</td>
<td>1</td>
<td>349</td>
</tr>
<tr>
<td>2003</td>
<td>416</td>
<td>0</td>
<td>415</td>
<td>0.6466</td>
<td>275</td>
<td>1</td>
<td>275</td>
</tr>
<tr>
<td>2004</td>
<td>522</td>
<td>1</td>
<td>522</td>
<td>0.7142</td>
<td>313</td>
<td>0</td>
<td>313</td>
</tr>
<tr>
<td>2005</td>
<td>612</td>
<td>2</td>
<td>610</td>
<td>0.6961</td>
<td>376</td>
<td>1</td>
<td>375</td>
</tr>
<tr>
<td>2006</td>
<td>769</td>
<td>2</td>
<td>767</td>
<td>0.6918</td>
<td>476</td>
<td>1</td>
<td>475</td>
</tr>
<tr>
<td>2007</td>
<td>941</td>
<td>2</td>
<td>939</td>
<td>0.7686</td>
<td>525</td>
<td>1</td>
<td>523</td>
</tr>
<tr>
<td>2008</td>
<td>1081</td>
<td>6</td>
<td>1075</td>
<td>0.5569</td>
<td>832</td>
<td>5</td>
<td>827</td>
</tr>
<tr>
<td>2009</td>
<td>1201</td>
<td>15</td>
<td>1187</td>
<td>0.7162</td>
<td>719</td>
<td>9</td>
<td>710</td>
</tr>
<tr>
<td>2010</td>
<td>1313</td>
<td>14</td>
<td>1299</td>
<td>0.7504</td>
<td>750</td>
<td>8</td>
<td>742</td>
</tr>
<tr>
<td>2011</td>
<td>1360</td>
<td>24</td>
<td>1337</td>
<td>0.7697</td>
<td>757</td>
<td>13</td>
<td>744</td>
</tr>
<tr>
<td>2012</td>
<td>1475</td>
<td>33</td>
<td>1441</td>
<td>0.8318</td>
<td>759</td>
<td>17</td>
<td>742</td>
</tr>
<tr>
<td>2013</td>
<td>1492</td>
<td>23</td>
<td>1469</td>
<td>0.8228</td>
<td>777</td>
<td>12</td>
<td>765</td>
</tr>
</tbody>
</table>

Appendix 16: Fruit Exports to World and Countries with TAs – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Actual Exports to World without TAs (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Adjusted Exports to World without TAs (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1097</td>
<td>182</td>
<td>916</td>
<td>0.4284</td>
<td>1097</td>
<td>182</td>
<td>916</td>
</tr>
<tr>
<td>2001</td>
<td>1002</td>
<td>188</td>
<td>814</td>
<td>0.4157</td>
<td>1033</td>
<td>194</td>
<td>839</td>
</tr>
<tr>
<td>2002</td>
<td>1106</td>
<td>195</td>
<td>911</td>
<td>0.5095</td>
<td>930</td>
<td>164</td>
<td>766</td>
</tr>
<tr>
<td>2003</td>
<td>1000</td>
<td>195</td>
<td>804</td>
<td>0.6466</td>
<td>662</td>
<td>129</td>
<td>533</td>
</tr>
<tr>
<td>2004</td>
<td>1391</td>
<td>197</td>
<td>1194</td>
<td>0.7142</td>
<td>834</td>
<td>118</td>
<td>716</td>
</tr>
<tr>
<td>2005</td>
<td>1168</td>
<td>225</td>
<td>944</td>
<td>0.6961</td>
<td>719</td>
<td>138</td>
<td>581</td>
</tr>
<tr>
<td>2006</td>
<td>1202</td>
<td>240</td>
<td>962</td>
<td>0.6918</td>
<td>745</td>
<td>149</td>
<td>596</td>
</tr>
<tr>
<td>2007</td>
<td>1286</td>
<td>263</td>
<td>1022</td>
<td>0.7686</td>
<td>717</td>
<td>147</td>
<td>570</td>
</tr>
<tr>
<td>2008</td>
<td>1445</td>
<td>317</td>
<td>1129</td>
<td>0.5569</td>
<td>1112</td>
<td>244</td>
<td>868</td>
</tr>
<tr>
<td>2009</td>
<td>1601</td>
<td>410</td>
<td>1190</td>
<td>0.7162</td>
<td>958</td>
<td>246</td>
<td>712</td>
</tr>
<tr>
<td>2010</td>
<td>1471</td>
<td>421</td>
<td>1050</td>
<td>0.7504</td>
<td>840</td>
<td>240</td>
<td>600</td>
</tr>
<tr>
<td>2011</td>
<td>1593</td>
<td>506</td>
<td>1087</td>
<td>0.7697</td>
<td>886</td>
<td>281</td>
<td>605</td>
</tr>
<tr>
<td>2012</td>
<td>1564</td>
<td>548</td>
<td>1016</td>
<td>0.8318</td>
<td>806</td>
<td>282</td>
<td>523</td>
</tr>
<tr>
<td>2013</td>
<td>1483</td>
<td>516</td>
<td>967</td>
<td>0.8228</td>
<td>772</td>
<td>269</td>
<td>504</td>
</tr>
</tbody>
</table>

Appendix 17: Fruit Exports to World and China – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Actual Exports to World without China (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Adjusted Exports to World without China (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1097</td>
<td>8</td>
<td>1090</td>
<td>0.4284</td>
<td>1097</td>
<td>8</td>
<td>1090</td>
</tr>
<tr>
<td>2001</td>
<td>1002</td>
<td>7</td>
<td>996</td>
<td>0.4157</td>
<td>1033</td>
<td>7</td>
<td>1026</td>
</tr>
<tr>
<td>2002</td>
<td>1106</td>
<td>6</td>
<td>1100</td>
<td>0.5095</td>
<td>930</td>
<td>5</td>
<td>925</td>
</tr>
<tr>
<td>2003</td>
<td>1000</td>
<td>6</td>
<td>994</td>
<td>0.6466</td>
<td>662</td>
<td>4</td>
<td>658</td>
</tr>
<tr>
<td>2004</td>
<td>1391</td>
<td>6</td>
<td>1385</td>
<td>0.7142</td>
<td>834</td>
<td>3</td>
<td>831</td>
</tr>
<tr>
<td>2005</td>
<td>1168</td>
<td>9</td>
<td>1159</td>
<td>0.6961</td>
<td>719</td>
<td>6</td>
<td>713</td>
</tr>
<tr>
<td>2006</td>
<td>1202</td>
<td>18</td>
<td>1185</td>
<td>0.6918</td>
<td>745</td>
<td>11</td>
<td>734</td>
</tr>
<tr>
<td>2007</td>
<td>1286</td>
<td>19</td>
<td>1267</td>
<td>0.7686</td>
<td>717</td>
<td>11</td>
<td>706</td>
</tr>
<tr>
<td>2008</td>
<td>1445</td>
<td>41</td>
<td>1405</td>
<td>0.5569</td>
<td>1112</td>
<td>31</td>
<td>1081</td>
</tr>
<tr>
<td>2009</td>
<td>1601</td>
<td>68</td>
<td>1533</td>
<td>0.7162</td>
<td>958</td>
<td>41</td>
<td>917</td>
</tr>
<tr>
<td>2010</td>
<td>1471</td>
<td>74</td>
<td>1397</td>
<td>0.7504</td>
<td>840</td>
<td>42</td>
<td>798</td>
</tr>
<tr>
<td>2011</td>
<td>1593</td>
<td>92</td>
<td>1501</td>
<td>0.7697</td>
<td>886</td>
<td>51</td>
<td>835</td>
</tr>
<tr>
<td>2012</td>
<td>1564</td>
<td>121</td>
<td>1443</td>
<td>0.8318</td>
<td>806</td>
<td>62</td>
<td>743</td>
</tr>
<tr>
<td>2013</td>
<td>1483</td>
<td>110</td>
<td>1374</td>
<td>0.8228</td>
<td>772</td>
<td>57</td>
<td>715</td>
</tr>
</tbody>
</table>

Appendix 18: Fish Exports to World and Countries with TAs – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Actual Exports to World without TAs (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Adjusted Exports to World without TAs (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1289</td>
<td>401</td>
<td>889</td>
<td>0.4284</td>
<td>1289</td>
<td>401</td>
<td>889</td>
</tr>
<tr>
<td>2001</td>
<td>1349</td>
<td>424</td>
<td>925</td>
<td>0.4157</td>
<td>1390</td>
<td>437</td>
<td>953</td>
</tr>
<tr>
<td>2002</td>
<td>1375</td>
<td>429</td>
<td>946</td>
<td>0.5095</td>
<td>1156</td>
<td>361</td>
<td>795</td>
</tr>
<tr>
<td>2003</td>
<td>1068</td>
<td>373</td>
<td>695</td>
<td>0.6466</td>
<td>708</td>
<td>247</td>
<td>461</td>
</tr>
<tr>
<td>2004</td>
<td>1130</td>
<td>419</td>
<td>711</td>
<td>0.7142</td>
<td>678</td>
<td>251</td>
<td>427</td>
</tr>
<tr>
<td>2005</td>
<td>1132</td>
<td>421</td>
<td>711</td>
<td>0.6961</td>
<td>697</td>
<td>259</td>
<td>437</td>
</tr>
<tr>
<td>2006</td>
<td>1195</td>
<td>444</td>
<td>751</td>
<td>0.6918</td>
<td>740</td>
<td>275</td>
<td>465</td>
</tr>
<tr>
<td>2007</td>
<td>1103</td>
<td>455</td>
<td>648</td>
<td>0.7686</td>
<td>615</td>
<td>253</td>
<td>361</td>
</tr>
<tr>
<td>2008</td>
<td>1217</td>
<td>582</td>
<td>635</td>
<td>0.5569</td>
<td>936</td>
<td>448</td>
<td>489</td>
</tr>
<tr>
<td>2009</td>
<td>1262</td>
<td>623</td>
<td>639</td>
<td>0.7162</td>
<td>755</td>
<td>372</td>
<td>382</td>
</tr>
<tr>
<td>2010</td>
<td>1307</td>
<td>668</td>
<td>639</td>
<td>0.7504</td>
<td>746</td>
<td>382</td>
<td>365</td>
</tr>
<tr>
<td>2011</td>
<td>1361</td>
<td>692</td>
<td>668</td>
<td>0.7697</td>
<td>757</td>
<td>385</td>
<td>372</td>
</tr>
<tr>
<td>2012</td>
<td>1379</td>
<td>736</td>
<td>644</td>
<td>0.8318</td>
<td>710</td>
<td>379</td>
<td>331</td>
</tr>
<tr>
<td>2013</td>
<td>1328</td>
<td>738</td>
<td>590</td>
<td>0.8228</td>
<td>691</td>
<td>384</td>
<td>307</td>
</tr>
</tbody>
</table>

## Appendix 19: Fish Exports to World and China – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Actual Exports to World without China (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Adjusted Exports to World without China (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1289</td>
<td>38</td>
<td>1252</td>
<td>0.4284</td>
<td>1289</td>
<td>38</td>
<td>1252</td>
</tr>
<tr>
<td>2001</td>
<td>1349</td>
<td>46</td>
<td>1303</td>
<td>0.4157</td>
<td>1390</td>
<td>47</td>
<td>1343</td>
</tr>
<tr>
<td>2002</td>
<td>1375</td>
<td>58</td>
<td>1317</td>
<td>0.5095</td>
<td>1156</td>
<td>49</td>
<td>1107</td>
</tr>
<tr>
<td>2003</td>
<td>1068</td>
<td>45</td>
<td>1023</td>
<td>0.6466</td>
<td>708</td>
<td>30</td>
<td>677</td>
</tr>
<tr>
<td>2004</td>
<td>1130</td>
<td>91</td>
<td>1040</td>
<td>0.7142</td>
<td>678</td>
<td>54</td>
<td>624</td>
</tr>
<tr>
<td>2005</td>
<td>1132</td>
<td>113</td>
<td>1019</td>
<td>0.6961</td>
<td>697</td>
<td>69</td>
<td>627</td>
</tr>
<tr>
<td>2006</td>
<td>1195</td>
<td>98</td>
<td>1097</td>
<td>0.6918</td>
<td>740</td>
<td>61</td>
<td>679</td>
</tr>
<tr>
<td>2007</td>
<td>1103</td>
<td>93</td>
<td>1010</td>
<td>0.7686</td>
<td>615</td>
<td>52</td>
<td>563</td>
</tr>
<tr>
<td>2008</td>
<td>1217</td>
<td>127</td>
<td>1090</td>
<td>0.5569</td>
<td>936</td>
<td>98</td>
<td>838</td>
</tr>
<tr>
<td>2009</td>
<td>1262</td>
<td>136</td>
<td>1126</td>
<td>0.7162</td>
<td>755</td>
<td>82</td>
<td>673</td>
</tr>
<tr>
<td>2010</td>
<td>1307</td>
<td>160</td>
<td>1147</td>
<td>0.7504</td>
<td>746</td>
<td>92</td>
<td>655</td>
</tr>
<tr>
<td>2011</td>
<td>1361</td>
<td>281</td>
<td>1080</td>
<td>0.7697</td>
<td>757</td>
<td>156</td>
<td>601</td>
</tr>
<tr>
<td>2012</td>
<td>1379</td>
<td>336</td>
<td>1044</td>
<td>0.8318</td>
<td>710</td>
<td>173</td>
<td>538</td>
</tr>
<tr>
<td>2013</td>
<td>1328</td>
<td>394</td>
<td>934</td>
<td>0.8228</td>
<td>691</td>
<td>205</td>
<td>486</td>
</tr>
</tbody>
</table>

### Appendix 20: Wool Exports to World and Countries with TAs – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Actual Exports to World without TAs (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Adjusted Exports to World without TAs (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1004</td>
<td>306</td>
<td>698</td>
<td>0.4284</td>
<td>1004</td>
<td>306</td>
<td>698</td>
</tr>
<tr>
<td>2001</td>
<td>941</td>
<td>348</td>
<td>592</td>
<td>0.4157</td>
<td>970</td>
<td>359</td>
<td>611</td>
</tr>
<tr>
<td>2002</td>
<td>959</td>
<td>357</td>
<td>602</td>
<td>0.5095</td>
<td>806</td>
<td>300</td>
<td>506</td>
</tr>
<tr>
<td>2003</td>
<td>896</td>
<td>350</td>
<td>546</td>
<td>0.6466</td>
<td>594</td>
<td>232</td>
<td>362</td>
</tr>
<tr>
<td>2004</td>
<td>856</td>
<td>333</td>
<td>523</td>
<td>0.7142</td>
<td>513</td>
<td>200</td>
<td>314</td>
</tr>
<tr>
<td>2005</td>
<td>801</td>
<td>320</td>
<td>481</td>
<td>0.6961</td>
<td>493</td>
<td>197</td>
<td>296</td>
</tr>
<tr>
<td>2006</td>
<td>844</td>
<td>345</td>
<td>499</td>
<td>0.6918</td>
<td>523</td>
<td>214</td>
<td>309</td>
</tr>
<tr>
<td>2007</td>
<td>788</td>
<td>333</td>
<td>455</td>
<td>0.7686</td>
<td>439</td>
<td>186</td>
<td>254</td>
</tr>
<tr>
<td>2008</td>
<td>736</td>
<td>349</td>
<td>387</td>
<td>0.5569</td>
<td>566</td>
<td>268</td>
<td>298</td>
</tr>
<tr>
<td>2009</td>
<td>638</td>
<td>359</td>
<td>279</td>
<td>0.7162</td>
<td>382</td>
<td>215</td>
<td>167</td>
</tr>
<tr>
<td>2010</td>
<td>736</td>
<td>419</td>
<td>317</td>
<td>0.7504</td>
<td>420</td>
<td>239</td>
<td>181</td>
</tr>
<tr>
<td>2011</td>
<td>915</td>
<td>526</td>
<td>389</td>
<td>0.7697</td>
<td>509</td>
<td>293</td>
<td>216</td>
</tr>
<tr>
<td>2012</td>
<td>800</td>
<td>475</td>
<td>325</td>
<td>0.8318</td>
<td>412</td>
<td>245</td>
<td>167</td>
</tr>
<tr>
<td>2013</td>
<td>756</td>
<td>462</td>
<td>295</td>
<td>0.8228</td>
<td>394</td>
<td>240</td>
<td>153</td>
</tr>
</tbody>
</table>

Appendix 21: Wool Exports to World and China – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Actual Exports to World without China (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Adjusted Exports to World without China (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1004</td>
<td>151</td>
<td>853</td>
<td>0.4284</td>
<td>1004</td>
<td>151</td>
<td>853</td>
</tr>
<tr>
<td>2001</td>
<td>941</td>
<td>213</td>
<td>727</td>
<td>0.4157</td>
<td>970</td>
<td>220</td>
<td>750</td>
</tr>
<tr>
<td>2002</td>
<td>959</td>
<td>175</td>
<td>784</td>
<td>0.5095</td>
<td>806</td>
<td>147</td>
<td>659</td>
</tr>
<tr>
<td>2003</td>
<td>896</td>
<td>144</td>
<td>752</td>
<td>0.6466</td>
<td>594</td>
<td>96</td>
<td>498</td>
</tr>
<tr>
<td>2004</td>
<td>856</td>
<td>154</td>
<td>701</td>
<td>0.7142</td>
<td>513</td>
<td>93</td>
<td>421</td>
</tr>
<tr>
<td>2005</td>
<td>801</td>
<td>160</td>
<td>640</td>
<td>0.6961</td>
<td>493</td>
<td>99</td>
<td>394</td>
</tr>
<tr>
<td>2006</td>
<td>844</td>
<td>186</td>
<td>658</td>
<td>0.6918</td>
<td>523</td>
<td>115</td>
<td>407</td>
</tr>
<tr>
<td>2007</td>
<td>788</td>
<td>174</td>
<td>614</td>
<td>0.7686</td>
<td>439</td>
<td>97</td>
<td>342</td>
</tr>
<tr>
<td>2008</td>
<td>736</td>
<td>190</td>
<td>546</td>
<td>0.5569</td>
<td>566</td>
<td>146</td>
<td>420</td>
</tr>
<tr>
<td>2009</td>
<td>638</td>
<td>240</td>
<td>398</td>
<td>0.7162</td>
<td>382</td>
<td>143</td>
<td>238</td>
</tr>
<tr>
<td>2010</td>
<td>736</td>
<td>292</td>
<td>444</td>
<td>0.7504</td>
<td>420</td>
<td>167</td>
<td>254</td>
</tr>
<tr>
<td>2011</td>
<td>915</td>
<td>396</td>
<td>518</td>
<td>0.7697</td>
<td>509</td>
<td>221</td>
<td>289</td>
</tr>
<tr>
<td>2012</td>
<td>800</td>
<td>388</td>
<td>411</td>
<td>0.8318</td>
<td>412</td>
<td>200</td>
<td>212</td>
</tr>
<tr>
<td>2013</td>
<td>756</td>
<td>395</td>
<td>361</td>
<td>0.8228</td>
<td>394</td>
<td>206</td>
<td>188</td>
</tr>
</tbody>
</table>

Appendix 22: Wood Exports World and Countries with TAs – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Actual Exports to World without TAs (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to Countries with TAs (fob NZ$ millions)</th>
<th>Adjusted Exports to World without TAs (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2189</td>
<td>753</td>
<td>1436</td>
<td>0.4284</td>
<td>2189</td>
<td>753</td>
<td>1436</td>
</tr>
<tr>
<td>2001</td>
<td>2255</td>
<td>660</td>
<td>1595</td>
<td>0.4157</td>
<td>2324</td>
<td>680</td>
<td>1643</td>
</tr>
<tr>
<td>2002</td>
<td>2502</td>
<td>869</td>
<td>1633</td>
<td>0.5095</td>
<td>2104</td>
<td>731</td>
<td>1373</td>
</tr>
<tr>
<td>2003</td>
<td>2081</td>
<td>775</td>
<td>1305</td>
<td>0.6466</td>
<td>1378</td>
<td>514</td>
<td>865</td>
</tr>
<tr>
<td>2004</td>
<td>2101</td>
<td>743</td>
<td>1358</td>
<td>0.7142</td>
<td>1260</td>
<td>446</td>
<td>815</td>
</tr>
<tr>
<td>2005</td>
<td>1913</td>
<td>678</td>
<td>1235</td>
<td>0.6961</td>
<td>1177</td>
<td>417</td>
<td>760</td>
</tr>
<tr>
<td>2006</td>
<td>2136</td>
<td>811</td>
<td>1325</td>
<td>0.6918</td>
<td>1323</td>
<td>502</td>
<td>821</td>
</tr>
<tr>
<td>2007</td>
<td>2089</td>
<td>798</td>
<td>1291</td>
<td>0.7686</td>
<td>1164</td>
<td>445</td>
<td>720</td>
</tr>
<tr>
<td>2008</td>
<td>2184</td>
<td>933</td>
<td>1251</td>
<td>0.5569</td>
<td>1680</td>
<td>718</td>
<td>963</td>
</tr>
<tr>
<td>2009</td>
<td>2319</td>
<td>1261</td>
<td>1058</td>
<td>0.7162</td>
<td>1387</td>
<td>754</td>
<td>633</td>
</tr>
<tr>
<td>2010</td>
<td>2949</td>
<td>1680</td>
<td>1268</td>
<td>0.7504</td>
<td>1684</td>
<td>959</td>
<td>724</td>
</tr>
<tr>
<td>2011</td>
<td>3197</td>
<td>1865</td>
<td>1333</td>
<td>0.7697</td>
<td>1780</td>
<td>1038</td>
<td>742</td>
</tr>
<tr>
<td>2012</td>
<td>3162</td>
<td>1925</td>
<td>1238</td>
<td>0.8318</td>
<td>1629</td>
<td>991</td>
<td>637</td>
</tr>
<tr>
<td>2013</td>
<td>3859</td>
<td>2532</td>
<td>1327</td>
<td>0.8228</td>
<td>2009</td>
<td>1318</td>
<td>691</td>
</tr>
</tbody>
</table>

## Appendix 23: Wood Exports World and China – Actual and Adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Exports to World (fob NZ$ millions)</th>
<th>Actual Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Actual Exports to World without China (fob NZ$ millions)</th>
<th>Year end NZ$ per US$</th>
<th>Adjusted Exports to World (fob NZ$ millions)</th>
<th>Adjusted Exports to China, People’s Republic of (fob NZ$ millions)</th>
<th>Adjusted Exports to World without China (fob NZ$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2189</td>
<td>88</td>
<td>2101</td>
<td>0.4284</td>
<td>2189</td>
<td>88</td>
<td>2101</td>
</tr>
<tr>
<td>2001</td>
<td>2255</td>
<td>149</td>
<td>2106</td>
<td>0.4157</td>
<td>2324</td>
<td>154</td>
<td>2170</td>
</tr>
<tr>
<td>2002</td>
<td>2502</td>
<td>223</td>
<td>2279</td>
<td>0.5095</td>
<td>2104</td>
<td>188</td>
<td>1916</td>
</tr>
<tr>
<td>2003</td>
<td>2081</td>
<td>193</td>
<td>1887</td>
<td>0.6466</td>
<td>1378</td>
<td>128</td>
<td>1251</td>
</tr>
<tr>
<td>2004</td>
<td>2101</td>
<td>162</td>
<td>1939</td>
<td>0.7142</td>
<td>1260</td>
<td>97</td>
<td>1163</td>
</tr>
<tr>
<td>2005</td>
<td>1913</td>
<td>152</td>
<td>1761</td>
<td>0.6961</td>
<td>1177</td>
<td>94</td>
<td>1084</td>
</tr>
<tr>
<td>2006</td>
<td>2136</td>
<td>244</td>
<td>1892</td>
<td>0.6918</td>
<td>1323</td>
<td>151</td>
<td>1172</td>
</tr>
<tr>
<td>2007</td>
<td>2089</td>
<td>235</td>
<td>1854</td>
<td>0.7686</td>
<td>1164</td>
<td>131</td>
<td>1033</td>
</tr>
<tr>
<td>2008</td>
<td>2184</td>
<td>347</td>
<td>1837</td>
<td>0.5569</td>
<td>1680</td>
<td>267</td>
<td>1413</td>
</tr>
<tr>
<td>2009</td>
<td>2319</td>
<td>703</td>
<td>1616</td>
<td>0.7162</td>
<td>1387</td>
<td>421</td>
<td>966</td>
</tr>
<tr>
<td>2010</td>
<td>2949</td>
<td>994</td>
<td>1955</td>
<td>0.7504</td>
<td>1684</td>
<td>567</td>
<td>1116</td>
</tr>
<tr>
<td>2011</td>
<td>3197</td>
<td>1179</td>
<td>2018</td>
<td>0.7697</td>
<td>1780</td>
<td>656</td>
<td>1123</td>
</tr>
<tr>
<td>2012</td>
<td>3162</td>
<td>1240</td>
<td>1922</td>
<td>0.8318</td>
<td>1629</td>
<td>639</td>
<td>990</td>
</tr>
<tr>
<td>2013</td>
<td>3859</td>
<td>1899</td>
<td>1960</td>
<td>0.8228</td>
<td>2009</td>
<td>989</td>
<td>1020</td>
</tr>
</tbody>
</table>

Appendix 24: Ethics Approval Documents for the Research

[Image of a letter from Academic Services to Dr. L. McNeill, Department of Marketing, Division of Commerce, School of Business, dated 23 May 2014]

The letter includes:
- Acknowledgment of an amendment request for a student's name and University of Otago contact details to be placed on the advertisement.
- Confirmation of the proposal's continued approval by the Human Ethics Committee.
- A request for notification of any changes to the approved application.

Signatures:
- Gary Witte, Manager, Academic Committees
- Dr. L. McNeill

C.C. Assoc. Prof. R.W. Aitken, Department of Marketing
HUMAN ETHICS APPLICATION: CATEGORY a

PLEASE read carefully the instructions “Filling out your Human Ethics Application” and important notes on the last page of this form. Provide a response to each question, failure to do so may delay the consideration of your application.

1. University of Otago staff member responsible for project:
   (surname) (first name) (title)
   McNell Lisa Dr

2. Department: Marketing.

3. Contact details of staff member responsible:
   Tel: +6434795758. E-mail: lisa.mcnell@otago.ac.nz

4. Title of project: Entry strategy in Asian emerging economies: Implications of international trade agreements.

5. Indicate type of project and names of other investigators and students:
   Staff Research
   [ ] Names: ________________________________

   Student Research
   [x] Names: Pramuk Perera
   Level of Study (e.g. PhD, Masters, Honz)
   PhD

   External Research/ Collaboration
   [ ] Names: ________________________________

   Institute/Company
   ________________________________
6. Is this a repeated class teaching activity?
   No.
   If YES, and this application is to continue a previously approved repeated class teaching activity, please provide Reference Number:

7. Fast-Track procedure
   Do you request fast-track consideration? *(See 'Filling Out Your Human Ethics Application')*
   No.
   If YES, please state specific reasons:

8. When will recruitment and data collection commence?
   June, 2013.
   When will data collection be completed?

9. Funding of project.
   Is the project to be funded by an external grant?
   No.
   If YES, please specify who is funding the project:

   If commercial use will be made of the data, will potential participants be made aware of this before they agree to participate? If not, please explain:
   Yes.

10. Brief description in lay terms of the purpose of the project (approx. 75 words):
    Currently, international trade agreements have been successful in setting up strong business links for participating countries in Asia (e.g. NZCFTA, ISLFTA, ASEAN and APTA). Trade agreements such as these have resulted in increasing international trade and business. World Trade Organization (WTO) believes that Trade Agreements have become increasingly prevalent since the early 1990s. “As of 10 January 2013, some 546 notifications of Regional Trade Agreements had been received by the GATT/WTO. Of these, 354 were in force” *(WTO, 2013)*. The key to increase in international business for
Application Form for ethical consideration of research and teaching proposals involving human participants

any firm lies in entering markets of other countries. This project considers the influence of the New Zealand-China Free Trade Agreement on the international business of firms based in New Zealand. The objective of this study is to take the New Zealand-China Free Trade Agreement and explore firms’ views of this agreement and related foreign market entry strategies.

11. **Aim of project, including the research questions the project is intended to answer:**

The specific aim of the project is to explore perceptions and opinions of firms based in New Zealand in respect of Trade Agreement to investigate their influence on entering a foreign market.

The general research question to be explored in relation to this study is:

1. How do the Trade Agreements influence firms based in the home nation when entering the market of the partner nation?

12. **Researcher or instructor experience and qualifications in this research area:**

**Principal Researcher: Dr. Lisa McNell**

Director of the International Business Programme

Senior Lecturer at the Department of Marketing

**Student Researcher: Pramuk Perera**

**Academic Qualifications:**


**Experience:**

Over half a decade of direct and indirect international business experience at top of a range global organizations such as IBM, Unilever, AVIAREPS, Kenya Tourist Board, DFW Int. Airport, etc. with experience in Asia, Europe and Middle East (and now in Pacific) in highly multi-cultural environments. Furthermore, I have worked and communicated with people around the world with visiting over 15 countries predominantly for international business development.

13. **Participants**

13(a) **Population from which participants are drawn:**
Application Form for ethical consideration of research and teaching proposals involving human participants

The study intends to use respondents from firms involved in international business based in New Zealand. Firms will be selected using convenience sampling method.

13(b) Specify inclusion and exclusion criteria:

Selected firm/respondent should satisfy following conditions:

1. Firm:
   a. Involved in international business.
   b. Operates in any industry.

2. Respondent:
   a. An employee(s) of a selected firm.
   b. Works at management level.
   c. Responsible for international business operation.
   d. Over 18 years

13(c) Estimated number of participants:

Representatives from maximum 50 firms in New Zealand, maximum of 50 firms will be sought – The final number of participants will depend on the resource availability.

13(d) Age range of participants:

Over 18 years

13(e) Method of recruitment:

Assistance will be requested from the organizations such as New Zealand Trade and Enterprise, Ministry of Foreign Affairs and Trade, City Councils, Chamber of Commerce, etc. However, firms will be selected based on convenience. To gain an effective understanding of firms’ perceptions and opinions, it is necessary to engage in face to face interviews. Face to face interviews result in less restricted data than a mail or telephone survey as respondents can ask clarifying questions. This type of data collection allows researchers to uncover information in a way that survey data cannot.

13(f) Please specify any payment or reward to be offered:

No payment will be made to any participant.

14. Methods and Procedures:
Application Form for ethical consideration of research and teaching proposals involving human participants

Unstructured interview protocols will be used to guide data collection, providing a checklist of topics to be covered during the interview.

Participant in this study will not be asked to reveal personal information or asked sensitive questions outside of general information such as name, designation, phone number and email. Participants will be advised of their right to withdraw from the project at any time without disadvantage, and will be advised of the University of Otago ethics policy regarding storage and access to information collected as part of this study.

The line of questioning is as follows:

- Awareness of the Trade Agreement.
- Utilization of the Trade Agreement.
- Business expansion due to Trade Agreement.
- Trade Agreement’s impact on the partner country market entry.
- Views on the home government’s support to enter into the market of the partner country.
- What would be the interest of entering partner country if there was no a Trade Agreement.
- Overall perception of Trade Agreement and government support to improve business.
- Any other relevant question.

15. Compliance with The Privacy Act 1993 and the Health Information Privacy Code 1994 imposes strict requirements concerning the collection, use and disclosure of personal information. These questions allow the Committee to assess compliance.

15(a) Are you collecting and storing personal information directly from the individual concerned that could identify the individual?

Yes. Name, designation, phone number and email address will be collected to contact the respondent if need of clarification or further information arises.

15(b) Are you collecting information about individuals from another source? Please explain:

No.

15(c) Collecting Personal Information:

- Will you be collecting personal information?
Application Form for ethical consideration of research and teaching proposals involving human participants

Yes. Name, designation, phone number and email address will be collected to contact the respondent if need of clarification or further information arises.

- Will you be informing participants of the purpose for which you are collecting the information and the uses you propose to make of it?
  
  Yes.

- Will you be informing participants who will receive the information?
  
  Yes.

- Will you inform participants of the consequences, if any, of not supplying the information?
  
  Yes.

- Will you inform the participants of their rights of access to and correction of personal information?
  
  Yes.

Where the answer is YES, please make sure the information is available in the Information Sheet for Participants.

If you are NOT informing them of the points above, please explain why:

15(d) Please outline your data storage and security procedures.

Data will be stored according to the university guidelines; original data of published material to be archived for at least five years after publication for possible future scrutiny. The data will be kept in secure storage within the University Department.

Personal information which generally refers to the contact details and audio tapes will be destroyed after they have been transcribed.

15(e) Who will have access to personal information, under what conditions, and subject to what safeguards?

Who: Student researcher and the supervisor(s).

Condition: Strictly for data analysis, and to contact the respondents for further clarifications (if necessary).

Safeguards: No disclosure to any other party; safeguards the interest of participants.
Application Form for ethical consideration of research and teaching proposals involving human participants

Will participants have access to the information they have provided?
Yes.

15(f) Do you intend to publish any personal information they have provided?
No.
If YES, please specify in what form you intend to do this?

15(g) Do you propose to collect demographic information to describe your sample? For example: gender, age, ethnicity, education level, etc.
No.

15(h) Have you, or do you propose to undertake Māori consultation? Please choose one of the options below, and delete the options that do not apply:
Yes. Research Consultation with Māori online form was submitted on 16th April 2013.
If not, please provide a brief outline of reasons why not:

16. Does the research or teaching project involve any form of deception?
No.
If yes, please explain all debriefing procedures:

17. Please disclose and discuss any potential problems: (For example: medical/legal problems, issues with disclosure, conflict of interest, etc)

18. Applicant's Signature: .................................................................
[Principal Applicant: as specified in Question 1]
Date: .................................

19. Departmental approval: I have read this application and believe it to be scientifically and ethically sound. I approve the research design. The Research proposed in this application is compatible with the University of Otago policies and I give my consent for the application to be forwarded to the University of Otago Human Ethics Committee with my recommendation that it be approved.
Application Form for ethical consideration of research and teaching proposals involving human participants

Signature of "Head of Department: .................................................................

Name of Signatory (please print): .................................................................

Date: .................................................................

*(In cases where the Head of Department is also the principal researcher then an appropriate senior staff member in the department must sign)

Please attach copies of the Information Sheet, Consent Form, and Advertisement for Participants

[Please send the original and 17 copies of the application, double-sided and stapled, to Academic Committees, Room G25 or G24, Ground Floor, Clocktower Building, University of Oxford]
ENTRY STRATEGY IN ASIAN EMERGING ECONOMIES: IMPLICATIONS OF INTERNATIONAL TRADE AGREEMENTS - INFORMATION SHEET FOR PARTICIPANTS

Thank you for showing an interest in this project. Please read this information sheet carefully before deciding whether or not to participate. If you decide to participate we thank you. If you decide not to take part there will be no disadvantage to you and we thank you for considering our request.

What is the aim of the project?

Currently, international trade agreements have been successful in setting up strong business links for participating countries in Asia (e.g. NZCTA, ISLFTA, ASEAN and APTA). Trade agreements such as these have resulted in increasing international trade and business. World Trade Organization (WTO) believes that Trade Agreements have become increasingly prevalent since the early 1990s. ‘As of 10 January 2013, some 546 notifications of Regional Trade Agreements had been received by the GATT/WTO. Of these, 354 were in force’ (WTO, 2013). The key to increase in international business for any firm lies in entering markets of other countries. This project considers the influence of New Zealand-China Free Trade Agreement on the international business of firms based in New Zealand. The objective of this study is to take New Zealand-China Free Trade Agreement and explore firms’ views of this agreements and related foreign market entry strategies.

This project is being undertaken as part of the requirements for the Doctor of Philosophy in International Business.

What type of participants is being sought?

We are seeking management level employees responsible for international business operations at 50 firms based in New Zealand. Firm can fall into any industry. Research findings will not be shared among participants.

What will participants are asked to do?
Application Form for ethical consideration of research and teaching proposals involving human participants

Should you agree to take part in this project, you will be asked to spend about 1 hour of your time in a face to face interview to answer questions related to the impacts of New Zealand-China Free Trade Agreement on your firm’s business.

Please be aware that you may decide not to take part in the project without any disadvantage to yourself of any kind.

What data or information will be collected and what use will be made of it?

Data relating to the firm’s view of New Zealand-China Free Trade Agreement will be collected. Data collected will be analysed and the responses used as part of a larger study of Trade Agreement and market entry. Access to data will be restricted to the researcher collecting the information, the director of the project, Dr. Lisa McNeill (University of Otago) and her colleagues.

Interview will be audio-taped and transcribed; you will have the opportunity to correct the information that relates to you (if necessary) within one month from the interview date.

Data will be stored according to the university guidelines. Personal information which generally refers to the contact details and audio tapes will be destroyed after they have been transcribed.

Can Participants Change their Mind and Withdraw from the Project?

You may withdraw from participation in the project at any time and without any disadvantage to yourself of any kind.

What if Participants have any Questions?

If you have any questions about our project, either now or in the future, please feel free to contact either:-

Dr. Lisa McNeill and/or Pramuk Perera

Department of Marketing Department of Marketing

Tel. No.: +6434795758 Tel. No.: +6434798412

Email: lisa.mcneill@otago.ac.nz Email: pramuk.perera@otago.ac.nz

This study has been approved by the University of Otago Human Ethics Committee. If you have any concerns about the ethical conduct of the research you may contact the Committee through the Human Ethics Committee Administrator (Tel. +64 3 479 8256). Any issues you raise will be treated in confidence and investigated and you will be informed of the outcome.
Application Form for ethical consideration of research and teaching proposals involving human participants

ENTRY STRATEGY IN ASIAN EMERGING ECONOMIES: IMPLICATIONS OF INTERNATIONAL TRADE AGREEMENTS. - CONSENT FORM FOR PARTICIPANTS

I have read the Information Sheet concerning this project and understand what it is about. All my questions have been answered to my satisfaction. I understand that I am free to request further information at any stage.

I know that:

1. My participation in the project is entirely voluntary;

2. I am free to withdraw from the project at any time without any disadvantage;

3. Personal identifying information [name, designation, contact no., email and audio-tapes] will be destroyed at the conclusion of the project but any raw data on which the results of the project depend will be retained in secure storage for at least five years;

4. This project involves an open-questioning technique. The general line of questioning includes the impacts of New Zealand-China Free Trade Agreement on my firm's business. The precise nature of the questions which will be asked have not been determined in advance but will depend on the way in which the interview develops and that in the event that the line of questioning develops in such a way that I feel hesitant or uncomfortable I may decline to answer any particular question(s) and/or may withdraw from the project without any disadvantage of any kind;

7. The results of the project may be published and will be available in the University of Otago Library (Dunedin, New Zealand) but every attempt will be made to preserve my anonymity.

I agree to take part in this project.

========================================  =========
(Signature of participant)  (Date)

This study has been approved by the University of Otago Human Ethics Committee. If you have any concerns about the ethical conduct of the research you may contact the Committee through the Human Ethics Committee Administrator (Tel: +64 3 479 8356). Any issues you raise will be treated in confidence and investigated and you will be informed of the outcome.
Application Form for ethical consideration of research and teaching proposals involving human participants

Advertisement will be sent to organizations such as New Zealand Trade and Enterprise, Ministry of Foreign Affairs and Trade, City Councils, Chamber of Commerce, etc., to be displayed on their notice boards/websites or to be distributed to relevant firms. Advertisement will also be displayed on the School of Business notice board.

ENTRY STRATEGY IN ASIAN EMERGING ECONOMIES: IMPLICATIONS OF INTERNATIONAL TRADE AGREEMENTS

The intention of this study is to understand the impacts of Trade Agreements on firms involved in international business.

The specific aim of the project is to explore perceptions and opinions of firms based in New Zealand in respect of New Zealand-China Free Trade Agreement, to investigate its influence on entering a foreign market.

If you are attached to a firm involved in international business, directly responsible for international business operations, and over 18 years of age you are more than welcome to share thoughts and ideas.

Please contact,

Pramuk Perera
PhD Candidate in International Business
Email: pramuk.perera@otago.ac.nz
Telephone: +64 3 479 8412
Address: Department of Marketing, School of Business, University of Otago, 60 Clyde Street, PO Box 56, Dunedin 9054, New Zealand.

[This project has been reviewed and approved by the University of Otago Human Ethics Committee. Reference: #/#/#]
Appendix 25: Publications, Working Papers, Lectures, Speeches and Media Involvements

Academic Publications:


Working papers:

Influence of international trade agreements on foreign market entry – review

Influence of international trade agreements on foreign market entry – empirical study

Lectures/Speeches:


**Media Involvements:**


http://www.exportermagazine.co.nz/articles/positive-reaction-korea-fta


Influence of International Trade Agreements on International Business: A Conceptual Model

PRAMUK PERERA

Department of Marketing/Management, Otago Business School, Dunedin, New Zealand

The article provides a conceptual model, developed from analyzing over fifty trade agreement related research studies published during the last decade, which allows international business scholars to explore the influence of trade agreements (custom unions, free trade agreements, preferential trade agreements, regional trade agreements) on foreign market entry strategies. This model is an attempt to develop IB theory to address the current research gap in this very narrow but important field. Empirical findings generated by interviewing dairy produce exporters in New Zealand reveal a remarkable connection between TAs and IB, with TAs found to influence the regulative environment of participating countries, which may in turn reduce the regulative distance between member nations. The contribution provides a basis for IB researchers to explore this connection in multiple industries/countries.

KEYWORDS international business, international economics, trade agreements, World Trade Organization

INTRODUCTION

Currently, international trade agreements (TAs) have been successful in setting up strong business links for participating countries in the world (e.g., North American Free Trade Agreement [NAFTA], European Union [EU], Association of South East Asian Nations [ASEAN], and Asia Pacific Trade

Received November 4, 2014, accepted February 16, 2015.
Address correspondence to Pramuk Perera, Otago Business School, 60 Clyde Street, PO Box 96, Dunedin 9054, New Zealand. E-mail: pramuk.perera@otago.ac.nz.
Color versions of one or more of the figures in the article can be found online at www.tandfonline.com/wjeb.

205

CX
Agreement (APTA). TAs such as these have resulted in increasing international trade and business. The World Trade Organization (WTO) believes that TAs have become increasingly prevalent since the early 1990s. “As of January 2014, some 583 notifications of RTAs had been received by the General Agreement of Tariffs and Trade (GATT)/WTO. Of these, 377 were in force” (WTO 2014).

TAs are not new to the world. Trade cooperation history goes back to the seventeenth century when a TA was formed between Prussia and Hesse-Darmstadt in 1828. Progressive from there, in 1957, the Treaty of Rome was established among Germany, France, Italy, Belgium, Luxembourg, and the Netherlands (now the European Union). In the 1960s, the Latin American Free Trade Association, the Andean Pact, and the Central American Common Market were formed. A TA between the US and Canada was established in 1989, and the Association of Southeast Asian Nations TA was signed in 1967 (Perez-Batres, 2012). The EU-Korea TA in 2011, which eliminates 97% of all tariff barriers, is one of the most comprehensive agreements in the world today (Kawai and Wignaraja 2011). The significance of TAs hinge on the sudden proliferation during the last few decades (Melatos and Woodland 2007; Ornelas 2008). The proliferation of trade agreements is thought to reduce trade barriers in a preferential way (Jugumath, Stewart, and Brookes 2007).

During the period of 1970–75, TAs increased from 41 to 86 worldwide (Baier and Bergstrand 2000). Between 1991 to 2005 the average number of TAs held by each country increased from 1.8 to 9.9 (Chen and Joshi 2010). Today, almost all countries are a member of at least one TA and at least one third of all world trade is taking place under TAs (Karacaoglu and Limão 2008). After WTO trade talks in Cancun in Mexico, there was a rise in regional TAs such as the European Union (EU), North American integration (NAFTA), Central American Free Trade Agreement (CAFTA), and Gulf Cooperation Council (GCC) (Bhattacharya and Bhattacharyya 2007).

The formation of the EU was a major contributing factor for TA proliferation since 1995. Political reasons such as greater peace and stability, support for democratic reforms, furthering of trade and investment liberalization in developing countries, and accessing new markets for EU exports have pushed the EU to participate in TAs. Furthermore, developing countries receive preferential access to the EU market and aid (Francois, McQueen, and Wignaraja 2005).

This study contributes to the existing international business (IB) theory by presenting a conceptual model that describes a clear connection of TAs and IB. This connection has not been presented in previous studies, as IB scholarly work has so far not explored TAs in the IB context. We have attempted to address this gap in this article. This missing connection we present will enable future IB researchers to explore this empirically in multiple industries to prove the validity of that link. To present this contribution clearly the study is structured as follows: the next section elaborates the research problem, Section 3 illustrates existing theory, Section 4 explains
the consequences, and Section 5 presents the empirical findings. Finally the discussion and conclusions are presented.

RESEARCH PROBLEM

Previous studies (Arnold and Reeves 2006; Marangos 2006; Gani and Prasad 2008; Karacaoglu and Limão 2008; Lee, Owen, and Mensbrugge 2009; Gani 2011; Mushkat and Mushkat 2011; Gupta et al. 2011; Hochman, Tabakis, and Zilberman 2012; Medvedev 2012; Viju and Kerr 2012) give the impression that TAs may possess a considerable impact on the strategy of a firm involved in international business due to the fact that a TA is a contractual agreement (Goode 2007). Therefore TAs carry a legal aspect, which may possibly impact the institutional conditions of the member nation. Xie et al. (2011) state that an institutional difference between host and home country has an effect on the strategic positioning of the firm in the host country. The increasing power of WTO and its influence on almost all areas of governments in member countries will reshape the institutional condition including law and order, regulatory barriers, property rights, government effectiveness, and corruption (Mushkat and Mushkat 2011). Though TAs may have industry- and firm-level consequences, it is mainly the institutional condition (which was recognized as the third leg of the strategy tripod by Peng (2006) and Peng, Wang, and Jiang (2008)) that gets directly affected.

Various studies have been completed to explore the impacts of industry-based competition and firm-specific resources and capabilities on firms’ internationalization process. Nevertheless there are not many studies focusing on institutional conditions, specifically the proliferation of TAs, and the resulting consequences on participating and nonparticipating countries. Market entry decisions are some of the most significant strategic decisions of a firm (García-Villaverde, Ruiz-Ortega, and Patra-Requena 2012). The international market entry strategy of a firm may include the three interlocking questions: (1) location, (2) time, and (3) mode, or in other words, where, when, and how (Tse, Pan, and Au 1997; Gaba, Pan, and Ungson 2002; Mudambi and Mudambi 2002; Graf and Mudambi 2005; Peng 2006; Huang and Sternequist 2007). International business scholars have not made an effort to investigate the influence of TAs on the three questions (location, time, and mode) of international market entry strategy. Though there are some excellent studies related to TAs by IB scholars such as Javalgi et al. (2010) and by many international economics scholars (Saggi and Yildiz 2010; Limão and Tovar 2011; Eicher and Henn 2011; Baldwin and Jaimovich 2012) no research in this area of investigating the influence of TAs on foreign market entry strategy has been carried out, which highlights a significant literature gap in this specific area of international business theory (Model 1). This study fulfills this gap by providing a conceptual model supported and connected
with previous studies and testing it empirically via taking New Zealand's main exporting industry into consideration. In addition, this model provides the necessary foundation to test the model empirically in additional industries and countries in future research.

The relationship among TAs, institutional conditions, and entry strategy has the potential of building a timely and significant narrative of firm internationalization. Institutional theory possibly suggests a more legitimate approach to firm internationalization on top of an economic perspective (Palmer, Jennings, and Zhou 1993; Haunschild and Miner 1997; Javalgi et al. 2010). Legitimacy is important for firms to be socially acceptable and credible in a market (Chan, Makino, and Isobe 2006). Hence, in addition to strategic considerations such as economic benefit, market power, and transaction cost, firms may also factor in social considerations (Oliver 1992; Chan et al. 2006). DiMaggio and Powell (1983) state that legitimacy can be gained by coercive, normative, and mimetic isomorphism. This is similar to Scott’s (1995) regulative, normative, and cognitive pillars of institutional theory, which explain the legal, social, and psychological elements of institutional conditions (Huang and Sternquist 2007; Model 2). If TAs impact the institutional condition of the host country that indicates that TAs may have the potential to determine the legitimacy of the foreign market entry decisions (where, when, and how; Guillén 2002; Chan et al. 2006). Therefore the investigation of the connection between TAs, institutional condition, and entry strategy will build a significant narrative in IB. This narrative has conceptually presented and empirically tested in this article.

![Diagram](image-url)

*While boxes represented by black arrows show the main theories around this research.

*Dark dotted line shows the existing literature gap and which has connected conceptually in the model and provides a basis for future empirical research.

**Figure 1** Model 1: International trade agreements' influence on international business strategy.

Adapted from:

Influence of TAs on IB

![Diagram](image)

**FIGURE 2** Model 2: International trade agreements’ influence on institutional environment.

This research fills the literature gap between TAs and foreign market entry strategy by explaining the impact of TAs on firms in terms of location (where), time (when), and mode (how) considerations of a firm (Figures 1 and 2).

**Model 1**: This is the main conceptual model. This model shows a rational connection between TAs and foreign market entry strategy. TA is a legal agreement that has a direct influence on the regulative environment of the participating countries. The thick black arrow connecting TAs with the regulative environment explains that. Regulative environment is one leg of institutional conditions that TAs directly impact. The other two factors, i.e., the normative and cognitive environments, may have not as strong an impact as regulative environment, which is represented via the broken arrows from TA to normative and cognitive environments. Regulative, normative, and cognitive environments are the components of institutional conditions. Thick arrows from these three environments to institutional conditions represent that. Entry strategy, which is the combination of where, when, and how to enter, get affected by institutional conditions, firm-specific resources and capabilities, and industry-based competition. Again the thick arrows between these represent that connection.

**Model 2**: This model provides an in depth view of how TAs can impact Institutional conditions. TAs affect the institutional conditions. Firms work within the limits of those institutional conditions to gain the social acceptance and credibility, which is important for the success of business.

**EXISTING THEORY**

Institutional Conditions

Institutional conditions (simply known as the rules, regulations, customs and practices) play a significant role in business environment. They have
the biggest controlling power of almost all aspects of the business world and as well as society. Institutional conditions can be viewed as a source of transaction cost (Peng et al. 2008), considered to be one leg of the strategy tripod in H3 introduced by Peng et al. (2008). The other two legs are the industry-based view introduced by Porter (1980), which suggests that industry conditions reshape the strategy and performance and the resource-based view introduced by Barney (1991), which suggests that firm-specific resources drive strategy and differences (Peng et al. 2008).

North (1990b) states "institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction" (p. 3). Furthermore, Scott (1995) interprets institutions as "regulative, normative, and cognitive structures and activities that provide stability and meaning to social behaviour" (p. 33). Peng et al. (2008) highlight that "institutions govern societal transactions in the areas of politics (e.g., corruption, transparency), law (e.g., economic liberalization, regulatory regime), and society (e.g., ethical norms, attitudes toward entrepreneurship)" (p. 6). The institutional environment therefore consists of individual beliefs and values, and the legal, political, and economic systems wherein a firm has to function. In other words the institutional environment has three pillars: (1) regulatory, rules that govern economic activity; (2) normative, societal values and beliefs; and (3) cognitive, implicit assumptions surrounding economic activity (Scott 1995; Kumar and Wom 2004).

Culture can also be considered a part of informal framework that supports formal institutions. Informal networks such as Guanxi are a part of Chinese culture that plays an informal institutional role. Any organization involved in business with China interferes with these informal institutional conditions. Guanxi refers to instrumental-personal ties that can range from strong personal loyalties through to what some westerners perceive as corrupt practices" (Berrell and Wrathall 2007, p. 60). Guanxi is more personal and durable and leads to more reciprocal exchange of favors than business networks (Kumar and Wom 2004; Peng et al. 2008).

Institutional conditions can vary for a plethora of reasons in any given country. For example, incidences such as 9/11 in the US and the 2005 London bombing in Great Britain may make major changes to institutional conditions. This momentum of continuous change can be known as institutional transitions. Emerging economies' institutional conditions differ from developed countries' institutional conditions. Also it is reasonable to argue that institutional conditions change from country to country, and firms that operate in multiple countries have to adjust accordingly. There can be various institutional issues, some of the key areas are law and order, regulatory barriers, property rights, government effectiveness, and control of corruption. Intergovernmental relationships and types of government also reshape the institutional conditions. Longer bilateral diplomatic relations increase the chances of firm bilateral investment. Firms are more likely to choose open
cities and economic zones in equity-based entry (Pan and Tse 2000). Therefore, it is interesting to understand how institutions matter as a whole, at least in terms of TAs, which is the core of this study (Gani and Prasad 2008; Peng et al. 2008).

Some of the key areas of institutional conditions and related studies are summarized in Table 1.

**TAs**

The theory of free trade has been discussed for the last two centuries in Economics. Specifically, how trade may benefit countries has been illustrated by Adam Smith (1776) as well as David Hume (1752, Krugman and Obstfeld 2009). Free trade possibly originated with the notion of “comparative advantage,” a theory disseminated by Adam Smith and developed by David Ricardo. According to Smith (1776) a country would benefit by producing and exporting the goods that can be produced more efficiently than other countries. He states that the advantage comes from superior labor and natural resources. Ricardo (1817) also provides a similar perspective. According to him, a country should specialize in the products it produces efficiently and should import what the country produces with less efficiency (Malkawi 2011; Gounder and Prasad 2011; Perez-Batres 2012).

Widely available literature about welfare and trade has become the basis for research in international Economics. After Jacob Viner’s explanation of

<table>
<thead>
<tr>
<th>Theories related to institutional conditions</th>
<th>Related studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional conditions and market entry</td>
<td>Palmer et al. (1993), Haunschild and Miner (1997), Coen, Center and Murray (2008), Kostova (1999), Xu et al. (2004)</td>
</tr>
</tbody>
</table>

*Source: Research data.*
welfare, trade creation, and trade diversion, economists began to evaluate these variables. Traditionally most of the economic theories suggest that trade between two countries increase when there is a TA in place. Viner (1950) illustrates that TAs do not necessarily deliver gains to members. The trade creation-trade diversion approach derived from his literature motivated economists to recognize trade-creating TAs as positive agreements and trade-diverting TAs as negative agreements.

Welfare is significant in deciding the participation of a TA. TAs bring positive welfare if the preferential partner is more efficient than rest of the world and vice versa. Egger, Egger, and Greenaway (2008) identify the factors that influence welfare: these being economic geography, interindustry trade forces, and intra-industry trade forces. However Abrego, Riezman, and Whalley (2006) state that even after 50 years of research whether TAs actually raise welfare and tariff levels remains ambiguous. Eichler and Henn’s (2011) empirical analysis does not provide clear evidence to support the traditional theory. Nevertheless, their study indicates that WTO membership increases the trade of nearby developing countries even prior to the formation of TAs by those countries (Abrego et al. 2006; Egger et al. 2008; Magee 2008; Jugarnath et al. 2007; Karacaoglu and Limao 2008; Egger and Larch 2008; Baler and Bergstrand 2009).

On the other hand, Vernon (1966), in terms of product lifecycle theory, stressed the importance of the end product rather than the factor-cost proportion. Technology, innovation, and capital are the main contributors to product lifecycle theory. Vernon believes that as knowledge of the manufacturing process become common, low-skilled labor-intensive countries provide the comparative advantage. That may lead other countries to develop trade links with these countries to gain comparative advantages. According to Porter (1990), a country’s competitive advantage depends on the country’s ability to specialize, or the ability of its industries to innovate and upgrade. On the other hand, Krugman and Venables’s (1995) theory focused on economies of scale and imperfect competition, mainly looking at international trade in terms of cost and price, possibly a more common view in today’s corporate world, where firms mainly worry about the difference between cost and price (Perez-Batares 2012).

Another theory of TAs is that countries do not decide the participation of TA in isolation. That decision may depend on the actions of other countries in the region. A country’s interest or disinterest in forming a TA will influence another country. This situation is explained in Baldwin’s (1995 and 1997) domino theory of regionalism. Baldwin explains the interesting behavior of international trade that occurs when one country reduces the tariff barriers that influences other countries to follow suit. Maybe this is similar to “defensive FTAs,” that is, “FTAs signed to reduce discrimination created by third-nation FTAs” (Baldwin and Jaimovich 2012, p. 1). When countries sign TAs non-participating countries also get motivated to sign FTAs as a method of avoiding
trade discrimination. This effect is known as contagion, which is when a
government decides to go ahead with a TA that they initially oppose due to
TAs signed by other countries. Any government has a reasonable fear of losing
its available market access with a current TA due to a future TA being created,
of which they are not a partner. From another perspective, if a competitor’s
firm overseas is benefiting from the TA of its country with another country,
the home firm will push their government also to merge with the third country
to create an equal playing field. There are first-mover advantages however,
and as a TA eventually turns into a multilateral TA, first movers have more
advantages than the others (Bagwell and Staiger 2004; Manager 2008; Egger
and Larch 2008; Hamanaka 2012; Baldwin and Jaimovich 2012).

In addition when both countries have existing TAs with the third country
they have a strong motivation to form a TA between them. Formation of TAs
generally depends on partner countries’ economic characteristics (e.g., mar-
ket size, production cost, and distance) and crucially depends on participating
countries’ existing TAs with other countries. Trade creation is a major motive
for forming TAs (Chen and Joshi 2010).

Another debate of international economists is whether TAs deliver
building blocks or stumbling blocks for the attainment of global free trade.
Economists such as Bhagwati (1991, 1993) and Krugman (1993) support the
latter argument. Summers (1991) and Baldwin (1996) consider TAs to be
the building blocks of trade liberalization (Aghion, Antras, and Helpman
2007). Furusawa and Konishi (2007) state that if TA can eventually lead up
to the level of global free trade, then it is a building block, not a stumbling
block. However, when preferences expand internationally, TAs will possibly
block free trade; thus making TAs play a stumbling block role (Melatos and
Woodland 2007).

From an international business point of view, possibly today’s motivation
for TA and free trade is about building an equal playing field for firms. The
relationship between government and firms, and the increasing trend of
governments operating as profit-seeking organizations, indicate that TAs are
being used as business motivational instruments. Governments influence
each other to create this equal playing field by influencing the regulative
environment of each other. In other words TAs are instruments to minimize
the regulative differences between participating nations. These changes
directly influence the institutional conditions of the country, which may
impact the entry strategy of firms.

CONSEQUENCES

Economic fundamentals such as country size, factor endowments, and trade
and investment costs influence the possibility of reaching a new TA (Baier
and Bergstrand 2004; Egger et al. 2008; Egger and Larch 2011). Jugurnath
et al. (2007) explain variables that affect cross country trade including GDP: rich countries trade more; population: populous countries trade more; distance: transport cost determines the trade level; area: large countries trade less; exchange rate: depreciation encourages exports and discourages imports; tax: taxation decreases bilateral trade; and language: cultural similarities makes trade contracts smooth (Baier and Bergstrand 2004; Datta, Malhotra, and Ruskell 2006; Clark 2011b; Table 2). It is obvious that all these factors affect the firm-level decision-making process with regards to international business.

Trade liberalization may result in significant increases in the net foreign direct investment (FDI) inflows of their participants (Medvedev 2012). For example, due to the anticipation of the African Growth and Opportunity Act (AGOA), participating countries received investment from many Asian countries interested in gaining benefits of AGOA. Major players of AGOA; Kenya, Lesotho, Madagascar, Mauritius, and South Africa recorded significant trade growth of 85.3% during 1999–2002 (Gibbon 2003). Furthermore, surge in FDI inflows in China over the past two decades closely interlinked with changes in intra- and extra-regional trade patterns (Gibbon 2003; Baier and Bergstrand 2007; Medvedev 2012; Lee et al. 2009).

When looking at it from a predominantly IB perspective it is clear that even entry mode can be influenced by TAs. Breinlich’s (2008) examination, based on Canada–US FTA, indicates that a 1% reduction in Canadian tariffs will increase mergers and acquisitions (M&As) by 11% in Canada. He further states that these M&As channel resources from less to more productive firms, thus highlighting that M&A offer a much-needed alternative to business closure in low-productivity firms due to their inability to compete with foreign firms entering the market using the bilateral agreement. Due to NAFTA and the EU, firms based in these countries received the market access to other countries and as a result manufacturing plants received capital flow. The opportunity cost of these capital flows motivated others to also join the TA (Fgger and Iarch 2008; Chen and Joshi 2010).

The probability of two countries participating in a TA is high if the agreement covers a larger scope including factors such as tariff and non-tariff barriers (for example competition and antitrust rules, corporate governance, product standards, worker safety, regulation and supervision of financial institutions, environmental protection, tax codes, and other national issues; Rodrik 1994; Bhattacharya and Bhattacharyya 2007). Integration will bring reduced transaction costs; greater infrastructure services, faster communication of ideas, goods and services, and rising capital flows in addition to lower trade barriers, which are critical factors for firms that operate internationally. Investment and financial cooperation can reduce the external shocks sustained through times of financial crisis (Bhattacharya and Bhattacharyya 2007).

The Asian financial crisis in 1997 was a warning for administrations in Asia to take necessary actions for regional cooperation to increase the
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>3881240</td>
<td>217778</td>
<td>14</td>
<td>16183200</td>
<td>314</td>
<td>9147420</td>
<td>1.00</td>
<td>2.81</td>
<td>16500500</td>
</tr>
<tr>
<td>China</td>
<td>3867119</td>
<td>295626</td>
<td>12</td>
<td>8229490</td>
<td>1351</td>
<td>9888211</td>
<td>6.31</td>
<td>—</td>
<td>820803</td>
</tr>
<tr>
<td>Germany</td>
<td>2598325</td>
<td>50980</td>
<td>37</td>
<td>3553242</td>
<td>80</td>
<td>348540</td>
<td>—</td>
<td>1.49</td>
<td>3626148</td>
</tr>
<tr>
<td>Japan</td>
<td>168411</td>
<td>819</td>
<td>14</td>
<td>59544</td>
<td>128</td>
<td>364560</td>
<td>79.79</td>
<td>2.41</td>
<td>614351</td>
</tr>
<tr>
<td>Netherlands</td>
<td>124424</td>
<td>4736</td>
<td>37</td>
<td>835613</td>
<td>17</td>
<td>53720</td>
<td>—</td>
<td>1.49</td>
<td>830279</td>
</tr>
<tr>
<td>France</td>
<td>124323</td>
<td>30885</td>
<td>37</td>
<td>2696723</td>
<td>66</td>
<td>57758</td>
<td>—</td>
<td>1.49</td>
<td>272877</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>116356</td>
<td>6687</td>
<td>37</td>
<td>2614046</td>
<td>64</td>
<td>31930</td>
<td>0.65</td>
<td>1.49</td>
<td>250637</td>
</tr>
<tr>
<td>Korea, Rep.</td>
<td>1067454</td>
<td>6468</td>
<td>14</td>
<td>122807</td>
<td>50</td>
<td>97530</td>
<td>112.47</td>
<td>—</td>
<td>1235359</td>
</tr>
<tr>
<td>Hong Kong SAR, China</td>
<td>1046394</td>
<td>74887</td>
<td>4</td>
<td>202300</td>
<td>7</td>
<td>1090</td>
<td>7.76</td>
<td>1.00</td>
<td>266828</td>
</tr>
<tr>
<td>Italy</td>
<td>989966</td>
<td>6683</td>
<td>37</td>
<td>2091761</td>
<td>60</td>
<td>204140</td>
<td>—</td>
<td>1.49</td>
<td>207840</td>
</tr>
</tbody>
</table>

stability. Many large Asian economies such as China, Japan, and Korea are now moving to more comprehensive TAs to achieve their trade objectives (Bhattacharya and Bhattacharyya 2007; Gounder and Prasad 2011; Kawai and Wignaraja 2011).

Integration requires a strong political will. Political motivations of individual governments make it difficult to achieve global free trade but TAs encourage governments to work towards economic efficiency, while simultaneously working towards their own political goals. TAs cover areas such as historic bonds and friendships, international counter-terrorism activities, political stability, peace, and reduction in potential security risks. The proposed US–Colombia trade promotion agreement, negotiations of US–Thailand FTA, US–Israel FTA, Chile–EU FTA, and EEC are good examples (Manager 2008; Clark 2011a; Clark 2011b, Baldwin and Jaio 2012). The EU harmonizes more than trade: members collectively take decisions on immigration, environment, development of poorer regions, foreign policy, and judicial matters (Bhattacharya and Bhattacharyya 2007; Ornelas 2008; Karacaoglu and Limão 2008; Abbott, Bentzen, and Tarp 2009; Malkawi 2011). The EU’s actions result in major changes to the institutional framework of the participating countries. Eicher and Henri’s (2011) analysis of trade effects on the EU and APEC show greater trade increase in the EU than APEC. The EU is a more formalized trade network than APEC. That indicates that minimizing regulative distance has the potential of influencing business activities.

Another, rather hidden, reason is competition among nations. The EU’s FTA with Mexico, Chile, and South American Trading Block (MERCOSUR) was formed to meet the competition posed by the US under NAFTA. One of the objectives behind founding the EU was to increase the bargaining power in GATT with the US. Similarly, MERCOSUR was formed by Brazil, Argentina, Uruguay, and Paraguay to increase the bargaining power when entering NAFTA. Some suspect that a key intention of APEC was to put pressure on Europe to reach a decision to complete the Uruguay round of multilateral trade negotiations. These actions clearly come down to the firm-level decisions. For example US-based firm AT&T pushed the US government to pressure Chile to open its telecommunication market. Higher investment costs makes exporting more popular, thus making trade liberalization via TAs more attractive. International ownership reduces the tariff barriers between countries, and firms have the potential of influencing the government for bilateral or multilateral trade concessions. Also the industries that foreign investors have considerable stakes in are more likely to get liberated than other industries. Furthermore, motivating investment from a trading partner in an export-oriented sector will influence the investing country to reduce their import tariff unilaterally (Luçena 2002; Francois et al. 2005; Abrego et al. 2006; Jugarnath et al. 2007; Manager 2008; Egger et al. 2008; Blanchard 2010).

Raifer and Bergstrand’s (2007 and 2009) studies estimate that TAs will increase the trade between two members by 100% after 10 years. Magee
Influence of TAs on IB

(2008) finds that trade begins to grow even before the TA becomes effective due to the anticipation of more benefits with the TA. Perhaps firms try to achieve the leading edge using first-mover advantages. Abbott, Bentzen, and Tarp (2009) also state that after bilateral agreements are signed, most developing nations experience a boost in trade. Hashemzadeh (1997) indicates an 11.3% increase in U.S. exports to Mexico during the first couple of years of NAFTA bringing a net increase of 7,000 jobs (Nica, Swaidan, and Grayson 2006).

Service trade and investment are also growing. During 1994–2004, services trade grew from 5 to 20% of global trade and investment from 15 to 60% of global investment (Manager 2008).

EMPIRICAL FINDINGS

Semi-structured interviews were conducted with 10 industry experts from the dairy produce exporting industry in New Zealand to find out their views and opinions about the influence of TAs on entry strategy (Tables 3 and 4).

The companies interviewed in New Zealand fall into the HS 04 dairy produce industry, and were recruited through the following methods: direct, through industry bodies and government bodies, and via advertisements in newsletters and mailers. Eight companies that export milk and honey-related products, and two industry bodies, agreed to provide their views and opinions. In general, members of the dairy produce (HS 04) industry clearly indicated the fact that TAs may influence their entry strategy to foreign markets. However, their impression was that it is one factor that they take into consideration out of many other factors of market entry (Table 5).

Table 5 provides a snapshot of the impressions of the interviewees under the three main themes: TAs, institutional conditions, and entry strategy. Under the institutional conditions, everyone indicated that the changes in regulatory environment influence their entry decisions. Sixty percent of the respondents recognized that the changes taking place to the normative and cognitive environments through a TA affect their entry strategy. In terms of entry strategy, all the respondents indicated that their “where to enter” decision

### Table 3: Interview Summary

<table>
<thead>
<tr>
<th>Industry/Commodity HS2 classification</th>
<th>Companies</th>
<th>Industry body</th>
<th>Export value 2013 (fob NZ$ millions)</th>
<th>Export rank in 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>HS04: Dairy products; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included</td>
<td>8</td>
<td>2</td>
<td>15501</td>
<td>1</td>
</tr>
</tbody>
</table>

### Table 4: Details of the Companies/Organizations Interviewed

<table>
<thead>
<tr>
<th>Company/Organization Name*</th>
<th>Parrot</th>
<th>Kingfisher</th>
<th>Peafowl</th>
<th>Pointed Bunting</th>
<th>Red Billed Toucans</th>
<th>Golden Oriole</th>
<th>Flamingo</th>
<th>Golden Pheasant</th>
<th>Rainbow Lorikeet</th>
<th>Hyacinth Macaw</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Export</td>
<td>HS04 (Milk Products)</td>
<td>HS04 (Milk Products)</td>
<td>HS04 (Milk Products)</td>
<td>HS04 (Milk Products)</td>
<td>HS04 (Milk Products)</td>
<td>HS04 (Milk Products)</td>
<td>HS04 (Milk Products)</td>
<td>HS04 (Milk Products)</td>
<td>HS04 (Milk Products)</td>
<td>HS04 (Milk Products)</td>
</tr>
<tr>
<td>Based Country</td>
<td>New Zealand</td>
<td>New Zealand</td>
<td>New Zealand</td>
<td>New Zealand</td>
<td>New Zealand</td>
<td>New Zealand</td>
<td>New Zealand</td>
<td>New Zealand</td>
<td>New Zealand</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Size</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Large</td>
<td>Large</td>
<td>Small</td>
<td>Small</td>
<td>Small</td>
<td>Small</td>
</tr>
<tr>
<td>Key Markets</td>
<td>16 Countries including Australia, UK, Italy, Germany, China</td>
<td>33 countries including China, Japan</td>
<td>Over 100 countries including China, Singapore</td>
<td>UK, China</td>
<td>UK, China</td>
<td>Australia, China, UK, Singapore and Hong Kong</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *Real names have been omitted. Listed company/organization order is not in line with respondent order listed in Table 5.

Source: Research data.
TABLE 5 How the Dairy Produce Industry Perceives the Impact of TAs

<table>
<thead>
<tr>
<th>Res. #</th>
<th>TA</th>
<th>Institutional conditions</th>
<th>Entry strategy</th>
<th>Where</th>
<th>When</th>
<th>How</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
</tr>
<tr>
<td>2</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>3</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
</tr>
<tr>
<td>4</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
</tr>
<tr>
<td>5</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
</tr>
<tr>
<td>6</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
</tr>
<tr>
<td>7</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
</tr>
<tr>
<td>8</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
</tr>
<tr>
<td>9</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
</tr>
<tr>
<td>10</td>
<td>Influence</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
<td>No</td>
<td>Influence</td>
</tr>
</tbody>
</table>

Source: Interview data.

may be influenced by a TA. While 80% of the respondents agreed that the entry time may also be influenced by a TA, only 40% indicated that TA may influence their entry mode.

Responses received from interviewees were captured and presented below under six themes: regulatory environment, normative environment, cognitive environment, where, when, and how.

Regulatory Environment

Respondents recognized that regulatory environment has higher impact than normative and cognitive environments. Since tariff reduction or elimination is a major regulatory measure of any TA, it is fair for companies and industry bodies to consider that TAs have a major impact towards the regulatory environment of the participating countries. Respondent 5 stated that they can see the changes in regulatory environment: "They actually saw changing regulations, and they will modify regulations to get better overlap, better alignment with the country they are trading with" (Respondent 5).

Respondent 10 believed that the higher level political and governmental involvements may lead to regulatory changes in the participating country:
Typically the rules and the ways we do trade are set and implemented at a government-to-government level and so TAs have a role in that government-to-government relationship” (Respondent 10).

All the respondents indicated that TAs influence the regulatory environment of the participating country. And they viewed that in a positive light, since it reduces the regulatory barriers.

Normative Environment

It is interesting to see that a higher percentage of the respondents considered TAs as a norm of the business. Some even consider it as something imperative for the survival. Respondent 1 mentioned that New Zealand as a country would suffer if not involved in TAs: “The fact is everyone is doing it. If we don’t do it, like in the Korean example, or we don’t do it in the same time frame of our competitors, then we are going to end up, [generally New Zealand] as a country suffering” (Respondent 1).

Respondent 4 made a similar comment taking Australia-Japan and Trans-Pacific Partnership Agreement (TPPA) TAs into consideration: “I think it is mission critical for our future. You know Japan is our biggest volume market and the trade pact signed between Australia and Japan I think it is going to start putting us at disadvantage and the TPPA will be very important for us to maintain our advantage over Australia with exports of ice cream into Japan” (Respondent 4).

In summary, though everyone did not see TAs influencing the normative environment, a higher number of respondents believed that TAs may influence the normative environment of the institutional conditions.

Cognitive Environment

More than half of the respondents expressed that TAs provide some sort of psychological confidence in doing business with partner countries. Respondent 10 stated that, “I think the importance of why New Zealand undertakes agreement negotiations, is that they are comprehensive agreements that extend beyond trade to number of other areas as well. And they create, focus on creating, much stronger understanding ties at a broad level between two countries. From a business perspective that builds familiarity, marketing and support building and understanding which is important to commercial relationships” (Respondent 10).

Respondent 9 indicated that the psychological impact plays a role in addition to other regulatory changes: “it is the mind-set of the country we are exporting to. If government have an agreement it obviously get promoted a bit more and makes people think about that country a lot more. I think that is a big factor. Not necessarily just the tariff and duties, but everything else. I think the mind-set of people. When they know that there is an agreement between two countries it really does make a difference” (Respondent 9).
Six respondents out of the ten respondents provided the impression that TAs makes a psychological impact to the business community and thus influence the cognitive environment.

Where

Everyone stated that a TA can influence their country selection decision. Respondent 6 expressed as follows: “I mean the country, its size, language difficulties, distance from New Zealand, what the shipping service is like, what the laws are like, what we prefer to sell in New Zealand dollars if we can, that removes the exchange risk from us and so a TA would affect that country decision” (Respondent 6).

Respondent 4 provided a good example taking the TPPA: “I think in relations to the United States, we can’t economically export ice cream to the US at the moment, the tariff absolutely kills us, so I think the TPPA will allow us to expand into United States soon. Also Canada, Canada is untouchable at the moment, the tariff is some incredibly high 279%. Obviously if someone rings from Canada, we say you know don’t waste your money on toll call. So that might open Canada for us” (Respondent 4).

New Zealand decided to hold negotiations for a New Zealand and Russian custom union TA due to the unrest in Ukraine. Respondent 5 indicated that they have to hold their entry decision due to this political outcome: “We were in the process of getting pre-registration approval for Russia because we have quite a lot of enquiries there, potential business that we are looking into which have been put on hold, we just don’t know the time frame anymore, we don’t know whether will be another year or another 5 years before we can investigate the opportunity that means for us” (Respondent 5).

In summary everyone considered that TAs may influence their country decision.

When

Not everyone viewed that a TA has the capacity to influence time frame of the entry, but many such as Respondent 12 considered that “timing obviously may get impacted” (Respondent 12). Furthermore Respondent 6 stated that: “I mean if there is one in place, yes, you might say that is got an advantage to put that in the top of the list, so I suppose it does. Yes. It did with China…” (Respondent 6).

Respondent 5 indicated that removing the barriers and making it easy to do business with the partner country through TA connects with the time of entry: “If there was a TA in place that lowers those hurdle, so that probably is part of the timing, if there is no TA in place, that it is either going to be hard or it is unknown and you don’t know how much work is involved to get in
there. So having a TA in place means that there is being lot of more done by our government to help you get in” (Respondent 5).

However, Respondent 7 gave a good justification to not to have an impact on time frame from a TA: “They can do their planning so I think it is more an underpinning thing than choice by any company about how they do it, when they do it and over what time. It is their own strategy and I don’t think a TA can ever be an influence as to when because if you have tariff which is declining quickly or declining slowly that will obviously impact their strategy of their competitiveness, so it comes down to the business model” (Respondent 7).

Eight out of ten respondents agreed that a TA may influence their time of entry to the partner country.

How

Only few recognized that a TA can influence the business model, suggesting that probably larger firms which have the resources and capacity to make changes to business models get the maximum advantage from a TA. Respondent 7 stated that, “The business model follow I think certainly predicated on an open market. With declining duties and eventually zero tariff for dairy products. So certainly our model is on that” (Respondent 7).

Furthermore, Respondent 4 provided similar views: “I think it does, tariff preferences influence and TA structure influence countries you might think of doing business with. And equally the time frame, if you do see an opportunity there, you may speed things up. The business model also will be influenced, because if you want to do business in a particular country and the tariff is prohibitive you’re going to look at a different model than with others where the tariffs are lower” (Respondent 10).

However, a higher percentage of respondents did not see a TA has the capacity to make changes to their business model or mode of entry. Respondent 3, for instance, stated: “In terms of model, I think that depends a little bit on some cultural things and I think it’s probably much easier for us for example to go into Australia and to directly deal with right down to a customer level. That’s not our business model, we don’t want to be a retailer, but as a distributor. So going into China for us is much more straightforward if you like to be dealing with a high level or master distributor. Therefore in terms of business model, not really. I mean if we got big enough for the country, we can have our own distribution, but right now the distributor model works for us. Although distributor margin are huge in Australia, we don’t want to be dealing with supermarkets, we don’t have resources to do that, it is quite expensive” (Respondent 3).

In summary many respondents did not believe that a TA can make changes to their mode of entry or the business model.

As a whole, the dairy produce industry in New Zealand considers that TAs may have a direct impact on the regulatory environment of partner
FIGURE 3 How the dairy produce industry perceive the impact of TAs.

nations. Normative and cognitive environments also may get affected by TAs but not to the level of the regulatory environment. TAs may influence their market decision; however, the mode or the business model may not be impacted from trade deals. How this outcome affected the conceptual model is explained in Figure 3.

DISCUSSION AND CONCLUSION

This timely study conceptually and empirically contributes to the much-needed research gap between TA and international business. Our study indicates that TAs have a considerable impact on the strategy of a firm involved in international business. The increasing power of WTO and its influence on almost all areas of government in member countries will reshape the institutional condition including law and order, regulatory barriers, property rights, government effectiveness, and corruption. Mushkat and Mushkat (2011) state “WTO is not merely a body purporting to govern trade and investment flows but one seeking to reach inside country borders with the aim of liberalizing administrative, economic and legal institutions” (p. 15). Though TAs may have industry- and firm-level consequences, they affect mainly the institutional conditions, which was recognized as the third leg of the strategy tripod by Feng (2006). Model 1 presented in this article shows a rational connection between international business and TAs.

Xie et al. (2011) indicate that the institutional difference between host and home country has an effect on strategic positioning of the firm in the host country. TAs influence the institutional conditions, predominantly the legal
environment, as shown in Model 1. As seen in preceding sections TAs are instruments which governments (and firms) use to create an equal playing field, thus governments try to influence partner governments’ legal environments by agreeing to terms and conditions that affect the legal and regulative environment. This can be linked to the regulative distance introduced by Xu, Pan, and Beamish (2004), that is, the legal and regulative difference between host and home country. Our study indicates that TAs make an attempt to narrow down the regulative distance. Our study suggests that TA is a political instrument useful in influencing business environment via institutional environment. A popular topic in leading media at present is the United States’ accusations towards China for not providing an equal playing field. Similarly every government is attempting to create an equal, or if possible more favorable environment overseas, by influencing the legal/regulative environment, as that is the easiest dimension to control compared with the normative or cognitive environment. Our empirical findings indicate that TAs influence the institutional conditions of participating countries. The views and opinions received from the New Zealand dairy produce industry further confirms that the regulatory environment predominantly gets affected by TAs more than the normative or cognitive environments.

Kostova and Zaheer (1999) state that higher institutional distance negatively impacts the legitimacy of the firm. In other words firm behavior is directly linked to the changes in institutional environment (Canwell, Dunning, and Lundan 2010). Firms with global strategy prefer to invest in countries with narrow institutional difference (Xu and Shenkar 2002) and may influence their government to create that environment with the help of TAs. “International organisations such as the World Intellectual Property Organisation and the World Trade Organisation have helped greatly to promote the harmonisation of legal systems across countries” (Papageorgiades, Cross, and Alexiou 2013, p. 280).

Empirical findings further confirms that the “where to enter” or the country decision may be greatly influenced by a TA. Also the “when to enter” or the time of entry to a large extent. However, interestingly the “how to enter” or mode of entry seems to have minimal or zero influence by a TA. That creates questions on foreign direct investments (FDIs). One of the key goals of TAs is to increase FDI, which motivates foreign firms to use the equity-based entry mode to the partner country, but the empirical evidence shows that most exporters are content to continue with their existing model rather than changing it.

This article makes an attempt to highlight the importance of popular TAs existing in the current international business context. We have reviewed the findings of over 50 journal articles on trade agreements published between 2005 and 2012, and have connected the findings with previous theories that are still influential in the field. Findings clearly indicate that TAs influence the regulative environment of participating countries and may also reduce the regulative distance between member nations.
Therefore the study shows a rational connection between TAs and foreign market entry strategy. TA is a legal agreement that has a direct influence on the regulative environment of the participating countries. Regulative environment is one leg of institutional conditions that have direct impact from TAs. Entry strategy (which is the combination of where, when and how to enter) is affected by institutional conditions thus this study explains a valid connection among TAs, regulative environment, institutional conditions, and entry strategy. Though the empirical evidence show a connection among these in general, the empirical findings indicate that a TA might not influence the entry mode specifically. This has not been highlighted by previous studies thus the model we have developed based on previous literature makes a legitimate contribution to the existing knowledge base.

The findings of this study are numerous: firstly we see the significance in trade collaboration through the recent developments of the WTO, which is not just a controlling body of trade but of international business too. We see the potential of WTO moving beyond the typical products and services business model by bringing all business-related areas under one umbrella, further strengthening its controlling capacity.

Secondly we see that the motivation for TAs and free trade is to endeavor to build an equal playing field for firms. The relationship between government and firms, and the increasing trend of governments operating as profit-seeking organizations, indicate that TAs are being used as business motivational instruments. Our study further indicates that the objective of TAs to cover a much larger scope than just trade alone, and that there is a holistic international business, regulative and political interest behind trade cooperation. This wide objective has increased the number of challenges. Thus we see that both firms and governments play a role in TAs whilst using the opportunity to achieve their business and political goals. It seems most governments do not consider global free trade to be a realistic goal and there is no significant movement towards achieving that goal. The movement is more self-interested and may depend on the level of influence firms can make to their home governments to win their firms’ objectives in overseas markets. A lack of interest towards multilateralism further confirms this argument.

Given the increasing popularity of TAs, global initiative towards trade cooperation, and an increasing number of firms’ participation in international business, we see a pervasive need for research in this narrow but highly significant area by IB scholars. Specifically, IB scholars may be advised to focus on firm-level impacts, such as how TAs influence foreign market entry strategies. Feng (2006) identifies institutional conditions and transition as a key element of foreign market entry strategy. Based on that, and in line with our model, empirical exploration of trade agreements’ impacts on the institutional conditions for multiple industries in different countries will be a relevant and timely research extension.
REFERENCES


CXXXIV


