



**SAVONIA**

# **Basic Approach for Evaluation of Foreign Market's Potential and Attractiveness**

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Bachelor's Thesis

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**Bachelor's degree (UAS)**

Field of Study Technology, Communication and Transport			
Degree Programme Industrial Management			
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Title of Thesis Basic Approach for Evaluation of Foreign Market's Potential and Attractiveness			
Date	22.3.2016	Pages/Appendices	50/2
Supervisor(s) Päivi Korpivaara			
Client Organisation/Partners None			
<p><b>Abstract</b></p> <p>The world economy is globalizing rapidly. These days more and more domestic medium-size enterprises intend to expand their business and enter foreign markets. The enterprise must clearly understand the environment it is going to operate in to conduct business activities successfully.</p> <p>It is significantly important to gather information about political, economic and social aspects of the target country, as well as about international trade regulations and intricacies, to build up a clear image of the circumstances the enterprise will have to deal with.</p> <p>The main purpose of this thesis is to provide information about services and sources wherefrom such data may be found. Those sources were searched for, analysed and exemplified.</p> <p>The information retrieval itself may not be sufficient enough to evaluate the target country's condition, also some analytical techniques are required. In this thesis, the PESTLE analysis is proposed and described as an analytical tool for identification and evaluation of key macroeconomic factors.</p> <p>As a result it was created a practical framework for a basic evaluation of a business environment of a potential foreign market via assessment of a wide range of macroeconomic factors, characteristics, and various indexes. This framework can be used when it is needed to estimate a perspective of entering into a target market.</p>			
<p><b>Keywords</b> Globalization, foreign market, world economy, PESTLE analysis</p>			

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## LIST OF ABBREVIATIONS

AML	Anti-Money Laundering
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South Asian Nations
BMI	Business Monitor International
BSE	Bovine Spongiform Encephalopathy
CAST	Conflict Assessment System Tool
CFT	Combating the Financing of Terrorism
EU	European Union
FSI	Fragile State Index
GDP	Gross domestic product
GM	Genetic Modification
GNP	Gross national product
HIV/AIDS	Human Immunodeficiency Virus Infection and Acquired Immune Deficiency Syndrome
NAFTA	North American Free Trade Agreement
NIS	Newly Independent States
PESTLE	Political, Economic, Socio-cultural, Technological, Legal, Environmental
PPP	Purchasing Power Parity
US	United States
WEF	World Economic Forum
WTO	World Trade Organization
WWW	World Wide Web

## 1 INTRODUCTION

The world economy is constantly developing and globalization is a result of the evolution of the international economics. More and more domestic enterprises face a necessity to expand and to enter foreign markets or to move therein part of their businesses.

From time to time certain overseas markets grow spectacularly, providing tempting opportunities for expansion-minded firms. Specialized marketing knowledge or access to information can distinguish an exporting firm from its competitors. This includes knowledge about foreign customers, marketplaces or market situations that is not widely shared by other firms. (Hollensen 2001, 31.)

The world economy is globalizing at an accelerating pace as countries heretofore closed to foreign companies open up their markets, as the Internet shrinks the importance of geographic distance, and as ambitious, growth-minded companies race to stake out competitive positions in the markets of more and more countries (Thompson 2003, 199). It is kind of evident that in years to come the globalization process will increase. The sooner the enterprises will make allowance for that, the better.

To choose attractive markets, an export-oriented enterprise should take into account the influence of the dynamic world economy. Entering the foreign market an enterprise meets a highly significant issue – evaluation of the market's attractiveness and investigation of potential opportunities and dangers, which requires consideration of the specifics of the foreign business environment. In current times, information awareness is an essential prerequisite of successful growth strategy and prosperous business development.

### 1.1 Purpose and Objectives

The main goal of the thesis was to create a framework that can be used as a template for basic evaluation of a potential foreign market. For that purpose, various information sources were searched, analysed and classified with intent to build up a clear and useful structure for assessment of various aspects of an economic, political and legal environment of a target country.



## 1.2 Target Audience of the Study

The target audience of the study are medium-size enterprises worldwide planning expansion to foreign markets. Also, the start-ups preparing for new market entry are included in the target audience.

The research was done in the English language. Therefore the determined sources are in English as well, which is convenient, because English is an international language and is commonly used worldwide.

## 2 DATA RETRIEVAL

For almost any marketing research project, an analysis of available secondary information is useful and inexpensive first step (Ghauri and Cateora 2010, 171). There are plenty of research agencies, which can implement the necessary expertise and research in variable fields; and to gather any needed information, but their services can be quite costly. The purpose of this thesis is to provide some data sources, wherefrom the necessary information can be collected single-handed and free of charge.

Therefore, nowadays a very basic method of searching international business information is the Internet (World Wide Web, or www). Electronic databases carry marketing information ranging from the latest news on product development to new thoughts in the academic and trade press and updates in international trade statistics (Hellensen 2001, 631). The Internet is a unique source of thousands of various databases, available for research, where a lot of needed information can be collected by the enterprises themselves.

Although the information about international markets may vary from country to country, there are some main species that generally are available at free access. Sources of information for evaluating market accessibility indicators are described in Table 1.

TABLE 1. Sources of information for evaluating market accessibility indicators (Pryhara 2006)

Nature of information to be analysed	Indicators of market accessibility	Information sources
Information about the global-economic environment of the market	Level of regional integration	Legislation of countries, reports of international organization
Information about the political and legal environment of the market	<ul style="list-style-type: none"> <li>• Custom barriers</li> <li>• Legal barriers</li> <li>• Political stability in the country</li> <li>• Harmonization of the country's system of laws with international law</li> </ul>	Legislation of the country, ratings of information agencies, information systems, publications of marketing agencies

Information about the economic environment of the market	<ul style="list-style-type: none"> <li>• Dynamics of the key macroeconomic indicators (country's GNP, GNP per capita, inflation rate)</li> <li>• Stability of the exchange rate</li> <li>• Availability of resources, their accessibility and relatively low cost</li> <li>• Development of market infrastructure</li> </ul>	National and foreign trade statistics, publications of information agencies, reports of international organizations, statistical books, information systems
Information about the scientific and technological environment of the market	<ul style="list-style-type: none"> <li>• Level of development of science and qualification of personnel</li> <li>• Technology of production required on the market</li> <li>• Patents and rights</li> </ul>	Information systems marketing agencies
Information about the socio-cultural environment of the market	<ul style="list-style-type: none"> <li>• Cultural background of the country, national stereotypes of behaviour</li> <li>• Language barriers, barriers of non-verbal communication</li> <li>• Culture of doing business (habits, traditions, standards)</li> <li>• Presence of ethnic or religious conflicts</li> </ul>	Marketing agencies
Specifics of market development	<ul style="list-style-type: none"> <li>• Capacity of market and dependence of the market on imports</li> <li>• Level of competition on the market</li> <li>• Degrees and types of integration</li> <li>• Entry barriers in the sector</li> </ul>	National statistical books, sectorial periodical publications

Some useful information about the situation on the market can be gathered from other national government activities, for example:

- Trade development offices abroad, either as a separate entity or as a part of the normal operations of an embassy or consulate.
- Governments-sponsored trade fairs and exhibitions.
- Sponsoring trade missions of businesspeople who go abroad for the purpose of making sales and/or establishing agencies and other foreign representation.
- Operating permanent trade centres in foreign market areas, which run trade shows often concentrating on a single industry. (Albaum, Strandkov, Duerr & Dowd 1994, 69.)

### 3 BACKGROUND INFORMATION

Entering the new market is always attended with the lack of the knowledge. There are many countries in the world, and the business environment of each of them has own characteristics and special aspects.

First of all it is necessary to collect the basic information to make a general view about the country's condition. The given information sources below can be used to gather all needed primary data from different standpoints and perspectives efficiently.

The enterprise decides itself on what indicators and characteristics it pays most attention, but for general economic data collection it can be used a template that is provided in Appendix 1. The template's guidelines focus only on broad categories of data and must be adjusted to particular company/product needs.

#### 3.1 World Factbook

The World Factbook, launched by the Central Intelligence Agency, is a great source of the basic information of the overwhelming majority of the countries in the world, contains information on 267 world entities. The general perception of the country's status and the condition can be made already based on the information from this source. General divisions and subdivisions of the World Factbook country's information are presented in Table 2.

TABLE 2. General divisions and subdivisions of the World Factbook country's information (World Factbook)

Division	Subdivision
Introduction	Background
Geography	Location, Geographic coordinates, Map references, Area, Area – comparative, Land boundaries, Coastline, Maritime claims, Climate, Terrain, Elevation, Natural resources, Land use, Irrigated land, Population – distribution, Natural hazards, Environment – current issues, Environment - international agreements
People and Society	Population, Nationality, Languages, Religions, Age structure, Dependency ratios, Median age, Population growth rate, Birth rate, Death rate, Net migration rate, Population distribution, Urbanization, Major urban areas – population, Sex ratio, Mother's mean age at first

	birth, Maternal mortality rate, Infant mortality rate, Life expectancy at birth, Total fertility rate, Health expenditures, Physicians density, Hospital bed density, Drinking water source, Sanitation facility access, HIV/AIDS - adult prevalence rate, HIV/AIDS - people living with HIV/AIDS, HIV/AIDS – deaths, Obesity - adult prevalence rate, Education expenditures, School life expectancy (primary to tertiary education), Unemployment, youth ages 15-24
Government	Country name, Government type, Capital, Administrative divisions, Independence, National holiday, Constitution, Legal system, International law organization participation, Citizenship, Suffrage, Executive branch, Legislative branch, Judicial branch, Political parties and leaders, International organization participation, Diplomatic representation in the US, Flag description, National symbol(s), National anthem
Economy	Economy – overview, GDP (purchasing power parity), GDP (official exchange rate), GDP - real growth rate, GDP – per capita (PPP), Gross national saving, GDP – composition, by end use, GDP – composition, by sector of origin, Agriculture – products, Industries, Industrial production growth rate, Labor force, Labor force - by occupation, Unemployment rate, Population below poverty line, Household income or consumption by percentage share, Distribution of family income - Gini index, Budget, Taxes and other revenues, Budget surplus (+) or deficit (-), Public debt, Fiscal year, Inflation rate (consumer prices), Central bank discount rate, Commercial bank prime lending rate, Stock of narrow money, Stock of broad money, Stock of domestic credit, Market value of publicly traded shares, Current account balance, Exports, Exports – commodities, Exports – partners, Imports, Imports – commodities, Imports – partners, Reserves of foreign exchange and gold, Debt – external, Stock of direct foreign investment - at home, Stock of direct foreign investment – abroad, Exchange rates
Energy	Electricity access, Electricity – production, Electricity – consumption, Electricity – exports, Electricity – imports, Electricity - installed generating capacity, Electricity - from fossil fuels, Electricity - from nuclear fuels, Electricity - from hydroelectric plants, Electricity - from other renewable sources, Crude oil – production, Crude oil – exports, Crude oil – imports, Crude oil - proved reserves, Refined petroleum products – production, Refined petroleum products – consumption,

	Refined petroleum products – exports, Refined petroleum products – imports, Natural gas – production, Natural gas – consumption, Natural gas – exports, Natural gas – imports, Natural gas - proved reserves, Carbon dioxide emissions from consumption of energy
Communications	Telephones - fixed lines, Telephones - mobile cellular, Telephone system, Broadcast media, Internet country code, Internet users
Transportation	National air transport system, Civil aircraft registration country code prefix, Airports, Airports - with paved runways, Airports - with unpaved runways, Pipelines, Railways, Roadways, Waterways, Merchant marine, Ports and terminals
Military and Security	Military branches, Military service age and obligation, Military expenditures
Transnational Issues	Disputes – international, Refugees and internally displaced persons

### 3.2 Statistical Yearbook

The Statistical Yearbook provides in a single volume a comprehensive compilation of internationally available statistics on social and economic conditions and activities, at the world, regional and national levels, for an appropriate historical period. It is prepared by the Statistics Division, Department of Economic and Social Affairs of the United Nations Secretariat. (United Nations Statistic Division.) The annual publication can be downloaded online free of charge. Also, the service provides a wide range of different types of databases and statistic data (the main data examples are provided in Figure 1).

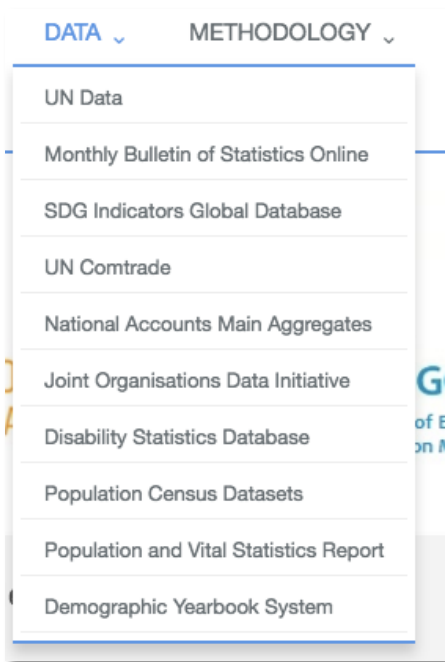


FIGURE 1. The data menu (United Nations Statistic Division)

### 3.3 World Bank

The World Bank website contains thousands documents and articles about national, economic, social and regional information on more than 200 countries. The data can be browsed by a country name or an indicator. The indicators are compiled into twenty categories, which are presented in Figure 2. Then, each category contains dozens of different indicators (see example in Figure 3).



Agriculture & Rural Development
Aid Effectiveness
Climate Change
Economy & Growth
Education
Energy & Mining
Environment
External Debt
Financial Sector
Gender
Health
Infrastructure
Poverty
Private Sector
Public Sector
Science & Technology
Social Development
Social Protection & Labor
Trade
Urban Development

FIGURE 2. Categories of indicators (World Bank)

## Infrastructure

Air transport, registered carrier departures worldwide	Annual freshwater withdrawals, total (% of internal resources)
Annual freshwater withdrawals, total (billion cubic meters)	Container port traffic (TEU: 20 foot equivalent units)
Electric power consumption (kWh per capita)	Fixed broadband subscriptions (per 100 people)
Fixed telephone subscriptions (per 100 people)	Improved water source (% of population with access)
Improved water source, rural (% of rural population with access)	Improved water source, urban (% of urban population with access)
Internet users (per 100 people)	Investment in energy with private participation (current US\$)
Investment in telecoms with private participation (current US\$)	Investment in transport with private participation (current US\$)
Investment in water and sanitation with private participation (current US\$)	Mobile cellular subscriptions (per 100 people)
Rail lines (total route-km)	Renewable internal freshwater resources per capita (cubic meters)
Renewable internal freshwater resources, total (billion cubic meters)	Secure Internet servers (per 1 million people)

FIGURE 3. Infrastructure indicators (World Bank)

### 3.4 Fund for Peace

The Fund for Peace is an independent, nonpartisan, non-profit research and educational organization that works to prevent violent conflict and promote sustainable security (Fund for Peace). The Fund launches the annual Fragile States Index (for more information see chapter 4.7). Besides that, the Fund for Peace provides FSI Country-by-Country Trend Analysis (see example in Figure 4), which describes overall trends, social and economic trends, political and military trends etc.

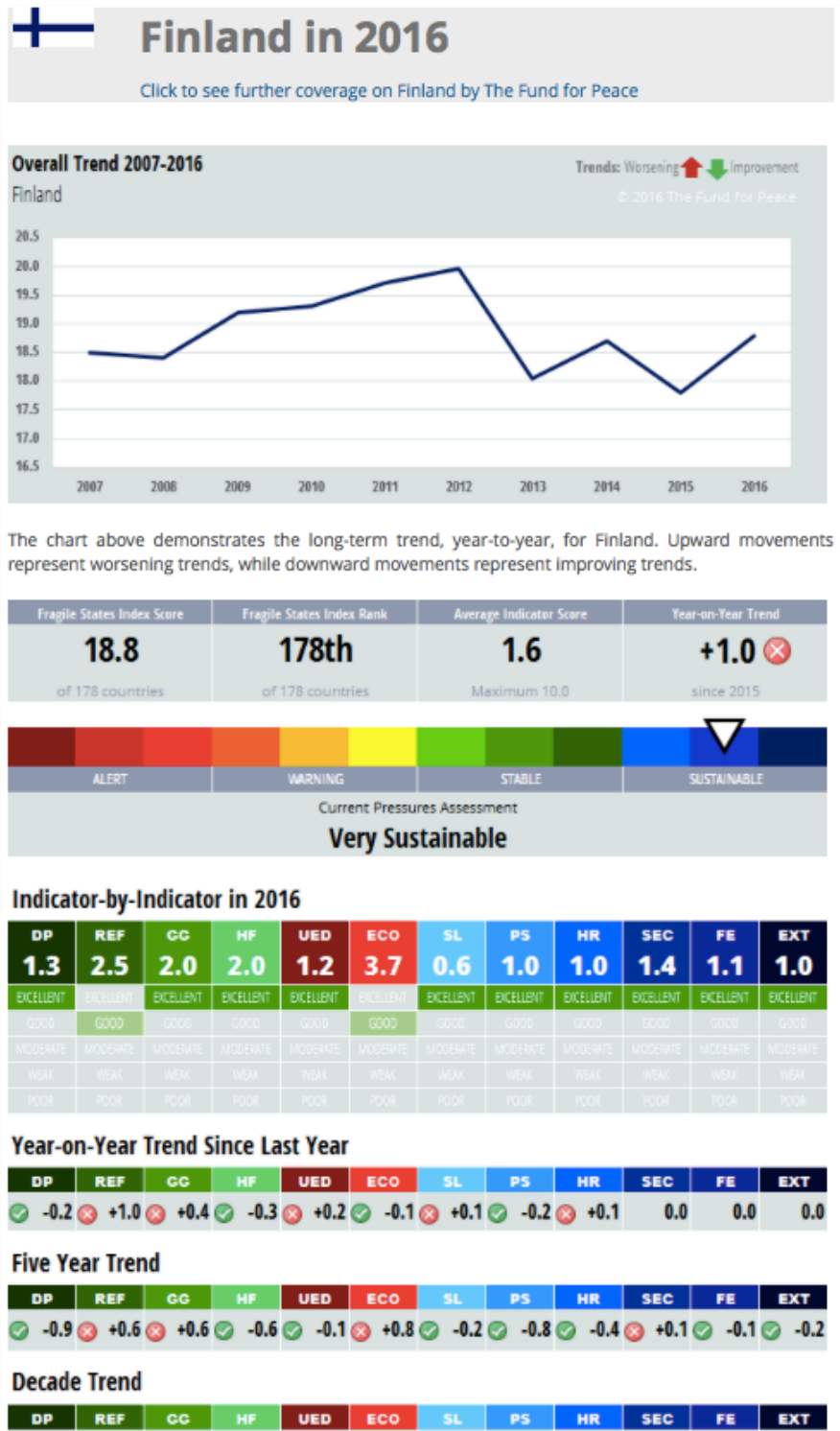


FIGURE 4. Country data and trends/Finland (Fund for Peace)

### 3.5 Euromonitor

Euromonitor International is the world’s leading independent provider of strategic market research. They create data and analysis on thousands of products and services around the world. Euromonitor International's extensive network of in-country analysts provides the depth of local business information required in today’s international business

environment (Euromonitor). The service provides countries statistic (see example in Figure 5) and a wide range of reports of a variety of commercial industries (see example in Figure 6).

### Finland Country Factfile

AREA  
337,030 km<sup>2</sup>

CURRENCY  
Euro (€ = 100 cents)

CAPITAL  
Helsinki

HEAD OF STATE  
Sauli Niinisto (2012)

ECONOMIES

	2011	2012	2013	2014	2015	2016
GDP (USD million)	273,732.9	256,712.4	269,979.0	272,463.3	231,960.2	236,639.4
Real GDP Growth (% growth)	2.6	-1.4	-0.8	-0.7	0.2	1.5
Inflation (% growth)	3.4	2.8	1.5	1.0	-0.2	0.4
Unemployment Rate (% of economically active population)	7.8	7.7	8.2	8.7	9.4	8.8
Exchange Rates Against US Dollar (EUR per USD)	0.7	0.8	0.8	0.8	0.9	0.9

CONSUMERS

	2011	2012	2013	2014	2015	2016
Total Population ('000)	5,375.3	5,401.3	5,426.7	5,451.3	5,471.8	5,487.3
Median Age of Population (years)	42.1	42.2	42.3	42.4	42.4	42.5
Number of Households ('000)	2,556.1	2,579.8	2,599.6	2,617.8	2,634.3	2,648.5
Consumer Expenditure (USD million)	140,059.6	133,747.0	140,812.9	143,099.4	121,718.5	124,332.9
Internet Users ('000)	4,500.8	4,582.3	4,687.9	4,756.0	4,791.6	4,831.5

FIGURE 5. Finland statistic (Euromonitor)

### COMMERCIAL

Euromonitor International publishes comprehensive market research on a range of B2B and commercial industries. We provide data and analysis on total market sizes, market shares, industry trends and company profiles.

Each commercial report contains comprehensive text, tables and charts, with forecasts to 2020 on 190 industries. Every **ISIC code** is monitored, enabling you to study an industry or compare any markets' performance, both nationally and globally.

BUSINESS SERVICES	INTERMEDIATE GOODS
CONSTRUCTION AND REAL ESTATE	MACHINERY
ENERGY, UTILITIES AND RECYCLING	PERSONAL AND RECREATIONAL SERVICES
FINANCE AND INSURANCE	PERSONAL GOODS INDUSTRY
FOOD, BEVERAGES AND TOBACCO	PRIMARY MATERIALS
GOVERNMENT, HEALTH AND EDUCATION	PUBLISHING AND PRINTING
HI-TECH GOODS	RETAIL AND WHOLESALE
HOTELS AND RESTAURANTS	TRANSPORT AND COMMUNICATIONS
INSTITUTIONAL CHANNELS	TRANSPORT EQUIPMENT

FIGURE 6. Industrial and commercial sectors (Euromonitor)

### 3.6 KnowYourCountry

KnowYourCountry is a global anti-money laundering research tool; it provides online information of money laundering and sanction information on a country-by-country basis. It also provides some investment climate review. The example of country information is provided in Figure 7.

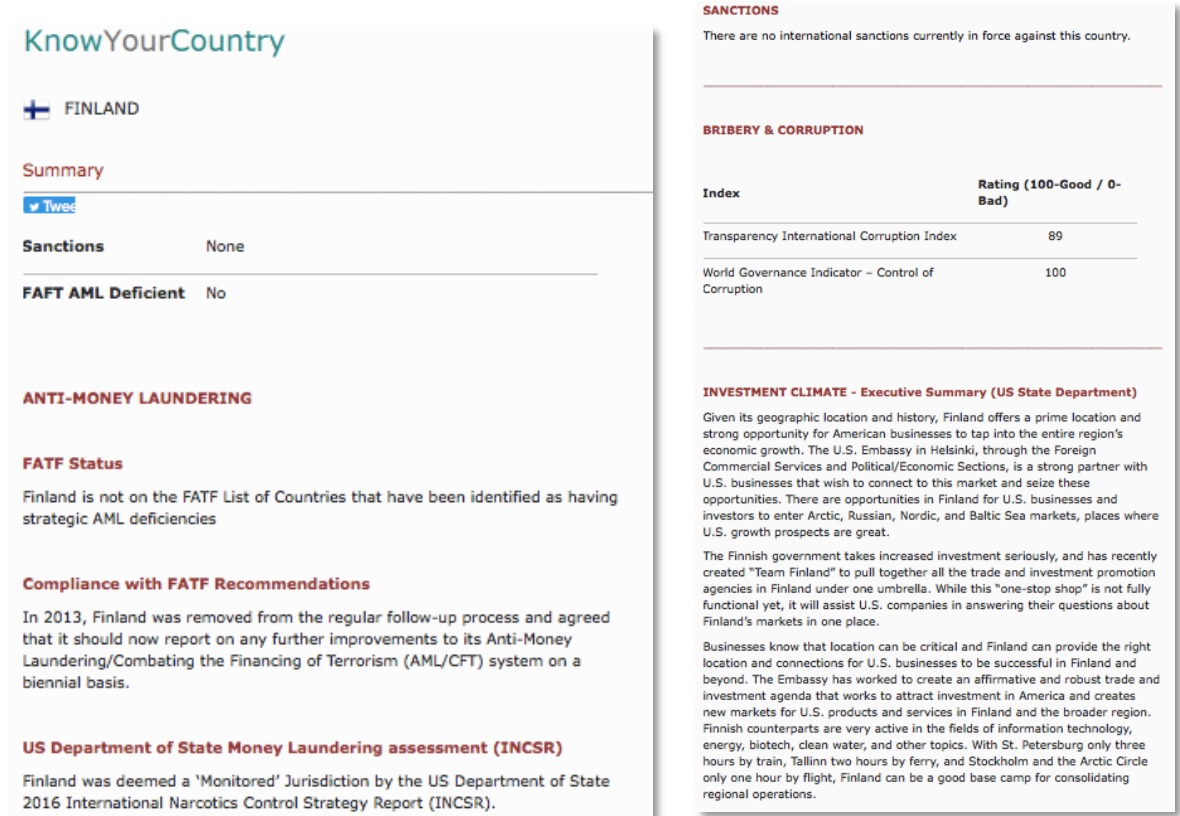


FIGURE 7. Country information/Finland (KnowYourCountry)

### 3.7 Coface

Coface is a great service for risk assessment by country's name or by chosen industry. 160 country assessments, drawn up on the basis of macroeconomic, financial and political data, are made freely available. Regularly updated, they provide an estimate of the average credit risk on a country's businesses. Coface is an invaluable tool, giving an indication of a country's potential influence on businesses' financial commitments. The analyses use an eight-level ranking. In ascending order of risk, these are A1, A2, A3, A4, B, C, D and E. (Coface.)

Risk assessment is presented in different ways. One of them is Country Risk Assessment Map (see Figure 8). Every country is assessed separately. Besides the risk

assessment, the service provides major macroeconomic indicators and main strengths and weaknesses definition (see example in Figure 9).

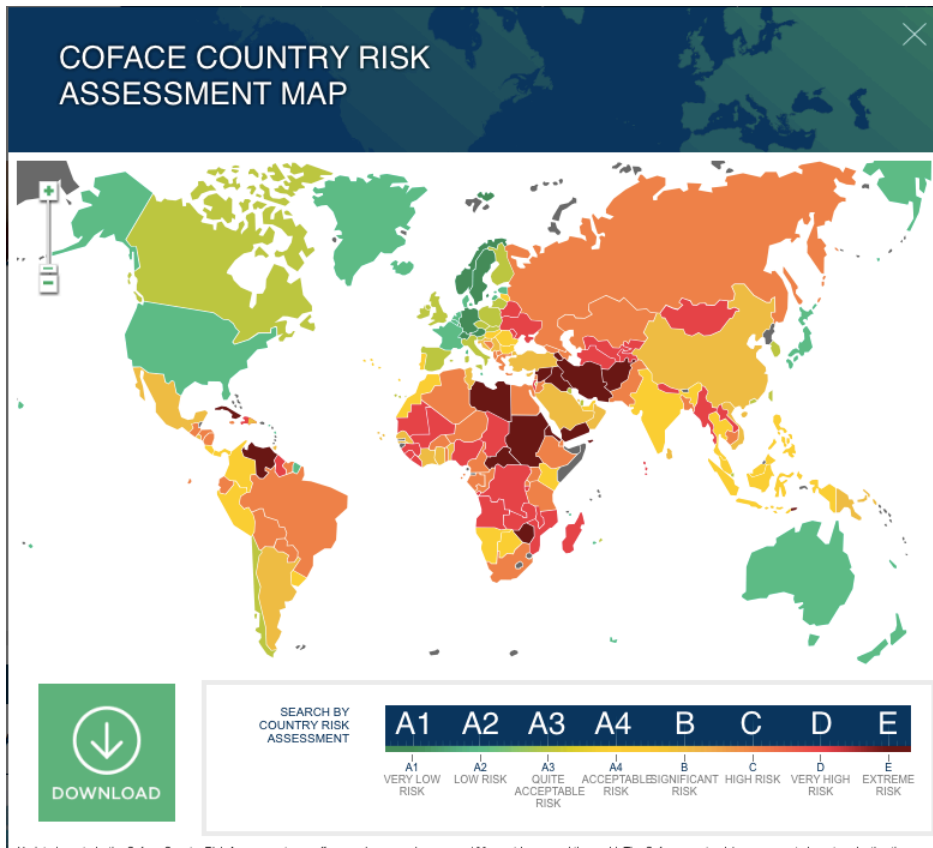


FIGURE 8. Coface country risk assessment map (Coface)

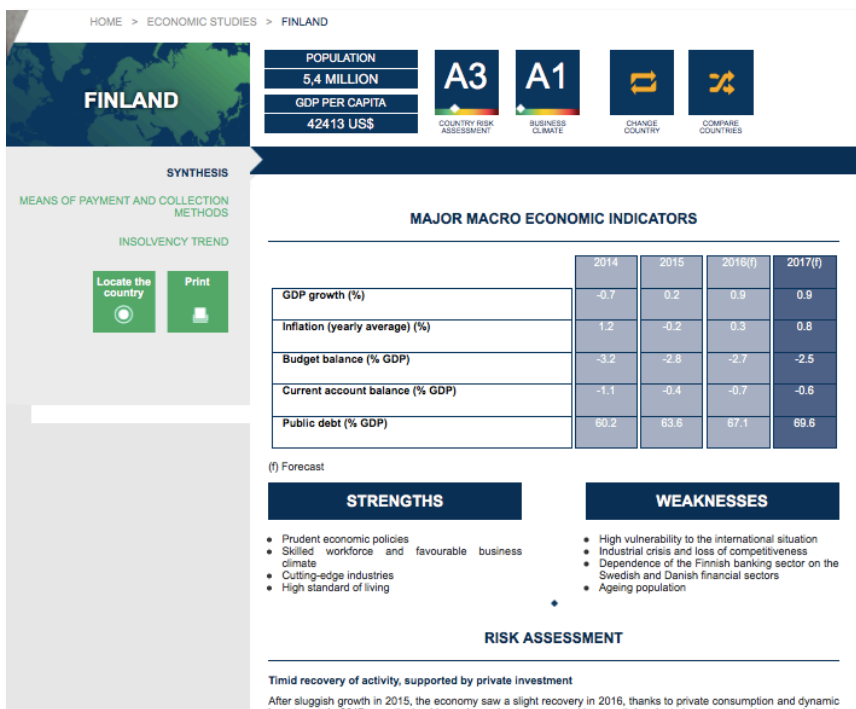


FIGURE 9. Country information/Finland (Coface)

Another great option is sector risks assessment – 12 sectors, from six geographical regions, are assessed every quarter. Coface assessments are based on the expertise and financial data published by over 6,000 listed companies. The credit risk statistical indicator simultaneously synthesizes the evolution of five financial indicators: changes in revenue, profitability, the net debt ratio, cashflow, and claims observed by the network (Coface). The list of the assessed sectors is provided in Figure 10.

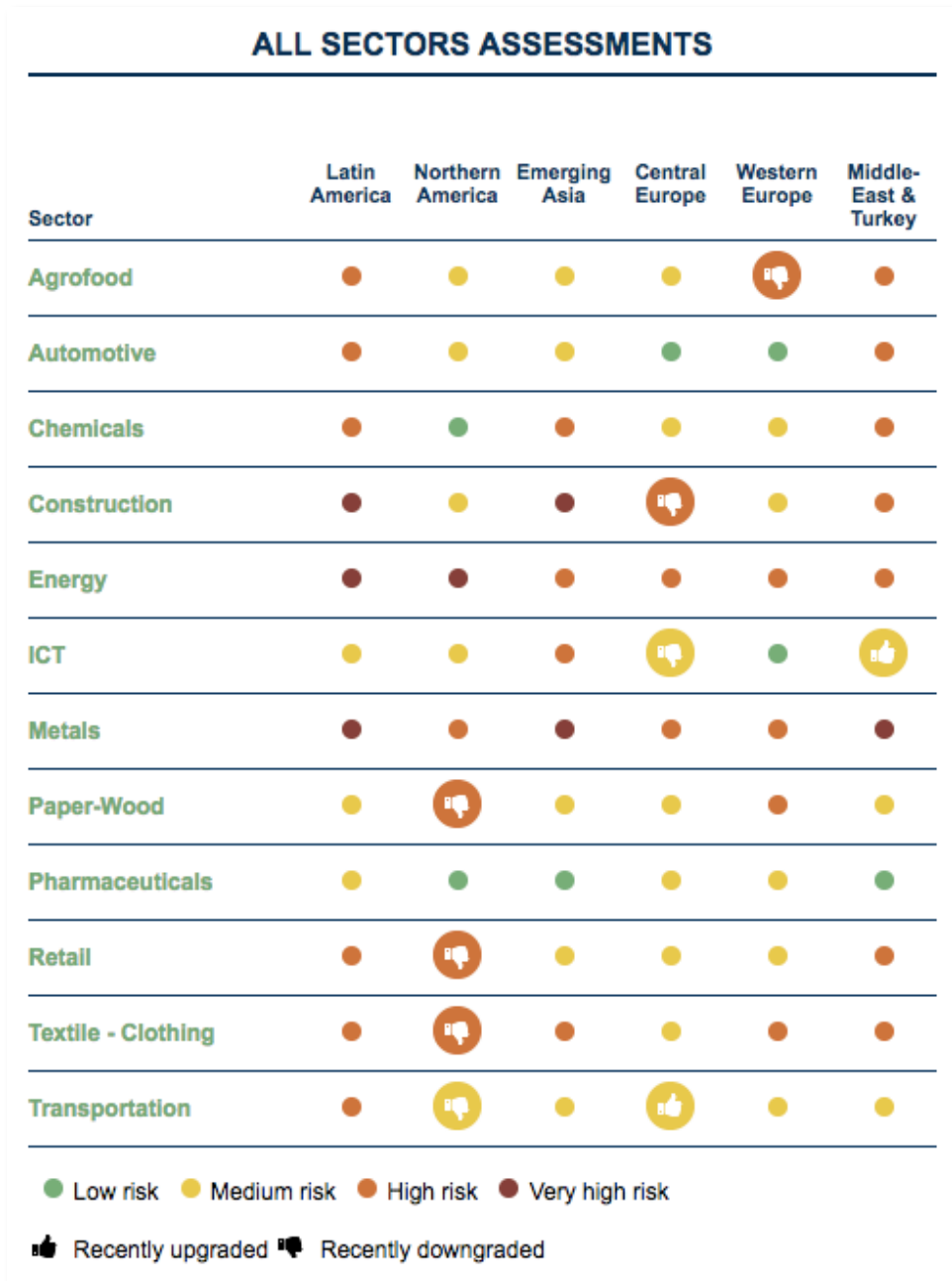


FIGURE 10. All sectors assessment (Coface)

### 3.8 Business Monitor International Research

BMI Research proposes unique, recurrent approach connecting macroeconomic, industry and financial market analysis, to help clients get unprecedented insight across 24 industries and 200 global markets (Business Monitor International Research). BMI Research offers paid reports as well as free of charge summaries.

BMI Research provides analysis covering over 20 major industries and monitoring 200 global markets:

- Coverage by sector: Agribusiness, Autos, Commercial Banking, Commodities, Consumer Electronics, Country Risk, Defence & Security, Financial Markets, Food & Drink, Freight Transport, Information Technology, Infrastructure, Insurance, Medical Devices, Metals, Mining, Oil & Gas, Operational Risk, Petrochemicals, Pharmaceuticals & Healthcare, Power, Real Estate, Renewables, Retail, Telecoms, Tourism.
- Coverage by geography: Africa, Asia, Caribbean, Europe, Latin America, Middle East, North America.



## 4 INDEXES AND REPORTS

Some conclusions about potential market attractiveness can be made based on the position the target country has in the international rankings and reports. Their purpose is to classify countries on the grounds of specified measures, ranks, scales etc. Some of those sources are listed below.

### 4.1 Global Competitiveness Report

Global Competitiveness Report is a yearly report announced by the World Economic Forum. It ranks countries based on the Global Competitiveness Index and covers about 140 countries. The competitiveness is defined as the set of institutions, policies, and factors that determine the level of productivity of a country (WEF). The example of competitiveness ranking is provided in Figure 11. The source also provides performance overview (see example in Figure 12) and detailed interpretation of the Global Competitiveness Report and subindexes (see example in Figure 13) for each country/economy particularly.

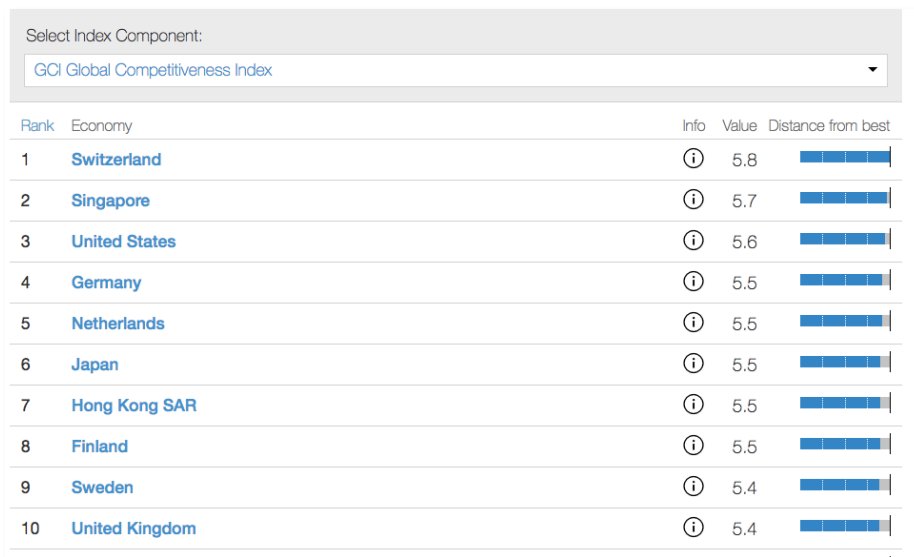


FIGURE 11. Competitiveness rankings (WEF)

## Performance Overview

Finland continues to slide down the rankings and is now 8th. Historically characterized by relatively low diversification of economic sectors and export destinations, the Finnish economy has suffered successive shocks to its main industries (information technology and paper) and one of its largest export markets (the Russia). Its trade balance turned negative in 2011, and in 2014 its GDP was still 6 percent smaller than in 2008. Yet robust fundamentals could help Finland to overcome the current crisis. Its public institutions are transparent and efficient (1st), its higher education and training system is among the best in the world (2nd), and its business sector is one of the most innovative (2nd overall and 4th for PCT patent applications per capita). To facilitate the recovery, Finland should fix long-standing rigidities in its labor market (26th), especially the centralized wage-bargaining system (140th, the most centralized in our rankings), which contributes to unemployment (currently at 9.5 percent). Although still one of the best among advanced economies, its macroeconomic environment has also deteriorated significantly during the crisis, with public debt increasing by 20 percentage points as a proportion of GDP since 2006 and public deficit further increasing in 2014 to 2.7 percent of GDP.

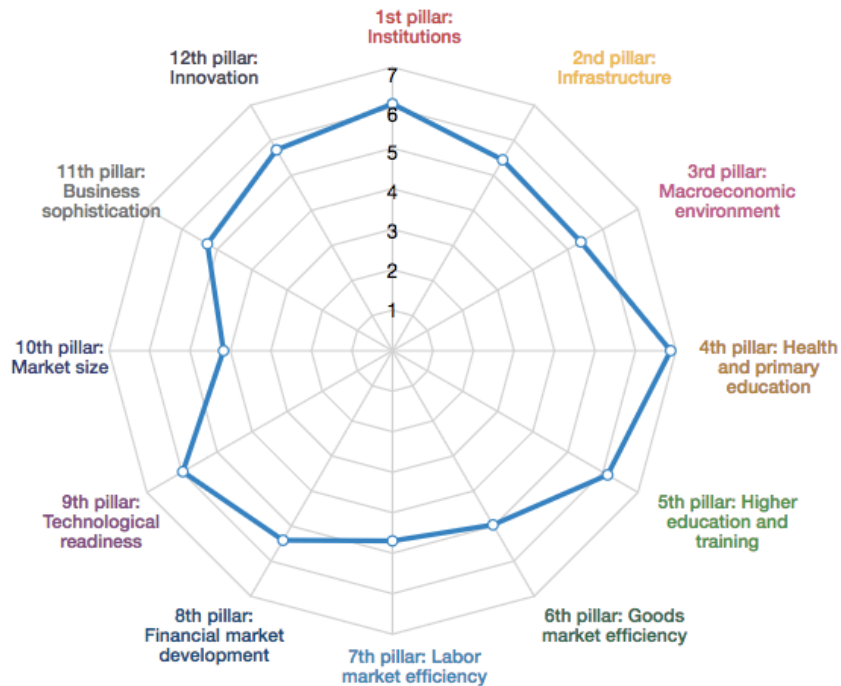


FIGURE 12. Finland's performance overview (WEF)



FIGURE 13. Finland's Global Competitive Index and subindexes (WEF)

#### 4.2 Ease of Doing Business Index

Economies are ranked on their ease of doing business, from 1–189. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on ten topics, each consisting of several indicators, giving equal weight to each topic. (Doing Business.) The example of the economy rankings is provided in Figure 14.

Economy	Ease of Doing Business Rank *	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading across Borders	Enforcing Contracts	Resolving Insolvency
New Zealand	1	1	1	34	1	1	1	11	55	13	34
Singapore	2	6	10	10	19	20	1	8	41	2	29
Denmark	3	24	6	14	12	32	19	7	1	24	8
Hong Kong SAR, China	4	3	5	3	61	20	3	3	42	21	28
Korea, Rep.	5	11	31	1	39	44	13	23	32	1	4
Norway	6	21	43	12	14	75	9	26	22	4	6
United Kingdom	7	16	17	17	47	20	6	10	28	31	13
United States	8	51	39	36	36	2	41	36	35	20	5
Sweden	9	15	25	6	10	75	19	28	18	22	19
Macedonia, FYR	10	4	11	29	48	16	13	9	27	36	32
Taiwan, China	11	19	3	2	17	62	22	30	68	14	22
Estonia	12	14	9	38	6	32	53	21	17	11	42
Finland	13	28	40	18	20	44	70	13	33	30	1
Latvia	14	22	23	42	23	7	42	15	25	23	44
Australia	15	7	2	41	45	5	63	25	91	3	21
Georgia	16	8	6	39	3	7	7	22	54	16	106
Germany	17	114	12	5	79	32	53	48	38	17	3
Ireland	18	10	38	33	41	32	13	5	47	90	17
Austria	19	111	49	20	62	32	42	1	10	10	20
Iceland	20	34	70	9	15	62	22	29	66	32	14
Lithuania	21	29	16	55	2	32	51	27	19	6	66
Canada	22	2	57	108	43	7	7	17	46	112	15
Malaysia	23	112	13	8	40	20	3	81	60	42	46
Poland	24	107	46	46	38	20	42	47	1	55	27
Portugal	25	32	35	50	27	101	70	38	1	19	7
United Arab Emirates	26	53	4	4	11	101	9	1	85	25	104
Czech Republic	27	81	130	13	31	32	53	53	1	68	26
Netherlands	28	22	87	45	29	82	70	20	1	71	11
France	29	27	20	25	100	82	32	83	1	18	24
Slovenia	30	49	80	16	34	133	9	24	1	119	12

FIGURE 14. Economy rankings (Doing Business)

### 4.3 Index of Economic Freedom

The Index is an excellent objective tool for analysing 186 economies throughout the world. The each country page is a resource for in-depth analysis of a country's political and economic developments. The 12 economic freedoms and accompanying historical data also provide a comprehensive set of principles and facts for those who wish to understand the fundamentals of economic growth and prosperity. (The Heritage Foundation.) The example of country rankings is provided in Figure 15.

Economic freedom is the fundamental right of every human to control his or her own labor and property. In an economically free society, individuals are free to work, produce, consume, and invest in any way they please. In economically free societies, governments allow labor, capital, and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself. The Index of Economic Freedom documents the positive relationship between economic freedom and a variety of positive social and economic goals. The ideals of economic freedom are strongly associated with healthier societies, cleaner environments, greater per capita wealth, human development, democracy, and poverty elimination. (The Heritage Foundation.)

FREE (100-80)											
0	AN	K	COU% TRY	OV% RALL	C% AN GN	0	AN	K	COU% TRY	OV% RALL	C% AN GN
1			Hong Kong	89.8	+1.2	4			Switzerland	81.5	+0.5
2			Singapore	88.6	+0.8	5			Australia	81.0	+0.7
3			New Zealand	83.7	+2.1						
MOSTLY FREE (79.9-70)											
0	AN	K	COU% TRY	OV% RALL	C% AN GN	0	AN	K	COU% TRY	OV% RALL	C% AN GN
6			Estonia	79.1	+1.9	21			Mauritius	74.7	0.0
7			Canada	78.5	+0.5	22			Iceland	74.4	+1.1
8			United Arab Emirates	76.9	+4.3	23			South Korea	74.3	+2.6
9			Ireland	76.7	-0.6	24			Finland	74.0	+1.4
10			Chile	76.5	-1.2	25			Norway	74.0	+3.2
11			Taiwan	76.5	+1.8	26			Germany	73.8	-0.6
12			United Kingdom	76.4	0.0	27			Malaysia	73.8	+2.3
13			Georgia	76.0	+3.4	28			Czech Republic	73.3	+0.1
14			Luxembourg	75.9	+2.0	29			Qatar	73.1	+2.4
15			The Netherlands	75.8	+1.2	30			Austria	72.3	+0.6
16			Lithuania	75.8	+0.6	31			Macedonia	70.7	+3.2
17			United States	75.1	-0.3	32			Macau	70.7	+0.6
18			Denmark	75.1	-0.2	33			Armenia	70.3	+3.3
19			Sweden	74.9	+2.9	34			Botswana	70.1	-1.0
20			Latvia	74.8	+4.4						
MODERATELY FREE (69.9-60)											
0	AN	K	COU% TRY	OV% RALL	C% AN GN	0	AN	K	COU% TRY	OV% RALL	C% AN GN
35			Brunei Darussalam	69.8	+2.5	64			Saudi Arabia	64.4	+2.3

FIGURE 15. Country rankings (The Heritage Foundation)

Also, the source provides an overview of each country and offers a tool for creation of a comparison chart of two selected countries with a detailed review of specified parameters (see example in Figure 16).

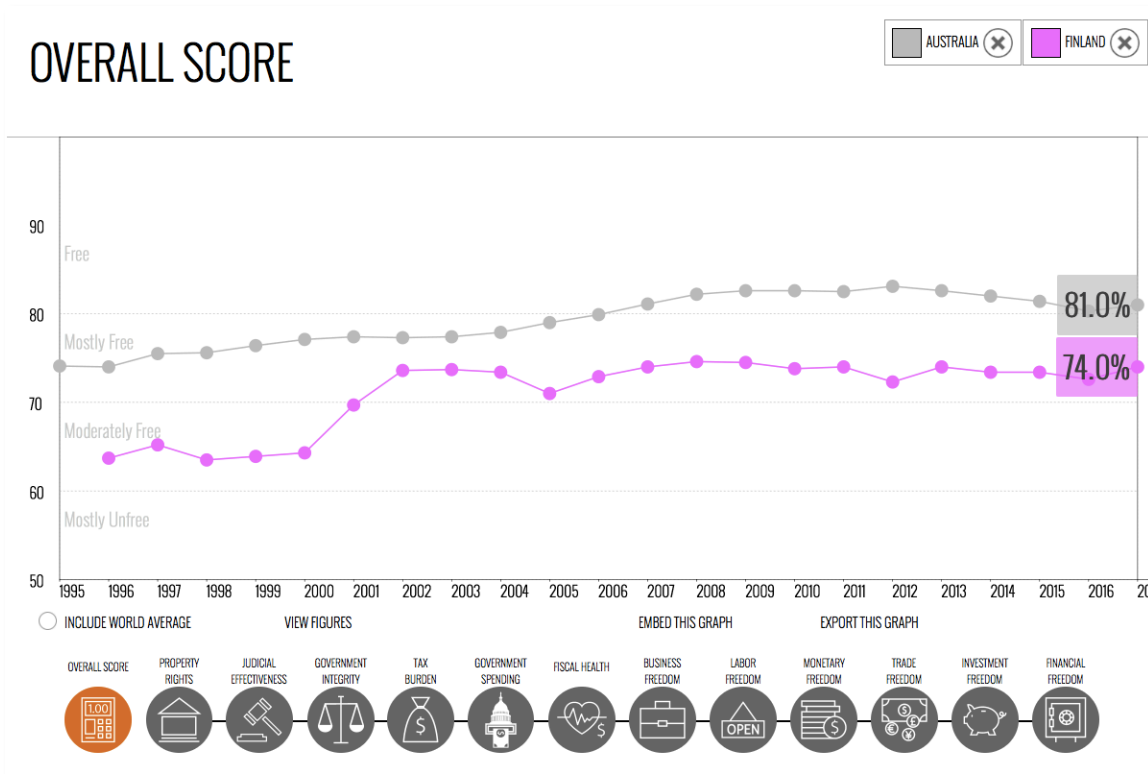


FIGURE 16. Comparison chart Finland/Australia (The Heritage Foundation)

#### 4.4 Finnvera’s Country Classification

Finnvera controls 140 political risk countries and categorizes them into country risk categories 0–7, with category 0 as the lowest country risk rating (Finnvera). To every country it is determined a class and a country police level. The explanation of the characters is provided in Figure 17.

Country Policy	Class
<b>A</b> No restrictions	<b>0</b> Advanced economy
<b>B</b> Flexible country policy	<b>1</b> Very low risks
<b>C</b> Restrictive country policy	<b>2</b> Low risks
<b>D</b> Country Policy defined separately	<b>3</b> Relatively low risks
	<b>4</b> Intermediate risks
	<b>5</b> Relatively high risks
	<b>6</b> High risks
	<b>7</b> Very high risks

FIGURE 17. Country classification characters (Finnvera)

#### 4.5 Corruption Perceptions Index

Based on expert opinion, the Corruption Perceptions Index measures the perceived levels of public sector corruption worldwide. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean). A country's rank indicates its position relative to the other countries in the index. (Transparency International.) The example is provided in Figure 18.

### CORRUPTION PERCEPTIONS INDEX 2016

2016 Rank	Country	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
1	Denmark	90	91	92	91	90	Europe and Central Asia
1	New Zealand	90	88	91	91	90	Asia Pacific
3	Finland	89	90	89	89	90	Europe and Central Asia
4	Sweden	88	89	87	89	88	Europe and Central Asia
5	Switzerland	86	86	86	85	86	Europe and Central Asia
6	Norway	85	87	86	86	85	Europe and Central Asia
7	Singapore	84	85	84	86	87	Asia Pacific
8	Netherlands	83	87	83	83	84	Europe and Central Asia
9	Canada	82	83	81	81	84	Americas
10	Germany	81	81	79	78	79	Europe and Central Asia
10	Luxembourg	81	81	82	80	80	Europe and Central Asia
10	United Kingdom	81	81	78	76	74	Europe and Central Asia
13	Australia	79	79	80	81	85	Asia Pacific
14	Iceland	78	79	79	78	82	Europe and Central Asia

FIGURE 18. Corruption Perceptions Index 2016 (Transparency International)

#### 4.6 Basel AML Index

The Basel AML Index measures the risk of money laundering and terrorist financing of countries based on publicly available sources. A total of 14 indicators that deal with AML/CFT regulations, corruption, financial standards, political disclosure and the rule of law are aggregated into one overall risk score. By combining these various data sources, the overall risk score represents a holistic assessment addressing structural as well as functional elements in the AML/CFT framework. As there are no quantitative data available, the Basel AML Index does not measure the actual existence of money laundering activity or amount of illicit financial money within a country but is designed to indicate the risk level, i.e. the vulnerabilities of money laundering and terrorist financing within a country. (Basel Institute on Governance.) The example of the ranking is provided in Figure 19.

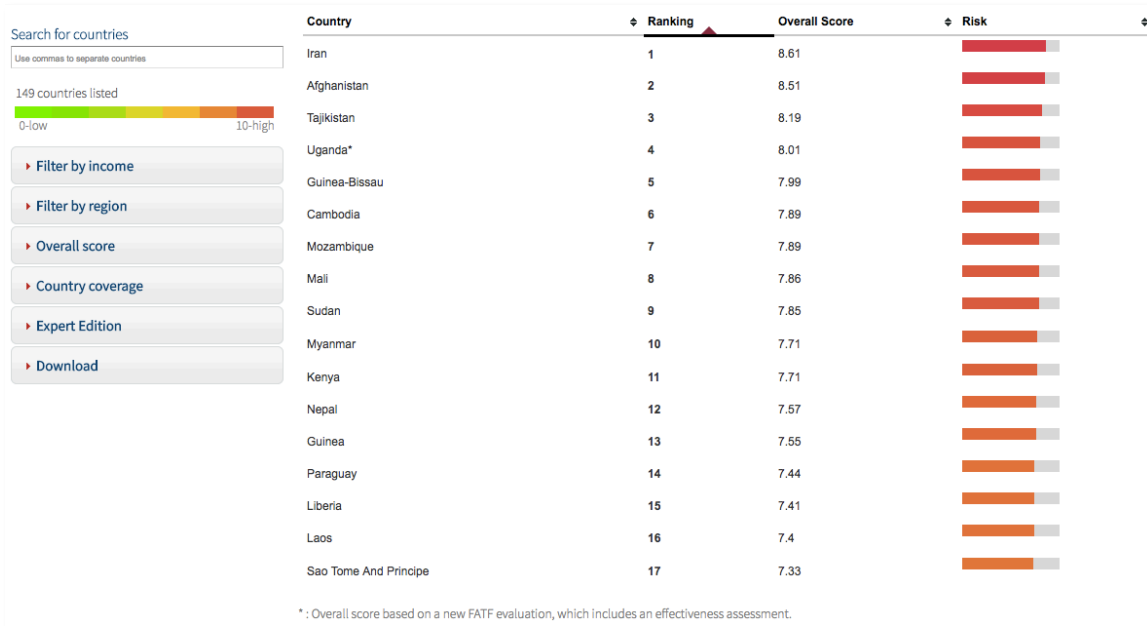


FIGURE 19. The Basel AML Index 2016 ranking (Basel Institute on Governance)

#### 4.7 Fragile States Index

The FSI focuses on the indicators of risk and is based on thousands of articles and reports. Aggregated data are normalized and scaled from 0-10 to obtain final scores for 12 social, economic and political/military indicators for 178 countries. The twelve CAST indicators, upon which the Fragile States Index is based, cover a wide range of state failure risk elements such as extensive corruption and criminal behaviour, inability to collect taxes or otherwise draw on citizen support, large-scale involuntary dislocation of the population, sharp economic decline, group-based inequality, institutionalized persecution or discrimination, severe demographic pressures, brain drain, and environmental decay. States can fail at varying rates through explosion, implosion, erosion, or invasion over different time periods. (Fund For Peace.) An example of FSI ranking is shown in Figure 20.























		DP	REF	GG	HF	UED	ECO	SL	PS	HR	SEC	FE	EXT	Total
<b>Very High Alert</b>														
1	 <a href="#">Somalia</a>	9.7	9.7	9.4	9.5	9.3	9.0	9.5	9.0	9.7	9.7	10.0	9.5	114.0
2	 <a href="#">South Sudan</a>	9.9	10.0	9.9	6.6	9.0	9.3	9.7	10.0	9.7	10.0	9.7	10.0	113.8
3	 <a href="#">Central African Rep.</a>	8.7	10.0	9.3	7.2	9.9	8.6	9.8	10.0	9.9	9.2	10.0	9.5	112.1
4	 <a href="#">Sudan</a>	9.0	10.0	9.8	9.1	7.6	8.7	9.8	9.1	9.3	9.2	10.0	9.9	111.5
4	 <a href="#">Yemen</a>	9.5	9.6	9.5	7.5	8.4	9.4	9.4	9.3	9.4	10.0	9.5	10.0	111.5
6	 <a href="#">Syria</a>	8.4	10.0	10.0	8.6	7.4	7.8	10.0	8.9	9.8	10.0	9.9	10.0	110.8
7	 <a href="#">Chad</a>	9.9	9.8	8.5	8.9	9.3	8.0	9.2	9.8	9.3	9.1	9.8	8.5	110.1
8	 <a href="#">Congo (D. R.)</a>	9.1	9.7	9.7	6.8	8.9	8.1	9.3	9.7	10.0	9.2	9.8	9.7	110.0
<b>High Alert</b>														
9	 <a href="#">Afghanistan</a>	9.5	9.5	8.6	8.4	7.5	8.5	9.1	9.6	8.7	10.0	8.6	9.9	107.9
10	 <a href="#">Haiti</a>	9.2	7.9	6.7	9.0	9.5	8.9	9.4	9.4	7.7	7.9	9.6	9.9	105.1
11	 <a href="#">Iraq</a>	8.1	9.4	9.8	7.9	7.5	6.8	9.2	7.8	8.9	10.0	9.6	9.7	104.7
12	 <a href="#">Guinea</a>	8.9	8.4	8.8	7.5	7.4	9.4	9.8	9.2	7.9	9.0	9.9	7.6	103.8
13	 <a href="#">Nigeria</a>	9.1	7.7	9.4	7.4	8.8	7.7	8.8	9.4	9.1	9.7	9.9	6.5	103.5
14	 <a href="#">Pakistan</a>	8.9	8.9	9.7	7.3	7.0	7.4	8.3	8.2	8.2	9.3	8.9	9.6	101.7
15	 <a href="#">Burundi</a>	9.5	9.1	8.1	6.5	7.4	8.2	9.0	8.2	8.5	9.0	8.5	8.7	100.7
16	 <a href="#">Zimbabwe</a>	8.6	8.7	7.5	8.1	8.2	8.3	8.9	8.5	8.4	7.8	9.8	7.7	100.5
<b>Alert</b>														
17	 <a href="#">Guinea Bissau</a>	8.3	7.5	5.4	8.3	8.7	8.5	8.9	9.5	7.5	9.1	9.6	8.5	99.8
18	 <a href="#">Eritrea</a>	9.1	8.5	6.6	8.0	7.5	8.3	9.5	8.6	9.1	7.4	8.1	7.9	98.6
19	 <a href="#">Niger</a>	9.5	8.0	7.7	7.2	8.2	8.0	7.8	9.2	6.7	8.9	8.9	8.3	98.4
20	 <a href="#">Kenya</a>	9.1	8.0	9.1	7.8	8.0	7.4	7.8	8.2	7.2	8.5	8.9	8.3	98.3

FIGURE 20. FSI ranking (Fund For Peace)

## 5 COMPETITOR'S ESTIMATION

It is particularly important that a start-up business understands the nature of the competition it faces. This involves undertaking market research to develop a detailed knowledge of competitors and how your product or service compares to theirs. (Burns 2007, 106.)

To perform on the foreign market successfully it is very important to know your competitors. The more information the enterprise can gather about its rivals – the better.

One approach to defining an organization's competitors says that competitors can be described according to an industry perspective or a marketing perspective. The industry perspective identifies competitors as organizations that are making the same product or providing the same service. According to the marketing perspective, competitors are organizations that satisfy the same customer needs. (Coutler 2002, 211.) Figure 21 shows the highlights of each of these.

There are many techniques and approaches to make competitors' analysis, but the enterprise should know at least the very basics about rivals. Of course, there is always an option to order competitors' analysis from a marketing agency, but some information can be found by the enterprise itself – independently and free of charge. Nowadays the easiest way to gather information about competitors is to search on the World Wide Web using the keywords related e.g. to the industry, product or service name.

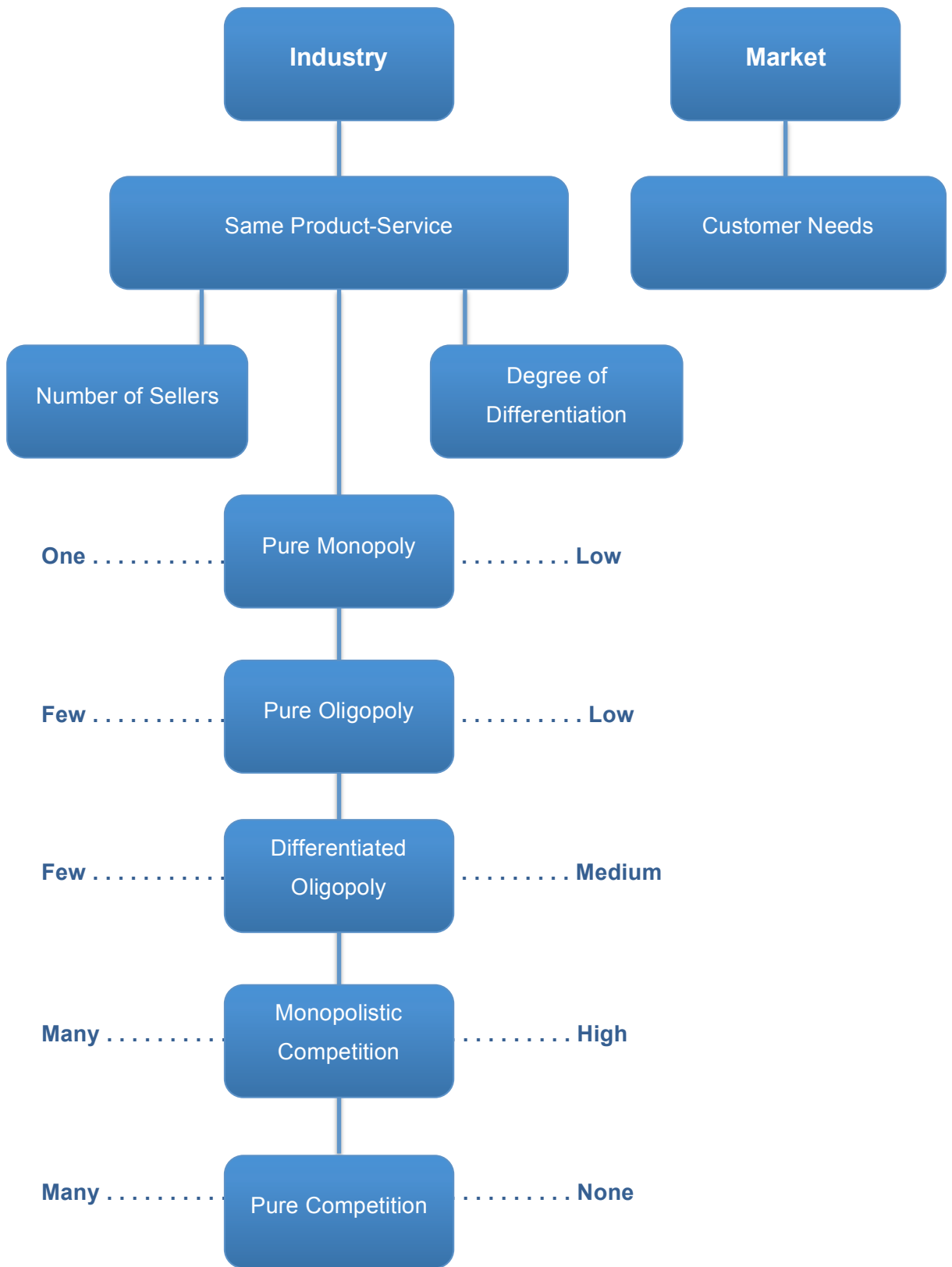


FIGURE 21. Industry and market approaches to defining competitors (Coutler 2002, 211)

## 6 TRADE REGULATIONS

International business must face the reality that this is a world of tariffs, quotas and non-tariff barriers designed to protect a country's markets from intrusion by foreign companies (Ghauri and Cateora, 39). Trade rules and regulations (domestic and international) are universally used to promote fair competition and business performance. Some of the sources of information about international trade principles and regulations are listed below.

### 6.1 World Trade Organization

World Trade Organization is a global intergovernmental organization that regulates the trade between nations and includes 164 members (July 2016). WTO is responsible for the development and implementation of new trade agreements, as well as for the control of adherence of members of the organization of all the agreements signed by most countries and ratified by their parliaments.

### 6.2 EU Trade

EU trade policy sets the guidelines for trading and investment issues in and out of the European Union. All latest updates on trade policy and key information for EU importing and exporting (e.g. technical, food health requirements; tariff, anti-dumping and anti-subsidy duties etc.) are available online.

### 6.3 NAFTA

The North American Free Trade Agreement (NAFTA) is a comprehensive trade agreement that sets the rules of trade and investment between Canada, the United States, and Mexico. NAFTA is a formal agreement that establishes clear rules for commercial activity between Canada, the United States, and Mexico. NAFTA is overseen by a number of institutions that ensure the proper interpretation and smooth implementation of the Agreement's provisions. (NAFTA.)

### 6.4 ASEAN

The Association of Southeast Asian Nations is a regional organisation including ten Southeast Asian states: Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei,

Vietnam, Lao PDR, Myanmar, Cambodia. Assists intergovernmental cooperation and contributes economic integration of its members.

## 6.5 APEC

The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989 to leverage the growing interdependence of the Asia-Pacific. APEC's 21 members aim to create greater prosperity for the people of the region by promoting balanced, inclusive, sustainable, innovative and secure growth and by accelerating regional economic integration. (APEC.)

APEC members are Australia; Brunei; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Philippines; Russia; Singapore; Chinese Taipei; Thailand; The United States; Vietnam.

## 6.6 Import Duty and Taxes Calculation

Duty Calculator is an online calculator for an estimation of import duty and taxes, based on information about the country of origin, destination country, type of product, its value and manufacturer country, as well as costs of shipping & insurance (see example in Figure 22).

## New Import Duty & Taxes Calculation

**01. From where to where you import**

Importing from:  ?

Importing to:  ?

**02. The type of product, its value and where it was manufactured**

Product description:  ?

Product category:  ?

Product value:   ?

---

[+ Add additional item](#)

**03. The cost of shipping & insurance**

Shipping cost:   ?

Insurance cost:   ?

**CALCULATE IMPORT DUTY & TAXES**

FIGURE 22. New import duty & taxes calculation (Duty Calculator)

## 7 PESTLE ANALYSIS

Information acquisition is only the beginning of the evaluation of the attractiveness of selected target countries. Data collection cannot be effective enough without competent analysis. For that purpose, one of the most efficient analytical techniques to identify key macroeconomic factors is the PESTLE analysis.

The analysis was given a name PESTLE in reference to the acronym formed by the initials of the six categories of macroeconomic variables included in the model – Political, Economic, Socio-cultural, Technological, Legal and Environmental (Del Marmol 2015, 6). PESTLE can be used as a tool to examine the micro-environmental forces at the start of a new venture or to examine the feasibility of a strategic manoeuvre (Allen 2001, 81).

All of those factors are interconnected. Investigation of all factors integrally helps to assess overall impact. Assessing the political, economic, socio-cultural, technological, legal and environmental factors, it is necessary to take into account not only their actual state, but also to forecast possible changes of each factor for several years to come. The more detailed description of specifics of each factor is provided below in chapters 7.1-7.6.

After all relevant data about the external environment of the business is collected, the next step is to evaluate it. The enterprise should analyse all the factors and leave only those that can affect the company's profits in the future. After significant factors that can affect the company's profit are determined, the most difficult stage of analysis begins. This stage includes the development of tactical actions that can reduce the negative impact of the factor on the company's activities and maximize profits. There is no unified way to do that; the enterprise must act in accordance with own objectives and current circumstances.

### 7.1 Political

A political climate in the country should be foreign marketer's main concern. Every country controls internal business processes and activities and has methods to influence on them in accordance with government's political, economic and social goals. A government's impact can be supportive, but can also be discouraging.

The ideal political climate for a multinational firm is a stable and friendly government. Unfortunately, governments are not always friendly and stable, nor do friendly, stable governments always remain so; changes in attitudes and goals can cause a stable and friendly situation to become risky. Changes are brought about by any number of events: a radical shift in the government when a political party with philosophy different from the one it replaces ascends to power, government response to pressure from nationalist and self-interested groups, weakened economic conditions that cause a government to recant trade commitments, or an increasing bias against foreign investment. (Ghauri and Cateora 2010, 122.)

Economic nationalism, which extends to some degree within all countries, is another factor leading to an unfavourable business climate. Economic nationalism has as one of its central aims the preservation of national economic autonomy in that residents identify their interests with the preservation of the sovereignty of the state in which they reside. In other words, national interest and security are more important than international consideration. (Ghauri and Cateora 2010, 123.)

These feelings of nationalism can be manifested in a variety of ways, including «buy our country's products only» restrictions on imports, restrictive tariffs and other barriers to trade. They may also lead to control over foreign investment which is often regarded with suspicion and may be the object of intense scrutiny and control. (Granzin and Painter 2001, 73-96.)

A firm's home country political environment can constrain its international operations as well as its domestic operations (Figure 23). It can limit the countries that the international firm may enter. The global marketer must carefully distinguish between reasonable ways of doing business internationally – including compliance with foreign expectations – and outright bribery and corruption. (Hollensen 2001, 128.)



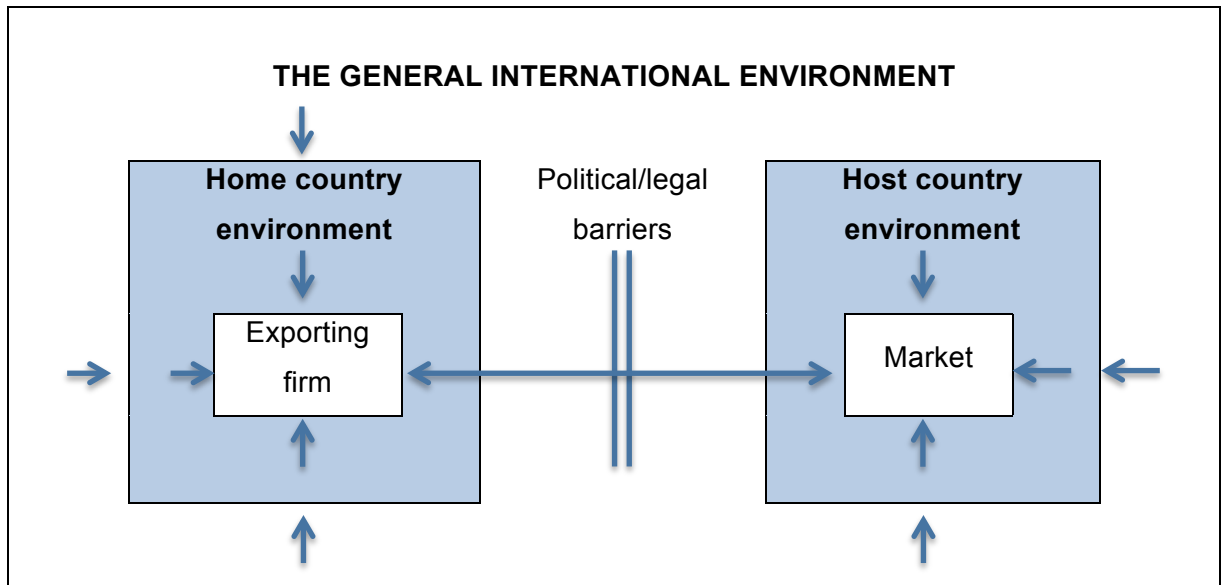


FIGURE 23. Barriers in the political/ legal environment (Hollensen 2001,128)

#### 7.1.1 Political Risks

The kinds of political risks confronting a company range from exchange controls, import restrictions and price controls. The most severe political risk is confiscation — seizing a company's assets without payment. Another type of risk is a domestication, when host countries take steps to transfer foreign investments to national control and ownership through a series of government decrees. Government seeks to domesticate foreign-held assets by mandating:

- a transfer of ownership, a part or totally, to nationals;
- the promotions of a large number of nationals to higher levels of management;
- greater decision-making powers resting with nationals; for example, a number of countries demand that foreign companies can enter their market only through minority joint ventures;
- a greater number of component products locally produced; for example, a number of countries (also EU and NAFTA) demand that a product must contain at least 60% of its content to be produced in the country (local content), to be classified as a local product and to avoid taxes or quotas. (Ghauri and Cateora 2010, 123-124.)

However, during the transition, companies are facing political and economic uncertainty, currency conversion restrictions, unresponsive bureaucrats and other kinds of political

risks (Ghauri and Cateora 2010, 125). To reduce the political risk, the enterprise should efficiently handle numerous factors that are described in Figure 24.

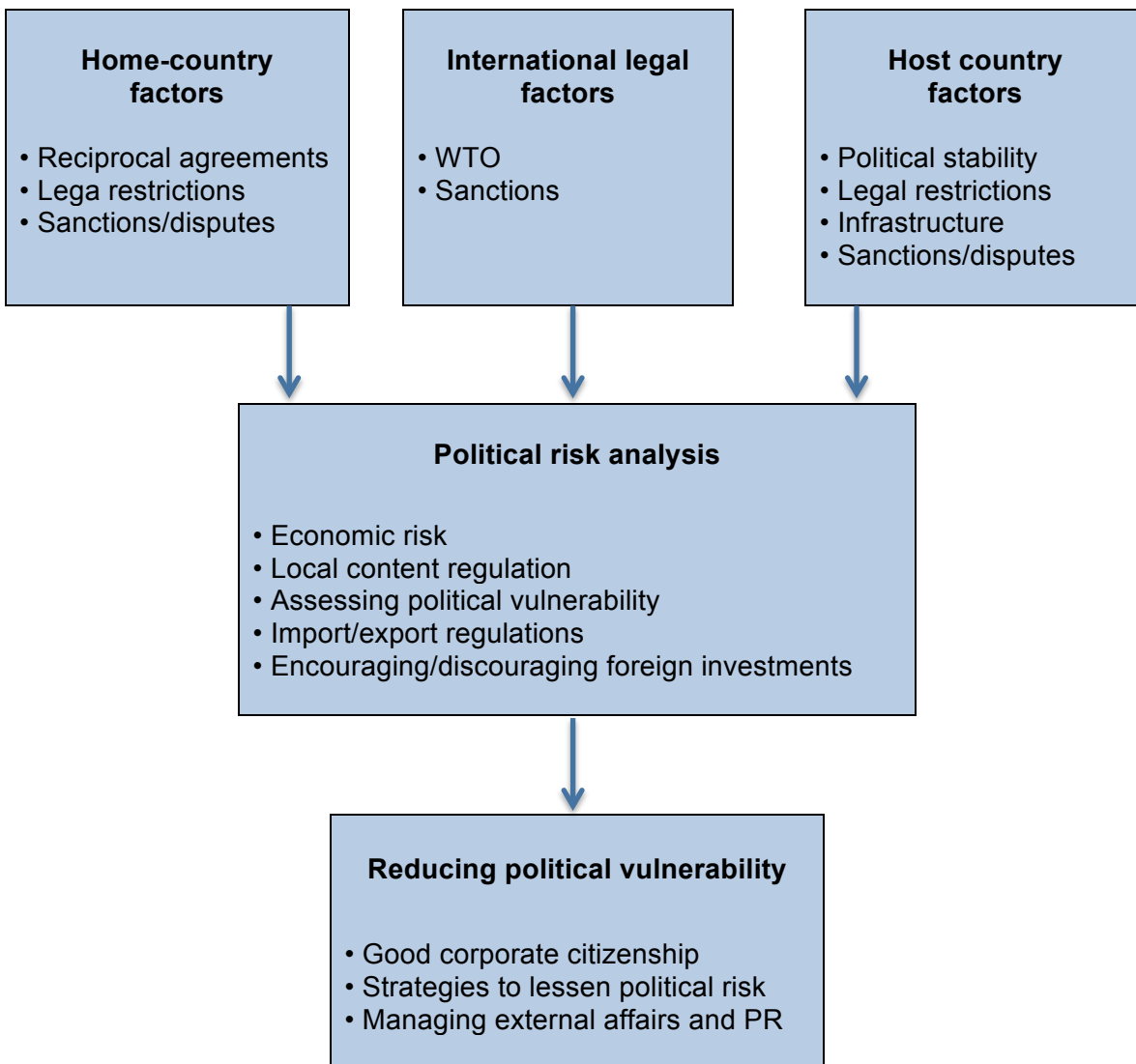


FIGURE 24. Factors influencing the risk-reduction process in the international marketing (Ghauri and Cateora 2010)

## 7.2 Economic

Economic factors include assessing potential changes to economy's inflation rate, taxes, interest rates, exchange rates, trade regulations, and excise duties. Official economic indicators often highlight areas where more detailed information is required. (Newton 2015, 17.)

Even though expropriation and confiscation are waning in importance as a risk of doing business abroad, international companies are still confronted with a variety of economic

risks, often imposed with the little warning. Restraints of business activity may be imposed under the banner of national security, to protect an infant industry, to conserve scarce foreign exchange, to raise revenue, to retaliate against unfair trade practices and a score of other real or imagined reasons. (Ghauri and Cateora 2010, 125.)

Governments also encourage foreign investment. In fact, within the same country, some foreign businesses fall prey to politically induced harassment while others may be placed under a government umbrella of protection and preferential treatment. The difference lies in the evaluation of a company's contribution to the national interest. (Ghauri and Cateora 2010, 126.)

The most important reason to encourage foreign investment is to accelerate the development of an economy. An increasing number of countries are encouraging foreign investment with specific guidelines aimed towards economic goals. Multinational corporations may be expected to create local unemployment, transfer technology, generate export sales, stimulate growth and development of local industry, and/or conserve foreign language as a requirement for market concessions. (Oxelheim 1993.)

### 7.3 Social

The social-cultural environment consists of forces and trends external to an organization that relates to society's values and belief systems (Maccarthy 2016, 71). Social factors include age distribution, population growth rate, employment levels, income statistics, education and career trends, and religious beliefs, as well as cultural and social conventions. Social factors that need to be considered are those that have an impact on your market. Social factors and cross-cultural communication play a critical role in international and global markets, and your success will depend on the depth of your research in this area. Getting this wrong is costly and may not come to light until considerable investment has been made by your organization. It can become an issue in managing the local labor force as well as promotional issues. (Newton 2015, 19.)

### 7.4 Technical

The technological environment refers to new and existing technologies that influence products, production processes and marketing systems (Wood 2011). Every new technology has the potential to replace something that is already in existence – computers replaced typewriters; mobile phones threaten fixed lines; digital photography replaced chemical photography. Organisations, particularly those operating in the high-

tech sector, need to invest in research and development and be aware that product life cycles are short. (Maccarthy 2016, 66.)

Technological factors can be broadly divided into two areas: manufacture and infrastructure. By exploiting opportunities to update or alter their production, an organization can gain market share, thereby attaining a strong competitive advantage. Such activities include:

- Automation
- Improved quality of parts and end product
- Incentives
- Significant cost savings
- Use of outsourcing to control costs and offer greater flexibility. (Newton 2015, 20.)

## 7.5 Legal

Business performances within and between countries are regulated by laws, but there is no single unified international commercial law. Therefore, the enterprise entering a foreign market has to take into account the legal environment of the target country.

Legal factors include current and impending legislation that may affect the industry in areas such as employment, competition, and health and safety. The PESTLE Analysis should consider the impact of company's own national laws as well as those originating in other countries that could affect the company. (Newton 2015, 22.)

Common heritages form the basis for the majority of the legal systems of the world:

1. Common law, derived from English law and found in England, Australia, the United States, Canada and other countries once under English influence.
2. Civil or code law, derived from Roman law and found in Germany, Japan, France and a number of other countries.
3. Islamic law, derived from the interpretation of the Koran and found in Iran, Saudi Arabia and some other Islamic states.
4. Socialist law, derived from the Marxist-socialist system and found in some of the newly Independent States (NIS) of the former Soviet Union, and in China and some other socialist states. (Ghauri and Cateora 2010,134.)

The difference among these systems are of more than theoretical importance because due process of law may vary considerably among and within these legal systems, its individual interpretation may vary significantly. The international marketer must be

concerned with the differences among systems when operating between countries because the rights of the principals of a contract or some other legal document under one law may be significantly different from the rights under the other. It should be kept in mind that there can also be the difference between the laws of two countries whose laws are based on the same legal system. Thus, the problem of the marketer is one of anticipating the different laws regulating businesses, regardless of the legal system of the country. (Ghauri and Cateora 2010, 134.)

Determine whose legal system has jurisdiction when a commercial dispute arises is another problem of international marketing. A frequent error is to assume that disputes between citizens of different nations are adjusted under some supranational system of laws. Unfortunately, no judicial body exists to deal with legal commercial problems arising between citizens of different countries. The most clear-cut decision can be made when the contracts or legal documents supporting a business transaction include a jurisdictional clause. (Ghauri and Cateora 2010, 136.)

Should the settlement of a dispute on a private basis become impossible, the foreign marketer must resort to more resolute action. Such action can take the form of conciliation, arbitration or, as a last resort, litigation. Most international businesses people prefer a settlement through arbitration rather than by suing a foreign company. (Ghauri and Cateora 2010, 137.)

## 7.6 Environmental

The issues surrounding environmental protection have become increasingly important in recent years as the implications of under-regulated economic activity are seen today. This has become more significant with globalization as the impact of an organization's actions may be felt outside of its native country and may incur unquantifiable financial penalties. (Newton 2015, 23.)

The combined impact of environmental factors through either direct legislation or the influence of pressure groups can have a major effect on organizations. Environmental awareness has grown considerably in the last 10 years, with numerous measures being introduced in order to control pollution and potentially hazardous operating practices, some of them controversial. Some of the issues under scrutiny are pollution/emissions, waste management, GM issues in farming and agriculture, energy, animal welfare, wildlife, flora and countryside/land conservation, food and drink safety, BSE in livestock, organic farming. (Allen 2001, 73.)

Other environmental factors are those that relate to the weather, climate, and geographical location. For example,

- Natural disasters or weather cycles such as monsoons may create too high a risk for operating in particular regions.
- The physical condition, extent, and maturity of a country's infrastructure may impose uneconomic costs on an organization. Weather conditions could also cause logistical problems at certain times of the year.
- Potential financial penalties resulting from causing contamination of soil or water may be unquantifiable.
- Before operating in a country with high temperatures and humidity, you would want to determine the availability, financial viability, and reliability of air conditioning. (Newton 2015, 23.)

## CONCLUSIONS

The process of globalization is gathering momentum, and it is obvious that in the very near future many local businesses will increasingly have to consider the option of entering a foreign market or transferring parts of their business there as an integral part of their development strategy. Also, for the newly launched enterprises and start-ups it is pretty wise to prepare their business plans taking into account this perspective.

There are a huge number of countries and potential markets in the world, and it is very difficult to assess their attractiveness at a rough guess. In order to get an impression of a target market's environment it is needed to collect as much information about it as possible. And nowadays the easiest, fastest and most affordable way to gather information is the Internet.

Despite the fact that World Wide Web is undoubtedly an invaluable resource for searching of various kinds of information, it might be pretty complicated to sort out that large volumes of information that hits the user. The purpose of this thesis was to find and systematize information sources for particular needs: gathering data about the target country, macroeconomic factors, specifications, trade regulations etc. There are many factors that can affect the activities of the enterprise and for each industry and business field these factors can vary. Therefore, this thesis contains various data sources that allow gathering as much information as possible about the factors of interest. And, which is very profitable, these sources are free of charge.

The information obtained should be systematized to get an overall picture. For these purposes, in Appendix 1 it is provided a template for the general economic data collection. This template can be used as it is, but is preferable to change and update it according to the needs of the enterprise.

Collection and systematization of the information received are only half the battle. The most important stage for assessing the influence of the obtained factors is their analysis. In this thesis, as a variant of analysis of the obtained data, such analytical tool as the PESTLE analysis is introduced. PESTLE analysis is a simple and convenient method for analysing the macro-environment of an enterprise.

After gathering information from the proposed sources and conducting the PESTLE analysis, there should come a general view how attractive the target market is for this particular enterprise. Based on that, it should be estimated, if the market has any

potential, what risks exist, what obstacles may arise, and what intricacies should be paid attention to when formulating a successful development strategy.

As a result of the thesis, there was created an efficient framework for an assessment of various macroeconomic factors, characteristics and indexes of a market, and therefore for a basic evaluation of a potential and attractiveness of a business environment of a target country. Also useful experience of an independent researcher work was gained, and additionally, a lot of knowledge about aspects of foreign markets' business environment was obtained, which can be useful for the future professional work.



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## APPENDIX 1

The template for general economic data collection (Ghauri and Cateora 2010, 513-514)

### I. Introduction.

### II. Population.

#### A. Total.

1. Growth rates.

#### B. Distribution of population.

2. Age.
3. Sex.
4. Geographic areas (urban, suburban and rural density and concentration).
5. Ethnic groups.

### III. Economic statistics and activity.

#### A. Gross National product (GNP or GDP).

1. Total.
2. Rate of growth (real GNP or GDP).

#### B. Personal income per capita.

#### C. Average family income.

#### D. Distribution of wealth.

1. Income classes.
2. Proportion of the population in each class.
3. Is the distribution distorted?

#### E. Minerals and resources.

#### F. Surface transportation.

1. Modes.
2. Availability.

#### G. Communication systems.

1. Types.
2. Availability.

#### H. Working conditions.

1. Employer-employee relations.
2. Employee participation.
3. Salaries and benefits.

#### I. Principal industries.

1. What proportion of the GNP does each industry contribute?
2. Ratio of private to publicly owned industries.

#### J. Foreign investment.

1. Opportunities?
2. Which industries?

#### K. International trade statistics.

##### 1. Major exports.

- a) Dollar/euro value.
- b) Trends.

##### 2. Major imports.

- a) Dollar/euro value.
- b) Trends.

##### 3. Balance-of-payment situation.

- a) Surplus or deficit?
- b) Recent trends.

##### 4. Exchange rates.

- a) Single or multiple exchange rates?
- b) Current rate of exchange.

#### L. Trade restrictions.

1. Embargoes.
2. Quotas.

3. Import taxes.
  4. Tariffs.
  5. Licensing.
  6. Custom duties.
- M. Extent of economic activity not included in cash income activities.
1. Countertrades.
    - a) Products generally offered for counter-trading.
    - b) Types of countertrades requested (i.e. barter, counter purchase, etc.).
  2. Foreign and received (relevance for the product in question).
- N. Labour force.
1. Size.
  2. Unemployment rates.
- O. Inflation rates.
- IV. Development in science and technology.
- A. Current technology available (computers, machinery, tools, etc.).
  - B. Technological skills of the labour force and general population.
- V. Channels of distribution (microanalysis).
- This section reports data on all channel middlemen available within the market. Later, you will select a specific channel as part of your distribution strategy relevant to your product.
- A. Middlemen.
1. Retailers.
    - a) Number of retailers.
    - b) Typical size of retail outlets.
    - c) Customary mark-up for various classes of goods.
    - d) Methods of operation (cash/credit).
    - e) Scale of operation (large/small).
    - f) Role of chain stores, department stores and specialty shops.
  2. Wholesale middlemen.
    - a) Number and size.
    - b) Customary mark-up for various classes of goods.
    - c) Method of operation (cash/credit).
  3. Import/export agents.
  4. Warehousing.
  5. Penetration of urban and rural markets.
- VI. Media.
- This section reports data on all media available within the country/market. Later, you will select specific media as part of the promotional mix/strategy relevant for your product.
- A. Availability of media.
  - B. Costs.
    1. Television.
    2. Radio.
    3. Print.
    4. Other media (cinema, outdoor, etc.).
  - C. Agency assistance.
  - D. Coverage of various media.
  - E. Percentage of population reached by each of the media.
- VII. Executive summary.
- After completing the research for this report, prepare a two-page (maximum) summary of the major economic points and place at the front of the report.
- VIII. Sources of information.
- IX. Appendices.

