

Corporate political activity and trade policy in an emerging market

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ABSTRACT

The study examines the use concept of Corporate Political Activity in influencing trade policy within an emerging market. The practice of Corporate Political Activity and how it influences trade policy has been studied for years in developed economies mostly USA and Europe, but little to non has been studied from the perspective of an emerging market. For the purpose of the study South Africa was chosen as an emerging market of choice given its economic significance on the African continent. Furthermore, the automotive industry was used as the lens of study given the importance of the sector in global and south African economy.

The study was an taken as an exploratory qualitative study with 11 participants being interviewed through a semi structured interview process. The participants were individuals of high seniority and deep knowledge of the industry from government affairs and trade policy administration perspective with collective and cumulative experience of over 150 years.

Key contribution of study was theoretical contribution into the broader literature on Corporate Political Activity, trade policy and emerging markets theories from the African market perspective .

KEYWORDS

Corporate Political Activity, Emerging Markets, Trade Policy, Global Value Chains

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy Corporate Strategy at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Chapter 1: Introduction & Background

This study explored the concept of Corporate Political Activity (CPA) as a non-market activity that is popularly used by firms to influence governments decisions, policy directions and positions. It meant to get an understanding of how CPA is used to influence trade policy within an emerging market context based on scholarly gaps identified during the collection and analysis of the relevant literature. The study was qualitative in form, explored existing theories informing the practice of Corporate Political Activity in general and examined the making of contemporary trade policy regime.

1.1 Background to the study

Firms operating in modern times do so under complex environmental context in that they have to contend with complex market headwinds but must also navigate through complex non-market challenges. This study intends to share the light on how firms shape their environment because of those factors arising from these non-market challenges such as public policy, regulatory requirements etc.

Firms respond to this non -market challenges in various ways, most notably Corporate Social Responsibility (CSR) initiatives and Corporate Political Activities (CPA). The interest of this study lies in the practice of Corporate Political Activities (CPA), and how it is used by firms to influence their environment with specific interest to the trade policy arena.

Trade policy is an important lever that can serve as an enabler or disabler of a firm's competitive advantage in a specific market. Where its effectiveness is determined by the trade ratio of exports versus imports which will indicate the existence or nonexistence of trade protection within a particular market (Saha, 2019).

CPA as an area of research interest has been widely studied and reported but mainly so from the developed economies perspective such as the USA and EU, but not so much from an emerging market perspective (Lawton et al, 2013) (Katic & Hillman, 2023). In addition to that, little has also been done towards understanding how the concept is applied in influencing trade policy specifically (Saha, 2019).

It is for this reason that the study examined how the practice of CPA is used in influencing trade policy environment from the view of an emerging market, thus contributing to a broader body of knowledge in individual areas of corporate political activity, trade policy and emerging market studies.

1.2 The research problem

The concept of Corporate Political activity has attracted a lot of scholarly interest in recent times. The theoretical problem however is that there is little research on CPA done from an emerging market perspective whilst there is abundance of such research from developed market perspective (Curran & Eckhardt, 2018), (Saha, 2019) & (Liedong *et al*, 2020).

Furthermore, corporate political activities carried out towards influencing trade policy have been researched and reported upon from the prism of developed markets such as USA & EU (Curran & Eckhardt, 2018).

Additionally, global value chains under the orchestration of multinational enterprises play a key role in the facilitation of global trade, however there is little said about them in the analysis of trade policy as such this study responds partly to such problem (Anderer *et al*, 2020).

Not much literature is available on the work of CPA in influencing trade policy from a perspective of an emerging market, therefore the study intends to respond to such invitation by Saha, (2019) and Liedong *et al*, (2020) who maintains that a similar study should be taken out not only in an emerging economy but in a completely different industry.

1.3 The primary research question

The primary research question of this study is how firms use Corporate Political Activities to influence trade policy in an emerging market. This was in direct response to the invitation by Saha (2019) and Liedong *et al.*, (2020) where they maintain that there is scarcity of evidence around research in CPA in emerging markets and CPA influence on trade policy.

To answer the main research, question the following sub-questions were developed to help the response:

- i. What CPA activities or strategies are being employed by the firms in the auto industry to influence trade policy
- ii. What are the key drivers of CPA strategies used by the firm to influence trade policy?
- iii. How effective are the CPA strategies employed by SA based OEMs in influencing trade policy?

1.4 The research purpose

The practical implications of this study are to obtain better understanding of how corporate political activities are carried out in South Africa and reveal new insights specifically as they relate to an emerging market.

Furthermore, the study explored trade policy and the contours thereof in a contemporary global trading arena where there are multiplicity of actors trying to influence the policy outcomes to their own favour.

With multinational enterprises being the orchestrators of global value chains and therefore significant players in the shaping of global trade, it is imperative to understand their contribution in influencing trade policy from the perspective of their subsidiaries that are hosted in emerging markets.

As an exploratory study, the research aimed to use existing literature on CPA and trade policy to better understand how it is applied in the SA context and contribute to the broader emerging market literature on CPA influence on trade policy.

1.5 The Research Scope

1.5.1 Theoretical Scope

The scope of the study covered literature on CPA which has attracted a lot of scholarly attention. It further examined literature on trade policy considering the role of multinationals as champions of trade liberalisation and orchestrators of global value chains.

Not much literature is available on the work of CPA in influencing trade policy from a perspective of an emerging market, therefore the study intends to respond to such invitation by Saha, (2019) and Liedong et al., (2020)

1.5.2 Physical Scope

The physical scope of the study is based on the South African context. This is motivated by the identified gap in literature which lamented that research on how CPA influences trade policy has been conducted mainly from the perspective of developed economies with little or nothing recorded on emerging markets perspective, therefore South Africa was chosen as it is an emerging market.

Secondly, systematic literature review revealed that whilst CPA influence on trade policy has been conducted, such research should be extended to other industries and as a result the SA automotive industry was chosen (Saha, 2019) & (Liedong *et al*, 2020).

1.6 The Research Contribution

1.6.1 Academic Relevance

The theoretical contribution of these study was to gain an understanding and contribute to the existing body of knowledge albeit in a small way towards corporate political activity and how it is used to influence trade policy in an emerging market context. This will add towards the literature on corporate political activities, trade policy and emerging market studies.

1.6.2 Business Relevance

The automotive industry is one the most important sectors in the South African economy, with a GDP contributing 4.9% and total manufacturing output of 17.3% whilst the country is home to 7 OEM vehicle assemblers (NAAMSA, 2023)

The automotive industry in South Africa is facing existential threat as result of regulatory uncertainty emanating mainly from the global shift from internal combustion engines (ICE) vehicles to new energy vehicles (NEV). The industry exports over 60% of locally produced passenger and light commercial vehicles, of which over 77% goes to Europe as a region (NAAMSA_2023). Europe has since announced the ban on ICE vehicle imports from 2030 onward which will have disastrous impact for the South African auto industry as it will result in some plant closures and loss of mass jobs (NAAMSA, 2023).

The industry has been frustrated for some time by the government lacklustre response to this eminent crisis. It is for this reason this study intends to investigate what corporate political activities are in place by the industry individually and collectively to influence trade policy, within the context of global value chain with specific focus of the SA automotive industry.

1.7 The Research Structure

The study is made up of seven chapters organised as follows:

Chapter 1: Introduction and Background

Covering introduction to the study. Identifies the research problem and introduces the main research questions that the study seeks to answer.

Chapter 2: Literature Review

This chapter provides a systemic review of relevant academic literature on Corporate Political Activity and Trade Policy in and effort formulate an answer to the research questions.

Chapter 3: Research questions

This chapter explains the main research questions and sub questions that were identified through the review of literature.

Chapter 4: Research Methodology & Design

The chapter introduces the research design and methodology that was chosen to carry out the study. It further provides justification for the choice and provides rationale for sampling methods adopted, how data was collected, collated, and interpreted.

Chapter 5: Research Findings

This chapter deals with the presentation of findings of the research using the methodology and design outlined in chapter 4.

Chapter 6: Discussion of Results

This chapter deals with discussion, analysis, interpretation, and conclusions of findings from Chapter 5.

Chapter 7: Research Conclusions

The chapter provides theoretical conclusions that assist to answer the research questions, identifies research contributions, limitations of study and recommendations for future research.

Chapter 2 Literature Review

2.1 Introduction

The purpose of this study is to explore the influence of corporate political activity (CPA) on trade policy within an emerging market context. Therefore, this chapter provides a review of seminal and current academic literature in the field of Corporate Political Activity (CPA) and Trade Policy.

The chapter will locate the definition of CPA and its major theoretical viewpoints that informs the phenomena, followed by the review of antecedents that gives rise to CPA then the identification of major typologies and taxonomies of CPA.

The examination of trade policy against the emergence of global value chains and multinational corporations and their influence with particular focus within an emerging market context.

Effectively the chapter addresses the objectives of locating the academic relevance of the study in general, but more specifically the research problem, primary research questions and its sub questions whilst also identifying the knowledge gap through analysis of literature. Lastly the chapter concludes by developing a set of questions emanating from the literature analysed.

2.2 Corporate Political Activity Defined

Firms are often faced with variety of contexts during their course of trade which at times may give rise to trade barriers of some sort, some of these barriers arising as a result of normal market forces, but some as a result on non-market forces such as regulations, public policy, anti-globalisation and protectionism etc, as a result there is a need for firms to embark on alternative initiatives that will counter this headwinds to protect their interests (Saha et al., 2023

These initiatives represent deliberate strategies that are adopted by firms to counter these constraints that cannot be addressed through the market but are nevertheless susceptible to mitigation through the deployment of alternative interventions and tactics under the umbrella of non-market strategies in which Corporate Political Activity (CPA) is found (Dorobantu, et al, 2016).

There is abundance of literature on CPA written over the years, and as a result there are variation of descriptions from numerous scholars. In their seminal work Hillman & Hitt (1999)

describe corporate political activity as a phrase housing different strategies and tactics used by firms to influence and shape government decisions or direction. Katic & Hillman (2023) explains that as a field of study CPA is concerned with elucidating all various types of initiatives that are carried out by private firms to strategically shape their political environment positively.

Scholars Curran & Eckhardt (2018) and De Villa et al. (2019) define CPA as encompassing all efforts by private firms that are meant to influence government policies to result in favourable trading conditions for their specific entity or industry. Whilst Sutton & Bosse (2023) postulate that these are firms deliberate activities to improve performance and competitiveness by influencing external environment within the public arena to its favour. Barron and Stacey (2021) take it a step further and describes CPA as all initiatives undertaken by private firms to extract value from the political environment. However not all scholars have a rosy description for CPA as contended by Ulucanlar et al (2023) describing them as practices which are meant to secure preferential treatment for the firm even if it's at the expense of the greater society through shaping, preventing, circumventing, and even undermining of public policies as long it favours the firms interests.

Brown *et al*, (2022) argues that CPA is a non-market activity that is meant to manage the societal context within which the firm operates and exist. A view echoed by Liedong et al (2020) in which they assert that CPA represents a firm's actions to shape the competitive space to their own favour in volatile and uncertain environments. As an aspect of non-market strategy CPA is intentional in nature as it forms key part of the overall organisational corporate strategy to shape societal and political context through the influence of government policy in pursuit of the creation of competitive advantage (Brown *et al*, 2023).

These actions encompass a diverse range of activities such as lobbying, party funding and co-optation amongst others (Hillman & Hitt; 1999), Brown et al., 2022). In addition, constituency building, creation of coalitions with likeminded interest groups and communication with government and other key stakeholders are also some of the recognised key strategies in the CPA literature (Curran & Eckhardt, 2020), (Liedong et al., 2020).

These activities according to Rodgers et al. (2019), differ according to a market environment, meaning that in a developed market CPA activities will be concerned with influencing, shaping, preventing or early intelligence gathering of possible legislative or policy changes, whereas in emerging market context the primary focus will be to "offset any institutional voids". This resonates with the thinking of Liedong et al., (2020) who argued that these formal strategies are better suited and effective in the developed economies context where there are strong and functional institutions, which is not the case in emerging economies which are generally characterised by weak institutions. It therefore makes sense that CPA has been found to be

one of the effective non-market strategies firms deploy for reducing regulatory and political barriers in emerging economies, more so than in their developed counterparts (Brown et al., 2023).

Having examined the different and broad descriptions of the CPA phenomena, the next section reviews the main theoretical underpinnings that serves as its foundation in order to get a much deeper understanding.

2.3 Theoretical viewpoints

The field of corporate political activity is characterised by three predominant theoretical perspectives which is resource based, institutional theory & political environment as outlined in the CPA framework in figure 1 below (Lawton et al., 2013).

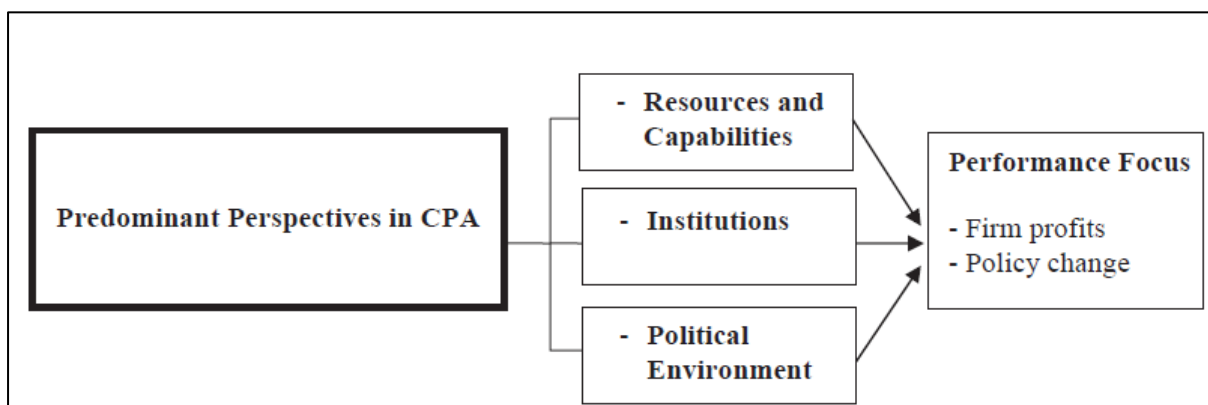


Figure 1 The CPA Framework (Lawton, et al:2013)

We now look briefly at each of the theoretical perspective more elaboratively below.

2.3.1 Resources and Capabilities Perspective

This theoretical viewpoint moves from the premise that a firm's political resources and capabilities are the enablers of CPA. It asserts that political capital as a resource is built over time through intentional investment by the firm (Shirodkar et al., 2022).

These capabilities are effectively processes which are activated by the firm to employ or leverage resources to influence the political environment to its favour by either providing political access, legitimacy, political influence etc, and they can be housed internally as in owned by the firm (eg dedicated government affairs department) or they can be externally outsourced but controlled by the firm (Passos, et al, 2023), (Dahan, 2005). Shirodkar et al., (2022) maintains that these capabilities and resources when used effectively in collaboration

with other market-based strategies have a direct influence on the improvement of the firm's competitiveness.

In addition to building their own home-grown political capabilities, some firms appoint politically well-connected individuals into their top leadership structures such as board or executive levels as an expeditious way to either acquire or enhance their political capital (Cruz & Graham, 2022). According to Jia et al., (2023) some will go to the extent of co-opting social movements activist to their ranks to boost their political capabilities.

Access and legitimacy are key enablers of the capability to influence, where access is dependent on contacts with political actors either through relational or funding for political cause/s, and legitimacy emanating from information resource mobilisation, reputation with stakeholders and public image (Passos, et al., 2023) (Dahan, 2005). A non-exhaustive list of types of political resources, their purposes and brief description is provided in Table 1 below as adopted from Dahan, 2005.

Table 1: Typology and purpose of political resources (Dahan, 2005, Table 3 & 4)

Political Capabilities & Resources	Description	Purpose
Expertise	Technical, economic, social, ecological, legal etc	Legitimize & influence
Financial	Direct or indirect funding for political action	Access & Influence
Relational	Formal or informal relationships	Access
Organisational	Internal or external (hired) resources such as government relations department	Support for other resources
Reputation	Political capital with political actors	Influence

Public image	Organisational short-term perception by public and or media	Legitimize
Stakeholder Support	Political weight of lobbying organisations,unity, diversity and size of coalition partners	Legitimize and influence
Recreational capability	Hospitality provision such as free trips, wining and dining and access to social events	Access

These political resources are used to support political actors and their political causes, providing information, technical & expert knowledge, funding used in the lobbying process, and indirect provision of votes amassed through constituency mobilisation on their behalf (Shirodkar, et al; 2022). The firms' political capabilities when fully developed can become a source of long-term financial success depending on their effective and efficient deployment in the marketplace (Khan, 2020), (Shirodkar, et al; 2022).

However, the appropriateness and effectiveness of these capabilities will be influenced by the overall context within which the firm operates (Rodgers et al., 2019). There are two contexts to consider according to Lawton et al (2013) which is institutional and political contexts. The next section firstly examines the institutional context.

2.3.2 Institutional Perspective

This theoretical perspective is informed by the premise that the institutional arrangements in any country will influence the flow of firm-government relations, and that the understanding of such dynamics is key towards crafting of the CPA program (Lawton et al., 2013). A view maintained by Rodgers et al (2019) that CPA focus will vary according to market or institutional environment. This understanding is even more imperative for firms operating in emerging markets than their developed counterparts due to institutional differences (Liedong et al., 2020), (Brown et al., 2023).

The environment of business in a country is influenced by the institutional framework in place, as a result a view is held that emerging markets generally have weak institutions and therefore pose a challenge for CPA programs as they can be associated with the societal ills such as corruption etc (Liedong, et al., 2020), (Jia et al., 2023). The idea is further supported by Brown

et al (2023) where they postulate that emerging economies in general are characterised by weak market supporting institutional environment. This is however in contrast to the developed economies where the policy making powers are split across different levels of governance, enabling policy makers in different levels of governance to monitor each other's conduct thus ensuring separation of powers and strengthening institutional checks and balances, which is generally not the case in emerging market (Jia *et al*, 2023).

Therefore firms, especially foreign multinationals operating in emerging economies must maintain a level of awareness about possible changes within the countries institutional environment as this may have an impact on their legitimacy in the country (Bucheli & Salvaj, 2018), (Rodgers *et al.*, 2019). Multinational firms generally originate from developed countries where the institutional environment differs drastically to that of emerging economies where their subsidiaries are hosted, as a result they must find ways to navigate through these institutional variations if they are to gain any competitive advantage (Brown, *et al*, 2023).

Institutional differences also referred to as institutional distance can be a great contributor to a multinational firm's competitive disadvantage due unfamiliarity of the environment and institutional context, discrimination based on country of origin and lack of local relationships with local political actors (Brown, *et al*, 2023). In fact, the dominant literature on CPA has for a long time being seen through the lens of the developed economies such as the USA and EU where there is generally strong and well-established institutional architecture (Lawton *et al*, 2013), (Katic & Hillman, 2023).

This dominant view has contributed to a narrow focus of firm and especially multinational firm relations with national government political institutions to the neglect of a broader political stakeholder community that forms a holistic political institutional environment (Boso *et al*, 2023). In their study Boso *et al* (2023) have found that in an emerging market context like sub-Saharan Africa the institutional context is broader and complex as it consists of formal and informal political institutions, where the former consists of national government political actors and the latter by local chieftains or traditional leaders, religious leaders, and other non-governmental organisations.

The emerging market contexts requires partnerships with national political actors to promote adoption and enforcement of laws regulations favourable to the firm and reduction if not elimination of unlawful and anticompetitive market practices, whilst partnering with traditional and religious leaders to improve societal well-being but also to boost organisational legitimacy and assure protection of property rights amongst others (Sheng, *et al*, 2011) (Boso *et al* 2023), (Liou *et al*, 2021) & (Amakwa-Amoah *et al*, 2022).

It is suggested that in some African context traditional leaders have an administrative role they play albeit informally and act as a liaison between local communities and formal state institutions, as a result their support is imperative for the effective functioning of their national governments therefore multinationals must have an appreciation for such context (Boso et al, 2023). The sentiment echoed by Jia *et al* (2023) where they maintain that managers political target must look beyond legislators but the broader spectrum of actors whose consent is necessary for a decision or policy to succeed or fail.

Amankwah-Amoah et al (2022) postulates that the institutional dysfunctionality that is brought by weak institutional environment is characterised by conditions such as weak protection for property rights, poor enforcement of law and regulations, underdeveloped capital market, poor infrastructure & opaque industry rules of engagement which in return all these conditions increase the costs of doing business. In Figure 2 below they provide an overview of these conditions and the corresponding costs and risks factors that they create but provides the appropriate response mechanisms required to lessen their negative impact to the business

Amankwah-Amoah *et al* (2022) illustrates through figure 2 the relevant multi political actors identified within the sub-Saharan Africa context and for each actor provides relevant area of potential protection for the business such as regulation and fair public policy from political and regulatory institutions, legitimacy from local traditional leaders, moral and brand legitimacy from religious leaders and positive media and greater brand legitimacy from local opinion makers.

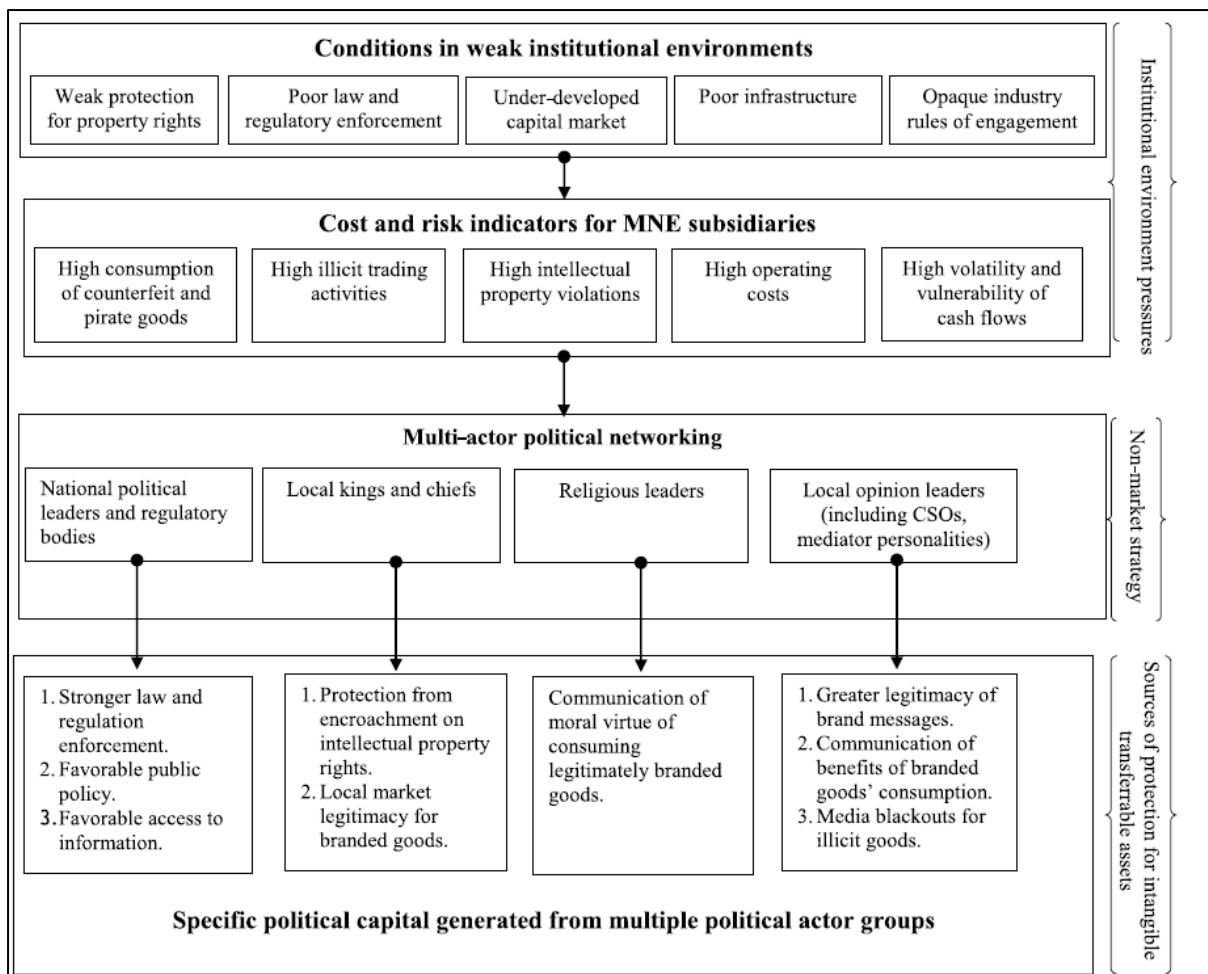


Figure 2 Multi actor political networking as non market response strategy in weak institutional environments in Africa (Adopted from Amankwah-Amoah et al, 2022).

It is further argued that these increases in transaction costs and related risks caused by these institutional dysfunctions may erode some of the firms' competitive advantages and by extension its value, therefore the firms' political connections can help to safeguard against this erosion of value (Amankwah-Amoah et al, 2022) (Lawton et al, 2013).

Multinational firms must therefore develop an appreciation that in some emerging economies which are high relational societies and have generally weak institutions like sub-Saharan Africa, relations with political actors in the broadest sense are regarded as highly valuable resources (Amankwah-Amoah et al, 2022) (Lawton et al, 2013). The absence of political institutions with transparent decision-making processes; that can guarantee consistency in the application of rules and regulations heightens the importance of political connections and relational CPA (Brown et al, 2023) (Jia et al, 2023).

It needs to be noted however that the absence of strong institutions in emerging economies as compared to their developed counterparts, can bolster the narrative that confuses genuine

and above-board CPA activities with corruption, which is the case even in developed economies as civil society actors generally view CPA as illegitimate and involving some form of corruption (Jia *et al*, 2023), (Brown *et al*, 2023). The other key environmental element that firms need to consider over and above the institution environment is the political environment in the country, which is the focus of the next section.

2.3.3 Political Perspective

This theoretical view is concerned with the country's political environment which entails elements such as the legal and regulatory framework, political risk, political system and ideology, stability of political processes etc which all have the potential to disrupt the firm's performance (Lawton *et al*, 2013).

In a narrow sense political environment consists of political actors such as regulators, legislators, members of the executive, their bureaucracy, and the judiciary, however a broader political environment must also consider the fourth estate, social movements, non-governmental organisations, traditional and religious leaders etc (Katic & Hillman, 2023) (Boso *et al*, 2023) (Amankwah-Amoah *et al*, 2022). Meaning that when multinational firms scope the political environment, they must be mindful of the entire political context of a specific country or region.

A country's political environment has an influence on the firm-government relations and by extension CPA strategies, especially in emerging markets which at times can be politically volatile thus giving rise to uncertainty for foreign multinational firm as it will be dependent on the country's political systems (Lee *et al*, 2022). Emerging economies are generally regarded as politically hazardous and therefore tend to have high levels of political risk while developed nations that boast robust checks and balance mechanisms in their formal policy making structures and relatively low political volatility generally tend to have low levels of political risk (Lawton *et al*, 2013). As a result, political environment is generally used to assess a country's level of political risk.

The notion of the developed countries naturally been assumed to have low levels of political risk is however challenged by Fukuyama (2020), where he argues that the global rise of politics of identity has shaken even the developed world as witnessed in the United Kingdom with the support for Brexit and in the support for Donald Trump in the USA post 2020 election loss (Fukuyama, 2020), (Jia *et al*, 2023). For this reason, therefore one may argue that low levels of political risk in the developed world is no longer a given but each context must be assessed independently and based on its own merit.

The firm's understanding of these three key theoretical perspectives is imperative towards the measurement of success or failure of its CPA programs. For this reason, the next section provides a review of CPA performance.

2.4 Performance of CPA

The final element of Lawton et al (2013) CPA framework focuses on the performance of CPA where it's purported that the ultimate aims and objectives of CPA are to shape public policy environment in a manner that will improve the firm's competitiveness and ultimately its bottom line, this result however they argue that it can be a challenge to isolate from an overall organisational performance. This challenge therefore somehow contributes to the conflicting arguments about the performance effectiveness of CPA. Management literature in broad terms however argues for the effectiveness of CPA as the enabler of access to political actors, influencer of public policy making process which in turn generates returns for the firm (Hadani *et al*, 2017). Therefore, the contention is that the performance debate emanates from a lack of common definition of what the term represents, in that the measurement should go beyond the narrow accounting definition but be inclusive of a much broader set of measures which at a firm level should include financial performance and the impact of regulatory and policy outcomes as a minimum (Hadani *et al*, 2017), (Katic & Hillman, 2023).

Firms' political capital has been proven to be imperative in achieving policy outcomes beneficial to the firm more so in industries or sectors where political and regulatory actors play a key role (Kim, 2019). This political capital is built on the back of organisational legitimacy which comes because of deliberate political strategies deployed by the firm such as lobbying (Shirodkar *et al*, 2022). This is particularly important in countries with weak institutional regimes as the business costs associated with such environment can erode firms value and competitive advantage if they are not countered with deliberate political activities (Amankwah-Amoah *et al*, 2022), Lawton *et al*, 2013). Therefore, firms operating in emerging markets cannot afford to downplay the importance of deliberate CPA programs towards improving their performance.

There is however no universal agreement on the performance of CPA as different firms and or industries have varying experiences. In highly regulated sectors such as financial services for instance, it has been argued that lobbying as a CPA tactic has not been successful as some of the wealthiest firms end up operating under stringent regulatory regimes that do not reflect their ideal policy positions, despite their capital muscles (Chalmers, 2020). However, in contrast the tobacco industry on the other hand has successfully managed over the years to

push back on stringent regulations affecting the survival of their industry despite the negative public health impact of their products (Hawkins *et al*, 2019).

However, there are some moral judgements against CPA performance which have been presented by numerous scholars. Challenging the societal benefits of CPA especially with regards to how its role affect the quality of political institutions and the integrity of public policy processes (Katic & Hillman, 2023). Scholars Dahan & Hadani (2023) posits that the CPAs impact on the firms' broader stakeholders such as customers, shareholders, competitors, and broader society has given rise to such concerns as anti-competitiveness tendencies brought about by corporate political influence on public policy and institutions. This is further reinforced by Ulucanlar *et al* (2023) who proclaim that CPA programs are effectively meant to circumvent and even undermine public policies if it benefits the firm. For this reason, an argument has been made that CPA which is born out of cosy relationships between firms and regulators, has given rise to a regulatory capture where there is lenient regulatory oversight and the creation of public policy that is business oriented at the expense of general societal welfare (Dahan & Hadani, 2023).

Therefore, firms need to be circumspect of these insights when evaluating their CPA performance if they don't want their CPA programs to be associated with hazardous societal effects. To successfully do so however an appreciation of the possible causes of CPA is necessary, which leads us to the next section which focuses on the antecedents of CPA.

2.5 Antecedents of CPA

To gain a better understanding of the CPA phenomena, Hillman *et al* (2004) posits that it is imperative to understand its antecedents which they categorise as follows: firm level, industry level, issue-based & institutional factors. This as part of the scholarship evolution of CPA which traditionally predominantly focused on the performance factors rather than its antecedents (Lawton *et al*, 2013). Therefore, identification of key antecedents is crucial for understanding factors that may trigger CPA activation and the resultant choice of strategy and tactics by the firm (Katic & Hillman, 2023).

2.5.1 Firm level

At firm level the strategic management decision to engage in CPA will be influenced by factors such as the size of the firm, its dependency on government, firm slack, level of diversification,

age of the firm, foreign ownership, formalised structures & managerial influence (Hillman *et al*, 2004).

The size of the firm is regarded as the most prominent antecedent of CPA, where size is determined factors such as revenue, market share, asset base & number of employees amongst others and is representative of a firm's available resources which is argued to be an indicator of ability to engage in CPA (Hillman *et al*, 2004). But this is also influenced by the fact that large firms are most likely to assume leadership roles when it comes to political activity as negative public policy would most likely impact them the most (Rudy & Johnson, 2019).

This is followed by the firm's level of dependency on government, for instance firms operating in a highly regulated space tend to have a high active levels of CPA engagement (Hillman *et al*, 2004).

The firms level of slack assets which can be measured through the levels of its debt to equity, current assets to current liabilities, free cash flow etc plays a role in determination of the firms CPA strategy as this excess resources can enable the firm to afford to engage in CPA or vice versa a firm with leaner slack assets may want to engage more actively in CPA if there is a possibility of a political solution being the answer to its financial challenges (Hillman *et al*, 2004). Most prevalent however is that firms with large amounts of free cash flow and lower cash demands for R&D and general investment turn to have high levels of CPA investment using the excess cash available to them (Brown *et al*, 2023).

The age of the firm may not directly impact CPA; however, it is often used to position the firm's narrative of heritage, visibility, reputation, credibility, and experience in the market, all of which have a positive correlation with CPA (Hillman *et al*, 2004). In a nutshell age of the firm is generally considered to serve as a proxy for reputation (Rudy & Johnson, 2019)

Furthermore, it has also being argued that the firm's level of product diversification has an influence on CPA, in that firms with high levels of product diversification are more likely to adopt a longer-term relational CPA approach (Hillman *et al*, 2004). This is because firms that have a diverse product offering often tend to operate in multiple industries thus having to confront a wider array of policies and a greater number of regulations interacting with multiple political actors (Shirodkar, et al; 2022).

Managerial influence which speaks of the top management's political orientation or leanings, is also identified as one of the antecedents of CPA (Hillman et al, 2004). The political characteristics of individual board members plays a role in direction of CPA the firm pursues (Brown *et al*, 2023). This however has a risk of managers punting for their own political agendas or ideologies at the expense of firms' agenda, such as seeking own compensation increase, seeking to secure own individual political appointments etc (Shirodkar, et al; 2022) (Rudy & Johnson, 2019). This is especially prevalent where the CEO is allowed unchecked discretion by the board with regards to setting the firms CPA direction. The same with the architecture of the firms' internal structures such as existence of separate government or public affairs departments (Hillman *et al*, 2004).

Foreign ownership has also been identified as an important precursor of CPA and the approach is likely to be shaped by firms originating region or country where US firms will differ in approach with those firms from Canada, UK, or Japan amongst others (Hillman *et al*, 2004). Furthermore, foreign ownership also brings with it the element of international diversification which enables the firm access to a much broader political network such as other political actors globally or in country of origin, global non-governmental organisations (NGOs) etc (Shirodkar, et al; 2022), (Curran & Eckhardt, 2018). Additionally, the significant presence of institutional foreign investors may demand a much more robust risk management and mitigation strategy of the political environment through investment into CPA (Brown *et al*, 2022)

2.5.2 Industry level

At an industry level, the structural variables such as number of firms, industry concentration, size of firm within the industry, plays an important role as antecedents of political activity, where concentrated industries are most likely to be highly politically active (Hillman *et al*, 2004). The tobacco industry for instance, which is globally dominated by an oligopoly of four key players i.e Philip Morris International (PMI), Japan Tobacco International (JTI), British American Tobacco (BAT) & Imperial Tobacco has been successful over the years to dissuade governments conversations around tobacco as a public health policy issue to a trade and investment issue, effectively resisting the implementation of strict regulatory measures against the industry (Hawkins *et al*, 2019). Industry unity also serves as an antecedent, as it increases the chances of CPA success as unity signals to the political actors where the balance of forces lies which will help with reducing policy uncertainties and bolster policy legitimacy (Chalmers, 2020)

2.5.3 Issue-based

This refers to a particular public decision, public policy position or proposal wherein the importance of the issue at hand is to the firm, will be the determining factor of its levels of political activity (Hillman *et al*, 2004). Regulatory uncertainty has been argued to be one of the key catalysts for firms to activate their CPA machinery simply because a volatile regulatory environment directly affects firms' competitiveness and performance (Brown *et al*, 2023). This is echoed by Brown *et al* (2020) where they found that in environments of high or volatile regulations, firms non-market activity levels such as CPA turn to be relatively high to guard against the erosion of their value.

2.5.4 Institutional factors

Institutional architecture, manifested through formal or informal institutional networks within the country or region plays a key role as antecedents of CPA, where the political approach will differ when engaging a regime with formal and strong democratic institutions versus when engaging a regime with weak institutions which is generally the case in emerging market context (Hillman *et al*, 2004). Over and above being influenced by the institutional dynamics of a particular host country, some multinationals inclination to pursue CPA is influenced by their own home countries institutional characteristics, for example some European MNC operating in some Africa countries lacking mature political institutions will pursue CPA with the European lenses rather than that of a host country (Brown *et al*, 2023). Because institutional factors are context specific, it therefore becomes imperative for a multinational to get an appreciation of all political actors such as legislators, regulatory bodies, regulatory/normative structures such as traditional & religious leaders, civil society, the fourth estate etc (Amankwah-Amoah *et al*, 2022).

2.6 Typologies and Taxonomy of Corporate Political Activity

Literature has an exhaustive list of types of Corporate Political Activities, however this study will limit those to the seminal work of Hillman *et al* (2004, 1999) which frames these typologies according to nature (i.e proactive or reactive), approach, level of participation and types of strategy.

2.6.1 Nature of CPA

The nature of CPA refers to how firms choose to engage with political activity, either proactively or reactively. Where proactive activities include active engagement with

government on possible impact of a proposed public policy or regulations prior to decision or regulation being finalised, whereas reactive activity waits for the policy decision or regulation to be finalised and pronounced only to engage or campaign afterwards (Hillman *et al*, 2004).

2.6.2 Approach of CPA

Once a firm has taken a decision to pursue CPA, it must then decide on which approach to follow. The seminal work of Hillman & Hitt (1999) identifies two approaches that firms are phased with in pursuing political strategy and that is transactional approach or relational approach.

Where transactional approach refers to engagement in CPA on ad hoc and issue basis, meaning that a firm will wait for an important decision or policy proposal to emanate before engaging the relevant political actors (Hillman & Hitt, 1999), Hillman *et al*, 2004).

Whereas relational approach represents a longer term, relationship building activity that is pre-emptive in nature and not dependent on a specific issue (Hillman & Hitt, 1999), Hillman *et al*, 2004).

2.6.3 Level of Participation

The firm's level of participation in CPA can either be on an individual basis or as part of a collective. Where individual participation refers to the organisation individually pursuing the political establishment mostly on a decision or policy position that directly affects its performance or competitiveness (Hillman & Hitt, 1999), Hillman *et al*, 2004).

And collective participation on the other hand refers to a collaborative activity by the firm and other industry players either as an alliance or as part of a trade association to engage or influence public decision makers on a decision, or policy of common interest (Hillman & Hitt, 1999), Hillman *et al*, 2004). According to Cruz & Graham (2022) collective participation is better suited for firms operating in concentrated industries.

2.6.4 Types of Strategies

Having decided on the firms CPA approach and the level of participation, the firm must then decide on the strategy it will pursue. There are numerous strategies for corporate political activity identified throughout literature, however for the purposes of this study the list is

narrowed down to the taxonomy of political strategies as proposed by Hillman & Hitt (1999) in their seminal work. Table 2 below presents these strategies:

Table 2 Taxonomy of Political Strategies (Hillman & Hitt, 1999, Table 1)

Strategy	Tactics	Characteristics
Information Strategy	Lobbying	Targets political decision makers by providing information
	Commissioning research projects and reporting research results	
	Testifying as expert witnesses	
	Supplying position papers or technical reports	
Financial Incentives Strategy	Contributions to politicians or party	Targets political decision makers by providing financial incentives
	Honoraria for speaking	
	Sponsored or paid travel	
	Personal service (hiring people with political experience or having a firm member run for office)	
Constituency Building Strategy	Grassroots mobilization of employees, suppliers, customers etc	Targets political decision makers indirectly through constituent support
	Advocacy advertising	
	Public relations	
	Pres conferences	
	Political education programs	

2.6.4.1 Information Strategy

This strategy intends to deliver information to the political decision makers to influence the direction of a public decision or policy proposition to the firms favour, through tactics such as lobbying, providing research or survey result, commissioning research projects, providing technical reports of position papers of subject matter and testifying as expert witnesses in public hearings (Hillman & Hitt,1999). To facilitate this kind of information exchange, some countries provide a platform for a legitimate and above-board business and government interfaces (Shirodkar, et al; 2022).

2.6.4.2 Financial Incentives Strategy

The financial incentive strategy targets the decision makers through the provision of financial incentives to directly influence their decisions to favour the firm, tactics used can either be direct donations to political parties or political campaigns, honorarium for speaking at sponsored events, funding travelling expenses etc (Hillman & Hitt,1999). This strategy could not have been more evident than weeks following the invasion of the US Capitol Hill by the supporters of the then President Donald Trump, where major US corporations indicated the withdrawal of their political funding to political actors associated with that activity or those seen

to be sympathetic to that cause including those who did not vote to certify the election results confirming incoming president Joe Biden's win (Jia *et al*, 2023).

2.6.4.3 Constituency Building Strategy

Whilst the target of the information and financial strategies is the political decision makers directly, the constituency building strategy on the other hand targets to influence the voting public and general society and who after being mobilised will in turn express their public policy preferences to the political decision makers (Hillman & Hitt, 1999). This strategy moves from the premise that for any public policy, legislation, or regulation to pass a level of critical mass that support the direction must be reached, therefore CPA must target that critical mass to be effective (Brown *et al*, 2023).

2.7 Trade Policy

Trade policy is one of the most important public policies that affect business (Curran & Eckhardt, 2018). It is arguably a catalyst for growth and innovation due to trade liberalisation which results in market size expansion thus having long term impact on firms' performance and growth (Coelli, 2022). Trade policy has the effect to construct or deconstruct the market structure in that it can be an enabler of who gets pushed in or out of a destination market thus affecting firms' performance through their size and market shares (Asprilla *et al*, 2019).

This is evidenced by the catalytic impact on growth of Chinese exports into the USA following the formers accession into the WTO, ushering a new era of a predictable US trade policy towards Chinese exports into their market (Erten, 2021) . Goldberg & Pavnick (2016), cited in Erten & Leight (2021) however argues that there is limited empirical evidence that supports such relationship between trade policy and growth. However, firms are the ultimate arbiters in this debate as they are the ones who must make decisions regarding how to respond to trade policy changes or uncertainties as evidenced during the US-China trade war of 2018 where Chinese exporters were forced to reduce their exports to the US as a result of increased tariffs by the Trump administration (Jiao, 2022).

Trade policy regulates the relationships between trade protection and import penetration within an economy, wherein its ultimate measure of its effectiveness is reflected through a higher ratio of exports to imports and considered to be ineffective if the ratio is vice versa (Saha, 2019). Where the exporters are stronger than their import competitors, the result will be a more liberal trade policy (Anderer *et al*. 2020). The regulatory measures used originally involved only the provision of industry tariffs and subsidies (KIM, *et al*. 2019).

This traditional view of trade policy has however evolved beyond just competition between export and import industries as some multinational corporations rely on imports for their intermediate goods used during production for their export products (Anderer et al. 2020). This evolution has moved beyond 'one country to another, and one industry to another type of relationship' to a much more sophisticated one emanating from the emergence of the global value chains, global production networks, multilateral trade systems etc (Curran & Eckhardt, 2018). Consequently, the traditional trade policy instruments of tariffs and subsidies are no longer sufficient as the evolution of trade policy has become increasingly multidimensional (KIM, et al. 2019), such as the introduction of trade policy substitution or complementarity as non-tariff measures (NTMs) in certain economic jurisdictions (Beverelli, 2019)

These rise of global value chains and production networks has therefore reshaped the determination of trade policy preferences beyond international trade relations to consider global production processes or networks (Anderer et al., 2020). This has largely been driven by the rise of the multinational corporations who are effectively controlling a significant majority of the global production networks, and thus having significant economic and political influence (Ballor & Yildirim, 2020) . Therefore, nature of international trade & investments has been transformed through the influence of their transnational activities (Kim, 2019).

2.8 Global Value Chains & Multinational Enterprises

As already mentioned above, the emergence of the global value chains has added to the complexity of modern trade policy making (Curran & Eckhardt, 2018). Their importance in the global economy cannot be ignored as they account for about 50% of global trade, effectively re-arranging the global production systems and changing economic development fortunes of nations (Findlay & Hoekman, 2021), (Buckley & Liesch, 2023).

Global value chains refer to production processes where value in a product is added in more than one country, their key characteristics being vertical integration whereby these different production stages are taking place under a single multinational enterprise albeit in different countries (Anderer et al., 2020). The organisation of the full range economic activities undertaken by firms such as research and design, production, processing, assembly, distribution etc, carried out to bring the product or service from conception to full use in which the execution of all these functions is scattered across the globe under the central command & orchestration of a multinational headquarter firm (Ponte *et al.*, 2019), (Panannond *et al.*, 2020).

As lead firms' multinationals will generally carry out these cross-border production networks either through their internal capabilities or outsourced suppliers (Panannond *et al.*, 2020), (Lee

et al, 2022). With a final product representing a synthesis of a combination of domestic and foreign inputs via cross country cross border networks and traditional boundaries of the said enterprise (Blanchard *et al.*,2017).

2.9 The Global Value Chains & Multinational Enterprises as contours of trade policy

Trade policy preferences of these multinationals will not be influenced solely by their home country prism, but through their entire international production chain (Anderer *et al*, 2020). Meaning that their nationalities will be of no or little consequence in influencing their trade policy preferences as this will be informed by their global linkages (Curran & Eckhardt, 2018).

Their investment decisions generally have huge impact on economies, as a result this has a significant impact on conventional trade policy making as countries generally want to align their trade policies to the MNCs preferences to attract or deepen their investments in a country (Anderer *et al.*, 2020). These multinationals play a critical role in determining the country's comparative advantage which is shaped by the patterns of production carried out by both local producers and foreign affiliates operating in their economy (Alvarez, 2019) . As a result, these multinational driven global value chains are already responsible for the re-moulding of trade policy in many parts of the world (Blanchard *et al.*, 2017).

Investment is important for any country, as a result governments responses to the concerns of key industries is likely to be reflected in trade policies thus making multinationals key players in the determination of trade policies (Blanchard & Matschke, 2015). Hence the conclusion that trade policy is always formulated with the bias of key economic players in mind (Anderer *et al.*, 2020). This view is however not universally shared especially post the global financial crisis of 2007-2008 as there is a growing sentiment that argues that governments no longer govern in the interest of their broader citizenry but instead are beholden to the interest of this powerful institutions that they cannot even control (Mikler, 2018), supported by the disillusionment of the exaggerated benefits of globalisation and open trade as witnessed in the US and Europe (Singh & Singh, 2020) .Whilst the view is acknowledged, the reality is different as evidenced by the amount of devotion given to the understanding of global producers when studying trade politics in general (Kim & Osgood, 2019).

Public policy can attract or dissuade global value chain investment in a country as a result firms may choose to embark on an engagement process with the relevant authorities to highlight these hindrances with the objective of influencing for a favourable result (Findlay & Hoekman, 2021). The global disruptions such as the 2007/8 global financial crisis and the Covid pandemic have created some tensions in different parts of the world amongst others

the rise of the anti-globalisation & reversal of trade liberalization campaigns, as a result the MNEs must embark on activities to dissuade their home or host governments from adopting and implementing public policies that will hinder current or future investments (Meyer & Li, 2022).

Therefore, trade policy lobbying is an important political activity for the multinationals especially with the advent of trade liberalisation which made it possible for private enterprises to even influence the outcomes of trade negotiations (Narlika, 2006). Because of their sheer sizes and influence, it is argued that the MNEs have the capability to influence trade policy direction through lobbying either directly or through industry associations (Anderer *et al*, 2020).

In their seminal work of endogenous theory of protection for sale, Grossman & Helpman (1994) posit that big corporations and special interest groups use their financial muscles to influence governments choice/s of trade policy, as experienced in the US protection model characterised by lobbying spending and lobbying competition (Gawande & Bandyopadhyay, 2000). The lobbying options available to multinationals have however evolved to include more choices such as group lobbying via industry associations, through common purpose non-governmental organisations, undertaking corporate social responsibility initiatives etc (Ballor & Yildirim, 2020), (Curran & Eckhardt, 2020).

Multinationals are the key advocates for trade liberalisation and the enablers of globalization as their economic survival is dependent on an open global trade and given their resources and political networks will mobilise against any opposing forces being either pressure groups or government actions that threaten their interests (Ballor & Yildirim, 2020). This can either be carried out through a single firm individual lobbying or collectively either through an industry association or collective group firms united for common cause, i.e individual or dual approach (Saha, 2020). However according to Saha (2019) further research evidence is required from an emerging market context due to the dynamism and complexity of such markets, for this reason we briefly examine the emerging market phenomena below.

2.10 Emerging Market Context

The public policy environment by its very nature is a volatile and a contested space, therefore this dual approach has been confirmed to be effective when employed by firms lobbying for trade policy especially in an emerging market context (Saha, et al, 2023). Where emerging markets are defined to be low-income countries experiencing rapid economic growth that is driven by economic liberalisation policies of the state and currently regarded as the engines of global economic growth most notably being China and India (Hoskisson et al., 2000), (Paul, 2020).

The make and structure of these economies differ with those from developed economies, for example in China the government plays a central role in the economic management of the country as a result strong relationship and goodwill by firms with government is crucial for success (Dang et al, 2022). Whereas in Malaysia a firm which is politically well connected, will attract more corporate investment than a non-politically connected firm (Phana et al., 2020).

Emerging markets are perceived to be difficult markets often characterised by weak and underdeveloped market institutions, therefore political and government connections are a necessary lubricant to the ease of doing business and reducing the cost thereof (Liedong et al, 2020), (Cao & Xianwei, 2021) . Therefore, further study through the prism of emerging market context is imperative as there is little literature on trade policy lobbying within an emerging market context as most studies have focused on developed US and EU economies (Saha, et al., 2023). This incorporation of key features of emerging markets will allow for the enrichment of existing literature and a much better-informed firm strategy design around lobbying for trade policy (Cao & Xianwei, 2021).

2.11 Association of Corporate Political Activity and Trade Policy in Emerging Markets

As already established, corporate political activities are any deliberate attempts by the firm aimed at influencing public policy or process (Murray & Flyverbom, 2021). Whereas trade policy in simplest of terms regulates relationships between trade protection and import penetration within an economy and where issues such as tariffs and non-tariff measures play an important role in determining a firm's global competitiveness (Saha, 2019), (Saha *et al*, 2023). The contemporary global trade space has evolved and become much more complex with the emergence of global value chains and multinational enterprises etc giving rise to the complexity of carrying CPA in the trade policy environment Curran & Eckhardt (2018). Meaning that within a globalised trading environment the trade policy is shaped by a much broader community of stakeholders that the firm needs to be cognisant of in carrying out its CPA program.

In seeking to analyse the influence of CPA on trade policy, Curran & Eckhardt (2018) introduce a Modified International Trade Policy Framework (MITPF). The framework which represents a synthesis of traditional trade policy lobbying of exporters versus importers, and the evolution brought about by the emergence of the global value chains where one multinational corporation can be an importer and exporter simultaneously.

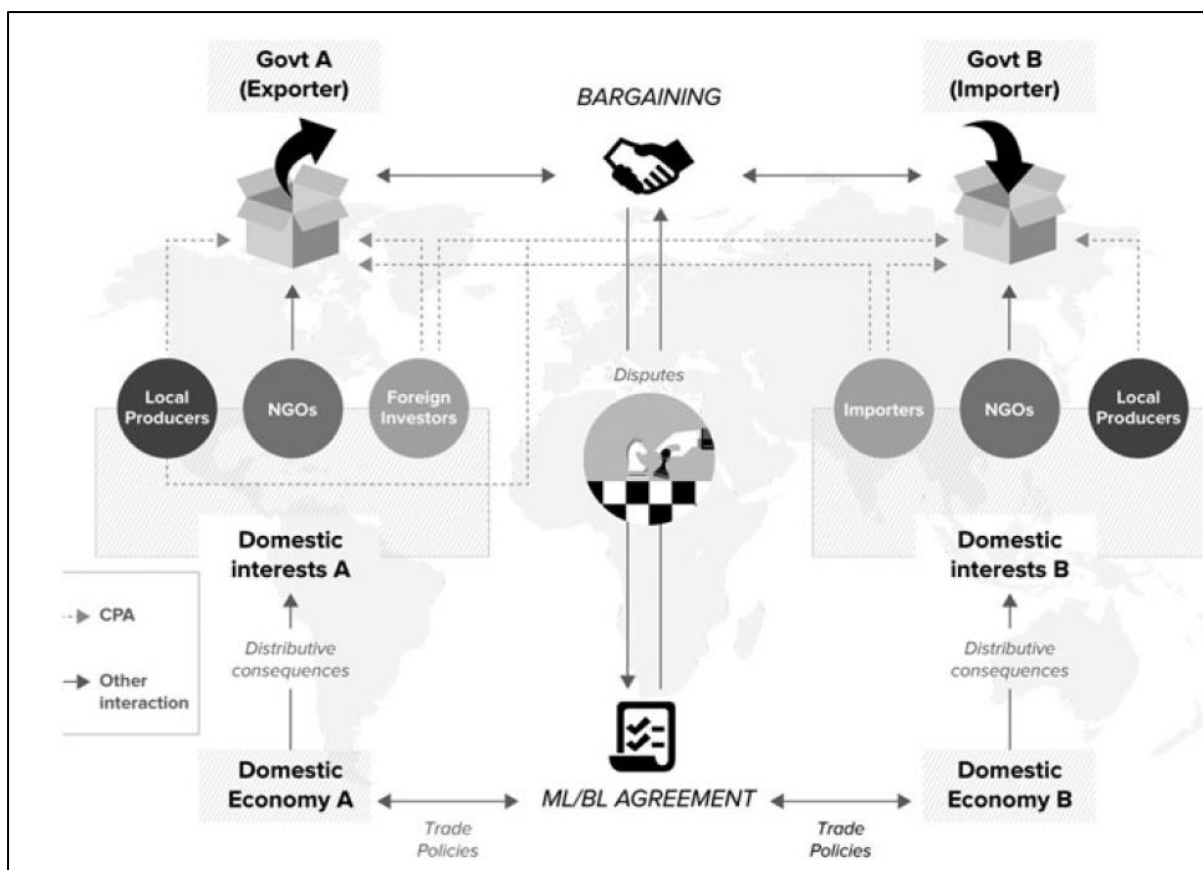


Figure 3: Modified International Trade Policy Framework (Adopted from Curran & Eckhardt, 2018)

The framework considers that the “domestic” policy space is a contested arena with multiple parties having diverse interests such as exporters, importers, multinationals who do both, civil society pressure groups such as trade unions and other lobby groups etc, considering the resource capabilities of foreign multinationals and NGOs because of their transnational connections (Curran & Eckhardt, 2018), (Saha *et al*, 2023). Simplistic traditional view on trade policy consisted of two groups of actors, one being exporters in support of trade liberalisation and on the other hand being importers in opposition, the emergence of global value chains commanded by the multinational corporations has brought complexity into the equation since the multinationals generally operate on both sides as in they can be a local producer in a country A and export into country B where they are also a local producer that exports into country A (Anderer *et al*, 2020), (Curran & Eckhardt, 2018).

The multinational therefore has a responsibility to carefully acquaint itself with key actors in a particular domestic market by analysing key local interests, their power to influence political actors and probably their global alliance networks (Curran & Eckhardt, 2018). Multinationals through their subsidiaries or affiliates operating in host countries especially emerging markets, the role they play in the advancement of those individual national economies is quite prominent and therefore provides them with significant economic and political influence on such matters

as trade policy (Ballor & Yildirim, 2020). This against the background that they operate within a sea of rules and regulations, some conflicting jurisdictions but also having to appreciate that not all emanate directly from government political actors, but some from regulatory and standardisation bodies, customer and supplier expectations and civil society demands (Buckley, 2022).

In fact multinationals have often been the target of anti-globalization campaigns which have laid the blame for ills such as social dumping, fiscal & tax evasion, trade deficits environmental and human rights abuses etc, squarely at their door steps and as a result multinationals have been found to be generally capacitated and resource ready to counterbalance the negative impact on their interests that may result from such negative narrative (Ballor & Yildirim, 2020). This rise of civil society movements which are generally sceptical of the intentions of multinationals has proven to be quite prevalent, effective, and powerful operating not only through non-governmental organisations but also through broader social movements such as religious organisations, labour unions etc thus raising the importance of a much inclusive CPA strategy (Buckley, 2022).

Furthermore, the role of multilateral trading system such as the WTO is also worthy of considerations.

Despite the multiplicity of actors, some studies have found CPA to be an effective tool towards influencing trade policy in general but more so during the periods of policy uncertainty especially within an emerging market context (Saha *et al*, 2023). Emerging market context are often characterised by a trade policy environment that is uncertain but in need of achieving economic catch up (Zhou & Wen, 2022). The reduction of policy uncertainty is key for development as it has been proven to lead to higher levels of exports which contributes positively to a nation's economic growth so desperately needed by emerging economies (Greenland *et al*, 2019). However, on the flip side, trade policy uncertainty leads to reduced levels of investments by firms as they are unable to make long term capital projections (Caldara *et al.*, 2020). Zhou & Wen (2022) further postulate that emerging markets often adopt industrial policies characterised by government subsidies which generally have a negative impact on exports growth & firms or industry competitiveness. As a result, CPA is critical towards influencing government trade policy to safeguard against the negative effects on firm or industry performance. Ultimately governments trade policy outcome is likely to represent a multiplicity of views from different actors across the spectrum in a manner that minimises opposition but maximising adoption (Anderer *et al*, 2020).

2.12 Conclusion

The literature has outlined key theories on CPA and trade policy, and how the global value chains and multinationals interact with trade policy formulation whilst also bringing in the emerging market context which has been confirmed to be lacking in CPA and trade policy literature (Liedong *et al*, 2020), (Saha, 2019).

Chapter 3: Research Questions

3.1 Research Opportunity

A research opportunity emerged in response to the invitation by Curran & Eckhardt, (2018), Saha (2019) and Liedong et al., (2020) who lamented the lack of scholarly work done on Corporate Political Activity and its influence on trade policy from the perspective of emerging markets.

3.2 Research Questions

The aim of the study was to respond to the primary research question of how firms use Corporate Political Activity to influence trade policy in an emerging market perspective. To respond to that three sub-research questions were identified based on the literature reviewed.

Sub-research question one: What CPA activities or strategies are being employed by the firms in the auto industry to influence trade policy (Liedong et al.,2020), (Brown et al., 2022), (Curran & Eckhardt, 2020)

Sub-research question two: What are the key drivers of CPA strategies used by the firm to influence trade policy. (Katic & Hillman,2023) (Hillman et al., 2004), (Lawton et al, 2013)

Sub-research question three: How effective are the CPA strategies used by the firms in influence trade policy. (Liedong et al., 2020), (Saha, 2019), (Brown et al., 2023), (Rodgers et al.,2019)

Chapter 4: Research Methodology

This chapter will discuss the chosen research methodology. It will deal with the research framework which included how data was gathered and analysed to respond to the research questions. In a nutshell this chapter will outline how the research was carried out to answer the research questions posed and to present the criteria used to assess the quality of evidence that has been collated (Bell et al., 2019)

4.1 Choice of Methodology

4.1.1 Exploratory Study

The study is an exploratory study as it is aimed at answering the primary research question of how Corporate Political Activity influences trade policy in an emerging economy. This will allow for a much richer input that goes beyond hard data, providing an opportunity to address questions about how and why something is happening (Cryer, 2009)

4.1.2 Qualitative Method

The study was undertaken as qualitative research as it allowed for a collection of a much richer information resulting from conversations with industry experts from different viewpoints such as OEMs, government officials, industry association etc since the strategy allows for those who are studied to provide input from their points of orientation (Bell et al., 2019).

Qualitative method has been recommended specifically to study CPA by firms as it is perfectly suited for the development of a much richer theory where activity is not only captured through monetary expenditure but also through the understating of complex decision processes that underlies those expenditures (Brown et al., 2022). They further argue that qualitative methodology provides an opportunity for in depth interviews with company executives and other lobbyists (eg trade associations) who will help us understand CPA beyond what they term a “black box approach” that only looks at inputs (expenditure) and outputs (performance) without seeking to understand the complexities that drives them (Brown et al., 2022).

According to Eisenhardt et al. (2016), qualitative method provides a good ground for a abundant description that are enablers for new theory explanations. Therefore, this served as justification for adoption of this method as this study is aimed to understand how CPA is used by firms to influence trade policy.

4.1.3 Inductive Approach

According to Bell et al. (2019), qualitative research focuses on words rather than quantitative data, which then leads to interpretive and inductive approach, wherein in inductive approach theory is generated from research. Simply put this approach is meant to generate theory out of data (Eisenhardt et al, 2016).

Inductive approach uses various tactics such as observations, interviews etc; with the objective of uncovering possible new concepts and theories (Doucet et al., 2019). CPA has mainly been researched and reported from the perspective of the developed economies mainly the USA & EU, inductive approach is essential in dissuading the study from falling into a trap of believing that constructs used to understating CPA in Western perspective will be sufficient to understand the emerging market perspective.

In their management research Doucet et al (2019) posit that this approach can be helpful in uncovering unique aspects attributable to different cultural dynamics that needs to be appreciated and understood when managing across different cultural contexts, as a result the approach is fit to address the objective of this study in an emerging market context. The approach is necessary to advance knowledge and develop any possible new theories generally but more so to respond to the research objective which aims to understand how CPA is practiced influencing trade policy within an emerging market context (Woiceshyn & Daellenbach, 2018).

Eisenhardt et al. (2016) further argue that inductive approaches have been successfully used to make meaningful contributions to societal grand challenges. Therefore, given the exploratory nature of this study, the inductive approach was considered the most appropriate.

4.2 Philosophical Foundation

This research is underpinned by a set of philosophical assumptions which shaped the actual research and the theoretical conclusions drawn (Bell et al., 2019). With the objective to understand those assumptions in three spheres of ontology, epistemology & research strategy (Bell et al., 2019).

Where ontology is an assumption about the nature of reality, the assumptions made about what it means for something to exist, whereas epistemology is the assumption made about how we develop the knowledge of that reality in ontology, and research strategy being how to appropriately deploy research based ontological and epistemological assumptions (Bell et al., 2019).

As a result, the research strategy implemented for this study was interpretivism approach, which accommodates multiple constructs of social reality and concerns itself with the understanding of what, how and why type of research questions (Bell et al., 2019). Therefore, given the complex and dynamic world of politics and trade, interpretive philosophy allowed for the extraction of interpretation and experiences of representatives of firms being interviewed (Saunders et al., 2019).

The research strategy supported the qualitative method as the participants were selected based on their experience with either corporate political activity, trade policy administration or both.

4.3 Role of Theory

This study was undertaken based on a theoretical gap identified by Saha (2019) & Liedong et al., (2020), as it explored how CPA influenced trade policy in an emerging market context.

The literature on the theoretical constructs of CPA, its antecedents and taxonomies were explored, and in addition to that the literature trade policy and what shapes it was also explored.

Theoretical contribution to studies can either made through developing new theory, refining, or testing of existing theory (Crane et al., 2016). This study aimed to make a small theoretical contribution towards CPA and how it shapes trade policy in emerging markets.

4.4 Research Setting

Based on the primary research question, South Africa based major multinational automotive OEMs were considered as the setting of the study.

The justification of the industry was mainly due to its high levels of imports and exports and high exposure to trade policy.

In addition, the relevant industry trade association and government views were sought to facilitate triangulation of the findings.

South Africa was chosen as it is an important emerging market within the global south and the most developed in terms of automotive capabilities in the African continent.

4.5 Level & Unit of Analysis

The firm level of analysis was applied in responding to the research question. Unit of analysis was the individual research participants selected within the industry. These participants were selected based on their experience in either government relations and trade administration, or both.

4.6 Sample Selection and Size

Purposive sampling has been found to be best suited for qualitative research (Bell et al., 2019). This being a non-probability sampling technique that targets participants in the unit of analysis meeting specific characteristics to respond to research questions (Bell et al., 2019). This was done to ensure that the selected participants are relevant to the questions being asked.

The sampling criteria chosen was that of South Africans working full time in the automotive industry with at least 3 years or more experience of working either within government relations or trade policy administration or both. The sampled participants had to either occupy a management role or above, but nothing below.

Participants were sampled from SA based multinational OEMs, industry associations and government to ensure an inclusive result and triangulation. Whilst the purposive sampling was not limited to the multinational OEMs, the researcher ensured that the sample size was dominated by the firms themselves as the objective of the study is focused on understanding how firms use CPA to influence trade policy. Therefore 63% of participants were sampled from the firms. Therefore, this ensured for the allowance of a selection of individuals with specific role characteristics (Nueman, 2011).

Furthermore, as part of ensuring for a robust data set, an initial target to interview 15 participants was set. However, with time constraints and the willingness of participants to avail themselves for interviews this was revised downwards to 11 representing 73% of initial target. Given that the industry only consists of 7 multinational OEM's in South Africa, the sample size of 11 participants was considered sufficient to provide balanced and diversified perspectives that allow for development of deep insights into the topic under study.

Table 3*Purposive Sample Size*

Research Setting	Targeted Participants	Targeted Number of Participants	Actual Number of Participants
Pilot Interview	One participant	1	1 (not used)
Mutinational OEMs	Managers to C Suit	10	7
Industry/Trade Associations	C Suit Only	2	3
Government	Chief Director to Minister	2	1
TOTAL		15	11

Note: Authors own adaptation

As already mentioned, although the targeted sample of 15 was not achieved, the achieved sampling was sufficiently representative across the targeted groupings to ensure triangulation of findings.

4.7 Research Instrument

Qualitative research instrument was selected for this study, with semi-structured interviewed being used for primary data collection.

According to Bell et al. (2019) semi structured interviews allow the researcher flexibility to ask specific questions related to the research questions based on the research guide in a manner that is not too restrictive but allows the participants enough room to express their views freely and in their own words, on their own sequence based on their experiences.

The interview guide was developed to answer the questions presented in Chapter 3. The guide was developed based on the following topics:

- ❖ Participants profile and background
- ❖ Establishing the use of CPA to influence trade policy by SA based multinational OEMs
- ❖ Establishing the drivers of CPA in emerging markets
- ❖ Establishing if and how is CPA an effective tool towards influencing trade policy

4.8 Data Gathering Process

The primary data of the research was collected through a semi structured interview given that this study was exploratory in nature. An invitation was issued out to the target sample after approval and granting of ethical clearance by the GIBS ethics committee (See Appendix X). A total of 11 participants were successfully interviewed for the study. Prior to the actual interviews a pilot study was carried out with one interview to test the instrument, the results of which were not used for the purpose of the research findings.

All participants were requested to indicate their consent by signing the consent form before the interview (See Appendix X). This consent form served to inform the participants about what they were agreeing to including their rights before and during the interview. This was a necessary requirement to ensure compliance with GIBS ethical research protocols.

The interviews were conducted physically and online. However, all interviews were recorded on an online platform named Otter. All interviews lasted between 40 to 60 minutes and were exploratory in nature encouraging for a two-way communication that allowed for open ended responses whilst also allowing for the probing of key issues that arose.

Participants to the study were accessed through the interviewers' professional networks and they all ranked from manager level to executive's level. All participants represented a collective experience of over 150 years in the field of study which served as an indication that the study targeted participants who are well experienced and have deep insights in the research area.

As a result, the use of an interpretivist approach in this research allowed for access into those deep insights as it enabled participants to express their understanding and experiences in their own words through a structured interview that allowed for open ended questions (Bell et al., 2019). Furthermore, whilst most participants represented multinational firms, a significant number was sourced from industry/trade associations and governments perspective to improve the quality and validity of data through triangulation as identified by Bell et al. (2019).

In line with research protocols, all identifiers on the consent letter and interview recordings and transcripts were removed to ensure confidentiality of participants and thereafter saved on the cloud storage that is password protected. Transcripts were analysed via ATLAS.ti platform to help with data analysis.

4.9 Qualitative Data Analysis Approach

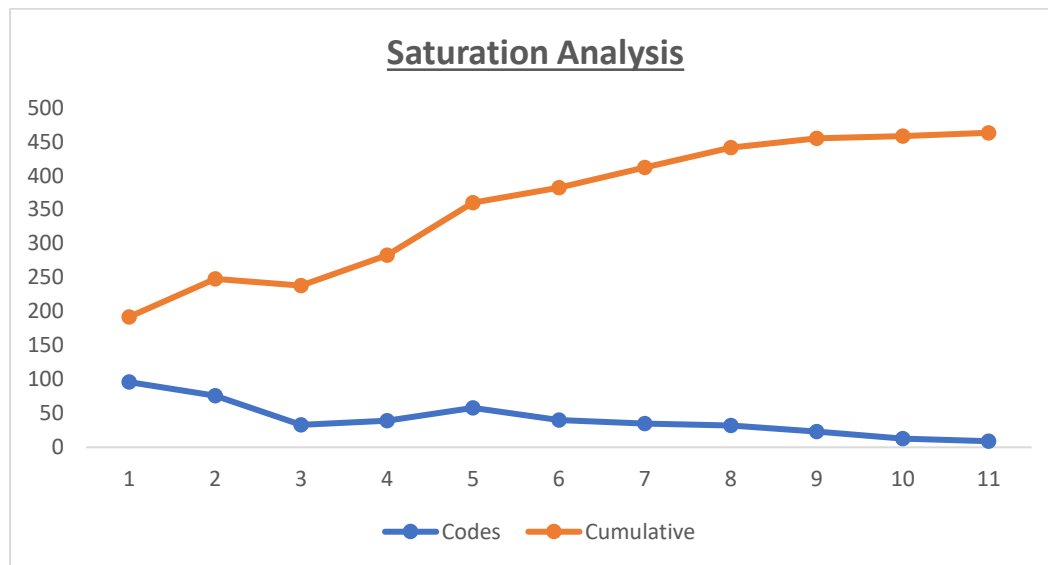
Data analysis was carried out through inductive analysis of the feedback and data from the interviews and secondly analysing themes and patterns that emerged in relation to different ontological and epistemological approaches (Bell et al.2019).

Transcripts derived from 11 semi structured interviews were thoroughly analysed to gain deep and overall understanding of the results. Secondly 454 codes initial codes were generated which was eventually reduced to 23 categories after analysis and with the help of the coding software Atlas.ti.

The categories were grouped into 3 themes using the sub-research questions and finally the documentation of data analysis was presented in Chapter 5

The process aimed to achieve data saturation which was achieved in interview 11 when only 1 new code was generated.

Figure 4.1: Data Saturation Analysis (*Researchers Own*)



4.10 Research Quality and Rigour

Reliability of study has to do with results repeatability thereof and studies are expected to strive for high levels repeatability, reliability, and validity (Bell et al.2019)

Therefore, this study followed a systematic approach to achieve that as follows:

- The literature review was based on credible sources.

- Only participants with relevant experience we invited to participate in the study.
- Research questions were informed by literature.
- The participants mix consisted of representatives from industry, industry associations and government to ensure triangulation.
- Standardized and focused interview schedule was developed and used.
- Atlasti software used to assist with coding.
- All interviews were recorded using otter and transcribed through a professional transcriber.

4.11 Ethical Consideration

The research was conducted in line with all ethical guidelines provided by GIBS. This was performed on the back of a duly completed Gibs Ethical Clearance process and the University of Pretoria's guidelines to protect the confidentiality and rights of all stakeholders.

4.11.1 Anonymity of Participants

All participants who participated in the study were anonymized during the data collection and analyses through the following measures:

- ❖ Names of individual participants were not reported
- ❖ Names of employer organisations were not reported
- ❖ All participants had to sign a standard consent letter
- ❖ All data has been stored and reported without identifiers

4.11.2 Interview Platform & Recording

Interviews were conducted some physically and some virtually, however all were recorded using the online platform, Otter. The interviews were transcribed using a professional transcribing service provider. Recordings were deleted immediately after the completion of transcripts to protect the confidentiality of participants and their respective organisations.

4.11.3 Data Storage

All the data used except for recordings that have been deleted after transcription and completion of Chapter 5, will be stored on the researchers personal google drive which is password protected for the prescribed period required by GIBS Ethics Committee.

4.12 Limitations of the Research Design & Method

One of the major limitations of the research method was limited time afforded to the researchers by the industry executives to fully explore in deep depth the concept and practice of corporate political activity and its influence on trade policy. Secondly the researcher being in the employ of one of the competitor OEMs, some participants may have been reluctant to divulge too much information guarding against releasing trade secrets.

4.13 Conclusion of Chapter

This chapter explains the research methodology followed to seek answers to the primary research question. Outlining the approach and philosophical assumptions underpinning the research, theoretical considerations, research settings, sampled population and sampling methods employed, description of the sample size, the process followed for the gathering and analysis of data. The next chapter will discuss the research findings.

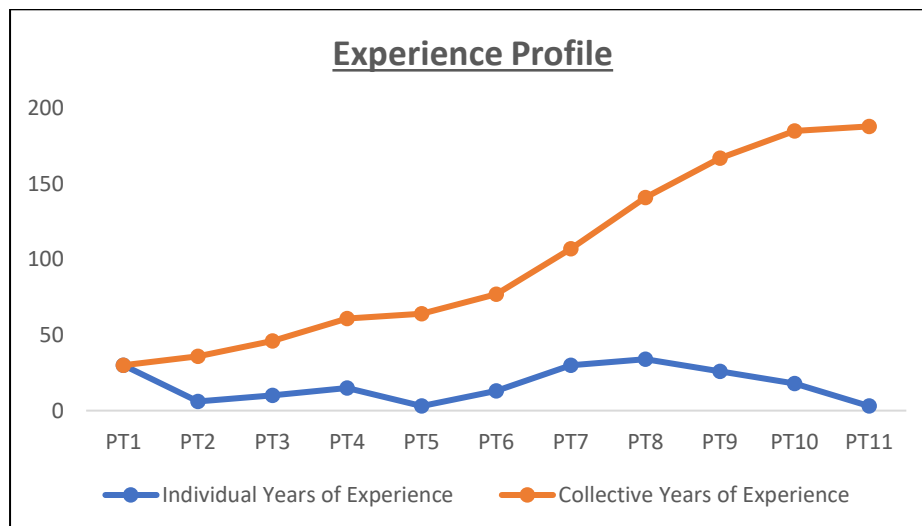
Chapter 5: Research Findings

The purpose of this chapter is to present the results of study based on the participants response obtained through the interviews. The results will be presented in the order of three sub-research questions, however firstly the profile of participants is presented.

5.1 Participants Profile

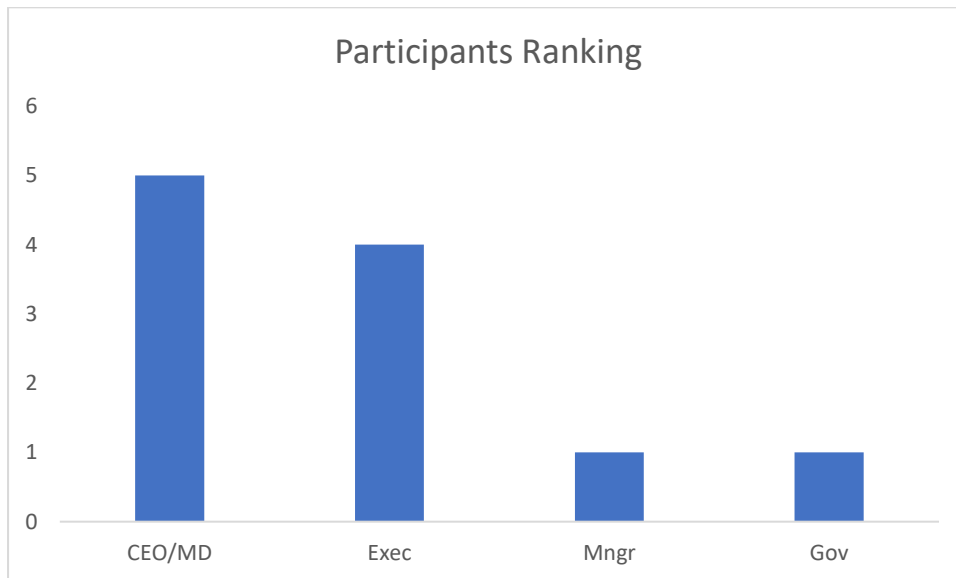
5.1.1 Experience Profile

A total of 11 participants responded to the study with experiences in either government affairs, trade policy or both experiences ranging from 3 years to over 30 years, with cumulative and collective experience exceedingly well over 150 years.



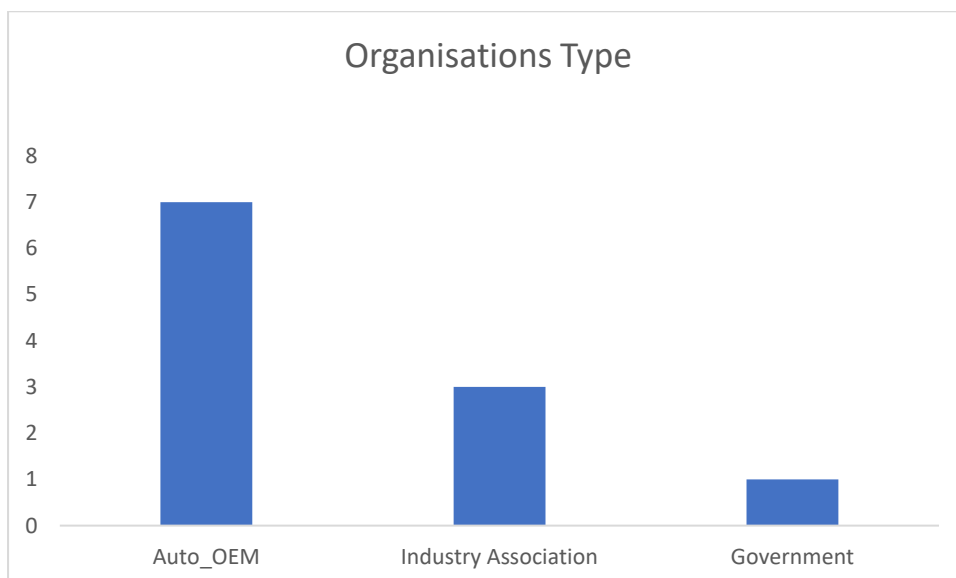
5.1.2 Ranking in organization

The participants consisted on mostly very senior individuals in the industry mostly at executive levels of their organisations



5.1.3 Organisation Type

The organisational mix consisted of OEM's as the majority followed by industry association representatives and government representative



5.2 Presentation of Primary Research Findings

The research findings were obtained through 11 transcripts which were coded, analyzed and to ultimately categorized into 23 categories and grouped according to the three sub-research questions as presented with summary below and details in the next section.

<u>Categories</u>	Themes		
	CPA Employed	CPA Drivers	CPA Effectiveness
Collaborative	X		
Alignment with country interests	X		
Use of local personnel	X		
Lobbying through government of origin	X		
Continuous government engagement	X		
Multiple government stakeholder relations	X		
Political neutrality	X		
Volatility with change in political leadership		X	
Country political risk		X	
Developing new markets		X	
Global industry character		X	
Policy complexity		X	
Trade policy stability		X	
Change in consumer preferences		X	
Dysfunction of State-Owned Enterprises		X	
New Energy Vehicles Policy		X	
Firm level dynamics		X	
Historical Context			X
Trade policy role			X
Firm level dynamics			X
Impact to the economy			X
Enabling intra-Africa trade			X

5.2.1 CPA Employed

The study found that the Seven South Africa based OEM's CPA approaches is influenced by the African context, emerging market context and lastly SA specific contexts.

5.2.1.1 Collaborative

South Africa's automotive industry is the most developed in the continent and therefore exports vehicles to several countries on the continent, as a result their trade policy CPA must consider that reality. It was therefore found that within the African context collaborative effort is the most preferred CPA approach both by industry and the authorities.

This was evidenced by the level of importance that the participants accorded to the collaborative CPA. The level of frequency in below table 5.2 was determined through the number of quotations coded by a code (groundedness of codes).

Table 5.2

Preferred CPA Approach	Level of Frequency		
Collaborative	v		
	High	Moderate	Low

It appears that the industry representatives know that the African governments outside of SA borders prefer policy propositions representing the business collective (one voice) over those of individual firms.

“And in any event, what most ministers would do if the OEM came up with a proposal is that they would say, ‘Okay, well, what does the rest of the council think? So it puts pressure back on the on the private sector to consult amongst themselves”. (Government_Participant)

“Okay, so firstly, I need to say that there is a preferred approach, which is lobbying through an industry body. And that's the approach that our organization takes”. (OEM_Rep)

This approach also helps the governments with eliminating the admin of having to play a mediation role amongst multiple OEMs which at times may conflict with one another.

“And basically, for the reasons I said right at the beginning, we realized that if every OEM started speaking separately, to Nigeria, which they were doing at that time, it was just causing confusion. We got nowhere”. (OEM_Participant)

However even OEM’s themselves prefer this collaborative approach when pursuing CPA activities in the continent. Collaboration with other OEMs does not only help individual OEMs to strengthen their voice with government but also helps them to benefit from the collective inputs from each other to ensure that the outcome culminates in a policy that favours the industry and critically that it is sustainable in the long term.

“You could find yourself in a position where because of maybe the wisdom you have or the way you argue that you end up with a policy in a motor industry that’s not sustainable. So, whatever you end up with has got to be sustainable.” (Industry Association_Rep)

This is also necessitated by reality that public policy by its very nature should reflect the collective views from various parts of society. Furthermore, the OEMs are found to be faced with multiple bottlenecks such logistics, energy infrastructure etc which require one voice from business when engaging with government. Whilst the latter are not policy related issues, they however have a direct bearing on the policy execution therefore require the same level of serious engagement with governments due to the strategic nature of the industry.

“And I mean, there are many areas of collective interest. Logistics is a collective issue, you know, energy is a collective issue and so on. Policy is a collective issue, but still, because of the nature of the industry, big volume manufacturers, small volume manufacturers, you know, big exporters, others focus on the domestic market, where they are located”.

5.2.1.2 Alignment with country interests

It was found that within the African context, it is imperative for firms CPA agenda to be aligned to country interests in one shape or form, as reflected in the high level of frequency in table below.

Table 5.3

CPA Strategic intent	Level of Frequency		
Alignment with Country Interests	√		
	High	Moderate	Low

The OEMs ability to get governments attention on policy issues is highly dependent on how their objectives are aligned or help to advance the interest of the country or the government of the day.

“You know, our price in terms of policy has always been what is best for the country, what is best for the industry, and then then for the company”. (IA_Participant)

With SA based OEMs being backed by multinational mother entities, they can be perceived to bring with them the element of arrogance normally associated with multinational entities when operating in Africa who often seek to impose their way on a country, however that has been found to be the least effective approach for automotive industry on the continent.

“It's not a case of you as a multinational telling them what to do. You need to work and marry both your interests and that of the country”. (OEM_Participant)

Therefore, the mutually beneficial approach that will result in a win/win position for both country, industry and company seem to be the most effective as it calls on higher ideals that appeal to societal & country objectives instead of catering only for the narrow interests of private firms.

“What we also saw with the management, they understand the greater vision of developing the African market, and that approach allowed us to have significant interaction with the Egyptian Government because it wasn't about us, it was about really how do we improve the industry as a whole in Egypt, but also on the continent to develop the industry”.(OEM_Rep)

5.2.1.3 Use of local personnel

Thirdly the study found that the use of local personnel by the multinational is ranked quite highly. Meaning that even before the firm starts with government engagement, the choice of individual the firm chooses to use for that is quite key.

Table 5.4

Use of local personell	Level of Frequency		
Alignment with Country Interests	v		
	High	Moderate	Low

The industry has found that key stakeholders including government representatives in market prefer to work with people that they can identify with either through language culture or background. It just makes it easier for connections to be made.

“And that's how we've been able to make inroads. Like now in West Africa, we employed someone from Ghana, and we realized, I mean, it's been now running for a year and we realized in month three, how this guy is able to open doors because while he speaks the language, the local people feel more comfortable with the level of interrogating and the ability to open doors in government as well. Because now they are meeting a local.” (OEM_Rep)

It seems that breaking down certain barriers can be achieved quicker and much easier by a local representative from the same country of the same region. Local find it much easier to interact with this person because he/she knows who they are, requires no induction process of who is who in government for example.

However, there is also a legacy of South Africa playing a big brother on the continent, which can come with some negative connotations when doing business on the continent, therefore deployment of South Africans citizens as CPA agents in some of the African countries is has been found not to be ideal by some of the OEMs.

“For SADEC we for SADEC we employed a lady. I mean SADEC we could easily say run from SA, but we took the view that the lady will be in Mozambique, and she's Mozambican and she can drive or fly to Malawi, Zambia is close, and she's seen more as a sister than a big brother from South Africa”.(OEM_Rep)

Similar cultural appreciation and speaking the same language with the locals is another factor to consider. The OEM in turn benefits from the networks of the local representative, meaning that the locals will support the OEM simply because of who is representing their message. This has been found to be quite an important element when engaging with African governments either at political or bureaucratic levels.

“And that's one of the lessons I use because I was saying someone spaced in Ghana, he speaks for his he speaks French, so nobody can interpret for him like me when he visits. He looks like the locals. So when they talk to him they feel at home that ‘Oh! You've joined OEM1?’ ‘Yes, I work for OEM1’. ‘Okay, we're going to support you’.(OEM_Rep)

Furthermore, the deep understanding of the market is important, and locals have that already. Therefore, it only makes sense for the OEMs to tap into that existing knowledge.

“So a key point in the case of South Africa, we fully understand the place, we based here, we operate here, we can influence and form strategy”. (OEM_Rep)

“Nigeria is another one. Many countries. You cannot do it without deep local knowledge if you're going country specific”.(OEM_Rep)

“Okay, I will take this one and narrow it down. We have mentioned that we work with our regional principals that are based in Europe. And they are definitely not as familiar with the political environment as I would be here”.

“For the South African operations. So, developing ideas, proposals, both for the mother company to bid for models or bid for various export destinations, is the same set of skills you need to seriously engage with government”. (Gov_Rep)

5.2.1.4 CPA via country of origin by HQ OEM

Fourthly, the study also revealed that emerging market-based OEMs sometimes use their mother companies at head quarter level to lobby the governments of their country of origin to be the ones lobbying a host government on behalf of the OEM.

Table 5.5

CPA Approach	Level of Frequency		
CPA via Country of Origin by HQ OEM		√	
	High	Moderate	Low

This often meaning that a government of a developed nation (OEM country of origin) lobbies a government of an emerging economy (OEM host country) on behalf of the OEM. This is especially possible when the two countries enjoy good diplomatic and trade relations as illustrated by the Italy and Algeria relations witnessed below where the Italian government did the bidding with the Algerian government on behalf of an Italian OEM.

“It really is hey, they have imported the XXX, don’t like it, they have imported 30,000 vehicles 30,000. And the people on the ground can’t get vehicles, they are bringing them in and selling them – not selling, they only distribute, they are the only distributor at the moment and I tell you what, they were clever, they are doing it closely with the Italian Government because it is XXX, Italy, and Algeria”.(IA_Rep)

The study did not reveal this approach to be a very prevalent one, but it is important enough to illuminate given the power that a government-to-government relations can have on trade and how it was able to unlock a closed but massive market for one OEM in the entire Algerian market. This was proven to be a very powerful CPA arsenal used by the Italian OEM.

5.2.1.5 Continuous engagement with Government

Fifthly, the study revealed that OEMs prefer to have a continuous type of CPA with government rather than once off or occasionally type engagement. This is quite important as it provides a deeper insight of the kind of relationship the sector has with government beyond the media headlines.

Table 5.6

CPA Approach	Level of Frequency		
Continuous engagement with Government		v	
	High	Moderate	Low

“There is operationally other things that state manages which you continuously need to sort of push to get things going. They don't necessarily, government doesn't always lead because I think the priorities of government are so vast”.(OEM_Rep)

“So I think it has been very difficult over the last few years to really engage with government effectively because their attention is somewhere else at the moment, and they are therefore neglecting very important pillars of the economy which ultimately feeds back again to their problems – Eskom, case in point”.(OEM_Rep)

“I think in many instances it is the same. I wouldn't say that government here is necessarily worse or better. In Egypt I have been involved in those negotiations with government since 2019 to get a new policy in place, and it is now 2023. Similarly, they tried many years before, and there is always something else that requires their attention, and they have other difficulties that we don't face in SA”. (OEM_Rep)

“Whereas we're the cart, we're pushing and asking and proposing it, and doing this, it's the wrong way around. I just feel it's the wrong way around. And it's so hard to do that time and time again, and you just hit a wall. And you wait months, no reply, no acknowledgement of letter, you send a follow-up letter, no 'we're-dealing with it', no reply. Years, years, years. It takes so long for things to happen”.(IA_Rep)

The evidence based on the above 3 quotations from the three different OEMs and the fourth one from an industry association representative suggests that if the OEM do not continuously engage with government, nothing will move, and chances are that their issues can be forgotten. Therefore, their survival in an emerging market relies on them being persistent and

maintaining continuous presence in the eyes of government to ensure that their issues are not forgotten. If they can adopt the transactional type once off or once in while engagement approach with the government, the achievements may be minimal if not non-existent it appears.

Therefore, persistence in pushing for issues, continuous engagement and visibility on broad government issues makes it easier to always have access to government.

5.2.1.6 Leveraging of individual & collective CPA

Sixthly the study also revealed that whilst the general CPA preference is that of collaboration and collectivism, there is also an important place for the OEMs to engage with government individually. Meaning that a dual approach is important, and this is highly regarded by the industry as evidenced by the level of frequency below.

Table 5.7

CPA Approach	Level of Frequency		
Leveraging of individual & collective CPA	√		
	High	Moderate	Low

The quotations below provide evidence into the thinking of the industry in so far as leveraging both approaches is concerned.

“So, you absolutely need them both and I think both can absolutely coexist as long as also, you know, the existence of those two corporate political activities at a company and also an association level”.(OEM_Rep)

“All play an impact on the different requirements and as I said there is nothing wrong with companies, just to make sure that government understands the individual requirements as well”. (IA_Rep)

“It's important that the government knows who you are, and not just the trade association, they must know who XXX is and XYZ is”. (OEM_Rep)

“You need to make your company relevant to the institutions that decide policy”.(OEM_Rep)

It seems that the importance of individual CPA goes beyond the achievement of a desired policy outcome but also has to do with creating individual brand visibility with government players. This is key to maintaining a continuous relationship with government which is quite

helpful to facilitate access during the times when there are firm specific issues that the OEM requires government to pay attention or respond to. Given that each OEM is unique and therefore has unique challenges, individual access to government officials helps them to communicate their unique challenges to government without compromising themselves in the presence of their competitors. As a result, it appears that the firms deem the development of own CPA capabilities just as important as their collaborative effort through the industry associations.

“Obviously, there could be attempts at individual company lobbying, but we've got a very defined structure and in South Africa, In practice, what happens in the auto sector, it happens now as well, whilst the formal engagements are between the EOC, the OEMs, and the ministry, both OEMs and ministers very often have one on one meetings. So the formal structure is the one that looks at actual policy and changes etc. But a dialogue between the minister and individual OEMs is very common”.(Gov_Rep)

5.2.1.7 Multiple Government Stakeholder Relations

Seven, the results of the study have revealed a great need for the industry to develop and maintaining relations with multiple government stakeholders beyond a single department. In the South African context.

Table 5.8

CPA Approach	Level of Frequency		
Multiple Government Stakeholder Relations		v	
	High	Moderate	Low

In the south Africa n context and to an extend in the other African countries the automotive industry has impacted by several government ministries, departments, levels of government, government agencies etc. The study has revealed that the industry is represented by a small section in a much bigger department that has multiple and competing industries which is the Department of Trade, Industry & Competition (DTIC). All manner of industries in the country are vying for the attention of the DTIC and its one minister whose attention is stretched thinly and cannot give the industry a singular focused attention, thus requiring the industry to expand its stakeholder relations map to include widely each government entity or organ that has any interface whatsoever with the industry.

In the case of south Africa for example, the DTIC is responsible for automotive policy which encompasses an incentive program, that incentive program is effectively managed by the

national treasury under the supervision of the finance minister. Therefore, a relationship must exist between industry as a collective and through individual OEMs with the ministry of finance, as but one example. This it has been found, must extend beyond government departments but also to state enterprises, regulatory authorities and even lawmakers through parliament committees.

“It's even more important to do so because you're operating through an automotive desk. The minister has a huge portfolio of which you're but one of a huge trade and industry. Also, yes, in our case, I think more so than industries that have their own dedicated ministry.”(OEM_Rep)

“I think we tend to make a mistake of only wanting to speak to departments with a hope that when you spoke to DTIC, I see your problems are solved and that's not the case. We know for a fact that in order to be able to get in shape and influence an outcome, you need a very, very comprehensive stakeholder map that helps you to be able to clearly articulate your positions as firmly and as clearly as you possibly can”.(IA_Rep)

Access and relationship with parliament committees is critical since it houses lawmakers that make laws that impact the industry but also approves the budget for the fiscus which impacts on the automotive programme. Whereas the the same is required for regulatory and standard bodies which sets standards and regulations for the industry. The objective of a CPA approach that has a wide scope of stakeholders is to ensure that when taking decision about or for the industry, each government stakeholder entity is well versed on the implications of such decision either legislation, policy of regulation from the perspective of the industry.

So if you're a company, you do not have a relationship with the Standing Committee on public enterprises, for example; you know, you've lost the plot if you're going to want to influence policies around logistics and infrastructure in terms of what the work that Transnet is doing. So it is absolutely very key that as a corporate political/, professional, in your activities, you're able to create a very, very sacrosanct and a very, very consistent relationship with lawmakers, with policymakers because a lawmaker is not sitting in a department, a lawmaker is sitting in Parliament,

Those are regulating bodies, they introduce regulations, whether it's technical specifications for home allegations, and again, you also need a set of, you know, parallel relationships with those regulators in order to be able to make sure that the work that you do is clearly understood and we're able to coordinate it in a structured way as much as possible.

The participants have also revealed that given South Africa's different spheres of government, one cannot only have relationship with national government but must maintain a relationship with the local municipality where its operations are housed, and next the province where the municipality is located. These additional two spheres of government can provide different support to the industry specific to that locality and given the strategic importance of the sector in those localities, the authorities are always more than willing to pay the necessary attention to the industry.

One is to work closer with the provinces because if you think of the provinces, like in South Africa, of the nine provinces, three provinces play a critical role in the automotive industry.

The Eastern Cape is the biggest, then comes Gauteng and then KwaZulu Natal. So in the Eastern Cape, in South Africa, we might be 5% of the country's GDP, as an industry. But if you zoom in on the Eastern Cape, you might be 30% of the GDP, you might be 40% of the GDP. I haven't worked out that number. So when you talk to the premier of the Eastern Cape, when you talk to the MEC of economic affairs of the Eastern Cape, you are a big player. So your presence in the industry has a huge impact on this economy. So whatever you say to him matters a lot.

But you know I think the one thing that many have seen, whether they've been coup d'etats or change of government in the democratic process you need to be neutral; because know how change is. You know a good example is Nigeria, there was a surprise win by Buhari and he adopted a totally different approach to the two previous presidents, and if you've been perceived to be very strong on the one side and not able to change you are really shut out of the economy while Buhari was there.

And time, time and again, they keep on asking what are the odds that, you know, the current ruling party will win the elections. And if not, who is most likely to, you know, to come out triumphant in the upcoming elections, and they are very concerned about their policy direction if then there's a new party.

5.2.2 CPA Drivers

The second area of enquiry was to determine the drivers of CPA in our context of study which is emerging market and through the lens of SA based automotive OEMs. The results of study revealed the following.

5.2.2.1: Policy volatility resulting from change in political leadership.

One of the key drivers of CPA cited by the participants was changes in political leadership which often have an impact on policy. This seemed to hold quite a high level of importance in the participants views.

Table 5.9

CPA Driver	Level of Frequency		
Policy volatility with change in political leadership	√		
	High	Moderate	Low

This is informed by the reality that in the SA context political heads in this case Ministers often change, and when that happens it impacts on policy and or its implementation. Attributed to the fact that in our context a minister wields lots of power in terms of policy approval and its implementation.

“I think in any environment, whether it's in the company or the political, you are going to have change. Whereas in developing, the political figureheads who do change, generally are key to influencing policy. And will vary from country to country” (OEM_Rep).

“So I think that is actually great. So and I mean, typically, you know, tongue in cheek, the new minister just might be an improvement in any case, so there is a twist to that, but I mean again, what is always good is you build up a relationship with the minister”(IA_Rep).

The study further reveals that changes in political figureheads goes beyond a Minister responsible for policy but can also include changes such Premiers of the province, Mayors of cities etc. In other African countries this may include even the heads of government depending on the type of government in place. This therefore requires active and fresh CPA engagement with every change to ensure that whoever is in charge understands the position of the industry from the perspective of the industry beyond bureaucratic briefings.

For instance, in a country like Egypt, the prime minister is very much interested in the auto sector, and it appears that he is the custodian of policy, therefore it becomes critical for CPA engagement to take place whenever there is change of incumbent.

“But then you move to Egypt, Egypt, had a different policy with regard to attracting investment and they've changed it. They have changed theirs 180 degrees and they're introducing a trim mechanism and going live right now. So that's a very classic example with chapter 98. But it's

also not clear cut because they still haven't published the regulations, they still have an internal discussion, the Prime Minister's asking us for a framework (IA_Rep).

5.2.2.2: Country Political Risk

Another important driver of CPA identified by the participants has been found to be the political risk associated to the country. However, the results did not reflect a very high level of significance, but a moderate one.

Table 5.10

CPA Driver	Level of Frequency		
Country Political Risk		√	
	High	Moderate	Low

This is the risk associated with a complete change in government and the attendant implications on policy that impacts the industry. South Africa's current government has generally followed a policy regime that is friendly towards automotive development, however in the event of an emergence of a new government with a complete different ideology the industry will have to activate the CPA machinery with the view of educating the new administration on how the industry works to ensure that the decisions are not taken and policies implemented that will adversely impact the survival of the industry.

Participants have generally expressed the sentiment that South Africa's political risk is on the upward trend given the projections by the pundits that the current governing party will not achieve the simple majority to form a government on its own come next elections. Therefore, the industry's focus is to work with the government of the day, irrespective of their ideological orientation.

"I think there's always political risk. I don't think one can rule it out. One, from a point of the democracy. There is always a possibility of change in government, which could also impact change in policy direction, and as an industry that actually has a framework that is intended to encourage exports, particularly in local production for exports and creating jobs. I think the biggest change will be how much of the new political party that comes in, understands the industry. Because then there will be a lot of work in educating to try and protect the success or effectiveness of people at scale, and avoid decisions or policy that are getting changed that could actually have adverse effects"(OEM_Rep)

"Others see this as being an industry that is over subsidized. So the political risk or the risk in all this is that you bring in somebody who does not understand how the whole equation works

in that the state actually or the country benefits more than what the OEMs benefit out of investment. Because then there will be a lot of work in educating to try and protect the success or effectiveness of people at scale, and avoid decisions or policy that are getting changed that could actually have adverse effects".(OEM_Rep)

The participants have further revealed that the principle of working with the government of the day, rather the individual of political party in office is sacrosanct in the CPA engagements. Especially give that in South Africa you have had a lengthy period with same political party in government, in other markets changes are more frequent and because the nature of the industry is very long-term investment driven, one cannot afford to make a mistake of being seen as associated with a particular party or political leader. This was found out to be equally applicable even to autocratic regimes, military regimes etc.

"And recently that letter that we sent to the President of Ghana, Jeffrey highlighted something very, very valuable to us. In the letter we made mentioned the minister XXX's name. That was a mistake. But we took it out. We referred to the Minister of Trade and Industry. At the time there was a Minister of Trade Industry and he happened to follow the ruling party and he made the decision. And so you've got to be careful how you present to the political party. It's the government of the day".(IA_Rep)

"In your North African countries it tends to be autocratic government, police states, and they make decisions in a completely different way depending on how they manage their countries, limitedly. In the Middle East it is purely autocratic, they have lots of money so it all depends on their direction".(OEM_Rep)

And it was given very high priority. President Mandela, deputy president Mbeki, and between them they met all the global CEOs for General Motors, Renault, Toyota, Volkswagen, we had a lot to do Mercedes, BMW.

So whenever we had trips abroad, we would try and seek out those key OEM CEOs and basically, to deal with their assessment of political risks,

5.2.2.3 Developing of New Markets

The study has found that one of the CPA drivers for the SA based OEMs is developing new market beyond its borders. This influenced mainly by the reality that south Africa as a market

is too small to consume the entire local production output. Already over 66% of vehicles produced in the country are exported and this must remain constant or increase to achieve economies of scales required for the industry to be sustainable.

Table 5.11

CPA Driver	Level of Frequency		
Developing new markets		√	
	High	Moderate	Low

Whilst this seems like a market related activity, the industry has come to realise that it will remain difficult if not impossible to trade in certain markets unless the governments in those countries create an enabling environment. With South Africa being the vehicles export hub of the continent, some countries have deliberately made it difficult if not impossible for the country to import into their markets as they feel that this comes at the expense of their own industrial development. Therefore, the industry has embarked on numerous CPA activities with a view of ensuring that the outcome is a win-win for both South Africa and the destination country concerned.

“If you look at let's say Ghana and we are trying to be part of the process of industrialization in Ghana. But the process of industrialization in Ghana, of course, requires the government of Ghana to put in certain measures and trade related investment policies”.(OEM_Rep)

“So I think we're doing well in trying to engage government and influencing that it actually continues to be beneficial for more players and be able to ensure that we can grow South Africa as being in an automotive hub”.(OEM_Rep)

This has therefore revealed that for successful trading in some of these countries, the SA industry must effectively help those countries to industrialise by working with those governments to help them craft policies that will facilitate trade which by extension will attract investment to help industrialise.

“Because ultimately, we are trying to produce at scale in a relatively small market. The only way you can get to those scales is by attracting export contracts, which means you must be more competitive than a competitor in another market”. So, what the government said is that please come and invest in this country and we will protect your investment”.(OEM_Rep)

The study has further revealed that some of the countries on the continent desire to have their own full automotive value chain which most of the time is not practical or even possible given

the sizes of their markets. Therefore, this CPA engagement also serves as an educational activity to alert them on the importance of achievement of economies scale for the existence of a sustainable automotive industry.

That's the nice part of the industry, last year 66.9% of the vehicle production was exported. So you know that's the only way you achieve economies of scale, higher volumes, improvement international competitiveness through exports – simply because of the limitations of our market.

5.2.2.4: Global Industry Character

Another key driver of CPA in our context of study is the global nature of the automotive industry which has been found be quite heavy in terms of its engagements with government. It has been found that this is necessitated by the high profile and strategic nature of the industry in the global space.

Table 5.12

CPA Driver	Level of Frequency		
Global Industry Character	√		
	High	Moderate	Low

“So, everywhere around the world, you will see that the auto industry tends to engage quite heavily with governments. So I think that does make them... they get more experience in engaging with government, the government talks to them a lot”.(OEM_Rep)

The study has found that the nature of the global industry is largely attributable to the long history of the industry globally where some of this OEMs came into being because of a deliberate government programs and partnerships. Therefore, the legacy of government engagement is engraved in the DNA of the industry.

“A lot depends on the precise situation of government. So if you look at Japan, the history of engagement between government and the industry goes way, way back to before the Second World War. So the formation of BT Toyota, what we call Toyota today, was a clothing and textile equipment manufacturer called to Toyoda, and then BT engaged Toyoda and persuaded it to start producing motor cars. So a country like Japan, the auto industry was built up from scratch through a partnership between government and the OEMs. Germany is the same, always continuous engagement. France also has been very much a government partnership with the sector. So there's a long tradition in auto around the world of this

partnership. Volvo is a long standing partnership between the Swedish government, to form that company. And Korea and India, it is all government partnerships. Tata, all of these companies were set up as a conscious policy step by government. So what you find is good trade policy and strong negotiations. If you look at the EU, the very powerful trade negotiators, they've got it highly organized, and industrial sectors behind them. India's got powerful, China has powerful organized sectors".(Gov_Rep)

The expectation therefore from the headquarters of multinationals is that their subsidiaries in the emerging markets or wherever they may be must have a full CPA programme to continue the legacy continuous engagement with government.

"Wherever you operate, you must be prepared to engage the authorities".(IA_Rep)

5.2.2.5 : Policy Complexity

The automotive industry has been found to be a very policy driven industry and thereby possessing a very sophisticated and complex policy structures which necessitate a continuous engagement with the authorities. Participants in the study have therefore cited policy complexity as one of the key drivers of continuous CPA engagements with governments.

Table 5.13

CPA Driver	Level of Frequency		
Policy Complexity	v		
	High	Moderate	Low

Trade and industrial policies driving the industry are often a subject of debate between industry and government either due to interpretation or consistency of application. The sheer volume and complexity of the auto policies makes continuous engagement a necessity as incorrect interpretation or application can be costly to the firm.

"So Auto is of all the industrial policies, Auto is the most developed and most sophisticated requiring the most continuous contact".(OEM_Rep)

"But the industry worldwide is quite familiar with this. I mean, auto is usually a very policy driven issue. Also, in Japan when we went there, we were due to meet all the big companies, there is an association of big companies Mitsubishi, Masui, Toyota, Kaios is the Koren one. So you would usually meet those big associations. So Japan, the engagement between

business and government is ongoing and intense. And the UK has always had a pretty well developed structure. We actually copied in our motor development council copied some of the procedures used in the United Kingdom in the mid-90s.(Gov_Rep)

Furthermore, the administration of trade with multiple pieces of legislation and trade agreements with foreign governments or regions requires a relatively open lines of engagements with the authorities.

“Yeah, no, I think definitely they are. They are resourced well, and just in terms of legislation, you know, they are so many pieces of legislation. I get up every morning and think to myself you, these people or divisions are kept busy the whole day with applying all pieces of legislation and they also need to comply with international legislation in the US, for example”.(IA_Rep)

5.2.2.6 : Trade Policy Stability

The achievement and maintenance of stable trade policy has been found to be one of the key drivers of the CPA.

Table 5.14

CPA Driver	Level of Frequency		
	√		
Trade Policy Stability	High	Moderate	Low

Continuous and open engagement with government is cited to be one the greatest recipes for a stable trade policy regime as the OEMs and government are always able to share ideas, have frank agreements and disagreements long before a policy is enacted thus eliminating the elements of surprises and shocks to the system when final policy announcement is made. This often even goes to the extent of the sector assisting government with expertise, data insights and technical expert information to help with the acceleration of governments decision making.

“So what you see with all countries that have got stable trade policy, when you dig behind, you'll see that they have got a good working relationship between the organized private sector and government.China obviously slightly differently structured, but good trade policy requires, I would say is absolutely dependent on good consultation structures and the more that you

can make the process an evidence-based process and that's been our objective in auto - always look at the evidence". (Gov_Rep)

The strategic importance of the industry to the country requires not only a stable trade policy but the one that is reflective of the collective input of all role players as to secure its sustainability.

"In majority of countries or regions advocacy bodies and institutions and companies have the opportunity to provide input into the ultimate formulation of that". (IA_Rep)

5.2.2.7: Change in Consumer Preferences

The study found that changes in consumer preferences are also one of the drivers for CPA. Even though it appears to be peripheral as indicated by the low frequency level, it is worthy to pay attention to.

Table 5.15

CPA Driver	Level of Frequency		
Change in Consumer Preferences			√
	High	Moderate	Low

The SA auto industry exports over 60% of its production to Europe and the USA. The global movement on sustainability which includes demand for clean energy, green products etc is largely changing the demand profile for vehicles. As a result, the industry has been found to be engaging the government on possible transition support to ensure sustainability of the industry in South Africa. This includes possible support on how to capture the emergent demand but also stimulate demand locally to achieve sustainable economies of scale.

"But I talked about seismic shifts because the people that we sell vehicles to are changing the requirements and the current policy has been found wanting in terms of supporting the local industry towards the change of requirements of the customers".(OEM_Rep)

"There is a shift in technology, in specifically the engine technologies. The bulk of manufacturing SA is focused on Europe. If we do not solve this we are going to go the same way".(IA_Rep)

The cost of acquisition for new technologies are generally very high during the early life stages which can be discouraging for the consumer; therefore, the industry is currently engaging

government on alternative support measures directed at encouraging the consumer to adopt the technology which will result in lower emissions being emitted on the roads thus contributing towards governments sustainability objectives.

“You know, the hybrid X came. It was the first hybrid they'd manufactured locally. I was with XXX when we spoke, right at ministerial level. He said, ‘we're going to introduce this hybrid, but we need to know that you're going to support it because we need to take 20,000 off the price of the vehicle.’ He said, ‘go for it, we can support you.’ Well, today, they still haven't supported it”.(OEM_Rep)

5.2.2.8: Dysfunction of State-Owned Enterprises

South Africa has been experiencing levels of dysfunctionality in some of its key state-owned enterprises (SOEs), the study has found this to be one of the key drivers of CPA locally.

Table 5.16

CPA Driver	Level of Frequency		
Dysfunction of State-Owned Enterprises		√	
	High	Moderate	Low

The study has found that the industry is battling high costs of logistics and energy and the key state entities entrusted with electricity, railways and ports management are unable to discharge their duties due to internal dysfunctionality thereby costing the industry billions of rands. The multiplier effect of this dysfunctionality on the economy and industry is massive as a result the industry has regular engagements with government to find lasting solutions that will not result in the demise of the industry in SA.

“So we know that electricity, let's take Eskom as a good example - has an impact on our ability for continuous production. We know that Transnet, that unavailability of rail brings up costs because you have to now use road infrastructure, which is more expensive, but it also takes long, and our location means we have got a huge transportation of costs that needs to happen”. (OEM_Rep)

“Yeah, listen, I mean, you will know that the challenges of the state-owned enterprises in terms of it's not just impacting the cost of doing business, it's impacting on the ability to do business. I mean, companies pay more because of the rail inefficiencies, everything is forced on to the road which is more expensive for structure, the environmental problems and so on. The energy crisis. I mean, you know, although the OEMs trade in SA, the suppliers not necessarily and

we try to deal with that problem taking the Minister around. But in the Eastern Cape, they still shut down for 24 hours in a week, you know, depending on the level that you add up the numbers there”.(IA_Rep)

5.2.2.9: New Energy Vehicles Policy

One of the most important drivers of CPA in the recent past has been found to be on the government policy on new energy vehicles. Participants in the study have indicated this as one of the most important drivers as evidenced by its level of frequency.

Table 5.17

CPA Driver	Level of Frequency		
New Energy Vehicles Policy	√		
	High	Moderate	Low

The study has already indicated earlier on that over 60% of SA vehicle production is exported to the developed markets annually who have announced bans on traditional internal combustion engines post 2030, and that south Africa as a market is too small to absorb all the vehicles produced locally. Therefore, the survival of the industry is dependent on government enactment of a policy regime on the new energy vehicles that will ensure continued production of vehicles for export at a competitive cost. The industry has therefore been in continuous engagements with government and even provided technical and information support through one of its industry associations represented in this study.

“Yeah, look, I mean, take for example, the conversations we're now having on the New Energy vehicle policy pronouncements that we're expecting government to make. I mean, that's a very, very simple, straightforward example”.(OEM_Rep)

“I think we can look at some of the flagship issues that we're dealing with, you know, for example, new energy vehicles. It's an inevitable transition. This is forced by legislation, because we are an export-oriented industry, the only way to safeguard your exports is basically through the transition to electric vehicles. Otherwise, you know, we won't have an industry as such”.(IA_Rep)

“You either have to do it or not. So, the South Africans obviously, in terms of what's happening overseas, what is happening in South Africa is for example, just in a transition, you know, we also as an industry are part of all of this energy council committees, and actually my next

meeting is with the with the presidential Climate Committee, specifically on some of these issues – where we also meet with the other companies in South Africa”. (IA_Rep)

5.2.2.10: Firm Level Dynamics

The study has also found that CPA is driven by specific firm dynamics such especially the multinationals head offices.

Table 5.18

CPA Driver	Level of Frequency		
Firm Level Dynamics		√	
	High	Moderate	Low

The multinational subsidiary OEMs and are provided guidelines and certain delegations of authority. These guidelines include directions on CPA program. For instance, if the head quarter firm has certain global commitment such as emissions reductions with the United Nations, it can direct all its subsidiaries to embed those into their local CPA programs.

One, yes, we have a governance framework that we operate within and that defines levels of engagement with government and tries to ensure consistency. That’s one. The company tries to ensure consistency. So I would say it’s two pronged because there is a global guideline with regard to how far you engage in political activity or engage with government.

Because you as you know that the relationship between South African entities and the mother company is a pretty well-regulated strict one -who has got what powers, where and when. It’s very carefully defined’(Gov_Rep)

So I think companies, if you take the example that you’ve just said, around the incentive program we have in the country today, would naturally have conversations with their global principles, because remember there’s also an expectation from those global principles for the local firm to be able to produce you know, certain amount of volumes in the market because it obviously wouldn’t make sense for them to be in that market if those particular units are not produced.

5.2.3 CPA Effectiveness on Trade Policy

5.2.3.1: Historical Context

The study found the historical context of the automotive policy regime in south Africa to be quite an important basis for understanding the effectiveness of CPA towards trade policy if any. This element was however not accorded such a high level of importance by the participants as demonstrated by the low level of frequency below.

Table 5.19

CPA Effectiveness on Trade Policy	Level of Frequency		
	Historical Context		
	High	Moderate	Low

It has been found that South Africa’s modern trade policy regime for the auto sector traces its roots from early 90’s before the advent of democracy when the sector in collaboration with government and trade unions embarked on a series of engagements regarding the future of the industry. These engagements involved consultations, inputs, and advice from global industry players in countries such as Germany, UK, USA, Canada, Australia, and some of the Scandinavian countries. This culminated in the birth of formal structures of engagements between the sector (industry & labour) and government which is the Executive Oversight Council (EOC) formally known as the Motor Industry Development Council (MIDC) formed specially to deal with auto related issues and policies.

“So it’s a very structured engagement. That is a bit unusual for South Africa. We borrowed that from structures in various countries, mainly in the social democratic countries, in Scandinavia and elsewhere. And the UK has always had a pretty well developed structure. We actually copied in our motor development council copied some of the procedures used in the United Kingdom in the mid-90s”.(Gov_Rep)

“America is a little bit different but Ford and General Motors and Chrysler carried a lot of punch with government. But what we discovered when we went to Detroit and met them, that they work closely together in a similar way to us, so they have common programs around training, small business development between the three giants”.(Gov_Rep)

Additionally, there is NEDLAC (National Economic Development & Labour Council) which is a statutory body consisting of organised business & labour, and government representatives formed specially for both government and business to put forward their policy proposals for discussion and debate for all key sectors of the economy.

“So the success of from the then RDP arose from a genuine partnership between government and the sector”. (Gov_Rep)

This historical context therefore laid the solid basis for a culture of engagement and partnership between the industry and government in South Africa

5.2.3.2: Trade Policy Role

The study further went to find out the meaning and role of trade policy for the industry from the perspective of the participants, the importance of which is reflected through the high level of frequency reflected.

Table 5.20

CPA Effectiveness on Trade Policy	Level of Frequency		
Trade Policy Role	√		
	High	Moderate	Low

In the main the study revealed that trade policy facilitates two key economic activities, the first one being an enabler for trade and secondly a magnet to attract investment. It also serves as an indicator of product competitiveness. The ability to locally produce vehicles at a competitive cost and export optimisation have been attributed to a good trade policy regime according to the participants.

“So the trade policy environment plays a significant role in shaping how we move as an organization. It is an enabler, without the policy, the industry wouldn't be where it is at”. (OEM_Rep)

“It's fundamental to what we do. If we can't come up with the right policy, we won't exist”.(IA_Rep)

“I mean, if you look at how the economies across the world are structured, it's very rare that you would find compelling economies that do not have, you know, trade policies. Trade policies that are not only drafted by governments but also drafted also in consultation with the industries that are going to be impacted upon by those trade policies. So policy is absolutely very sacrosanct in trade”.(IA_Rep)

“Yeah, look, I think trade policy is absolutely sacrosanct for the survival of any business entity, that is serious about growth, that is serious about making a massive contribution in any market, not just only in South Africa”.(OEM_Rep)

The participants were unanimous about the importance of trade policy within the automotive industry given that the industry by its very nature is a long-term investment decision driven type of business. It has been described as key towards the crafting of the firm’s corporate and product strategies. For an OEM it serves as a framework for decision making with regards to which vehicles can be produced locally and exported economically and which ones should be imported into the country. It also serves the purpose of determining which markets should be targeted for export opportunities.

“So trade policy in whatever form you look at it, needs to be factored into all your business decisions and strategic decisions, so it operates across many pillars of your business and functions of your business”.(OEM_Rep)

“I think if you look at trade policy, it’s an enabler in that it allows for our organization to be able to leverage and take advantage of opportunities, whether it be in country or outside country, but I think overall, it’s an enabler of activity. (OEM_Rep)

“Okay. If you look at trade policy in particular, so as an organization, we have products that we produce locally, which we also want to be able to sell off with let’s say the continent; there are certain markets which are either accessible or not accessible to us”.(OEM_Rep)

5.2.3.3: Firm Level Dynamics

The study has also revealed that the effectiveness of CPA is also influenced by individual firm dynamics. This element was come out quite strongly from the participants as reflected by the high level of frequency.

Table 5.21

CPA Effectiveness	Level of Frequency		
Firm Level Dynamics	√		
	High	Moderate	Low

It seemed to appear that the OEM participants make a judgement on the effectiveness of trade policy CPA based on their own firms’ individual circumstances. Meaning that litmus test of has been on whether the firm has gotten the result they wanted when they wanted it.

This was further influenced by the different sizes of OEM as how much influence that strengthens or weakens their influence in the host market. However, it was found that the smaller the OEM is in a particular market, the more they will turn to leverage on the strengths of their head quarter firm.

The study further observed that given the long-term nature of the automotive trade policy which runs between 10 to 15 years per cycle, there may be condition changes in the operational circumstances of individual OEMs which may at times result in them approaching government for a temporary relaxation of or special dispensation on the existing policy or parts thereof. That interaction and governments response to the request, seemed to quite influential in determining how some of the participants perceived the effectiveness of CPA towards trade policy. Some participants were however of the view, and correctly so that individual firm circumstances do not determine the success of failure of the CPA engagement on trade policy.

“How the individual OEMs then maximize their own benefit on the policy then becomes of course an individual OEM activity”.(OEM_Rep)

“Certainly, where we've been very careful is we know what our size is and where you have to be very careful is you mustn't try to play like a big fish in a pond because we are a small fish in the pond”. (OEM_Rep)

“And, yes, hundred percent. Size and the fact that we are part of the multinational. So, there we would leverage our multinational position. Whereas here you're not the biggest. And you're also not the only multinational”. (OEM_Rep)

“And hence I'd say it is reflective of that because there has been a change in condition where my organization is concerned. And hence we are not there yet. But at the time when the policy was passed, it seemed very possible that we can, you know, we can maximize on the policy that there is”. (OEM_Rep)

The study further found that the judgement on the effectiveness of trade policy CPA goes beyond one market, i.e South Africa. Since the firms exports to multiple countries, they therefore have multiple CPA engagement with various governments. As results there are wins in certain markets and loses in the others.

“We manage, I think maybe in places like Mauritius, for instance, where we have a fairly big presence, when we talk about the policy that talks to electric vehicles, the policy in Mauritius

that talks to electric vehicles is very similar to what we wanted, which is where e- power which is a different type of electric vehicle, is not necessarily something that everybody accepts as an electric vehicle, but we've been able in Mauritius to get e-power to be accepted and to be treated as electrical. That's the one example that I can think of".(OEM_Rep)

Although the individual participants expressed multiple views based on their individual OEMs experience on the effectiveness of not of trade policy CPA, there was a broad view that their firms CPA initiatives have somewhat being effective in influencing trade policy.

5.2.3.4: Impact to the economy

The participants in the study have cited the economic impact of the automotive industry quite high as evidenced by the frequency levels below.

Table 5.22

CPA Effectiveness on Trade Policy	Level of Frequency		
Impact to the economy	√		
	High	Moderate	Low

The study has found that the economic importance of the industry is quite significant for the south African economy. The contribution to the economy was cited as one the most important factors as the industry contributes over 4% of the country's gross domestic product. Furthermore, given that the industry is export oriented its therefore one of the biggest foreign exchange earners in the country. The industry also a have a very positive contribution to the countries balance of payments due its neutrality effect. This amongst other are some of the positive factors that have been put forward to advance the argument that all this would not have been achieved if it was not for the current automotive trade policy regime which has come to life because of the industry's CPA initiatives.

"Yeah, absolutely. I mean, the automotive industry plays a very important role in the economic life of South Africa. We contribute significantly to the South African gross domestic product".(OEM_Rep)

"And we're going to see what this policy is actually doing for the companies and for the country. And the important thing is that what is the multiplier? The multiplier drives the thinking. So, the incentive that's put on the table and the GDP that's earned. The GDP, well, we call that the local value addition, then you have the multiplier on top of that".(OEM_Rep)

“We contribute immensely towards job creation, job preservation, employment generally speaking, and I think it will be disingenuous for anyone to suggest that trade policy is not playing a critical role within that particular context”.

Everything that's happened in this country, only one thing has worked. The motor industry program has worked. Don't mess with it. Don't come here with all your finesses and try and take credit away from it. Because if they go, there's nothing left in manufacturing”.(OEM_Rep)

The study has further revealed that South Africa has in the past year exported vehicles to 152 countries, even though we only have trade agreements with EU, UK & USA through AGOA (Africa Growth Opportunities Act). This number of exports destinations serve as an important measure of trade policy success.

The participants strongly argued that the success of the automotive exports program is largely attributed to the industry's ability to convince government direction with regards to trade policy. This argument is further corroborated by a practical example given where in 2008 South African and India governments entered into a free trade agreement. To date, 15 years later that agreement is yet to see the light of day because industry together with other South African businesses have successfully lobbied the South African government against its implementation as South African business stands little much to gain whilst India which is already a closed market will just walk all over SA.

“So typically, the trade arrangements enhance exports. I mean 3 out of 4 vehicles are exported to the EU and the UK, and also AGOA exports to the US despite the fact that we produce the same models, BMW and Mercedes, last year we still exported 20566 vehicles there”.(IA_Rep)

“So, absolutely, and I'm very much convinced, absolutely convinced that government does take the industry seriously and understands that contribution that it plays, and that's why they're also, you know, making the contributions that they're making, in pushing forward some of the work that we need to see”.(IA_Rep)

The study has further revealed that the industry has been aggressively engaging the South African government to make a policy pronouncement on the new energy vehicles based on numerous engagements and inputs made by industry to the process. During the time of data gathering government was still mute on this issue however one of the main industry associations was positive that their message has been well received by government and effectively the “CPA had been won” on this issue. On the 4th of December 2023 the Minister

of Trade, Industry and Competition issued a white paper on electric vehicles effectively confirming what the industry association representative had indicated.

“Very progressively and intentionally putting pressure on government to make a policy pronouncement on its attitude around new energy vehicle pronouncement – policy pronouncement. And without CPA I don’t think the South African government would be where it is today. So that issue is top of the agenda, even of the President”.(OEM_Rep)

“We know that for a fact. Because we’ve put pressure and CPA has intervened and it has worked tirelessly to be able to make sure that that issue becomes front and centre and we won that battle a long time ago; we are just waiting for the button to be pressed. But from a CPA point of view, that war has been won”.(IA_Rep)

Lastly there is evidence that more OEMs want to come set up production facilities in South Africa, and those that are already here are not planning to leave. And that provides credence to the fact that the policy regime is a success, which was achieved through collaborated CPA effort by the industry. Meaning that CPA has proven to be effective in influencing South Africa’s automotive trade policy regime.

“But we do see a number of, you know, new OEMs coming into the country wanting to make cars here because we have a very big domestic market. Maybe not the largest in the world, but we do see the fact that, you know, without this policy, we would not have locally built cars. So it is very effective, yes”.(OEM_Rep)

“Why do the companies stay here? Because they can build vehicles in a duty-neutral environment. That’s why they do it. There’s nothing wrong with APDP”. (IA_Rep)

“And then policy certainty gives you a level of predictability. Now, there is not going to be policy certainty if there is not a body, whether it’s you individually or a collective, that goes and agrees principles with the policymakers, and agree timelines to say ‘this policy is going to be operational for the next 15 years.’ Or ‘this policy is going to be there in the next five years.’ So without people who engage with policymakers to make rules that are clear, that are visible”.(OEM_Rep)

5.2.3.5: Enabling Intra-Africa Trade

Another element that has been found to be of significance in assessing the effectiveness of trade policy CPA is with regards to how the industry is enabling intra Africa trade.

Table 5.23

CPA Effectiveness on Trade Policy	Level of Frequency		
	Enabling Intra-Africa Trade	√	
	High	Moderate	Low

The study has found that with the introduction of the Africa Continental Free Trade Area (AfCFTA) South Africa being the most developed country on the continent in so far as automotive production capability is concerned, followed by Morocco and Egypt were the only ones who stood a chance to benefit from vehicle trade to the exclusion of the rest of the continent. The reason being that the rest of the continent do not have the auto productive capabilities, therefore they have nothing to export in exchange for imports which doesn't help them. The reaction from some of the African countries has been to respond with protectionist policies that insist on local production and blocking out of vehicle imports altogether with the imposition of very high tariffs. In addition to that some of the some of the countries have free trade of preferential trade agreement with some of the developed nations, which means that the free trade is one way and doesn't really benefit the African country concerned.

The sector as a result has embarked on a massive CPA activity with some of the governments for certain African countries to help in building their auto industrial capabilities with the objective of making sure that they can be part automotive value chain. The key message being to dissuade them from protectionist policies that aims to force multinationals to establish assembly plants in their respective countries irrespective of the size of the market. Instead, the industry is advising these government to adopt policies that will encourage trade but also attract investment for their desired industrialisation. The study has therefore learned that because of the complexities of the auto industry, the industry has successfully lobbied for the automotive chapter of the AfCFTA to be delayed and handled separately to create a conducive win-win policy regime.

The model envisaged for the continent is the Asian ASEAN model wherein the trade policy is tightly connected to the industrialisation. The study has learned that this is championed by the industry through continuous engagement.

“Free trade from Europe with Africa and I'm saying ‘Come on. What are you trading?’ There is no industry. So let's create an industry and then trade. And so the comments now are ‘So how long do you give protectionism for?’.” (IA_Rep)

“We are talking in Africa, about the Africa free continental trade area, which is an attempt to formulate policies that cut across borders, to formulate policies that talk to how you do trade between Zimbabwe and Congo, in how you do trade between South Africa and Tanzania - under the same set of rules.”.(OEM_Rep)

“And that's, that's the Asian the ASEAN area spoke about and to get that, you can't have liberalisation before you have industrialization. You have got to try and say ‘Okay, we're going to get the investment in, give them a chance to become manufacturing competitive and open it. I mean, that's what we'd like to do’.”.(IA_Rep)

The study has further found that the industry whilst waiting for the finalisation of the automotive chapter of the AfCFTA, has decided to lead the charge in unlocking certain markets directly with individual governments. The key one being the pursuance of South Africa and Egypt automotive trade pact which if adopted will allow vehicles produced in South African to be exported to Egypt, with preferential terms and vice versus for Egypt produced vehicles. This CPA engagement has been led purely by the industry, pursuing both governments individually to adopt a trade policy that enables such and the participants are of the view that this is close to a done deal given that the Egyptian government has been persuaded to adopt an automotive policy that is similar to that of South Africa.

“If we look at Egypt, I mean, Africa has three big markets, in this instance being in South Africa, Morocco and Egypt. Engagements with regard to and driving bilateral trade between South Africa and Egypt to the extent that we are saying, ‘What components could we get out of Egypt into South Africa? What can we move from South Africa to Egypt’ and government actually engaging with other government to be able to drive that, was not driven from government to government, it was driven from industry to government, to drive them to actually engage”.(OEM_Rep)

“And again, one of the key activities that we are taking in part in as an organization, we are very much nudging the South African government to cooperate with the Egyptian government on what we can call a bilateral to make sure that the cars that we make here in South Africa get preferential treatment when they reach their destination in Egypt.And those are one of the

key issues that says we are lobbying or we're working to influence government on such a situation or such a topic".(OEM_Rep)

"Yes, so what we were able to do was to make that government understand that there is a certain type of policy structure and architecture that has been proven to work in SA, and is technical tailor made for the continent itself. And they understood that and were able to adopt that. And that will in future, because the architecture is very similar to what we have in SA, that will then open up future trade between the two countries on automotive, because it is so similar".(OEM_Rep)

"If I look at how far we've gone in terms of developing a pact with Egypt, and the fact that the prime minister of Egypt was here a month ago, and also talks from a point of ensuring that we accelerate trade and investment between the two, I think we partly successful for having lobbied to government there".(IA_Rep)

5.3 Chapter Conclusion

The purpose of this chapter was to present the research findings in response to the three sub-research questions posed to the participants of study. The next chapter discusses the research findings in the same order of sub-research questions.

Chapter 6: Discussion of Results

The purpose of this chapter is to discuss and interpret the findings presented in Chapter 5 in comparison to the literature reviewed in Chapter 2 to come up with conclusive primary research outcomes.

6.1 Discussion of Results

The primary research outcomes are now dealt with through the research sub questions.

6.1.1 Sub research question one: ***What are CPA initiatives or strategies employed by firms to influence trade policy***

The objective of sub-research question one was to obtain an understanding of the general CPA approaches used by firms, identifying the initiatives, activities, strategies and tactics that they employ to carry out their CPA activities in general and trade policy one specifically. The participants in the study revealed the eight key strategies employed by SA based auto OEMs which are then discussed in detail below.

6.1.1.1 Collaborative

The participants of the study revealed that collaborative CPA is the most dominant and preferred industry approach to engaging with governments. This is mostly influenced by the policy engagement architecture in South Africa which has been found to be very well structured and defined and secondly that the government strictly prefers to listen to a united business voice when it comes to policy issues. The established platforms such as Executive Oversight Council (EOC) formally known as the Motor Industry Development Council (MIDC) and NEDLAC (National Economic Development & Labour Council) serves as formal structures for engagement between industry and government on policy related matters including trade policy. Representation in these structures is made up of organised business, organised labour, and government representatives. These structures are in existence despite the fact the Department of Trade, Industry & Competition is the custodian of trade policy.

The literature describes these policy making structures as part of the country's institutional architecture that will influence how firms engage with governments (Liedong et al., 2020). This is interesting given that South Africa as an emerging market have such a formal institutional structure for business and government engagement which contrasts with the dominant literature which postulates that emerging markets are generally characterised by weak institutional environment when it comes to policy making (Brown et al., 2023), (Jia et al., 2023). However, Amankwah-Amoah (2022) argues that institutional factors are context specific and therefore multinationals firms must be appreciative of that to avoid generalisations especially when entering a new market.

These structures compel the firms to collaborate with one another as only one unitary business voice is required, therefore firms engage through what Hillman & Hitt (1999), (2004) call collaborative activity as part of industry associations. However, given the concentrated nature of the SA auto industry, this collaborative approach is in line with literature as Cruz & Graham (2022) argued that collective participation is better suited for business operating in concentrated industries.

In addition, however this collaboration approach provides for a much relational type of relationship with government representatives which serves as a long-term relationship building activity due to the regularity of engagements which are not dependent on any specific issue (Hillman & Hitt, 1999) (Hillman et al., 2004)

6.1.1.2 Alignment with country interests

The participants of the study have indicated the alignment with the country interests as an approach used by the industry. Meaning that to ensure government's attention, whatever is presented to them must advance the course of government of the day or the country in general. This is especially important within the context of trade policy as it regulates the relationship between trade protection and import penetration within the country (Saha, 2019). Therefore, automotive trade policy can have a huge impact on the country's foreign exchange reserves and balance of payments.

Literature has found that multinationals investment decision generally has a huge impact on the economies of nations (Anderer et al, 2020). This is supported by Alvarez (2019) who posits that multinational firms can play a critical role towards the determination of a country's comparative advantage. Blanchard et al. (2017) maintain that the multinational driven global

value chains are effectively responsible for the shaping of trade policy many parts of the world. Whilst Findlay & Hoekman (2021) posits that multinational firms may choose to engage the authorities to discourage them from adopting policies that would have unintended consequences of dissuading global value chain investment

Therefore, given their sheer size and economic influence especially on an emerging market like South Africa, the finding makes perfect sense given the antecedents described by literature above.

6.1.1.3 Use of local personnel

The participants of the study have identified the use of local personnel as a CPA approach that is applied by their firms. The use of individuals with similar cultural backgrounds and language that local authorities can identify with have been found to be a preferable as it facilitates the opening of communication channels and accelerates the breaking down of barriers for engagement.

Whilst the literature does not allude to the use of local personnel as a CPA approach per se, it does however locate this within the CPA capability theory where the scholars Cruz & Graham (2022) argue that employing top personnel that is politically well connected can serve as an accelerated way to built political capital, therefore the same can apply with regards to employing individuals that are relatable to the targeted political actors. This is further supported by Passos et al., (2023) and Dahan (2005) who both argue that access to political actors is key towards the ability to influence, and this can be facilitated by either formal or informal relations.

6.1.1.4 Lobbying through government of origin

The lobbying by OEMs through the governments of their countries of origin has also been identified by participants as one of the approaches that multinational OEMs embark on. This may happen where the locally based OEM subsidiary is engaging the host government but not getting the desired results, and as a result escalates the matter to the head office which will then engage the government in the OEMs country of origin where it will then become a government-to-government type engagement. It however seems that the activation of this approach will be dependent on the health of the two governments trade and diplomatic relations.

The findings did not reveal this to be a prevalent CPA approach though as it happen with one specific market but difficult market which is Algeria. The country has had its auto industry shutdown by the government due to corruption for several years, and now they have embarked on the process of opening it through numerous engagements with the industry, however one multinational took an opportunity and rode on their country of origin being Italy and Algeria good relations to effectively get a step ahead of the rest of the industry.

This was demonstrative evidence that showed how powerful and influential multinationals can be in lobbying for their preferred positions as suggested by Anderer et al., (2020). Supported by Ballor & Yildirim (2020) and Curran & Eckhardt (2020) who both postulate that multinationals with their financial muscles have a litany of options to lobby and influence their environment which can include anything such as government to government options, alliance with common purpose non-governmental organisations etc. Ballor & Yildirim (2020) further went on to argue that multinationals have sufficient resources and networks to mobilise against anything either being pressure groups or government action that seems to threaten their interests.

Based on the responses from the participants, this approach appears to be peripheral however it's not really a surprise based on literature that is generic enough to accommodate for such an eventuality.

6.1.1.5 Continuous government engagement

Continuous and persistent government engagement has been identified as one of the strategies to ensure not only continuous access but to also maintain visibility and ensuring that your issues are always noticeable and known to the authorities. The finding reveals that although it is not always smooth sailing, it is however necessary.

According to Hillman & Hitt (1999) and Hillman (2004) continuous engagement is important for maintaining a relational type of relationship with the authorities an in return serving as an activity for building long term relationship for both OEMs and government representatives. This is echoed in Rudy & Johnson (2019) where they maintain that this approach allows for a frequent interaction with policymakers makes it easier to engage proactively on key policy issues riding on the strength of the long-term relationships emanating from such interactions.

This finding is therefore much in line with the relational CPA as it means that the OEMs do not have to re-establish contact with the authorities every time there is a new issue that needs to be resolved.

6.1.1.6 Leveraging of individual & collective effort

The study has found that although there is preference for collaborative CPA which is enabled by the institutional architecture in South Africa, the participants have also indicated that OEMs do engage in individual CPA and that there is a place for both. Individual CPA is important to create and maintain visibility for own brand with government. It is also necessary for creating a platform that allows an individual OEM to discuss with government firm specific issues or challenges that may be confidential. This also serves as platform to educate the government discreetly about the importance of the firm to the country transparently to an extent of even touching on trade secrets and specialised information.

According to Saha (2019) collective CPA for trade policy was found to be ideal in emerging market like India as it reduces the costs burden of individual CPA and enhances the organisational legitimacy, however individual CPA was found to be effective when there are firm specific issues at stake. According to Saha et al (2023) this approach is imperative to strengthen the CPA capabilities of the organisation unlike only relying solely on representation by industry association as continuous exposure to government interactions can serve as sharpener of engagement skills for the firms internal CPA team.

Therefore, the combination of individual and collective effort to engage government is practised by the South African OEMs. The finding appears to be in line with literature in the main, except that Saha (2019) found this approach to be attractive in industries which have low levels of concentration (highly dispersed) as it provides them with a level of heft when influencing trade policy. This is at odds with our finding as the automotive sector in South Africa is a highly concentrated industry.

6.1.1.7 Multiple government stakeholder relations

The Department of Trade, Industry & Competition is the custodian of trade policy in south Africa, however the study found that OEMs need to engage with multiple government departments, agencies, and even different levels of government as part of their CPA programmes. This includes but not limited to the entities like the Ministry of finance, provincial government, municipalities, state agencies and state-owned enterprises, parliamentary

standing committees etc. The study revealed that some firms make a mistake of concentrating on engagements only with the DTIC whilst neglected other key institutions.

This supports the assertion by Boso et al., (2023) where they caution against a narrow focus on national government political institutions for CPA engagement to the neglect of broader political stakeholder community. Further literature maintains that in an emerging markets context like South Africa, partnerships with multiple political actors and or stakeholders is necessary to enhance organisational legitimacy but to also ensure that the firms message reach a wider spectrum of governance (Liou et al.,2021), (Amankwah-Amoah et al., 2022) (Boso et al., 2023).

As a result, this finding is very much in line with literature as supported by Jia et al., (2023) who maintains that multinationals must look beyond national legislators but should consider a much wider spectrum of political players to ensure effective engagement.

6.1.1.8 Political neutrality

The study found political neutrality to be an important ingredient in devising their CPA strategies when operating in the South African and by extension the African contexts. This is influenced by the risk of emerging markets political volatility where too much proximity to one regime may be interpreted as support for that regime. This can be the case even in countries where regular democratic elections are held, Nigeria being the case in point where the new president assumed office and immediately withdrew support for a drafted automotive trade policy as it was seen to be the policy of the immediate past president.

Even from a South African perspective, although there is a very formalised structure for policy engagement, a lot of influence resides with the Minister of Trade and Industry as the custodian of trade policy. Furthermore, if a current governing party loses elections, and a completely new group comes in with different ideology, or a coup d'état takes place as witnessed recently in some of the West Africa and Sahel regions the industries approach is to engage whoever is the recognised government of the day without taking sides.

According to De Villa et al., (2019) at times the cost of engagement can outweigh the benefits during times of uncertainty as a result less active engagement can help reduce the risk. This argument is further strengthened by the fact that in some emerging markets multinational corporations are perceived with stereotypical lenses such as their country of origin, the

industry they represent or the historical behaviour of the multinational in other markets (Bucheli & Salvaj, 2018) .

The finding therefore is logical given that some of the OEMs will invest in high-risk markets aware of the political risk due to associated benefits that comes with being present in those markets (Lee et al., 2022).

6.1.1.9 Sub research question one: Summary of Findings

The aim of the question was to establish whether the industry carries out CPA initiatives, and if so, how are they carried out from an approach, strategy, and tactical perspectives.

The finding to the sub-research question confirmed that the SA based automotive OEMs do carry out CPA initiatives to influence trade policy specifically but also to engage with government on a litany of issues affecting the industry in general but also individual concerns. The findings further confirmed that the industry is structured for collaborative and collective engagements with government to ensure one industry voice which is mainly carried out through industry associations, however the space also exists for individual engagements with government which is just as important.

The study further found that the use of local personnel and alignment of CPA strategy with the country's interest enhances the firms ease of engagement with government representatives, and this must be done on a continuous basis, considering a broad multiple government stakeholder approach whilst remaining politically neutral.

Lastly the study also found a practice of CPA approach through home country lobbying, where the home country government lobbied the host country government on behalf of the OEM.

The study has conclusively found the information strategy through lobbying and provision of technical information and to a certain extent the constituency building strategies through policy education programs to be the most dominant taxonomies applied by the industry, as articulated in the seminal work of Hillman & Hitt (1999). There was no evidence of the application of any form of financial strategies.

6.1.2 Sub research question two: *What are the key drivers of CPA strategies used.*

The aim of sub-research question two was to establish what the participants considered to be key drivers CPA initiatives in their individual firms and industry in general given the emerging market context within which they operate from. The study identified 10 key drivers and although not all of them are directly related to the influence of trade policy, some however do an impact on the success or failure of its implementation. The are discussed in detail below.

6.1.2.1 Risk of policy volatility with change in political leadership

The study found the changes in political leadership to be one of the key drivers CPA activations by the industry. It was found that even though South Africa has a defined and structured policy engagement structure, the minister responsible for trade and industry often wields enormous level of influence on its final direction, the same applies to some of the other countries on the continent an example being Egypt where the current prime minister appears to be custodian and big supporter of the recently adopted auto policy.

Over and above the ministerial change this includes changes in provincial premiers, local municipality mayors, heads of other agencies or entities etc, who many do not have influence over policy itself, but their scope of responsibility may have an impact on the success of failure of that policy implementation. For instance, the government owned energy utility supplier (Eskom) and the state-owned logistics entity (Transnet), both do not influence policy but are enablers of policy execution.

This seems to be in line with the literature on institutional perspective which maintains that emerging markets are generally characterised with these kinds of institutional weaknesses which can pose challenges for CPA (Brown et al., 2023). Echoing this is Jia et al., (2023) who maintains that the lack of separation of duties in emerging markets translates into absence of checks and balances by different levels of governance.

Although South Africa is a constitutional and democratic state with a much more developed policy architecture compared to some of the countries on the continent, this finding confirms

the literature that the country is still struggling with many of the ills associated emerging markets.

6.1.2.2 Country political risk

The study has found that a country's real or perceived political risk to be one of the key drivers for CPA initiatives. The risk is associated with change in government which may have an impact on the current policy direction and just the ability to do business in the country. Within the South African context this is fuelled by the prevailing narrative that the current governing party is unlikely to secure sufficient majority in the next election to form a government on its own which may result in a coalition government being formed that excludes them, or they may be forced into a coalition government with one of ideologically radical parties which may impact on policy direction. Furthermore, it was established that there is a prevailing narrative in some societal circles which argue the South African automotive industry is overly subsidised which therefore heightens the policy risk in the event of a political change.

According to literature, emerging markets are generally associated with volatile political environments which turns to heighten uncertainty amongst foreign multinationals (Lee et al., 2022). Lawton et al., (2013) describes emerging markets as politically hazardous and have high levels of political risk compared to their developed counterparts. However, Fukuyama (2020) challenged those arguments based on the political volatility that transpired in the USA after the election of Donald Trump as president and the UK's Brexit vote which both heightened the political risk for foreign investors in those developed markets at the time.

Whilst South Africa has experienced a relatively stable trade policy regime for almost three decades now, there appears to be a moderate risk of policy interruption due to possible change in the country's political leadership which aligns the finding with the prevailing literature on emerging markets political risk.

6.1.2.3 Developing new markets.

Given the relatively small size of the South African economy, the industry is continuously exploring opportunities for new markets to ensure optimal utilisation of the SA based productive capabilities. As a result, one of the drivers of CPA identified is the new market development more so on the African continent. With productive capability for the continent

resting in only three countries which is South Africa, Morocco & Egypt, the introduction of AfCFTA presents a massive opportunity for growth.

Therefore, the SA industry has embarked on CPA engagement with several African governments to unlock trade between South Africa and themselves through trade and industrial policy reforms. The result will be the adoption of policies that are liberal enough to allow free vehicle trade between countries, but also able to attract investment for industrialisation.

A cited example being the proposed South Africa/Egypt automotive pact which is championed by the industry but must be ultimately agreed to by both governments. The result will be South Africa being able to export locally produced vehicles to Egypt at preferential rates but also importing locally produced vehicles from Egypt at preferential rates with OEMs guaranteeing products for both markets.

Brown et al., (2023) posits that regulatory bottlenecks are some of the key catalysts of CPA activation by firms, thus confirming the finding. This is further supported by the earlier literature which found that such environments which consists of high and sometimes prohibitive regulations turn to command high levels of CPA engagement (Brown et al., 2020). Amankwah-Amoah (2022) argues that some of the Sub-Saharan African markets are characterised with poor law and regulatory enforcement structures and that the industries rules of engagements are often opaque therefore requiring a heightened level of CPA which may require a level of more relational approach instead of transactional one.

Whilst this finding may seem to appear more like an activity located within market rather than non-market activities, we find that it is very much aligned to CPA literature which has maintained that a market strategy of the firm has a direct impact on its non-market strategy (Shirodkar et al., 2022).

6.1.2.4 Global industry character

The study has revealed that the global nature of the automotive industry is such that it is quite heavy in terms of its engagements with government. As an export-oriented sector, the industry is seen as quite strategic for any country often enjoying some level of support from the government. The study found that historically most of the automotive OEMs originated because of deliberate government programs of their home countries. For that reason,

engagements with government are a normal industry practice and such engagements will even be expected from the subsidiary OEM wherever they may be located from its headquarters.

The global automotive industry is orchestrated through global value chains which are run by multinationals through vertically integrated production processes which stretches over multiple countries (Anderer et al., 2020), (Pananond et al., 2020) & (Lee et al., 2022) These multinationals are generally very big, and their investment decisions have impact on economies which makes them quite influential in the markets where they operate (Anderer et al, 2020).

This finding is therefore supported by (Ballor & Yildirim, 2020) who postulates that multinationals are by their very nature key advocates for trade liberalisation as their survival is dependent on an open global trade and as a result undertake a lot of CPA initiatives throughout the markets where they operate.

6.1.2.5 Policy complexity

It has been found that the industry is quite policy driven and heavily so. Numerous policies and pieces of legislation are often a subject of debate and interpretation between the industry and the government bureaucracy. As a result, this necessitates for a regular engagement between the sector and government representatives. Whilst the DTIC is the ultimate custodian of the industry it has multiple and disconnected units that administers different kinds of regulations such as the automotive desk-which oversees the auto policies, B-BBEE desk-which manages the countries transformation program, ITAC-which is the one stop for trade administration, and many others.

The firm's ability to navigate through complex policy matrices, distinguishing between tariffs and non-tariffs measures is key for the industry (Asprilla et al., 2019). This is echoed by De Villa et al., (2019) who maintains that industries with high levels of government regulation turn to have higher levels of CPA engagement with the government.

Therefore, the finding is therefore in alignment with literature as regular engagement on such issues with trade administration and regulation officials is key to the functioning of the industry.

6.1.2.6 Trade policy stability

The participants have indicated that trade policy stability is one of the key drivers for their engagements with government. As an industry that is export oriented any unexpected interferences with trade policy can have a massive impact on the firms current and future investment. Stability of trade policy is not only important for the investment strategy in the country, but it is also critical for product strategy. For this reason, the practice of continuous discussions and debates on current and future policy issues with government is helpful for the elimination of surprise policy announcements.

This finding finds aligns to the trade policy literature which postulates that the function of trade policy is to regulate the trade protection and import penetration relationship in an economy (Saha, 2019). Supported by the view that trade policy can have an impact on number of participants operating in a particular market with the consequence of regulating who stays in the market and who is kept out (Asprilla et al., 2019). Curran & Eckhardt (2020) posits that multinationals often goes to the extent of lobbying for multilateral agreements to access foreign markets but also to protect their global value chains. This is demonstrative of the strong impact that trade policy has on the market power (Asprilla et al., 2019).

The finding is very much in line with the assertion by Saha (2023) who argues that trade policy is a contested space with competing interests from government, exporters, and importers, as a result it not surprising that trade policy is one of the key drivers of CPA in our context.

6.1.2.7 Change in consumer preferences

The global sustainability movement around green energy and cleaner products is altering the demand for products which are harmful to the environment. The increasing number of consumers without being compelled by anyone are already placing a demand for less harmful vehicles, cleaner fuels etc. Some of South Africa's key vehicle exports markets have already started to respond this consumer demands by introducing stringent policies around the future use of current internal combustion engine vehicles in their markets. The industry is therefore in constant engagements with government about the impact of this transition on the future of the industry in South Africa and other African markets.

Hillman et al., (2004) posits that an emergence of a topical issue may give rise to a firm's CPA activation depending on the level of importance. The industry has assessed this issue to be

important enough to warrant high levels of CPA engagement as it creates a level of uncertainty in the market in accordance with Brown et al., (2023), & Brown et al., (2020). However, some arguments have been very critical of the global automotive industry, which argue that it took a very small and new player in Tesla to champion the introduction of a full electric cars before the industry took issue seriously (Buckley & Liesch, 2023).

The finding is therefore supported by literature as a qualifying issue based antecedent of CPA (Hillman et al., (2004).

6.1.2.8 Dysfunction of State-Owned Enterprises

One of the key drivers identified as a driver of CPA was South Africa's dysfunction of key state-owned enterprises. Eskom which is responsible for energy generation and distribution and Transnet which operates rail and ports amongst other logistics activities, have been cited as having the most disruptive impact on the industry. When there is no electricity some assembly plants or their suppliers can be out of production for up to 24 hours, whilst the logistics have a massive impact on the final costs of the product. Both these disruptions have a massive negative impact on the cost competitiveness of south Africa's automotive plants when benchmarked against their peers in similar emerging markets. This therefore necessitates continuous engagements with government so that they are always sensitised about the gravity of the situation.

This finding is in line with the literature on emerging markets which maintains that such markets suffer from weak institutional environments (Brown et al., 2023). Amankwah-Amoah (2022) argues that such institutional dysfunctions which is amongst other characterised by poor infrastructure contributes significantly towards the increase in costs of doing business in emerging markets and for that reason firms must activate their CPA initiatives to counter and guard against the erosion of its value.

Therefore, direct CPA engagement with heads of this entities, bureaucrats and oversight parliamentary committees is in line with the assertions by Jia et al., (2023) who maintains that firms must galvanise support of broad spectrum of political actors to achieve desired outcomes.

6.1.2.9 New Energy Vehicles Policy

The need for new energy vehicles policy has been one of the top drivers of CPA engagements with the South African government in the recent past. Which is necessitated by the eminent ban of internal combustion engine imports by Europe and USA from 2030 onwards. The current automotive policy does not make accommodation for new energy vehicles and as a result the sector has been engaging government tirelessly on this matter as failure to respond will result in the demise of the industry in South Africa. During the time of interviews the sector was still waiting for the announcement from the minister after being disappointed a few times, however on the 4th of December 2023, the minister issued the white paper on electric vehicles which is effectively a broad statement of government policy.

CPA literature postulates that occasionally there will be an issue of significance which will require much higher levels of CPA engagement than normal (Hillman et al., 2004). Therefore, the delay in response by the South African government either perceived or real has created levels of uncertainty in the sector which according Brown et al, (2023) has served as a catalyst for heightened levels of CPA engagement with government. This is further echoed by Amankwah-Amoah (2022) and Brown et al (2020) who argue that firms who find themselves in such uncertain environments turn to intensify their CPA engagements in the effort to guard against their investment's erosion of value.

Given the strategic importance of this issue and the implications for both industry and government, the finding is found to be rationale as it also aligns with prevailing literature on antecedents of CPA.

6.1.2.10 Firm level dynamics

The study has found that CPA programs for the subsidiary OEMs are also driven by their head offices who expect their subsidiaries to have a full engagement program at any point in time. In addition, some of the programs will be identified by headquarters in line with their global commitments for example the United Nations sustainability goals.

The literature confirms the finding that CPA can at times be driven by firm level dynamics where factors like the size of the firm in terms of capacity, revenue, market share, asset base etc can determine the firm's ability or even the appetite to engage in CPA (Hillman et al., 2004). The literature further argues that the firm size is critical driver of CPA engagement

especially for large size firms or market leaders as they will be most impacted by negative policy decisions (Rudy & Johnson, 2019).

Additionally, literature argues that the firm's product diversification can be a driver of CPA due to the complexity that comes with different regulations for different products, (Hillman et al., 2004) (Shirodkar et al.,2022). This holds true for the automotive industry as there are different models with different engines sizes, and each engine size attracts a different regulation.

The finding is further confirmed by the arguments from the literature which maintains that foreign owned firms turn to direct the CPA agenda of their subsidiaries as they have much wider political networks and must maintain much robust risk management and mitigation strategies through CPA programs (Shirodkar et al., 2022), (Curran & Eckhardt, 2018) and (Brown et al., 2022).

6.1.2.11 Sub research question two: Summary of Findings

The aim of the question was to establish the key drivers of the firms CPA initiatives. Getting an understanding of the influence if any, of the emerging market context on those drivers. The finding revealed ten key drivers of CPA initiatives.

The study found that general changes in political leadership in all levels of governance to be one of the key drivers of CPA activation to guard against the emergence of policies that will have an adverse outcome of the industry.

Secondly it was found that industry and organisational dynamics turn to drive CPA initiatives. Where the global industry structure is such that government engagement is part of the industry DNA, which is further enabled by the fact that as foreign owned entities the CPA engagements are often demanded as part of organisational risk management and mitigation strategies.

The study also found policy related matters to be on top of their engagement list with government as they have a direct bearing of the sustainability and competitiveness of individual firms and industry. Typical to emerging markets characteristics, the participants in the study confirmed that the dysfunction of some key state-owned entities was one of the key drivers of their firms CPA programs, in line with the literature on emerging markets (Brown et al., 2020) (Brown et al., 2023) (Amankwah-Amoah, 2022)

Lastly the study found the unlocking of trade opportunities and enabling of access to new markets to be one of the key drivers of the industry's CPA programme.

In conclusion the findings were found to be broadly and thematically aligned to the seminal literature on CPA antecedents by Hillman & Hitt (1999) and Hillman et al., (2004).

6.1.3 Sub research question three: *How effective are CPA strategies used in influencing trade policy.*

The final sub research question aimed to get an understanding of how effective the CPA strategies are employed by the industry in influencing trade policy. In responding to that question five key themes emerged during the interviews with the participants, and they are discussed below.

6.1.3.1 Historical context

The study found that to assess the effectiveness of trade policy CPA, there must be an understanding of the historical context of the South African automotive policy regime. The modern-day industry was born out of engagement between sector and government in the early 90's, learning from the experiences of major countries like Canada, Germany, UK, USA, Australia, and some of the Scandinavian countries.

This amongst others gave birth to existing policy engagements structures such as Executive Oversight Council (formerly Motor Industry Development Council) chaired by the Minister of Trade Industry and Competition, comprising of all CEOs of the automotive OEM, representatives of industry associations, government, and organised labour. This is the structure that meets quarterly to engage on various issues affecting the current and future issues affecting the automotive industry including policy.

Furthermore, there is NEDLAC (National Economic Development and Labour Council) which is not industry specific but serves as an engagement platform for all economic policy related matters. Therefore, the country institutional architecture allows for a structured and open engagement between the sector and government on matters of trade policy.

6.1.3.2 Trade policy role

In addition, the study went to establish the meaning and role of trade policy from the participants perspective. The participants revealed two important economic activities that are played by trade policy in their sector, first being the enabler of trade and secondly the facilitator or magnet to attract investment. They attribute the countries' ability to produce vehicles locally at a cost that is globally competitive and the ability to export them to major markets, as the effect of good trade policy.

The participants further highlighted the importance of a stable trade policy for the long-term planning of the industry, thus having an impact on the crafting of their individual firms corporate and product strategies.

The literature has described the role of trade policy as that of being regulator of exports and import relationship in the economy (Saha, 2019). It is a very powerful determinant of the market structure as it regulates who comes in the market and who is pushed out (Asprilla et al., 2019). Coelli (2022) argues that trade policy is a catalyst for growth and innovation. Therefore, trade policy plays a critical role in the lives of multinational firms due to the vertically integrated nature of their production processes which stretches across multiple countries (Anderer et al., 2020).

Furthermore multinational firms plays a critical role in shaping global trade policy since they are said to be accounting for 50% of global trade (Findlay & Hoekman, 2021), (Buckley & Liesch, 2023). With this amount of influence multinationals generally have a huge impact on the economies of countries where they invest, as their investments play a key role in shaping a country's comparative advantage (Anderer et al., 2020) (Alvarez, 2019). For that reason, the governments will generally gravitate towards aligning their trade policies to attract the multinationals investments, thus turning them into very influential players in shaping of trade policy (Anderer et al., 2020).

This however does not mean that it is a given that trade policies will always favour the multinationals as it has already been demonstrated through literature that any public policy making process is a contested space with multiple interests advocating for an outcome that favours their course (Saha et al., 2023). However, Anderer et al., (2020) argues that countries design their trade policies with the preference of the multinationals in consideration, with the objective of increasing their support and reducing their resistance. The automotive industry is

a very heavy policy driven industry; therefore trade policy is central to its functioning and competitiveness.

6.1.3.3 Firm level dynamics

The study found that the judgement on effectiveness or not of trade policy CPA by the participants was somehow impacted by the own individual firms' issues. The key test being either the firm received a favourable outcome for their request, as and when they wanted.

Firm size also came up as a determining factor of how effective the influence of the firm be on trade policy. The study also found that some OEMs may succeed in influencing policy in some market and not succeed in others. This is largely influenced by the economic contribution of an OEM in a particular market such as revenue generated, market share, number of employees etc (Hillman et al., 2004). Some of the smaller OEMs in South Africa enjoy a dominant market position in some of the countries on the continent thus commanding more influential position.

Therefore, the measure of CPA's effectiveness has been found to be context or market dependent based on the responses of the participants. Where in markets the firms enjoy dominance, they turn to be quite influential as they turn to heighten their CPA activities since they stand to lose much by being inactive (Rudy & Johnson, 2019).

However, the smaller OEMs will generally leverage on the strengths of their mother companies to influence policy in their host countries. The literature echoes this by arguing that multinationals turn to direct the CPA agenda of their subsidiaries as they have much wider political networks and must maintain robust risk management and mitigation strategies through CPA programs (Shirodkar et al., 2022), (Curran & Eckhardt, 2018) and (Brown et al., 2022).

6.1.3.4 Impact to the economy

It was strongly argued by the participants that the sectors impact especially in the South African economy is indicative of the existence of a good trade policy, which contributes over 4% of GDP, a huge earner of foreign currency and positive impact on the country's balance of payments. The automotive industry is regarded as one of the most important economic sectors

in the world, but more so in emerging economies such as South Africa where it is a stimulant to economic development (Mordue & Sweeney, (2020). Barnes et al., (2017) postulates that it represents one of the world's biggest manufacturing sectors. These positive contributions are argued to have come into existence because of the sectors ability to influence government to adopt an enabling automotive trade policy framework for the country.

Furthermore, it was stated that the sector currently exports vehicles to 152 countries worldwide with major markets being Europe & the USA which are enabled by the trade agreements with EU & UK, whilst the USA is through AGOA participation, therefore such number of export destination is a testament to the existence of a good trade policy which was influenced by the sector. Within the Sub-Saharan region, South Africa is the only country not reliant on vehicle imports to fulfil its domestic demands and has a full and vibrant vehicle export program (Barnes et al.,2021). This is confirmation of trade policy effectiveness by literature which maintains that the effectiveness of a trade policy is measured by the levels of exports in relation to imports (Saha, 2019).

In addition, the study found that in the recent past a few global OEMs have announced their intentions to set up full assembly plants in South Africa, whilst none of those who are already present in the country have expressed any interest to leave thus placing confidence vote on the country's good automotive trade policy regime. This is an important development for the country's sector as the importance of attracting new multinationals in emerging economies that desire to advance the industry in their own countries cannot be undervalued (Barnes et al 2017).

The impact of this on the domestic economy is quite significant as it contributes towards new jobs creation and preservation of existing ones, country's technological competitiveness etc (Dai et al., 2020), Yang et al., (2021). Furthermore, all this is attained in an emerging market environment that is characterised with the challenges facing most similar markets, geographically dislocated from its key markets and a highly contested public policy space. This finding goes against the literature by Mordue & Sweeney (2020) and Barnes et al., (2021) who argued that the location of vehicle assembly plants has been a politically sensitive issue and pressure has been mounted on the manufacturers to locate the assembly plants closer to end user markets, which is not the case for South Africa's industry as its key markets are Europe and the USA. Secondly, they found that due to the dynamic nature of the global production networks supported by factors such as cost competitiveness, improved quality, and government support in the form of incentives has resulted in the competitiveness of assembly

locations change over time to different locations that are more competitive, the cases of Spain and Canada being used to support the argument (Mordue & Sweeney, 2020).

Therefore, the impact of collaborative and collective CPA approach by the industry cannot be discounted in this achievement thus confirming its effectiveness towards influencing trade policy (Saha et al., 2023). The recent announcement by the DTIC on the white paper for electric vehicles also serves as a testament for the effectiveness of the sectors CPA initiatives, which when finally adopted will set a scene for a new automotive trade policy regime.

6.1.3.5 Enabling intra-Africa trade.

The last indicator but not the least is how the SA auto sector is championing the enablement of the intra-Africa trade through the automotive value chain. As the most advanced economy in terms of automotive production capabilities on the African continent, the sector has embarked on the journey to unlock the opportunities promised by the AfCFTA. Currently South Africa, Morocco and Egypt are the only three countries that have full vehicle assembly facilities on the continent, meaning that these are the only countries who stand to benefit from the vehicles free trade when and if it materialises. This is against the background of an already unbalanced trade between South Africa and its regional peers with the scale favouring South Africa (Afreximbank, 2018). As a result, regional integration is necessary to correct the situation.

The sector as a collective has since embarked on a massive CPA engagement with several governments on the continent with the view to persuade them to adopt automotive policies that will facilitate trade and attract investment for building industrial capacity which will enable them to be part of the automotive value chain so that they can produce automotive products to export in exchange for the imports they will receive from other African countries. According to Barnes et al., (2021) the automotive sector has the potential to accelerate regional integration on the continent with auto manufacturers exerting pressure on the governments to improve market access and reduce the non-tariff barriers applying the lessons learned from Mercusor & ASEAN regions.

According to Barnes et al (2017) achievement of this requires a determination of a regional market that will be sizable enough for the attainment of economies of scale that will be attractive enough for the manufacturers to investment and the adoption of policies that will ensure domestic competitiveness.

A case in point is Egypt which has production capability but currently only producing for their own domestic market, whilst their tariff structure is prohibitive for SA OEMs to export into that market. The OEMs took it upon themselves to engage both governments to agree on an automotive pact that will be driven by this OEMs in both markets. Where the result will be South Africa being able to exports locally produced vehicles to Egypt at preferential rates but also importing locally produced vehicles from Egypt at preferential rates with OEMs guaranteeing products for both markets. According to the participants the proposal has been received warmly by both governments with the Egyptian Prime Minister even visiting some of the South African automotive plants in early November 2023.

The participants argued that the progress made with South Africa/Egypt governments is testament to an effective trade policy CPA engagement and the literature by Brown et al., (2023) confirms this by positing that unlocking regulatory bottlenecks is one of the functions of CPA. South African OEMs are looking to access locked regional markets on the continent, and they are using CPA to do that, which is supported by Shirodkar et al., (2022) who argued that a market strategy of the firm has a direct impact on its non-market strategy.

6.1.3.6 Sub question three: Summary of Findings

The aim of the sub-research question was to establish if CPA is an effective tool towards influencing trade policy. An understanding was obtained of how the SA modern automotive policy making process is structured and the origins thereof. This helped to contextualise the business and government engagement framework that is in place. Furthermore, the question seeks to understand the meaning and role of trade policy from the perspective of the participants and what it means to their organisations.

The judgement on the effectiveness of CPA in influencing trade policy emerged through three themes. The first one being from a firm level perspective where participants judge the effectiveness of CPA on trade policy based on their individual firm circumstances. Where some firms found CPA to be effective in some markets but not in others depending on the firms' specific circumstances such as size of the firm etc.

Second and third, the judgement on CPA effectiveness by the participants was based on the impact of the industry on the south African economy and the role the industry is playing in

enabling intra Africa trade through lobbying for regional automotive value chains on the continent. On both factors the participants were unanimous about the effectiveness of their CPAs influence on trade policies.

6.2 Conclusion

The aim of this chapter was to discuss & analyse the results of study from Chapter 5 in comparison to the prevailing literature reviewed in Chapter 6 to help come to conclusions that will answer the primary research question.

Responses to the three sub-research questions we examined in line with literature. The study firstly confirmed that Corporate Political Activity is practised as one of the tools of non-market strategies by the SA based automotive industry to influence trade policy specifically and government direction in general. Key approaches or strategies that the industry employ was identified.

The study identified eight approaches or strategies as revealed by the participants and whilst all were identifiable with the broader CPA literature some of them were more tactical approaches rather than strategic. In addition, the ten key drivers of CPA were identified to understand the antecedents of CPA in the industry in line with the broad factors by Hilman et al., (2004) and Katic & Hillman, (2023).

Lastly the effectiveness of trade policy CPA were judged based on two key outcomes which is the impact of the industry on the economy and the enablement of intra Africa trade. The participants argued the continued existence of the industry in South Africa is testament to good trade policy, which is influenced by the industry, where that influence is now being extended to the rest of the continent.

The role of CPA is to unlock regulatory bottlenecks and create pathways for the execution of market strategies (Brown et al., 2023) (Shirodkar et al., 2022), the evidence from the study indicates that the auto CPA is achieving that which enables us to conclude that in so far as influencing trade policy is concerned, the industry's CPA program has been found to be effective.

Chapter 7: Research Conclusions

The purpose of this chapter is to present research outcomes emanating from the discussion and analysis of results presented in Chapter 6.

7.1 Principal Theoretical Conclusions

The section of study is categorized by the three sub-research questions already presented.

7.1.1 Sub research question one: What are CPA initiatives or strategies employed by firms to influence trade policy.

The researchers aim with this question was twofold, to establish if the SA based automotive OEMs carry out corporate political activities as part of their non-market strategies and secondly, the types of approaches, strategies, or tactics that they employ.

The study confirmed that the industry uses CPA as part of its non-markets strategies to engage and influence government on policy but also on a whole host of various issues affecting the industry. The objective being to manage the societal context within which the industry operates (Brown et al., 2022), simply meaning that they engage government on any issue that may be or has the potential of being harmful to their business environment.

This is further made possible by the fact that the automotive industry is a highly regulated and has high levels of dependency on government, as a result regular engagements with government are a norm rather than an exception for the industry. Industries such as auto which are highly concentrated turn to be in regular contact with government (Cruz & Graham, 2022). The nature of the industry is such that firms must engage in a relational approach type of CPA (Hillman et al., 2004).

Secondly the study revealed eight key approaches, strategies and tactics that are used by the industry. In the main, the industry engages in collaborative and collective lobbying which is largely influenced by the countries formalized policy making institutional structures which dictates on collaborative engagement with government (Liedong et al., 2020). The country provides formal structures to facilitate legitimate and above-board information exchanges between the sector and government (Shirodkar et al., 2022), this however is not a prohibitive measure to discourage individual firms engagements with government on issues pertinent to individual firms' circumstances (Saha, 2019). The latter is critical and applied mostly when

approaching a much broader governance role players such as municipalities, provincial authorities but more so the governments of other countries on the continent where the

Given that South Africa is an emerging market this policy making institutional architecture was found be slightly at odds with some of the prevailing literature postulating that the absence of proper institutions is one of the characteristics of emerging markets (Brown et al.2023) (Jia et al., 2023).

Tactically the industry's approach is to align the CPA objectives with those of the country (Anderer et al, 2020) Alviarez (2019), and in a politically neutral manner to avoid being compromised during periods of transition or uncertainty (De Villa et al.,2019). However, the presence of apolitical platforms like the EOC and NEDLAC (the former being chaired by the Minister) facilitates regular engagements between industry and government on pertinent issues of economic interest for the country.

The research outcomes therefore confirm existence and practice of CPA by the automotive industry in South Africa to influence trade policy and other governance related outcomes that positively shapes their business environment to their advantage (Barron and Stacey, 2021) (Liedong et al, 2020).

7.1.2 Sub research question two: What are the key drivers of CPA strategies used.

The aim of this sub-research question was to establish key drivers of CPA strategies in general and those influencing trade policy specifically, through the lens of an emerging market.

Changes in political leadership have emerged to be one of the key drivers of CPA in the industry as foreign owned multinationals are generally apprehensive about political uncertainty of the emerging markets (Lee et al., 2022). Whilst the South African policy making architecture is very much structured and well defined, the Minister of Trade, Industry and Competition is the custodian of trade policy and still wields enormous influence towards its approval and implementation which can be interpreted as a weak signal for the absence of checks and balances Jia et al., (2023). Therefore, the sector often pays particular attention to such changes to ensure that they are followed with a swift level of engagements to almost educate the new incumbents about risks associated with policies that may harm the sector. This has been found to apply to all levels of governments and a broad spectrum of government stakeholders whose roles somehow have an impact on the competitiveness of the industry or individual firm.

Secondly policy related matters were found to be quite a key driver of CPA engagement. This is not surprising considering that the industry in South Africa is a heavy policy driven sector therefore constant engagement with government is inevitable (De Villa et al.,2019). The sector depends on the imports of components to build vehicles for exports therefore must often navigate through complex policy matrices through constant interface with the trade administrators to ensure correct interpretation and application of policy in general or part thereof (Asprilla et al., 2019). The very survival of multinationals led global value chains model depends on the existence and pursuance of liberal trade policies wherever they operate (Aviarez, 2019) (Blanchard et al., 2017). The finding is reasonable as policies are often controllers of the market, determining who stays and who is locked out therefore requiring constant monitoring and engagement with authorities (Asprilla et al., 2019).

Furthermore, the industry and firm level dynamics turn to drive CPA activities because by their very nature multinationals are advocates for trade policy wherever they operate (Ballor & Yildirim). Moreover, they often involve foreign ownership structures involving a wide spectrum of global stakeholders which places CPA at the centre of their robust risk management and mitigation strategies (Shirodkar et al., 2022), (Curran & Eckhardt 2018).

Whilst the dysfunction of some of the key state enterprises to the industry has emerged as one of the drivers of CPA in line with prevailing literature (Brown et al., 2020) (Brown et al., 2023) (Amankwah-Amoah, 2022), it was not found to be prominently so. This however does not impede the industry from continuing to advocate for the unlocking of new market to export to on the continent.

The prevailing literature has advanced that CPA in emerging economies is focused primarily with the offsetting of institutional voids because of weak institutional structures instead of focusing on influencing and shaping of policy and legislation as compared to their counterparts in developed economies (Rodgers et al., 2019), (Liedong et al., 2020). This literature is however slightly at odds with the findings, as the study has demonstrated that offsetting institutional voids is but one of the drivers of CPA and not the most dominant or important in the context of this study. In fact, with the south African context policy influencing, shaping and even protection thereof is a key driver of the industry just as in developed markets. As a result, the finding concludes that it's not all emerging markets CPA programs which are preoccupied only by offsetting of institutional voids. The outcomes are in the main aligned to the broader literature on antecedent of CPA (Hillman et al., 2004).

7.1.3 Sub research question three: How effective are CPA strategies used in influencing trade policy.

The aim of the sub-research question was to establish if CPA is an effective tool towards influencing trade policy in South Africa. This was assessed within the context of a global industry that is heavily embedded with a culture of government engagement. In addition, South Africa has been found to have well defined policy making structures and architecture to facilitates regular engagements between the sector and government, argued to be unique for an emerging market.

Assessment of effectiveness of trade policy CPA from firm level perspective was found to have been informed by own individual firm circumstances. Where some firms found CPA to be effective in some markets but not in others depending on the firms' specific circumstances such as size of the firm etc. Even though within the South African context, no one firm can influence the change policy on its own, there has been considerations done to accommodate special individual firm circumstances without compromising the integrity of the polity itself. The study did not find any conclusive confirmation any individual firm's CPA efforts were sufficiently effective to influence trade policy on their own.

However, the industry's impact on the South African economy and the engagements efforts to facilitate intra-Africa trade through the industry emerged as the strongest performance indicators to attest for the effectiveness of the industry's CPA in influencing trade policy. South Africa's geographical dislocation from its key markets is one of its biggest disadvantages for the auto industry (Barnes et al., 2017), however its continued existence in the country and contribution to the economy serves as testament to a good and stable trade policy environment. This is further supported by the growing interest of other OEMs to set up vehicle assembly facilities in South Africa.

Furthermore, efforts by the sector to expand regional markets access are showing positive signs with the most significant one being the proposed automotive industrial agreement between South Africa and Egypt which appears be receiving a very positive attention from both governments.

Additionally, the recent announcement of a white paper on electric vehicles by the Minister of Trade, Industry & Competition after prolonged engagements between the sector and government bears testament to the capabilities of the sector to influence government policy in South Africa.

7.2 Conclusion for the overall research question

Trade policy making is a dynamic and complex process with multiple contestations and contributions from varying interests' groups, therefore the key role played by the sector in influencing the final product cannot be ignored.

As a result, the study concludes that in the main, and through combination of both individual and collective initiatives, CPA has been found to be effective in influencing trade policy from a South African perspective as seen through the prism of its automotive sector.

7.3 Research Contributions

This exploratory study aimed to explore how Corporate Political Activity is used to influence trade policy in a South African context through the prism of its automotive sector. The study aimed to contribute albeit small towards the literature on Corporate Political Activities, trade policy and emerging markets.

The study revealed strategies and tactics of CPA as seen from practitioners view which is a less dominant perspective available in literature.

Furthermore, specific key drivers of CPA from a unique context of the study were unearthed to strengthen the broad but generic literature on the antecedents of CPA (Katic & Hillman, 2023) (Hillman et al., 2004), contrasting to an extent some of the dominant but narrow views.

Additionally, the study made contribution towards the understanding of CPA in an emerging market environment that has a well-defined policy making structures and architecture, bringing into balance the dominant literature on emerging market by challenging the narrow and generic views emerging market and their public policy making institutional voids.

Lastly to the best of the researcher's knowledge there is no similar study investigating the CPA influence on trade policy from an African perspective and its auto industry.

7.4 Recommendations for management

The study will aid management of firms on developing strategies on how to approach government relations in an effective but mutually beneficial way through alignment of country interest, continuous and relational engagements with government and the broader

governance stakeholders. Additionally, the impact of collaborative effort amongst firms to achieve common but noncompetitive objectives should serve as great lesson for other sectors. Furthermore, management can use the lessons from the study to align their CPA strategies with their market strategies especially in export led firms.

7.5 Limitations of study

The following limitations of study were identified.

- The researcher is employed in one of the competitor firms within the South African automotive industry which may have had an impact on ability of competitor participants to freely share their experiences.
- The study was limited to the major seven OEMs who have vehicle assembly facilities in South Africa to the exclusion of those firms who only import vehicles.
- The study only concentrated on one industry in the South African context, therefore the practice of CPA conclusions should not be generalized to other industries.
- The study was done through the prism of South Africa's institutional settings which may be quite different from the perspective of other African countries.

7.6 Suggestions for future research

- CPA via government-to-government phenomena
- Perspective from the broader automotive industry inclusive of vehicle importers and component manufacturers, retailers and after market players
- Perspective from the broader south African business community

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APPENDIX 1

Informed consent for interviews

Note: This standard informed consent letter to be used in qualitative interviews, must be separate from interview guide, must be signed before the interview commences. The signed form must be stored separately from the data collected

I am conducting research on [insert the topic of your research]. Our interview is expected to last [insert actual time for interview], and will help us understand [insert your main research question]. **Your participation is voluntary and you can withdraw at any time without penalty.** By signing this letter, you are indicating that you have given permission for:

- The interview to be recorded;
- The recording to be transcribed by a third-party transcriber, who will be subject to a standard non-disclosure agreement;
- Verbatim quotations from the interview may be used in the report, provided they are not identified with your name or that of your organisation;
- The data to be used as part of a report that will be publicly available once the examination process has been completed; and
- All data to be reported and stored without identifiers.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name	Research Supervisor name
Email	Email
Phone	Phone

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____

1.1.1. Questionnaire with consent section

The same informed consent data should be included in the survey. No signatures are used, but a statement is added to the effect that participation in the survey signals agreement.

Example:

I am conducting research on *[insert the topic of your research]*. To that end, you are asked to complete a survey relating to my topic. The survey should take no more than *[insert time frame]*. Your participation is voluntary and you can withdraw at any time without penalty. Your participation is anonymous and only aggregated data will be reported. By completing the survey, you indicate that you voluntarily participate in this research. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name: _____

Email: _____

Phone: _____

Research supervisor name: _____

Email: _____

Phone: _____

A. Introduction of Study

Corporate political activity (CPA) is defined as efforts by private corporations to influence government policies or legislation to result in favourable trading conditions for themselves or their industry. CPA's are used by private corporation to shape the competitive space to their own benefit. Generally recognised CPA strategies includes but are not limited to lobbying, constituency building or coalitions, direct communication with government or other key stakeholders & financial contributions amongst others.

B. Interview Schedule

Section (i): Background

Interviewee	Organisation Type	Role in the Organisation	Years of Experience in the role	Does your role involve CPA	Does your role involve Trade Administration	Does your role involve both CPA & Trade Policy Administration

1. How does Trade Policy impact your organisation and or organisational goals?

Section (ii): What CPA activities or strategies are being employed by the firm to influence trade policy

2. How is Corporate Political Activity reflected in your organisation and does it form part of your organisations Corporate Strategy?
3. How does your organisation go about to carry out its CPA activities and is there a specific preferred approach over the other/s and if so, why?
4. As MNC, are CPA activities mainly driven from HQ or local perspective, if local are you sufficiently resourced to carry them out or more support is required from HQ & in what way?
5. What strategies and or tactics does your company use to specifically shape trade policy in South Africa to your advantage?

Section (iii): What are the key drivers of CPA strategies used by your organisation

6. What are the general cause factors that will force your organisation to activate its CPA machinery & under what conditions and/or environmental factors?

7. Do you consider your organisational CPA capabilities a possible enhancer of competitive advantage, if so, how?
8. How does South Africa's institutional framework (such as functioning of state institutions eg: parliament, judiciary, SOEs, government departments, state agencies etc) affect or influence your organisational approach to CPA?
9. How does South Africa's political risk or lack thereof affect and or influence your organisational approach to CPA?
10. As a multinational is your CPA approach in SA same as employed by your HQ in home country, if not how is it different?

Section (iv): How effective are CPA strategies used in influencing trade policy

11. Has your organisation been successful in the past & recent past in influencing governments trade policy through your CPA activities and how so?
12. Do you consider CPA an effective tool in reducing trade policy uncertainty in SA and why?
13. Do you consider governments current trade policy to be in support of your industry aspirations? And what informs that view?
14. How are you currently shaping the current trade policy regime in South Africa to appeal to your organisational objectives?
15. Does the current trade policy regime reflect the influence or your organisations past CPAs in any shape or form? If either way, how so?

The end: Thank you for your participation