

Coevolution of the WTO and the and international business

How do multiple embeddedness and coevolution effect
the decision making of MNE wrt the WTO



UNIVERSITY OF AMSTERDAM

Duco Wiertsema

University of Amsterdam

Supervisor 1:

Supervisor 2:

A thesis submitted for the degree of

Master of Science in Business Studies

June 2013

Table of Contents

Table of Contents	i
1 Introduction	1
2 Literature Review	3
Appendices	4
Bibliography	5
Acronyms	9

1 | Introduction

Trade has been as old as the Middle Paleolithic (300.000 to 30.000 years ago) and originated with the start of communication in prehistoric times. The first signs of trade have been discovered from around 150.000 years ago [Barbra-Miller:2006] [Watson 2005] [Fernández-Armesto 2003] [Mayell:2010] [Henahan 2002]. These first trades were in ochre, an earth pigment, used to dye fabrics. These trades were mainly in the form of bartered goods and services [O’Sullivan et al. 2003] from each other before the innovation of the modern day currency [Watson 2005]. The innovation of money meant that barter ¹ was not longer a necessity to trade goods or services. With money medium common between the supplier and the demander became available. This facilitated a wider market and created the possibility of mercantilism [Heckscher 1936]. That trade is an important aspect in our history, can be observed from the fact the silk route is still a well known aspect, although this route has been out of commission in the way that was used.

In some way money changed from a means to an objective. Amidst the financial turmoil that engulfed the world in 2012 and 2013, one may assume that *”Money makes the world go round”*. The quote has been around for some time now, dating back to the musical *Cabaret* from the 1960s.

From a trade perspective money is still a means As [Mises 2009] has defined: “The function of money is to facilitate the business of the market by acting as a common medium of exchange”.

¹according to Merriam-Webster: barter is *to trade by exchanging one commodity for another*

By this line of thought the underlying motivation of money is the exchange of goods and later services.

After World War II much needed to change. The world had to come together. Hence two global albeit of truly global organisations have For this purpose the International Monetary Fund (IMF) and World Bank were founded in 1944.

The World Trade Organisation (WTO) was established on January 1 1995. The WTO came into existence after the General Agreement on Tariffs and Trade (GATT) had been dissolved into the WTO.

2 | Literature Review

When [Barney 1991] introduced the Resourced Based View (RBV) in international business literature this view gained a lot of support. The theory has been expanded upon and Institutional Based View (IBV) was introduced by [Kostova et al. 1999; Meyer et al. 2009; Wang et al. 2012]

Appendices

Bibliography

- [Abbott 2012] Roderick Abbott. “2. THE FUTURE OF THE MULTILATERAL TRADING SYSTEM AND THE WTO”. In: *The Future and the WTO: Confronting the Challenges* (2012), p. 10.
- [Barfield 2001] Claude E Barfield. “Free Trade, Sovereignty, Democracy: Future of the World Trade Organization”. In: *Chi. J. Int’l L.* 2 (2001), p. 403.
- [Barney 1991] Jay Barney. “Firm resources and sustained competitive advantage”. In: *Journal of management* 17.1 (1991), pp. 99–120.
- [Buckley et al. 2007] Peter J Buckley et al. “The Determinants of Chinese Outward Foreign Direct Investment”. In: *Journal of International Business Studies* 38.4 (July 2007), pp. 499–518. DOI: <http://dx.doi.org/10.1016/j.ememar.2011.06.001>.
- [Cantwell et al. 2010] John Cantwell, John H Dunning, and Sarianna M Lundan. “An evolutionary approach to understanding international business activity: The co-evolution of MNEs and the institutional environment”. In: *Journal of International Business Studies* 41.4 (2010), pp. 567–586.
- [Child et al. 2005] John Child and Suzana B Rodrigues. “The Internationalization of Chinese Firms: A Case for Theoretical Extension?[1]”. In: *Management and organization review* 1.3 (2005), pp. 381–410.
- [Dodge et al. 1994] H Robert Dodge, Sam Fullerton, and John E Robbins. “Stage of the organizational life cycle and competition as mediators of problem perception for small businesses”. In: *Strategic Management Journal* 15.2 (Feb. 1994), pp. 121–134.

- [Draucker et al. 2007] Claire B Draucker et al. “Theoretical sampling and category development in grounded theory”. In: *Qualitative health research* 17.8 (2007), pp. 1137–1148. DOI: [10.1177/1049732307308450](https://doi.org/10.1177/1049732307308450).
- [Düzgit et al. 2011] S.A. Düzgit and S. Suvarierol. “Turkish Accession and Defining the Boundaries of Nationalism and Supranationalism: Discourses in the European Commission”. In: *South European Society and Politics* 16.3 (2011), pp. 469–482.
- [W. G. Dyer et al. 1991] W Gibb Dyer and Alan L Wilkins. “Better stories, not better constructs, to generate better theory: A rejoinder to Eisenhardt.” In: *Academy of management review* 16.3 (1991), pp. 613–619.
- [W. Dyer et al. 1991] W.G. Dyer and A.L. Wilkins. “Better stories, not better constructs, to generate better theory: a rejoinder to Eisenhardt.” In: *Academy of management review* 16.3 (1991), pp. 613–619.
- [K. M. Eisenhardt 1989] Kathleen M. Eisenhardt. “Building Theories from Case Study Research”. English. In: *Academy of Management Review* 14.4 (1989), pages.
- [K. Eisenhardt 1989] K.M. Eisenhardt. “Building theories from case study research”. In: *Academy of management review* (1989), pp. 532–550.
- [K. Eisenhardt 1991a] K.M. Eisenhardt. “Better stories and better constructs: The case for rigor and comparative logic.” In: *Academy of Management review* 16.3 (July 1991), pp. 620–627.
- [K. Eisenhardt 1991b] K.M. Eisenhardt. “Better stories and better constructs: The case for rigor and comparative logic.” In: *Academy of Management review* 16.3 (1991), pp. 620–627.
- [ELLINAS et al. 2011a] ANTONIS A. ELLINAS and EZRA N. SULEIMAN. “Supranationalism in a Transnational Bureaucracy: The Case of the European Commission”. In: *JCMS: Journal of Common Market Studies* 49.5 (2011), pp. 923–947. DOI: [10.1111/j.1468-5965.2010.02164.x](https://doi.org/10.1111/j.1468-5965.2010.02164.x).
- [ELLINAS et al. 2011b] ANTONIS A. ELLINAS and EZRA N. SULEIMAN. “Supranationalism in a Transnational Bureaucracy: The Case of the European Commission”. In: *JCMS: Journal of Common Market Studies* 49.5 (2011), pp. 923–947.

- [Elsig 2010] Manfred Elsig. “The World Trade Organization at work: Performance in a member-driven milieu”. In: *The Review of International Organizations* 5.3 (2010), pp. 345–363.
- [Esty 2006] D. Esty. “Good governance at the supranational scale: globalizing administrative law”. In: *Yale Law Journal* 115.7 (May 2006), pp. 1490–1562.
- [Fernández-Armesto 2003] Felipe Fernández-Armesto. *Ideas That Changed the World*. DK Publishing, 2003.
- [Gao et al. 2010] Gerald Yong Gao et al. “A “strategy tripod” perspective on export behaviors: Evidence from domestic and foreign firms based in an emerging economy”, in: *Journal of International Business Studies* 41.3 (2010), pp. 377–396.
- [Heckscher 1936] Eli F. Heckscher. “Revisions in Economic History: V. Mercantilism”. In: *The Economic History Review* 7.1 (Nov. 1936), pp. 44–54. DOI: [10.2307/2590732](https://doi.org/10.2307/2590732).
- [Henahan 2002] Sean Henahan. *Art Prehistory*. 2002. URL: <http://www.accessexcellence.org/WN/SU/caveart.php>.
- [2012]. *Interview Disclosure Consent Form v1.0*. Tech. rep. Oct. 2012.
- [Khoury et al. 2008] Theodore A Khoury and Mike W Peng. “Unbundling the institution based view of international business strategy”. In: *UNBUNDLING THE INSTITUTION-BASED* 2008a.pdf (2008), pp. 256–268.
- [Kostova et al. 1999] Tatiana Kostova and Srilata Zaheer. “Organizational legitimacy under conditions of complexity: The case of the multinational enterprise”. In: *Academy of management review* (1999), pp. 64–81.
- [Kreppel 2001] A. Kreppel. *The European Parliament and Supranational Party System: a study in institutional development*. Cambridge University Press, 2001.
- [Kroll 2005] John H. Kroll. “History of Coinage”. English. In: *The Classical Review*. New Series 55.1 (2005), pages.
- [Lamy 2012] Pascal Lamy. “The Future of Europe in the New Global Economy”. In: (2012).
- [Lawton et al. 2009] Thomas C Lawton, Johan P Lindeque, and Steven M McGuire. “Multilateralism and the Multinational Enterprise”. In: *Business and Politics* 11.2 (2009).

- [Lewin et al. 1999] Arie Y Lewin and Henk W Volberda. “Prolegomena on coevolution: A framework for research on strategy and new organizational forms”. In: *Organization science* 10.5 (1999), pp. 519–534.
- [Lewis et al. 1983] Virginia L Lewis and Neil Churchill. “The five stages of small business growth”. In: *Harvard business review* 61.3 (1983), pp. 30–50.
- [Lindeque 2012] Johan Lindeque. *Interview Protocol v1.1*. Tech. rep. Oct. 2012.
- [Mayell 2003] Hillary Mayell. *When Did "Modern" Behavior Emerge in Humans?* Ed. by National Geographic News. 2003. URL: http://news.nationalgeographic.com/news/2003/02/0220_030220_humanorigins2_2.html.
- [Meyer et al. 2009] Klaus E Meyer et al. “Institutions, resources, and entry strategies in emerging economies”. In: *Strategic Management Journal* 30.1 (2009), pp. 61–80.
- [Miller et al. 2006] Barbra Miller et al. *Anthropology*. Ed. by Allyn Bacon. 2006.
- [Mises 2009] L. Mises. *Theory of Money and Credit*. Ludwig Von Mises Institut, 2009.
- [O’Sullivan et al. 2003] Arthur O’Sullivan and Steven M Sheffrin. “Economics: Principles in Action”. In: *Economics: Principles in Action* (2003), p. 443.
- [Pauwelyn 2005] Joost Pauwelyn. “The sutherland report: a missed opportunity for genuine debate on trade, globalization and reforming the wto”. In: *Journal of International Economic Law*. 8th ser. 2 (2005), pp. 329–346. DOI: [doi:10.1093/jielaw/jgi023](https://doi.org/10.1093/jielaw/jgi023).
- [Peng 2002] Mike W Peng. “Towards an institution-based view of business strategy”. In: *Asia Pacific Journal of Management* 19.2-3 (2002), pp. 251–267.
- [Peng and Khoury 2008] Mike W Peng and Theodore A Khoury. “UNBUNDLING THE INSTITUTION- BASED VIEW OF INTERNATIONAL BUSINESS STRATEGY”. In: *Oxford handbook of international business* (2008), pp. 256–268.
- [PETERSMANN 2011] Ernst-Ulrich PETERSMANN. “The Future of the WTO: From Authoritarian’Mercantilism’to Multilevel Governance for the Benefit of Citizens?” In: *Asian Journal of WTO & International Health Law and Policy* 6.1 (2011), pp. 45–80.
- [Ryan et al. 2003] Gerry W Ryan and H Russell Bernard. “Techniques to identify themes”. In: *Field methods* 15.1 (2003), pp. 85–109.

- [Shaffer 2005] Gregory C Shaffer. “The Role of the WTO Director-General and Secretariat”. In: *World Trade Review* 4.3 (2005), pp. 429–438.
- [Stone Sweet et al. 1997] Alec Stone Sweet and Wayne Sandholtz. “European integration and supranational governance”. In: *Journal of European public policy* 4.3 (1997), pp. 297–317.
- [Tallberg 2002] J. Tallberg. “Delegation to supranational institutions: why, how, and with what consequences?” In: *West European Politics* 25.1 (2002), pp. 23–46.
- [N.d.]. “The Future and the WTO: Confronting the Challenges”. In: *2. THE FUTURE OF THE MULTILATERAL TRADING*_{2012a.pdf} ().
- [Tsebelis et al. 2001] George Tsebelis and Geoffrey Garrett. “The Institutional Foundations of Intergovernmentalism and Supranationalism in the European Union”. English. In: *International Organization* 55.2 (2001), pp. 357–390.
- [S. Von Reden 1997] S. Von Reden. “History from Coinage”. In: *Classical Review* (1997), pp. 170–172.
- [Sitta Von Reden 2004] Sitta Von Reden. *The Invention of Coinage and the Monetization of Ancient Greece*. English. 2004.
- [Wang et al. 2012] Chengqi Wang et al. “What drives outward FDI of Chinese firms? Testing the explanatory power of three theoretical frameworks”. In: *International Business Review* 21.3 (June 2012), pp. 425–438. DOI: [10.1016/j.ibusrev.2011.05.004](https://doi.org/10.1016/j.ibusrev.2011.05.004).
- [Watson 2005] P. Watson. *Ideas: A History of Thought and Invention, from Fire to Freud*. HarperCollins, 2005.
- [Westney 2005] D Eleanor Westney. *Organization Theory and the Multinational Corporation: Second Edition*. Ed. by Sumantra Ghoshal and D Eleanor Westney. 2, illustrated. Palgrave Macmillan, 2005.
- [Westney 2011] D Eleanor Westney. “Global strategy and global business environment: changing models of the global business environment”. In: *Global Strategy Journal* 1.34 (2011), pp. 377–381. DOI: [10.1111/j.2042-5805.2011.00034.x](https://doi.org/10.1111/j.2042-5805.2011.00034.x).
- [WTO 2012a] WTO. *GATT to WTO*. 2012.

- [WTO 2012b] WTO. *What is the World Trade Organization?* Ed. by WTO. 2012. URL: http://wto.org/english/thewto_e/whatis_e/tif_e/fact1_e.htm.
- [WTO 2012c] WTO. *WTO history*. 2012.
- [R. Yin 1981] R.K. Yin. “The case study crisis: Some answers”. In: *Administrative science quarterly* 26.1 (1981), pp. 58–65.
- [R. K. Yin 1981] Robert K Yin. “The case study crisis: some answers”. In: *Administrative science quarterly* 26.1 (1981), pp. 58–65.

Acronyms

GATT General Agreement on Tariffs and Trade. [2](#)

IBV Institutional Based View. [3](#)

IMF International Monetary Fund. [2](#)

RBV Resourced Based View. [3](#)

WTO World Trade Organisation. [2](#)