**II. Analysis of the international business situation**

1. **Economic, political and legal analysis of the trading country**
   1. **Describe the trading country’s economic system, economic information important to your**

**proposed business/ product/ service, the level of foreign investment in that country:**

New Zealand’s economic system is, for the most part, a market-oriented economy. The market (consumers and producers) controls prices, supply and demand, and private property and entrepreneurship are highly valued and widely practiced. There is minimum government involvement or control other than business taxes, but they are minor compared to citizen’s income tax and the relatively high Goods and Services Tax (citation). Should Whole Foods to expand to the Auckland area, it is likely to see positive results as it is a bustling metropolitan center – the biggest Polynesian city in the world and the pinnacle of commerce and industry in New Zealand (citation). Also, as Whole Foods is a retail and foodservice franchise, there is already a significant demand for new, healthy, and global food and lifestyle options.

As far as foreign direct investment, almost 60% of FDI income to New Zealand comes from Canada, China, the United States, and Australia (citation). The United States is the largest investor of Kiwi land, a close second being China, followed by the Netherlands. The sectors into which foreign countries invest the most are energy and power (17%), real estate (13%), and materials and agribusiness (both 11%). Consumer staples and consumer products and services account for a combined 13% of the nations total overseas investments by sector, meaning that Whole Foods can meet consumer needs in both sectors as a grocery store and foodservice café restaurant.

* 1. **Describe the trading country’s governmental structure and stability, how the government**

**controls trade and private business:**

The political structure of New Zealand is a constitutional monarchy with Parliamentary seats. The Head of State, currently Queen Elizabeth II of England, is represented on the island by Governor General Sir Jerry Mateparae. The Parliament employs the “Mixed Member Proportional” system, meaning that the likelihood of a single-party majority is very low. This way, multiple parties have equal or proportionate representation of their membership throughout New Zealand. Parliamentary elections are held every 3 years, and in the 2014 general election, the National Party led by John Key won the most votes. The second party is the Labour Party, headed by Daniel Cunliffe, and the third party, the Green Party, is headed by Russel Norman and Metiria Turei.

The election process is as follows; Each voter has two votes – one for a political party and one for a representative for their electorate distract. The number of party votes determines how many seats they get to fill with representatives. The party with the most seats is the reigning “Government”.

The National party has been in power for majority of 1950-1980, except for two terms in which the Labour party regained control. Also, between the years 2005 and 2006, New Zealand became the first country in the world to fill all highest offices with women leaders, namely Sovereign Queen Elizabeth II [of New Zealand](https://en.wikipedia.org/wiki/Monarchy_in_New_Zealand), [Governor-General](https://en.wikipedia.org/wiki/Governor-General_of_New_Zealand) Dame [Silvia Cartwright](https://en.wikipedia.org/wiki/Silvia_Cartwright), Prime Minister [Helen Clark](https://en.wikipedia.org/wiki/Helen_Clark), [Speaker of the New Zealand House of Representatives](https://en.wikipedia.org/wiki/Speaker_of_the_New_Zealand_House_of_Representatives) [Margaret Wilson](https://en.wikipedia.org/wiki/Margaret_Wilson) and [Chief Justice](https://en.wikipedia.org/wiki/Chief_Justice_of_New_Zealand) Dame [Sian Elias](https://en.wikipedia.org/wiki/Sian_Elias).

As for corruption, New Zealand is the second least corrupt nation in the world, trailing closely behind Denmark. According to the Transparency.org and the Heritage Foundation, there is a 98% rule of law – or in other words, people rarely break the law, and the nation has a 91/100 score for being corruption-free, which is significantly above global average of about 45%.

Thanks to the multi-party Parliamentary system, as well as to capitalism, there is low political risk or risk of a widespread revolution. The PRS Group’s scores for New Zealand were 83 out of 100 in 2015, 82 in 2014, 83 in 2013, 80 in 2012, and 82 in 2011. Other countries in Oceania also have high scores for the absence of political risk, such as Australia (consistently scored 88 in since 2013), Singapore (consistently scored 92 since 2013), and the Philippines (consistently scored 73 since 2013)

New Zealand is a politically stable state, scoring a 1.45 on a -2.5 to 2.5 scale. Out of comparable Western countries like the United States, the United Kingdom, Canada, Australia and Germany, New Zealand has the highest score. This means they are the most politically secure, and therefore the government is least likely to be overthrown and the citizens least likely to suffer a terroristic attack.

New Zealand also participates in several international organizations, some of which include the Australia, New Zealand, United States Treaty, or ANZUS, the Association of Southeast Asian Nations (ASEAN), the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and the World Trade Organization. The ANZUS treaty is a collective security pact between the United States and Australia, as well as between Australia and New Zealand, to respond to any threats, particularly of communism in the Pacific Ocean region. However, the United States’ treaty relationship with New Zealand was suspended in 1986 due to the fact that New Zealand is against nuclear development, and the Unite States would not disclose whether or not their warships carried nuclear weapons.

With a markedly high freedom of trade compared to the regional average for Oceania, New Zealand is also above the world average of 60.4 points out of 100 for liberality of trade, scoring an 82.1. While there is limited government involvement in the economy, there are still rules in place to support free trade, such as those established by the WTO. Starting a business is very easy as the market is growing, and there are few start up restrictions and low business taxes. That isn’t to say, however, that keeping up with a successful business is a walk in the park.

The economy of New Zealand relies heavily on international trade – the significant number of imports of technology and machinery is offset by the agricultural exports New Zealand produces.

* 1. **Describe laws and/or government agencies that affect your business / product / service:**

Whole Foods is not only a foodservice café, but is also a grocery store, selling staples like eggs, milk, and bread that come from healthy, environmentally responsible sources. Whole Foods also hopes to not only import its products from sustainable farmers around the world, but to incorporate New Zealand-based, responsibly cultivated and produced agricultural and finished goods. This means that our company will be faced with commercial law, agricultural law, and foodservice law.

**B. Trade area and cultural analysis**

1. **Geographic and demographic information, important customs and traditions, other pertinent cultural information, competitive advantages and disadvantages of the proposed product and/or service.**

Whole Foods’ target market consists of mostly younger people between the ages of 18 and 39 who live a very healthy lifestyle and are concerned with eating all natural and organic foods. In developed countries like New Zealand, many people are becoming concerned about what kind of foods they are consuming, and also wish it wasn’t that difficult to find truly organic foods. So by expanding Whole Foods to New Zealand, we would greatly achieve this mission by attracting our target market of people with healthy lifestyles. In this country, the people have established a melting-pot culture which consists of the native Maori, European, Asian, and other Pacific Island cultures create New Zealand’s “Down-to-Earth” feeling that Whole Foods is looking for in its consumers, which also makes this country unique from other cultures around the world. The people are very environmentally friendly, and enjoy life in the outdoors. Many of the people though have wholeheartedly embraced urban living, cafe culture and an appreciation for culinary tastes. If food and cooking is so valuable to the culture and people of New Zealand, then Whole Foods wants to be a part of that lifestyle as well.

The average Whole Foods shopper desires food that is unique and interesting as well as socially and environmentally conscious, and looks for an all-around exciting experience when they shop for food. They are generally more interested in natural supermarkets than regular grocery stores for the experience, and most importantly the quality of goods. Most commonly people in this market have a strong connection with the environment, are college graduates, live in urban areas, and/ or are fairly wealthy and can therefore afford the cost of organic foods.

Whole Foods target consumers shop at a Whole Foods store between 1-3 times a month, and make an average of NZD28.77 per hour, and 30,750 PPP dollars per year. As for all of New Zealand, the average household net-adjusted disposable income per capita is USD 23 815 a year, and boast a low unemployment rate of 5.6%.

**2. Market segment analysis target market (age, income level, population estimate, other specific demographic and economic information) customer buying behavior related to the proposed product and or service.**

New Zealand is a predominantly fertile, agricultural land very suitable for farming, and even farming things at an elevation, such as rice, due to their high mountainous regions. The country is broken up into 2 main mountainous islands, that were formed by converging the Australian and Pacific tectonic plates. The Northern island is made up mostly of a volcanic plateau, about a fifth of the Northern island, and two-thirds of the southern island are mountainous and fertile for vegetation. Something Whole foods plans on doing to support the quality of our products, boost profitability, and help the economy of New Zealand is by growing our own products in the country itself, and also use their own products grown, rather than being shipped from the United States. Because of New Zealand's geographical location in the middle of the pacific and near the equator, they have high potential for varieties of foods that can be grown and harvested because of how tropical some parts are on the islands. The country has a small population of about 4 million, leaving the land uncrowded.

**3. Analysis of the potential location- importance and requirements of each trade documents required by the U.S.A. and/or Canada and the country of choice.**

New Zealand according to the “Doing Business Rankings” is 2nd overall. New Zealand is a great place for productivity and is very effective for us to not only to start up a business, but also reach our large target market that exists in New Zealand. New Zealand is also a great trading partner of the United States, which would help Whole Foods do business without a lot of political complications.

The country is made up of 2 mountainous islands, so the country is surrounded by seaports and of course need airports to get there. There are at least one airport or sea port for every province of New Zealand. Whole Foods first plans to open in Auckland, which is located towards the head of the Northern Island and is also the capital, and most populated city in New Zealand.

* climate that supports agriculture

New Zealand and the United States participate in free trade with each other, thanks to the WTO and a bilateral agreement between America and the Asian-Pacific Economic Cooperation. There are few requirements for documentation of the import and export of goods. As outlined by the NZ Customs Service, the importer, or a Customs House Broker acting for the importer, must formally declare all imports electronically, making the process of bringing in foreign goods very easy. According to the Ministry of Agriculture and Forestry requires that all wooden crates, containers, or packaging destined for New Zealand be inspected before shipment. Also, agricultural material such as plants and seeds must be have certificates from the correct authorities in the country of origin certifying that the items have been examined and cleared of disease. The Ministry of Agriculture may again inspect the shipment upon arrival. Finally, no poultry meat imports, except canned, are permitted to enter New Zealand.