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Perceptions of Portuguese Exporting Companies on Free Trade Agreements between the EU and third countries: the case of footwear, wine, textiles, molds and automotive sectors for Canada, UK, Mexico and Japan.

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BUSINESS
SCHOOL

Department of Quantitative Methods for Management and Economics

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Resumo

Dado a globalização económica e com a diminuição das barreiras, melhorar a performance das exportações é uma das maiores prioridades das empresas e um determinante para um eficaz crescimento da economia.

Esta investigação apresenta uma revisão de literatura que aborda o conceito de Acordos de Comércio Livre (ACL) e os diferentes tipos de acordos. Além disso, caracteriza os setores do calçado, vinho, têxteis, moldes e automóvel.

Relativamente ao procedimento de investigação foram recolhidos dados num estudo quantitativo de uma amostra de empresas que exportam para o Canadá, Japão, México e Reino Unido, pertencendo aos setores do calçado, vinho, têxteis, moldes e automóvel (N=59).

A análise de pesquisa, utilizando o teste de independência do Qui-Quadrado, avaliou a utilização de Acordos de Comércio Livre (ACL) e os fatores motivadores. Notavelmente, "Redução ou eliminação de tarifas aduaneiras" e "Melhores oportunidades de comércio" surgiram como as principais motivações. A pesquisa também explorou a importância dos ACL para essas empresas, a sua familiaridade e os desafios enfrentados ao aproveitar esses acordos.

Códigos JEL: F13, F10, F14

Palavras-chave: Acordos de comércio livre, Exportações, União Europeia, Factores, Barreiras

Abstract

Given economic globalization and the lowering of barriers, improving export performance is one of companies' top priorities and a key determinant of effective economic growth. This research presents a literature review that addresses the concept of Free Trade Agreements (FTAs) and the different types of agreements. It also characterizes the sectors of footwear, wine, textiles, molds, and automotive. Regarding the research procedure, quantitative and qualitative data were collected from a sample of companies that export to Canada, Japan, Mexico, and the United Kingdom, belonging to the sectors of footwear, wine, textiles, molds, and automotive (N=59).

Regarding the research procedure, data were collected in a quantitative study from a sample of companies that export to Canada, Japan, Mexico, and the United Kingdom within the footwear, wine, textiles, molds, and automotive sectors (N=59). The research analysis, utilizing the Chi-Square independence test, assessed the use of Free Trade Agreements (FTAs) and the motivating factors. Remarkably, "Reduction or elimination of customs tariffs" and "Improved trade opportunities" emerged as the primary motivations. The research also explored the significance of FTAs for these companies, their familiarity with them, and the challenges they faced in leveraging these agreements.

JEL Code: F13, F10, F14,

Keywords Free Trade Agreements (FTAs), Exports, European Union, Factors, Barriers

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List of Abbreviations

AICEP - Agência para o Investimento e Comércio Externo de Portugal

CETA - Comprehensive Economic and Trade Agreement

EMU - Economic and Monetary Union

EPA – Economic Partnership Agreement

EU - European Union

FTAs - Free Trade Agreements

GATT - General Agreement on Tariffs and Trade

GTAP - Global Trade Analysis Project

GDP - Gross Domestic Product

MFN - Most Favoured Nation

TCA - Trade and Cooperation Agreement

TIEA - Trade and Investment Enhancement Agreement

UK - United Kingdom

WTO - World Trade Organization

1. Introduction

“While some blame Preferential trade Agreements for exporting jobs, sowing poverty, furthering illegal migration, robbing national sovereignty, and balkanizing the world trading system, others praise them as lynchpins of growth, pillars of peace, guarantors of security, and engines of globalization”. (Estevadeordal & Suominen, 2009, p. 3)

This research initiative was prompted by AICEP's need to explore the perspectives of Portuguese exporting companies on free trade agreements. Specifically, it delves into sectors encompassing footwear, wine, textiles, molds, and automobiles, examining these perceptions within the markets of Canada, Mexico, the United Kingdom, and Japan.

Portugal, renowned for its rich historical heritage and vibrant entrepreneurial spirit, has established itself as a dynamic player in these sectors (footwear, wine, textiles, molds and automotive). From the world-class wines of the Douro Valley to the high-quality footwear produced in Felgueiras, the textile craftsmanship in Guimarães, the automotive innovation in Lisbon, and the precision mold production in Marinha Grande, Portuguese companies have thrived by embracing both tradition and modernity. However, in an era of ever-expanding global markets and rapidly changing trade dynamics, these sectors face the dual challenges of harnessing their strengths while navigating the complexities of FTAs.

This study on companies' perceptions aims to address a question: What is the level of awareness and utilization of the Free Trade Agreements among Portuguese exporting companies in the footwear, wine, textiles, molds, and automotive sectors, and what factors contribute to or hinder their engagement with these agreements?

The primary goal of this research is to ascertain the perceptions of Portuguese exporting companies regarding free trade agreements, utilizing an online survey as the means of investigation.

Five main chapters provide the structure for this study.

Chapter 1: Introduction

This chapter encompasses the problem statement, highlights the study's significance, delineates the research questions and objectives, presents the dissertation's structure, and offers the contextual backdrop for the research.

Chapter 2: Literature Review

Before we delve into the literature, it's important to briefly define FTAs and explore their advantages and disadvantages. With this foundational understanding, we'll then proceed to an in-depth

examination of the FTAs involving the EU and the specific countries of interest in this study—Canada, the UK, Mexico, and Japan. Furthermore, the literature will encompass an analysis of the sectors under scrutiny.

Chapter 3: Methodology

Incorporating the outlined propositions and the conceptual framework, we devised an online survey to address the research questions that arose during this study. The methodology chapter elucidates the questionnaire's creation, delineates data collection methodologies, and elucidates subsequent data analysis processes.

Chapter 4: Results

In this fourth chapter, descriptive statistical analysis and statistical tests were employed using Microsoft Excel and STATA to understand and infer companies' perceptions for the population on interest.

Chapter 5: Conclusion and recommendations

In this concluding chapter, we provide a comprehensive summary of the research findings, outline the theoretical contributions made, explore the practical and managerial implications, address the study's limitations, and suggest potential avenues for future research. These insights are the result of a meticulous examination and synthesis of the literature review and the survey results, culminating in a well-rounded conclusion to this dissertation.

2. Literature Review

2.1 Free trade agreements

A Free Trade Area (FTA) is established when two or more parties choose to promote trade liberalization by implementing preferential trade policies. Unlike customs unions, FTAs do not involve the creation of common external tariffs for non-member states. Additionally, they differ from Preferential Trade Areas in their approach to granting preferential access to specific products without entirely removing all trade barriers. The common assumption is that FTAs can boost international trade by facilitating the flow of goods within member countries, although an ongoing debate questions whether these agreements might reinforce private monopolies and corporate influence, potentially undermining multilateral cooperation (IMF Staff, 2001).

The European Union (EU) has historically emphasized trade multilateralism through institutions such as the General Agreement on Tariffs and Trade (GATT) (1947) and later the World Trade Organization (WTO) (1995). Presently, the EU actively engages in negotiating comprehensive FTAs globally, covering a diverse range of countries from emerging economies to industrialized nations. EU FTAs stand out for their depth, addressing various trade liberalization issues such as goods, services, investment, and intellectual property. These agreements go beyond merely eliminating tariffs and quantitative restrictions, aiming to integrate markets more extensively. Typically, EU FTAs result from bilateral negotiations, showcasing their focused and targeted nature (Laursen, Roederer, & Rynning, 2021).

Rodrik (2018) asserts that foundational trade theory supports free trade as the most advantageous economic policy for a nation, provided compensatory measures are in place to address market inefficiencies. An exception arises when a sizable nation can manipulate its trade terms to the detriment of its partners, leveraging an "optimal tariff" to protect its interests. This perspective draws from classical economists, notably David Ricardo, whose comparative advantage principle promotes specialization in goods production. The Heckscher-Ohlin model further underscores the importance of evaluating a nation's comparative advantage in trade relationships, aligning with Ricardo's theory (Ricardo, 1817; Hecksher and Ohlin, 1933).

Countries enter FTAs to pursue national interests, often driven by significant market power. By imposing import tariffs, countries with global influence aim to reduce domestic demand for foreign exports and exert downward pressure on worldwide prices. FTAs, as international accords or pacts, facilitate international trade by diminishing or eliminating trade impediments and restrictions. Negotiations behind

these agreements aim to create a transparent and dependable trade environment, fostering economic collaboration and prosperity among involved nations (U.S. Department of Commerce, 2023).

Krugman (1993) observes a historical consensus among economists regarding the attractiveness of free trade. The prevailing case for free trade, with a primarily political dimension, argues it as a sound policy choice, if not optimal. Attempts to deviate from free trade, even in a sophisticated manner, are deemed more likely to yield detrimental outcomes. Krugman illustrates scenarios where countries, each wielding substantial market power, are mutually better off committing to free trade. This practical approach averts potential breakdowns in cooperation, resembling a prisoner's dilemma. The perceived advantages of FTAs, such as preferential tariff treatment, come with drawbacks like trade and investment diversion (Peterson Institute for International Economics, 2023).

FTAs provide developing countries with a brief advantage in competing for investments and export markets. However, this advantage is contingent on harmonizing trade preferences with domestic reforms, leading to enduring benefits. Challenges include the creation of overlapping trade rules and regulations, termed a "spaghetti bowl," which complicates product sourcing and increases costs. Critics particularly decry restrictive rules of origin, which can distort trade and elevate transaction costs. Additionally, limited resources for engaging in trade negotiations result in the diffusion of efforts away from WTO initiatives (Peterson Institute for International Economics, 2023).

Recent scholarly works have increasingly delved into the escalating significance and policy frameworks surrounding trade agreements, as evidenced by studies by Baccini (2019), Grossman (2016), Hofmann et al. (2019), Limão (2016), and Ruta (2017). Developing nations have actively participated in these agreements, particularly through south-south agreements that involve lower-income countries. Such agreements are prevalent among Asian and Latin American countries and are often deemed more sustainable, as highlighted in studies by Mayda and Steinberg (2007) and Missios and Yildiz (2017). Notably, research indicates that the percentage increase in trade resulting from south-south agreements surpasses that of north-south agreements (Behar & Cirera-i-Crivillé, 2013). A substantial discrepancy exists in the preference utilization of trade agreements between developed nations such as the US and EU and their less developed counterparts.

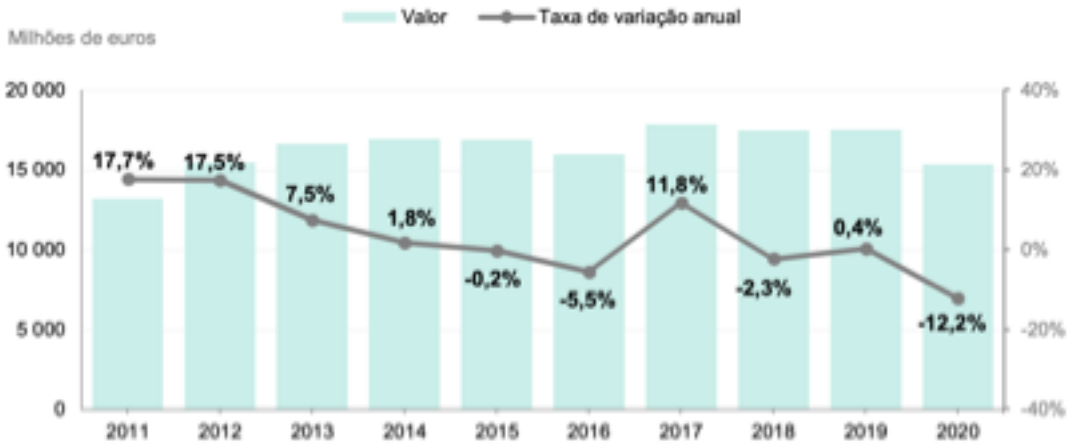

Figure 1 –Portugal's Extra-EU trade in goods – Exports Annual trends, 2011-2020, Source INE[1]

As depicted in Figure 1, a significant contraction is evident in exports to Non-EU countries, marking a substantial decline of 12.2% compared to the previous year. This year is noteworthy for being marked by the pandemic and a significant crisis in supply chains. This stands in stark contrast to the positive trajectory observed in 2019, where a modest increase of 0.4% was noted.

Sustaining a pattern observed in the previous two years, the share of exports to Third Countries within the broader international trade context witnessed a reduction in 2020, settling at 28.6%. This means a notable decrease of 0.7 percentage points relative to the recorded figures in 2019 (Foreign Trade Statistics 2020, INE). This consistent trend highlights the evolving dynamics of Portugal's trade relations with Non-EU countries, emphasizing the need for a thorough exploration of the underlying factors influencing these shifts for a comprehensive understanding of the country's international trade landscape.

[1] Taken from the Report: Foreign Trade Statistics 2020, INE

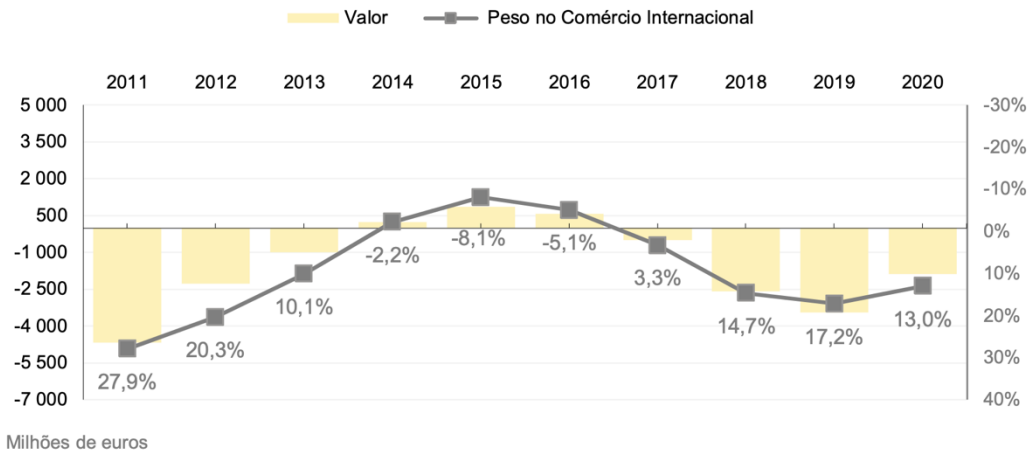

Figure 2 – Portugal's Extra-EU trade in goods – Trade balance Annual evolution and wight in international trade, 2011-2020, Source INE[2]

In 2020, the trade in goods with Extra-EU countries (Portugal) displayed a significant transformation, registering a negative balance of 1.870 billion euros. This marked improvement marked a noteworthy reduction in the deficit, amounting to 1.581 billion euros compared to the preceding year. This positive deviation breaks from the trend observed over the past four years when the deficit had expanded by 870 million euros in 2019. The favorable outcome can be attributed to the resilience of Extra-EU exports, which experienced a more moderate decline compared to Extra-EU imports.

Furthermore, the proportion of the Extra-EU trade balance in the overall balance underwent a notable decrease, declining to 13.0% in 2020 from its previous standing at 17.2% in 2019. This shift in the share of the trade balance underscores the changing dynamics of Portugal's international trade, emphasizing the significance of examining the nuanced patterns within the Extra-EU trade relations for a comprehensive understanding of the country's economic landscape.

[2] Taken from the Report: Foreign Trade Statistics 2020, INE

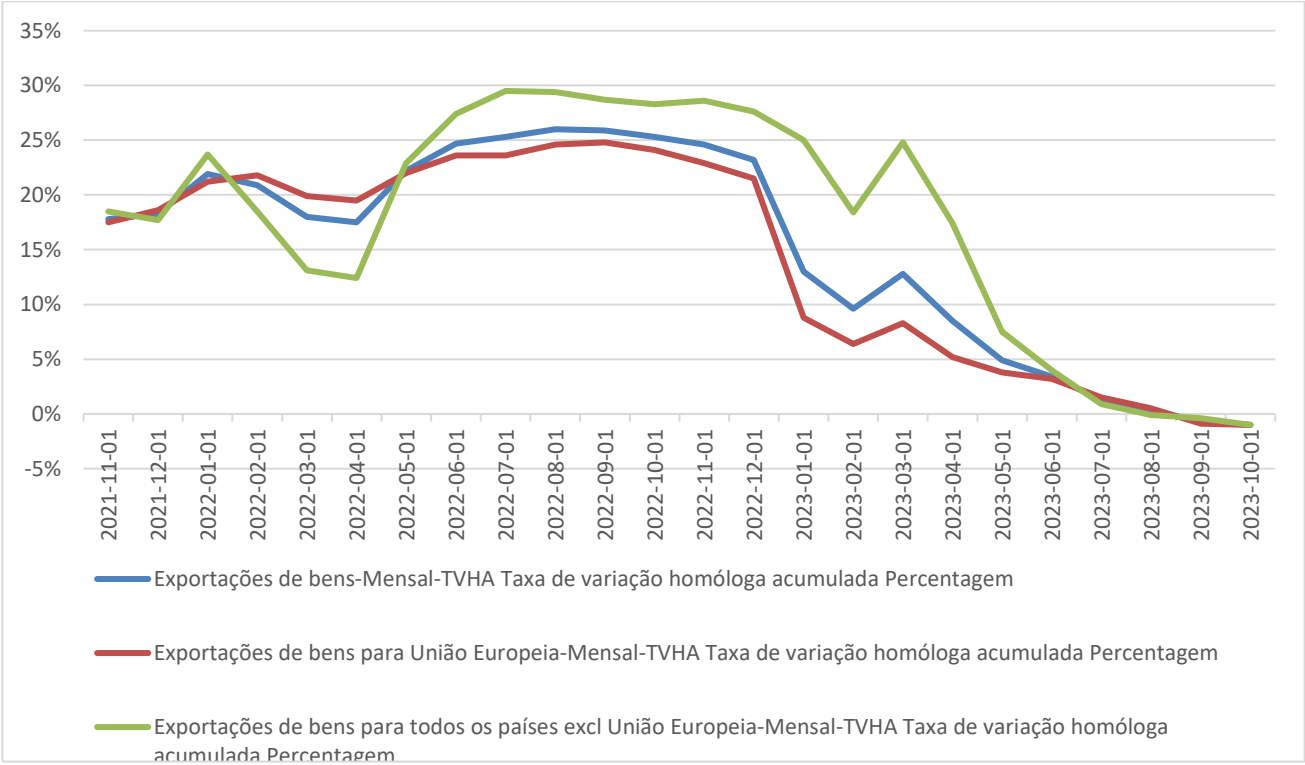

Figure 3 - Evolution of international trade in goods In Portugal

Source: BPstat[3]

Figure 1 presents a noteworthy trend in the export of goods to countries outside the European Union, showcasing the highest percentage. This peaked in July 2022, reaching 29.5%, and is presently experiencing a decline, standing at -1%. This temporal evolution underscores the need for a detailed analysis to discern the factors influencing these fluctuations and their implications for Portugal's overall export dynamics.

[3] For more information, please see: Comércio internacional de bens | BPstat (bportugal.pt)

2.2 EU-Canada Comprehensive Economic and Trade Agreement (CETA)

The European Union-Canada Comprehensive Economic and Trade Agreement (CETA) stands as a pivotal free trade pact between the European Union (EU) and Canada, representing one of the most extensive agreements ever forged by the EU. This landmark pact carries profound implications for trade, investment, and economic collaboration between the two regions (European Commission, 2023).

Canada is a longstanding and close partner of the European Union, with the EU ranking as Canada's second-largest trading partner, and Canada holding the eleventh spot in the EU's list of trading partners (CEEV, 2013). Efforts to strengthen economic and trade relations began with the signing of the Framework Agreement for Commercial and Economic Cooperation in 1976. Substantive agreements to fulfill the Framework Agreement's objectives started materializing in the past 15 years, with the launch of negotiations for a Trade and Investment Enhancement Agreement (TIEA) in 2005. These negotiations faced a setback in the subsequent year but gained momentum later (Fafard & Leblond, 2012).

CETA streamlines trade processes by reducing or eliminating trade barriers, tariffs, and export-related expenses, simplifying bureaucratic procedures, technical regulations, customs protocols, rules of origin specifications, product testing mandates, procurement information, and intellectual property concerns. It enhances market access, employee mobility, and mutual recognition of qualifications for professionals. The agreement safeguards geographical indications and encourages top-tier investments between the EU and Canada (European Commission, 2023).

Economically, CETA is fulfilling its objectives, with economic interactions between Canada and the EU strengthening even amid disruptions caused by the Covid-19 pandemic. In 2021, two-way trade in goods was 34 percent higher than pre-agreement levels in 2016. The annual growth rate for bilateral trade between 2018-2019 significantly outpaced the period of 2011-2016 (Global Affairs Canada and the European Commission, 2021). The CETA has demonstrated a positive influence on trade during its five years of operation, as affirmed by the Joint Committee's statement in December 2022, citing a surge of over 30% in two-way trade and job creation for both partners (European Commission, 2022).

2.3 EU-UK Trade and Cooperation Agreement

The EU-UK Free Trade Agreement, known as the “Trade and Cooperation Agreement” (TCA), is a comprehensive trade pact defining the post-Brexit relationship between the European Union (EU) and the United Kingdom (UK) after the historic event of Brexit on January 31, 2020 (European Commission, 2023). This agreement ensures the absence of internal tariffs and quotas, eliminating sudden disruptions, though acknowledging potential tariffs and quotas in the medium to long term due to the UK's departure from the EU's customs union (Syrrakos, 2021).

The UK's exit from the EU (Brexit), including the Single Market and Customs Union, introduced trade barriers and complexities as of January 1, 2021, affecting public administrations, businesses, and citizens. The EU-UK Trade and Cooperation Agreement aims to address these challenges, requiring ongoing negotiation and cooperation between the EU and the UK (European Commission, 2023).

To support the implementation, the Commission provides training, guidance, and sector-specific seminars for Member State administrations and stakeholders. Citizens, associations, and businesses can contact the Europe Direct Information service for inquiries related to the application of the agreement (European Commission, 2023). Additionally, a centralized platform allows EU entities to submit complaints regarding trade barriers in non-EU countries and concerns about non-EU countries failing to uphold commitments, especially in sustainable development (European Commission, 2023).

Carril et al.'s (2022) study reveals significant findings, emphasizing the positive intra-EU trade effect, estimated at approximately 48 percent. The study focuses on Brexit consequences, indicating a substantial negative impact on UK-EU trade. The referendum and transition period led to a 13 percent reduction, with the Trade and Cooperation Agreement contributing to an additional 24 percent reduction. Notably, this suggests that a significant portion of the agreement's effects materialized during its negotiation, as businesses adjusted in anticipation of its implementation. The impact is asymmetric, with a more pronounced effect on trade from the EU to the UK, redirecting a portion of UK-EU trade to other EU countries (Carril et al., 2022).

2.4 EU-Mexico Trade Agreement

The European Union (EU) and Mexico have reached a "preliminary agreement" (2020) on the core trade aspects of a new EU-Mexico Association Agreement, replacing the 2000 agreement known as the EU-Mexico Economic Partnership, Political Coordination, and Cooperation Agreement (often called the 'Global Agreement') (European Commission, 2023). The proposal for a "Strategic Partnership" between Mexico and the EU in 2008 responded to strengthened economic ties and effective dialogue channels, recognizing the strategic importance of their relations (Commission of the European Communities, 2008).

This collaboration with Mexico shows that the country has reached a level of maturity in its institutions and has significant international potential, emphasizing the importance of officially acknowledging such status within an established political framework, exemplified by the Global Agreement. This institutionalized bilateral approach not only sets the stage for multilateral practices but also strengthens cooperation to address shared global challenges (Sberro, 2015).

Negotiated under a mandate unanimously endorsed by EU member states, the agreement reflects transparency as a guiding principle. Negotiators will address any remaining technical issues, and after a legal review, the agreement will be presented to the European Parliament and the Council for approval (European Commission, 2023).

The EU is Mexico's third-largest trading partner, and Mexico is the EU's second-largest trading partner in Latin America. Bilateral trade amounts to €62 billion for goods and €15 billion for services, supporting around 400,000 jobs in the EU tied to exports to Mexico. The agreement is expected to boost trade and investment, creating more jobs as European exports rise (European Union, 2016; European Commission, 2023).

Once in force, the agreement will bring tangible benefits to companies, workers, and consumers in Europe, promoting the EU's trade policy principles and signaling a commitment to open and business-friendly trade while rejecting protectionist measures (European Commission, 2023).

2.5 EU-Japan Economic Partnership Agreement

The European Union-Japan Economic Partnership Agreement, or EU-Japan EPA, established on February 1, 2019, stands as a monumental trade pact fostering collaboration and liberalization between the EU and Japan. This comprehensive agreement spans trade in goods and services, investment, intellectual property, and regulatory cooperation, symbolizing a commitment to free and equitable trade for shared economic growth (European Commission, 2023).

In an interconnected global economy, this agreement signifies the EU and Japan's dedication to creating opportunities, breaking down trade barriers, and enhancing market accessibility. With a focus on cultivating an environment for trade, investment, and innovation, the EU-Japan EPA aims to benefit businesses and consumers on both sides through open and competitive markets (European Commission, 2023).

Combining two formidable economies, the EU and Japan bring their strengths to establish pioneering trade standards. Their partnership, commanding significant influence over the global economy, aims to set the course for international commerce by promoting sustainable development, upholding standards, and addressing non-tariff barriers (European Commission, 2023).

Exploring its core provisions, the EU-Japan EPA eliminates tariffs and trade barriers, simplifies import/export processes, ensures open services markets, non-discriminatory treatment in public procurement, enhances intellectual property protection, safeguards European agricultural products, and offers support for smaller firms affected by trade barriers (European Commission, 2023).

Critics express concerns about potential trade diversion effects, a longstanding issue addressed through quantitative impact assessments. Studies by Sunesen et al. (2010), Felbermayr et al. (2019), and others evaluate the impact on third countries, considering factors like intra-industry trade and labor market frictions. These assessments provide valuable insights, contributing to the ongoing dialogue on the effects of free trade agreements such as the EU-Japan EPA (European Commission, 2016; Cabinet Office of Japan, 2017; Kawasaki, 2017).

Country	Export value EU/MS (Euro)
Canadá	431 418 022,00 €
UK	3 840 653 007,00 €
México	373 116 317,00 €
Japan	248 924 554,00 €

Table 1 – Portugal Export value; Source: Eurostat

According to the latest data from Eurostat, the export figures reveal distinct patterns with the countries under analysis. The table above clearly illustrates that the United Kingdom emerges as the leading

destination for Portugal's exports, commanding the highest export value. Following the United Kingdom, Canada, Mexico, and Japan sequentially follow, each contributing to Portugal's export landscape. This analysis sheds light on the dynamics of Portugal's trade relationships with these specific countries, providing valuable insights into the distribution of export values across this select group.

This study is grounded in an adapted framework originating from a Belgian study titled "Belgian Exporters and Free Trade Agreements: A Good Match?" authored by Wouter Decoster and published in 2021, with the endorsement of AICEP. Through collaborative efforts with AICEP, we meticulously identified key sectors and countries of paramount interest. This strategic alignment enabled the precise definition of sectors—footwear, textile, mold, wine, and automobile—of significant relevance to AICEP and its partner companies. The focus extended to companies engaged in exports to Canada, Mexico, Japan, and the United Kingdom, setting a targeted scope for the study to yield insights tailored to the specific needs and interests of AICEP and its affiliated businesses.

As indicated by the insights from the Belgian exporters and free trade agreements: A good match? by Wouter Decoster published in 2021, several factors influence the utilization of free trade agreements (FTAs) among businesses. Notably, the primary drivers for engaging in FTAs include the desire to enhance competitiveness, the perception that customs procedures pose minimal challenges, and the allure of reduced duties outlined in the sales proposals. Conversely, a notable proportion of exporters refrain from leveraging the benefits of reduced duties, citing reasons such as a lack of information. (Decoster, 2021)

Moreover, a considerable segment of Belgian companies deliberately opts not to pursue exports through free trade agreements. Intriguingly, a significant finding is that approximately one in five companies abstaining from FTAs either fails to comply with the rules of origin or lacks the knowledge on how to navigate these regulations. This dichotomy in FTA utilization underscores the need for targeted interventions, including enhanced information dissemination and support mechanisms, to bridge the gap between the potential advantages of FTAs and their effective implementation by businesses. (Decoster, 2021)

This study aims to address a fundamental research question:

What is the level of awareness and utilization of the Free Trade Agreements among Portuguese exporting companies in the footwear, wine, textiles, molds, and automotive sectors, and what factors contribute to or hinder their engagement with these agreements?

3. Methodology

3.1 Context

The methodology of this study is underpinned by an adapted framework drawn from the insights of a Belgian study titled "Belgian exporters and free trade agreements: A good match?" by Wouter Decoster published in 2021 and endorsed by AICEP. Collaborating closely with AICEP, we strategically identified key sectors and countries of interest, refining our focus on sectors crucial to AICEP—footwear, textiles, molds, wine, and automobiles—and their export activities to Canada, Mexico, Japan, and the United Kingdom. This deliberate alignment ensures that the study is tailored to the specific needs and interests of AICEP and its affiliated businesses.

Building on insights from the Belgian study, which highlighted various factors influencing businesses' utilization of free trade agreements (FTAs), our investigation delves into the motivations and challenges faced by Portuguese exporting companies. Key drivers for FTA engagement, such as the desire to enhance competitiveness and navigate customs procedures seamlessly, mirror the findings of the Belgian study. Conversely, a significant number of exporters refrain from capitalizing on reduced duties, often citing information gaps as a primary deterrent.

Notably, the Belgian study revealed that the factors influencing the utilization of Free Trade Agreements (FTAs) are intricately connected to various elements. Larger companies with a more significant reliance on exports are more likely to adopt FTAs. The predominant motivation for utilizing these agreements revolves around enhancing competitiveness, with a lesser emphasis on increasing the preference margin.

A knowledge gap is observed among exporters resorting to FTAs, as approximately half of them are unaware of their preference margin, and many consider this information irrelevant. Surprisingly, FTAs are seldom incorporated into the sales strategies of these companies.

The ease of compliance with rules of origin proves to be a decisive factor, with the majority of exporters finding the process relatively straightforward. Difficulties, when present, are more related to processes than the nature of the products themselves.

While a learning curve is identified in a restricted group of companies, many found FTA utilization uncomplicated from the outset. Customs issues related to FTAs are virtually nonexistent in Belgium and infrequent in importing countries.

Awareness of the existence of FTAs poses a challenge, with many exporters not using these agreements due to a clear lack of knowledge about their existence. The lack of information represents a significant

issue for these exporters, with the majority unaware of potential gains and how to benefit.

The compliance cost to benefit from the advantages of FTAs is perceived as limited. Smaller companies, those with less emphasis on exporting, and wholesalers are less inclined to adopt FTAs, and non-utilization often stems from a lack of knowledge rather than a lack of willingness.

Some cases reveal a deliberate non-usage of FTAs, often due to an information gap. In summary, the decision to adopt FTAs is influenced by various factors, from company size to export dependence, awareness, knowledge gaps, and perceptions of compliance ease. Companies deliberately choosing not to use FTAs often face an information gap, highlighting the importance of addressing this issue to encourage broader FTA adoption.

To unravel the primary research question steering this investigation—namely, "What is the level of awareness and utilization of Free Trade Agreements among Portuguese exporting companies in the footwear, wine, textiles, molds, and automotive sectors, and what factors contribute to or hinder their engagement with these agreements?"—a meticulously crafted and thorough online questionnaire was strategically deployed. In crafting this primary data collection tool, meticulous attention was paid to insights garnered from the extensive literature review.

The chosen platform for survey deployment was Google Forms, ensuring a user-friendly and accessible interface. Respondents were invited to participate via email, aiming to capture a diverse array of perspectives from companies within the specified sectors. The survey's availability extended from July 25th to October 15th, providing a substantial timeframe for data collection.

For ease of access, the survey link was disseminated as follows: https://forms.gle/d7oaLgbHyPV3ZiQ7A.

In terms of response formats, the questionnaire encompassed closed, open, and scaled responses to cater to the diverse nature of information sought. However, a notable challenge emerged during the data collection phase, marked by a comparatively low response rate from the surveyed companies.

This lower-than-anticipated response rate may influence the study's ability to capture a comprehensive and representative view of the target sectors and, as such, is an important aspect to consider in the interpretation of results.

3.2 Methodological Approach

The online survey aims to discern the underlying motivations that prompt companies to either embrace or refrain from participating in free trade agreements (FTAs). It was drafted in Portuguese to ensure that all surveyed companies could readily grasp and respond to the inquiries.

The online survey was designed using the Google Forms platform due to its online accessibility, free usage, unlimited response capacity, and perpetual availability.

This study is grounded in an adaptation of a Belgian research framework (Belgian study titled "Belgian exporters and free trade agreements: A good match?" by Wouter Decoster published in 2021) to the national context, leveraging insights from AICEP's expertise and existing literature.

The study's scope, defined by AICEP, centers on Portuguese exporting companies within the wine, footwear, molds, textiles, and automobile sectors. The specific focus extends to the markets of Canada, Japan, Mexico, and the United Kingdom, encompassing a total of 368 companies.

To garner responses to the online survey, invitations were dispatched to these identified companies via email. This approach aimed to ensure a representative and diverse sample for the study's analysis.

In terms of accessing the contact list, AICEP supplied an Excel spreadsheet categorizing companies by sector.

For Portuguese wine exporting companies, outreach was conducted with 130 entities, primarily sourced from the provided contact list. The footwear sector was engaged with 82 companies, while the textiles sector involved communication with 65 companies. In the molds sector, 53 companies were contacted, and, lastly, in the automotive sector, invitations were extended to 38 companies.

Concerning the contact list, data gaps were identified, specifically the absence of email/telephone numbers, preventing the sending of invitations to access the questionnaire.

In the wine sector, 10 companies did not furnish any information. Within the footwear sector, 12 companies lacked contact details, while in the textile sector, 7 companies had missing information. Similarly, in the molds and automotive sector, 5 companies each had incomplete details. In total, invitations were extended to 329 companies to participate in the online survey.

The formulation of the questionnaire underwent rigorous testing, ensuring that responses were accurately aligned with the corresponding questions. Multiple hypotheses were examined and refined until the questionnaire achieved optimal functionality.

Regarding data collection, the initially projected timeframe was set at 2 months, later extended to 3 months to gauge increased participation from the invited companies. The outreach strategy included an initial invitation and two subsequent reminders, each spaced a week apart.

The first invitation to companies was dispatched on 25/07/2023, followed by reminders on 11/08/2023, 18/08/2023, 09/09/2023, and 15/09/2023, respectively.

It is noteworthy that due to limited participation in the study, we implemented a dual reinforcement of reminders, particularly emphasizing efforts in the month of September. Recognizing that August is a period when many companies are on vacation, we extended the reminders beyond the initially planned two instances.

It is significant that out of the 329 companies invited to participate, 59 responses were obtained.

The ensuing table presents the questionnaire questions alongside their corresponding answer options.

Question ID	Questions	Items
1	Which sector does your company belong to?	a) Wine; b) Footwear; c) Molds; d) Vehicle Parts; e) Home Textile.
2	In which region is your company located?	a) North; b) Lisbon's Metropolitan Area; c) Porto Metropolitan Area; d) Center; e) Alentejo; f) Algarve; g) Madeira; h) Açores.
3	How big is your business?	a) Micro; b) Small; c) Medium; d) Large.
4	How many employees does your company have?	a) < 10 employees; b) Between 10 and 50 employees; c) Between 50 and 250 employees; d) > 250 employees.
5	What is your company's turnover?	a) < 2 million euros; b) Between 2 million and 10 million euros; c) Between 10 million and 43 million euros; d) > 43 million euros.
6	Does your company use free trade agreements?	a) Yes; b) No
7	What is the main reason for your company to use FTAs?	a) Reducing or eliminating customs duties; b) Better trade opportunities; c) Reducing the cost of factors of production; d) Other
8	Which of the following benefits resulting from existing FTAs do you consider most important for your company?	a) Abolition or reduction of customs tariffs; b) Easier access to public contracts in foreign markets; c) Increased FDI in Portugal; d) Adoption of EU-relevant technical standards by foreign partners; e) Increase in export sales; f) Other.
9	Which of the following negative impacts of FTAs do you consider to be the most disadvantageous for your company?	a) Increased competitiveness; b) Cost and time spent obtaining documentation; c) Other.
10	Is this choice due to a lack of information about the existence of FTAs?	a) Yes; b) No
11	Is this choice justified by not knowing how to comply with the rules of origin?	a) Yes; b) No
12	Has your company consciously decided not to obtain certificates of origin?	a) Yes; b) No
13	Has your company tried to obtain certificates of origin but been unsuccessful?	a) Yes; b) No
14	Out of 0-10, where 0 is not important and 10 is very important, how important is the possibility of obtaining preferential tariff treatment for exports?	a) 0; b) 1; c) 2; d) 3; e) 4; f) 5; g) 6; h) 7; i) 8; j) 9; k) 10
15	From 0-10, with 0 being of no relevance and 10 being of maximum relevance, how would you describe the level of relevance of the EU Free Trade Agreements for your	a) 0; b) 1; c) 2; d) 3; e) 4; f) 5; g) 6; h) 7; i) 8; j) 9; k) 10

Question ID	Questions	Items
	company?	
16	From 0-10, with 0 being no difficulty and 10 being maximum difficulty, how would you describe the process of validating the rules of origin of your products in order to obtain reduced duties on exports?	a) 0; b) 1; c) 2; d) 3; e) 4; f) 5; g) 6; h) 7; i) 8; j) 9; k) 10
17	From 0-10, with 0 being no difficulty and 10 being maximum difficulty, how would you rate the customs barriers in your importing countries?	a) 0; b) 1; c) 2; d) 3; e) 4; f) 5; g) 6; h) 7; i) 8; j) 9; k) 10
18	From 0-10, with 0 being no familiarity and 10 being maximum familiarity, how would you rate your company's connection with the following Free Trade Agreements?	a) 0; b) 1; c) 2; d) 3; e) 4; f) 5; g) 6; h) 7; i) 8; j) 9; k) 10
19	What are your company's biggest concerns as a result of the new EU FTAs?	a) Insufficient information on how the FTA could benefit your company; b) Lower product quality and/or safety levels; c) Competitive pressure from foreign companies; d) Lack of expertise and insufficient commercial resources of SMEs towards FTAs; e) Insufficient support for the integration of SMEs into international value chains; f) Other.
20	Does your company export to Canada?	a) Yes; b) No
21	Why don't you export to Canada?	a) Cultural barriers; b) High up-front costs; c) Disruptions in the supply chain; d) Political upheavals; e) Product adaptation; f) Exchange rate fluctuations; g) Other.
22	Does your company export to Japan?	a) Yes; b) No
23	Why don't you export to Japan?	a) Cultural barriers; b) High up-front costs; c) Disruptions in the supply chain; d) Political upheavals; e) Product adaptation; f) Exchange rate fluctuations; g) Other.
24	Does your company export to Mexico?	a) Yes; b) No
25	Why don't you export to Mexico?	a) Cultural barriers; b) High up-front costs; c) Disruptions in the supply chain; d) Political upheavals; e) Product adaptation; f) Exchange rate fluctuations; g) Other.
26	Does your company export to the United Kingdom?	a) Yes; b) No
27	Why don't you export to the United Kingdom?	a) Cultural barriers; b) High up-front costs; c) Disruptions in the supply chain; d) Political

Question ID	Questions	Items
		upheavals; e) Product adaptation; f) Exchange rate fluctuations; g) Other.
28	With regard to the EU-Japan Economic Partnership Agreement, what problems does your company face?	a) Lack of practical information on how to use the FTA; b) Complexity of rules of origin; c) High administrative burden in the EU and/or partner country to comply with customs procedures; d) Cultural/language barriers; e) Difficulty in accessing information and participating in public procurement abroad; f) Insufficient support in finding relevant third country partners; g) Complicated visa procedures/lack of effective movement of highly qualified staff; h) Lack of government support for trade-related initiatives; i) None; j) Other.
29	With regard to the EU-Canada Economic Partnership Agreement, what problems does your company face?	a) Lack of practical information on how to use the FTA; b) Complexity of rules of origin; c) High administrative burden in the EU and/or partner country to comply with customs procedures; d) Cultural/language barriers; e) Difficulty in accessing information and participating in public procurement abroad; f) Insufficient support in finding relevant third country partners; g) Complicated visa procedures/lack of effective movement of highly qualified staff; h) Lack of government support for trade-related initiatives; i) None; j) Other.
30	With regard to the EU-Mexico Economic Partnership Agreement, what problems does your company face?	a) Lack of practical information on how to use the FTA; b) Complexity of rules of origin; c) High administrative burden in the EU and/or partner country to comply with customs procedures; d) Cultural/language barriers; e) Difficulty in accessing information and participating in public procurement abroad; f) Insufficient support in finding relevant third country partners; g) Complicated visa procedures/lack of effective movement of highly qualified staff; h) Lack of government support for trade-related initiatives; i) None; j) Other.
31	With regard to the EU-UK Economic Partnership Agreement, what problems does your company face?	a) Lack of practical information on how to use the FTA; b) Complexity of rules of origin; c) High administrative burden in the EU and/or partner country to comply with customs procedures; d) Cultural/language barriers; e) Difficulty in accessing

Question ID	Questions	Items
		information and participating in public procurement abroad; f) Insufficient support in finding relevant third country partners; g) Complicated visa procedures/lack of effective movement of highly qualified staff; h) Lack of government support for trade-related initiatives; i) None; j) Other.

Table 2 - Survey Items and Options

In this study, a comprehensive approach to data analysis was undertaken utilizing both Microsoft Excel and STATA. Microsoft Excel played a pivotal role in the initial phase, facilitating the reduction and organization of raw data before its seamless importation into STATA. This step was crucial for filtering out ineligible responses and structuring the eligible ones, ensuring a systematic integration of the data into the statistical software.

The conversion of variables from string to numeric formats heavily relied on Microsoft Excel, serving as a crucial preprocessing step due to the inherent limitations of STATA in handling open-ended responses. The transformation process entailed categorizing variables into "yes/no" binary formats, strategically chosen to streamline subsequent analysis for enhanced simplicity and efficiency. Upon transitioning to STATA for statistical testing, the chi-square test was specifically chosen for its applicability to categorical questionnaire responses. Renowned for its straightforward test statistics and p-value interpretation, the chi-square test proved indispensable in evaluating the statistical significance of disparities between observed and expected absolute frequency distributions.

Throughout the data analysis process, multiple frequency tables were generated to illustrate variable positions and measurements effectively. This approach facilitated a clear visual representation of the highest and lowest values, contributing to a nuanced understanding of their overall significance in the context of the research question.

4. Results

4.1 Data Description

The survey included five initial questions that provided essential information about the participating companies, covering their sector, region, size, number of employees, and turnover.

Question ID	Which sector does your company belong to?	Freq.	Percent
1	Footwear	12	20.34
	Molds	4	6.78
	Vehicle parts	5	8.47
	Retail	1	1.69
	Home textiles	7	11.86
	Clothing	1	1.69
	Corporate footwear	1	1.69
	Wines	28	47.46
	Total	59	100.00

Table 3 - Sector characterization

Among the 59 survey participants, the majority (47.46%) were from the "Wine" sector, with 28 respondents. The "Footwear" sector followed at 20.34%, comprising 12 respondents. The "Home Textiles" sector had 11.86% and 7 respondents, while "Vehicle Parts" made up 8.47% with 5 respondents. The "Molds" sector represented 6.78%, involving 4 respondents. Lastly, both the "Clothing" and "Corporate Clothing and Footwear" sectors were less represented, each with 1 respondent, totaling 1.69%. The limited number of observations posed a constraint on the possibility of conducting segmentation by sector, preventing a detailed examination of question results within each specific industry.

Question ID	In which region is your company located?	Freq.	Percent
2	Açores	1	1.69
	Alentejo	3	5.08
	Lisbon Metropolitan Area	6	10.17
	Porto Metropolitan Area	2	3.39
	Center	13	22.03
	Madeira	1	1.69
	North	33	55.93
	Total	59	100.00

Table 4 -Distribution of Company Locations

In terms of regional distribution among the 59 participants, the majority (55.93%) are located in the North, followed by 22.03% in the Central region, 10.17% in the Lisbon Metropolitan Area, 5.08% in the Alentejo, and 3.39% in the Porto Metropolitan Area. Only one participant (1.69%) is situated on the islands, encompassing the Azores and Madeira.

Question ID	How big is your business?	Freq.	Percent
3	Micro	9	15.25
	Small	28	47.46
	Medium	17	28.81
	Big	5	8.47
	Total	59	100.00

Table 5 - Company Size Distribution

Regarding the company size, out of the 59 surveyed companies, 28 (47.46%) are classified as small, 17 (28.81%) as medium-sized, 9 (15.25%) as micro-enterprises, and 5 (8.47%) as large enterprises.

Question ID	How many employees does your company have?	Freq.	Percent
4	< 10 employees	10	16.95
	Between 10 to 50 employees	30	50.85
	Between 50 to 250 employees	15	25.42
	> 250 employees	4	6.78
	Total	59	100.00

Table 6 - Employee Count Distribution

In terms of the number of employees, the findings indicate that 30 companies (50.85%) fall within the10 to 50 employee range, 15 companies (25.42%) have workforces ranging from 50 to 250 employees, 10 companies (16.95%) have fewer than 10 employees, and only 4 companies (6.78%) employ more than 250 individuals.

Question ID	What is your company's turnover?	Freq.	Percent
5	< 2 millions of euros	21	35.59
	Between 2 million to 10 millions of euros	24	40.68
	Between 10 million to 43 millions of euros	10	16.95
	> 43 millions of euros	4	6.78
	Total	59	100.00

Table 7 - Company Turnover Distribution

When considering company turnover, the data revealed that 24 companies (40.68%) reported turnovers ranging from 2 million to 10 million euros. Furthermore, 21 companies (35.59%) indicated turnovers less than 2 million euros, while 10 companies (16.95%) reported turnovers between 10 million and 43 million euros. A smaller fraction of 4 companies (6.78%) reported turnovers exceeding43 million euros.

The variables presented in the following table have been dichotomized based on specific criteria. In the context of this analysis, dichotomization refers to the simplification of data by categorizing responses into two distinct groups. For Question 14, which assesses the importance of obtaining preferential tariff treatment, responses were divided into "important" (5 or more) and "not important" (below 5). In the case of Question 15, exploring the relevance of European Union Free Trade Agreements to the company, responses were categorized as "relevant" (5 or more) and "not relevant" (below 5).

Similarly, Question 16, investigating the difficulty in validating rules of origin for tariff reduction, had responses dichotomized into "difficult" (5 or more) and "not difficult" (below 5). Regarding Question 17, related to the assessment of customs barriers in importing countries, responses were dichotomized as "barriers present" (5 or more) and "no barriers" (below 5). Finally, Question 18, measuring the company's familiarity with Free Trade Agreements, had responses categorized as "familiar" (5 or more) and "not familiar" (below 5).

This dichotomization approach facilitates analysis by focusing on specific categories of interest and highlighting particular patterns. It makes the interpretation process more efficient and targeted toward the research objectives.

Question ID	Questions	Items	Freq.	Percent
14	Out of 0-10, where 0 is not important and 10 is very important, how important is the possibility of obtaining preferential tariff treatment for exports?	0	0	0
		1	1	1.69
		2	0	0
		3	0	0
		4	0	0
		5	7	11.86

Question ID	Questions	Items	Freq.	Percent
		6	0	0
		7	6	10.17
		8	13	22.03
		9	9	15.25
		10	23	38.98
15	From 0-10, with 0 being of no relevance and 10 being of maximum relevance, how would you describe the level of relevance of the EU Free Trade Agreements for your company?	0	1	1.69
		1	2	3.39
		2	1	1.69
		3	0	0
		4	2	3.39
		5	3	5.08
		6	3	5.08
		7	11	18.64
		8	7	11.86
		9	7	11.86
		10	22	37.29
16	From 0-10, with 0 being no difficulty and 10 being maximum difficulty, how would you describe the process of validating the rules of origin of your products in order to obtain reduced duties on exports?	0	1	1.69
		1	2	3.39
		2	3	5.08
		3	1	1.69
		4	3	5.08
		5	9	15.25
		6	5	8.47
		7	7	11.86
		8	16	27.12
		9	5	8.47
		10	7	11.86
17	From 0-10, with 0 being no difficulty and 10 being maximum difficulty, how would you rate the customs barriers in your importing countries?	0	0	0
		1	1	1.69
		2	1	1.69
		3	3	5.08
		4	2	3.39
		5	8	13.56
		6	12	20.34
		7	10	16.95
		8	11	18.64
		9	5	8.47
		10	6	10.17
18	From 0-10, with 0 being no familiarity and 10 being maximum familiarity, how would you rate your company's connection with the following Free Trade Agreements?	0	2	3.39
		1	2	3.39

Question ID	Questions	Items	Freq.	Percent
		2	2	3.39
		3	3	5.08
		4	2	3.39
		5	13	22.03
		6	4	6.78
		7	11	18.64
		8	10	16.95
		9	5	8.47
		10	5	8.47

Table 8 - Participants' Perceptions on Trade Agreement Significance and Challenges

The provided data represents the distribution of responses to specific survey questions, capturing participants' perceptions on a scale of 0 to 10 for various aspects related to Free Trade Agreements (FTAs). Let's break down the interpretation for each question:

Examining the respondents' perspectives on the importance of preferential tariff treatment unveils a clear trend, with a significant majority (38.98%) assigning the highest rating of 10. Additionally, a substantial portion (22.03%) underscores its significance with a rating of 8. Noteworthy is the considerable number of respondents (15.25%) placing importance levels within the range of 9 to 10.

Shifting the focus to respondents' views on the relevance of EU Free Trade Agreements (FTAs), a substantial portion (37.29%) perceives these agreements as highly relevant, granting a top rating of 10. Another significant observation is that a considerable proportion (18.64%) indicates a relevance level of 7. Generally, respondents tend to lean towards perceiving EU FTAs as relevant, with the majority assigning ratings above 5.

Exploring responses about the difficulty in validating rules of origin, a diverse range of perceptions emerges among respondents. A significant finding is that a considerable number (27.12%) finds the process challenging, assigning a rating of 8. Moreover, substantial proportions of respondents provide varied responses across different difficulty levels, with the majority rating above 5.

Analyzing responses related to customs barriers in importing countries reveals a notable discovery: a considerable number (20.34%) rates the difficulty as 6, indicating moderate complexity. Overall, the majority of respondents perceive customs barriers with ratings above 5.

Turning to the exploration of familiarity with FTAs, respondents generally display a trend of familiarity with the subject. The majority of responses (22.03%) indicate maximum familiarity (10), and a significant portion

(18.64%) rates their familiarity as 7. Overall, the data suggests a substantial level of familiarity with FTAs among respondents.

In conclusion, the nuanced insights gleaned from respondents shed light on their perspectives concerning the importance of preferential tariff treatment, the relevance of EU FTAs, the challenges in validation processes, customs barriers, and familiarity with FTAs. These findings contribute to a comprehensive understanding of the diverse attitudes and perceptions among the surveyed individuals, laying the groundwork for more in-depth analysis and informed strategic decision-making.

This section delves into the nuanced insights obtained from stakeholder responses to key questions related to their engagement with Free Trade Agreements (FTAs). The data provides valuable information on diverse aspects, allowing for a comprehensive understanding of the factors influencing companies' decisions and challenges in this domain.

Question ID	Questions	Yes Freq.	No Freq.	Yes Percent	No Percent
6	Does your company use free trade agreements?	40	19	67.80	32.30
7	Better trade opportunities	18	41	30.51	69.49
	Reducing or eliminating customs duties	30	29	50.85	49.15
8	Abolition or reduction of customs tariffs	31	28	52.54	47.46
	Increase in export sales	32	27	54.24	45.76
9	Increased competitiveness	9	50	15.25	84.75
	Cost and time spent obtaining documentation	29	30	49.15	50.85
10	Is this choice due to a lack of information about the existence of FTAs?	7	12	36.84	63.16
11	Is this choice justified by not knowing how to comply with the rules of origin?	6	13	31.58	68.42
12	Has your company consciously decided not to obtain certificates of origin?	7	12	36.84	63.16
13	Has your company tried to obtain certificates of origin but been unsuccessful?	1	18	5.26	94.74
19	Insufficient information on how the FTA could benefit your company	38	21	64.41	35.59
	Insufficient support for the integration of SMEs into international value chains	28	31	47.46	52.54
	Competitive pressure from foreign companies	18	41	30.51	69.49
	Lack of expertise and insufficient commercial resources of SMEs towards FTAs	11	48	18.64	81-36
20	Does your company export to Canada?	42	17	71.19	28.81
22	Does your company export to Japan?	22	37	37.29	62.71
24	Does your company export to Mexico?	19	40	32.20	67.80

Question ID	Questions	Yes Freq.	No Freq.	Yes Percent	No Percent
26	Does your company export to the United Kingdom?	50	9	84.75	15.25
21	Product adaptation	6	53	10.17	89.83
	High up-front costs	2	57	3.39	96.61
	Lack of customers	9	50	15.25	84.75
23	High up-front costs	7	52	11.86	88.14
	Product adaptation	12	47	20.34	79.66
	Lack of customers	12	47	20.34	79.66
25	Product adaptation	17	42	28.81	71.19
	High up-front costs	8	51	13.56	86.44
	Cultural barriers	4	55	6.78	93.22
27	Product adaptation	2	57	3.39	96.61
	High up-front costs	2	57	3.39	96.61
	Lack of customers	4	55	6.78	93.22
28	Lack of practical information on how to use the FTA	20	39	33.90	66.10
	Complexity of rules of origin	14	45	23.73	76.27
	High administrative burden in the EU and/or partner country to comply with customs procedures	8	51	13.56	86.44
	Lack of government support for trade-related initiatives	8	51	13.56	86.44
	None	10	49	16.95	83.05
29	None	10	50	16.67	83.33
	Cultural/language barriers	6	54	10	90
	Lack of practical information on how to use the FTA	7	53	11.67	88.33
	High administrative burden in the EU and/or partner country to comply with customs procedures	6	54	10	90
	Complexity of rules of origin	5	55	8.33	91.67
30	Lack of practical information on how to use the FTA	15	44	25.42	74.58
	Complexity of rules of origin	10	49	16.95	83.05
	High administrative burden in the EU and/or partner country to comply with customs procedures	16	43	27.12	72.88
	Lack of government support for trade-related initiatives	7	52	11.86	88.14
31	None	19	40	32.30	67.80
	Complexity of rules of origin	8	51	13.56	86.44
	High administrative burden in the EU and/or partner country to comply with customs procedures	9	50	15.25	84.75
	Lack of practical information on how to use the FTA	7	52	11.86	88.14
	Lack of government support for trade-related initiatives	7	52	11.86	88.14

Table 9 - Stakeholder Insights on Trade Agreements and Export Challenges

Engagement with Free Trade Agreements (FTAs) is notably widespread, as indicated by the survey results. A

substantial majority of companies, accounting for 67.80%, actively participate in the utilization of FTAs. This finding underscores the prevalent engagement of businesses in leveraging preferential tariff treatments facilitated by these agreements.

The fact that only 30.51% of companies identify "Better Trade Opportunities" as a positive factor suggests a less optimistic perception regarding the commercial benefits of Free Trade Agreements (FTAs). This may indicate that many companies do not clearly perceive the trade opportunities offered by existing agreements. Addressing this perception gap becomes crucial for fostering a more informed approach and promoting increased participation in FTAs. Implementing targeted awareness campaigns could prove instrumental in enhancing businesses' understanding of the benefits associated with FTAs.

The almost even split indicates that companies' perspectives on the "Reduction or Elimination of Customs Duties" are more evenly distributed. Approximately half of the companies recognize this benefit, indicating that the issue of customs duties is a significant consideration in the decision to participate or not in Free Trade Agreements (FTAs). This finding underscores the importance of tariff-related considerations in the decision-making process related to FTAs.

More than 50% of companies recognize the importance of the "Abolition or Reduction of Customs Tariffs." This indicates a positive perception regarding one of the key benefits of FTAs, which may positively influence the decision to participate in these agreements.

A majority of 54.24% identifies an "Increase in Export Sales" as a benefit. This suggests that many companies view participation in FTAs as an opportunity to boost their exports.

The low percentage of 15.25% for "Increased Competitiveness" suggests that many companies do not see FTAs as an effective tool to enhance their competitiveness in international markets.

This close distribution implies a division among companies regarding the perceived impact of costs and time related to obtaining documentation. The balanced percentages suggest that this factor may be viewed neutrally in the decision-making process regarding participation in FTAs.

A significant finding indicates that 36.84% of companies perceive a lack of information as a noteworthy factor influencing their decision to engage with FTAs. Addressing this information gap becomes crucial for fostering a more informed approach and promoting increased participation in FTAs. Implementing targeted awareness campaigns could prove instrumental in enhancing businesses' understanding of the benefits associated with FTAs.

Another crucial aspect highlighted by the survey is that 31.58% of respondents face challenges in complying with rules of origin, influencing their decision-making regarding FTAs. Streamlining and simplifying compliance processes are essential to facilitate a more widespread adoption of FTAs, making them more accessible and attractive to businesses.

The examination of export destinations, encompassing regions such as Canada, Japan, Mexico, and the United Kingdom, unveils a spectrum of engagement patterns among companies. This diversity emphasizes the

necessity for customized strategies to promote Free Trade Agreements (FTAs) in distinct markets, underscoring the significance of acknowledging regional nuances in FTA utilization initiatives.

The identification of barriers to entry, including challenges such as product adaptation and high up-front costs, underscores critical obstacles that companies face in their engagement with Free Trade Agreements (FTAs). Addressing these challenges is imperative for fostering a more widespread adoption of FTAs and promoting a conducive environment for international trade.

The challenges faced by Small and Medium-sized Enterprises (SMEs), as indicated by 18.64% of respondents, highlight the lack of expertise and insufficient commercial resources. This underscores the importance of implementing targeted support mechanisms to facilitate the effective integration of SMEs into international value chains, promoting their active participation in Free Trade Agreements (FTAs).

The findings underscore the complex landscape influencing companies' engagement with FTAs. While a majority actively utilizes these agreements, the decision-making process is multifaceted, with factors such as information availability, compliance challenges, and specific market considerations playing pivotal roles. Recognizing these dynamics is essential for policymakers, trade associations, and businesses aiming to enhance FTA adoption and maximize their benefits.

4.2 Hypothesis Testing

This section is dedicated to the testing of the research hypothesis proposed in this study. This assessment will be conducted individually on the premises presented before with the purpose of testing its validity through statical analysis.

For the analysis of the remaining survey responses, the chi-square test, a statistical method primarily employed to evaluate the distributions of each category within a variablerelative to the independence expected value (adherence), will be utilized. This approach leads us to formulate one hypothesis:

H0 = All categories have the same proportion in the population

Considering the limited sample size, which prohibits segmentation by sectors and markets, it becomes crucial to draw inferences for the target population. This population encompasses exporters in the footwear, wine, textiles, molds, and automotive sectors, targeting the markets of Canada, Japan, Mexico, and the United Kingdom. The objective is to understand the prevailing sentiment among the majority of companies within this population.

To achieve this, tests are conducted on the distributions within the population to evaluate their uniformity. For binary variables (2 levels), an even distribution is indicated by a 50/50 split. In the case of variables with 3 levels, an equitable distribution is expected to be 33/33/33, and so forth. This process is crucial for understanding the prevalence of opinions among the broader population of companies. The goal is to draw inferences, with a reasonable level of confidence, regarding the prevailing sentiments and perspectives of these companies in the specified sectors and markets.

Question ID	Question/ Variable	Chi-squared test statistic	P-value
6	Does your company use free trade agreements? (Y/N)	7.48	0.006
7	Better trade opportunities (Y/N)	8.97	0.003
	Reducing or eliminating customs duties (Y/N)	0.02	0.896
8	Abolition or reduction of customs tariffs (Y/N)	0.15	0.696
	Increase in export sales (Y/N)	0.42	0.515
9	Increased competitiveness (Y/N)	28.49	0.000
	Cost and time spent obtaining documentation (Y/N)	0.02	0.896
10	Is this choice due to a lack of information about the existence of FTAs? (Y/N)	1.32	0.251
11	Is this choice justified by not knowing how to comply with the rules of origin? (Y/N)	2.58	0.108

Question ID	Question/ Variable	Chi-squared test statistic	P-value
12	Has your company consciously decided not to obtain certificates of origin? (Y/N)	1.32	0.251
13	Has your company tried to obtain certificates of origin but been unsuccessful? (Y/N)	15.21	0.000
14	Out of 0-10, where 0 is not important and 10 is very important, how important is the possibility of obtaining preferential tariff treatment for exports? (0-10)	28.97	0.000
15	From 0-10, with 0 being of no relevance and 10 being of maximum relevance, how would you describe the level of relevance of the EU Free Trade Agreements for your company? (0-10)	64.90	0.000
16	From 0-10, with 0 being no difficulty and 10 being maximum difficulty, how would you describe the process of validating the rules of origin of your products in order to obtain reduced duties on exports? (0-10)	35.90	0.000
17	From 0-10, with 0 being no difficulty and 10 being maximum difficulty, how would you rate the customs barriers in your importing countries? (0-10)	26.59	0.002
18	From 0-10, with 0 being no familiarity and 10 being maximum familiarity, how would you rate your company's connection with the following Free Trade Agreements? (0-10)	30.68	0.001
19	Insufficient information on how the FTA could benefit your company (Y/N)	4.90	0.027
	Insufficient support for the integration of SMEs into international value chains (Y/N)	0.15	0.696
	Competitive pressure from foreign companies (Y/N)	8.97	0.003
	Lack of expertise and insufficient commercial resources of SMEs towards FTAs (Y/N)	23.20	0.000
20	Does your company export to Canada? (Y/N)	10.59	0.001
22	Does your company export to Japan? (Y/N)	3.81	0.051
24	Does your company export to Mexico? (Y/N)	7.47	0.006
26	Does your company export to the United Kingdom? (Y/N)	28.49	0.000
21	Product adaptation (Y/N)	37.44	0.000
	High up-front costs (Y/N)	51.27	0.000
	Lack of customers (Y/N)	28.49	0.000
23	High up-front costs (Y/N)	34.32	0.000
	Product adaptation (Y/N)	20.76	0.000
	Lack of customers (Y/N)	20.76	0.000
25	Product adaptation (Y/N)	10.59	0.001
	High up-front costs (Y/N)	31.34	0.000
	Cultural barriers (Y/N)	44.08	0.000

Question ID	Question/ Variable	Chi-squared test statistic	P-value
27	Product adaptation (Y/N)	51.27	0.000
	High up-front costs (Y/N)	51.27	0.000
	Lack of customers (Y/N)	44.08	0.000
28	Lack of practical information on how to use the FTA (Y/N)	6.12	0.012
	Complexity of rules of origin (Y/N)	16.29	0.000
	High administrative burden in the EU and/or partner country to comply with customs procedures (Y/N)	31.34	0.000
	Lack of government support for trade-related initiatives (Y/N)	31.34	0.000
	None (Y/N)	25.78	0.000
29	None (Y/N)	26.67	0.000
	Cultural/language barriers (Y/N)	38.40	0.000
	Lack of practical information on how to use the FTA (Y/N)	35.27	0.000
	High administrative burden in the EU and/or partner country to comply with customs procedures (Y/N)	38.40	0.000
	Complexity of rules of origin (Y/N)	41.67	0.000
30	Lack of practical information on how to use the FTA (Y/N)	34.32	0.000
	Complexity of rules of origin (Y/N)	31.34	0.000
	High administrative burden in the EU and/or partner country to comply with customs procedures (Y/N)	28.49	0.000
	Lack of government support for trade-related initiatives (Y/N)	34.32	0.000
31	None (Y/N)	7.48	0.006
	Complexity of rules of origin (Y/N)	25.78	0.000
	High administrative burden in the EU and/or partner country to comply with customs procedures (Y/N)	12.36	0.000
	Lack of practical information on how to use the FTA (Y/N)	14.25	0.000
	Lack of government support for trade-related initiatives (Y/N)	34.32	0.000

Table 10 - Results of Chi-Squared Tests on Free Trade Agreement (FTA) Perceptions

The analysis of survey responses reveals distinctive patterns and underlying perceptions that shape companies' decisions regarding Free Trade Agreements (FTAs). The insights gleaned offer a nuanced understanding of how varied perceptions influence the adoption or avoidance of FTAs within the surveyed companies.

A noteworthy 67.80% of participating companies actively engage with FTAs, while 32.30% opt not to participate. The statistical significance, as confirmed by the Chi-squared test ($\chi^2 = 7.48$, p-value = 0.006), rejects the null hypothesis, emphasizing that perceptions and tendencies toward FTA utilization are not uniform among the surveyed companies.

Exploring perceptions contributing to non-utilization, the survey responses indicate that a lack of information about the existence of FTAs (36.84%), challenges in complying with rules of origin

(31.58%), and a deliberate decision not to obtain certificates of origin (36.84%) are all statistically associated with the choice to forgo FTAs.

Likewise, motivations for FTA adoption also reveal distinct associations. Companies expressing insufficient information on the benefits of FTAs (64.41%) or experiencing competitive pressure from foreign entities (30.51%) demonstrate perceptible tendencies in FTA adoption.

Examining export destinations uncovers significant associations, indicating varying perceptions and propensities toward FTA utilization. Notably, exports to Canada (71.19%), Japan (37.29%), Mexico (32.20%), and the United Kingdom (84.75%) exhibit statistically different perceptions regarding FTA engagement.

Further exploration into specific barriers reveals pronounced associations. Perceived challenges, such as product adaptation (89.83%), high upfront costs (96.61%), and a perceived lack of customers (84.75%), are statistically linked to companies' decisions on FTA participation.

In summary, this statistical analysis provides a nuanced understanding of how distinct perceptions influence companies' decisions on FTA utilization. These insights not only contribute to academic knowledge but also offer practical guidance for businesses navigating the intricate landscape of international trade agreements.

5. Conclusion and recommendations

Throughout this investigation, a pattern has surfaced, underscoring the reality that Free Trade Agreements (FTAs) have presented a range of opportunities and challenges for Portuguese companies in the examined sectors.

This study provides a comprehensive exploration into the multifaceted landscape of companies, their operational dynamics, and their engagement with Free Trade Agreements (FTAs). Through an analysis of participant information and the utilization of FTAs, the study offers nuanced insights into the diverse sectors, regions, and sizes represented in the surveyed businesses.

A significant alignment is observed in the widespread engagement with FTAs, resonating with the global trend, as evidenced by the Belgian study. A substantial 67.80% of Portuguese companies actively participate in FTA utilization, echoing the findings from Belgium. However, a less optimistic perception is unveiled, particularly with only 30.51% identifying "Better Trade Opportunities" as a positive factor. This points to a potential information gap, mirroring the Belgian study's indication that many exporters are unaware of their preference margin.

The division among companies regarding the "Reduction or Elimination of Customs Duties" and "Abolition or Reduction of Customs Tariffs" showcases a balanced perspective on these tariff-related benefits. Approximately 50.85% and 52.54%, respectively, recognize these advantages, underlining their significant considerations in the decision to participate in FTAs. This aligns with the Belgian study's emphasis on customs procedures and tariff-related concerns.

A majority (54.24%) recognizing an "Increase in Export Sales" as a benefit is a shared motivation observed in both studies, emphasizing the global view of FTAs as opportunities to boost exports. However, the low percentage (15.25%) for "Increased Competitiveness" suggests a widespread perception among companies in both studies that FTAs may not be as effective in enhancing competitiveness in international markets.

The almost equal distribution in responses regarding the "Cost and Time Spent Obtaining Documentation" reveals a division among companies on the impact of these factors. This neutral consideration aligns with the Belgian study's findings, emphasizing that this factor may not significantly sway companies in their decision-making process regarding FTA participation.

It's crucial to note that, in the broader population, certain variables did not differ significantly from 50%. This means that, for these variables, approximately 50% of the companies in the study's universe fall within these categories. Specifically, variables such as "Better Trade Opportunities," "Reduction or Elimination of Customs Duties," "Abolition or Reduction of Customs Tariffs," "Increase in Export Sales," and "Cost and Time Spent Obtaining Documentation" show this pattern. This highlights the prevalence of these considerations among companies, underlining their importance in the decision-making

process.

In conclusion, the comparison between the Portuguese and Belgian studies underscores both universal trends and regional nuances in FTA utilization. The information gap, challenges in compliance, and varied motivations remain consistent, emphasizing the need for tailored strategies. The observation that certain variables approximate 50% in the broader population highlights their pervasive nature and significance in shaping companies' decisions. Policymakers, trade associations, and businesses can leverage these shared and distinct insights to enhance FTA adoption strategies and foster a more adaptive and responsive framework for international trade agreements.

5.1 Limitations

This study sheds light on crucial aspects of Free Trade Agreements (FTAs) for Portuguese exporting companies, yet certain limitations underscore the potential for future research to deepen our understanding of this complex landscape.

The study's applicability is confined to specific sectors and companies associated with the Portuguese Agency for Investment and Foreign Trade (AICEP), urging caution when extrapolating conclusions to different contexts.

Acknowledging the dynamic nature of trade patterns, a longitudinal study is recommended to track how perceptions and challenges evolve over time, offering a dynamic perspective on FTAs as they mature or new agreements emerge.

Despite a comprehensive quantitative analysis, the study suggests the potential benefits of a more in-depth qualitative exploration. Interviews or case studies could uncover detailed narratives and nuances that quantitative data may not fully capture.

The study, centered on specific FTAs, emphasizes considering broader economic trends and geopolitical factors. Exploring how global economic conditions impact trade dynamics would provide a more comprehensive understanding of external influences on Portuguese exporting companies.

With a modest sample size of 59 companies, concerns arise about representation, cautioning against generalizing findings. Interpretation should consider the specific context of surveyed companies and potential variations across a larger population engaged in international trade.

Demographic constraints, mainly from the wine, footwear, textile, automotive, and mold sectors, prompt considerations about the generalizability of findings beyond these industries. The study's insights are

context-specific to selected sectors, requiring caution when extrapolating to industries with different characteristics.

The expansive nature of the study faces challenges in narrowing the focus. Concentrating on selected sectors limits the breadth of comparison, urging future research to explore a broader spectrum of industries for a nuanced understanding.

A lower-than-desired response rate in the survey poses limitations in generalizability and raises concerns about potential selection bias. Future research efforts may benefit from strategies to enhance participant engagement.

Difficulties in aggregating data for Portuguese companies not engaged in exporting activities may introduce variability and impact the comprehensiveness of the study's insights. Careful consideration is essential when interpreting findings related to companies involved in export activities.

5.2 Avenues of future research

The study on the perceptions of Portuguese exporting companies regarding Free Trade Agreements (FTAs) with Canada, the UK, Mexico, and Japan in the sectors of footwear, wine, textiles, molds, and automotive has unveiled valuable insights. However, there remain several promising avenues for future research that can contribute to a deeper understanding of this complex relationship. For instance:

1. **Long-term Impact Assessment:** One important avenue for future research involves conducting longitudinal studies to assess the long-term impacts of FTAs on Portuguese exporting companies. This would help in understanding how these agreements influence firms' competitiveness, market presence, and growth over extended periods.

2. **Comparative Analysis:** Comparative studies can provide valuable insights by examining how Portuguese exporting companies' experiences with FTAs compare to those of firms from other countries. Analyzing how different countries' companies leverage similar FTAs can shed light on best practices and potential pitfalls.

3. **Sector-specific Investigations:** Delving deeper into each sector individually can reveal nuanced findings. Future research may explore how FTAs impact a single sector exclusively, allowing for a more comprehensive understanding of the challenges and opportunities unique to that industry.

4. **Qualitative Approaches:** While the present study primarily utilized quantitative data, future

research can incorporate qualitative approaches. In-depth interviews, case studies, and qualitative surveys can capture the rich narratives and perspectives of Portuguese exporting companies, providing a holistic view of their experiences with FTAs.

5. **FTA Policy Analysis:** An important avenue for future research is the examination of EU trade policies and their evolution. Analyzing how these policies are formulated and adjusted can help predict potential changes and their implications for Portuguese exporting companies.

6. **Impacts on Small and Medium Enterprises (SMEs):** Given the significant presence of SMEs in Portugal, future research could focus on how FTAs affect this segment of companies. SMEs often face unique challenges and opportunities compared to larger enterprises, and understanding their experiences is crucial.

7. **Stakeholder Collaboration:** Exploring the role of stakeholders, including industry associations, government agencies, and non-governmental organizations, in supporting Portuguese exporting companies can be a valuable avenue. How collaboration with these entities impacts the utilization of FTAs warrants further investigation.

8. **Geographical Expansion:** Expanding the scope of research to include FTAs with other regions and countries, beyond Canada, the UK, Mexico, and Japan, would offer a broader understanding of Portuguese companies' global engagement strategies.

9. **Regulatory Compliance and Trade Barriers:** A deeper examination of the challenges related to regulatory compliance, rules of origin, and trade barriers within FTAs can provide insights into the specific issues that Portuguese exporting companies face and how they navigate these complexities.

10. **Economic and Social Implications:** Future research can also explore the broader economic and social implications of FTAs on Portugal as a whole. This includes the effects on employment, income distribution, and other macroeconomic factors.

In conclusion, the study on the perceptions of Portuguese exporting companies concerning FTAs has set the stage for future research endeavors. By exploring these avenues, scholars can contribute to a more comprehensive understanding of the multifaceted relationship between FTAs and the performance of Portuguese firms, ultimately assisting policymakers, industry stakeholders, and the companies themselves in navigating the ever-evolving landscape of international trade.

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