

An Introduction to International Business—Navigating the Global Business Landscape

CHAPTER

1



Source: DC Studio/Shutterstock

“The pessimist sees difficulty in every opportunity; the optimist sees opportunity in every difficulty.”

—Sir Winston Churchill, British statesman, army officer, and writer

Learning Objectives

1. Identify the drivers of the changing global business environment.
2. Discuss why countries with trade agreements continue to have trade disputes.
3. Explain the challenges and opportunities of artificial intelligence.
4. Name some examples of rare earth minerals.

Chapter Outline

The Changing Landscape of International Business

The COVID-19 Pandemic

Geopolitical Tensions and Economic Uncertainties

Trade Disputes

Changing Political Landscapes

Key Trends Shaping the New Global Business Environment

Technology

Access to Knowledge and Information

Trade Agreements

New Opportunities and New Trade Initiatives

Changing Political Landscapes

Sustainability and Social Corporate Responsibility

The Changing Landscape of International Business

The landscape of international business continues to be ever-changing and increasingly challenging, largely as a result of technological advancements and geopolitical shifts. Key trends worldwide include the following:

- Technology
- Access to knowledge and information
- Trade agreements
- New opportunities and new trade initiatives
- The COVID-19 pandemic
- Geopolitical tensions and economic uncertainties
- Trade disputes
- Changing political landscapes
- Sustainability and corporate social responsibility

Technological advances, ranging from computer technology and artificial intelligence (AI) to healthcare and energy production, create new challenges and opportunities for countries prepared to enter those industrial markets. Currently, industries are identifying ways to utilize AI in their respective fields. Developing AI technology, however, requires significant electrical power, which is already a challenge, given increased household demand.



Artificial intelligence will revolutionize many industries, and the global race for technological leadership is well underway.

Source: DC Studio/Shutterstock

Fifty years ago, an American household had only one television, no computers, and no hybrid or electric automobiles to charge. Today, many American families have several televisions, several computers, many more electric appliances, and in many instances, chargers for their electric vehicles.

Technological advancements across many industries affect our daily lives, both at work and at home. More workers than ever before use computers or computerized devices to perform tasks at work. Employees working in offices may use a desktop and a laptop computer in addition to a tablet, whereas service employees, such as an electric company meter reader, may use a tablet device to read customer meters and send the information to the billing department. Likewise, advancements in healthcare technology have enabled many people to live healthier, longer lives through new treatments, medications, and medical devices. New cardiac devices provide patients with heart problems with a better quality of life and often a much longer life than they might have expected 20 years ago.

The COVID-19 Pandemic

The COVID-19 global pandemic started in a lab in Wuhan City, China. In January 2020, the Centers for Disease Control and Prevention named the virus *severe acute respiratory syndrome coronavirus 2* (SARS-CoV-2), and later that month, the World Health Organization (WHO) named the virus *COVID-19* and declared it a public health emergency. The alarm was spread across the globe, but by July 2020, there were 11,635,939 confirmed cases of COVID-19 and an estimated death toll of more than 3 million people (WHO, 2021).

In addition to frequent hand washing, citizens were informed that social distancing would be among the best ways to halt the spread of the virus. Some countries, like the United States, virtually shut down most daily activities. Schools closed or pivoted to

online classes. Restaurants offered meals for takeout or delivery; seating was limited to outdoor areas. Hair salons closed, and the public was advised to avoid large gatherings and any gatherings of 10 persons or more. Eventually, vaccines were developed, and citizens were strongly encouraged to be vaccinated to prevent the spread of the deadly virus throughout the population. Some government and healthcare employees were forced to get vaccinated or lose their jobs.

A 2021 report from the United Nations Development Programme highlighted the devastating impact of the COVID-19 pandemic on countries around the world, including the following:

1. Poverty: Because of the loss of jobs and daily wages, 40–60 million people were pushed into extreme poverty.
2. Gender issues: COVID-19 exacerbated the previously existing gender gaps in employment. For example, female-dominated professions, such as teaching, experienced more shutdowns and subsequent loss of work hours. In addition, quarantine caused a dramatic increase in domestic violence.
3. Education: School closures affected over 1.2 billion students. Schools were closed to prevent the spread of COVID-19 infection, and education was hampered because of the lockdown situation.
4. Social protection: Worldwide, 55% of people were not covered by social insurance programs (e.g., Medicare). Many of those with social insurance were not fully protected.
5. Internally displaced people (IDPs): IDPs faced health risks from COVID-19 infection because of a lack of awareness and education, fragile living situations, and high population density. They experienced a disproportionate socioeconomic impact of the COVID-19 pandemic.
6. Slum dwellers: During the pandemic, over 1 billion people lived in informal settlements or slum-like areas. These people were highly vulnerable to COVID-19 infection.
7. Jobs: Worldwide, 1.6 billion workers lost their jobs because of the COVID-19 pandemic, leading to poverty and an economic crisis.
8. Remittance: There was a 20% drop in remittance (money sent home by migrant workers) because of the economic burden of COVID-19.
9. Commodities: There was a 20% fall in commodity prices during the COVID-19 pandemic.
10. Food insecurity: Worldwide, 265 million faced food insecurity in low- and middle-income countries.
11. Tourism: Tourism felt the greatest impact, with the loss of an estimated 850 million to 1.1 billion tourists. This resulted in an average revenue loss of \$910 billion to \$1.2 trillion.

The Bureau of Labor Statistics reported in May 2020 that 20 million persons in the United States had lost their jobs due to the COVID-19 pandemic. Total unemployment in the United States reached 23 million people, for an unemployment rate of 14.7%, a greater rate than that during the Great Depression of the 1930s. **Gross domestic product (GDP)**, as reported by the Bureau of Economic Analysis, fell by 5.0% during the first quarter of 2020, a larger decline than during the 2008 financial crisis (Katole, 2021).

Our European neighbors were also significantly affected by the COVID-19 pandemic. The European economy contracted by 3.8% annually, the most significant decline since 1995. Manufacturing production declined by 17%, and it is estimated that

Gross domestic product (GDP)
The total value of all goods and services produced in a country during a period of time, usually one year.

the overall economic decline in Europe ranged from 8% to 12%. The ongoing public health crisis led to unemployment and major financial crises. Asian countries were similarly affected.

Geopolitical Tensions and Economic Uncertainties

Geopolitical tensions around the globe affect which countries we trade with, for what products and services, and what other countries we choose not to trade with. For example, during the war between Russia and Ukraine, the United States pressured European Union nations not to purchase oil from Russia to apply economic pressure on Russia. U.S. President Donald Trump applied economic pressure on Russia to help defund the country's war machine. Likewise, the United States pressured North American Treaty Organization (NATO) member nations to increase their military spending levels to previously agreed-on percentages.

Global tensions between the United States and China have been simmering for years because China claims Taiwan to be part of the People's Republic of China. Taiwan does not want to be annexed by China and wants to retain its own independence and government. Pacific Rim neighbors, including Japan, South Korea, and Australia, are also concerned about the Chinese military buildup in the region and have countered with buildups of their own military forces. These global tensions often fuel new areas of cooperation among countries with parallel security concerns.

Trade Disputes

Trade disputes are common among nations and often center on individual industries or products. In years past, trade issues between the United States and Canada centered around fishing rights and timber. But that began to change just weeks after Trump was elected president, when, in November 2017, he announced plans to levy 25% tariffs on imports from Canada and Mexico, alleging that they had failed to secure their borders with the United States (Zahn, 2018).

On-and-off trade talks between President Trump and Canadian Prime Minister Mark Carney continued for the next several months, with tariff discussions over products and services, including steel, aluminum, and electricity (Zahn, 2018). The trade talks may have been complicated by President Trump's comment that he would buy Canada and make it the 51st state. Although many believe Trump was joking, this struck a nerve with Prime Minister Carney, and the trade dispute continues to be under discussion. This situation also highlights that trade disputes can even develop with close neighbors and our biggest trading partners. In 2017, Canada was our second-largest trade partner, with \$773 billion in total trade (USAFacts, 2018).



Tariffs serve as a trade barrier to protect domestic markets from lower-priced imported goods.

Source: Jack_the_sparrow/Shutterstock

Changing Political Landscapes

The changing global political landscape also affects how countries conduct international trade. Whenever a country holds an election or undergoes a change in political power, there are likely to be some changes. Sometimes, the new party in power may have a very different view of trade or its trading partners than the previous party. Likewise, economic fluctuations, including currency fluctuations, may encourage trade with some countries and discourage trade with others.

During the 21st century, there has been a growing emphasis on sustainability and corporate responsibility. Sustainability has roots in the green movement, with both corporations and private citizens reducing waste through reusing and recycling more materials

than in years past. Environmental sustainability is the foundation of maintaining our environment for current and future generations. But sustainability also means economic sustainability, ensuring that local and larger economies will not disappear.

Key Trends Shaping the New Global Business Environment

Technology

Rapid technological advancements help companies produce higher-quality products, lower production costs, and deliver goods to consumers more quickly. Technological developments help cure diseases and provide patients with medical devices that improve their quality of life. Technology gives consumers convenience in performing daily activities, from preparing breakfast to driving long distances safely and comfortably. Rare earth minerals and AI are critical to further technological development.

Advancements in **artificial intelligence (AI)** will provide many opportunities for companies to improve existing products and expand development into new areas. However, AI development requires substantial energy for the excavation and processing of **rare earth minerals** (see Table 1-1). Rare earth minerals are a group of 17 metallic elements, including scandium, yttrium, and the lanthanide series elements. The name is somewhat of a misnomer because some minerals are as abundant as copper. However, these rare earth minerals are widely distributed worldwide and often require high extraction costs and significant environmental protection measures. These minerals are critical for many

Artificial intelligence (AI)
Computer systems that incorporate machine learning to perform tasks that people usually perform.

Rare earth minerals A group of 17 metallic elements, including scandium, yttrium, and the lanthanide series elements, that are critical for many present-day technologies and clean energy transmission.

TABLE 1-1 Rare Earth Minerals

Element	Symbol	Atomic Number	Uses
Scandium	Sc	21	High-intensity lighting, batteries
Yttrium	Y	39	Glass coloring, catalytic convertors
Lanthanum	La	57	Petroleum refining, batteries
Cerium	Ce	58	Glass production, batteries
Praseodymium	Pr	59	Magnets, steelmaking
Neodymium	Nd	60	Pigments, magnets
Promethium	Pm	61	Nuclear-powered batteries, phosphors
Samarium	Sm	62	Magnets, batteries
Europium	Eu	63	Optical fibers, flat-panel displays
Gadolinium	Gd	64	X-ray imaging, magnets
Terbium	Tb	65	Flat-panel displays, cathode ray tubes
Dysprosium	Dy	66	Magnets
Holmium	Ho	67	Glass coloring
Erbium	Er	68	Glass production
Thulium	Tm	69	Lasers, microwave equipment
Ytterbium	Yb	70	Glass coloring
Lutetium	Lu	71	Glass production

Source: Based on Arranz, A., Wongand, D., & Robles, P. (2019, July 17). Rare earths are found in everyday items, from TVs to smartphones and fridges. *South China Morning Post*. <https://www.scmp.com/news/china/article/3018293/rare-earths-are-found-everyday-items-tvs-smartphones-and-fridges>

present-day technologies and clean energy transmission. They are used in manufacturing magnets and catalysts for electronics, medical devices, and military equipment, as well as in batteries for electric vehicles and wind turbine components (Wikipedia, 2025b).

In a *Newsweek* article, Young (2025) reports that by 2030, AI training runs will require several gigawatts of power, the equivalent of the energy needed to power a large city. With thousands more AI data centers under construction or in the planning stages, energy requirements will become enormous. More states are refurbishing and restarting nuclear power plants to help meet these new power demands, and some data centers are developing on-site power generation. In addition to energy, AI will require significant water for the construction and operation of AI data centers.

Access to Knowledge and Information

Access to knowledge and information also requires significant amounts of energy to power computers, other equipment, and production operations. The key to advanced computer technology is the development of more powerful computer chips—faster chips with greater memory capacity. **First-world nations** already have an advantage in this area because in these countries, computer technology has been widely used for several decades and continues to improve and expand. In addition, first-world nations have well-established education and training facilities with expertise in developing technologies.

Trade Agreements

Trade agreements are developed among nations with common trade interests to protect domestic markets and effectively “block” foreign competitors’ products from market entry and dominance. Although the world’s oldest known agreements and contracts date back approximately 4,000 years to the Hammurabi Code, the first modern-day trade agreement was the Cobden–Chevalier Treaty of 1860 between England and France (Wikipedia, 2025c). Although there were many trade agreements throughout history, for our purposes, the most important treaties began to form after World War II.

The Bretton Woods system went into effect in 1946, in part to prevent economic depression after the war and also to prevent the development of trade barriers because the lack of free trade was considered one of the causes of war. In 1947, the **General Agreement on Tariffs and Trade (GATT)** was signed by 23 countries to rationalize trade among the nations.

Then, in 1957, the six founding members (sometimes referred to as the *Inner Six*) of the European Union—Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands established the **European Economic Community (EEC)** with a standard trade policy. The **European Free Trade Association (EFTA)** was established in 1960 as a trade bloc to counter the European countries that did not join the EEC: Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom. Four important **International Organization for Standardization (ISO)** recommendations standardized containerization globally by providing the following:

- Definitions for terminology, ratings, and dimensions
- Identification markings
- Recommendations for corner fittings
- Established minimum internal dimensions for general-purpose freight containers

To date, the 175 ISO members have developed more than 26,000 international standards, thereby significantly increasing global trade (ISO, n.d.). Trade agreements are deliberately designed to facilitate trade with one or more countries while blocking other countries from accessing the advantages of the trade partners. A free trade agreement (FTA) may be developed with one nation, Israel, for example, while separate agreements must be proposed with neighboring countries, such as Jordan, Oman, and Bahrain.

First-world nations High-income industrial countries; developed nations with a democratic governance system, strong rule of law, and a capitalist economy.

General Agreement on Tariffs and Trade (GATT) An agreement among 23 European nations to streamline trade between those nations.

European Economic Community (EEC) Formed in 1957 among the six founding members of the European Union—Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands—to establish a standard trade policy.

European Free Trade Association (EFTA) Developed as a trade bloc to counter the European countries that did not join the European Economic Community (EEC): Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom.

International Organization for Standardization (ISO) Develops recommendations for standardized containerization globally. The ISO can be traced back to 1946, when representatives from 25 different countries met in London to begin developing international standards to facilitate trade.

In 1994, the **North American Free Trade Agreement (NAFTA)** became the first significant revision of the Canada–U.S. Free Trade Agreement. Many believe that NAFTA never delivered on the elevated level of expectations among members of both political parties. However, the total economic impact of the trade agreement has been challenging to measure because investment trends and trade can often be influenced by currency fluctuations, economic growth, and inflation (Villarreal, 2017). Proponents of the agreement credit NAFTA with expanding economic and trade linkages, lowering the price of many consumer goods, improving working conditions, and creating more efficient production processes. Opponents of the agreement point to lower-than-expected employment growth, a wage decline in the United States, and slower-than-expected development of environmental conditions and labor standards. Other opponents claim that the agreement benefits bigger countries at the expense of smaller nations.

NAFTA was hailed as an expansion and more detailed agreement than its precursor, the **Canada–U.S. Free Trade Agreement of 1988**. In that earlier agreement, both countries agreed to eliminate barriers to goods and services trade, improve competition conditions among members of the agreement, ease regulations for business investment among the member nations, and develop procedures for administration and dispute resolution among the member nations (Wikipedia, 2025a).



The North American Free Trade Agreement was developed to expand the Canada–U.S. Free Trade Agreement.

Source: Andy.LIU/Shutterstock

North American Free Trade Agreement (NAFTA) Went into effect in 1994 and superseded the 1988 Canada–U.S. Free Trade Agreement. Although the words “free trade” are in the names of several trade agreements, trade is free only among the members of those agreements, whereas nonmember nations are blocked from trade.

Canada–U.S. Free Trade Agreement Went into effect in 1988 to establish freer trade between the two countries. Although the North American Free Trade Agreement (NAFTA) replaced the agreement six years later, this agreement moved the two countries forward in trade expansion by establishing rules and procedures to regulate companies involved in trade between Canada and the United States.

New Opportunities and New Trade Initiatives

Changing Political Landscapes

New opportunities abound as the worldwide population grows, incomes increase, and demand for higher-priced goods surges. As shown in Table 1-2, the United States is actively engaged in trade agreements with 20 nations worldwide. However, there are countries with which the United States does not have trade agreements. In fact, the United States has sanctioned the following countries for political, economic, and humanitarian reasons: Afghanistan, Belarus, Myanmar, Central African Republic, China, Cuba, Democratic Republic of the Congo, Ethiopia, Iran, Iraq, Mali, North Korea, Somalia, Sudan, Venezuela, South Sudan, and Zimbabwe (Office of Foreign Assets Control, n.d.).

Business prospects could develop as existing agreements mature and conditions change. Of course, our closest neighbors, Mexico and Canada, are especially important because they are also our top trade partners—Mexico first, Canada second (USAFacts, 2024).

As more countries around the globe grow in population and further develop their economies, opportunities for both industrial and consumer products will expand. Developing nations will also quickly adopt innovative technologies without having to do so in stages, as many other countries do. For example, when the United States developed computer technology, we first invented mainframes, then the internet, then personal computers, and so on. Today, many computer users make use of cloud technology, multiple devices, and AI.

President Trump often connects international trade with defense agreements. This tactic has been used to try to bring the Russia–Ukraine war to an end. Similarly, Middle East peace agreements are now linked to international trade. Using trade and investment, Trump has successfully brought nations together and improved the likelihood of lasting peace in the region.

TABLE 1-2 U.S. Trade Agreements

Agreements on Reciprocal Trade
Malaysia
Cambodia
Free Trade Agreements (FTAs)
Australian FTA
Bahrain FTA
Chile FTA
Colombia FTA
Dominican Republic–Central America FTA
Israel FTA
Jordan FTA
KORUS FTA
Morocco FTA
Oman FTA
Panama FTA
Singapore FTA
United States–Mexico–Canada (North American Free Trade Agreement)
Peru FTA

Source: Office of the United States Trade Representative. (n.d.). *Trade agreements*. <https://ustr.gov/trade-agreements/free-trade-agreements>



We can expect to see more markets open as new trade agreements are signed.

Source: Dilok Klaisataporn/Shutterstock

Sustainability and Social Corporate Responsibility

Sustainability is a critical issue for both producers and end users. Companies such as Amazon take sustainability seriously and implement their sustainability strategy across their operations, from product design to sourcing, while working with thousands of suppliers worldwide. By 2024, Amazon marketed 1.7 billion products certified through its Climate Pledge Friendly program (Amazon, 2024). One example of Amazon's sustainability goals is the company's pledge to mitigate deforestation in areas where agricultural products, such as soy, are harvested.

Amazon also strongly values corporate social responsibility, including accountability to suppliers, customers, and the public. Perhaps the most critical aspect of corporate responsibility includes commitment to the highest levels of safety for employees, customers, and suppliers. According to the 2024 Amazon Sustainability Report, Amazon has over 10,000 safety professionals dedicated to prioritizing safety across its global operations (Amazon, 2024).

Amazon recognizes that corporate social responsibility is essential not only at the corporate or global level but also at the local level. Amazon addresses the local level through programs that help provide affordable housing, improve food security, and enhance quality of life. By 2024, Amazon had committed \$3.6 billion to assist the three areas in the United States with primary Amazon operations: Puget Sound, Washington State; Nashville, Tennessee; and the Alexandria, Virginia/Washington, DC, area (Amazon, 2024). This Amazon funding helped preserve or create 35,000 affordable homes in these communities. The box feature that follows further explores sustainability at Amazon.

SUSTAINABILITY AT AMAZON CORPORATION—HOW WE WORK

Our Mission

To make customers' lives better and easier every day.

Our Operations

We offer a wide range of products and services—both Amazon-branded and from other brands and third-party sellers—through our Amazon stores, supported by advanced global transportation and logistics capabilities. We also operate businesses in digital media, including the creation and distribution of original entertainment content. In addition, AWS provides the world's most widely adopted and comprehensive cloud offering, supporting customers and businesses around the globe.

Our Supply Chain

We procure materials, commodities, components, finished goods, and services from a complex supplier network. We engage suppliers globally to align our expectations for respecting human rights, maintaining safe, inclusive workplaces, and promoting more sustainable practices.

Our Workforce

Amazon's more than 1.5 million full-and part-time employees are key to our success, from enabling global fulfillment to delivering on sustainability initiatives. We support them in advancing their own career goals, and we offer competitive pay and benefits, upskilling and educational programs, opportunities to give back to our communities through volunteerism, as well as an inclusive workplace.

(continued)

Our Communities

Amazon is committed to investing in local communities, and being a good neighbor all around the world, wherever we operate. We work side-by-side with community partners to build long-term, innovative programs that have a lasting positive impact. Programs vary globally and include increasing access to affordable housing, alleviating hunger, strengthening education, and helping those impacted by natural disasters when they occur.

Our Customers

We continually seek new and better ways to serve customers, offering lower prices, more convenient services, and a larger selection of more sustainable products. We also help customers advance their businesses and enable digital transformations through AWS, content development services, and advertising options. In addition, we support small businesses with access to Amazon's tools, resources, and network, helping them reach customers around the world.

Source: Amazon. (2024). *2024 Amazon sustainability report*. <https://sustainability.aboutamazon.com/2024-report>

Summary

As international trade continues to develop, it becomes more complex. More nations are trying to grow their exports while protecting their domestic markets. This remains a significant challenge as more countries adopt advanced technologies to develop products and expand exports. Additionally, a significant development in

international business is the growing number of small businesses worldwide marketing online, directly on their own websites or through intermediaries such as Amazon. No longer are the big companies the only competition. Even for small business owners, the world is your market!

Summary of Learning Objectives

1. Identify the drivers of the changing global business environment.

The key drivers of the global business environment include the following.

- Technology
- Access to knowledge and information
- Trade agreements
- New opportunities and new trade initiatives
- The COVID-19 pandemic
- Geopolitical tensions and economic uncertainties
- Trade disputes
- Changing political landscapes
- Sustainability and corporate social responsibility

Perhaps most important are technological advancements, trade disputes, and changing political landscapes.

2. Discuss why countries with trade agreements continue to have trade disputes.

Trade agreements are relationships that sometimes experience bumps along the way. Occasionally, unforeseen issues arise, and in other cases, the agreement becomes obsolete in the rapidly changing international business environment. Changing business and economic conditions often necessitate revisions to agreements.

3. Explain the challenges and opportunities of artificial intelligence.

Opportunities abound for developing AI in almost every aspect of life, ranging from healthcare to

automotive technology to improving the conveniences in our homes.

4. Name some examples of rare earth minerals.

Rare earth minerals include thulium, used in the production of microwave equipment and lasers; scandium, used in producing high-intensity lighting and batteries; and praseodymium, used to manufacture magnets and in steel production. There are 17 known rare earth minerals, and it is believed that China has the largest reserves.



International trade is facilitated when countries agree to work together.

Source: RUMANA FERDOUSI/Shutterstock

Key Terms

Artificial intelligence (AI) Computer systems that incorporate machine learning to perform tasks that people usually perform. (p. 5)

Canada–U.S. Free Trade Agreement Went into effect in 1988 to establish freer trade between the two countries. Although the North American Free Trade Agreement (NAFTA) replaced the agreement six years later, this agreement moved the two countries forward in trade

expansion by establishing rules and procedures to regulate companies involved in trade between Canada and the United States. (p. 7)

European Economic Community (EEC) Formed in 1957 among the six founding members of the European Union—Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands—to establish a standard trade policy. (p. 6)

European Free Trade Association (EFTA) Developed as a trade bloc to counter the European countries that did not join the European Economic Community (EEC): Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom. (p. 6)

First-world nations High-income industrial countries; developed nations with a democratic governance system, strong rule of law, and a capitalist economy. (p. 6)

General Agreement on Tariffs and Trade (GATT) An agreement among 23 European nations to streamline trade between those nations. (p. 6)

Gross domestic product (GDP) The total value of all goods and services produced in a country during a period of time, usually one year. (p. 3)

International Organization for Standardization (ISO) Develops recommendations for standardized

containerization globally. The ISO can be traced back to 1946, when representatives from 25 different countries met in London to begin developing international standards to facilitate trade. (p. 6)

North American Free Trade Agreement (NAFTA) Went into effect in 1994 and superseded the 1998 Canada–U.S. Free Trade Agreement.

Although the words “free trade” are in the names of several trade agreements, trade is free only among the members of those agreements, whereas nonmember nations are blocked from trade. (p. 7)

Rare earth minerals A group of 17 metallic elements, including scandium, yttrium, and the lanthanide series elements, that are critical for many present-day technologies and clean energy transmission. (p. 5)

Questions for Discussion

1. Identify and describe the drivers of the changing global business environment.
2. Why do countries with trade agreements continue to have trade disputes?
3. What are the challenges and opportunities of AI?
4. Provide some examples of rare earth minerals and explain why they are rare.

AI Exercise

Prompt:

Prepare a 150-word essay on how artificial intelligence (AI) can help you identify and address the key factors in engaging in international business.

How to use AI for this assignment:

Please submit the output generated by the AI prompt and add a paragraph that summarizes the output. This assignment is for extra credit and will be worth 5 points.

Getting started with AI:

Generative AIs, such as ChatGPT, are tools that can understand prompts and generate text responses that mimic human writing. Some can even generate images! Generative AI can be used to answer questions, further develop or review your own work, or create new content based on your prompts. This tool can accomplish impressive tasks and may become standard in various jobs in the coming years, so this assignment is intended to help you consider how you can use this tool ethically and safely.

Here are some steps to help you get started with ChatGPT (for free):

1. Go to OpenAI's page to sign up for an account.
2. Follow the prompts given for the registration process and sign in to your account.
3. Go into the ChatGPT area and begin sending message prompts.

- Review the OpenAI Guide about “GPT Best Practices” for more information on how best to use this tool.

Note that there are other AI chat tools you can use, and there are also paid versions that may offer some extra features. For now, ChatGPT4 is the paid version of the tool, and ChatGPT3 is the free version. Keep that in mind to avoid accidentally buying something you do not need.

What to consider when using generative AI:

1. Be clear in the prompts you provide. It may be necessary to provide additional context for your prompts in order to get a better response.
2. Ensure your information is protected! Do not share confidential information or personal details with the system. If you are trying to consider how you might accomplish certain tasks that require personal data, put in sample information (John Doe, 1/1/1901, 555-555-555, etc.).
3. Sometimes you may get an inaccurate, undesirable, or even offensive response from the generative AI you use. Keep in mind you will want to fact-check information provided to you by AI tools and that it has no “intention” behind it to be malicious in its replies. The responses are based on a language model provided by various internet sources. AI does have the ability to confidently give a wrong answer, so be cautious in how you use its information.

Case: NAFTA or Not

The North American Free Trade agreement came into effect on January 1, 1994, and was in effect, an extension of the U.S.–Canadian Free Trade Agreement of 1988. Even before the ink was dry on the document there were as many concerns as there were supporters of the agreement. President Reagan was the impetus for the agreement with Canada and leadership from all three countries—the United States, Canada, and Mexico all saw benefits for their respective countries.

Even so, the agreement raised many concerns in Canada and the United States. In the U.S., President Clinton addressed concerns raised by members of Congress by the passage of two other pieces of legislation, the North American Agreement on Labor Cooperation (NAALC), and the North American Agreement on Environmental Cooperation.

Studies subsequently found that Canada benefited more from the agreement than the U.S. or Mexico, and that was fine with Martin Lacroix, a farmer in Quebec. The Lacroix farm had been in the family since his grandfather purchased the property in 1924. The farm originally grew potatoes, and when his father took over in the 1950's, he added blueberries. Since that time, the farm has done okay, but Martin believed they needed to add some revenue to ensure that the farm would continue to be solvent for generations to come.

Martin called for a family meeting to determine whether any family members might have ideas for expanding their business. His wife, Michelle, wanted to

grow more vegetables and open a roadside farm stand rather than sell directly to the supermarket chains. His older son wanted to sell their produce to companies in the United States as the U.S. was a much larger potential market. Martin liked the idea of a roadside stand and also thought they could develop unique events, especially for the off-season when revenue drops and little work needs to be done. Some events could include an Easter event with the Easter Bunny and egg hunt, a corn maze for weekend visitors, and a Halloween Haunted Trail.

The family liked all of the ideas but wanted to determine which would be the best to pursue for the family farm. Based upon information on the internet and from the case, what is your recommendation for the Lacroix family farm?

Questions

1. Are there provisions of the North American Free Trade Agreement that might help or hinder the idea to expand their business to the U.S.?
2. Does the currency exchange rate between the U.S. and Canadian dollar play a role in your decision whether or not to pursue the U.S. market? Why?
3. If you recommend the family choose the roadside stand and other activities, what would the family need in order to follow that suggestion?
4. So, which would you do (if either) and why?

References

- Amazon. (2024). *2024 Amazon sustainability report*. <https://sustainability.aboutamazon.com/2024-report>
- Bureau of Labor Statistics, U.S. Department of Labor. (2020, May). *The employment situation—May 2020*. https://www.bls.gov/news.release/archives/empst_06052020.pdf
- International Organization for Standardization. (n.d.). *About ISO*. <https://www.iso.org/about>
- Katole, A. (2021, November 21). Impact of COVID-19 pandemic on global economy. *Journal of Family Medicine and Primary Care*, 12(11), 2565–2568.
- Office of Foreign Assets Control, U.S. Department of the Treasury. (n.d.). *Sanctions programs and country information*. <https://ofac.treasury.gov/sanctions-programs-and-country-information>
- United Nations Development Programme. (2021). *United Nations Development Programme Annual Report 2021*. <https://annualreport.undp.org/2021/assets/UNDP-Annual-Report-2021-en.pdf>
- USAFacts. (2024, September 4). *Who are the US' top trade partners?* <https://usafacts.org/articles/who-are-the-uss-top-trade-partners/>
- Villarreal, M. A. (2017). *The North American Free Trade Agreement (NAFTA)*. U.S. Congress. <https://www.congress.gov/crs-product/R42965>
- Wikipedia. (2025a, October 27). *Canada–United States Free Trade Agreement*. https://en.wikipedia.org/wiki/Canada%E2%80%93United_States_Free_Trade_Agreement
- Wikipedia. (2025b, November 22). *Rare earth minerals definition*. https://en.wikipedia.org/wiki/Rare-earth_mineral
- Wikipedia. (2025c, October 6). *Timeline of international trade*. <https://en.wikipedia.org/wiki/Timeline-of-international-trade>
- World Health Organization. (2021, May 20). The true death toll of COVID-19: *Estimating global excess mortality*. <https://www.who.int/data/stories/the-true-death-toll-of-covid-19-estimating-global-excess-mortality>
- Young, J. (2025, August 11). Training AI models could eat up 4 gigawatts of power by 2030, report warns. *Newsweek*. <https://www.newsweek.com/training-ai-models-could-eat-4-gigawatts-power-2030-report-warns-2112002>
- Zahn, M. (2025, June 30). *A timeline of U.S.-Canada trade dispute*. ABC News. <https://abcnews.go.com/Business/timeline-us-canada-trade-dispute/story?id=123335160>

