CHAPTER 3

Trade Organizations and Trade Agreements in the 21st Century

Source: Studio Romantic/Shutterstock

"I think that the important point is we've got to have a president who understands the benefits of free trade but also is going to enforce unfair trade agreements and is going to stand up to other countries."

—Barack Obama

Learning Objectives

1. Understand the mutual importance of the development of trade agreements among countries.
2. Identify the current significant U.S. trade agreements.
3. Explore the influence of international business on global politics.
4. Understand the impact of Brexit.
5. Understand the role of the World Trade Organization in global commerce.

Chapter Outline

Introduction

In Chapter 1, we began a discussion of the history of trade agreements. However, trade agreements have existed for thousands of years. Historical records from the 19th century BCE (Before the Common Era) confirm the presence of an Assyrian merchant colony at Kanesh in Cappadocia, Turkey (Wikipedia, 2025b). Throughout history, countries have engaged in trade with merchants in other countries, exchanging surplus production for desired goods from neighboring traders. Trade routes, over land or by sea, were further developed as explorers found new opportunities in previously unknown lands.

Tariffs Taxes one nation charges another nation when receiving imported goods. For some countries, tariffs are an important source of revenue; however, they are generally charged to protect domestic markets from lower-cost products and to maintain employment in the product market.

Most favored nation (MFN) In international economic relations and international politics, most favored nation is a level of treatment granted by one country to another country in international trade.

World Trade Organization (WTO) Replaced the General Agreement on Tariffs and Trade and came into effect on January 1, 1995. The purpose of the WTO is to promote trade and economic cooperation among the 164 member countries.

The Influence of International Business on Global Politics

Does international business influence global politics? Yes, it certainly does! In the United States, members of the two major parties alter their positions not only in response to the details of the agreement but also often in opposition to the other party. In recent history, the North American Free Trade Agreement (NAFTA) passed both the House and the Senate with members of both parties voting "yea" and "nay." Legislators were mainly focused on how the trade agreement would affect the state they represented and, to some degree, supported the concept of free trade.

NAFTA failed to deliver on its promises, leading to significant job losses, increased trade deficits, and negative impacts on workers and the environment. According to the Economic Policy Institute, NAFTA caused a dramatic increase in our trade deficit with Canada and Mexico, which increased from $30 billion to $85 billion from 1993 to 2002 (Scott, 2003). Additionally, the trade imbalance cost the United States 879,280 jobs, primarily in high-paying manufacturing industries. U.S. manufacturers were hit especially hard as many companies relocated to Mexico, where labor costs were significantly lower.

Soon after Donald Trump's 2024 election as president, he issued an executive order establishing new **tariffs**. President Trump referred to these tariffs as "reciprocal." Previously, although the United States paid hundreds of billions of dollars in tariffs to other countries, we often charged those countries half or even less of what they charged us. Most troubling to many people in the United States was the **most favored nation (MFN)** status accorded to China in 1979 and reaffirmed by the **World Trade Organization (WTO)** in 2001.

MFN treatment in international economic relations and international politics is a level of treatment granted by one country to another in international trade. MFN status is a principle of the WTO, designed to prevent discrimination and promote fair global trade. The MFN principle is both a legal obligation and a fundamental aspect of trade policy, ensuring that businesses can trade on an equal playing field and plan with confidence.

Tariffs serve as a tax on imported goods to protect domestic markets.
Source: Ani_Raw_Shots/Shutterstock

Back in the early days of international trade, MFN status was generally granted on a two-party, nation-by-nation basis. MFN status began to appear in the late 18th century, with an example being the Eden trade agreement between the United States and France in 1778 (American History Central, n.d.). By the middle of the 19th century, the practice had become more commonplace.

The new U.S. trade policy under the Trump administration is a significant departure from recent administrations. Although tariffs are nothing new, they have been used much less since the end of World War II and the establishment of the WTO. When President Trump took office in 2025, he announced that he would pursue new trade agreements with other nations based on reciprocal tariffs. Additionally, Trump pressured **North Atlantic Treaty Organization (NATO)** partners to pay their fair share for European defense. NATO members had previously agreed to pay 5% of their **gross domestic product (GDP)**, although most member nations were paying only 1% or 2% of their GDP.

The Trump foreign policy uniquely tied economics and peace to achieve his goal of having NATO members pay or work toward the 5% requirement. In addition, Trump secured trade agreements with dozens of countries, notably in Europe and across the Pacific Rim. The challenge in this type of foreign trade strategy is to maintain a delicate balance with top trading partners, who are often also key defense partners. Trump successfully argued that tariffs on U.S. goods were much higher than those on nations exporting to the United States. Some political leaders in the United States initially opposed the new tariff schedule, but much of the opposition faded as tariff revenue increased and the trade deficit decreased (Trump, 2025).

> "If you don't like Chinese economic policy, flooding the market with over production, you could put a sanction on them, or a tariff."
> —Scott Bessent, U.S. Secretary of the Treasury

When President Trump announced the new tariff policy, he faced widespread opposition from Democrats and fellow Republicans. The American public, too, was skeptical of what appeared to be enormous tariffs. The White House argued that the tariffs were reciprocal and subject to reduction with countries with which we had developed a new trade agreement. As can be seen in Table 3-1, some of the tariff rates are now 50% or higher. This is a challenging case to make with key trading partners such as Canada and the European Union (EU).

North Atlantic Treaty Organization (NATO) A military alliance formed in 1949, just a few years after World War II ended, to provide mutual defense among the 32 member nations. A key provision of the treaty is Article 5, which states that when a member nation is attacked, it is considered an attack against all 32 member nations. For example, the United States used the September 11, 2001, attacks as justification for the war in Afghanistan.

Gross domestic product (GDP) A measure that comprises the total value of all goods and services produced by a country within a specific time and is usually reported quarterly and annually. GDP serves as a key indicator of economic health. An increasing GDP represents a growing economy, whereas a declining GDP represents a declining economy.

TABLE 3-1 Summary of U.S. Executive Tariff Actions

Presidential 2025 Tariff Actions: Timeline and Status, January 20, 2025–September 16, 2025

Description	Country Affected	Current Tariff Rate/Status
*Actions under the International Emergency Economic Powers Act (IEEPA, **Table 2**)*		
Fentanyl related	Canada	35% on most goods; 10% on potash and Canadian energy; United States–Mexico–Canada Agreement (USMCA) exemption
Fentanyl and migration	Mexico	25% on most goods; 10% on potash; USMCA exemption
Fentanyl related	China	20% on all goods; ended de minimis duty-free treatment
Venezuelan oil	Designated	25% on all goods from countries designated by the secretary of state
Trade deficit/reciprocal	Global	10–41%, by country of origin, on most goods (with exceptions) *Paused:* 125% on China
Ending de minimis treatment	Global	Ended de minimis duty-free treatment
Brazil's government policies	Brazil	40% on select goods (with exceptions)
Russian oil	India	25% on most goods (with exceptions)
*Actions under Section 232 of the Trade Expansion Act of 1962 (Section 232, **Table 3** and **Table 4**)*		
Steel	Global	50% globally; 25% on imports from the UK
Aluminum	Global	50% globally; 25% on imports from the UK

(*continued*)

TABLE 3-1 Summary of U.S. Executive Tariff Actions (*continued*)

Presidential 2025 Tariff Actions: Timeline and Status, January 20, 2025–September 16, 2025

Description	Country Affected	Current Tariff Rate/Status
Automobiles and parts	Global	25% globally; 10% for UK;* 15% for Japan;* some USMCA exceptions. (*Pending implementation:* 15% for the European Union and South Korea)
Copper	Global	50% globally on semifinished copper products
Timber/Lumber	TBD	Investigation initiated (March 2025)
Semiconductors	TBD	Investigation initiated (April 2025)
Pharmaceuticals	TBD	Investigation initiated (April 2025)
Critical minerals	TBD	Investigation initiated (April 2025)
Heavy trucks	TBD	Investigation initiated (April 2025)
Aircraft	TBD	Investigation initiated (May 2025)
Drones	TBD	Investigation initiated (July 2025)
Polysilicon	TBD	Investigation initiated (July 2025)
Wind turbines	TBD	Investigation initiated (August 2025)
*Actions under Section 301 of the Trade Act of 1974 (Section 301, **Table 5**)*		
China's semiconductor policies	China	Investigation ongoing (public hearings held March 2025)
Foreign digital services taxes	TBD	President directed U.S. trade representative (USTR) to consider renewing a previous investigation
China's shipping industries	China	Investigation completed; USTR is considering remedies
International seafood	TBD	President directed USTR to consider a new investigation
Brazil's trade practices	Brazil	Investigation initiated (July 2025)

*For the United Kingdom, European Union, South Korea, and Japan, auto and timber rates include most favored nation tariffs. UK auto rates include tariff-rate quota for vehicles.

Source: U.S. Congress. (2026, January 12). *Presidential 2025 tariff actions: Timeline and status*. https://www.congress.gov/crs-product/R48549

Despite these concerns, President Trump had countries lining up to sign a new trade agreement with the United States. In addition, as billions of dollars in tariff revenue began to come in, public opinion became more favorable. The steelworkers' union especially favored the tariffs because they would protect many jobs here at home. Of course, while the United States seeks to achieve a more equitable trade balance, it must also consider how its trade actions affect rival countries such as Russia and China.

In addition, the U.S. president must be cognizant of the economic concerns of the American public. Domestic politics comes into play because the president wants a favorable economy to help fuel the upcoming midterm elections and the general election only two years after that. To address voter concerns, the White House prepared a list of economic achievements that the administration has accomplished in only a few short months (Trump, 2025). Of course, despite the achievements, consumers might not feel that the economy is stronger when they go to the grocery store or get their heating bill in the mail.

Despite many economic indicators reporting strong results, consumer confidence lagged; many consumers were not yet feeling the effects of the Trump economy. In October 2025, President Trump reported on key economic data for September (Table 3-2). On the surface, the data looked promising, but many consumers still needed to experience the effects on the economy personally before feeling good about it.

TABLE 3-2 White House Report, September 2025

According to the White House report of September 2025, President Trump is delivering on his America First trade agenda by securing commitments from numerous companies to invest trillions of dollars in new projects that could employ thousands of American workers, positioning the United States to become the dominant player in jobs in the foreseeable future.

As of September 2025, the White House reports that the economy has achieved the following:

- U.S. exports are up 6% over last year—rising to their second-highest value on record—while inflation-adjusted exports of consumer goods are the largest ever.
- The seasonally adjusted trade deficit with China has narrowed to its second smallest since 2009.
- In the third quarter of 2025, real exports grew by a 4.1% annual rate and imports fell by around 5%—adding about 1% to real GDP growth.
- As President Trump delivers better terms for American workers, farmers, and manufacturers, November's deficit was cut by more than half compared to the same month last year, fueled by soaring tariff revenues.

Source: Trump, D. (2025, December 11). *Trump tariffs work: Trade deficits plummet to five-year low*. The White House. https://www.whitehouse.gov/articles/2025/12/trump-tariffs-work-trade-deficit-plummets-to-five-year-low/

TABLE 3-3 Top U.S. Trading Partners, Projected

Rank	Country	Total Trade Volume (in billions)	Imports from the U.S. (in billions)	Exports to the U.S. (in billions)	Share of Total Trade	Key Sectors
1	Mexico	$839.9	$450	$389.9	16.1%	Vehicles, electronics, agriculture, machinery
2	Canada	$699.6	$320	$379.6	13.4%	Energy, vehicles, aerospace, agriculture
3	China	$532.4	$450	$82.4	10.2%	Electronics, machinery, textiles, toys
4	Germany	$217.1	$120	$97.1	4.2%	Vehicles, machinery, pharmaceuticals
5	Japan	$208.9	$135	$73.9	4.0%	Vehicles, machinery, medical instruments
6	South Korea	$180.8	$100	$80.8	3.5%	Semiconductors, electronics, vehicles
7	Taiwan	$144.9	$90	$54.9	2.8%	Semiconductors, ICT equipment, machinery
8	Vietnam	$136.5	$85	$51.5	2.6%	Textiles, electronics, footwear
9	United Kingdom	$134.6	$70	$64.6	2.6%	Aerospace, pharmaceuticals, financial services
10	India	$118.8	$60	$58.8	2.3%	Pharmaceuticals, IT services, textiles

Source: US Import Data. (2025, May 1). *Top US trade partners in 2025: Largest trading partners and key import-export trends*. https://www.usimportdata.com/blogs/top-us-trade-partners-2025-trade-statistics

Since President Trump announced his trade agenda in April 2025, Trump's tariffs have provided substantial leverage in securing trade deals with the major trade partners of the United States, including the EU, the United Kingdom (UK), China, Japan, Indonesia, the Republic of Korea, Thailand, Maylasia, Vietnam, Cambodia, the Philippines, Ecuador, El Salvador, Argentina, Guatemala, Switzerland, and Liechtenstein. See Table 3-3 for a list of projected top U.S. trading partners.

Impact of Brexit

Brexit The United Kingdom's withdrawal from the European Union as a result of a nonbinding national referendum in 2016.

On January 31, 2020, the UK withdrew from the EU in a move termed *Brexit*. **Brexit** could be considered one of the most controversial issues Great Britain has faced in recent history. In fact, the issue has been hugely divisive, both socially and politically, and has dominated political debate. The British Broadcasting Company (BBC) has examined the Brexit issue and identified five key areas it affects: trade, immigration, travel, legal issues, and financial concerns (Chu & Kovacevic, 2025).

Trade

Nontariff barriers Trade barriers that control imports or exports by methods other than tariffs. The World Trade Organization (WTO) recognizes nontariff barriers, including import licensing, customs delays, rules of origin, preshipment inspections, and other measures that hinder or restrict trade.

Import deposit A nontariff trade barrier that requires the importer to deposit a fraction of the assessment of their imported goods with a government or central bank for a specified time period.

Embargo A prohibition or legal restriction, usually regarding international trade, levied by international organizations or one or several countries against another country.

Quota A limited quantity of a particular product that, under official controls, can be produced, exported, or imported.

Although the UK reached a free trade deal with the EU and avoided tariffs on imported and exported goods, the negative impact comes from **nontariff barriers** (see Figure 3-1), which can be time-consuming to navigate and sometimes involve new, complicated paperwork businesses must complete when importing and exporting to the EU. Studies report a decrease of 6% to 30% in UK exports since Brexit took effect (Chu & Kovacevic, 2025).

One example of a nontariff trade barrier is a licensing requirement. The license may take some time to work its way through a slow, bureaucratic process for the exporting country, and it may also be very expensive. In some instances, it may also be time-consuming and expensive for businesses *within* a country to secure a required license. For example, this might be the case for a license to manufacture or distribute certain goods.

An **import deposit** is a nontariff trade barrier that requires the importer to deposit a fraction of the assessment of their imported goods with a government or central bank for a specified time period. This policy is designed to regulate the volume of imports entering a country, often to protect domestic industries, conserve foreign exchange reserves, and stabilize the nation's currency. The deposit is usually returned after the stipulated period, possibly without interest (Quickonomics, 2024).

An **embargo** is a prohibition or legal restriction, usually regarding international trade, levied by international organizations or one or several countries against another country (LegalClarity, 2025). An example of this would be if the United States wanted to limit the number of expensive automobiles entering the United States by imposing a trade embargo on EU nations. **Quotas** are numerical restrictions on the amount of goods that can be imported from another country or countries. For example, the United States sets a quota of 20,000 down jackets imported from South Korea.

According to Chu and Kovacevic (2025), recent studies suggest lower UK exports, ranging from a 6% decrease to a 30% decrease. Although the discrepancy in the reported decrease in exports is substantial, experts agree that smaller firms are hurt much more than larger firms. On a positive note, since Brexit, the UK has struck its own trade deals with other countries. These new deals include agreements with Australia and New Zealand, with trade discussions underway with India and the United States.

Immigration

The second issue uncovered by the BBC report centers on immigration. Immigration was a major issue in the Brexit referendum campaign in 2016, which focused on free movement within the EU, allowing both UK and EU citizens to move freely for visiting, studying, working, and living. EU immigration began falling after Brexit in 2016 and stepped up after the end of freedom of movement in 2020. Both EU and non-EU citizens are required to secure work visas under this system (except Irish citizens). The primary

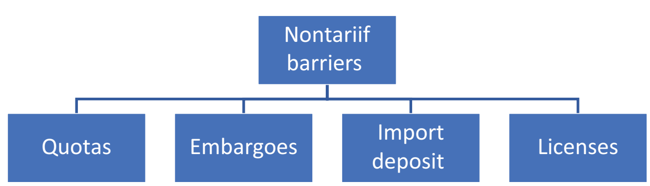

FIGURE 3-1 Examples of Nontariff Trade Barriers

drivers of the increase in non-EU immigration are work visas for healthcare and international student visas. As the country's financial situation declined, UK universities began recruiting more non-EU students (Chu & Kovacevic, 2025).

Travel

Travel is also significantly affected by the new Brexit requirements. Free movement throughout the UK ended with Brexit, which has substantially affected business travelers and the tourism industry (Chu & Kovacevic, 2025).

The EU implemented a new Entry/Exit System (EES) on October 12, 2025, an automated information technology system for registering persons traveling from non-EU countries. This new system will record the person's name, biometric data (fingerprints and captured facial images), the type of travel document provided, and the date and location of both entry into and exit from the country. This new system will replace manual passport stamping, but it is likely to result in long lines for people leaving the UK.

Six months after the introduction of the EES system, the EU plans to launch a new European Travel Information and Authorization System (ETIAS). UK citizens will be required to obtain ETIAS clearance for travel to 30 European countries. The fee to obtain ETIAS clearance is €7 (£5.90), and clearance is valid for three years or until the traveler's passport expires. When people are issued a new passport, they must also apply for a new ETIAS travel authorization. The UK is also introducing its own ETIAS for EU citizens (although Irish citizens will be exempt). The UK permit will be called the *Electronic Travel Authorization* and will cost £16.

Legal Issues

Legal sovereignty—the ability of the UK to make its own laws and not have to follow EU ones—was another prominent Brexit referendum campaign promise. To reduce disruption to the UK legal system, the government combined thousands of EU laws with UK law, commonly known as *retained EU law*, which covers issues such as working time, food labeling, equal pay, and environmental standards.

The UK has also changed some laws, for instance, banning live animal exporting from Great Britain for fattening and slaughter, as well as changing EU law on genetically edited crops (Chu & Kovacevic, 2025).

Financial Concerns

UK funding sent to the EU was a highly debated topic in the 2016 vote, especially the assertion that the UK sent £350m each week to the EU in Brussels. According to the UK Treasury, the UK's financial contribution to the EU budget was £352m per week in 2019–20, or £18.3bn during the fiscal year before Brexit.

In addition, the UK's finances are linked to the EU, separate from the general EU budget and the Brexit Withdrawal Agreement. When Brexit took effect, the UK also halted payments to the Horizon research program, which funds EU scientific research. However, in 2023, Britain rejoined the Horizon plan, and the EU projects that Britain will pay approximately €2.4 bn (£2bn) per year to the EU budget for its participation. Historically, the UK has benefited financially from the Horizon plan, as a large share of grants has been awarded to UK-based scientists.

Brexit has also given the UK greater freedom in some aspects of tax law. EU member states are not permitted to charge the value-added tax (VAT) on education expenses. Upon withdrawal from the EU, the UK Labor Party was able to levy the VAT tax on private school tuition and fees (Chu & Kovacevic, 2025).

Another issue regarding money is that the EU's currency is the euro. Although this issue was previously settled, the nation's currency is part of its national identity, in part because the British pound features images of Queen Elizabeth on its face. In 2024, King Charles's portrait appeared on British banknotes, and in 2025, some Commonwealth countries also featured King Charles on their currency (Hucal, 2024). So, currency also plays a role in a country's culture and heritage and serves as a source of pride. In summary, Great Britain continues to remain economically linked to the rest of Europe while maintaining greater control over its national sovereignty.

General Agreement on Tariffs and Trade (GATT) Trade agreement formed following World War II with the belief that expanding world trade would facilitate the rebuilding of economies that were significantly damaged by the war. In 1947, 123 nations signed on to the agreement. In January 1995, GATT transitioned to the World Trade Organization (WTO). Both the WTO and its predecessor have been successful at lowering tariffs worldwide.

The Role of the World Trade Organization in Global Commerce

The WTO has 164 members from around the world and is considered the leading organization for international trade. An important goal of the WTO is to ensure that international trade flows smoothly and predictably. The WTO was established in 1995, replacing the 1947 **General Agreement on Tariffs and Trade (GATT)**. One concern some nations have with the WTO is its impact on national sovereignty and intellectual property rights.

The primary goal of the WTO is to facilitate trade negotiations. When a trade dispute arises, member nations seek to resolve it through negotiations or sanctions. A second goal is to promote free trade and make sure that trade flows smoothly. In addition, the WTO works to establish trade rules so that producers, importers, and exporters can operate under a standard set of rules. The WTO also works to encourage global trade agreements, facilitating overall economic growth and development (Heakal, 2024).

The United States, Mexico, and Canada, formed the United States, Mexico, and Canada Agreement in 2020, replacing the North American Free Trade Agreement.
Source: GrAl/Shutterstock

World Trade Organizations and Trade Agreements

Many other organizations also play important roles in international trade, including the International Monetary Fund, the United Nations, the World Health Organization, the International Labour Organization, and the World Bank Group, as well as the Group of Eight (G8) political forum, which reverted to the G7 in 2014, when Russia was expelled as a result of its invasion of Crimea.

Regional trade organizations include the EU (27 member nations); the Association of Southeast Asian Nations, a group of 11 countries (Maylasia, Indonesia, the Philippines, Singapore, Brunei, Vietnam, Laos, Myanmar, Cambodia, Thailand, and Timor Leste); the Asia-Pacific Economic Cooperation (APEC; 21 member nations); and NAFTA, with 3 member nations (Canada, the United States, and Mexico).

For the United States, NAFTA never lived up to expectations, especially in terms of jobs. Other issues of concern to the United States were rules of origin and protections for farmers and ranchers. NAFTA was updated and revised to provide a more level playing field for all three countries—especially the United States (Office of the U.S. Trade Representative, n.d.).

Summary

International business is in transition from a more global environment to a less global environment. This is largely attributable to changing political and economic conditions. The United States has begun imposing tariffs in an attempt to reduce the domestic trade deficit and increase foreign direct investment from trade partners. Thus far, this change seems to be working, but the new policy has upset many of our European trade partners. These significant changes have sent U.S. companies and foreign trade partners scrambling to adapt to the changes.

As of this writing, the effects of these policy changes are fueling the U.S. economy to substantial growth in GDP, which should continue as new foreign and domestic investments increase employment and, more importantly, keep production of essential products at home instead of being dependent on other countries.

The European Union was formed as a trading bloc to protect European markets. However, it is often difficult to establish rules for the 27 member nations that benefit each nation. Excessive business regulation becomes too cumbersome and costly for businesses, especially small businesses. Although in many ways it makes good sense to follow common procedures, the number of regulations has become so burdensome that Germany and other nations are looking to streamline the EU regulatory process.

Political relations also affect trade policy. For example, trade restrictions are being used to put pressure on Russia to end its war with Ukraine. Additionally, aggressive moves by China toward Japan, Australia, and other nations in that area result in further trade action, such as restricting oil shipments to China. It is very likely that we will see more international trade actions due to political, economic, and security concerns.

Summary of Learning Objectives

1. **Understand the mutual importance of the development of trade agreements among countries.**

   International trade benefits both the home and host countries when they exchange goods or services. Countries benefit from increased employment, not only for the production of goods or services but also for coordination, shipping, and many support activities, such as marketing and legal services. Nations also benefit when a company from another country invests in infrastructure in the host country. Infrastructure may take the form of manufacturing facilities, research companies, transportation and shipping facilities, and warehousing.

2. **Identify the current significant U.S. trade agreements.**

   Currently, the United States has trade agreements in force with 20 countries: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore, and South Korea (International Trade Administration, n.d.).

3. **Explore the influence of international business on global politics.**

   International business and global politics are closely connected, and increasingly, we find nations developing trade policies tied to global issues. For example, under President Trump, the United States used economic issues as leverage through tariffs and trade. In addition, countries that trade for oil from Russia might be penalized in trade with the United States.

   The United States has effectively demonstrated that a country with a large economy can use international trade as both an incentive and a disincentive in negotiations with countries around the world. We can also take note of the political issues surrounding Brexit. Politically, Great Britain (England, Scotland, and Wales) is aligned with Brexit, whereas Ireland is exempt from it.

4. **Understand the impact of Brexit.**

   Some may consider Brexit the first crack in the EU, a group of nations that began as an idea in 1946, soon after the end of World War II. Ironically, it was Winston Churchill who called for a customs union, "a United States of Europe," based on an idea dating back a few hundred years that a unified Europe would make war unthinkable (Wikipedia, 2025a). Brexit affects not only Great Britain but also 24 other countries in the EU, including Ireland. The BBC has examined the Brexit issue and identified five key areas of impact: trade, immigration, travel, legal issues, and financial concerns (Chu & Kovacevic, 2025).

   With Great Britain leaving the EU trade agreement, it will need to make new, separate agreements with the European countries it wishes to remain trade partners with. For Britons, new trade agreements might be challenging to negotiate but could also be more beneficial to Great Britain. Although many EU trade regulations have been maintained, several desired changes still need to be incorporated into regulations. The other four areas identified by the BBC will also need a significant overhaul to achieve the Brexit objectives.

Great Britain will retain sovereignty through Brexit, but at what cost?

Source: lazyllama/Shutterstock

"And after Brexit, we will be free to determine our economic future, with control over our money, laws and borders." —Liz Truss

5. Understand the role of the World Trade Organization in global commerce.

The purpose of the WTO is to promote trade and economic cooperation among the 164 member countries. The WTO is the only international organization overseeing trade rules between nations. Central to the organization are the agreements that are negotiated and signed by most of the trading nations of the world and ratified by their governments. The goal of the WTO is to ensure that world trade flows smoothly, freely, and as expected. The WTO serves many roles: It manages a global system of trade rules, serves as a forum for discussing trade agreements, supports developing countries, and settles trade disputes among WTO members. The WTO's member governments decide all trade decisions through ministers (who generally meet every two years) or through their country's ambassadors or delegates (who meet regularly in Geneva).

Key Terms

Brexit The United Kingdom's withdrawal from the European Union as a result of a nonbinding national referendum in 2016. (p. 34)

Embargo A prohibition or legal restriction, usually regarding international trade, levied by international organizations or one or several countries against another country. (p. 34)

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Questions for Discussion

1. How do trade agreements help a nation?
2. What are the major U.S. trade agreements?
3. Discuss the role of the World Trade Organization.
4. Give an example of how politics has impacted international business in the last five years.
5. What has been the impact of Brexit on the UK? On the EU?

AI Exercise

Prompt:
Prepare a 150-word essay on how artificial intelligence (AI) can help you develop a security plan to protect your 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 is 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 Open AI's page to sign up for an account.
2. Follow the prompts given for the registration process and sign into 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. Currently, ChatGPT4 is the paid version of the ChatGPT 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 about the prompts you provide. It may be necessary to provide additional context for your prompts 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, 555-555-5555.)
3. Sometimes you may get an inaccurate, undesirable, or even offensive response form the generative AI you use. Keep in mind that 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: Managing Fraser's Marine Motors Under the New Brexit Agreement

Julian Fraser and the Fraser clan were well known and respected in Aberdeen and beyond. Frasers had figured prominently in Scottish history since before Scottish independence from England in 1314. Other members of the clan had also lived in Inverness for hundreds of years.

Julian's grandfather had started a marine engine repair shop more than 70 years ago, specializing in the maintenance and repair of fishermen's boat motors on the east coast of Scotland. Following World War II, his father grew the business into the largest marine engine facility on the eastern shore. When Julian took over the day-to-day operations of the business, he took it to the next step—the manufacture of marine engines.

The company soon became more profitable. Julian was planning to expand the business by opening two smaller shops along the coast. However, the political climate in Scotland had been heating up. Many more immigrants had been pouring into the country. Fraser was not opposed to immigration, but taxes were growing much faster than business profits, and people across Scotland were calling for a halt to further immigration. Crime had also been increasing, and the new immigrants were not assimilating into Scottish culture.

(*continued*)

Case: Managing Fraser's Marine Motors Under the New Brexit Agreement (*continued*)

Fraser understood that some Scottish customs might seem alien to immigrants, especially those from the Middle East. However, it did not appear that the new immigrants were even trying to assimilate. They did not observe Scottish holidays such as Victoria Day and St. Andrew's Day or Christian holidays such as Easter and Christmas.

Because all their maintenance and repair work was completed in the Aberdeen facility, Fraser paid little attention to EU rules. But now, with motor manufacturing, they would have to pay close attention to EU rules. Fraser and his accounting staff also attended a series of business workshops on EU regulations. Fraser was looking forward to increasing his customer base with customers from across Europe. He had already invested thousands of pounds in preparing to expand into the EU market.

The EU rules were very complicated, and Julian soon found that they would probably not be able to grow the business as easily as he first thought. At the same time, friends and neighbors began lining up on one side or the other, favoring or opposing leaving the EU. Calls for exiting the EU, or what they were beginning to label "Brexit," were getting louder. More importantly to Fraser, people in the area were looking to the Frasers to choose a side.

Many people who opposed Brexit claimed that those in favor of Brexit wanted to exit the EU based on racism. The immigrants were not assimilating and frequently called for special treatment and even exemption from Scottish law. Fraser was torn; he did not want to get caught in the middle of this political issue. He was a businessman and only wanted to run his business without getting caught up in politics.

Julian Fraser called a meeting of the elders of the clan, some of whom were involved in the business, all of them lifelong residents of the area. This situation was going to be difficult for the Fraser clan and for other clans across Scotland.

Many people were dependent on Fraser's Marine Motors, including employees, suppliers, and many customers up and down the east coast of Scotland.

If you were Julian Fraser, what would you do?

Questions

1. If you were Julian Fraser, would you support Brexit or call for staying within the EU?
2. Should Julian Fraser try to garner support in favor of Brexit from other members of the Fraser clan?
3. What benefit, if any, would there be for Fraser's Marine Motors should Great Britain leave the EU?
4. If you recommend that the Frasers support Brexit, how should they inform the public?
5. How should the Fraser clan respond to opposition (whether in favor or opposed to Brexit)?

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