

Incorporating international studies and cultural differences in the business classroom

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ABSTRACT

Institutions are increasingly incorporating international topics into all business disciplines. This paper utilizes international trade as a way to accomplish a wide range of learning objectives common to undergraduate business programs in a relevant and understandable manner. Students prepare a business memo outlining the pros and cons of free trade agreements (FTAs) and offering a recommendation about whether free trade should be encouraged. The recommendation is related to a current or recent event such as the U.S.-South Korea Free Trade Agreement ratified in 2011. Focusing on free trade allows students to evaluate ethical dilemmas by looking at the impact on a wide range of stakeholders from multiple perspectives. An example assignment and grading rubric is provided. The assignment is designed to advance not only content knowledge, but also apply ethics-based tradeoff analysis, improve cross-cultural awareness, and develop business communication skills.

Keywords: business education, assessment, international trade, cultural differences, ethics

1. INTRODUCTION

All parts of a business are affected by growing globalization. Consequently, accreditation standards reflect the importance of teaching undergraduate students how global factors affect business decisions. For example, Standard 9 of the AACSB International Business Standards directly emphasizes how economics, politics and social issues within organizations are to be addressed in the context of a global society (AACSB, 2013). This paper uses international trade as a method to address the way internationalization impacts the business environment and offers a way to assess the global knowledge of undergraduate students.

This paper provides an assignment focused on the pros and cons of current negotiations centered on free trade agreements as well as an instrument for assessment consistent with accreditation standards. The assignment is broad enough to include learning objectives related to globalization and ethics while incorporating contemporary events and improving writing skills for undergraduate business students.

Economists generally perceive international trade as a significant plus for the global economy. It can be a source of economic growth and reduce poverty levels in many countries. The usage of trade to promote development in East Asia is an often-cited example of the benefits of trade, especially when contrasted with Latin America (Elson, 2006). The focus on trade in East Asia began in Japan after World War II; Hong Kong, Taiwan, South Korea and Singapore followed in the 1960s; and then Malaysia, Thailand, Indonesia and China in the 1980s. International trade in each of these countries played an important role in increasing growth and lifting billions of people out of poverty.

Businesses benefit from access to large and quickly growing markets in developing and emerging countries as well as more cost effective production. Increased competition lowers prices and promotes innovation. International trade facilitates the flow of new technologies and ideas, removes tax distortions, enhances cross-country relationships, and, perhaps most importantly, allows countries to specialize in the production of goods and services in which they hold a comparative advantage.

International trade, however, is not without its critics. Some doubt that trade liberalization directly promotes economic growth (Rodríguez and Rodrik, 2001; Harrison and Hanson, 1999). Others cite the potentially perverse impact on the distribution of income (inequality), the relocation of jobs overseas, increased dependency on other countries, the need to protect new, 'infant' industries, unemployment created due to labor migration, exploitation of poor working conditions in developing countries, the harmful impact on the environment and the perceived loss of national identity as just a few examples of the negative impact of trade liberalization. The disagreement about the perceived benefits and drawbacks of international trade illustrates the complexity of free trade agreements.

Students are asked to form conclusions based on an understanding of the benefits and costs of international trade. In this context, ethical dilemmas emerge as there may be no singular correct answer that benefits the many stakeholders equally.

This paper is organized as follows: Section 2 highlights the learning objectives that can be addressed in this assignment; Section 3 details the assignment and how it achieves the desired learning objectives; Section 4 provides a rubric that can be used as an assessment tool and a simple way to minimize potential academic dishonesty; Section 5 provides a conclusion.

2. LEARNING OBJECTIVES

The complexity of this issue allows for multiple learning objectives while focusing on a topic that most undergraduate students can understand. The students are asked to serve as a hypothetical economic advisor to their local congressperson and write a memo detailing the pros and cons of voting ‘yay’ or ‘nay’ on the pending free trade agreement between the United States and South Korea.¹ After providing a full summary of both sides of the debate, the students are asked to reflect and apply this knowledge in the form of a recommendation while recognizing possible ethical dilemmas in the decision. The assignment can be easily adjusted to utilize different free trade agreements as they are being developed or come before Congress. In the process of writing this short memo, students can be assessed on the learning objectives that follow. Additional objectives can be assessed with slight modifications to the assignment.

2.1 Objectives

- Students will explain comparative advantage within the context of the pros and cons of international trade
- Students will discuss the ethical implications associated with international trade agreements
- Students will relate international trade concepts to current political events and cultural differences
- Students will communicate recommendations in an appropriate written business format

2.2 Direct Knowledge – Benefits from International Trade

The first objective focuses on the direct knowledge acquired by studying the pros and cons of international trade. The critical benefits of international trade stem primarily from comparative advantage, the transfer of technology, and improved cultural relationships. Comparative advantage is one of the most important, but somewhat misunderstood, concepts in economics. Comparative advantage is the specialization in the production of goods in which you have a lower opportunity cost. This differs from absolute advantage that looks only at productivity. Many examples can be given to illustrate how comparative advantage works within a context that students easily understand. One such example is to look at the opportunity cost of a professional athlete spending time packing his/her belongings to relocate after moving to a new team. Hiring a moving company allows both the less athletic movers and the professional athlete to focus on the activities that have the lowest opportunity cost for each and both sides win. Evaluating international trade agreements allows students to see the application of comparative advantage within a current, large scale, global context.

There are other benefits to international trade that can be emphasized within the discussion as well. Consumers are exposed to wider variety of new products and benefit from increased competition that lowers prices and encourages innovation. Companies have access to new markets that are often larger and have high growth potential. Trade facilitates the diffusion

¹ The United States the United Congress approved States-Korea Free Trade Agreement on October 12, 2011, and Korea’s National Assembly approved it on November 22, 2011. The agreement went into force on March 15, 2012.

of technology around the world improving productivity. Society benefits from people having a better understanding of new cultures. The World Trade Organization offers a summary of these benefits that range from helping to promote peace to reducing corruption to stimulating economic growth (WTO, 2008).

2.3 Ethical Implications – Weighing Both Sides of International Trade

While the benefits are plentiful, there are the potential downsides to international trade. In international trade theory, countries as a whole are shown to benefit from free trade, but with this come ‘winners’ and ‘losers’ within a country. In countries that specialize in high skill intensive industries, it is high skill workers that benefit greatly from trade while lower skill workers may fall further behind. The growth of new technologies amplifies this affect, as the gains tend to benefit those with the skills to create and maintain new innovations.

Each of the following questions related to international trade can create ethical dilemmas for students to consider. Does everyone within a country benefit equally? Does trade create unemployment if jobs are moved overseas? Are workers in poor countries being taken advantage of? Does moving manufacturing production to developing countries without strict regulation harm the environment? Do countries lose a sense of national pride as a result of globalization? Are some countries too dependent on other countries for their goods and services?

After explaining the benefits and costs of international trade, students must think through the impact of international trade on all potential stakeholders. This process of actively analyzing ethical dilemmas and the application to all relevant stakeholders is consistent with 2013 AACSB Business Accreditation goals outlined in both Standards 8 and 9.

2.4 Understanding Current Events, the Political Process and Cultural Differences

The assignment presented in Appendix A focuses on the recent free trade agreement between the United States and South Korea that went into force in March of 2012. Any number of other trade agreements can be substituted including the more recent negotiations of the regional, Asia-Pacific trade agreement known as the Trans-Pacific Partnership (TPP) Agreement. The ability to incorporate ongoing negotiations provides students the opportunity to apply concepts to real world events. Exposure to current events can motivate students to understand the concepts and better prepare them for opportunities after graduation.

In addition, the assignment asks students to make a recommendation to their government representative about the best course of action based on their careful analysis. In the United States, for example, the House of Representatives, the Senate and the President must approve any free trade agreement. This process differs between countries, but understanding how free trade agreements are established can be a specific learning outcome in this assignment. Furthermore, the World Trade Organization (WTO) is introduced in its global role as the court of law governing international trade. The WTO enforces all free trade agreements. Consequently, appeals are made directly to the WTO if any country is thought to have deviated from an agreement.

The cultural aspects of international trade cannot be overlooked. Countries tend to trade more with countries that are closer in distance and larger in size. Other factors that come into play include possible language barriers, prior colonization, cultural distance and historical disputes. One example is how the ongoing dispute over the Falkland Islands in the South

Atlantic Ocean hampers trade between the United Kingdom and Argentina despite potential gains from trade. Another example is the historical friction between China and Japan. Despite the large size of the two economies and their close proximity, economic relationships are strained by a backdrop of political tensions.² Focusing on international trade relations illuminates cultural differences and historical relationships.

2.4 Improved Writing Skills and Business Formatting

One final objective of this assignment is the continual improvement of professional business written communication skills. A significant part of the evaluation is directly related to proper grammar and spelling, a professional tone, and proper formatting. The necessity of having students practice this skill is emphasized by the former chief financial officer of Pitney Bowes Inc. and E*Trade Financial Corp, Bruce Nolp³:

A 2004 Conference Board survey of 120 corporations in the Business Roundtable concluded that most companies take written communications into consideration when making their hiring and promotion decisions and implied that many current or prospective employees lack the requisite skills. This conclusion was reinforced by a 2006 Conference Board survey of 431 human resource professionals, which cited writing skills as one of the biggest gaps in workplace readiness.

This sentiment is echoed in the 2013 AACSB Business Accreditation Standard 9, where students must demonstrate effective written communication. The short business memo required in this assignment provides the opportunity to evaluate the writing ability of the students and a mechanism for assessment and improvement.

3. ASSESSMENT INSTRUMENT DESCRIPTION

Analyzing one specific free trade agreement and discussing the analysis in a short business memo achieve the learning goals outlined in Section 2. Students are asked to assume the role of economic advisor to their representative in the U.S. House of Representatives and to provide a recommendation about how to vote for the pending free trade agreement. The sample assignment presented in Appendix A provides information about the specific Congressperson as well as their actual support or opposition to the agreement. This can be adjusted by each instructor or eliminated completely with each student identifying who the appropriate Congressperson is for his or her district. Students are asked to detail both sides of the issue, form a conclusion and then explain the implications to relevant stakeholders. Students are provided with a list of readings to help them understand the issues and develop their recommendation.

² For more see “The Politics of Japan-China Trade and the Role of the World Trade System” by Shiro Armstrong published in *The World Economy*, Volume 35, Issue 9, September 2012.

³ Excerpt from “Why Aren’t Companies Getting Graduates With the Skills They Need?” The Wall Street Journal, October 14, 2013. Accessed online from <http://online.wsj.com/news/articles/SB10001424052702304561004579135253438812772>

The assignment begins with basic instructions with an emphasis on the importance of writing skills and business formats. A link to the *Purdue Online Writing Lab* is provided as a resource for the tone and format of a business memo.⁴

Next, students are asked to read a brief summary of a current pending free trade agreement provided by the instructor; find additional articles from reputable sources; and answer a series of questions in a professional business format specifically referencing the articles. Students are asked to write a memo to their member of the U.S. House of Representatives detailing:

- What are the benefits of agreeing to this free trade agreement?
- What are the potential downsides of this free trade agreement?
- What is your final recommendation and what is impact on each stakeholder? Be sure to address each country involved.

The assignment does not require students to be (initially) familiar the details of the specific free trade agreement. In the case of the free trade agreement between the United States and South Korea, an excerpt from the *Congressional Research Service Report for Congress* is attached to the assignment to provide a summary of this particular trade agreement. The goal is to increase the students' familiarity with the trade agreement and potential stakeholders. Other possible resources are made available from the *Office of the United States Trade Representative* and the *European Trade Commissions*.⁵ Information on these sources is provided in Appendix B.

Gathering more information about this specific agreement is left to the students. Lists of potential, reputable news outlets are provided that range from U.S.-based newspapers (i.e. Wall Street Journal, Washington Post, New York Times) to international news magazines (i.e. The Financial Times, The Economist), but it is the responsibility of the student to gather the additional sources. This process ensures a greater understanding of the impact of the trade agreement and provides practice filtering out potentially less-reputable online resources.

The students are assumed to have a general understanding of the pros and cons of free trade. This includes a basic understanding of concepts such as comparative advantage and absolute advantage. The emphasis of this assignment is to apply classroom/textbook knowledge in an active, real world setting. In this way, cultural aspects can be addressed given the specificity of the free trade agreement used. This also allows the instructor greater flexibility in using this assignment for a number of ongoing case studies. Whatever free trade agreement is used, it is helpful to provide sources to the students that give details about specific industries, such as financial services, consumer and industrial products and agriculture. An excerpt from one such source is provided in Appendix B. This ensures that students see actual examples of comparative advantage at work.

⁴ The link provided: <https://owl.english.purdue.edu/owl/resource/590/1/>

⁵ From the Office of the United States Trade Representative: <http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta>

From the European Trade Commission: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea/>

4. ASSURANCE OF LEARNING AND GRADING

Appendix C provides a detailed rubric that can be used to assess whether the learning objectives are met. It can be used both for assessment purposes for assurance of learning programs and for grading to facilitate consistency. Providing the rubric to students with the assignment allows them to understand the manner in which they will be graded. Students are evaluated based on their ability to summarize the arguments for and against free trade, apply these arguments to the specific free trade agreement assigned, present a final recommendation grounded in theory and research that addresses potential ethical dilemmas, and the overall grammar, tone and format of the memo. The rubric in Appendix C contains each of these elements:

- Identifying arguments for and against free trade
- Reference to an outside article
- Specific applications to the South Korean FTA
- Organized, well thought out opinion addressing ethical dilemmas.
- Mechanics including grammar, spelling and use of punctuation
- Business memo format

Each trait is evaluated as ‘not completed,’ ‘does not meet expectations,’ ‘meets expectations,’ or ‘exceeds expectations’ for assessment purposes. The rubric further subdivides the classifications to allow for a more fine-tuned grading approach. For a student that does not meet expectations they are able to receive 50 percent or 68 percent of the potential points. A student that meets expectations can receive 75 or 87 percent of the potential points, while a student that exceeds expectations receives full credit. These percentages can be easily adjusted to meet the needs of particular instructors or assurance of learning programs. The rubric also contains a description of what it takes to achieve a certain level. For example, in order to meet expectations there must be no more than 3 spelling or grammatical errors. The criteria are adjustable to be consistent with institutional standards but provide a method for increasing transparency of expectations and more consistent grading.

Students are expected to submit their written work online via turnitin.com.⁶ This tool limits the potential for academic dishonesty by comparing a student’s work to others in the class (current or previous) as well as material found online. Other online plagiarism tools could also be used depending on institutional access.

5. CONCLUSION

This paper provides an assignment that incorporates global factors to address economic, business and ethical issues. Focusing on the benefits and potential costs of free trade agreements narrows the wide-ranging field of globalization into an accessible business application. The benefits of free trade are numerous, including specialization based on comparative advantage, technological diffusion, expanding markets, cost savings, and enhanced cross-country relationships. At the same time, not every country and not every individual benefits equally and

⁶ For more information, visit <http://turnitin.com/>.

some may be made worse off. Looking at both sides of the issue reveals the true complexity of free trade, leading students to wrestle with ethical dilemmas. The tool provided lends itself to specific current event analysis that allows for direct application to ongoing debates. This assignment uses the recent discussions on the free trade agreement between the United States and South Korea, but can be expanded to other free trade agreements such as the pending FTA between the United States and Asia. Featured in this paper is a template for an assessment and grading rubric that allows for institutional assessment of common undergraduate business curriculum goals, provides increased transparency for students, and allows for consistent grading.

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APPENDIX A – Free Trade Agreement

Directions

You are to submit this assignment through turnitin.com. This memo should be typed, 1-2 pages in length and of the correct format. Be sure to use either MS Word or PDF. Read the question carefully. Information regarding the appropriate format of a professional business memo can be found here: <https://owl.english.purdue.edu/owl/resource/590/1/>.

Assignment

In February of 2011 the United States and South Korea finalized a free trade agreement (FTA) that was passed by both countries later that year and went into force in March of 2012. Included with this assignment is a summary of the potential implications for the automobile and other manufacturing industries provided in a Congressional Research Service report for Congress. You need to use additional newspaper or magazine articles to justify your analysis of the pros and cons of the agreement and your recommendation.

You are to write a professional business memo addressed to our member of the U.S. House of Representatives (you can find your representative here: <http://www.house.gov/representatives/find/>) from the perspective as an economic advisor about his/her decision to support/oppose the passage of the agreement. This memo should outline both sides of this issue AND be in the proper format for a business memo. You must provide the general arguments for and against FTAs AND apply them to this case directly before making your concluding recommendation. You should write the memo as if you were an economic advisor charged with considering the ethical dilemmas in this situation. Be sure to indicate how your recommendation will impact the key stakeholders involved.

APPENDIX B – Instructor Provided Resources

U.S. - Korea Free Trade Agreement Excerpt from *Congressional Research Service report for Congress*

The United States and the Republic of Korea signed the United States-Korea Free Trade Agreement (KORUS FTA) on June 30, 2007. On December 3, 2010, the United States and Korea concluded new agreements, reflected in letters signed on February 10, 2011 that provide new market access and level the playing field for U.S. auto manufacturers and workers. Once it enters into force, the Agreement will be the United States' most commercially significant free trade agreement in more than 16 years.

The U.S. International Trade Commission estimates that the reduction of Korean tariffs and tariff-rate quotas on goods alone will add \$10 billion to \$12 billion to annual U.S. Gross Domestic Product and around \$10 billion to annual merchandise exports to Korea.

Under the FTA, nearly 95 percent of bilateral trade in consumer and industrial products will become duty free within five years of the date the FTA enters into force, and most remaining tariffs would be eliminated within 10 years.

For agricultural products, the FTA will immediately eliminate or phase out tariffs and quotas on a broad range of products, with almost two-thirds (by value) of Korea's agriculture imports from the United States becoming duty free upon entry into force.

For services, the FTA will provide meaningful market access commitments that extend across virtually all major service sectors, including greater and more secure access for international delivery services and the opening up of the Korean market for foreign legal consulting services.

In the area of financial services, the FTA will increase access to the Korean market and ensure greater transparency and fair treatment for U.S. suppliers of financial services. The FTA will address nontariff barriers in a wide range of sectors and includes strong provisions on competition policy, labor and environment, and transparency and regulatory due process.

The KORUS FTA will also provide U.S. suppliers with greater access to the Korean government procurement market. In addition to strengthening our economic partnership, the KORUS FTA would help to solidify the two countries' long-standing geostrategic alliance.

As the first U.S. FTA with a North Asian partner, the KORUS FTA is a model for trade agreements for the rest of the region, and underscores the U.S. commitment to, and engagement in, the Asia-Pacific region. Korea's National Assembly is now considering the U.S.-Korea trade agreement. In addition to legislative approval in Korea, before the agreement can enter into force, each country must be able to demonstrate that it is in compliance with those obligations that will take effect on day one. Following ratification in Korea, the United States will schedule cooperative work with Korea on implementing the Agreement. The length of time necessary to implement trade agreements varies, but the President is committed to bringing this Agreement into force as soon as possible.

Other Possible Resources:

From the Office of the United States Trade Representative: <http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta>

From the European Trade Commission: <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea/>

APPENDIX C – Grading Rubric

Objectives	Did not complete	Does not meet expectations		Meets Expectations		Exceeds Expectations
		0%	50%	68%	75%	
Identifying arguments for and against free trade	Did not provide reasons for and against free trade.	Minimal reasons for and against free trade		Made brief reference to reasons for and against free trade for only one country		Effectively summarized arguments for and against free trade for both developed and less developed countries.
Reference to an outside article	Did not use either of the articles provided or find an outside resource.	Briefly referenced one of the provided articles.		Made references to the articles provided but did not find an outside resource.		Displayed evidence of reading the provided articles and found a relevant outside resource.
Specific application to the South Korean FTA	Made no reference to the South Korean FTA.	Only made a vague reference to the South Korean FTA.		Provided only a minimum about of information pertaining directly to the South Korean FTA.		Applied arguments that pertain specifically to the FTA with South Korea.
Organized, well thought out opinion.	Made no recommendations.	Gave a recommendation but not defend reasoning.		Provided a recommendation with little or unconvincing support.		Provided a well thought out stance defended with evidence from the reading.
Mechanics	More than 5 errors; significantly detracted from content.	Three to five errors that detracted from the content.		Fewer than 3 spelling or grammatical errors – did not significantly detract from the content.		No grammatical, spelling or punctuation errors.
Business Memo Format	Did not use business memo format.	Did not contain many elements of a business memo.		Missing a few elements of a business memo		All of the elements of a business memo were present