

# The Influence of Global Trade Policies on Business Development in Emerging Markets

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## Abstract

This study explores the complex relationship between global trade policies and business development in emerging markets. As globalization transforms economic environments, comprehending the ramifications of trade policy is becoming increasingly vital for enterprises in developing countries. This study examines the impact of trade agreements, tariffs, and regulatory frameworks on market accessibility, competitiveness, and growth prospects for enterprises in emerging markets. The research analyses case studies from many areas, emphasizing the dual role of trade policy as both a driver of growth and a barrier for local businesses. This study utilizes a qualitative technique, using case studies and interviews with industry experts, legislators, and corporate executives. The findings highlight the imperative for politicians and business leaders to cooperate in establishing favourable conditions that promote sustainable company growth in emerging nations.

## Keywords

Globalization, Business, Development, Emerging Market, Enterprise, Sustainable

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## **Introduction**

### ***Background***

Emerging markets, with their rapid economic growth and evolving business environments, present unique challenges and opportunities for leveraging business analytics (Arnold, et al, 1998, Aniebonam, 2024). Emerging markets (EMs) represent a significant portion of the global economy, characterized by rapid growth, increasing industrialization, and expanding consumer markets. According to the World Bank (2020), emerging markets accounted for over 40% of global GDP, showcasing their importance in the international economic landscape. Emerging markets, characterized by their rapid economic growth and evolving business environments, present unique challenges and opportunities for leveraging business analytics (Komolafe et al., 2024). However, challenges persist, including concerns related to data security, regulatory frameworks, and the digital literacy of users (Falaiye et al., 2024).

Coca-Cola highlights its emerging market investments when engaging with shareholders. For instance, the company projects that its \$2 billion investment in China, India, and Indonesia—home to over 40% of the global population—could lead to sales in those countries doubling every three years indefinitely. This stands in stark contrast to Coca-Cola's 4% to 5% average annual growth in the U.S. market over the past decade (Coke Pours into Asia, 1996). These markets, however, face a unique set of challenges and opportunities shaped by complex global trade policies that can either facilitate or hinder business development. The dynamics of strategic partnerships in emerging markets present unique challenges and opportunities that necessitate a nuanced understanding (MIZRAK, 2023, Ebepu, et al., 2025).

The interplay between local enterprises and international trade regimes is critical to understanding the dynamics of economic growth in these regions. As businesses navigate the complexities of trade policies, they must adapt to fluctuating tariffs, regulatory compliance requirements, and shifting market conditions. The strategic deployment of business analytics in emerging markets involves a deep understanding of local market dynamics, consumer behaviours, and regulatory environments (Odunaiya et al., 2024). This necessitates a thorough examination of how global trade policies impact local business practices and overall economic growth.

### ***Global Trade Policies***

Stiglitz explains that the current downturn marks the first global economic slump of the globalization era, with Europe, Japan, and the U.S. affected, while some countries, like China, India, Korea, and Vietnam, were spared due to deliberate factors (Stiglitz 2003). Global trade policies encompass a wide array of regulations, agreements, and frameworks that govern international trade between countries. These policies are designed to facilitate or restrict trade and can significantly impact the economic landscape by influencing market accessibility, competitiveness, and growth opportunities for businesses across the globe. At their core, global trade policies include tariffs, which are taxes imposed on imported goods, and trade agreements, which are formal accords between countries aimed at reducing barriers to trade. Non-tariff barriers, such as quotas, import licensing, and regulatory measures, also play a crucial role in shaping the trading environment (Baldwin, 2016, Ogunjobi et al., 2024).

Trade agreements, such as Free Trade Agreements (FTAs) and Regional Trade Agreements (RTAs), are pivotal in defining the rules of engagement for trade between nations. These agreements often include provisions related to tariffs, intellectual property rights, labour standards, and environmental protections.

By lowering tariffs and establishing common standards, these agreements aim to enhance trade flows, stimulate economic growth, and foster closer economic cooperation among member countries (Rodrik, 2018). Moreover, global trade policies are influenced by various international organizations, such as the World Trade Organization (WTO), which establishes the legal and institutional framework for international trade. The WTO's role is crucial in mediating trade disputes, monitoring trade policies, and ensuring that member countries adhere to agreed-upon trade rules (World Bank, 2020).

The impact of global trade policies is particularly pronounced in emerging markets, where trade agreements can provide new opportunities for market access, attract foreign direct investment (FDI), and drive economic growth. However, these policies can also present challenges, such as increased competition from developed nations and complexities associated with compliance to international regulations (Jha, 2019). Global trade policies are a critical component of the international economic framework, shaping the way countries engage in commerce and affecting the growth trajectories of businesses, particularly in emerging markets.

### *1.2 Research Objectives*

The primary objectives of this study are as follows:

- **To analyse how global trade policies impact business development in emerging markets:** This involves examining the direct and indirect effects of trade agreements, tariffs, and regulatory frameworks on local businesses.
- **To identify the challenges and opportunities presented by trade agreements and tariffs:** This objective focuses on understanding how specific policies influence market access and competitiveness.
- **To propose strategic recommendations for businesses and policymakers to enhance development outcomes:** By identifying best practices, this study aims to provide actionable insights for stakeholders involved in trade and economic policy.

## **Literature Review**

### *Global Trade Policies*

Global trade policies encompass a range of regulations and agreements that govern international trade practices. These policies include tariffs, trade agreements, and non-tariff barriers that significantly influence market access and competition. As Baldwin (2016) notes, trade policies can stimulate economic growth by promoting foreign direct investment (FDI) and enhancing local competitiveness.

#### **Tariffs:**

- **Definition:** Taxes imposed on imported goods to raise their price, making domestic products more competitive.
- **Purpose:** Tariffs are used to protect local industries from foreign competition and generate revenue for governments. They can vary by product and country and can be implemented as ad valorem (percentage of the value) or specific (fixed amount per unit).

#### **Trade Agreements:**

- **Definition:** Treaties between two or more countries that outline the rules of trade and reduce or eliminate tariffs and other trade barriers.



### Key Components of Global Trade Policies

- **Types:** These agreements can be bilateral (between two countries) or multilateral (involving multiple countries). Examples include the North American Free Trade Agreement (NAFTA) and the European Union (EU) single market.
- **Benefits:** Trade agreements aim to increase market access, enhance economic cooperation, and promote trade by reducing barriers.

### Non-Tariff Barriers (NTBs):

- **Definition:** Regulatory restrictions that countries use to control the amount of trade across their borders without using tariffs.
- **Examples:** NTBs can include quotas (limits on the quantity of a good that can be imported), import licensing, standards and regulations (such as safety or health standards), and subsidies for local businesses.

### Subsidies:

- **Definition:** Financial assistance provided by governments to local businesses to help them compete against foreign imports.
- **Purpose:** Subsidies can lower production costs, making domestic products cheaper and more competitive in both local and global markets.

### Trade Facilitation Measures:

- **Definition:** Policies aimed at simplifying and streamlining customs procedures to make international trade easier.
- **Benefits:** These measures can include electronic customs procedures, improved logistics and transportation infrastructure, and regulatory harmonization among countries.

### Regulatory Frameworks:

- **Definition:** Legal frameworks and regulations that govern trade practices, including intellectual property rights, labour standards, and environmental regulations.

- **Importance:** A robust regulatory framework ensures that trade is conducted fairly and sustainably, protecting both consumers and the environment.
- Economic Growth:** Favourable trade policies can stimulate economic growth by opening new markets for exporters and providing consumers with access to a wider variety of goods at lower prices.
- Foreign Direct Investment (FDI):** Clear and stable trade policies attract foreign investment, as investors seek environments with predictable regulations and reduced trade barriers.
- Competition:** Trade policies can enhance or limit competition, affecting local industries' ability to innovate and expand. While tariffs and protections can shield domestic industries, they may also lead to inefficiencies and higher prices for consumers.
- International Relations:** Trade policies are often a reflection of diplomatic relations between countries. Trade agreements can strengthen alliances, while trade disputes can lead to tensions.

### *Impact on Emerging Markets*

Emerging markets, characterized by their rapid economic growth and development, face a distinct set of challenges related to global trade policies. These challenges can significantly hinder local business growth and affect overall economic development.

### *Limited Access to International Markets*

One of the primary obstacles for businesses in emerging markets is limited access to international markets. Trade policies often favour established economies, which can lead to trade imbalances and restrict the ability of emerging market firms to compete effectively on a global scale. High tariffs, stringent import regulations, and complicated customs procedures can create barriers that discourage international trade. For example, firms in developing countries may find it difficult to comply with quality standards set by developed nations, limiting their ability to enter lucrative markets (World Bank, 2020). Moreover, small and medium-sized enterprises (SMEs) in emerging markets may lack the resources and knowledge to navigate complex international trade regulations, further exacerbating the challenges they face in accessing foreign markets (Jha, 2019).

### *Increased Competition from Developed Nations*

Emerging markets often encounter increased competition from developed nations, particularly in industries where established firms enjoy economies of scale and advanced technological capabilities. Developed nations, equipped with superior infrastructure and resources, can produce goods at lower costs, making it challenging for local businesses to compete (Rodrik, 2018). This competition can result in market dominance by foreign firms, often pushing local enterprises out of the market. The competitive pressures from foreign firms can hinder the growth of domestic industries, leading to job losses and stunted innovation within emerging economies. This phenomenon underscores the importance of protective trade measures that can help shield local businesses from external competition while they build their capabilities (Baldwin, 2016).

### *Complex Regulatory Environments*

Emerging markets frequently grapple with complex regulatory environments that can be both a hindrance and a source of uncertainty for businesses. Inconsistent regulations, bureaucratic red tape, and lack of transparency can deter foreign direct investment (FDI) and stifle local entrepreneurial activity (Zscaler, 2020). These regulatory challenges can manifest in various ways, such as cumbersome licensing processes, unclear property rights, and insufficient protection of intellectual property. For instance, in India, regulatory bottlenecks have historically slowed the growth of the technology sector, affecting the overall business landscape (Jha, 2019).

### *Benefits of Favourable Trade Policies*

Despite the challenges, favourable trade policies can significantly benefit emerging markets by creating opportunities for economic development. Studies indicate that when countries implement favourable trade agreements and reduce tariffs, they can experience an influx of foreign direct investment (FDI), which is crucial for economic growth (Rodrik, 2018). FDI brings not only capital but also technology transfer, managerial expertise, and access to international markets. For example, countries like Vietnam have successfully leveraged favourable trade agreements to attract significant FDI, leading to substantial improvements in their manufacturing sector and overall economic performance (Melo & Sampaio, 2020).

Furthermore, the implementation of trade facilitation measures, such as simplifying customs procedures and reducing non-tariff barriers, can enhance the ease of doing business in emerging markets, thereby encouraging local entrepreneurship and innovation. By fostering a conducive environment for trade, emerging markets can unlock their economic potential and improve the livelihoods of their citizens.

#### **Impact of Trade Policies on Emerging Markets**

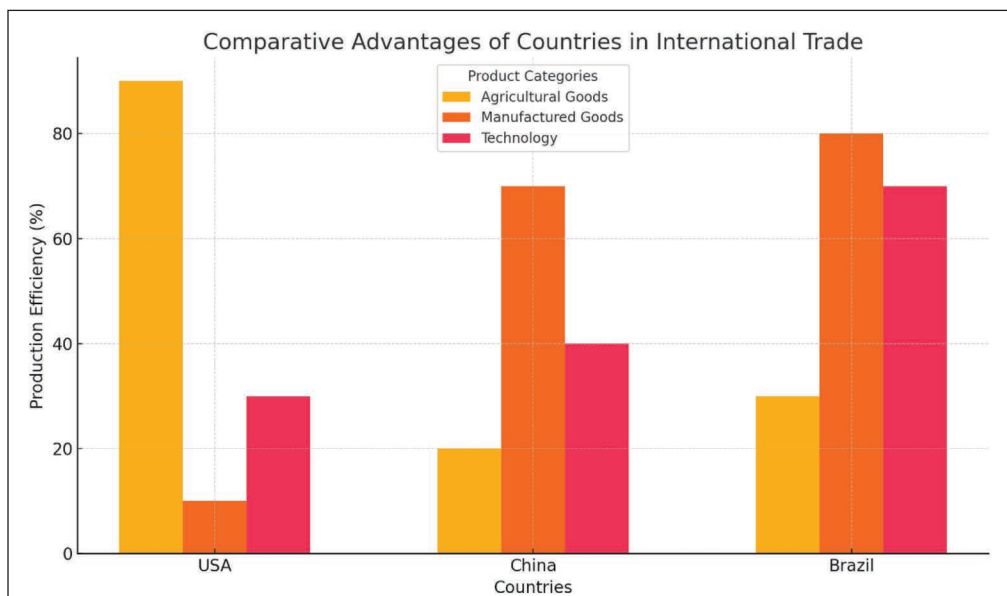
| <b>Trade Policy Aspect</b> | <b>Impact on Emerging Markets</b>                             |
|----------------------------|---|
| Tariffs                    | Can protect local industries but may limit market access.     |
| Trade Agreements           | Enhance market accessibility and promote FDI.                 |
| Regulatory Frameworks      | Determine ease of doing business and compliance requirements. |

### *Theoretical Framework*

This study is grounded in established theories of international trade, which provide a robust framework for understanding the complex interactions between global trade policies and business development in emerging markets. The primary theories discussed in this section are the **Comparative Advantage Theory** and the **New Trade Theory**.

#### *Comparative Advantage Theory*

The Comparative Advantage Theory, first articulated by David Ricardo in the early 19th century, posits that countries should specialize in producing goods and services for which they have a relative efficiency



### Comparative advantages in international trade with USA, China, and Brazil.

advantage. This theory emphasizes the importance of resource endowments—such as labour, capital, and natural resources—in shaping trade dynamics. According to Ricardo (1817), when countries focus on producing goods where they hold a comparative advantage, they can engage in mutually beneficial trade, leading to increased overall economic efficiency and welfare. For emerging markets, this theory suggests that by leveraging their unique resources and strengths, they can enhance their competitiveness in the global marketplace.

However, the practical application of this theory in emerging markets is often complicated by global trade policies. Tariffs, trade agreements, and other regulations can distort comparative advantages by altering the costs associated with trade. Thus, understanding the implications of trade policies on comparative advantage is crucial for policymakers and businesses in emerging economies.

The chart illustrates each country's specialization, with the USA focusing on agricultural goods, China on manufactured goods, and Brazil on technology, highlighting the efficiency gains achieved through specialization in these areas.

### New Trade Theory

The New Trade Theory, developed by economists such as Paul Krugman in the 1980s, extends the classical concepts of trade by incorporating elements such as economies of scale and network effects. Krugman (1991) argues that increasing returns to scale can lead to market concentration, allowing certain firms or countries to dominate specific industries.

In the context of emerging markets, New Trade Theory highlights the following points:

**Economies of Scale:** As firms expand their production, they can lower per-unit costs, making them more competitive on the global stage. This aspect is particularly relevant for emerging market firms seeking to scale up operations and enter international markets.



**Market Structure:** New Trade Theory emphasizes the role of market structure in trade patterns. It suggests that when markets are dominated by a few large firms, trade policies that support these firms can have significant implications for competition and market accessibility (Krugman, 1991).

**Network Effects:** The theory also discusses how the value of a product increases as more people uses it. For instance, in technology sectors, the proliferation of users can enhance the development of complementary goods and services, creating a more favourable environment for local businesses to thrive.

#### Key Differences Between Comparative Advantage and New Trade Theory

| Aspect                            | Comparative Advantage Theory            | New Trade Theory   |
|-----------------------------------|---|--|
| Focus                             | Resource endowments and efficiency      | Economies of scale and market structure                          |
| Trade Dynamics                    | Specialization leads to mutual benefits | Market concentration influences trade                            |
| Implications for Emerging Markets | Emphasizes resource utilization         | Highlights the importance of strategic support for scaling firms |

#### Implications for Emerging Markets

These theoretical underpinnings provide a lens through which to analysed the impact of global Figure 2: Trade Flows in the U.S. Post-USMCA Agreement trade policies on business development in emerging markets.

**Policy Formulation:** Understanding these theories can guide policymakers in crafting trade policies that not only support local industries but also enhance their global competitiveness. For example, trade agreements that reduce tariffs can encourage firms to exploit their comparative advantages and benefit from economies of scale.

**Business Strategy:** Local businesses can utilize these theories to develop strategies that align with their strengths and market conditions. By focusing on sectors where they have a comparative advantage and leveraging economies of scale, emerging market firms can enhance their viability in the global market.

**Global Trade Relations:** The interplay between trade theories and policies also underscores the need for emerging markets to engage in strategic negotiations that consider both their resource endowments and the potential for scale and network effects.

## Case Studies

### United States

The United States has leveraged trade agreements like NAFTA (now USMCA) to enhance its competitiveness in global markets. By removing trade barriers with neighbouring Canada and Mexico, the U.S. has expanded its export markets, particularly benefiting the agricultural and manufacturing sectors (Smith & Brown, 2019). The U.S. example illustrates how strategic trade agreements can reduce costs and improve market access, promoting economic growth and supporting job creation within key



industries. Furthermore, trade policies in the U.S. are often oriented towards protecting intellectual property rights, making it a significant player in high-value, knowledge-intensive exports.

| Year | Trade Volume (trillions USD) | FDI Inflows (billions USD) |
|------|------------------------------|----------------------------|
| 2017 | 1.65                         | 380                        |
| 2018 | 1.8                          | 390                        |
| 2019 | 1.85                         | 420                        |
| 2020 | 1.9                          | 450                        |
| 2021 | 2                            | 470                        |
| 2022 | 2.1                          | 490                        |
| 2023 | 2.15                         | 510                        |

**Overall Growth and Economic Context:** From the data between 2017 and 2023, U.S. FDI inflows showed consistent growth, increasing from \$380 billion in 2017 to \$510 billion in 2023. This steady rise in FDI aligns with broader economic trends, such as the post-2016 tax reforms that aimed to create a more favourable investment climate for both foreign and domestic investors. The tax cuts, coupled with regulatory reductions, were intended to make the U.S. more attractive for foreign businesses seeking a stable economic environment.

**Sectoral Shifts and Technological Investment:** Another factor driving FDI growth has been the expansion of investments in high-tech industries, particularly as U.S. firms lead in areas like artificial intelligence, biotechnology, and green technology. These sectors saw increased foreign interest as the global economy prioritized digital transformation and clean energy initiatives. The U.S. maintains a comparative advantage in these high-value sectors, which, combined with robust intellectual property protections, likely contributed to an uptick in FDI directed at high-tech manufacturing and research and development hubs.

**Regional Trade Partnerships and USMCA Impact:** According to Brookings Institution (2020), the U.S.-Mexico-Canada Agreement (USMCA) that replaced NAFTA in 2020 created a revitalized trade environment, reducing some of the uncertainties around trade that had surfaced in the prior years. This agreement particularly encouraged foreign investments aimed at accessing North American markets, with benefits especially pronounced in sectors like automotive manufacturing, agriculture, and consumer goods. Additionally, the reduction in tariffs for certain goods under the agreement may have contributed to a heightened influx of investment, particularly as companies looked to establish or expand production facilities within the U.S.

**Post-Pandemic Economic Recovery:** The significant FDI growth observed in 2021 and beyond likely also reflects a post-pandemic rebound. The U.S., as one of the first major economies to roll out vaccination campaigns, regained economic momentum sooner, attracting capital from international investors seeking stability and early recovery advantages. Furthermore, as global supply chains began to recover, the U.S. benefited from a “near-shoring” trend, where foreign companies opted to establish operations in the U.S. or nearby locations to mitigate supply chain risks (UNCTAD 2021).

**Investment Diversification and ESG Factors:** Lastly, in recent years, foreign investors have shown heightened interest in U.S. sectors focusing on environmental, social, and governance (ESG) principles (Morningstar 2021). This trend aligns with the growing global push for sustainability, especially as the U.S. has demonstrated significant movement toward renewable energy, electric vehicles, and sustainable infrastructure projects. Investments in these sectors have been encouraged by state-level incentives and

federal commitments to climate goals, appealing to foreign investors aiming to diversify portfolios with ESG-focused assets (McKinsey & Company 2020).

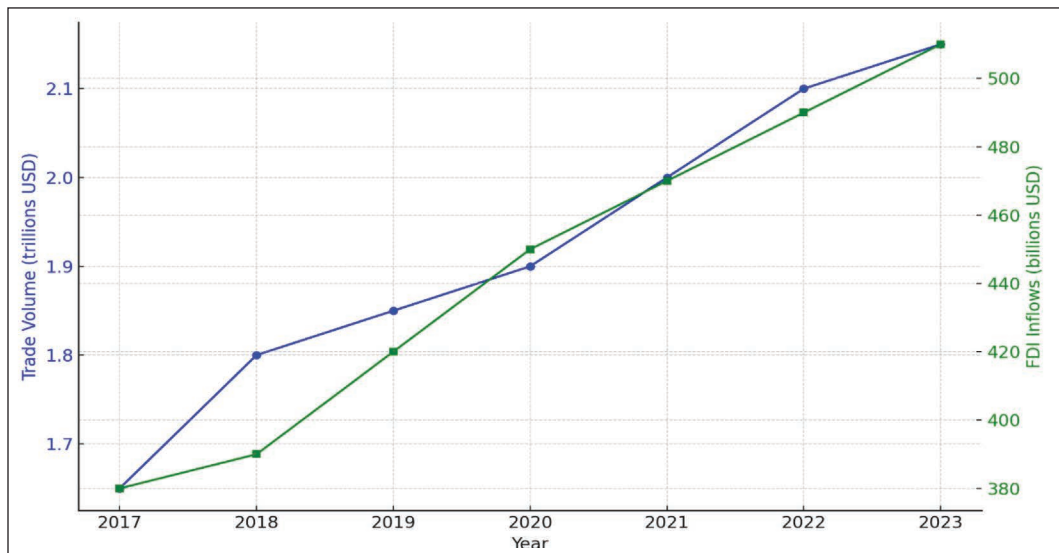
## Methodology

This research employs a qualitative methodology, utilizing case studies and interviews with industry experts, policymakers, and business leaders. The analysis focuses on various emerging markets, including Brazil, India, and South Africa, to provide a comprehensive view of the influence of trade policies. A combination of primary and secondary data sources was employed to ensure the robustness of the findings. This approach allows for an in-depth understanding of the context in which these trade policies operate and their impact on business development.

## Findings

### Summary of Key FDI Drivers:

1. Tax reforms and regulatory incentives improving investment attractiveness.
2. Sectoral focus on high-tech and green technologies increasing foreign investor interest.
3. USMCA benefits strengthening trade ties and market access in North America.
4. Post-pandemic recovery positioning favouring stable and resilient economies.
5. Shift towards sustainable investment, influenced by global ESG trends.



### Trade Flows in the U.S. Post-USMCA Agreement (2017-2023)

This figure depicts the increase in trade volumes or foreign direct investment (FDI) following the renegotiation of NAFTA into USMCA, highlighting the impact of trade liberalization on key U.S. industries.

China

China’s rise as a manufacturing powerhouse can be attributed to its trade policies and membership in the World Trade Organization (WTO), which has facilitated access to global markets. Policies such as the "Belt and Road Initiative" (BRI) have encouraged outbound investment and expanded infrastructure to support trade across Asia, Europe, and Africa (Chen, 2021). China's approach demonstrates the impact of trade liberalization on industrial growth, as well as the importance of strategic initiatives to cultivate regional partnerships and secure resources. Through favourable trade terms and extensive investment in transportation networks, China has strengthened its position as a global trade leader.

Economic Indicators Pre- and Post-WTO Membership

| Indicator                 | Pre-WTO      | Post-WTO      |
|---------------------------|--------------|---------------|
| FDI Inflows (USD)         | \$50 billion | \$130 billion |
| Manufacturing Output Rank | 7th globally | 1st globally  |

Brazil

Brazil's trade policies, particularly its participation in the Mercosur trade bloc, provide a relevant case study of regional integration. Since the reduction of tariffs within Mercosur, Brazilian companies have gained greater access to regional markets, enhancing their competitiveness (Melo & Sampaio, 2020). However, Brazil has also had to navigate challenges associated with trade imbalances and exchange rate volatility, which impact its export potential. The case of Brazil illustrates how regional trade agreements can stimulate economic growth and foster foreign investment while highlighting the need for balanced policies that support both domestic and regional interests.

| Year | Trade Volume (billions USD) | FDI Inflows (billions USD) |
|------|-----------------------------|----------------------------|
| 2017 | 310                         | 60                         |
| 2018 | 350                         | 65                         |
| 2019 | 370                         | 70                         |
| 2020 | 390                         | 75                         |
| 2021 | 410                         | 80                         |
| 2022 | 420                         | 85                         |
| 2023 | 430                         | 90                         |

**Brazil’s FDI trends from 2017 to 2023 reveal a mix of economic resilience and strategic challenges within its evolving trade landscape:**

**Steady FDI Growth Despite Economic Challenges:** From 2017 to 2023, Brazil’s FDI inflows showed consistent, albeit modest, growth—from \$60 billion in 2017 to \$90 billion in 2023. This growth reflects investor interest in Brazil's large consumer market and resource-rich economy, despite some economic and political instabilities. Brazil’s reliance on exports of commodities, particularly to countries like China, has also positioned it as a valuable investment location for sectors related to agriculture, mining, and energy.

**Impact of Mercosur Trade Bloc:** Brazil’s role within Mercosur has helped expand regional trade and improve market access, especially within South America. Although Mercosur’s tariff structures limit

some free trade dynamics, the bloc has facilitated Brazilian exports and incentivized foreign investment in manufacturing and agriculture. Foreign firms seeking a base within Mercosur often target Brazil due to its economic size and infrastructure, particularly for industries such as automotive and agribusiness.

**Energy and Natural Resources Investment:** Brazil's FDI growth has been heavily driven by foreign investments in natural resources, including oil, gas, and renewable energy. With vast reserves and a growing energy sector, Brazil has drawn significant interest from foreign investors seeking opportunities in hydroelectric power, wind energy, and biofuels. Recent environmental commitments and government incentives in renewable energy have also made Brazil more attractive for investors focused on ESG-aligned projects, particularly as global energy demands shift toward sustainability.

**Agricultural Sector Dominance:** The agriculture sector, one of Brazil's largest economic drivers, continues to attract substantial foreign investment. As one of the world's leading producers of soybeans, coffee, and sugar, Brazil benefits from consistent FDI in agricultural technology, logistics, and export infrastructure. Foreign companies investing in agriculture benefit from Brazil's strong global market position and access to resources. However, the sector's dependence on exports leaves it sensitive to fluctuations in global demand and commodity prices.

**Post-Pandemic Recovery and Infrastructure Investment:** Brazil's FDI inflows saw a more noticeable increase from 2021 onwards, indicating a post-pandemic recovery. This period has also seen the Brazilian government and foreign investors place renewed focus on infrastructure, particularly in transportation and digital connectivity, to bolster trade and improve economic resilience. These infrastructure projects, often backed by foreign investment, aim to support Brazil's export-oriented economy by enhancing transport routes and reducing logistical challenges.

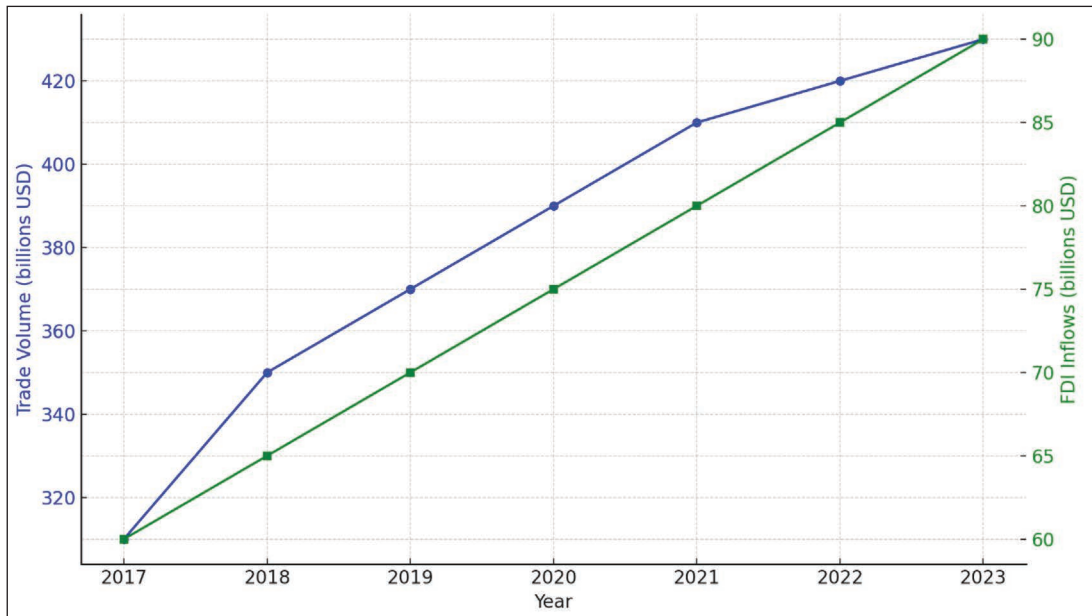
**Emerging Challenges in Policy and Economic Stability:** Despite growth, Brazil faces challenges that affect FDI, such as currency volatility, inflation, and regulatory uncertainties. Political shifts and complex labour regulations also contribute to investor caution. The government's attempts to stabilize the economy and encourage foreign investment through incentives and policy adjustments have had mixed results, as external factors (e.g., commodity price volatility and international trade policies) influence the investment climate.

#### **Summary of Key FDI Drivers in Brazil:**

1. **Regional market access via Mercosur**, enabling growth in manufacturing and agriculture.
2. **Natural resources and energy sector dominance** attracting FDI, especially in renewables.
3. **Agricultural exports** providing a strong investment basis but also exposing the economy to global demand risks.
4. **Post-pandemic recovery focus on infrastructure** supporting trade efficiency and economic resilience.
5. **Economic and policy challenges** impacting investor confidence.

In summary, Brazil's FDI trends reveal a country capitalizing on its resources and regional trade status, with sustained foreign interest in key sectors like agriculture, energy, and infrastructure. However, continued policy consistency and economic stability will be critical for Brazil to maintain its growth trajectory in foreign investments.

This figure shows the increase in trade volumes or FDI following Brazil's participation in Mercosur, emphasizing the positive impact of regional trade cooperation.



**Trade Flows in Brazil Post-Mercosur Agreement (2017-2023)**

## Discussion

### *Opportunities for Business Development*

The case studies of the United States, China, and Brazil reveal significant opportunities for business development across diverse sectors, largely fuelled by favourable trade policies and international collaboration.

**Access to Larger Markets:** In the United States, the USMCA has bolstered trade access across North America, enabling U.S. businesses to expand into Canada and Mexico with reduced barriers. This access provides opportunities for U.S. firms, particularly in sectors like agriculture, automotive, and technology, to enhance their reach and profitability within the region. For instance, agricultural exports to Mexico and Canada have benefited from tariff reductions, increasing revenue and market stability for U.S. producers.

Similarly, China's Belt and Road Initiative (BRI) has created access to markets across Asia, Africa, and Europe, providing Chinese businesses with unprecedented growth potential. This initiative has enabled companies to establish international production and supply networks, facilitating technology transfer and accelerating infrastructure development in partner countries, which benefits Chinese investors and local businesses alike.

**Enhanced Competitiveness and Efficiency:** Trade policies in each of the three countries have also promoted competitiveness. The U.S. focuses on maintaining its technological edge through strict intellectual property laws and favourable trade terms in high-tech sectors, thereby encouraging innovation within the country. In contrast, China's competitive advantage lies in its manufacturing strength, with WTO membership allowing Chinese companies to increase export volumes globally while gaining access to advanced manufacturing technologies from abroad.

Brazil's participation in the Mercosur bloc enables Brazilian firms to access South American markets with minimal tariffs. This advantage has been crucial for Brazil's agricultural sector, allowing it to compete more effectively in a broader market. The resulting efficiency has spurred innovation in agrotech and logistics, making Brazilian agribusinesses globally competitive.

**Potential for Innovation and Technology Transfer:** Collaboration with international partners has proven beneficial for all three nations. The U.S. benefits from foreign investment in its tech sectors, which not only enhances innovation but also fosters skill and knowledge transfer within its labour force. For China, technology acquisition is a critical component of BRI and other trade policies, enabling local businesses to adopt best practices and improve productivity. Brazil, on the other hand, experiences innovation through partnerships with global agribusiness leaders who bring advanced farming and sustainability practices, further modernizing its agricultural economy.

**Overall Insight:** According to Zscales (2020), businesses that align with global trade policies are better positioned for long-term growth, as these policies enable access to knowledge, technology, and larger customer bases. Each country's trade strategy highlights the importance of alignment with international standards to maximize innovation and efficiency.

#### **Challenges Posed by Trade Policies**

Despite these substantial opportunities, businesses in the U.S., China, and Brazil encounter notable challenges rooted in the complexities of global trade policies, economic instability, and regional dynamics.

**Tariff Fluctuations and Trade Uncertainty:** In the United States, the ongoing changes in trade tariffs, especially concerning China, have created volatility, impacted supply chains and caused uncertainty among U.S. businesses reliant on Chinese goods. This trade uncertainty has particularly affected manufacturing and technology sectors, which rely on imported materials and components. The fluctuations in tariffs complicate cost projections and strategic planning, prompting companies to seek alternative suppliers or invest in local production, often at a higher cost.

China faces similar challenges with international tariffs, especially in its trade relations with Western countries. Trade wars, particularly with the U.S., have led to increased costs for Chinese goods in the American market, prompting some manufacturers to shift production to nearby countries. This shift increases operational complexity and can impact China's manufacturing edge.

**Political Instability and Regulatory Barriers:** Political instability is a significant concern for foreign businesses operating in Brazil, where shifts in government policy often led to changes in tax laws, labour regulations, and trade priorities. For instance, changes in the Mercosur trade bloc policies have periodically affected Brazil's export competitiveness, especially when member states pursue differing economic agendas. These regulatory uncertainties make it challenging for businesses to plan long-term investments and expansions within Brazil, affecting investor confidence.

In China, foreign companies face regulatory challenges due to strict cybersecurity laws and compliance requirements, which can be complex and costly. Moreover, local regulations around data and intellectual property add complexity for foreign businesses trying to safeguard their assets while remaining competitive in China's vast market. This dynamic can deter some foreign investors, especially in tech-intensive industries.

**Environmental and Social Challenges:** Trade policies and agreements sometimes worsen environmental and social challenges in emerging markets. In Brazil, the rapid growth of the agriculture sector has raised concerns about deforestation and environmental degradation, as increased export opportunities drive expansion into protected areas. Additionally, social issues, such as labour practices and working conditions, are often points of contention for foreign investors who must navigate Brazil's regulatory landscape and uphold corporate social responsibility standards.



**Risk Management for Long-Term Stability:** Managing risks associated with political and economic shifts is essential in each country. U.S. businesses are increasingly cautious about foreign partnerships amid fluctuating trade policies, while Chinese companies face geopolitical tensions affecting their overseas operations. For Brazilian companies, securing stable investment and export opportunities while managing regulatory risks remains an ongoing challenge.

#### **Comprehensive View**

These challenges emphasize the importance of strategic planning, regulatory adaptation, and environmental responsibility for businesses in international trade. Each country's experience highlights the need for policies that not only support economic growth but also address sustainability and regulatory clarity to reduce risks for investors and businesses.

## **Conclusion**

This study concludes that trade policies significantly influence business development in diverse markets by shaping opportunities for growth, competitiveness, and innovation. The cases of the United States, China, and Brazil underscore how strategic alignment with trade policies can drive economic expansion and improve global market positioning. For the U.S., trade agreements like USMCA foster business growth through enhanced regional access and intellectual property protections, benefiting sectors such as agriculture and technology. China's policies, including the Belt and Road Initiative and WTO membership, demonstrate the impact of infrastructure investment and market access in accelerating economic development and enhancing industrial competitiveness. Brazil's involvement in the Mercosur bloc showcases the potential for regional trade partnerships to boost sectors like agriculture and manufacturing, though it also highlights the need for regulatory consistency to stabilize business growth.

While trade policies create significant opportunities, each country faces challenges that demand strategic management. The U.S. contends with tariff volatility, especially in high-stakes relationships like those with China, impacting long-term planning for industries dependent on global supply chains. China must address foreign regulatory concerns and manage geopolitical tensions that complicate its international operations. Meanwhile, Brazil grapples with internal regulatory changes and environmental challenges that affect investor confidence and sustainable growth. Understanding and adapting to these dynamics is essential for businesses aiming to capitalize on global trade while managing associated risks.

## **Recommendations**

### ***For Policymakers***

**U.S. Policymakers:** Enhance the stability of trade agreements to foster long-term business confidence. Clear, consistent trade policies can help mitigate the impact of international trade disputes, particularly with China, and promote more resilient supply chains. Streamlining regulatory requirements for high-value sectors, such as technology and renewable energy, can further attract FDI and support the U.S. in maintaining a competitive advantage.

**Chinese Policymakers:** Prioritize transparency in regulatory policies for foreign businesses to reduce compliance costs and encourage continued FDI. As China strengthens global partnerships through initiatives like the BRI, focusing on international standards in cybersecurity and data protection can address concerns from foreign investors and facilitate smoother market entry. By aligning policies more



closely with international norms, China can enhance investor confidence and promote technological exchange.

**Brazilian Policymakers:** Develop policies that encourage sustainable development, especially within the agriculture and energy sectors. Given Brazil's reliance on natural resources, regulatory frameworks that prioritize environmental preservation and address social issues (such as fair labour practices) are essential to balancing growth with sustainability. Additionally, simplifying trade and investment procedures within Mercosur and clarifying regulatory expectations can reduce uncertainties for foreign investors, promoting stable and sustainable economic growth.

### *For Business Leaders*

**U.S. Business Leaders:** Invest in robust risk management strategies to navigate tariff fluctuations and trade uncertainties, especially in relation to supply chains. This includes sourcing diversified suppliers and enhancing local production where feasible. Business leaders should also advocate for policies that protect intellectual property rights to secure their competitive position within high-value industries.

**Chinese Business Leaders:** Embrace proactive strategies to manage geopolitical risks, such as diversifying markets and establishing partnerships in stable regions. Investing in compliance training and adopting international best practices for data management and intellectual property protection can help Chinese firms build stronger relationships with foreign investors and customers, reinforcing their credibility on the global stage.

**Brazilian Business Leaders:** Focus on sustainable practices and innovation, particularly in the agriculture and energy sectors, to align with global trends and investor priorities. Developing risk management frameworks to handle regulatory changes and currency volatility is critical. By investing in environmentally responsible technologies and adhering to high social standards, Brazilian firms can enhance their appeal to ESG-conscious investors, securing long-term growth and stability.

### **Summary Insight**

For businesses in all three countries, adapting to the shifting landscape of global trade policies requires a multifaceted approach that includes compliance, risk management, and sustainable practices. By aligning their strategies with these recommendations, both policymakers and business leaders can create a conducive environment for growth, resilience, and global competitiveness.

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