**SELF TEST QUESTIONS**

1. Explain what International Trade is
2. Explain the difference between imports and exports (Use examples)

3. Outline the difference between visible and invisible trade

4. Explain why Ireland trade with other countries

5. Outline the difference between balance of trade and balance of payments

6. Explain the benefits and challenges of international trade

**KEYWORDS**

**International Trade** - This is the buying (Importing) and selling (Exporting)

of goods and service between countries

**Visible -** These are the physical products that can be seen going in and out

of a country**.** For example, Cars

**Invisible -** These are service that are going in and out of a country. You can’t see them For example, Banking

**Importing** - This is the buying of product and service form other

countries. The money leave Ireland

**Visible Imports -** These are the physical goods and service that Ireland

buys from other countries. For example, Oil

**Invisible Imports -** These are the service that Ireland buys from other

countries. For Example, Irish school going on school tours abroad

**Balance of Payments** - This is the difference between total exports and

total imports over one year in a country

**Balance of Trade** - This is the difference between visible exports and

visible import

**Free Trade** - this is when there is an agreement between countries to not

have any barriers when trading goods

**Tariff** - This is a tax put of imports form another country to make them more expensive – For example, custom duty

**Quota** -This is a limit on the amount of a good that can be imported into a country

**Embargo** - This a country puts a complete ban on a product being imported into a country

**Subsidiary** - This is a direct payment to the producer. It reduces the cost of production and make exports cheaper. For example, EU payments to farmers

**Enterprise Ireland** - This is a state agency that helps Irish business export to other countries

**Globalisation**- This is when the world become interconnected due to increase trade and cultural exchange

**Global Business** - This is a business that sees the world as one market. They provide the same product using the same marketing mix (Standardised marketing mix). This helps them build a global brand

**WHO AND WHAT DOES IRELAND TRADE WITH**

Ireland Imports and exports to the following countries

Exports – US, UK, Belgium, Germany and Switzerland

Imports – UK, US, Germany, China and The Netherlands

The following are some of the goods and service that we export and import

Exports – Machinery, Computers, Chemicals, Medical devices

Imports – Cars, clothing, Petrol

**WHY DOES IRELAND IMPORT GOODS AND SERVICES**

Ireland imports goods from other countries

1. Climate – we don’t have the climate to grow certain goods - Coffee

2. Raw Materials – we don’t have the raw material to make the products

3. Choice for consumers – better choice to meet customer needs

4. Cost – it is cheaper to import the good (from china)

5. Small domestic market

**BENEFITS OF INTERNATIONAL TRADE**

**Free Trade** - this is when there is an agreement between countries to not

have any barriers when trading goods

***BARRIERS TO TRADE***

Tariff Quota

Embargo Subsidiary

***REASON FOR BARRIER TO FREE TRADE***

1. To protect indigenous industries – New business may find it hard to compete with established companies from other countries. So, goods imported from here are limited

2. To protect domestic employment – Limiting imports protect jobs being lost in Ireland

3. To protect against cheap labour -

4. National Security – to protect the spread of disease

**BENEFITS AND CHALLENGES OF INTERNATIONAL TRADE**

|  |  |
| --- | --- |
| **BENEFITS** | **CHALENGES** |
| 1. Increase Sales
 | 1. Higher costs
 |
| 1. Spread risks
 | 1. Language
 |
| 1. Raw materials
 | 1. Exchange Rates
 |
| 1. Lower costs
 | 1. Competition
 |

**MEASURING INTERNATIONAL TRADE**

|  |  |
| --- | --- |
| **Balance of Payments** | **Balance of Trade** |
| Total Exports – Total Imports | Visible exports – visible imports |
| Total Exports = Visible exports  + invisible exports |  |
| Total Imports – Visible imports + invisible imports |  |
| Surplus = total Exports > Total Imports | Surplus = Visible exports > visible imports |
| Deficit = Total Exports < Total Imports | Deficit = visible exports < visible imports |

**BENEFITS OF INTERNATIONAL TRADE**

**Enterprise Ireland** **Def** This is a state agency that helps Irish business export to other countries

The aim of Enterprise Ireland included the following

1. It provides market research on foreign markets

2. It organises trade fairs for Irish business to show their product to other countries

3. They provide advice – documentation, getting paid

**GLOBALISATION**

*1. Global Product* – use the same product and brand name to sell the product. Some changes may be needed to the product to meet local needs and tastes.

*2. Global Price* – have the same price in each market, but some factors may change for example a higher standard of living means the company will charge a higher price. Competition can lead to lowering of the price

*3. Global promotion* – The company will try to have the same adverting worldwide, but changes may be made due to language and culture

4. Global Place – This is how the company will sell its product o the consumer. They will usually use local distributor to deliver their products

**BENEFITS OF INTERNATIONAL TRADE**

*1. Increase Sales* – Exports opens a bigger market to sell to which leads to more sales

*2. Spread Risk* – Because there are more market Ireland is not depending on one market

*3. Raw Materials* – There are some raw material that we can’t produce in Ireland

*4. Lower Costs* – The more product Ireland makes the cheaper is is to produce them (Economic of scale). This reduces costs and increase profits

***REASON FOR GLOBAL BUSINESSES***

*1. To increase sales* – the business has a small domestic market, or they dominate that market already so to increase sales and profits

*2. Mass Production* – more they produce the cost per unit decreases. This means they can achieve economics of scale and increase profits form sales

*3. Development in ICT* - It is easier to trade globally with the changes in ICT. For example, you can create a website and sell internationally