
3.7

Exploring Business

International Trade

Learning Outcome Notes

LO 3.7 - Debate the implications of globalisation of trade, including the benefits and challenges of international trade.

CHAPTER QUESTIONS

By the end of this chapter, you should be able to do the following -

1. Understand what international trade is.
2. Using examples explain the difference between the difference between imports and exports.
3. Outline the difference between visible and invisible trade.
4. Explain why Ireland trades with other countries and the benefits of this trade
5. Differentiate between the balance of trade and balance of payments.
6. Understand globalisation.

WHAT IS INTERNATIONAL TRADE.

International Trade ^{Def} This is the buying (Importing) and selling (Exporting) of goods and service between countries.

International trade is divided into the following -

Visible ^{Def} These are the physical products that can be seen going in and out of a country. For example, Cars

Invisible ^{Def} These are service that are going in and out of a country. You can't see them.
For example, Banking

WHAT IS IMPORTAING

Importing ^{Def} This is the buying of product and service form other countries. The money leave Ireland

Visible Imports ^{Def} These are the physical goods and service that Ireland buys from other countries. For example, Oil

Invisible Imports ^{Def} These are the service that Ireland buys from other countries. For Example, Irish school going on school tours abroad

Why does Ireland import goods and services?

The following are some of the reasons why Ireland imports goods from other countries -

1. Climate
2. Raw Materials

3. Choice for consumers
4. Cost
5. Small domestic market

WHAT IS EXPORTING

Importing ^{Def} This is the selling of products and service to other countries. The money comes into Ireland.

Visible Imports ^{Def} These are the physical goods and service that Ireland sells to other countries. For example, Meat

Invisible Imports ^{Def} These are the service that Ireland sells to other countries. For Example, Students from Spain coming to Ireland to study English.

Why does Ireland exports goods and services?

The following are some of the reasons why Ireland imports goods from other countries -

1. To increase sale/profit.
2. To create employment.
3. Demand for Irish goods.
4. Earn foreign currencies.

IRELAND'S MAIN TRADING PARTNERS

Ireland trades - Imports and exports with a lot of other countries.

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

HOW IS INTERNATIONAL TRADE MEASURED

Balance of Payments ^{Def} This is the difference between total exports and total imports over one year in a country.

Total Exports = Invisible exports + Visible Exports

Total imports = Invisible imports + Visible imports

Balance of Payments surplus = Total Exports > Total imports

Balance of Payment Deficit = Total Exports < Total Imports

Balance of Trade ^{Def} This is the difference between visible exports and visible import

Balance of Trade surplus = Visible Exports > Visible imports

Balance of Trade Deficit = Visible Exports < Visible Imports

BENEFITS OF INTERNATIONAL TRADE FOR BUSINESS

The following are some of the benefits of international trade for business in Ireland -

1. *Increase Sales* - Exports opens a bigger market to sell to which leads to more sales.
2. *Spread Risk* - Because there are more markets, Ireland is not depending on one market.
3. *Raw Materials* - There are some raw materials that we can't produce in Ireland.
4. *Lower Costs* - The more products Ireland makes the cheaper is to produce them (Economic of scale). This reduces costs and increase profits.

CHALLENGE OF INTERNATIONAL TRADE FOR BUSINESSES

The following are some of challenge of international trade to Irish businesses -

1. *High Costs* - Because Ireland is an island it is more expensive to transport goods. The only option businesses have is plan or boat.
2. *Languages* - Business have to be able to communicate in different languages (Websites)
3. *Exchange Rates* - The change in the currencies from countries that don't use the Euro can be expensive. For example, if the Euro increase in value our exports are more expensive.
4. *Getting paid* - It can be difficult to get paid from business in other countries.

5. *Competition* - Bigger market = bigger competition.

FREE TRADE

Free Trade ^{Def} this is when there is an agreement between countries to not have any barriers when trading goods.

Barriers to trade

1. **Tariff** ^{Def} This is a tax put on imports from another country to make them more expensive - For example, custom duty
2. **Quota** ^{Def} This is a limit on the amount of a good that can be imported into a country.
3. **Embargo** ^{Def} This is a country puts a complete ban on a product being imported into a country.
4. **Subsidy** ^{Def} This is a direct payment to the producer. It reduces the cost of production and makes exports cheaper. For example, EU payments to farmers

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.

ENTERPRISE IRELAND

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

- Globalisation** ^{Def} This is when the world become interconnected due to increase trade and cultural exchange.
- Global Business** ^{Def} 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.

1. *Global Product* - the company will 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* - The business will try to have the same price in each market, but some factors may change this for example a higher standard of living means the company will charge a higher price. Competition can lead to lowering of the price and transportation cost can increase 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.

Reason for Global businesses

The following are some of the reasons for global business -

1. *To increase sales* - the business has a small domestic market, or they dominate that market already so to increase sales and profits to sell their product to other countries.
2. *Mass Production* - The more they product of a product 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.

3.7

Exploring Business

International Trade

Past Exam Questions and Answers

NOTE - Very Important

It is very important when answering exams question that you use the following steps -

1. That you know the information for the learning outcome
2. That you understand the information form the learning outcome
3. That you can apply the information form the learning outcome to the question
4. Be able to give at least two full sentences for your answer (Fill up the space)

Questions are changing from rote learning to applying the knowledge to the Question

QUESTIONS

2022 - Question 17

(C) (iii) Cadden Ltd are planning to export their products to the United Kingdom (UK) and the European Union (EU). Outline two benefits of International Trade for Irish businesses

1.
2.

2019 - Question 2

Answer true or false to each of the following statements about globalisation by placing a Tick (✓) in the correct box.

	True	False
(i) Companies have access to bigger markets.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Consumers have less choice.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) Increased trade leads to increased pollution.	<input type="checkbox"/>	<input type="checkbox"/>

2019 - Question 9

The figures for Ireland's exports and imports of goods are shown below.



(i)

Using the above information calculate Ireland's Balance of Trade	
Workings	€ _____ Billion

(ii) Give one reason why international trade is important for Ireland

2019 - Sample paper - Question 16

(C) 'The internet and globalisation have greatly increased the power that companies hold around the world'

Adapted from www.governmenteuropea.eu

(i) What is meant by the term globalisation

(ii) State one way Ireland benefits from globalisation

SUGGESTED SOLUTIONS

2022 - Question 17

- (C) (iii) Cadden Ltd are planning to export their products to the United Kingdom (UK) and the European Union (EU). Outline two benefits of International Trade for Irish businesses

1. Increase in Sales - Exports opens a bigger market to sell to which leads to more sales.

Ireland has a population of 4 million while the population of the EU is over 450 million
--

2. Access to Raw Materials - There are some raw materials that we can't produce in Ireland.
--

Importing them gives access to these raw materials and products such as coffee
--

2019 - Question 2

Answer true or false to each of the following statements about globalisation by placing a Tick (✓) in the correct box.

	True	False
(i) Companies have access to bigger markets.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(ii) Consumers have less choice.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(iii) Increased trade leads to increased pollution.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

2019 - Question 9

The figures for Ireland's exports and imports of goods are shown below.



(i)

Using the above information calculate Ireland's Balance of Trade	
--	--

Workings	
----------	--

Exports - Imports	
-------------------	--

123 B - 79 B	
--------------	--

	€ 44 Billion
--	--------------

(ii) Give one reason why international trade is important for Ireland

Employment - To make these products business will have to employ more employees. This
Will result in there being more revenue for the Government in the form of taxes such as
PAYE, PRSI and USC. It will also reduce the Government's expenditure as they will be
paying less in social welfare payments. This means there will be more money available to the
Government for essential services such as infrastructure

2019 - Sample paper - Question 16

(C) 'The internet and globalisation have greatly increased the power that companies hold around the world'

Adapted from www.governmenteuropea.eu

(i) What is meant by the term globalisation

This is when the world becomes interconnected due to increased trade and cultural exchange.
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.

(ii) State one way Ireland benefits from globalisation

Increase in Sales - Exports opens a bigger market to sell to which leads to more sales.
Ireland has a population of 4 million while the population of the EU is over 450 million. This
means that the government will receive more taxes in the form of corporation tax.