

# Chapter 22 – International Trade

## PAST INTERNATIONAL TRADE EXAM QUESTIONS

<p><b>2019 - WHY TRADE WITH BUSINESS IN THE EURO ZONE</b></p> <ol style="list-style-type: none"> <li>1. cost of converting currencies is eliminated</li> <li>2. easier to compare prices</li> <li>3. uncertainty of exchange rates is eliminated</li> <li>4. More efficient due to competition</li> </ol>	<p><b>2019 - BENEFITS AND CHALLENGES OF TRADING IN A GLOBAL MARKET</b></p> <table border="0"> <tr> <td><b>Benefits</b></td> <td><b>Challenges</b></td> </tr> <tr> <td>1. Increase in sale revenue</td> <td>1. Competition</td> </tr> <tr> <td>2. Economic of scale</td> <td>2. Social/cultural Diff.</td> </tr> <tr> <td>3. Niche market</td> <td>3. Create brand awareness</td> </tr> <tr> <td>4. Acquire other ideas</td> <td>4. Online presence</td> </tr> <tr> <td></td> <td>5. Brexit</td> </tr> </table>	<b>Benefits</b>	<b>Challenges</b>	1. Increase in sale revenue	1. Competition	2. Economic of scale	2. Social/cultural Diff.	3. Niche market	3. Create brand awareness	4. Acquire other ideas	4. Online presence		5. Brexit	<p><b>2018 - EXPLAIN THE FOLLOWING TERMS</b></p> <p><b>Trading Bloc</b> - A group of countries who allow free trade between them. There are no traffic or barrier in place</p> <p><b>Tariffs</b> - tax on imports. It raises the price of the product to prevent consumption</p> <p><b>Embargos</b> - this is total ban on imports. Motivated by political or environmental reasons or a protest against another country</p> <p><b>Subsidies</b> - is financial support given by the Gov. to a business to reduce the cost of production</p>		
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<p><b>2018 - OUTLINE YOUR UNDERSTANDING OF THE FOLLOWING TERMS PRIVATIZATION AND DEREGULATION</b></p> <p><b>Privatization</b> - This is when a state-owned business is sold to private investors</p> <p>Deregulation - this is the removal of legal barriers to allow firms enter and trade in a market</p>	<p><b>2016 - EXPLAIN THE FOLLOWING INTERNATIONAL TRADE TERMS</b></p> <p><b>Open Economy</b> - Engage in international trade, funds can be transferred, countries can borrow, measure by imports/exports</p> <p><b>Trading Bloc</b> - Group of countries organise a free trade area, common market to eliminate barriers</p> <p><b>Protectionism</b> - Gov. protect a countries indigenous bus. Form foreign bus. The up barriers. It reduces imports</p> <p>Deregulation - reduction of Gov power in an industry removing legal barriers, creates more competition</p>	<p><b>2016 - EXPLAIN THE TERM INVISIBLE EXPORTS AND PROVIDE AN EXAMPLE</b></p> <p>Invisible exports are service sold to foreign countries and money flows into Ireland</p> <p>Foreign student studying in Ireland</p>														
<p><b>2016 - EXPLAIN THE TERMS BALANCE OF TRADE AND BALANCE OF PAYMENTS</b></p> <p><b>Balance of Trade</b> - Difference between visible exports (good leaving and money coming in) and visible imports (Good coming in and money leaving)</p> <p><b>Balance of Payments</b> - Difference between total Exports and total imports. Total amount of money leaving and entering a country in a year</p>	<p><b>2016 - OPPORTUNITIES AND CHALLENGES OF EXPORTING</b></p> <table border="0"> <tr> <td><b>Opportunities</b></td> <td><b>Challenges</b></td> </tr> <tr> <td>1. Changes in technology</td> <td>1. Competition</td> </tr> <tr> <td>2. Green image</td> <td>2. Exchange rates</td> </tr> <tr> <td>3. Economics of Scale</td> <td>3. Language</td> </tr> <tr> <td>4. Internet (advertising)</td> <td>4. Distribution Costs</td> </tr> <tr> <td>5. Video Conferencing</td> <td></td> </tr> </table>	<b>Opportunities</b>	<b>Challenges</b>	1. Changes in technology	1. Competition	2. Green image	2. Exchange rates	3. Economics of Scale	3. Language	4. Internet (advertising)	4. Distribution Costs	5. Video Conferencing		<p><b>2018 - EXPLAIN THE FOLLOWING TERMS</b></p> <p><b>Trading Bloc</b> - A group of countries who allow free trade between them. There are no traffic or barrier in place</p> <p><b>Tariffs</b> - tax on imports. It raises the price of the product to prevent consumption</p> <p><b>Embargos</b> - this is total ban on imports. Motivated by political or environmental reasons or a protest against another country</p> <p><b>Subsidies</b> - is financial support given by the Gov. to a business to reduce the cost of production</p>		
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<p><b>2011 - CHANGING NATURE OF INTERNATIONAL ECONOMY AFFECT IRISH EXPORTS</b></p> <ol style="list-style-type: none"> <li>1. Change in technology (Email, Video conferencing)</li> <li>2. Opening of new markets (China)</li> <li>3. Growth in globalisation (Competition need to be more effective)</li> <li>4. Exchange fluctuation</li> <li>5. Pressure on corporation tax</li> </ol>	<p><b>2010 - ANALYSE HOE THE CHANGING TRENDS IN THE INTERNATIONAL ECONOMY IMPACT IRISH BUSINESS</b></p> <table border="0"> <tr> <td><b>Changes</b></td> <td><b>Impact</b></td> </tr> <tr> <td>1. Currency Fluctuations</td> <td>Exports affected</td> </tr> <tr> <td>2. Influence of TNC</td> <td>Not to locate here or move</td> </tr> <tr> <td>3. Globalisation growth</td> <td>Compete worldwide</td> </tr> <tr> <td>4. Growth in trading blocs</td> <td>Larger marketplace</td> </tr> <tr> <td>5. WTO</td> <td>Sales opportunities</td> </tr> <tr> <td>6. Emerging Markets</td> <td>Both markets and competition</td> </tr> </table>	<b>Changes</b>	<b>Impact</b>	1. Currency Fluctuations	Exports affected	2. Influence of TNC	Not to locate here or move	3. Globalisation growth	Compete worldwide	4. Growth in trading blocs	Larger marketplace	5. WTO	Sales opportunities	6. Emerging Markets	Both markets and competition	
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# Chapter 22 – International Trade

## Key Words

**International Trade** - This is the buying (importing) and selling (exporting) of different product between countries

**Imports** - These are goods/services bought from other countries. They can be Visible or Invisible

**Visible imports** - These are physical goods such as cars, books and computers

**Invisible imports** - These are services such as banking, insurance and tourism

**Export** - These are goods/service sold by Irish firms to customers in other countries. This brings foreign currency into the county. It is also important because it allows us to earn foreign currency to pay for imports. They can be visible or invisible

**Visible exports** - These are physical goods, such as food, pharmaceuticals and engine components

**Invisible exports** - These are services sold to foreign customers such as financial services or holidays

**Balance of Payment** - This is the flow of money in and out of a country in a year. Surplus Balance of payments means Ireland is earning more than it is spending (Good). Deficit Balance of Payments means Ireland is paying out more than it is earning

**Protectionism** - This refers to Barriers imposed by Governments to prevent free trade

**Tariffs** - These are taxes imposed on imported goods. It make imports more expensive and less competitive

**Quotas** - This is a limit on the quantity of certain goods that can be imported. It is used to discourage imports and promote domestic produce

**Embargos** - these are bans preventing the importation of specified goods (Importing cows and meat from the UK due to BSE)

**Rules and Regulations** - Government can impose these for health. Safety or environment reason

**Subsidiaries** - are money paid by governments to help firms cover their operating costs and keep their prices competitive

**Retaliation** - Imposing protectionism on one country could result in that country doing the same. Both countries lose out on free trade

## **Protectionism**

### For

1. Business Growth
2. Business Survival
3. Protect Employment
4. Improve Balance of Payments

### Methods

1. Tariffs
2. Quotas
3. Embargos
4. Rules and Regulations
5. Subsidiaries

## **International Trade**

### Opportunities

1. EU Membership
2. Euro Zone
3. Educated Population
4. Language and culture
5. Green Image
6. Low Corporation Tax

### Challenges

1. High Costs
2. Competition
3. Foreign Language
4. Cultural Difference
5. Exchange Rates
6. Exchange rates

## **Why Import**

1. Small country
2. Provide a choice

## **Why Export**

1. To earn money to pay for imports
2. Generate economics of scale
3. Create increases employment

## **How is international trade measured?**

Balance of Payments - Total Export - Total Imports

Balance of Trade - Visible Export - Visible imports

Balance of invisible trade - invisible exports - invisible imports

## Opportunities of international trade

1. EU membership
2. Euro Zones
3. Educated Population
4. Language and Culture
5. Green Image
6. Low Corporation Tax

## Challenges of International Trade

1. Tariffs
2. Quotas
3. Embargos
4. Rules and Regulations
5. Subsidiaries
6. Retaliation

## Benefits of International Trade

### Business

1. Access to Raw Material
2. Increase Sales
3. Economics of Scale
4. Spread the risk

### Consumers

1. Choice
2. Quality

### Economy

1. Jobs
2. Foreign Exchange currency
3. International understanding

## **Trends in international trade**

1. Improvement in transport and ICT - - Modern shipping and air transport make importing and exporting faster and cheaper. ICT allow business to communicate globally with staff, customers and suppliers
2. Development of Global Marketing - TV and the internet allows firms to develop global brands
3. Trading Bloc - These are a group of countries that agree to remove protectionist barriers to free trade between themselves, but they impose tariffs and barriers to countries who are not from the countries in the Bloc (EU and NAFTA)
4. New Markets - Eastern Europe is a growing market. Further east the Pacific rim region is a fast-growing economic region
5. Influence of TNC - These are companies that sell their goods or service in many different countries. They treat the world as a single market for their products
6. Deregulation - This is the removal of government rules and regulations from the working of business, including the ability to trade freely internationally without any barriers
7. Relocating to lower cost countries
8. Power of WTO - World Trade Organisation. They are responsible for setting the rules of international trade among 150 countries.
9. Globalisation - This refers to the emergence of the world as one single interconnected marketplace