Chapter 22 - International Trade

1 (2019)

7.	(i)	REST OF EU ❷	10
	(ii)	(122 - 79) = €43bn surplus ❶ ❶ ❶ ❶	
	(iii)	COFFEE or WINE ❷	
	(iv)	Climate – Ireland does not have the climate to grow coffee beans/grapes. ❷	

2 (2018)

5.

(i)	May
(ii)	August
(iii)	Import substitution refers to a trade policy which **replaces imports** with **domestically produced** goods/services. Irish manufacturers producing goods that were previously imported.

10
2m
2m
(3+3)

3 (2016)

7. **(a)**

Visible Exports (€bn)	Visible Imports (€bn)	Balance of Trade (€bn)
€70	€105	***€35 deficit***
€90	***€65***	€25 surplus
€80	€110	€30 deficit

10

(b) Invisible Exports refers to **services sold to foreign countries** and money flowing into the country/ Money flows into Ireland when Irish services are sold abroad.
E.g. Italian tourists holidaying in Ireland; foreign students studying in Ireland/Irish internet providers selling their services to customers abroad.

4 (2014)

3			The goal of the *World Trade Organisation (WTO)* is to reduce protectionism and allow free trade. Illustrate your understanding of the underlined term. **Protectionism** Protectionism refers to **trade barriers imposed by governments.** It is Government actions and policies **that restrict or restrain international trade**. It may be done for economic reasons with the intention of protecting native businesses and jobs from foreign competition or for political reasons or for health reasons. Examples include tariffs, quotas, administrative barriers, embargoes.	10

5 (2012)

9. Illustrate your understanding of the term *Trading Bloc*.

A trading bloc is a group of countries who agree to form a free trade area or common market or customs union. They remove trade barriers for goods and services traded among themselves.
Examples:
• The European Union (EU)
• The North American Free Trade Agreement (NAFTA).

6 (2011)

(a) Illustrate what is meant by the term 'invisible import' with reference to the Irish economy.

Invisible imports are **foreign services** purchased by Irish customers/residents.
e.g. financial services provided by foreign firms/ Irish residents holidaying abroad.

(b) Using the following data, calculate (i) Balance of Trade (ii) Balance of Payments.
State in **each** case whether it is a surplus or deficit.

Balance of Trade = Visible Exports - Visible Imports
= €50bn - €30bn
= €20bn <u>surplus</u>

Balance of Invisible Trade = Invisible exports – Invisible Imports
= €35bn - €40bn
= (€5bn) <u>deficit</u>

Balance of Payments = Balance of Trade + Balance of Invisible Trade
= €20bn + (€5bn)
= €15bn <u>surplus</u>

Alternative approach for calculating the Balance of Payments.

Balance of Payments = Total Exports – Total Imports
= (Visible Exports + Invisible Exports) – (Visible Imports + Invisible Imports)
= (€50bn + €35bn) – (€30bn + €40bn)
= €85bn - €70bn
= €15bn <u>surplus</u>

7 (2010)

8. Barriers to free trade

Quota: is a **physical restriction/limit** on the **number of units of a good** that may be imported/exported**.**
Quotas discourage imports and/or encourage sales of domestically produced goods.

Tariff: this is a **tax** on the **value/price** of goods imported. As a result imports will be more expensive and they will be less competitive on the domestic market.

8 (2006)

10.	2 marks + 8 @ 1 mark	**10**

3	**A**		The European Commission is the executive body of the EU. It is the body responsible for proposing legislation etc. Once legislation is passed by the Council of the European Union and Parliament, it is the Commission's responsibility to ensure it is implemented etc. Regulations/Directives/Decisions. The European Parliament discusses proposals and puts forward amendments to legislation. It has co-decision powers (joint law making powers) that is on an equal footing with the Council of the European Union in the vast majority of areas. It establishes/approves the EU budget together with the Council of the European Union. The Council of the European Union decides on legislation drafted by the European Commission and discussed by the European Parliament. It is the main decision-making body of the EU.	25
			Evaluation	
3	**B**		• With the single currency, the Euro, the cost of converting currencies is removed. This reduces costs and increases profits for Irish businesses. • The increased price transparency will make it easier to compare prices in different countries. Enable businesses to source cheaper raw materials. • As Irish businesses are more conscious of competition they will also be more efficient. • The uncertainty caused by exchange rates will be removed. This brings stability to Irish businesses, greater confidence and allows them more time to concentrate on innovation.	15

3	**C**		**Benefits** • Sales revenue increase. Ireland has a small population, Asia and Europe have large populations therefore selling to these areas could have a positive effect on sales and profits. • Greater Economies of Scale-cost benefits of large scale production/Producing and selling in bulk will reduce unit costs resulting in increased sales and profits. • Niche Markets can exist in different countries i.e. luxury Irish skincare products. Target certain markets. • The business may acquire ideas from other markets and existing competition. **Challenges** • Competition levels will be high so only the most efficient businesses will survive/ Intense international rivalry is far more challenging than competing in an indigenous market alone. • There will be a lot of red tape for selling a cosmetic product to foreign markets even within the EU. Staff may need to be retrained for this and costs may rise. • Social and cultural differences. Different types of skin types/alterations to product to reflect this. • Difficulty getting goods delivered in a fast and reliable manner can be an arduous task when operating across different regions of the world. Stock can be damaged and breakdowns in communication often hamper business success. • Challenging to create awareness of your brand on a global scale which in turn will allow for repeat purchasing, customer loyalty. • Must have an online presence capable of dealing with international trade/ecommerce. Vulnerable to hacking. • Brexit.	20

3	**(A)**		Possible responses include **<u>Opportunities</u>** • **Direct employment**. Employ highly skilled graduates, right up to PhD level which prevents a 'brain drain' from the country. Many of these graduates are engaged in R&D, an important area in multinational businesses. • **Tax revenue for the Government** e.g. transnationals pay 12.5% corporation tax on their profits. This low rate of corporation tax is a key Government strategy in attracting FDI. • **Positive spin-off effects** for the local economy and local indigenous firms. They source their inputs from domestic companies where possible, thereby increasing employment in those firms. They mentor Irish firms to bring this about. Local taxis, catering firms, cleaners, security firms, local pubs and restaurants all benefit from the presence of a multinational in their locality. • **Enhance Ireland's reputation** and acts as a catalyst for further FDI. As companies such as Intel and Google have a major presence here, it can be inferred that Ireland is a good place to do business (international goodwill). • **Bring a knowledge base and a business expertise** to Ireland in terms of management systems and organisational culture. The latest technology is introduced based on research carried out in other countries, thereby requiring less Irish expenditure on R&D. Irish managers gain experience and learn from these foreign business executives. • Irish employees of foreign multinationals **learn the best business practices** and technologies. This makes it easy for 'would be entrepreneurs' to set up their own businesses, thereby promoting an entrepreneurial spirit. • **Positive impact on the Balance of Trade**- They bring their own business plans and ready-made export markets.	3@6(3+3) Must provide an example specific to the Irish economy for full marks.

			Challenges • Excellent high-tech companies have easy access to international markets. Some FDI companies are considered **footloose** having no loyalty to Ireland. They may leave immediately if operating costs are lower elsewhere. • **Repatriation of profits**, which means wealth leaves the Irish economy. • **Tax avoidance schemes** such as those operated by Apple mean the actual tax gain for the country is much less than expected. • **Brexit.** The decision of the United Kingdom to leave the European Union will mean that the UK are free to 'outbid' Ireland to attract multinationals. Once it is outside the EU, Britain would have even more leeway to offer special deals to multinationals in the hope they would invest in the UK. • **New US Trade rules** may attract multinationals back to the US resulting in a threat to the Irish model of economic development. • **Huge dependence on a small number of multinational companies** and should one leave there would be a major fall in tax revenue for the government. • **Domestic firm closures**-unable to compete with large multinationals. • **Less competition** which could result in **higher prices**.	
			Evaluation	(0,2)

3	**(B)**		**Yes/Maybe** • Reduction of transaction costs in trade – trade can occur without changing currency. • Easier for companies to locate here – Companies can locate in Ireland and have the same currency as much of Europe. • Reduction in price discrimination – If goods are priced in a single currency it should be much harder to disguise price differences across countries. • Reduction in foreign exchange rate variability-the reduction in uncertainty arising from the removal of exchange rate fluctuations may affect investment in the economy. Large exporting firms, facing less uncertainty concerning receipts from its exports are able to plan for their future with less risk so investment projects such as building new factories appear less risky. • Tourism industry. – It is easier for foreign visitors to holiday in Ireland resulting in higher revenues for the Irish services sector such as hotels, transport, and entertainment. • Easier for Irish business to expand into Europe as all transactions can be conducted in Euro • Stable interest rates as they are only changed by the ECB • Easier to access capital from banks across Europe. • Low inflation and price stability	2m 2@7(4+3) 1@4(2+2)
3	**(B)**		**No/Maybe** • Ireland's biggest trading partner (UK) did not join EMU so in a lot of cases, transaction costs still remain. • Loss of its independent monetary policy-Ireland gave up its national currency and therefore its freedom to set its own monetary policy which is now set and implemented by the ECB. • Single Monetary Policy. Ireland can no longer use monetary policy to adjust its interest rate. • More competition. There is more competition between Irish business and foreign firms/ Consumers are spending more online. • Loss of sovereignty. Ireland no longer has its own currency. It is reliant on the euro and policies of the eurozone. • Strict criteria for eligibility-(budget deficit, debt-to-GDP, low inflation, interest rates close to EU average). • Greater vulnerability to external shocks.	

3	**(C)**		• Trading bloc A group of participating countries which allow free trade between them. There is no tariffs or trade barriers in place between them. • Tariffs A tariff is a tax on an import. The effect of the tax is to raise the price of the import and discourage consumption. Example: President Trump is on the verge of securing his first major trade deal, leveraging the threat of tariffs to gain concessions from South Korea on exports of steel. • Embargos Embargo is a total ban on the import of certain goods from certain countries. They are normally motivated by political, economic, moral or environmental reasons. They may be used as a form of protest against another country's practices. Example: UK beef was embargoed across Europe during the 'mad cow' disease epidemic in the 1990's. • Subsidies. A subsidy is financial support given by the government to a domestic industry to reduce the cost of production so it can sell its products at lower prices than competition from imports/given directly to firms to encourage production.	2@6 2@4

11 (2015)

			Corporation Tax Rate: MNCs pay 12.5% corporation tax on their profits. This low rate of corporation tax is a key Government strategy in attracting FDI.	
			Global companies such as Intel, and Google have a major presence here and as a result it can be inferred that Ireland is a good place to do business and this international goodwill encourages other businesses to locate here. Internet companies such as Facebook, skype, eBay have followed Google. Spin-off effects.	
			IDA Ireland is responsible for the attraction and development of foreign direct investment in Ireland. Companies such as Apple, Microsoft and Facebook etc. have all interacted with the IDA and approximately 150,000 people are directly employed by foreign multinationals in Ireland.	
			The availability of a highly skilled and well educated workforce. (MNCs) employ highly skilled graduates, right up to PhD level. Many of these graduates are engaged in R&D, an important area in multinational businesses. Google's European headquarters are in Dublin.	

			The introduction of the single currency brought additional incentives for foreign investors to locate in Ireland, along with relative price stability. The euro has made life easier for MNC's and travelling business executives trading or visiting in the euro zone area.		
			The creation of the Single Market eliminated trade barriers within the EU, allowing for the free movement of goods, services, labour and capital between member states. (MNCs) located in Ireland have access to a huge EU market of over 500 million people. Pharmaceutical Companies use Ireland as a stepping stone to large EU market.		
			Ireland is an English speaking country and English is the international business language. In addition the growing number of people living in Ireland that speak different languages is a key factor in encouraging (MNCs) to locate here.		

12 (2013)

(A)	**(i)** Explain the terms "Balance of Trade" and "Balance of Payments". **(ii)** Calculate the Balance of Payments figures for both years. **(iii)** Illustrate what is meant by the term "invisible exports".	2 explanations @ 5 marks (3+2) 6 figures @ 1 mark each 4 marks (2 + 2)	20
(B)	Opportunities **and** Challenges for large indigenous companies exporting to **Non- EU** countries.	4 @ 5 marks 2 opportunities @ 5 marks (2+3) 2 challenges @ 5 marks (2+3)	20
(C)	Discuss the benefits for the Irish economy of on-going membership of the EU.	4 @ 5 marks (2+3)	20

(A) (i) Explain the terms "Balance of Trade" and "Balance of Payments".

The Balance of Trade

- The difference between **visible exports and visible imports.**
- Visible exports are physical goods sent out of the country and money comes in e.g. Apple computers, Beef exported to UK, Lamb exported to France.
- Visible imports are physical goods coming in to the country and money goes out, e.g. Wine from France, leather shoes from Italy.

Balance of Trade
Visible Exports > Visible Imports = Surplus
Visible Exports < Visible Imports = Deficit

The Balance of Payments

- The difference between **Total Exports (Visible & Invisible) and Total Imports (Visible & Invisible).**
- The total amount of money entering and leaving a country during the course of a year.
- It includes the Balance of Trade plus the Balance of Invisible trade.
- Invisible exports e.g. American tourists holidaying in Ireland.
  Invisible imports e.g. Irish people holidaying in Spain.

Balance of Payments
Total Exports > Total Imports = Surplus
Total Exports < Total Imports = Deficit

(ii) Calculate the Balance of Payments figures for both years from the above data.

Balance of Payments = Balance of Trade plus the Balance of Invisible trade

Quarter 2 2012 BOP = 10,004 €m + (6,769) €m = 3,235 €m surplus

Quarter 2 2011 BOP = 9660 €m + (9192) €m = 468 €m surplus

(iii) Illustrate what is meant by the term "invisible exports" with reference to the Irish economy.

- The purchase of an Irish service by a foreigner.

- Invisible exports are **Irish services** sold abroad by Irish firms.
- Money coming into Ireland from Irish services sold abroad to foreign customers.

(B) Discuss the opportunities and challenges for large indigenous companies, such as Kerry Group plc, in exporting to non EU countries.

Opportunities

- *Changes in technology* have had a positive impact on Irish exporters making communications easier and instantaneous worldwide.

- The internet allows Irish exporters to market their goods internationally.

- Video conferencing allows meetings to be held at a fraction of the cost of a traditional meeting. E-mail allows for instant, cheap and reliable communication.

- *The opening of new emerging markets* China which is now the second biggest economy in the world overtaking Japan has created new opportunities for Irish exporters, especially in the food and drinks area.

- Africa's fast growing middle class and associated spending power has created a need for high end goods, presenting a significant opportunity for Ireland.

- *Business risks are reduced* because of reduced dependence on the Irish (domestic) market. Economies of scale are made possible in the context of larger markets which should increase the competitiveness of business.

- *Culture and Green image.* Ireland's ancient Celtic culture and unspoilt pollution free image provides a unique selling point for companies like Kerry Group plc when marketing food products abroad.

Challenges

- *The growth in Globalisation* and global companies with their quality produce at competitive prices are a challenge for Irish exporters. Irish exporting companies will have to become more efficient and invest in R&D in order to provide products with a unique selling point (USP) to survive the competitive threat from global companies.

- Kerry Group recently invested €100 million in a new R&D facility in Ireland to serve customers in EMEA (Europe, Middle East & Africa).

- *Currency/Exchange rate fluctuations.* As the Euro (€) strengthens for example against the US dollar ($), Irish exports become more expensive leading to a decline in sales to these very important international markets.

- Goods traded between EU and non-EU countries are subject to certain *customs duties* which increases the selling price of exports making them less competitive. Trading outside the EU is often subject to restrictions and may require for example additional *export licenses***.**

- *Language and cultural differences* may be an obstacle in exporting to non EU countries. It is important to gain knowledge of customs, culture and language in order to market products without causing offence. An adapted marketing mix may be needed for example a British DIY chain Kingfisher's launch in China encountered serious difficulties because the home improvement market in that country was not yet developed enough.

- *Distribution costs* will be higher as Ireland is geographically located on the peripheral of Europe which may lead to higher transport costs and less competitive prices.

(C) Discuss the benefits for the Irish economy of on-going membership of the EU.

- The creation of the **Single Market** in 1993 eliminated trade barriers within the EU, allowing for the free movement of goods, services, labour and capital between member states.
- Farmers, under the Common Agricultural Policy (CAP), are paid appropriate prices for their produce. Between1973 and 2008, Irish farmers received €44 billion from the (CAP).
- **Structural funds** of over €17 billion have been made available to Ireland from the European Regional Development Fund and the European Cohesion Fund helping improve roads and public transport infrastructure.
- As a member of the EU with open access to the EU market the Irish economy became a much more attractive prospect for **foreign direct investment (FDI),** thereby creating **employment opportunities**. The value of (FDI) in Ireland stands at over €30 billion today.
- The introduction of the **single currency** brought additional incentives for foreign investors to locate in Ireland, along with **relative price stability**. The euro has made life easier for Irish businesses and travellers trading or visiting in the euro zone.
- The EU's **environmental directives** and promotion of the use of renewable sources of energy sees Ireland businesses as strategically positioned to benefit from wind and wave power instead of fossil fuels.
- Irish researchers have benefited significantly from funding available under EU framework programmes. The sixth Framework Programme for Research (FP6), which ran from 2002 to 2006, supported Irish research to the tune of approximately €200 million.
- **Administration costs for business have been reduced** and bureaucracy lessened as thousands of administrative forms previously required for trade have been eliminated.
- The **harmonisation of taxes** throughout the EU ensures that **competition is not distorted**, e.g. VAT rates and excise duties are approximated between member states.
- Economies of scale are made possible by the creation of a huge EU market of over 500 million people.

(B) Describe, using examples, barriers to free trade between countries.

Quota: is a physical restriction/limit on the number of units of a good that may be imported/exported**.**
Quotas discourage imports and/or encourage sales of domestically produced goods.

Example: The EU has placed a quota on the amount of clothes from China that can be imported into the EU.

Tariff: this is a tax on the value/price of goods imported. As a result imports will be more expensive and they will be less competitive on the domestic market.

Example: A tax, duty or tariff on New Zealand beef.

Embargo: This is a total ban on the import of goods from one particular country. It is often done for political reasons.

Example: EU countries placed a blanket embargo on the import of UK beef because of the high levels of BSE in the UK.

Subsidies: These are grants and payments made by national governments to domestic firms to help them with their day-to-day operating costs allowing them to become more competitive/to give them a price advantage over imports.

Example: The EU has subsidised agriculture and aircraft manufacturing in the past protecting them from rival non EU competition.

Administrative regulations: Such as customs delays, excessive paperwork designed to exclude imports.

(20 marks)

(A) Outline four developments in technology that have facilitated the growth in globalisation.

- ***Design/ CAD.***
  CAD (Computer Aided Design) had revolutionised the design process, making it much easier and faster, and allowing companies to react quickly to changing global market conditions.

- ***Production/CAM***
  Computer aided manufacture (CAM) where all equipment can be computer controlled and computer integrated manufacturing (CIM) which involves total integrated control of the production from design to delivery, all add to the efficiency of production and the ability of firms to locate anywhere in the world and produce standardised products irrespective of local labour skill sets.

- ***Communication/mobile technology/EDI***
  EDI (Electronic Data Interchange) greatly facilitates communication in a global market. Document transfer, automated stock ordering, details of trading figures etc. can be transmitted globally in a matter of seconds.

- ***Decision Making/ISDN***
  ISDN (Integrated Services Digital Network) uses telephone lines to transmit and receive digital information. File transfer, teleworking, video conferencing, e-mail etc. allow vital information to be transferred anywhere in the world. This greatly assists management planning, organising and control and facilitates effective decision making.

- ***Marketing/Internet/social networking/www***
  The Internet including social network sites such as Facebook and business networks such as LinkedIn have facilitated the global marketing of companies and the establishment of global brands. Network advertising, company web sites and electronic payment have allowed global E-commerce to flourish.

- ***Distribution/ JIT***
  Logistics, just-in-time delivery, container transport and the relevant computer software programs facilitate the global distribution of goods.

(20 marks)

(A) Discuss how the changing nature of the international economy affects Irish exporters.

Changes in technology have had a positive impact on Irish exporters making communications easier and instantaneous worldwide.
The internet allows Irish exporters to market their goods internationally.
Video conferencing allows meetings to be held at a fraction of the cost of a traditional meeting.
E-mail allows for instant, cheap and reliable communication.

The opening of new emerging markets e.g. China which is now the second biggest economy in the world overtaking Japan, has created new opportunities for Irish exporters, especially in the food and drinks area. This, together with a move towards international free trade under the World Trade Organisation (WTO) has benefited exporters because barriers to trade such as quotas and tariffs have being removed.

The growth in Globalisation and global firms with their quality produce at cheap prices are a competitive challenge for Irish exporters. Irish exporting firms will have to become more efficient and invest in R&D in order to provide products with a unique selling point (USP) to survive the competitive threat from global firms.

The current global recession has lead to a **decrease in the availability of credit** for Irish businesses. Irish exporters are finding it difficult to access finance from banks and as a result their international marketing budgets are being hit.

Currency/Exchange rate fluctuations. As the Euro (€) strengthens against UK sterling (£) and the US dollar ($), Irish exports become more expensive leading to a decline in sales to these very important international markets.

Pressure on Ireland's low corporation tax rate of 12.5% since the IMF/EU intervention. If our corporation tax rate was to increase then Irish exporting companies mainly the large foreign multinationals would face higher taxes making them less profitable and they may move to other locations.

Competition from new EU countries: Eastern European countries like the Czech Republic, Hungary, and Slovakia have opened up their economies to markets forces. This presents a particular challenge for Irish exporters as these countries are excellent producers of agricultural products and can offer quality at a lower price to the European consumer.

(20 marks)

16 (2007)

(A) Opportunities provided by international trade for Irish business (discuss):

- Access to larger markets
- Economies of scale
- English, a trading language
- EU membership
- Highly-skilled workforce
- Green image.

(B) 'Global Marketing' (explain):

Global marketing involves marketing a firm's product and identity throughout the world as if the world is one market, e.g. Coca-Cola.
A global firm must develop a global marketing mix in relation to the 4Ps. A mix of standardised and adapted marketing is commonly used in global marketing.

Role in international business
- global standardisation of both brand and product
- activities planned and co-ordinated on a global basis
- achievement of reductions in costs and economies of scale
- availability of reliable, high quality products at lower prices
- facilities in many different geographical locations.

(C) Role of 'interest groups' in the EU (outline with example):

Interest groups are pressure groups who protect the interests of their members and try to influence the decision-making of the EU. They are not part of the EU's political framework but they use methods such as lobbying, information campaigns and public protests in attempting to influence EU decisions.
The IFA has an office in Brussels to promote and defend the interests of Irish farmers' in Europe.

17 (2006)

(C) Changes in the international economy and impact on Irish business (analyse and examples)
The main changes that have taken place in the international economy that impact on Irish business include:
- World Trade Organisation
- Influence of Transnationals
- The growth in Trading Blocs and Agreements
- Technology
- Emerging Countries
- The European Union / Enlarging European Union
- Political Changes
- Deregulation
- The Market Opportunities (Eastern Europe).

(C) Business opportunities for Irish business in 'developing' markets.
The principal changes that have taken place in the world economy over recent years which offer Irish business opportunities are as follows:
World Trade Organisation.
The establishment of the World Trade Organisation (WTO) and trade negotiations that allow for the liberalisation of world trade have provided countries with huge sales opportunities abroad. Markets are open and access to them is free.
Influence of Other Trading Blocs and Agreements eg. The North American Free Trade Agreement (NAFTA) and the Asia Pacific Economic Co-operation (APEC) zone where multilateral trade agreements encourage international trade between the countries in the particular blocs.
Transnationals
The growth in power and influence of the transnational sector, the globalisation of products and the development of global marketing has created huge businesses. The location of a global business in a country is often sought by many countries, not least Ireland.
Technology.
Modern technology makes widespread communications easier for all businesses, e.g. the internet. Technology enhances the efficient management of transport, speeds up decision-making and reduces costs in both time and money terms.

'Developing' Countries
There is a significant challenge thrown down by the Asian (the Pacific Rim) such as South Korea, Singapore, Taiwan and Hong Kong, and and South American countries like Brazil. Recently China has become a significant world economic power. These economies are supplying high quality, low cost goods to world markets.
The growth in power and influence of the EU (the European trading bloc). The Union has a common commercial policy, an internal market with free movement of goods, capital, services and labour and a common external frontier. It is now made up of 25 countries since May 1st this year representing a total market of 300 million people.
The changes that are taking place in the EU after the accession of the new countries to the Union. The Eastern European countries on joining the Union are entitled to enjoy all the economic privileges that membership entails. The focus of the EU may well be eastwards rather than westwards, e.g. Poland.
Political Changes. The Iron Curtain countries of the Czech Republic, Hungary, Slovakia, etc. have opened up their economies to market forces. This presents a particular challenge for Ireland as these countries are excellent producers of agricultural products and offer quality at a lower price to the European consumer.
Deregulation. The highly regulated and centrally controlled economies of Eastern Europe are all being transformed into market led economies. The central control that the governments had over the economies is gone. The new privatised economy model offers many opportunities to private enterprises both within the countries themselves and among their trading partners. The change from a highly regulated economy to one of deregulation and free enterprise has created huge demand for a wide range of goods and services in these economies eg. English language tuition, consultancy services, infrastructural and environmental expertise etc.
The Market Opportunities. The market opportunity of Eastern Europe is significant, especially when one considers the population structure. The eastern European market, being potentially large and lucrative, bigger even than the present EU market, offers opportunities to business enterprises from the west. There is a huge shortage of goods and services such as: home appliances and entertainment, construction services, private and commercial transport vehicles, communications systems, leisure and entertainment facilities etc.