**WHAT IS INTERNATIONAL TRADE**

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

International Trade has increased over the last 50 years due to improvements in transport and telecommunications. Ireland has gone from being a country with very little foreign trade to the most open economies in the world. An open economy is an economy that engages in international trade

For most countries international trade account for 25% of their activity, for Ireland it is almost 60%

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

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

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

These are products to Irish customers by foreign companies

Why import

1. Because Ireland is a small country and does not have the skills, economies of scale or resource to produce all the goods we need
2. It provides consumers with a wider range of goods to choose from
3. Imports cost money to earn then money to pay for imports we need to export

**Export** **def** 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** **def** These are physical goods, such as food, pharmaceuticals and engine components

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

Why export

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

22% of our exports go to the UK

18 % goes to the USA

**HOW IS INTERNATIONAL TRADE MEASURED**

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

* The balance of payments is made up of the balance of trade and the balance of invisible trade
* Balance of Trade – difference between all visible imports into and visible exports out of a country
* Balance of invisible trade – All money flowing into the Irish economy and flowing out of the economy

*Benefits to Ireland of free international Trade*

Free trade is when trade between countries is not restricted in any way by barriers such as tariffs (import tax). It exist between members of the EU. There are benefits to

* + Business
	+ Consumers
	+ Economy

|  |  |  |
| --- | --- | --- |
| **Business** | **Consumers** | **Economy** |
| 1. Access to raw material | 1. Choice | 1. Jobs |
| 2. Increase sales | 2. Quality | 2. Foreign exchange currency |
| 3. Economics of Scale |  | 3. International Understanding |
| 4. Spread the risk |  |  |

**WHAT IS PROTECTIONISM**

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

*The main reason for protectionism are*

1. Business Growth – (US imposed taffies on the imports of Yamaha from Japan)
2. Business Survival – when Ireland joined the EU it resulted in traditional jobs being lost due to cheaper imports
3. Protect Employment – This is important if competitions coming from countries who have low wages
4. Improve the balance of Payments – It reduces the amount of money flowing out of the country (Tariffs can also increase revenue

*Methods of Protectionism*

1. Tariffs **def** These are taxes imposed on imported goods. It make imports

more expensive and less competitive

1. Quotas **def** This is a limit on the quantity of certain goods that can be

imported. It is used to discourage imports and promote domestic produce

1. Embargos **def** these are bans preventing the importation of specified goods

(Importing cows and meat from the UK due to BSE)

1. Rules and Regulations **def** Government can impose these for health. Safety or environment

reason

1. Subsidiaries **def** are money paid by governments to help firms cover their

operating costs and keep their prices competitive

1. Retaliation **def** Imposing protectionism on one country could result in that

country doing the same. Both countries lose out on free trade

**TRENDS IN INTERNATIONAL TRADE**

International trade has increase due to the following

1. Improvements 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 Advertising – 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 production and other activities to lower cost countries
8. Relocating to cost countries with less regulation
9. Power of The WTO – World Trade Organisation. They are responsible for setting the rules of international trade among 150 countries.
10. Globalisation – This refers to the emergence of the world as one single interconnected market place

*Main opportunities for Irish business in international trade*

* Ireland is a small island in the Atlantic ocean on the edge of Europe
* Despite this we have a number of distinct advantage that can be used by business to survive and develop in the global economy theses are
* EU Membership – Ireland is a member of the EU trading bloc. This allows free access to a market of 480 million consumers. This results in Economics of Scale that would be not possible in the domestic market
* Euro Currency – Market trade within the euro-zone is easy. The risk of exchange rate Fluctuations with countries outside the eurozone is reduced (Stable Currency)
* Educated Citizens – Ireland’s well educate population provides us with a huge resource of intelligent and adaptable workers. This is why so many Hi-tech firms have located their factories here
* Language/Culture – Ireland speak the international business language (English). Our Gaelic and Celtic heritage means we have an USP to attract Irish products
* Green Image – Ireland has an unique image of green unspoilt and pollution free country. This is of great benefit to our growing tourism, food products and environmental service industries
* Low Corporation tax – On companies profits attract many foreign firms to locate in Ireland even though they export most of their outputs
* Government Assistance – Such as grants, training and advice reduces the cost of risk to TNC

IDA Ireland has many years of experience in attracting TNCs to locate in Ireland

Trade missions occur when a group of business people visit a foreign country to meet with potential customers and distributors to negotiate deal and sales

*Main Challenges for Irish business in international trade*

1. High Costs – Because we are an Island we have the highest transport costs than most of EU. We also have very High Labour costs so Irish firms must operate efficiently
2. Competition – Our companies are very small by international standards but are still able to operate competitively. By using quality, branding and after sale service instead of price
3. Lack of Economics of scale – Because our companies are small it is hard to achieve this. Most of Irish companies have to concentrate on niche markets where price is not an issue
4. Foreign Language – To sell to foreign customer Irish business have to be able to speak their language
5. Cultural Differences – between countries can present challenges and even result in lost sales or offend customers
6. Product design and standards – may be needed to suit the safety laws and different requirements of foreign markets (outside EU)
7. Payment Difficulty – Collecting debts in other countries is more difficult especially if they have a different culture or legal system
8. Exchange rates – Further difficulties can be caused by fluctuations in exchange rate for different countries