

Unit 7 – International Trade | Topic Notes

International Trade

International trade is the commerce between different countries, it involves exporting and importing.

Why Export?	Why Import?
1. Survival- Market in home country may be too small to be profitable	1. Lack of natural resources to satisfy needs of business and consumers. e.g. Saudi Arabia Oil
2. Diversification- “spreading the risk” if economy goes through bad patch it is detrimental to business relying on 1 economy- keeps business profitable.	2. Lack of skills- some countries have a tradition of being highly skilled in making certain products. e.g. Swiss watch
3. Increase Sales & Profit	3. Unsuitable climate- may not have correct conditions for certain crops

Free Trade- when countries buy or sell products to or from each other without restrictions or barriers. e.g. E.U.

Protectionism- countries try to stop foreign imports and help indigenous businesses export their goods, they use barriers of trade.

Barrier	
Tariff	tax added on foreign imports
Quota	limit to the number of foreign imports coming in from other countries or other specific countries. e.g. EU quota on Chinese clothing
Embargo	complete ban on all foreign imports, sometimes from one specific country. e.g. Cuba and U.S.A.
Subsidies	money government gives to indigenous businesses to allow them to sell more cheaply and export. e.g. Toyota in Spain and seat example

Changes in international economy	
1. GLOBALISATION	<p>Increasing number of global businesses that operate throughout the entire world. e.g. Coca Cola</p> <p>Could wipe indigenous businesses out with competition but also aid them in buying materials.</p>
2. INCREASING NUMBER OF TRADING BLOCS	<p>Many countries co-operating by agreeing to freely buy and sell their products to one another without restrictions. e.g. NAFTA</p>
3. DEREGULATION OF INTERNATIONAL TRADE	<p>Deregulation is the process of removing all government rules and regulations that prevent free trade between countries. WTO (150+) holds negotiations between countries to resolve trade related disputes or reach agreement to remove trade barriers.</p>
4. NEW MARKETS	<p>collapse of communism have resulted in countries whom didn't previously trade with the west to develop importing and exporting markets- irish businesses can sell more products to these countries however they also face increased competition from low wage economies.</p>

OPPORTUNITIES FOR IRELAND IN INTERNATIONAL MARKETS	CHALLENGES FOR IRELAND IN INTERNATIONAL MARKETS
1. Increased Sales (membership to EU and wto opens market to millions)	1. Language Barriers
2. Diversification (spreading risk)	3. Fluctuating exchange rates euro goes up- price of irish goods go up, if euro goes down- price of imports goes up
3. Lowers cost (economies of scale to satisfy international demand-more produce)	4. Distribution problems (Ireland is one of 3 EU countries not land linked, difficult and expensive, timetables etc...)
4. Overcome barriers of trade (set up branches in other countries opens more markets- eg mexico)	5. Competition from low wage economies - businesses must cover expense of relatively high minimum wage

BALANCE OF TRADE = VISIBLE EXPORTS - VISIBLE IMPORTS

BALANCE OF PAYMENTS = ALL EXPORTS - ALL IMPORTS