Chapter 5

Chapter 5 Ordinary Level Questions

Q1 (i) Explain what is meant by the term trading bloc.

A trading bloc is a group of countries that agree to reduce or remove trade barriers between them. This makes it easier and cheaper for member countries to buy and sell goods and services with each other.

Q1 (ii) Outline one reason why trading blocs are important for businesses in the Irish economy.

They give Irish businesses easier access to larger markets. By removing tariffs and customs checks, trading blocs like the EU help Irish firms sell products more competitively abroad e.g. Irish businesses can sell to approximately 450 million people in the EU without any additional tariffs.

Q1 (iii) Identify one trading bloc, apart from the EU, that is relevant to Irish businesses.

United States–Mexico–Canada Agreement (USMCA)

Q2 Outline two benefits of Ireland's EU membership for Irish businesses.

1. **Access to a large single market** Irish businesses can sell to approximately 450 million EU consumers without tariffs or customs checks, so are more competitive in the EU.
2. **Funding and grants** Businesses in Ireland can benefit from EU funding for innovation, agriculture, and regional development.

Q3 Describe **two** benefits of EU membership for Irish consumers

1. **Greater consumer choice** EU membership allows Irish consumers to access a wider variety of goods and services from other member states, and buy them without tariffs.
2. **Stronger consumer protection** EU rules ensure product safety, quality, and clear refund rights across the EU.

Q4 Outline why an Irish clothing business should consider the following factors before choosing to expand internationally

1. Exchange rates   2. Competition   3. Language/culture

1. Exchange rates Fluctuations in currency values can affect pricing and profits when trading in non-euro countries. If the euro weakens against the currency of the country the business is exporting to, Irish products become cheaper for foreign customers. This can boost sales abroad.
2. Competition The business must assess the strength of local and global competitors in the new market.
3. Language/culture Differences in language and customs can affect advertising, customer service, and branding. This can lead to higher costs to adjust elements of the marketing mix to suit these needs.

Q5 *Ireland is a small open economy*

Explain two reasons why Irish businesses would choose to trade globally.

1. **Small domestic market** Ireland has a population of just over 5 million, which limits the potential for large-scale growth at home. Trading globally gives Irish businesses access to much larger markets, allowing them to increase sales, scale production, and benefit from economies of scale.
2. **Access to raw materials and technology** Ireland lacks certain natural resources and specialised manufacturing inputs. By importing from global suppliers, Irish businesses can access high-quality raw materials, advanced technologies, and machinery that are essential for production and innovation.

Q6 (i) True or False: Tick (✓) the correct box for each statement:

Statement	True	False
If invisible exports increase, the balance of trade decreases.		✓
If total imports are greater than total exports, there is a balance of payments deficit.	✓	
A decrease in visible imports will improve the balance of trade.	✓	

(ii) Based on the figures below, calculate the balance of payments and balance of trade for Ireland. State clearly whether they are a 'surplus' or 'deficit'. Show your workings.

Visible Exports	€90bn	Visible Imports	€80bn
Invisible Exports (Services)	€55bn	Invisible Imports (Services)	€82bn

Balance of payments

Workings: Total Exports – Total Imports

(€90bn + €55bn) - (€80bn + €82bn) = €145bn - €162bn = **-€17bn**

Answer: **-€17bn balance of payments deficit**

Balance of trade

Workings: Visible Exports – Visible Imports

€90bn – €80bn = **€10bn**

Answer: **€10bn Balance of trade surplus**

Q7 Outline one environmental consequence of globalisation

Globalisation increases pollution and carbon emissions More international transport and mass production leads to higher CO_2 emissions and environmental damage.

Q8 Outline two challenges that businesses in Ireland face as a result of the country's reliance on globalisation.

1. Supply chain disruptions Events like pandemics or global conflicts can delay deliveries and raise costs for Irish businesses that face issues shipping stock from across the world.
2. Increased competition Irish firms must compete with low-cost producers from other countries, which can reduce market share.

Q9 Outline two reasons why a large non-EU Multinational company would choose to locate in Ireland.

1. Low corporate tax rate (12.5%/15%) This attracts companies looking to minimise tax expenses on profits, it compares favourably to lots of other EU countries making Ireland attractive to them.
2. English-speaking and EU member Ireland provides access to the EU single market so non-EU MNCs can trade without tariffs, while also offering an English-speaking workforce.

Q10 Explain two ways the Irish government promote Foreign Direct Investment in Ireland.

1. Supports through IDA Ireland
The Industrial Development Authority (IDA) actively promotes Ireland to multinational companies by offering grants, support services, and site visits. It also helps firms set up quickly by assisting with recruitment and planning.

2. Investment in infrastructure and education
The government funds key infrastructure like transport and broadband, and supports education and skills development to create a highly qualified workforce. This strengthens Ireland's appeal as a modern, competitive base for FDI.

Q11 Outline two challenges of having a high level of Foreign Direct Investment (FDI) for Ireland.

1. **Over-dependence on multinational companies**
If a major company leaves or downsizes, it can cause widespread job losses and damage local economies. This can also impact tax revenue and Ireland's GDP.

2. **Profit repatriation**
Many multinationals send their profits back to their home countries, meaning a large portion of earnings doesn't stay in the Irish economy. This limits the long-term financial benefit to Ireland from FDI.

Chapter 5 Higher Level Questions

Q1 (i) Explain what is meant by the term trading bloc

A trading bloc is a group of countries that agree to reduce or eliminate trade barriers between them. These countries cooperate to make it easier and cheaper to trade goods and services, often sharing a common market or customs union.

Q1 (ii) Outline two reasons why trading blocs are important for businesses in the Irish economy.

1. **They increase market access.** Irish firms can trade freely with other bloc members, boosting sales and reducing administrative barriers. This helps businesses grow beyond the limited domestic market.
2. **They support supply chain / spin-off opportunities for Irish businesses** When multinationals set up in Ireland due to trading bloc access, they often rely on local firms for goods and services. This creates new opportunities for Irish SMEs to become suppliers, partners, or contractors, boosting their revenue and growth potential.

Q1 (iii) Identify one trading bloc, apart from the EU and Mercosur, that is relevant to Irish businesses.

United States–Mexico–Canada Agreement (USMCA)

Q2 Describe two benefits of EU membership to the Irish economy.

1. **Enhanced trade and export opportunities** Access to the EU Single Market allows Irish businesses to export goods and services freely to over 26 other member countries, boosting economic activity and national income.
2. **EU funding and regional development support** Ireland receives financial support from EU programmes such as the CAP (Common Agricultural Policy) and the ERDF, helping fund infrastructure, agriculture, and innovation.

Q3 Analyse Ireland's membership of the EU from the perspective of Irish consumers.

1. **Irish consumers enjoy greater choice and lower prices.** The EU Single Market allows goods to move freely across borders, increasing competition and making a wider range of products available at competitive prices. However, this can put pressure on Irish producers, and consumers may lose access to some local products that struggle to compete with cheaper imports.
2. **Consumers benefit from strong legal protections.** EU regulations guarantee rights such as clear labelling, product safety, and refund entitlements when shopping in-store or online. However, navigating cross-border complaints or returns can still be challenging, especially with language barriers or varying enforcement standards.

Q4 Besides taxes and tariffs, outline **three** factors an Irish clothing business should consider before expanding into the international market.

1. **Exchange rate volatility** Fluctuations in currency values can impact the cost of imports and the profitability of exports. If the euro weakens against the target market's currency, the Irish clothing business may earn more from exports but pay higher prices for imported materials like fabric or accessories.
2. **Local competition** Understanding the strength and positioning of existing brands is key to identifying market opportunities and risks. An Irish clothing business entering a market saturated with fast fashion retailers may need to emphasise unique design, sustainability, or Irish branding to stand out.
3. **Language and cultural differences** Cultural norms influence buying habits, marketing preferences, and even sizing systems. An Irish brand entering markets like Japan or the Middle East must adapt product ranges, customer service, and promotional messaging to align with local expectations and avoid miscommunication or lost messaging in marketing.

Q5 *Ireland is a small open economy*

Explain three reasons why Irish businesses would choose to trade globally.

1. **Limited domestic market** Ireland's population of just over 5 million limits how much businesses can grow by selling only at home. Global trade gives access to larger markets where firms can increase sales, expand production, and build international brands.
2. **Access to raw materials and components** Ireland lacks many natural resources needed for modern industry, such as metals, textiles, and electronics. Global trade enables firms to import these essentials, like a clothing company sourcing cotton from Turkey or Bangladesh.
3. **Opportunities for economies of scale** By producing for global markets, businesses can manufacture goods in larger quantities, reducing the cost per unit. For example, a software company with clients across Europe can spread development costs over a much larger customer base.

Q6 (i) Distinguish between the terms **balance of payments** and **balance of trade** in terms of international trade

Balance of Payments: Total exports (visible plus invisible exports) minus total imports (visible plus invisible imports). It is called a surplus if total exports > total imports.
Balance of Trade: The balance of trade compares the value of visible exports (goods) with visible imports, showing whether a country exports more goods than it imports (it is called a surplus if exports > imports)

(ii) Based on the figures below, calculate the balance of payments and balance of trade for Ireland. State clearly whether it is a 'surplus' or 'deficit'. Show workings.

Visible Exports	€120bn	Visible Imports	€110bn
Invisible Exports (Services)	€65bn	Invisible Imports (Services)	€85bn

Balance of payments

Formula: Total exports (visible plus invisible exports) - total imports (visible plus invisible imports)

Workings: (€120bn + €65bn) - (€110bn + €85bn) = €185bn - €195bn = -€10bn

Answer: -€10bn (balance of payments deficit)

Balance of trade

Formula: Visible exports – visible imports

Workings: €120bn – €110bn = €10bn

Answer: €10bn balance of trade surplus

Q7 Evaluate the social and environmental consequences of globalisation under two of these three headings: political risks, financial risks, and cultural barriers.

Political risks **Social:** Changes in foreign governments, trade wars or sanctions can disrupt supply and sales, leading to fewer hours or job losses. Big global brands can also replace local shops and reduce local traditions. **Environmental:** Different rules in each country add compliance work. Trade disruptions and re-routing can mean more waste and extra transport emissions.
Financial risks **Social:** Currency changes, interest-rate moves and overseas downturns can lower profits and delay hiring or investment at home. Some firms may move production or buy more imports if costs rise. **Environmental:** Selling in more markets can bring extra reporting on carbon and packaging. Meeting higher standards can be positive, pushing greener practices across the business.
Cultural barriers **Social:** Language and customs can cause marketing or customer-service mistakes, harming reputation and community links. Adapting products/the marketing mix is important to adapt when selling globally. **Environmental:** Expectations on packaging, waste and sustainability labels differ by country. Adjusting designs and disclosures builds trust and meets local rules.

Q8 Outline two challenges that businesses in Ireland face as a result of the country's reliance on globalisation.

1. Vulnerability to external shocks Events like pandemics, global conflicts, or supply chain disruptions can heavily affect Irish trade-dependent businesses. If Irish businesses are shipping raw materials or stock from global locations, they can face long delays or spikes in costs when supply chain disruptions occur.
2. Increased competition from low-cost economies Irish firms often compete with businesses in countries with cheaper labour and production costs, putting pressure on prices and profitability. Developing economies are more able to access Irish markets, reducing domestic demand by offering cheaper alternatives.

Q9 Evaluate the role played by technology in globalisation based on two of the following three headings: trade, work practices, and how the business operates.

Trade Technology has made international trade faster and more efficient through online platforms, automated logistics, and instant communication. Irish businesses can now reach global customers with ease. However, digital trade also brings cyber security risks and dependency on digital infrastructure.
Work practices Remote working tools and cloud platforms allow Irish firms to collaborate across time zones and reduce office costs. However, these changes can challenge team cohesion and increase employee isolation or burnout.
How the business operates Technology has transformed how businesses function by enabling automation, cloud computing, and global communication. Irish companies can now manage supply chains, customer service, and logistics across multiple countries in real time. However, this digital reliance increases vulnerability to cyberattacks, data breaches, and system failures, which can disrupt global operations and damage reputations.

Q10 (i) What is meant by Foreign Direct Investment (FDI) in an Irish context? Provide an example to support your answer.

FDI is when a foreign business sets up operations or acquires assets in Ireland to run a long-term enterprise. E.g. Google establishing its European headquarters in Dublin is a form of FDI.

(ii) Outline **two** reasons why an American Multinational would locate in Ireland.

1. **Low corporate tax rate (12.5%/15%)** This significantly reduces tax liabilities compared to other developed economies. It makes Ireland a profitable location for American MNCs to base their European operations.
2. **EU membership with English-speaking workforce** Ireland offers full access to the European Single Market while sharing cultural and language ties with the U.S. This simplifies communication and facilitates smoother integration with EU business networks.

Q11 Explain how the Irish government promotes Foreign Direct Investment in Ireland.

1. **Support through IDA Ireland** IDA offers site selection assistance, grants, and introductions to local partners to help companies set up. This targeted support lowers barriers to entry for foreign firms and accelerates job creation.
2. **Skilled workforce and education investment** The government funds STEM education, apprenticeships, and third-level institutions aligned with industry needs. This ensures a steady pipeline of talent for sectors like pharma, tech, and finance.

Q12 Outline two opportunities and two challenges of Foreign Direct Investment (FDI) for Ireland.

Opportunity **Job creation and economic growth** Multinational firms employ thousands and boost regional development, particularly in urban centres and technology hubs. Their investment also stimulates local supply chains and service industries, increasing spin-off demand.
Opportunity **Technology and skills transfer** FDI brings expertise, training, and global standards to Irish firms and workers. This raises productivity and strengthens Ireland's innovation capacity, and can help develop future Irish entrepreneurs.
Challenge **Profit repatriation** Many multinational profits are returned to parent companies abroad, limiting long-term reinvestment in Ireland. This reduces the actual effect of successful FDI based in the domestic economy.
Challenge **Over-reliance on multinationals** Heavy dependence on a few global players makes Ireland vulnerable to external decisions. If one major employer relocates, it can cause significant job losses and tax shortfalls.