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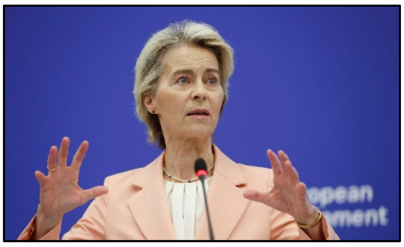
Chapter 5 Irish business globally and internationally

5.1 Explain what is meant by a trading bloc and discuss why these are important for businesses in the Irish economy.

HL Paper 2 Q4 (b) (i)

(b)



European Commission President Ursula von der Leyen announced "The European Union and the Mercosur trade bloc have agreed to terms for a trade deal".

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

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

HL Paper 2 Q4 (b) (i) Solution

(i) A trading bloc is a group of countries that allow free trade between members by reducing or removing trade barriers (such as tariffs).

(ii) United States–Mexico–Canada Agreement (USMCA).

OL Paper 1 Q1 (a) (ii)

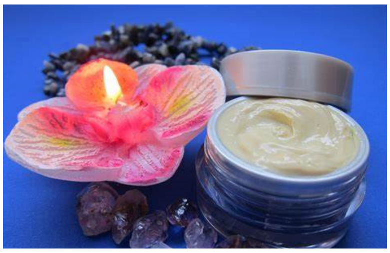
EverGlow Organics Ltd Poised for Global Expansion

Irish Skincare Success Story Eyes Europe and Asia

EverGlow Organics Ltd is a successful Irish company specialising in organic skincare for men and women. The business has grown steadily in Ireland and now plans to expand into Europe and Asia. The company is motivated by a growing demand for organic products and the potential to save money through economies of scale.

Adapting to New Markets

While their products have been well-received in Ireland, the company's management team is mindful of differences in culture, language, traditions, and income levels in the new markets. The business may need to adjust elements of its marketing mix to appeal to international consumers. The company recognises that conducting market research will be crucial before entering these markets. They will need to receive direct feedback from potential consumers and analyse existing data on market trends in each country.



Funding and Financial Considerations

EverGlow Organics Ltd is considering various financing options, such as applying for a long term loan or seeking investors. In addition to the financial risk, the company is concerned about changing exchange rates and established businesses in the new countries.

Investing in People and Technology

To support its growth, the business will hire freelance content creators to promote its products to new audiences. The company also plans to invest in new technology to handle increased demand and ensure effective communication. Recently, the team conducted a force field analysis to examine the driving and restraining forces related to the expansion.

(ii) Indicate whether each of the following statements is true or false by putting a tick (✓) in the correct box.

Statement	True	False
The European Union (EU) is an example of a trading bloc.		
An increase in exports by EverGlow Organics Ltd will improve Ireland's balance of payments.		
A tariff is a ban on specific goods being imported into a country.		

OL Paper 1 Q1 (a) (ii) Solution

(ii) Indicate whether each of the following statements is true or false by putting a tick (✓) in the correct box.

Statement	True	False
The European Union (EU) is an example of a trading bloc.	✓	
An increase in exports by EverGlow Organics Ltd will improve Ireland's balance of payments.	✓	
A tariff is a ban on specific goods being imported into a country.		✓

5.2 Identify the trading blocs most relevant for Irish businesses.

HL Paper 2 Q4 (b) (ii)

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

5.3 Evaluate Ireland's membership of the EU from the perspective of the economy, businesses, and consumers.

OL Paper 1 Q3 (g)

(g) Describe **two** benefits of EU membership to the Irish economy.

1
2

HL Paper 2 Q4 (b) (ii) Solution

(ii) United States–Mexico–Canada Agreement (USMCA).

OL Paper 1 Q3 (g) Solution

(ii)

1. Access to the EU Single Market

This allows Irish businesses to trade freely with over 450 million consumers in other member states without tariffs or customs checks. As a result, Irish exports are more competitive and this boosts national income.

For example, Ireland's dairy industry can sell products across Europe at lower cost, supporting farm incomes and the agri-food sector.

2. EU funding and regional development support

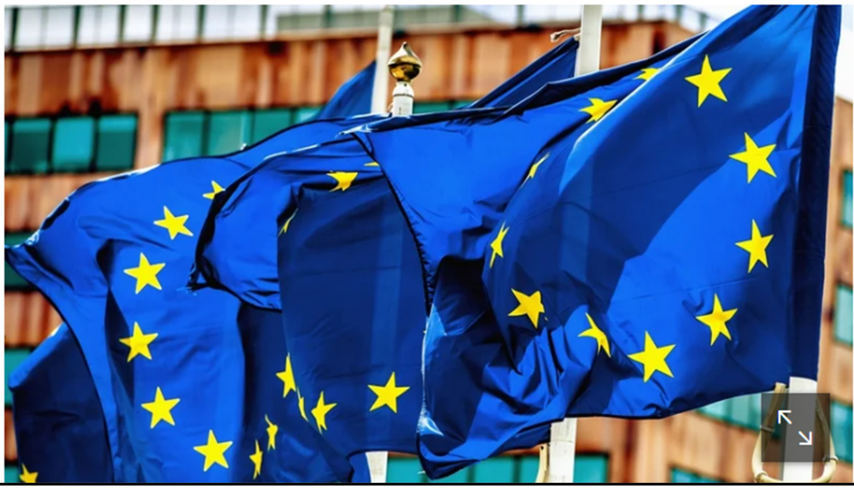
Schemes such as the Common Agricultural Policy (CAP) and the European Regional Development Fund (ERDF) provide investment in agriculture, infrastructure, and innovation. This strengthens economic growth and creates jobs in Ireland.

For instance, EU funding helps Irish farmers and supports rural development, which benefits the wider economy.

OL Paper 2 Q3 (e)

(e)

EU membership transformed life in Ireland over past 50 years



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

1	
2	

OL Paper 2 Q3 (e) Solution

Increased market access without tariffs

Membership of the Single Market allows Irish firms to sell goods and services freely to over 450 million consumers without tariffs or customs checks, making exports more competitive.

Reduced costs of inputs/production

EU membership allows Irish businesses to import raw materials and components tariff-free from other member states, lowering production costs and improving profitability.

Improved access to labour and capital

The free movement of workers and investment across the EU means Irish firms can attract skilled employees from other member states and secure finance more easily, helping them to expand and remain competitive.

5.4 Outline the factors to be considered when trading internationally.

HL Paper 1 Q2 (c)

Grá Chocolates was founded in Galway by Gráinne Mullins. Handmade in small batches, the exquisite artisan confections blend the finest raw ingredients with native Irish flavours.

Gráinne has decided that it's time to build a permanent headquarters for Grá Chocolates.

Gráinne plans to build her own chocolate factory, using the Crowdfunding platform Kickstarter, to fund the expansion.

(c) Grá chocolates has received approval to enter the US market.

Outline **three** factors that Grá Chocolates should consider before expanding into the international market.

1

2

3

HL Paper 1 Q2 (c) Solution

Exchange rates

Changes in the value of the euro against the US dollar will affect Grá Chocolates' pricing and profits. A weaker euro makes exports cheaper for US consumers, while a stronger euro makes them more expensive.

Competition

Grá Chocolates must consider the level of competition in the US confectionery market. Established local and global brands may already dominate shelf space, so the business will need to decide how to stand out. Grá may need to adjust her marketing for the new market.

Language and culture

Consumer tastes, marketing styles and packaging expectations in the US may differ from Ireland. Grá Chocolates will need to adapt to these cultural differences to connect with customers effectively.

Logistics and distribution

Grá Chocolates must plan how products will be transported, stored, and delivered in the US. Long shipping distances increase costs and raise challenges around keeping handmade chocolates fresh and in perfect condition.

Legal and regulatory requirements

The business will need to meet US food safety and labelling rules. Different standards apply compared to Ireland, and failure to comply could delay sales or damage the brand's reputation.

5.6. Distinguish between balance of payments and balance of trade and calculate both based on figures given.

OL Paper 1 Q1 (a) (ii)

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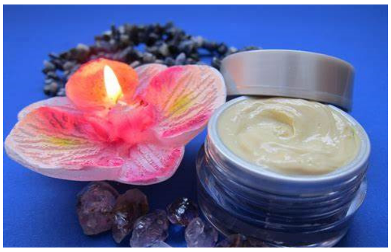

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Statement	True	False
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OL Paper 1 Q1 (a) (ii) Solution

(ii) Indicate whether each of the following statements is true or false by putting a tick (✓) in the correct box.

Statement	True	False
An increase in exports by EverGlow Organics Ltd will improve Ireland's balance of payments.	✓	

5.8. Explain how globalisation can increase interdependence* and evaluate the consequences of this for both businesses and consumers.

HL Paper 2 Q2 (d)

(d)

Outline **three** challenges that consumers in Ireland face as a result of the country's reliance on globalisation.

1
2
3

HL Paper 2 Q2 (d) Solution

Job losses from outsourcing

Globalisation can lead to Irish firms moving production abroad to lower-cost economies. This can cause job losses in Ireland, leaving consumers with less income to spend on goods and services.

Exposure to global shocks

Events such as pandemics or conflicts can disrupt global supply chains. For consumers in Ireland this means higher prices in shops or delays in getting the goods they want.

Environmental impact

Global trade increases long-distance transport and carbon emissions. Consumers in Ireland are affected through higher concern about climate change and possible future costs linked to environmental taxes or regulations.

Loss of local choice

Globalisation brings more low-cost imports into Ireland, which can make it harder for small local producers to compete. For consumers, this may mean fewer Irish-made options available in shops as local businesses close or scale back.

5.10 Explain what is meant by Foreign Direct Investment and investigate how the Irish government promotes Foreign Direct Investment.

HL Paper 1 Q4 (a)

Dexcom, a global medical device manufacturer, will open its Athenry plant in 2026.

(a) **(i)** Outline **two** reasons why a business such as Dexcom, would locate in Ireland.

1
2

HL Paper 1 Q4 (a) Solution

Low corporate tax rate

Ireland's corporation tax rate of 12.5% (15% for large multinationals) makes it an attractive location, as global firms can retain more of their profits compared to many other countries.

Access to the EU Single Market

By locating in Ireland, Dexcom gains direct access to over 450 million EU consumers, allowing it to sell products freely across the bloc without tariffs or customs checks.

Skilled workforce

Ireland has a highly educated, English-speaking workforce, especially in science and technology fields. This provides Dexcom with the talent needed to operate in the medical device sector.

5.11 Outline the contribution of Foreign Direct Investment to the Irish economy.

HL Paper 1 Q4 (b)

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

Opportunities

1
2

Challenges

1
2

HL Paper 1 Q4 (b) Solution

Opportunities

Job creation

FDI brings direct employment in the multinationals themselves and indirect jobs through local suppliers and services. This reduces unemployment and increases income tax revenue for the Irish economy.

Technology and skills transfer

Multinationals introduce advanced technology, processes and training to Ireland. This improves productivity and helps Irish workers gain valuable skills that can strengthen future Irish-owned businesses.

Regional development

When foreign firms set up plants outside Dublin, they create jobs and investment in smaller towns and regions. This supports balanced economic growth across Ireland and reduces pressure on the capital.

Challenges

Profit repatriation

Many multinational companies send a large share of their profits back to their home countries. This means less money stays in Ireland to be reinvested in the domestic economy.

Over-dependence on MNCs

Ireland relies heavily on a small number of multinationals for exports, tax revenue and jobs. If even one major employer downsizes or relocates, it could cause significant job losses and reduce government income.

Pressure on housing and infrastructure

The growth of multinational employment has increased demand for housing, schools and transport. This puts pressure on public services and can raise the cost of living for Irish people.