QUESTION 3 – UNIT 7

Leaving Cert Business Studies

Question 3 examines Unit 7 which comprises of:

- Chapter 24: International Trade
- Chapter 25: European Union
- Chapter 26: Global Business

Question 3 is in Section 3, Part 1 (Long Questions), where you must answer at least 1 question from 3 and have the option to answer one other question if you choose to.

<u>NOTE:</u>
New Policy on the course called the European Structural Fund (ESF)

The ESF was created to help those regions, within Europe, whose development is lagging behind, in order to reduce the differences between regions and create a better economic and social balance within Member States. Two individual funds are collectively known as the E.U. Structural Funds. These funds are the European Regional Development Fund and the European Social Fund.

Since joining the E.U in 1973, Ireland has received almost €17b to date. This funding is used for areas such as combatting long-term and youth unemployment and social exclusion. It invests money in training, job creation and education. Promoting R&D investment and the competitiveness of the business sector; and promoting an environmentally-friendly and resource efficient economy are other areas it covers.

Topic	**13**	**12**	**11**	**10**	**09**	**08**	**07**	**06**	**05**
Balance of Trade/Balance of Payments	√			√					
Indigenous Companies	√								
Membership of EU	√				√	√			√
Globalisation		√			√		√		√
Barriers to trade		√							
European Institutions/Policies		√		√		√		√	√
Decision making process		√						√	
Changing nature of International economy			√	√				√	
FDI/ Multinationals			√						
Interest Groups			√				√		

SHORT QUESTIONS

2013

9. Distinguish between a directive and a regulation as legislative instruments within the E.U

EU Directive

- This is a legal instrument used to implement and enforce an EU law in member states.
- It obliges member states to change their national laws to allow for EU rules, within a certain time limit.
- They are used to bring different national laws into line with each other and are common in matters affecting the operation of the Single Market

EU Regulation

- This is a legislative act of the EU which becomes enforceable immediately as law in its entirety in all member states simultaneously.
- They take precedence over national laws.
- They are self-executing and do not require any implementing measures.
- EU institutions can enforce a regulation throughout the EU.

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).

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 surplus

Balance of Invisible Trade = Invisible exports – Invisible Imports

= €35bn - €40bn

= (€5bn) deficit

Balance of Payments = Balance of Trade + Balance of Invisible Trade

= €20bn + (€5bn)

= €15bn surplus

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 surplus

2010

3. (a) Explain what is meant by the term "exchange rate".

Exchange rate is the price at which a currency can be exchanged for another i.e. the price/value of the currency of one country in terms of the currency of another country.

(b) Outline two impacts on Irish exporters to the UK market, if the euro increases in value relative to the UK pound sterling.

(i) Irish exports to the UK become more expensive/less competitive/lower profit margins if the euro increases in value relative to the Pound Sterling. It will be more expensive for UK customers to buy Irish beef or other Irish goods if the euro increases in value relative to the pound sterling. As a result sales to the UK will fall/Exports from Ireland will decrease. Job losses may occur/ Possible closure of firm.
(ii) Cheaper raw materials/inputs and therefore reduction in business costs for the Irish exporting firms, who may be dependent on foreign raw material imports.
(iii) Exporters may have to change markets/export to other EU countries

8. Distinguish between a quota and a tariff as barriers to free trade between countries.

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

2009

9. Contrast job production and batch production, giving one appropriate example in each case.

Job Production refers to the production of a single customised product e.g. a bespoke oak kitchen, wedding dress etc.
Batch Production refers to the production of certain quantities of identical products at the same time/in one production run e.g. loaves of brown bread, school textbooks etc.

2008

3. (a) Explain what is meant by the term "exchange rate".

Exchange rate is the price at which a currency can be exchanged for another i.e. the price/value of the currency of one country in terms of the currency of another country.

(b) Outline two impacts on Irish exporters to the UK market, if the euro increases in value relative to the UK pound sterling.

(i) Irish exports to the UK become more expensive/less competitive/lower profit margins if the euro increases in value relative to the Pound Sterling. It will be more expensive for UK customers to buy Irish beef or other Irish goods if the euro increases in value relative to the pound sterling. As a result sales to the UK will fall/Exports from Ireland will decrease. Job losses may occur/ Possible closure of firm.

LONG QUESTIONS

2013 – QUESTION 3

(A) (i) Explain the terms "Balance of Trade" and "Balance of Payments". (10 Marks)

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.

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.

Total Exports > Total Imports = Surplus
Total Exports < Total Imports = Deficit

A (ii) Calculate the Balance of Payments figures for both years from the above data. (6 Marks)

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

A (iii) Illustrate what is meant by the term "invisible exports" with reference to the Irish economy. (4 Marks)

- 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. (20 Marks)

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.

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. (20 Marks)

- 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. Between 1973 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.
- **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.

2012 – QUESTION 3

(A) Outline four developments in technology that have facilitated the growth in globalisation. (20 Marks)

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.

(B) Describe, using examples, barriers to free trade between countries. (20 Marks)

Quota

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. 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. A tax, duty or tariff on New Zealand beef is an example of a tariff.

Embargo

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

(C) Discuss the role of the Council of the European Union (Council of Ministers) and the European Commission in the European Union (EU) decision making process. (20 Marks)

Council of the European Union (Council of Ministers)

- **Main decision making body of the EU**. Its decisions are made by qualified majority voting in most areas, unanimity in others.
- **Relevant Ministers from each country**. The Council is composed of several configurations of twenty-seven national ministers (one per state). The exact membership of the configuration depends upon the topic; for example, when discussing agricultural policy the Agricultural ministers will attend.
- It **decides on legislation drafted by the European Commission**. In most areas the ordinary legislative procedure applies meaning both Council and Parliament share legislative and budgetary powers equally, (both have to agree for a proposal to pass). In a few limited areas the Council may initiate new EU law itself.
- It **approves the EU budget**, set goals and co-ordinate policy

The European Commission

- The European Commission is the **executive body** of the European Union. The body is responsible for proposing legislation, implementing decisions, upholding the Union's treaties and the general day-to-day running of the European Union.
- **Drafts proposals for new laws**. Once legislation is passed by the Council of the European Union and Parliament, it is the Commission's responsibility to ensure it is implemented. It does this through the member states or through its agencies.
- It **represents the EU** internationally.
- The Commission is responsible for the **implementation of the EU budget**; ensuring, along with the Court of Auditors, that EU funds are correctly spent.
- In particular the Commission has a duty to **ensure the treaties and laws are upheld**, potentially by taking member states or other institutions to the Court of Justice in a dispute. In this role it is known informally as the "guardian of the treaties".

2011 – QUESTION 3

(A) Discuss how the changing nature of the international economy affects Irish exporters. (20 Marks)

- **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.

(B)Illustrate how foreign transnational's (i.e. foreign direct investment (FDI) companies) have impacted on the Irish Economy. (25 Marks)

- **Direct employment** e.g. approximately 150,000 people are directly employed by foreign multinationals in Ireland. It is estimated that FDI companies give rise to indirect employment of twice that amount.
- **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 will 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 transnational 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.
- Some FDI companies are considered Footloose having **no loyalty to Ireland**. They may leave immediately if operating costs are lower elsewhere. The DELL Limerick move to Poland resulted in thousands of job losses in the Limerick area.
- 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. Repatriation of profits, which means wealth leaves the Irish economy.
- **Positive impact on the Balance of Trade**- They bring their own business plans and ready-made export markets. Up to 80% of Irish exports come from foreign multinationals (about 50% from just 5 companies). Because of their substantial exports, Ireland hasn't had a Balance of Payments problem for many years.

(C) Evaluate the role of 'special interest groups' in the decision making process of the European Union (EU). Use examples to support your answer. (15 Marks)

Special interest groups are groups which attempt to influence the political and decision-making process but are not part of the accepted political structures.

- Methods they employ include lobbying, information campaigns and public protests in an attempt to influence EU decision making.
- Special Interest Groups have an important role in the EU decision-making process, in particular during the consultation stage.
- Special Interest Groups engage in lobbying, which is the deliberate effort to influence the decision making process by promoting a particular point of view.
- Some Special Interest groups have permanent offices in Brussels and Strasburg and put pressure on Members of the European Parliament and the Commission through media pressure and demonstrations.

<u>Examples</u>

- ICTU tries to influence EU decision making and policy in relation to employment, the minimum wage and the EU social charter.
- The IFA engaged in intense lobbying in Brussels to obtain greater flexibility on milk quotas in advance of their 2015 abolition.

Evaluation required:

<u>2010 – QUESTION 3</u>

(A) (i) Explain what is meant by the term "Open Economy". (6 Marks)

An Open Economy is one in which people including businesses can trade goods and services (i.e. Importing and exporting) and borrow and lend in world financial markets. Ireland is a small open economy that engages in international trade/interdependent on other economies.

A measure of a country's openness is the fraction of GDP devoted to imports and exports. Nearly 80% of what is produced in Ireland is exported. Imports and exports make up a high proportion of national income in Ireland. An open economy offers a wider choice. Essential raw materials and finished goods can be imported/exported.

(ii) Illustrate your understanding of the terms 'Balance of Trade' and the 'Balance Of Payments. (7+7 Marks)

The Balance of Trade is the difference between visible exports and visible imports. Visible exports are physical goods sent out of the country where money comes in e.g. Dell computers, Beef exported to UK, Lamb exported to France. Visible imports are physical goods coming in where money goes out. E.g. wine from France, leather shoes from Italy.

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

The Balance of Payments is the total amount of money entering and leaving a country during the course of a year. E.g. Invisible exports e.g. American tourists holidaying in Ireland. Invisible imports e.g. Irish people holidaying in Spain.
Balance of Payments = Total Exports (Visible & Invisible) - Total Imports (Visible & Invisible)
Total Exports > Total Imports = Surplus
Total Exports < Total Imports = Deficit

(B) Analyse how the changing trends in the international economy have impacted on Irish businesses. (4 x 5 Marks)

<u>1. Currency fluctuations:</u> Irish exporters are being hit by the international recession and the collapse in the value of sterling. In 2009 Ireland lost 32 per cent in price competitiveness. Some of this was due to the rising euro, but much also relates to costs here rising much faster than the average of our trading partners.
Impact: Exporters to UK affected.
<u>2. Global recession:</u> here and internationally, the financial system remains crippled in the wake of the credit crunch and, in our case, write-offs relating to property loans.
Impact: Dell, like most major companies, has been hit by the international recession and is looking for ways to make the company more competitive. It can manufacture computers more cheaply in Poland.
<u>3. The International Banking Crisis</u> has triggered a worldwide recession. Irish businesses confidence about future prospects for business has fallen. Business confidence has plunged to its lowest level since 2003. The worldwide banking crisis has had a broad impact on Irish business as they face higher financing costs.
Impact: Difficulty in getting credit e.g. Bank overdrafts and loans.
<u>4. Influence of Transnationals</u> (TNCs): Some TNCs are more powerful than the country they operate in. Ireland attracts these companies through tax incentives. (Ireland has a very low corporation tax rate of 12.5 %.) TNCs often lobby Governments and the EU to accept their conditions of trade. This enables them to trade with fewer restrictions.
Impact: There could be major consequences for the Irish economy if TNCs choose not to locate in Ireland as they are very large and employ significant numbers of workers e.g. Pzifers; Boston Scientific.
<u>5. Growth in globalisation:</u> treating the world as one single marketplace for standardised products is seen in Ireland to-day. The internet and TV has helped businesses to develop global brands by advertising and promoting them globally. e.g. Sony, McDonalds, Toyota, Coca Cola.
Impact: Irish firms need to compete in the world stage.
<u>6. The growth in Trading Blocs and Agreements:</u> The EU is an example of a trading bloc which allows free trade among its members. Ireland being a member can trade freely with other countries in the EU without any barriers or restrictions.
Impact: This offers a wider marketplace (495million) for Irish foods and services due to the growth in membership.
<u>7. World Trade Organisation:</u> is the organisation responsible for promoting fair trade between countries. It negotiates between member states by encouraging deregulation and the removal of barriers to trade.

Impact: This allows for huge sales opportunities abroad for Irish businesses. Ireland has been a member since 1995.

8. Competition: Eastern European countries like the Czech Republic, Hungary, and Slovakia have opened up their economies to markets forces.

Impact: This presents a particular challenge for Ireland as these countries are excellent producers of agricultural products and can offer quality at a lower price to the European consumer.

9. The European Union/Enlarging European Union: with new countries joining the EU from Eastern Europe opportunities arise for Irish business to promote their goods and services.

Impact: There is a huge population in these countries with a demand for Irish products and services.

10. Deregulation: has increased competition in the marketplace and reduced protectionism i.e. removal of trade barriers. Irish businesses now need to be more competitive as they face competition from larger foreign companies. They need to produce top quality goods and services at competitive prices in order to survive. In

Ireland deregulation allows new business to enter the marketplace and offer Irish consumers value for their money.

Impact: Deregulation of the electricity and airline sectors has offered choices and value for money for Irish businesses.

11. Emerging countries / the market opportunities: due to the growth of economies in the Pacific Rim (South Korea, China, Japan, Taiwan, Singapore, Thailand, Malaysia, Indonesia) new markets have emerged. These economies are developing rapidly (the fastest growing economic region in the world).

Impact: They have provided both markets and competition for Irish businesses.

12. Technology: The information and communications technology (ICT) sector has shown remarkable growth in recent years. ICT companies in Ireland are engaged in a range of activities; networks, software development etc.

Impact: E commerce/business has enabled Irish businesses to advertise business worldwide. Developments in technology have allowed this to take place. Businesses are now in constant contact with companies around the globe.

13. Migration: Emigration of skilled labour "brain drain".

Impact: Shortage of suitable qualified employees in the future.

C) Discuss the importance for Ireland of any TWO of the following EU policies. (10+10 Marks)

(i) European Union Competition Policy

- It ensures that the best guarantee for the Irish consumer of getting quality goods and services is to have a number of suppliers competing for the business, i.e. the existence of competition among suppliers.
- It ensures that Irish businesses operate on a fair basis and that customers benefit.
- It restricts Irish businesses from forming anti-competitive cartels or keeping prices artificially high or preventing newcomers from entering the market.
- The commission has the power to control large mergers and takeovers.

- In doing business with smaller firms, large firms may not use their bargaining power to impose conditions which would make it difficult for their supplier or customer to do business with the large firm's competitors. The Commission can and does fine companies for all these practices.

(ii) Common Fisheries Policy (CFP)

- Access to Fishing Grounds: Access to Irish coastal waters is reserved for fishermen from local ports to a distance of 12 miles off-shore. This prevents foreign boats from over fishing the areas. The EU is allowed to define where fishing is banned or restricted and all EU boats must be licensed to fish.
- Conservation of Irish Fish Stocks: This policy is designed to protect fish stocks over-fishing. Young fish catches are reduced, the mesh size of nets is regulated and limits applied to different fishing seasons.
- Monitoring Fishing Activity: The responsibility to ensure that all rules are applied rests with each member state (Ireland in this case). The EU provides aid to Ireland for the purchase of fishery protection vessels and aircraft for the authorities.
- Marketing of Fisheries Product: The CFP is designed to stabilise the Irish market, guarantee steady supply of products, provide reasonable prices for the Irish consumers and support Irish fishermen.

(iii) Common Agricultural policy (CAP)

- Promotes a fair standard of living for farmers who have always seen their average incomes lag behind average industrial earnings.
- It stabilises agricultural markets and regulates prices so that farmers can be assured there will not be huge fluctuations in the prices they receive for their annual output.
- Irish agriculture benefits from money from the Structural Funds.
- Society also benefits in the form of a better environment.
- CAP aids the provision of safe traceable food and ensures farmers continually improve their production standards.
- CAP preserves and restores rural infrastructure and villages, supporting Ireland's tourism industry.
- Since Ireland joined the EU, Ireland has benefited from major funding, including more than €41 billion from the CAP.

2009 – QUESTION 3

(A) Evaluate the opportunities and challenges for Irish business in the EU Market. ***(5 x 5 Marks)***

The Single European Act was passed in 1987 to provide full and open competition in both the goods and labour market within the EU. The EU market presents both opportunities and challenges for Irish business.

Opportunities (3)

- Free access to EU Market for Irish exports – EU market is third largest in the world.

- Free movement of services, labour and capital – Irish construction sector benefited hugely from availability of Polish and other EU workers during the boom years. Business may also source best investment/borrowing opportunities in EU.
- Harmonisation of Tax rates – reduces price differentials and competition.
- Lower transport /distribution costs – free movement of goods/less administration.
- Irish businesses are eligible to tender for government contracts in EU states.
- Eligibility of Ireland to receive Structural Funds – improved infrastructure in Ireland e.g. roadways have benefited business.
- Business risks are reduced because of reduced dependence on the Irish (domestic) market.
- Economies of scale are made possible by the creation of a huge EU market. This should increase the competitiveness of business.
- Product life cycles should be longer. Research and Development costs should be lower.
- EU-wide registration and protection of trademarks, patents and copyright.

<u>Challenges (2)</u>

- Ireland is a small island economy on the periphery of Europe.
- Increased competition from other EU countries.
- EU companies are eligible to tender for Irish contracts.
- Ireland has a high labour cost – some multi-nationals e.g. Dell have transferred production to lower cost economies e.g. Poland.
- Irish business must comply with EU law.

Evaluation Required.

(B) (i) Explain the term 'Global Marketing' and name two global businesses. (10 Marks)

A global business sells the same, undifferentiated product worldwide. Global marketing uses the same or an adapted marketing mix (product, price, place, promotion) throughout the world to build a global brand.
Examples: Coca Cola, Dell, Nike, Toyota, Microsoft, Intel, HP, Google, Nokia

(ii) "A business involved in global markets faces additional marketing challenges." Discuss these challenges, using examples to support your answer. (3 P's required 7+7+6 = 20 Marks)

Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) it is impossible to launch identical marketing plans worldwide. It is common for business to adapt the marketing mix to reflect the local language, cultural, geographic, or economic differences. Elements of the Global Marketing Mix include:

<u>Global Price</u>

- Reflective of the respective cost of living in different countries/sun cream in Spain
- Recognises the cost of production, distribution, marketing, transportation etc

- Includes tariffs/customs duties
- Local price levels

Global Place

Global channels of distribution are necessary to implement an adapted global marketing mix. Channels include:

- Selling directly to customers
- Use of agents – independent person who will act on behalf of the firm, generally receiving a commission on sales
- Forming a strategic alliance with a foreign company to produce and/or market products. Partners work together for mutual benefit

Global Promotion

Differences in legislation, language and culture need to be recognised in the choice of promotion – internet, trade fair etc. Slogan wording needs to be checked, to avoid confusion and misunderstanding.

Example: Pepsi's "Come alive with the Pepsi Generation" translates into "Pepsi brings your ancestors back from the grave", in Chinese.

Global Product

The element of the marketing mix that companies try not to change. The global business aims to sell an undifferentiated product in all markets, to develop a unique selling point and global brand and to benefit from economies of scale.

- Product may need to be adjusted to reflect technical/legal requirements e.g. left hand drive car etc.
- Packaging may need to be changed to cater for the needs of the local market e.g. recyclable materials.

2008 – QUESTION 3

(A) Discuss the impact of the Single European Market (SEM) on Irish Business *(5 x 5 Marks)*

- Free trade between member states. The elimination of barriers or tariffs allows the free movement of goods/services throughout the European Union/pressure on Irish businesses to become more competitive/foreign goods may squeeze out local producers.
- Free movement of capital. Firms can move capital from one country to another/Individuals can invest in shares in companies throughout Europe.
- Free movement of people. European citizens are allowed to move freely between member states/Labour coming into and going out of Ireland/May lead to competition for local jobs by non-nationals/scarcity of skilled staff in Ireland as they may move to other countries.
- Larger markets could result in greater production runs, resulting in economies of scale and possible lowering of costs/Open borders allow firms to expand.
- Common external tariffs. The EU has a common system of barriers on goods imported from outside the EU/Protection of Irish Industry.

- Public procurement. Governments are required to put public contracts up for tender from firms throughout the European Union. Could result in the loss of large contracts for Irish firms.
- Documentation simplified. The introduction of a single administrative document has eliminated a vast number of administrative forms/lowering of administration costs.

(B) Explain the functions of any two of the following European institutions (2 x 10 marks)

<u>(i) European Parliament</u>
• Directly elected by EU citizens
• Democratic deficit-neither initiates nor passes legislation on its own
• Discusses proposed new laws and proposes amendments
• Approves the annual EU budget and monitors spending
• Vets members of the European Commission
• Supervisory powers

<u>(ii) Council of Ministers</u>
• Ministers from each member state
• Main decision making body of the EU
• They decide on legislation
• They set objectives for the EU

<u>(iii) European Commission</u>
• Drafts proposals for new laws
• Must act in the best interests of the EU and independently of member states
• Implement laws/enforces existing legislation
• Executive body of EU
• Managing the EU budget
• Implements agreed policies of the EU
• Represents the EU internationally

(C) EU Directive and Regulation (distinguish and example/describe purpose of one): (2 x 5 marks + 5 marks)

Directive is a legal instrument to implement and enforce EU law in member states. It
obliges member states to change their national laws, to allow for EU rules, within a time limit/deadline. It is binding only as to the results to be achieved, while leaving within prescribed limits the choice of means to be employed to the member states.
Examples: The General Product Safety Directive, Product Liability Directive, Misleading Advertising Directive. Directives on company law, Directive on Health and Safety at Work, Directive on Unfair Commercial Practices, the 'Nitrates' directive, the Waste Electrical and Electronic Equipment Directive.
EU Regulation

Regulation is a legislative act of the EU which becomes immediately enforceable as law in all member states simultaneously. EU institutions can enforce a regulation throughout the EU. They take precedence over national laws. They are self-executing and do not require any implementing measures.

Examples: Commission Regulation 1828/2006. Laying down general provisions on the European Regional Development Fund the European Social Fund and the Cohesion Fund. Regulation 275/94 on single (sole) member private limited liability company formation etc.