Short Questions Unit 7.

(1) Explain Invisible/visible Imports + exports
(2) open economy - its impact on Economic development

1-5 - NB

1. **Balance of Payments**
This is a record of a country's financial transactions with the rest of the world. It is the difference between a country's total exports and total imports and is usually calculated on a yearly basis.
Formula: Total Exports – Total Imports
(Visible + Invisible Exports) – (Visible + Invisible Imports)
The Balance of Payments is an indicator of how an economy is performing. A surplus on the BOP's means that total receipts is greater than total payments.

2. **Balance of Trade** - only visible Trade.
This is the balance when the total value of all goods exported is measured against the total value of all goods imported during the same time period. It is concerned with visible trade only.
Formula: Visible Exports – Visible Imports
If the total value of goods exported is greater than the total value of goods imported the balance is a surplus on the balance of trade.

3. **Protectionism**
This refers to the measures implemented by Governments to protect their home industries from foreign competition by establishing barriers to trade. This has the effect of reducing imports by making them more expensive. Methods include: Quotas, Tariffs, Embargoes and Subsidies.

4. **Deregulation**
This refers to the process of removing the barriers to trade and freeing up competition. It involves the removal of government restrictions to trade. The development of the Single European Market (SEM) in 1993, saw the elimination of the barriers between member countries of the EU.
In Ireland the Telecommunications market was deregulated in 1998 which led to the privatisation of Telecom Eireann.

2007. 5. **Trading Blocs** eg EU, NAFTA
A trading bloc is where a number of countries agree to form one trading area for business purposes. They agree to trade amongst themselves without tariffs or quotas but to have common trade barriers with non-members.
The EU is a trading bloc, which had developed into an international organisation promoting closer co-operation between European nations.
Other examples include: WTO and NAFTA

6. **World Trade Organisation (WTO)**
The WTO came into existence in 1995 replacing GATT. The main function of the WTO is the promotion of free trade among its members through the elimination or reductions of barriers to trade. It conducts negotiations between the world's governments to reduce protectionism and it also arbitrates in trade disputes between member countries.
It aims to achieve worldwide free trade i.e. a borderless world where trading is fully liberalised.

7. **Aims of the EU**
   Free movement of goods, services, labour and capital between member states.
   Common Agricultural Policy (CAP)
   Common Fisheries Policy (CFP)
   Single European Currency – EURO
   Common Legislation – consumer and industrial law.

8. **3 Benefits of EU membership for Ireland:**
   a) It provides a free trade market for Ireland in excess of 450 million people.
   b) Irish consumers benefit from an increased variety of goods at competitive prices.
   c) EU policies on agriculture, fishing and community development have resulted in improved living standards.

9-14 -NB
9-16 -NB

9. **The Decision Making Process:**

   European Commission Proposes Legislation

   European Parliament Debates Proposals

   Council of Ministers Accept/Rejects Proposals

   European Court of Justice Passes Judgement on EU laws.

10. **Function of the European Commission**
    a) To initiate policy proposals and be the driving force behind European integration.
    b) To act as a guardian of the Treaties making sure that all policy agreements are implemented.
    c) To implement EU policies
    d) Imposes fines on any business that infringes EU rules e.g. Ireland was fined due to irregularities in the beef industry.

2009. name 2 other EU decision making institutions

11. **Function of the Council of Ministers**
    The Council of Ministers is the most powerful institution in the EU. All legislation proposed by the Commission and agreed by the Parliament must be adopted by the Council before it can be enacted. The Council makes the key economic and political decisions of the EU. If the Council accept a proposal for legislation it is written into Law by the Court of Justice.

12. **Function of the European Parliament**
    The European Parliament represents the people of the EU. The European Parliament is directly elected by the citizens of the member states. The powers of the Parliament falls into three categories:
    Legislative Power, Budgetary Power and Control of the Commission.
    The Parliament is responsible for debating the proposals and their views must be heard and taken into account prior to enactment.

13. Function of the Court of Auditors

The Court of Auditors is responsible for ensuring that the EU budget is spent in an efficient and responsible manner i.e. that all income and expenditure is properly accounted for. It issues a report to the Parliament and the Council of Ministers each year stating that the accounts are in order. The Court of Auditors consists of 15 members appointed by the Council for a six-year term.

14. Function of the European Court of Justice

The Court of Justice is the guardian of all EU laws and treaties ensuring that they are applied properly throughout the union. Role:

a) To supervise the implementation of the provisions of all EU policies.
b) To adjudicate on disputes between institutions within the EU, e.g. a dispute between the Council of Ministers and the European Commission.

15. Regulation

a) Have immediate force in all member states.
b) If a national law conflicts with a regulation, the regulation takes precedence.
c) Regulations are binding on all member states.
d) E.g. Regulations banning the movement of BSE cattle throughout Europe.

2007.
16. Directives

(a) States what has to be done but leaves each member state to decide what legislation to introduce to achieve the final result.
(b) It requires member states to alter their national laws to implement the directive.
(c) Binding on each member state.

E.g. Directive on Recycling i.e. 65% of packaging waste must be recycled by 2005. There are also directives on Company Law and Advertising.

17. Globalisation

This involves the treatment of the world as one single market by global firms, producing global products of a uniform standard, competitively priced and sold everywhere regardless of language, customs or the local market. Global firms mass produce goods for the global market e.g. Coca-Cola and Mc Donald's.

18. Global Business

This is a big organisation that attempts to standardise and integrate its business operations worldwide. The business transcends national boundaries and is not confined to the home country where the head office is based.

The global business succeeds because it is able to identify worldwide markets for its products e.g. Coca-Cola and Toyota.

Sample.
19. Global Marketing or International Marketing

This means marketing a product universally using the same or adapted marketing mix. The firm applies its financial budgets, products and experience to develop and sustain its marketing strategies on a global scale. Global marketing can succeed with a brand name and standard packaging and labelling but it may be necessary to have different selling prices in different markets.

Example: Coca-Cola sells the same product globally.

1999. What is a Transnational Company? Name two transnational companies.

2001

20. Importance of the Single European Market (SEM)

a) The huge free trade market provides many benefits for Irish firms to expand and to become more profitable. Economies of scale are achieved.
b) Many large TNC's e.g. Intel have located in Ireland in order to have access to EU markets thereby creating employment.
c) The Irish economy has benefited from huge financial assistance from the European Regional, Social and Structural funds.

21. Six Policies

Common Agricultural Policy (CAP)
Common Fisheries Policy (CFP)
Competition Policy
Social Charter
Economic and Monetary Union (EMU)
European Union Structural Funds

22. The Role of Special Interest Groups in the EU decision making process:

The decision making process in the EU can be affected by lobbying, which can be done by interest groups. Lobbying is a process of persuasion or pressurising decision makers in order to influence their decisions.
The interest groups can lobby the Commission, MEP's and the Council of Ministers to try to influence the outcome of current policy making.
Examples of special interest groups include ICTU, IBEC and the IFA.