

international trade.

- (A) Analyse the significance or otherwise of International trade for Ireland. Refer to the development of trading blocks and transnational companies in your answer. (35 marks)
- (B) Explain the decision-making process of the European Union. Include the relevant institutions in your answer. (25 marks) [60 marks]

Solution

(A) SIGNIFICANCE OF INTERNATIONAL TRADE FOR IRELAND

Importance

Ireland is a small open economy, which means that it is a small country with a small population which has an openness to doing business with many other countries and has few barriers to trade. International trade is more significant to the Irish economy than to many others. Almost two-thirds of Ireland's national income comes from exports by Irish firms, whereas in the United States exports amount to only one-tenth of national income.

The reasons for this include:

- The need for firms to grow, as the home market is so small.
- The need for Irish firms to have economies of scale by producing goods in large quantities.

Trading Blocs

Access to a trading Bloc like the EU has greatly helped Irish firms to trade internationally, because they have free access to the largest market in the world. As it is a single market, firms can sell goods and services in any part of the EU just as easily as if they were trading in their home market. This increases the amount and profitability of international trade for Irish firms.

Transnational Firms

Transnational firms have their head office in one country and branches in many others. They think of themselves as Irish or German depending on where their head offices are based,

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their strategic decisions are made and to which country profits are repatriated.

Transnationals have helped Ireland's international trade:

- They have set up branches in Ireland from which they export much of their output.
- They source much of their raw materials in Ireland, and create large numbers of jobs in the country, further helping the economy.

(B) EU DECISION-MAKING PROCESS

The decision-making process of the EU is as follows:

- The European Commission proposes most new legislation.
- The European Parliament discusses these proposals and gets the opinions of many interested parties, including ECOSOC and the Committee of the Regions.
- The Council of Ministers decides on what legislation is to be implemented through a process of consultation, co-operation or co-decision.
- The European Commission implements the laws decided on by the Council of Ministers by means of Regulation, Directive or Decision.
- The European Court of Justice ensures that the laws passed in this way are implemented in a uniform fashion throughout the member states of the union.