Drivers Of International Trade

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Introduction

In this report the drivers of international trade will be discussed in detail and in relation to the European Union and European Union Member states such as Ireland as much as possible. The four drivers of international trade that are going to be discussed in this report are Cost Drivers, Competitive Drivers, Market Drivers and Technology Drivers.

Cost Drivers

A product or service will be in demand depending on its cost. It would be hard to export a product or service if it is too expensive. When someone is thinking of exporting a product, they must think of the wealth of their target market. It is also important for the person or company who is exporting the product for the price of it to be competitive with similar products that are already being sold in that country so that the locals will be inclined to buy that product or service over the local equivalent products or services. The cost of operating a business for manufacturing things will also be a reason why a company will move to a particular country. For example, Apple computers have set up departments here in Ireland because we have such a low corporation tax here. A lot of companies avoid doing the same in Japan because their rate of corporation tax is so much higher. A person or company must also be careful that their product or service is not sold at such a low price that they will not make a decent profit margin on each sale. The manufacturing must be as cheap as possible while still maintain a certain level of quality. A lot of jobs get outsourced to other countries as the company will be able to pay staff less in that country. For example, if you make a phone call in Ireland you may be directed to a call centre in India. This is because it is cheaper to hire call centre operators in India then it is in Ireland. In some ways things like this could be viewed as highly unethical as large multinational and wealthy organisation are taking advantage of the fact that people in some countries around the world are so desperate for work that they will take a low paying job and the workers rights in these countries would not be good enough to prevent this from happening. These companies avoid going into richer countries as they know the local workforce would demand higher pay. This sort of thing can also happen in poorer countries that farm things like cocoa and coffee beans. That’s why you see Fairtrade product marked on the side of some chocolate and coffee products because the company selling you this product engaged in programmes to make sure that the farmers and workers involved got paid a fair price for their products and labour. (Donovan, 2020) (Holt, 2013) (FairtradeFoundation.org.uk, 2020)

Competition Drivers

People and companies who are in business need to constantly adapt and change to match and better what their competition are doing. Many companies have to expand into other countries to keep up with the competition. But then as a result of this what can happen is the local companies in one country will object to a foreign company setting up business in their country. This can be a major problem for a company trying to set up abroad. This can sometimes be a bit

short sighted of the local companies as the company that is moving into a country can sometimes work in tandem with the local companies as opposed to just taking away business and employees from them. (Donovan, 2020) (Holt, 2013)

Market Drivers

This is about how people around the world are always in want of products and services from other countries. A major example of this is how if you take a walk around a city in Ireland you can find restaurants that specialise in cuisine from a particular country that could be thousands of kilometres away. Like for example Chinese, Indian Thai and Italian restaurants would all be quite popular in Ireland. Something that has also happened in Ireland in recent years is a large number of resultants and grocery stores specialising in eastern foods. This is because of the high number of people who have immigrated to Ireland from these countries in the last twenty years or so. All the packaging in these shops is in their native languages and most of the staff working in these places are from the countries that the food is coming from, so they speak the local languages. This can be very helpful to the people who shop there if their English-speaking ability isn't as high as it would need to be to shop in most Irish supermarkets. It is nice for the people from these countries to have access to the foods they are familiar with just like how Irish people love to take Barry's tea and Tayto crisps with them when they immigrate. In some places you can even order these types of Irish products for delivery over the internet as you can't buy them in the local supermarket. This is a particularly common practise amongst Irish immigrants in places like Australia. (Holt, 2013) (Donovan, 2020)

Technology Drivers

Technology has been a major driver of international trade, especially in the last 20 years or so, mainly due to the fact that it has given people all over the world access to the internet. People are now able to go shopping online and place an order for something to be delivered to front door within a matter of days from virtually anywhere in the world without even getting up off their couch. It is nearly even easier to buy a product or service from the other side of the world nowadays than it is to buy the same thing in the store across the street from your house. Most companies and businesses have their own websites or put their products or services on buying websites such as Amazon, eBay and Wish meaning that they can sell their products or services to anyone who has access to the internet and afford them. They can also advertise online and spread their message to nearly everyone in the world by putting advertisements on websites that I would describe as being very general and popular websites because they attract a wide variety of people. Examples of what I mean are websites such as Facebook and YouTube. These websites are always full of advertisements and nearly everybody who uses the internet will go on these websites at some point. The advertisements that are on these websites can even be clicked on and this will then take the person who clicked on them directly to where the product or service being advertised can be bought. This is a great tactic on behalf of company/ business that is selling the product or service because they are able to take advantage of people who are susceptible to impulse buying. Companies and businesses are even able to decipher what products or services people would be interested in buying based on what their behaviour is like online. A good example of this, that has even happened to me on the internet, is if you are to go online to research what sort of car you should buy and then a while later you are online browsing the latest global events on a news website, you will see pop up advertisements for car selling websites such as Done Deal and Car zone.

Conclusion

So, as we have seen in this report, these 4 drivers that have been discussed in this report had a huge affect on international trade and will continue to do so for the foreseeable future.

References

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