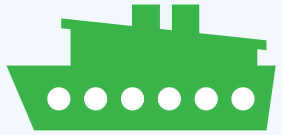
GCSE Business
External Influences

International Trade and Globalisation

International Trade - Selling Goods Abroad

Definition: The selling of goods and services across the world.

Advantages:
- ☑ **Bigger market/increase brand awareness** ➔ more potential customers in an international market ➔ leading to higher sales ➔ and greater profits
- ☑ **Economies of scale** ➔ purchasing/bulk buying and marketing ➔ reduces average costs to generate more profit from sales
- ☑ **Wider range of customers/various market segments** ➔ greater spreading of risks ➔ downturn in one segment can be compensated by sales of others
- ☑ **Exchange rate fluctuations** ➔ may benefit with rise in value of GBP



Disadvantages:
- ☒ **Higher transport costs** ➔ products may be sent over greater distance/longer time ➔ impact negatively on profits
- ☒ **Other transport problems** ➔ such as availability of mode/weather/strikes at ports ➔ can restrict distribution
- ☒ **Language problems in trading** ➔ for handbooks/marketing ➔ translation costs of actual products (magazines, catalogues, etc.)
- ☒ **Currency conversion/exchange rate fluctuations** ➔ may increase costs
- ☒ **Costs of different laws/customs** ➔ e.g. following environmental laws
- ☒ **Lack of knowledge of foreign markets** ➔ demands/tastes
- ☒ **Problems of getting paid** ➔ more difficult to resolve over distance
- ☒ **Trade barriers** ➔ embargoes/quotas
- ☒ **Political factors** ➔ wars/conflict/external events
- ☒ **Competition from foreign firms established abroad**

Tariff

Definition: A tax on an import. It is usually expressed as a percentage of the import's price.

Imports

Definition: Goods and services that are bought from producers overseas.

Exports

Definition: Goods and services which are produced in one country and sold in another one.

Multinational Business

Definition: Businesses with their headquarters in one country but which operate in other countries through their offices, factories and shops. A company which just sells goods abroad is not a multinational company.

Advantages:
- ☑ **Well known around world** ➔ more customers in a wider market ➔ greater profits ➔ money to invest ➔ encourages shareholders/investors
- ☑ **Easier to compete on foreign markets** ➔ when based locally
- ☑ **Economies of scale** ➔ one example
- ☑ **Lower production costs** ➔ e.g. wages, rent ➔ so lower costs ➔ greater profit
- ☑ **Take advantage of exchange rate movements**
- ☑ **Tax advantages** ➔ grants ➔ less capital from business
- ☑ **Removal of trade barriers**

Disadvantages:
- ☒ **Size of business** ➔ difficult to manage ➔ communication problems ➔ increased costs
- ☒ **Language barriers** ➔ increased costs
- ☒ **Laws in other countries** ➔ any examples from legal systems ➔ consumer rights/employee rights/ planning/environmental issues/ax ➔ political systems ➔ e.g. unrest
- ☒ **Exchange rate movements may go against** ➔ lower revenue/higher costs
- ☒ **Lower morale of home workers** ➔ jobs may be "exported" abroad ➔ example of effects of demotivation
- ☒ **Competition from domestic firms**
- ☒ **Set-up costs** ➔ premises/infrastructure/relevant examples
- ☒ **Negative public image** ➔ seen as unethical

GCSE Business
External Influences

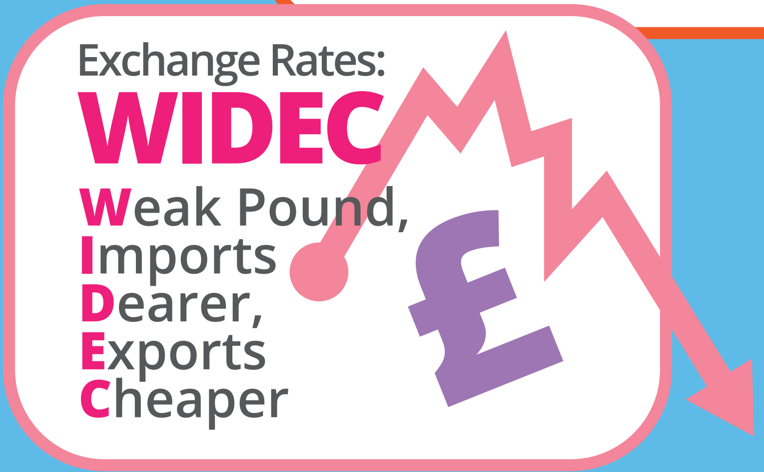
eduqas wjec cbac

Exchange Rates

Definition: The value of one country's currency against another country's currency.

The impact of a fall in the value of the pound against other currencies:

- **Import prices increase ➔** increased costs for the business ➔ may pass the increased costs onto the consumer in terms of higher prices ➔ leads to loss of sales
- **Increased value of foreign income/ investments ➔** increase profits ➔ GB goods sold abroad become cheaper ➔ foreigners buy more GB goods ➔ sales rise
- **Purchasing stock in Britain** (the business does not trade abroad) ➔ therefore no effect
- **Exporting businesses may find that they have more competitive prices ➔** increased customers ➔ leading to increased sales revenue



Globalisation

Definition: The increased interdependency of people around the world as a result of increased trade and cultural exchange. It has led to an increased worldwide production of goods and services.

Main Features of Globalisation:

- Increased international trade
- Development of multinational companies
- Free movement of labour and capital across international borders

This creates opportunities:

☑ Ability to enter new markets
☑ Use resources available abroad
☑ Benefit from cheaper production locations
☑ Access new technologies and innovations

However it also creates threats:

☒ Increased competition
☒ Theft of intellectual property
☒ Loss of talented workers

Impact of Globalisation on UK Businesses

Benefits of globalisation to the UK:

☑ **Greater access to foreign markets ➔** e.g. the UK has a world reputation for its financial services
☑ **Access to wider markets enables businesses to invest in R&D as product life cycles are longer**
☑ **The UK can import the goods and services that it needs easily with less restrictions on trade**
☑ **The UK can access specialist skills from other countries**

Drawbacks of globalisation to the UK:

☒ **The UK struggles to compete on cost for manufactured goods ➔** as wage rates in the UK are relatively high
☒ **The UK has suffered unemployment ➔** based on the loss of some industries that it can no longer compete in on price
☒ **The UK is subject to international laws of trade**

Inward Investment

Definition: Occurs when governments, businesses and individuals invest capital into another country – for example, building new factories or buying companies.