

Date: \_\_\_\_\_

Trade

Why people trade

Trade as buying and selling goods for money

Foreign trade

Trade is the voluntary exchange of goods and services by people. It is the exchange of one thing for another. Trading has been around for centuries. 'Voluntary' trade means that people make a decision to exchange goods or services without being forced to do so and of 'their own free will'. People trade in order to benefit from it. When people believe they can no longer reap the benefits of trading, then trading comes to an end. Economically, people judge their trade success by weighing the benefits of the purchase against the costs of their trade. Long ago, people exchanged goods amongst each other for new and interesting commodities in a barter system without using money. They traded raw materials as well as manufactured materials. Some examples were spices, gold and silk. Trade would not exist if humans had equal qualities because each person would have the same needs and circumstances. It is because humans are unequal with different needs and circumstances that trade happens. Trade is inclined to reduce inequality and to ease the consequences of the different circumstances in which humans live.

People trade with each other to find goods or services which they want and which they cannot produce or get for themselves. Trade is made for the mutual benefit of parties. The outcome of a trade is that everyone involved is better off. Most economists accept that trade is the seal of prosperity.

Money has made trading much simpler and effective compared to earlier practices of bartering. Trade can be described as a financial transaction or 'barter'. A network that allows trade is called a 'market'. Modern traders generally trade with money by buying, selling or earning. Money can be credit, paper and non-physical money. Trade between two buyers is called 'bilateral trade', while trade between more than two buyers is called 'multilateral' trade. Internal trade is trade that is conducted within a country.

It is the involvement of wholesale and retail trade. Wholesale trade involves buying in large quantities from producers or manufacturers and selling to retailers. A wholesaler is the middle man between the manufacturer and retailer. Retail trade involves buying from wholesalers to sell to consumers. A retailer is the last link in the chain of distribution.

Buying and selling between two or more countries is called 'International, Foreign Trade'. International Trade is the exchange of capital goods and services across geographical/ international borders. International trade represents a major share of a country's GDP (Gross Domestic Product) and can be sub-divided into three categories:

- **Export Trade:** Sale of goods and service from home country to a foreign country; when a trader sells his goods to a trader in another country. For example: a trader from South Africa sells his goods to a trader in China.
- **Import Trade:** Purchase of goods and service from a foreign country to home country; when a trader buys goods from a trader in another country. For example: a trader from South Africa buys goods from a trader in England.
- **Entrepot Trade:** This is when goods are imported from one country to home country, processed and then re-exported to another country. For example: an Indian trader (from India) imports spare parts from a Chinese trader (from China), then converts them into finished goods and then exports the spare parts to an American trader (in USA).

Since the end of apartheid, foreign trade in South Africa has increased. International trading partners of South Africa include other African Countries, the European Union, United States, China and Japan. Exports are mainly mining and agriculture , for example maize, diamonds, fruit, gold, metals, minerals, sugar, and wool. Imports include transportation equipment and machinery, chemicals, manufactured goods and petroleum.

#### Activity 1: Reasons for Import and Export

List the reasons in your class workbook, why a country would import goods or services and export goods or services:

Reasons for Importing (3)

Reasons for Exporting (3)

Total: (6)

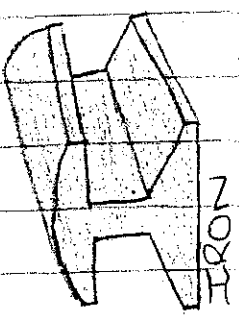
#### Activity 2: Trade Read the questions and write the answers in your class workbook.

1. Import trade means the \_\_\_\_\_ of goods from one country to another.
2. Foreign trade is also referred to \_\_\_\_\_ trade.
3. Write the full meaning of GDP \_\_\_\_\_.
4. Name the system that was used for trading long ago \_\_\_\_\_.

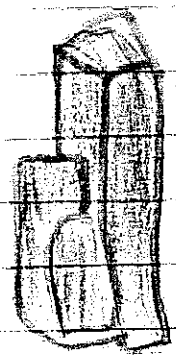
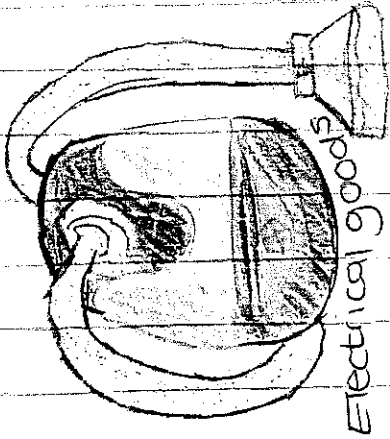
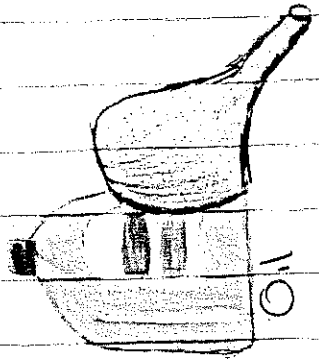
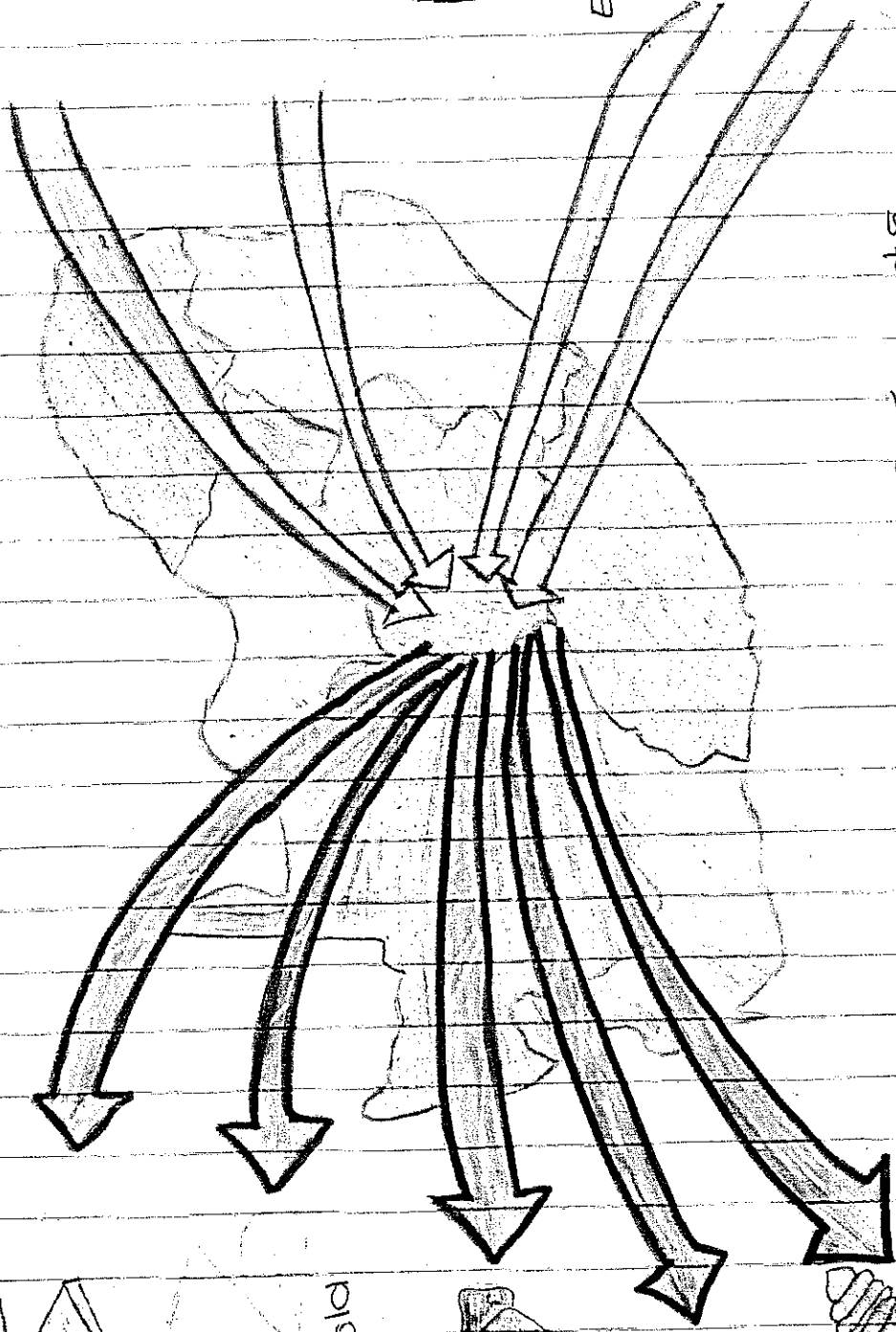
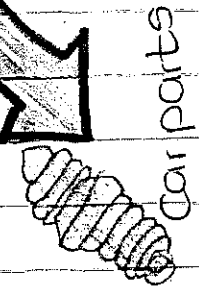
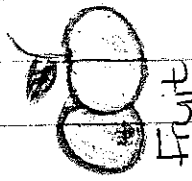
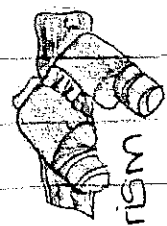
Total: (4)

2

Exports



Gold



Imports

Exporting and Importing Between South Africa & the World:

Read over pages 29-32 in your textbook  
complete Activity 3 on page 32

Date: \_\_\_\_\_

**Fair Trading**

**What Happens When Trade is Unfair**

When poor countries get low prices for their raw materials, it causes other problems such as:

- Farmers and mine workers get low wages.
- Sometimes children are forced to work.
- Poor people do not have enough money to pay for services such as education and health care.
- People do not develop skills.
- The government of poor countries cannot provide services and skills training because they do not collect enough money in taxes.

**What Happens When Trade is Fair**

- Traders pay fair prices for crops.
- Workers are paid fair wages.
- No children are allowed to work. They go to school.
- Traders make sure that some money goes towards health care and education.
- Working conditions are safe and healthy.
- Workers form companies so that they have more control over prices and wages.

**Examples of Exploitation in the Workplace**

- Low wages.
- Long working hours.
- Unhealthy and dangerous places of work.
- Child Workers.
- No sick leave.

Adapted From Platinum Social Science (2012)

Date: \_\_\_\_\_

**What People Trade:**

- People trade *goods/products*.
- We get two types of

***PRODUCTS***

***Primary Products:***

- Also known as Raw Materials
- Comes from the earth/nature
- These are materials which have not yet been changed and are therefore not as expensive.
- Examples: fruit,vegetables,wood, coal, gold, diamonds,iron ore etc

***Secondary Products:***

- Also known as Manufactured Products.
- Processed/Made in Factories
- They have gone through many processes and have thus changed into a variety of products. There are many costs involved in making and they are therefore expensive.
- Examples: Furniture, Jam, Jewellery etc

- People also trade work. Another word for work is labour. When people sell their labour, they are selling their **skills & their time by providing people with a service**. Examples: doctors, lawyers, Teachers, Mechanics, Plumbers.

**Activity 3: Collect pictures of the following and paste them in your**

**Notebook-**

- \* 4 Pictures of Raw Materials
- \* 4 Pictures of Manufactured Products
- \* 2 Pictures of Services being provided

**Total: (10)**