



9. Trade



Try this.

Obtain the following information.

- ➔ Make a list of commodities which you use daily
- ➔ Who uses these commodities?
- ➔ Write the source of the supplies of these commodities.
- ➔ From where do you buy these commodities?
- ➔ What do you call the act of buying and selling?
- ➔ What does the shopkeeper take in lieu of the commodity?

From where do these commodities come to the market, from where have you bought them and what is their main source? Obtain this information and write it against the commodities in the list. Hold a discussion in the class about the obtained information.

Geographical explanation

On the basis of the information obtained above, you will realise that we buy the goods we need from the shops, markets or malls around us. Generally, the sellers of these goods are not the manufacturers of the goods. They bring these commodities from somewhere. It is not necessary that these commodities are manufactured in our surroundings. They are manufactured at places very far away. They could be first brought by retail sellers from **wholesale market**, **factories**, **agricultural product market committees**, etc. and then they reach us.



Find out!

You get products from other places. Similarly, find out where the special products/ items made in your village/city are sent?

We have various needs in our day-to-day life. We buy various things to satisfy these wants. When we buy them we create a **demand** for them.

To fulfil the demand for these products, the production of these goods is carried out. The **producer** supplies these goods. In other words he sells them to wholesale trader.

Thus, the buying and selling of goods is done to fulfil each others' needs. These who purchase are the consumers of the goods. The producer produces and the sellers sell the goods. **Buyers** and sellers buy and sell the goods, respectively. This is called trade.

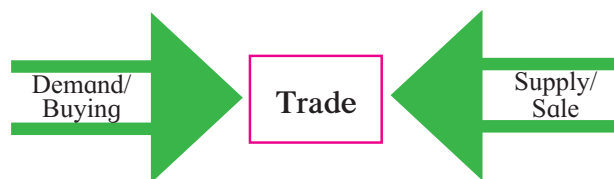


Figure 9.1 : The concept of trade

Trade is an important economic activity. The economic life of people is interdependent. No region or country is self-sufficient. Trade between two regions is necessary to fulfil the needs of the people. As each region has different geographical conditions, each region produces specific commodities.

If there is a paucity of a commodity, then there is demand for that commodity. The place where it is abundant provides the supply of the commodity. Thus, supply is done from regions producing excess commodities to region facing **deficit** according to the demand. For example, apples produced in Jammu and Kashmir are sent to other states of India having a demand for it.



Do you know ?

Trade is an age-old concept. In ancient and medieval periods, trade was done through the barter system. In this there was an exchange of goods with other goods. Grains were exchanged in lieu of work done or oil, salt, honey and milk were exchanged for grains. There was no currency used in this trade. Even today we see traders who exchange utensils in lieu of old clothes but this creates problems of estimating a proper price of commodities. Earlier too such problems were encountered. As a result, the use of currency started. Today, in this modern age, trade is carried out with the help of currency only but barter system is still prevalent to a small extent in remote areas amongst the tribal people.



Barter system



Can you tell ?

Trade involves selling and buying of goods. But do you know that trade can also take place without goods.

- ❁ We get vegetables from the vegetable vendor when we pay him money
- ❁ We get books for which we pay money
- ❁ When we travel by a vehicle, we pay the fare. Do we get any commodity from it?
- ❁ We have to give remuneration in lieu of the advice we take from lawyers/doctors.

Do we get any commodity from them?

- ❁ Why do you pay the ticket for a movie and then go inside the theatre?
- ❁ You pay cash /money for getting your hair cut. Why?

Geographical explanation

In the above instances, when there is buying and selling of goods, it is called **visible trade**. On the other hand, when there is an exchange of services, it is called **invisible trade**.

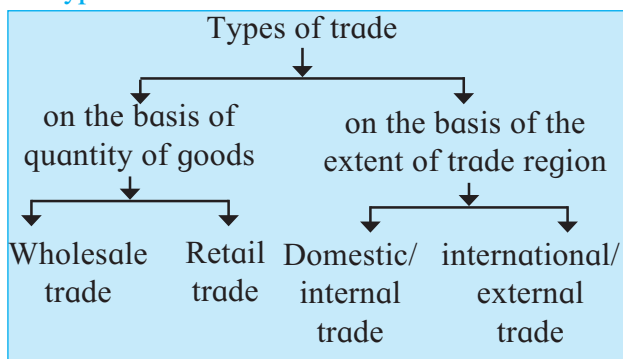


Figure 9.2 (A) : Visible trade



Figure 9.2 (B) : Invisible trade

Types of trade:



(A) According to the quantity of goods:

Depending on the quantity of goods, there are two types of trade: wholesale and retail.

- **Wholesale trade** : Traders buy commodities on a large scale directly brought from the producers. The commodities are also sold on a large scale to retail traders. This is called **wholesale trading**. Wholesale traders buy goods on a large scale from industrialists, farmers, etc. For example, the orchard owners of mangoes or oranges sell their entire production to wholesale traders.

- **Retail trade** : When the traders buy goods from wholesale traders and sell it directly to consumers, then it is known as **retail trading**. The quantity of goods sold is less in this case. For example, the shopkeepers selling goods, vegetable vendors in markets, etc.

(B) According to the extent of region:

The buying and selling of goods happens at various levels. On that basis, trade can be divided into local, regional, national and international trade.

- **Domestic trade (Internal trade)** : This trade takes place between different regions within the same country. The size of the country, diversity, distribution and availability of natural resources affect the internal trade within the country. The size

of population, transport and communication services, the living standard of the people, marketing system lead to large-scale internal trade. In India, factors like diversity in geographical conditions and high population also affect the domestic trade. A country's development is dependent on the extent of the domestic trade. If there is a good economic growth, then trade will also be more. Thus, there is a positive relation between economic growth and trade.

- **International trade** : International trade means the exchange of goods and services of one country with other countries. Some countries produce specific products in excess, for example, crude oil in Saudi Arabia, Kuwait and wheat production in the USA, Canada, etc. These products are sent to countries having demand for those goods. This leads to the beginning of international trade.

When international trade takes place between two countries it is bilateral trade. When it occurs between more than two countries it is called multilateral trade.

- **Export and import** : Export and import are the basic processes of international trade. When a country buys those goods and services which are scarce in their own country from another country, it is known as import. When a country produces excess goods or services than required, it sells these to countries which have a demand for it. This is called export.



Give it a try.

Obtain information regarding the bilateral trade between India and Japan for any financial year and the value of the export and import of major goods. Write two paragraphs on it.



Use your brain power !

Suppose you are a trader and you want to sell your product in other states of the country and also in other parts of the world.

- ☞ Which of these is an easier way of doing trade?
- ☞ Which trade can bring have some limitations?
- ☞ Look for reasons behind them

Balance of trade:

The difference between the import and export values of a country in a specific period is called balance of trade. Following are the types of balance of trade:

- When the value of imports is more than the value of exports, it is called 'unfavourable balance of trade.'

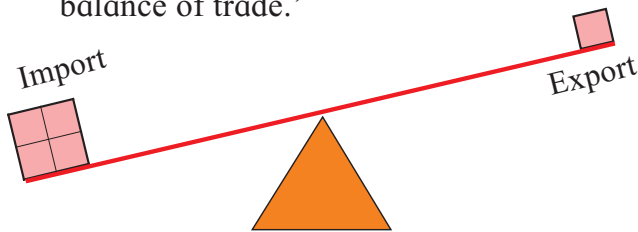


Figure 9.3 (A) : Unfavourable balance of trade

- When the value of exports is more than the value of imports, it is called 'favourable balance of trade'.

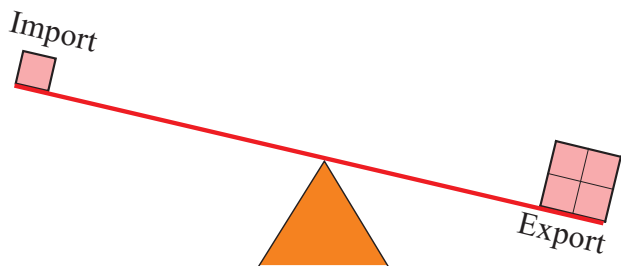


Figure 9.3 (B) : Favourable balance of trade

- When the value of exports and imports is almost the same, it is called 'balanced balance of trade'.

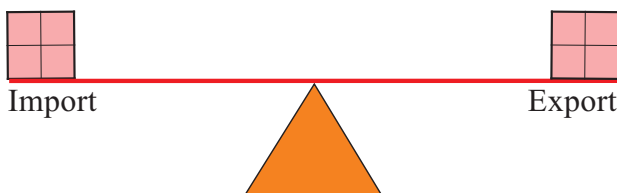


Figure 9.3 (C) : Balanced trade

International Trade Organisations :

Carrying out trade at an international level is a more complex process than domestic trade. Trade takes place between two or more nations. Factors like the economy of the country, government policies, markets, laws, judicial system, currency, language, etc. influence the trade. The political relations between the two countries also influences the trade between them. Sometimes, the obstacles in the way of trading affect the mutual relationship adversely. To avoid this, international economic and trade organisations came up. To smoothen and justify the process of trade between countries of different economic standing, some international economic organisations were formed. These organisations work towards the facilitation and growth of international trade. The details of a few organisations have been given here in the following table.



Headquarters of ASEAN



Head office of World Trade Organisation

Some economic organisations of the world

Name of the international trade organisation	Number of member-states and logo	Headquarters (Country)	Aims/functions
World Trade Organisation (WTO)	164 	Geneva (Switzerland)	- To provide platform for negotiations in international trade - To handle the differences related to trade - Monitor the trade policies of member states - Providing technological assistance and training to developing countries
European Union (EU)	28  European Union	Brussels (Belgium)	- Established an integrated market amongst member nations in Europe. - Free flow of goods, services and capital in Europe. - Custom duties have been cancelled on exchange of goods within members - Common 'Euro' currency established
Organisation of Petroleum Exporting Countries (OPEC)	13 	Vienna (Austria)	- Controlling the international trade of crude oil - Controlling the rates of crude oil production among member states - Maintaining consensus in oil export
South Asian Association for Regional Cooperation (SAARC)	8 	Kathmandu (Nepal)	- Finding satisfactory solutions to the common problems faced by countries in South Asia. - Increasing social welfare, raising the living standard and increasing regional cooperation among member states - To remove unrest in South Asia
Association of South-East Asian Nations (ASEAN)	10 	Jakarta (Indonesia)	- Expanding social and cultural harmony along with economic growth in SE Asia - Promoting regional peace - Promoting tax waivers for trade growth in member states
Asia-Pacific Economic Cooperation (APEC)	21 	Singapore	- Free trade and economic cooperation in Asia-Pacific Ocean region - Promoting regional and technical cooperation among members
Brazil, Russia, India, China and South Africa (BRICS)	5 	Shanghai (China)	- Make funds available for growth of economies of members - Enhancing mutual economic cooperation - Strengthening economic security



Make friends with maps !

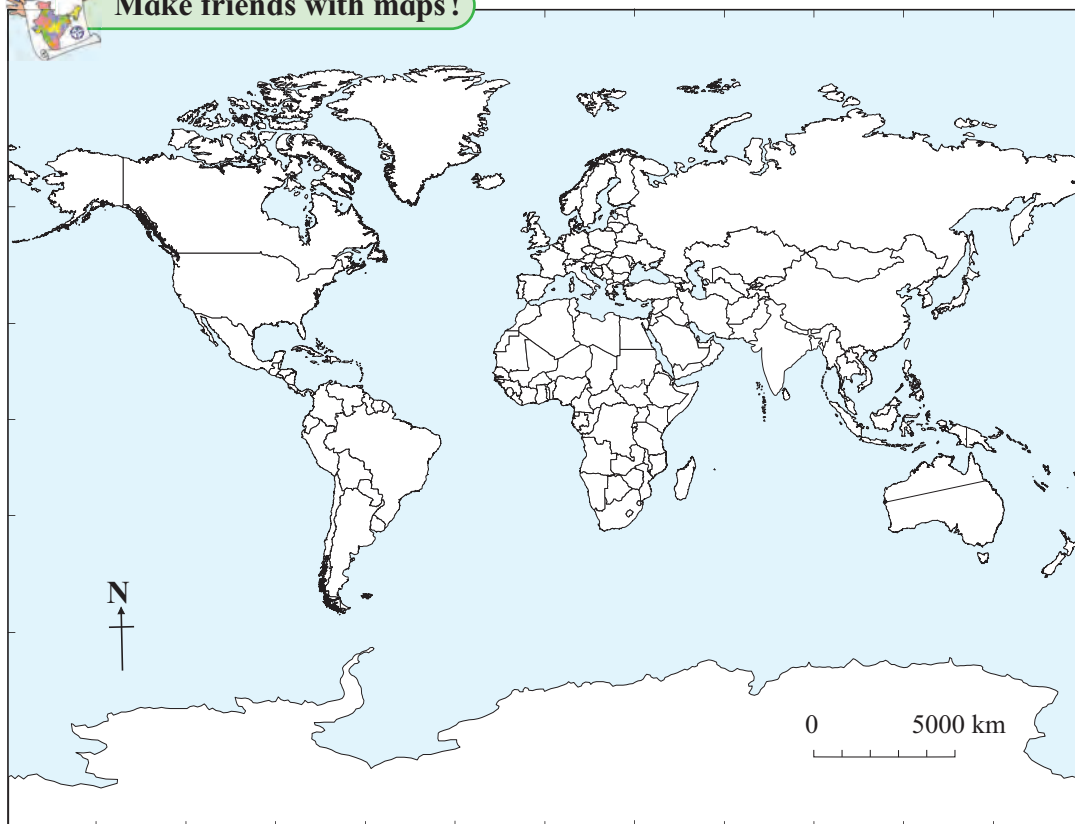


Figure 9.4 : World Political : Outline map

Find out the names of the member-states of the following organisations with the help of internet. Show these member nations on the outline map given in fig 9.4 using different colour for each organisation.

- OPEC member - countries.
- SAARC member countries.



Think about it.

What will happen if there is only one currency used in the whole world?

Marketing :



Can you tell ?

With a lot of hard work Dhondiba used to grow the best varieties of vegetables and other agricultural commodities. But his products could not fetch a good price. His college going son, saw this situation and he first packed the commodities nicely after cleaning them neatly. Then he contacted the

supermarket in the town. Looking at the quality of his product, they advertised the farm product and kept it for sale in the mall. Today, Dhondiba's commodities are being sold for higher prices than before.

- ❁ Why did Dhondiba's commodities start getting higher price?
- ❁ What did Dhondiba's son do for that?
- ❁ What measures would you suggest to the farmers near you so that their agricultural products fetch a good price?

Geographical explanation

An appropriate presentation of any commodity is indispensable. The price of the commodity is determined by its quality, its grading and how it is presented before the customer. Dhondiba's commodities lacked this. Dhondiba's son recognised it and adapted necessary changes on time. Thus, when we take similar measures for industrial and agricultural products, then the value of the commodity increases from the customers'

view. Thus, the product fetches a good price and also demand for the product increases.



Try this.

A list of few goods you regularly use at home is given here. Write the name of the product, the manufacturer name and the source of information in front of it.

S. No.	Goods that you use	Name of the company	Source of information
1	Tooth paste/ powder		
2	Tea or coffee		
3	Bathing soap		
4	Hair oil		
5	Biscuits		

After answering the questions above, you must have realised that it is necessary. To have good quality product. Also, its advertisement affects us. Everyone doesn't possess knowledge about every product but when we see others using that product or if we see the advertisement about the product, when we enquire about it or see it in the market, it occurs to us that we need to use this product and we buy it. All this is possible because of marketing. Good marketing promotes business.

Importance of marketing :

Modern industrial social fabric, globalization and availability of abundant choices/alternatives of the products is the structure of today's business world. In this context, the existence of marketing system for trade is very important. Through marketing, one can increase business systematically. The production can be distributed all at once on a large scale. The product can reach a large number of consumers. The selling price of the product also increases. Also, defective products can be recalled from the market. Therefore, in today's era, marketing is a vital part of trading systems.

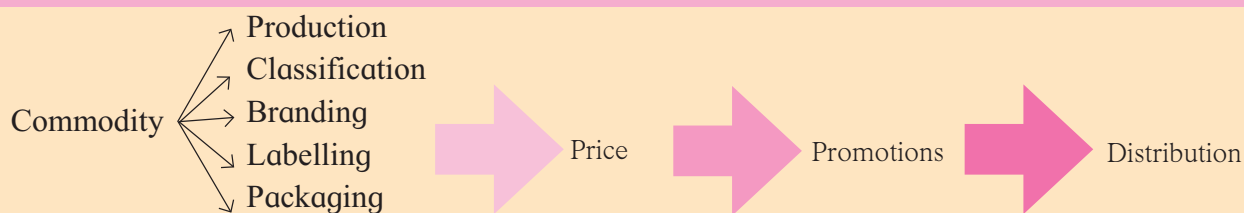
Advertisements making the customers feel the need to buy the goods are on the rise. Reaching maximum customers, attracting consumers to the products and making consumers buy the products are the objectives behind them.

In recent times, information technology and media have affected the marketing systems deeply. Because of the revolution in the field of information technology, the whole world has become a big market. Through internet we can get information about the production taking place in various countries. This makes numerous options available to the customers. It is due to internet that customers can use facilities like 'online trading', 'e-marketing', etc.

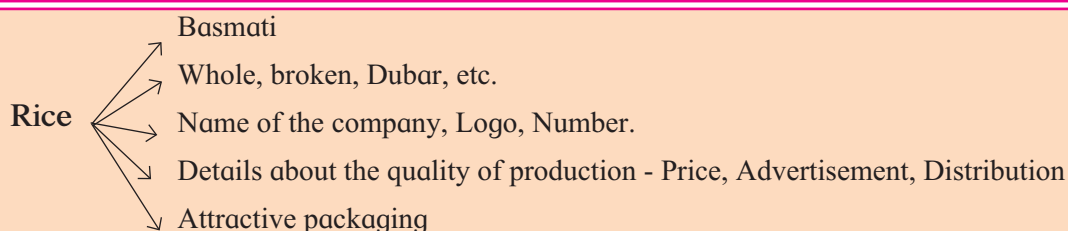


Always remember –

An invisible flow develops when a product goes from producer to consumer. The commercial functions involved in this flow are collectively called marketing. The price of a commodity, sales promotion, advertising and distribution are the major components of marketing.



Example.,



If a product is advertised using incorrect information, fraudulent means or making exaggerated statements to cheat the consumers, pointing out the shortcomings of the competitors, then advertisements tend to lose our trust many a times. Therefore, while advertising, it is necessary to follow rules and regulations. The consumers should also

beware of such advertisements. That is why the Consumer Protection Act has been enacted.

It is necessary that the consumer recognises his own needs and buys goods at reasonable rates.



Exercise

Q 1. Classify the trade taking place between following regions :

- (A) Maharashtra and Punjab
- (B) India and Japan
- (C) Lasalgaon and Pune
- (D) China and Canada
- (E) India and European Union

Q 2. Write the correct word- Import or Export- for the following :

- (A) India buys crude oil from the Middle-East Asian countries.
- (B) Wheat is sent to Asian countries from Canada.
- (C) Japan sends machine parts to APEC countries.

Q 3. Correct and rewrite the wrong statements :

- (A) India is a self-sufficient country.
- (B) The place where there is excess production does not have demand for those products.
- (C) International trade processes are easier than local trade.
- (D) SAARC works towards economic development and enhancing the social and cultural harmony of the South-East Asian countries.

Q 4. Identify and write the type of trade:

- (A) Srushti brought sugar from the grocery shop.
- (B) The traders from Surat bought cotton from the farmers of Maharashtra.
- (C) Sameer has exported pomegranates from his farms to Australia.
- (D) Sadabhau bought 10 sacks of wheat

and 5 sacks of rice from Market Yard for selling in his own shop.

Q 5. Write answers in short:

- (A) Create a flowchart showing the types of trade.
- (B) Explain the difference in types of balances of trade.
- (C) State the objectives of WTO.
- (D) What is the difference between the OPEC and APEC in terms of their functions?
- (E) Write the functions of the important trade organisations in Asia.
- (F) What is the importance of marketing from farmers 'point of view'?

Q 6. In the following table, export-import of some countries in the year 2014-15 is given in million U.S. dollars. Make a compound bar graph of the given statistical information. Read the bar diagram carefully and comment upon the balance of payments of the respective countries.

Country	Export	Import
China	2143	1960
India	272	380
Brazil	190	241
USA	1510	2380

Activity:

Carry out the following activity with the help and guidance of teachers:

Prepare a good advertisement for any product. Make sure your advertisement gets maximum appreciation from the class.
