



CHAPTER
02

Economics

Trade

CLASS- 9 BOARD- MAH

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Trade

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Learning Objectives

- To learn about trade
- To learn about the geographical explanation of trade
- To learn about the type of trade
- To learn about the balance of trade
- To learn about the international trade organisation

Important Terms

- Trade is an important economic activity.
- 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.
- Depending on the quantity of goods, there are two types of trade: wholesale and retail.
- The difference between the import and export values of a country in a specific period is called the balance of trade



2.1 Introduction

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?

Where do these items come from in the market, where have you bought them and what is their main source? Receive this information and write against the items in the list. Discuss the information received in the classroom.

2.2 Geographical Explanation

Based on the information received above, you will feel that we buy the goods we need from our shops, markets or malls around us. Generally, the vendors of these goods are not manufacturers of goods. They bring these items from somewhere. It is not necessary that these objects be built around us. They are built in faraway places. They could be first brought by retail sellers from the wholesale market, factories, agricultural product market committees, etc. and then they reach us.

We need different needs in our today's life. We buy various things to satisfy these things. When we buy them, we create a demand for them

To meet the demand for these products, these items are produced. The manufacturer supplies these goods. In other words, he sells them to a wholesaler.

In this way, the goods are purchased and sold to meet each other's needs.

The purchasers are consumers of these goods. The producer produces and sells seller accessories. Buyers and sellers buy and sell goods respectively. It is called trade.



Trade is an important economic activity. People's economic life is interdependent. No region or country is self-reliant. To meet the needs of the people, the trade between the two areas is necessary. Since the geographical conditions of each region are different, each region produces specific items.

If there is a deficiency of something, then that item is demanded. The place where it is abundant provides the supply of the object. Thus, according to the demand, the area facing the deficit is supplied to the areas producing additional items. For example, apples produced in Jammu and Kashmir are sent to other states of India, where it is demanded.

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.

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 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.

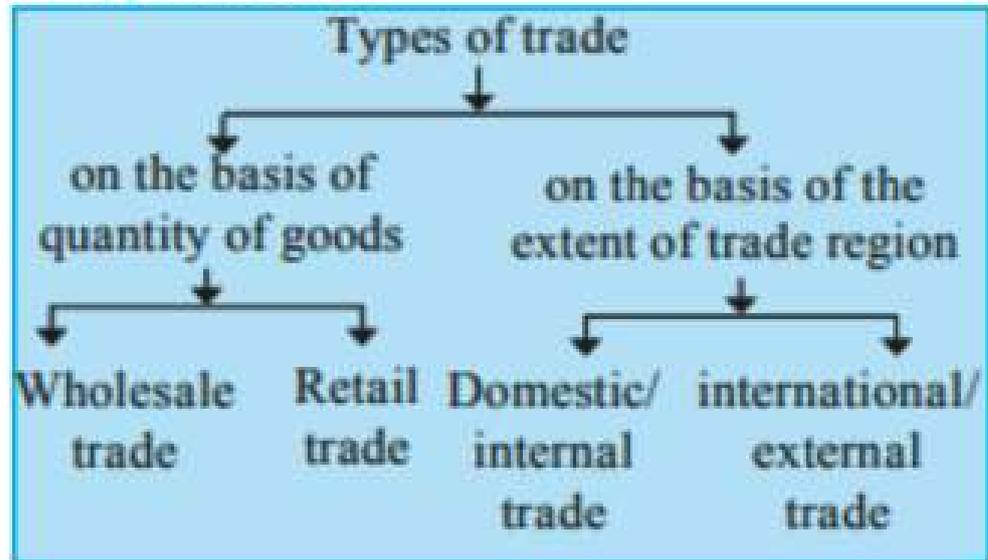
Do we get any commodity from them?

- 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?



2.3 Types of Trade

Types of Trade:



According to the number of goods:

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

1) 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.

2) Retail trade:

When merchants buy Goods and merchants sell it for consumers directly, then it is known as a retail business. The quantity of the goods sold In this case less. For example, the shopkeeper selling goods in markets, vegetable sellers, etc.

According to the extent of the region:

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

1) Domestic trade (internal trade):

This business is between different regions within the same country. The size, diversity, distribution and availability of natural resources affect the internal business within the country. Population size, transport and communication services, the level of life of the people, the marketing system is largely an internal business and in India, diversity in geographical conditions and factors like high population also affect domestic trade. A country's development is dependent on the extent of domestic trade. If there is good economic growth, then the trade will also be more. Thus, there is a positive relationship between economic growth and trade.

2) International Trade:

International trade means the exchange of goods and services of a country with other countries. Some country-specific products produce more quantity, for example, Saudi Arabia, Raw oil in Kuwait and the production of wheat in the United States, Canada etc. These products are sent to those demanding countries. This leads to 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.

3) Export and Import:

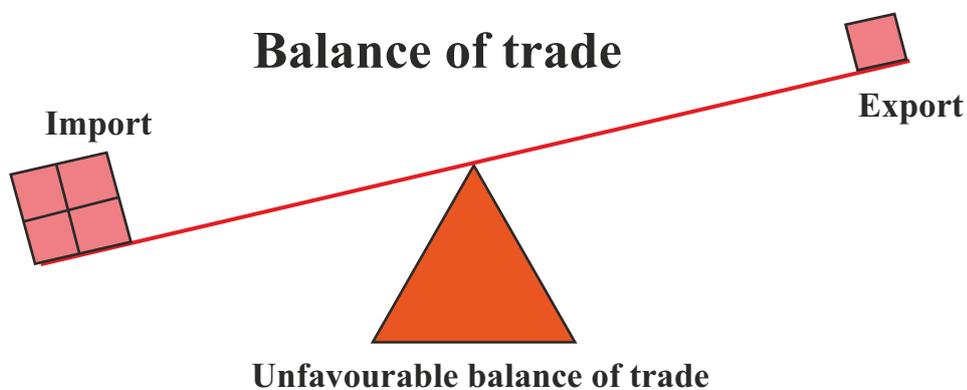
Export and Import are the basic processes of international trade. When a country buys goods and services which are rare in other countries in their country, then it is known as imports. When a country produces more goods or services than it requires, then it sells to these two countries, which have a demand for it. It is called export.

2.4

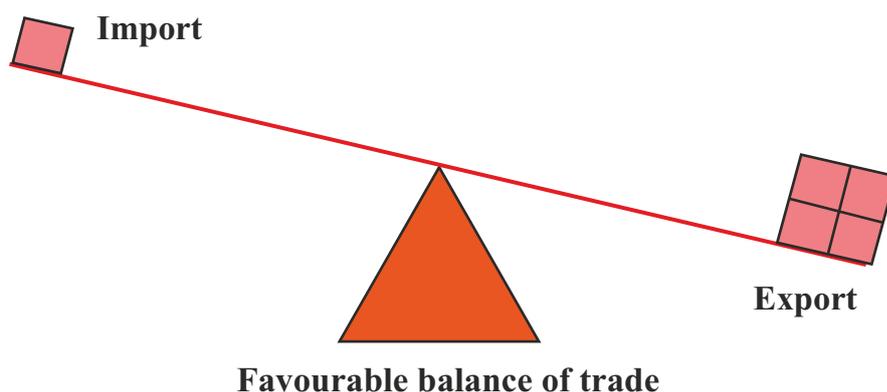
Balance of Trade

The difference between the import and export values of a country in a specific period is called the 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.'

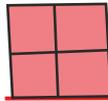


- When the value of exports is more than the value of imports, it is called 'favourable balance of trade'.



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

Import



Export



Balanced trade

2.5

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 influence 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

2.6 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 the 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.

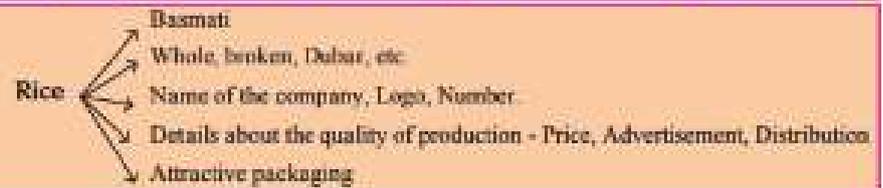
In recent times, information technology and media have affected the marketing systems deeply. Because of the revolution in the field of information technology, the whole world has become a big market. Through internet, we can get information about the production taking place in various countries. This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

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 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.

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.,



The Last Words

- Trade is an important economic activity. People's economic life is interdependent. No region or country is self-reliant. To meet the needs of the people, trade between two areas is necessary.
- Trade involves selling and buying of goods. But do you know that trade can also take place without goods.
- 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.
- 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.
- The difference between the import and export values of a country in a specific period is called balance of trade.
- When the value of imports is more than the value of exports, it is called 'unfavourable balance of trade'.
- When the value of exports is more than the value of imports, it is called 'favourable balance of trade'.
- When the value of exports and imports is almost the same, it is called 'balanced balance of trade'.