

# UNIT 7.7 TRADE AND DEVELOPMENT



Mnr. M. Grobbelaar. 2021. Allen Glen High School



# COVID-19 PRECAUTION



Wash your hands regularly with soap for at least 40 sec



Clean your hands regularly with sanitizer



Cover your cough with your elbow if you don't have a tissue



Avoid touching your face, eyes, nose and mouth



Wearing a cloth mask is mandatory



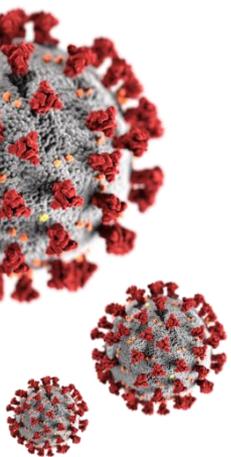
Avoid contact with others, crowds at all time and keep your social distance > 1.5m



Avoid sharing personal items like stationary, water bottles, food and utensils



# COVID-19 PRECAUTION



Dispose of used tissues immediately



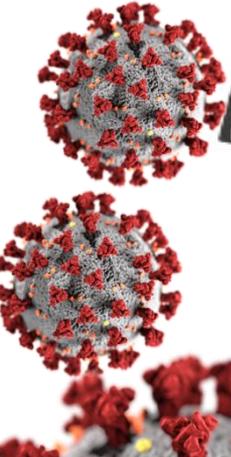
Clean all used surfaces regularly



Avoid coming in contact with people having fever or respiratory symptoms



Do not go to school and avoid any outside activities if you show any symptoms



Inform the school and take a rest at Home. Monitor the symptoms for 3-4 days



When fever ( $> 37,5^{\circ}\text{C}$ ) and symptoms continues or gets worse. Consult with call center.

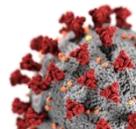
Whatsapp 'Hi'  
0600 123 456



Use a personal vehicle/ambulance and wear a facemask when visiting a health facility



Inform the Healthcare provider of a travel history and contact history with persons with respiratory symptoms





# WHAT IS INTERNATIONAL TRADE

- Trading happens because of the uneven distribution of raw materials over the Earth's surface.
- It plays a major role in the economy of all countries.
- No country has an adequate supply of the full range of minerals, fuels, foods, manufactured goods or services to make it self-sufficient.
- Trade happens when a producing country is able to produce goods and services more cheaply, or of a better quality, than the consuming country.
- International trade is the exchange of goods and services between countries.
- The raw materials, goods and services bought by a country are called imports and those sold by a country are exports.
- Countries that earn more from their exports than they pay for their imports have a trade surplus. This enables them to become richer.
- Countries that spend more on imports than they earn from their exports have a trade deficit. They become poorer.



# TRADE COMMODITIES

- Many of the world's poorest countries still depend heavily on exporting primary products. This has a number of disadvantages:
  - Primary products or unprocessed raw materials are usually processed elsewhere, to make more sophisticated products.
  - Manufactured products have 'added value' because they can be sold at a greater profit.





# TRADE COMMODITIES

- Most processing of primary products is done in MEDCs, which benefit from the profits and jobs this creates.
- Coffee is an example. LEDCs such as Uganda, Ethiopia and Rwanda depend on coffee for more than half of their export earnings, yet for every jar of instant coffee sold, the primary coffee producers receive less than a third of the supermarket price.
- The coffee processing, packaging, advertising and retailing are all done in MEDCs.
- World prices for primary products such as coffee often fluctuate wildly. Falls in prices reduce the income of countries that export primary products.





# TERMS OF TRADE

MEDCs make much more money from trade than LEDCs. Why is this?

- LEDCs export raw materials (crops, timber, ores) to MEDCs.
- MEDCs export manufactured and processed goods (processed food, vehicles, electronics) to LEDCs.
- Raw materials have much less value than manufactured goods.

A graphic at the bottom of the slide shows two hands, one red and one teal, shaking over a stylized world map. The words "TERMS OF TRADE" are written in large, blue, outlined letters across the hands.

TERMS OF TRADE

# IS TRADE FAIR?



World trade has increased considerable recently and LEDCs have gained the least from this growth. Why is this?

- Countries try to protect their own economies by imposing tariffs and quotas on foreign imports.
- The World Trade Organisation aims to promote free trade by removing these restrictions.
- Trading groups, such as the European Union, are set up to promote free trade between their members and to reduce the effectiveness of foreign competition.
- Countries try to protect their own economies by having different trade relationships. These include free trade, trade barriers, subsidies and fair trade.

**MAKE IT HAPPEN**  
**CHOOSE FAIRTRADE**



# FREE TRADE

Free trade occurs when the movement of goods and services between countries is not restricted in any way.

- The benefit is that consumers can gain from lower prices from the efficient use of resources through mass production.
- Free trade does not necessarily benefit all nations, as wealthier nations are able to exploit the labour and resources of poorer nations.



# Free Trade in a Global Market

U.S. government pays Midwest farmers to over-produce corn

\$4 billion

Sugarcane competition cuts corn prices 1,7%

US ethanol refineries produce 7,7% less

U.S. consumers pay 1,5% less for gas

\$ 2,96

\$,94/gallon

corn to refinery

No tax credit to refinery.

Increased US demand for ethanol – cheaper, cleaner burning and a renewable energy

Lack of trade barriers and refinery subsidies opens U.S. market to cheaper Brazilian ethanol.

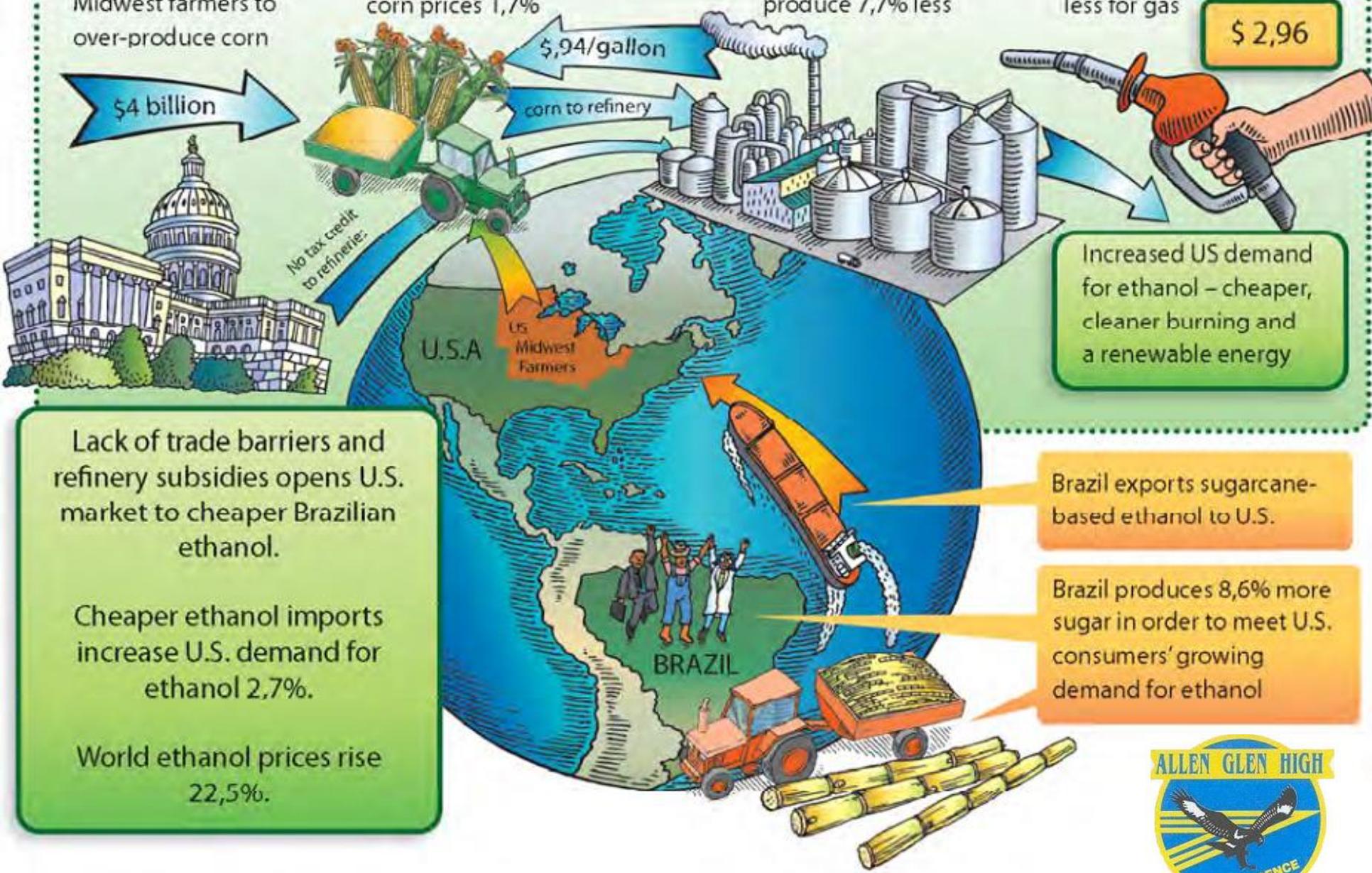
Cheaper ethanol imports increase U.S. demand for ethanol 2,7%.

World ethanol prices rise 22,5%.

Brazil exports sugarcane-based ethanol to U.S.

Brazil produces 8,6% more sugar in order to meet U.S. consumers' growing demand for ethanol

ALLEN GLEN HIGH





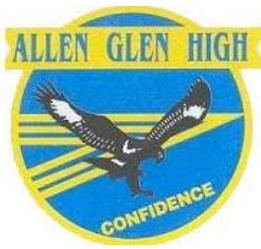
# TRADE BARRIERS

- Trade barriers are government-induced restrictions on international trade.
- Most trade barriers work on some sort of cost on trade that raises the price of the traded products.
- Apart from tariffs and quotas, there are subtler forms of trade barriers. These are non-tariff trade barriers. Examples are:
  - Complex import and export regulations
  - The need to obtain permits for using airports and harbours which delay a foreign company's attempts to distribute and sell its products.
  - Packaging laws within a country drive up costs for foreign imports.
  - One of the most effective and controversial non-tariff barriers is the imposition of product quality standards. These standards are so tough that the foreign product has no chance of meeting them.



# SUBSIDIES

- A country's government may give support to one of its own industries improving its competitive position at home. For example, farming subsidies are always requested by the rural community.



# FAIR TRADE

- Fair trade is different from free trade.
- When a product is labelled 'Fair Trade' it provides a guarantee that farmers and producers in developing countries receive a fair deal.
- Fair trade is a way of doing business that ensures the people who produce the raw materials benefit.

