

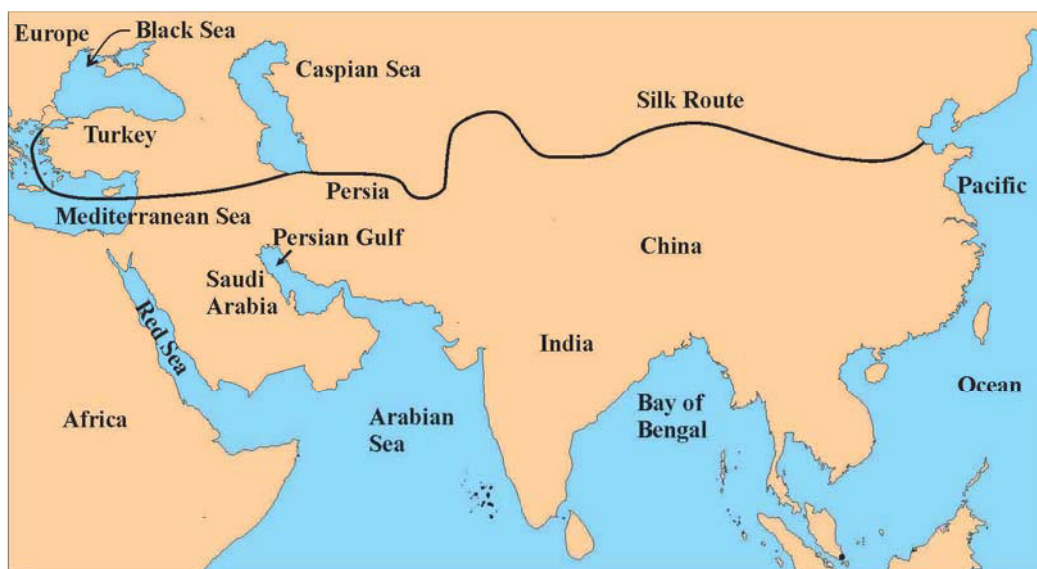
Trade

In chapters 3 and 4 we studied about the secondary and tertiary activities. As you know, the voluntary exchange of goods and services is called 'Trade'. There are diversities in relief, climate, natural vegetation, minerals etc. in the world. Because of these diversities, different regions show a diversity in agricultural products and industrial goods. Different countries have different requirements about their goods and services. Whenever there is an exchange of goods and services among different countries it is called 'International trade'. The exchange of goods and services within a country is known as Internal Trade.

History of trade

In earlier times, the transportation of goods for a very long distance was not viable. So the trade was limited to local markets only. People spent for their basic needs (food and clothes). The initial form of the trade in the primitive society was '**Barter System**' wherein goods were actually exchanged. Today also, in some remote area of India, such exchange of goods is carried out according to their needs. **Jonbil Fair** is held near **Jagi Road** about 32 km away from Guwahati where even today also barter system prevails. Here, the local residents exchange their goods according to their needs.

Besides the exchange of goods, the international trade also has contributed immensely to the development of different cultures. The trade relations is a very old tradition among different countries of the world. Indians, Chinese, Arabs, Romans, Europeans have immense contribution to the development of international trade relations. The route which passed through China and South-West Asia was known as '**Silk Route**'. The caravan passing through this route traded in silk, iron goods, spices etc.



7.1 Silk Route

The economic condition of any country depends mainly on the nature of the economic relations with other countries. International trade is considered to be the working force of that nation's development.

The extent and the nature of the nation's economic development is affected by its size of international trade, its constitution and the trade conditions. The economic history of different countries reveals that the international trade affects their economic development considerably. Both Import and export are important from economic development point of view. Raw material, technical knowhow, equipment, machines etc. can be obtained through import. These things contribute considerably to the national development. By acquiring the knowledge about the national resources, imported goods, raw material and technical knowledge, the produced goods and services are exported.

Necessity of trade

Trade originates from the necessity or requirements of services and goods of any region. The existence of trade depends on the specialization of the products. If any country opts for specialization in the production of goods and services, it would be beneficial to both the countries.

In present day, trade is a base of global economic association. The base of the economic condition of any country is considered to be its working force. Both import and export are important from the economic development point of view. Necessary raw material, technical knowledge, equipment, machines etc. are imported. By using the imported things, processed goods and services are exported. This way, both import and export are important.

Direction of foreign trade of India

Till 18th century goods prepared in India were exported to Arab countries and Europe. Due to industrial revolution, the technology developed and there was an overall change in the industrial productions. Due to the development in the means of transportation, the Indian trade with distant countries increased. In the later part of 20th century, the old pattern changed. After India adopted the policy of liberalization, globalization and privatization, the developing country like India became competent enough to compete with the industrial productions of developed countries. Results of favourable decisions taken by Indian Government are being experienced. The proportion of traditional Indian trade is getting decreased, while the international market in the services of software sector is increasing. In India also, industrial development is growing faster. Thus, the direction of trade changed in different time durations.

Changing directions of Indian foreign trade

A constant change is seen in the direction of India's foreign trade. In ancient times, there was much demand for Indian spices, dry fruits, silk textile and jewels in the world market. India was connected with most of the countries of the world.

In the second stage, as a result of the industrial revolution which took place during the British rule, primary goods were being exported from India while industrial products were imported from Britain.

In the third stage, industries in India developed after independence. Foreign trade was directly benefitted due to the development in communication and transportation sectors. Especially after 1991, good results been seen due to the policy which the Government implemented to give impetus to trade. India is increasing its span over the world in software sector.

India's foreign trade : Imports and Exports

India holds a diversified natural resources and also holds largest youth power in the world. That is why it holds important place in international trade. India is connected by trade with most of the countries of the world. Foreign trade has a large contribution in the economic development of India. With the passage of time, there have been changes in the foreign trade of India.

There have been changes in the exchange of agricultural productions, industrial goods, service sector, technology sector, domestic goods etc.

Machines, machine tools, chemicals, means of transportation, weapons, electronic goods, atomic machines, gold, electric machinery, diamonds, pearls etc. are imported from the developed European countries like Germany, U.K., Belgium, Italy, France, Poland, Sweden, Switzerland etc. On the other hand cotton and cotton cloth, rubber, glass and its products, electronic goods, metallic products, garments, spices and condiments, handicrafts etc. are exported.

Soft wood, chemicals, machinery, etc. are imported from U.S.A. and Canada of North American continent, while software services, garments, engineering goods, farm implements etc. are exported.

Minerals, paper pulp, paper, wool, mineral oil, tea etc. are imported from South American countries like Brazil, Chile, Peru, Argentina, Panama, Venezuela etc., while India exports man-made handicrafts. Because of longer distance and also due to identical productions, there is less of foreign trade with these countries.

Mineral oil, natural gas, rock phosphate, precious jewels from West Asian countries like Iran, Iraq, Kuwait, Saudi Arabia, Afghanistan etc. India exports agricultural products, forest products, handicrafts, meat, building material and the services pertaining to them, IT services etc. to these countries.

Gold, copper, silver, platinum, electronic goods, machinery, means of transportation etc. are imported from Australia. India exports agricultural products, forest products, handicraft goods.

Countries with common interests are keen to get political benefits from each other. Indian Government has entered into a treaty with different countries and with different trade associations to increase the international trade. As a result, the span of India's foreign trade has increased.

Free Trade Zones

Free trade zone is such an area wherein the restrictions imposed on industrial units are removed and the import duty is either removed or is reduced, and the export is encouraged. For this, all necessary favourable conditions are provided by the Government.

The Free Trade Zones are now known as Special Economic Zones. Developing countries do not get equal opportunity in globalization and free trade. In order that the developing countries can compete with the developed countries, the Government creates all possible facilities so that there can be a qualitative increase in the international trade.

Following steps are taken so that the nation can develop through these Special Economic Zones :

- To provide land to Special Economic Zones.
- Taxation structure should be made simple and easy.
- Licence system should be dropped.
- To encourage the foreign investments.
- To provide the basic amenities to increase the international trade and its quality.
- To give liberty in rules and regulations in the interest of workers to reach the industrial targets.

Special Economic Zones are declared at various places in the country. Kandla Special Economic Zone in Gujarat and the International Tech Park at Bengaluru in Karnataka are well known.

Main base of international trade are trade associations. Some of the trade associations are such group of countries among which a general pattern of trade works. Most of the world trade is carried out according to the understanding of these associations. The membership of these association depends on three things : (1) Distance (2) Traditional relations and (3) Geo-political cooperation.

Different Trade Associations of the world

Defensive restrictions of any nation work adversely on its economy. The countries joining these associations have reduced the restrictions with a view to make the trade faster and beneficial. They have also developed a smooth trade pattern and loosen the trade restrictions laid on certain products or removed them. This has resulted in the beginning of healthy competition and the global trade has been encouraged. Some of the trade associations are as follows :

● ASEAN (Association of South-East Asian Nations)



7.2 ASEAN

- (1) **Year of establishment** : 8 August, 1967
- (2) **Countries associated** : Brunei, Indonesia, Malaysia, Singapore, Thailand, Vietnam
- (3) **Headquarter** : Djakarta (Indonesia)
- (4) **Objectives** : To increase economic growth, cultural development, peace and regional stability
- (5) **Trade** : Agricultural production, rubber, palm oil, paddy, coconut, coffee, mineral coal, copper, nickel, mineral oil, natural gas etc.

- **Commonwealth of Independent States (CIS)**

(1) **Year of establishment** : 8 December, 1991

(2) **Countries associated** : Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

(3) **Headquarter** : Minsk (Belarus)

(4) **Objectives** : Economy, cooperation for counter safety and foreign policy

(5) **Trade** : Mineral oil, natural gas, gold, cotton fibres, aluminium etc.

- **European Union (EU)**

(1) **Year of establishment** : 1957

(2) **Countries associated** : Austria, Belgium, Denmark, France, Hungary, Greece, Finland, Ireland, Italy, Netherland, Luxembourg, Portugal, Spain, Sweden, United Kingdom and Cyprus.

(Number of members change occasionally.)

(3) **Headquarter** : Brussels

(4) **Objectives** : Trade in only one currency and one market

(5) **Trade** : Agricultural products, minerals, chemicals, paper, means of transport, optical fibre, watches, art pieces etc.



7.3 European Union

- **OPEC (Organization of Petroleum Exporting Countries)**

(1) **Year of establishment** : September, 1960

(2) **Countries associated** : Algeria, Angola, Ecuador, Indonesia. Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela and Gabon.

(3) **Headquarter** : Vienna (Austria)

(4) **Objectives** : To decide the valuation of mineral oil and natural gas, production and the policy of sale.

(5) **Trade** : Mineral oil and natural gas



7.4 OPEC

- **South Asian Association Of Regional Cooperation – (SAARC)**

(1) **Year of establishment** : 5 December, 1985

(2) **Countries associated** : India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, Afghanistan and Maldives



7.5 Flags of SAARC Nations

(3) Headquarter : Kathmandu

(4) Objectives : Cooperation in the social, cultural, science and technology fields, education and trade

(5) Trade : Agricultural products, minerals, power sector, information technology, industries etc.

● **South Asian Free Trade Agreement (SAFTA)**

(1) Year of establishment : February, 2006

(2) Countries associated : Bangladesh, Maldives, Bhutan, Nepal, India, Pakistan, Afghanistan and Sri Lanka

(3) Objectives : Reduce the taxation among the intra-regional trade

(4) Trade : Agricultural products, mineral, power sector, information technology, industries etc.

● **Contribution of World Trade Organization to international trade**

As an option to World Trade Organization, there was an understanding on General Agreement on Trade and Tariff (**GATT**) agreement in 1947 about trade and tariff (import duties). In the beginning this understanding was made among 23 countries. Many of the provisions and principles of International Trade Associations were retained. The objectives of GATT were mentioned in its Preamble. The major objectives of GATT are as follows :

(1) To remove the discrimination in trade relations among the nations.

(2) To reduce or abolish the import or duties and to remove other obstructions in the trade.

(3) To make available the markets of developed countries for the industrial products of developing countries.

World Trade Organization (WTO)

Under the support of GATT, talks known as Uruguay Round began in 1986, and as the end result, the final shape was given to it in 1995. The WORLD TRADE ORGANIZATION was formed to implement the understandings of this talks. Its headquarter is located in Geneva. An important aspect of this organization is that it does not take any decision about the trade policy of the member nations or does not form any rule. This organization keeps watch on the implementation of the understandings made among the member countries and examines the controversies among them.

Initially, all members of GATT were from the developed nations. Thereafter, other countries were enrolled in it. Up to 30 November, 2015, 162 nations have become member of this Organization.

Ports : Gateway to international trade

Ocean routes hold a unique place in the transfer of goods from regions or countries of different continents.

The goods which are brought to the port from its hinterland are not loaded for export directly on the steamer at the port. The goods are collected from the dock and are stored in the godown of the port. If an immediate arrangement for export is not made, then there is the facility of a godown. The development of the hinterland can be estimated from the volume of the goods exported from the port and also the goods imported at the port. The capacity of the harbour can be presumed from the number of ships which have anchored at the port. There are many facilities available on the port such as (1) Arrangement to bring ships nearer to the shore and its anchorage (2) Arrangement to load and unload goods (3) Special arrangement of large godown to conserve and preserve the goods brought

for export and preserve the goods which are imported for a long time (4) Immigration facility for the crew members of the ships (5) Arrangement to collect import duty on the imported goods. All these arrangements are done by the Port Authority.

The development of the ports of the world depends on the coastal physiography, demand, population and other speciality. Due to this regional differentiations there are differences in the construction and working of these ports. On this basis, ports are divided into different types.

A port is such a place wherein the relation between the oceanic trade and the terrestrial trade can be maintained by boats or steamers and means of transportation on land. On a port, goods from other countries are imported and goods produced in the country are exported to other countries. Thus, ports play an important role in the international trade. That is why the ports are called the Gateway to international trade. The types of port are as follows :

Sea Port : Most of the ports of the world are located along a sea coast. The ports which develop on the open sea are situated on the sea route and hence the exchange of goods through steamers can be very faster.

Ports like New York, Mumbai, Shanghai, Hong Kong, Colombo, Durban etc. are developed on the open sea coast and so they have developed more. Whereas the ports which are located in the interior part of the land are away from the sea coast and so they are less developed. It is necessary to have knowledge about the ocean floor and guidance required to reach such ports.

River Ports : Ports also develop along the rivers which are perennial, have more volume of water, have a deep floor having a calm flow according to the favourable direction. Such river ports play an important part in the import of the requirements of its hinterland and the export of their products. London on river Thames and Hamburg on river Weser are river ports. In India, Kolkata is a river port on the river Hugli. Due to the silt brought by the river or by the tides, the river floor becomes shallow. Frequent dragging is required to maintain the depth of the river floor.

Moreover river ports are also useful as internal waterways. Many ports in Europe are useful as internal waterways for transporting goods and people.

Lake Ports : Lake ports are developed along those large lakes which have favourable geographical conditions like deep water, snow-free water surface, rich hinterland etc. Such ports become useful for internal trade or for the transport of goods. St Lawrence river, which emerges from the Great Lakes along the border of U.S.A. and Canada meets Atlantic Ocean, so these two countries have interconnected these five lakes by canals and lock-gates and created a largest internal waterway of the world. As a result, smaller lake ports like Duluth, Chicago, Alpen, Toronto, Buffalo and Toledo have developed. Kampala port has developed on the lake Victoria in Africa for the transport of passengers. In short, such river ports are important for the internal transfer of goods and passengers of a nation.

Canal Port : In order to reduce the distance between the seas and the oceans of the world, man dug up landform like an isthmus between two continents and connected two seas or oceans creating a shorter water route. Such man-made waterway connecting two seas or oceans is known as a canal. Many ports develop along such canals.

In West Asia, Suez Canal connects Red Sea and Mediterranean Sea. Port Said is located on the Mediterranean coast of the Suez canal while Port Suez is at the end of Red Sea.

Port Colon is located on the Caribbean Sea end of the Panama Canal, which is one of the two important waterways of the world. At the other end of Pacific Ocean, Port Panama is located.

Sometimes, canals are developed to reach the interior area of a region for creating an internal waterway so that small steamers can reach up to the interior part of the region. Ports develop at the end of such canals. Such ports are smaller than the sea ports. However, such canals provide internal waterways to the nation, they are important in regional or international trade. The best example of this is the 'Manchester Ship Canal' connecting Manchester and Liverpool. The port of Manchester is located at the eastern end of the canal and the port Liverpool and Ellismear are on the western coast.

Ferry Port : Smaller ports develop in the regions which are insular and have dense population for going from one place to another by smaller steamers. These are called Ferry Ports. In countries like Japan there are ports which provide ferry train services. Here, the passenger coaches of railways are loaded into the steamers and are off-loaded at the other end after crossing the sea. Development of many ports have become possible between Britain and European coasts for the transport of passengers. Harbin, Dover, Fickstone, New heaven, Lee-Harvey etc. are such European ports developed on the western coast of Europe. Such ports have also developed in the Caribbean Archipelago. Provision of ferry service between Dahej and Ghogha ports of Gujarat is under consideration of the Government. Ferry service is operating between Okha Port and Bet Dwarka. Earlier, ferry service was operating from Surat and Khambhat on Surat-Khambhat-Bhavnagar-Ghogha route.

Trans-shipment Port

Some ports have a deep water wherein a large ship can anchor. Such large ship is called 'Mother Ship'. These ships are loaded with large volume of goods. Smaller ships, which are called 'daughter ships' off load the goods from them and help to carry them to other smaller ports.

Thus, the port from where the goods are re-transported is called Trans-Shipments. Steamers which carry more than one lakh tonnes of goods anchor in the open port at Salaya along Gujarat coast. From there, smaller ships having a capacity to carry ten to fifteen thousand tonnes of goods load goods from the larger ship and supply these goods to ports like Navlakhi, Kandla, Porbandar, Bedi, Rosy etc. Similarly Salaya is also a trans-shipment. Goods for Portugal colonies reach Lisbon and are re-shipped. Goods reaching to the smaller ports are distributed at Harcourt for port in Africa, at Christobel port for ports in Central America, from Pireus, Sholonika and Istanbul ports for ports on Baltic and Black Sea coasts.

Besides, ports are developed considering their strategic location, their merits and certain objectives, and they are used accordingly. Here, tourist port, commercial port, navy port, shipyard and ports for the repairs can be included.

Exercise

1. Answer the following questions in details :

- (1) Explain the pattern of India's international trade.
- (2) Discuss the international trade of India and give information about the import-export among different countries.

2. Answer the following questions to the point :

- (1) Discuss briefly the history of the foreign trade of India.
- (2) Write a note on the river ports.
- (3) What is meant by Special Economic Zone ?

3. Answer the following questions in brief :

- (1) What is meant by internal trade of India ?
- (2) What is meant by a Ferry Port ?

4. Answer the following questions in one-two sentences :

- (1) Which things are affected by the membership of a trade association ?
- (2) What is called a Ferry Port ?
- (3) Which work is carried out by a daughter ship ?
- (4) Where is the headquarters of SAARC located ?
- (5) What was the arrangement of initial trade pattern in ancient society ?

5. Select the correct option from the options given for the question and write the answer :

- (1) Old route passing through China and South-West Asia
(a) Grant Road (b) Samjhouta Marg (c) Silk Route (d) Maha Marg
- (2) Which of the following countries is not a member of SAARC ?
(a) Bhutan (b) Nepal (c) China (d) Pakistan
- (3) The headquarters of OPEC
(a) Vienna (b) Dubai (c) Singapore (d) Kathmandu
- (4) What is meant by dragging ?
(a) A process to remove silt from the river bed
(b) A process to fill alluvium in the river bed
(c) A process to bring down a large ship
(d) A process to locate a drowned ship

Activity

- Arrange a group discussion on 'Changing Direction of trade in India' .
- Arrange a visit to a 'Port' during the annual tour of your school.
- Prepare a presentation on important points of this lesson and present it in the free period.
- Visit the following Websites with the help of your teacher and explore the topic of this lesson in details.

www.saarc-sec.org

www.wto.org

www.pancanal.com

www.kandlaport.gov.in