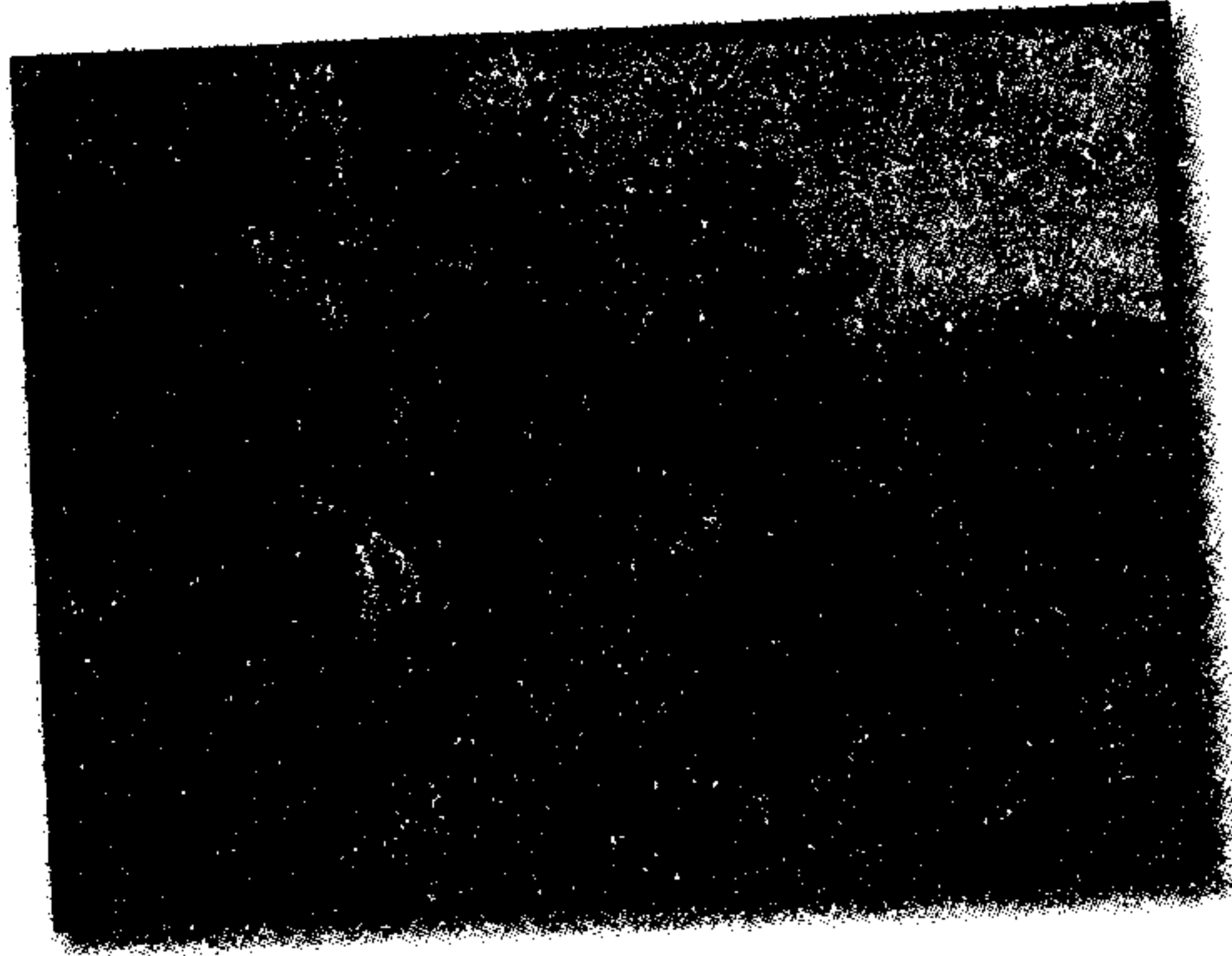


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Why people trade

Trading has taken place since the earliest of times. People **trade** for many reasons. The simplest way for a person to get things that he/she doesn't have is by trading with things they do have. For example if you had two pencils and your friend had two sharpeners you could swop one pencil for one sharpener. At the end of the trade, you and your friend both have what you need.



A market in the early Middle East.

Vocabulary

Trade: the act of exchanging, buying and selling something.

Exchange: to give something and get something in return.

Barter: to trade or exchange without the use of money. It is swapping things.

Trade as an exchange of goods

Early trade was quite simple. It was an **exchange** of goods. In the example above, you saw that if you had lots of one thing, you could offer some to another person who has what you want. Trade like this is often called **barter**. This type of trade happened before people used money.

Buying and selling of goods for money

Bartering does not always work effectively. Often, people could not agree on what a product was worth or they did not want what the other person had. To solve this problem, people began to use money. Around 5000 BCE, metal objects were introduced as money.

They used metal because it was the easiest to get hold of, it was easy to work with and it could be recycled. The coins were given a certain value so this meant it was easier to compare the cost of items people wanted. Very soon, most trade involved the buying and selling of goods for money. People would try and buy goods for less than they would sell them. This meant buying goods from a place where there were lots of that particular item and then transporting them to a place where there were not that many.



Salt being transported across the Sahara desert. Salt was often used as 'money'

Vocabulary

Imports: when goods are brought in from another country.

Exports: when goods are sent to another country to sell.

Petroleum products: these are things that made from petroleum (petrol), which comes from oil.

Exports and imports between South Africa and the world

Trade doesn't only happen between people, it also happens between countries and businesses in countries. If goods are sent out of a country to another country to sell they are called **exports**. If goods are brought in from other countries they are called **imports**. The main **exports** in South Africa are diamonds, platinum, gold, other metals and minerals, as well as machinery and equipment. South Africa's main imports are chemicals, oil and other petroleum products, scientific instruments, food and different types of machinery and equipment. South Africa and South African businesses trade with many different countries and businesses in the world.

What people trade

People trade goods or items and services.

Trading goods

Goods that are used for trading can be divided into 2 types:

- Raw materials which are called **Primary products**.
- Manufactured goods which are called **Secondary products**.

Vocabulary

Manufacturing: to make things in large quantities, often with the help of machines.

Economy: a system of making and spending money and producing goods and services within a country.

Profit: the amount of money that is made by a business that is more than the amount that they put in at the beginning.

Re-invest: when you put profit back into the business or company that generated the profit.

Infrastructure: the facilities and equipment in a country that are necessary for it to run properly

Raw materials (primary products)

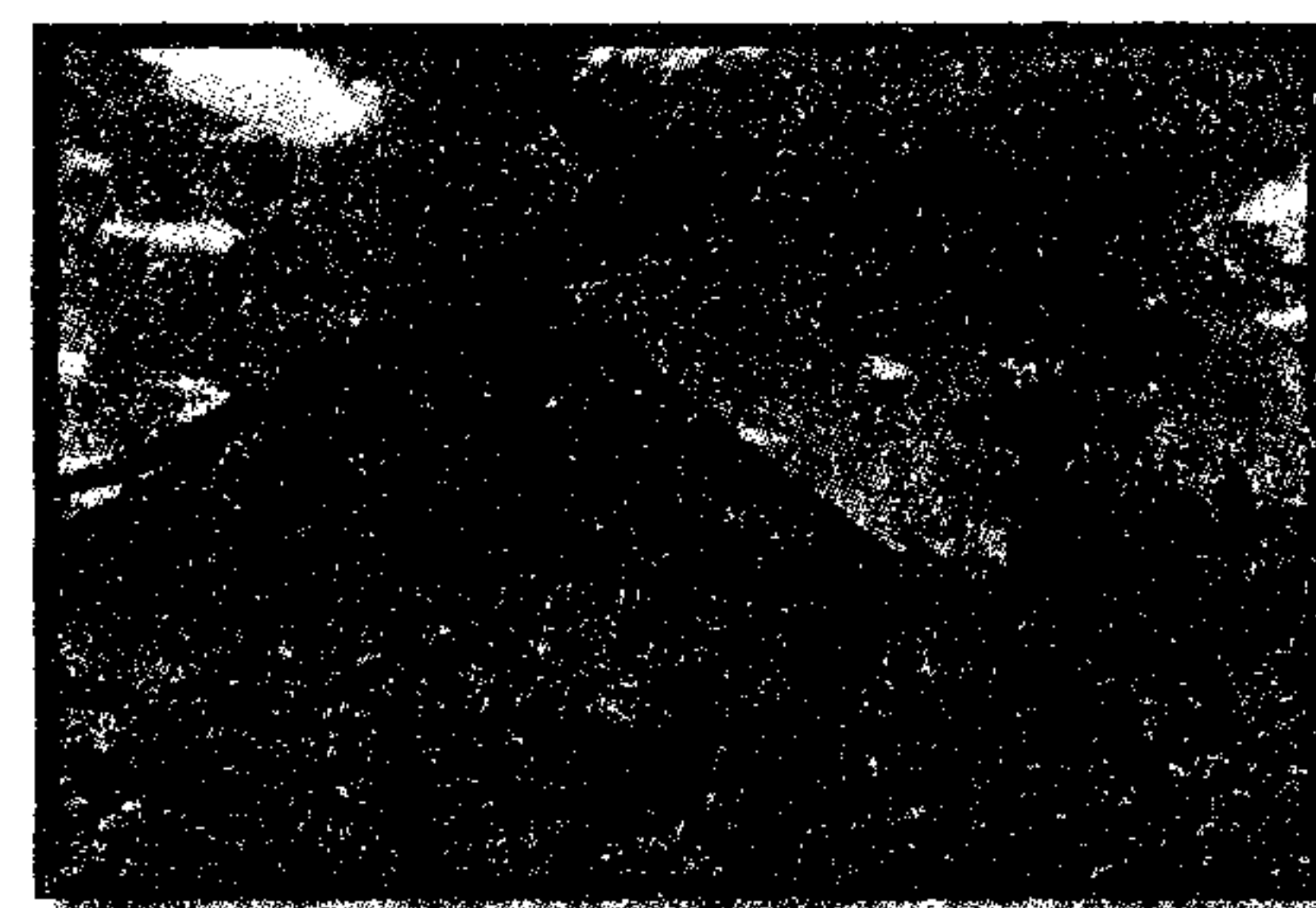
Raw materials are materials that are taken from the land or the ocean. They are called 'raw' because they are still in their natural state. They haven't been changed in any way through **manufacturing**, cooking or any other way. Raw materials come from agriculture and farming, mining, forestry and fisheries. Raw materials can be sold in their natural state or they can be used and changed by manufacturing in order to produce a product.



South Africa exports about 75% of primary products. In other words 75% of what South Africa exports to other countries in its natural state.



Truck transporting logs

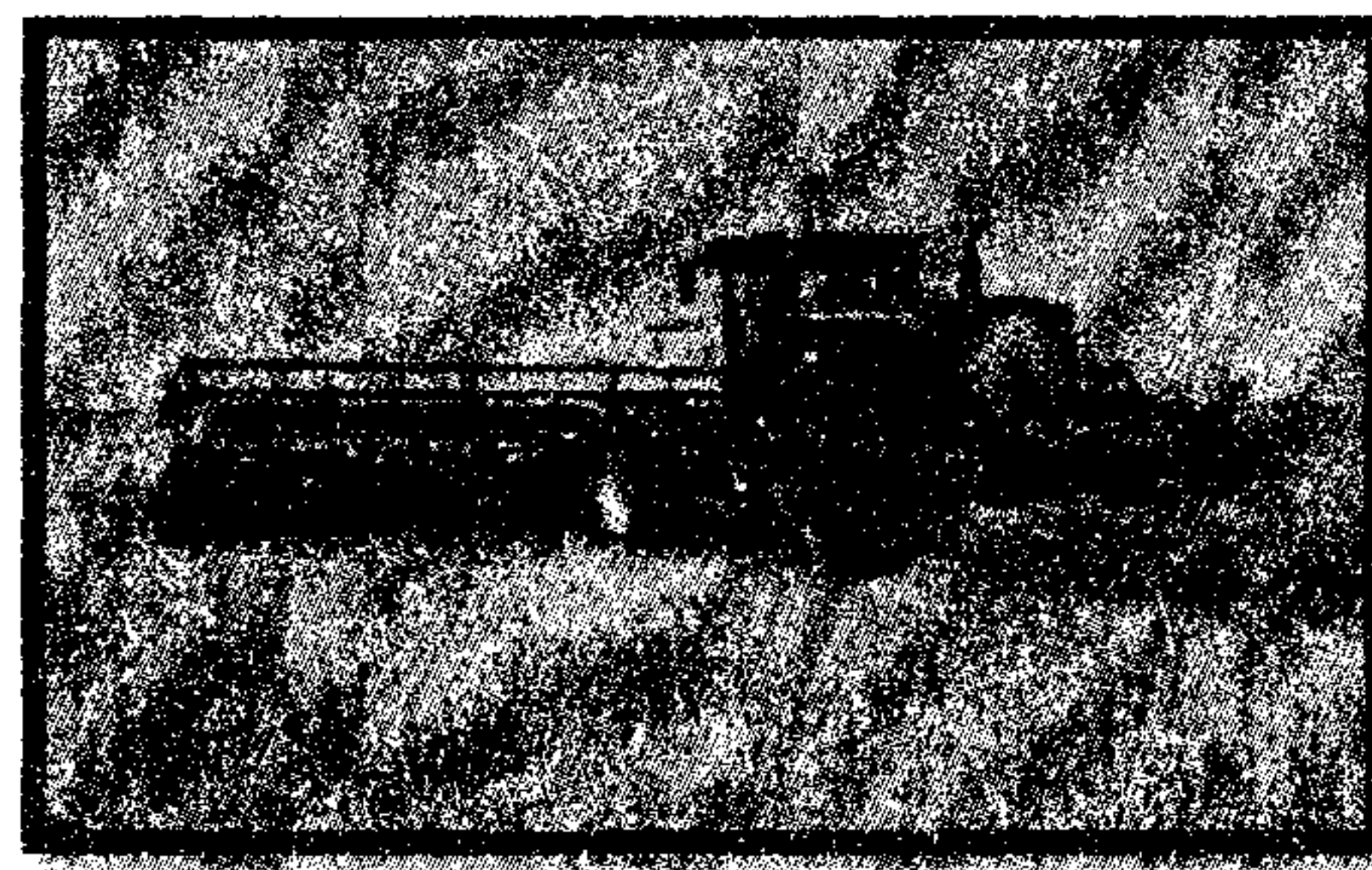


Coal mining

Fishing



Grain harvesting



Manufactured goods (secondary products)

Manufactured goods are things that are made from raw materials. These items can be sold to people in the country where they are made or they can be exported to other countries.

Manufacturing helps countries to develop as it is important for a country's **economy**. Some reasons for this are:

- Manufacturers need people to assist in the making of the products, so it provides jobs. People who have jobs can spend their money in the country and can also pay taxes.
- Manufacturers also make **profits** that they can spend in the country or they can **re-invest** in their businesses.

Some reasons why countries send manufactured goods to other countries are:

- It is quick and easy to transport a large amount of manufactured goods around the world.
- Not all countries have what they need; raw materials or skills to make the product.
- Some countries have many people who are willing to work for a small amount of money, just because they need the work so badly. Big businesses from other countries take advantage of this and use this cheap labour to produce goods.

Today you will find that many things are made in China and other countries in Asia. The reason for this is that people are paid less for work in these countries. They also have a good **infrastructure** for manufacturing. **Infrastructure** refers to things like roads and railway lines.



Workers on an assembly line, in China