

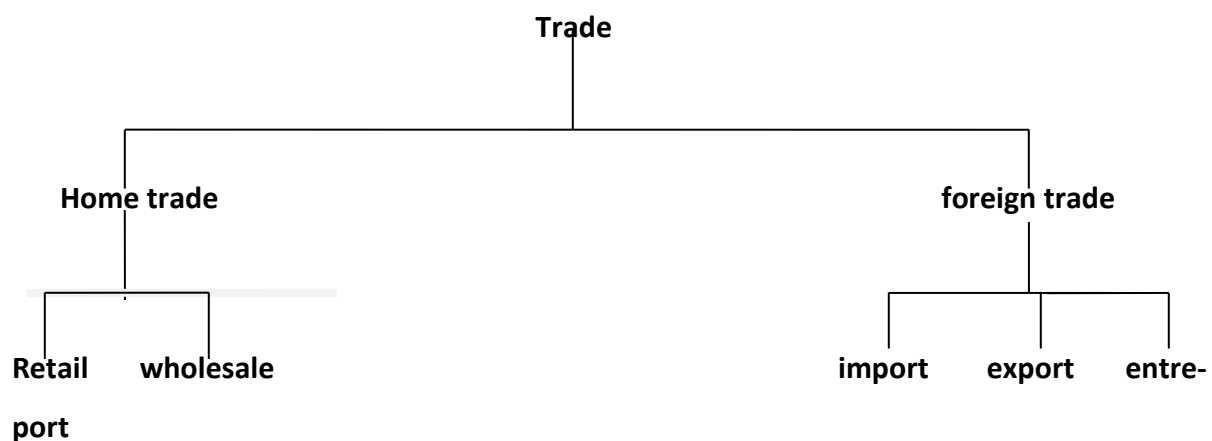
WEEK 7

TOPIC: TRADE.

SUB TOPIC 1: MEANING OF TRADE AND TYPES OF TRADE MEANING OF TRADE

Trade is the act of buying and selling of goods and services. People trade with the aim of making profit in order to cater with their needs.

DIAGRAM SHOWING THE DIVISION OF TRADE



TYPES OF TRADE

- (1) Home /Local/Internal/Domestic Trade
- (2) Foreign/external/International Trade
- (3) Entre-port

1. Home /Local/Internal/Domestic Trade: This is the buying and selling of goods and services within a country. Buying of goods and services that take place in from Lagos to Port Harcourt, Onitsha and Aba is home trade. It is within Nigeria.

Type of Home /Local/Internal/Domestic Trade

i. **Retail Trade:** Retail trade is when the retailer buys goods in small quantity from the wholesaler or the manufacturer and sells them in bits to the final user (consumer).

ii. **Wholesale Trade**

This is trade in which the purchaser buys goods in bulk or large quantity from the producer or Manufacturer and sells in small quantity to the retailer.

2. Foreign/external/International Trade

Foreign trade is buying and selling of goods and services involving countries of the world. Foreign trade is the exchange, buying and selling of goods and services between two or more countries. When Nigeria sells crude oil and gas to Japan, China or the United Kingdom, it is international trade.

Types of Foreign/external/International Trade

- i. **Export trade:** This is the selling of goods and services produced in one country (Say Nigeria) to other countries.

- ii. **Import trade:** This is when businessmen in Nigeria buy goods from foreign countries for the purpose of selling them within the country. Whether goods are bought from overseas by individuals, governments, schools or business organisations, import has taken place. Items such as electronics, video games, computers, motor vehicles and machines are imported from other countries.

- iii. **Entre-port:** This is the re-selling of imported goods by one country to another without changing or transforming the goods. Entre-port is also known as re-exporting. For example, a businessman imports computers games from Japan to Nigeria, instead of selling them in Nigeria; he sends them to Ghana where he is paid in foreign currency. It is called entre-port.

RELATIONSHIP BETWEEN HOME AND FOREIGN TRADE

1. Currency is the medium of exchange. May be local or foreign currency.
2. Profit is the motive behind any form of trade.
3. Revenue is earned for the government.
4. Warehouses are used to keep goods.
5. Middlemen are involved in the trading activities.
6. Trade leads to economy growth.
7. The needs or wants of consumers are met.

DIFFERENCES BETWEEN HOME AND FOREIGN TRADE

S/N	Home Trade	Foreign Trade
1	The same language is used as a medium of communication among traders <i>E.g., Lagos – Aba</i>	Language used by traders as means of communication may be the same or different. <i>E.g., Nigeria – USA or Nigeria – China or Germany</i>
2.	Trading activities are done in the same country	Trading activities are done between two countries or among countries.
3.	The same money or currency is the medium of exchange. <i>E.g., Naira and kobo</i>	Different money or currency is the medium of exchange. <i>E.g., Nigeria (Naira) – USA (Dollars)</i>
4.	There are no barriers to free trading activities.	There are many barriers to free trading activities

5	Trading activities is subject to government regulation	Government regulation is restricted to one country.
6	The climate and weather condition are the same <i>E.g., Rainy and dry season</i>	The climate and weather condition are the same <i>E.g., Winter, Summer, Spring and Autumn</i>
7.	The revenue earned is in local currency	The revenue earned is in foreign currency
8.	The risk involved is minimal	The risk involved is high
9.	The political situation is the same.	The political situation is not the same.
10.	The culture is the same	The culture is different
11	It meets the needs of the consumer.	It leads to comparative advantages for the exporting nation.
12.	Factors of production are freely used and sometimes moved <i>e.g., Labour, capital, and entrepreneur</i>	Factors of production are not freely used and restricted based on the Law and government regulation. <i>e.g., Labour, capital, and entrepreneur</i>

SUB TOPIC2: RELATIONSHIP BETWEEN/ AMONG THE DIFFERENT TYPES OF TRADE.

Home trade is the buying and selling of goods and services within a geographical area of a nation. This type of trade takes place within the boundaries of the country.

Foreign trade is the exchange of goods and services between two or more countries. This type of trade takes place outside the boundaries of the country. It is also known as international trade.

Entre-port trade is a form of international trade where goods are temporarily imported into a country and then subsequently re-exported to other countries. It is mainly confined to commodities like rice, sugar, coffee, copper wheat and agricultural products. This is possible with countries that have free trade zone. The free trade zone is an area in which goods can be imported without incurring import or custom duties.