

COMMERCE AND TRADE

“**COMMERCE**” IS A GENERAL TERM USED TO DESCRIBE THE SALE AND DISTRIBUTION OF GOODS AND SERVICES.

THE COMMERCIAL ACTIVITY OF BUYING AND SELLING GOODS AND SERVICES IS CALLED “**TRADE**”.

TRADE IS DIVIDED INTO “**HOME TRADE**”, WHEN GOODS AND SERVICES ARE BOUGHT AND SOLD INSIDE A COUNTRY AND “**FOREIGN TRADE**”, WHEN THIS COMMERCIAL EXCHANGE HAPPENS BETWEEN TWO DIFFERENT COUNTRIES.

IN FOREIGN TRADE WE DISTINGUISH BETWEEN **IMPORT**, WHEN GOODS AND SERVICES ARE BOUGHT FROM A FOREIGN SELLER AND **EXPORT**, WHEN GOODS AND SERVICES ARE SOLD TO A FOREIGN BUYER.

SERVICES WHICH MAKE TRADE POSSIBLE ARE:

- BANKING
- INSURANCE
- TRANSPORT
- MARKETING
- ADVERTISING

CHANNELS OF DISTRIBUTION

GOODS AND SERVICES PASS FROM **MANUFACTURERS** TO **CONSUMERS** THROUGH DIFFERENT CHANNELS OF DISTRIBUTION. THE MOST POPULAR ARE:

- FROM THE **MANUFACTURER** TO THE **CONSUMER** (USING THE INTERNET FOR EXAMPLE)
- FROM THE MANUFATURER TO THE CONSUMER THROUGH A **WHOLESALE**R (WHEN A BUSINESS BUYS IN LARGE QUANTITIES FROM A MANUFACTURER)
- FROM THE MANUFACTURER TO THE CONSUMER THROUGH THE WHOLESALE R WHO SELLS THE GOODS IN SMALLER QUANTITIES TO A **RETAILER** SUCH AS SHOP, SUPERMARKET, DEPARTMENT STORE, ETC...
- FROM THE MANUFACTURER, THROUGH THE RETAILER, TO THE CONSUMER

EACH LINK IN THE DISTRIBUTION CHAIN MAKES THE **COST** OF THE PRODUCT HIGHER FOR THE CONSUMER, BECAUSE IT REQUIRES TRANSPORTATION, INSURANCE AND ADVERTISING.

MANY BUSINESSES TRY TO BECOME MORE COMPETITIVE BY SELLING DIRECTILY TO THE CONSUMER. THIS IS POSSIBLE NOWADAYS THANKS TO THE INTERNET AND E-COMMERCE. THE INTERNET ENABLES COMPANIES TO ADVERTISE, PROMOTE AND SELL THEIR PRODUCTS AND SERVICES DIRECTLY TO BUYERS.

THE FOUR FACTORS OF PRODUCTION

THE FACTORS OF PRODUCTION ARE THE BASIC RESOURCES USED TO PRODUCE GOODS AND SERVICES.

THERE ARE FOUR FACTORS:

-NATURAL RESOURCES

-LABOUR

-CAPITAL

-ENTREPRENEURSHIP

NATURAL RESOURCES

-MINERAL DEPOSITS

-NATURAL FORESTS

-WATER

-MARINE RESOURCES

-AGRICULTURAL LAND

-VEGETATION

-ANIMAL LIFE

LABOUR

IT IS THE HUMAN WORK WHICH PRODUCES.

THE QUALITY OF HUMAN LABOUR IS DESCRIBED BY THE TERM “ HUMAN CAPITAL”, WHICH REFERS TO THE SKILLS, EDUCATION, TRAINING, EXPERIENCE OF THE WORKER (**KNOW-HOW**)

CAPITAL

MONEY INVESTED BY FIRMS TO PRODUCE. THE INVESTMENT IS IN MACHINERY, EQUIPMENT, BUILDINGS, VEHICLES AND OTHER RESOURCES.

ENTREPRENEURSHIP

NATURAL RESOURCES, LABOUR AND CAPITAL HAVE TO BE COMBINED AND ORGANISED TO PROVIDE A PRODUCT OR A SERVICE. THIS ACTIVITY IS CALLED ENTREPRENEURSHIP.

ENTREPREUNERS ARE PEOPLE WHO SEE OPPORTUNITIES FOR MAKING A PROFIT AND WHO ARE READY TO TAKE RISKS BY PRODUCING GOODS AND SERVICES THAT THEY HOPE WILL SELL

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THE THREE SECTORS OF PRODUCTION

THERE ARE THREE MAIN SECTORS OF PRODUCTION:

-THE PRIMARY

-THE SECONDARY

THE TERTIARY

THE PRIMARY SECTOR

IT INVOLVES THE EXTRACTION AND PRODUCTION OF RAW MATERIAL, SUCH AS COAL, WOOD, ETC...

TYPES OF INDUSTRIES IN THE PRIMARY SECTOR ARE:

-FARMING (AGRICULTURAL PRODUCTION AND REARING ANIMALS)

-MINING (MINING METALS AND MINERALS)

-FISHING (CATCHING FOODS FROM SEA, RIVERS, LAKES)

-FORESTRY (GROWING AND MANAGING FORESTS FOR WOOD PRODUCTION)

THE SECONDARY SECTOR

IT PROCESSES THE RAW MATERIALS FROM THE PRIMARY SECTOR, TAKING THEM AND TRANSFORMING THEM INTO GOODS. IT INCLUDES MANUFACTURING AND CONSTRUCTION. TYPES OF INDUSTRIES IN THE SECONDARY SECTOR ARE:

-FOOD AND BEVERAGE

-TEXTILE

-CAR MANUFACTURING

-BUILDING

THE TERTIARY SECTOR

IT INVOLVES THE PROVISION OF SERVICES TO FINAL CONSUMER AND BUSINESS. TYPES OF INDUSTRIES IN THIS SECTOR ARE:

-RETAILING (FOR EXAMPLE THE SALE OF GOODS FROM A STORE)

-BANKING AND INSURANCE

-EDUCATION

-HEALTH SERVICES

GOODS MOVE THROUGH A CHAIN OF PRODUCTION. THE CHAIN OF PRODUCTION FOLLOWS THE CONSTRUCTION OF A PRODUCT FROM ITS EXTRACTION AS A RAW MATERIAL THROUGH TO ITS FINAL SALE TO THE CONSUMER. SO A PIECE WOOD IS CUT FROM A TREE (PRIMARY SECTOR), MADE INTO A TABLE BY A CARPENTER (SECONDARY SECTOR) AND FINALLY SOLD IN A SHOP (TERTIARY SECTOR).

EXERCICES

1. COMPLETE THESE SENTENCES

- A) One of the most popular channels of distribution is from the manufacturer to the.....
- B) Wholesalers buy goods.....from.....
- C) Retailers buy.....of goods from.....
- D) Shops, supermarkets and department stores are examples of... ..
- E) The cost of the product includes..... of production, transportation,... ..
- F) Many businesses sell directly to the consumers through
- G) Companies can.....their products on the internet.

2. EXPLAIN IN YOUR OWN WORDS THE FOLLOWING TERMS

Commerce and Trade

Import and Export

Services

Manufacturer and Consumer

Wholesaler and Retailer

Entrepreneur

Capital and Human capital

3. ANSWER THE QUESTIONS

- A) What are the four factors of production?
- B) Give three examples of natural resources
- C) What do firms use capital for?
- D) What does the primary sector of production involve?
- E) What does the secondary sector do?
- F) What does an industry of the tertiary sector do?

4. DO THESE INDUSTRIES BELONG TO THE PRIMARY (P), SECONDARY (S) OR TERTIARY (T) SECTOR?

- A) Electricity
- B) Television
- C) Fishing
- D) Forestry
- E) Health services
- F) Oil extraction
- G) Police
- H) Food processing
- I) Shipbuilding
- J) Schools
- K) GIVE OTHER THREE EXAMPLES: ONE FOR EACH SECTOR

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5. PUT THE SENTENCES IN THE CORRECT ORDER

- A) Bread is delivered to retailers
- B) Bread is made
- C) Consumers buy the bread
- D) Flour is delivered to bread makers
- E) Wheat is delivered to the mill
- F) Wheat is grown on farms.

For your oral exam you have to:

- a) Prepare a brief oral presentation on the following topics:
 - Trade and commerce
 - The channels of distribution
 - The factors of production
 - The sectors of production