SESSION 14: TRANSPORT AND TRADE

KEY CONCEPTS:

You must know, or be able to do the following:

- Define trade, balance of payments, balance of trade, imports and exports.
- Identify and describe positive and negative balances of trade.
- Explain how a negative balance of trade can be rectified.
- Use and interpret statistics and graphs in your explanations.
- Apply your knowledge to trading partners of South Africa.

X-PLANATION:

1. AIR TRANSPORT

- Airports Company of South Africa (ACSA) owns and operates 10 airports.
- Three international airports: OR Tambo, Cape Town and King Shaka (Durban).
- OR Tambo is the largest airport and can carry 18 million passengers annually.

2. **PORTS**

- No navigable rivers, 3 000km coastline.
- Important for containers cargo, dry docks.
- Durban: largest and busiest port.
- Saldanha: largest natural port.


3. **PIPELINES**

- Petronet operates a network of 3 000km of pipes.
- Large volumes of fuel are transported inland to refineries and industrial areas.
- New pipeline from Mozambique.
4. ROAD TRANSPORT

- Approximately 500 000 km of roads in SA.
- Four major industrial areas, well connected.
- Longest network in Africa.
- 2 200 km – toll roads.
- Fast link between ports.
- 80% of all freight carried by road.


5. RAIL TRANSPORT

- Spoornet focuses on transport by rail.
- Spoornet has an annual turnover of R9 billion.
- Developed with discovery of minerals.
- Sishen-Saldanha: 861 km transports iron ore.
- Coal transported along Vryheid-Richards Bay line.

Trade is vital for any country and in order to trade, a country needs a developed **infrastructure**. SA has a well-developed road, railway and port network. This is partly as a result of **minerals** being exported.

The value of imports compared to the value of exports is called a **balance of trade**. The two figures are not equal.

If we export more than what we import, then we have a **trade surplus**, if we import more than we export, then we have a **trade deficit**.

Trade is often promoted by central government who will sign treaties, with other countries to promote trade with one another. For example, in Europe countries that belong to the EU (**European Union**) do not have to pay import duties. An import duty is a tax on imported goods. If no tax, tariff raises the price of foreign goods and protects the local industries. For example, in SA, cheap imported clothing is taxed to protect local textile industries. SA belongs to SADC (**Southern African Development Community**), which aims to reduce tariffs between members.

The world is broken up into numerous groupings of countries that have trade agreements among themselves. Such a group of countries is called a trading bloc.

**Examples include:**
- OPEC (**Organisation of Petroleum Exporting Countries**)
- AU (**African Union**)
- EU (**European Union**)
- NAFTA (**North American Free Trade Association**)

International trade is encouraged by the WTO (**World Trade Organisation**). It helps to negotiate new trade agreements and implement trade rules.
Transport plays a very important role in international trade. Without container ships, railways and international flights, trade between nations would be severely reduced. South Africa is trying to promote trade by developing Coega as a tax free port. This will, hopefully, improve our balance of trade.


With regard to trade, there are major stumbling blocks. An attempt is being made to eliminate unfair trade agreements between rich and poor countries. The wealthy countries control a large percentage of all trade. In South Africa, quotas are often used to restrict how much may be imported.
Trade
When a country sells goods to other countries and buys goods it needs from other countries.

Balance of payments
A statement or account in which a country's transactions with other countries are indicated.

Imports
Goods brought into a country

Exports
Goods sent out of the country

Balance of trade
Payment obligations that arise when a country imports or exports goods.

<table>
<thead>
<tr>
<th>Year</th>
<th>Export R-million</th>
<th>Imports R-million</th>
<th>Balance R-million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gold</td>
<td>Other exports</td>
<td>Total</td>
</tr>
<tr>
<td>1982</td>
<td>8 641</td>
<td>10 649</td>
<td>19 290</td>
</tr>
<tr>
<td>1983</td>
<td>9 929</td>
<td>10 779</td>
<td>20 708</td>
</tr>
</tbody>
</table>

Positive balance of trade
Exports exceed imports (1983)
Trade surplus (more money earned from exports)

Favourable balance of trade

Imports
Exports

Unfavourable balance of trade

Negative balance of trade
Imports exceed export (1982)
Trade deficit (more money spent on imports)
Exports

How South Africa rectifies a negative Balance of Trade

Increase exports
Decrease imports
Export more gold
X-AMPLE QUESTIONS:

QUESTION 1:

1.1 Define the concept ‘balance of payments’ (1x2) (2)
1.2 Describe ways in which agriculture could possibly contribute to a favourable trade balance in South Africa. (4x2) (8)
1.2 How can South Africa improve its trade balance without being too Dependent on the gold price? (3x2) (6)

QUESTION 2:

Provide the correct term for the following:

2.1 Export value greater than import value. (1x2) (2)
2.2 Value of all goods and services produced in a country in one year. (1x2) (2)
2.3 United Nations policy on sustainable development. (1x2) (2)

[6]

QUESTION 3:

Study the graph on the below, which shows the total population, the economically active population and employment trends in South Africa (1960 – 2000) and answer the questions that follow.

[Graph Image]

SOURCE: National Manpower Commission
3.1 The graph shows that many people were unemployed in 1995:

3.1.1 Calculate the number of people who will be unemployed in 2000. (1x2) (2)
3.1.2 Give the total population of South Africa for 1960. (1x2) (2)
3.2 State briefly what is meant by ‘economically active population’ (1x2) (2)
3.3 Briefly explain why there was substantial unemployment in 1995. (2x2) (4)

QUESTION 4:

Study the figures below, which show imports and exports and then answer the questions that follow:

<table>
<thead>
<tr>
<th>IMPORTS (R million)</th>
<th>EXPORTS (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1995</strong></td>
<td><strong>1995</strong></td>
</tr>
<tr>
<td>Food</td>
<td>5 102</td>
</tr>
<tr>
<td>Inedible raw materials</td>
<td>3 838</td>
</tr>
<tr>
<td>Chemicals</td>
<td>12 323</td>
</tr>
<tr>
<td>Textiles</td>
<td>2 815</td>
</tr>
<tr>
<td>Metal and metal products</td>
<td>3 636</td>
</tr>
<tr>
<td>Machinery</td>
<td>31 473</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>11 441</td>
</tr>
<tr>
<td>Other manufacturing goods</td>
<td>18 201</td>
</tr>
<tr>
<td>Unclassified</td>
<td>9 785</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>98 614</strong></td>
</tr>
<tr>
<td>Gold Export value</td>
<td>20 178</td>
</tr>
</tbody>
</table>

4.1.1 What is meant by the term “balance of trade”? (2x2) (4)
4.1.2 With reference to the table above, discuss the importance of gold for the balance of trade. (1x2) (2)
4.1.3 Discuss the importance of gold in the balance of trade by making use of the above figures. (3x2) (6)

4.2 South Africa hosted the 2010 FIFA Soccer World Cup. There were many ways in which South Africa benefitted. Use what you have read and the knowledge obtained from the World Cup to answer the following questions.

4.2.1 Name the two services that benefitted from hosting the World Cup? (2x2) (4)
4.2.2 Unemployed people from the townships found jobs during this period of time. Suggest three occupations that had to employ more people prior to the games being held. (3x2) (6)
4.2.3 Suggest three positives for South Africa in the years that follow the World Cup. (3x2) (6)
4.2.4 The World Cup was held in June/July. Why was this an even bigger bonus for South Africa? (2x2) (4)
**X-ERCISE QUESTION:**

**QUESTION 1:**

Read the extract below and answer the questions that follow:

South Africa has increased its trade links with China and in now one of china’s biggest trading partners in Africa. Two-way trade between the two countries has increased from $800 million in 1998 to $11,2 billion in 2007. The industrial and Commercial Bank of China is buying a 20% share in Standard Bank and Sasol will be developing coal-to-oil plants in China.

Although the balance of trade between China and Africa is more or less equal. South Africa is experiencing trade imbalances: its imports in 2007 were R49,1 billion and its exports were R23,7 billion. The strengthening economic ties with China have had an uneven impact on certain sectors of the South African economy. While there has been a large increase in exports of South African agricultural products, there have been severe cuts in the clothing and textile industry. As part of the improved trade relations, China has now imposed some one-way restrictions on its clothing and textile exports.

*Adapted from an article by Chris Alden in “China Brief”, June 2008”*

1.1 Briefly explain why the increased trade links between South Africa and China are an example of globalisation. (1x2) (2)

1.2 By how much has the trade value between the two countries increased in about 10 years – approximately 5 times, 10 times or 15 times? (1x2) (2)

1.3 A trade deficit is the difference between income from exports and costs of exports. Calculate South Africa’s trade deficit with China in 2007. (1x2) (2)

1.4 A lot of clothing has been imported from China more cheaply than it can be made in South Africa. Suggest a negative effect of this on workers in the clothing manufacturing industry

1.4.1 in China (1x2) (2)

1.4.2 in South Africa (1x2) (2)

1.5 Suggest TWO ways of addressing the negative impact of Chinese exports on the clothing industry in South Africa. (2x2) (4) [14]
SOLUTIONS TO X-ERCISE QUESTIONS:

QUESTION 1:

1.1 As it is an example of exchange between countries all over the world and it includes an increase in foreign trade√√ (1 x 2) (2)
1.2 Approximately 15 times√√ (1 x 2) (2)
1.3 The difference in value between a country’s visible exports and visible imports √√ (1 x 2) (2)
1.4.1 Workers in China may be poorly paid√√ (1 x 2) (2)
1.4.2 Many workers in South Africa have lost their jobs√√ (1 x 2) (2)
1.5 (Any two) Sign a trade agreement with China that it will limit its clothing exports √√ promote the buying of local clothing products through advertising √√ or the Proudly South African campaign. (2 x 2) (4)