Q-6 Describe the main Problems which are the forced in international trade what is the conclusion of comparative cost advantages theory?

A-6 It can be argued that word output would increase when the Principal of comparative advantage is applied by country to determine what goods and services they should specialize in Producing. Comparative advantages is a term associated with 19th century english economist David Ricardo.

| maximum output | Country A | Country B |
|---|---|---|
| CARS | 30m | 35m |
| TRUCKS | 6m | 21m |

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Comparative advantage: Using all its resources Country A can Produce 30m cars or 6m trucks and country B can sumarised in a table.

In this case country B has the absoute advantage in Producing both Products but it has a comparative advantage in truck because it is relatively better at Producing them. Country B is 3.5 time better at truck and only 1.17 times better at cars.