

Ans 3. Analysis of Modern Theory of International Trade are:- ①

There is a strong presumption that any exchange that is freely undertaken will benefit both parties, but that does not exclude the possibility that it may be harmful to others. However, (on assumptions that included constant returns and competitive conditions) Paul Samuelson has proved that it will always be possible for the gainers from international trade to compensate the losers.

Moreover, in that proof, Samuelson did not take account of the gains to others resulting from wider consumer choice, from the international specialisation of productive activities and consequent economies of scale, and from the transmission of the benefits of technological innovation. An OECD study has suggested that there are further dynamic gains resulting from better resource allocation, deepening specialisation, increasing returns to R&D, and technology spillovers.

• There are some characteristics of international trade:-

- 1) Territorial Specialization.
- 2) International Competition.
- 3) Separation of Sellers from buyers.
- 4) Long chain of middlemen.
- 5) Mutually acceptable Currency.
- 6) International rules and regulations.
- 7) Government Control