



[Summary]

[Absolute, Equal and Comparative Cost Differences]

Subject:	Business Economics
Course:	B.A., 5 th Semester, Undergraduate
Paper No. & Title:	Paper – 541 International Economics
Unit No. & Title:	Unit - 1 International Trade Theory
Lecture No. & Title:	1: Absolute, Equal and Comparative Cost Differences

Summary:

I would like to conclude this topic by summarizing what we have studied. There are mainly three types of cost differences which affect the international trade. In case of equal cost differences trade will not occur. Absolute cost differences explain that one country has the natural advantage in production of one commodity and another country has the natural advantage in production of second commodity. This natural advantage arises due to the natural monopoly of the natural resources. Ricardo's theory of comparative cost advantage is most popular and useful to understand the basic and fundamental reason of international trade.