International division of labour a whole country specialises to create a specific and limited range

- Zambia - copper
- congo - cobalt
- UK - finance
- bangledesh - textiles
- UK - healthcare
- Brazil - Coffee
- Saudi Arabia - Oil

Primary product dependant countries are where a country is dependant on a natural resources such as land/crops/ores etc

Absaoloute advantage is if a country is better at making two (or more) goods than another country

- occurs wen a country can produce a product using fewer factors of production than another nation

Comperative advantage even if one country is better than making two goods than another country, they can both still benefit from trade if they speccilise in what they are comparatively best at (have the lowest opportunity cost in)

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| x | Mobile phones | Televisions |
| UK | 100          | 50          |
| US | 50           | 20          |
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| World | 150       | 70          |
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Eg to make one more mobile phone in the UK you sacrifce 0.5 TVs

For US onne more mobile phone will sacrifice 0.4 TVs

As the US has lower opportunity cost to make TVS, the US should make TVs and the UK phones

Limitations of the comparitve advantage theory

- Assumes equal negotaiting power between both nations
- "monopsony power" + Primary product dependancy
- Transportation costs do not exist
- Factor immobility - occupational immobility - labour/capital - lack skilled areas (theory assumes learning new occupation is instant)
- Assumes no barriers to trades, however they're are trading blocks and tarrifs
- Assumes constant returns to scale
- Assumes perfect knoledge, which there is not in the real world
- The rates of inflation are ignored
- doesnt take into account non-price competitiveness

- does take into account exchange rates
- R&D investments are ignored

Brazil is the 9th largest economy in the world and they did it with **protectionism**, they refused to export goods when they we're growing, which encoureged western companies to build infrastrcture, companies and plantations in brazil in order to get the produce, which grew their economy.

vertical restraint is when a supplier helps you and then you are restrained, eg if coca-cola, gives a news agent a fridge with huge coca-cola logo on it and say they are not allowed to sell pepsi

Specialisation

Advantages: - Increase productivity and efficiency - Possible improvementin current account - Government spending can be directed into specific areas - Exploit economies of scale

Disadvantage: - Over reliant on one good/sercice - risk of structural unemployment if the output of the sector fails - specialisation could be in a good/service that is bottom of the value chain (Primary product dependancy)