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**Principles of Economics**

**International Trade Study question**

In a fake world Cuba and Haiti make only 2 goods—rice and beans. Cuba is 10 times better at rice production than Haiti. Cuba is 20 times better at bean production.

Can the two countries benefit from trade? If not, explain why not. If so, explain which good each country will import and export, and why there are benefits to trade.

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*Yes. Cuba has the comparative advantage in bean production, since it is much, much better at bean production than Haiti. Haiti has comparative advantage in rice production.*

*Each country should produce the good in which it has comparative advantage, exporting some of it in exchange for the other good. Hence Cuba should produce and export some beans to Haiti in exchange for rice. Haiti should produce and export some rice to Cuba in exchange for beans. In this way, consumers in both countries can consume more of both goods.*