

Comparative advantage example

Let's say Brazil is much better at producing coffee:

Country	Coffee (tons)	Rice (tons)
Brazil	200	50
Vietnam	80	300

Calculate Opportunity Costs Correctly

Brazil's Opportunity Cost

- **1 Coffee = $50 \div 200 = 0.25$ Rice** (Brazil gives up 0.25 Rice per Coffee)
- **1 Rice = $200 \div 50 = 4$ Coffee** (Brazil gives up 4 Coffee per Rice)

Vietnam's Opportunity Cost

- **1 Coffee = $300 \div 80 = 3.75$ Rice** (Vietnam gives up 3.75 Rice per Coffee)
- **1 Rice = $80 \div 300 = 0.27$ Coffee** (Vietnam gives up 0.27 Coffee per Rice)

Comparative Advantage

✓ **Brazil has a lower opportunity cost for Coffee (0.25 Rice per Coffee) → So Brazil should specialize in Coffee.**

✓ **Vietnam has a lower opportunity cost for Rice (0.27 Coffee per Rice) → So Vietnam should specialize in Rice.**

This is the basis of **comparative advantage**—each country should specialize in what they can produce at a lower opportunity cost and trade to maximize overall benefits!