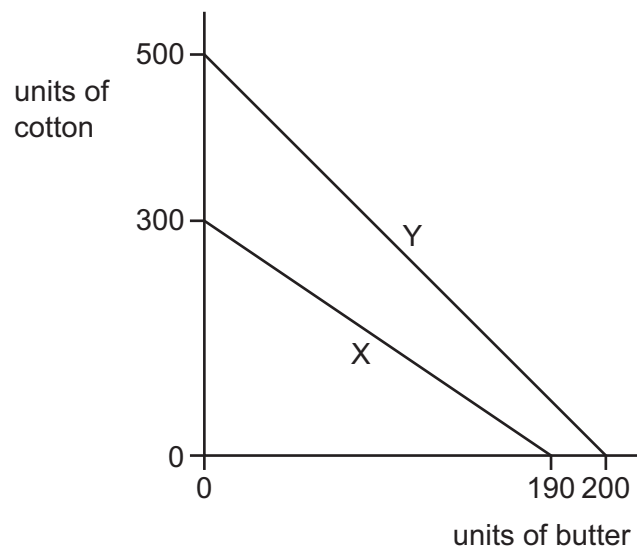


- 27** The diagram shows the amounts of cotton and butter that can be produced in countries X and Y with a given quantity of resources.



What can be concluded from the diagram?

- A** Country X has an absolute advantage in the production of cotton.
  - B** Country X has a comparative advantage in the production of butter.
  - C** Country Y has a comparative advantage in the production of both goods.
  - D** There are no gains from trade between these two countries.
- 28** What is indicated by an economy's terms of trade?
- A** the degree of its dependence on imports
  - B** the international competitiveness of its exports
  - C** the purchasing power of its exports relative to its imports
  - D** the relative strength of its currency in the foreign exchange market
- 29** What will cause an increase in the demand for the US dollar(\$)?
- A** dividends paid from US firms to foreign shareholders
  - B** foreign firms buying US firms
  - C** foreigners who live in the US sending money home to their relatives
  - D** the US government wanting to hold reserves of foreign currency