

**24** Country P exports goods and imports goods.

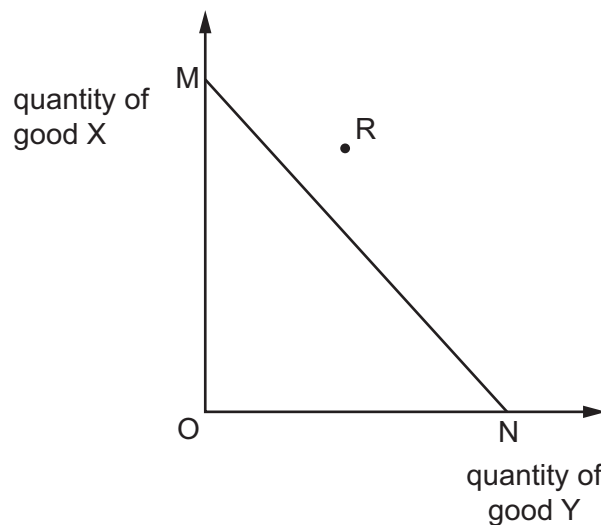
Export prices and import prices are set to an index of 100 in year 1. The table shows corresponding prices indices for years 2 and 3.

	year 2	year 3
export price index	120	132
import price index	110	121

Which statement is correct?

- A** It is not possible to say how the terms of trade changed without further information.
- B** The terms of trade improved between years 1 and 2, and improved again between years 2 and 3.
- C** The terms of trade improved between years 1 and 2, and then remained unchanged between years 2 and 3.
- D** The terms of trade worsened throughout the whole period.

**25** In the diagram, MN is the production possibility curve of a country that has a comparative advantage in the production of good Y.



What might enable the country to consume the quantities of X and Y indicated by point R?

- A** a reduction in unemployment
- B** increased specialisation in the production of good X
- C** increased specialisation in the production of good Y
- D** more participation in international trade