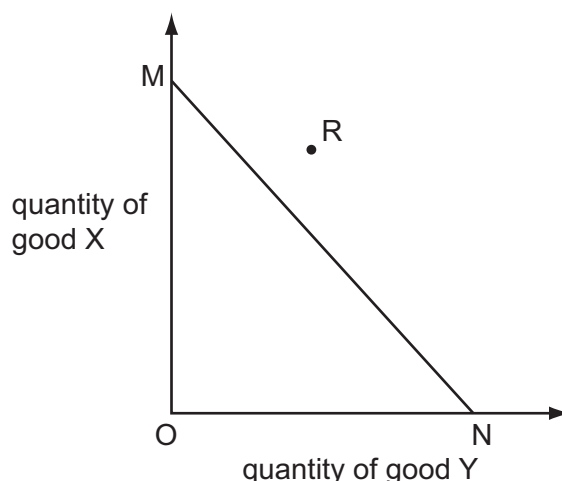


- 19 In the diagram, MN is the production possibility curve of a country that has a comparative advantage in the production of good Y.



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

- A increased specialisation in the production of good X
 - B international trade
 - C a reduction in unemployment
 - D increased specialisation in the production of good Y
- 20 A country is willing to undertake free trade with its neighbours and to allow the free movement of factors of production with them. It is unwilling, however, to share a common currency and common external tariff.

In what sort of economic relationship is it likely to be with its neighbours?

- A a common market
 - B a customs union
 - C an economic union
 - D a free trade area
- 21 Which combination of price changes must cause an improvement in the country's terms of trade?

	average price of exports	average price of imports
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises