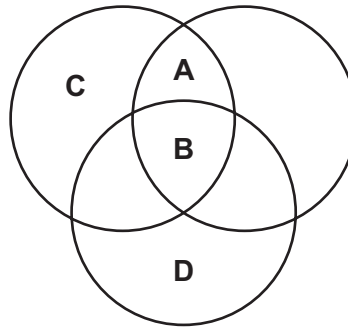


26 Four countries, **A**, **B**, **C** and **D**, trade internationally.

Each circle in the diagram represents a free trade area between the countries within the circle. A country can belong to more than one free trade area. Countries outside of a circle face trade barriers.

Which country has the greatest opportunity to benefit from free international trade?

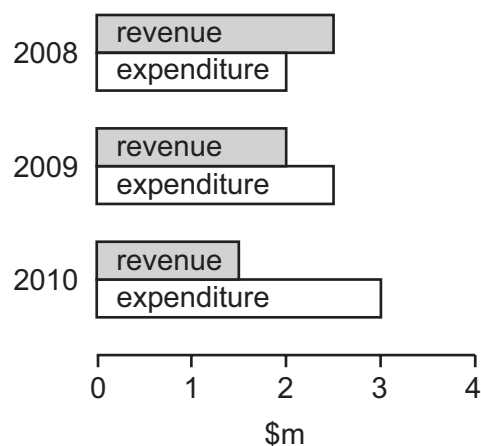


27 A small trading country decides on a policy of import substitution by producing for itself.

What is the most likely reason for this policy?

- A** to follow the principle of absolute advantage
- B** to influence world prices in international markets
- C** to protect local industries from foreign competition
- D** to substitute imported machines for local labour

28 The diagram shows a government's revenue and expenditure for three years.



What can be concluded from the diagram?

- A** A budget deficit was replaced by a budget surplus.
- B** A government borrowing requirement emerged.
- C** The economy moved from a recession into a boom period.
- D** The yield from taxation continuously increased.