

- 19 The table shows the levels of output which three countries can produce.

country X	25 tonnes of maize or 5 tractors
country Y	75 tonnes of maize or 15 tractors
country Z	225 tonnes of maize or 45 tractors

What would be the most likely outcome?

- A Country X will specialise in maize and country Y in tractors.
 - B Country Y will specialise in maize and country Z in tractors.
 - C Country Z will specialise in both maize and tractors.
 - D There will be no gains from trade between the countries.
- 20 An economy with a long history of extensive barriers to trade decides to switch to totally free trade.

What is most likely to increase in the short term?

- A consumer surplus
 - B government revenue
 - C inflationary pressure
 - D profits of all domestic companies
- 21 Russia is a significant exporter of wheat. In 2010 there was a poor harvest and the Russian government stopped all exports of wheat to ensure enough supplies for domestic use.

Which statement about Russia's policy is correct?

- A It is an embargo and will worsen Russia's balance of trade.
 - B It is a market approach to resource allocation to prevent price rises in Russia.
 - C It is a quota and will improve the importing country's balance of payments.
 - D It is a tariff and will increase the price of wheat.
- 22 Which is the only combination of price changes that must result in a deterioration 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