

- 25** Two countries, Northland and Southland, produce two goods, food and drink. The table shows how many hours each has to use to produce one unit of each product. After specialising according to comparative advantage, they decide to trade.

	food	drink
Northland	10 hours	4 hours
Southland	20 hours	12 hours

Which exchange rate will allow both countries to benefit from trade?

- A** 1 unit of food to $\frac{1}{2}$ unit of drink
 - B** 1 unit of food to 1 unit of drink
 - C** 1 unit of food to 2 units of drink
 - D** 1 unit of food to 3 units of drink
- 26** What is a characteristic of a customs union but **not** of a free trade area?
- A** a common external tariff
 - B** a common tariff between member countries
 - C** fixed exchange rates between member countries
 - D** the abolition of all tariffs between member countries