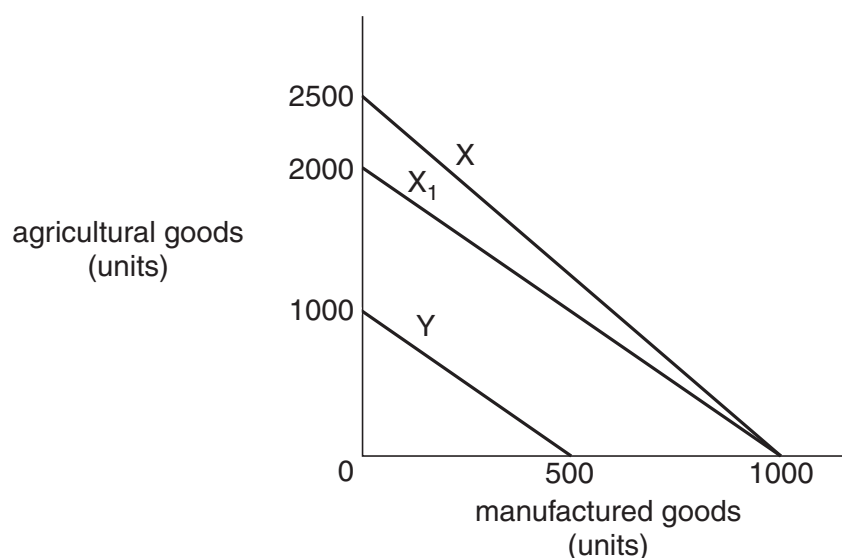


- 21 The diagram represents the production possibilities of two economies X and Y.



As a result of soil erosion in economy X, the production possibility curve shifts from X to X₁.

According to the law of comparative advantage, what should country Y do following this change?

- A cease to trade with country X
 - B export agricultural goods to country X
 - C export manufactured goods to country X
 - D import both agricultural and manufactured goods from country X
- 22 What is likely to improve the visible trade balance of Mauritius but to worsen its invisible balance?
- A A Mauritian company sets up a subsidiary company in France.
 - B A US company builds a factory in the Mauritius to serve the African market.
 - C The Mauritian government removes import controls on semi-manufactured goods.
 - D The Mauritian government increases interest rates with a view to strengthening the exchange rate of the Mauritian rupee.
- 23 In an economy real national output increases more rapidly than the increase in employment.
- What could account for this?
- A a decrease in the general price level
 - B an improvement in the country's terms of trade
 - C an increase in the size of the labour force
 - D an increase in labour productivity