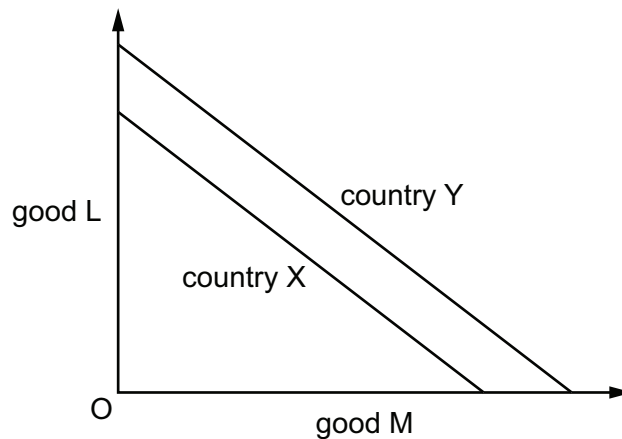


25 The diagram shows production possibility curves for two countries, X and Y.



What can be deduced from the diagram?

- A Both countries can benefit from specialisation.
 - B Country X has a higher opportunity cost than Y in producing good M.
 - C Country Y has a comparative advantage in both goods.
 - D Trade between X and Y will not take place.
- 26 What is **not** associated with greater economic integration between countries?
- A increased financial flows
 - B increased quotas
 - C increased trade creation
 - D increased trade diversion
- 27 Which statement is **not** a valid justification for an import tariff?
- A A tariff will prevent imported inflation.
 - B A tariff will prevent unfair foreign competition.
 - C A tariff will protect a developing industry.
 - D A tariff will protect an industry in decline.
- 28 An increase in interest rates is an example of which type of policy?
- A contractionary fiscal policy
 - B contractionary monetary policy
 - C expansionary monetary policy
 - D restrictive supply-side policy