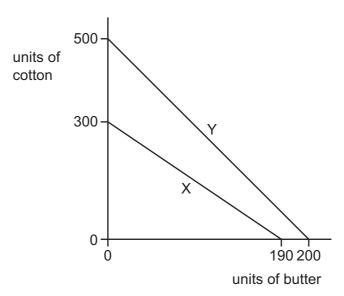
27 The diagram shows the amounts of cotton and butter that can be produced in countries X and Y with a given quantity of resources.



What can be concluded from the diagram?

- **A** Country X has an absolute advantage in the production of cotton.
- **B** Country X has a comparative advantage in the production of butter.
- **C** Country Y has a comparative advantage in the production of both goods.
- **D** There are no gains from trade between these two countries.
- 28 What is indicated by an economy's terms of trade?
 - **A** the degree of its dependence on imports
 - **B** the international competitiveness of its exports
 - **C** the purchasing power of its exports relative to its imports
 - **D** the relative strength of its currency in the foreign exchange market
- 29 What will cause an increase in the demand for the US dollar(\$)?
 - A dividends paid from US firms to foreign shareholders
 - B foreign firms buying US firms
 - **C** foreigners who live in the US sending money home to their relatives
 - **D** the US government wanting to hold reserves of foreign currency