

- 19** A trading country can produce two goods, X and Y. It specialises completely in the production of good Y.

What will be the opportunity cost to the country of consuming additional imports of good X?

- A** the additional imports of good X
 - B** the increase in the resources required to produce good X
 - C** the reduction in the domestic consumption of good Y
 - D** the reduction in the resources available to produce good Y
- 20** What will rise as a consequence of removing a tariff?
- A** domestic consumer surplus
 - B** domestic price
 - C** domestic producer surplus
 - D** government revenue
- 21** The table shows how much rice and wheat two countries, X and Y, can grow when each country divides its resources equally between growing rice and wheat.

	country X	country Y
rice (units)	900 million	100 million
wheat (units)	300 million	50 million

Assume that each country now specialises according to comparative advantage and trades with the other country.

Which terms of trade would benefit both countries?

- A** 1 wheat = 5 rice
- B** 1 wheat = 3 rice
- C** 1 wheat = 2.5 rice
- D** 1 wheat = 2 rice