

- 25** The table shows the indices of import prices and export prices of four countries between July 2013 and July 2014.

	index of import prices		index of export prices	
	July 2013	July 2014	July 2013	July 2014
Brazil	137	139	164	162
China	98	101	99	99
Italy	113	111	113	114
Spain	110	106	111	109

In which countries did the terms of trade improve between July 2013 and July 2014?

- A** Brazil and China
 - B** China only
 - C** Italy and Spain
 - D** Italy only
- 26** Country X can produce apples and plums at lower cost than country Y.

Country X can also produce strawberries but it costs more to do so than in country Y.

In fact, country X produces only apples and trades them for plums and strawberries from country Y.

What economic analysis could explain this pattern of trade?

	plums	strawberries
A	absolute advantage country X	absolute advantage country X
B	absolute advantage country Y	comparative advantage country Y
C	comparative advantage country Y	absolute advantage country Y
D	comparative advantage country Y	comparative advantage country X

- 27** A government wants to use trade protection both to improve its trade performance and to raise government revenue.

Which policy will help it to achieve this?

- A** raising quotas on imported goods
- B** raising subsidies on exported goods
- C** raising tariffs on exported goods
- D** raising tariffs on imported goods