

24 Country R and country S are going to trade 1 unit of product X for $\frac{1}{2}$ unit of product Y.

With a given amount of resources:

- country R can produce either 30 units of product X or 50 units of product Y
- country S can produce either 20 units of product X or 25 units of product Y.

Which statement is correct, according to the theory of comparative advantage?

- A** Free trade will benefit both R and S.
- B** Free trade will benefit neither R nor S.
- C** Free trade will benefit R but not S.
- D** Free trade will benefit S but not R.

25 What is the most likely cause of a current account deficit on the balance of payments?

- A** an undervalued exchange rate
- B** a relatively low rate of inflation
- C** a shrinking domestic economy
- D** a general fall in national productivity