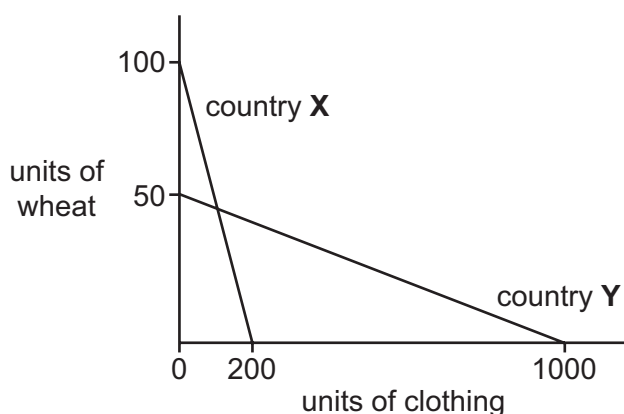


- 19 The diagram shows the amounts of wheat and clothing that can be produced in countries **X** and **Y** with a given quantity of resources.



What does the diagram indicate about the production of these two commodities?

- A** Both countries have an absolute advantage in the production of clothing.
- B** Both countries have a comparative advantage in the production of clothing.
- C** Country **X** has a comparative advantage in wheat and an absolute advantage in clothing.
- D** Country **Y** has both an absolute and a comparative advantage in clothing.
- 20 Which method of protection would a government be most likely to use to increase the country's exports?
- A** exchange control
- B** quotas
- C** subsidies
- D** tariffs
- 21 A country's terms of trade increased from the base year value of 100 to 120 in the following year.

Which behaviour of export prices and import prices would have caused this?

	export prices	import prices
A	decreased 10 %	increased 10 %
B	increased 10 %	decreased 10 %
C	increased 20 %	unchanged
D	unchanged	decreased 20 %