

28 What is **not** a limitation of the theory of comparative advantage?

- A** the movement of factors of production between countries
- B** governments' imposition of trade restrictions
- C** one country being more efficient in the production of all goods
- D** transport costs outweighing any comparative advantage

28 What is meant by comparative advantage?

- A** One country can produce a product at a lower opportunity cost than another country.
- B** One country can produce more of a product than another country, using a given level of resources.
- C** One country has lower barriers to trade than another country.
- D** One country is making more efficient use of factors of production than another country.

28 Which formula is used to calculate the terms of trade?

- A** the average price of exports divided by the average price of imports
- B** the average price of imports divided by the average price of exports
- C** the value of exports divided by the value of imports
- D** the value of imports divided by the value of exports

26 Since 2000 a country's export prices have increased on average by 50% and its import prices by 25%.

What is the current figure for the country's terms of trade (2000 = 100)?

- A** 75
- B** 83
- C** 120
- D** 125