

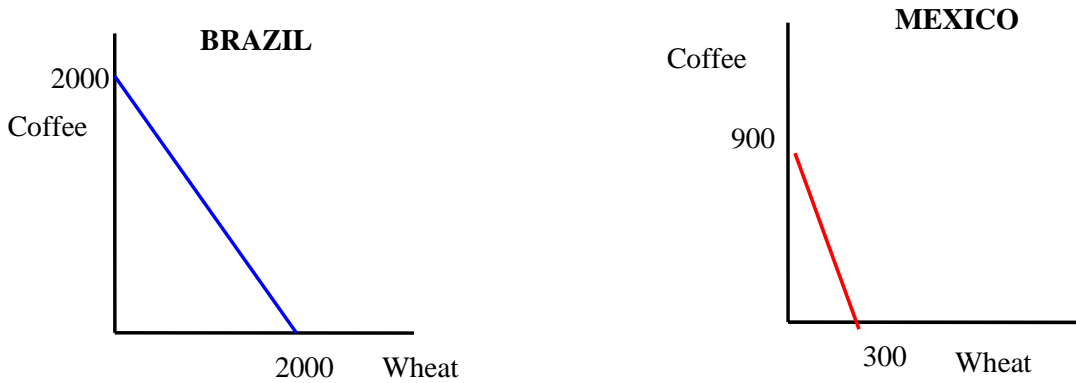
1) List two reasons to trade with other countries:

2) **Tariffs** and **quotas** are used to [*limit*, *expand*] Free Trade. (circle one)

3) When a country has an **absolute advantage** in producing a good they:

4) When a country has a **comparative advantage** in producing a good they:

5) Explain what a **production possibilities frontier** (PPF) graph demonstrates about a country.



Opportunity Cost Table

BRAZIL	MEXICO
1 Coffee = _____ Wheat	1 Coffee = _____ Wheat
1 Wheat = _____ Coffee	1 Wheat = _____ Coffee

ABSOLUTE ADVANTAGE:

6) **Brazil** has an absolute advantage in _____ (coffee, wheat, both goods, neither good)

7) **Mexico** has an absolute advantage in _____ (coffee, wheat, both goods, neither good)

COMPARATIVE ADVANTAGE:

8) **Brazil** has a comparative advantage in _____

9) **Mexico** has a comparative advantage in _____

10) Therefore **Mexico** should produce only _____ and **Brazil** should produce only _____ and the 2 countries should trade with each other. (based on David Ricardo's theory)

11) Then end result of trade between Mexico and Brazil is that each country: _____
