1. Suppose that 1 unit of labor is Asia can be used to produce 10 units of food or 5 units of clothing. Also suppose that 1 unit of labor in South America can be used to produce 4 units of food or 1 unit of clothing.
2. Which country has an absolute advantage in food? In clothing? (2 points)
3. What is the relative cost of producing food in Asia? In South America? (2 points)
4. Which country will export food? Clothing? (2 points)
5. Draw the production possibilities frontier for each country if Asia has 10 units of labor and South America has 20 units of labor. (2 points)
6. What is the range for the final terms of trade between the two countries? (1 point)
7. You have the following information concerning the production of wheat and cloth in the United States and the United Kingdom:



1. What is the opportunity cost of producing a unit of wheat in the United Kingdom? In the United States? (2 points)
2. Which country has an absolute advantage in producing wheat? In producing cloth? (2 points)
3. Which country has a comparative advantage in producing wheat? In producing cloth? (2 points)
4. Which country should specialize in producing wheat? In producing cloth? (2 points)
5. Suppose you receive the labor productivity data for airplane and bulldozer production in Mexico and Brazil listed below.



1. What is the opportunity cost of Mexico of producing a bulldozer? (1 point)
2. What is the opportunity cost of Mexico of producing an airplane? (1 point)
3. What is the opportunity cost of Brazil of producing a bulldozer? (1 point)
4. What is the opportunity cost of Brazil of producing an airplane? (1 point)
5. Which country has the absolute advantage in the production of bulldozers? (1 point)
6. Which country has the absolute advantage in the production of airplanes? (1 point)
7. Which country has the comparative advantage in the production of bulldozers? (1 point)
8. Which country has the comparative advantage in the production of airplanes? (1 point)
9. Which of the following trade offers would be acceptable to both Mexico and Brazil? Explain. (2 points)
	1. 1 airplane = 6 bulldozers
	2. 1 bulldozer = 0.33 airplanes
	3. 1 airplane = 4.5 bulldozers