



3. Suppose that with trade, the world relative price of cheese is  $7/4$  (1.75) and total world exports of wine equal 5. Find the values of  $P_C$ ,  $Q_C$ ,  $Q_C^*$ ,  $Q_W$ ,  $Q_W^*$ ,  $w$ , and  $w^*$  in the free trade equilibrium, where Q stands for the quantity consumed of a good. (3.5 points)

4. In autarky, Home consumes  $1\frac{2}{3}$  units of cheese while Foreign consumes 1 unit of cheese. Draw and label the export supply curve and import demand curve for cheese. (3 points)