

19 What is an effect on a country of free trade?

- A** greater diversification of locally produced goods
- B** greater efficiency in the resource use
- C** greater independence in production
- D** greater security for local industries

20 What is meant by dumping in international trade?

- A** selling products in a foreign market at a price below cost
- B** selling products in a foreign market at a price below that of other firms
- C** selling products in a foreign market that are of a lower quality than those of domestic firms
- D** selling products in a foreign market that are of a lower quality than those of other foreign firms

21 As a result of a trade agreement, toys produced in Africa can be supplied to European markets. These toys are much cheaper than similar toys produced in Europe but are not of such good quality.

What will happen in Europe to expenditure on toys, employment in European toy companies and imports from Africa?

	expenditure	employment	imports
A	decrease	decrease	decrease
B	increase	decrease	uncertain
C	increase	uncertain	increase
D	uncertain	uncertain	increase

22 Which international transaction is correctly matched to the part of the balance of payments account in which it is recorded?

	transaction	part of account
A	the outflow of funds from national reserves to foreign residents	balancing item
B	the provision of banking services to foreign companies	financial section
C	the purchase of shares in foreign banks	capital section
D	the receipt of interest on loans to foreign companies	income section