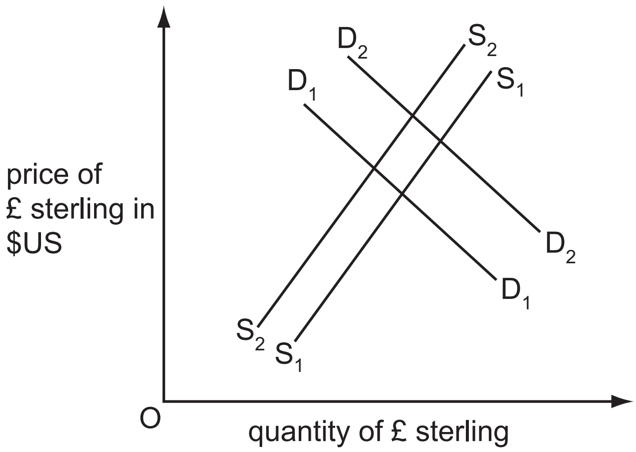
28 In the diagram, D_1D_1 and S_1S_1 are the initial demand and supply curves of the pound sterling (£) on the foreign exchange market.



What will cause the demand curve to shift to D_2D_2 and the supply curve to S_2S_2?

A an appreciation of the pound

B an increase in UK interest rates

C a reduction in the level of UK import tariffs

D a reduction in the quality of UK goods

29 The table shows alternative price elasticities of demand for exports and imports of country X.

There is a depreciation of the currency of country X.

Assuming there are no supply bottlenecks, which combination of price elasticities offers the best prospect for an improvement in the balance of trade?

combination	exports	imports
A	0.5	0.5
B	0.8	1.2
C	1.5	1.5
D	2.0	0.5

30 In an open economy with a flexible exchange rate, the rate of interest is increased.

Other things being equal, what will be the effect of this increase?