20 A government believes that it can reduce its trade deficit by the introduction of a tax on its main export.

When is this likely to be most effective?

A when demand for the export is price elastic

B when the exporting country is a member of a customs union

C when the exporting country is the major world supplier of the product

D when the terms of trade of the exporting country are favourable

21 A country's terms of trade increased from a base year value of 100 to 120 in the following year.

If export prices had increased by 50 %, what was the change in the price of the country's imports?

A –30 % **B** –25 % **C** +25 % **D** +30 %

22 The table shows in millions of US$ the balance for four items in a country's current account for two years.

	goods	services	income	transfers
year 1	–72	84	12	–24
year 2	–87	46	–3	–44

What can be concluded about the changes between year 1 and year 2?

A Income has moved from a net inflow to a net outflow.

B The value of exported goods has fallen.

C The value of imported services has increased.

D Transfers into the country have increased.