

- 27** A country imports natural gas for which it has price-inelastic demand.

What is the effect if that country imposes an import duty on the gas?

- A** Consumers in the importing country will suffer a loss of consumer surplus.
- B** The exporting country will gain export revenue.
- C** The importing country's primary income will increase.
- D** The price of natural gas will rise in other importing countries.

- 28** The table shows the output of goods X and Y in China and the United States (US) before specialisation.

	good X	good Y
China	20 000	70 000
US	20 000	50 000
total	40 000	120 000

Assuming both China and the US use 50% of their resources to produce each product, what will the combined total output be after specialisation has occurred?

- A** 120 000 **B** 140 000 **C** 160 000 **D** 180 000

- 29** Economists suggest that multilateral trade between many countries is preferable to bilateral trade between two countries.

Why is this?

- A** Bilateral trade means that trade diversion is always greater than trade creation.
- B** Bilateral trade misses the benefit of trade with third countries.
- C** Gains from bilateral trade are less than the harm done to third countries.
- D** Gains from comparative advantage cannot apply in the case of bilateral trade.

- 30** A country experiences an improvement in its terms of trade.

What is the most likely cause?

- A** a decrease in its budget deficit
- B** a relatively low rate of domestic inflation