18 Brazil and Colombia attempt to control the supply of coffee in the world market to help stabilise their incomes.

What condition is essential for this to stabilise their incomes effectively?

A There must be large firms in the industry.

B It must be possible to store the coffee and release stocks when necessary.

C Other countries must supply a significant percentage of the total market.

D The demand for the product must be elastic.

19 Country X has a comparative advantage in producing wheat and country Y in producing cars. However, the countries choose not to specialise and trade.

What is a valid reason for this behaviour?

A The exchange rate lies within the countries' opportunity cost ratios.

B There is immobility of factors of production between the countries.

C Trade is based on absolute rather than comparative advantage.

D Transport costs are high relative to the opportunity cost differences between the countries.

20 What would be an economic benefit to a country of imposing a tariff on imported goods?

A It would increase global productivity.

B It would make the country's exports more competitive.

C It would put pressure on foreign suppliers to reduce their prices.

D It would reduce the prices paid by consumers for imported goods.

21 When must the terms of trade of a country change?

A when the volume of exports falls and the volume of imports rises

B when the total value of exports falls and the total value of imports rises

C when the balance of trade moves from deficit to surplus

D when the average price of exports rises and the average price of imports falls