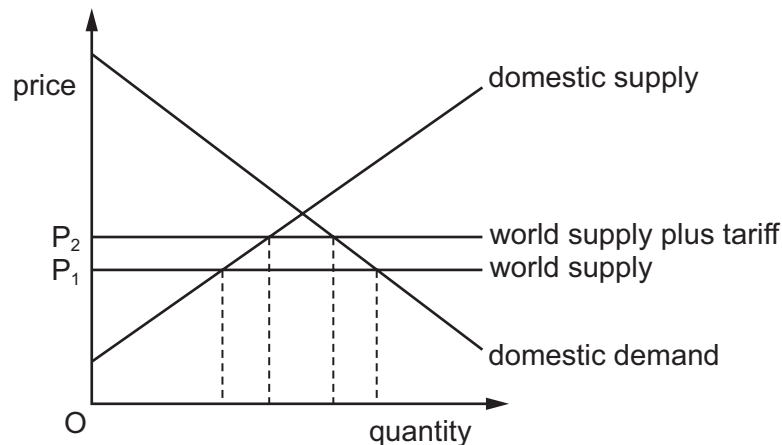


22 The diagram shows the effect of a tariff on a product.



From this diagram, what determines the gain the tariff generates for domestic producers?

- A the price elasticities of domestic supply and demand
 - B the tariff rate and the price elasticities of both domestic demand and supply
 - C the tariff rate and the price elasticity of domestic demand
 - D the tariff rate and the price elasticity of domestic supply
- 23 The European Union consists of a group of countries with free trade between its members and a common external tariff on trade with non-members.
- What would weaken the operation of this customs union?
- A devaluation of any member's currency
 - B differences in wage costs between members
 - C entry tests for seasonal migrant workers
 - D one member country agreeing a trade deal with a non-member country
- 24 Which change is **most** likely to result in a worsening of a country's balance of payments?
- A a reduction in remittances from citizens who work abroad
 - B a rise in domestic rates of direct taxation
 - C an expansion in the economy of a major trading partner
 - D an increase in domestic interest rates