

- 20** Country X joins an existing customs union comprising countries Y and Z. Country W remains outside the customs union.

Both X's initial tariff and W's tariff are at the same level as the customs union's common external tariff.

What is likely to be the effect on trade flows when X joins the customs union?

	trade between X and W	trade between Y and Z
A	unchanged	decrease
B	decrease	decrease
C	unchanged	increase
D	decrease	increase

- 21** The table shows four combinations of price changes which may affect a country's terms of trade.

Which combination of price changes must cause an improvement in the country's terms of trade?

	average price of exports	average price of imports
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises

- 22** The table shows all of the items on the current account of a country's balance of payments.

	\$ million
exports of goods	143
imports of goods	156
exports of services	75
imports of services	72
net transfers	+ 5

What is the value of the current account balance?

- A** \$13 m deficit
- B** \$10 m deficit
- C** \$5 m deficit
- D** \$3 m surplus