

- 27 In 2004, when international demand for oil was high, Bolivia encouraged investment by foreign firms in order to exploit its oil and gas resources, mainly to improve its balance of payments position.

What impact would this have on the balance of payments of Bolivia?

- A definitely favourable, as Bolivia could increase its exports of gas and oil
  - B definitely unfavourable, as the foreign companies would transfer profits out of the country
  - C uncertain, as there would be inflows and outflows of currency
  - D zero, as Bolivia itself would use the gas and oil produced
- 28 What is **most** likely to cause Australia's exchange rate to depreciate?
- A an increase in Australia's demand for imports
  - B an increase in Australia's interest rate
  - C an increase in demand for Australia's exports
  - D an increase in tourist visits to Australia
- 29 The table shows observations of the exchange rate of an economy and its current account balance over six years.

year	exchange rate (US dollars per unit of domestic currency)	current account balance (billions of US dollars)
1	2.0	−3
2	1.5	−5
3	1.5	−4
4	1.5	−3
5	1.5	0
6	1.5	+3

Which concept does the data in the table illustrate?

- A exchange rate appreciation
- B purchasing power parity
- C the J-curve effect
- D trade-weighted exchange rates