

- 20** The table shows the levels of output which three countries can produce.

country X	25 tonnes of maize or 5 tractors
country Y	75 tonnes of maize or 15 tractors
country Z	225 tonnes of maize or 45 tractors

Which of the following would be the most likely outcome?

- A** Country X will specialise in maize and country Y in tractors.
 - B** Country Y will specialise in maize and country Z in tractors.
 - C** Country Z will specialise in both maize and tractors.
 - D** There will be no gains from trade between the countries.
- 21** A particular good in the Barbados market could be supplied by domestic producers, or producers in Trinidad & Tobago, or producers in the USA, at the following prices in US dollars:

origin of production	price
Barbados	\$1.00
Trinidad & Tobago	\$0.85
USA	\$0.75

Originally Barbados had a 20 % ad valorem duty on imports from Trinidad & Tobago and the USA.

Barbados then formed a customs union with Trinidad & Tobago, with a common external tariff, also of 20 %.

From which countries would Barbados import the good, before the formation of the customs union and after the formation of the customs union?

	before	after
A	USA	USA
B	USA	Trinidad & Tobago
C	neither	USA
D	neither	Trinidad & Tobago