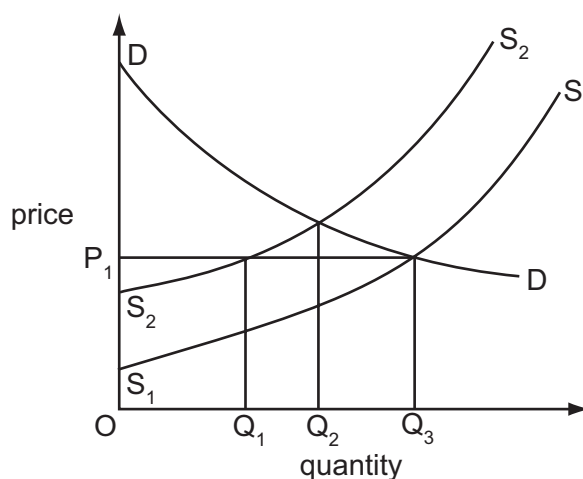


- 18 In the diagram, S_1S_1 and DD represent the original supply and demand curves for an agricultural product.



Bad weather then reduces supply to S_2S_2 .

The government does not allow the price to rise above OP_1 .

How much of the product will the government have to supply from a buffer stock if demand is to be met?

- A** OQ_1 **B** Q_1Q_3 **C** Q_1Q_2 **D** Q_2Q_3

- 19 Country X joins an existing customs union, comprising Y and W, which has a common external tariff equal to X's initial tariff.

After joining the customs union, X imports cars from Y which it previously imported from country V.

How will this affect the price of cars in country X and the cost of producing the cars imported into country X?

| | price | cost of production |
|----------|-----------|--------------------|
| A | lower | lower |
| B | lower | higher |
| C | no effect | lower |
| D | no effect | higher |