

18 A government is concerned that foreign-owned companies are responsible for a high proportion of the economy’s output. Therefore it nationalises timber extraction, which is controlled by a foreign-owned company.

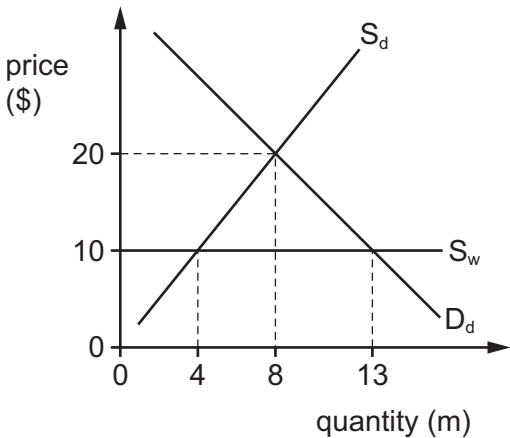
What benefit will the economy gain from the change in ownership?

- A forestry workers will become the new owners
- B profits will no longer be sent abroad to foreign shareholders
- C social costs arising from forestry will be eliminated
- D the market for timber will become more competitive

19 What will definitely lead to an improvement in the terms of trade?

- A Export prices fall whilst import prices rise.
- B Export prices rise by the same amount as import prices.
- C Export prices rise slower than import prices.
- D Export prices rise whilst import prices stay the same.

20 In the diagram S_d is the domestic supply of a product, S_w is the world supply and D_d is the domestic demand for the product.



After operating a free trade system the country bans all imports.

What will be the effect on the revenue of domestic producers and world producers of the ban?

	domestic producers \$m	world producers \$m
A	gain 120	lose 50
B	gain 120	lose 90
C	gain 160	lose 50
D	gain 160	lose 90