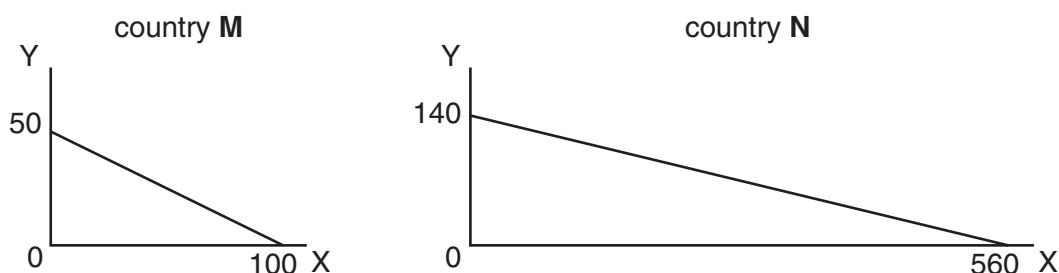


- 19 Which of the following items is **not** included in the current account of a country's balance of payments?
- A interest on foreign loans
  - B invisible exports
  - C profits from foreign investments
  - D the purchase of foreign assets
- 20 Which of the following is a characteristic of a customs union but **not** of a free trade area?
- A a common external tariff
  - B a common tariff between member countries
  - C the abolition of all tariffs between member countries
  - D fixed exchange rates between member countries
- 21 The graphs show the production possibilities for commodities X and Y in two countries **M** and **N**.



Who will gain or lose from an agreement between **M** and **N** to exchange the commodities at a rate of 1Y for 3X?

- A Both countries will gain because their consumption possibilities will increase.
  - B Consumers in country **M** will lose, because a unit of Y will now cost 3X instead of 2X.
  - C Only country **N** will gain, because **N** can produce more of both commodities than **M**.
  - D Neither country will gain because they both have a comparative advantage in the production of the same commodity X.
- 22 The 'terms of trade' of a country refers to
- A the system of tariff rates levied by the government of the country.
  - B the relationship between average import prices and average export prices.
  - C the rate at which domestic currency can be sold in foreign exchange markets.
  - D the difference between the value of exports and the value of imports.