

- 20** A government believes that it can reduce its trade deficit by the introduction of a tax on its main export.

When is this likely to be most effective?

- A** when demand for the export is price elastic
 - B** when the exporting country is a member of a customs union
 - C** when the exporting country is the major world supplier of the product
 - D** when the terms of trade of the exporting country are favourable
- 21** A country's terms of trade increased from a base year value of 100 to 120 in the following year.
- If export prices had increased by 50 %, what was the change in the price of the country's imports?
- A** -30 % **B** -25 % **C** +25 % **D** +30 %

- 22** The table shows in millions of US\$ the balance for four items in a country's current account for two years.

	goods	services	income	transfers
year 1	-72	84	12	-24
year 2	-87	46	-3	-44

What can be concluded about the changes between year 1 and year 2?

- A** Income has moved from a net inflow to a net outflow.
- B** The value of exported goods has fallen.
- C** The value of imported services has increased.
- D** Transfers into the country have increased.