[redacted]

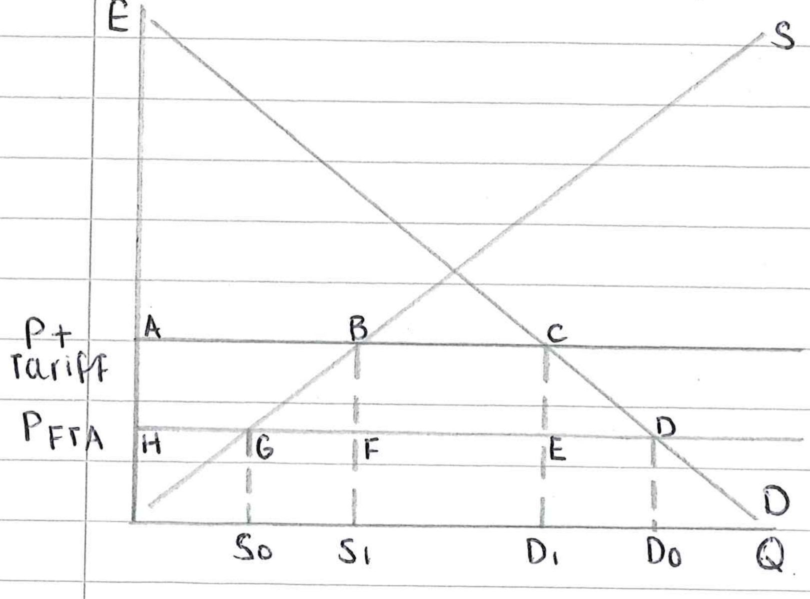
5a. B.

5b. Columbia - 100million tonnes ÷ 1000kg = 0.1 million tonnes.

Zambia - 500million tonnes ÷ 500kg = 1 million tonnes.

Columbia's opportunity cost when producing 1kg of emeralds is 0·1 million tonnes of copper. Whereas Zambia's ~~eoc~~ opportunity cost when producing 1kg of emeralds is 1 million tonnes of copper. Therefore, Columbia has comparative advantage in the production of emeralds as they can produce ~~than the~~ 1kg of emeralds with a lower opportunity cost ~~£~~ of copper than Zambia.

d. ~~Kenya has benefitted~~ A free-trade area is an agreement which allows free trade between member countries and ~~indiv~~ the member countries can agree their own individual barriers with ~~wk~~ the rest of the world. As shown by the diagram, Kenya



have benefitted from trade creation. As a result of this, Kenya can enjoy lower prices as shown by P+ Tariff to PFTA. ~~Also, an~~ Therefore gain in

[redacted]

consumer surplus as consumers ~~now~~ now pay less than they did originally for goods and services. Consumer surplus gain is shown by ACDH on the graph. However, a downside to this is that the Kenyan government loses out on tax revenue that they otherwise would have levied from tariffs, shown on the graph by BCEF.

Another way Kenya have benefitted is through 'a route to faster growth'. This is because Kenya have been exporting hugely to the other EAC members due to free trade between them, as much as '$1.2 billion in 2010'. By boosting exports, the trade balance is affected. As X has risen, the trade balance X-M will be in a lower deficit or maybe even a surplus. As X-M is a component of AD, AD will increase, hence causing some inflationary pressures ~~by~~ but most importantly economic growth. This is a huge benefit for Kenya as they can develop further, however the inflationary pressures that the country may experience as a result of fast economic growth could be dangerous.