

Write in the box the number of the question you are answering on this page as it is designated in the exam.

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a) i) Mexican consumers will benefit since the prices for imported automobiles will fall

ii) Mexican automobile manufacturers will suffer since their ~~cars~~ cars will become relatively more expensive. There will be higher competition on automobile market.

b) i) Since tariffs decrease, the price of an imported automobile falls. Consequently imports rise, ~~and~~ net exports fall. Current account will decrease.

ii) Capital account will rise

c) Since net exports is a component of aggregate demand, aggregate demand will fall.