

Solutions

2.1 Domestic cost=foreign price×domestic currency per foreign unit. Initially cost= $20 \times 6 = 120$ domestic units; later cost= $20 \times 7 = 140$ domestic units. The domestic currency depreciated in this quotation. Percentage domestic-price change= $(140 - 120) / 120 \times 100\% = 16.67\%$, assuming the foreign price and pass-through are unchanged. Importers pay more; exporters may become cheaper to foreign buyers, but costs, contracts and responsiveness qualify the effect. This is not a current real exchange-rate claim. Authored points for method, application and relevant qualification.

3.1 Protection can support the targeted producer and revenue but raise input and consumer costs, reduce choice and harm export competitiveness. Consider jobs gained and lost, adjustment time, retaliation, quality and feasible training/competitiveness measures. Recommend only conditionally on evidence about the stated objective and net effects; set a review of prices, quantities, employment and distribution. Do not count all domestic firms as beneficiaries. Authored points for judgement, case-linked reasoning and justified qualification. Accept supported alternatives.