

91223



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
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## Level 2 Economics, 2015

### 91223 Analyse international trade using economic concepts and models

2.00 p.m. Thursday 12 November 2015  
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Analyse international trade using economic concepts and models.	Analyse international trade in depth using economic concepts and models.	Analyse international trade comprehensively using economic concepts and models.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

**You should attempt ALL the questions in this booklet.**

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–11 in the correct order and that none of these pages is blank.

**YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.**

TOTAL

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**QUESTION ONE: NEW ZEALAND DAIRY EXPORTS**

At \$15.5 billion, dairy exports make up almost a third of New Zealand's annual goods exports.

Source (adapted): [http://www.rbnz.govt.nz/research\\_and\\_publications/speeches/2014/5721595.html](http://www.rbnz.govt.nz/research_and_publications/speeches/2014/5721595.html)

(a) Identify TWO of the top five New Zealand goods exports, by value, other than dairy exports.

(1) \_\_\_\_\_

(2) \_\_\_\_\_

Around 95% of New Zealand's dairy production is exported.

Source (adapted): <http://www.dcanz.com/about-nz-dairy-industry/dairying-today>

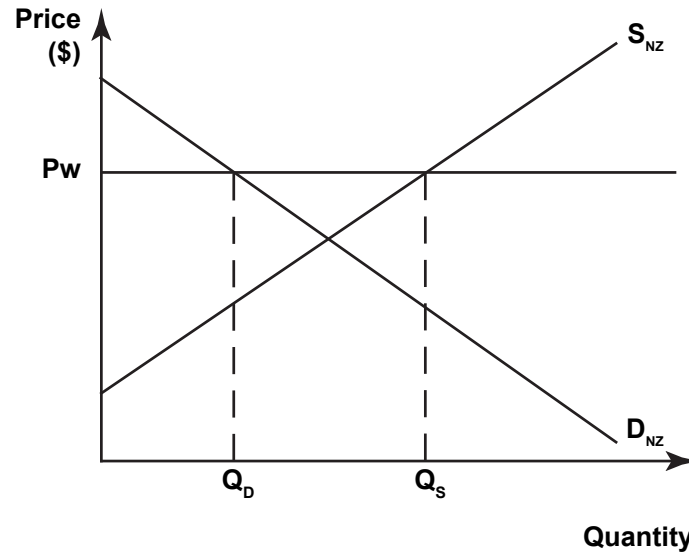
Falling oil prices, geopolitical uncertainty in Russia and Ukraine, and subdued demand from China are all contributing to weak worldwide demand for dairy products.

Source (adapted): <http://www.fonterra.com/nz/en/Hub+Sites/News+and+Media/Media+Releases> (10 Dec 2014)

(b) Discuss the impact that a decrease in world demand for dairy products could have on the Current Account of the New Zealand Balance of Payments, when the New Zealand market is a price taker.

In your answer:

- fully label Graph One to show the impact of a lower world demand
- explain in detail whether the dairy industry will be worse off or better off from the lower world demand
- explain in detail how the impact on the dairy industry will affect New Zealand's Current Account deficit
- refer to Graph One and the resource material above.

**Graph One: Market for New Zealand dairy products**ASSESSOR'S  
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There is more space for your answer to Question One on the following page.



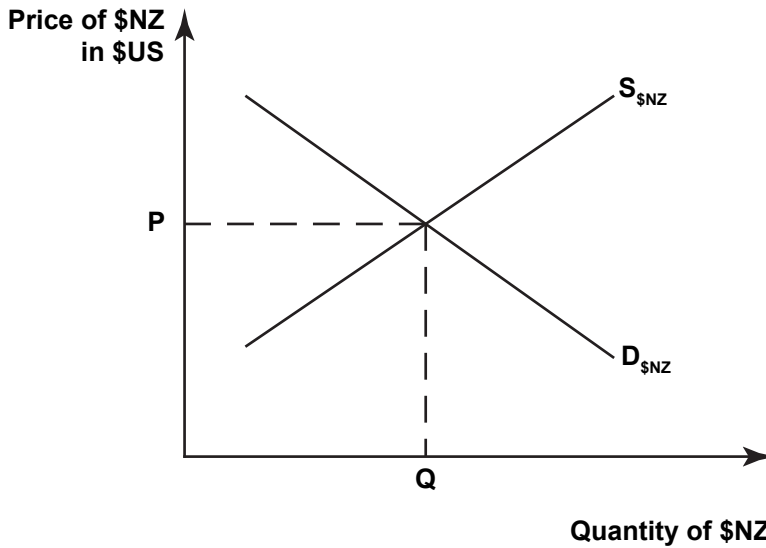
**QUESTION TWO: THE EXCHANGE RATE**

(a) Explain in detail the impact of decreasing demand for New Zealand dairy exports on the value of the New Zealand dollar.

In your answer:

- fully label on Graph Two the impact of decreasing demand for New Zealand dairy exports
- explain in detail the impact that you have shown on Graph Two.

**Graph Two: Market for the New Zealand dollar**



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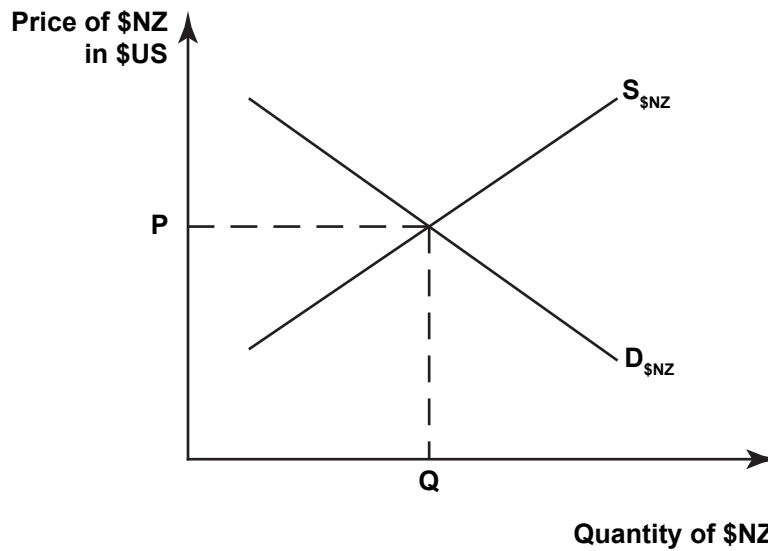
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(b) Compare and contrast the impact of decreasing demand for New Zealand dairy exports with the impact of a decreasing world price of oil on the exchange rate for the New Zealand dollar. In your answer:

- fully label on Graph Three the impact of a decreasing world price of oil
- explain in detail the impact that you have shown on Graph Three
- explain in detail whether decreasing demand for New Zealand dairy exports or a decreasing world price of oil would have a greater impact on the exchange rate for the New Zealand dollar.

**Graph Three: Market for the New Zealand dollar**




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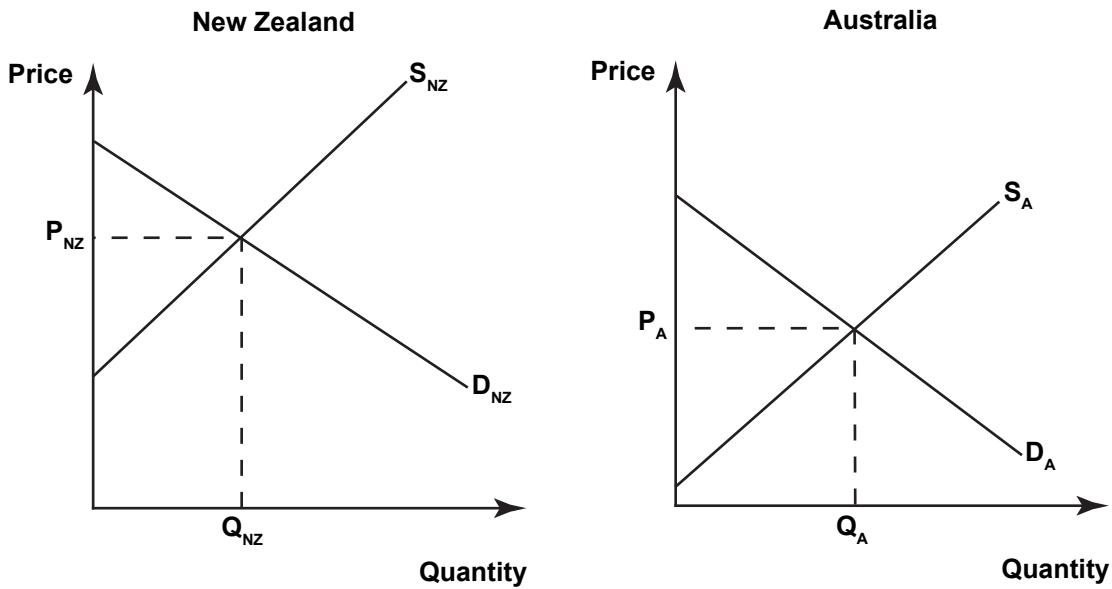


**QUESTION THREE: THE TRADE IN TOMATOES**

Tomatoes are a crop that can be grown in both New Zealand and Australia, and yet trade in tomatoes occurs between the two countries.

- (a) Explain in detail why trade in tomatoes occurs between New Zealand and Australia. In your answer:
- fully label Graph Four to show the impact of trade on the New Zealand and Australian markets for tomatoes
  - explain in detail why the trade in tomatoes occurs by referring to Graph Four.

**Graph Four: Two-country model**




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(b) Compare and contrast the impacts that the trade in tomatoes could have on the following groups:

- New Zealand tomato growers
- New Zealand tomato consumers
- New Zealand fruit and vegetable retailers.

In your answer:

- explain in detail how each group, listed above, will be worse off or better off as a result of trade
- refer to Graph Four.

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