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Level 2 Economics 2020

91223 Analyse international trade using economic concepts and models

2.00 p.m. Tuesday 1 December 2020
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

ASSESSOR'S USE ONLY

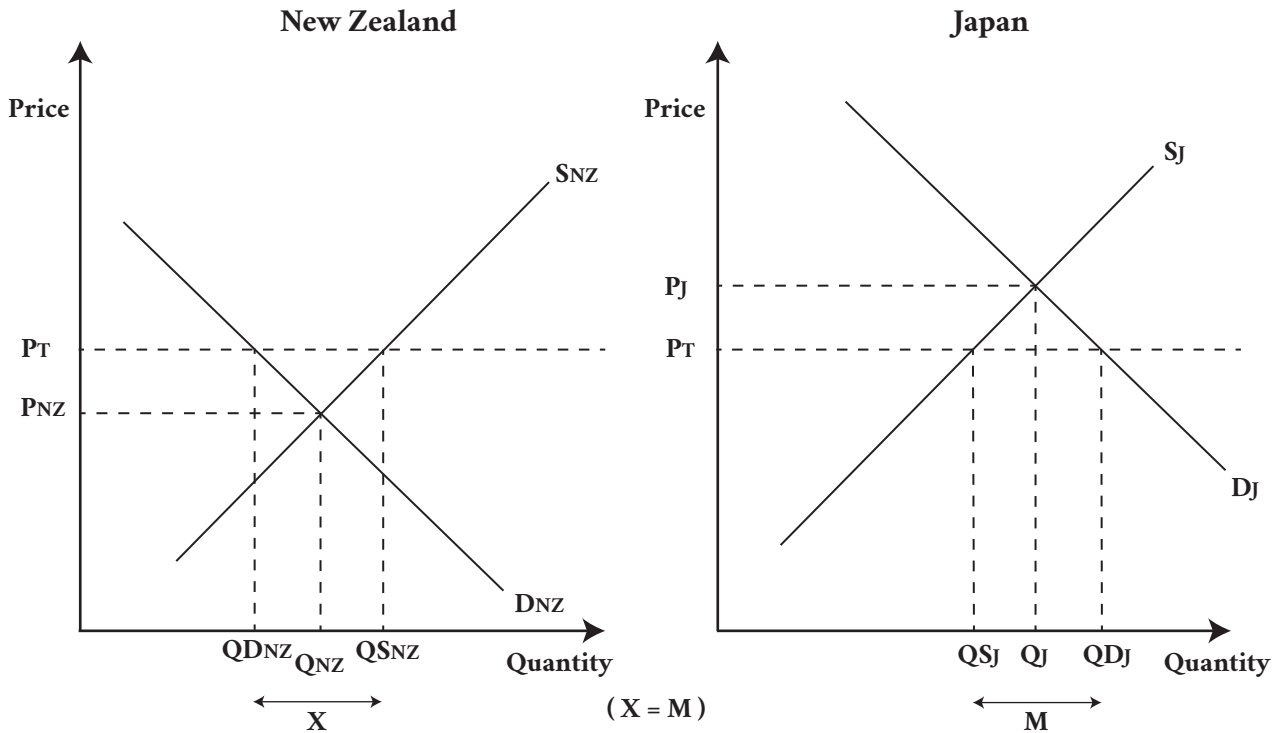
QUESTION ONE: The two-country model

A seaweed expert is promoting the benefits of an edible New Zealand seaweed being made into a high-quality food export. Fisheries Minister Stuart Nash said: “Aquaculture is a growth industry for this country and has the potential to play a more significant role in our economy. It’s currently worth \$600 million a year [to our exporters] and employs over 3000 people.” Demand from Japan for New Zealand’s seaweed has soared in recent years.

Source (adapted): <https://www.newshub.co.nz/home/politics/2019/08/turning-gorse-into-gourmet-plan-to-turn-pest-seaweed-into-premium-edible-export.html>

- (a) (i) On Graph One, show the impact of increasing demand from Japan for New Zealand edible seaweed.

Graph One: Two-country model for edible seaweed (P_T = trade price)



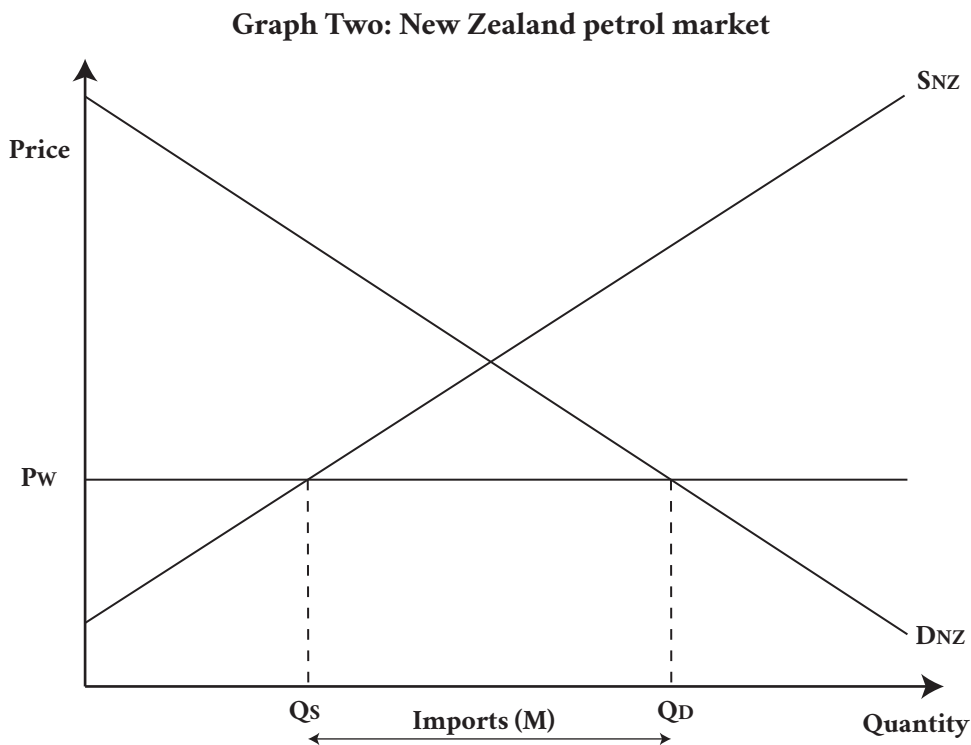
- (ii) Fully explain the impact on New Zealand’s export receipts (X) from New Zealand seaweed due to the increasing demand from Japan. Refer to Graph One in your answer.

QUESTION TWO: The price-taker trade model

On 5 May 2016, the Government announced its Electric Vehicles Programme. This included measures to increase the number of electric vehicles in New Zealand and has a goal of reaching approximately 64 000 electric vehicles on our roads by the end of 2021. This would see a reduction in the number of petrol vehicles on New Zealand roads.

Source: <https://www.transport.govt.nz/multi-modal/climatechange/electric-vehicles/>

- (a) (i) On Graph Two, show the impact of increased electric vehicle ownership on import payments for petrol in New Zealand.



- (ii) Fully explain the impact of increased electric vehicle ownership on petrol imports and import payments in New Zealand. Refer to Graph Two in your answer.

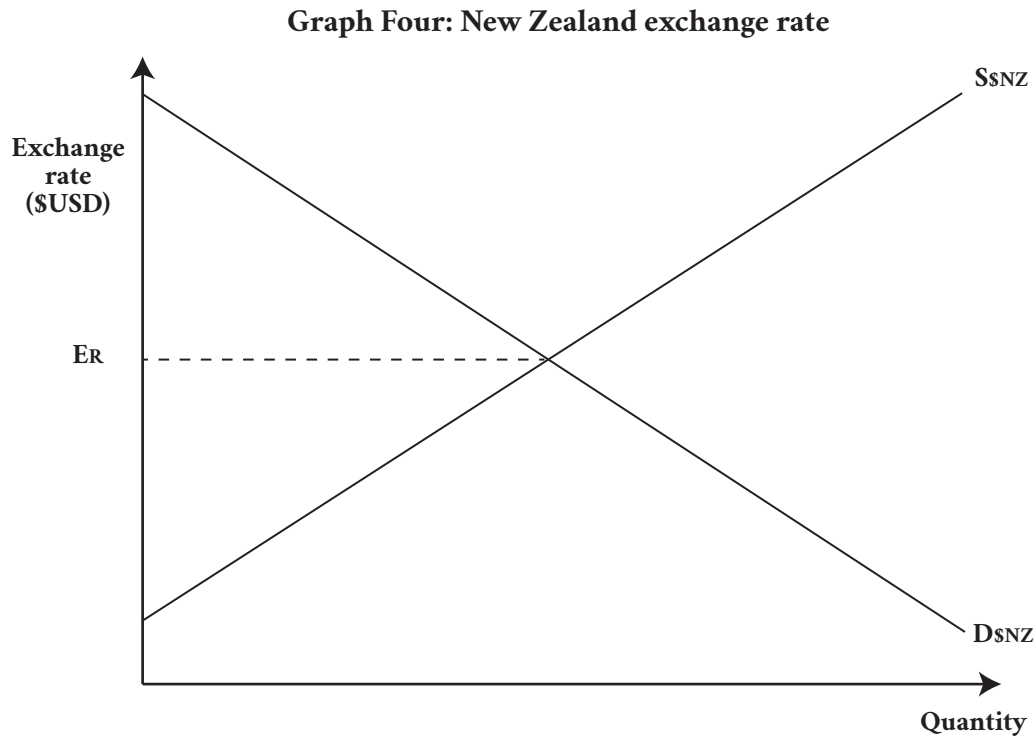
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The examination continues on the following page.**

QUESTION THREE: The exchange rate

New Zealand Beef & Lamb are forecasting beef, lamb, and other meat export prices to continue to increase due to strong export demand.

Source (adapted): <https://beeflambnz.com/news-views/sheepmeat-and-beef-exports-2019-20-both-forecast-break-4-billion-first-time>

- (a) (i) On Graph Four, show the impact of increasing demand for New Zealand meat exports on the value of the New Zealand dollar.



- (ii) Fully explain the impact of increasing demand for New Zealand meat exports on the value of the New Zealand dollar. Refer to Graph Four in your answer.

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