

91223



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### **Level 2 Economics 2021**

# 91223 Analyse international trade using economic concepts and models

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 2–8 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area (
). This area may be cut off when the booklet is marked.

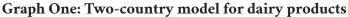
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

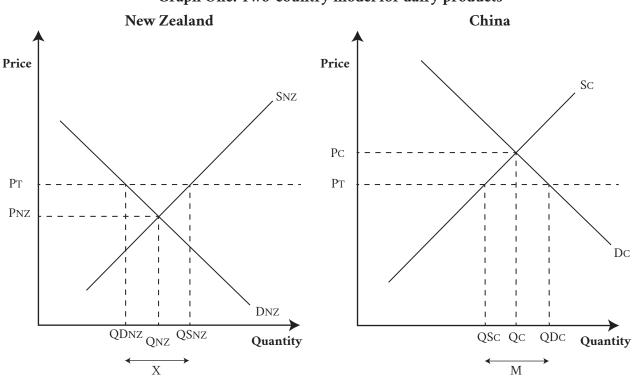
#### QUESTION ONE: The two-country model

a)	Explain why New Zealand is an exporter of dairy products such as butter and cheese.				

Since 2012, China has developed over 40 large dairy farms, including one with 38 000 dairy cows in Bengbu, China. Large Chinese dairy farms are expected to grow rapidly, allowing large economies of scale and high levels of safety and milk quality.

 $Source \ (adapted): https://news.cgtn.com/news/2019-11-08/Feeding-1-4-Billion-Inside-China-s-largest-dairy-farm-LrIKqxumOI/index.html$ 





(i)		On Graph One, show the impact of an increasing number of dairy farms in China on the dairy product market.
(ii)		Referring to Graph One and the resource material, explain the impact of an increasing number of dairy farms in China on New Zealand's dairy farm revenues and profits from dairy products.
Ne	w Z	e context of the global dairy market, explain the possible trading relationship between Zealand and China in the future, if China successfully continues expanding its own dairy-
Ne	w Z	e context of the global dairy market, explain the possible trading relationship between Zealand and China in the future, if China successfully continues expanding its own dairyuct production. Refer to the two-country model.
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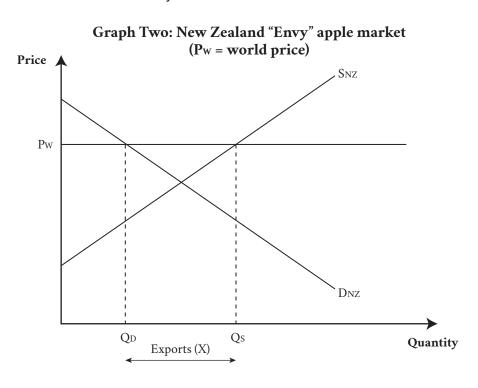
#### QUESTION TWO: The price-taker trade model

Total world apple production is about 85 million tonnes, of which New Zealand provides about 500 000 tonnes. A new variant of New Zealand-bred "Envy" apples contributed about 90 000 tonnes in 2020. This amount is expected to triple within four years as more orchards of the "Envy" variant are planted and mature.

 $Source \ (adapted): https://www.ruralnewsgroup.co.nz/hort-news/hort-general-news/new-nz-apple-has-international-competitors-green-with-envy$ 

Why is Ne	w Zealand a pı	rice taker in th	ne world app	ole market?	Refer to the	resource m	naterial, above

(b) (i) On Graph Two, show the impact of New Zealand "Envy" apple orchards increasing production over the next few years.



Expla	ain how increased production of apples may impact resource allocation between the
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#### **QUESTION THREE: Current account balance**

Explain how the New Zealand current account balance may improve (export receipts and imporpayments) by a depreciation of New Zealand's currency exchange rate.		plain how the New Zealand current account balance may improve (export receipts <b>and</b> importments) by negotiating or expanding free trade agreements.

Why are free trade agreements more likely to lead to a sustained improvement in New Zealand's current account balance, in the long run, when compared to depreciating the New Zealand currency?

## Extra space if required. Write the question number(s) if applicable.

QUESTION NUMBER	Time the question number (e) it applicable.	
NUMBER		