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Level 2 Economics 2022

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 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 2–10 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.

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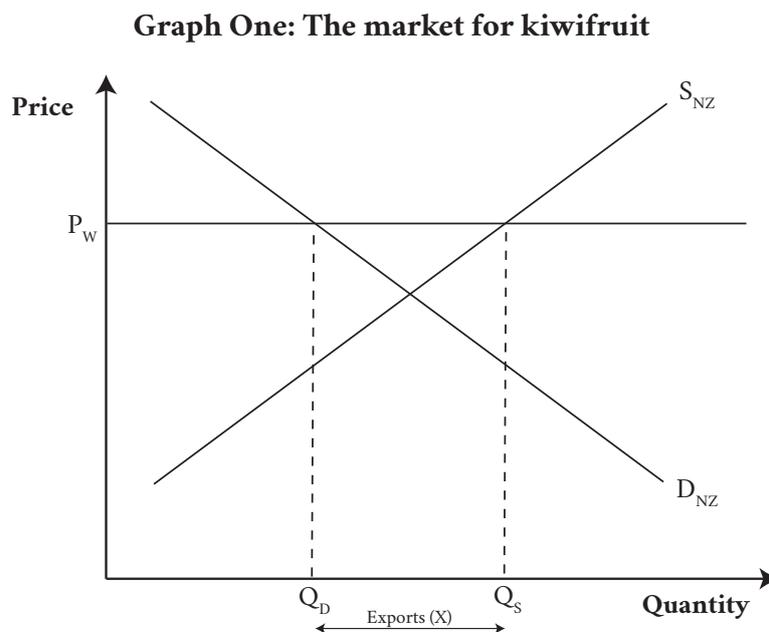
QUESTION ONE: Price taker model

In 2021, New Zealand's kiwifruit export receipts were \$2.8 billion. The world price of kiwifruit is forecast to increase over the next few years.

New Zealand can be considered a price taker in the kiwifruit market.

- (a) Explain why New Zealand grows and exports kiwifruit.

- (b) (i) On Graph One below, show the impact of a higher world price for kiwifruit on exports. Label the new level of exports as X_1 .

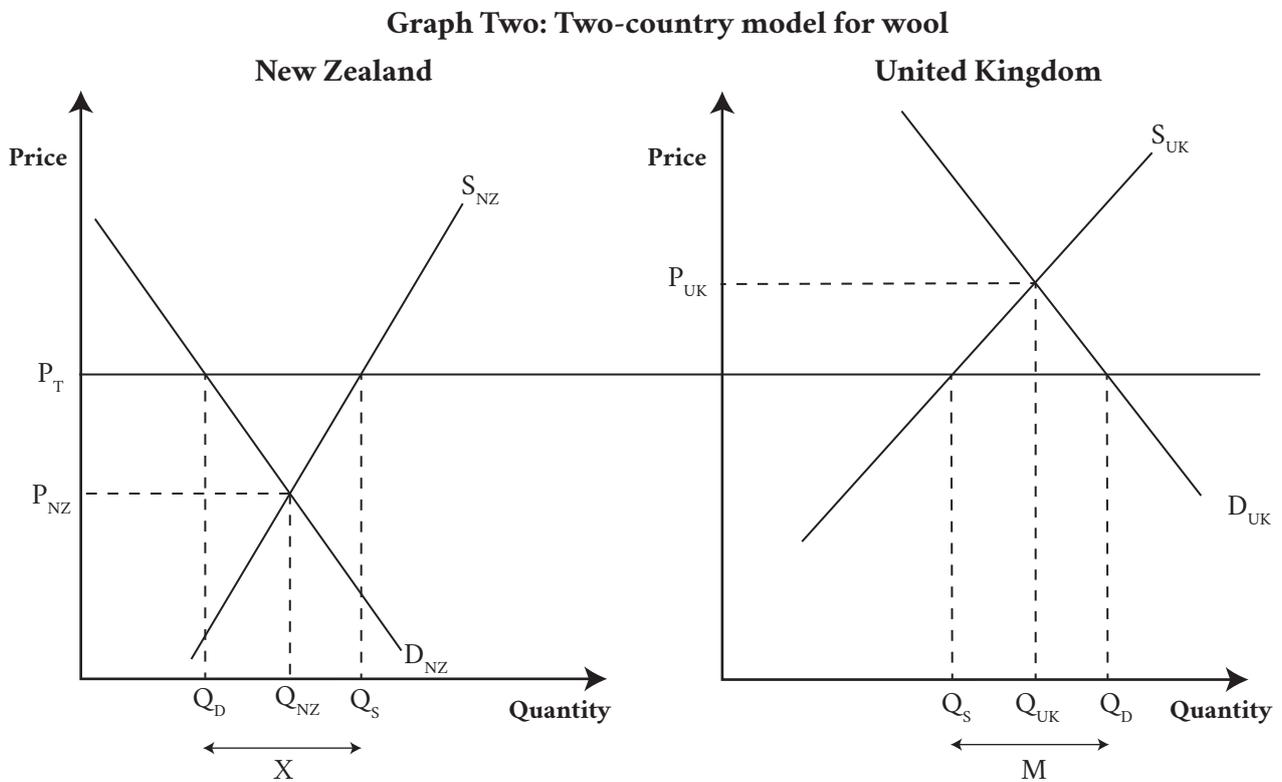


- (ii) Referring to Graph One, explain the impact of a higher world price for kiwifruit on the quantity of exports.

QUESTION TWO: Two-country model of trade and New Zealand's trading partners

New Zealand and the United Kingdom both produce wool. New Zealand exports wool to the United Kingdom.

The current trade price is shown as P_T on Graph Two, below.



The New Zealand Climate Change Commission has advised that for New Zealand to meet its emission targets, herd numbers, including sheep, need to be reduced.

- (a) (i) On Graph Two above, show the impact of reducing herd numbers in New Zealand on the wool market. Label the new level of exports as X_1 and imports as M_1 .
- (ii) Referring to Graph Two, explain the impact of reducing herd numbers on the level of exports and export receipts for New Zealand wool.

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