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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Economics 2023

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

Do not write in any cross-hatched area (DO NOT WRITE). This area will 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 price taker model and protecting domestic producers

Bananas are the most popular fruit in New Zealand.

New Zealand is considered to be a price taker in the banana market.

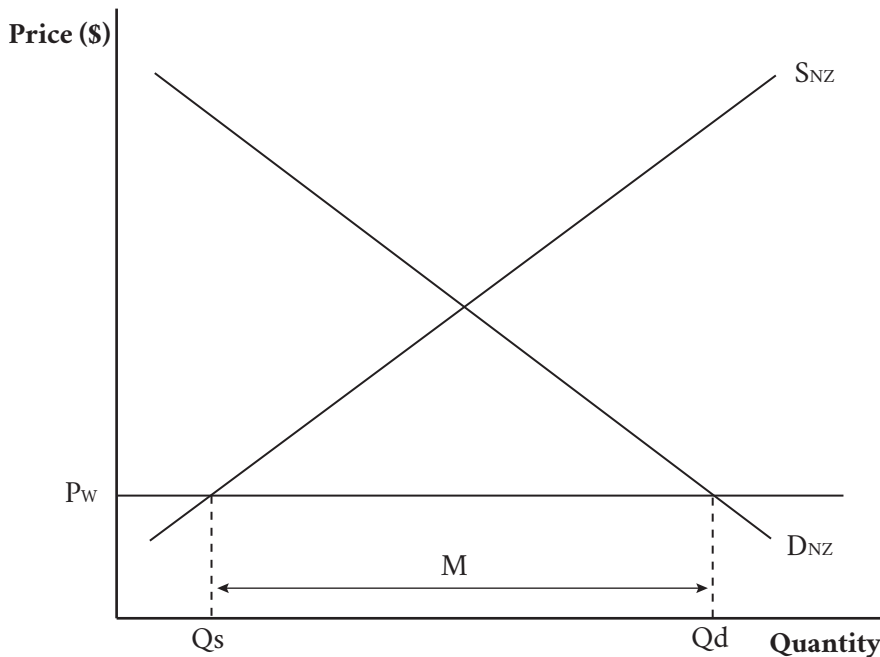
Source of data (adapted): <https://trendeconomy.com/data/h2/NewZealand/0803>

(a) Explain why New Zealand imports bananas.

The world price of bananas has increased over the last two years due to labour shortages, supply chain issues, and disease affecting some banana plantations.

(b) On Graph One below, show the impact of a higher world price for bananas on imports. Label the new level of imports as M_1 .

Graph One: The market for bananas



- (c) Referring to Graph One on page 2, explain the impact of the higher world price for bananas on the level of imports and the revenue gained by New Zealand banana growers.

Due to changes in the climate, some growers say that in the future it might be possible for New Zealand to be an exporter of bananas. One suggestion is that the Government could encourage domestic production through protecting local producers.

- (d) Give an example of a method the Government could use to protect local banana growers, and explain how it would encourage the domestic production of bananas.

Method of protecting local producers: _____

How it would encourage the domestic production of bananas: _____

(e) Explain one reason why the New Zealand Government is unlikely to protect local banana growers.

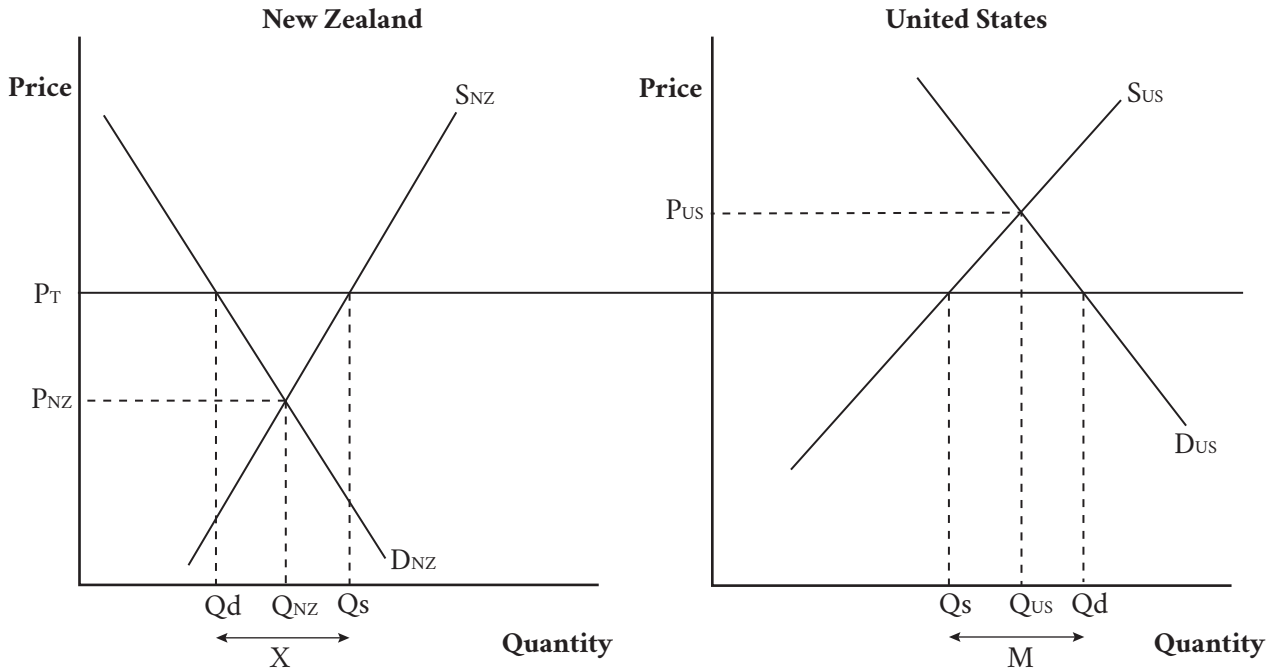
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The assessment continues on the following page.**

QUESTION TWO: The two-country model

New Zealand and the United States both produce beef. Nearly all New Zealand production is grass-fed beef, whereas most of the United States production is grain fed.

The trade price for grass-fed beef is shown as P_T on Graph Two, below.

Graph Two: Two-country model for grass-fed beef



The demand for grass-fed beef is growing strongly in the United States due to the perceived health and environmental benefits.

- (a) On Graph Two above, show the impact of increased demand in the United States market for grass-fed beef. Label the new level of exports as X_1 and imports as M_1 .
- (b) Referring to Graph Two above, explain the impact of the increased demand in the United States market for grass-fed beef on the level of exports and export receipts for New Zealand grass-fed beef.

- (c) Compare and contrast the impact of the higher demand in the United States market on New Zealand households that are consumers of beef and New Zealand households that have workers involved in beef production.

(d) Compare and contrast the impact of the change in the exchange rate shown on Graph Three on page 8 on:

(i) New Zealand businesses in the tourism industry and New Zealand businesses that import consumer goods from the United States.

(ii) New Zealand households with workers in the dairy farming industry and New Zealand households who intend to purchase a new car from the United States.
