NZQA

Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Economics 2024

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 2–12 in the correct order and that none of these pages is blank.

Do not write in the margins (░░░). 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: Price taker model

(a) On Graph One below, show the impact of the lower world price of lamb on exports. Label the new level of exports as X_1.

Graph One: The market for lamb
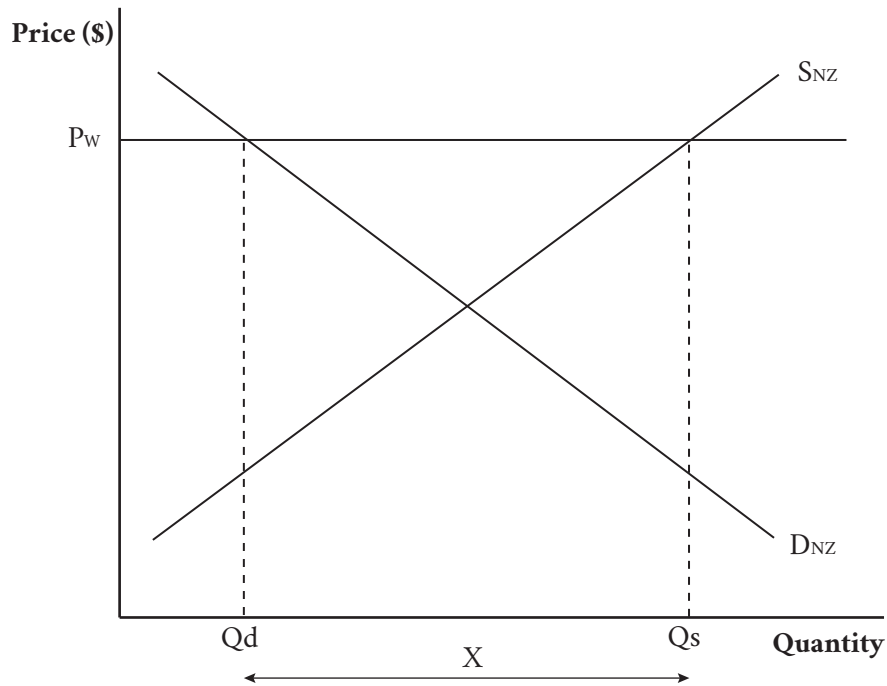
(b) Referring to Graph One, explain how the lower world price of lamb affects the quantity of exports from New Zealand.

(c)   Referring to Graph One, explain how the lower world price of lamb affects the amount of export receipts.

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(d)   Compare and contrast the impact of the lower world price on New Zealand producers and New Zealand consumers of lamb. Refer to Graph One in your answer.

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QUESTION TWO: The two-country model

(a) Explain one possible reason why New Zealand's two-way trade with India is much less than with China.

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Graph Two below shows the market for wood products in New Zealand and India.

Graph Two: The market for wood products
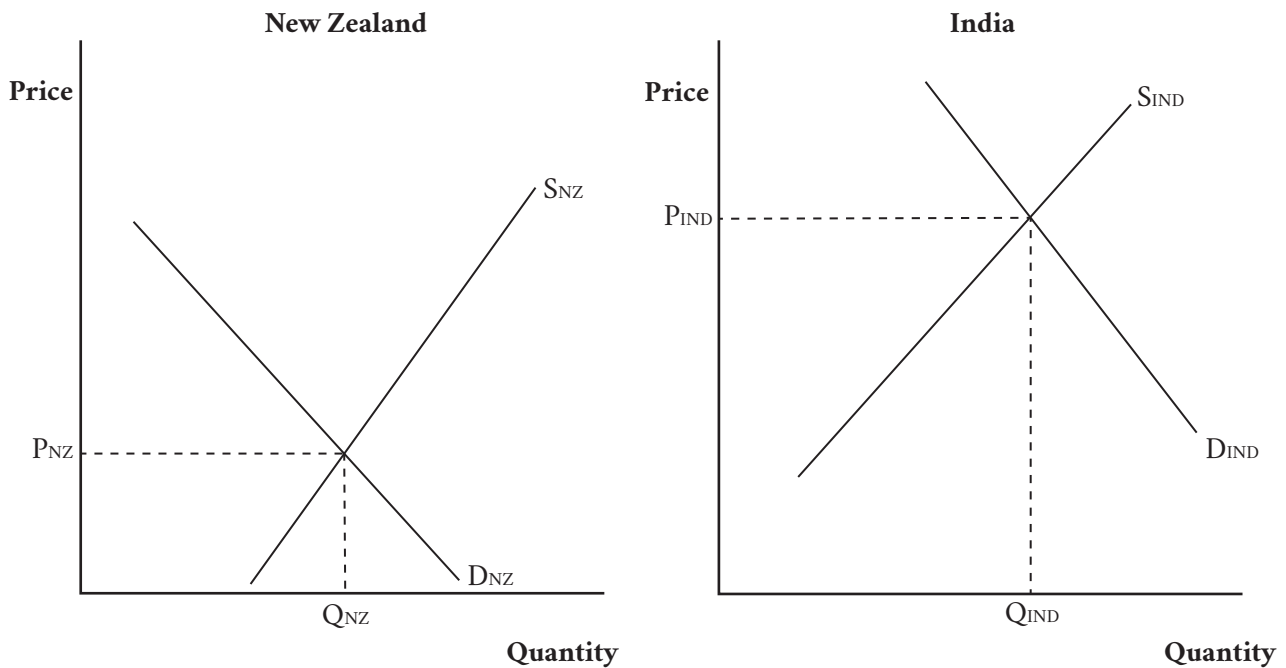
(b) On Graph Two, label the:
  •   trade price (Pt)
  •   amounts of exports and imports in each country (X and M).

(c) Referring to Graph Two, explain the impact of exporting wood products on:

  (i)   Revenue gained by New Zealand wood producers.

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  (ii) The current account balance.

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(d) Explain how the export of wood products to India may impact resource allocation between the New Zealand wood industry and other agricultural export industries.

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QUESTION THREE: Free trade agreements and the exchange rate

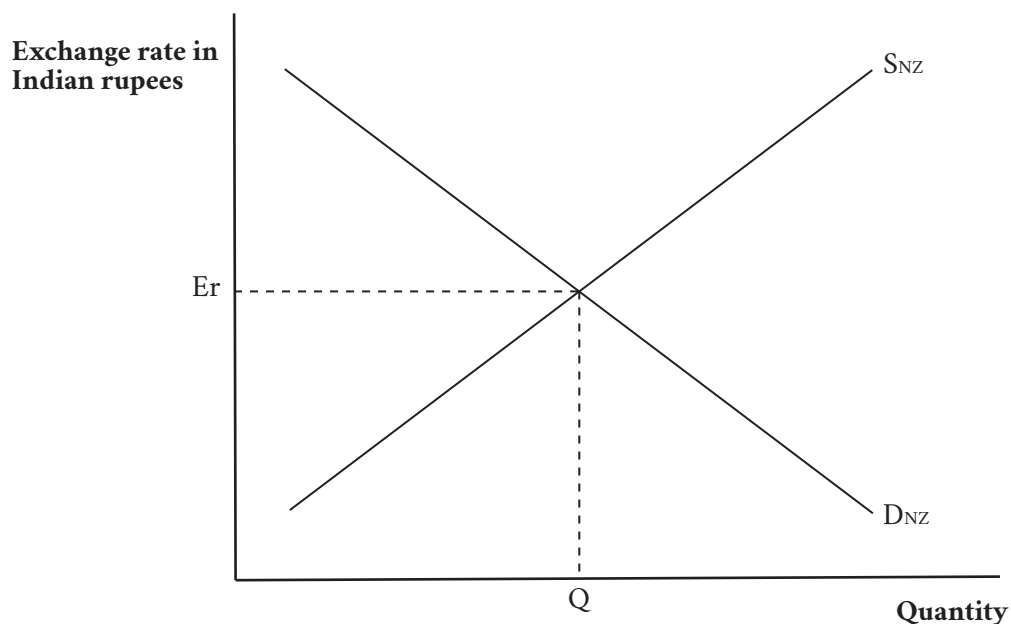(a)   Identify one country that New Zealand has a free trade agreement with.

(b)   Explain how a tariff on New Zealand dairy exports protects India's dairy producers.

> One option is for New Zealand to pursue an 'Early Harvest' deal with India. This means that the two countries can agree on some areas of trade, and leave the more difficult issues, such as dairy products, for later.
>
> If this deal occurs, it could lead to a significant increase in exports for New Zealand.

(c)   On Graph Three below, show the impact on the exchange rate of a large increase in exports to India.

Graph Three: The New Zealand exchange rate

(d) Explain the impact on the exchange rate of a large increase in New Zealand's exports to India. Refer to Graph Three in your answer.

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> The change in exchange rate will impact businesses that interact with the Indian market.

Business A imports specialty Indian foods to sell in New Zealand.

Business B offers guided package tours of India to New Zealand tourists. The package includes accommodation, food, and tourist activities.

(e) Compare and contrast the impact of the exchange rate change you identified on Graph Three on Business A and Business B.

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