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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.

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Achievement

TOTAL 11

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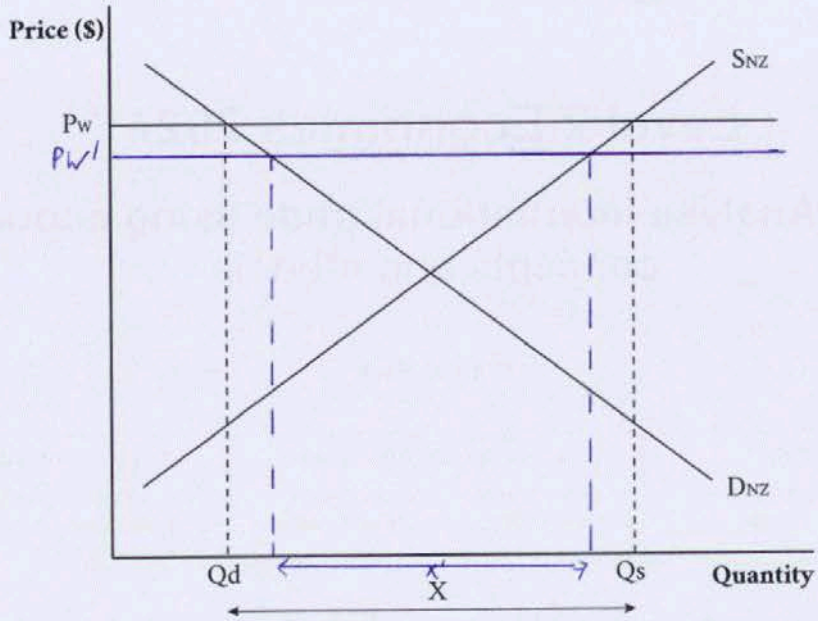
QUESTION ONE: Price taker model

(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.

The quantity goes down because the world price moves from (Pw) - (Pw') makes it less profitable for New Zealand to export lambs, therefore New Zealand will export less. This is shown in the shift from (X) to (X')

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

Export reciepts would go down because the value of lamb shown in PW' is less than PW which indicates exporters will recieve less export reciepts for their goods. Another reason is X moving to X' which is ~~also~~ ~~results~~ showing the drop in export reciepts.

(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.

NZ Producers will continue to supply domestically however due to the world price dropping from (PW) to (PW'), the profitability of exporting is not as good resulting in lamb Producers to export less. This is shown by (X) moving to (X'). This will result in lamb Producers cutting back on the costs by laying off workers and supplying less.

consumers ~~will~~ in NZ will have slightly higher prices because Producers are raising prices to keep a reasonable profit ~~mag~~ margin. This happens because of the lower supply due to a lower world price.

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QUESTION TWO: The two-country model

[redacted]

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

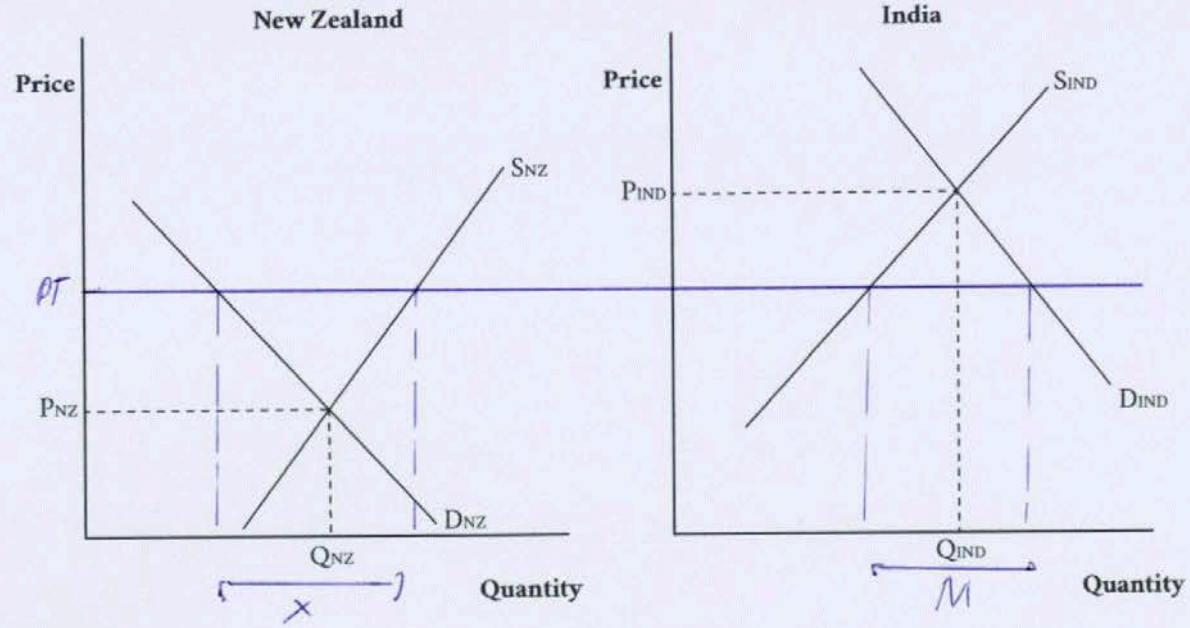
China is a more developed country than offers goods and services to NZ that are needed and NZ offers stuff that China needs. India does not offer such trade opportunities.

and capital goods

[redacted]

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.

NZ Producers will gain revenue because of (PT) being much higher than (PNZ). This results in revenue going up because Producers can sell their product for more money without changing costs of production.

(ii) The current account balance.

The current account balance will have more export receipts which will boost the current account balance closer to being positive. This is shown with (X) on the graph.

(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.

Because the wood industry would become more profitable they would demand more land and resources to allow the industry to keep growing. This may result in other industries giving up land to allow the growth of more wood.

QUESTION THREE: Free trade agreements and the exchange rate

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

Great Britain

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

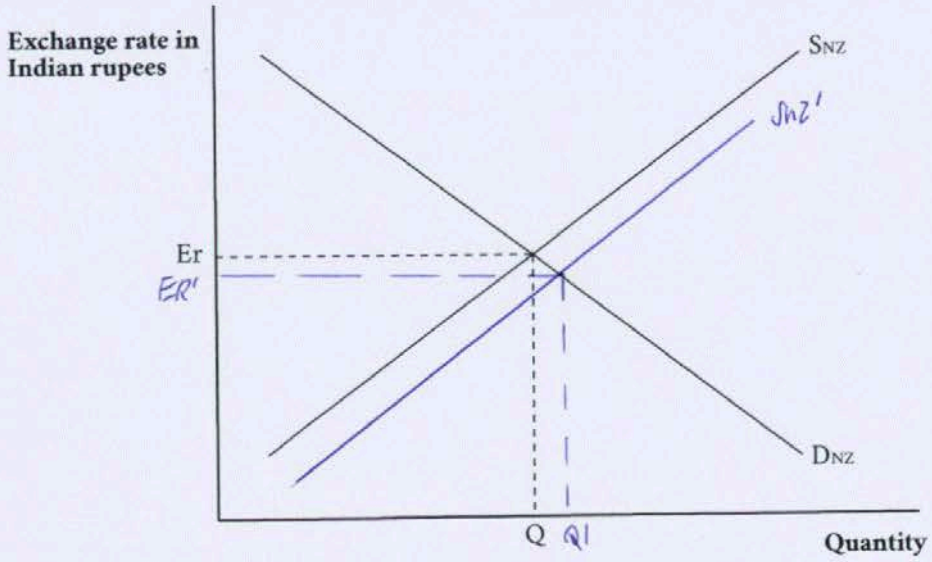
It decreases amount of competition for local Indian dairy Producers which allows them to keep having demand for their product.

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.

The exchange rate will decrease as India are buying more NZ Dollars which lowers the value of the NZ Dollar. This is shown in the shift from (Er) to (Er')

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.

(BA) will benefit as the exchange rate becomes closer which makes it cheaper for (BA) to export to NZ therefore making a further profit

(BB) will benefit as trade relations with India become better more Kiwis will want to go on holiday in India also with it being cheaper for tourists like the exchange rate dropping and the FTA going through making it cheaper to engage in trade.

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

QUESTION NUMBER

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Write the question number(s) if applicable.

QUESTION NUMBER

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Acknowledgements
Material from the following sources has been adapted for use in this assessment:

Question One
Beef + Lamb New Zealand. (2023, December). *Australian market situation.* https://beeflambnz.com/sites/default/files/2023-12/P23020%20Australia%20Market%20Situation%20FINAL_design.pdf

Question Two
Coughlan, T. (2023, December 11). *Christopher Luxon bullish on India trade deal, despite India's misgivings.* NZ Herald. https://www.nzherald.co.nz/nz/politics/christopher-luxon-bullish-on-india-trade-deal-despite-indias-misgivings/Z7OVS3B6IVFIBA4322IQFVUQ4E/

Rennie, R. (2023, September 22). *Rule change on logs could kickstart India trade.* Farmers Weekly. https://www.farmersweekly.co.nz/markets/rule-change-on-logs-could-kickstart-india-trade/

Question Three
McConnell, G. (2023, April 18). *Unrealistic or a missed chance? National criticises stalled India trade deal.* Stuff. https://www.stuff.co.nz/national/politics/131799298/unrealistic-or-a-missed-chance-national-criticises-stalled-india-trade-deal

Subject: Economics

Standard: 91223

Total score: 11

Q	Grade score	Marker commentary
One	A4	Part (a) The candidate illustrated the new level of exports. Part (b) They explained that the lower price will cause exports to decrease, but did not refer to production and consumption. Part (c) They explained that export receipts will decrease, but did not refer to (Pw × X) to (Pw1 × X1). Part (d) The candidate explained that New Zealand producers of lamb are worse off and New Zealand consumers of lamb are better off. However, they did not explain in detail or refer to all graph labels.
Two	A4	Part (a) The candidate identified one reason why New Zealand's two-way trade with India is relatively low compared to with China. Part (b) They identified the correct trade price and New Zealand exports and Indian imports but missed Qd and Qs labels for both countries. Part (c) The candidate explained that the revenue for New Zealand producers will increase, and the current account will improve. The answer lacked the detail and reference to a model needed for Merit. Part (d) They explained that there will be a shift of resources from other industries to wood production.
Three	A3	Part (a) The candidate identified that Great Britain has a trade agreement with New Zealand. Part (b) They did not correctly explain the tariff but identified the competition between the two groups. Part (c) The candidate correctly showed the supply curve shifting to the right, and supply reducing, as demand increases. Part (d) They did not correctly explain that there would be an appreciation in exchange rate. Part (e) The candidate identified that both businesses will be positively impacted, but not for the correct reasons.