Assessment Schedule – 2021

Economics: Analyse international trade using economic concepts and models (91223)

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
Analyse international trade involves:	Analyse international trade **in depth** involves:	Analyse international trade **comprehensively** involves:
• **explaining** causes of changes in international trade using economic models	• **explaining, in detail,** causes of changes in international trade using economic models	• **comparing** and / or **contrasting** the causes of changes in international trade and **assessing** their impact on international trade
• **explaining** the impacts of changes in international trade on various groups in New Zealand society	• **explaining, in detail,** the impacts of changes in international trade on various groups in New Zealand society.	• **comparing** and / or **contrasting** the impacts of changes in international trade and **assessing** the impact on various groups in New Zealand society
• **identifying, defining,** or **describing** international trade concepts.		• **integrating** changes shown on economic models into detailed explanations.

Evidence

Q1	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	New Zealand has several conditions that allow it to produce dairy products at a lower cost than other countries, e.g.: • We have expertise in the industry. • High levels of technology. • Consumer confidence in the quality and safety of the dairy product. • An abundance of natural resources including suitable land to support many dairy cows. This large number also allows New Zealand to gain economies of scale in the industry, allowing lower average costs per unit of dairy output.	A single explanation that allows New Zealand to have an advantage compared to other countries in producing dairy products.	Provides a detailed explanation that allows New Zealand to have an advantage compared to other countries in producing dairy products at a relatively low price / cost.	
(b)(i)	Illustrates and correctly labels an increase in the S_C curve, resulting in a lower trading price between the two countries and a lower quantity of exports / imports between the two countries (see Appendix).	Illustrates and labels the new export / import equilibrium, caused by an increase in S_C.	Graph One is full and correct.	
(ii)	References the graph to explain that the falling trading price and the lower quantity of exports will reduce producer revenue / export revenue. With revenue falling and costs staying the same or increasing per unit (due to not being at optimal economies of scale) profits will also fall in the dairy industry. *Note: the idea that they can sell to other countries is not part of part (b), which refers only to the two-country model – though it may provide holistic evidence for part (c).*	Explains why either revenue or profits for dairy farms exporting to China falls.	Provides a detailed explanation why revenue and profits for dairy farms exporting to China falls, drawing evidence from the graph and or resource material.	

Q1	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(c)	If China continues to expand dairy production (shown by their S_C curve continuing to shift to the right and P_C falling) and increase quality and safety reputation for consumers, this will lower costs per unit as it gains economies of scale. In the long run, the new price in China may be equal or even lower than New Zealand and there would be no benefit for it to import from New Zealand. China would have the potential to shift from being an importer to an exporter to New Zealand in the two-country model. Possibly, the two-country model will not apply in the global dairy product market as both countries could be exporters. *Note: the reasons New Zealand is an exporter from part (a) (which did not apply to China in the two-country model) may now apply also to China as the increased supply indicates they may now also have these advantages and the two-country model no longer applies to the relationship.*		Provides a partial detailed explanation of possibility that China gains the advantages that New Zealand enjoys in the dairy industry over time as supply increases from S_C to S_{C1} OR that China will no longer import from New Zealand as P_C falls to or below P_{NZ}. Must refer to Graph One or the two-country model.	The consequence of supply continuing to increase (price falling) in China is compared to New Zealand. In the two-country model, at some point China will no longer import (as P_C gets closer or even below P_{NZ}) and can become an exporter to New Zealand. The possibility of both countries being competitors (net exporters) in the future is considered in the global dairy product market. Must refer to the two-country model. *Note: candidates should not be disadvantaged if they justify that the two-country model no longer applies.*

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence.	Most Achievement evidence.	All Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Some Excellence evidence.	Most Excellence evidence.

N0 = No response; no relevant evidence.

Q2	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	New Zealand is a price taker in the global apple market as the quantity it produces (half a million tons) is so small and insignificant compared to global production (85 million tons) that any change in our quantity (the increase in production of Envy apples) will have no impact on the world price of apples.	Provides an explanation of why New Zealand is a price taker in the global apple market using economic theory or evidence from the stimuli material.	Provides a detailed explanation of why New Zealand is a price taker in the global apple market, including using evidence from the stimuli material.	

(b)(i)	Illustrates and labels an increase in supply (S_{NZ}) causing an increase in exports at P_W (but no increase in P_W).	Illustrates and labels an increase in S_{NZ}.	Illustrates and labels an increase in supply (S_{NZ}) causing an increase in exports at P_W (but no increase in P_W). Refers to $Qs-Qs_1$ or $X – X_1$.	
(ii)	The maturing of Envy orchards will cause an increase in supply of apples in the New Zealand market (with New Zealand being a price taker, the P_W remains the same and therefore quantity sold to domestic / New Zealand consumers remains the same Q_D). However, Q_S increases and the excess supply / quantity available for export will increase from X to X_1. With export quantity increasing to X_1 and world price remaining constant (because New Zealand is a price taker), total export revenue will also increase.	Provides an explanation based on Graph Two or economic theory why either New Zealand export quantity increases OR New Zealand export receipts increase.	Provides an explanation referencing Graph Two of why both New Zealand export quantity increases, and New Zealand export receipts increase. Some reference to price.	
(c)	Because producers in the New Zealand apple industry are price takers, they can increase output (significantly and sell all excess production overseas) and still get the same world price. They will require more resources (land, labour) to do this. Other agricultural industries may struggle to compete in the resource market and face losing resources (land, labour) to the apple industry. This may cause their output to fall.	Explains there will be a shift of resources from other industries to apple producers as apple production increases.	Both industries use similar resources. Explains that the apple industry needs resources (land or labour) to make more output, acquired from other industries. Other industries may find it difficult to compete for resources (they can't increase price to cover costs).	Compares resource allocation between industries. Explains that the apple industry requires more resources (land, labour) to increase output for export (guaranteed sales at P_W), which they acquire from other agricultural export industries, who can't compete in resource markets (output falls). Refers to the price-taker model or New Zealand as a price-taker.

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Some Excellence evidence.	Most Excellence evidence.

N0 = No response; no relevant evidence.

Q3	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	A free trade agreement reduces the barriers to movement of exports and imports (and their payments) between countries. The main advantages are that it allows New Zealand access to a significantly large number of potential consumers (export receipts), relative to the small market we have (import payments), allowing New Zealand to sell larger quantities / exports. The removal of barriers such as tariffs and red tape increase the export revenue New Zealand receives and increases the profitability. Both allow export receipts to increase relatively more quickly than import payments, causing the current account balance to improve.	Provides an explanation of either why export receipts or import payments change due to trade agreements.	Provides a detailed explanation why the current account balance (export receipts minus import payments) improves due to trade agreements. Refer to reduction of barriers or tariffs / FTA.	
(b)	A depreciation of the currency means less foreign currency is required to purchase a dollar of New Zealand currency. This makes our exports more competitive compared to foreign products and increases export receipts. Imports become less competitive against New Zealand-made alternatives, so import payments should decrease relative to export receipts. The New Zealand current account balance should improve. *Note: candidates who conclude that import payments will increase as domestic alternatives are not available should not be disadvantaged as relative market shares should still allow a conclusion that operating balance improves.*	Provides an explanation of either why export receipts or import payments change due to a currency depreciation.	Provides a detailed explanation why the current account balance (export receipts minus import payments) improves due to a currency depreciation.	
(c)	Trade agreements allow more sustained and long-term improvements to the current account balance mainly due to the relative sizes of the New Zealand market (5 million potential consumers), compared to the global market (7 billion potential consumers). The advantages are ongoing until other agreements are negotiated, and they are protected by organisations such as the World Trade Organization. Depreciations are often short term as the value of the currency is determined in a free (floating) market. Over time, other currencies can depreciate more than the New Zealand currency. Therefore, the improvement of the current account balance may be short-lived, and our currency may appreciate, causing export receipts to decrease relative to import payments.		Provides a detailed explanation of how either free trade agreements or depreciation in the long run may affect the current account.	Compares and contrasts trade agreements and depreciation of a currency in terms of their sustainability to improve a country's current account balance.

N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence.	Most Achievement evidence.	All Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Some Excellence evidence.	Most Excellence evidence.

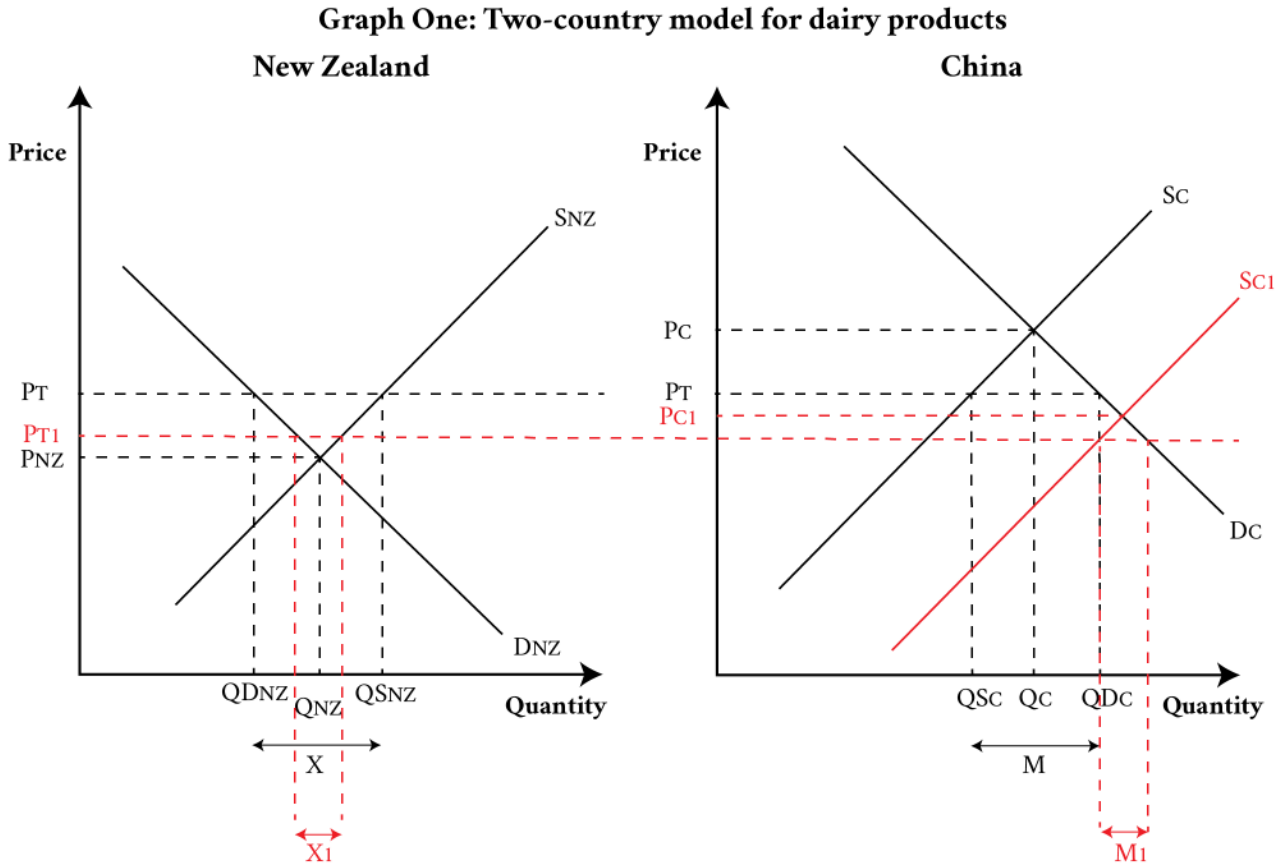
N0 = No response; no relevant evidence.

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 6	7 – 12	13 – 18	19 – 24

Appendix

Question 1(b)(i)



Question 2(b)(i)