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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 2 Economics, 2014

91223 Analyse international trade using economic concepts and models

2.00 pm Wednesday 12 November 2014

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

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

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(a) Explain in detail what may cause an appreciation of the New Zealand dollar. In your answer:

- on Graph One below, show the impact of an appreciation of the New Zealand dollar
- explain in detail ONE cause of the change to the market for New Zealand dollars that you have shown on Graph One.

(b) Compare and contrast the effect of an appreciation in the New Zealand dollar on businesses and consumers in New Zealand. In your answer, explain in detail:

- ONE cost and ONE benefit to New Zealand businesses
- ONE cost and ONE benefit to New Zealand consumers
- the overall impact on New Zealand's current account.

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QUESTION TWO: NEW ZEALAND IMPORTS OF ORANGE JUICE CONCENTRATE

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New Zealand importers of orange juice concentrate source about 90 per cent of their orange juice from South America, and Brazil in particular.

The Brazilian government subsidises orange juice concentrate producers to encourage greater production.

Source (adapted): <http://www.3news.co.nz/Squeeze-on-orange-juice-firms-may-ease/tabid/421/articleID/239120/Default.aspx#ixzz2rYIXO0Wq>

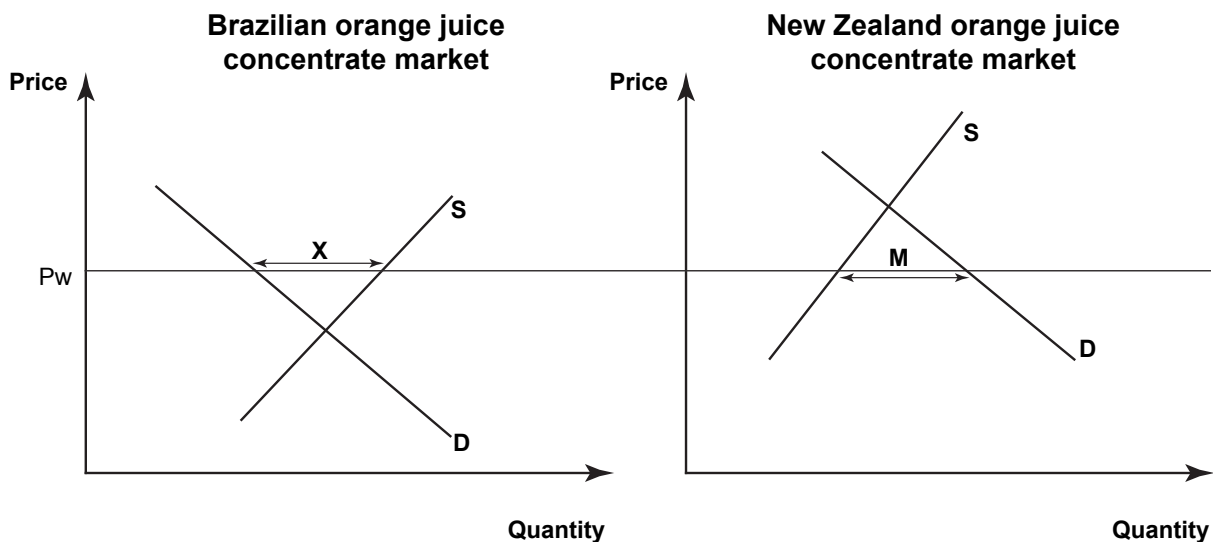
Compare and contrast the impact that an increase in the Brazilian government subsidy could have on the following groups:

- New Zealand orange juice producers
- New Zealanders employed in orange juice production
- New Zealand consumers of orange juice
- the New Zealand Government.

In your answer:

- on Graph Two below, show the new supply curve for orange juice concentrate in Brazil after the government subsidy, and the new level of exports. Use the labels S_1 and X_1
- on Graph Two below, show the new level of imported orange juice concentrate to New Zealand, and the new world price, that would result from the increase in the Brazilian government subsidy for orange juice concentrate. Use the labels M_1 and Pw_1 .
- explain in detail how each group, listed above, will be worse off or better off from the increase in the Brazilian government subsidy. Refer to Graph Two in your explanation.

Graph Two: Two-country model



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The examination continues on the following page.**

The Trans-Pacific Partnership (TPP) aims to create a regional free trade agreement involving 12 Asia Pacific countries, including New Zealand. The agreement would deepen economic ties between its diverse members by opening up trade in goods and services and promoting closer links across a range of economic policy and regulatory issues.

(a) Explain in detail the impact of the TPP described in the resource paragraph above, on the New Zealand Balance of Payments Current Account.
In your answer, explain in detail the impact of the TPP on the Current Account items specified in the resource paragraph above.

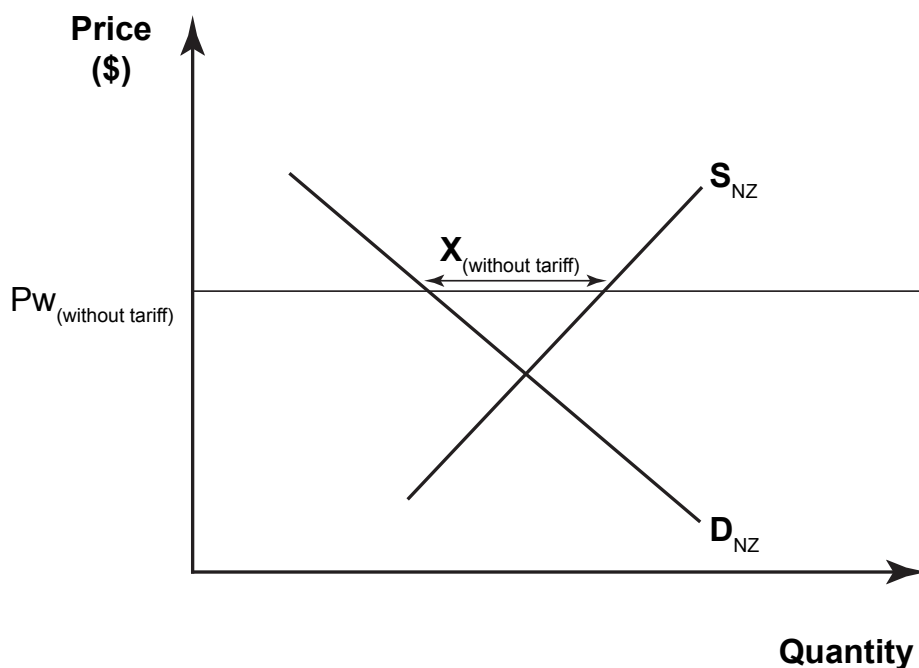
All nations involved in joint ventures in New Zealand waters should be forced to remove trade restrictions against New Zealand seafood prior to gaining permission to fish here. Unfortunately, the situation regarding trade barriers imposed on New Zealand fish products by both the Koreans and the Japanese remains exactly the same today as it was 31 years ago.

The tariffs imposed on New Zealand squid exports range from 10% to 22%, and yet squid caught in New Zealand waters by Korean and Japanese vessels is treated as domestic production and has no tariff.

Source (adapted): http://www.fish.govt.nz/NR/rdonlyres/1820E02B-3058-41DC-AF97-3E525E6A84B2/0/Talley_FCV_Submission_vol15c.pdf

- (b) Compare and contrast the impact of the Trans-Pacific Partnership with the impact of international trade barriers on New Zealand fish products, when New Zealand is a price taker. In your answer:
- on Graph Three below, show how an overseas tariff on New Zealand fish products impacts on the NZ squid market. Label the new level of exports $X_{(\text{tariff})}$
 - explain in detail how an overseas tariff on New Zealand fish products will impact on the NZ squid market. Refer to Graph Three in your explanation
 - explain in detail why the impact of the Trans-Pacific Partnership on the Current Account of the Balance of Payments will be different from the impact of the international trade barriers on New Zealand fish products.

Graph Three: Market for New Zealand squid



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

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