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NEW ZEALAND QUALIFICATIONS AUTHORITY
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2

SUPERVISOR'S USE ONLY

Level 2 Economics, 2018

91223 Analyse international trade using economic concepts and models

2.00 p.m. Wednesday 21 November 2018
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.

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

TOTAL

ASSESSOR'S USE ONLY

(a) (i) List TWO of New Zealand's top five exports of goods by value.

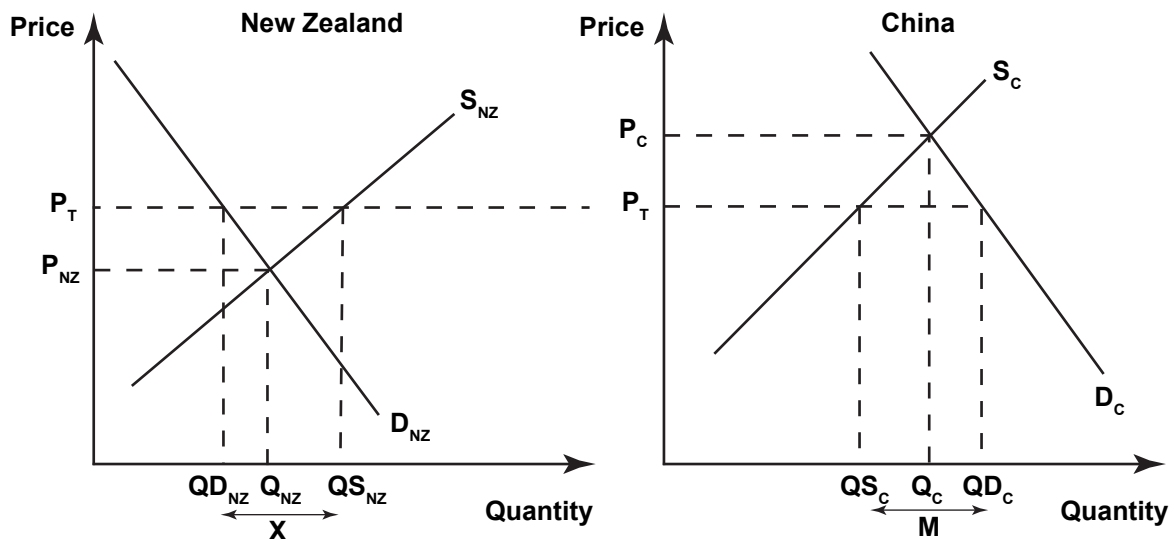
The government intends to plant up to 100 000 hectares of trees a year. This will provide timber for its “massive housing programme”, as well as many jobs in the regions.

Source (adapted): <https://www.stuff.co.nz/national/politics/98491546/shane-jones--minister-of-trees>.

China imported \$1.4 billion of wood from New Zealand in 2016.

Source (figures): <http://www.worldsrichestcountries.com/top-new-zealand-exports.html>.

Graph One: Two-country model for timber



- (b) (i) On Graph One above, illustrate and label the impact of planting more trees in New Zealand.
- (ii) Using Graph One and the resource material, compare and contrast the impact on New Zealand's timber exports of the policy of increased tree planting and timber production. In your answer, fully explain:
- the impact on New Zealand timber producers
 - the impact on New Zealand timber consumers, such as the building industry.

More answer space is available on the following page.

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The examination continues on the following page.**

QUESTION TWO: THE PRICE TAKER TRADE MODEL

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Drought and plant disease in the Mediterranean have caused a significant decrease in world olive oil production. New Zealand consumers can expect to pay more for olive oil – including restaurants, where it is a common ingredient.

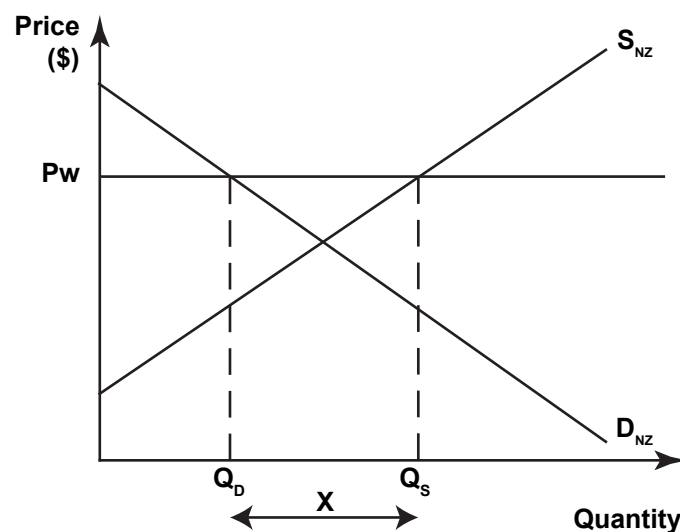
New Zealand is a small producer of olive oil. New Zealand's production for one year could supply only a single order from China.

Source (adapted): <https://www.stuff.co.nz/business/95270259/olive-oil-price-surge-expected-for-nz-consumers>.

- (a) (i) Define 'price taker'.

- (ii) Fully explain why New Zealand is a price taker in the global olive oil market.

Graph Two: Market for New Zealand olive oil



- (b) (i) On Graph Two on page 6, illustrate and fully label the impact on the New Zealand market of the decrease in world olive oil production.
- (ii) Using Graph Two, compare and contrast the impact (may include flow-on effects) of the decrease in world olive oil production on groups in the New Zealand economy. In your answer, fully explain:
- the impact on consumers in the New Zealand olive oil market, such as the restaurant industry
 - the impact on producers in the New Zealand olive oil industry.

(a) (i) Define 'free trade'.

- the impact of depreciation of the New Zealand currency on export receipts and import payments
- the impact of free trade on export receipts and import payments.

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

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