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## Level 2 Economics 2020

### 91223 Analyse international trade using economic concepts and models

2.00 p.m. Tuesday 1 December 2020  
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**

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## QUESTION ONE: The two-country model

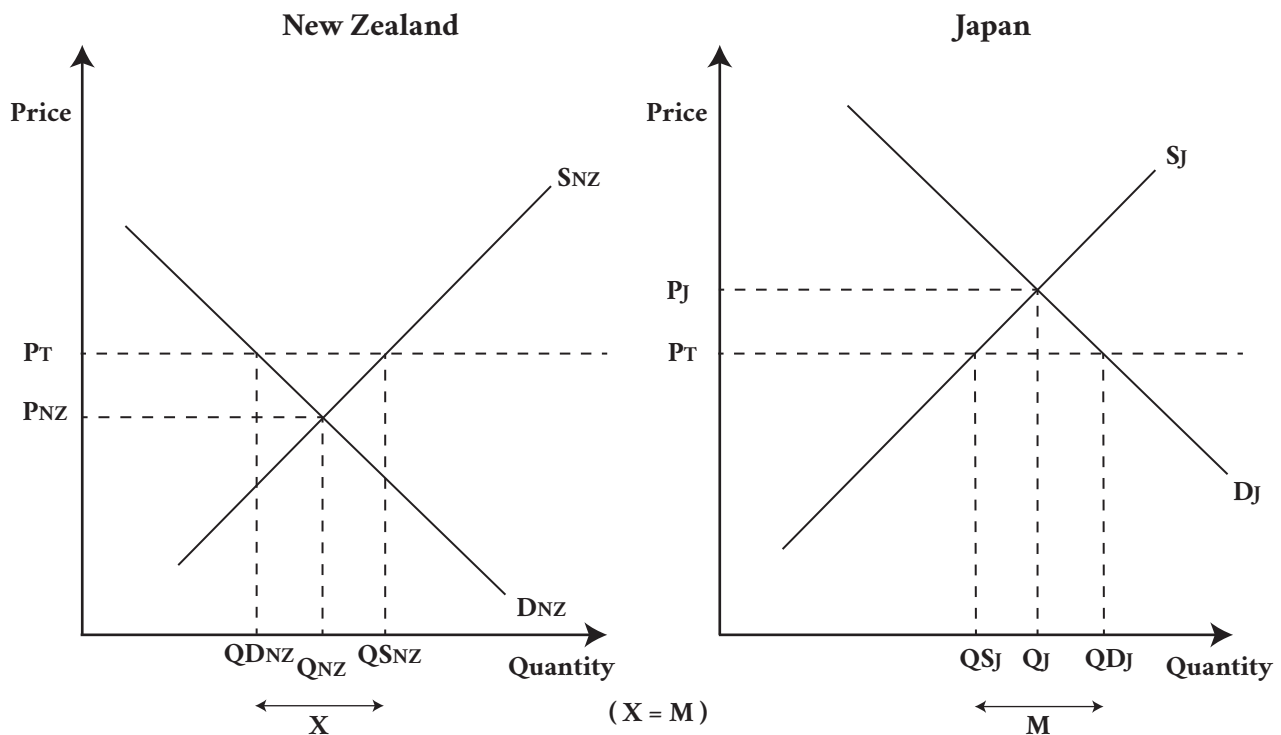
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A seaweed expert is promoting the benefits of an edible New Zealand seaweed being made into a high-quality food export. Fisheries Minister Stuart Nash said: "Aquaculture is a growth industry for this country and has the potential to play a more significant role in our economy. It's currently worth \$600 million a year [to our exporters] and employs over 3000 people." Demand from Japan for New Zealand's seaweed has soared in recent years.

Source (adapted): <https://www.newshub.co.nz/home/politics/2019/08/turning-gorse-into-gourmet-plan-to-turn-pest-seaweed-into-premium-edible-export.html>

- (a) (i) On Graph One, show the impact of increasing demand from Japan for New Zealand edible seaweed.

**Graph One: Two-country model for edible seaweed ( $P_T$  = trade price)**



- (ii) Fully explain the impact on New Zealand's export receipts ( $X$ ) from New Zealand seaweed due to the increasing demand from Japan. Refer to Graph One in your answer.

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- New Zealand harvesters (workers employed to collect seaweed) and seaweed exporters
- New Zealand sushi producers (seaweed is a key input) and New Zealand consumers of sushi.

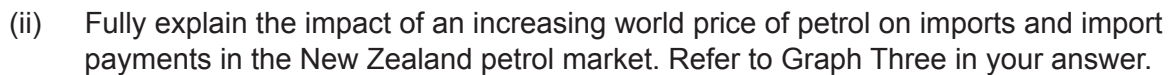
On 5 May 2016, the Government announced its Electric Vehicles Programme. This included measures to increase the number of electric vehicles in New Zealand and has a goal of reaching approximately 64 000 electric vehicles on our roads by the end of 2021. This would see a reduction in the number of petrol vehicles on New Zealand roads.

(a) (i) On Graph Two, show the impact of increased electric vehicle ownership on import payments for petrol in New Zealand.

The graph illustrates the market for a good in New Zealand. The vertical axis represents Price, and the horizontal axis represents Quantity. The supply curve, labeled  $SNZ$ , is upward-sloping, and the demand curve, labeled  $DNZ$ , is downward-sloping. A horizontal line at the world price  $P_w$  intersects the supply curve at quantity  $Q_s$  and the demand curve at quantity  $Q_D$ . The difference between  $Q_D$  and  $Q_s$  is labeled Imports (M).

Source: <https://www.thebalance.com/oil-price-forecast-3306219>

- ### Graph Three: New Zealand petrol market



Economics 91223, 2020

- Fully explain the reason for your choice, referring to Graphs Two and Three in your answer.

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The examination continues on the following page.**

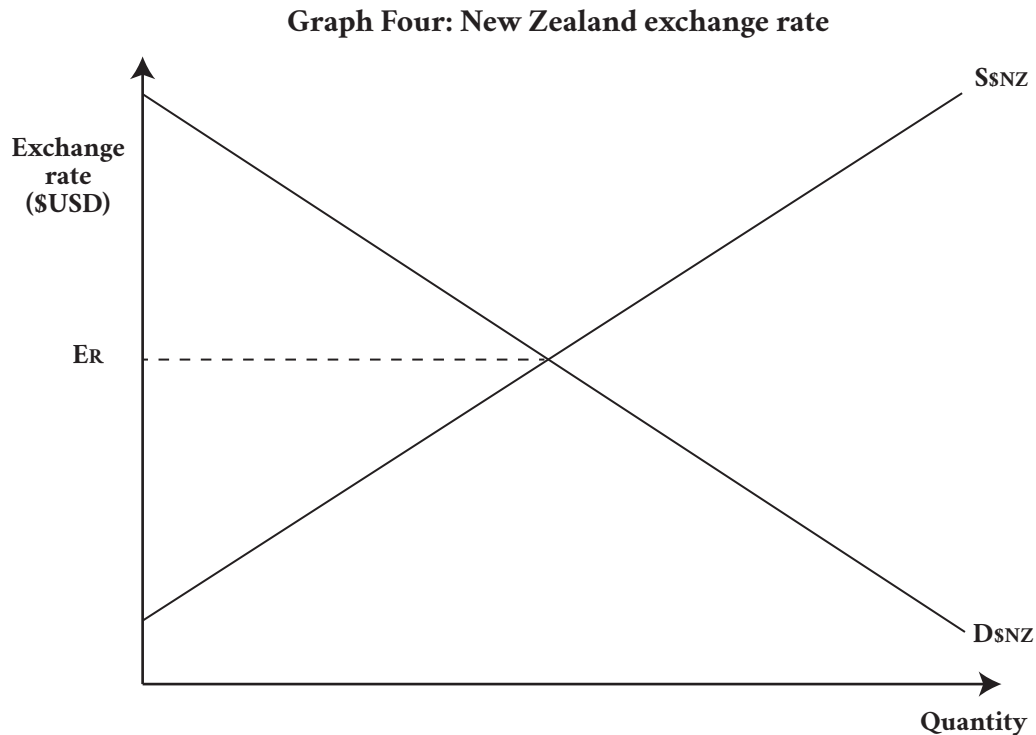
### QUESTION THREE: The exchange rate

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New Zealand Beef & Lamb are forecasting beef, lamb, and other meat export prices to continue to increase due to strong export demand.

Source (adapted): <https://beeflambnz.com/news-views/sheepmeat-and-beef-exports-2019-20-both-forecast-break-4-billion-first-time>

- (a) (i) On Graph Four, show the impact of increasing demand for New Zealand meat exports on the value of the New Zealand dollar.



- (ii) Fully explain the impact of increasing demand for New Zealand meat exports on the value of the New Zealand dollar. Refer to Graph Four in your answer.

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