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91223



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QUALIFY FOR THE FUTURE WORLD KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

### **Level 2 Economics 2022**

# 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 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 2–10 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area (
). This area may be cut off when the booklet is marked.

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

#### **QUESTION ONE: Price taker model**

(ii)

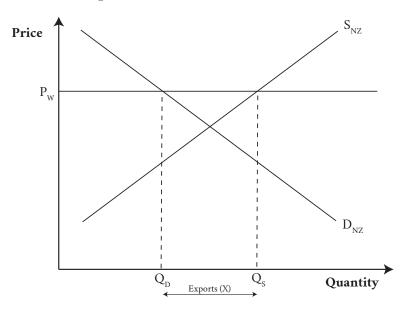
In 2021, New Zealand's kiwifruit export receipts were \$2.8 billion. The world price of kiwifruit is forecast to increase over the next few years.

New Zealand can be considered a price taker in the kiwifruit market.

(a) E	xplain wh	ny New	Zealand	grows	and	exports	kiwifruit.
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(b) (i) On Graph One below, show the impact of a higher world price for kiwifruit on exports. Label the new level of exports as **X**<sub>4</sub>.

Graph One: The market for kiwifruit



of exports.	Graph One, e	explain the im	ipact of a hig	jher world pi	ice for kiwifr	uit on the q	uantity

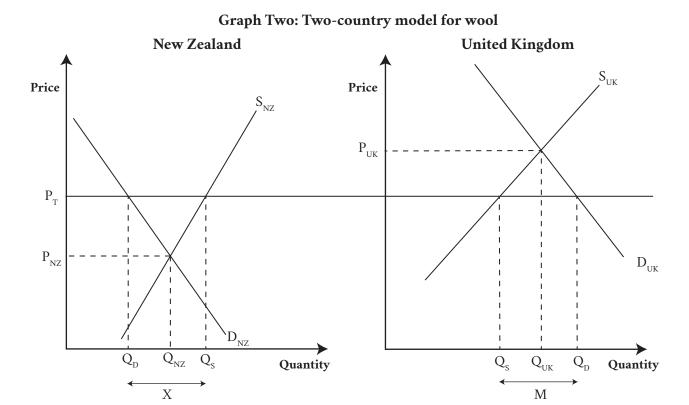
In	2021	New Ze	aland had	a current accour	nt deficit
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deficit. Refer to G	raph One in your	answer.		

#### QUESTION TWO: Two-country model of trade and New Zealand's trading partners

New Zealand and the United Kingdom both produce wool. New Zealand exports wool to the United Kingdom.

The current trade price is shown as  $\mathbf{P}_{\mathrm{T}}$  on Graph Two, below.



The New Zealand Climate Change Commission has advised that for New Zealand to meet its emission targets, herd numbers, including sheep, need to be reduced.

(a)	(i)	On Graph Two above, show the impact of reducing herd numbers in New Zealand on the wool market. Label the new level of exports as $\mathbf{X}_1$ and imports as $\mathbf{M}_1$ .
	(ii)	Referring to Graph Two, explain the impact of reducing herd numbers on the level of exports and export receipts for New Zealand wool.

Although the United Kingdom is a significant trading partner for New Zealand, it is no longer one of the top five trading partners for exports or imports.

	tify two of the top five countries, by value, that New Zealand imports from.
Choo	ose one of the countries from your answer to (b). Compare and contrast the impact of orting from that country on New Zealand producers and consumers.

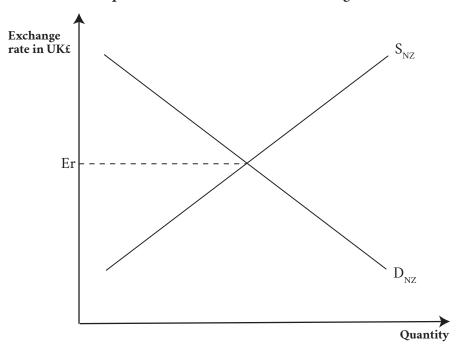
### **QUESTION THREE:** Free trade agreements

In October 2021, the New Zealand-United Kingdom Free Trade Agree	ement
and totalled NZ\$1.7 billion in 2020.	
Source: Adapted from https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreew-zealand-united-kingdom-free-trade-agreement/key-facts-on-new-zealand-united-kingdom	
(a) Explain what is meant by a free trade agreement.	
(b) Why would the "highly complementary" trade between New Zealand and expected to maximise the benefits of the free trade agreement to New Ze	

The free trade agreement is expected to result in a significant increase in New Zealand exports to the United Kingdom.

(c) On Graph Three below, show the impact on the exchange rate of a large increase in New Zealand exports to the United Kingdom.

**Graph Three: The New Zealand exchange rate** 



Question Three continues on the next page ➤

A local business operates a tour guide service and expects many visitors from the United Kingdom. They plan to purchase a vehicle from the United Kingdom to help provide the service.

Ľ	Discuss whether the exchange rate change you identified on Graph Three will benefit the business
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