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Tick this box if there is no writing in this booklet

## **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

### QUESTION ONE: The two-country model

(ii)

ASSESSOR'S USE ONLY

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 (PT = trade price) New Zealand Japan **Price Price** Sı SNZ PJ PT PT **P**NZ Dj **QS**J QDJ Quantity Quantity (X = M)M

•	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 an					

Compare and contrast the impact of increasing demand for New Zealand seaweed in Japan on the following groups:
<ul> <li>New Zealand harvesters (workers employed to collect seaweed) and seaweed</li> </ul>
<ul> <li>exporters</li> <li>New Zealand sushi producers (seaweed is a key input) and New Zealand consumers</li> </ul>
of sushi.
Refer to Graph One in your answer.

#### QUESTION TWO: The price-taker trade model

(ii)

ASSESSOR'S USE ONLY

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.

Source: https://www.transport.govt.nz/multi-modal/climatechange/electric-vehicles/

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

Price
Price

One Dong Imports (M)

Quantity

Quantity

mport payments in New Zealand. Refer to Graph Two in your answer.					

Fully explain the impact of increased electric vehicle ownership on petrol imports and

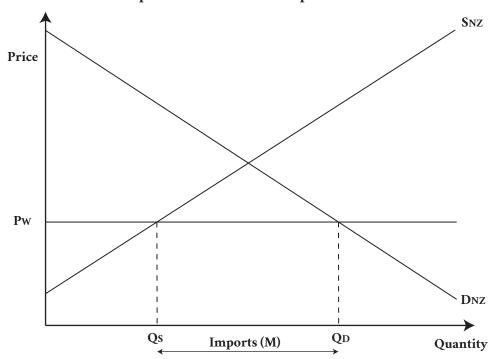
Forecasts suggest that, by 2025, the world price of petrol will rise.

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

(ii)

(b) (i) On Graph Three, show the impact of an increasing world price for petrol on imports and import payments in the New Zealand petrol market.

**Graph Three: New Zealand petrol market** 



Fully explain the impact of an increasing world price of petrol on imports and import payments in the New Zealand petrol market. Refer to Graph Three in your answer.				
	Please turn over ➤			

ully explain the reason for	vour choice referrin	na to Granhe Two o	nd Three in your apov	ıρr
uny explain the reason for	your choice, referrir	ig to Graphs Two a	nd Three in your answ	rei.

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#### **QUESTION THREE: The exchange rate**

(ii)

ASSESSOR'S USE ONLY

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.

Exchange rate (SUSD)

ER

DSNZ

Quantity

value of the New Zealand dollar. Refer to Graph Four in your answer.					

Fully explain the impact of increasing demand for New Zealand meat exports on the

•	raph Four, on different sectors of the NZ economy. Fully explain the impact on:  New Zealand exporters and export receipts
	New Zealand importers and import payments
	The New Zealand current account balance.

QUESTION NUMBER	l	Write the	Extra space question n	e if required umber(s) if	l. applicable.		ASSESSOR'S USE ONLY
NUMBER							

QUESTION NUMBER	I	Extra space if required. Write the question number(s) if applicable.	AS
NUMBER			