



eLearneconomics: Trade – Changing Patterns of Trade (1)

Student response _____

New Zealand is part of the global economy with our trading patterns determined, in part, by events sometimes beyond the government's control. For each event outlined below, explain if the outcome for New Zealand is likely to be positive or negative.

(a) Event: A major outbreak of foot and mouth disease in Europe.

(b) Event: A major earthquake in Auckland destroys the port and infrastructure of the city.

(c) Event: New Zealand misses out on signing up to a new trade agreement between many Asian countries.

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Solution



New Zealand is part of the global economy with our trading patterns determined, in part, by events sometimes beyond the government's control. For each event outlined below, explain if the outcome for New Zealand is likely to be positive or negative.

(a) Event: A major outbreak of foot and mouth disease in Europe.

Positive effect for New Zealand, increased demand for New Zealand mutton, lamb and beef. Increased production, economic growth, greater employment and incomes for these industries and associated industries or communities. Greater export receipts will improve New Zealand's balance of payments.

(b) Event: A major earthquake in Auckland destroys the port and infrastructure of the city.

Negative effect for New Zealand, exports will be held up or shipments destroyed. Overseas buyers unable to access New Zealand goods will turn to other overseas suppliers for goods they require. Lost export markets may never be recovered. There will be a resulting downturn in economic activity, unemployment and low or no growth.

(c) Event: New Zealand misses out on signing up to a new trade agreement between many Asian countries.

Negative effect for New Zealand because it could disrupt trade. It may make it more difficult for New Zealand goods to gain access to markets in these countries. There will be a flow-on effect with less production, slower or no economic growth, a possible rise in unemployment if markets are lost or firm's expansion plans are put on hold.