

90795



NEW ZEALAND QUALIFICATIONS AUTHORITY  
 MANA TOHU MĀTAURANGA O AOTEAROA

*For Supervisor's use only*

## Level 2 Economics, 2009

### 90795 Describe international trade and its causes and effects using economic models

Credits: Four

2.00 pm Tuesday 24 November 2009

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

Answer ALL the questions in this booklet.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–8 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.**

<i>For Assessor's use only</i>	<b>Achievement Criteria</b>		
<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>	
Describe international trade and its causes and effects using economic models. <input type="checkbox"/>	Explain international trade and its causes and effects using economic models. <input type="checkbox"/>	Fully explain international trade and its causes and effects using economic models. <input type="checkbox"/>	
<b>Overall Level of Performance</b>			<input type="checkbox"/>

You are advised to spend 40 minutes answering the questions in this booklet.

**QUESTION ONE**

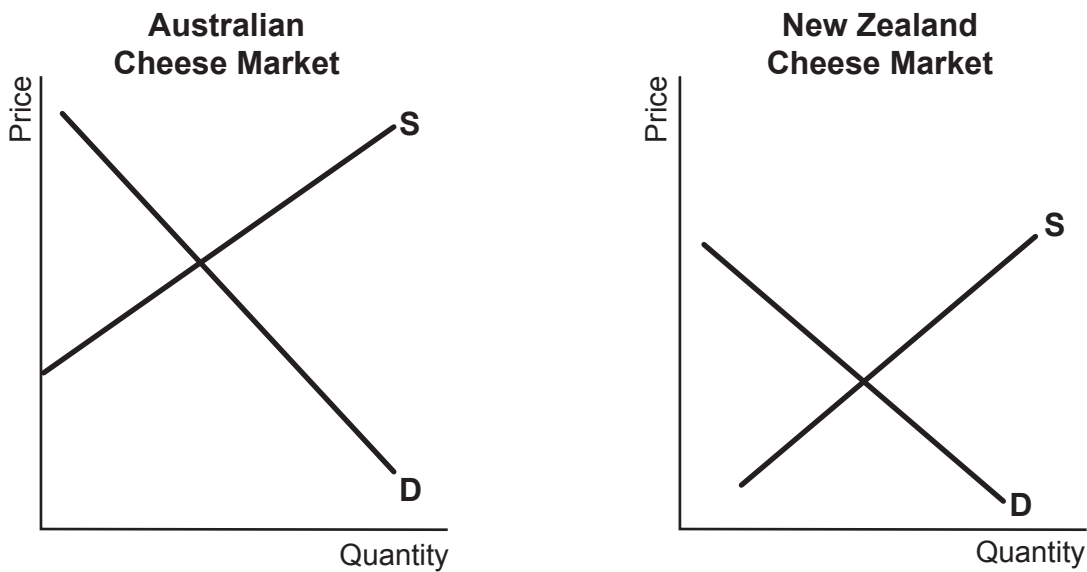
Dairy Products (milk powder, butter, and cheese) comprise New Zealand's highest-grossing export product group.

(a) Name TWO **more** of New Zealand's top five **visible exports** by value.

(1) \_\_\_\_\_

(2) \_\_\_\_\_

**The Two-country Model**



(b) On the Two-country Model above, label:

- (i) the equilibrium **price** and **quantity** for both markets ( $P_A$ ,  $Q_A$ ,  $P_{NZ}$  and  $Q_{NZ}$ ) before trade
- (ii) the **price** ( $P_T$ ) at which trade would occur
- (iii) the **quantity** of exports (using an **X** beside a double-headed arrow)
- (iv) the **quantity** of imports (using an **M** beside a double-headed arrow).

(c) Use your labelled model above to explain why trade will occur.

---



---



---



---



---



---



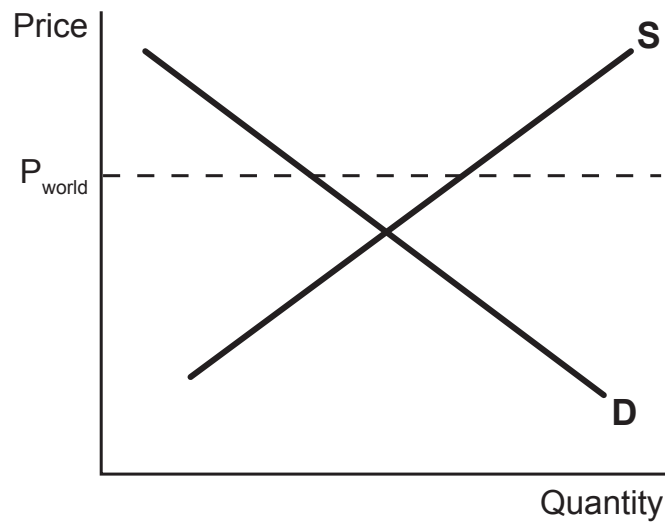
**QUESTION TWO**

(a) State New Zealand's FOUR most important **visible** export **markets**.

- (1) \_\_\_\_\_
- (2) \_\_\_\_\_
- (3) \_\_\_\_\_
- (4) \_\_\_\_\_

*Zespri* announced that kiwifruit growers will receive an increase in the price they were expecting because of an increased price in export markets.

Source (adapted): *New Zealand Herald* 19 December 2008.

**New Zealand Market for Kiwifruit**

(b) On the graph above, show:

- (i) the **quantity** of exported kiwifruit at  $P_{\text{world}}$  and label it as **X**
- (ii) the **quantity** of exported kiwifruit after the increase in the world price and label it as **X<sub>1</sub>**.

(c) Explain the **change** you have made to the graph above. Refer to the importance of the world price of kiwifruit.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(d) **Fully explain** the **effect** on kiwifruit producers of a **depreciating** New Zealand dollar.

In your explanation, you should refer to:

- export receipts and import payments
- the advantage(s) or disadvantage(s) for kiwifruit exporters after the depreciation.

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

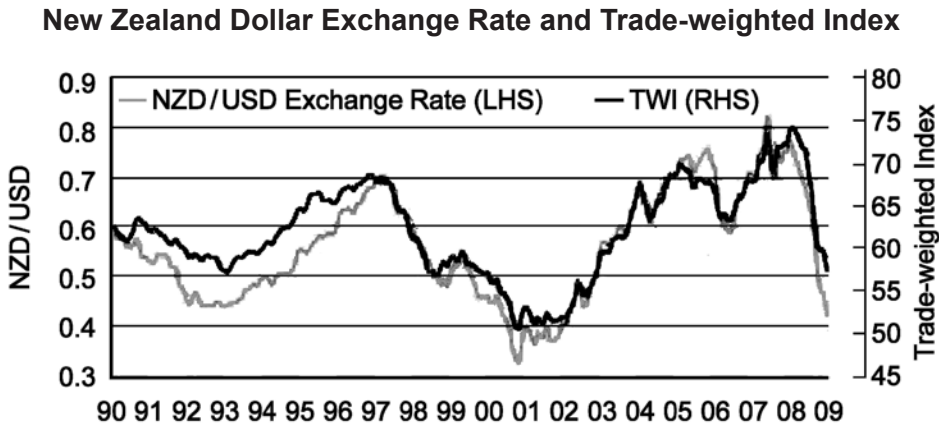
---

Assessor's  
use only

**QUESTION THREE**

- (a) State the name of the **Balance of Payments account** that records the value of transactions generated by tourists visiting New Zealand.

---



Source: <http://www.rbnz.govt.nz/keygraphs/fig8.html>

- (b) In 2001, the New Zealand dollar was worth approximately \$0.40 US. Explain why New Zealand attracted large numbers of overseas students who were, at that time, seeking to be educated here.

---



---



---



---



---



---



---

- (c) (i) Refer to the graph above and the depreciating New Zealand dollar to explain why tourist numbers may be expected to **increase** in 2009.

---



---



---



---

- (ii) Explain why the expected increase in tourist numbers **may not** occur in 2009. Refer to the world-wide recession in your answer.

---



---



---



---



---

The export education industry's contribution to New Zealand's GDP was estimated to be about \$2.1 billion. On average, fee-paying students from other countries spent \$6 500 on tuition fees and \$17 600 on living costs such as accommodation, food, and travel annually.

Source: <http://www.nzvcc.ac.nz/node/341>

- (d) **Fully explain** the **effect** that fee-paying students from other countries have on the **education industry AND economic growth** in New Zealand.

---



---



---



---



---



---



---



---



---



---



---



---



---



---



---



---



---



---



---



---



---



---

