**Level 2: Future Proofing Influence**

**Political future proofing influence**

**Tariffs**

**Teacher Note:**This worksheet provides an example of **political** future proofing influence based on tariffs. The students need to read the article “**New Zealand wine industry dealt $112m Trump tariff blow”.**

**Discussion Questions**: These are designed to stimulate discussion and deepen understanding tariffs, what they are and the impacts they have on an agribusiness.



**New Zealand wine industry dealt $112m Trump tariff blow**

<https://www.nzherald.co.nz/business/112-million-in-extra-duties-nz-wine-industry-dealt-trump-tariff-blow/VZMJWGLW6NFOPLLCW2KHSUEN6U/>

The New Zealand wine industry is facing hundreds of millions of dollars in extra tariffs, in a blow for the sector.

United States of America (US) President Donald Trump last week imposed 15% tariffs on exports from New Zealand, up from the previously advised 10%. The US is New Zealand’s largest wine export market, worth about $750 million a year.

NZ Winegrowers advocacy general manager Sarah Wilson told Herald NOW’s Ryan Bridge the tariff announcement was “very concerning”. “We believe it will have a significant impact on our wine growers,” Wilson said. “Your typical bottle of New Zealand wine six months ago, that tariff was about 10 cents and now we are looking at more like $1.10. That is $112m in extra tariffs that has got to come from somewhere.”

Wilson said it would be a decision for each business as to how those tariffs would be absorbed. “What I can say is the bigger the tariff the more difficult it is going to be to absorb those costs.”

She said New Zealand was at a disadvantage from a tariff perspective as some of its competitors in the wine sector, including Australia, Chile and Argentina, faced lesser tariffs of 10%.

“What we have seen with these tariff announcements is that a lot of those countries are at different tariff rates from us… it is that differentiation that is a real concern.

“We are still well placed because we have a strong reputation for the wine that we produce in New Zealand. We are known for producing distinctive wines, sustainable wines – that has not changed, but certainly from a tariff perspective it puts us at a disadvantage.”

Wilson said it was difficult to say if the tariff hike would affect export volumes to the US.

“We will certainly be keeping a watch out for that, but certainly we hope that the existing reputation that we have got will put us in good stead.”

The US was the second-largest export destination for New Zealand goods last year, with a total value of $9 billion, according to Stats New Zealand. Trade expert Stephen Jacobi [told the Herald last week](https://www.nzherald.co.nz/business/us-slaps-15-tariff-on-nz-goods/ONYT7MPSRRHNXJMTBIDT4FI2W4/) the tariff was unjustified at 10%.

“And it’s now even more unjustified,” he said. “We impose very few tariffs on the United States.”

He said the impact of the tariffs on New Zealand exports would depend on the individual sector.

New Zealand International Business Forum (NZIBF) executive director Felicity Roxburgh said the US tariff move [would cause real pain for New Zealand exporters](https://www.nzherald.co.nz/business/new-zealand-will-be-worse-off-than-its-competitors-under-new-us-15-tariff-regime-international-business-group-warns/4CPMOQTI6JCBJOEBZVRCNKLXN4/).

“What people have been talking about a lot is the competitive disadvantage relative to other partners...”

She said importers typically pay tariffs through customs agents when they pick up goods.

“But basically, people have contracts and that tariff is sometimes shared, sometimes passed back to the exporter, and sometimes the importer will absorb it and pass it on to the consumer.”

**Discussion questions**

1. What is a tariff?
2. Discuss reasons why the US has placed a 15% tariff on New Zealand exports to the USA.
3. Describe the impact of the15% tariff on the New Zealand wine industry.
4. Discuss the short and long term impact this could have on the wine industry.

**Answers**

1. What is a tariff?

A tariff is a tax placed on imported or exported goods. Governments use tariffs to:

* Raise money,
* Protect local industries by making imported goods more expensive,
* Or as part of trade negotiations or disputes.

1. Discuss reasons why the US has placed a 15% tariff on New Zealand exports to the USA.

The 15 % tariff is aimed to:

* Protect American industries from foreign competition,
* Use tariffs as a political and economic tool during trade negotiations.

1. Describe the impact of the 15% tariff on the New Zealand wine industry.

* The impact on New Zealand’s wine industry is significant:
* A bottle of New Zealand wine that used to face a 10-cent tariff may now have a $1.10 tariff. Across the industry, this could total $112 million in extra costs.
* Other wine-producing countries like Australia, Chile, and Argentina face lower tariffs (10%), giving them a price advantage over New Zealand wine in the US market.
* Wine exporters will have to decide whether to:
  + Absorb the extra cost (reducing profits),
  + Increase prices (which might lower demand), or
  + Split costs with importers.
* It is unclear if US consumers will keep buying New Zealand wine at higher prices, which could lead to reduced exports and financial strain for producers.
* The tariff adds pressure to the US-NZ trade relationship, especially since the US is New Zealand’s second-largest export market overall.

1. Discuss the short- and long-term impact this could have on the wine industry

Short-Term Impacts

* The sudden jump from a 10% to a 15% tariff means extra costs per bottle—up to $1.10 more.
* Exporters may need to absorb the costs, reducing profits, or increase prices, which risks losing buyers.
* New Zealand wine becomes more expensive in the US compared to wines from countries like Australia, Chile, or Argentina, which have lower tariffs.
* This may lead to lost market share in the US —currently New Zealand’s biggest wine export market.
* US importers might reconsider their contracts or switch to cheaper suppliers.
* Exporters may need to renegotiate pricing, which creates uncertainty in trading partnerships.
* Wine already on the way to the US could incur unexpected costs, causing short-term financial strain or unsold stock.

Long-Term Impacts

* If New Zealand wine becomes permanently less competitive due to high tariffs, it could lose its strong position in the US market.
* Regaining lost customers may be difficult and expensive.
* The industry may shift focus to other countries with lower tariffs or free trade agreements (e.g. UK, EU, Asia).
* This could help reduce dependence on the US, but building new markets takes time and investment.
* Smaller producers may struggle to survive if they rely heavily on US exports.
* Larger companies might invest in cost-cutting, automation, or premium branding to stay competitive.
* The tariff could encourage more pressure on the New Zealand government to negotiate a trade deal with the US or reduce tariffs through international agreements.
* New Zealand winegrowers might double down on branding, focusing on sustainability, quality, and unique flavours to justify higher prices in premium markets.