**Level 3: Future Proofing Strategies**

**Political Strategies.**

**Teachers Note:**

**Objective:** To understand “**Geopolitical Risks for Kiwi Exporters”**

Read the article and summarise the **Geopolitical Risks for Kiwi Exporters**

**Geopolitical dilemma for Kiwi exporters**

[**https://www.ruralnewsgroup.co.nz/rural-news/rural-general-news/geopolitical-dilemma-for-kiwi-exporters**](https://www.ruralnewsgroup.co.nz/rural-news/rural-general-news/geopolitical-dilemma-for-kiwi-exporters)

[](https://www.ruralnewsgroup.co.nz/media/k2/items/cache/4b9843fb7f8fe048634adf3f7e64c531_XL.jpg)Jan Lambregts, Rabobank, says geopolitics is playing a major part how countries are trading.

**New Zealand runs the risk of being caught up in the economic war between China and the United States of America (US), according to Rabobank's head of global economics and research, Jan Lambregts.**

He says this is all part of the new era of disruption of which geopolitics is playing a major part. He says the situation has changed from the time when the world was hypo-globalised and where everyone was chasing a buck and trade was much freer.

"Now you could argue the world is re-globalising - especially with the cold economic war between China and the US and everyone else is being caught up in this including New Zealand," he says.

The problem says Lambregts is that it is becoming increasingly difficult for countries to remain neutral in this economic war. He notes for example Australia is inextricably tied to the US. He says both American and China are trying to force countries to take sides and for New Zealand that is a problem given our high dependence on that market for our primary exports.

He says the US is putting a lot of pressure on China by cutting off their access to American made high end semiconductors.

"That is massive given China's ambition is to become a market leader in all these sectors in the next five to ten years. But right now, they do not have access to that sort of technology. It is a case of both countries wanting to be 'top dog'," he says.

Lambergts says he was predicting the proxy economic cold war between China, and the US would occur five years ago and says he had trouble convincing his colleagues about this. But says his predictions have now come true.

He says the other geopolitical issue that is affecting trade is the war in Ukraine. Lambregts believes the Ukrainians have more to gain by fighting than sitting around the negotiating table and says the Russians are clearly in the war for the long haul and do not want to negotiate earlier. He says if both sides think they have more to gain by fighting than from negotiating then the outcome is clear - both sides will just keep on fighting even though they are running out of ammunition, people, and material.

"I fail to see a breakthrough for either and I struggle to see them negotiate a ceasefire. The likelihood is this will become a frozen conflict that will last for years, and the disruption will last for years," he says.

Lambregts says the breadbasket of Europe has been disrupted by the Ukraine conflict, but he says the record grain harvest in Russia has helped mitigate the problem and people, realising the conflict may be long term, are looking at ways of overcoming the disruption.

He says the New Zealand - China relationship is a delicate one that requires careful handling.

He says it is not a case of suddenly ending a very successful trading relationship, rather it is a case of New Zealand continuing to find new markets and not become reliant on one market. Lambregts says there are other markets close to New Zealand which offer opportunities such as Indonesia, the Philippines and Thailand. India is another, he says.

Lambregts says his key message is that people now need to be more aware of and better informed about the world re-globalising and the implications of this in terms of trade. He says there is a risk that some customers may demand that exporters choose sides, and that policymakers, politicians and businesspeople need to be vigilant about this.

**Summary of Geopolitical Risks for Kiwi Exporters**

* Economic conflict between US and China:  
  New “re-globalisation” era where countries are pressured to take sides in the US - China economic cold war.
* Pressure on New Zealand:  
  New Zealand is highly reliant on China for exports, making neutrality difficult and risky amid geopolitical tensions.
* US restrictions on China:  
  US cutting off China’s access to high-end semiconductors to curb China’s technological ambitions.
* War in Ukraine:  
  Creates long-term disruption in global supply chains, especially affecting grain markets; expected to become a prolonged frozen conflict.
* Trade diversification:  
  New Zealand needs to reduce reliance on China by exploring other nearby markets such as Indonesia, the Philippines, Thailand, and India.
* Vigilance needed:  
  Exporters and policymakers must be aware of geopolitical risks, as customers or governments may demand exporters “choose sides.”
* Careful diplomatic handling:  
  New Zealand - China trade relations remain important but require cautious management.