China launches anti-dumping investigation into Australian wine exports
Tuesday, August 18, 2020 0 by foreign affairs reporter Stephen Dziedzic

China has launched an anti-dumping investigation into Australian wine exports, as trade tensions between Beijing and Canberra continue to escalate. Wine is the third Australian industry to be hit by China this year, with beef and barley exports already facing trade sanctions.

China's Government has also warned both tourists and students not to travel to Australia as the relationship between the two countries sours. China's Ministry of Commerce announced the investigation this morning. The ministry said it would look at whether Australian winemakers "dumped" bottles of wine at deliberately low prices in order to crowd out local producers and claim a bigger market share. The move has already sent tremors through the industry.

Last year Australian wine exports to China were valued at $1.25 billion, more than a third of the whole wine export market. Shares in Treasury Wine Estates are already in a trading halt after plunging almost 15 per cent this morning.

Fears of 'catastrophic' impact on wine industry

In a statement, Treasury Wine Estates said it "would cooperate with any requests for information from Chinese and Australian authorities". "TWE has had a long and respectful relationship with China over many years through its team, partners, customers and consumers," the statement said. Trade Minister Simon Birmingham said Chinese authorities also warned Australia they may launch a second investigation into whether the Australian wine exports were benefitting from government subsidies. "This is a very disappointing and perplexing development," Senator Birmingham said. "Australian wine is highly sought after in China because of its quality. Australian wine is not sold at below-market prices and exports are not subsidised."

Industry sources have also scoffed at the suggestion that Australian wines were being dumped cheaply in China. Victorian wine consultant James Hall said the average Australian bottle of wine being purchased in China was three times more expensive than a bottle of wine produced there. "The value of Australian wines being imported into China has almost doubled in value in the last three years," he told ABC Statewide Drive Victoria. "We have the second-highest prices per litre of any wine being imported into China. "It's just crazy. It's a decision that seems to be political."

Jeffrey Wilson from the Perth USAsia Centre said a clear pattern of economic coercion was now emerging. "China's probe against Australian wine follows the same logic as recent moves against barley — the use of seemingly 'technical' trade measures to disguise what is fundamentally a political sanction," he said. "The Chinese ambassador to Australia publicly threatened such sanctions on wine in April, making it an extreme stretch of credulity to believe this is a routine trade policy investigation." Mr Wilson also warned that the wine industry would be badly hurt if the Chinese Ministry of Commerce concluded it had been dumping, and imposed trade sanctions. "With
China buying just over a third of Australia’s wine exports — the largest market by a wide margin — the effects of any duties would be potentially catastrophic for this large regional employer," Mr Wilson said.

Australian Grape and Wine chief executive Tony Battaglene said he was "surprised" by China’s announcement, and suggested the Ministry of Commerce had made the move to help local producers. "We thought this had all calmed down, but we do know the Chinese industry that made the complaint has been struggling in a COVID world," Mr Battaglene said. "We'll now be issued with questionnaires from the Chinese authorities directed at any companies they've identified as potentially dumping ... China will then use that to investigate, one, if dumping has occurred and, secondly, if any damage to their industry has occurred." Mr Battaglene said the industry expected the investigation to conclude in August next year.

The move is likely to arouse renewed suspicions in Canberra that China is using its economic heft to punish Australia. The bilateral relationship has been battered by a series of disputes. The Federal Government angered Beijing when it decided to lock the Chinese telco Huawei out of Australia's 5G network, while Australia has been deeply frustrated by intensifying cyber attacks emanating from China. The Australian Government has also repeatedly criticised Beijing's militarisation of the South China Sea and its crackdown on Hong Kong. China has denied that its move to impose tariffs on Australian barley and suspend imports from some Australian abattoirs are linked to broader political tensions. But earlier this year China's ambassador to Australia, Cheng Jingye, warned that Chinese consumers might boycott Australian goods because of Canberra's push for an independent inquiry into the coronavirus outbreak.

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**Work**
- Rise of unemployment
- On-the-go consumption
- Remote working
  "20x increase in Zoom daily participants"
  Source: Bond Capital

**Learning**
- Spend on learning adjacencies
- Remote learning
  "~36% of Netflix subscribers use it for educational content"
  Source: YouGov

**Communications and information**
- In-person sampling decline
- Shift in media consumption
  "Further migration to digital"

**Travel and mobility**
- Reduction in tourist spend and travel retail
- Increase in domestic tourism
  "80% reduction in international travel and related tourist spend"
  Source: McKinsey analysis in partnership with Oxford Economics

**Shopping and consumption**
- Surge in e-commerce
- Preference for trusted brands
- Decline in discretionary spend, trading down
- Larger basket, reduced shopping frequency
- Shift to stores closer to home
- Polarization of sustainability
  "Personal disposable income is not expected to recover to pre-crisis level until Q2 2024 in the US"
  Source: McKinsey analysis in partnership with Oxford Economics

**Life at home**
- Nesting at home
- Surge in online
- Home is reclassified as the new coffee shop, restaurant and entertainment center

**Play and entertainment**
- Preference for digital entertainment
- Entertainment channel shift (eg, cinema to streaming)
- Additional play time
  "Disney+ achieved in 5 months what took 7 years for Netflix"
  Source: PhoneArena

**Health and well-being**
- Focus on health and hygiene
- Acceleration of organic, natural, fresh
- Fitness on-demand
- E-pharmacy and e-doctor at scale
  "Monthly year-over-year growth of organic produce in the US increased by 10x in March compared with January and February"
  Source: Organic Produce Network

*New Normal Consumer*