

Australia's state of relations with China are further worsening. The diplomatic relations are on the brink after a recent series of events. Back in April 2020, when Australian minister for foreign affairs called for W.H.O investigations into the origins of deadly COVID-19 virus. This angered China as the move by Australia might humiliate china on the international platform. Australia angered China when the Australian government denied permission to the Chinese telecom company 'Huawei' for Australia's 5G network operations. China's Government has issued statements to the citizens of China and warned both tourists and students not to travel to Australia.

Australia has also seen constantly criticising China's militarisation of the South China Sea and its crackdown on Hong Kong. It looked like China wants to set an example for the rest of the world when China locked horns with Australia. It started with Barley and continued with Beef, Coal, Lobster, Wine and Timber.



Image source: World Grains

## **Barley**

In May 2020, China imposed a massive 80% tariff on Australian barley imports, saying the Barley has been imported against trade rules of China. China's Ministry of Commerce said its "domestic industry had suffered substantial damage". Barley is considered one of Australia's top three agricultural exports to China. An average of 4.5 million tonnes of barley is sold to China from Australia each year. The Australia barley trade was worth 2.1 Billion Dollars for the years 2018-2019.

### **Beef**

China has imposed the red meat import ban on four Australian meat production units in the first half of 2020. These four banned beef processing units alone represent 35% of total beef exports to China. This Australian beef trade with China was on track to reach \$3.5 billion this year. This blacklisting move came just days after China planned to introduce an 80% tariff on barley, which is considered one of the top 3 agricultural exports of Australia to China.

### **Coal**

China state-owned media 'The Global Times' reported in Dec 2020, that China has formalised import restrictions of coal from Australia. This is to target Australia's \$14bn coal exports to China. Australia exported \$64 billion worth of coal in 2019. This sudden move of China has caused an immediate decline in ASX mining stocks.

### **Lobster**

In December 2020, \$2 Million worth live rock lobsters were left stranded at Chinese ports/airports, after the surprise lobster checks at Chinese ports. China's Customs agency alleged that the lobsters may be contaminated.

### **Wine**

According to Wine Australia report, there are as much as 52 million people inside China who regularly drink imported wine. This makes China, one of the most valuable markets in the world for imported wine. China bought \$1.2 billion of Australian wine in 2019-2020, which amounts to almost 130 million litres of Australian wine. Australian wine isn't cheap. It's the second most expensive available on the Chinese market. China has launched an anti-dumping investigation into Australian wine exports in Aug 2020. 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.

### **Timber**

In early December, China’s Customs authority officially issued a statement, a pest (bark beetle) had been detected in shipments of Timber logs from Australia. China customs authority strengthened the checking of Timber logs which were exported by Australia. The customs administration office in a statement said they would return any Australian Timber cargoes found with pests. Later, China suspended importing Timber from Australia.



### **Where does India fit into all of this?**

India is rising power in South East Asia, at terms India is seen as the alternative for China given the fact that India has vast resources and abundant cheap labour. India is already providing strong numbers in tourism and education in Australia. Republic of India’s diplomatic relations with Commonwealth of Australia developed as soon as Prime Ministers Narendra Modi and Scott Morrison took the offices.

Many of Australia's leading winemakers are very eager to export the wine to countries like U.K, U.S.A and India, which is known for its booming population. The Australian wine industry is pressuring the Government to finalise the bilateral trade deal with India which could boost the wine industry in Australia. This bilateral trade deal between India and Australia is called as the Australia-India Comprehensive Economic Cooperation Agreement. This same agreement has been in shelves for about 9 years now. Barley is already Australia's big export to India and Australia had a recent boost with India accepting Australia's malting barley.

As the coal is stocked up in Australia due to china's import restrictions, Australia's new Trade Minister, Dan Tehan, has shown interest to sell Coal to India in bulk. India is Australia's third-largest customer for thermal & metallurgical coal. Australia exported 16% of total coal production to India in 2019 which amounts for \$10.5 billion. The minister wants to open the negotiations once again for the bilateral deal with India.



Image source: News.au

Coming to Timber, Australia might have a big relief in the form of India. India is one of the world's largest timber importer. With the growing demand since last few years in India, for western-style furnishings, India is largely importing Timber. Australian Timber industry took a big blow as China banned all the imports of Timber from Australia. India can be an

alternative to China for Timber imports. "India is a great friend of Australia and further strengthening the trading relationship between us will be mutually beneficial," Australia's Trade minister has already said.

All in all looks like, it is the high time for the two nations to come together for a bilateral trade deal and start another round of negotiations for the Australia-India Comprehensive Economic Cooperation Agreement.

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