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China may lift tariffs on australian wine

China and Australia's wine dispute: a potential resolution in sight?

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Amidst the international trade disputes that have soured relations between China and Australia, there is fresh hope on the horizon for the Australian wine industry. Recent developments in trade negotiations, including China's decision to lift tariffs on Australian barley, have fueled speculation that the punitive tariffs imposed on Australian wine exports may soon be revoked.

Historical Context of the Dispute

In November 2020, in the midst of rising tensions between the two nations, China instituted trade tariffs on Australian wine. Initial rates were set at 107.1% to 212.1%, varying by company. These rates were further raised in March 2021, with tariffs soaring between 116.2% and 218.4%. This move had a staggering impact on the Australian wine industry, eroding approximately AUD$2.08 billion off the value of its wine exports in the fiscal year ending 30 June 2022.

A Turning Point in Barley Trade

The tide seemed to be turning when, in a surprising move, China's commerce ministry announced last week its decision to rescind the 80.5% tariffs imposed on Australian barley. This decision was attributed to the "changes in the market situation of barley in China", leading to the conclusion that there was no longer a need to levy duties on the imported grain from Australia.

Reacting to this development, Australian Trade Minister, Don Farrell, conveyed his optimism about the situation. In an interview with CNBC, he stated that he was "extremely confident" about the eventual removal of tariffs on Australian wine. Drawing parallels to the barley tariff situation, Farrell suggested the possibility of using it as a "template" for addressing the wine tariff issue.

Australia's WTO Challenge

In response to China's barley tariffs, Australia had initiated a challenge with the World Trade Organisation (WTO). This challenge was momentarily suspended when China intimated its intent to review the barley tariffs. Following China's recent decision to lift the barley tariffs, the Australian government officially decided to cease its WTO challenge on the matter.

However, it's worth noting that the WTO challenge concerning the wine tariffs remains active, signaling Australia's intent to continue pursuing a resolution.

The Road to Resolving Differences

Farrell, emphasizing diplomacy, remarked, "I've consistently said, including in my warm meetings with the Chinese commerce minister, Wang Wentao, that we would prefer to resolve all of our disputes with China through discussion and dialogue, rather than disputation."

Moreover, a significant diplomatic event took place in November when Australian Prime Minister, Anthony Albanese, met Chinese President Xi Jinping. This meeting, the first between leaders of the two nations in six years, rekindled hopes for normalized relations, potentially paving the way for the removal of punitive tariffs on Australian exports.

More recently, in January, China opted to lift its unofficial ban on Australian coal, further hinting at a thawing of relations.

Wider Trade Implications

It isn't just the wine industry keenly observing these developments. The Australian government has expressed its confidence in presenting its case to the WTO concerning other trade impediments, including those affecting red meat and lobster exports.

With global economies intricately intertwined, the resolution of trade disputes benefits not just the directly involved parties but has a cascading positive effect on global trade dynamics. As discussions between China and Australia continue, many hope for the dawn of a new era of cooperation between the two nations.