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China Hits EU Brandy with Tariff Threat

China Finds EU Brandy Dumping, Threatens Tariffs

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China's Ministry of Commerce (MOFCOM) has concluded a nine-month investigation into alleged dumping practices by European Union (EU) brandy producers. The investigation, which began in January, aimed to determine whether European producers were selling brandy in China at prices below market value, thereby threatening the

local distilled spirits industry. The findings have heightened tensions between China and the EU, with potentially significant repercussions for the global spirits market.

On August 29, MOFCOM announced that it had found sufficient evidence to suggest that EU producers, particularly from France, had been engaging in dumping practices. These practices, the ministry argues, could cause "substantial harm" to domestic Chinese producers of distilled beverages. Despite these conclusions, MOFCOM has refrained from immediately imposing tariffs. The ministry's decision is preliminary, and the final measures will be determined once the investigation is fully concluded. This leaves the door open for potential changes, including the imposition of tariffs that could average 34.8% on wine-based spirits, marc, and brandy imported from the EU.

The announcement has caused significant concern within the European brandy industry, particularly in France, which is home to Cognac—a product that is highly valued in China. Florent Morillon, president of the Bureau National Interprofessionnel du Cognac (BNIC), expressed alarm over the potential impact of such tariffs on the industry. China is a critical market for Cognac, accounting for 25% of its global exports. Morillon emphasized that the industry's transparency and full cooperation throughout the investigation make the allegations particularly frustrating.

The investigation is seen by some European officials as a retaliatory move by China, following the EU's inquiry into Chinese electric vehicle subsidies. This has led to speculation that the brandy industry may be caught in the crossfire of a larger political and economic conflict. Morillon noted that the brandy sector has become a "collateral victim" in this broader dispute, which threatens to deprive Chinese consumers of a product they have long cherished.

The scope of the investigation is specific to wine-based spirits, marc, and brandy imported into China from the EU in containers smaller than 200 liters. Products imported in larger containers are exempt from the proposed tariffs. This distinction is significant, as smaller containers represent about 90% of the direct value of EU spirits exports to China.

Ulrich Adam, director general of spiritsEurope, expressed cautious optimism that no provisional tariffs have been imposed. Adam reiterated that the evidence provided by European producers during the investigation was robust and demonstrated that the conditions for initiating the investigation were not met. He also questioned the adequacy of the evidence of dumping presented by Chinese petitioners.

Industry Response

Leading European spirits companies, such as Rémy Cointreau, which produces the renowned Cognac brands Louis XIII and Rémy Martin, have responded by pledging continued cooperation with Chinese authorities. The company is also exploring various strategies to mitigate any potential negative outcomes from MOFCOM's final decision. In a statement, Rémy Cointreau highlighted the importance of China as a long-standing trade partner and affirmed its commitment to investing in the country to secure future growth.

The investigation's outcome could have far-reaching consequences, not just for the brandy industry but for EU-China trade relations as a whole. As trade tensions between the two regions escalate, there are growing concerns about possible retaliatory measures in other sectors, which could further strain economic ties. The situation underscores the delicate balance between economic interests and geopolitical considerations in the current global trade environment.

As the industry awaits MOFCOM's final decision, European producers and Chinese importers alike are bracing for the potential impacts. The resolution of this dispute will likely influence the future of the global spirits market, particularly in how major brands navigate the increasingly complex landscape of international trade relations.