



EconoBite

March 2021

Year 12

Chinese Trade Sanctions on Australian Goods

China's list of sanctions and tariffs on Australian trade is growing. Here is what has been hit so far.

Commodity	Supporting Information
Barley	In May, Australian grain growers were hit for six when China announced tariffs of 80 per cent on barley. After an 18-month investigation into claims Australian farmers had engaged in anti-competitive behaviour, China announced the anti-dumping tariff would be 73.6 per cent, while the anti-subsidy tariff would be 6.9 per cent.
Beef and Lamb	Four major Australian beef exporters were blacklisted by China over claims of mislabelling. Two more Queensland abattoirs have since been suspended from sales to China, including John Dee over claims meat was contaminated, while no reason was given for the suspension of Meramist.
Wine	In August, China launched an investigation into claims Australian wine makers' dumped wine, and followed up days later with a separate investigation into claims winemakers were subsidised. It has since introduced interim tariffs of up to 200 per cent for dumping, and added insult to injury with a six per cent tariff for countervailing duties.
Cotton	The cotton industry could face tariffs as high as 40 per cent, a sanction that could make the trade with China unviable.
Lobster	Tonnes of live Australian lobsters were left to die on the tarmac as China's customs delayed quarantine inspections in November, fuelling uncertainty among Australian fishers.
Timber	China is refusing to accept timber from four Australian states. The detection of bark beetle in a shipment of Queensland timber led China to block that trade in early November.
Coal	By early December, fourth quarter exports had fallen by 82 per cent and Australia's largest coal port, Newcastle, had completely stopped sending coal to China altogether. The knockout blow came when China's state media seemingly confirmed that Beijing has blocked Australian coal imports, jeopardising \$14.5 billion of trade.

Adapted from: <https://www.abc.net.au/news/2020-12-17/australian-trade-tension-sanctions-china-growing-commodities/12984218>



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QUESTIONS:

- Identify and explain any two arguments used by China to restrict trade with Australia.
- Use a demand and supply model, to demonstrate the impact of trade protection and their effects on trade and efficiency.



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Teacher Notes

Purpose

This 'bite' aims to explore the impact of China's recent trade protection action on Australian exports.

Prior knowledge

Students should have knowledge about the principles of free trade and protection. It relates to the following syllabus dot points.

- the significance of trade for the Australian economy
- sources of comparative advantage
- demonstrate the gains from specialisation and trade i.e. the theories of absolute and comparative advantage, using the demand and supply model, the production possibility frontier model and/or the concept of opportunity cost
- identify different forms of protection
- demonstrate the operation of tariffs and subsidies as forms of protection and their effects on trade and market efficiency
- arguments for and against trade liberalisation



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