

The PRC's use of border blocks on food and beverage imports: Quantifying Australia's position

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Key takeaways

- Blocking imports at the border for alleged Sanitary and Phytosanitary (SPS) reasons and Technical Barriers to Trade (TBT) are potentially attractive tools for economic coercion because they are notoriously difficult to litigate. Food and beverage products are particularly vulnerable.
- The end of 2019 marked a point of inflection in the Australia-China trading relationship. While the political relationship had been on a downward trend since the latter half of 2016, the trading relationship had theretofore remained relatively unscathed. Throughout 2020, trade disruptions took various forms including anti-dumping and anti-subsidy tariffs, verbal warnings, unofficial media reports and border blockages.
- In 2019, the People's Republic of China's (PRC's) Food and Beverage (F&B) imports from Australia were worth AU \$8.2 billion. A quantitative analysis of SPS and TBT measures by the PRC does not indicate an overall ramping up against, or a singling out, of Australia in recent years as the bilateral political relationship has deteriorated.
- In 2019 Australian products, weighing 2,251 tonnes, were rejected 71 times at PRC ports. In 2020 Australian products, weighing 926 tonnes, were rejected 70 times. Countries including Russia, Vietnam, India and Thailand experienced worse interruptions by frequency and weight.

1. Introduction

The political relationship between Australia and the People's Republic of China (PRC) has been on a downward trajectory since the second half of 2016.¹ But the spill over to trade was minimal through to the end of 2019. This changed in 2020. As trade disruptions proliferated as the year unfolded, it became increasingly difficult for Beijing to plausibly claim there was not a coercive element to their actions.

The forms these disruptions took varied. On May 18 2020 Australian barley exports were hit with anti-dumping and anti-subsidy tariffs. On October 9 2020 reports emerged of PRC state-owned utilities and steel mills being given verbal notice to stop importing Australian coal.² A third category involved blocking Australian goods at the border using non-tariff barriers, notably Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT). For example, on May 12 2020 a PRC Foreign Ministry spokesperson confirmed that four Australian abattoirs had had their certification to supply the Chinese market suspended due to 'repeated

¹ Elena Collinson, 'Australia's tilt on China', Australia-China Relations Institute, University of Technology Sydney, July 4 2017 <<https://www.australiachinarelations.org/content/australias-tilt-china>>.
² Elena Collinson and Thomas Pantle, 'Australia-PRC trade and investment developments: A timeline', Australia-China Relations Institute, University of Technology Sydney, January 28 2021 <<https://www.australiachinarelations.org/content/australia-prc-trade-and-investment-developments-timeline>>.

violations of inspection and quarantine requirements'.³ Another example was on September 1 2020 when the General Administration of Customs People's Republic of China (GACC) revoked the registration qualification of Australian grain cooperative CBH Grain, Australia's largest grain exporter, for barley exports due to alleged multiple detections of quarantine pests.⁴

Stopping goods at the border for alleged SPS and TBT violations may be done for legitimate reasons such as to protect human, animal or plant life or health within the importing country. However, they are also attractive for coercive or other purposes, such as to protect domestic producers from international competition, because they are notoriously difficult to litigate against using international trade rules. Australian National University academics Darren Lim and Victor Ferguson have contended that the PRC's moves last year appeared to 'follow a familiar playbook, in which the Chinese government relies on technical regulatory measures to restrict exports, while denying any retaliation is taking place'.⁵

The purpose of this brief is to perform a quantitative analysis of the PRC's use of alleged SPS and TBT violations against Australian food and beverage (F&B) exports. F&B products are amongst the traded goods most regularly affected by SPS and TBT measures. One of the surest signs of coercive action would be a ramping up of alleged violations by Australian producers as the political relationship between Canberra and Beijing experienced a sharp, negative step-change in 2020. Accordingly, this brief compares the PRC's SPS and TBT actions against Australian F&B exports in 2020 with those in 2019. Further, the extent of these measures against Australian producers are also compared with those levelled at producers from other countries for added context.

A key finding is that despite the attention given to the PRC's SPS and TBT measures against Australian F&B exports in headlines and commentary, in fact there is little to suggest that such actions increased in 2020 or that Australian producers have been singled out. This brief adds to previous research by the Australia-China Relations Institute at the University of Technology Sydney (UTS:ACRI) that aims to inform an accurate assessment of coercive risks consequent to Australia's trade exposure to the PRC.⁶



- 3 Stephen Dziedzic, 'China's meat import suspension a reminder of Beijing's ability to inflict economic pain', *ABC News*, May 13 2020 <<https://www.abc.net.au/news/2020-05-13/china-import-suspension-reminder-beijing-inflict-economic-pain/12243560>>.
- 4 General Administration of Customs China, '大麦检出检疫性有害生物 海关总署暂停澳大利亚1家企业对华出口 (Barley detected quarantine pests General Administration of Customs suspends export of 1 Australian company to China)', September 1 2020 <<http://www.customs.gov.cn/customs/xwfb34/302425/3266263/index.html>>.
- 5 Darren Lim and Victor Ferguson, 'In beef over barley, Chinese economic coercion cuts against the grain', *The Interpreter*, May 13 2020 <<https://www.lowyinstitute.org/the-interpreter/barney-over-beef-chinese-economic-coercion-cuts-against-grain>>.
- 6 James Laurenceson, Michael Zhou and Thomas Pantle, 'PRC Economic Coercion: The Recent Australian Experience', Australia-China Relations Institute, University of Technology Sydney, September 14 2020 <<https://www.australiachinarelations.org/content/prc-economic-coercion-recent-australian-experience>>.

2. Food and beverage exports

According to UN Comtrade data, in each year from 2017-2019 Australia was the PRC's 4th largest food import source by value. In 2019, it was only topped by Brazil, the US and New Zealand (Table 1).

Country	\$US millions			Rank		
	2017	2018	2019	2017	2018	2019
Brazil	23,669	32,379	28,112	1	1	1
USA	21,725	14,008	12,686	2	2	2
New Zealand	5,637	6,679	8,476	5	5	3
Australia	5,957	6,829	8,205	4	4	4
Canada	6,359	7,688	7,058	3	3	5
Thailand	4,482	5,544	6,768	7	6	6
Argentina	3,510	2,107	6,449	8	15	7
Indonesia	4,625	5,044	5,749	6	7	8
France	3,444	3,738	3,890	9	8	9
Russian	2,113	3,189	3,571	12	9	10
Chile	2,097	3,050	3,439	13	11	11
Vietnam	2,846	3,176	3,207	10	10	12
Netherlands	2,033	2,559	2,849	14	12	13
Germany	2,027	2,139	2,600	15	14	14
Malaysia	2,261	2,260	2,525	11	13	15

Source: UN Comtrade database, author calculations

Note (1): Year '2019' in red indicates which column has been filtered from highest to lowest rank

Note (2): F&B items are captured using the 2-digit HS commodity codes located in the appendix

In 2019, Australian F&B consignments were stopped at the PRC border on 71 occasions (Table 2). Compared with other countries, Australia ranked 5th as goods from Japan, Taiwan, Vietnam and the US were blocked on a more regular basis. In 2020, the frequency with which Australian goods were stopped did not increase with 70 episodes recorded. And compared with other countries Australia's ranking fell to 9th.

To be clear, this is not proof positive that the TBT measures taken against, for example, Australian beef in May 2020 did not involve a coercive purpose. But what the data in Table 2 do demonstrate is that there was no overall ramping up of SPS and TBT measures against Australian F&B exports in 2020. In fact, compared with Australia's importance as an F&B import source, PRC customs authorities stopped Australian goods less regularly than other supplier nations.

Table 2. Frequency of F&B consignment import blocks

Country	Frequency		Rank	
	2019	2020	2019	2020
Vietnam	143	237	3	1
Japan	271	210	1	2
Taiwan	193	194	2	3
Ecuador	31	155	18	4
Russia	34	104	15	5
India	45	104	10	6
United States	120	99	4	7
Thailand	31	79	19	8
Australia	71	70	5	9
Malaysia	43	62	12	10
Germany	47	45	8	11
Belarus	4	42	44	12
Indonesia	32	41	17	13
New Zealand	47	38	9	14
Kazakhstan	3	35	49	15

Source: Import and Export Food Safety Authority, author calculations

Note: Year '2020' in red indicates which column has been filtered from highest to lowest rank

If the volume of consignments blocked is used rather than the frequency of consignments, a similar pattern emerges. In 2020, Australian goods weighing 926 tonnes were prevented from crossing the border (Table 3).

Table 3. Weight (tonnes) of F&B consignment import blocks

Country	Weight (tonnes)		Rank	
	2019	2020	2019	2020
Russia	60	4,608	31	1
India	1,222	3,501	4	2
Vietnam	2,696	2,899	2	3
Kazakhstan	64	2,145	28	4
Thailand	153	2,138	19	5
Ecuador	917	1,912	5	6
Ukraine	0	1,469	70	7
Australia	2,251	926	3	8
Myanmar	387	879	9	9
Taiwan	42	824	36	10
Belarus	22	739	45	11
France	237	734	13	12
Afghanistan	168	621	17	13
Indonesia	146	497	21	14
Senegal	336	406	11	15

Source: Import and Export Food Safety Authority, author calculations

Note: Year '2020' in red indicates which column has been filtered from highest to lowest rank

This afforded Australia a ranking of 8th amongst supplier countries. Both in terms of volume and ranking these figures were down from 2,251 tonnes and 3rd in 2019. The considerably higher figure in 2019 is largely attributable to three consignments of oats from CBH Grain Pty Ltd. These consignments, which make up 94.5 percent of the total weight, were determined to be carrying harmful organisms and pests.

Box 1. A beef case study

Australian beef exports to the PRC have previously been the subject of alleged SPS and TBT violations. For example, on July 25 2017, then-trade minister, Steve Ciobo received notice from the PRC's quarantine agency that the certification to supply the PRC market would be suspended for six Australian meat processing plants, allegedly due to labelling and non-compliance issues. The certification to supply the PRC market for these abattoirs was reinstated in October that year.⁷

When suspensions were placed on four abattoirs on May 11 2020, what quickly followed were claims that coercion was at play. On 12 May 2020, a report in *The Australian Financial Review* cited 'private concerns inside the government linking the sanctions to the Prime Minister's calls for an international investigation in the COVID-19 virus'.⁸ A report in the *Sydney Morning Herald* on the same day similarly observed that the suspension was 'fuelling concern of a campaign by Beijing against Australian producers in response to Prime Minister Scott Morrison's push for an independent coronavirus inquiry'.⁹ Jeffrey Wilson of the Perth USAsia Centre, in comments to *The Australian*, said '[t]his is unquestionably political retribution...This is not

7 9Finance, 'China lifts import ban on Australian beef', *9Finance*, October 30 2017 <<https://finance.nine.com.au/business-news/china-lifts-import-ban-on-australian-beef/0e567007-af44-4d09-935a-5ff473593d47>>.

8 Brad Thompson, Angus Grigg and John Kehoe, 'China asked to explain beef bans as trade row grows', *Australian Financial Review*, May 12 2020 <<https://www.afr.com/companies/agriculture/china-asked-to-explain-beef-bans-as-trade-row-grows-20200512-p54s5c>>.

9 Mike Foley and Eryk Bagshaw, 'China suspends Australian beef imports from four abattoirs', *Sydney Morning Herald*, May 12 2020 <<https://www.smh.com.au/politics/federal/china-suspends-australian-beef-imports-from-four-abattoirs-20200512-p54s4k.html>>.

about technical issues and arguments over trade policy. This is about diplomatic signalling and making a point'.¹⁰

According to data obtained from the PRC's Food Import and Export Safety Authority, in 2019 Australian beef products were blocked from entry 24 times (Table 4). In 2020 the number of Australian beef consignments affected by border stoppages increased by 3 to 27. In 2019 Australia was the PRC's 3rd largest beef import source by value and weight.¹¹ The 27 consignments blocked last year saw Australia ranked 1st in terms of the frequency with which blocks were applied. This compared with 12 consignments stopped from Brazil and Russia in second place. This might seem to imply that Australia was being singled out. Yet qualifying this interpretation is that in volume terms, Australia ranked 7th with just 11 tonnes stopped. This is compared with Brazil in 1st place with 82 tonnes.

Table 4. Beef consignment import blocks

Country	Frequency		Weight (tonnes)	
	2019	2020	2019	2020
Brazil	12	12	184	82
Russia	2	12	24	48
Argentina	19	10	117	29
Ireland	-	1	-	26
New Zealand	18	3	43	24
Uruguay	7	2	1	23
Australia	24	27	5	11

Source: Import and Export Food Safety Authority, author modelling

Note: Year '2020' in red indicates which column has been filtered from most to least weight (tonnes)

Of the Australian beef exports stopped in 2019, 67kg was chilled and the rest frozen. In 2020, 1,179kg was chilled and the rest frozen.

An assessment of potential coercion is further complicated by idiosyncratic factors such as COVID-19. For example, in 2020 the PRC suspended eight Brazilian meat processing plants 'over concerns about novel coronavirus outbreaks in food-processing facilities',¹² whilst eleven Argentinian plants were suspended for the same reason.¹³ This is distinct from the labelling and health certificate infractions directed at four Australian suppliers in May and allegations of a banned antibiotic present in the shipments from another abattoir in August. In July 2020, two Australian meatworks voluntarily stopped sales to the PRC after COVID-19 was detected in abattoir staff.¹⁴

These have yet to be relisted by PRC authorities. In the case of Brazilian and Argentine exporters, media reports indicate that suspensions usually only last a week.¹⁵ However, the two main reasons given to block the Australian product – 'goods certificate inconsistent' and 'bad labelling' – are also not unusual in the case of other suppliers (Figure 1).

10 Geoff Chambers and Will Glasgow, 'Our great brawl with China risks trade war', *The Australian*, May 13 2020 <<https://www.theaustralian.com.au/nation/politics/our-great-brawl-with-china-risks-trade-war/news-story/e1d89be6c3193922e3b28a17beaa4f6e>>.

11 Meat and Livestock Australia, 'China beef imports: Monthly trade summary December 2019', February 10 2020 <<https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/os-markets/export-statistics/january-2020/0120---china-beef-imports---global-summary.pdf>>.

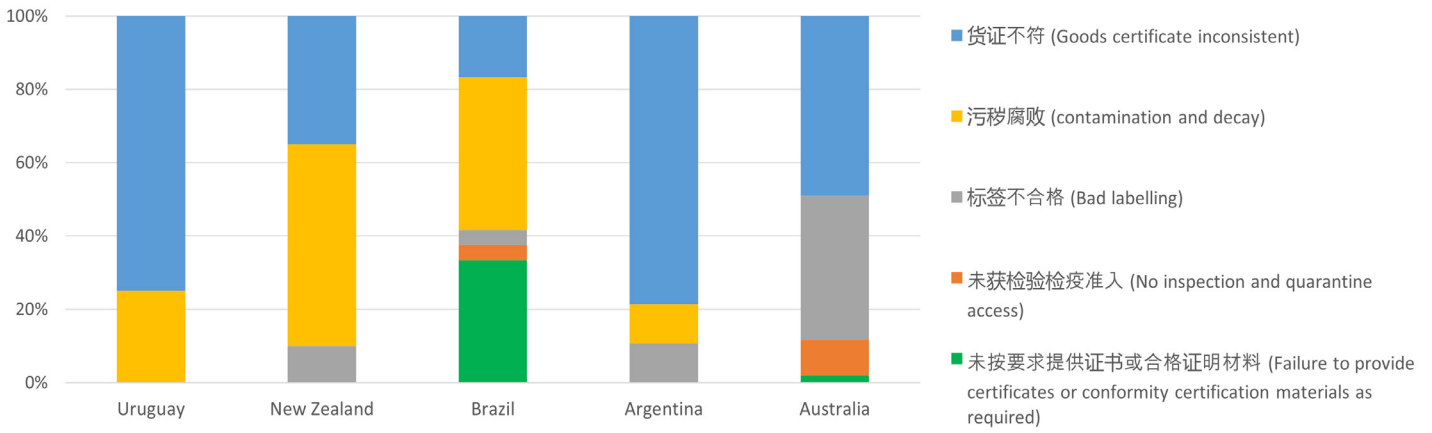
12 Jake Spring and Ana Mano, 'China asks Brazil to stop exports from two meat plants over coronavirus worries, source says', *Reuters*, July 16 2020 <<https://www.reuters.com/article/us-health-coronavirus-meatpackers-idUSKCN24G36J>>.

13 Reuters Staff, 'Seven Argentine meat plants suspend exports to China over COVID-19 worries', *Reuters*, August 14 2020 <<https://www.reuters.com/article/us-health-coronavirus-argentina-beef-idUSKCN2592VH>>.

14 Kath Sullivan, 'China's ban on Australian beef costing hundreds of millions and putting people out of work', *ABC News*, December 9 2020 <<https://www.abc.net.au/news/2020-12-09/china-bans-cost-meat-industry-hundreds-of-millions/12961538>>.

15 Reuters Staff, 'UPDATE 1-Brazil govt confirms two meat suppliers' exports to China suspended', *Reuters*, December 12 2020 <<https://www.reuters.com/article/brazil-meat-china/update-1-brazil-govt-confirms-two-meat-suppliers-exports-to-china-suspended-idINL1N2IS009>>.

Figure 1. Reason for import block (% of total)



Source: Import and Export Food Safety Authority, author calculations

When suspensions were placed on Kilcoy Pastrol, JBS Australia and Northern Co-Operative last May, Senator Birmingham said the suspensions were due to ‘highly technical issues’ that date back more than a year.¹⁶ PRC customs data show that beef consignments from these meat processing plants were rejected 18 times in 2019 due to ‘goods certificates inconsistent’ and ‘bad labelling’. According to the Australian Meat Industry Council, ‘[W]e have dealt with issues of this nature before...this is a trade and market access issue.’

3. Conclusion

Whilst customs data on rejected F&B consignments do not highlight an overall singling out of Australian products, the case of non-F&B exports may differ. For example, on October 9 2020, reports emerged that PRC authorities had notified steel mills to stop importing Australian thermal and coking coal.¹⁷ What followed was confirmation of ships containing Australian coal being refused entry at PRC ports.¹⁸ According to data obtained from GACC, from December 2019 – February 2020, Australia exported 22 million tonnes of coal to China, accounting for 31 percent of China’s total coal imports. From December 2020 – February 2021, Australia coal accounted for 0 percent, whilst China’s total coal imports grew by 13 percent.¹⁹

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16 Kath Sullivan and Jordie Gunders, ‘Red-meat processors have beef sales to China suspended as trade barriers escalate’, *ABC News*, May 12 2020 <<https://www.abc.net.au/news/rural/2020-05-12/china-trade-escalation-as-beef-farmers-are-targeted/12237468>>.
 17 Jenna Ma and Jessie Li, ‘Chinese state-owned end-users given verbal notice to stop importing Australian coal: sources’, *S&P Global Platts*, October 9 2020 <<https://www.spglobal.com/platts/en/market-insights/latest-news/coal/100920-chinese-state-owned-end-users-given-verbal-notice-to-stop-importing-australian-coal-sources>>.
 18 Daniel Hurst and Helen Davidson, ‘More than 60 Australian coal-carrying ships kept waiting to unload off ports in China’, *The Guardian*, November 25 2020 <<https://www.theguardian.com/australia-news/2020/nov/25/more-than-60-australian-coal-carrying-ships-kept-waiting-to-unload-off-ports-in-china>>.
 19 Web CEIC data manager. (n.d.). ISI Emerging Markets.

4. Appendix

Appendix 1 – HS2 commodities used to determine Australia's rank as a F&B supplier to the PRC	
Product description	HS code
Animal or vegetable fats and oils and their cleavage products; prepared animal fats; animal or vegetable waxes	HS 15
Animal originated products; not elsewhere specified or included	HS 05
Animals; live	HS 01
Beverages, spirits and vinegar	HS 22
Cereals	HS 10
Cocoa and cocoa preparations	HS 18
Coffee, tea, mate and spices	HS 09
Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	HS 04
Fish and crustaceans, molluscs and other aquatic invertebrates	HS 03
Fruit and nuts, edible; peel of citrus fruit or melons	HS 08
Lac; gums, resins and other vegetable saps and extracts	HS 13
Meat and edible meat offal	HS 02
Meat, fish or crustaceans, molluscs or other aquatic invertebrates; preparations thereof	HS 16
Miscellaneous edible preparations	HS 21
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit, industrial or medicinal plants; straw and fodder	HS 12
Preparations of cereals, flour, starch or milk; pastrycooks' products	HS 19
Preparations of vegetables, fruit, nuts or other parts of plants	HS 20
Sugars and sugar confectionery	HS 17
Vegetables and certain roots and tubers; edible	HS 07
Residues and waste from the food industries; prepared animal fodder	HS 23
Products of the milling industry; malt; starches; insulin; wheat gluten	HS 11
Source: UN Trade Statistics 'HS 2002 Classification by section'	