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Australia and China slide into trade war

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Relations between China and Australia have slipped in the last year,^[1] as Australia has criticized China's response to COVID-19 and its treatment of the Uighur minority, while siding with the United States on issues such as cybersecurity.

China has already placed tariffs on Australian beef, barley, and wine, but now the Chinese seem to be targeting cotton^[2] and coal^[3] as well. Coal is a major export for Australia—China buys a quarter of Australia's production—and any change in China's buying habits would have major consequences for Australian producers and downstream companies.

The biggest issue in this case is uncertainty. China does not always announce its intentions, preferring to send directives through domestic, often informal, channels instead of explicitly placing the state behind any certain action. The Australian government has reached out, but in keeping with this time-honored tradition of obfuscation, the Ministry of Foreign Affairs of the People's Republic of China has not clarified whether there are any restrictions or informal bans on coal or cotton, or any other products.

Uncertainty in the supply chain, as well as the threat of regulatory action by China, Australia, or both, will further disrupt already shaken global supply chains.

¹ Rachel Pannett, "Australia Worries Coal Is China's Next Target as Ties Fray," *The Wall Street Journal*, October 14, 2020, <https://on.wsj.com/34lotsb>.

² Fumi Matsumoto, "Australia's cotton falls prey to diplomatic row with China," *Nikkei Asian Review*, October 17, 2020, <https://s.nikkei.com/34kMAa6>.

³ Rachel Pannett, "Australia Worries Coal Is China's Next Target."

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