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HD Shock **China coal** tariff decision throws Australian free trade talks into turmoil  
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The crucial final stages of free trade talks between Canberra and Beijing have been thrown into turmoil following **China**'s shock decision to impose harsh new tariffs on Australian **coal** supplies.

The sudden reversion to protectionism is designed to save the local **coal** industry and will see all coking **coal** imports hit with a 3 per cent price hike and double that applied to the lower grade thermal **coal** attracting an import tariff of 6 per cent.

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It comes after intense lobbying from local suppliers dealing local prices at a six-year low.

[Penny Wong: Worrying development.]

Penny Wong: Worrying development. Photo: Alex Ellinghausen

The **China** National **Coal** Association, which had submitted proposals to reduce domestic output, reduce the tax burden and regulate imports, had urged Beijing to act swiftly to support the besieged sector, where 70 per cent of the miners were making losses and more than half were owing wages.

The news brought an angry reaction from the federal opposition and the Australian **mining** sector.

The Minerals Council of Australia's Brendan Pearson said the decision was a poor one.

"The MCA urges the Australian government to initiate urgent discussions with **Chinese** counterparts to seek the reversal of the decision," he said in a statement.

He said applying tariffs would ultimately prove "counterproductive" for the struggling **Chinese** economy anyway because it would "raise **energy** costs for **China**'s industrial sector and households".

"This decision raises the stakes on the outcome of talks on a free trade agreement with **China** due to conclude next month," he said.

Trade Minister Andrew Robb said he was seeking full clarity via our post in **China** but stressed that there would always be a strong place in the market for Australian high-grade, lower emission **coal**.

"This highlights the importance of concluding high quality Free Trade Agreements to shore-up our competitive position," he said.

"In negotiations, our starting point is to always seek zero tariffs for Australian exports, but these are negotiations."

Mr Robb said **China** is expected to consume nearly a **billion** tonnes more **coal** per year by 2020 so demand for high-quality **coal** imports will continue. We currently provide around 25 per cent of **China**'s imported **coal** and we are confident Australia will continue to be a competitive supplier in the years ahead.

Prime Minister Tony Abbott had raised the possibility of winding up nine years of mostly unproductive trade talks by signing an agreement with **China's** President Xi Jinping in November during his state visit around the G20 summit.

**Energy**-hungry **China** is the world's top importer of **coal**. It will be the first time import tariffs on the commodity will apply in nearly a decade, and is seen as an attempt to prop up a flat domestic **coal** sector.

Australia and Russia are expected to be hit hardest but it remains unclear if Indonesia's multilateral trade deal across ASEAN will insulate its suppliers from the new impost.

Beijing has promised signatory nations zero import tariffs for some resources.

The opposition's spokesperson on trade and investment, Penny Wong, said it was a worrying development.

"The Abbott government must tell Australians when it became aware of this measure, explain its impact on Australian exporters and the economy, and outline its response," she said.

"Labor supports negotiations to secure a high-quality free trade agreement with **China** which gives Australian exporters real benefits, rather than a sub-standard deal designed to give Mr Abbott a political trophy.

"For now, Mr Abbott and Trade Minister Andrew Robb owe Australians some answers on this new tariff on Australian exports."

Yancoal spokesman James Rickards said the full implications of the decision were not yet clear but it would add to the difficulties in a sector that has already suffered job losses and mine closures.

"While the re-introduction of import taxes adds to existing operating cost pressures for Australian exporters, few are dependant upon a single market to ensure their economic security," he said.

"**China** is only one of several growth opportunities for Australian **coal** producers and the industry will continue to adapt to market challenges as it always has."

**China** had set import taxes for all coals, with the exception of coking **coal**, at 6 per cent prior to 2005 before they were gradually reduced and scrapped in 2007. Coking **coal** import taxes were set at 3 per cent before being abolished in 2005.

**China** said last month it will ban the import and local sale of **coal** with high ash and sulphur content starting from 2015 in a bid to tackle air pollution. But Australian miners were left unscathed by that regulation as the most stringent standards did not apply to power plants.

While speculation has swirled about the resumption of the import tariffs since late last year, some industry participants were surprised by the high rates and the types of **coal** that were included.

"Having a 6 per cent import tax for thermal **coal** is very high and that will easily snuff out any price advantage overseas suppliers can offer," said a Shanghai-based **coal** trader.

"It is also puzzling that they have resumed tariffs for coking **coal**, since **China** has a shortage of quality coking **coal**."

**China**, also the world's top **coal** producer and consumer, imported 327.1 million tonnes of **coal** in 2013, accounting for about 10 per cent of the country's total consumption.

with Reuters

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