EXECUTIVE SUMMARY

- A majority of respondents believe there has been a decrease in business confidence in the past year and the deterioration of Australia-China trade relations is the number one risk to business.
- Despite wine sector respondents being more concerned than other agricultural sectors about anti-dumping investigations, they believe Australian businesses in their sector have become more competitive in the Chinese market.
- More than half of survey respondents, especially those in the wine industry, believe there will be job losses if exports to China are reduced.
- ChAFTA continues to benefit businesses and there has been continued growth in business' online presence, with >50% increasing investment in digital assets.
- Recent media coverage of the bilateral relationship is problematic for businesses, negatively impacting two thirds of respondents.

INTRODUCTION

AustCham surveyed members of the Australia-China agribusiness community, as part of our ongoing Flash Survey Series, to better understand the impact of the COVID-19 pandemic, state of the Sino-Australian relationship, and sentiment of Australian agribusinesses in China.

Responses from 46 businesses were received over the 25 September – 18 November period. At this time, China had already initiated an anti-dumping case against Australian wine, however the survey closed before the decision to levy significant tariffs was made.
More than half of respondents reported a drop in confidence in the Chinese market over the last year. This apprehension is also reflected in the perceived competitiveness of Australian agribusinesses, with 45 percent of respondents believing Australia’s agribusiness sector has become less competitive in the Chinese market in the past year.

This is not the case across all sectors however - 64 percent of wine businesses believe that Australian businesses have become more competitive.

Despite government-to-government disputes, ChAFTA continues to positively impact businesses. Two thirds (69%) of respondents reported benefiting from the Agreement, up 15 percentage points from the 2018 Doing Business in China Report (DBIC-18).

A small contingent (5%, n=2) of respondents indicate ChAFTA has had a negative impact on their business. This may be due to increased competition from Australian products with easier Chinese market access thanks to ChAFTA.
Chinese consumer attitudes towards Australian products have remained fairly resilient over the past year, with respondents split equally between positive, negative, and no change.

AUSTRALIA-CHINA BILATERAL RELATIONSHIP

Recent media coverage of the Australia-China bilateral relationship is problematic for businesses, negatively impacting two thirds (67%) of respondents – a 22 percent increase on figures from September 2018 (DBIC-18).

Australia-China trade relations is the top business risk, identified by 72 percent of agriculture businesses as their highest concern. Other significant issues are US-China-related tensions, including import substitution, where Australian products are replaced by substitutes from other regions, while COVID-19-associated risks are of lesser concern.
Even before Australia and China's most recent escalations, businesses were already facing significant challenges. Almost half of respondents (46%) indicated that it would be difficult to diversify their operations to other countries, with the wine industry having more than half of its respondents (54%) stating it would be difficult to diversify.

**COVID-19 CHANGES AND ONLINE PRESENCE**

Aside from working remotely, the most common change in operations due to COVID-19 saw businesses look online. Half of all respondents (52%) reported increasing investment in their online presence, with 41% increasing spending on e-commerce. Close to a quarter of businesses (28%) decreased investment while only 11% of respondents reduced salaries.

**BUSINESS CHANGES IN RESPONSE TO COVID-19**
Despite this enthusiasm towards digitisation, a majority of respondents (59%) still do not utilise any e-commerce platforms, and although there were few respondents from the horticultural sector (n=6), none use e-commerce to sell their products. This is contrary to the trend in China of increasing e-commerce utilisation for the sale of fruit and vegetables. The most used platforms are JD (26%), Tmall (20%), and Taobao (17%).
WeChat is the most popular Chinese social media platform for agribusinesses, with 76 percent of respondents utilising the platform for business, while Weibo, Douyin, and Little Red Book are each used by less than one third of respondents.
Trade with China supports the Australian labour market, evidenced by the majority (54%) of companies believing that a decrease in exports will result in job losses. The wine sector indicated that it will experience greater job losses compared to other subsectors, with 73 percent of the wine sector stating decreased exports will lead to job losses.

Support for the proposed Foreign Investment Review Board (FIRB)'s tightening of foreign investment restrictions into the agricultural sector is split, with 30 percent of respondents in favour and 44 percent against the proposed tighter restrictions.
Even before China’s tariffs were announced on Australian wine, the wine sector had already begun to feel vulnerable, with 82 percent of respondents “very concerned” about an investigation by the Chinese government into their industry. This is in stark contrast to only 22 percent of respondents from the non-wine sector who feel “very concerned”.

ANTIDUMPING INVESTIGATION

<table>
<thead>
<tr>
<th></th>
<th>ALL RESPONDENTS</th>
<th>WINE INDUSTRY</th>
<th>NON-WINE SUB-SECTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very concerned</td>
<td>35%</td>
<td>18%</td>
<td>22%</td>
</tr>
<tr>
<td>Somewhat concerned</td>
<td>30%</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>Unconcerned</td>
<td>35%</td>
<td>82%</td>
<td>39%</td>
</tr>
</tbody>
</table>

ABOUT AUSTCHAM

There is no doubt that businesses around the world are battling through unprecedented times of uncertainty. AustCham will continue to support the Australian business community in China through regular webinars and updates across our social media channels (WeChat/Weibo/email newsletter/LinkedIn).

The Chamber has an active Agriculture Working Group that meets regularly, both in person and virtually, formally and informally. The Chamber has a wide network of members with experience in the food and agribusiness sectors based in China - we are ready to support your Australian agribusinesses in China.

We encourage you to reach out if there is any way we can help you and your business adjust to the ‘new normal’ more smoothly.

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