



China Exempts Major EU Brandy Makers From Anti-Dumping Duty

(Bloomberg) -- China imposed anti-dumping duties on European brandy for five years, while exempting major cognac makers that committed to keeping their prices above minimum levels.

The duties of as much as 34.9% will be imposed on European brandy shipments from July 5, according to a statement from China's Ministry of Commerce. Exemptions apply to those that meet the price commitment, the ministry said.

The three big cognac makers — Remy Cointreau SA, Pernod Ricard SA and LVMH Moët Hennessy Louis Vuitton SE's Hennessy — are among producers that agreed to abide by the pricing accord with China. The arrangement comes as a partial reprieve for the companies, which have seen cognac shipments to China plunge after Beijing imposed preliminary duties last year.

“The minimum price commitment regime offers more tolerable conditions for our companies than the definitive anti-dumping duties announced, even if the market access they allow remains impaired,” Florent Morillon, president of cognac producers' association BNIC, said in a statement. The group will keep pushing to regain unhindered access to the Chinese market, he added.

The terms of the price agreement represent a “significantly more favorable outcome, or at the very least, a substantially less punitive alternative,” compared to the anti-dumping duties announced, Remy Cointreau, which makes Remy Martin cognac, said in a statement. While it's waiting for further details to assess the effects accurately, the impact is expected to be far less restrictive than what was anticipated when it released results in June.

Pernod Ricard, parent of Martell cognac, said it regrets the cost increase of operating in China but added the new environment is better than a situation where anti-dumping tariffs would have been imposed.

Remy Cointreau's shares erased an early decline of as much as 7.2%, while LVMH and Pernod Ricard shares narrowed losses.

A Hennessy representative declined to comment on the matter.

Macron Meeting

By accepting minimum pricing, these cognac makers can maintain their presence in the Chinese market without the burden of additional duties. “This was obviously a crucial decision, as China is a key market, accounting for a substantial portion of their global sales,” said Jacques Roizen, managing director of China consulting at Digital Luxury Group.

The tariffs on brandy followed the EU's decision last year to levy duties as high as 45% on Chinese-made electric vehicles. China had postponed the conclusion of the cognac probe twice, as the two sides tried to resolve the alcohol and EV spats, among others.

China's Commerce Minister Wang Wentao had discussed the two issues with the EU Trade Commissioner when he visited France in June. Foreign Minister Wang Yi is scheduled to meet with French President Emmanuel Macron Friday.





French Industry Minister Marc Ferracci told Bloomberg Television that it's essential to deescalate tariff battles, over cognac and other goods. "Trade wars only make losers, so we shouldn't be happy with what was announced today by China — even if some agreements can be found."

Tensions between the two trading partners are far from easing, with China leaning toward canceling part of a two-day summit with European Union leaders planned for later this month, Bloomberg News reported Friday.

--With assistance from James Mayger, Jenny Che, William Horobin, Caroline Connan, Zoe Schneeweiss, Deirdre Hipwell and Angelina Rascouet.

(Updates with comments from Pernod Ricard, share prices)

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