



## Coronavirus outbreak could spur China to fulfill promise to purchase US agricultural products

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The coronavirus outbreak could have the unexpected effect of helping the United States ensure that China sticks by its promise to purchase \$40 billion to \$50 billion worth of U.S. farm goods over two years because it will need the food.

Beijing promised to buy the farm goods as part of an overall pledge to purchase \$200 billion in U.S. goods and services, a key part of the "phase one" trade deal it signed with the White House in January. It has made similar promises in the past with various U.S. administrations, however, only to walk them back later. Yet the coronavirus outbreak could hurt domestic production enough that China will need those U.S. farm goods more than it ever has before.

The main problem caused by the coronavirus for the international economy has been the disruption in Chinese production and the corresponding effect that has had on companies that rely on China's exports, noted Chris Swift, an international trade lawyer with the firm Foley Lardner. The story is different for those who export to China. "If their own domestic production is problematic because of the disruptions that they have had, they may actually need to buy stuff from [the] U.S.," Swift said.

Derek Scissors, resident scholar at the nonprofit organization, the American Enterprise Institute, said that while the virus may cause economic problems for the U.S. in other areas, agriculture probably wasn't one. "The underlying Chinese demand for U.S. farm goods may actually be higher due to the crisis," he said.

China's manufacturing output has fallen drastically since the virus outbreak, its manufacturing Purchasing Managers' Index released Friday night showed.

Factory closures and travel restrictions due to the virus have also impeded the transport of goods in and out of China. Capacity at major Chinese ports has been at least 20% lower than normal, according to the Shanghai International Shipping Institute, a Beijing-based think tank. The effects of the backlog are expected to linger even if the epidemic is contained in the coming weeks.

The situation has prompted speculation that China won't follow through on the purchases, noted Inu Manak, a trade policy expert with the nonprofit organization, the Cato Institute. "While China has begun with agreed-upon tariff reductions, their ability to fulfill their purchase commitments is unclear," she said.

But even if trade is slowed, both the U.S. and China have reason to prioritize agricultural sales over other trade. China will need the food, and the administration is eager to sell it. Beijing understands their importance of the farm goods purchases to the White House and doesn't want to risk the administration ratcheting up the U.S. tariffs again, said Gary Hufbauer, a nonresident senior fellow at the Peterson Institute for International Economics. "I think China will do its utmost to meet the target on agricultural products, even though that will mean sharply reducing ag purchases from Australia, Brazil, and other exporters," he said.

Beijing targeted U.S. agriculture for retaliation during the trade fight with the U.S. in 2019, cutting back on purchases of pork and soybeans, among other products mainly produced in states that had backed President Trump in the 2016 elections. China bought about \$20 billion in U.S. farm goods annually prior to the trade war, accounting for about 15% of all farm exports. After the administration's trade fight began in 2018, farm exports to China dropped to just \$8 billion. The retaliation may have cost the Republican Party five House seats in the 2018 election.

The administration has since touted the deal's \$40 billion to \$50 billion in farm good purchases but is also keeping a close eye on Beijing. The administration proposed increasing the budget of the U.S. Trade Representative's Office in part to ensure Beijing complies with the deal.

Trump has promised additional farm aid to the agriculture industry, if necessary. In an all-caps tweet last week, the president said that aid would come "until such time as the trade deals with China, Mexico, Canada and others fully kick in."

Trump seemed optimistic about the situation Thursday, telling reporters he had recently had a "long talk" with Chinese President Xi Jinping. "He is working really, really hard. He wants it to go away from China and go away fast, and he wants to get back to business as usual," the president said.