

Chinese purchases to the US away from the amounts committed amid tensions

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Body

Nearly seven months after the signing of a preliminary agreement between Washington and Beijing, Chinese purchases of U.S. agricultural products remain well below the targets set in January.

According to press reports, senior officials from both countries will meet by video conference on August 15 to take stock of that agreement, which saw a sharp increase in purchases of U.S. goods and services by China in 2020 and 2021.

For agricultural products, China undertook to increase its imports by \$32 billion from 2017 levels.

However, according to a study by the Peterson Institute for the International Economy (PIIE), Chinese agricultural purchases to the United States were at the end of June far from the expected level at this time of year, reaching only 39% of its six-monthly target, according to US figures, and 48%, according to those of Chinese customs.

"We'll be lucky if we go back to 2017 levels," ahead of the Chinese-American trade war, Chad Bown, author of the PIIE study and researcher, said.

- Acceleration in July -

Since mid-July, however, Chinese orders for maize and especially soybeans have increased.

From July 14 to August 7, Beijing bought just over 3 million tons of oilseeds from the United States, which in late July accounted for China's largest order of maize of 1.9 million tonnes in history.

The announcements were a respite for American farmers, who expect a bountiful harvest this year and fear trouble placing it.

The requests came even as political and diplomatic tensions between the two countries are very high, from the ban on Chinese applications by Tik Tok and WeChat decided by Donald Trump to US sanctions against several Hong Kong leaders.

According to Jack Scoville, agricultural market analyst at Price Futures Group, China "is aware that we are not the best friends in the world right now, but it needs those products and will ask for as many as it needs."

"Brazil and Argentina (soybean and maize producers) start their crops in late February, early March," Brian Hoops, owner of brokerage House Midwest Market Solutions, said on his side.

Therefore, China could at any time "cancel its July orders and buy at much lower prices if the opportunity arose," considered Hoops, who also estimated the possibility of a transfer of orders for the current harvest to next summer's harvest.

- "Unreachable" -

For now, despite increased tensions between the two powers and the covid-19 pandemic, which has seriously curbed international trade, the preliminary agreement remains.

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U.S. Trade Representative Robert Lighthizer said in mid-June that China had committed itself to Washington to purchase soybeans, corn and other agricultural products.

And Beijing's commitment to buy agricultural, energy and manufactured products from the United States will be used by President Donald Trump's campaign, which runs for re-election in the November election, Bown said.

"\$200 billion (the additional amount of goods and services that China is expected to buy from the United States by the end of 2021) is a large, round number you can brag about," he said.

However, Bown considers that Beijing's holding of almost all of the additional tariffs with which it burdened US products in the context of the trade war makes the objectives of the agreement "unattainable."

"There is no economic incentive for China's private sector to buy tariffs are lower for imports from the rest of the world, he explained.

So "if China is really going to make these purchases right, it's going to have to be by government directives," Bown added.

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