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# RSIS COMMENTARIES

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## **Advancing Sino-US Relations: Putting Agriculture First**

By Zhang Hongzhou

### **Synopsis**

*Notwithstanding the remarkable progress in agricultural cooperation between China and US, potential threats lie ahead. Still expanding agricultural ties can be the ballast in advancing Sino-US relations.*

### **Commentary**

TOP US and Chinese officials stressed the importance of building mutual trust to ensure a strong, stable and mutually beneficial Sino-American relationship, when they met in Washington last month. While much of the focus of the annual US-China Strategic and Economic Dialogue has been on hot topics such as cyber security, North Korean nuclear issue and maritime security disputes in the Asia Pacific, expanding agricultural ties should be made top priority to stabilise Sino-US relations.

Agriculture is of great importance to both China and the United States —the two biggest agricultural countries in the world. After three decades of interaction both sides have developed strong agricultural trade and investment ties, as well as extensive exchanges and collaboration in other agriculture- related areas.

### **Strong and mutually beneficial agricultural ties**

Building on this solid foundation, there are great opportunities to further expand agricultural ties between two countries, which could significantly contribute to overall Sino-US relations. Meanwhile, there are also a number of urgent agriculture-related issues that might potentially generate mutual distrust if their agricultural ties are not well managed.

Sino-US agricultural trade has increased by over 900 per cent since China's accession to the WTO in 2001. The US enjoyed an agricultural trade surplus of over USD 20 billion in 2012 with China, which was the largest recipient of US agricultural exports. China was the US third largest supplier of agricultural products while the US was the second largest destination for China's agricultural exports in 2012.

Rapid expansion of agricultural trade has brought enormous mutual benefits in terms of improved food security, job creation, and overall trade imbalance, to name but a few. Huge imports of soybean and cotton from the US allow China to achieve 95 per cent cereal self-sufficiency, which is the cornerstone of China's food security. For the US, close to USD 26 billion in agricultural exports to China provided jobs for over 200,000

Americans and generated an additional USD 36 billion in economic activity in 2012.

Next, Sino-US agricultural investment cooperation has expanded significantly over the last three decades. American agribusiness firms such as Monsanto, DuPont, ADM, Cargill and Bunge have invested billions of dollars in a wide range of China's agricultural production enterprises, ranging from cereal and soybean processing to production of animal feeds, machinery, and seed. China's investment in the United States' agricultural sector is also rising. Shuanghui's purchase of Smithfield at USD 4.7 billion in May 2013, the largest-ever purchase of an American company by a Chinese firm, underlines the growing Chinese agribusiness investment in the United States and the beginning of an important new trend.

Sino-US cooperation in other agricultural areas has been very impressive as well. Since 1980, with the establishment of a working group on agricultural science and technology cooperation, both countries have launched more than 500 exchange programmes, involving about 3,000 experts. Both countries have worked together very closely on issues relating to food security and safety as well. In 2012, during Xi Jinping's visit to the United States, the two countries signed a five-year Plan of Strategic Cooperation to guide discussions on food security, food safety and sustainable agriculture.

### **Expanding Sino-US agricultural ties**

China's agriculture is undergoing the transition from small household farming to commercial farming. This presents a golden opportunity for the American agribusinesses, well-equipped with advanced technology, top-notch management expertise, extensive experience and wide access to information and markets. Likewise, as China increasingly turns to overseas markets to meet its agricultural needs, its investment in the United States' agricultural sector will grow rapidly.

Next, given the widening gap between food demand and supply, China will have to import more food from abroad. According to the latest forecast by OECD and FAO, China's imports of oilseeds, grain, pork, beef, poultry and other agricultural products will continue to surge in the next decade. Given the scale of China's needs, few if any country in the world except the United States could meet the Chinese demand. Hence, China's food imports from the United States are set to rise rapidly in the future.

In addition, both countries' agricultural production and food security are subject to acute threats from climate change, environmental pollution and degradation of natural resources, both countries need closer cooperation. While close cooperation between the United States and China on traditional security issues may be very difficult to materialise, agriculture and food security could be an ideal field for Sino-US cooperation to co-lead the international efforts to combat challenges in agricultural production, climate change and degradation of natural resources. This could have a positive spill-over effect into other areas of cooperation between China and the United States.

### **Threats to overall Sino-US relations**

While there are great opportunities ahead for the expansion of agricultural ties between China and the United States, there are also a number of potential agricultural issues that could threaten Sino-US relations. Concerns over food control, genetically modified crops, agricultural trade and investment barriers as well as food safety issues, could lead to strategic distrust between China and the United States and undermine overall Sino-US relations.

With strong will and concrete policies from both sides, the current close and mutually beneficial agricultural ties between two countries could become the stabiliser or "ballast" of Sino-US relations. This will keep the two countries' overall relationship "upright" as they sail through stormy waters.

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