

## ***Fast Facts on the California-China Trade Relationship***

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China is the second largest economy in the world after the U.S. with a 2017 GDP of \$11.2 trillion, based on the official exchange rate.<sup>1</sup> China is consistently California's third largest export partner and largest import partner, with \$14.3 billion worth of goods exported and \$144 billion worth of goods imported in 2016.<sup>2</sup>

### **Profile of China**

- China is the world's fourth largest country with a land mass less than Russia, Canada and the U.S. measured by land area. The land area of China is 9.6 million square km<sup>3</sup>, which makes it slightly smaller than that of the U.S. (9.8 million square km).<sup>4</sup>
- China is the world's most populous country with an estimated population of 1.37 billion in 2017,<sup>5</sup> which is more than four times the population of the U.S. (326.6 million).<sup>6</sup>
- The literacy rate (age 15 and over that can read and write) in China was 96.4%.<sup>8</sup>
- There were 2,560 higher education institutions in China reported in 2016, 793 of which provided postgraduate programs. In addition, China had 11,202 secondary vocational education schools recorded for the same period.<sup>9</sup>
- In 2016, 94.5% of high school graduates in China enrolled in higher education programs.<sup>10</sup> There were 1.9 million post-graduate students in China with 1.1 million in science, engineering, and medicine fields. This represents 57% of all graduate students.<sup>11</sup>

### **Overview of China's Economy**

- China possessed a 2016 GDP measured on purchasing power parity of \$21.3 trillion, for comparison the U.S. GDP measured on purchasing power parity was \$18.5 trillion in 2016. Purchasing power parity is considered by many researches as a better measure for output across differing countries.<sup>12</sup>
- China's GDP per capita ranked 106<sup>th</sup> in the world in 2017.<sup>13</sup>
- The inflow of FDI has played a significant role in China's high GDP growth rate. China was ranked 1<sup>st</sup> as a top priority host for FDI for the 2014-2016 period by transnational corporations.<sup>14</sup> As of 2014, China became the largest recipient of FDI in the world, followed by Hong Kong and the U.S.<sup>15</sup>
- Foreign direct investment (FDI) inflow grew from \$128.5 billion in 2014 to \$133.7 billion in 2016, while Chinese outward FDI rose from \$123.1 billion to \$183.1 billion.<sup>16</sup>
- Beginning in the late 1970s, China gradually implemented several key economic and fiscal reforms which liberalized trade, modernized the banking system, promoted growth of the private sector, and allowed the currency to rise in value. Changes in these policies played a significant role in making China the world's largest exporter in 2010. In 2017 it remained the world's largest exporter.<sup>17</sup>
- In 2017, the agriculture, industry, and services sectors accounted for 8.2%, 39.5%, and 52.2% of its GDP respectively.<sup>18</sup>
- China had 802.7 million people in its labor force in 2017. While its 2017 labor force ranks China as having the largest workforce in the world, its estimated workforce is down from 1.004 billion estimated in 2012.

- China's 2017 labor force by sector had the greatest proportion in agriculture at 28.3%, while the industrial and services sectors comprised 29.3% and 42.4%, respectively in 2015.<sup>19</sup>
- China's support for state-owned enterprises in sectors considered important to "economic security" has increased in recent years, including in such sectors as energy generation/distribution, oils, petrochemical, natural gas, telecom, armaments, coal, and shipping industries.<sup>20</sup>
- The growth of China's GDP relies heavily on foreign exports. In 2016, the value of China's exports to the world was \$2.1 trillion, ranking 1<sup>st</sup> in the world, and its imports were worth \$1.7 trillion, and ranking 2<sup>nd</sup>.<sup>21</sup> China's current account balance decreased from \$304.2 billion in 2015 to \$162.5 billion in 2017, ranking China second in world, with the US in the top position.<sup>22</sup>
- China's major export commodities in 2017 were electrical and other machinery, including computers and telecommunications equipment, apparel, furniture, and textiles.<sup>23</sup> Its major import commodities were electrical and other machinery, including integrated circuits and other computer components; oil and mineral fuels; optical and medical equipment; metal ores, motor vehicles; and soybeans.<sup>24</sup>
- Economic development has been more rapid in urban centers and coastal provinces than rural areas. According to the Gini Index which measures income inequality (where 0 is perfect equality and 100 is perfect inequality), in 2016, China scored 46.5 out of 100, which is 30<sup>th</sup> in the world. For comparison, the US is ranked as 40<sup>th</sup>, based on 2007 data (most recent data included on the list)<sup>25</sup>

### **China and U.S. Trade and Investment Relations**

- In 2016, the U.S. was China's largest export partner, representing 18.1% of all China's exports. The total value of products China exported to the U.S. totaled \$388.1 billion<sup>27</sup> which decreased from 410.8 billion in 2015.<sup>28</sup>
- China is the third largest export market for the U.S., after Mexico and Canada. The U.S. exported \$115.6 billion in products to China in 2016, down \$3 million from 2015.<sup>29</sup>
- The U.S. goods trade deficit with China was \$347 billion in 2016, down from \$367 billion in 2015. The trade deficit with China accounted for 20.5% of the overall U.S. trade deficit in 2016.<sup>30</sup>
- The top U.S. imports from China in 2016 were from the manufacturing, part 3 subsector (72.5%); the manufacturing, part 1 subsector (14.7%), the manufacturing, part 2 subsector (10.7%); and Special Classification products (0.7%).<sup>31</sup>
- The top U.S. exports to China in 2016 were from the manufacturing, part 3 subsector (52.8%); the manufacturing, part 2 subsector (17.7%); agricultural and livestock products (14.6 %); and waste and scrap (5.1%).<sup>32</sup>
- China's inward FDI from the U.S. totaled \$74.6 billion and China's outward FDI to the U.S. was \$14.8 billion in 2015 (latest data available).<sup>33</sup>

### **China and California Relations**

- There were 1,496,496 Chinese Americans living in California as of 2015 according to the American Community Survey,<sup>34</sup> which was 3.8% of the state's 2015 population of 39 million.<sup>35</sup>
- China is California's 3rd largest export market, after Mexico and Canada. California's export value to China totaled \$16.4 billion in 2017.<sup>36</sup>
- In 2017, California exported \$16.4 billion in products to China. The top five exports to China were: Computer and Electronic Products (\$4.3 billion – 26.6%); Transportation Equipment (\$2.5 billion –

15.5%); Machinery, except Electrical (\$2.0 billion – 12.5%); Waste and Scrap (\$1.7 billion – 10.4%); and Chemicals (\$1.2 billion).<sup>37</sup>

- In 2017, California imported \$159.1 billion in products from China, accounting for 36.1% of the state's imports.<sup>38</sup>
- China was California's 3<sup>rd</sup> largest export market for agriculture products in 2015, totaling \$1.72 billion. The major exported agricultural products were almonds, pistachios, and dairy and products.<sup>39</sup>

### **Special Economic Zones (SEZs) in China**

- In the late 1970s, China designated some provincial regions to be more market-based, known as special economic zones (SEZs). These regions are foreign-oriented areas which integrate science and industry with trade, and benefit from preferential policies and special management systems.<sup>40</sup>
- Some SEZs are designated geographical spaces where special policies and measures support specific economic functions. Others include free-trade areas, industry parks, technical innovation parks and bonded zones that facilitate experimentation and innovation over a wide range of industries.<sup>41</sup>
- The first 4 SEZs were established in 1979, including Shenzhen, Shantou, and Zhuhai located in Guangdong province, and Xiamen located in Fujian province.<sup>42</sup>
- According to the World Bank, SEZs have contributed significantly to China's development. They have permitted experimentation with market-oriented reforms, and acted as a catalyst for efficient allocation of domestic and international resources.<sup>43</sup>
- The most recent SEZ was announced in April 2017 and will be located in Hebei, a province that has previously been impacted by significant layoffs. While the primary purpose of the Xiong'an New Area is to serve as a development hub for the Beijing-Tianjin-Hebei (Jingjinji) economic triangle, it will also include a number of "non-capitol functions" which will be relocated from Beijing.<sup>44</sup>

<sup>1</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html>; China's GDP 2017, March 8, 2018

<sup>2</sup> <http://tse.export.gov/TSE/MapDisplay.aspx>; California total exports to China 2017, accessed March 8, 2018

<sup>3</sup> <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed November 6, 2017

<sup>4</sup> <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed November 6, 2017

<sup>5</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/rankorder/2119rank.html>; CIA World Fact Book-China, accessed March 8, 2018

<sup>6</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/rankorder/2119rank.html>; CIA World Fact Book-China, accessed April 29, 2016

<sup>7</sup> <http://worldpopulationreview.com/world-cities/beijing-population/>; Beijing Population and Density; <http://quickfacts.census.gov/qfd/states/06/0644000.html>; Estimated population density of Los Angeles City, accessed June 11, 2014

<sup>8</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed March 8, 2018

<sup>9</sup> <http://www.stats.gov.cn/tjsj/ndsj/2016/indexeh.htm>; China Statistical Yearbook 2016, and [http://en.moe.gov.cn/Resources/Statistics/edu\\_stat\\_2016/2016\\_en01/201708/t20170822\\_311604.html](http://en.moe.gov.cn/Resources/Statistics/edu_stat_2016/2016_en01/201708/t20170822_311604.html) Chinese ministry of Education, accessed March 8, 2018

<sup>10</sup> [http://en.moe.gov.cn/Resources/Statistics/edu\\_stat\\_2016/2016\\_en01/201708/t20170822\\_311606.html](http://en.moe.gov.cn/Resources/Statistics/edu_stat_2016/2016_en01/201708/t20170822_311606.html), Chinese Ministry of Education, accessed March 8, 2018

<sup>11</sup> [http://en.moe.gov.cn/Resources/Statistics/edu\\_stat\\_2016/2016\\_en01/201708/t20170822\\_311599.html](http://en.moe.gov.cn/Resources/Statistics/edu_stat_2016/2016_en01/201708/t20170822_311599.html), Chinese Ministry of Education, "Number of Postgraduate Students by Academic Fields (total)", accessed March 8, 2018

<sup>12</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html>; accessed March 8, 2018

<sup>13</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html>; China GDP PPP accessed March 8, 2018

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- <sup>22</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/fields/2001.html#ch>; Country GDPs 2017, accessed March 8, 2018
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