

Fast Facts on California-China Trade Relations

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
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China is the second largest economy in the world after the United States with a 2011 Gross Domestic Product (GDP) of \$7.29 trillion measured on official exchange rate basis.¹ In the fourth quarter of 2011, growth slowed to 9.2% compared to 2010's 10.4%.² In the first quarter of 2012, China's growth continued to slow to 8.1%.³ China is California's third largest export partner with \$14.2 billion worth of goods exported from California to China in 2011.⁴

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 km⁵, slightly smaller than that of the U.S. (9.8 million sq km).⁶
- China is the world's most populous country with an estimated July 2012 population of 1.34 billion⁷ which is more than four times the population of the U.S. (313 million).⁸ The population density of Beijing was 7,400 persons per sq km, much denser than Los Angeles, with 2,980 persons per sq km in 2011.⁹
- The literacy rate (age 15 and over that can read and write) in China was 92.2%.¹⁰ There are 4,356 higher education institutions in China, 797 of which provide postgraduate programs.¹¹ In 2010, 83.3% of high school graduates in China were enrolled in higher education programs.¹² In 2010, post-graduates in science and engineering fields comprised 43.8% of all graduate students in regular higher education institutions (REIs)¹³ and 75.1% in research institutes.¹⁴

Overview of China's Economy

- China is the second largest economy in the world after the United States with a 2011 Gross Domestic Product (GDP) of \$7.29 trillion measured on an official exchange rate basis.¹⁵ Although China's overall growth was predicted to slow to 7.7% in 2012, compared to 8.1% in the first quarter of 2012, it contributed to over 35% of global growth in 2011.¹⁶ On the other hand, China's GDP per capita based on purchasing power parity ranked 121st in the world in 2011.¹⁷
- Beginning in the late 1970s, under the leadership of Deng Xiaoping, China moved from a centrally planned system to a more market-oriented economy. This major shift plays a global role in making China the world's largest exporter in 2010, in addition to surpassing Japan to be the second largest economy in the world in the same year.¹⁸
- In 2011, the agriculture, industry, and services sectors accounted for 10.1%, 46.8%, and 43.1% of its GDP respectively. The agriculture sector accounted for the greatest proportion of China's labor force at 36.7%, while the industrial and services sectors comprised 28.7% and 34.6%, respectively.¹⁹
- The inflow of foreign direct investment (FDI) largely accounts for China's high GDP growth rate. Since 2009, China rose to 2nd place after the United States among the largest FDI recipients.²⁰ China was ranked 1st as a top priority host for FDI for the 2010-2012 period by transnational corporations (TNCs).²¹
- The growth of China's GDP relies heavily on foreign exports. In 2011, the value of China's exports to the world was \$1.898 trillion, ranking 1st in the world, and its imports were worth \$1.743 trillion, and ranking 3rd.²² China's 2011 account balance was \$280.6 billion, ranking 1st in the world.²³
- China has the world's largest gold and foreign exchange reserves in the world valuing at \$3.236 trillion in 2011.²⁴ It was more than twenty-four times the U.S. amount of \$132.4 billion in 2010.²⁵ The exchange rate for Renminbi Yuan (RMB) per U.S. dollar (USD) over the years were 6.4 (2011), 6.7 (2010), 6.8 (2009), 6.9 (2008), and 7.6 (2007).²⁶
- Economic development has been more rapid in urban centers in coastal provinces than rural areas, so income inequality is a serious concern in China. The Gini index (a measure of income equality) of China was 48 in 2009, compared to 41.5 in 2007.²⁷ The higher the value, the greater the inequality. The U.S. had consistently similar Gini indices in with a value of 45 in 2007.²⁸
- China's major export commodities in 2011 were electrical and other machinery, including data processing equipment, apparel, textiles, iron and steel, optical and medical equipment.²⁹ Its major import commodities

were electrical and other machinery, oil and mineral fuels, optical and medical equipment, metal ores, plastics, organic materials.³⁰

China and U.S. Trade and Investment Relations

- In 2012, the U.S. is China's top export market, representing 17.1% of all China's exports. The total value of products China exported to the U.S. totaled \$309.67billion,³¹ which increased by 10.6% from 2011.³²
- China is the third largest export market for the U.S., after Mexico and Canada. The U.S. exported \$103.9 billion in products to China in 2011, up 13.1% relative to \$12 billion in 2010.³³
- The U.S. goods trade deficit with China was \$295.5billion in 2011, an 8.2% increase (\$22.4 billion) over 2010. The trade deficit with China accounted for 41% of the overall U.S. trade deficit in 2011.³⁴
- The top U.S. exports to China in 2011 were agricultural products (14.1%), computer and electronic products (13.2%), chemicals (13.1%), and transportation equipment (12.7%).³⁵
- The top U.S. imports from China in 2011 were computer and electronic products (36.5%), miscellaneous manufactured commodities (9.1%), apparel manufacturing products (8.1%), electrical equipment, appliances and components (7.2%).³⁶
- In 2010, China's inward FDI from the U.S. totaled \$60.5 billion. China's outward FDI to the U.S. was \$3.2 billion.³⁷
- The annual Strategic and Economic Dialogue (S&ED) has served as a unique platform to promote bilateral understanding, expand consensus, discuss differences, improve mutual trust, and increase cooperation between the U.S. and China. S&ED has benefitted both countries through joint projects and initiatives in addressing common regional and global challenges such as nuclear proliferation in Iran, North Korea, and instability between Sudan and South Sudan.³⁸
- In 2011, the U.S. exported \$130 billion in goods and services to China, which supported over 600,000 jobs domestically. The fourth round of U.S.-China S&ED held in May 2012 involved a dialogue for reducing Chinese barriers to U.S. exports, which will enhance opportunities in this growing market and create jobs for U.S. workers.³⁹

China and California Relations

- There were 1,451,537 Chinese Americans in California in 2010⁴⁰, which was 3.89% of California's population of 37,253,956.⁴¹
- China is California's 3rd largest export market, after Mexico and Canada. California's export value to China totaled \$14.2 billion in 2011.⁴²
- The top exports from California computer and electronic products (26.3%), waste and scrap (21%), transportation equipment (11.6%), and machinery, except electrical (9.6%).⁴³
- In 2011, California imported \$120 billion in products from China, accounting for 34.2% of the state's imports.⁴⁴
- China was California's 3rd largest export market for agriculture products in 2010 totaling \$1.4 billion in value. The major exported agricultural products were almonds, pistachios and walnuts.⁴⁵

Special Economic Zones (SEZs) in China

- In the late 1970s, under the leadership of Deng Xiaoping, China designated some regions to be more market-based, known as special economic zones. These regions are foreign-oriented areas which integrate science and industry with trade, and benefit from preferential policies and special management systems.⁴⁶
- The Pearl River Delta, a prominent SEZ located in Guangdong Province, has several economically dynamic and world-oriented cities including Hong Kong, Guangzhou, Shenzhen, Zhuhai, Macau, Foshan, Zhongshan, and Dongguan.⁴⁷
- Shenzhen is one of the largest exporters within the Pearl River Delta SEZ. In 2010, Shenzhen had a total export value of \$204.2 billion.⁴⁸
- Other SEZs in China include the Yangtze River Delta, Xiamen-Zhangzhou-Quanzhou Triangle in south Fujian, Shandong Peninsula, Liaodong Peninsula, and Pudong New Zone in Shanghai.⁴⁹

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