

Fast Facts on the California-China Trade Relations

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
Jose Medina, Chair

China is the second largest economy in the world after the United States with a 2013 GDP of \$13.37 trillion.¹ 2012 and 2013 GDP growth was consistent at the average rate of 7.5%² and the forecast for growth in 2014 will be in similar percentile.³ China is California's third largest export partner with \$16.3 billion worth of goods exported from California to China in 2013.⁴

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, which makes it slightly smaller than that of the U.S. (9.8 million square km).⁶
- China is the world's most populous country with an estimated population of 1.35 billion in July 2014,⁷ which is more than four times the population of the U.S. (318 million).⁸ In 2012, the estimated population of Beijing was 21 million people with a density of 5,302 persons per square km, compared to the city of San Francisco at 6,898 people per square km, and Los Angeles at 3,199 people per square km.⁹
- The literacy rate (age 15 and over that can read and write) in China was 95.1%.¹⁰ There are 4,076 higher education institutions in China, 811 of which provide postgraduate programs.¹¹ In 2012, 87% of high school graduates in China enrolled in higher education programs.¹² In 2012, there were 218,700 post-graduates in science and engineering fields, an equivalent of 45% of all graduate students, which made up of 66.6% of all students in research institutes.¹³
- In 2012, there were 202,900 post-graduates in science and engineering fields, an equivalent of 22% of all graduate students in the U.S.¹⁴

Overview of China's Economy

- China is the second largest economy in the world after the United States with a 2013 GDP of \$13.37 trillion measured on power purchase parity as compared to the U.S. GDP of \$16.72 trillion.¹⁵
- After a temporary dip in overall economic performance in 2012, China's balance of payments returned to surplus in 2013, with an increase from \$322 billion in 2012 to \$360 billion in 2014. However, China's services trade deficit jumped from \$90 billion in 2012 to \$122 billion in 2013.
- Foreign direct investment (FDI) inflow dropped from \$191 billion in 2012 to \$171 billion in 2013, while Chinese outward FDI continued to rise.¹⁶
- China's GDP per capita based on purchasing power parity ranked 120th in the world in 2013.¹⁷
- 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. China, however, continues to support its state-owned enterprises in sectors considered important to "economic security" such as energy generation/distribution, oils, petrochemical, natural gas, telecom, armaments, coal, and shipping industries.¹⁸
- In 2013, the agriculture, industry, and services sectors accounted for 10%, 43.9%, and 46.1% of its GDP respectively. The agriculture sector accounted for the greatest proportion of China's labor force at 33.6%, while the industrial and services sectors comprised 30.3% and 36.1%, respectively.¹⁹
- The inflow of FDI largely accounts for China's high GDP growth rate. China was ranked 1st as a top priority host for FDI for the 2010-2012 period by transnational corporations.²⁰ In 2012, China recorded its largest ever FDI inflow and remained as the second largest recipient in the world after the U.S.²¹

- The growth of China's GDP relies heavily on foreign exports. In 2013, the value of China's exports to the world was \$2.21 trillion, ranking 1st in the world, and its imports were worth \$1.772 trillion, and ranking 3rd.²² China's 2013 account balance was \$176.6 billion, ranking 2nd in the world behind Germany with \$257 billion.²³
- China has the world's largest gold and foreign exchange reserves valuing at \$3.82 trillion in 2013.²⁴ It was more than the U.S. at \$150 billion in 2012.²⁵ The exchange rate for the Renminbi Yuan (RMB) per U.S. dollar (USD) over the years were 6.2 (2013), 6.3 (2012), 6.7 (2010), 6.8 (2009), and 6.9 (2008).²⁶
- 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 2012, China scored 40 out of 100,²⁷ and the U.S. scored 37 out of 100.²⁸
- China's major export commodities in 2013 were computers (9.9%), broadcasting equipment (5.2%), telephones (4.3%), office machines parts (2.2%), and integrated circuits (2.0%).²⁹ Its major import commodities were crude petroleum (14%), integrated circuits (7.6%), iron ore (5.3%), gold (3.6%), and automobiles (2.9%).³⁰

China and U.S. Trade and Investment Relations

- In 2013, the U.S. is China's second largest export partner, representing 16.7% of all China's exports. The total value of products China exported to the U.S. totaled \$440.4 billion,³¹ which increased by 3.5% from 2012.³²
- China is the third largest export market for the U.S., after Mexico and Canada. The U.S. exported \$122.1 billion in products to China in 2013, up 10.4% relative to \$11.5 billion in 2012.³³
- The U.S. goods trade deficit with China was \$318 billion in 2013, a 1.1% increase (\$3.3 billion) over 2012. The trade deficit with China accounted for 46.3% of the overall U.S. trade deficit in 2013.³⁴
- The top U.S. exports to China in 2013 were transportation equipment (19.2%), agriculture products (15.8%), computer and electronic products (13.1%), and chemicals (11.2 %).³⁵
- The top U.S. imports from China in 2013 were computer and electronic products (37%), miscellaneous manufactured commodities (8.3%), electrical equipment-appliances and components (7.6%), apparel manufacturing products (7.5%).³⁶
- In 2012, China's inward FDI from the U.S. totaled \$51.4 billion. China's outward FDI to the U.S. was \$5.2 billion.³⁷
- July 2013 marked the fifth meeting of the Annual Strategic and Economic Dialogue. This forum provides an opportunity for the U.S and China to engage on key issues, especially those related to economic policies including market-based interest and exchange rates, promoting open trade and investment where both countries have committed toward the development of a Bilateral Investment Treaty (BIT). The BIT is anticipated to include commitments to make trade more transparent, to enhance global cooperation, and set international rules in multilateral frameworks such as the WTO, IMF, G-20, APEC, Multilateral Development Bank, the International Working Group on Export Credits, to foster financial stability and reform in both countries, and lastly, to enhance transparency in the banking system to mitigate financial risks.³⁸
- The 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. In the past, the S&ED has been useful to support 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.³⁹

China and California Relations

- There were 1,564,094 Chinese Americans living in California as of 2012,⁴⁰ which was 4.1% of the state's 2012 population of 38 million.⁴¹
- China is California's 3rd largest export market, after Mexico and Canada. California's export value to China totaled \$16.4 billion in 2013.⁴²
- The top exports from California to China are computer and electronic products (31.1%), waste and scrap (14%), transportation equipment (9.8%), and machinery, except electrical (9.4%).⁴³
- In 2013, California imported \$130 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 2013, totaled in \$2.3 billion. 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 provincial 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 in Guangdong Province is home to a prominent SEZ which has several economically dynamic and globally-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 2012, Shenzhen had a total export value of \$271.4 billion.⁴⁸
- In addition to the Pearl River Delta, there are currently 6 SEZ operating 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

- ¹ <http://stat.wto.org/countryprofile/WSDBCountryPFView.aspx?Country=CN&>; WTO's China GDP 2012, accessed June 11, 2014
- ² <http://adb.org/countries/prc/economy>; Asian Development Bank on China; accessed June 11, 2014
- ³ <http://adb.org/countries/prc/economy>; China's 2014 Economic Forecast; accessed June 11, 2014
- ⁴ <http://tse.export.gov/TSE/MapDisplay.aspx>; California total exports to China 2013, accessed June 11, 2014
- ⁵ <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed June 11, 2014
- ⁶ <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed June 11, 2014
- ⁷ <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed June 11, 2014
- ⁸ <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed May 29, 2014
- ⁹ <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
- ¹⁰ <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; CIA World Fact Book-China, accessed May 29, 2014
- ¹¹ <http://www.moe.edu.cn/publicfiles/business/htmlfiles/moe/s7566/201309/156899.html>; Chinese Ministry of Education, "Number of Schools by Level and Type", accessed June 10, 2014
- ¹² <http://www.moe.edu.cn/publicfiles/business/htmlfiles/moe/s7566/201309/156874.html>; Chinese Ministry of Education, "Promotion Rates of Graduate Schools by Level", accessed June 10, 2014
- ¹³ <http://www.moe.edu.cn/publicfiles/business/htmlfiles/moe/s7566/201309/156686.html>; Chinese Ministry of Education, "Number of Postgraduate Students by Academic Fields (total)", accessed June 10, 2014
- ¹⁴ http://nces.ed.gov/programs/coe/indicator_ctb.asp; National Center for Education Statistics: The Condition of Education, accessed July 23, 2014
- ¹⁵ <http://www.cia.gov/library/publications/the-world-fact-book/geos/ch.html>; China's GDP 2013, accessed June 10, 2014
- ¹⁶ <http://www.rhg.com/notes/back-to-twin-surplus>; China account of balance; accessed June 10, 2014
- ¹⁷ <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014
- ¹⁸ <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed June 10, 2014
<http://www.uscc.gov/sites/default/files/3.30.11Scissors.pdf>; U.S-China Economic and Security Review Commission, Chinese State-Owned Enterprises and U.S.-China Bilateral Investment, Testimony, accessed July 22, 2014
- ¹⁹ <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014
- ²⁰ http://unctad.org/en/Docs/diaeia20104_en.pdf; UNCTAD World Investment Prospect Survey 2010-2012, accessed June 9 2014
- ²¹ http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf; UNCTAD: World Investment Report 2014, pg.xxii, accessed July 22, 2014
- ²² <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014
- ²³ <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014
- ²⁴ <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014
- ²⁵ <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2188rank.html>; accessed June 9, 2014
- ²⁶ <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 29, 2014
- ²⁷ <http://www.un.org/esa/socdev/documents/reports/InequalityMatters.pdf>; United Nations Department of Social and Economic Affairs: Inequality Matters, Report on the World Social Situation 2013, accessed July 23, 2014, pg. 37
- ²⁸ <http://www.un.org/esa/socdev/documents/reports/InequalityMatters.pdf>; United Nations Department of Social and Economic Affairs: Inequality Matters, Report on the World Social Situation 2013, accessed July 23, 2014, pg. 37
- ²⁹ <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed June 9, 2014
- ³⁰ <https://www.cia.gov/library/publications/the-world-factbook/fields/2049.html>; accessed June 9, 2014
- ³¹ <http://www.cia.gov/library/publications/the-world-factbook/fields/2050.html>; U.S Percentage of China's Total Export, accessed June 9, 2014
- ³² <http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>; U.S imports from China = China's exports to U.S, accessed June 9, 2014
- ³³ <http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>; U.S exports to China, accessed May 29, 2014
- ³⁴ <http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>; Office of the USTR, accessed May 29, 2014
- ³⁵ <http://tse.export.gov/TSE/ChartDisplay.aspx>; Top U.S exports to China, accessed May 29, 2014
- ³⁶ <http://tse.export.gov/TSE/ChartDisplay.aspx>; Top U.S imports from China, accessed May 29, 2014
- ³⁷ <http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>; U.S-China FDI flow, accessed June 4, 2014

-
- ³⁸ <http://www.treasury.gov/press-center/press-releases/Pages/jl2010.aspx>; Factsheet on 5th U.S-China S&ED, accessed June 4, 2014
- ³⁹ <http://www.state.gov/r/pa/ei/bgn/18902.htm>; accessed June 4, 2014
- ⁴⁰ http://factfinder2.census.gov/faces/tableservices/jrf/pages/productview.xhtml?pid=ACS_12_1YR_S0201&prodType=table; Chinese-American population in California, accessed May 29, 2014
- ⁴¹ http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2013_PEPANNRES&prodType=table; California population, June 4, 2014
- ⁴² <http://www.trade.gov/mas/ian/statereports/states/ca.pdf>; California: Jobs, exports, and foreign investments, April 2014, accessed June 5, 2014
- ⁴³ <http://tse.export.gov/TSE/ChartDisplay.aspx>; 2013 NAICS All merchandise from California to China, accessed June 5, 2014
- ⁴⁴ <http://www.census.gov/foreign-trade/statistics/state/data/imports/ca.html>; California imports from China 2013, accessed June 5, 2014
- ⁴⁵ <http://www.cdfa.ca.gov/statistics/pdfs/2013/AgStatsOverview.pdf>; California Agriculture Statistic Overview 2011-2012, accessed May 29, 2014
- ⁴⁶ <http://www.china.org.cn/e-china/openingup/sez.htm>; Special Economic Zones, accessed June 5, 2014
- ⁴⁷ <http://www.hktdc.com/info/mi/a/mpcn/en/1X06BW84/1/Profiles-Of-China-Provinces-Cities-And-Industrial-Parks/PRD-Economic-Profile.htm>; Pearl River Delta, accessed June 5, 2014
- ⁴⁸ <http://www.hktdc.com/info/mi/a/mpcn/en/1X06BW84/1/Profiles-Of-China-Provinces-Cities-And-Industrial-Parks/PRD-Economic-Profile.htm>; Pearl River Delta, accessed June 5, 2014
- ⁴⁹ <http://www.china.org.cn/e-china/openingup/sez.htm>; Special Economic Zones, accessed June 5, 2014