

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

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China is the largest economy in the world with a 2017 GDP of \$23.2 trillion, based on purchasing power parity.<sup>1</sup> China is consistently among California's top export and import partners, with \$14.3 billion worth of goods exported and \$441.1 billion worth of goods imported in 2018.<sup>2</sup>

### **Profile of China**

- China is the world's fourth largest country with a land mass less than only Russia, Canada, and the U.S. 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 1.38 billion in 2018,<sup>5</sup> which is more than four times the population of the U.S. (329.2 million).<sup>6 7</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 2017 GDP measured on purchasing power parity of \$21.2 trillion. For comparison the U.S. GDP measured on purchasing power parity was \$19.4 trillion in 2017. Purchasing power parity is considered by many researchers as a better measure for output across differing countries.<sup>12</sup>
- China's GDP per capita of \$16,700 ranked 105<sup>th</sup> in the world in 2017.<sup>13</sup>
- The inflow of foreign direct investment (FDI) has played a significant role in China's high GDP growth rate of 6.9% in 2017. 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 2018, China received \$142 billion of FDI, only behind the top ranking U.S. who received \$226 billion of FDI.<sup>15</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, exporting \$2.2 trillion in goods.<sup>16</sup>
- In 2017, the agriculture, industry, and services sectors accounted for 7.9%, 40.5%, and 51.6% of its GDP, respectively.<sup>17</sup>

- China had 806.7 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.<sup>18</sup>
- China's 2017 labor force by sector had the greatest proportion in industrial (28.8%), while agriculture and services sectors comprised 27.7% and 43.5%, respectively, in 2017.<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.<sup>20</sup>
- The growth of China's GDP relies heavily on foreign exports. In 2017, the value of China's exports to the world was \$2.2 trillion, ranking 1<sup>st</sup> in the world, and its imports were worth \$1.7 trillion, ranking 2<sup>nd</sup>.<sup>21</sup> China's current account balance decreased from \$304.2 billion in 2015 to \$164.9 billion in 2017, ranking China 3<sup>rd</sup> in world, with Germany and Japan in the top positions. The U.S. has the lowest account balance (-\$449.1 billion).<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 in 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 39<sup>th</sup>, based on 2007 data (most recent data included on the list)<sup>25</sup>

26

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

- In 2018, the U.S. was China's largest export partner, representing 19.2% of all of China's exports. The total value of products China exported to the U.S. totaled \$539.5 billion,<sup>27</sup> which increased from \$483.2 billion in 2015.<sup>28</sup>
  1. Computer and electronic products: \$186.4 billion
  2. Electrical equipment, appliances and components: \$49.9 billion
  3. Furniture, lighting, signs: \$33.4 billion
  4. Miscellaneous manufactured commodities: \$43.9 billion
  5. Machinery, except electrical: \$38.7 billion
  6. Apparel manufacturing products: \$29.8 billion
  7. Furniture and fixtures: \$25.7 billion
  8. Transportation equipment: \$21.6 billion
  9. Chemicals: \$21.3 billion
  10. Plastics and rubber products: \$20.2 billion

- China is the third largest export market for the U.S., after Mexico and Canada. The U.S. exported \$120.3 billion in products to China in 2018, down \$9.5 billion from 2017.<sup>29</sup>
- The U.S. goods trade deficit with China was \$419 billion in 2018, up from \$347 billion in 2016. The trade deficit with China accounted for 47% of the overall U.S. trade deficit in 2018, up from 20.5% of total deficit in 2016.<sup>30</sup>
- The top U.S. exports to China in 2018 were transportation equipment (23.1%); computer and electronic products (14.9%); chemicals (13.5%); and machinery, except electrical (9.2%).<sup>31</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>32</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>33</sup> which was 3.8% of the state's 2015 population of 39 million.<sup>34</sup>
- **Exports** out of California were valued at **\$178.4 billion** in 2018. China, including Hong Kong, is California's second largest export market, after Mexico. California's export value to China totaled \$26.2 billion in 2018.<sup>35</sup>
- California exported **\$26.2 billion in products to China** (\$16.3 billion), including Hong Kong (\$9.9 billion). The top five exports to China (only) were: computer and electronic products (\$4.1 billion); machinery, except electrical (\$2.5 billion); transportation equipment (\$2.0 billion); chemicals (\$1.4 billion); and waste and scrap (\$1.3 billion).<sup>36</sup>
- **Imports into California** were valued at \$441.1 billion in 2018, with California importing \$161.1 billion in products from China.<sup>37</sup>

<sup>1</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html>; China's GDP 2017, May 28, 2019

<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 May 2019

<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 May 31, 2019

<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 May 28, 2019

<sup>13</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html>; China GDP PPP accessed May 28, 2019

<sup>14</sup> [http://unctad.org/en/PublicationsLibrary/webdiaeia2015d4\\_en.pdf](http://unctad.org/en/PublicationsLibrary/webdiaeia2015d4_en.pdf); UNCTAD World Investment Prospect Survey 2014-2016, accessed May 6, 2016 and [www.cia.gov](http://www.cia.gov) accessed May 2019

<sup>15</sup> [https://unctad.org/en/PublicationsLibrary/diaeiainf2019d1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/diaeiainf2019d1_en.pdf); UNCTAD: Global Investment Trends Monitor, pg. 2, accessed May 31, 2019

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- <sup>17</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html> ; accessed May 28, 2019
- <sup>18</sup> <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html> ; accessed May 31, 2019
- <sup>19</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 31, 2019
- <sup>20</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed March 8, 2018  
<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
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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 May 28, 2019
- <sup>23</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>; accessed May 31, 2019
- <sup>24</sup> <https://www.cia.gov/library/publications/the-world-factbook/fields/2049.html>; accessed May 31, 2019
- <sup>25</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> ; accessed May 31, 2019
- <sup>26</sup> <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
- <sup>27</sup> <http://tse.export.gov/TSE/ChartDisplay.aspx>; accessed May 31, 2019
- <sup>28</sup> <http://tse.export.gov/TSE/ChartDisplay.aspx>; accessed May 31, 2019
- <sup>29</sup> <http://tse.export.gov/TSE/ChartDisplay.aspx>; accessed May 31, 2019
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- <sup>31</sup> <http://tse.export.gov/TSE/ChartDisplay.aspx>; Top U.S exports to China, accessed May 31, 2019
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