

Fast Facts on the 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 U.S. with a 2015 GDP official exchange rate of \$11.4 trillion.¹ GDP growth has slowed from 7.3% in 2014 to 6.9% in 2015² and is expected to slow further going in to 2017.³ China is California's third largest export partner with \$14.4 billion worth of goods exported from California to China in 2015.⁴

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 1.37 billion in July 2015,⁷ which is more than four times the population of the U.S. (321 million).⁸
- The literacy rate (age 15 and over that can read and write) in China was 96.4%.¹⁰ There are 4,076 higher education institutions in China, 811 of which provide postgraduate programs.¹¹
- In 2012 (most recent data), 87% of high school graduates in China enrolled in higher education programs.¹² 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

Overview of China's Economy

- China possessed a 2015 GDP measured on purchasing power parity of \$19.5 trillion, for comparison the U.S. GDP measured on purchasing power parity was \$17.97 trillion in 2015.¹⁴
- China's current account balance increased from \$219.7 billion in 2014 to \$347.8 billion in 2015.¹⁵
- Foreign direct investment (FDI) inflow grew from \$123.9 billion in 2013 to \$128.5 billion in 2014, while Chinese outward FDI rose from \$101 billion to \$116 billion.¹⁶
- China's GDP per capita ranked 112th in the world in 2015.¹⁷
- 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. In 2015 it remained the world's largest exporter. 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 2015, the agriculture, industry, and services sectors accounted for 8.9%, 42.7%, and 48.4% of its GDP respectively. China's labor force by sector had the greatest proportion in agriculture at 33.6%, while the industrial and services sectors comprised 30.3% and 36.1%, respectively in 2012 (most recent data).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 2014-2016 period by transnational corporations.²⁰ As of 2014, China became the largest recipient of FDI in the world, followed by Hong Kong and the U.S.²¹
- The growth of China's GDP relies heavily on foreign exports. In 2015, the value of China's exports to the world was \$2.27 trillion, ranking 1st in the world, and its imports were worth \$1.596 trillion, and ranking 3rd.²² China's 2015 account balance was \$347.8 billion, ranking 2nd in the world behind the European Union.²³
- China has the world's largest gold and foreign exchange reserves valuing at \$3.22 trillion in 2015.²⁴ It was more than the U.S. at \$130 billion in 2014.²⁵ The exchange rate for the Renminbi Yuan (RMB) per U.S. dollar (USD) over the years were 6.2 (2015), 6.1 (2014), 6.2 (2013), 6.3 (2012), 6.7 (2010).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 2014, China scored 46.9 out of 100.²⁷
- China's major export commodities in 2015 electrical and other machinery, including data processing equipment, apparel, furniture, textiles, integrated circuits.²⁹ Its major import commodities were electrical and other machinery, oil and mineral fuels; nuclear reactor, boiler, and machinery components; optical and medical equipment, metal ores, motor vehicles; and soybeans.³⁰

China and U.S. Trade and Investment Relations

- In 2015, 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 \$410.8 billion³¹ which decreased from 440.4 billion in 2013.³²
- China is the third largest export market for the U.S., after Mexico and Canada. The U.S. exported \$116.2 billion in products to China in 2015, down \$7.5 billion from 2014.³³
- The U.S. goods trade deficit with China was \$367 billion in 2015, up from \$343 billion in 2014. The trade deficit with China accounted for 46.3% of the overall U.S. trade deficit in 2013.³⁴
- The top U.S. imports from China in 2015 were from the manufacturing, part 3 subsector (72.1%); the manufacturing, part 1 subsector (15.6%), the manufacturing, part 2 subsector (10.5%); and agricultural and livestock products (0.6%).³⁵
- The top U.S. exports to China in 2015 were from the manufacturing, part 3 subsector (53.9%); the manufacturing, part 2 subsector (17.6%); agricultural and livestock products (14.7 %); and waste and scrap (5.1%).³⁶
- China's inward FDI from the U.S. totaled \$51.4 billion and China's outward FDI to the U.S. was \$5.2 billion in 2012.³⁷
- July 2015 marked the seventh 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 according to the American Community Survey,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 billion in 2014.⁴²
- In 2015 the top exports from California to China were computer and electronic products (33.9%), machinery, except electrical (13.4%), waste and scrap (11.5%), and chemicals (7.9%).⁴³
- In 2015, California imported \$143 billion in products from China, accounting for 35.1% of the state's imports.⁴⁴

- China was California's 3rd largest export market for agriculture products in 2014, totaled in \$2.04 billion. The major exported agricultural products were almonds, pistachios and dairy and products.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 2014, Shenzhen had a total export value of \$284.4 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

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