

China

The Case for Engagement

China is **by far** America's fastest growing customer.

Trade with China is creating enormous **opportunities** for American jobs and economic growth.

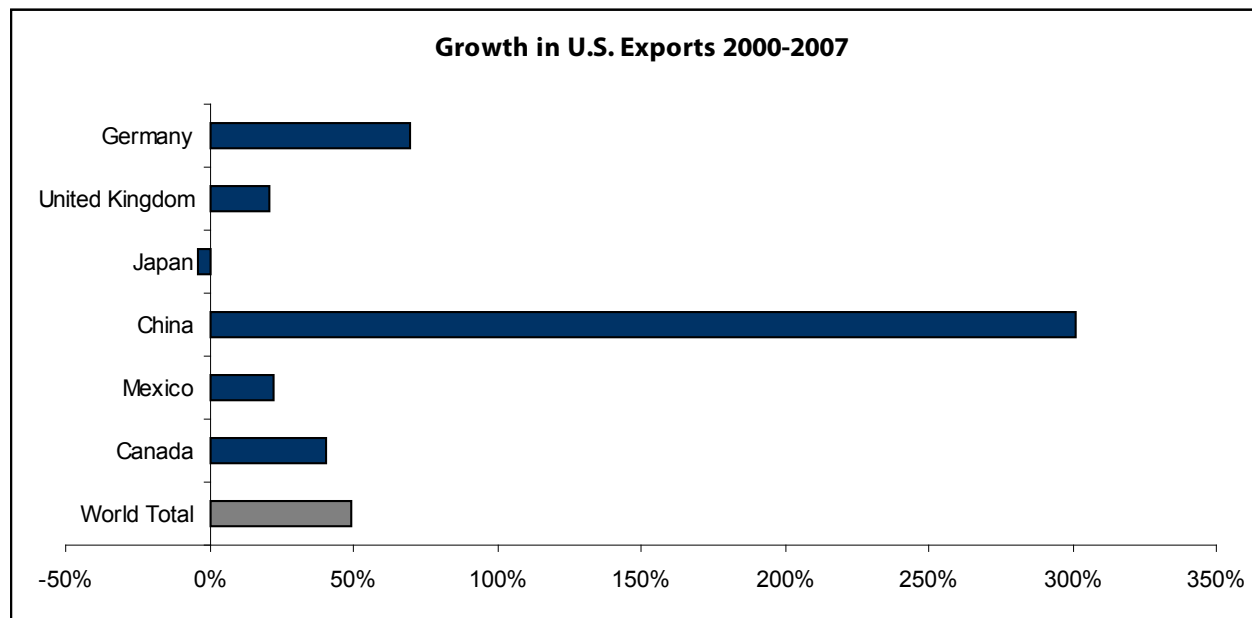
By focusing on greater access to China's expanding market rather than currency alone, policymakers can help America benefit from the growth of China.



Market Access is Key to Opportunities for Job Creation and Economic Growth in America

China is by far the fastest growing market for U.S. exports.....

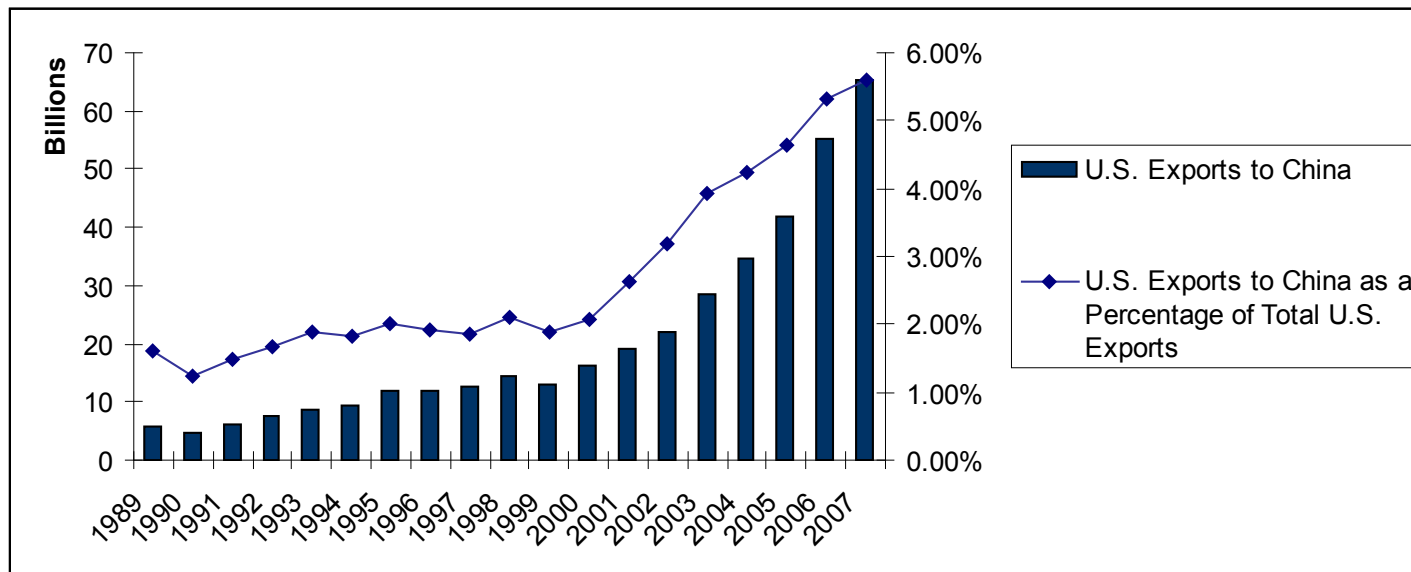
Between 2000 and 2007, U.S. exports to China grew at **six times** the rate of U.S. exports to the rest of the world.



China is a growing market for U.S. exports.....

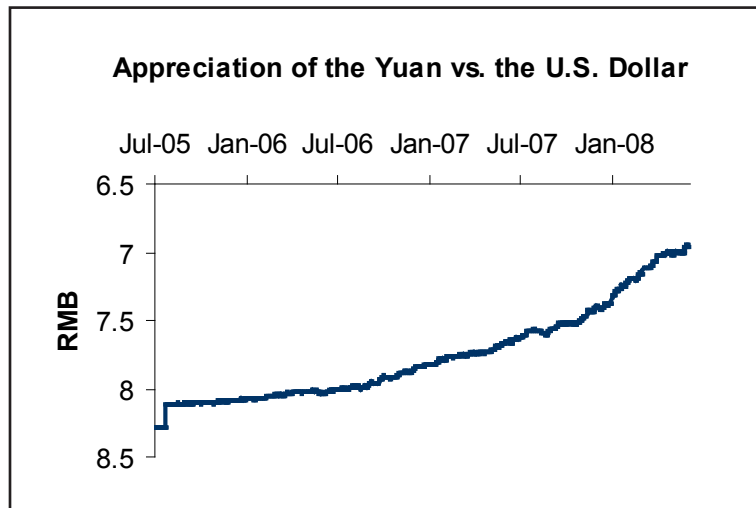
From 2000 to 2007, U.S. exports to China *quadrupled* from \$16 billion to \$65 billion.

Exports to China represent a growing share of overall U.S. exports. China is now America's **third largest** export market and the largest market for U.S. products outside of North America. The Chinese market accounts for more than 5% of total U.S. exports, up from 2.1% in 2000. That means that **one out of every 18 dollars earned by U.S. exporters is attributable to trade with China.**



It's not all about the currency...

While China should continue to liberalize its currency, obtaining greater access to the Chinese market for U.S. firms holds greater promise for long-term economic growth and job creation in the U.S.



The Yuan has appreciated more than **19 percent** since China began reforming their currency regime in July of 2005. Adjusting for inflation, the RMB has appreciated more than 25 percent against the dollar.

By contrast, the RMB has weakened against the Euro. This gives U.S. exporters an advantage against European competitors.

We should not allow the currency issue to overshadow the broader potential of the U.S.-China economic relationship.

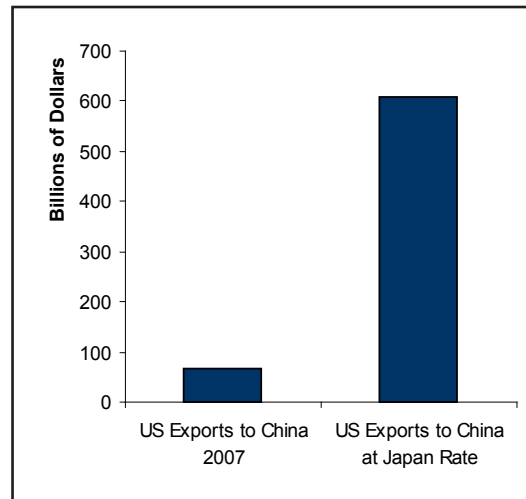
Why market access matters....

Greater access to the Chinese market for U.S. financial services firms will increase the availability of financial products and services such as personal loans, credit cards, mortgages, pensions, insurance products and insurance intermediary services that will reduce the need for precautionary savings and facilitate consumer consumption in China. Greater consumer consumption will lead to expanded markets for U.S. products and services.

THE \$600 Billion Dollar Question...

What if Chinese consumers eventually purchased U.S. products at the same rate as Japanese consumers purchase U.S. products?

If China's citizens were to eventually consume American-made goods and services at the same rate that Japan's citizens did in 2007, the United States would export more than **\$654 billion** worth of goods and services to China, ten times what America exported to China last year, an amount equivalent to nearly 5 percent of America's GDP, and more than twice what it imported from China last year.



Greater openness is in China's interest too...

Comprehensive financial sector reforms could expand China's economic output by as much as **\$321 billion** annually according to research by the McKinsey Global Institute.¹

By providing the financial products and services that China's citizens and businesses need to save, invest, insure against risk, raise standards of living, and consume at higher levels, global financial institutions can play an important role in helping China achieve a more open and modern financial services sector.

¹ "Putting China's Capital to Work: The Value of Financial System Reform," by Diana Farrell, Susan Lund, and Fabrice Morin, The McKinsey Global Institute, May 2006.

Trade with China is vital as the U.S. economy slows...

In 2007, **40 percent** of U.S. economic growth came from exports. As the U.S. economy slows, fast-growing export markets like China are especially important to U.S. businesses and workers.

As America's fastest growing export partner -- exports to China are growing at nearly five times the rate of our exports to the rest of the world -- China is essential to strengthening the U.S. economy.

In 2006, the U.S. ran a **\$96.6 billion** trade surplus in services. The Chinese market presents enormous opportunities for America's highly competitive services companies.

