China

The Case for Engagement

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China’s Economic Emergence is an Historic Opportunity for America

The world’s 7th largest economy in 1999, China surpassed Japan to become the world’s 2nd largest economy in 2010.

Over the past three decades, the Chinese economy has grown by nearly 10 percent annually.

Fair and competitive access to China’s fast-growing middle class consumers and business sector represents an enormous commercial opportunity for American manufacturers (large and small), services providers, and farmers.

Market Access is Key to U.S. Job Creation and Economic Growth
China is a critical market for U.S. exports

China is now America’s third largest export market – and the largest market for U.S. products outside of North America.

From 2001 to 2013, U.S. exports increased more than sixfold, from $19 billion to $121 billion.
China is by far the fastest growing major market for U.S. exports

Between 2003 and 2013, U.S. exports to China grew at almost **three times** the rate of U.S. exports to the rest of the world.
Every U.S. State Has Experienced Dramatic Growth in Exports to China

U.S. exports to China surpassed $120 billion for the first time in 2013, with 42 states now counting China as one of their top three export markets. Additionally, 32 states exported more than $1 billion to China in 2013.

According the the U.S.-China Business Council, 47 states experienced at least triple-digit export growth to China since 2004. Seven states—Nevada, South Carolina, Utah, Michigan, Nebraska, Alabama and Washington—saw export growth of more than 500%.
Growth in Exports to China by State, 2004-2013
U.S. Exports to China = New American Jobs

According to the Commerce Department, every additional $1 billion in exports creates approximately 5,000 new American jobs.

In fact, an International Trade Administration report states that in 2013 11.3 million American jobs were supported by exports, and that the export of U.S. goods and services to China supported 796,000 of those jobs.
Why market access matters:

If China’s citizens were to eventually consume American made goods and services at the same rate as the Japanese did in 2013, the United States would export about $650 billion to China.

That’s more than five times what America exported to China last year, an amount equivalent to nearly 4 percent of America’s GDP, turning a $300 billion trade deficit into a $210 billion surplus – creating nearly 3 million new American jobs.
America’s Export Opportunity Depends on Financial Reform in China

The world’s second largest and fastest growing economy is home to more than 300 million middle class consumers and currently supported by one of the world’s most underdeveloped financial systems.

Simply stated, China’s under-developed financial sector represents a clear and present danger to its continued growth and development – and, therefore, to the historic exporting opportunity for U.S. manufacturers, services providers, and farmers.
Fastest Way for China to Get the Financial System it Needs – Import it

U.S. financial institutions bring world-class expertise and best practices with regard to products and services, credit analysis, risk management, internal controls, and corporate governance.

By helping to provide the financial products and services that China’s citizens and businesses need to save, invest, insure against risk, and consume at higher levels, U.S. financial institutions can help China develop an economy that is less dependent on exports, and more services-based and consumption-driven.

In so doing, U.S. financial institutions can help open an enormous commercial market for U.S. producers, accelerating economic growth and creating millions of American jobs.
A Successful BIT Helps U.S. Companies Achieve Market Access

A U.S.-China bilateral investment treaty (BIT) provides “rules of the road” for foreign investment in each country.

A high-quality BIT can be an important tool for achieving financial reforms in China as it offers a unique opportunity to address market access impediments and equity cap limitations the industry currently faces when operating in China.

Overwhelmingly, the goods U.S. companies produce in China either remain in China or Southeast Asia. Most U.S. companies are in China for China.

A BIT would also facilitate Chinese foreign direct investment in the U.S., supporting faster economic growth and job creation in America.
It’s not all about the currency:

While China should continue to liberalize its currency, greater access to the Chinese market holds far greater promise for long-term economic growth and job creation in the United States.

Since July 2005, the Yuan has appreciated more than 34%. Despite this appreciation, the US trade deficit with China has continued to widen.

![Appreciation of the Yuan in US Dollars](image)
CONCLUSION

Given the importance of our trade relationship with China to economic growth and job creation in the United States, policymakers should devote the same, or even greater, focus to expanding market access and continued financial modernization in China, through important dialogues such as the S&ED and the BIT, as they have to other aspects of the bilateral relationship.

Capitalizing on the enormous commercial opportunity that China represents requires a stable and growing Chinese economy, and access to that rapidly expanding market for American manufacturers, service providers, and farmers.