

China

Quick Facts

Official Name: People's Republic of China	Government Type: Communist State	Labor Force: (2009 est.) 812.7 million
Cities: Beijing - Capital	Population: 1.32 Billion	GDP (2009): \$4.814 trillion (exchange rate based)
Other major cities: Shanghai, Tianjin, Shenyang, Wuhan, Guangzhou, Chongqing, Harbin, Chengdu	Population Growth Rate: (2010 est.) 0.494%	

Overview

China is the world's fastest growing major economy, perhaps the most dynamic and a rising global economic power. Growth has been driven by exports and heavy investment in infrastructure and manufacturing. Coastal regions are powered by manufacturing, but state-owned companies continue to dominate the domestic economy, even though private entrepreneurs are beginning to thrive.

In recent years, China has racked up a huge trade surplus with the rest of the world, particularly the United States and Europe, and has also accumulated over \$1 trillion in foreign currency reserves. Widespread bribery and corruption are formidable challenges for companies doing business in China. In addition, intellectual property theft and counterfeiting are also persistent problems. Nevertheless, many of the world's biggest and most prestigious US brands are aggressively expanding their operations in China.

Referring to the largest American corporations, China's president, Hu Jintao, claimed that in many cases the "biggest source of their profits come from global operations," and that 70 percent of American companies doing business in China "remained profitable" even amid the global economic downturn.

Principal Government and Party Officials

President--Hu Jintao

Vice President--Xi Jinping

U.S./ China Trade Relations

The U.S. trade deficit with China fell 15.4% in 2009 to \$227 billion (primarily because Chinese imports were down 12%, to \$296 billion). The China portion of the global U.S. trade deficit rose to 43.9% in 2009, from 31.9%. U.S. imports from China accounted for 19% of overall U.S. imports in 2009. On the other hand, exports of U.S. goods to China in fell slightly in 2009, down 0.2% (to \$69.5 billion); but were up as an overall percentage of U.S. exports, to 6.6% in 2009, a record high share, from 5.5% in 2008, indicating that China was a more significant and robust trading partner than it had been before. The top three U.S. exports to China in 2008 were electrical machinery (\$9.5 billion), oil seeds and related products (\$9.3 billion), and nuclear reactors and related machinery (\$8.4 billion). In July 2009, Secretary of State Hillary Clinton and Treasury Secretary Timothy Geithner met with P.R.C. Vice Premier Wang Qishan in Washington for the inaugural round of the Strategic and Economic Dialogue.

China is now one of the most important markets for U.S. exports: in 2009, U.S. exports to China totaled \$69.6 billion, a

0.2% decrease from 2008. Those percentages were down far less than U.S. exports to other major trading partners in the year following the global financial crisis. U.S. agricultural exports continue to play a major role in bilateral trade, totaling \$12.2 billion in 2009 and thus making China the United States' fourth-largest agricultural export market. Leading categories include: soybeans (\$7.3 billion), cotton (\$839 million), and hides and skins (\$713 million).

Export growth continues to play an important role in China's rapid economic growth. To increase exports, China has pursued policies such as fostering the rapid development of foreign-invested factories, which assemble imported components into consumer goods for export, and liberalizing trading rights. Since the adoption of the 11th Five-Year Program in 2005, however, China has placed greater emphasis on developing a consumer demand-driven economy to sustain economic growth and address global imbalances.

The United States is one of China's primary suppliers of power-generating equipment, aircraft and parts, computers and industrial machinery, raw materials, and chemical and agricultural products. However, U.S. exporters continue to have concerns about protection of intellectual property rights, fair market access due to strict testing and standards requirements for some imported products, and policies appearing to pursue import substitution. In addition, a lack of transparency in the regulatory process makes it difficult for businesses to plan for changes in the domestic market structure.

In October 2009, the United States and China convened the 20th session of the Joint Commission on Commerce and Trade (JCCT), co-chaired by Secretary of Commerce Gary Locke, U.S. Trade Representative Ron Kirk, and Vice Premier Wang Qishan in Hangzhou, China. Secretary of Agriculture Tom Vilsak also participated. The two sides addressed U.S. exports of pork to China, clean energy, distribution services, intellectual property rights, government procurement, information security, medical devices and pharmaceuticals, and travel and tourism.

Foreign Investment

China's investment climate has changed dramatically in a quarter-century of reform. In the early 1980s, China restricted foreign investments to export-oriented operations and required foreign investors to form joint-venture partnerships with Chinese firms. Foreign direct investment (FDI) grew quickly during the 1980s, but slowed in late 1989 in the aftermath of Tiananmen. In response, the government introduced legislation and regulations designed to encourage foreigners to invest in high-priority sectors and regions. Since the early 1990s, China has allowed foreign investors to manufacture and sell a wide range of goods on the domestic market, and authorized the establishment of wholly foreign-owned enterprises, now the preferred form of FDI. However, the Chinese Government's emphasis on guiding FDI into manufacturing has led to market saturation in some industries, while leaving China's services sectors underdeveloped. China is now one of the leading FDI recipients in the world, receiving over \$108 billion in 2008 according to the Chinese Ministry of Commerce.

As part of its WTO accession, China undertook to eliminate certain trade-related investment measures and to open up specified sectors that had previously been closed to foreign investment. Many new laws, regulations, and administrative measures to implement these commitments have been issued. Major remaining barriers to foreign investment include opaque and inconsistently enforced laws and regulations and the lack of a rules-based legal infrastructure.

Opening to the outside remains central to China's development. Foreign-invested enterprises produce about half of China's exports, and China continues to attract large investment inflows. Foreign exchange reserves were \$2.39 trillion at the end of 2009, and have now surpassed those of Japan, making China's foreign exchange reserves the largest in the world. China's outbound foreign direct investment has also surged in recent years, reaching \$52 billion in 2008, up from a yearly average of \$2 billion in the 1990s.