



China

The Case for Engagement

China's Economic Emergence is an Historic Opportunity for America...



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

China's economy has grown at an average annual rate of better than 9% for more than two decades.

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

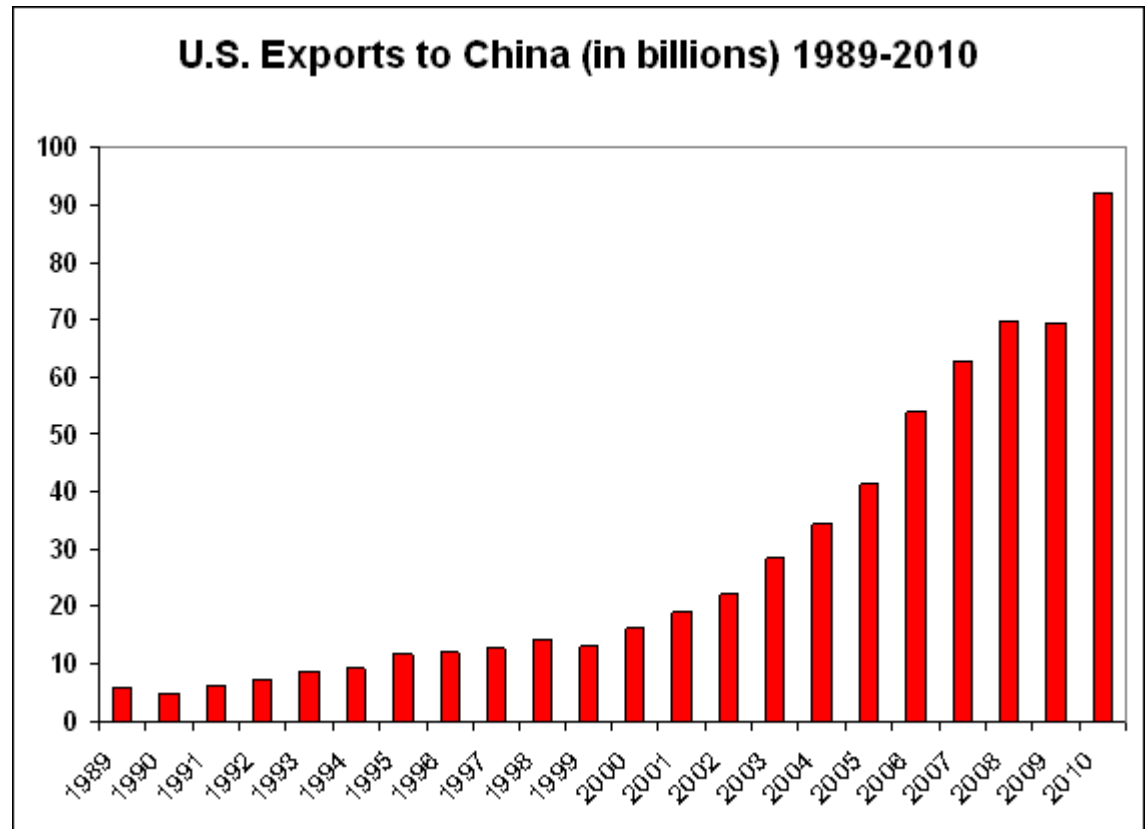
Market Access is Key to U.S. Job Creation and Economic Growth

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.

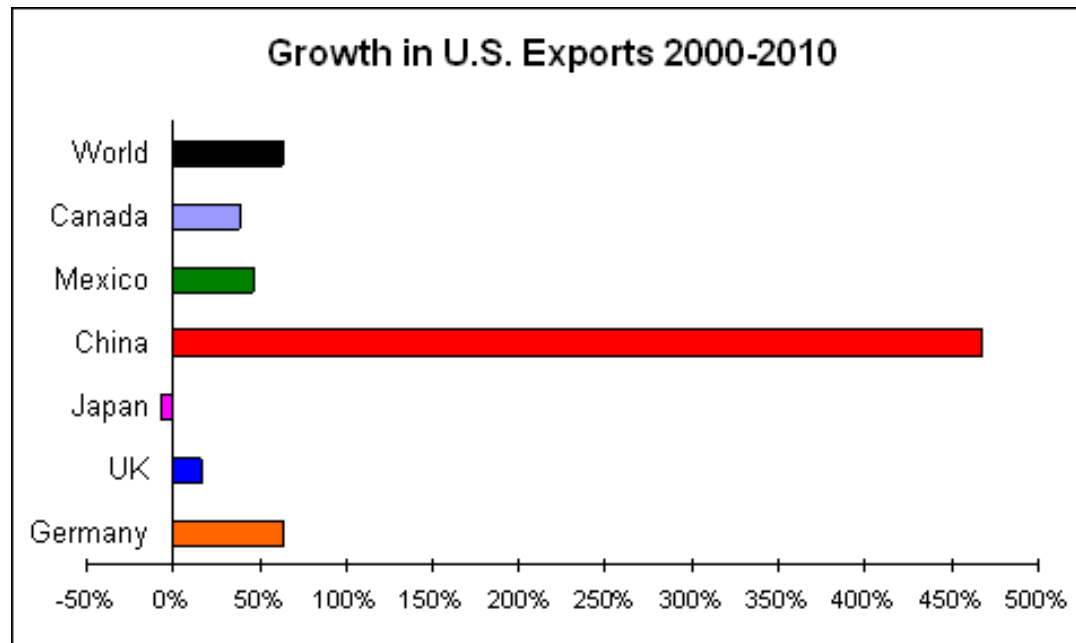
From 2000 to 2010, U.S. exports to China *increased sixfold* from \$16 billion to \$92 billion.

The Chinese market accounts for more than 7.2% of total U.S. exports, up from 2.1% in 2000. That means that **one out of every 14 dollars earned by U.S. exporters is attributable to trade with China.**



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

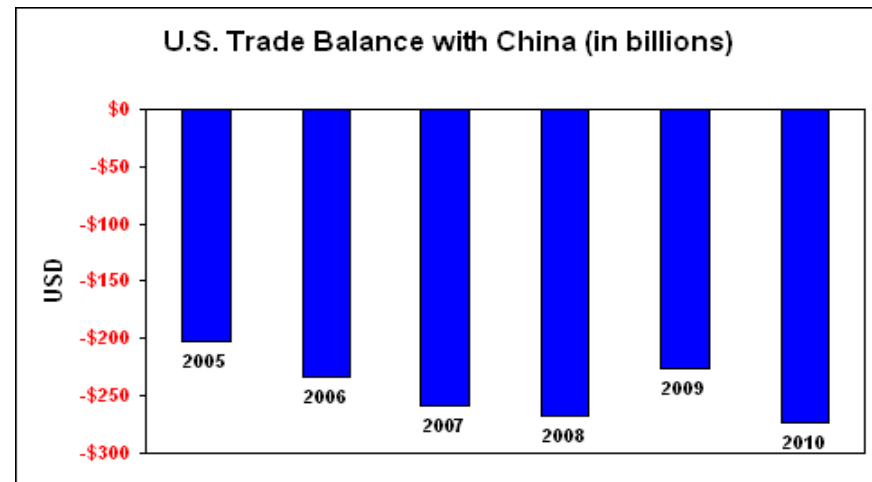
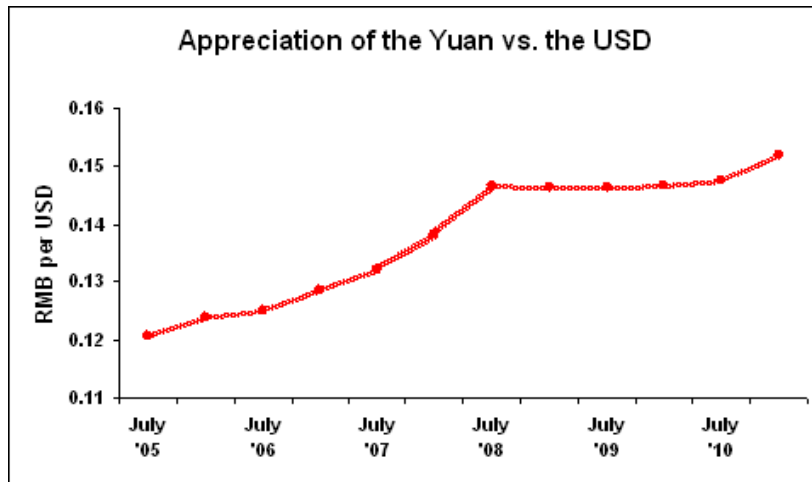
Between 2000 and 2010, U.S. exports to China grew at **seven times** the rate of U.S. exports to the rest of the world. Clearly, to achieve President Obama's goal of doubling U.S. exports over the next five years, China – and expanded services exports – must be an integral part of that plan.



It's not all about the currency...

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

Since July 2005, the Yuan has appreciated more than **25%**. Despite this appreciation, the U.S. trade deficit with China has continued to widen.

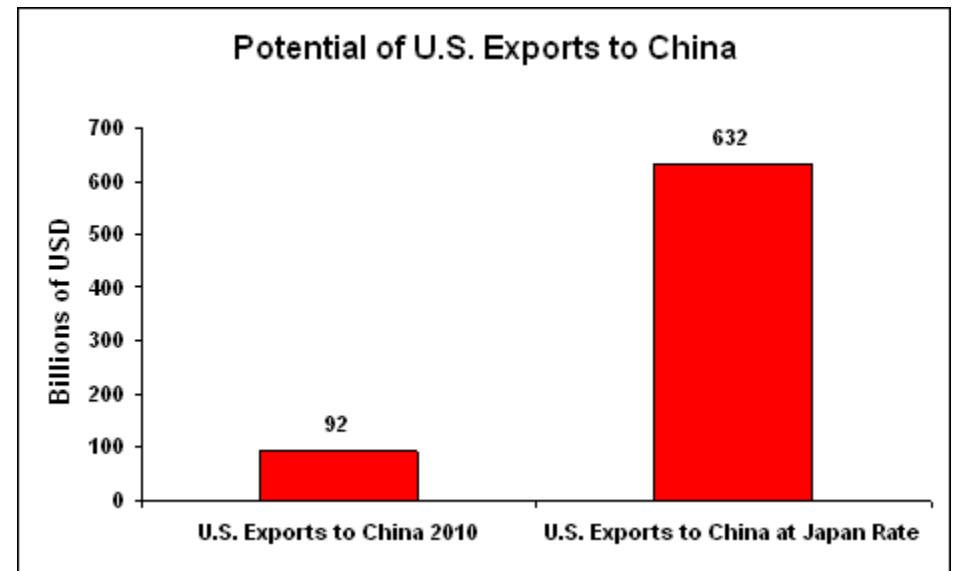


Why market access matters...

THE \$632 BILLION DOLLAR QUESTION

If China's citizens were to eventually consume American-made goods and services *at the same rate* the Japanese did in 2010, the United States would export more than **\$632 billion** to China.

That's **seven times** what America exported to China last year, an amount equivalent to nearly 5% of America's GDP, and nearly twice what it imported from China last year – turning a \$273 billion trade deficit into a **\$267 billion surplus**.



Exports Critical to U.S. Economic Growth and Job Creation

In 2010, growth in exports accounted for nearly half of U.S. economic growth.

It has been estimated that, for every additional \$1 billion in exports, 6,000 new jobs are created. U.S. exports to China expanded by \$22 billion in 2010, accounting for approximately **132,000 new American jobs**.

During the recent visit of Chinese President Hu Jintao, deals were announced that will expand U.S. exports to China by \$45 billion, supporting 235,000 American jobs.



America's Export Opportunity Depends on Financial Reform in China

The world's second largest and fastest growing economy is currently supported by one of the world's most under-developed 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 (large and small), 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.





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, as they have to other aspects of the bilateral relationship.