

THE CHINESE MARKET IS IMPORTANT TO TEXAS

- ✓ China's 1.3 billion people represent a **huge market for Texas agricultural and manufactured goods and services. WTO membership offers over 33,000 Texas workers and numerous businesses greater stability in working with China, according to the Texas International Trade Alliance.**
 - China is the sixth-largest market in the world for American agricultural products. USDA projects that **China will account for over one-third of the growth in U.S. agricultural exports over the next decade.**
 - According to the World Bank, **China will need to spend an estimated \$750 billion in new infrastructure over the next decade.** Texas companies in the energy, gas, telecom, construction, engineering and other sectors are well-placed to participate in these projects.
- ✓ **Texas is already a significant exporter of farm, industrial and consumer goods to China.**
 - **Direct exports from Texas to China totaled almost \$1 billion in 1998;** adding indirect exports through Hong Kong brings total Texas exports to China to \$1.2 billion.*

CHINA'S ACCESSION TO THE WTO WILL BENEFIT TEXAS

- ✓ China's membership in the World Trade Organization (WTO) offers Texas farmers, companies and employees their best opportunity to increase exports to China. New trade and investment opportunities promise employment and an improved standard of living for Texas families. **It is in America's interest to bring China into the global trading system.**
- ✓ Texas is better-off with a Chinese market economy that plays by WTO rules and is subject to binding WTO dispute settlement. China's WTO commitments address the principal market access barriers to Texas products, and will increase market access beginning on the first day of China's membership in the WTO. These commitments include:
 - reduced tariffs and elimination of quotas,
 - removal of restrictions on foreign investment and trading and distribution rights, and
 - application of binding WTO dispute settlement procedures and other enforcement mechanisms to ensure that China meets its commitments.

TEXAS WILL BENEFIT FROM . . .

- ✓ . . . **China's commitments on agriculture, which include:**
 - An end to **cotton, corn** and **rice** export subsidies, increased import quotas for **wheat, corn, rice** and **cotton**, an end to the **soybean oil** tariff-rate quota and reductions on **soybean** tariffs..
 - Lower **beef, pork** and **poultry** tariffs and acceptance of USDA certification for meat safety of U.S. exports.
 - An end, in advance of WTO membership, to unjustified sanitary and phytosanitary bans on **citrus fruits** and **meat**, among other products.
 - Commitments affecting meat products would open up the door to a 1 billion-person market for quality protein, says the **Texas and Southwestern Cattleraisers Association**. "Our strong export sales to Japan and other Asian countries indicate that a liberalized Chinese market would offer Texas producers of beef variety meats a tremendous export opportunity," adds the **Texas Beef Council**.

Texas Exports to China, 1998

(Millions, Excluding Re-exports from Hong Kong)

Total	\$917.5
<i>Agricultural, forestry, fishing products</i>	42.9
<i>Manufactured products</i>	861.8
Industrial mach., computers	311.5
Chemicals & related prod.	204.0
Electronic, electric equip.	140.0
Fabricated metal products	59.6
Instruments & related prod.	52.0
Food and related products	32.1
Transportation equipment	19.2
Primary metal industries	9.9
Paper and related products	7.8
Rubber and plastic products	6.1
Other manufactures	19.6
<i>Other products</i>	12.8

Source: Massachusetts Institute for Social and Economic Research (MISER), Series I.

* Based on K. C. Fung and Lawrence J. Lau, "New Estimates of the United States-China Bilateral Trade Balances," March 1999, p. 9. Over 40 percent of U.S. goods exported to Hong Kong are subsequently shipped to China.

- √ ... **Lower Chinese tariffs on manufactured products**, which include commitments to :
 - Reduce to zero tariffs on all **semiconductors, computers and related equipment, telecommunications equipment** and other information technology products by 2005.
 - Reduce to zero tariffs on **environmental goods, energy equipment, medical and scientific instruments and chemicals** when other WTO members implement this initiative.
 - End market access and national treatment restrictions on **energy and environmental services**.
 - **Motorola, Inc.**, for example, will see Chinese tariffs it currently faces of 20 percent for pagers, 18 percent for batteries and 12 percent for cell phones all drop to zero.
 - Future export opportunities for high-tech products will be significant. The Semiconductor Industry Association expects China to become one of the largest **semiconductor** markets in the world in the next decade. Other analysts project the Chinese market for personal computers to grow 29 percent a year through 2002. "China represents our largest long-term growth opportunity in Asia," says **Texas Instruments** (Dallas).
- √ ... **Full trading and distribution rights granted to U.S. firms** within three to four years.
 - Ability to fully own and operate wholesaling, retailing, franchising, direct sales, maintenance and repair, transportation and other similar distributing operations in China.
 - Multiple layers of distribution in China compared to Hong Kong or Taiwan, are a major challenge to doing business in China, according to **Compaq Computer Corp.** (Houston).
- √ ... **An open telecommunications market**, including a commitment to:
 - Phase out restrictions on foreign rights for **paging, mobile/cellular, domestic wireline, and other value-added services**.
 - Companies like **GTE Corporation** (Irving), which is constructing and operating a wireless paging system in China, will benefit as WTO membership requires China to disclose its telecom policy specifying what China will permit foreign companies to do, ultimately expanding business opportunities in China.
- √ ... **Liberalized investment restrictions**, which include commitments to:
 - Eliminate trade and foreign exchange balancing and local content requirements.
 - Restrict demands for technology transfer as a condition for market access.
 - Free investment approvals, import licenses or any other import approval process from performance requirements of any kind.
 - Texas oil and gas companies like **Enron Oil & Gas Company** (Houston) and **Digital Gas, Inc.** (Dallas) are heavily involved in developing these sectors in China. **Motorola** has invested \$1.6 billion in China, and **Dell Computer Corp.** (Austin) is building production, sales, services and technology centers there.
- √ ... **Greater stability in the U.S.-China trade relationship** stemming from:
 - A strong multilateral dispute settlement process that enhances enforcement and international pressure to ensure compliance with WTO commitments.
 - "A stable, open trading relationship between the United States and China is crucial to our ability to supply products we import from China to our customers," says Tandy/**RadioShack** (Fort Worth). Texas ports also benefit from a stable trading relationship with China. Texas ports and their workers handled \$3.2 billion in imports from China in 1998.

PERMANENT NTR IS REQUIRED TO REALIZE THESE BENEFITS TO TEXAS

- √ **Congress must grant China permanent "normal trade relations" (NTR) status.** Without it, China could join the WTO and extend all these benefits to U.S. trading partners who would grant China NTR status, but justifiably withhold those benefits from the United States until it does likewise.

The information about Chinese commitments was drawn from a summary of market access and protocol commitments released by USTR on November 15, 1999, and from industry sources.

Prepared for The Business Roundtable (202-872-1260), a member of The Business Coalition for U.S.-China Trade (202-879-5810), by The Trade Partnership.

April 2000