

China in Texas' Top 10 Export Markets

Despite U.S. trade embargoes imposed in the wake of the Tiananmen Square massacre, China continues to open its economy to foreign trade and to show great interest in purchasing Texas-made goods. China is one of Texas' top 10 export markets. In 1988, trade with China contributed \$659 million to the state economy.

Chinese imports from Texas comprise only 2.4 percent of the total value of Texas exports, compared with 3.3 percent for Taiwan and 30 percent for Mexico. China tends to rely on Texas-made goods when its production requires levels of technology and capital intensity that China lacks. That is, China imports high-capital, high-skill production from Texas and makes low-capital, low-skill products for itself. Chinese purchases from Texas consist primarily of chemicals and allied products, but the country also is a major market for Texas agricultural products and industrial computer machinery.

Overall, chemicals rank third in Chinese import volume. Chemicals have long been Texas' principal world export product, accounting for about 27 percent of Texas' world exports in 1988. China uses Texas chemicals to produce agricultural and manufactured goods, as the country attempts to increase its agricultural production by adding chemical nutrients to the soil.

China is also expanding its output of consumer goods. China is the world's largest importer of polyolefin, often used in making artificial fibers, and Texas is China's primary source of this chemical. Because of Texas' role in chemical production, the Chinese have moved their petrochemical buying office from Beijing to Houston. In 1988, Texas exported nearly \$337 million of chemicals to China, representing about 5 percent of the state's total chemical exports.

So far, however, China's attempts to use Texas-made chemicals in crop production have not made it agriculturally self-sufficient. The country sometimes relies heavily on food imports, many of which come from Texas. For example, 1988 brought large increases in the country's need for cereal grains. In 1988, Texas exported \$182 million in agricultural production from Texas to China, compared with only \$17 million the year before. Texas' agricultural exports to China in 1988 represented about 9 percent of its total agricultural exports.

China's third major interest in Texas products, industrial machinery and equipment, occupies a far smaller share of the state's exports of such products than chemicals do. In 1988, China's attempts to introduce more efficient productive processes included the purchase of more than \$77 million of industrial and computer machinery that was exported from Texas. Chinese purchases represent about 1.7 percent of the state's total exports of these products. Texas also sent China \$19 million in measuring, analyzing and control instruments, and \$6 million in noncomputing electric and electronic equipment.

In sum, Texas' productive capacity and China's product needs make trade beneficial for both parties. Texas has technology and capital-intensive productive capacity. China not only lacks them, but also is likely to lack them for some time.

—David Hanna

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