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U.S.-China Trade Relations

The People's Republic of China (PRC or China) is the second-largest global economy and has been a top U.S. trading partner since joining the World Trade Organization (WTO) in 2001. China is a key export market for U.S. aircraft, agriculture, semiconductor equipment/chips, gas turbines, and medical devices, and a top source of U.S. consumer goods and intermediates (e.g., auto parts and active pharmaceutical ingredients). At the same time, U.S. firms face a lack of market access reciprocity, trade barriers in key areas, a growing PRC state role in commercial activity, expanding industrial policies, and rules governing economic security and data. Trade concerns raised by U.S. officials and executives since the 1990s have broadened into a U.S. government focus on strategic competition with the PRC. The executive branch and Congress have debated approaches and acted to counter PRC practices that challenge U.S. economic leadership, distort markets, and hinder fair competition (see **"Key Issues Facing Congress"**).

PRC Trade and Investment Terms

The PRC government controls or influences the purchase, financing, and price of the top U.S. exports to China—aircraft, semiconductors, medical equipment, agriculture, and energy. It has sought to enhance control of this trade and reduce reliance on U.S. imports by diversifying trade and advancing industrial policies that exploit foreign commercial ties to develop PRC capabilities. The PRC government also funds some PRC firms and foreign acquisitions with preferential lending and state-funded venture capital. While foreign firms may initially fill PRC gaps with their products, services, and capabilities, PRC plans set targets to displace foreign firms once China gains competencies. Examples include

Aerospace: To meet PRC terms, some U.S. firms have partnered with and transferred advanced U.S. technology to PRC state firms to jointly develop a PRC aircraft (C-919).

Semiconductors: The PRC government funds imports of U.S. equipment to support China's semiconductor industry.

Electric vehicles (EV): Some PRC government policies require firms to localize supply chains for EV batteries.

Medical devices and pharmaceuticals: PRC procurement rules set fixed prices, which increase cost pressures and encourage firms in these sectors to produce in China.

Biotechnology: Some PRC state firms have acquired foreign firms to enhance China's global position.

Critical minerals: China's dominant role in global extraction and processing supports PRC manufacturing.

Energy: Some PRC purchases of U.S. liquefied natural gas involved related PRC investment in U.S. export terminals.

Capital markets: China seeks U.S. financial investment in some strategic sectors in which it restricts U.S. competition.

Regarding U.S. investment in China, the PRC's economic system integrates state and corporate interests, enabling the government to use trade tools (e.g., antidumping, antitrust, technical standards, and procurement) as well as economic coercion and intellectual property (IP) theft activity to advantage its firms and economic development goals. PRC policies have often required foreign firms to transfer technology and capabilities in order to operate in strategic sectors. In February 2025, the American Chamber of Commerce reported that over 80% of its members said a lack of market access was affecting their PRC operations.

Trade and Investment Trends

Goods: In 2024, China was the fourth-largest U.S. goods trading partner (with total trade at $582.5 billion), the fourth-largest U.S. export market ($143.5 billion), and the third-largest source of U.S. imports ($438.9 billion). In 2024, U.S. exports to China fell by 2.9% and U.S. imports from China rose by 2.7% over 2023. The 2024 U.S. trade deficit with China increased by about $16 billion over 2023. (**Figure 1**.)

Services: In 2023, China accounted for 4.6% ($46.7 billion) of U.S. services exports and 2.7% ($20.1 billion) of U.S. services imports. (**Figure 2.**) Top U.S. exports to China are travel, technology and IP licensing, and transport.

Sales: In 2022, sales in China by majority U.S.-owned affiliates were $490.5 billion. U.S. sales by majority PRC-owned affiliates were $78.6 billion.

Investment: In 2023, the U.S. foreign direct investment (FDI) stock in China was $126.9 billion, and China's FDI stock in the United States was $28.0 billion. (**Figure 3**.) In 2023, China accounted for 0.5% of total FDI stock in the United States; China accounted for 1.9% of U.S. FDI stock abroad.

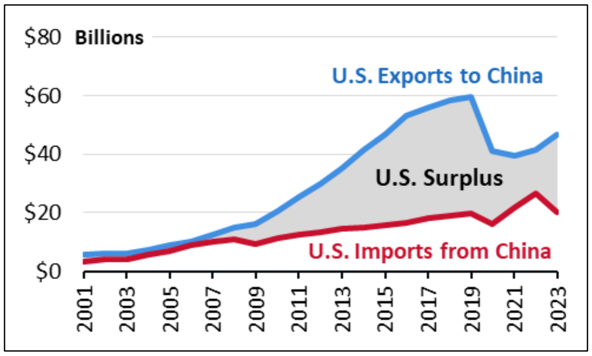
Investments in China by U.S. private equity (PE) funds fell from $140 billion in 2019 to $4 billion in 2023, according to the data firm Preqin. S&P Global reports that U.S. PE and venture capital investments in China were $650 million in the first half of 2024.

According to the Department of the Treasury, as of November 2024, U.S. investors held $331.8 billion in PRC (mainland China and Hong Kong) securities; PRC holdings of U.S. securities were $1.9 trillion; and the PRC was the second-largest foreign holder of U.S. Treasuries ($1.0 trillion) after Japan ($1.1 trillion). (This does not include PRC offshore holdings.)

Figure 1. U.S.-China Goods Trade (2001-2024)

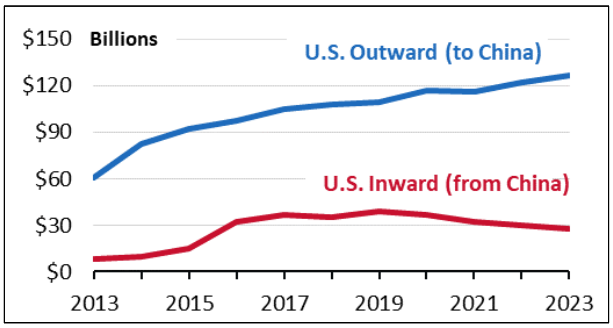
Source: CRS with data from the U.S. Bureau of Economic Analysis.

Figure 2. U.S.-China Services Trade (2001-2023)



Source: CRS with data from the U.S. Bureau of Economic Analysis.

Figure 3. U.S.-China FDI Position (2013-2023)



Source: CRS with data from the U.S. Bureau of Economic Analysis.

Key Issues Facing Congress

Since 2017, U.S. national security policy has defined the PRC as a strategic competitor. In January 2025, President Trump issued the *America First Trade Policy.* It directs a review of some trade issues that may affect the PRC to include the U.S. trade deficit; countries' trade, currency, and tax practices; U.S. trade remedies; U.S. *de minimis* imports; and fentanyl trade. Specific to China, the memorandum directs a review of the PRC's adherence to the *Phase One* trade deal; the four-year review of Section 301 actions on China; legislation on most-favored nation tariff treatment for China; export controls; and the Biden Administration's rulemaking on connected vehicle technologies and outbound investment to China.

Tariffs: The executive branch's use of tariffs as a tool to advance trade, foreign policy, and economic goals has prompted debates about congressional trade authorities and oversight over U.S. trade policy and the costs and benefits of using tariffs to address PRC practices of concern. H.R. 694/S. 206 would revoke most-favored nation tariff treatment for the PRC, which would effectively raise U.S. tariffs across all U.S. imports from China.

The executive branch has taken several tariff actions on PRC imports. In 2018, under Section 301 of the Trade Act of 1974 (19 U.S.C. §2411), the USTR concluded that the PRC engaged in forced technology transfer, cyber-enabled theft of U.S. IP and trade secrets, discriminatory and non-market licensing practices, and state-funded strategic acquisitions of U.S. assets. In response, the USTR imposed tariffs at rates that ranged from 7.5% to 25% on about $370 billion worth of U.S. imports from China. The PRC countered with tariffs on $110 billion worth of U.S. trade. In 2020, the United States and the PRC signed a *Phase One* deal, which addressed some issues but did not resolve many of the issues USTR had raised. In May 2024, the USTR issued the results of its review of tariffs imposed on China under its 2018 determination, which Section 301 requires at the four-year mark. USTR extended most tariffs and proposed new tariffs of 25% to 100% on some PRC goods (e.g., EVs and batteries, medical products, semi-conductors, ship-to-shore cranes, solar cells, and steel and aluminum items). The USTR also initiated a Section 301 investigation in late 2024 on PRC semiconductor practices and determined in January 2025 that PRC shipping and shipbuilding practices are "actionable" under Section 301.

In 2018, then President Trump acted under Section 232 of the Trade Expansion Act of 1962 to impose tariffs on PRC steel (25%) and aluminum (10%), citing national security concerns. In February 2025, the President increased the aluminum tariffs to 25% and extended the aluminum and steel tariffs to countries that had been exempted. This policy shift could make PRC steel exports to the United States more price competitive vis-a-vis other exporters.

In February 2025, President Trump announced a 10% tariff on all U.S. imports from the PRC and withdrew *de minimis* treatment for PRC imports (see below) after declaring the PRC had not taken decisive actions to address China's role in fentanyl and synthetic opioid trade. The Administration postponed implementation of the *de minimis* action until a tariff collection system is created. The PRC retaliated with 10-15% tariffs on U.S. agricultural machinery, autos, coal, and liquefied natural gas; an investigation into U.S. firm Google; and export controls on some chemical elements.

***De Minimis* Trade.** Section 321 of the Tariff Act of 1930 allows for U.S. imports under a *de minimis* threshold of $800 per shipment to enter free of tariffs, fees, and taxes. A surge in *de minimis* imports from China since 2018 prompted a range of legislation in the 118th Congress. In January 2025, CBP proposed rules that would exclude PRC imports from *de minimis* treatment if subject to other U.S. trade actions.

Overcapacity. Emerging technology products made under PRC industrial policies are coming to market and driving PRC production overcapacity and exports. The U.S. 25% tariff on PRC EV imports may have shielded the U.S. market from the import surges that Europe has faced.

Forced Labor. Section 307 of the Tariff Act of 1930 prohibits U.S. imports of products mined, manufactured, or produced with forced labor. P.L. 117-78 prohibits imports from Xinjiang, China, under a rebuttable presumption that they are made with forced labor. CBP enforcement of the provision remains a key oversight issue for Congress.

Technology. P.L. 118-50 (Div. H and Div. I) restricts PRC-tied digital platforms (e.g., TikTok) in the U.S. market. In January 2025, President Trump directed a 75-day stay in enforcing the law to determine a course of action. The Biden Administration adopted controls on advanced semiconductor exports to China and U.S. investment in certain PRC technologies, restricted bulk data transfers to China, and proposed restrictions on PRC firms in the U.S. drone and connected vehicle technologies markets. The Trump Administration is reviewing these policies. Congress may consider previous China-related legislation on data security, export controls, investment, and research ties.

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