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Updated August 6, 2019

U.S.-China Relations

Trump Administration China Policy

Under U.S. President Donald J. Trump and Chinese President Xi Jinping, the United States and the People's Republic of China (PRC or China) are engaged in what the Trump Administration terms "great power competition," including a prolonged stand-off over trade, severely straining ties on the 40th anniversary of the two countries' establishment of diplomatic relations. The two lead the world in the size of their economies, their defense budgets, and their global greenhouse gas emissions. Both are permanent members of the U.N. Security Council. In 2018, they were each other's largest trading partners.

Trump Administration strategy documents have set the tone for U.S. policy toward China. The December 2017 National Security Strategy (NSS) argues that competition with China, Russia, North Korea, Iran, and "transnational threat groups" "require[s] the United States to rethink the policies of the past two decades—policies based on the assumption that engagement with rivals and their inclusion in international institutions and global commerce would turn them into benign actors and trustworthy partners." The NSS charges that China and Russia are "revisionist powers" that "challenge American power, influence, and interests, attempting to erode American security and prosperity."

In an ever widening array of fields, the Trump Administration has sought to identify and respond to perceived threats from China, even as it seeks China's cooperation on such issues as stemming the flow into the United States of fentanyl, a class of deadly synthetic opioids, and maintaining pressure on North Korea to curb its nuclear weapons and missile programs. Some allege that Trump Administration policies are intended to "decouple" the U.S. and Chinese economies and societies.

Select Issues in the Relationship

Trade

According to U.S. trade data, in 2018 U.S. exports of goods and services to China totaled $178.0 billion (7.1% of total U.S. exports), while imports from China amounted to $558.8 billion (17.9% of total U.S. imports). As a result, the overall bilateral deficit was $380.8 billion, up $43.6 billion (12.9%) from 2017.

In March 2018, the U.S. Trade Representative (USTR) released the findings of an investigation into PRC policies related to technology transfer, intellectual property (IP), and innovation under Section 301 of the Trade Act of 1974 (P.L. 93-618). The investigation concluded that four PRC IP rights-related policies justified U.S. action: forced technology transfer requirements, discriminatory licensing requirements, state-directed investments in and acquisitions of U.S. companies to obtain cutting-edge technologies and IP, and state-directed cyber-theft of U.S. trade secrets. To pressure China to address those issues, the Trump Administration has imposed 25% tariff hikes on three tranches of imports from China worth approximately $250 billion. China in turn raised tariffs (at rates ranging from 5% to 25%) on $110 billion worth of U.S. products.

After negotiations to resolve the dispute broke down in May 2019, the President ordered the USTR to begin the process of levying increased 25% tariffs on nearly all remaining imports from China. Following a 12th round of talks between U.S. and Chinese trade negotiators in Shanghai, the President announced on August 1, 2019, that the United States would impose additional 10% tariffs on these remaining imports beginning September 1, 2019.

Table 1.U.S. Section 301 Tariff Actions

Date	Tariff Rates (*ad valorem*)	Stated Volume of Imports Affected	China's Reaction
07/06/2018	25%	$34 billion	Equivalent retaliation.
08/23/2018	25%	$16 billion	Equivalent retaliation.
09/24/2018, 06/15/2019	10%, then 25%	$200 billion	5%-10% tariff hikes on $60 billion worth of U.S. imports; then some items raised to up to 25%
09/01/2019 (proposed)	10%	$300 billion	Allowed currency to weaken against US dollar

Source: CRS with data from USTR and China's Ministry of Finance.

On August 5, 2019, China responded by allowing its currency, the *renminbi* or RMB, to depreciate below 7 RMB to the U.S. dollar. The same day, the U.S. Treasury Department labeled China a currency manipulator under Section 3004 of the Omnibus Trade and Competitive Act of 1988 (P.L. 100-418) and announced that Treasury Secretary Steven Mnuchin would "engage with the International Monetary Fund to eliminate the unfair competitive advantage created by China's latest actions." Trade negotiators from the two sides are scheduled to meet for a 13th round of negotiations in Washington, DC, in September 2019.

Actions Against PRC Technology Companies

U.S.-China trade frictions and strategic competition have dovetailed in U.S. actions against several prominent PRC technology companies. On May 15, 2019, President Trump signed Executive Order 13873, authorizing the Secretary of Commerce to ban certain technology transactions involving "foreign adversaries." On the same day, the Commerce Department added PRC telecommunications giant Huawei and 68 of its non-U.S. affiliates to the Bureau of Industry and Security's Entity List, generally requiring an export license for the sale or transfer of U.S. technology to those

entities. Then, on May 20, 2019, the Department issued a three-month temporary general license authorizing some continued transactions with Huawei and its affiliates. On August 1, 2019, President Trump said, "We can do business for non-security things with Huawei.... But anything having to do with national security, we're not dealing with Huawei." In apparent response to U.S. actions, China's Ministry of Commerce in June 2019 announced plans for its own "unreliable entities list," to include foreign entities that damage "the legitimate rights and interests" of Chinese firms or "boycott or cut off supplies to Chinese companies for non-commercial reasons." China is reportedly seeking the removal of restrictions on Huawei's business as a condition for any trade deal with the United States.

China's Belt and Road Initiative

China's Belt and Road Initiative (BRI) aims to boost economic connectivity across continents, primarily through financing of major infrastructure projects. Trump Administration officials portray BRI projects as saddling countries with unsustainable levels of debt and, in Secretary Pompeo's words, exacting "a political cost … which will greatly exceed the economic value of what you were provided." The Better Utilization of Investments Leading to Development (BUILD) Act of 2018 (P.L. 115-254) is widely portrayed as a U.S. response to BRI. In April 2019, President Xi Jinping sought to rebrand BRI, promising greater transparency and pledging attention to "commercial and fiscal sustainability of all projects."

Fentanyl and Other Synthetic Opioids

According to the U.S. Centers for Disease Control and Prevention, synthetic opioids, primarily fentanyl, accounted for more than 28,000 U.S. drug overdose deaths in 2017. The Drug Enforcement Administration states that illicit fentanyl and other synthetic opioids are "primarily sourced from China and Mexico." Responding to pressure from the Trump Administration, on May 1, 2019, China added all fentanyl-related substances to a controlled substances list.

Mass Internment of Muslim Minorities

In the name of preventing terrorism, extremism, and separatism, authorities in China's Xinjiang region have interned an estimated one million or more predominantly Muslim ethnic minorities, mainly Uyghurs and Kazakhs, and are subjecting all Muslim residents to stifling levels of technology-enhanced surveillance. In October 2018, Vice President Mike Pence asserted that Uyghurs in internment camps "endure around-the-clock brainwashing" and that camp survivors believe Beijing seeks "to stamp out the Muslim faith." Chinese authorities call the camps "education and training centers," where "students" learn job skills and undergo "de-extremization."

Hong Kong

The former British colony of Hong Kong reverted to PRC sovereignty in 1997 under the provisions of a 1984 United Kingdom-PRC treaty known as the "Joint Declaration." The latter promises Hong Kong a "high degree of autonomy, except in foreign and defence affairs" and states that Hong Kong's "current social and economic systems" will remain unchanged for at least 50 years. Since June 2019, hundreds of thousands of Hong Kongers have rallied to express their opposition to proposed legal amendments, since suspended, that would allow extraditions to Mainland China. Both Hong Kong Chief Executive Carrie Lam and President Trump have called the demonstrations "riots." The President has stated that the situation is for China's central government and the Hong Kong government to work out, adding, "They don't need advice." Some Members of Congress have called for the Trump Administration to stop the sales of tear gas, pepper spray, and other riot gear to the Hong Kong Police Force.

Taiwan and the U.S. "One-China" Policy

Under the U.S. "one-China" policy, the United States maintains only unofficial relations with Taiwan while upholding the 1979 Taiwan Relations Act (P.L. 96-8), including selling arms to Taiwan. The PRC, which claims sovereignty over Taiwan, has long objected to U.S. moves it sees as introducing "officiality" into the U.S.-Taiwan relationship. It also protests U.S. arms sales to Taiwan and U.S. Navy transits of the Taiwan Strait. The United States objects to China's stepped up efforts to pressure Taiwan economically and militarily and isolate it internationally. A May 2019 meeting between the U.S. and Taiwan national security advisors was the first such meeting publicly disclosed since 1979.

South China Sea

Since 2013, the PRC has built artificial islands on seven disputed sites in the South China Sea's Spratly Islands and turned them into military outposts. To challenge excessive maritime claims and assert the U.S. right to fly, sail, and operate wherever international law allows, the U.S. military undertakes both freedom of navigation operations and presence operations in the sea. In June 2019, Chinese Minister of National Defense Wei Fenghe appeared to refer to those operations when he described "large-scale force projection and offensive operations" as "the most serious destabilizing and uncertain factors in the South China Sea."

North Korea

From 2006 to 2017, China voted at the U.N. for ever-stricter sanctions on North Korea over its nuclear weapons and missile programs. The Trump Administration deems China's sanctions implementation to be "at times inconsistent, but critical." The announcement of President Trump's June 2018 summit with North Korean leader Kim Jong-un led to a thaw in previously frosty China-North Korea ties. Since March 2018, Kim has visited China four times and President Xi has visited North Korea once, in June 2019. China urges U.S.-North Korea dialogue under a "dual-track approach," with one track focused on denuclearization and the other on a peace mechanism.

Select Legislation in the 116th Congress

Members have introduced more than 100 bills and resolutions related to China. S. 1790 and H.R. 2500, the National Defense Authorization Act for FY2020, both contain multiple provisions related to China.

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