



Updated June 25, 2019

## U.S.-China Relations

### Introduction

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 40<sup>th</sup> anniversary of the two countries’ establishment of diplomatic relations. The two countries lead the world in the size of their economies, their defense budgets, and their global greenhouse gas emissions. Both are permanent members of the United Nations Security Council and are each other’s largest trading partners.

Trump Administration strategy documents have set the tone for U.S. policy toward China. The National Security Strategy (NSS), released in December 2017, describes both China and Russia as seeking to “challenge American power, influence, and interests, attempting to erode American security and prosperity.” A summary of the U.S. National Defense Strategy, released in January 2018, describes China as a “strategic competitor” and charges that it is pursuing a military modernization program that “seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global preeminence in the future.” The Department of Defense’s (DOD’s) Indo-Pacific Strategy, released in June 2019, identifies “the primary concern for U.S. national security” as “inter-state strategic competition, defined by geopolitical rivalry between free and repressive world order visions.” The document states that the PRC, “in particular,” “seeks to reorder the region to its advantage by leveraging military modernization, influence operations, and predatory economics to coerce other nations.”

China’s public language about its threat environment is less stark. In 2002, China’s then-leader Jiang Zemin proclaimed the first two decades of the 21<sup>st</sup> century to be “a period of important strategic opportunities, which we must seize tightly and which offers bright prospects.” Despite rising tensions with the United States, PRC Premier Li Keqiang told China’s parliament on March 5, 2019, “China is still in an important period of strategic opportunity.”

President Trump and President Xi have met face-to-face four times, three times in 2017 and once in 2018. The two leaders are scheduled to meet for a fifth time on June 29, 2019, on the sidelines of the G20 summit in Osaka, Japan.

### Select Issues in the Relationship

#### Trade

The Trump Administration has accused China of “economic aggression” in its trade relationship with the United States and has sought to re-set the relationship’s

terms. In 2018, China was the United States’ largest merchandise trading partner (with two-way trade at \$660 billion), third-largest export market (at \$120 billion), and largest source of imports (at \$540 billion). China is also the largest foreign holder of U.S. Treasury securities (at \$1.1 trillion as of April 2019).

In March 2018, the U.S. Trade Representative (USTR) released the findings of an investigation into PRC policies related to technology transfer, intellectual property, and innovation under Section 301 of the Trade Act of 1974 (P.L. 93-618). The investigation identified four PRC practices of particular concern: forced technology transfer requirements, discriminatory licensing requirements, state-directed investments in and acquisitions of U.S. companies to obtain cutting-edge technologies and intellectual property (IP), and state-directed cyber-theft of U.S. trade secrets. To pressure China to address those issues, the United States has so far imposed Section 301 tariffs of 25% on three tranches of imports from the PRC, accounting for just under half of all U.S. imports from China. (See **Table 1** below.) On May 17, 2019, USTR proposed a 25% tariff on nearly all remaining U.S. imports from China, with exceptions for rare earth materials, critical minerals, pharmaceuticals, certain pharmaceutical inputs, and select medical goods. China’s retaliatory tariffs have affected almost all U.S. agricultural and food exports to China. Previously stalled negotiations to resolve the dispute are scheduled to restart before the two presidents meet at the G20 in Osaka.

**Table 1. Section 301 Tariffs on Imports from the PRC**

Effective date	Volume of imports affected	Additional tariff rate
July 6, 2018	\$34 billion	25%
August 23, 2018	\$16 billion	25%
September 24, 2018; May 10, 2019	\$200 billion	10%; subsequently raised to 25%

Source: USTR

### 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. Section 889 of the John S. McCain National Defense Authorization Act for FY2019 (P.L. 115-232) bars the U.S. government and its contractors from using telecommunications or video surveillance equipment from Chinese firms Huawei, ZTE, Hytera Communications, Hangzhou Hikvision Digital Technology, and Dahua Technology. 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 Huawei and 68 of its non-U.S. affiliates to its Bureau of Industry and Security Entity List, requiring an export license for the sale or transfer of U.S. technology to any of them. (On May 20, 2019, the Department issued a three-month temporary general license authorizing continued transactions with Huawei in four areas.) In June 2019, China’s Ministry of Commerce announced plans for its own “unreliable entities list,” to include foreign entities that “damage the legitimate rights” of Chinese firms by “blocking or cutting off supply to Chinese companies on non-commercial grounds.”

In June 2019, Secretary of State Mike Pompeo urged European allies not to work with Huawei, warning, “don’t do anything that would endanger our shared security interests or restrict our ability to share sensitive information.” Separately, Canada in December 2018 detained top Huawei executive Meng Wanzhou at the request of the United States, which subsequently charged her with financial fraud related to Iran sanctions. China retaliated by detaining and later arresting Canadians Michael Kovrig and Michael Spavor on state secrets charges and cutting off imports of Canadian canola seed.

### **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 have been outspoken critics of BRI, portraying 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. At the second Belt and Road Forum in April 2019, President Xi Jinping sought to re-brand 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.”

### **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 and maintaining the capacity to resist the use of force against 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. In 2019, the Trump Administration has conducted monthly U.S. Navy transits of the Taiwan Strait. In May 2019, the United States hosted the first meeting between the U.S. and Taiwan National Security Advisors since the United States broke diplomatic relations with Taiwan in 1979. China’s Ministry of National Defense has accused the United States of “playing with fire.”

### **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 what the United States deems excessive maritime claims and to 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 and flies bombers over the sea. In June 2019, Chinese Minister of National Defense Wei Fenghe appeared to be referring 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 for U.N. Security Council resolutions imposing 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. Kim has visited China four times since March 2018. In June 2019, President Xi became the first Chinese head of state to visit North Korea since 2005. China urges a resumption of U.S.-North Korea dialogue under a “dual-track approach” that would seek denuclearization and establishment of a peace mechanism.

### **Select Legislation in the 116<sup>th</sup> Congress**

In the 116<sup>th</sup> Congress, pending bills and resolutions with China-related provisions address such issues as arms control, cybersecurity, defense, fentanyl, human rights, North Korea, political influence operations, socialism, the South China Sea and East China Sea, Taiwan, technology, trade and investment, and visa policy. Both chambers passed resolutions marking the 30<sup>th</sup> anniversary of China’s Tiananmen massacre (H.Res. 393 and S.Res. 221) and reaffirming the U.S. commitment to Taiwan (H.Res. 273 and S.Con.Res. 13). Two House-passed Taiwan-related bills (H.R. 2002 and H.R. 353) are pending in the Senate.

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