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U.S.-China Relations

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 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 December 2017 National Security Strategy (NSS) 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 January 2018 U.S. National Defense Strategy 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 June 2019 Indo-Pacific Strategy 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.” President Trump struck a different note at the G20 Summit in Osaka, however. After a June 29, 2019, meeting with China’s President Xi Jinping—the two leaders’ fifth summit since 2017—President Trump was asked how he would characterize the U.S.-China relationship. “I think we’re going to be strategic partners,” he said. In an apparent reference to off-and-on trade negotiations, he added, “if the right deal is structured, we can be great for each other.”

China’s public language about its threat environment has been less stark than the United States’. In 2002, China’s then-leader Jiang Zemin proclaimed the first two decades of the 21st 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, in March 2019 Premier Li Keqiang stated, “China is still in an important period of strategic opportunity.”

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, valued at an estimated \$250 billion. (See **Table 1** below.) On May 10, 2019, the President said on Twitter that “the process has begun” to impose a 25% tariff on nearly all remaining U.S. imports from China, valued at an estimated \$300 billion. After meeting Xi in Osaka, the President announced that existing tariffs on imports from the PRC would stay in place “for at least the time being,” but that the United States would lift the threat of tariffs on the remaining PRC imports, and that stalled negotiations to resolve the trade dispute would restart. The President pledged that for visa purposes, PRC students would be treated “just like anybody else.” The President said Xi agreed to buy “a tremendous amount of food and agricultural product” from the United States.

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. 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 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 some continued transactions 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” of Chinese firms by “blocking or cutting off supply to Chinese companies on non-commercial grounds.” After meeting Xi in Osaka, President Trump said he had agreed to let U.S. companies “sell their equipment to Huawei,” clarifying that he was referring to “equipment where there is no great national emergency problem.” President Trump said he and Xi agreed not to make Huawei “a big subject” between them for now, and rather to “save that for later.”

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

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. 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. 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, China has strongly criticized monthly U.S. Navy transits of the Taiwan Strait and a May 2019 meeting between the U.S. and Taiwan national security advisors, the first such meeting since the United States broke diplomatic relations with Taiwan in 1979. On May 30, 2019, China’s Ministry of National Defense 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 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

S. 1790 and H.R. 2500, the National Defense Authorization Act for FY2020, both contain multiple provisions related to China. So, too, do S. 1589 and H.R. 3494, the Damon Paul Nelson and Matthew Young Pollard Intelligence Authorization Act for Fiscal Year 2020. Other pending legislation related to China would address such issues as arms control, cybersecurity, defense, fentanyl, Hong Kong, human rights, North Korea, political influence operations, socialism, the South China Sea and East China Sea, Taiwan, technology, trade and investment, and visas.

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