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Permanent Normal Trade Relations and U.S.-China Tariffs

The 119th Congress is considering legislation that would revoke the People's Republic of China's (PRC or China) permanent normal trade relations (PNTR) status. Most-favored nation (MFN) status is a key World Trade Organization (WTO) principle that refers to nondiscriminatory treatment between trading partners and commitments that a country will treat another country as well as it treats any other country. In 1998, Sec. 5003 of P.L. 105-206 (19 U.S.C. 2481 note) replaced "MFN" with "NTR" (normal trade relations) in U.S. law. This report uses both terms. NTR status governs U.S. tariff rates for goods imports from particular countries. The U.S. Harmonized Tariff Schedule (HTS) includes MFN tariff rates for countries with NTR status, and non-MFN rates. Non-MFN rates are typically much higher than MFN rates.

In 2001, Congress enacted P.L. 106-286 to grant the President authority to extend permanent NTR (PNTR) status to China upon its accession to the WTO, which occurred in December 2001. The law ended annual review of China's MFN status and qualified China on a permanent basis for U.S. MFN tariff rates. The law also amended Section 421 of the Trade Act of 1974 to add a temporary safeguard tool to restrict surges of PRC imports and to require the U.S. Trade Representative (USTR) to publish an annual report to Congress on China's WTO compliance.

The legislation Congress is considering to revoke China's PNTR status is aimed at addressing persistent PRC industrial policies and trade and investment barriers (**text box**). U.S. and PRC tariff actions since 2018 already have pushed two-way tariff rates for many goods higher than non-PNTR rates. The executive branch's use of tariffs to advance trade, foreign policy, and economic goals is raising questions in Congress about Congress' role in shaping trade policy toward China and the role and effects of tariffs in addressing PRC market barriers.

China's WTO Accession and PNTR

Between 1980 and 2001, China's MFN status was subject to Title IV of the Trade Act of 1974 (P.L. 93-618) which required annual review by the President and faced potential disapproval by Congress. Title IV sets conditions and procedures for the President to grant MFN status on an annual, bilateral basis to nonmarket economies that meet certain freedom-of-emigration and human rights conditions. The process was generally noncontroversial until China's 1989 Tiananmen Square crackdown, which heightened Congress' focus on PRC human rights abuses. After 1989, China's MFN status was renewed annually but subject to regular congressional debate as some Members sought to terminate China's MFN status or add renewal conditions.

In the lead-up to China's WTO accession, some experts said the U.S. review of China's MFN status under Title IV was inconsistent with WTO rules, which require members to afford each other unconditional, nondiscriminatory MFN treatment. They said a refusal to grant PNTR would require the United States to invoke Article XIII of the WTO Marrakesh Agreement—the "non-application" clause. Such action would prevent the United States and China from applying their WTO commitments to each other. To join the WTO, a country must negotiate accession terms multilaterally and bilaterally (at members' request) to make its trade regime compliant with WTO rules. Some trade experts say that bilateral negotiations generally yield the most significant commitments. Bilateral commitments are consolidated into an accession package that is considered by and applied to all members after a country accedes to the WTO. The Clinton Administration said the U.S.-China bilateral agreement would yield a dramatic opening of the China market and that WTO membership would subject China to strong, new WTO enforcement mechanisms. Opponents said the agreement required too little up-front liberalization and limited changes to China's system.

Bills on China's MFN Status: 119th Congress

The China Trade Relations Act of 2025 (H.R. 1504**)** would amend Title IV of the Trade Act of 1974. It would return to an MFN review for China with additional conditions.

The Restoring Trade Fairness Act (H.R. 694/S. 206**)** would suspend U.S. normal trade relations with China, raise duty rates on U.S. imports from China, and would:

- *Apply HTS Column 2 Rates to the PRC.* All duties raised to at least 35%. Some products would face 100% duty rates. Duty increases would be phased in over five years.
- *Create a Tariff-Rate Quota system for PRC imports.* Imports above a quota threshold would be subject to a 100% duty. Duty increases would be phased in over seven years.
- *Modify the U.S. Schedule of Concessions on goods to the WTO* to allow U.S. denial of NTR to China without breaching U.S. overall duty concessions to WTO members.
- *Authorize the President to raise duties and prohibit imports* based on national security, unfair trade practices, or human rights grounds; does not address lowering/lifting tariffs.
- *Eliminate De Minimis Treatment for China* under Sec. 321 of the Tariff Act of 1930, which allows imports under $800 per shipment to enter free of tariffs, fees, and taxes.
- *Establish a Fund* to support producers that lose revenue due to PRC trade retaliation.

Considerations for Congress

While China initially implemented some commitments, USTR's annual reports to Congress regularly have cited key areas of WTO noncompliance. Supporters of sustaining China's PNTR status point to the PRC's WTO concessions to lower trade barriers and adopt market-opening rules, and the benefits to U.S. firms and consumers from access to low cost goods from China. Opponents say WTO membership has allowed China access to the U.S. market while PRC market barriers persist and the state's role in China's economy has expanded, creating an unfair playing field.

WTO: If Congress revoked PNTR for China, an initial issue would be to what extent both countries withheld MFN treatment from one another and applied differential treatment in trade, investment, and services, or undertook punitive actions. PNTR revocation could undermine U.S. influence in the WTO if members view it as violating WTO rules. The United States could justify the revocation by invoking the "national security exception" in Article XXI of the General Agreement on Tariffs and Trade (GATT). (In 2022, WTO members invoked this exception to revoke PNTR for Russia.) Other options include a "non-violation nullification or impairment" dispute case against China per GATT Article XXIII or an amendment of GATT Article X to require a vote on China's (or any country's) membership.

Tariff Changes: If Congress terminated PNTR and China responded in kind, the baseline tariff rate for two-way trade would return to non-MFN rates. U.S.-PRC tariffs in many cases are already higher than non-MFN rates (**Tables 1 and 2**). Non-MFN rates could become a higher base on which existing tariffs are added, bringing current rates yet higher.

- In 2018, the average U.S. tariff rate on China was about 2.7%. By 2023, the rate was about 19%, after U.S. tariff actions under U.S. Section 301 of the Trade Act of 1974 (19 U.S.C. §2411) and Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862). On April 2, 2025, the rate rose to about 73% after the United States increased tariffs on China by 20% and by 34% in two actions under the International Emergency Economic Powers Act (IEEPA, 50 U.S.C. §§ 1701 et seq.).
- In 2018, China's average tariff rate on U.S. goods was about 8%. The rate rose to about 21% in 2023 after China imposed counter tariffs, and reached 55% on April 2, 2025, after it met U.S. tariffs. By mid-April 2025, two-way tariff hikes brought the average U.S. tariff rate on China to about 164% and the PRC rate on U.S. goods to about 146%, with exceptions. Average rates fell to 49% (U.S.) and 31% (PRC) in mid-May 2025 when both sides reduced some tariffs for 90 days.

Table 1. Top U.S. Imports from China: Tariff Rates

Description	2024 Imports $Billion	MFN (%)	Non-MFN (%)	***Actual (%)
*Cellphones	41.30	0	35	20
*Laptops	32.61	0	35	20
Lithium-ion batteries	16.24	3.4	40	180.9 (65.9)
Toys with wheels	13.48	0	70	145 (30)
*Communications equipment	7.64	0	35	62.5
*Computer parts	6.44	0	35	55
Videogame consoles	5.65	0	35	145 (30)
*Medicines	5.61	0	30	20
De minimis goods	5.14	N/A	N/A	>/ = 145 (30)
*Computer monitors	4.92	0	35	45

Source: CRS with data from U.S. Customs via Trade Data Monitor.
Notes: 6-digit level HTS. Excludes HTS 980100. *Exempt from April 2, 2025 tariffs; some products also not subject to Section 301 tariffs. *** As of April 14. Interim rates for May 14-Aug. 13 in parentheses.

Trade Effects: Trade costs, market barriers, and business volatility could rise with spillover economic effects, such as U.S. inflationary and PRC deflationary pressures and a weakening of the U.S. dollar. China is a top source of U.S. consumer goods and manufacturing inputs and a top U.S. export market for aircraft, agriculture, semiconductor equipment and chips, gas turbines, and medical devices. Rising tariffs could accelerate the shift of some production of goods for the U.S. market out of China. Non-MFN U.S. tariffs could raise prices for U.S. consumers and firms that use inputs from China to produce in the United States. Such tariffs may benefit U.S. firms facing import competition, while harming firms producing in China for export to the United States. Firms that produce and sell in China might be less affected. Non-MFN U.S. tariffs may incentivize investment in the United States and prompt the PRC to pursue currency devaluation and subsidies to boost exports.

PRC retaliation to U.S. tariffs may preview how China might respond to PNTR revocation. China exports to the United States more than four times what it imports, and has fewer goods on which to raise tariffs. In this context, China has focused tariffs on top U.S. exports and widened retaliation to export controls on key manufacturing inputs and market restrictions on U.S. firms. China might press firms to produce in China, and try to diversify PRC trade away from the United States. PRC tariffs and barriers could decrease the competitiveness of U.S. exports to China, and prompt a mix of reactions by firms, such as to trade from third markets, increase investment in China, or leave China.

Table 2. Top U.S. Exports to China: Tariff Rates

Description	2024 Exports $Billion	MFN (%)	Non-MFN (%)	***Actual (%)
Soybeans	12.8	3	180	165.5 (50.5)
Aircraft, engines	11.5	5	11	130 (15)
**Crude oil	6.1	0	.085	135 (20)
*Processors and controllers (ICs)	5.7	0	30	155 (40)
Immunology items	5.3	3	20	128 (13)
Motor vehicles	4.1	15	230	140 (25)
Propane, liquefied	4.1	5	20	151 (36)
*Semiconductor equipment	3.4	0	30	125 (10)
Copper scrap	2.8	1.5	11	150 (35)
*Integrated circuits	2.5	0	45	125 (10)

Source: CRS with data from PRC Customs via Trade Data Monitor.
Notes: 6-digit level HTS. *Some exemptions. **Based on RMB/kg.
*** As of April 14. Interim rates for May 14-Aug. 13 in parentheses.

Options for Congress

U.S.-China trade is in a high-tariff era in which the President has discretion (delegated by Congress) to raise, ease, or lift U.S. tariffs on China (and other countries) and set or negotiate related terms. Some tariffs have been in place for seven years. 2025 tariffs could dramatically shift two-way trade and investment. Congress could sustain or revoke PNTR for China. It also could consider whether to

- pull back authorities to impose tariffs and regulate trade;
- condition the use of IEEPA to restrict trade; and/or
- amend trade statutes or use Trade Promotion Authority legislation to shape a trade strategy that sets conditions for tariff changes and requires Congress' consultation or approval for any negotiations or agreements with China.

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