



Updated September 9, 2025

## 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 manufacturing 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.

### 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 with other countries and advancing industrial policies that exploit foreign commercial ties to develop PRC capabilities in top import sectors. The PRC government also funds some PRC firms in strategic areas and foreign acquisitions in priority areas with preferential lending and state-funded venture capital to gain capabilities. 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. semiconductor manufacturing equipment to support the development of 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

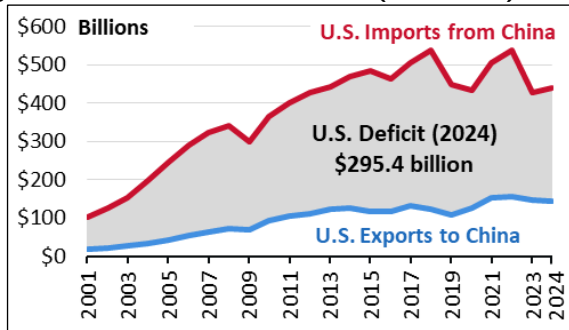
**Goods:** In 2024, China was the fourth-largest U.S. goods trading partner (with total trade at \$582.5 billion), the fourth-largest U.S. export market (\$144.2 billion), and the third-largest source of U.S. imports (\$439.6 billion). In 2024, U.S. exports to China fell by 2.9% and U.S. imports from 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 2024, China accounted for 4.8% (\$55 billion) of U.S. services exports and 2.6% (\$21.9 billion) of U.S. services imports. (**Figure 2.**) Top U.S. exports to China are travel, technology and IP licensing, and transport.

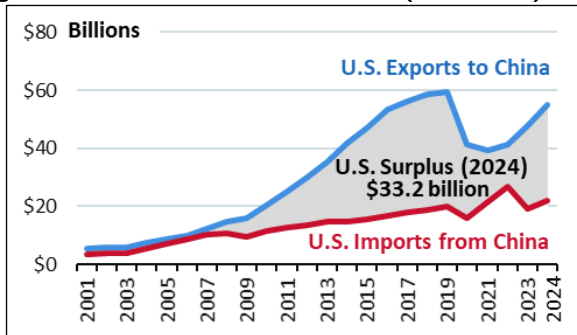
**Sales:** In 2023, sales in China by majority U.S.-owned affiliates were \$475.2 billion. In 2022 (latest available) U.S. sales by majority PRC-owned affiliates were \$78.6 billion.

**Investment:** In 2024, the U.S. foreign direct investment (FDI) stock in China was \$122.9 billion, and China's FDI stock in the United States was \$34.0 billion. (**Figure 3.**) In 2024, China accounted for 0.6% of total FDI stock in the United States; China accounted for 1.8% of U.S. FDI stock abroad.

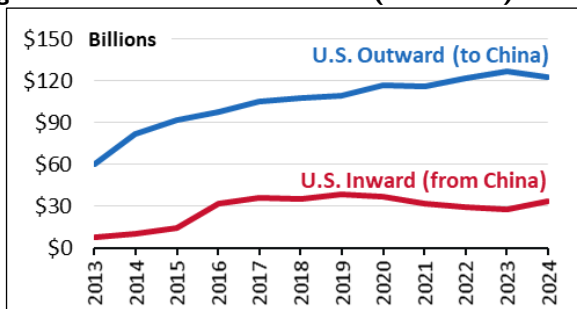
Investments in China by U.S. private equity (PE) funds fell from \$140 billion in 2019 to under \$1 billion in 2024. In 2025 China's PE market has shifted to mostly domestic capital. According to the Department of the Treasury, as of June 2025 U.S. investors held \$359.1 billion in PRC (mainland China and Hong Kong) securities; PRC holdings of U.S. securities were \$1.8 trillion; and the PRC was the second-largest foreign holder of U.S. Treasuries (\$999 billion) 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 (2001-2024)**

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

**Figure 3. U.S.-China FDI Position (2013-2024)**

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 directed a review of trade issues that affect the PRC to include the U.S. trade deficit; foreign trade, currency, and tax practices; U.S. trade remedies; U.S. *de minimis* imports; and fentanyl trade. Specific to China, the memorandum directed a review of PRC adherence to the *Phase One* trade deal; the four-year review of Section 301 actions on China; legislation on most-favored nation (MFN) tariff treatment for China; export controls; and rulemaking on connected vehicle technologies and outbound investment to China. PRC industrial policies supported the development of emerging technology products, such as EVs, that are coming to market, and driving overcapacity in China as well as PRC exports.

**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 MFN tariff treatment for the PRC.

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; it extended most tariffs and raised tariffs by 25% to 100% on some goods (e.g., EVs and batteries, medical products, semiconductors, ship-to-shore cranes, solar cells, and steel and aluminum). See CRS In Focus IF12125, *Section 301 and China: The U.S.-China Phase One Trade Deal*.

Two other Section 301 investigations and actions on China involve semiconductors and shipping and shipbuilding. See CRS In Focus IF12666, *Section 301 and China: Shipping and Shipbuilding Issues*, and CRS In Focus IF12958, *Section 301 and China: Mature-Node Semiconductors*.

In 2018, then-President Trump acted under Section 232 of the Trade Expansion Act of 1962 to impose tariffs on steel (25%) and aluminum (10%) from the PRC and other countries, citing national security concerns. In 2025, the President raised the tariffs to 50% and initiated ten other investigations likely to affect China trade. In February 2025, President Trump announced a 10% tariff, which he raised to 20% in March 2025, and withdrew *de minimis* treatment for PRC goods after declaring the PRC had not taken decisive actions to address China's role in fentanyl and synthetic opioid 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. The President suspended *de minimis* treatment for all countries in August 2025. P.L. 119-21 repeals the statutory basis for the *de minimis* exemption as of July 2027.) 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 chemicals.

Separately, in April 2025, the President announced a 34% tariff on U.S. imports from China in response to the "large and persistent" U.S. trade deficit. The PRC met U.S. tariffs, and a two-way tariff escalation raised tariffs to 125%. U.S. exemptions include electronics and goods subject to Section 232 actions. The PRC exempted some strategic goods while it restricted rare earth exports, initiated antidumping and antitrust actions, delayed some U.S. aircraft and agricultural purchases, and added some U.S. firms to export control and "unreliable entity" lists. In May 2025, both sides reduced the rate to 10% for 90 days (extended through November 10, 2025). China agreed to lift some nontariff retaliatory actions. See CRS In Focus IF12990, *U.S.-China Tariff Actions Since 2018: An Overview*.

**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. 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. The President has thrice directed a 75-day stay in enforcing the law. For the Administration's China-related export control actions on artificial intelligence and semiconductors, see

CRS Report R48642, *U.S. Export Controls and China: Advanced Semiconductors*. The Administration is reviewing China-related restrictions on bulk data transfers, outbound investment, and drone and connected vehicle technology.

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