



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 China joined the World Trade Organization (WTO) in 2001. China is a major 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 inputs. At the same time, challenges that U.S. firms face from China include a lack of market access reciprocity, trade barriers in key areas, a strong PRC state role in commercial activity, and expanding industrial policies, export controls, and economic security and data rules. Trade issues 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 and adopted approaches, such as tariffs and restrictions on investment and market access, to counter PRC practices they say distort markets, hinder fair competition, and challenge U.S. economic leadership.

PRC Trade and Investment Terms

The PRC government controls or influences the purchase, financing, and price of top U.S. exports to China—aircraft, semiconductors, medical equipment, agriculture, and energy. It has sought to increase control of this trade and reduce its 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. For example, in 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 single-aisle aircraft (C-919). The PRC government funds imports of U.S. semiconductor manufacturing equipment to support the development of China's semiconductor industry. PRC policies have required firms to localize supply chains. PRC procurement rules in pharmaceuticals and medical devices have set fixed prices, which has increased cost pressures and encouraged firms in these sectors to produce in China.

The PRC has selectively opened its market and controlled foreign firms' participation in ways that have capped the ability of such firms to compete. Foreign firms may initially fill PRC gaps with their products, services, and capabilities, but PRC plans set targets to displace such firms once China gains competencies. The PRC's economic system integrates state and corporate interests, enabling the government to use trade tools (e.g., antidumping, antitrust, export controls market approvals, technical standards, and procurement) as well as economic coercion and IP theft to advantage PRC firms and economic goals. In strategic sectors, PRC policies have required foreign firms to set up joint ventures and transfer technology. The PRC government has supported some PRC firms in strategic areas, and funded overseas investment (including acquisitions of foreign firms) in priority areas—such as agriculture, biotechnology, critical

minerals, and semiconductors—to gain capabilities, support PRC manufacturing, and expand in global markets.

Trade and Investment Trends

Goods: In 2025, China was the fourth-largest U.S. goods trading partner (with total trade at \$414.7 billion), the fourth-largest U.S. export market (\$106.3 billion), and the third-largest source of U.S. imports (\$308.4 billion).

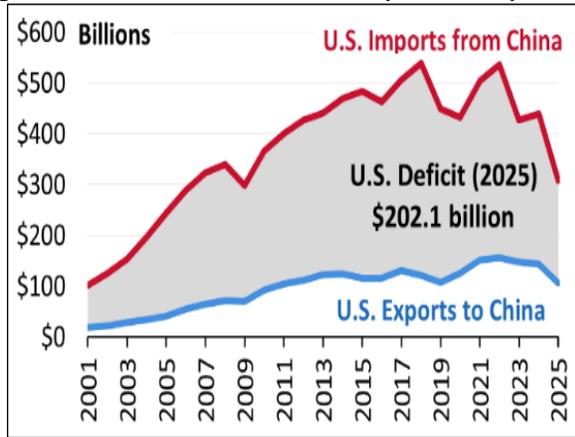
- U.S. exports to China fell 25.8% over 2024, with drops in autos, beef, chemicals, natural gas, and soybeans.
- U.S. imports from China fell 29.7% over 2024, with drops in electronics, toys, plastic articles, and furniture. (Overall U.S. imports increased 4.6% with a rise in imports of such items from Mexico, Taiwan, and others).
- The U.S. trade deficit with China fell 32% (\$93 billion) over 2024. China's share of U.S. total imports was 9% (down from 13.4% in 2024). China's share of U.S. total exports was 4.9% (down from 6.9% in 2024). (**Figure 1.**)

Services: In 2024, China accounted for 4.8% (\$55 billion) of U.S. exports and 2.6% (\$21.9 billion) of U.S. imports. (**Figure 2.**) Top U.S. exports to China are travel, technology and intellectual property (IP) licensing, and transport.

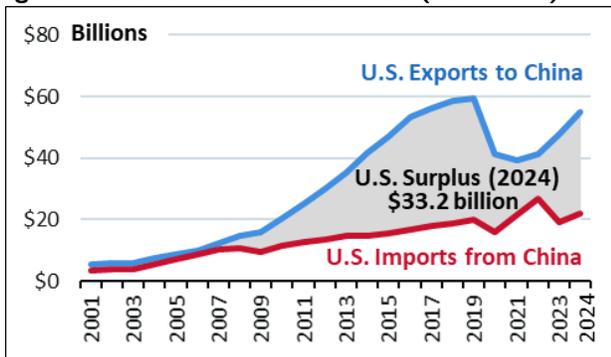
Sales: In 2023, sales in China by majority U.S.-owned affiliates were \$475.2 billion while U.S. sales by majority PRC-owned affiliates (incl. Hong Kong at \$45 billion) were \$153.1 billion.

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.

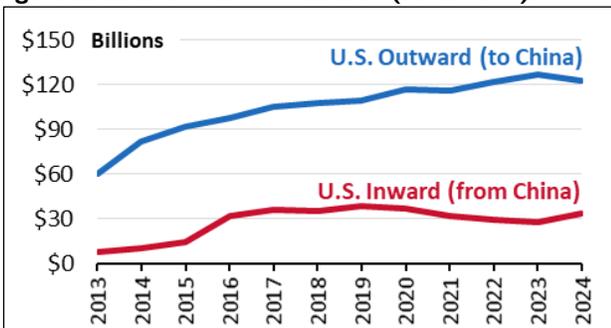
Investments in China by U.S. private equity (PE) funds fell from \$140 billion in 2019 to under \$1 billion in 2024. According to the Department of the Treasury, as of December 2025, U.S. investors held \$359.1 billion in PRC (mainland China and Hong Kong) securities (a \$79.2 billion increase over June 2025) while PRC holdings of U.S. securities were \$1.8 trillion. The PRC was the second-largest foreign holder of U.S. Treasuries (\$951.3 billion) after Japan (\$1.2 trillion). (This does not include PRC offshore holdings and proxy investments in U.S. Treasuries.)

Figure 1. U.S.-China Goods Trade (2001-2025)

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 and U.S. economic policies have focused on reducing U.S. dependence on China. The Trump Administration's national security strategy, issued in November 2025, does not name China as a competitor. It discusses "win[ning] the economic future" in Asia by rebalancing trade and countering "[p]redatory, state-directed subsidies and industrial strategies" and "[u]nfair trading practices" while "maintaining a genuinely mutually advantageous economic relationship with Beijing."

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. Since spring 2025, U.S. and PRC officials have engaged in talks but have not reached a deal over tariffs related to the U.S.

trade deficit and illicit fentanyl flows that President Trump imposed on China in February and March of 2025 under the International Emergency Economic Powers Act (IEEPA, 50 U.S.C. §§1701 et seq.). On February 20, 2026, the Supreme Court ruled that the President cannot use IEEPA to impose tariffs. President Trump lifted such tariffs and imposed a 10% global tariff for 150 days under Section 122 of the Trade Act of 1974 (19 U.S.C. § 2132). Tariffs that the United States has imposed on China since 2018 under other authorities remain in effect. In October 2025, the U.S. Trade Representative (USTR) initiated a Section 301 investigation of China's implementation of the 2020 U.S.-China Phase One deal. See CRS In Focus IF12990, *U.S.-China Tariff Actions Since 2018: An Overview*; CRS In Focus IF12125, *Section 301 and China: The U.S.-China Phase One Trade Deal*; 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 February 2026, the International Trade Commission (ITC)—acting under requirements in P.L. 119-74—opened an investigation to examine the impact of a revocation of China's permanent normal trade relations (PNTR) status on the U.S. economy. That same month, the ITC opened an investigation into PRC state support and pricing practices in biotechnology. H.R. 694/S. 206 would revoke PNTR tariff treatment for the PRC. See CRS In Focus IF12980, *Permanent Normal Trade Relations and U.S.-China Tariffs*.

PRC Approaches. Since 2025, most PRC retaliation to U.S. tariffs has involved non-tariff actions as the PRC ran out of U.S. products to effectively tariff given the trade imbalance. The PRC has canceled orders, imposed market restrictions, and enacted export controls on U.S. production inputs. It expanded export controls to cover more trade and require disclosure about the end-use of PRC inputs, likely increasing PRC visibility and leverage over U.S. firms.

Negotiations: Such PRC actions appear to have fostered a dynamic in talks in which U.S. officials have sought to delay new PRC measures in exchange for concurrent delays in U.S. actions, potentially distracting from U.S. efforts to address systemic trade issues. The Trump Administration also delayed some trade actions in fall 2025 as part of its efforts to seek a trade deal and ahead of President Trump's planned visit to China in late March 2026. For example, the Department of Commerce delayed for one year a rule to expand export controls to cover foreign affiliates of PRC firms on the Bureau of Industry and Security's Entity List. USTR also delayed imposing tariffs after finding PRC semiconductor and shipping policies actionable under Section 301 of the Trade Act of 1974. The PRC has offered to purchase items it typically buys but withheld during talks (e.g., aircraft, beef, and soybeans).

The Administration's decision to allow Nvidia to export its H200 chips to the PRC (and set terms by which the U.S. government is to collect 25% of the sale's proceeds) prompted debate in Congress in light of U.S. policies to restrict semiconductor trade with China. Former U.S. officials criticized negotiating national security decisions in exchange for trade concessions, saying that such actions contradict past U.S. practice. See CRS Report R48642, *U.S. Export Controls and China: Advanced Semiconductors*.

Other Actions. PRC industrial policies are driving China's overcapacity, exports, and overseas investment in sectors such as electric vehicles. To address concerns about data security and the PRC state's ties to PRC firms, in 2025, the Commerce Department issued rules that restrict the use of PRC connected technology in vehicles. Provisions in the National Defense Authorization Act for Fiscal Year 2026 (P.L. 119-60) restrict some U.S. technology investment in China, codifying provisions in President Biden's Executive Order 14105. President Trump announced in 2025 that

TikTok's U.S. operations are to be run by a joint venture majority-owned and -controlled by U.S. persons in which TikTok's parent, ByteDance, and its affiliates have up to a 20% stake. P.L. 118-50 (Div. H and Div. I) restricts TikTok and other PRC-tied digital platforms in the U.S. market.

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