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IN FOCUS

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U.S.-China Trade Relations

The People's Republic of China (PRC or China) is the world's second-largest 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 U.S. firms face from China include a lack of reciprocal access to the PRC market, trade barriers in key areas, a strong PRC state role in commercial activity, and expanding PRC industrial policies, export controls, and economic security and data rules. Trade issues U.S. officials and executives have raised since the 1990s have broadened into a U.S. government focus on competition with the PRC. The executive branch and Congress have debated and adopted approaches, such as tariffs and investment and market restrictions, 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 China's 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 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 for U.S. firms 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) and economic coercion and intellectual property (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 has funded investment abroad 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**.)

In the first half (H1) of 2026, U.S. imports from China fell by 23% over H1 2025 while U.S. exports to China fell by 1%.

Services: In 2025, China accounted for 4.6% ($57.2 billion) of U.S. exports and 2.5% ($22.8 billion) of U.S. imports. (**Figure 2**.) Top U.S. services exports to China are travel, technology and IP licensing, and transport.

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

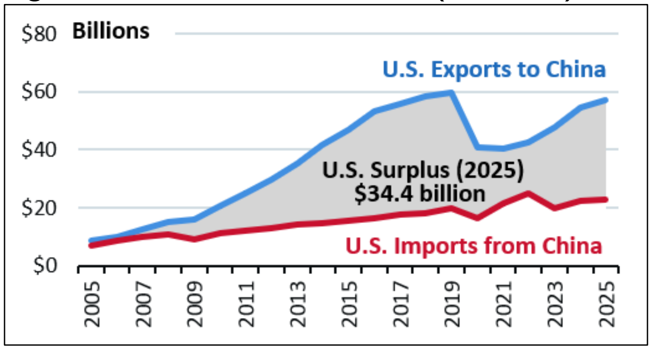
Investment: In 2025, U.S. foreign direct investment (FDI) stock in China was $120.5 billion, and China's FDI stock in the United States was $19.0 billion (a 41.4% drop over 2024). (**Figure 3**.) In 2025, China accounted for 0.3% of total FDI stock in the United States and 1.7% of U.S. global FDI stock.

U.S. private equity (PE) investment in China fell from $140 billion in 2019 to under $1 billion in 2024. PWC Global reports that overall foreign PE deals in China were about $7.2 billion in 2025, while PRC PE/venture capital deals in the U.S. market were about $6 billion. In May 2026, U.S. investors held $509.9 billion in PRC (mainland China and Hong Kong) securities (up $150 billion over May 2025); PRC holdings of U.S. securities were $1.9 trillion. The PRC was the 3rd-largest foreign holder of U.S. Treasuries ($931.2 billion) after Japan ($1.1 trillion) and the United Kingdon ($948.6 billion). (Data do not show PRC offshore holdings and proxy investments.)

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

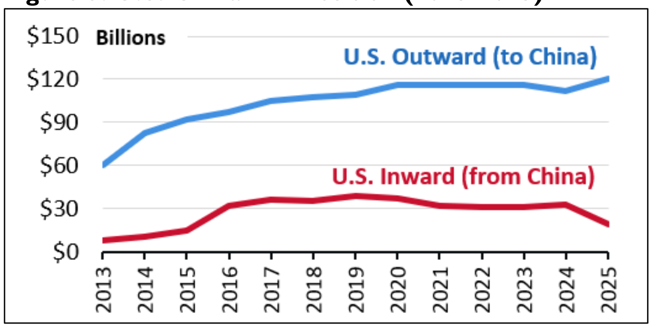
Source: CRS with data from the U.S. Bureau of Economic Analysis.

Figure 2. U.S.-China Services Trade (2001-2025)



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

Figure 3. U.S.-China FDI Position (2013-2025)



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

Key Issues Facing Congress

From 2017-2024, U.S. national security policy defined the PRC as a strategic competitor and U.S. economic policies have focused on reducing 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." In April 2026, U.S. Trade Representative (USTR) Jamieson Greer said the President seeks stability and is not looking for a "massive confrontation" or "full-on conflict" with China, suggesting limits to the Trump Administration's willingness to pressure China given deep economic ties and the PRC's tendency to retaliate. For example, USTR has pressed the PRC to ease controls on rare earth exports with limited results. In May 2026, the two sides agreed to set up trade and investment boards to identify tariffs to be lifted and possible areas for PRC investment in the U.S. market.

Tariffs. The executive branch's use of tariffs 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. Meanwhile, industrial policies are driving PRC overcapacity, exports, and global investment in sectors such as electric vehicles, prompting U.S. debates about whether and, if so, how to protect the U.S. market. Since spring 2025, U.S. and PRC officials have engaged in tariff talks that have widened into other trade issues but have not resolved U.S. concerns. See CRS In Focus IF12990, *U.S.-China Tariff Actions Since 2018: An Overview*; and CRS In Focus IF12125, *Section 301 and China: The U.S.-China Phase One Trade Deal*.

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. The 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 nontariff actions as the PRC ran out of items to effectively tariff given the trade imbalance. The PRC has canceled orders, imposed market restrictions, and enacted export controls on production inputs. It has expanded export controls to cover more trade and require disclosure about the end use of PRC inputs, likely raising PRC visibility into and leverage over U.S. supply chains.

Negotiations. Such PRC actions appear to have fostered a dynamic in which U.S. officials have sought to delay PRC measures in exchange for concurrent delays in U.S. actions, potentially distracting from U.S. efforts to address systemic issues. Since fall 2025, the Administration also has delayed some trade and national security actions to reach a trade deal and make progress on other issues ahead of leaders' meetings. Some argue that such an approach by past Administrations undercut U.S. leverage. For example, the Department of Commerce delayed for a year a rule to expand export controls to foreign affiliates of PRC firms on the Bureau of Industry and Security's Entity List. USTR delayed tariff actions on PRC semiconductors and ships 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 U.S. technology company Nvidia to export its H200 chips to the PRC (and set terms by which the U.S. government is to collect 25% of the proceeds) prompted congressional debate and legislation seeking to limit the sale of advanced chips and semiconductor equipment to China. Former officials criticized the negotiating of 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. To address concerns about data security, technology competition, and the PRC state's ties to PRC firms, since 2025 the U.S. government has restricted PRC connected vehicle technology, robots, solar inverters, and drones in the U.S. market and has proposed restricting U.S.-PRC research ties. S. 4429/H.R. 8730 would put vehicle restrictions in statute. P.L. 119-60 restricts some U.S. investment in China and prohibits U.S. federal agencies and recipients of federal funds from using biotechnology equipment/services from named PRC firms. P.L. 118-50 (Div. H and Div. I) imposes ownership and data transfer restrictions on TikTok and other PRC-tied digital platforms in the U.S. market. In 2025, President Trump stated that TikTok's parent, ByteDance, and its affiliates would own up to 20% of the joint venture that runs TikTok's U.S. operations, raising questions about continued PRC ties.

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