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U.S.-China Relations

Many consider the relationship between the United States and the People's Republic of China (PRC or China) to be the world's most consequential bilateral relationship. The two countries lead the world in the size of their economies, their defense budgets, and their global greenhouse gas emissions. In 2017, they were each other's largest trading partners. Both nations are also permanent members of the United Nations Security Council.

The Trump Administration has sought China's cooperation in reining in North Korea's nuclear and missile programs and curbing the flow of the deadly synthetic opioid fentanyl from China to the United States. Yet the Administration has also declared in its National Security Strategy (NSS) the return of "great power competition" with China and Russia. The Administration has criticized the PRC's licit and illicit efforts to acquire advanced U.S. technology, its alleged efforts to "lock[] countries into unsustainable and opaque debts and commitments" under Chinese President Xi Jinping's Belt and Road Initiative (BRI), its actions related to Taiwan, its activities in the South China Sea, and its repression of Muslim minorities in Xinjiang in China's northwest. Seeking changes in PRC economic policies, the United States has imposed tariffs on imports from China, to which China has responded with tariffs of its own.

In 2017, President Trump and President Xi met three times: in April at President Trump's Mar-a-Lago estate in Florida, in July on the sidelines of the G-20 summit in Hamburg, Germany, and in November in Beijing. The two leaders also spoke at least six times by telephone. In 2018, neither side has so far announced plans for the two men to meet. They have spoken by telephone three times. In August 2018, President Trump asserted on Twitter that his and President Xi's "relationship and bond remain very strong."

Select Issues in the Relationship

Strategic Competition

Strategic competition for global position and influence forms an increasingly significant element of overall U.S.-China relations. The Trump Administration NSS, released in December 2017, describes both China and Russia as seeking to "challenge American power, influence, and interests, attempting to erode American security and prosperity." The document states that China and Russia "want to shape a world antithetical to U.S. values and interests." A summary of the U.S. National Defense Strategy (NDS), released in January 2018, 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." Responding to the NSS, China's Foreign Ministry urged the

United States "to stop deliberately distorting China's strategic intentions, and abandon such outdated concepts as the Cold War mentality and the zero-sum game...."

China's decades-long military modernization effort is a major factor informing U.S. defense strategy, budgets, plans, and programs. Separately, the Trump Administration has portrayed the BRI, under which China is supporting infrastructure development in dozens of countries, as intended to further China's "geopolitical aspirations." In apparent response to those and other PRC initiatives, the Trump Administration in 2017 announced a vision of a "free and open Indo-Pacific" (FOIP), which it now defines as a vision "based on respect for sovereignty, the rule of law, and the principles of free, fair, and reciprocal trade."

Trade

According to the U.S. Department of Commerce, in 2017, China was the United States' largest merchandise trading partner (at \$636 billion), third-largest export market (at \$130 billion), and largest source of imports (at \$506 billion). China is also the largest foreign holder of U.S. Treasury securities (at nearly \$1.2 trillion as of June 2018).

In August 2017, President Trump directed the U.S. Trade Representative (USTR) to determine if China's policies "may be harming American intellectual property rights, innovation, or technology development," and thus warrant an investigation under Section 301 of the Trade Act of 1974 (P.L. 93-618). On March 22, 2018, the President signed a memorandum outlining the USTR's findings. It stated that four PRC policies justified U.S. action: forced technology transfer requirements, cyber-theft of U.S. trade secrets, discriminatory licensing requirements, and attempts to acquire U.S. technology to advance China's industrial policies. The White House ordered the USTR to propose tariffs against China and to bring a WTO dispute settlement case against China's allegedly discriminatory licensing policies. The USTR immediately lodged the WTO case; days later, China lodged its own WTO case against the United States over its proposed Section 301 actions. On July 6, 2018, the United States imposed additional 25% tariffs on \$34 billion in imports from the PRC. On August 23, 2018, it imposed additional 25% tariffs on another \$16 billion in imports from the PRC. China responded with comparable tariff hikes on U.S. products.

On September 17, 2018, President Trump directed the USTR to impose additional tariffs of 10% on a further \$200 billion worth of PRC imports, effective September 24, 2018, with the additional tariff rate increasing to 25% on January 1, 2019. The President said he would increase tariffs on another \$267 worth of PRC goods if China retaliates. China responded by announcing that it would

increase tariffs by either 5% or 10% on \$60 billion worth of U.S. products, also effective September 24, 2018. The United States has now threatened to increase tariffs on \$517 billion worth of merchandise imports from China, while China's tariff hikes would affect \$110 billion worth of U.S. goods. China might also choose to take other measures to affect U.S. economic interests, such as increasing regulatory scrutiny of U.S. firms and promoting boycotts of U.S. goods and services in China. Many observers have raised concerns that tariff escalation could undermine bilateral commercial ties, disrupt global supply chains, raise prices for U.S. consumers and firms that use PRC imports—causing job losses—diminish global economic growth, and weaken global trade rules.

North Korea

Between 2006 and 2017, China voted for a series of U.N. Security Council Resolutions imposing ever stricter sanctions on North Korea over its nuclear weapons and missile programs, though it often sought to weaken the resolutions first. The U.S. government has broadly credited China with enforcing them. The Treasury Department has also, however, designated 14 mainland China-based companies, five Hong Kong-based shipping companies, and three PRC nationals for alleged violations of U.S. North Korea sanctions. In August 2018, President Trump stated on Twitter that China, North Korea's dominant trading partner, is providing North Korea with "considerable aid, including money, fuel, fertilizer and various other commodities," adding, "This is not helpful!" Since President Trump's June 2018 summit with North Korean leader Kim Jong-un, China has welcomed the United States' embrace of dialogue with North Korea, as well as the U.S. decision to suspend select military exercises with South Korea. China has long advocated dual-track negotiations with North Korea, one focused on denuclearization and the other on establishing a peace mechanism for the peninsula.

Fentanyl and Other Synthetic Drugs

According to provisional data from the U.S. Centers for Disease Control and Prevention, synthetic opioids such as fentanyl and tramadol accounted for more than 29,000 U.S. drug overdose deaths in 2017. The State Department describes the PRC as "a primary source of illicit synthetic drugs coming to the United States," including fentanyl. At an August 2018 cabinet meeting, President Trump said fentanyl from China was "killing our people," adding, "It's almost a form of warfare." Responding, in part, to requests from the United States, China has now imposed domestic controls on 170 new psychoactive substances, including 25 fentanyl analogues, and also controlled two fentanyl precursor chemicals. The U.S. Drug Enforcement Administration says China's domestic controls have had a significant effect on the availability of the substances in the United States. During President Trump's 2017 visit to Beijing, President Xi agreed to discuss "scheduling fentanyl as a class," a move that would place all fentanyl analogues under control.

Taiwan and the U.S. "One-China" Policy

For the PRC, the U.S.-China relationship is predicated on the United States' following a "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, including provisions requiring U.S. arms sales to Taiwan. The PRC, which claims sovereignty over Taiwan, reacted angrily to the March 2018 enactment of the Taiwan Travel Act (TTA, P.L. 115-135), urging the United States to "stop pursuing any official ties with Taiwan or improving its current relations with Taiwan in any substantive way...." In May 2018, the White House dismissed as "Orwellian nonsense" the PRC demand that foreign airlines refer to Taiwan as part of China on their websites. In August 2018, it criticized both the PRC and El Salvador for the latter's decision to break diplomatic relations with Taiwan and establish relations with the PRC.

South China Sea and East China Sea

After years of PRC island-building and base-construction activities at PRC-occupied sites in the South China Sea's Spratly Islands, the incoming Commander of U.S. Indo-Pacific Command, Admiral Philip Davidson, stated in April 2018, "China is now capable of controlling the South China Sea in all scenarios short of war with the United States." In late May 2018, the United States disinvited the PRC from the 2018 edition of the world's largest multilateral maritime exercise, the U.S.-hosted Rim of the Pacific (RIMPAC), over its "continued militarization" of the islands. China also regularly flies aircraft and sails China Coast Guard ships near islands in the East China Sea claimed by both China and Japan, in an apparent attempt to challenge administration of the islands by Japan, a U.S. ally.

Human Rights

In the name of preventing extremism, separatism, and terrorism, authorities in China's Xinjiang region have ordered the extrajudicial mass internment of members of several predominantly Muslim ethnic minorities, including Uyghurs (also spelt Uighurs), for the purposes of "political reeducation." In a July 2018 op-ed, Secretary of State Mike Pompeo cited the Xinjiang camps as one of several examples of religious persecution that he termed "abhorrent." In a September 2018 statement to *The New York Times*, the State Department noted "credible reports" that those detained in Xinjiang since April 2017 "number at least in the hundreds of thousands, and possibly millions."

Select Legislation in the 115th Congress

The John S. McCain National Defense Authorization Act for FY2019 (P.L. 115-232) contains multiple provisions related to China. They include the Foreign Investment Risk Review Modernization Act (FIRRMA) of 2018, which reforms the screening process for foreign investment in the United States. They also include a ban on U.S. government procurement of telecommunications equipment or services from certain PRC companies. Pending China-related legislation includes the BUILD Act of 2018 (H.R. 5105), which passed the House on July 17, 2018, and its Senate companion (S. 2463). The bills would establish a new U.S. International Development Finance Corporation.

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