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## U.S.-China Relations

The United States and the People’s Republic of China (PRC or China) are this year marking the 40<sup>th</sup> anniversary of their establishment of diplomatic relations. Both are permanent members of the United Nations Security Council. Today, they lead the world in the size of their economies, their defense budgets, and their global greenhouse gas emissions. In 2018, they were each other’s largest trading partners.

Since late 2017, the Administration of President Donald J. Trump has framed its policy toward China in terms of “great power competition,” even as it has sought China’s cooperation in reining in North Korea’s nuclear and missile programs and curbing the flow of a class of deadly synthetic opioids, fentanyl, from China to the United States. The Administration’s National Security Strategy (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 U.S. National Defense Strategy summary 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.” The National Intelligence Strategy, released in January 2019, places China in a category of “traditional adversaries.”

The Trump Administration has leveled its strongest criticism at China’s economic practices. In a major October 4, 2018, address on China policy, Vice President Mike Pence charged that China has used “an arsenal of policies inconsistent with free and fair trade” to build its manufacturing base, “at the expense of its competitors—especially America.” He asserted that China’s security agencies had “masterminded the wholesale theft of American technology—including cutting edge military blueprints” and that “using that stolen technology, the Chinese Communist Party is turning plowshares into swords on a massive scale....”

Responding to the NSS, China’s Foreign Ministry urged the United States “to stop deliberately distorting China’s strategic intentions.” PRC Premier Li Keqiang told China’s parliament on March 5, 2019, that the environment for China’s development would be “graver and more complicated” in 2019, likely reflecting heightened tensions with the United States. Yet he also asserted, “China is still in an important period of strategic opportunity,” indicating no official change in overall PRC threat perception.

President Trump and President Xi have met face-to-face four times: in April 2017 at President Trump’s Mar-a-Lago estate in Florida; in July 2017 on the sidelines of the G-20 summit in Hamburg, Germany; in November 2017 in

Beijing; and on December 1, 2018, on the sidelines of the G-20 summit in Buenos Aires. On December 3, 2018, President Trump tweeted that he and President Xi “have a very strong and personal relationship.”

### Select Issues in the Relationship

#### Trade

Trade issues have dominated the Trump Administration’s China policy, with the White House accusing China of “economic aggression” and “non-reciprocal commercial relations.” In March 2018, the U.S. Trade Representative (USTR) released the findings of an investigation into PRC policies related to technology transfer, intellectual property, and innovation under Section 301 of the Trade Act of 1974 (P.L. 93-618). The investigation identified four PRC practices of particular concern: forced technology transfer requirements, discriminatory licensing requirements, state-directed investments in and acquisitions of U.S. companies to obtain cutting-edge technologies and intellectual property (IP), and state-directed cyber-theft of U.S. trade secrets. To pressure China to address those issues, the United States imposed three rounds of Section 301 tariffs on imports from the PRC. (See **Table 1** below.) China’s retaliatory tariffs hit U.S. soybean exports particularly hard.

**Table 1. Section 301 Tariffs on Imports from the PRC**

Date	Volume of imports affected	Additional tariff rate
July 6, 2018	\$34 billion	25%
August 23, 2018	\$16 billion	25%
September 24, 2018	\$200 billion	10%

Source: USTR.

The 10% rate on the third tranche of PRC imports was slated to rise to 25% on January 1, 2019. When the two presidents met on December 1, 2018, however, the White House said President Trump agreed to suspend that tariff increase for 90 days, to allow for further trade negotiations. On February 24, 2019, President Trump tweeted that he had suspended the tariff hikes indefinitely due to “substantial progress” in trade talks. U.S. negotiators indicate that the talks are focused on structural changes to China’s economy, including IP and innovation policies, market barriers, and currency. The United States also seeks to reduce the bilateral trade imbalance, in part by persuading China to purchase a “substantial amount” of U.S. agricultural, energy, and manufactured goods. On April 11, 2019, Treasury Secretary Steven Mnuchin said the two sides had

“pretty much agreed” to establish enforcement officers to monitor implementation of any agreement.

### Fentanyl and Other Synthetic Drugs

According to the U.S. Centers for Disease Control and Prevention, synthetic opioids, primarily fentanyl, accounted for more than 28,000 U.S. drug overdose deaths in 2017. The Drug Enforcement Administration states that illicit fentanyl and other synthetic opioids are “primarily sourced from China and Mexico.” Responding to pressure from the Trump Administration, on April 1, 2019, China announced that effective May 1, 2019, it would add all fentanyl-related substances to a controlled substances list. A senior PRC counter-narcotics official said China would also step up criminal investigations focused on the manufacturing and trafficking of fentanyl substances and other drugs. China has not yet controlled all precursor chemicals used to manufacture fentanyl.

### Mass Internment of Muslim Minorities

In the name of preventing terrorism, extremism, and separatism, authorities in China’s Xinjiang region are believed to have interned as many as 1 million predominantly Muslim ethnic minorities, including Uyghurs. In his October 2018 speech, Vice President Pence asserted that Uyghurs were being subjected to “around-the-clock brainwashing” and that survivors see the camps as an effort to “stamp out the Muslim faith.” Chinese authorities describe the camps as “education and training centers” in which “students” learn the Chinese language and job skills and undergo “de-extremization.”

### Taiwan and the U.S. “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 (P.L. 96-8), including provisions requiring U.S. arms sales to Taiwan. The PRC, which claims sovereignty over Taiwan, has long been wary of U.S. moves that the PRC sees as introducing “officiality” into the U.S.-Taiwan relationship. Beijing decried the March 2018 enactment of the Taiwan Travel Act (P.L. 115-135) and urged the United States to “stop pursuing any official ties with Taiwan or improving its current relations with Taiwan in any substantive way....”

### North Korea

The United States and China agree on the goal of denuclearization of North Korea, but have sometimes disagreed on the best path to that goal. Between 2006 and 2017, China voted for 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 the resolutions, and seeks to persuade China to maintain “maximum pressure” on North Korea.

### South China Sea

Since 2013, the PRC has built and fortified artificial islands on seven sites in the Spratly Island chain in the South China Sea. In May 2018, the United States disinvited the PRC from the 2018 edition of the U.S.-hosted Rim of the Pacific (RIMPAC) maritime exercise over the PRC’s “continued militarization” of the sites. To challenge what the United States considers excessive maritime claims and to assert the

U.S. right to fly, sail, and operate wherever international law allows, the U.S. military undertakes both freedom of navigation operations (FONOPs) and presence operations in the sea, and undertakes Air Force bomber flights over the sea. China argues that such operations infringe on its sovereignty and undermine “peace, security, and order.”

### Huawei

The Trump Administration has sought to dissuade allies and partners from including equipment from Chinese telecommunications giant Huawei in their critical information systems, citing national security concerns. In February 2019, Secretary of State Mike Pompeo warned that if countries work with Huawei, “we won’t be able to share information with them, we won’t be able to work alongside them.” China’s Foreign Ministry accuses the United States of seeking to “strangle [Chinese companies’] lawful and legitimate operations.” Separately, Canada in December 2018 detained a senior Huawei executive, who is also a daughter of Huawei’s founder, at the request of the United States, which subsequently charged her with financial fraud. China appeared to punish Canada for the move by detaining Canadians Michael Kovrig and Michael Spavor and later accusing them of espionage, and by cutting off imports of Canadian canola seed.

### China’s Belt and Road Initiative

China’s Belt and Road Initiative (BRI), launched in 2013, aims to boost economic connectivity among as many as 125 countries. The Trump Administration has sought to warn countries away from participation in BRI, portraying BRI projects as saddling countries with unsustainable levels of debt and, in Secretary of State Pompeo’s words, exacting “a political cost ... which will greatly exceed the economic value of what you were provided.” The Better Utilization of Investments Leading to Development (BUILD) Act of 2018 (P.L. 115-254), enacted in October 2018, was widely viewed as a response to BRI. China’s Foreign Ministry has called U.S. statements against BRI “very disappointing,” and urged the United States to “at least refrain from obstructing assistance provided to these developing countries by others.”

### Select Legislation in the 116<sup>th</sup> Congress

Legislation related to China introduced in the 116<sup>th</sup> Congress includes bills on **trade** (S. 2 and H.R. 704, S. 75 and H.R. 595, S. 577 and H.R. 1452, H.R. 902, S. 188, S. 1092); **cybersecurity** (H.R. 739); **fentanyl** (H.R. 1542, H.R. 1098, and S. 400); **immigration** (S. 386 and H.R. 1044); **PRC political influence operations** (S. 480 and H.R. 1811, S. 245); **PRC telecommunications firms** (S. 152 and H.R. 602, S. 335, S.Con.Res. 10, S.Res. 96, S. 245); **Saudi-PRC nuclear or missile cooperation** (S. 612 and H.R. 1471); **Taiwan** (H.R. 237 and S. 249, S. 878 and H.R. 2002, S.Con.Res. 13 and H.Res. 273, H.Res. 248); and **Uyghur human rights** (S. 178, H.R. 1025). S. 987 would implement recommendations of the U.S.-China Economic and Security Review Commission in multiple areas.

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