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Background

Prior to China's accession to the World Trade Organization (WTO) in December 2001, U.S. law required China's normal trade relations status to be renewed annually. Congress regularly did this between 1980 and 1989. In 2000, Congress gave the President authority to extend permanent normal trade relations (PNTR) to China upon their acceptance to the WTO. Since joining the WTO, the U.S. and China have proceeded under PNTR.

Since the enactment of PNTR legislation more than two decades ago, several debates have emerged surrounding Congress's decision to extend PNTR to China following its accession to the WTO. Assessments of the impact of China's PNTR status among trade experts and economists have been mixed. Supporters of the decision note that China made several commitments to lower trade barriers and adopt market-opening rules, and that the decision gave firms and investors a new confidence in the long-term stability of U.S.-China bilateral trade and investment. This helped lower costs for U.S. consumers and made U.S. firms more competitive by reducing the costs of intermediate inputs. On the contrary, some argue that granting China complete access to the U.S. market through the extension of PNTR caught U.S. manufacturers off guard, causing existing U.S. domestic policies, including trade adjustment assistance and other protective measures, to be inadequate in shielding manufacturers in industries experiencing heightened import competition.

Impact

The potential effects of revoking China's PNTR status depend, in part, on whether China's PNTR status is revoked entirely or is returned to its previous framework of conditional, annual renewal under Title IV. Some Members of Congress have argued that allowing China to keep PNTR status and returning to a yearly renewal process could provide Congress with more tools to influence U.S. trade policy concerning China and provide leverage in future trade negotiations.

Some of the impacts include:

- Higher tariff rates on imports from China (see table below)
- Significant effect on U.S. supply chains both initially by disrupting long standing trade but also by limiting trading partners for many U.S. companies
- Potential conflicts with the U.S.'s WTO commitments
- Negative impact on the relationship with China regarding trade, military cooperation, and more



Take Action

AAEI and the AAEI Trade Policy Committee are forming a China Working Group to discuss action on revoking PNTR status, among other issues. If you are interested in taking action by joining the working group, please contact Government Relations Manager Mitchell Hart at mhart@aaei-hq.org.

Chart

Table I. Top 15 Imports for Consumption from China in 2021
with applicable MFN (NTR), Section 301, and non-MFN tariff rates

HTS Number (8-Digit)	Commodity Description	2021 Import Value (US\$)	MFN Rate	Sec. 301 Rate	Non-MFN Rate
84713001	Portable Digital Processing Machines, Weight not More than 10 Kg, Consisting of a CPU, Keyboard, and Display (e.g. laptop computers, tablets)	\$ 55,402,790,049	Free	Free	35%
85171200	Telephones For Cellular Networks Or For Other Wireless Networks (e.g. smartphones)	\$ 47,970,353,110	Free	Free	35%
95030000	Toys, including riding toys other than bicycles, puzzles, reduced scale models	\$ 14,564,597,231	Free	15%*	70%
85176200	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apps	\$10,016,180,164	Free	25%	35%
95045000	Video game consoles and machines	\$ 8,714,640,130	Free	15%*	35%
85285200	Other monitors capable of directly connecting to and designed for use with an automatic data processing machine of heading 8471 (e.g. desktop monitors)	\$ 6,408,091,916	Free	15%*	35%
85076000	Lithium-ion batteries	\$4,360,210,829	3.4%	10.9%	40%
95069100	Articles and equipment for general physical exercise, gymnastics or athletics and parts & accessories thereof	\$ 3,762,529,919	4.6%	12.1%	40%
94032000	Furniture (other than seats) of metal nesoi, o/than of a kind used in offices	\$3,562,259,406	Free	25%	45%
39269099	Other articles of plastic, nesoi	\$3,349,393,868	5.3%	30.3%	80%
63079098	National flags and other made-up articles of textile materials, nesoi	\$3,259,690,195	7%	14.5%	40%
39181010	Vinyl tile floor coverings	\$3,132,561,239	5.3%	30.3%	40%

Source: [Congressional Research Service](#)