

LEGAL UPDATES

U.S.-China Trade Update: Tariff Escalation and End of De Minimis Exemption

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This information was current as of 11:00 a.m. CT, April 10, 2025. We will update as changes occur.

On April 2, 2025, the U.S. government implemented new measures affecting trade with China via Executive Order, including a reciprocal tariff regime and elimination of the de minimis exemption for Chinese-origin goods. These actions represent a significant shift in U.S. trade policy and have triggered a series of back-and-forth retaliatory measures between the U.S. and China. Notably, on April 9, President Trump stated that the U.S. would delay or reduce tariffs to 10% on goods from countries other than China, emphasizing that the trade enforcement strategy focus is shifting, specifically related to Chinese-origin goods.

U.S. Tariffs on Chinese-Origin Goods

Effective April 9, 2025, the U.S. has increased tariffs on Chinese-origin goods to a cumulative 125%, a 21% hike from an earlier increase on April 7. The White House framed the escalation as part of its "reciprocal tariff" strategy, citing long-standing trade imbalances, non-reciprocal tariffs and national security concerns.

Exemptions apply to goods already subject to Section 232 tariffs such as steel, aluminum and automobiles, as well as select sectors including pharmaceuticals, semiconductors, copper, lumber and certain critical minerals.

Chinese Retaliatory Tariffs

In response, China imposed a new 50% tariff on all U.S. imports, effective one minute past midnight on April 10, 2025 (Beijing time). This measure builds on the 34% retaliatory tariffs already announced on April 4. Taken together, China's cumulative tariff rate on U.S. goods now reaches 84%.

In addition to the announced tariffs, China's Ministry of Commerce imposed operational restrictions on 11 U.S. companies, and announced export control of seven rare earth elements essential to key industries such as defense, renewable

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energy and electronics. Additionally, the Chinese government initiated trade investigations into U.S. medical equipment and temporarily suspended imports of certain agricultural products from major American producers.

Unlike the U.S. reciprocal tariffs on Chinese goods, which include certain exemptions, Chinese retaliatory tariffs do not include any exemptions or carveouts. The Chinese tariffs apply broadly and uniformly to affected U.S. imports, adding to the complexity and uncertainty for U.S. exporters operating in the Chinese market.

Elimination of De Minimis for Chinese-Origin Goods

Effective May 2, 2025, the U.S. will eliminate de minimis eligibility for Chinese-origin goods valued under \$800. These items will no longer be eligible for duty-free entry into the U.S. regardless of shipping method.

- For imported goods sent through means other than the international postal network, all applicable tariffs and duties will apply.
- For goods sent through the international postal network, a 90% tariff or \$75 flat fee per item will apply, which will increase to \$150 per item on June 1.

This action aims to address enforcement gaps, including concerns over the shipment of illicit goods and circumvention of tariffs through the de minimis threshold.

What Comes Next?

The recent escalation in U.S.-China trade tension marks a significant turning point for imports, exporters and global supply chains. With the U.S. layering a 125% cumulative tariff on top of existing duties, and China responding with a 84% cumulative tariff on U.S. goods, the landscape has grown more complex and unpredictable.

The elimination of the de minimis treatment for Chinese-origin goods adds another layer of enforcement and cost, particularly for businesses reliant on low-value, high-volume shipments. As both countries signal that additional measures could follow, businesses with cross-border exposure should continue monitoring developments and prepare for potential supply chain disruptions or regulatory shifts.

Our team continues to monitor this fluid landscape. If you have questions about navigating these changes, including adjustments to business strategies, analysis of the impacts on existing contracts, tariff safeguards in deal terms or similar matters, please contact the authors or your regular Lathrop GPM attorney.