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U.S.-China Trade Update: Trade Deal Brings Tariff and Policy Changes

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This information was current as of 8:00 a.m. CT, May 15, 2025. We will update as changes occur.

On May 12, 2025, the United States and China jointly announced a temporary trade agreement aimed at de-escalating ongoing trade tensions. The agreement, which took effect May 14, launches a 90-day period during which both countries will suspend or reduce key tariffs and attempt to resume negotiations toward a broader and more comprehensive deal. However, because the suspension is short-term, uncertainty around supply chains and import/export costs remains.

Temporary Tariff Reductions

This announcement represents a notable shift in tone as both countries seek to ease the uncertainty created by the escalating trade relations. The U.S. and China each affirmed the importance of a strong bilateral trade relationship to both countries and the global economy.

Consistent with this announcement, President Trump signed an Executive Order on May 12 reducing certain *ad valorem* tariffs on Chinese goods that had been in place since April 2025 from 125% to 34% going forward, and suspending 24 percentage points of that lower rate for 90 days. The result is a 10% *ad valorem* duty rate on certain goods imported from China, which were previously subject to an 125% *ad valorem* duty rate, for a period of 90 days.

This Executive Order also reduces the tariff rate applicable on small shipments from China that formerly entered the U.S. tariff-free under the *de minimis* exception. Effective May 14, the tariff rate on goods manufactured in China valued under \$800 and shipped into the U.S. through the international postal system has been reduced from 120% to 54%. Alternatively, importers may choose to pay a flat fee of \$100 per item, which will increase to \$200 per item on June 1.

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Likewise, China has significantly reduced its *ad valorem* duty rate on certain goods imported from the U.S. from 125% to 10%. China also agreed to lift export restrictions on several critical categories, including rare earth minerals, car components, aircraft parts and semiconductors.

What Comes Next?

This temporary trade agreement signals a pause in escalating tensions but leaves core issues unresolved. While tariff reductions and eased export restrictions offer short-term relief, the 90-day scope underscores the deal's uncertainty. Companies should monitor ongoing negotiations and reassess supply chain, pricing and contract strategies in anticipation of further shifts.

Our team will continue to track these developments. If you have questions on how this White House action may affect your business operations or agreements, please contact the authors or your regular Lathrop GPM attorney.