

Publications

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Lower Tariffs Take Effect Under New China Trade Deal

Key Takeaways:

1. Under a new trade deal reached with China, the U.S. has agreed to lower tariffs on Chinese imports imposed under the International Emergency Economic Powers Act (IEEPA) to address the influx of opioids into the U.S. and suspend any increases to China's reciprocal tariff rate for one year.
2. China, in turn, has agreed to eliminate global export controls on rare earth elements and other critical minerals and to purchase U.S. agricultural exports such as soybeans, sorghum and logs.
3. China has also committed to implementing certain measures designed to end the flow of fentanyl to the U.S.
4. Businesses should assess how these changes affect existing supply chains, tariff strategies and sourcing plans, given the deal's limited duration and potential policy shifts after 2026.

Recent discussions between President Trump and President Xi Jinping of China concluded with the two nations reaching a major trade deal that "safeguards U.S. economic strength and national security while putting American workers, farmers and families first." President Trump signed two executive orders on Nov. 4, 2025: one that suspended increases to China's reciprocal duty rate for one year, and the other that modified the fentanyl duty rate applicable to Chinese imports beginning Nov. 10.

Under this deal, the countries agreed to several key measures, easing what had been escalating trade tensions and retaliatory actions.

Specifically, China committed to:

- Stop the flow of fentanyl through various export control measures on certain precursor chemicals used to produce opioids;
- Suspend restrictions on exports of rare earth and other critical minerals;
- Purchase U.S. agricultural products, including 12 million metric tons of soybeans by the end of the year and at least 25 million metric tons annually through 2028;
- Address Chinese retaliation against U.S. semiconductor manufacturers and other major companies in the semiconductor supply chain; and

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- Suspend or remove many other retaliatory actions against the U.S., including tariffs on a “vast swath” of agricultural products until Dec. 31, 2026.

For its part, the U.S. committed to:

- Lower the fentanyl tariff rate on Chinese imports from 20% to 10%, effective Nov. 10;
- Suspend increases to the reciprocal duty rate of 10% through Nov. 10, 2026;
- Extend expiration of certain tariff exclusions under Section 301 of the Trade Act of 1974 (Section 301) for the same period; and
- Suspend its implementation of responsive actions taken pursuant to the Section 301 investigation on China’s shipbuilding and maritime policies until Nov. 10, 2026.

This deal follows on the heels of President Trump’s agreements and frameworks reached with several Asian countries during his Asia tour, including reciprocal trade agreements with Malaysia and Cambodia, joint frameworks for trade negotiations with Thailand and Vietnam, and critical minerals cooperation agreements with Thailand and Malaysia.

Businesses involved in trade with China should keep in mind that not only are certain of the agreement’s terms set to end next year, this deal comes amidst the Trump Administration’s review of China’s compliance with a partial trade agreement reached during the president’s first term – the “Phase One Agreement” – which resulted in deferred and lowered Section 301 duties on certain Chinese imports.

If your business needs strategic legal guidance or anticipates potential impacts resulting from these announcements, contact Deanna Okun, Lydia Pardini, Dominic Bianchi, Polsinelli’s Executive Action Working Group or your Polsinelli contact.