

# Insights

## **The U.S.–China Tariff Truce: What It Means for Importers**

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The United States and China have reached a fragile but meaningful truce that halts, for now, the escalation of tariffs that had been set to take effect on November 1. The announcement follows high-level discussions between President Donald Trump and President Xi Jinping at the Asia-Pacific Economic Cooperation (APEC) summit in Busan, South Korea, and signals a temporary shift from confrontation to cautious management of the world's most consequential trade relationship.

### **The 2025 Truce: A Pause, Not a Peace**

According to a fact sheet released by the White House on November 1, 2025, the agreement effectively shelves the 100 percent tariff increase announced by the Trump administration that would have applied to a broad range of Chinese imports this month.<sup>1</sup> In exchange, the United States agreed to scale back certain tariffs linked to China's exports of fentanyl-related chemical precursors, reportedly reducing them from roughly 20 percent to 10 percent.<sup>2</sup> China, for its part, committed to suspend for one year its new export controls on key inputs such as rare earth minerals, gallium, germanium, and graphite—materials critical to the electronics and electric-vehicle industries. Both governments have emphasized that the deal is a one-year framework rather than a comprehensive settlement. It does not dismantle the core Section 301 tariff structure that has governed U.S.–China trade since 2018, nor does it resolve longstanding disputes over technology transfer, intellectual-property enforcement, or state-owned enterprise practices. The practical effect provides a pause in the “tit for tat” being exchanged between the world’s largest economies. As a result, businesses are spared a sudden escalation, but the underlying legal and policy tensions remain fully intact. The truce has been welcomed by importers who faced severe cost uncertainty, yet it is widely viewed as only a temporary reprieve. Analysts note that the average U.S. duty rate on Chinese goods—currently hovering near 45 to 50 percent—remains historically high even with this week’s adjustments. Whether the détente holds will depend on each side’s follow-through in the coming months.

### **How We Got Here: The Architecture of Modern U.S. Tariff Policy**

The United States’ modern tariff regime rests primarily on Section 301 of the Trade Act of 1974, which empowers the U.S. Trade Representative (USTR) to investigate and respond to foreign practices deemed unfair or discriminatory. Once an investigation is completed and findings are published, the USTR may impose duties, modify them, or negotiate their removal. The process involves notice-and-comment rulemaking and periodic review, and the resulting measures are published in the Federal Register. Although the United States historically moved toward liberalization of trade following the high-tariff era of the 1930 Smoot-Hawley Act, that trajectory reversed in 2018–2019 when Washington imposed sweeping tariffs on Chinese goods under Section 301. The USTR’s “four-year review,” concluded in 2024, reaffirmed and in some cases increased those duties, targeting sectors viewed as strategically sensitive—electric vehicles, semiconductors, solar modules, and

critical inputs used in emerging technologies.<sup>3</sup> Recent judicial decisions have upheld the legality of these actions. In September 2025, the U.S. Court of Appeals for the Federal Circuit affirmed the constitutionality of the Section 301 lists known as “Lists 3 and 4A,” rejecting challenges that the USTR had acted beyond its authority. That ruling effectively cemented the tariffs as part of the legal landscape unless altered through new executive or legislative action.<sup>4</sup> Alongside China, the administration has turned its attention to other trading partners. India, for example, has been under review for potential retaliatory tariffs following its increased duties on U.S. electronics and agricultural products. While no final action has been announced, U.S. importers should be aware that a re-alignment of tariffs across Asia could occur if the political winds shift.

### **Implications for Importers and Supply-Chain Strategy**

For businesses, the truce offers a rare moment to regroup. Companies that import Chinese-origin components should reassess their exposure under the current Section 301 schedules, confirming which Harmonized Tariff Schedule (HTS) lines remain subject to duty and which fall under the temporary product exclusions that have been extended through November 29, 2025. Those exclusions provide relief for certain specialized parts and assemblies, but they are narrow and subject to abrupt expiration. Supply-chain managers should also revisit country-of-origin determinations and manufacturing footprints. Even goods assembled in third countries may retain Chinese origin for tariff purposes if they incorporate substantial components from China. This makes China + 1 strategies—diversifying production into nearby jurisdictions such as Vietnam, Malaysia, or Mexico—especially important to evaluate now while trade tensions are in a holding pattern. From a contractual standpoint, importers are well advised to review their supplier and customer agreements. Duty-sharing provisions, price-adjustment clauses, and representations regarding origin or tariff exposure should be updated to account for potential changes once the truce expires. For some firms, enrolling goods in Foreign-Trade Zones (FTZs)<sup>5</sup> or bonded-warehouse programs<sup>6</sup> may help manage cash flow and defer duty obligations. Looking ahead, attention should remain focused on the USTR’s docket. The agency will likely issue follow-up notices clarifying which tariff lines are affected by the truce and whether new exclusion procedures will open. Companies should also monitor China’s compliance with its commitments on rare-earth exports and U.S. agricultural purchases, as failure on either front could quickly trigger renewed escalation.

### **A Temporary Breathing Space**

The Busan agreement represents the first sustained easing of U.S.–China trade friction in nearly two years. Yet it is best understood as a tactical ceasefire, not a permanent settlement. The tariff structure built over the past decade remains legally sound and politically potent, and both nations have strong incentives to maintain leverage. Importers should use this period to strengthen compliance systems, model alternative sourcing, and ensure flexibility if the détente falters.

Krieg Devault’s Business and Securities Practice Group will continue monitoring the implementation of the truce, forthcoming USTR actions, and related tariff developments involving China, India, and other key markets. Clients with questions about their exposure or options for mitigation are encouraged to contact **Kendall Schnurpel**, or their regular Krieg Devault attorney.

<sup>1</sup>The White House. “Fact Sheet: President Donald J. Trump Strikes Deal on Economic and Trade Relations with China.” November 1, 2025. WH Fact Sheet [Link](#)

<sup>2</sup>Lawder, David & Andrea Shalal. “What did Trump, Xi agree to on tariffs, export controls and fentanyl.” Reuters, 1 Nov. 2025, 11:12 PM UTC.

<sup>3</sup>**Office of the United States Trade Representative**, *Four-Year Review of Actions Taken in the Section 301 Investigation: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, Executive Summary (May 14, 2024), available at [Link](#); and **Office of the United States Trade**



**Representative, USTR Finalizes Action on China Tariffs Following Statutory Four-Year Review** (press release, Sept. 13, 2024), available at [Link](#)

<sup>4</sup>*HMTX Indus. LLC v. United States*, No. 23-1891, slip op. (Fed. Cir. Sept. 25, 2025).

<sup>5</sup>Foreign-Trade Zones (FTZs) are secure areas located within the United States but treated, for customs purposes, as outside U.S. commerce. Goods admitted into an FTZ may be stored, assembled, or manufactured without the immediate payment of duties; customs duties are deferred until the goods leave the zone for U.S. consumption, and may be reduced or eliminated if the finished product carries a lower duty rate than its inputs. See 19 U.S.C. §81c; 19 C.F.R. Part 146 (Foreign-Trade Zones).

<sup>6</sup>Bonded warehouses operate under a similar principle: imported merchandise may be stored, manipulated, or processed in a bonded facility without duty payment for up to five years, with duties assessed only when the goods are withdrawn for domestic use. See 19 U.S.C. § 1557; 19 C.F.R. Part 19 (Bonded Warehouses).

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