

Why China hopes the US won't touch a century-old trade rule affecting imports under US\$800

- E-commerce giants Shein and Temu flourish as parcels surpass quarter of a trillion dollars in value annually amid push to tighten de minimis provision
- US lawmakers argue Chinese goods produced from forced labour are being allowed into the states, but election year factors cast doubt on reform



[Li Siquan in Washington](#)

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Like many entrepreneurs handling exports in the business powerhouse that is China's Guangdong province, Victor Wang's freight company has leapt into cross-border e-commerce.

Transitioning away from placing large containers of bulk cargo on overseas-bound ships, Wang over the past year has embraced a sea change in volume and scale that has proved lucrative.

Now, Wang sends small parcels – usually containing a jacket, two pairs of earrings or a rice bucket – via air directly from local factories to shoppers in the United States.

The company's dramatic shift seemed inevitable: its customer base comprising hundreds of thousands of manufacturing factories in the region had already been flocking to e-commerce.

It strives to fill a void created by dwindling wholesale orders from foreign retailers, especially Americans, resulting from punitive tariffs imposed by former US president Donald Trump.

Then came efforts by Joe Biden, Trump's successor, to get US companies to relocate their supply chains outside China.

“Foreign trade, gloomy as it is overall, actually has little impact on cross-border e-commerce,” Wang said, noting the US was the leading destination for these parcels “by a large margin”.

A look at recent Chinese government data illustrates how crucial small-item trade has become in shoring up a decline in the country's traditional export channels, with such parcels surpassing a quarter of a trillion dollars in value annually.

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At the heart of the growth – and controversy – lies a long-time American trade provision known as the *de minimis* rule.

It allows companies to ship packages stateside worth under US\$800 without paying import duties, taxes or fees, or undergoing tedious screening procedures. In 2016, the amount was raised from US\$200 to relieve burdens on American customs officials.

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However, in the ensuing years, marked by antipathy towards the world's second-largest economy, US critics have claimed the rule has given Chinese e-commerce platforms and sellers an unfair advantage and squeezed out American retailers.

That puts China's booming e-shopping industry and, by extension, countless manufacturing factories in the country, at risk of huge financial loss, especially as momentum in America gathers to overhaul the century-old trade rule.

Two bipartisan bills introduced in the US Congress call for lowering the thresholds or closing the provision to keep shipments from specific countries like China from benefiting.

"How the *de minimis* rule might change will be a critical issue to watch in 2024," said Sheng Lu of the University of Delaware.



Shoppers take stock of the offerings at a brick-and-mortar pop-up area for fast-fashion e-commerce giant Shein at the Ontario Mills Mall in Ontario, California. Photo: Los Angeles Times/TNS

Meanwhile, far from Washington, Annie Yuan, a Beijing-based e-commerce veteran, has enjoyed some of her busiest days ever.

Every day, Yuan's company handles customs clearance and last-mile delivery for hundreds of thousands of packages originating in China and bound for the US and Canada.

The company is just one of many logistics firms contracted by major e-shopping platforms in the US, including fast-growing Chinese-backed companies Temu and Shein.

“The purchasing power of US consumers is quite impressive,” said Yuan, who has worked in cross-border e-commerce for 10 years.

Parcel volumes exploded after Temu’s high-profile launch in 2022, when its slogan “shop like a billionaire” entered the daily lives of American consumers, evidenced by its landing pricey ad slots last year during the National Football League’s annual Super Bowl, a broadcast that drew 115.1 million viewers.

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For many products on Temu worth under US\$10, last-mile door-to-door delivery in the US accounted for the lion’s share of the total price shoppers paid.

Production expenditures plus freight costs within China as well as from the mainland to the US could be kept to a minimum owing to massive manufacturing capacity in the “world’s factory” and the platform operating an efficient supply chain, Yuan said.

In 2023, US Customs and Border Protection cleared about one billion *de minimis* shipments for the financial year, a 46 per cent surge compared to a year earlier, the agency said.

And rapidly expanding Temu and Shein are hardly alone. Traditional players like Amazon and AliExpress still retain market shares, with short-video platform TikTok also joining the battleground.

AliExpress is an online retail service owned by Alibaba, which also owns the South China Morning Post.

By any measure, these shipments are becoming increasingly indispensable to China's economy, of which exports make up nearly 20 per cent.

Weak global trade amid high inflation hit China's export sector hard in the past year, as did receding demand for goods in the post- coronavirus pandemic era. To compound the challenge, the West has turned to "de-risking" supply chains away from China, with multinational corporations in turn implementing strategies that no longer rely solely on the country for production.

Exports to the US in 2023 recorded their steepest decline in almost three decades. Yet China's e-commerce exports have been booming. In yuan terms, the country's overall exports last year grew by a modest 0.6 per cent compared to a year earlier.

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But those from small e-commerce parcels skyrocketed by 19.6 per cent, reaching 1.83 trillion yuan (US\$258 billion) and comprising more than 7 per cent of total exports, according to preliminary Chinese customs estimates.

China's e-commerce exports have "become a new foreign trade format with the fastest development speed, the greatest potential and the strongest driving effect", the Communist Party mouthpiece People's Daily said in an article on Monday.

In Guangdong, which accounts for one-third of the industry's overall turnover in China, the total value of exports and imports via e-commerce last year was 57 times that of 2015, according to provincial government data.

Export expansion via e-commerce came up at an annual central government conference in December. Many local governments have pledged to bolster development, such as by building more warehouses for small-parcel exports.

Of the total number of e-commerce packages shipped overseas in 2022, more than one-third were destined for the US, and one-third were categorised as “clothing, shoes and bags”, a Chinese customs report revealed.

The proliferation of US-bound e-commerce shipments occurred as the Uygur Forced Labour Prevention Act dented China's overall garment exports to the country.

Forced-labour allegations in the Xinjiang Uygur autonomous region led to the American law taking effect in June 2022. In essence, it bans imports of products with any input from the far-west region that produces 80 per cent of China's cotton.

Beijing has vehemently denied that any human rights abuses are taking place in Xinjiang.

Complaints in the US soon followed, alleging the *de minimis* rule was granting entry to forced-labour products.

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In June last year, US senators Bill Cassidy and Tammy Baldwin unveiled the De Minimis Reciprocity Act to bar Chinese imports from “exploiting customs procedures that allow duty-free entry into the US”.

“A trade loophole is allowing Chinese companies to import goods in the US with no oversight, letting them bring in cheap, counterfeit goods that undercut American manufacturers and traffic drugs into our communities,” Baldwin said.

The Wisconsin Democrat argued the bipartisan bill would “close this loophole” and “help ensure Americans are not supporting goods made with forced labour”.

Days later, US senators Marco Rubio and Sherrod Brown introduced the Import Security and Fairness Act, proposing to end *de minimis* treatment for goods from China and Russia.



US congressman Mike Gallagher, Republican of Wisconsin, has been a vocal critic of Shein and Temu. Photo: Reuters

The same month, a congressional select committee on the Chinese Communist Party published a report saying Temu and Shein were

likely responsible for more than 30 per cent of all packages imported to the US under the *de minimis* provision.

“These results are shocking,” said committee chairman Mike Gallagher, a Wisconsin Republican. “Temu is doing next to nothing to keep its supply chains free from slave labour.”

“Temu and Shein are building empires around the *de minimis* loophole in our import rules, dodging import taxes and evading scrutiny on the millions of goods they sell to Americans.”

Temu told the Post its growth did not depend on the *de minimis* policy, ascribing its rapid expansion and market acceptance to supply-chain efficiencies and operational proficiencies.

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“We are open to and supportive of any policy adjustments made by legislators that align with consumer interests,” Temu said. “We believe that as long as these policies are fair, they won’t influence the outcomes of competitive business dynamics.”

A Shein spokeswoman said the company was working closely with industry peers and policymakers to help reform *de minimis*.

“We believe the exemption needs a complete makeover, which is critical to holding all retailers accountable for responsible business practices,” she said.

Despite bipartisan support for the bills, analysts said election-year politics, coupled with a divided Congress facing an already busy agenda, would make final passage formidable.

Lu reckoned it was “highly uncertain” whether change would happen.

“Not everyone agrees on how to reform the *de minimis* [rule],” he said. “Furthermore, US e-commerce businesses and influential logistics companies that benefit from the *de minimis* rule may oppose attempts to revoke the benefits they currently enjoy.”

And US policymakers may lack sufficient data to support potential rule changes and evaluate the impacts, as *de minimis* shipments were exempted from customs review, Lu added.

Andy Tsay of Santa Clara University believed the election year would make it tough to predict if any laws would be passed, even if such an outcome were widely desired.

“The thing about US customers, if you asked them directly, they would say, ‘yes, we’re opposed to forced labour, yes, we want to be tough on China’,” Tsay said.

“But they also want cheap stuff, especially as inflation has been a big problem in the US in the past two years.”

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“When politicians make decisions on whether something helps them get re-elected, they have to figure out the differences between what US customers say they want and what they actually want,” he added.

Eliminating *de minimis* could double costs for America’s small businesses and consumers and require US customs to hire 22,000

additional personnel, according to the National Foreign Trade Council, an advocacy group.

Looming legislation aside, businesses like Yuan's are already confronting obstacles arising from new export tactics.

Since December, Yuan has been warning her clients about potential delays in package-clearing and delivery.

US customs commenced stricter scrutiny of *de minimis* packages last Saturday. Now, when a flight arrives at a port, cargo movement is not permitted until customs personnel is on site, reviewing the information and placing any necessary holds.

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“The new customs procedure just started, so we're still observing the impacts,” Yuan said. “We can only say that it will definitely affect logistical efficiency.”

More uncertainties hinge on the fate of the two Senate bills. Meanwhile, Trump, the Republican front runner in the US 2024 presidential race, vowed to impose a 10 per cent tariff on all imported goods if he won the White House again.

“It's very unclear for us now, and to be honest, this is beyond our control,” Yuan said, calling the matter “mainly for the largest stakeholders to lobby”.

“And if lobbying doesn't work, [*de minimis* rule changes] would definitely affect the entire industry chain.”

CONVERSATIONS (54)



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