# U.S. Section 321 Imports Surge with Rising E-commerce Shipments From China

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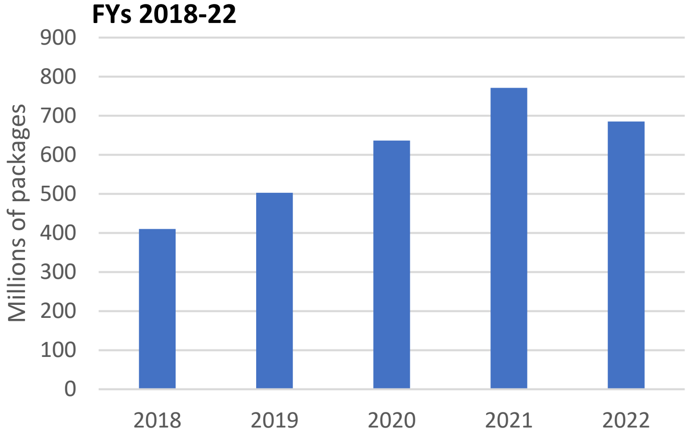
*U.S. imports under the* de minimis *threshold of $800 enter free of tariffs and taxes and with minimal customs inspection and processing. The majority of these imports, shipped by postal and express delivery services, are retail products purchased online. Section 321 imports have been the key channel for Chinese business-to-consumer (B2C) online retailers that ship direct from factories or distribution centers in China to U.S. consumers. The large volume and fast growth of these imports from China since 2018 has led to increased Congressional scrutiny and proposed legislation to modify what some have called an outdated program not suited to the current trade environment of surging cross-border e-commerce.*

Special U.S. Customs treatment for low value, *de minimis* (DM)[1] imports is provided in Section 321 of the U.S. Tariff Act of 1930, which allows for the informal entry of articles that have a retail value of $800 or less (increased from $200 in 2016) and that are "imported by one person in one day" by individual customers.[2] These articles are free of duty and taxes and are subject to expedited clearance processing.[3] The U.S. *de minimis* threshold is one of the highest globally. By comparison, leading U.S. trading partners have much lower and therefore more restrictive levels: China, CNY50 ($6.50); Canada, CAD150 ($111); Mexico, USD50; EU, EUR150 ($162); and the United Kingdom, GBP135 ($168).[4]

**Figure 1: U.S Section 321 imports by quantity, FYs 2018-22**




**Source: U.S. CBP**

**Section 321 imports account for a substantial share of all U.S. e-commerce imports by quantity.** In FY 2022, *de minims* imports were 83 percent of total U.S. e-commerce imports based on number of bills of lading. During 2018-21, U.S. *de minimis* import quantity increased 88 percent, before dipping by 13 percent in 2022 (figure 1). By value, estimated *de minimis* imports were less than 2 percent of the of total value of U.S. goods imports in 2021. During 2018-20, the value of reported de minimis imports were estimated to more than double, from $29 billion to $67 billion, which coincided with surging e-commerce demand during the COVID-19 pandemic. In 2021, CBP reported that import values fell to $40 billion, a steep decline which suggests that the unit value anomalously fell by nearly half, although this may be an undervaluation. However, because specific value data are not verified, particularly for postal shipments, value estimates may be unreliable.

**China accounted for most U.S. Section 321 imports.** China is the leading source for total *de minimis* imports by a large margin, more than 3 times larger than the UK and Canada, the next leading foreign suppliers. During 2018-21 (latest available data), nearly two-thirds (64 percent) of the 2.3 billion shipments imported under Section 321 were sourced from China (figure 2). In 2021, the volume of imports

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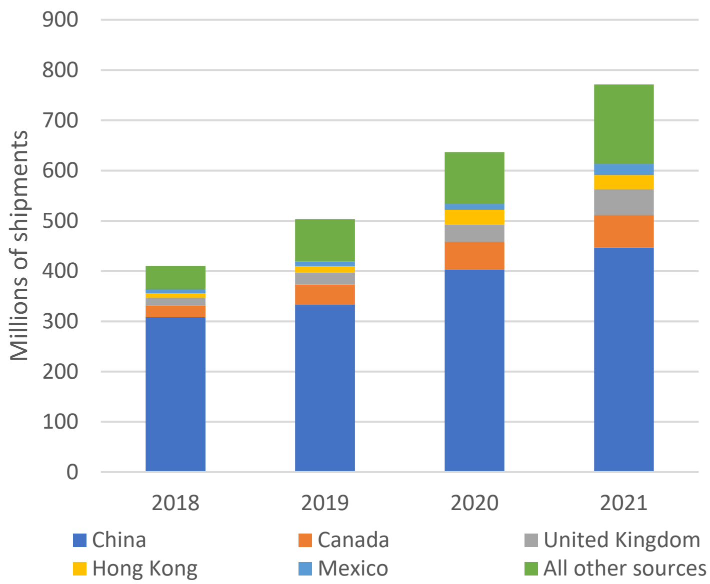
[1] *de minimis* is a Latin term for trifling or of little importance.
[2] 19 U.S.C. § 1321(a)(2)(C).
[3] U.S.-China Economic and Security Review Commission, *Shein, Temu, and Chinese E-Commerce*, April 14, 2023.
[4] Avalara, "De Minimis Threshold Table," 2023; OANDA, FX Data Services, (accessed May 22, 2023).

from China continued to rise, but China's share of total *de minimis* imports declined to 58 percent as imports from other markets increased. However, the shares of imports from Canada (8 percent), the UK (7 percent), and Hong Kong (4 percent), and others in 2021 likely include transhipments originating from China.

**Figure 2: U.S. *de minimis* imports by source, FYs 2018-21**




**Source: U.S. CBP**

**Chinese e-commerce firms have "exploited" the high U.S. *de minimis* level and minimal inspections to increase U.S. market share.** The U.S.-China Economic and Security Review Commission notes that the Section 321 program disproportionately benefits Chinese e-commerce providers. In particular, Shein and Temu, online Chinese fast fashion retailers, reportedly accounted for over 30 percent of U.S. *de minimis* imports in 2022. Shein has maximized the direct-to-consumer business model and it eclipsed leading U.S. firms in the category in 2022, with U.S. revenues growing from under $500 million in 2018 to over $3 billion in 2022. Temu's business model also relies heavily on U.S. *de minimis* treatment.

**The large volume of Section 321 imports from China in recent years has led to increased scrutiny and proposed Congressional legislation to exempt China from the program.** The Economist, Forbes, and the Wall Street Journal have all criticized the import program, suggesting it is a "loophole" allowing substantial tariff avoidance and an underestimation of U.S. imports from China. Moreover, because *de minimis* imports are subject to minimal documentation and inspection, concerns have been raised about product safety, the use of illicit cotton from Xinjiang and forced Uyghur labor, and violations of intellectual property rights. In 2023, bipartisan legislation was introduced in the U.S. House and Senate to exclude non-market economies (aimed at China) from benefitting from the Section 321 program. The bills are a reintroduction of similar legislation introduced in 2022.[5]

Sources: Benoit "CBP Released False Government Statistics," October 26, 2022; Nigel Wright Group, "How Fast Fashion Fashion Brand Shein Is Conquering," 2022; Lee,"Bipartisan, Bicameral Bill Would End Chinese Eligibility," June 15, 2023; Rapoza, "How A U.S. Trade Loophole Called 'De Minimis' Is China's 'Free Trade Deal,'" February 19, 2023; Reuters, "China E-Commerce Shipments," June 14, 2023; Samet, "Section 321," February 3, 2022; The Economist, "America's Tariff Wall on Chinese Imports," February 26, 2022; U.S. Customs and Border Protection (U.S. CBP), "De Minimis Value Increases to $800," March 11, 2016; U.S. CBP, "E-commerce," August 1, 2023; U.S. CBP, *Section 321 De Minimis Shipments*, October 17, 2022; U.S. House, Select Committee On The CCP, "Fast Fashion and the Uyghur Genocide", June 22, 2023; U.S.-China Economic and Security Review Commission, "Shein, Temu, and Chinese E-Commerce," April 14, 2023; Zumbrun, "The $67 Billion Tariff Dodge," April 25, 2022; Zumbrun, "The Tiny Loophole That Understates the Trade Deficit ,"June 17, 2022.

[5] "De Minimis Reciprocity Act of 2023," 2023; "Import Security and Fairness Act," 2023.