White House Transshipment Report

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Action: The White House has issued a report alleging strong negative impacts of transshipment of goods originating in China through other countries to avoid higher US tariffs. The report groups 40 countries in what it terms a "shadow transshipment network" into three categories based on their perceived level of integration into the Chinese economy and supply chains.

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- The report, "The Great Transshipment Scam,"[1] alleges damages to the US economy from transshipment of Chinese goods through other exporters into the US, including lost GDP and jobs and lost Customs revenue.
- Tier 1 countries (Canada, the EU, India, Israel, Japan, South Korea, Mexico, and Taiwan) represent "diversified scale leaders" in which "illegal transshipment risk may be embedded within broad legitimate trade flows." Tier 2 countries (Brazil, Malaysia, Indonesia, Thailand, Turkey, and Vietnam) are "scale leaders with significant economic integration with China," including through logistics and input sourcing. Tier 3 includes the rest of the 40 countries in Southeast Asia, Central Asia, and Latin America, termed "small, opportunistic Chinese targets" with "specific weak-link advantages" including labor costs, free [trading] zones, and port access for Chinese goods.
- The report focuses on shifts in trade since 2018, when the first Trump Administration imposed tariffs on China and some final assembly of goods of Chinese origin shifted to third countries. While the report notes that part of that shift to other countries "reflects legitimate changes in production, investment and sourcing," it also states that "the timing, magnitude and direction" of the shift "supports further investigation of the extent to which tariffed goods were rerouted through third countries."
- However, the report, stops short of declaring that all goods with Chinese components have been transshipped. Nor does it address issues such as precursor chemicals for products such as pharmaceuticals produced in third countries.
- In particular, the report focuses on transshipment activities for potential enforcement including "relabeling, repackaging, re-invoicing, minor processing, false country-of-origin claims, or other actions intended to secure tariff treatment that would not apply if the goods' true economic origin were declared."
- Framework trade agreements negotiated in 2025, particularly in Southeast Asia, offered a rate (such as 18%) for goods originating in those countries with higher rates (up to 40%) for goods found to have originated in China and merely shipped to the US.
- The report estimates revenue loss through "illustrative tariff differentials" of 25%, 35%, and 45%; the scope of potential new

tariffs for transshipment violations is high.

- The Administration states it is building an "AI-enabled "Detective Border" bot "capable of ingesting and analyzing global trade data with lightning speed, identifying anomalous routing patterns, validating production capacity, and directing enforcement toward the highest-probability offenders."
- False declarations to US Customs, including misclassification of goods and concealing the true origin of goods, are already illegal and can incur civil and criminal penalties.[2] In addition, the World Customs Union also has international standards regarding the transshipment of goods.[3]
- **What this means for CEOs:** While the report itself does not indicate what further action will be taken (raising tariffs would require a proclamation and a legal basis to do so), businesses should nevertheless take steps to avoid importing transshipped goods.
  - Understand how both precursor and finished goods travel along supply and logistics chains to reach the US, noting what steps involve actual processing into a later stage of production and what steps may constitute true transshipment, where a good simply transits a country (including for legitimate reasons such as shipping).
  - Consider reallocating supply chains or rebuilding them for redundance to avoid sudden tariff shocks.
  - With a heightened risk of US Customs enforcement, reexamine document retention policies and ensure that companies in supply chains also comply with document retention policies.

1. https://www.whitehouse.gov/wp-content/uploads/2026/08/The-Great-Transshipment-Scam.pdf
2. See 19 U.S.C. §1592, 18 USC §§542, 645
3. Specific Annex E, Revised Kyoto Protocol (2008), https://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf_revised_kyoto_conv/kyoto_new/spane.aspx