



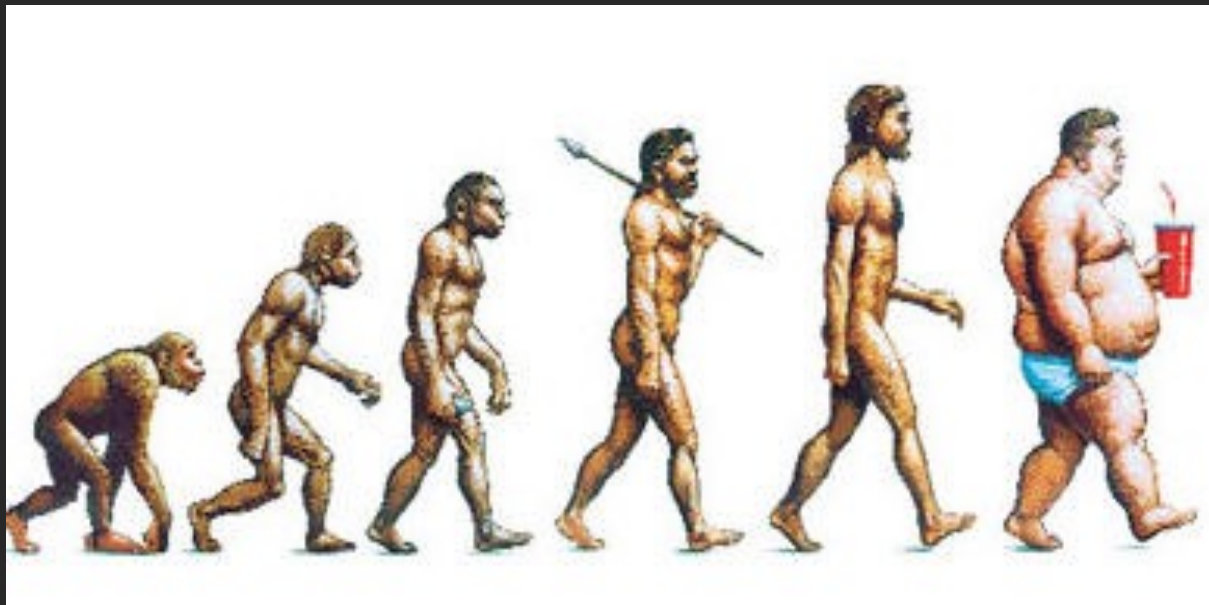
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Tracing Truth in Trade: Transshipment Rules, Origin, and Regional Value Challenges

2026 ATCC Houston

TRADEANDCARGO.COM

Transshipment Evolution



Trump Transshipment

OFFICIAL STATEMENT

U.S. Trade Representative Nominee

“Jamieson will focus the Office of the US Trade Representative on reigning in the country’s massive trade deficit, defending American manufacturing, agriculture, and services, and opening up export markets everywhere.”

Trump-Vance Transition Team



“Transshipments have always been illegal, and so we’re just going to put a 40 percent tariff on that,” U.S. Trade Representative Jamieson Greer said in an [Aug. 1st interview with Bloomberg Television](#).



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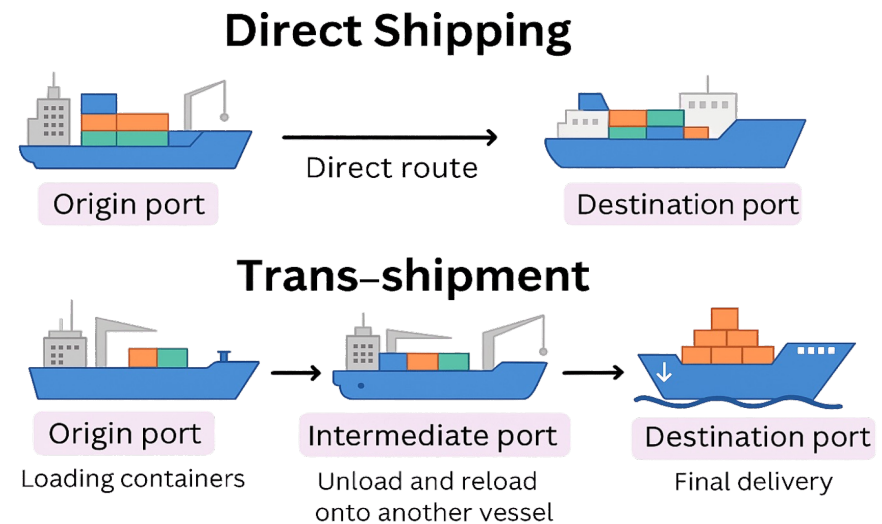
Trump Transshipment



- “Goods determined by CBP to have been transshipped to evade applicable duties shall be subject to an additional ad valorem rate of duty of 40 percent, fines or penalties, including those assessed under 19 U.S.C. 1592, and any other United States duties, fees, taxes, exactions, or charges applicable to goods of the country of origin.
- ...
- CBP shall not allow mitigation or remission of the penalties assessed on imports found to be transshipped to evade applicable duties.
- ...
- A list of countries and specific facilities used in circumvention schemes shall be published every six months to inform public procurement, national security reviews, and commercial due diligence.”

TRUMP TRANSSHIPMENT IS NOT MARITIME TRANSSHIPMENT

There are numerous dictionary definitions of "transshipment" in maritime usage, including that in Black's Law Dictionary, where the term is defined as "the act of taking the cargo out of one ship and loading it into another". *Port Royal Marine Corp. v. United States*, 378 F. Supp. 345, 348 (S.D. Ga. 1974).

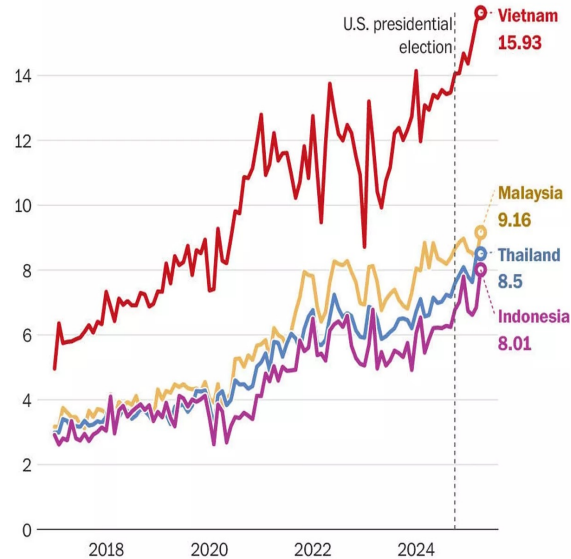




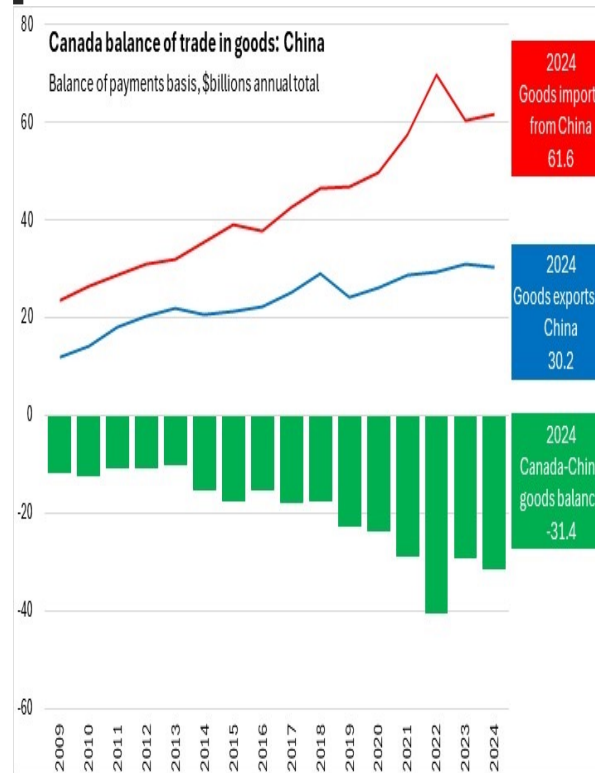
Evidence of Transshipment

Chinese exports to transshipment hubs are up under Trump

Outbound trade in billions of U.S. dollars from China to countries with a history of rerouting products to the United States



The data has been adjusted to remove seasonal variations.
Source: China Customs CHRISTIAN SHEPHERD/PEI-LIN WU / THE WASHINGTON POST



[Justice Department Resolves Criminal Trade Fraud Investigation with Plastic Resin Distributor; Former Executive Agrees to Plead Guilty](#)

On December 18, 2025, the U.S. Department of Justice and Trade Fraud Task Force (TFTF) announced a guilty plea by MGI's former chief operating officer as a significant milestone in its corporate criminal enforcement

MGI labeled the resin as originating from Taiwan and **routed shipments through Canada** to further obscure its true source and avoid an otherwise applicable 25% Section 301 duty.



CTPAT Import Transshipment – July 2025



CBP has observed a notable increase in illegal transshipment to circumvent the following trade enforcement measures:

- **Avoiding Antidumping or Countervailing Duties (AD/CVD)** – Exporters route products through third countries to mask the original country of origin. Here is an example: Country A (e.g., China) faces high U.S. tariffs on wooden bedroom furniture. A Chinese furniture manufacturing company ships its products to Vietnam instead of shipping them directly to the U.S. Once in Vietnam, the products are relabeled as “Made in Vietnam” and may be lightly processed or repackaged.
- **Evading Section 301 or Section 232 Tariffs** – Especially relevant for goods from China, where exporters try to relabel Chinese-origin products as originating from nations without such tariffs.
- **Exploiting Free Trade Agreements (FTAs)** – Some bad actors attempt to falsely claim preferential tariff treatment (e.g., under USMCA or CAFTA-DR) through fraudulent certificates of origin or minimal processing.



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CTPAT Transshipment Import Red Flags (7/25)



- No substantial transformation in the transshipping country. Repackaging the product does not mean there was substantial transformation.
- Country of origin labeling does not match manufacturing capabilities.
- Discrepancies in trade volume exports/imports reported to Customs.
- Routing through low-cost or FTA-friendly countries with no logical supply chain reason.
- Unjustified Transaction Structure: Uncommon transaction structure or overly complex transaction structure without a clear and legitimate commercial purpose or some reasonable justification.
- Deviation from normal trade activities - The business partner significantly deviates from their historical pattern of trade activity with dubious pricing of goods and services.



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CTPAT Transshipment – AD/CVD



- Under the Enforce and Protect Act (EAPA), U.S. Customs and Border Protection protects the U.S. economy by investigating evasion of antidumping and countervailing duties, which offset the impacts of unfair trade practices.
- CBP recently concluded an investigation for EAPA Case #7950 and determined that multiple importers illegally transshipped Chinese monosodium glutamate through Malaysia and improperly declared the merchandise to avoid paying antidumping duties.
- [Determination as to Evasion in Enforce and Protect Act Investigation Cons. Case 7950 – Monosodium Glutamate \(MSG\)](#)



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CTPAT Transshipment – 301 and 232



- [DOJ announced a \\$54.4 million settlement with Ceratizit USA LLC \(Ceratizit\) to resolve allegations that the company misrepresented the country of origin of tungsten carbide products to evade Section 301 duties.](#) DOJ alleged that Ceratizit declared the products as manufactured in Taiwan when, in fact, they were produced in China and **transshipped through Taiwan** to conceal their Chinese origin, thereby avoiding tariffs applicable to Chinese-made goods. DOJ also alleged that the company knowingly misclassified products to reduce duties owed to CBP.



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CTPAT Transshipment



19 U.S. Code § 1586 - Unlawful unloading or transshipment (b) Penalty for transshipment to any vessel for purpose of unlawful entry

The master of any vessel from a foreign port or place, or of a hovering vessel which has received or delivered merchandise while outside the territorial sea, **who allows any merchandise** ... introduced, or attempted to be introduced, into the United States in violation of law, **shall be liable to a penalty equal to twice the value of the merchandise but not less than \$10,000**, and the vessel from which the merchandise is so unladen, and its cargo and such merchandise, shall be seized and forfeited.

(e) Imprisonment of persons **aiding in unlawful unloading or transshipment**. ... aid or assist in any unloading or transshipment of any merchandise in consequence of which any vessel becomes subject to forfeiture under the provisions of this section shall, in addition to any other penalties provided by law, be liable to **imprisonment for not more than 15 years**.



KORUS - 19 CFR § 10.1025 - Transit and transshipment

(a) General. A good that has undergone production necessary to qualify as an originating good under §10.1014 of this subpart will not be considered an originating good if, subsequent to that production, the good:

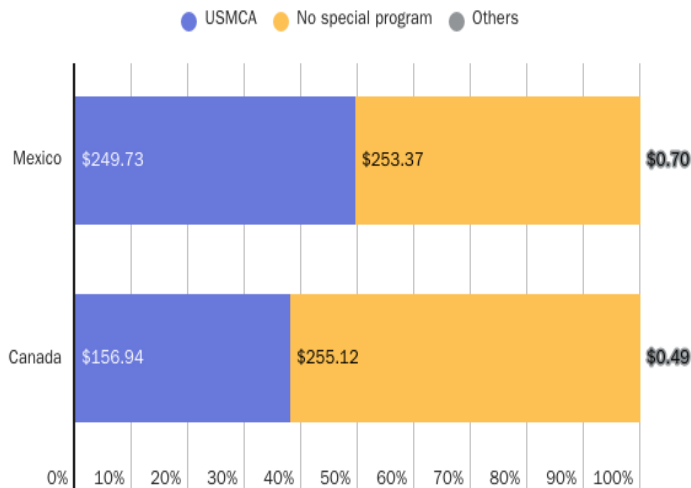
- (1) Undergoes further production or any other operation outside the territories of the Parties, other than unloading, reloading, or any other operation necessary to preserve the good in good condition or to transport the good to the territory of a Party; or
- (2) Does not remain under the control of customs authorities in the territory of a non-Party.

(b) Documentary evidence. An importer making a claim that a good is originating may be required to demonstrate, to CBP's satisfaction, that the conditions and requirements set forth in paragraph (a) of this section were met. An importer may demonstrate compliance with this section by submitting documentary evidence. Such evidence may include, but is not limited to, **bills of lading, airway bills, packing lists, commercial invoices, receiving and inventory records, and customs entry and exit documents.**



China +1 and Mexico

Share of imports entered under a special program in 2024, billions of US dollars



Sources: DataWeb, US International Trade Commission

Note: "Other" special programs include the Agreement on Trade in Civil Aircraft, the Agreement on Trade in Pharmaceutical Products, and imports whose country of origin is unknown.

- U.S. goods and services trade with Mexico totaled an estimated \$935.1 billion in 2024, **up 5.5 percent** (\$49.0 billion) from 2023.
- The U.S. goods trade deficit with Mexico was \$171.5 billion in 2024, a 14.9 percent increase (\$22.2 billion) over 2023.
- <https://ustr.gov/countries-regions/americas/mexico>

Depends who you ask

2

Mexico, annual foreign direct investment from China, by reporting source, \$bn



Source: Rhodium Group China Cross-Border Monitor



China +1 and Mexico and new Mexican tariffs

Chinese carmakers encounter a Mexican speedbump

Tariff Hike - A new reality for Chinese automakers



Autos
50%
tariff (up from 20%)



Auto parts
10%-50%
tariff (up from 0%-35%)

Mexico's importance to China's auto exports



8%
of China's total auto
exports



1.8%
of China's total auto
production

Chinese automakers' market share in Mexico



13%-14%
of Mexico's light vehicle
market



1%-2%
of BYD and SAIC's total
sales go to Mexico

Source: S&P Global Ratings.
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- As of January 1, 2026, new legislative action affects 1,463 tariff lines, including many that were not previously subject to tariffs or had lower rates. Of these, 316 lines were previously duty-free, and others now face increased rates.
- Examples:
 - 50% tariffs apply to various trucks and electric vehicles (e.g., 8704.21.99, 8704.31.99, 8704.41.99, 8704.51.99, 8704.60.02), again formalizing previous executive action.
 - Automotive parts and components (e.g., 8708.x, 8409.x, 8511.x, 8512.x) now face tariffs ranging from 7% to 36%. Some lines were previously duty-free or had lower tariffs; these now face new or higher rates. The reform thus expands tariff coverage within the automotive supply chain.



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CTPAT Transshipment Export Red Flags (12/2025)



- Best Practice No. 1 – Companies should pay heightened attention to the **Red Flag Indicators on the BIS Website** and communicate any red flags to all divisions, branches, etc., particularly when an exporter denies a buyer's order or a freight forwarder declines to provide export services for dual-use items.
- Best Practice No. 2 – Exporters should seek to utilize only those trade facilitators/freight forwarders that administer sound export management and compliance programs which include best practices for transshipment.
- Best Practice No. 3 - Companies should "Know" their foreign customers by obtaining detailed information on the bona fides (credentials) of their customer to measure the risk of diversion.
- Best Practice No. 4 - Companies should avoid routed export transactions when exporting and facilitating the movement of dual-use items unless a long standing and trustworthy relationship has been built among the exporter, the foreign principal party in interest (FPPI), and the FPPI's U.S. agent.
- Best Practice No. 7 - Companies should use information technology to the maximum extent feasible to augment "know your customer" and other due-diligence measures in combating the threats of diversion and increase confidence that shipments will reach authorized end users for authorized end **uses**.



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Export Transshipment



- [U.S. Citizens and Chinese Nationals Arrested for Exporting Artificial Intelligence Technology to China](#)
- “The indictment unsealed yesterday alleges a deliberate and deceptive effort to transship (to China via Thailand and Malaysia) controlled NVIDIA GPUs to China by falsifying paperwork, creating fake contracts, and misleading U.S. authorities,” said John A. Eisenberg, Assistant Attorney General for National Security. “



Defending against Transshipment

Proof of Production:

- Production Records:** Daily production logs, machine maintenance records, and energy/utility bills that correlate with the volume of goods exported.
- Raw Material Documentation:** Invoices and inventory accounting for raw materials purchased by the foreign manufacturer, proving they had the components necessary to build the product.
- Labor Records:** Payroll and time-attendance records for factory workers during the period of production.
- Supplier Vetting:** Documentation of your own on-site visits and audits of the foreign supplier

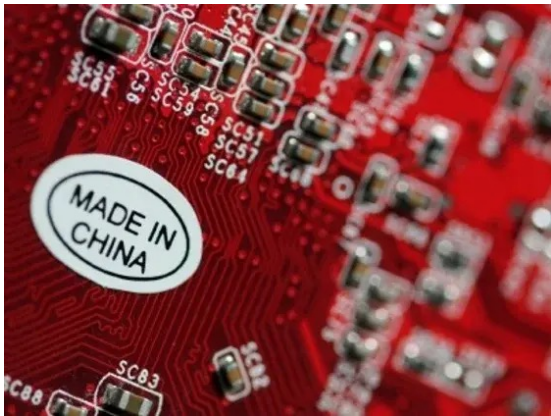
Supply Chain of Custody:

- Through Bill of Lading:** A single document showing the entire journey from the factory to the U.S. port without intermediate offloading.
- Electronic Tracking Data:** AIS satellite data or carrier GPS logs showing the vessel's direct path and lack of stops at known transshipment hubs.
- Container Security:** Proof that container seals remained intact throughout the journey, with seal numbers matching across all shipping documents.
- Commercial Documentation:** Stamped and dated Certificates of Origin, commercial invoices, and packing lists that perfectly align with the weight and volume of the shipment



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Country of Origin



- Import Marking (CBP): All imported goods must be marked legibly, indelibly, and permanently with their English country of origin in a conspicuous place for the ultimate purchaser.
- Country of Origin Labeling (COOL) (USDA): Mandates retailers to inform consumers about the source of covered commodities like specific meats (chicken, lamb, goat), fish, nuts, and produce.
- Origin Determination: For goods not entirely from one country, "substantial transformation" (a significant physical change, not just assembly) determines the origin, crucial for trade and tariffs.
- Specific Labeling: For covered meats, it requires stating where the animal was born, raised, and harvested; for fish, it includes farm-raised or wild-caught status.



Substantial Transformation

Substantial transformation determinations are made on a case-by-case basis.

A substantial transformation generally requires:

- a new article with a new **name, character, or use**.
- That occurs from a complex manufacturing process (simple assembly is insufficient)
- Components with a predetermined end use are less likely to undergo a substantial transformation

Sugar from Country A, flour from Country B, dairy products from Country C, and nuts from Country D are taken to Country E. In Country E, these products are further **manufactured into cookies**. (The separate ingredients were substantially transformed into a product of Country E, in that a **new type of goods resulted from processing**).

Fresh vegetables grown in various countries are shipped to another country, where they are mixed and frozen. (The vegetables were NOT substantially transformed into products of the country where mixing and freezing occurred, and the mixture must be labeled with the origin of each ingredient).

Repackaging, dilution with water, and similar minor processes usually do NOT cause a substantial transformation. Assembly or disassembly may result in a substantial transformation, depending on the nature of the products involved and the complexity of the operations.



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Substantial Transformation Factors

- Character of the imported article.
- Nature of manufacturing process used to make parts, components or materials.
- Nature of manufacturing process used to make finished article.
- Value added by manufacturing process.
- “**Essential character**” of the finished article.

Simple or minimal assembly
(e.g. screwing parts together,
relabeling, repackaging)
does not qualify as
substantial transformation.





Regional Value Content

RVC (Regional Value Content) in a country of origin refers to a rule in Free Trade Agreements (FTAs) requiring a product to have a certain percentage of value added within the FTA region to qualify for preferential tariffs, calculated by tracking originating materials and costs against total value, often using methods like build-up or build-down, to prove sufficient local production and avoid trade deflection

	NAFTA	USMCA
AUTOMOTIVE SECTOR	RVC 60%	RVC 75%
DISPUTE SETTLEMENT MECHANISM	Trilateral panels	Bilateral meetings
REVISION MECHANISM	Chapter in controversy was renegotiated at the moment	Every six years
COMBAT CORRUPTION	N/A	Engagement of the three countries
EXCHANGE RATE	N/A	Exchange rates marked by the market
LABOR VALUE CONTENT	N/A	Transparency in employment contracts
ENERGYC SECTOR	N/A	Energy security and sovereignty
INTELLECTUAL PROPERTY	8 years	10 years



RVCs: Key Factors

Purpose: To qualify for reduced or zero tariffs under FTAs, proving significant regional production.

Thresholds: Specific percentages (e.g., 40%, 75%) are set by each FTA and often vary by product (HS code).

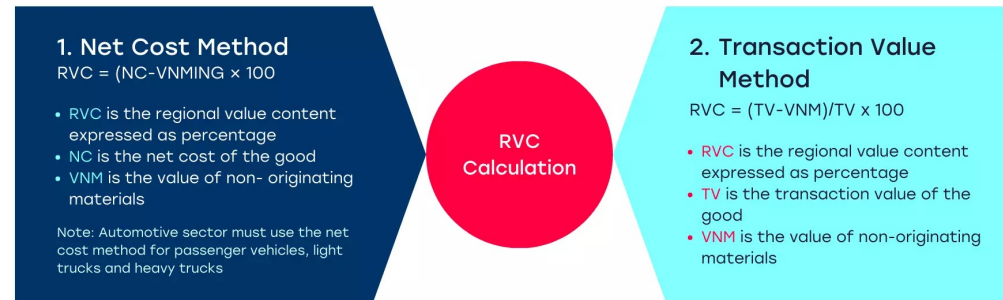
Calculation Methods:

1. **Build-Up:** (Value of Originating Materials / Adjusted Value) x 100.
2. **Build-Down:** (Adjusted Value - Value of Non-Originating Materials) / Adjusted Value x 100.
3. **Net Cost Method:** Total production cost minus non-originating materials, sales, marketing, royalties, shipping, etc., from non-FTA countries.

Data Needed: HS Code, costs of all inputs, country of origin for each input, and labor/overhead costs.

REGIONAL VALUE CONTENT

Calculation method & requirements under USMCA





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Tracing Truth in Trade: Transshipment Rules, Origin, and Regional Value Challenges

Questions?



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