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U.S. Escalates Enforcement Against Transshipment

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The U.S. government has significantly escalated enforcement against tariff evasion. A June 2026 Executive Order and the government's August 2026 transshipment report and announcement of new AI-driven detection tools are giving Customs and Border Protection (CBP) powerful new mechanisms to identify and penalize non-compliant importers.

Key Developments

- **Over 40 countries have been identified as high-risk transshipment hubs.** For example, Vietnam and Thailand are considered Tier 2 countries with significant economic integration with China. Shipments routed through these jurisdictions will face heightened scrutiny. Countries including Japan and the European Union are classified as Tier 1 "diversified scale leaders." This means they are major trading partners with large, diversified industrial bases and significant volumes of China-linked goods entering the U.S. market. In these jurisdictions, the risk of illegal transshipment is embedded within broad legitimate trade flows, making it more challenging for CBP to distinguish between lawful and unlawful shipments.

- **New "good standing" requirements** will determine whether importers can continue doing business with CBP. Importers must demonstrate ongoing compliance, transparency, and payment of customs liabilities.

- **Foreign importers of record (IORs) face stricter requirements**, including higher bonding, minimum domestic asset thresholds, and expanded disclosure obligations.

What This Means for Importers

- **Higher enforcement risk.** Goods routed through identified transshipment hubs will be flagged for additional review. CBP will use AI tools to detect minimal processing, false origin claims, and opaque supply chains.

- **Increased compliance requirements and costs.** Importers must meet expanded data disclosure and bonding requirements. Foreign IORs may need to restructure operations or partner with domestic entities.

- **Steeper penalties.** The Executive Order establishes a 50% minimum penalty floor, limiting CBP's discretion to reduce assessed penalties. Repeat offenders will face even harsher consequences.

- **National security focus.** The government is treating tariff evasion as a national security issue.

Estimated annual tariff losses from transshipment range from $10 billion to over $100 billion, making enforcement a high priority for this administration.

Next Steps

- **Map your supply chain.** Document all routes for China-origin goods passing through third countries. Ensure full visibility into all tiers of your supply chain and identify potential transshipment risks.

- **Verify substantial transformation.** Confirm that any processing in third countries is substantive, not just relabeling or minimal assembly. Paperwork alone does not establish a new country of origin.

- **Prepare for data requests.** Expect CBP to request detailed supply chain data, including manufacturer identifiers, production methods, and ownership disclosures. Gaps or inconsistencies may trigger audits.

- **Assess your IOR status.** Determine whether your importer of record qualifies as a U.S. or foreign IOR. Foreign IORs must now maintain minimum domestic assets, enhanced bonding, and expanded disclosures.

- **Strengthen compliance programs.** Audit origin, valuation, and routing claims regularly. Invest in compliance technology and training to stay ahead of evolving requirements.

If you are interested in discussing risks in your supply chain, importer of record status, or updating your trade compliance policies and training, please contact one of the listed attorneys.