US Great Transhipment Scam Report

Prelims – *Current events of national and international relations | International relations*

Why in news?

The US report titled "The Great Transhipment Scam – Global Evasion and Economic Costs", alleging that Chinese goods are being routed through third countries to evade U.S. tariffs.

- **Context** – Over 40 countries, including India, were identified as part of an alleged "shadow transhipment network".
- ***Transhipment*** is the *movement of goods through an intermediate country* before reaching the final destination.
  - It becomes illegal when used to conceal the true origin of goods and evade tariffs, quotas or trade restrictions.

*If a Chinese product is sent to India and then exported to the U.S. as an Indian product mainly to avoid U.S. tariffs on Chinese goods, it is an **illegal transhipment** (China → India → USA).*

- **Three-Tier Classification**

Tier 1	India, Mexico, Canada, EU	Risk embedded in large legitimate trade flows
Tier 2	Vietnam, Malaysia, Thailand	Closely integrated with China
Tier 3	Cambodia, Panama, UAE	Weak customs enforcement

- **Key Findings –** About $67 billion of U.S.-bound goods were allegedly transhipped through Mexico, India and Vietnam in 2025.
  - Estimated U.S. tariff revenue loss – $28 billion.
- The U.S. claims transhipment can –
  - Reduce tariff revenue
  - Widen the trade deficit
  - Displace domestic production
  - Reduce GDP growth and tax receipts.
- **India-Specific Concerns –** India's Pune–Gujarat–Chennai industrial corridor was highlighted for pumps and compressors.
- Global Trade Research Initiative (GTRI), argues that India has substantial domestic manufacturing capacity.
  - India's exports cannot automatically be considered Chinese goods being

rerouted.

- Genuine value addition in India using imported inputs should be distinguished from illegal transhipment.

- **Rules of Origin**
    - It determine the country where a product is considered to have originated.
    - Complex global supply chains, involving components from multiple countries, make determination difficult.
    - The U.S. may seek stricter country-of-origin and customs rules.
- **Implications for India**
    - **Opportunities** – China+1 strategy and greater integration into global value chains.
    - **Challenges** – Greater U.S. scrutiny of Indian exports.
        - Possible additional tariffs/trade restrictions.
        - Pressure to reduce Chinese input dependence.
        - Higher compliance costs.

Global Trade Research Initiative (GTRI)

- It is a prominent, New Delhi-based research institute and think tank co-founded by former Indian trade bureaucrat Ajay Srivastava.
- The organization is widely recognized for producing high-quality, jargon-free policy analysis.
- **Aim** – To helping governments and industries navigate complex issues across trade, technology, climate change, and investment from a developmental perspective

Reference

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