

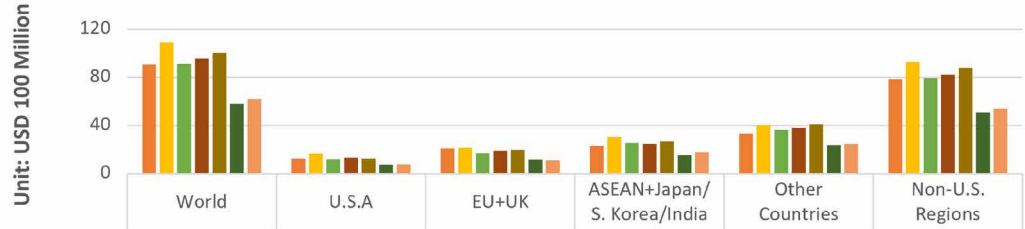
U.S. Tariff War Enters "Origin Check" Era: Taiwan Fasteners on Alert

Supply Chains Under Tighter Origin Scrutiny as White House Names Over 40 Countries as Facilitating Chinese Transshipment

The U.S.-China tariff war has been on for years. How Chinese goods circumvent high tariffs to enter the U.S. has long been a major concern for the U.S. government. In its report "The Great Transshipment Scam", the White House alleges that China has established a "shadow transshipment network" spanning more than 40 countries, enabling Chinese products to acquire a different "national identity" through third countries before entering the U.S. at lower tariff rates. **The report places Taiwan, Canada, the EU, India, Japan, Mexico, and South Korea in the first tier of major economies associated with transshipment risks.** However, this does not mean that Taiwan has been identified as an accomplice in illegal origin laundering. Rather, these economies have extensive links with Chinese supply chains, well-developed industrial bases, and substantial export capacity to the U.S., making illicit transshipment easier to conceal within large volumes of legitimate trade.

Data from the General Administration of Customs of China (**Figure 1**) also point to an apparent expansion of Chinese fastener exports beyond the U.S. market. Over the past 5 years (2021-2025), China's global fastener exports increased by 10%, rising from 9 to 10 billion USD. From January to July this year, exports grew by 6% year-on-year to US$6.1 billion. Exports to the United States increased by only 3%, while exports to the EU declined slightly by 1%. In contrast, exports to ASEAN, Japan, South Korea, and India surged by 14%, while exports to other markets rose by 5%. Non-U.S. regions accounted for as much as 87% of China's fastener exports, leaving the U.S. with only 13%. While this data does not in itself directly prove that Chinese fasteners are undergoing "origin laundering" via third countries, it at least reflects a further diversification of Chinese fastener export markets away from the U.S., making Southeast Asia and other third countries supply chain nodes worthy of continued monitoring.

Figure 1. Statistics on the Value of China's Fastener Exports to Various Countries



	World	U.S.A	EU+UK	ASEAN+Japan/ S. Korea/India	Other Countries	Non-U.S. Regions
2021	90.90	12.57	21.40	23.43	33.50	78.33
2022	109.36	16.48	21.67	30.60	40.61	92.88
2023	91.39	12.27	17.06	25.57	36.50	79.12
2024	95.64	13.54	18.97	24.86	38.27	82.10
2025	100.43	12.61	19.86	27.03	40.92	87.81
Jan-July 2025	58.34	7.62	11.64	15.58	23.5	50.72
Jan-July 2026	61.84	7.86	11.46	17.78	24.73	53.98

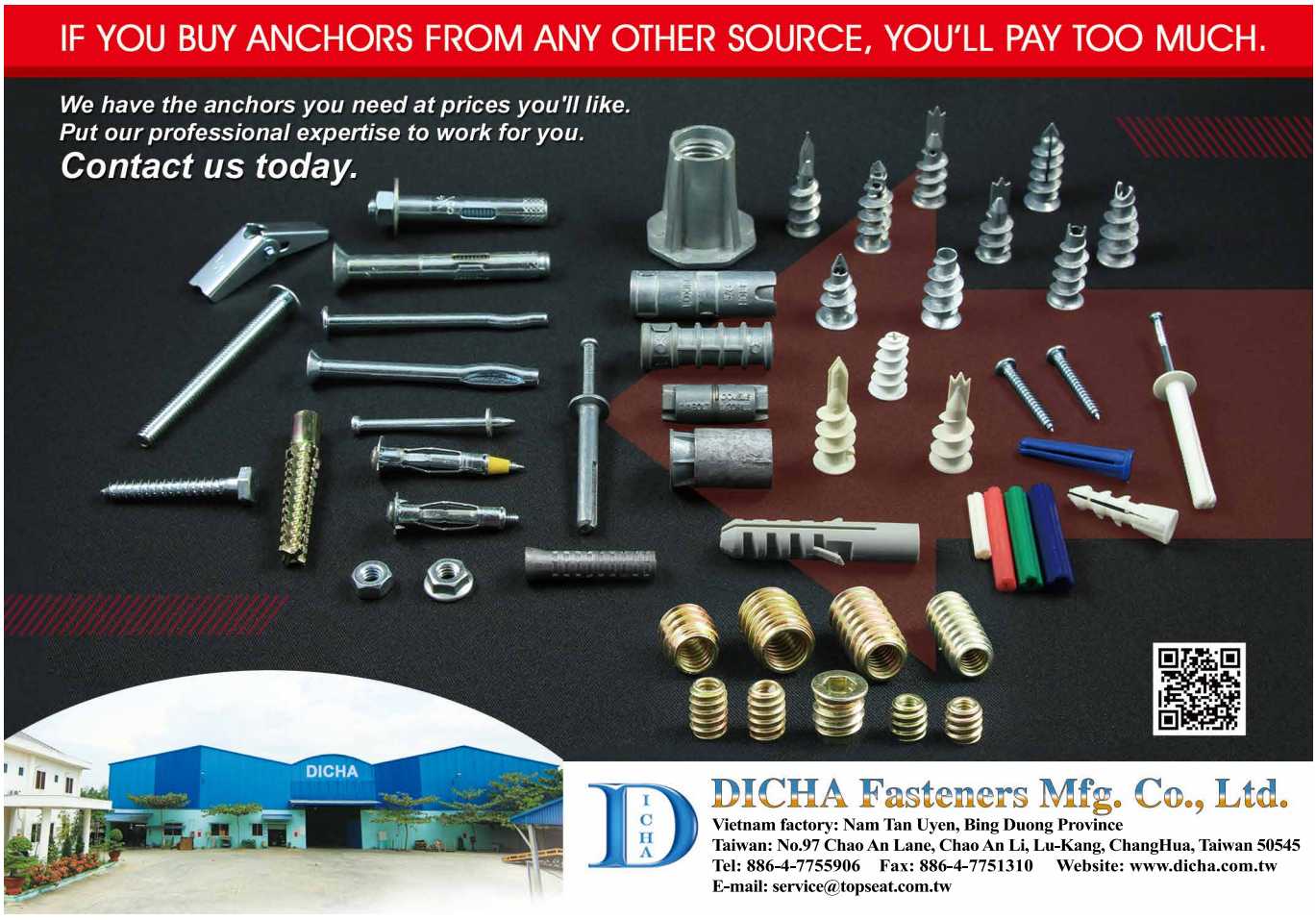
Data from the General Administration of Customs of China

A White House report specifically identifies tariff differentials between countries as a major driver of transshipment. When Chinese products face higher tariffs upon direct entry into the U.S. but benefit from lower rates when routed through countries with lower tariffs, the resulting gap creates what is known as "tariff arbitrage." Consequently, third countries may see the emergence of services—such as processing, packaging, warehousing, logistics, and even the re-issuance of documentation—to facilitate the transshipment of Chinese goods. The White House considers these tariff differentials a significant economic incentive fueling illicit transshipment.

The U.S. Department of Commerce has long imposed antidumping and countervailing duties on steel threaded rods from China. It has also made clear that even if such products are sent to a third country for cutting, chamfering, coating, packaging, or assembly with other components, they may still be considered Chinese products if the processing is insufficient to fundamentally alter their essential character. A U.S. Customs and Border Protection ruling issued last year provides a representative example. In that case, wire rod sourced from China or Vietnam was shipped to Malaysia, where it underwent straightening, cutting, chamfering, and full-threading before being exported. CBP determined that these processing operations did not constitute a “substantial transformation,” and that the country of origin continued to depend on the origin of the wire rod. In other words, sending Chinese materials to a third country for further processing, assembly, repacking, relabeling, or documentation changes will not make the product "Made in Malaysia".

This represents a genuine risk for Chinese fastener manufacturers. As the industry faces U.S. tariffs, anti-dumping duties, and other trade remedies, shipping semi-finished goods or raw materials to locations like Southeast Asia or Mexico for processing—prior to re-exporting to the U.S.—is a commercially attractive strategy. However, the distinction between establishing legitimate overseas facilities and engaging in illegal "origin laundering" hinges on whether genuine manufacturing and processing with economic substance take place locally, rather than merely simple assembly, repackaging, relabeling, or document alteration.

Research also cautions against viewing all "China +1" supply chain strategies as attempts to circumvent tariffs. When Chinese enterprises invest in facilities in Mexico, Vietnam, or elsewhere, the resulting supply chain restructuring may be entirely legitimate—provided the operations establish new production capacity, employ



local labor, and complete manufacturing processes that comply with rules of origin. What is truly unlawful is the practice of falsely declaring a product's origin without undergoing sufficient processing.

More notably, the White House report uses the concept of "China-linked goods" rather than simply "Made in China." This suggests that **future U.S. concerns may gradually extend from where products are ultimately shipped to the source of materials, supply chain relationships, and actual manufacturing capabilities.**

For fasteners, the origin of the steel, where it is cold-forged and thread-rolled, where heat treatment and surface treatment are completed, and whether the company has the corresponding production capacity can all be important information for determining the country of origin. In 2026, the U.S. strengthened its customs measures through new measures: importer responsibility, security deposits, assets within the U.S., ownership disclosure, corporate relationship disclosure, document transparency, and supply chain information.

White House trade adviser Peter Navarro has also indicated that the U.S. is beginning to use AI tools to strengthen product-origin identification. This AI tool goes beyond simply looking at product labels; it is expected to integrate: freight data + route history + product classification + ownership relationships + production capacity indicators + anomaly detection + computer vision. In other words, **where the goods came from, who owns the company, whether the company actually has the capacity to produce that much cargo, whether the product classification is reasonable, and whether the logistics path is abnormal can all become factors in determining the country of origin.**

For Taiwan's fastener industry, perhaps the warning is not that Taiwan was named in the White House report. Rather, it is that **the U.S. has elevated country-of-origin enforcement to a new policy level.** Customers and customs authorities may increasingly scrutinize the origin of steel, the locations where cold forming and thread rolling take place, heat treatment and surface finishing processes, supply chain records, and actual manufacturing activities.

Complete material traceability, production records, and origin documentation will no longer be merely part of quality management—they may become the next "passport" for maintaining access to the U.S. As the tariff war shifts from comparing duty rates to verifying product identity, those that can demonstrate where their products are genuinely made will stand a better chance of earning customer trust amid the global supply chain restructuring. ■

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