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Chinese Exporters Using Fake Made-in-Vietnam Labels to avoid Tariffs.

On Sunday June 9th, Vietnam released a statement pledging to increase penalties on trade-related fraud. It was one of the first times an Asian government has ever alleged such misbehavior, and comes after Vietnamese authorities found dozens of fake product origin certificates and illegal transfers presumably by Chinese companies trying to sidestep US tariffs on everything from agriculture to textiles.

In recent news reports, Chinese exporters who are hoping to evade tariffs as high as 25% on some of their goods are hoping to capitalize on the explosion of exports from Vietnam to the US - and not by simply and legally routing their products through Vietnam as a legal transshipment point, but by masking their true origins, provoking fears that the US might seek to punish the Vietnamese for failing to crack down on this type of fraud.

The government of Vietnam said it had identified dozens of fakes "Made in Vietnam" certificates on everything from agriculture to textiles and steel produced by Chinese companies trying to circumvent U.S. tariffs. Vietnam also alleged that some Chinese exporters had been illegally re-routing orders to Vietnam since the Trump administration hiked tariffs on \$250 billion of Chinese goods from 10 percent to 25 percent last month. The government cited an example of U.S. customs officials uncovering Chinese plywood being shipped to America through a Vietnamese company.

This week it was also reported the United States has fined several companies for exporting goods via a Chinese-owned special economic zone in Cambodia in a bid to dodge tariffs on Chinese imports, a U.S. Embassy official told an on-line news resource. According to the source "The Department of Homeland Security has inspected and fined a number of companies for evading tariffs in the United States by routing goods through Cambodia. These companies are located in Cambodia's Sihanoukville Special Economic Zone".

China and Cambodia have long been allies in the region. China has been an investor to Cambodia pouring in billions of dollars in development assistance and loans through the Belt and Road initiative, with a goal to bolster land and sea links with Southeast Asia, Central Asia, the Middle East, Europe and Africa. Additionally, The Sihanoukville Special Economic Zone (SSEZ), is a Chinese and Cambodian joint venture in the Belt and Road initiative which produces textiles, garments, bags and leather product.

With all eyes watching the ongoing tariff wars between China and the US this has opened up markets not previously considered for companies to save on their production cost. Vietnam has seen a drastic increase this year. US imports from Vietnam reached nearly \$16 billion, up 40 per cent from the same period last year, according to US trade data. Vietnam is not the only country that has benefited from the tariff dispute but counties such as Taiwan, Chile, Malaysia and Argentina, have seen increased business.



The consequences of falsely declaring correct origin information to U.S. Customs (CBP) is fraught with potential hazards; delays, fines, penalties, seizures and loss of import privileges. There are many legitimate options available to mitigate the impact of tariffs that can be brought into a company's international business model. Contact dmartin@bluetigerintl.com for additional information.

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