



Ads on China's social media app Xiaohongshu tout cheap "double clearance tax inclusive" logistics services to send products to the U.S. (Photo by Ken Kobayashi, retouched to conceal company name)

POLICY ASIA

China's formidable logistics sector challenges Trump tariff enforcers

One-stop services help merchants sidestep duties, including by undervaluing goods

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HONG KONG/NEW YORK -- U.S. President Donald Trump this week escalated his trade war with China. Standing in his way are tens of thousands of Chinese logistics companies that experts believe help manufacturers minimize the impact of U.S. tariffs through strategies

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These entities offer what are known as "double clearance and tax inclusive" services, and have exploded in numbers since Trump launched a trade war on China in his first term. For bargain rates advertised on Chinese social media, they oversee customs compliance on both sides of the trade, sometimes working through related companies that act as importers of record. Lawyers say that one of the tricks is double invoicing, which can include understating the cost of a product on one invoice, while putting the rest on another for a service not subject to tariffs, like "marketing."

Sam, the general manager of a Shenzhen lighting manufacturer that caters to American consumers, said he does not know what duties are being paid on their products. He suspects the \$240 outdoor Christmas lights and \$64 ceiling fixtures the company sells on Amazon.com are being undervalued when they pass through customs.

"It's an open secret in our industry," he said, declining to use his real name.

What is certain is that the logistics players have helped Sam shrug off Trump's trade war so far. Before Trump embarked on tariff hikes in February, he was paying logistics companies roughly 10 yuan per kilogram to handle the lighting products sold in the U.S. As of this week, the total cost of seaborne double clearance services had only risen by 1 or 2 yuan (14 to 27 cents). He acknowledged that the costs might increase further, but he does not expect them to climb anywhere near as much as Trump's total tariffs on China, which have now hit 145%.

Sales have "barely been affected," Sam added.

Although the sky-high tariffs threaten to choke commerce between the superpowers, experts suggest that evasive maneuvers like those employed by the logistics companies could help some Chinese exporters stay competitive. They also raise questions about the effectiveness of Trump's policy in narrowing the U.S. trade deficit with China and drumming up more revenue.

Enforcing tariff payment has not been easy. Economists from Goldman Sachs found that the tariffs Trump imposed on China during his first term led to evasion worth up to \$110 billion to \$130 billion in 2023, with underreporting and mislabeling each contributing \$40 billion and rerouting accounting for \$30 billion to \$50 billion.

How China's third-party logistics providers handle trade



Logistics providers have mushroomed alongside their main clientele: the myriad Chinese merchants like Sam's that sell everything from lamps and home appliances to T-shirts and trinkets online. China's cross-border e-commerce trade has boomed in recent years, reaching a new high of 2.63 trillion yuan last year, up 10.8% from a year earlier and accounting for 6% of China's overall trade value, according to Chinese customs data.

The number of cross-border e-commerce logistics companies reached over 167,400 as of October 2024, according to data tracked by Chinese technology firm Tungee.

"It's essentially a volumes game," said Xu Xiaofeng, senior manager at Sandler, Travis & Rosenberg, a law firm specializing in international trade. "The more orders they can get, the stronger bargaining power they have in negotiating with shippers and cargo airlines," said Xu, who previously worked as a Chinese customs officer.

Logistics providers compete by giving buyers quotes that are as low as possible. On China's popular social media app Xiaohongshu, a search for "double clearance tax inclusive" turns up numerous ads offering cheap delivery of refrigerators, air conditioners and other household items to the U.S. West Coast. Some offer rates of as little as 5.7 yuan per kilogram, or about 79 cents, although prices vary. Freightos, a global freight booking and payment platform, estimates ocean shipping costs at around \$2 to \$4 per kilogram.

Xu expects even more demand for the companies' services after Trump this month signed an order to terminate duty-free treatment for shipments from China valued at up to \$800, known as the de minimis rule.

One representative from a Shenzhen-based logistics company told Nikkei Asia that more e-commerce merchants have been inquiring about "double clearance and tax inclusive" services since February, when Trump added the first 10% blanket tariff on Chinese exports.

"They don't need to bother with tariffs," said the source, on condition of anonymity.



Workers scan arriving air cargo packages at a secure government warehouse near Los Angeles International Airport. © Reuters

While there is nothing illegal about trimming costs by shipping in bulk, lawyers say some logistics providers cross into murkier waters.

To handle customs clearance, logistics players may operate fleets of shell companies that are constantly changing to act as importers of record, which then use doctored or fabricated invoices and false customs entry summaries to reduce the tariffs owed, according to Mark Strauss, founder of Mark A. Strauss Law, a New York-based law firm that typically represents corporate whistleblowers.

Based on Strauss' observations, most customs fraud involves undervaluation, which can also occur without logistics companies if sellers and buyers collude. Other approaches include transshipment and mislabeling the country of origin -- an avenue Trump has sought to restrict by targeting countries like Cambodia and Vietnam with high tariffs, although he has paused them -- and failure to declare anti-dumping or countervailing duties.

"The clients are most likely aware that the logistics firms are cheating on customs duties," Strauss said. "The prices they're being charged are probably way too low for the transactions to be legitimate."

In cases of undervaluation, the logistics companies profit by pocketing the difference between what they charge the manufacturers to cover customs and what they actually pay.

The lawyer added, "We suspect these schemes are not uncommon."

Examples of shipment undervaluation tactics

Invoice modification

- Importer changes or doctors invoices from supplier, adjusting prices before passing them to customs broker

Double invoicing

- Supplier issues two invoices at importer's request -- one with accurate price, another with understated price for customs entry
- In some cases, true price may be split between two invoices, one of which is mischaracterized as being for services such as "marketing"

Related-party schemes

- Importer fails to make obligatory declaration that supplier is "related," or in same corporate group, while taking advantage of prohibited related-party pricing

Source: Mark A. Strauss Law

Even so, several experts said the practice thrives partly because CBP inspects only a small fraction of shipments. CBP did not immediately reply to Nikkei Asia's request for comment.

How much CBP is willing and able to chase tariff evaders remains a question as Trump reshapes the global trading system.

"Many clients have moved on from figuring out how much tariff Trump plans to add," said Vicky Xiao Zhou, an economist at ANZ. "The focus now is to observe how the U.S. actually goes about collecting those tariffs."

Commentators on Chinese social media have expressed confidence in recent days that the logistics companies will be able to find ways around the U.S. tariffs and the end of de minimis treatment. One post circulating on WeChat argued that while Trump's actions would scare away "a large number of people who want to engage in foreign trade," the export industry is far from dead.

It is the "large companies that are unlucky in the trade war, such as Apple and Nike. They can't escape at all, and they really have to pay a 104% tariff," the person wrote, referring to Trump's previous rate on China, before he raised it to 145%. "The goods of small companies can be increased at a very small cost through gray customs clearance, re-export trade, etc., and reach the United States."

For Chinese merchants, going through the logistics companies not only minimizes costs but also provides extra layers of opacity against both Chinese and U.S. authorities. When providers use their go-to import and export entities to handle paperwork, "it is nearly impossible for authorities to cross check the exporters' trade records with the importers' bank account transactions," said a person who has run a logistics business for the past six years in the northeastern Chinese city of Dalian, who declined to be named due to the sensitivity of the topic.

He added that the 34% "reciprocal" tariff Trump announced on China last week did prompt him to raise the prices he charges Chinese sellers, but by a "far smaller" amount.



A cargo ship full of containers is seen at the Port of Oakland, California, in February. Trade tensions between the world's two largest economies, the U.S. and China, have rapidly escalated. © Reuters

Logistics companies' methods could also help explain the widening gap in trade data reported by the U.S. and Chinese authorities in recent years.

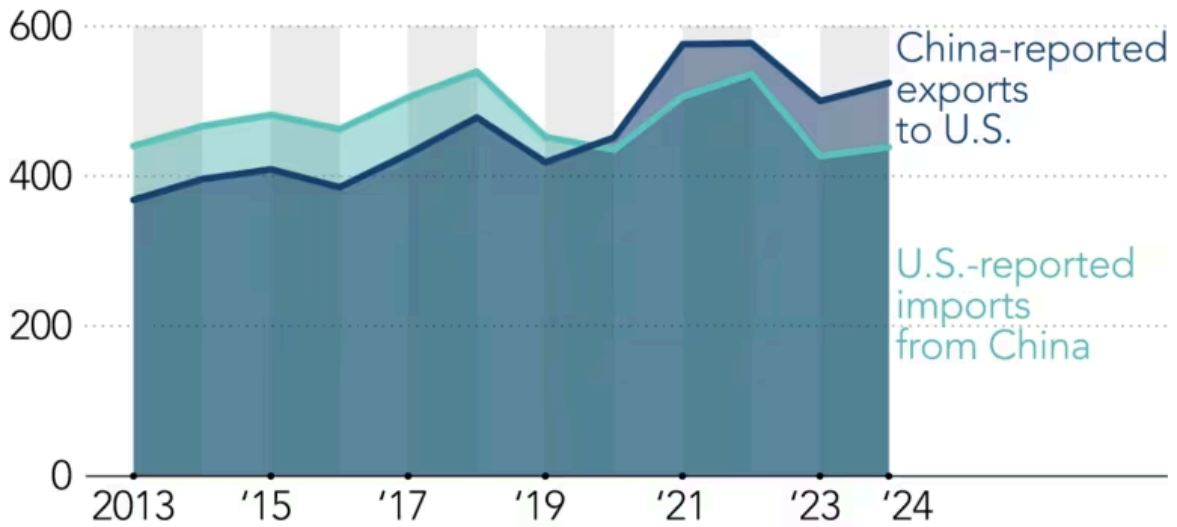
Before 2018, China had reported lower export values to the U.S. than the comparable American data on imports. This was partly because a sizable portion of goods were shipped through Hong Kong, according to Zhou from ANZ.

The gap narrowed and flipped since 2020, when China began to report higher totals of goods exported than the U.S. registered on the way in, which experts say partly reflects rampant undervaluation.

Hunter Clark, an economic policy adviser at the Federal Reserve Bank of New York, estimated in a February report that underreporting coupled with surging de minimis shipments resulted in at least \$100 billion in "missing imports" in U.S. data in 2024, "virtually all of which can be attributed to China."

U.S.-China trade data mismatch

(Shipments, in billions of dollars)



Source: Wind Information, National Bureau of Statistics of China, U.S. Census Bureau

As the U.S. is set to [end de minimis treatment](#) for shipments from mainland China and Hong Kong in May, while slapping big tariffs on all such imports, trade fraud lawyers expect more efforts to underpay duties with or without the assistance of third-party logistics companies.

Olga Torres, founder of Torres Trade Law, a U.S. law firm specialized in trade and national security, has been fielding a flood of inquiries from jittery U.S. importers since February, asking how to deal with additional tariffs on China.

"We are getting an unprecedented number of calls," she said. While she recommends that companies retain experts to assess tariff impacts in a legal manner, she predicts many will fall back on fraud.

"They will devalue imports or say it comes from a different country," she said.

