



Transshipment and Intermediate Transaction Parties



Definitions

- Transit
 - Items ship/pass through one country en-route to another, without clearing customs
- Transshipment
 - Items off-loaded in one country (to a warehouse or free trade zone) before being shipped to another country and do not clear customs
- Re-exports
 - Items shipped between two foreign countries, and clear customs in both countries



Transit and Transshipment Challenges

- Can be used to obfuscate ultimate end users and circumvent export controls.
- The more intermediaries involved, the less responsibility each party thinks it has in the transaction.



Types of Intermediaries

- **Broker:** coordinates a transaction (e.g., identifies suppliers, arranges financing or transportation, etc.), often without taking possession of the items
- **Forwarder:** provides logistics and transportation services by sending, storing, and receiving items
- **Secretarial Services/Virtual Offices:** provide operating address to an entity with no real presence in a jurisdiction. Offer a range of services from IT solutions and small-scale forwarding to filing corporate returns, etc.



Transit/Transshipment Best Practices

- Pay heightened attention to Red Flag Indicators and communicate concerns internally
- Seek to utilize only those trade facilitators and freight forwarders that administer sound export control management and compliance programs
- Obtain detailed information on the credentials of customers to assess diversion risks



Transit/Transshipment Best Practices

- Communicate export control classification and destination information to end users and consignees on government and commercial documentation
- Use information technology to the maximum extent feasible to augment “know your customer” and other due-diligence measures



Red Flag Indicators

- The consignee has little or no business background.
- The consignee is unfamiliar with the product's performance characteristics but still wants the product.
- Routine installation, training, or maintenance services are declined by the consignee.
- Delivery dates are vague, or deliveries are planned for out-of-the-way destinations.



Red Flag Indicators (continued)

- A freight forwarding firm is listed as the product's final destination.
- The shipping route is abnormal for the product and destination.
- Packaging is inconsistent with the stated method of shipment or destination.
- When questioned, the consignee is evasive and especially unclear about whether the purchased product is for domestic use, for export, or for re-export.





Thank You!

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