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Proving Provenance: Country of Origin in Cross-Border Trade

A Hurricane Commerce Trade Intelligence White Paper

On origin rules, mislabelling, transshipment and the data needed to declare origin with confidence.

by **Hurricane**

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Executive Summary

Country of origin (CoO), along with description and classification, has always been the main driver of the duty rate of cross-border shipments. The recent changes in trade regulations have seen an increasing focus on completeness and accuracy of the country of origin. In 2026 the US applies different Section 301 rates by origin country, keeps anti-dumping and countervailing duties that can exceed 200% of value, and has removed duty-free de minimis treatment for low-value parcels. The EU ended its €150 customs duty exemption on 1 July 2026 and lists origin among the data it expects on each low-value item.

Origin is also where enforcement is concentrated. US prosecutors are using the False Claims Act against importers who routed Chinese goods through third countries: Ceratizit USA settled for $54.4 million in December 2025, and Everlight Electronics for $5.15 million in August 2026. In June 2026 CBP found evasion against an importer, even though the importer had co-operated fully, because a wrong origin declaration is a material false statement whatever the intent behind it. In August 2026 the DOJ Fraud Division named trade fraud, including transshipment and country of origin fraud, one of its enforcement priorities.

The legal tests have barely moved: origin goes to the country where goods were wholly obtained, or to the last country that carried out a substantial transformation. The cost of a wrong answer has increased, as has the technology used to identify non-compliance and the audit teams associated with vetting transactions.

> ***A cross-border seller shipping thousands of SKUs to dozens of markets can't settle origin by asking the supplier once and copying the answer forward.***

FALSE CLAIMS ACT	EU LOW-VALUE IMPORTS	TRADE REMEDIES
$54.4M	**€150**	**200%+**
Ceratizit USA settlement over transshipment, December 2025	Customs duty exemption ended on 1 July 2026	Anti-dumping and countervailing duties can exceed value

This paper covers:

01 What country of origin means in law, and the difference between non-preferential and preferential origin.

02 How the US, EU and UK apply those rules, and why origin carries more financial weight in 2026 than it did two years ago.

03 How mislabelling and transshipment happen, how authorities detect them, and what the penalties look like.

04 Why origin data fails at line-item level in ecommerce and B2B flows.

05 How Hurricane's Country of Origin solution gives shippers, marketplaces and carriers defensible origin data at the point of declaration.

06 A practical checklist for compliance and operations teams.

01

What Country of Origin Means

Country of origin is the economic nationality of a product: the country where it was made, grown or produced, as defined by law.

It's frequently different from the country it shipped from, the country of the seller, or the country printed on a marketing label.

Two Kinds of Origin

NON-PREFERENTIAL ORIGIN	PREFERENTIAL ORIGIN
The default. Customs authorities use it to apply most-favoured-nation duty rates, anti-dumping and countervailing duties, quotas, sanctions and embargoes, safeguard measures, trade statistics and origin marking. The European Commission lists these uses in its guidance on non-preferential rules of origin.	Decides whether goods qualify for a reduced or zero duty under a free trade agreement or preference scheme. Each agreement carries its own product-specific rules, so the same item can be originating under one agreement and non-originating under another.

Preferential origin has to be claimed and proven; non-preferential origin has to be declared correctly whether or not a preference is sought.

The Two Core Tests

01 **Wholly obtained.** Goods produced entirely in one country, such as minerals extracted there, crops harvested there, or animals born and raised there, take that country's origin. EU law sets this out in Article 60(1) of the Union Customs Code.

02 **Substantial transformation.** When two or more countries are involved, origin goes to the country where the goods underwent their last substantial transformation. In the EU that's Article 60(2) UCC, backed by product-specific list rules in Annex 22-01 of the Delegated Act. In the US, CBP treats a transformation as substantial when it produces a new and different article of commerce with a new name, character or use.

What Doesn't Confer Origin

Minimal operations don't move origin. Article 34 of the EU Delegated Act lists simple processing operations that leave origin where it was. The EU also treats processing carried out to avoid trade measures as not economically justified (Article 33 UCC-DA), so it doesn't confer origin either.

The practical consequence: a product that crosses three borders before reaching the buyer may have one country of origin, two countries of export and a fourth country on the seller's address. **Only one of those answers belongs in the origin field of a customs declaration.**

Origin Depends on the Purpose

The same product can hold different origins for different legal purposes. CBP's evasion finding against Waaree Energies in June 2026 turned on this point: the importer declared India, where solar modules were assembled, but US anti-dumping orders follow the origin of the solar cell inside the module. An origin answer that's correct for marking can be wrong for trade remedy duties.

02

How the Major Markets Apply Origin Rules

The US, EU and UK start from the same two tests but apply them through different statutes, marking rules and proof requirements.

A shipper selling into all three has to satisfy three regimes from one set of product data.

Market	Non-preferential test	Marking and labelling	Preferential claims	Penalty exposure
United States	Country of manufacture, production or growth; further work must cause a substantial transformation. USMCA goods follow Part 102 tariff-shift rules.	Articles must be marked with origin in English, legibly and permanently, for the "ultimate purchaser" in the US (19 USC 1304).	USMCA and other FTAs; importer must hold certification and supporting records.	Civil penalties up to the domestic value of goods for fraud; up to 4x lost duties for gross negligence; up to 2x for negligence. False Claims Act exposure on top.
European Union	Wholly obtained, or last substantial, economically justified processing (Article 60 UCC; Annex 22-01 UCC-DA list rules).	Origin data required on import declarations, now including low-value consignments from 1 July 2026.	Statement on origin from a REX-registered exporter for consignments above €6,000, or importer's knowledge.	Post-clearance recovery of duty plus national penalties; OLAF investigations for cross-border fraud.
United Kingdom	Set by the Customs (Origin of Chargeable Goods) (EU Exit) Regulations 2020 and HMRC's Rules of Origin document, including product-specific rules and a bar on processing that isn't economically justified.	Origin declared on import; product-specific marking rules apply to some goods.	Statement on origin or importer's knowledge under the UK-EU Trade and Cooperation Agreement and other UK FTAs.	Recovery of duty, civil penalties and, for deliberate evasion, criminal prosecution.

Points of Friction

Where the regimes pull apart

- **Different tests for different products.** The US has textile-specific origin rules and USMCA tariff-shift rules; the EU has hundreds of product-specific list rules. A single “origin” field per SKU can’t hold all of that logic.
- **Assembly is the grey zone.** Assembling imported components can confer origin in one market and fail to in another. CBP guidance allows “Assembled in” marking followed by “from components of” the component countries, as summarised by EY.
- **Preferential proof sits with the importer.** Under the UK-EU agreement, the importer can claim preference on its own knowledge, which puts the burden on the importer if the claim is checked.
- **Binding rulings are underused.** US importers can request a binding origin ruling under 19 CFR Part 177 before shipping, and the EU offers Binding Origin Information. For high-volume or high-duty SKUs in grey areas, a ruling converts an argument into a certainty.

03

Why Origin Carries More Weight in 2026

Two years ago, a wrong origin on a low-value parcel rarely changed the duty owed. In 2026 it frequently does.

Tariff rates now vary by origin country, and the low-value exemptions that hid the error have gone on both sides of the Atlantic.

The US: Rates That Change With the Origin Field

On 20 February 2026 the US Supreme Court ruled 6-3 in *Learning Resources, Inc. v. Trump* that the International Emergency Economic Powers Act doesn't authorise tariffs, striking down the reciprocal and fentanyl tariffs. A 10% global surcharge under Section 122 took effect on 24 February and expired on 24 July 2026. From that date a Section 301 tariff, set by country of origin, took its place.

Origin	Section 301 rate from 24 July 2026
UK, Canada, Mexico, India, Indonesia, Malaysia, Bangladesh, Cambodia and others	10%
China, Vietnam and most other investigated economies	12.5%
EU and Taiwan	Combined MFN and Section 301 capped at 10%
Japan, South Korea, Switzerland	Combined MFN and Section 301 capped at 12.5%
Brazil	12.5% plus a separate 25% Section 301 duty from 22 July 2026

Other origin-driven measures sit on top:

- **Section 232** duties on steel, aluminium, autos and parts, and other sectors remain in force. Goods covered by Section 232 are excluded from the Section 301 action rather than charged for both.
- **A 50% Section 338 tariff** on certain Canadian-origin goods took effect on 22 August 2026. Unlike earlier measures, it applies whether or not the goods qualify under USMCA, so origin alone decides it.
- **Anti-dumping and countervailing duties** are set by origin and can be extreme: cash deposit rates of 271.28% and 238.95% applied in the solar case cited above.
- **Section 301 China tariffs** from 2018 onwards still apply to Chinese-origin goods, and they're the duties at the centre of the transshipment cases in the next sections.

The End of De Minimis

The US suspended duty-free de minimis treatment for all countries in August 2025, and CBP codified the suspension in June 2026. Since 24 July 2026, mail shipments valued at $2,500 or less must go through a new postal informal entry process with shipment-level classification, valuation and duty calculation, with a further compliance date of 22 October 2026 for certain shipments. The One Big Beautiful Bill Act removes the statutory exemption altogether from 1 July 2027.. Each parcel now needs an origin that will stand up, because each parcel now carries a duty calculation.

The EU: €150 Exemption Gone, Item-Level Data Required

The EU's €150 customs duty exemption ended on 1 July 2026. A temporary flat duty of €3 per item line now applies to low-value distance sales, expected to run until July 2028 when classification-based duties take over. The €3 is charged per declaration line, and a line is defined by each unique combination of HS code and country of origin, so origin now directly sets the duty owed on a multi-item parcel. The declarant, not the consumer, is liable for the Customs debt. Product identifiers become mandatory on 1 November 2026, and country of origin is among the data authorities expect on each declaration.

Forced Labour and Sanctions

Origin is also the starting point for forced labour and sanctions screening. The US Section 301 action introduced in July 2026 is framed around forced labour, and US import bans under the Uyghur Forced Labor Prevention Act rest on where goods and their inputs were produced. The EU Forced Labour Regulation, due to apply from December 2027, will use similar logic.

04

Mislabelling: How Wrong Origins Enter the System

Many origin errors start as data problems upstream and get copied into thousands of declarations without anyone intending to evade duty.

Authorities treat the result the same way: the declared origin is wrong, duty is short, and the importer of record answers for it. *Reasoned position: the causes below are drawn from common industry practice; the Everlight example is documented.*

Common Causes

Where wrong origins come from

- **Country of shipment used as origin.** Goods dispatched from a Hong Kong, Dutch or UAE warehouse get declared as Hong Kong, Dutch or Emirati origin. Distribution hubs don't confer origin.
- **Seller or brand address used as origin.** Marketplaces and platforms often default origin to the merchant's registered country. A UK brand selling goods made in China ships Chinese-origin goods.
- **One SKU, several factories.** A product sourced from two plants in two countries can carry two origins under one SKU. The Everlight settlement resolved allegations that included on failing to separate Chinese-made LED dies from Taiwanese-made dies.
- **Assembly mistaken for manufacture.** Final assembly or packing in a second country is treated as origin-conferring when it isn't, or the origin of a duty-sensitive component is ignored.
- **Static product master data.** Origin is captured once at onboarding and not refreshed when the supplier changes production location.
- **Free-text and missing values.** Fields left blank, filled with "various", or populated with region names such as "EU" or "Asia" that customs systems can't accept.
- **Marketing labels.** A "Designed in California" or "Italian style" claim on packaging can mislead the ultimate purchaser and trigger marking problems even when the declaration is correct.

What It Costs

In the US, goods that aren't properly marked at import face an additional 10% ad valorem marking duty under 19 USC 1304(i), and may have to be re-marked, re-exported or destroyed under CBP supervision. Where the origin error reduces duty, civil penalties under 19 USC 1592 run to twice the lost duty for negligence and four times for gross negligence, capped at the domestic value of the goods. Fraud carries a penalty up to the full domestic value.

Mislabelling also creates False Claims Act exposure. Ceratizit USA's $54.4 million settlement in December 2025 Resolved allegations of transshipment, misclassification and a five-year failure to mark imports with their country of origin. The case began with a whistleblower, who'll receive about $9.75 million.

In the EU, the cost shows up as post-clearance demands for unpaid duty, including anti-dumping duty, plus national penalties. OLAF recommended €597 million for recovery to the EU budget in 2025 across its investigations, with customs duties a principal focus of its revenue work.

05

Transshipment and Origin Washing

Transshipment, moving goods through an intermediate country on the way to their destination, is a normal part of global logistics.

It becomes illegal when the routing is used to change the declared origin without a substantial transformation, so that goods escape duties, quotas, trade remedies or sanctions that apply to their true origin.

How Origin Washing Works

Pattern	What happens	Red flags for importers and platforms
Relabel and re-export	Finished goods are shipped to a third country, relabelled or reboxed with a new “Made in” mark, and exported again.	New supplier in a third country with low prices and no visible factory; origin changes with no change in product spec.
Paper transshipment	Goods ship direct from the true origin, but documents name a different origin.	Bills of lading or container routings inconsistent with the declared country of manufacture.

Cases From the Last 12 Months

$54.4M
Ceratizit USA
DECEMBER 2025
Chinese-made tungsten carbide rods allegedly routed through Taiwan from August 2020 to March 2024 to avoid Section 301 duties.

EAPA
Waaree Energies
JUNE 2026
Solar modules assembled in India and declared as Indian origin for about four years, when AD/CVD origin follows the solar cell. CBP found evasion despite full cooperation.

$5.15M
Everlight Electronics
AUGUST 2026
Chinese-made LEDs allegedly transshipped through Taiwan from 2018 to 2022, followed by failure to segregate Chinese and Taiwanese components.

How Authorities Detect It

The US runs evasion investigations under the Enforce and Protect Act (EAPA), and DOJ and DHS coordinate customs fraud cases through a cross-agency Trade Fraud Task Force announced in 2025. The task force passed $1 billion in civil and criminal recoveries in 2026, and its mandate covers Customs brokers and distributors as well as importers. CBP issued a CTPAT alert on illegal transshipment in December 2025, and enforcement advisories have flagged Vietnam, Malaysia, Cambodia, Thailand and Indonesia as high-risk routing countries. Detection draws on trade flow analysis, supply chain mapping, factory verification visits and, for some materials, laboratory testing.

The 40% Transshipment Penalty

Executive Order 14326 of 31 July 2025 set an additional 40% duty on goods CBP determines were transshipped to evade US duties, with no mitigation. That order sat inside the IEEPA tariff framework the Supreme Court struck down in February 2026. EAPA findings, Section 1592 penalties and False Claims Act liability apply regardless.

Consequences of an Evasion Finding

Under EAPA, consequences can include suspended liquidation, entries converted to AD/CVD entries with cash deposits, single-transaction bonds and penalties under 19 USC 1592.

06

The Data Problem Behind Origin Failures

Compliance breaks on origin data, at the volume and speed of modern cross-border trade.

The cases above share a pattern: the importer couldn't show, item by item, where the goods or their critical inputs were made.

Why Origin Breaks at Line-Item Level

01 **Origin is decided far from the declaration.** The factory knows where the product was made. The brand knows its supplier. The marketplace knows the seller. The carrier or broker filing the declaration often knows only what the commercial invoice says.

02 **Volume outruns review.** A cross-border ecommerce flow can generate millions of line items a year across tens of thousands of SKUs. With de minimis gone in the US and the EU charging per item line, each of those lines now needs a defensible origin, and manual review can't keep pace.

03 **Origin and classification travel together.** The duty rate depends on both the HS code and the origin. An origin that's right with a wrong HS code, or the reverse, still produces the wrong duty. The EU's new item-level regime asks for both, plus product identifiers from 1 November 2026.

04 **Origin changes when sourcing changes.** Tariff pressure has pushed brands to move production between China, Vietnam, India, Mexico and others. Each move changes the true origin of new stock, while older stock under the same SKU keeps its previous origin.

05 **Evidence is scattered.** Supplier declarations, bills of materials, factory audits and shipping documents sit in different systems owned by different parties. When CBP or a national customs authority asks for proof, assembling it takes weeks.

What Good Origin Data Looks Like

Origin data that will survive scrutiny has five properties.

SPECIFIC	ITEM-LEVEL	VALIDATED	CURRENT	EVIDENCED
A single ISO country code per item, not a region or "various".	Captured per SKU and, where sourcing is split, per batch or per production site.	Checked against product description, HS code, seller location and known trade patterns before the declaration is filed, so implausible combinations get stopped.	Refreshed when the supplier, factory or bill of materials changes.	Linked to the documents that support it, so the importer can answer a request for information in days rather than weeks.

Carriers, postal operators, marketplaces and brokers sit at the point where this data meets the customs declaration. They're also the parties that inherit the problem when it's wrong: **held shipments, duty shortfalls, penalties and lost customer trust.**

07

How Hurricane Helps: Country of Origin

Hurricane Country of Origin (CoO) checks the origin you plan to declare against the evidence before the declaration is filed, and returns a green, amber or red verdict in milliseconds.

It's built for the line-item volumes described above, so compliance teams spend their time on the shipments that need it.

CoO is delivered through an API as part of Hurricane's Global Trade Ecosystem (GTE) and Kona. It runs on multi-stream agentic AI models that Hurricane developed and trained in-house, drawing on more than 300 years of combined trade intelligence experience across the team, rather than on third-party data bought in from suppliers.

What CoO Does

Infers origin
Returns the most likely country of origin, with up to five alternatives, each with a confidence score.

Checks your data
Gives a green, amber or red verdict on the origin you've submitted.

Advanced lookups
Identifies products from descriptions, identifiers, web pages and photos.

Enhanced computer vision
Reads labels, barcodes and logos on product images.

How It Works

STEP 01
Send your data
Product descriptions, identifiers, product links and the origin you plan to declare. Partial data is fine.

STEP 02
Add images
If you have them: one photo, or a zip file of up to 10.

STEP 03
CoO analyses
Reads labels and logos, matches product listings, and analyses the trade lane and price.

STEP 04
Get the verdict
Verdict country, confidence score and supporting evidence, in milliseconds.

The Traffic Light

Verdict	Meaning	Action
● **Green: Data OK**	The evidence supports the country of origin you plan to declare.	Declare and ship.
● **Amber: Take a look**	The country is possible but isn't the best fit, or the evidence is thin.	Check before you declare.
● **Red: Stop and fix it**	The product is unlikely to be from the country you plan to declare, and the evidence is clear.	Correct the origin before filing.

> ***Every result comes with the evidence behind it, so the decision to declare, and the record of why, sits with you.***

Where CoO Meets the Failures in This Paper

Origin failure	How CoO responds
Country of dispatch or seller address used as origin	Infers origin from the product itself, its labels, listings and identifiers, then flags the mismatch red or amber.
Blank, regional or "various" origin values	Works from whatever data is available and returns a most likely country plus up to five ranked alternatives.
Origin washing through relabelling or third-country routing	Reads labels and logos on product images and analyses the lane and price, so declarations that the evidence doesn't support get stopped before filing.
Stale product master data after a sourcing move	Checks origin on each declaration rather than relying on a value captured once at onboarding.
Volume too high for manual review	Millisecond responses and a traffic light let teams clear green and focus on amber and red.
Scattered evidence when customs asks questions	Each verdict carries its supporting evidence, building a record at the point of declaration.

Who It's For

- **Carriers and postal operators** filing item-level declarations now that US de minimis has gone and the EU charges duty per item line.
- **Marketplaces and platforms** that inherit origin data from thousands of third-party sellers.
- **Brokers and customs agents** who need a defensible basis for the origin they file on a client's behalf.

- **Brands and retailers** with multi-sourced catalogues and shifting supply chains.

Where CoO Fits With Expert Advice

CoO tells you whether the evidence supports the origin you plan to declare. Some origin questions are legal ones: whether an assembly step amounts to substantial transformation, or which input sets the origin for an anti-dumping order, as in the solar case above. *Reasoned position:* those calls still belong with a customs broker or trade lawyer, and a binding ruling where volumes justify it. CoO narrows them down to the shipments that need that attention.

If there is any doubt or concern you should investigate further with the support of a qualified individual.

Book a demo to see CoO run against your own product data.

08

A Practical Checklist for Compliance and Operations Teams

These steps follow from the rules and cases in this paper. Use them to test where your current process would fail an audit.

Product data

- ☐ Every SKU carries a single ISO country-of-origin code; no blanks, regions or “various”.
- ☐ Origin is held per production site or batch where a SKU is multi-sourced.
- ☐ Origin and HS code are reviewed together, and changes to either trigger a duty recalculation.
- ☐ Origin is refreshed when a supplier, factory or bill of materials changes.

Supplier controls

- ☐ Suppliers provide signed origin declarations naming the factory, not only the trading company.
- ☐ Bills of materials identify the origin of duty-sensitive components (anything under AD/CVD, Section 232 or Section 301).
- ☐ New suppliers in high-risk routing countries get a factory verification before first shipment.

Declaration controls

- ☐ Origin is validated before filing against product description, HS code, seller location and shipping route.
- ☐ Shipments where declared origin doesn’t match the routing or the product profile are held for review.
- ☐ Country of dispatch and seller country aren’t used as default origin values.

Evidence and response

- ☐ Supporting documents are linked to each SKU and retrievable within days.
- ☐ Binding rulings are sought for high-volume or high-duty SKUs where origin is arguable.
- ☐ A prior disclosure process exists for errors found internally, before CBP or another authority finds them.
- ☐ A named owner answers requests for information from customs authorities.

Monitoring

- ☐ Tariff changes by origin country are tracked, given that US rates changed three times between February and August 2026.
- ☐ Preferential claims are reconciled against supplier evidence at least annually.

About Hurricane Commerce

Hurricane Commerce is a global trade intelligence company. Through the Global Trade Ecosystem (GTE), Hurricane provides the data, decisions and automation that enable businesses to navigate complex regulatory environments with confidence. Clients include international carriers, postal operators, freight forwarders, e-commerce platforms and brands operating across the world's most demanding customs environments.

Find out how Hurricane Country of Origin can help your organisation declare origin with confidence.

Visit: **hurricanecommerce.com** | Email: **sales@hurricanecommerce.com**

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Hurricane®
Data powering global trade

Declare origin with evidence, not assumption.

Hurricane Commerce
Global trade compliance and technology
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