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THINK LIKE AN ECONOMIST: CLASSROOM EDITION

Transshipment's Dead End: When Following the Rules Costs More

The objective of this assignment is to engage the curious in critical reading, economic reasoning, and civil discourse by analyzing contemporary issues.

ESSENTIAL QUESTION: When governments impose tariffs to reduce trade deficits, who ultimately bears the cost: producers, trading partners, or consumers?

⚓ Setting the Stage: Why Tariffs and Transshipment Matter

Every day, millions of products arrive at U.S. ports, from shoes and smartphones to cars and medicine. But not all of these goods come straight from the country where they were made. Some are shipped through other countries first, a process called **transshipment**.

Transshipment happens when goods are rerouted through a third country before reaching the United States, often to disguise their true origin and avoid **tariffs**. For example, a product made in China might first stop in Vietnam or Mexico and then be labeled as coming from there, even though it was mostly produced in China.

In the summer of 2025, an executive order placed a 40% tariff on all transshipped goods, arguing that this will stop countries from using loopholes to dodge U.S. trade rules. Supporters say this protects American industries and jobs. Critics warn it will drive up prices for consumers and overwhelm already stretched port authorities trying to check where goods really come from.

In this assignment, we'll explore the **trade-offs**: Who pays the price when tariffs rise: foreign producers, U.S. businesses, or everyday consumers?

Assignment Instructions:

Step 1) View this video (stop at 2:18) for a quick briefing that simplifies a complex trade topic.

Step 2) Read the Student Excerpts below selected and adapted from the source text.

Step 3) Answer the Questions: Work through the five sections below. Each one helps you explore the big ideas in the article and think like an economist.

Section 1. A QUESTION FOR YOU 🧠

Q1: What would happen if the cost of following the rules was higher than the cost of bending them? Can you think of a time when you have experienced this dilemma?

Student Reading Modified Excerpts: Transshipment's Dead End

Excerpt 1 – The Policy Change

> "President Donald Trump's executive order has upended global trade dynamics in a single stroke. Slapping a 40% tariff (a tax on imported goods) on all "transshipped goods" — products rerouted through third countries to dodge U.S. duties — this is part of his evolving protectionist agenda."

(Example: A shirt made in China could be shipped to Vietnam, relabeled as "Made in Vietnam," and then sold to the U.S. This is transshipment.)

Excerpt 2 – Why It Matters

> "While applied globally, China stands to take the biggest hit, with its vast factory networks and knack for rerouting goods through Southeast Asia, Mexico, and beyond. This isn't just a tariff hike; it's a calculated escalation in Trump's ongoing attempt to reshape U.S. trade policy in America's favor."

(Translation: China has often used nearby countries to get around U.S. tariffs. The new rule is aimed at closing that loophole.)

Excerpt 3 – The Consumer Impact

> "Broader impacts include U.S. consumer price hikes (for example, shoes could rise 40% and cars may cost an extra $5,800). Tariffs may raise money for the government in the short term, but they also mean pricier goods for American families in the long term."

Excerpt 4 – The Enforcement Problem

> "Countries like Vietnam have tightened inspections to curb this practice, but the scale of China's manufacturing makes enforcement a Herculean task."

(Translation: U.S. ports and foreign governments would need to track the true origin of millions of goods. This requires lots of time, money, and resources.)

Excerpt 5 – The Trade-Offs

> "Trump's order asserts U.S. dominance, forcing trading partners to bend or break. Yet the risk of overreach looms: tariffs can protect domestic industries, but they also risk straining relationships with allies and raising costs at home."

Section 2. REFLECT

📖 History is full of moments when people faced the choice of following the rules (or bending them) because the cost of obeying was just too high. In U.S. history, for example, during Prohibition in the 1920s, alcohol was banned in the United States. The legal cost of "following the rule" was giving up beer, wine, and liquor altogether. Instead, many people turned to speakeasies (illegal bars) or smuggled alcohol from Canada and the Caribbean. The high cost of compliance made breaking the rule more tempting.

In the Roman Empire, heavy taxes were placed on certain goods moving through trade routes. Merchants often hid valuable items or mislabeled them to dodge those taxes. Just like modern transshipment, this was a way to “cut corners” when the official cost of doing business felt too steep.

REFLECTION:
Q2: In the article, companies use transshipment to avoid tariffs. How does this show the trade-off between following the rules and saving money?

Q3: What evidence from the excerpts suggests that tariffs may encourage businesses or countries to “cheat” rather than play by the rules?

Q4: Think about a time in your own life when it seemed easier or cheaper to bend a rule. Now consider transshipment: when companies dodge tariffs this way, do they pay the cost themselves, or does the burden fall on someone else? *(Think about the impact on both foreign consumers and domestic consumers in the exporting country)*

Section 3. THINK LIKE AN ECONOMIST 💡

Mini-Explainer: Key Principles of Economics
Economists study how people and nations make choices when resources are limited. [Tariffs](#) and transshipment highlight several important principles:

- **Tariff**: A tax on imported goods.
- **Transshipment**: Rerouting goods through a third country to disguise their origin and avoid tariffs.
- **Nearshoring**: Moving production closer to consumer markets to reduce shipping costs or avoid trade barriers.
- **Trade Deficit:** When a country imports more than it exports.

Container Confidential: Where Did This Come From?

Activity Instructions: Using the [Reuters Interactive]

For the next 10 minutes, you'll explore where U.S. imports actually come from in certain sectors and how tariffs affect those goods.

1) Open the resource: Reuters Trade Quiz: Where Do U.S. Imports Come From?

2) Begin the tour: Click through the ports to test your knowledge of which countries supply the U.S. with products like shoes, wine, coffee, electronics, and medicine.

3) Notice which goods are heavily concentrated from a single country and which come from multiple sources. Pay attention to patterns.

4) Think about how tariffs on these goods might raise consumer costs and why transshipment (rerouting goods through another country) might be tempting for some countries.

🔍 Apply Economic Thinking

Q5: Which product surprised you most in terms of where it came from, and why?

Q6: Did you notice any products that came mostly from just one country? What risks might this create for U.S. consumers and supply chains if tariffs or disruptions hit that country?

Section 4. Discuss & Debate ⚖️ -

Discussion Focus (from the article):

[This tariff gambit echoes broader themes of sovereignty and control...tariffs assert US dominance, forcing trading partners to bend or break, yet the risk of overreach looms. Broader impacts include US consumer price hikes (e.g., shoes up 40%, cars projected to cost $5,800 more on average, according to the Tax Foundation), potentially fueling inflation and debt reliance.]

Two Sides or Scenarios

Students take on opposing perspectives in a structured dialogue:

1. **Pro-Tariff Position**

- ***Claim:*** **Tariffs close loopholes, protect U.S. jobs and industries, and assert national sovereignty.**

- ***Potential Benefits:***

- ***Costs:***

2. Anti-Tariff Position

- ***Claim:* Tariffs raise costs for families and businesses and disrupt global supply chains without truly solving the trade deficit problem.**
- ***Potential Benefits:***
- ***Costs:***

Socratic Practice Prompts

A. What are the benefits and costs of each view?

B. Whose perspective is missing? *(e.g., port authorities, small businesses, exporting-country workers, or everyday U.S. consumers)*

C. What ethical or long-term implications emerge? *(Is it ethical to impose a policy that protects one group while raising costs for another? Will these policies strengthen or weaken global trust in the long run?)*

After considering these different perspectives, which group's viewpoint do you think is most often overlooked in debates about tariffs and transshipment, and why might including that voice change the way we see the issue?

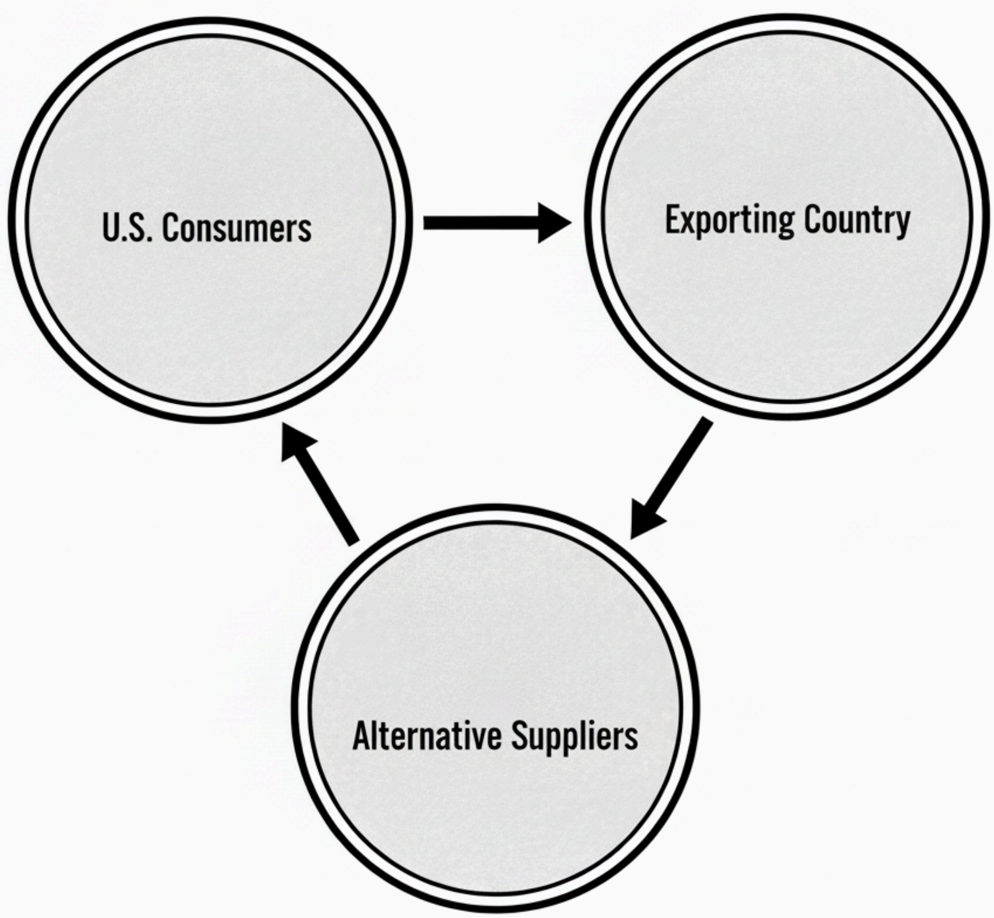
Section 5. Cause & Effect Ripples- Investigate. Reflect. Decide.

Instructions-

1) From the [Reuters interactive], choose one product that the U.S. imports (not avocados—pick something different, like electronics, coffee, or medicine).
   a) **My Selected Product: ________________________________**

2) Imagine the U.S. suddenly raises tariffs on that product's main supplier.
3) Use the Global Supply Chain Flow diagram to record the ripple effects. Start with the Exporting Country (since tariffs are applied at the border). Then move to Alternative Suppliers, and finish with the U.S. Consumers.

Step 1 – Exporting Country (Top Right Circle)
Inside the diagram below, write how the country that sells this product to the U.S. would be affected.
(Example: Mexican avocado farmers lose sales, workers may face layoffs, and farms might try to sell to Europe or Asia instead.)
Step 2 – Alternative Suppliers (Bottom Circle)
List other countries that might step in to fill the gap and how trade patterns would shift.
(Example: Peru or Chile increase avocado exports to the U.S., but supply chains become longer and shipping costs rise.)
Step 3 – U.S. Consumers (Top Left Circle)
Describe how American families, businesses, or prices in stores would be affected. *(Example: The price of guacamole rises at restaurants, families pay more at the store, or restaurants buy fewer avocados.)*



CLASSROOM ASSIGNMENT: GLOBAL SUPPLY CHAIN FLOW

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TEACHER GUIDE

THINK LIKE AN ECONOMIST: CLASSROOM EDITION
Transshipment's Dead End

The objective of this assignment is to engage the curious in critical reading, economic reasoning, and civil discourse by analyzing contemporary issues.

ESSENTIAL QUESTION: When governments impose tariffs to reduce trade deficits, who ultimately bears the cost: producers, trading partners, or consumers?

Key Concepts: Tariffs, Trade-offs, Opportunity Cost, Comparative Advantage, Globalization, Centripetal vs. Centrifugal Forces

🎯 Aligned Courses and Topics
- **Human Geography –** Industrial and Economic Development; Supranationalism and Globalization
- **Macroeconomics –** International Trade and Finance; Arguments for and Against Trade Restrictions
- **Comparative Government and Politics –** Sovereignty, Authority, and Power; Global Political and Economic Change
- **U.S. Government and Politics –** Public Policy; The Policy-Making Process (trade, economic policy, and regulation)
- **World History –** Global Trade Networks; Economic Systems and Their Impacts

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THINK LIKE AN ECONOMIST: CLASSROOM EDITION

Transshipment's Dead End: When Following the Rules Costs More

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⚓ Setting the Stage: Why Tariffs and Transshipment Matter

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Transshipment happens when goods are rerouted through a third country before reaching the United States, often to disguise their true origin and avoid **tariffs**. For example, a product made in China might first stop in Vietnam or Mexico and then be labeled as coming from there, even though it was mostly produced in China.

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Assignment Instructions:

Teacher Note: *This week's FEE.Org article is written at a 11th-12th grade reading level. Rather than assign the article to younger students, have them view the video in Step 1 and then read the adapted excerpts below. Access the original article here: Transshipment's Dead End*
⏱ *Est. Reading Time: 10 mins.*

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Step 3) Answer the Questions: Work through the five sections below. Each one helps you explore the big ideas in the article and think like an economist.

Section 1. A QUESTION FOR YOU 🧠

Q1: What would happen if the cost of following the rules was higher than the cost of bending them? Can you think of a time when you have experienced this dilemma?

Suggested Answer: When the cost of following the rules is higher, people are tempted to bend them. For example, a student might copy homework instead of completing it if the assignment feels overwhelming and time-consuming. In the same way, businesses may use transshipment to avoid tariffs, because the "shortcut" is cheaper than paying the full cost of compliance.

ead & Reflect Organizer

Lead-in Question: *What would happen if the cost of following the rules was higher than the cost of bending them? Can you think of a time when you have experienced this dilemma?*

Claim	***Evidence from the Article***	***Connection to Incentives***
What claim is the author making about tariffs and transshipment?	*What facts, data, or examples support this claim?*	*How does this show that high costs may push businesses or people to bend the rules?*
Example: Tariffs on transshipment are meant to close loopholes.	*Example: Shoes could rise 40%, cars could cost $5,800 more.*	*Example: Higher costs make avoiding the tariff more attractive to businesses.*

Student Reading Excerpts: Transshipment's Dead End

Excerpt 1 – The Policy Change

"President Donald Trump's executive order has upended global trade dynamics in a single stroke. Slapping a 40% tariff (a tax on imported goods) on all "transshipped goods" — products rerouted through third countries to dodge U.S. duties — this is part of his evolving protectionist agenda."

(Example: A shirt made in China could be shipped to Vietnam, relabeled as "Made in Vietnam," and then sold to the U.S. This is transshipment.)

Excerpt 2 – Why It Matters

"While applied globally, China stands to take the biggest hit, with its vast factory networks and knack for rerouting goods through Southeast Asia, Mexico, and beyond. This isn't just a tariff hike; it's a calculated escalation in Trump's ongoing attempt to reshape U.S. trade policy in America's favor."

(Translation: China has often used nearby countries to get around U.S. tariffs. The new rule is aimed at closing that loophole.)

Excerpt 3 – The Consumer Impact

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Excerpt 4 – The Enforcement Problem

"Countries like Vietnam have tightened inspections to curb this practice, but the scale of China's manufacturing makes enforcement a Herculean task."

(Translation: U.S. ports and foreign governments would need to track the true origin of millions of goods. This requires lots of time, money, and resources.)

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"Trump's order asserts U.S. dominance, forcing trading partners to bend or break. Yet the risk of overreach looms: tariffs can protect domestic industries, but they also risk straining relationships with allies and raising costs at home."

Section 2. REFLECT

📖 History is full of moments when people faced the choice of following the rules (or bending them) because the cost of obeying was just too high. In U.S. history, for example, during Prohibition in the 1920s, alcohol was banned in the United States. The legal cost of "following the rule" was giving up beer, wine, and liquor altogether. Instead, many people turned to speakeasies (illegal bars) or smuggled alcohol from Canada and the Caribbean. The high cost of compliance made breaking the rule more tempting.

In the Roman Empire, heavy taxes were placed on certain goods moving through trade routes. Merchants often hid valuable items or mislabeled them to dodge those taxes. Just like modern transshipment, this was a way to "cut corners" when the official cost of doing business felt too steep.

REFLECTION:

Q2: In the article, companies use transshipment to avoid tariffs. How does this show the trade-off between following the rules and saving money?

Suggested Answer: Transshipment shows that when the cost of following the rules (paying tariffs) is very high, companies look for cheaper alternatives, even if those alternatives involve bending the rules. By rerouting goods through another country, firms save money in the short term but risk penalties, strained trade relations, and higher enforcement costs. This highlights the trade-off: obey the law and pay more, or avoid costs by finding a loophole.

Q3: What evidence from the excerpts suggests that tariffs may encourage businesses or countries to "cheat" rather than play by the rules?

Suggested Answer: The excerpts describe how Chinese companies responded to earlier U.S. tariffs by rerouting goods through countries like Vietnam and Mexico so they would not appear to come directly from China. This practice—transshipment—allowed them to avoid paying higher U.S. duties. The evidence shows that when tariffs raise the cost of following trade rules, businesses and countries have a strong incentive to find loopholes or bend the rules to save money and keep selling to U.S. consumers.

Q4: Think about a time in your own life when it seemed easier or cheaper to bend a rule, like skipping a step, cutting a corner, or taking a shortcut. Now consider transshipment: when companies dodge tariffs this way, do they pay the cost themselves, or does the burden fall on someone else (think about both foreign consumers and domestic consumers in the exporting country)?

Suggested Answer: When companies dodge tariffs through transshipment, they often avoid paying the immediate cost themselves, but the burden usually shifts to others. U.S. consumers may face higher prices because tariffs still raise overall import costs, and governments may spend more resources on inspections. Workers in exporting countries may also feel pressure, as demand shifts unpredictably or production is relocated. In short, the company saves money in the short term, but the broader costs are carried by consumers, trading partners, and government agencies.

Section 3. THINK LIKE AN ECONOMIST 💡

Mini-Explainer: Key Principles of Economics

Economists study how people and nations make choices when resources are limited. Tariffs and transshipment highlight several important principles:

- **Tariff**: A tax on imported goods.
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Container Confidential: Where Did This Come From?

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2) Begin the tour: Click through the ports to test your knowledge of which countries supply the U.S. with products like shoes, wine, coffee, electronics, and medicine.

3) Notice which goods are heavily concentrated from a single country and which come from multiple sources. Pay attention to patterns.

4) Think about how tariffs on these goods might raise consumer costs and why transshipment (rerouting goods through another country) might be tempting for some countries.

🔍 Apply Economic Thinking

Q5: Which product surprised you most in terms of where it came from, and why?

Suggested Answer: Students may point to items like pharmaceuticals from Ireland, luxury goods from France, or electronics from Vietnam. The surprise often comes from assuming such products were either made in the U.S. or spread across more countries. This question is designed to highlight how concentrated and sometimes unexpected global supply chains can be.

Q6: Did you notice any products that came mostly from just one country? What risks might this create for U.S. consumers and supply chains if tariffs or disruptions hit that country?

Suggested Answer: Yes, examples include medicines from Ireland, electronics from China, or coffee from Brazil. Heavy dependence on a single country creates vulnerability: if tariffs rise, trade relations sour, or disruptions occur (like strikes, natural disasters, or political instability), U.S. consumers could face shortages, higher prices, or delays. This illustrates the risks of limited diversification in supply chains.

Section 4. Discuss & Debate ⚖️ - For more information on this topic as introductory content support, feel free to share this video with students.

Discussion Focus (from the article):

[This tariff gambit echoes broader themes of sovereignty and control…tariffs assert US dominance, forcing trading partners to bend or break, yet the risk of overreach looms. Broader impacts include US consumer price hikes (e.g., shoes up 40%, cars projected to cost $5,800 more on average, according to the Tax Foundation), potentially fueling inflation and debt reliance.]

Two Sides or Scenarios

Students take on opposing perspectives in a structured dialogue:

1. **Pro-Tariff Position**
   Claim: **Tariffs close loopholes, protect U.S. jobs and industries, and assert national sovereignty.**

- ***Potential Benefits:*** **More revenue for the U.S. Treasury, fewer "cheaters" using transshipment, stronger leverage in trade negotiations.**
- ***Costs:*** **Higher prices for consumers, potential retaliation from allies, increased strain on port inspections.**

2. Anti-Tariff Position

- ***Claim:*** **Tariffs raise costs for families and businesses and disrupt global supply chains without truly solving the trade deficit problem.**

- ***Potential Benefits:*** **Lower consumer prices, smoother relations with allies, more efficient global trade.**
- ***Costs:*** **Less protection for domestic industries, greater reliance on foreign supply chains, risk of U.S. job loss in certain sectors.**

Socratic Practice Prompts

A. What are the benefits and costs of each view?
Suggested Answer:
The pro-tariff view emphasizes protecting domestic industries, preserving U.S. jobs, and generating government revenue. The costs include higher consumer prices, strained port resources, and potential retaliation from trade partners. The anti-tariff view emphasizes lower costs for consumers, stronger global relationships, and more efficient trade, but risks greater exposure of U.S. industries to foreign competition and possible job losses in vulnerable sectors.

B. Whose perspective is missing? *(e.g., port authorities, small businesses, exporting-country workers, or everyday U.S. consumers)*
Suggested Answer:
Often missing are the voices of port authorities who must enforce the rules with limited resources, small businesses that depend on affordable imports, and workers in exporting countries whose livelihoods are tied to continued access to U.S. markets. Everyday U.S. consumers also have an important stake, since they feel the direct effect of rising prices.

C. What ethical or long-term implications emerge? *(Is it ethical to impose a policy that protects one group while raising costs for another? Will these policies strengthen or weaken global trust in the long run?)*
Suggested Answer*: Ethically, tariffs raise the question of fairness: is it right to protect one group (domestic producers) at the expense of another (consumers who face higher prices)? In the long term, tariffs can weaken trust among trading partners, push countries into rival blocs, and encourage dishonest practices like transshipment. Alternatively, some argue they may strengthen U.S. sovereignty and bargaining power, but at the risk of fueling division in the global economy.*

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Section 5. Investigate. Reflect. Decide.

Cause & Effect Ripples

Instructions-

1) From the Reuters interactive, choose one product that the U.S. imports (not avocados—pick something different, like electronics, coffee, or medicine).
   a) **My Selected Product: Sample Provided- electronics from China (student selection will vary)**
2) Imagine the U.S. suddenly raises tariffs on that product's main supplier.
3) Use the Global Supply Chain Flow diagram to record the ripple effects. Start with the Exporting Country (since tariffs are applied at the border). Then move to Alternative Suppliers, and finish with the U.S. Consumers.

Step 1 – Exporting Country (Top Right Circle)
Inside the diagram below, write how the country that sells this product to the U.S. would be affected.
(Example: Mexican avocado farmers lose sales, workers may face layoffs, and farms might try to sell to Europe or Asia instead.)

Step 2 – Alternative Suppliers (Bottom Circle)
List other countries that might step in to fill the gap and how trade patterns would shift.
(Example: Peru or Chile increase avocado exports to the U.S., but supply chains become longer and shipping costs rise.)

Step 3 – U.S. Consumers (Top Left Circle)
Describe how American families, businesses, or prices in stores would be affected.
(Example: The price of guacamole rises at restaurants, families pay more at the store, or restaurants buy fewer avocados.)

Suggested Answer:

Step 1 – Exporting Country (Top Right Circle)

- *Chinese electronics factories lose U.S. orders.*
- *Workers may face reduced hours or layoffs.*
- *Companies look for other buyers in Asia, Europe, or Africa.*
- *The Government may retaliate with its own tariffs.*

Step 2 – Alternative Suppliers (Bottom Circle)

- *Vietnam, India, or Mexico increase production of electronics for U.S. markets.*
- *Supply chains adjust, but production costs may rise.*
- *Longer shipping routes or limited capacity can create delays.*
- *New trade partnerships may form between the U.S. and these suppliers.*

Step 3 – U.S. Consumers (Top Left Circle)

- *Prices of laptops, smartphones, or headphones increase in U.S. stores.*
- *Businesses relying on electronics (like schools or offices) face higher costs.*
- *Families may delay purchases or switch to cheaper brands.*
- *Some products may become harder to find, leading to shortages.*