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August 25, 2025

# Trump Administration Heightens Enforcement Focus on Tariff Evasion and “Transshipment”

As the Trump Administration continues to use tariffs in furtherance of its “America First Trade Policy,” the Administration has signaled an increased focus on tariff evasion and “transshipment” as enforcement priorities. Tariff evasion has emerged as a top priority for the Department of Justice (“DOJ”) and the White House has established new “transshipment” tariffs.

DOJ has emphasized that “tariff evasion” is an enforcement priority and it is reportedly establishing a new unit that will focus on bringing tariff evasion cases. DOJ has already brought a number of tariff evasion cases under the False Claims Act this year. Most recently, on August 15, the DOJ announced a \$12.4 million settlement under the False Claims Act with a Texas-based company and its President for allegedly evading duties on imports from China.<sup>1</sup> Assistant Attorney General Brett A. Shumate stated that DOJ “will zealously pursue those who seek an unfair advantage in U.S. markets by evading or conspiring with others to evade duties owed.”

The President’s July 31, 2025 Executive Order included new “transshipment” tariffs and directed the U.S. Customs and Border Protection (“CBP”) and the Department of Commerce to publish a list of facilities and countries that are used in “circumvention” schemes.<sup>2</sup>

Given the heightened enforcement environment surrounding tariff evasion and transshipment, importers and other companies involved in global supply chains should review their trade compliance programs.

## The Department of Justice’s Focus on Tariff Evasion and Customs Fraud

In recent months, both the Criminal and Civil Divisions have emphasized a heightened focus on tariff evasion.<sup>3</sup>

*Criminal Division:* In May 2025, Head of the Criminal Division Matthew R. Galeotti issued a memorandum identifying “trade and customs fraud, including tariff evasion” as one of 10 priorities for white-collar and corporate enforcement.<sup>4</sup> As Galeotti noted in the memorandum, “[t]rade and customs fraudsters, including those who commit tariff evasion, seek to circumvent the rules and regulations that protect American consumers and undermine the Administration’s efforts to create jobs and increase investment in the United States. Prosecuting such frauds will ensure that American businesses are competing on a level playing

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<sup>1</sup> Press Release, U.S. Dep’t of Justice, *Allied Stone Inc. and Company Official Agree to Pay \$12.4M to Settle False Claims Act Allegations Relating to Evaded Customs Duties* (Aug. 19, 2025), available [here](#).

<sup>2</sup> Exec. Order No. 14,326, 90 Fed. Reg. 37963 (2025).

<sup>3</sup> Corinne Ramey, *Battling Tariff Fraud Is a Little-Known Front in Trump’s Trade War*, The Wall Street Journal (Jul. 14, 2025), available [here](#).

<sup>4</sup> Memorandum from the Head of the Crim. Div., *Focus, Fairness, and Efficiency in the Fight Against White-Collar Crime*, U.S. Dep’t of Just. (May 12, 2025), available [here](#). While DOJ brought criminal cases relating to tariff evasion under prior Administrations, it did so relatively infrequently, and the area does not appear to have been an enforcement focus.

field in global trade and commerce.”<sup>5</sup> Additionally, DOJ added “trade, tariff, and customs fraud by corporations” as a category eligible for rewards under DOJ’s Corporate Whistleblower Awards Pilot Program.<sup>6</sup> The Criminal Division is reportedly creating a unit to focus on tariff enforcement, and press accounts describe the transfer of personnel from the Consumer Protection Branch into this newly created “Market, Government, and Consumer Fraud Unit.”<sup>7</sup>

*Civil Division:* DOJ has brought a number of tariff evasion and customs fraud cases under the False Claims Act (the “FCA”) this year. In February 2025, Deputy Assistant Attorney General Michael Granston stated that DOJ plans to “continue to aggressively enforce the False Claims Act,” including for the purpose of enforcing trade laws.<sup>8</sup> Recent FCA cases have involved misrepresentations about an import’s country of origin,<sup>9</sup> misclassification of the import under the tariff schedule,<sup>10</sup> or misrepresenting the value of the imported goods.<sup>11</sup> For example, in a March 2025 resolution, an importer and its two owners settled a False Claims Act case brought by DOJ for \$8.1 million.<sup>12</sup> The resolution noted that the importer “caused false information to be submitted to CBP regarding the identity of the manufacturers and country of origin of the imported” product. Moreover, even where DOJ does not intervene in a case, a *qui tam* relator can bring a claim under the False Claims Act alleging tariff evasion.<sup>13</sup>

### “Transshipment” Tariffs

On July 31, President Trump issued an Executive Order, “Further Modifying the Reciprocal Tariff Rates,” which established a 10% near-worldwide baseline tariff rate and certain higher country-specific tariff rates.<sup>14</sup> Notably, the Executive Order introduced a new category of “transshipment” tariffs. The Executive Order stated that “[a]n article determined by CBP to have been transshipped to evade applicable duties under section 2 of this order” would be subject to a 40% tariff rate in lieu of the country-specific tariff established in the Executive Order. In addition, the Executive Order noted that persons engaged in transshipment may be subject to a “fine or penalty”<sup>15</sup> and provided that CBP shall not allow for “mitigation or remission” of the penalties assessed on transshipped imports.

The Executive Order did not define “transshipment” and, to date, CBP has not issued further guidance on this new tariff. Ordinarily, an import from multiple countries would be assessed under a country of origin framework that focused on whether a “substantial transformation” of the product took place in the final country in the supply chain.<sup>16</sup> While the Executive Order did not mention any particular countries with regards to transshipment, press reports have noted that the Administration is targeting imports from Southeast Asia that have parts sourced from China.<sup>17</sup> The White House has stated that it has “zero tolerance for transshipment” and is “exploring” new rules that would apply higher tariffs to components that are incorporated into a product in another country before being shipped to the United States.<sup>18</sup>

As noted above, the Executive Order directed CBP and the Department of Commerce to publish a bi-annual list of “countries and specific facilities that are used in circumvention schemes” and noted that the list should be utilized in “commercial due diligence.” To date, CBP and Commerce have not published this list.

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<sup>5</sup> *Id.* at 3.

<sup>6</sup> See Paul, Weiss, DOJ Announces New Corporate and White-Collar Enforcement Policies and Priorities (May 15, 2025), available [here](#).

<sup>7</sup> Justin Wise, *DOJ Frauds Unit Tasked With Pursuing Evasion of Trump Tariffs (1)*, Bloomberg Law (Jul. 10, 2025), available [here](#).

<sup>8</sup> *False Claims on Trade to Trump FCPA as Justice Priority?*, Wash. Tariff & Trade Letter, available [here](#).

<sup>9</sup> Press Release, U.S. Dep’t of Justice, *Importers Agree to Pay \$6.8 Million to Resolve False Claims Act Liability Relating to Voluntary Self-Disclosure of Unpaid Customs Duties* (Jul. 23, 2025), available [here](#).

<sup>10</sup> Press Release, U.S. Dep’t of Justice, *Justice Department Files Suit for Unpaid Duties and Penalties for Alleged Misclassification and Failure to Pay Duties on Imported Chinese Solar Panels* (Oct. 10, 2024), available [here](#).

<sup>11</sup> Press Release, U.S. Dep’t of Justice, *U.S. Files Complaint Against Myrtle Beach Office Furniture Supplier & Owner* (Jul. 16, 2025), available [here](#).

<sup>12</sup> Press Release, U.S. Dep’t of Justice, *Evolutions Flooring Inc. and Its Owners to Pay \$8.1 Million to Settle False Claims Act Allegations Relating to Evaded Customs Duties* (Mar. 25, 2025), available [here](#).

<sup>13</sup> The Ninth Circuit recently affirmed a \$26 million judgement against an importer for evading required duties on Chinese imports, where the case was brought by a relator. *Island Industries Inc. v. Sigma Corp.*, 142 F.4th 1153 (9th Cir. 2025).

<sup>14</sup> Exec. Order No. 14,326, 90 Fed. Reg. 37963 (2025).

<sup>15</sup> The Executive Order cites 19 U.S.C. § 1592, which allows for the United States to recover customs duties avoided through fraud.

<sup>16</sup> Int’l Trade Admin., U.S. Dep’t of Com., *Rules of Origin: Substantial Transformation*, available [here](#).

<sup>17</sup> Lydia DePillis, *New Tariff on ‘Transshipped’ Goods Mystifies Importers*, N.Y. Times (Aug. 8, 2025), available [here](#).

<sup>18</sup> *Id.*

Importers and other companies involved in global supply chains should monitor for further guidance from CBP on transshipment and will need to incorporate the CBP-Commerce list into their trade compliance programs.

### Takeaways

Given the Administration’s heightened focus on tariff evasion and transshipment schemes, importers and other companies involved in global supply chains should consider undertaking reviews of their trade compliance programs and making enhancements where appropriate. Companies should consider conducting or refreshing a risk assessment to identify potential areas of risk and reviewing their due diligence policies and procedures to ensure that they are well-designed to detect tariff evasion in their supply chains. If potential violations are identified, companies should consider whether to file a Voluntary Self Disclosure with the Department of Justice.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

**H. Christopher Boehning**  
+1-212-373-3061  
[cboehning@paulweiss.com](mailto:cboehning@paulweiss.com)

**Jessica S. Carey**  
+1-212-373-3566  
[jcarey@paulweiss.com](mailto:jcarey@paulweiss.com)

**John P. Carlin**  
+1-202-223-7372  
[jcarlin@paulweiss.com](mailto:jcarlin@paulweiss.com)

**Harris Fischman**  
+1-212-373-3306  
[hfischman@paulweiss.com](mailto:hfischman@paulweiss.com)

**Roberto J. Gonzalez**  
+1-202-223-7316  
[rgonzalez@paulweiss.com](mailto:rgonzalez@paulweiss.com)

**Elizabeth Hanft**  
+1-212-373-3664  
[ehanft@paulweiss.com](mailto:ehanft@paulweiss.com)

**Joshua Hill Jr.**  
+1-628-432-5123  
[jhill@paulweiss.com](mailto:jhill@paulweiss.com)

**David K. Kessler**  
+1-212-373-3614  
[dkessler@paulweiss.com](mailto:dkessler@paulweiss.com)

**Randy Luskey**  
+1-628-432-5112  
[rluskey@paulweiss.com](mailto:rluskey@paulweiss.com)

**Loretta E. Lynch**  
+1-212-373-3000

**Mark F. Mendelsohn**  
+1-212-373-3337  
[mmendelsohn@paulweiss.com](mailto:mmendelsohn@paulweiss.com)

**Ian C. Richardson**  
+1-202-223-7405  
[irichardson@paulweiss.com](mailto:irichardson@paulweiss.com)

**Jacobus J. Schutte**  
+1-212-373-3152  
[jschutte@paulweiss.com](mailto:jschutte@paulweiss.com)

**Nicole Succar**  
+1-212-373-3624  
[nsuccar@paulweiss.com](mailto:nsuccar@paulweiss.com)

**Benjamin Klein**  
+1-202-223-7317  
[bklein@paulweiss.com](mailto:bklein@paulweiss.com)

**Samuel Kleiner**  
+1-212-373-3797  
[skleiner@paulweiss.com](mailto:skleiner@paulweiss.com)

**Justin D. Lerer**  
+1-212-373-3766  
[jlerer@paulweiss.com](mailto:jlerer@paulweiss.com)

*Associates Samuel Rebo and Brandon G. Rosenberg contributed to this Client Memorandum.*