

LEGAL UPDATES

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White Collar, Internal
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CORTNEY O'TOOLE
MORGAN
WASHINGTON:
202.378.2389
CORTNEY.MORGAN@
HUSCHBLACKWELL.COM

TODD GEE
WASHINGTON:
202.378.9341
TODD.GEE@
HUSCHBLACKWELL.COM

NITHYA NAGARAJAN
WASHINGTON:
202.378.2409
NITHYA.NAGARAJAN@
HUSCHBLACKWELL.COM

The DOJ and DHS Have Put the Trade Fraud World on Notice: A Billion-Dollar Warning Shot

On July 14, 2026, the U.S. Department of Justice (DOJ) and the Department of Homeland Security (DHS) sent the clearest possible signal that the era of treating customs fraud as a manageable cost of doing business is over. The joint announcement came on two fronts: the release of A Resource Guide to Trade Fraud Enforcement—the first comprehensive, publicly available playbook on how the government detects, investigates, and prosecutes trade fraud—and the declaration that the Trade Fraud Task Force (TFTF), launched less than a year earlier in August 2025, has already surpassed \$1 billion in civil and criminal recoveries, penalties, forfeitures, and publicly charged losses.

Together, these developments represent a significant escalation of U.S. trade fraud enforcement. For importers, customs brokers, distributors, and any business that touches the global supply chain, the message could not be more direct.

The Task Force Milestone: \$1 Billion in Less Than a Year

The TFTF, a partnership between DOJ's National Fraud Enforcement Division and DHS, was created to investigate and prosecute those who defraud the government through material misrepresentations to U.S. Customs and Border Protection (CBP), including transshipment schemes, mislabeling, and false declarations. The task force's mandate extends across the entire supply chain: importers, customs brokers, downstream distributors, commercial buyers, and anyone else who knowingly profits from merchandise imported contrary to law.

The \$1 billion milestone figure encompasses a broad range of enforcement actions. The single largest contributor is a \$549.5 million False Claims Act

settlement with a company which allegedly disguised Chinese aluminum extrusions as functional shipping pallets to evade antidumping and countervailing (AD/CVD) duties. The investigation, led by Homeland Security Investigations (HSI), determined that the so-called pallets were simply aluminum extrusions spot-welded together, had no actual customers, and were never sold as pallets.

Other major resolutions include a \$54 million settlement with a company for failing to pay duties on tungsten carbide products imported from China via a third-country transshipment; a \$6.3 million criminal fine against a company that plead guilty to Lacey Act violations involving illegally imported birch plywood (a company found to have demonstrated willful blindness by placing ten additional orders in the two weeks after a federal raid on its supplier's warehouse); and an \$8 million criminal fine against a company for failing to report dangerously defective imported air conditioners linked to more than 40 fires and one death.

Punctuating the announcement, the U.S. Attorney's Office in Chicago, selected as the TFTF's lead prosecutorial partner, unveiled charges in two gold jewelry cases against the operators of a company that allegedly imported approximately \$693 million in gold jewelry from India and the UAE over roughly four years while falsely declaring Singapore as the country of origin, avoiding an estimated \$38 million in duties. In a separate case, the owner of another company was charged with allegedly importing some \$240 million in jewelry over five years using false origin declarations for Oman and Singapore, evading more than \$13.6 million in duties.

A New Permanent Section for Trade Crime Prosecution

Coinciding with the milestone announcement, DOJ formalized its trade enforcement infrastructure by establishing the Global Trade & Commerce Enforcement Section (GTCES) within the National Fraud Enforcement Division. The GTCES exists specifically to investigate and prosecute criminal import, trade, and related fraud offenses—targeting conduct that undermines American industries, evades external revenue collection, threatens consumer health and safety, finances foreign adversaries, and promotes forced labor through illegal trade practices. This is not a task force that will sunset. It is a permanent prosecutorial section with a defined national mandate.

The Enforcement Guide: What It Says and Why It Matters

The Resource Guide to Trade Fraud Enforcement is a 27-page joint DOJ-DHS document that, for the first time, lays out in public detail how the government approaches customs and trade fraud from both a civil and criminal enforcement perspective.

The guide opens with a clear-eyed statement of intent that practitioners should internalize: “any imported good that presents a risk to our revenue, our safety, or our values usually begins with a lie.” It also signals that the conventional wisdom—that trade violations result only in administrative fines

and seizures—is dangerously outdated. DOJ views “the intentional subversion of trade laws as a serious offense that warrants both civil and criminal exposure when appropriate.” That exposure, the guide notes, is not limited to the border crossing itself; federal law reaches deep into the domestic stream of commerce.

Three Pillars of Enforcement Priority

The guide organizes the government’s enforcement rationale around three imperatives that will shape the direction of future prosecutions:

Fiscal integrity. When entities evade lawful duties, the guide frames it bluntly as stealing from the public treasury. Section 301 tariffs, AD/CVD duties, and Section 232 levies can stack to significant percentages (AD/CVD duties alone sometimes exceed 600% of declared value), making evasion schemes highly profitable and, correspondingly, a high federal priority.

Public safety. The guide stresses that the same mechanisms used to evade financial obligations routinely serve to bypass health and safety screening. Fraudulently imported goods (adulterated drugs, unsafe children’s toys with banned chemicals, noncompliant vehicles) make it through the border under false pretenses, posing direct risks to American consumers.

Human dignity and forced labor. The guide devotes an entire chapter to forced labor enforcement, describing a global crisis where an estimated 28 million people are currently trapped in forced labor generating an estimated \$236 billion in illegal profits annually. The UFLPA’s rebuttable presumption framework for goods connected to the Xinjiang Uyghur Autonomous Region (XUAR) is detailed, along with the twelve high-priority sectors now subject to heightened enforcement scrutiny—including cotton, aluminum, polysilicon, steel, copper, lithium, PVC, seafood, and jujubes (red dates), among others.

A Taxonomy of Common Fraud Typologies

Chapter 5 of the guide is particularly useful for compliance counsel: it catalogs the most common fraud schemes, each paired with real enforcement examples. The typologies include:

False country-of-origin declarations— misrepresenting origin to avoid Section 301 duties or AD/CVD orders, often executed through transshipment via third countries.

HTS misclassification— using lower-duty tariff codes to disguise finished goods as parts, or high-duty items as duty-free categories. One car manufacturer paid \$365 million after installing temporary sham rear seats to reclassify cargo vans as passenger vehicles.

Undervaluation— presenting falsified invoices to CBP to artificially depress the duty calculation, frequently through double-invoicing schemes with complicit foreign manufacturers.

AD/CVD evasion– the most frequently prosecuted category, often involving false origin or misclassification to escape remedial tariff orders that can far exceed standard duty rates.

Shell company fraud– using sham Importers of Record with no real assets, dissolved shortly after goods clear customs to frustrate CBP collection efforts.

Drawback fraud– filing false export claims to obtain duty refunds on goods that were never actually exported.

Forced labor and environmental violations– including Lacey Act violations for illegally sourced timber and wildlife, and importation of goods produced under forced labor conditions.

The guide also addresses failures to report dangerous or defective products to the CPSC, FDA, NHTSA, and EPA, a category of offense that can carry substantial criminal penalties and that, as the gold jewelry cases discussed above illustrate, the government is actively prosecuting.

The Corporate Compliance Imperative

Perhaps the most significant signal in the guide for in-house and outside counsel is its treatment of corporate responsibility. The guide states unequivocally that “the era when a company can claim ignorance of its upstream partners’ activities is over.” Every participant in the supply chain—from the importer to the secondary wholesaler to the transporter—has a role to play, including actively auditing supply chains, verifying representations made by partners, and avoiding willful blindness.

The guide warns that CBP will look closely at whether any compliance failure resulted from negligence, reckless disregard, willful blindness to signs of fraud, or intentional criminality. DOJ’s corporate enforcement policy is referenced explicitly as offering concrete benefits such as reduced penalties and credit for companies that voluntarily disclose discovered misconduct, cooperate with investigations, and remediate wrongdoing promptly.

CBP’s own enforcement posture has hardened in parallel. So far in the current fiscal year, CBP has assessed more than \$2.1 billion in commercial trade penalties and debarred 35 parties from doing business with the federal government—enforcement actions that sit alongside, not instead of, DOJ’s civil and criminal tools.

Key Takeaways for Importers and Their Counsel

The TTF milestone and the enforcement guide together establish the new baseline for trade compliance risk. Several practical points follow:

Down-chain actors are not safe. The guide makes clear that Title 18, Section 545 reaches anyone who receives, conceals, buys, sells, or facilitates the movement of goods imported contrary to law

despite having knowledge of the illegal importation. Distributors, wholesalers, and commercial buyers face real exposure.

The False Claims Act is the government's primary civil weapon. The FCA's treble-damages provision and its qui tam mechanism, allowing private whistleblowers to bring suits and collect a share of recoveries, mean that the government can leverage private-sector informants throughout the supply chain. Willful blindness satisfies the "knowing" standard.

Voluntary self-disclosure has real value. DOJ has explicitly tied cooperation credit to prompt voluntary disclosure. The guide references the department-wide corporate enforcement policy. Companies that discover compliance failures and disclose proactively stand in a materially different position than those who are investigated and charged.

Compliance programs must extend to the supply chain. Origin certifications, supplier audits, tariff classification reviews, and escalation protocols for suspected fraud are no longer aspirational best practices. They are the baseline standard the government expects every sophisticated importer to meet.

Chicago will be an enforcement hub. U.S. Attorney Andrew Boutros has stated his intention to make the Northern District of Illinois "the tip of the spear" for trade fraud enforcement, with expansive venue over import-related matters moving through one of the country's largest inland ports.

Conclusion

The release of the Resource Guide to Trade Fraud Enforcement and the \$1 billion TFTF milestone are a demonstration of the government's view, as Assistant Attorney General Colin McDonald has stated, that "For too long, fraud actors have viewed customs violations as a mere surcharge or cost of doing business. By utilizing the department's full weight, we are making it clear that trade fraud is a serious economic crime."

Companies with global supply chains should treat this moment as a catalyst for a comprehensive review of their customs compliance posture—before the government identifies vulnerabilities for them.

Husch Blackwell LLP's International Trade & Supply Chain practice and its White Collar, Internal Investigations, & Compliance practice can assist companies engaged in international trade in complying with U.S. trade rules and investigating and addressing potential violations.