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SMARTER PERSPECTIVE: GLOBAL INVESTIGATIONS & DISPUTE RESOLUTION

Trade Fraud and Forced Labor in Corporate Enforcement

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Consider a supplier that offers a lower price and explains that production has moved to a country with more favorable tariff treatment. For a buyer under pressure to reduce costs, the proposal is attractive. The buyer still needs to understand what manufacturing takes place at the new location and whether it supports the claimed origin. Accepting the savings means accepting an explanation that the company should be able to substantiate.

That is the practical challenge behind the Department of Justice's (DOJ) growing focus on trade fraud and forced labor. At the July 14, 2026 trade fraud briefing, Assistant Attorney General Colin McDonald put the issue directly: "If you ignore supplier red flags to pad your margins, you will be held accountable."[1]

For us, that warning goes directly to how sourcing decisions are made and challenged inside a company. Procurement may hear the explanation, Finance may see the savings, and Logistics may hold the shipping records. Unless those pieces are brought together, a warning sign can remain unresolved while purchasing continues. The cases and guidance discussed below show why that gap deserves the attention of general counsel, compliance leaders, and senior management.

Why Corporate Responses Matter

The enforcement infrastructure now supports that message. DOJ and the Department of Homeland Security (DHS) established the Trade Fraud Task Force in August 2025. By July 2026, DOJ reported more than $1 billion in combined civil and criminal recoveries, penalties, forfeitures, and publicly charged losses. The total includes alleged losses in pending cases. In announcing the milestone, McDonald observed: "For too long, fraud actors have viewed customs violations as a mere surcharge or cost of doing business."[1]

The agencies' July 2026 Resource Guide to Trade Fraud Enforcement explains the conduct under scrutiny through 16 common trade-fraud typologies.[2] More recently, DOJ's October 1 Directive 26-12 expressly prioritized corporate investigations involving tariff evasion, imports, and forced labor. The directive also gives significant weight to management knowledge or involvement, concealment, and the duration of misconduct.[3] A company's handling of an internal warning can therefore become central to the government's assessment of its conduct.

This matters even when a company buys goods after they enter the United States. The criminal import statute, 18 U.S.C. § 545, reaches certain downstream conduct, including purchasing or receiving merchandise with knowledge that it was imported contrary to law. Customs misstatements can also produce civil penalties under 19 U.S.C. § 1592, while knowing duty evasion may support False Claims Act liability, including treble damages and civil penalties. The False Claims Act's knowledge standard includes deliberate ignorance and reckless disregard. Each route has its own requirements; an incorrect entry alone does not establish fraud.[4]

The legal distinctions remain important as enforcement expands. DOJ's September 18, 2026 Justice Manual revisions reaffirmed that agency guidance cannot independently create obligations beyond statute or regulation.[5] We would use the trade-fraud guide to identify questions a company should be prepared to answer, while grounding the legal assessment in the obligations that actually apply.

Following the Goods and the Economics

A changing supplier footprint is a sensible place to begin that inquiry. Census data show that the value of U.S. goods imports from China fell approximately 29.9% in 2025, while imports from Vietnam, Thailand, and Indonesia rose approximately 42.2%, 45.0%, and 24.8%, respectively.[6] Those figures do not establish evasion. They do provide context for asking what changed within a particular supply chain and whether the records support the explanation.

For example, a new shipping route may be commercially reasonable without changing a product's legal origin. A buyer reviewing a claimed production move should therefore understand what happens at

the new facility and obtain support for the applicable origin determination. Ceratizit illustrates the consequences when that distinction breaks down. In December 2025, the company agreed to pay $54.4 million to resolve allegations involving Chinese tungsten carbide products represented as originating in Taiwan, incorrect tariff classifications, and unpaid marking duties. The settlement resolved allegations without a determination of liability.[7]

The inquiry also needs to reach the product itself. In May 2026, Perfectus Aluminum and related companies agreed to a $549.5 million False Claims Act settlement over alleged evasion of antidumping and countervailing duties. According to DOJ, aluminum extrusions were spot-welded into purported finished pallets, although there were no customers for the pallets and none were sold. DOJ also identified a related 2021 criminal conviction.[8] The alleged mismatch between the declared product and its commercial purpose makes the case particularly instructive: an invoice description should be tested against what the business actually buys, uses, or sells.

Boise Cascade brings the analysis back to the purchaser's response to warning signs. In April 2026, the company pleaded guilty to a felony Lacey Act violation and was sentenced to pay a $6.382 million fine and implement a compliance plan. DOJ described purchases of Chinese plywood illegally imported through a scheme that used Malaysia to conceal origin. Even after learning that federal agents had searched its supplier's warehouse, Boise Cascade placed at least 10 new orders within two weeks.[9]

As U.S. Attorney Jason A. Reding Quiñones stated when announcing the case, "Trade fraud is not a paperwork violation."[9] For a compliance team, the sequence of events is as instructive as the penalty. Once information calls a supplier's explanation into question, the company needs a process for investigating it and deciding whether purchasing can continue. That decision, and the evidence supporting it, should be documented while the facts are still available.

Following the Labor Behind the Product

The same attention to the source of a cost advantage is necessary when forced labor may be involved. Even where a product's origin and tariff classification are accurate, the conditions under which it was made can create a separate import risk. Section 307 of the Tariff Act prohibits imports made wholly or partly with forced labor in any foreign country. The Uyghur Forced Labor Prevention Act (UFLPA) adds a rebuttable presumption for covered goods produced wholly or partly in Xinjiang or by listed entities. A review therefore needs to consider upstream inputs and production stages, as well as the immediate supplier.[10]

Recent developments reinforce that broader scope. U.S. Customs and Border Protection (CBP) issued its Forced Labor Enforcement Operational Guidance for Importers in June 2026, bringing together procedures and recommended documentation for addressing forced-labor import concerns.[11] That same month, CBP issued Withhold Release Orders covering certain copper products manufactured in Serbia and apparel manufactured in Jordan. Separately, the Office of the U.S. Trade Representative (USTR) took Section 301 action in July 2026, imposing additional tariffs, subject to exceptions and differing treatment, in response to 60 economies' failures to impose or effectively enforce forced-labor import prohibitions.[12] That action is distinct from UFLPA and does not extend its rebuttable presumption to those economies.

The consequence for companies is practical: screening for Xinjiang exposure alone leaves other forced-labor risks unexamined. Depending on the facts, criminal forced-labor provisions and civil claims by victims may also be relevant, subject to their own participation, knowledge, and jurisdictional requirements.[10] The compliance question is therefore whether the company can support its understanding of how the goods were produced and respond credibly when that understanding is challenged.

Building Compliance Around Business Decisions

In our view, an effective program connects prevention, detection, and response to everyday business decisions. Due diligence establishes the basis for a purchase, monitoring tests whether that basis still holds, and investigations identify improvements that should feed back into the controls.

Prevent

Prevention begins with understanding which products, suppliers, and sourcing arrangements create the greatest exposure. The DOJ/DHS guide states that "candor is not just the best practice; it is a legal requirement."[2] If a supplier changes the claimed origin, offers substantial tariff savings, or uses an unfamiliar intermediary, the responsible team should obtain supporting records and assess the explanation before approving the change. Contracts should provide appropriate access to records and audit rights. Delivered Duty Paid arrangements, in which the supplier arranges customs formalities, deserve particular attention because the buyer may otherwise have limited visibility into the entry.

Those expectations need clear ownership across Procurement, Finance, Logistics, Legal, and Compliance, including who approves sourcing changes and who can pause a purchase or shipment. We recommend training employees to recognize relevant warning signs and making the obligation to substantiate savings part of procurement's performance expectations.

Detect

Test that foundation against actual transactions. For a higher-risk supplier, review the approval and supporting records, then trace a purchase through the invoice, payment, shipping records, and customs declaration. Bringing together information held by different functions should reveal which claims are substantiated and which remain unsupported.

Ongoing monitoring can extend that inquiry across purchases. Compare customs classifications and declared values with purchasing and payment data. Investigate unexplained differences with customs specialists, widening the review where discrepancies remain unresolved. Employees also need a reliable way to report concerns without retaliation. Analytical exceptions and employee reports should reach someone responsible for investigating and documenting the outcome.

For forced-labor concerns, records need to be supplemented with evidence about workers' actual circumstances. At higher-risk suppliers, review recruitment fees, loans, and wage deductions to assess whether debt compels workers to stay. Compare wages owed with payments received, and examine whether workers can leave the workplace, resign without coercion, and freely access identity documents. A debt or delayed payment alone does not establish forced labor.[13] Independent labor specialists and confidential worker interviews, with safeguards against retaliation, can help test whether actual practices match supplier policies.

Respond

A credible concern should trigger a coordinated response. A plan for the first 72 hours can help counsel and the investigation team preserve records and communications, identify affected goods and periods, and assess whether transactions should continue. That is an internal planning horizon, not a legal deadline; urgent obligations and worker safety may require immediate action. The investigation should reconstruct prior warnings and decisions while testing both the allegation and evidence that points to a different explanation.

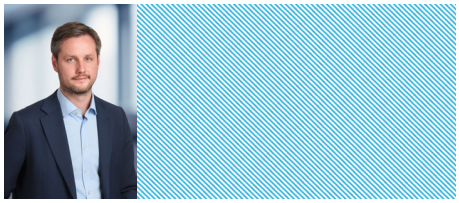
As the facts develop, the team can quantify potential duty shortfalls, assess affected transactions, and address harm to workers where relevant. Disclosure decisions also need early attention. DOJ's corporate enforcement policy encourages prompt reporting; a disclosure solely to a regulator generally does not satisfy its requirement for disclosure to the appropriate DOJ criminal component.[14] Counsel should coordinate the separate CBP, criminal, and civil considerations while the investigation continues.

The response should also correct the failure that allowed the problem to arise. An unsupported origin change may call for stronger approval requirements; an alert closed without adequate inquiry may reveal a weakness in escalation. Corrected controls should be retested, with clear responsibility for remaining actions. Senior management and, where warranted, the board should receive an account of the exposure, unresolved questions, and progress on remediation.

Returning to the supplier offering a lower price, the company needs evidence that supports the savings and a clear response when that evidence is missing or contradicted. We would begin by testing those capabilities against a real transaction today. The result will show management where its controls work, where its visibility ends, and what needs to happen before the next order is approved.

Sources:

1. *DOJ, July 14, 2026. Trade Fraud Task Force announcement; DOJ Fraud Division post quoting Colin McDonald; reproduction of the post and supplier-red-flags quotation.*
2. *DOJ and DHS, July 2026. A Resource Guide to Trade Fraud Enforcement. See printed page 2 on candor and corporate oversight and pages 19–26 on common typologies.*
3. *DOJ, October 1, 2026. Directive 26-12, Corporate Enforcement in the Fight Against Fraud.*
4. *Customs and False Claims Act authorities. 18 U.S.C. § 545; 19 U.S.C. § 1592; 31 U.S.C. § 3729.*
5. *DOJ, September 18, 2026. Justice Manual revisions on False Claims Act enforcement. The revisions also direct consideration of dismissal in declined qui tam cases; declining intervention does not automatically end a case.*
6. *U.S. Census Bureau, annual nominal goods-import values for 2024 and 2025. China; Vietnam; Thailand; Indonesia. Percentage changes calculated from annual totals and rounded.*
7. *DOJ, December 18, 2025. Ceratizit USA $54.4 million False Claims Act settlement.*
8. *DOJ, May 12, 2026. Perfectus Aluminum $549.5 million False Claims Act settlement.*
9. *DOJ, April 27, 2026. Boise Cascade guilty plea and sentence for a Lacey Act violation. Includes the quotation from U.S. Attorney Jason A. Reding Quiñones.*
10. *Forced-labor authorities. 19 U.S.C. § 1307; UFLPA, Pub. L. 117-78, § 3; 18 U.S.C. § 1589; 18 U.S.C. § 1595.*
11. *CBP, June 24, 2026. Notice of Forced Labor Enforcement Operational Guidance for Importers.*
12. *USTR, July 2026. Section 301 fact sheet and June CBP enforcement examples; July 23 notice of actions. The notice provides effective dates, exceptions, and differing treatment.*
13. *International Labour Organization, 2025 revised edition. ILO Indicators of Forced Labour.*
14. *DOJ, March 2026. Corporate Enforcement and Voluntary Self-Disclosure Policy. See Part I, footnote 5, and Appendix B on timing and disclosure requirements.*



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