

4 Ways To Help CBP Curb Shell Co. Import Schemes

By **Carrie Owens and Matthew Martin** (March 17, 2026, 5:25 PM EDT)

As tariffs continue to occupy a central role in U.S. trade policy, U.S. Customs and Border Protection faces the persistent and growing problem of shell companies. Broadly speaking, shell companies are entities that exist only on paper, lacking actual business operations and assets. While not all shell companies engage in illicit trade, some perpetrate tariff evasion and other illicit trade on a massive scale.

Indeed, on Feb. 25, Bloomberg Law News highlighted a \$112 billion gap between what China has reported as exporting to the U.S. last year and what CBP reports as officially arriving in the U.S.[1]

Last spring, CBP announced its largest Enforce and Protect Act, or EAPA, determination of evasion, involving a network of Chinese shell companies transshipping goods through Vietnam, Taiwan, South Korea and Indonesia, and evading more than \$250 million in tariffs.[2] Many of the 23 importers exhibited the hallmarks of shell companies, located at the same addresses and even filing business registrations on the same day. Predictably, most failed to participate in the investigation beyond the initial request for information, if they responded at all.

Despite the speed at which CBP issues determinations in its investigations, it may not be fast enough to stop a company from shifting its operations to a new shell and continue evading U.S. trade laws.

In order to address those actors attempting to dodge CBP's scrutiny, the legal authorities and existing enforcement mechanisms available to CBP need to be improved. This article highlights four reforms aimed at disrupting illicit trade committed by shell companies.

1. U.S. importers of record should be required to have a U.S. bank account.

Shell companies are attractive vehicles for trade fraud because they lack prior credit or an enforcement history that CBP, brokers or sureties can use for vetting. Current registration processes for importers of record or state business licenses offer few safeguards to identify these entities.

Banking regulations, however, could serve as an effective screening tool. They require covered financial institutions to identify and verify the true beneficial owners of a company and conduct ongoing customer due diligence monitoring. U.S. banks also have identity tracing and registration requirements



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in place for foreign entities.

Requiring all importers of record to maintain a U.S. bank account prior to receiving an importer of record number would leverage U.S. banking know-your-customer laws to help trace and identify foreign ownership of shell companies. CBP could confirm the U.S. bank accounts through the transfer of a nominal amount, validating the entity.

While not a complete solution, requiring importers of record to have a U.S. bank account would meaningfully improve CBP's enforcement capabilities, leverage financial institutions' vetting resources and provide critical identifying information.

2. CBP should be authorized to apply adverse inferences when investigated entities or persons fail to provide requested information.

Enacted just over 10 years ago in February 2016, the EAPA has significantly strengthened CBP's ability to investigate and crack down on tariff evasion.

A crucial feature of the EAPA is its authorizing of CBP to apply so-called adverse inferences against parties that fail to provide requested information in good faith, meaning that CBP can rely upon information adverse to the interests of an investigated party if the party fails to cooperate with CBP's investigation to the best of its ability.

By incentivizing cooperation and candor by entities under investigation, this authority has been critical in combating illicit trade, and identifying and recovering revenue lawfully owed to the U.S. government.

Outside EAPA investigations, CBP is constrained in its ability to rely upon the full range of information available to it when dealing with a shell importer that fails to provide requested information.

For example, even though CBP can definitively prove that a product was not made in the alleged country of export, it cannot assume that it was transshipped from the country with the highest duty rate. CBP must identify evidence to show the merchandise was produced in that third country before applying those rates.^[3]

Therefore, when dealing with a shell importer that fails to provide the requested information, CBP's hands are tied. The agency must investigate to find the true country of origin if it is going to apply the proper duty rates.

Placing the burden of fully cooperating with CBP's investigations on importers of record should be the norm rather than the exception. Incentivizing investigated parties to be more forthcoming with CBP by authorizing the agency to draw adverse inferences against investigated parties if they fail to cooperate would significantly enhance CBP's trade enforcement capabilities.

3. Foreign trading partners should assist the U.S. government in combating illicit trade by shell companies.

Aggressive action by America's trading partners to combat illicit trade moving across their borders and sanctioning violators would make these schemes more difficult to operate and raise the costs, legal exposure and complexity that illicit actors face in evading U.S. trade laws.

In addition to using U.S. shell importers, many trade evasion schemes require the obfuscation of the true origin of the merchandise. By repackaging merchandise in a country other than the country of origin, for example, and adding "Made in Country X" labels on the box, companies skirt high tariff rates applicable to goods from the country of origin.[4]

Facilities located outside the merchandise's country of origin can also be used to perform minimal further processing of the goods and attain a new certificate of origin from the third country, which can be used to claim a false country of origin with CBP.

Foreign governments can and should take additional steps to thwart this behavior. Increased monitoring and inspection of activity in foreign trade zones, where these practices often occur, can aid in identifying and exposing these schemes and actors.

Heightened scrutiny of merchandise where the same party is both an importer and exporter of similar merchandise, and instances in which the party exported to the U.S., would also improve trade enforcement. Even if the country of origin for merchandise changes within the meaning of foreign law, foreign governments can assist CBP by identifying high-risk exports destined to the U.S. for further vetting by CBP.

Fortunately, some of our key trading partners recognize the severity of this problem.

For example, in October 2025 the government of Thailand announced steps to curb false origin claims on U.S. exports and ramp up inspections.[5] In February, the government of Mexico convened key stakeholders in the country to discuss ways to improve and strengthen efforts to combat illicit trade and smuggling.[6]

While it remains to be seen whether either of these efforts will stem the flow of illicit transshipment through their borders, these steps should be emulated and supported by other countries.

The U.S. government should also assess foreign countries' trade enforcement efforts and evaluate their progress — or lack thereof — in curbing illicit trade that arrives in the U.S. If illicit goods continue to flow through their borders unabated, it should not be enough for trading partners to simply state they are opposed to violations of trade laws.

4. CBP should leverage the existing authorities and resources of the intelligence community.

Tasked with gathering information on foreign actors intending to harm the U.S., the intelligence community's mission is increasingly aligned with U.S. trade policy centered on protecting national economic security through tools such as Section 232 of the Trade Expansion Act, among others.

Because CBP operates under law enforcement authorities and the intelligence community operates under Title 50 authorities with different avenues for collecting information, greater information sharing and coordination between them could significantly strengthen CBP's trade enforcement posture.

Specifically, the intelligence community's expertise in gathering information on foreign persons and foreign companies could greatly assist CBP in identifying and tracing individuals and entities involved in foreign and transnational illicit trading schemes. The intelligence community is also effective at identifying and tracking foreign criminal organizations, assessing foreign production and distribution networks, and generally obtaining information on foreign actors.

Through greater collaboration and information sharing with the intelligence community, CBP could be armed with a clearer knowledge of the network and upstream foreign distribution channels, enabling it to more effectively identify illicit trade before it even crosses our borders.

While the intelligence community already provides some support for federal agency enforcement of U.S. trade laws, specific support at the strategic level is needed. Strategic intelligence support could proactively identify specific trade threats at the national and international level, as opposed to supporting specific enforcement operations, where the target has already been identified.[7]

For example, it could uncover threats to the global supply chain; identify new tactics, techniques and procedures used by those seeking to evade U.S. trade laws; highlight specific sectors that are at the highest risk for illicit trade; reveal connections between those conducting illicit trade and transnational criminal organizations; and provide insights on how foreign leaders view their role in stopping illicit trade from leaving their borders.

Engaging the intelligence community to provide this critical level of strategic support to CBP — and other law enforcement agencies — to address illicit trade would not require a statutory or regulatory change. Launching this effort would be as simple as directing and resourcing an intelligence community member, such as the U.S. Department of Homeland Security's Office of Intelligence and Analysis, to lead the effort.

DHS is the only member of the intelligence community directed to share information with the private sector, which is critical to identifying these illicit trade schemes.[8] Equipping this office with the resources and a mission to assist in spearheading a modernized synergistic effort between the intelligence community and CBP would be a significant first step in improving the U.S. government's ability to police shell companies and other unscrupulous actors that threaten U.S. economic security.

Conclusion

Despite significant increases in trade enforcement and revenue collection in recent years, CBP continues to face persistent challenges in addressing trade evasion schemes perpetrated by sophisticated actors that exploit shell companies, transshipment networks and regulatory gaps.

Enforcement outcomes are driven not only by staffing and resources but also by the tools and legal authorities available to CBP, assistance from foreign trading partners, and inter-governmental support and information sharing.

Shifting to a proactive rather than reactive enforcement posture requires CBP to be equipped with enhanced investigative authorities, better intelligence support, and mechanisms to identify and hold accountable the ultimate illicit actors. The four proposals outlined in this article may help CBP in addressing the growing problem of shell companies evading tariffs and facilitating unlawful trade.

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[1] Laura Curtis & James Mayger, "China's \$112 Billion Cargo Gap Shows Peak US Tariff Evasion," Bloomberg Law News (Feb. 25, 2026), <https://www.bloomberg.com/news/features/2026-02-24/china-s-112-billion-cargo-gap-shows-record-us-tariff-evasion> (last visited Mar. 6, 2026).

[2] U.S. Customs & Border Protection, "EAPA Cons. Case 7913: Various Importers (Notice of Determination as to Evasion, May 29, 2025): Notification of Determination as to Evasion in EAPA Consolidated Case 7913 – Mattresses from China," <https://www.cbp.gov/document/publications/eapa-cons-case-7913-various-importers-notice-determination-evasion-may-29> (last visited Mar. 6, 2026).

[3] Continental Materials, Inc. Application for Further Review of Protest, HQ H200755 (Nov. 18, 2014).

[4] U.S. Customs & Border Protection, "EAPA Case No. 7238: Royal Brush Manufacturing, Inc., Notice of Final Determination as to Evasion" (May 6, 2019), <https://www.cbp.gov/document/guidance/eapa-investigation-case-number-7238-royal-brush-manufacturing-inc-notice-final> (last visited Mar. 6, 2026).

[5] "Commerce Ministry Launches Plan to Curb False Origin Claims on US Exports, to Inspect 8,000 RVC Certificates Monthly," The Nation (Nov. 10, 2025), <https://www.nationthailand.com/business/economy/40058055> (last visited Mar. 6, 2026).

[6] <https://www.as-coa.org/articles/mexicos-ministry-economy-along-coa-holds-forum-combating-illicit-trade>.

[7] Memorandum for Members, National Foreign Intelligence Board, "Intelligence Definitions," CIA-RDP80M00596A000500020018-1.pdf" rel="noopener noreferrer" target="_blank"><https://www.cia.gov/readingroom/docs/CIA-RDP80M00596A000500020018-1.pdf> (last visited Mar. 6, 2026).

[8] U.S. Customs & Border Protection, Office of Intelligence and Analysis, <https://www.dhs.gov/office-intelligence-and-analysis> (last visited Mar. 6, 2026).