

Tariff Evasion Rises as Importers Slash Declared Values to Cut Costs

U.S. imports from China have shrunk drastically. But billions of dollars of the change appear to be the result of accounting gimmicks and outright fraud.

1. Sharp decline in import values

- *Average value of Chinese shipments to the U.S. dropped nearly **40%** (Jan 2025–Feb 2026).*
- *No similar trend for imports from other countries.*

2. Tariffs driving behavior

- *High U.S. tariffs on China incentivized firms to **reduce declared value** of goods.*
- *Lower declared value = lower tariff payments.*

3. Widespread undervaluation practices

- *Companies underreport shipment values or use shippers who do so.*
- *Experts and industry leaders describe the trend as **large-scale fraud**.*

4. Use of DDP (Delivered Duty Paid) model

- *Chinese suppliers offer all-inclusive pricing covering tariffs.*
- *Importers avoid customs handling, but practices may be legally questionable.*

5. Shift in supply chains

- *Some firms moved production to countries like **Vietnam and Mexico** to avoid high tariffs.*

6. Legal methods to reduce tariffs

- *Excluding intangible value (brand, IP) from product price.*
- *Using “first-sale rule” to base tariffs on lower initial transaction value.*
- *Routing transactions through subsidiaries.*

7. Distortion in trade data

- *U.S.-China trade figures show large discrepancies.*
- *China reported **\$112 billion more exports** than U.S. recorded imports.*

8. Impact on businesses

- *Small firms rely on gray-area tactics for survival.*

- *Honest firms face **unfair competition** from those evading tariffs.*

9. **Government response**

- *U.S. Customs increasing scrutiny and enforcement efforts.*
- *New task force created to tackle tariff evasion.*

10. **Enforcement challenges**

- *Fraud difficult to detect due to subjective pricing.*
- *Foreign firms can easily set up shell companies and evade penalties.*

Conclusion

*High tariffs have led to **systematic evasion strategies**, ranging from legal loopholes to outright fraud, distorting trade data and creating an uneven business environment.*

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As President Trump's stiff tariffs on China went into effect, a curious thing happened to the metal containers carrying Chinese goods to the United States.

The average value of the products in a 20-foot container plunged nearly 40 percent from January 2025 to February 2026, according to data compiled by ImportGenius, a trade data provider. Yet the average value of a container headed to the United States from elsewhere in the world remained relatively flat.

The reason? Experts say companies most likely began finding ways to reduce the value of the goods they were sending to the United States. Lowering the value of the toys, couches and other products headed for America's shores meant that companies could also reduce the amount of tariffs they had to pay for those imports.

Some firms turned to new suppliers outside China to lower their tariff bill, setting up factories in Vietnam, Mexico and other nations that faced lower U.S. tariffs. Others have found ways to substantially reduce the recorded value of their Chinese shipments without finding new factories, using tactics ranging from legal accounting tricks to outright fraud.

Some firms have routed their products through middlemen to take advantage of obscure regulations that can lower a product's value. In other cases, firms hire Chinese shippers that illegally reduce the value of the import. Because tariffs are charged as a percentage of that value, that, in turn, cuts how much is owed.

Ryan Petersen, the chief executive of Flexport, a supply chain management company, said that kind of fraud was hard to detect, because the price of goods could be subjective. But it

is an easy way to lower a tariff bill. If companies declare that their shipment is worth \$50,000 rather than \$100,000, “you just cut your tariff bill in half,” he said.

Mr. Petersen said he had seen a surge in activity very likely facilitating this. “We’re seeing just total, rampant fraud,” he added.

The New York Times reviewed trade data and spoke with more than a dozen company executives, as well as government officials, lawyers and economists, about the practices they were seeing as these trade and accounting schemes proliferated.

Artificially deflating an import’s value leads to a lower tariff

	DECLARED IMPORT VALUE	TOTAL TARIFF RATE	TARIFF DUE
LEGAL	\$10	25%	\$2.50
ILLEGAL	\$5	25%	\$1.25

Artificially reduced value leads to a lower tariff

Lazaro Gamio/The New York Times

Increases in tariffs have raised the incentive to avoid them, especially since penalties for breaking the law are rare. Some U.S. companies, particularly small businesses, have found themselves operating in a legal gray area, where they may not know if their actions are legal.

The Trump administration is trying to step up efforts to combat trade fraud, but it is still woefully outmatched by the challenge, company executives and trade lawyers say.

Trish Driscoll, a spokeswoman for U.S. Customs and Border Protection, said the agency aggressively combats trade fraud. She said that duty evasion schemes “can be used to drive down declared customs values” and that C.B.P. encouraged anyone who was aware of violations to report them.

The White House did not respond to a request for comment. However, a Trump administration official, who declined to be identified citing White House policy, acknowledged during a call with reporters on April 2 that the administration was seeing importers artificially reduce the value of steel and aluminum imports to evade tariffs.

Altering the valuation of Chinese goods means that U.S. statistics may exaggerate a recent trend in which trade with China appeared to be declining. On paper, the U.S. trade deficit with China and imported Chinese goods both plummeted by nearly a third last year.

Changes in valuation may also explain some of the large and growing gap between trade data published by the U.S. and Chinese governments. Last year, China reported exporting nearly \$112 billion more to the United States than what Washington said it had received, suggesting that trading firms are misrepresenting their activity to at least one government. That gap was \$26 billion wider in 2025 than in 2024.

Federal Reserve economists found that a similar discrepancy emerged after Mr. Trump imposed tariffs on China during his first term, as U.S. importers underreported shipments to evade tariffs.

Brad Setser, an economist at the Council on Foreign Relations, said that some of the drop in the value of a container from China could be explained by a shift in what was being exported. China has been selling the United States fewer high-priced electronics, for example, which could lower the average value of the goods shipped here.

But William George, the director of research at ImportGenius, said that electronics shipments by sea were not big enough to account for much of the drop. At no point in the past decade had the value of a shipping container from China ever fallen anywhere near last year's low, he said.

He called the trend "very suspicious" because the value began plummeting precisely as tariffs were imposed.

Part of the issue, Mr. George said, amounted to "almost certainly fraudulent declarations that U.S. customs should be aware of."

An enticing offer for smaller firms

Katie, who declined to give her last name out of fear of punishment by the Trump administration, said the decision to change how she was importing Chinese materials for her small company in Florida came down to survival.

She found herself facing a \$190,000 tariff bill last year on imports of gifts and stationery made of paper, ceramics, textiles and glass. She said that cost would have crippled her company, which has a staff of six and about \$3 million in annual sales.

Then the Chinese factories that she relied on for goods reached out and offered to handle shipping, tariff payments and delivery to her U.S. warehouse, all for one flat fee. That fee would not change even if Mr. Trump raised or lowered tariffs, as he was prone to do.

The Chinese factory called the service "DDP," a term meaning "delivered duty paid." On one recent shipment of cotton throw pillows, valued at \$9,504, the Chinese manufacturer offered

a \$3,058 flat rate, including tariffs. If Katie had imported the product herself, the total would have been \$4,563.

Katie does not know how much the Chinese factory pays in tariffs, because she does not see the paperwork. She was somewhat concerned about the practice being aboveboard, but she said she was not legally in possession of the products until after they cleared customs.

The change has helped her avoid raising prices. And from talking to other small business owners online, she knows the practice is widespread.

‘It’s Definitely a Sham’

Many U.S. businesses that import from China have been hit with similar solicitations, with Chinese companies offering to reduce their tariff payments by handling shipping and customs.

A logistics service from Guangdong, which ships items to Amazon fulfillment centers, offered in an email last year: “If there is a customs inspection, our company will be responsible for paying the tax.” It added, “Let’s tackle tariffs together!”

“We can help you reduce the duties about 10%,” another read.

While there are legitimate ways to use delivered duty paid services to reduce tariff bills, trade experts say many of the offers are fraudulent. In many cases, Chinese firms are artificially lowering the stated cost of the product on the customs form that is provided to the United States, they said.

While Mr. Trump has slapped tariffs on nearly every trading partner, these valuation schemes appear to be concentrated in China because the country has so many factories and logistics companies, and because U.S. tariffs on China are high, in many cases above 30 percent.

Bradley Handelman, president of Illinois-based Strikeforce Bowling, said he had paid \$1.7 million in tariffs last year to import bowling balls, shoes and other goods from Asia. He tried to reduce his tariff bill by assembling bowling bags in his factory near Chicago, which employs nearly 40 people.

But now that his firm was battling unscrupulous competitors, Mr. Handelman said those outlays — including a million dollars for factory equipment — were hurting rather than helping him.

“We know with certainty, because it’s public record, that our competitors are using incorrect tariff numbers,” he said.

“They’re not offering realistic prices,” he added. “You can tell.”

In some cases, the lower duty rate may allow Chinese sellers to charge lower prices for their products. In other cases, the firm just pockets the difference.

Aaron Womack, vice president of global strategy at CVB Inc., a Utah-based mattress company, said his firm had seen competitors declaring prices to customs that were 10 or 20 times lower than the typical cost, he said.

“If you took trash that was free and packaged it in a box, you couldn’t do that,” he said. “It’s definitely a sham.”

Legal Routes and Grey Areas

Not all efforts to reduce tariff bills are illegal. Some companies, typically deep-pocketed multinationals, have used legal accounting methods to slash the value of their imports without physically moving supply chains.

Lynlee Brown, a partner in the global trade practice at Ernst & Young, said that one strategy companies used involved stripping so-called intangible costs — like the value of a product’s design, brand, software or distribution rights — out of the import price.

For example, a company might determine that, for a \$20 toy, \$14 of the price stems from the value of a famous brand, while the physical product itself is worth only \$6.

In that case, a company could subtract the intangible value — \$14 — from the import price so they instead pay tariffs on \$6. Many technology companies used this practice during Mr. Trump’s first term to reduce tariffs, Ms. Brown said.

Another strategy companies use takes advantage of an obscure customs regulation that allows tariffs to be levied on the sale price a manufacturer charges its foreign distributor. That so-called first sale price is generally far lower than what the distributor charges when it sells the good in the United States.

There’s no data on how many companies are taking advantage of this rule. But it is under scrutiny in Congress, where lawmakers introduced a bill in February to abolish it.

Other companies are pursuing similar strategies that involve setting up new business entities. For example, instead of directly selling a product to a U.S. customer, a foreign company may establish a new U.S. branch of its own business that it sells its goods to at a lower “wholesale price,” thus incurring a lower tariff.

The goods are then marked up when they are sold from the U.S. wholesaler to a U.S. retailer or customer.

Thomas Taggart, a licensed customs broker, said he had seen more clients being approached about this tactic. He said the practice might be legal for multinationals with a

U.S. subsidiary, but it was “ridiculous” to think one could drastically reduce tariffs by spending 15 minutes online setting up a shell company in Wyoming.

Even when a company sells goods to itself, legally it needs to do so at a fair market price, he said.

“It sounds too good to be true, because I think it is,” Mr. Taggart said. But he said that U.S. customs had yet to provide clear guidance on the issue.

The Trump administration has pledged to fight tariff fraud and has created a new task force. Customs brokers say they see evidence of those efforts, such as the government requesting more information from companies about their imports.

Still, critics say the U.S. government is badly outmatched by the scale of tariff evasion.

Trade fraud cases remain difficult to prove, especially when they involve foreign firms.

Stephen S. Hasegawa, a lawyer at Phillips & Cohen, said that, right now, it was simply too easy for foreign firms to set up U.S. shell companies and then lie about the value of their imports.

“There’s nobody really paying attention,” he said. “If you catch them, they just disappear.”