

© 2025 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com | **www.gibsondunn.com**

Group, based in our San Francisco office (+1 415.393.4653, jolin@gibsondunn.com)
Gabriela Li (???) – Associate Attorney, False Claims Act / Qui Tam Defense and Securities
Regulation and Corporate Governance Practice Groups, based in our San Francisco office
(+1 415.393.4602, gli@gibsondunn.com)

English: On February 1, 2025, President Trump issued an Executive Order Imposing Duties to Address the Synthetic Opioid Supply Chain in the People's Republic of China. The Executive Order imposes a 10% *ad valorem* tariff on “all articles that are products of the PRC,” to be defined in a forthcoming Federal Register notice. The announced tariff is to stay in place until President Trump determines the “national emergency,” as assessed in his discretion under the International Emergency Economic Powers Act (IEEPA), is over. The tariff applies to all “goods entered for consumption, or withdrawn from warehouse for consumption,” on or after 12:01 a.m. Eastern Time on February 4, 2024. And the tariff is cumulative to all existing tariffs, including the up to 50% tariffs imposed during the first Trump administration on four category lists of Chinese imports. Those tariffs remain in effect and were [extended](#) and supplemented under the Biden administration, including (among other sectors) to battery parts, electric vehicles, semiconductors, and steel and aluminum products. The Executive Order does not include a list of specifically covered goods. The full details are likely to be included in a technical annex when the government publishes the order to the Federal Register or publishes a follow-up Federal Register notice. The Executive Order states that if China imposes its own retaliatory tariffs, President Trump “may increase or expand in scope the duties imposed under this order.” On February 2, 2025, China's Ministry of Commerce [announced](#) it would file a complaint to the WTO and implement corresponding “countermeasures.” Accordingly, on February 4, 2025, China's Ministry of Finance [announced](#), starting February 10, 2025, the imposition of additional tariffs of 15% on coal and liquified natural gas imports from the United States and a 10% tariff on crude oil, agricultural equipment, and certain vehicles. **Heightened U.S. Investigatory Environment for Tariffs Evasion—False Claims Act** One direct consequence of the new tariffs will be increased regulatory scrutiny of companies with manufacturing or assembly operations in China, or who have a China-based supply chain. And for those companies suspected of evading tariffs in this higher-cost environment, the False Claims Act (FCA) is a primary enforcement tool wielded by U.S. authorities. The FCA prohibits the avoidance of monetary obligations to the U.S. government by the presentation of false information. At the same time, the FCA provides substantial monetary incentives to private individuals—including current and former employees—who report suspected FCA violations, through “qui tam” or whistleblower lawsuits. The risk of enforcement action is particularly acute for companies with some *but not all* of their manufacturing, sourcing, or assembly relationships tied to China. This is because different rules for determining product origin apply depending on the raw materials, components, and product finishing in question. For example, goods that a Taiwanese company may consider as finished in Taiwan but that partially incorporate China-sourced components may be determined by U.S. authorities to have Chinese-origin for tariff purposes in light of new enforcement and regulatory interpretations, approaches, and priorities. And while it is true that “substantial transformation” in a third country can alter the origin of products, U.S. authorities have grown increasingly suspicious of transshipment undertaken merely as “window dressing.” We are aware of ongoing active investigations in this area, and examples of recent multi-million-dollar FCA settlements involving Chinese supply chain issues include:

- A [March 2024 U.S. Department of Justice investigation and settlement](#) of \$3.1 million for an alleged conspiracy to avoid customs duties between a New Jersey chemicals importer and Chinese suppliers.
- A [January 2024 U.S. Department of Justice investigation and settlement](#) of \$3 million to resolve allegations that an automobile parts manufacturer intentionally failed to pay tariffs on Chinese-manufactured products.

Simultaneous Executive Orders Imposing Canada and Mexico Tariffs In addition, whereas some companies—including many Taiwanese companies—had previously pursued manufacturing operations in [Canada](#) and [Mexico](#), in part to leverage the North American

GIBSON DUNN

Free Trade Agreement (NAFTA) and its 2020 successor, the United States-Mexico-Canada Agreement (USMCA), and to maximize cost savings in both countries relative to startup costs in the United States, as part of the February 1 Executive Order, President Trump simultaneously announced 25% tariffs on Canada- and Mexico-origin goods. Although these tariffs have been paused for 30 days as of February 4, this regional cost-mitigation strategy may end up being foreclosed, or otherwise highly scrutinized by enforcement authorities. **Mitigating Risk** Given this new trade environment, Taiwanese companies should be attuned to the heightened U.S. investigatory environment for tariff evasion and take appropriate precautions, such as auditing origin-related compliance and recordkeeping processes throughout their value chains. In the event that companies nevertheless become the subject of enforcement investigations by U.S. authorities for tariff evasion-based potential violations of the FCA or are accused of such misconduct by a purported whistleblower, companies are advised to seek the assistance of U.S. counsel with FCA defense experience.

The following Gibson Dunn lawyers prepared this update: Winston Chan, Justin Lin, and Gabriela Li.

With its market-leading False Claims Act / Qui Tam Defense Practice Group, Gibson Dunn continues to monitor developments in this area and is available to help Taiwanese clients understand and navigate FCA investigative and enforcement actions. In addition, the following practice group members have Mandarin Chinese language abilities: Winston Y. Chan – Global Co-Chair, False Claims Act / Qui Tam Defense and White Collar Defense and Investigations Practice Groups, based in our San Francisco office (+1 415.393.8362, wchan@gibsondunn.com) Justin Lin – Associate Attorney, False Claims Act / Qui Tam Defense and White Collar Defense and Investigations Practice Group, based in our San Francisco office (+1 415.393.4653, jolin@gibsondunn.com) Gabriela Li – Associate Attorney, False Claims Act / Qui Tam Defense and Securities Regulation and Corporate Governance Practice Groups, based in our San Francisco office (+1 415.393.4602, gli@gibsondunn.com) © 2025 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. Attorney Advertising: These materials were prepared for general informational purposes only based on information available at the time of publication and are not intended as, do not constitute, and should not be relied upon as, legal advice or a legal opinion on any specific facts or circumstances. Gibson Dunn (and its affiliates, attorneys, and employees) shall not have any liability in connection with any use of these materials. The sharing of these materials does not establish an attorney-client relationship with the recipient and should not be relied upon as an alternative for advice from qualified counsel. Please note that facts and circumstances may vary, and prior results do not guarantee a similar outcome.

Related Capabilities

[False Claims Act / Qui Tam Defense](#)