

# ***NEWS RELEASE***

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## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA***

*San Diego, California*

*United States Attorney*

*Laura E. Duffy*

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*For Immediate Release*

### **Former President of San Diego Customs Brokers Association Sentenced to 37 Months in Prison for Evading Import Taxes on \$100 million in Foreign-Made Goods**

*Fraudulently Imported Goods Included Chinese-made Clothing, Cigarettes  
and Salmonella-Infected Produce*

#### **NEWS RELEASE SUMMARY** – July 1, 2013

United States Attorney Laura E. Duffy announced that a San Diego businessman and his corporation were sentenced today for their roles in a long-running conspiracy to evade customs duties.

United States District Judge Michael M. Anello sentenced Gerardo Chavez to serve 37 months in prison and his corporation, International Trade Consultants, LLC, to serve 5 years of probation. In addition, Judge Anello ordered that Chavez forfeit real property in Tecate, California, where Chavez maintained his corporate offices. Judge Anello also ordered Chavez to appear for a future restitution hearing, at which Chavez could be ordered to pay millions of dollars in compensation to state and federal taxing authorities.

According to court filings, Chavez was the President of the San Diego Customs Brokers Association, a trade group for licensed professionals in the import-export field. Between 2007 and his arrest in 2012, Chavez and his companies supervised numerous shipments of commercial goods while coordinating one-half billion dollars in trade between merchants in the United States and other countries. Ultimately, Chavez was apprehended after a four month-long wiretap investigation led by special agents with Immigration and Customs Enforcement's Homeland Security Investigations and assisted by specialized international trade experts and officers from United States Customs and Border Protection.

Prior to sentencing, Chavez cancelled his individual, local and national Customs licenses, effectively ending his career as a customs broker.

According to court documents, Chavez's scheme focused on purchasing large, commercial quantities of foreign-made goods and importing them without paying import taxes, also known as Customs duties. Wholesalers in the United States would procure commercial shipments of, among other things, Chinese-made apparel and Indian-made cigarettes, and arrange for them to be shipped by ocean container to the Port of Long Beach, California. Before the goods entered the United States, conspirators acting at Chavez's direction would prepare paperwork and database entries indicating that the goods were not intended to enter the commerce of the United States, but instead would be "transshipped" "in-bond" to another country, such as Mexico. By claiming that the goods would not enter the commerce of the United States but instead were just passing through to another country, Chavez and his conspirators tricked Customs officials into believing that no customs duties were owed on the merchandise.

Then, instead of completing the in-bond transshipment, Chavez and his conspirators would hire truck drivers to haul the shipments to warehouses throughout Southern California. Chavez and his conspirators then generated fraudulent paperwork to cover up the scheme. As the conspirators had now effectively imported the goods tax-free, they could in turn sell more merchandise at cheaper prices—and reap greater profits—than their law-abiding competitors, including domestic American manufacturers of the same goods.

According to court filings, Chavez played a crucial role in the scheme, allowing others to use his lucrative customs license as the authority under which commercial shipments fraudulently entered the United States. While delegating much of the day-to-day operations to employees and contractors, Chavez provided crucial support to the conspiracy, advising on how to best deceive federal officers—and even volunteering to erase evidence from conspirators' computers. Over the course of his scheme, Chavez helped his clients evade at least \$18 million in import taxes on more than \$100 million in fraudulently imported foreign goods. In addition, Chavez's coconspirators—using Chavez's license, expertise and logistical support—succeeded in importing adulterated Mexican food products, as well as produce infected with *Salmonella Agona*, a disease-causing and potentially life-threatening bacteria.

Chavez's 37-month sentence also marks the latest in a string of Customs-related prosecutions pursued by the U.S. Attorney's Office. Chavez's sentencing came a little more than three weeks after a federal jury returned guilty verdicts on all counts pursued against one of Chavez's conspirators, Sunil Mirwani and his Los Angeles-based company, M Trade, Inc. Mirwani owned approximately \$30 million in Chinese-made textiles that Chavez helped fraudulently import into the United States. During that trial, some of Chavez's former coconspirators testified under oath about Chavez's fraudulent methods, noting that one of his contractors had access to equipment capable of forging certain official marks used by United States Customs and Border Protection.

United States Attorney Duffy said: "Our system of international trade relies on the honesty and integrity of all participants; and perhaps most of all, of customs brokers, to ensure that applicable taxes are paid, and that hazardous materials do not cross our country's borders. Gerardo Chavez abused the trust this country instilled in him, endangering public health and stealing from the United States treasury at a time when we could ill afford it—all for his personal, fraudulent, gain."

"Today's sentencing illustrates the importance of DHS components working seamlessly to prevent criminals from exploiting the commercial trade corridor in the San Diego-Tijuana region," said Derek Benner, special agent in charge for HSI in San Diego. "HSI will continue to prioritize investigations

involving suspected Customs fraud in an effort to maintain the highest degree of integrity in cross border trade.”

“CBP is charged with protecting the revenue of the United States. This case demonstrates our commitment to that mission and the importance of working with our federal partners,” said Pete Flores, CBP director of field operations for San Diego. “Joint efforts such as this are crucial to maintaining our nation’s economic security and competitiveness.”

Lisa Malinowski, Special Agent in Charge, U.S. Food and Drug Administration's Office of Criminal Investigations, Los Angeles Field Office, said: “Today’s sentencing demonstrates OCI’s commitment to investigating and holding accountable those who conspire to import adulterated and potentially life-threatening products to the unsuspecting public. OCI will continue to join with our law enforcement counterparts to pursue those who place consumer’s health at risk for financial gain.”

**DEFENDANTS**      **Case Number: 12CR3137-MMA**

Gerard Chavez      Spring Valley, California      Age: 42  
International Trade Consultants, LLC

**SUMMARY OF CHARGES**

**Chavez:**

Count 1:      Conspiracy to Defraud the United States and to Commit Offenses against the United States, in violation of Title 18, United States Code, Section 371.

Counts 2-3:      Bringing in Goods by Means of False Statements, in violation of Title 18, United States Code, Section 542.

Count 57:      Laundering of Monetary Instruments, in violation of Title 18, United States Code, Section 1956(a)(2)(A) and (h).

**International Trade Consultants, LLC**

Count 1:      Conspiracy to Defraud the United States and to Commit Offenses against the United States, in violation of Title 18, United States Code, Section 371.

**INVESTIGATING AGENCIES**

Immigration and Customs Enforcement’s Homeland Security Investigations  
United States Customs and Border Protection  
Internal Revenue Service – Criminal Investigations  
Food and Drug Administration  
Alcohol and Tobacco Tax and Trade Bureau